

# **DSV Solutions Limited**

**Annual report and financial statements**

**Registered number 3294472**

**31 December 2014**

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COMPANIES HOUSE

**DSV Solutions Limited**  
**Corporate Information**

**DIRECTORS:**

J P P Nielsen  
J B Andersen  
J H Lund  
B S Ejning

**SECRETARY:**

G M Ridsdale

**AUