

Maersk Line UK Limited

Directors' Report and Accounts

31 December 2013

(Company No: 00857789)

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MAERSK LINE UK LIMITED

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MAERSK LINE UK LIMITED
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

Review of the business of the Company

Development and performance of the Company's business

The Company showed a loss before taxation of \$9m in 2013 and a loss before taxation of \$89m in 2012. This improvement is largely attributable to a \$68m improvement in other operating expenses as there was no requirement for investment impairment in 2013.

The gross profit for 2013 was \$86m less than 2012 and the gross profit margin reduced from 52.5% in 2012 to 43.9% in 2013. This was as a result of the composition of the vessel fleet changing following vessel sales at the end of 2012.

Administration expenses for 2013 were \$80m lower than 2012 due to lower depreciation charges following vessel disposals in 2012 and reduced pension costs.

Impairment of investments resulted in losses of \$51m in 2012 compared with no impairment loss in 2013 causing a significant improvement in other operating income/expenses. Additionally the net currency gains in 2013 were \$16m higher than 2012.

Net financing costs decreased by \$15m in 2013, this was as a result of the full year effect of reduced lease interest expense following the termination of finance leases in 2012.

As part of the group restructure the Company is now owned by A.P.Møller-Mærsk A/S. The Directors consider that the Company's activities will continue for the foreseeable future.

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

At the end of the year the Company had shareholder equity of \$873m (2012: \$838m).

Total assets are \$2,720m (2012: \$2,041m) of which vessels and equipment total \$754m (2012: \$821m).

During 2013 the Company disposed of all its remaining containers. There were no additions or disposals to the fleet of vessels operated by the company.

Key performance indicators

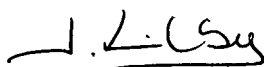
The Company utilises specific key performance indicators for monitoring and measuring performance. The key factors by which management monitors overall performance are operating margin and return on equity. The Company is committed to conducting its activities in a manner that protects the health and 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. Møller-Mærsk A/S, on www.maersk.com.

The operating margin for the Company increased from -3.0% in 2012 to 21.7% in 2013. Return on equity improved from -8.5% to -0.13% in 2013. There were 2 lost-time incidents in 2013, compared to 5 in 2012. The Company continues to focus on improving safety levels to ensure these incidents are kept to a minimum.

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. Further information on Company financial risk management can be found in note 21.

BY ORDER OF THE BOARD



J. Kilby
Secretary
7th May 2014

Maersk House
Braham Street
London
E1 8EP

MAERSK LINE UK LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2013

1. The directors present their report and accounts of the Company for the year ended 31 December 2013.

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 2013 (2012: \$nil).

5. **Review of the business**

For the review of the business refer to the Strategic report on page 2.

6. **Directors**

The directors of the Company during the year and up to the date of signing the financial statements were:

T.E. Cornick

J. Kilby

D.P. Hedges (Resigned 30 March 2014)

N. Lehmann Taylor (Appointed 30 March 2014)

J. Stausholm (Resigned 01 January 2014)

C. Munch (Appointed 01 January 2014)

S.N. Christensen (Resigned 29 March 2013)

D.J. Harris (Appointed 29 March 2013)

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. **Statement of Disclosure of Information to Auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that 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.

9. **Independent Auditors**

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

MAERSK LINE UK LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statement;
- 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.

BY ORDER OF THE BOARD



J. Kilby
Secretary
7th May 2014

Maersk House
Braham Street
London
E1 8EP

MAERSK LINE UK LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MAERSK LINE UK LTD

We have audited the financial statements of Maersk Line UK Limited for the year ended 31st December 2013 which comprise the Income Statement, the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 Ethical Standards for Auditors.

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

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 Strategic report, Directors' 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 misstatements or inconsistencies we consider the implications for 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 31st December 2013 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



Tony Nicol (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants & Statutory Auditors
1 Embankment Place,
London,
WC2N 6RH

7 May 2014

MAERSK LINE UK LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>
Continuing operations			
Revenue		249,996	372,253
Cost of sales		(140,347)	(176,995)
Gross profit		<u>109,649</u>	<u>195,258</u>
Other operating income	3	24,127	8,793
Administrative expenses		(79,547)	(159,328)
Other operating expenses	3	-	(55,966)
Operating profit/(loss) before financing costs	2	<u>54,229</u>	<u>(11,243)</u>
Financial income	7	5,578	6,627
Financial expense	7	(70,655)	(86,857)
Net finance costs		<u>(65,077)</u>	<u>(80,230)</u>
Dividend income		2,327	2,422
Loss before income tax		<u>(8,521)</u>	<u>(89,051)</u>
Income tax benefit	8	7,313	17,744
Loss for the year		<u>(1,208)</u>	<u>(71,307)</u>
Loss attributable to:			
Equity holders of the Company		<u>(1,208)</u>	<u>(71,307)</u>

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

The notes on pages 11 to 36 form part of these financial statements.

MAERSK LINE UK LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>
Loss for the year		(1,208)	(71,307)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Transfer of pension liability with fellow subsidiary	23	16,014	-
Transfer of pension asset with fellow subsidiary	23	8,415	-
Defined benefit plan actuarial gains	23	12,312	(26,655)
Net income/ (expense) recognised directly in equity		<u>36,741</u>	<u>(26,655)</u>
Total comprehensive income for the year		<u><u>35,533</u></u>	<u><u>(97,962)</u></u>
Attributable to :			
Owners of the parent		<u><u>35,533</u></u>	<u><u>(97,962)</u></u>


The notes on pages 11 to 36 form part of these financial statements.

MAERSK LINE UK LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(Company No: 00857789)

	<u>Notes</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>
Assets			
Vessels	10	754,411	815,858
Property, plant and equipment	11	-	4,940
Investment in subsidiaries	12	1,648,255	81,854
Deposit with parent	14	-	500,000
Employee benefits	23	64,226	17,767
Deferred tax	13	-	4,843
Total non-current assets		<u>2,466,892</u>	<u>1,425,262</u>
Trade and other receivables	15	192,353	562,871
Cash and cash equivalents	16	60,906	52,714
Total current assets		<u>253,259</u>	<u>615,585</u>
Total assets		<u>2,720,151</u>	<u>2,040,847</u>
Equity			
Issued capital	17	475,548	475,548
Share premium		46,526	46,526
Retained earnings		351,349	315,816
Total Equity attributable to owners of the parent		<u>873,423</u>	<u>837,890</u>
Liabilities			
Loans and borrowings	18	784,421	825,393
Provisions	20	178,763	190,238
Employee benefits	23	64,484	66,259
Total non current liabilities		<u>1,027,668</u>	<u>1,081,890</u>
Loans and borrowings	18	43,797	39,932
Trade and other payables	19	772,923	79,516
Provisions	20	2,340	1,619
Total current liabilities		<u>819,060</u>	<u>121,067</u>
Total liabilities		<u>1,846,728</u>	<u>1,202,957</u>
Total equity and liabilities		<u>2,720,151</u>	<u>2,040,847</u>

The notes on pages 11 to 36 form part of these financial statements.

These Financial Statements were approved by the board of directors on 7th May 2014 and were signed on it's behalf by


T.E.Cornick
Director

MAERSK LINE UK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	<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>
Balance at 1 January 2012		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)
Total comprehensive income for the period		-	-	(26,655)	(71,307)	(97,962)
Balance at 31 December 2012		475,548	46,526	(148,915)	464,731	837,890
Balance at 1 January 2013		475,548	46,526	(148,915)	464,731	837,890
Loss for the period		-	-	-	(1,208)	(1,208)
<i>Other comprehensive income</i>						
Defined benefit plan actuarial loss	23	-	-	12,312	-	12,312
Transfer of pension liability and assets with fellow subsidiaries	23	-	-	24,429	-	24,429
Total comprehensive income for the period		-	-	36,741	(1,208)	35,533
Balance at 31 December 2013		475,548	46,526	(112,174)	463,523	873,423

The notes on pages 11 to 36 form part of these financial statements.

MAERSK LINE UK LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>Notes</u>	<u>2013</u> <u>\$000</u>	<u>2012</u> <u>\$000</u>
Cash flow from operating activities			
Loss for the year		(1,208)	(71,307)
Adjustments for:			
Depreciation		69,770	128,404
Impairment of fixed assets		449	520
Impairment of investments (reversed)/charged		-	51,466
(Profit)/Loss on sale of fixed assets	2/3	(6,781)	524
Net financing costs	7	65,077	80,230
Net hedging and currency revaluations		(16,569)	(3,531)
Dividend income		(2,327)	(2,422)
Income tax benefit	8	(7,313)	(17,744)
<i>Operating profit before changes in working capital and provisions</i>		<u>101,098</u>	<u>166,140</u>
 Increase in trade and other receivables		(333)	(44,429)
(Decrease)/Increase in provisions		10,092	38,717
Decrease in trade and other payables		<u>(9,673)</u>	<u>(34,828)</u>
<i>Cash generated from operations</i>		<u>101,184</u>	<u>125,600</u>
 Payments to defined benefit schemes		(17,932)	(51,674)
Interest paid		(67,350)	(82,794)
Net hedge receipts/(payments)		1,977	(2,521)
Income taxes		<u>27,996</u>	<u>16,204</u>
Net cash from operating activities		<u>45,875</u>	<u>11,388</u>
 Cash flow from investing activities			
Proceeds from sale of vessels		-	86,528
Acquisition of vessels		(7,147)	(22,517)
Acquisition of investments		-	(1,500)
Interest received		5,682	6,573
Dividends received		<u>2,327</u>	<u>2,422</u>
Net cash (used in)/from investing activities		<u>862</u>	<u>64,933</u>
 Cash flow from financing activities			
Payment of finance lease liabilities		<u>(39,457)</u>	<u>(73,579)</u>
Net cash used in financing activities		<u>(39,457)</u>	<u>(73,579)</u>
 Net increase in cash and cash equivalents		7,280	2,742
Cash and cash equivalents at 1 January		52,714	48,445
Effect of exchange rate fluctuations on cash held		<u>911</u>	<u>1,528</u>
Cash and cash equivalents at 31 December		<u><u>60,906</u></u>	<u><u>52,714</u></u>

The notes on pages 11 to 36 form part of these financial statements.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

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.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

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

(a) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'financial income or expenses'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income or administrative expenses'.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the Income Statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(b) Derivative financial instruments and hedging

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.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Currently, there are no items that have been hedge accounted.

The fair values of various derivative instruments are disclosed in note 19. The full fair value of a derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(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:

Container Vessels	20 years
Containers	10-15 years
Other Plant and Equipment	4-15 years

Depreciation periods and residual values are reassessed on a regular basis.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

(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 LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

(h) Impairment (*continued*)

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 LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

(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 from sale of goods is recognised in the Income Statement when the significant risks and rewards or ownership have been transferred to the buyer. Revenue from services is recognised in the Income Statement when the service has been provided. The earnings of vessels are recognised in revenue based on the time charter agreements.

(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 LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

(o) Income taxes and tonnage taxes

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, is included 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.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

(q) New Standards, Amendments and Interpretations

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the group:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The impact on the comparative disclosures were not material for restatement.

Amendments to IFRS 7, 'Financial instruments: Disclosures' – 'Offsetting Financial Assets and Financial Liabilities'. The amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

New standards and interpretations not yet adopted

The following standards and amendments to published standards are mandatory for accounting periods beginning on or after 1 January 2014, and have not been early adopted:

- IFRS 10 'Consolidated financial statements' including amendments.
- IFRS 11 'Joint arrangements' including amendments, effective for accounting periods beginning on or after 1 January 2014. The standard defines two types of joint arrangements: joint operations and joint ventures, based on the rights and obligations of the parties to the arrangement. Proportional consolidation of joint ventures will no longer be allowed and must be accounted for using the equity method. The standard is not expected to have an impact on the company.
- IFRS 12, 'Disclosures of interests in other entities', including amendments.
- IAS 28 (amendment), 'Investments in associates and joint ventures', includes requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IAS 32 (amendment), 'Financial instruments: Presentation', regarding asset and liability offsetting.
- IAS 36 (amendment), 'Impairment of assets', regarding recoverable amount disclosures.
- IFRS 9, 'Financial instruments', including amendments. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

2. Operating profit

Operating profit is stated after charging;

	2013 \$'000	2012 \$'000
Depreciation (included within administrative expenses)	69,770	128,404
Operating lease costs (included in cost of sales)	49,638	50,033

3. Other operating income and expenses

Other operating income

	2013 \$'000	2012 \$'000
Gain on non-hedge derivatives	4,052	7,507
Profit on sale of fixed assets	6,781	-
Foreign exchange gain	12,517	-
Other income	777	1,286
	<u>24,127</u>	<u>8,793</u>

Other operating expense

	2013 \$'000	2012 \$'000
Write off and impairment of investments	-	51,466
Foreign exchange loss	-	3,976
Loss on sale of fixed assets	-	524
	<u>-</u>	<u>55,966</u>

4. Auditor's remuneration

The fee for audit of these 2013 financial statements is \$155,000 (2012: \$201,000), and has been reported under administration expenses. These costs were incurred by The Maersk Company Limited and recharged.

5. Employee information

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

	2013 number	2012 number
In the United Kingdom	<u>291</u>	<u>355</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.

Of the 291 person employed 213 undertook their duties for Maersk Line Agency, 30 for Damco and 48 for the Maersk Company Limited.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

6. Remuneration of directors

In 2013 and 2012 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

		<u>2013</u>	<u>2012</u>
		<u>\$'000</u>	<u>\$'000</u>
Interest income	- external	270	617
	- inter group	5,308	6,010
Financial income		<u>5,578</u>	<u>6,627</u>
Interest expense	- external	(67,922)	(81,767)
	- inter group	(2,733)	(52)
Lease termination costs		-	(5,038)
Financial expense		<u>(70,655)</u>	<u>(86,857)</u>
Net financing cost		<u>(65,077)</u>	<u>(80,230)</u>

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

8. Income tax benefit/(expense)

Recognised in the income statement

	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Current tax benefit/(expense):		
Current year	7,570	11,141
Adjustments for prior years	4,209	1,172
Total income tax benefit in income statement	<u>11,779</u>	<u>12,313</u>
Deferred tax benefit/(expense):		
Adjustments in respect of prior periods	(4,843)	4,843
Total tax (expense)/benefit in income statement	<u>(6,936)</u>	<u>17,156</u>
Of which relates to: tonnage tax (included in administration expenses)	(377)	(588)
: income taxes	7,313	17,744
Total income tax benefit in income statement	<u>6,936</u>	<u>17,156</u>

Reconciliation of effective tax rate

	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Loss before taxation	(8,521)	(89,051)
Loss taxed under the tonnage tax regime	(33,236)	(8,321)
Other loss before tax	<u>(41,757)</u>	<u>(97,372)</u>
Theoretical tax thereon at 23.25% (2012: 24.5%)	(9,708)	(23,856)
Expenses not deductible for tax purposes	1,762	12,127
Adjustments in respect of prior periods	634	(6,015)
Income tax benefit for the year	<u>(7,313)</u>	<u>(17,744)</u>

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

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 23.25%. Further decreases are expected to be enacted in future Finance Bills.

9. Current tax assets and liabilities

The Company has a net current tax asset of \$19,815,000 (2012: \$35,655,000 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 (2013 \$20,772,000 ; 2012 \$36,895,000) and Note 19: Trade and other payables (2013 \$957,000; 2012 \$1,240,000).

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

10. Vessels	Owned	Finance	Total
	\$'000	Leases	\$'000
	\$'000	\$'000	\$'000
Cost			
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
At 1 January 2013	152,719	1,088,864	1,241,583
Additions	2,797	4,350	7,147
Disposals	(1,153)	(4,884)	(6,037)
At 31 December 2013	154,363	1,088,330	1,242,693
Depreciation & impairment losses			
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
At 1 January 2013	46,522	379,203	425,725
Depreciation for the year	16,792	51,353	68,145
Impairment loss	449	-	449
Disposals	(1,153)	(4,884)	(6,037)
At 31 December 2013	62,610	425,672	488,282
Carrying amounts			
At 1 January 2012	241,840	950,565	1,192,405
At 31 December 2012	106,197	709,661	815,858
At 1 January 2013	106,197	709,661	815,858
At 31 December 2013	91,753	662,658	754,411

There were no additions or disposals to the number of vessels operated by the Company.

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 2013 the net carrying amount of the leased vessels was \$662,658,000 (2012: \$709,661,000). Depreciation for the year for leased vessels was \$51,353,000 (2012: \$101,553,000).

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

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% (2012: 10.0%).

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

11. Property plant and equipment

	Containers & Other Plant & Equipment	Total
	Owne \$'000	\$'000
Cost or Valuation		
At 1 January 2012	33,611	33,611
Disposals	(541)	(541)
At 31 December 2012	33,070	33,070
At 1 January 2013	33,070	33,070
Disposals	(33,070)	(33,070)
At 31 December 2012	-	-
Depreciation		
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
At 1 January 2013	28,130	28,130
Charged for the year	1,625	1,625
Disposals	(29,755)	(29,755)
At 31 December 2013	-	-
Carrying amounts		
At 1 January 2012	7,652	7,652
At 31 December 2012	4,940	4,940
At 1 January 2013	4,940	4,940
At 31 December 2013	-	-

As of 31 December 2013 all owned property plant and equipment had been sold to a fellow subsidiary.

Leased property plant and equipment

As a lessor

The Company's property plant and equipment were leased to third parties. The leases were terminated in 2013 at the same point as the containers were disposed. See note 22 for further information.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

12. Investment in subsidiaries

	<u>Subsidiaries</u> <u>\$'000</u>
Cost	
At 1 January 2012	143,392
Additions	1,500
At 31 December 2012	<u>144,892</u>
At 1 January 2013	144,892
Additions	1,566,401
At 31 December 2013	<u>1,711,293</u>
Provisions	
At 1 January 2012	11,572
Provision for impairment	51,466
At 31 December 2012	<u>63,038</u>
At 1 January 2013	63,038
At 31 December 2013	<u>63,038</u>
Carrying amounts	
At 1 January 2012	131,820
At 31 December 2012	<u>81,854</u>
At 1 January 2013	81,854
At 31 December 2013	<u>1,648,255</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.

Name of subsidiary	Activity	% of ordinary share capital held
Nedlloyd Genoa Limited	Container Ship Operators	100
Nedlloyd Marseille Limited	Container Ship Operators	100
Pentalver Transport Limited	Container depots and associated services	100
Nedlloyd Container Line Limited	Container Ship Operators	100
Maersk Holdings Limited	Holding Company	100

On 2nd November 2013 the Company purchased 100% of the share capital in Nedlloyd Container Line Limited for \$1,566,400,000 and Maersk Holdings Limited for \$1 from The Maersk Company Limited. The purchase of these investments was made through non cash transactions.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

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>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Tax (gains)/losses	(4,843)	4,843

Movement in temporary differences during the year

Balance at 1 January 2013	Recognised in income statement	Balance at 31 December 13
<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
4,843	(4,843)	0

Unrecognised deferred tax assets

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

	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Tax losses	1,662	823
	1,662	823

Unrecognised deferred tax relates to losses carried forward from prior years. Tax losses do not expire under the current legislation.

14. Deposit with parent

The deposit placed in 2012 with the then parent company, The Maersk Company Limited, was set to mature in January 2014. The deposit was terminated in 2013 in order to partially fund the purchase of Nedlloyd Container Line Limited.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

15. Trade and other receivables

	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Amounts owed by group undertakings	162,410	519,153
Prepayments	427	-
Tax receivable	20,772	36,895
Fair value of derivatives (note 21)	8,621	6,546
Other receivables	123	277
	<u>192,353</u>	<u>562,871</u>

Included within amounts owed by group undertakings are deposits made with the parent company at each balance sheet date, A.P.Møller-Mærsk A/S at 31st December 2013 and The Maersk Company Limited at 31st December 2012 as included in note 25. At 31 December 2013 the value of the deposit included in amounts owed by group undertakings was \$148,896,000 (2012: \$439,809,000).

The Company's exposure to credit and currency risks and impairment issues related to trade and other receivables are discussed in note 21.

16. Cash and cash equivalents

	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Deposits	26,111	26,011
Cash at bank	34,795	26,703
	<u>60,906</u>	<u>52,714</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>2013</u>		<u>2012</u>	
	Number	Value \$'000	Number	Value \$'000
<i>Authorised, 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 LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

17. Capital and reserves (continued)

Capital management

The Company regularly reviews its capital structure and is not subject to external controls on its capital structure. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, reduce capital to shareholders, issue new shares or sell assets to reduce debt.

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>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Non current liabilities</i>		
Obligations under finance leases	784,421	825,393
	<u>784,421</u>	<u>825,393</u>
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
<i>Current liabilities</i>		
Obligations under finance leases	43,797	39,932
	<u>43,797</u>	<u>39,932</u>

Finance lease liabilities

	<u>Minimum lease</u>		
	<u>payments</u>	<u>Interest</u>	<u>Principal</u>
	<u>2013</u>	<u>2013</u>	<u>2013</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Within one year	109,345	65,548	43,797
In the second to fifth years	445,751	220,672	225,079
Over five years	657,358	98,016	559,342
	<u>1,212,454</u>	<u>384,236</u>	<u>828,218</u>

	<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>

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

19. Trade and other payables

	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Amounts due to group undertakings	753,197	63,738
Tax payable	957	1,240
Accruals	18,621	14,336
Prepayments received	148	202
	<u>772,923</u>	<u>79,516</u>

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

20. Provisions

	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Balance at 1 January	191,857	163,823
Provided during the year	5,706	35,602
Utilised during the year	(1,114)	(1,303)
Reversed during the year	(2,022)	(3,370)
Currency gain	(13,324)	(2,895)
Balance at 31 December	<u>181,103</u>	<u>191,857</u>
Non-current	178,763	190,238
Current	<u>2,340</u>	<u>1,619</u>
	<u>181,103</u>	<u>191,857</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

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The AP Moller-Maersk group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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.

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.

There were no assets past due at the balance sheet date and therefore no aged analysis has been presented.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

21. Financial instruments (continued)

Cash and Bank

The Company's credit risk attributed to amounts deposited with AP Moller-Maersk in Copenhagen is managed by assessing the nature of the funds and by ensuring that no restrictions are applicable on any monies deposited. The Directors are of the view that such credit risk is minimal in view of A.P. Moller Maersk A/S' financial position.

Liquidity risk

Cash flow forecasting is performed by the Company and in and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

Surplus cash held by the Company over and above balance required for working capital management are transferred to the group treasury. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

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 is 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.

Based on the various scenarios, the group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

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
2013							
Cash and cash equivalents	16	0.40%	60,906	-	-	-	60,906
Amount due from group	15	0.15%	162,410	-	-	-	162,410
Loans granted to parent	14		-	-	-	-	-
Amount due to group	19	nil	(753,197)	-	-	-	(753,197)
Finance leases	19	7.88%	(51,141)	-	-	(777,077)	(828,218)
			(581,022)	-	-	(777,077)	(1,358,099)
2012							
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)
			455,326	500,000	-	(812,522)	142,804

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

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:

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Finance lease liabilities	828,218	1,089,116	865,325	1,224,293

Financial instruments measured at fair value

Financial instruments measured at fair value can be divided into three levels:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - Inputs for the asset or liability that are not based on observable market data.

	Carrying amount	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
2013	828,218	-	828,218	-
2012	865,325	-	865,325	-

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 change in interest rates.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound, Euro and Danish Krone. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

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 are as follows:

	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents		
EUR	1,882	2,006
GBP	5,943	7,821
USD	26,970	16,876
	<u>34,795</u>	<u>26,703</u>

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

21. Financial instruments (continued)

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

Loans and borrowings

	2013			
	Interest spread			Total
	0-3%	3-6%	>6%	
	\$000	\$000	\$000	\$000
GBP	51,141	84,978	-	136,119
USD	-	-	692,099	692,099
	<u>51,141</u>	<u>84,978</u>	<u>692,099</u>	<u>828,218</u>

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

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.

	Principal	
	Purchase/(sale), net	
	2013	2012
	\$'000	\$'000
GBP	176,431	146,125
USD	(167,723)	(139,514)
	<u>8,708</u>	<u>6,611</u>
Fair value	8,621	6,546
Of which recognised	(8,621)	(6,546)
For future recognition	<u>-</u>	<u>-</u>

Forward exchange contracts are recognised at fair value at each reporting date with gains or losses recognised within the income statement as they are treated as assets / liabilities at fair value through profit and loss. All other financial instruments are treated as loans and receivables.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

22. Operating Leases

	Vessels	
	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Non-cancellable operating lease rentals are payable as follows:		
Within one year	50,140	55,764
In the second to fifth years inclusive	59,349	55,600
	<u>109,489</u>	<u>111,364</u>
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Recognised expense in the year (within cost of sales)	<u>49,638</u>	<u>50,033</u>
As a Lessor	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Operating lease income from time charter of vessels is receivable as follows:		
Within one year	243,125	246,574
In the second to fifth years	168,728	410,211
Over five years	-	-
	<u>411,853</u>	<u>656,785</u>
Recognised income in the year	<u>245,102</u>	<u>367,368</u>
	2013	2012
	<u>\$'000</u>	<u>\$'000</u>
Operating lease income from containers is receivable as follows:		
Within one year	-	1,631
	<u>-</u>	<u>1,631</u>
Recognised income in the year	<u>4,894</u>	<u>4,894</u>

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

23. Employee benefits

Defined benefit plans

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.

MNRPF

Maersk Line UK Limited is a former employer of the Merchant Navy Ratings Pension Fund (MNRPF) an industry wide pension scheme. Currently the Company is not required to contribute towards any funding deficits. As a result of a court case brought by Stena Line in 2009 the trustee is seeking Court approval to amend the Rules so that it can spread deficit contributions across all employers associated with the scheme since its inception in 1978. Maersk Line UK Limited may therefore be required to contribute to the MNRPF in the future.

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.

During the year a net pension liability for the MNOFF of \$8,415,000 was transferred from the Company to its then parent the Maersk Company Limited. This net liability comprised of assets of \$31,930,000 and liabilities of \$40,345,000 and relates to the compliance with a deed of novation on the liquidation of several companies who had employees in the scheme.

PONL Pension Scheme

The PONL pension scheme merged with the Maersk Oil North Sea UK Limited Pension Scheme on 31st March 2013 transferring in \$16,014,327 to the merged scheme and changed its name to Maersk Retirement Benefit Scheme (Maersk RBS). The scheme is a defined benefit scheme with assets held in separate trustee administered funds.

There is no contractual agreement or stated policy for charging net defined benefit costs to the company. As there is no contractual agreement, the Company recognises a cost equal to its contributions payable for the period. The details below relate to the plan as a whole, rather than the obligations of the Company.

Maersk RBS was closed to new members effective January 2001, but remains open to future pension accruals. It provides pensions to 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%.

The expected return on assets has not been determined in 2013 since the pension cost from 2014 is calculated on the basis of the discount rates in accordance with revised IAS 19.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
	\$000	\$000	\$000	\$000	\$000
Present value of funded obligations	1,441,037	1,237,881	1,107,778	1,001,563	983,397
Present value of unfunded obligations	11,439	138	57,587	29,513	41,807
Fair value of plan assets	(1,452,218)	(1,189,527)	(1,102,039)	(976,274)	(937,128)
Total net employee benefits	258	48,492	63,326	54,802	88,076

This net balance is included in the statement of financial position as:

Non current asset	(64,226)	(17,767)	(13,504)	(23,576)	-
Non current liabilities	64,484	66,259	76,830	78,378	88,076
	258	48,492	63,326	54,802	88,076

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

23. Employee benefits (continued)

Defined benefit plans (continued)

	<u>2013</u>	<u>2012</u>
	\$000	\$000
<i>Movements in the net liability for defined benefit obligations recognised in the statement of financial position</i>		
Net liability for defined benefit obligations at 1 January	48,492	63,326
Transfers in	(16,014)	-
Transfers out	(8,415)	-
Contributions	(17,932)	(51,675)
Expense recognised in the income statement (see below)	7,395	7,855
Liability recognised directly to reserves	(12,312)	26,655
Foreign exchange (gain)	(956)	2,331
Net liability for defined benefit obligations at 31 December	<u>258</u>	<u>48,492</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	1,238,019	1,165,365
Net service costs	5,350	4,893
Contribution by members	734	968
Interest costs	55,843	51,749
Transfers in	130,931	-
Transfers out	(40,344)	-
Benefits paid	(50,713)	(51,668)
Actuarial loss	70,294	73,812
Unfunded obligations	10,728	(56,186)
Foreign exchange (gain)	31,634	49,086
Liability for defined benefit obligations at 31 December	<u>1,452,476</u>	<u>1,238,019</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	1,189,527	1,102,039
Transfers in	146,945	-
Transfers out	(31,930)	-
Settlements	-	-
Interest income on plan assets	54,925	48,787
Actuarial gain/(loss)	93,334	(9,028)
Contribution by employers	17,932	51,674
Contribution by members	734	968
Administration expenses paid	(1,127)	-
Benefits paid	(50,713)	(51,668)
Foreign exchange (gain)	32,591	46,755
Net plan assets for defined benefit obligations at 31 December	<u>1,452,218</u>	<u>1,189,527</u>

The allocation of the plan assets is as follows:

Equities	437,708	423,419
Government bonds	633,500	467,964
Corporate bonds	305,198	260,089
Property	7,245	4,652
Cash	-	33,403
Insurance contracts	824	-
Other	67,743	-
	<u>1,452,218</u>	<u>1,189,527</u>

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

23. Employee benefits (continued)

Defined benefit plans (continued)	2013 \$000	2012 \$000
Actual return on plan assets	-	39,758
Actual return on plan assets percentage	11.71%	3.46%
<i>Expense recognised in the income statement</i>		
Current service costs	5,350	5,861
Net interest on the net defined benefit (liability)/asset	918	2,962
Employee contributions	-	(968)
Administration expenses recognised in profit and loss	1,127	-
Foreign exchange (gain)/loss	(1,458)	2,331
	5,937	10,186

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

Administrative expenses	7,395	7,855
Other operating income	(1,458)	2,331
	5,937	10,186

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

	2013	2012
Discount rate	4.4%	4.4%
Future salary increases	4.6%	4.2%
Future pension increases	3.3%	2.9%

Contributions to be paid to the plans during 2014

Employer contributions to the MNOFF and PONL defined benefit schemes are intended to cover any deficit on the Actual Return on Assets. Scheduled employer contributions to MNOFF and PONL in 2014 are USD 24.29m (2013 projection: USD 10.96m).

Mortality Assumptions

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2013	2012
Retiring at the end of the reporting period:		
- Male	23	22
- Female		
Retiring 20years after the end of the reporting period:		
- Male	24	23
- Female		

The Sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Impact on defined benefit obligation			
	Change in Assumption	Increase in assumption	Decrease in assumption
Discount rate	0.10%	Decrease by 1.6%	Increase by 1.6%
Salary growth rate	0.10%	Increase by 0.9%	Decrease by 1.0%
Pension growth rate			
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase 3.7%	Decrease 3.6%

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

23. Employee benefits (continued)

Defined contribution plans

	<u>2013</u>	<u>2012</u>
	<u>\$000</u>	<u>\$000</u>
Total expenses relating to these plans were:	<u>203</u>	<u>31,386</u>

24. Contingent liabilities

Guarantees

The Company has given unsecured operational guarantees to third parties amounting to \$5,857,800 (2012: \$272,000,000).

Following the transfer of 14 finance lease vessels to A.P.Møller-Mærsk A/S in 2012 the lessors required that the Company guarantee the A.P.Møller-Mærsk A/S time charter agreements. In 2013, 5 of the vessels were returned to the lessor by A.P.Møller-Mærsk A/S and their time charter agreements terminated. It is the intention of A.P.Møller-Mærsk A/S to return the remaining 9 vessels during 2014 at which point the time charter agreements will be terminated, as such there is a significant decrease in guarantees required at 31st December 2013.

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

On 19th December 2013 The Maersk Company Limited sold the Company to A.P.Møller-Mærsk A/S.

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

The only group in which the results of the company are consolidated is A.P.Møller-Mærsk A/S. Copies of the consolidated financial statement can be obtained from the company's website 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>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Transaction values		
Sales of Goods & Services - Fellow Subsidiaries	250,682	373,548
Administrative expenses - Parent	-	(3,150)
Administrative expenses - Fellow Subsidiaries	(6,184)	(4,131)
Interest income - Parent	-	6,010
Interest expense - Parent	-	(52)
Interest income - Fellow Subsidiaries	5,308	-
Interest expense - Parent Subsidiaries	(2,733)	-
	<u>2013</u>	<u>2012</u>
	<u>\$'000</u>	<u>\$'000</u>
Balances outstanding		
Amounts owed to Parent	(10,342)	(290)
Amount owed from Parent	148,896	940,169
Amounts owed to Subsidiaries	(6,958)	(17,531)
Amounts owed to Fellow Subsidiaries	(746,808)	(55,796)
Amounts owed from Fellow Subsidiaries	3,796	78,982

All outstanding balances with related parties are non-secured.

MAERSK LINE UK LIMITED
NOTES TO THE ACCOUNTS - 31 DECEMBER 2013

27. Post Balance Sheet events

Maersk Gairloch and Maersk Gateshead are container vessels which have been the subject of finance leases between The Maersk Company Limited and Ocean Leasing (July) Limited, a subsidiary of the Lloyds Banking Group. The leases are being terminated, which will deliver a financial benefit to The Maersk Company Limited, and hence the Group as a whole.

It is a term of the leases that on termination the vessels must be sold by the Bank but also that the Company cannot be the purchaser. Hence it was proposed that the Company sell the vessels to Maersk Line UK Ltd at the time of termination. This transaction was effected in March 2014.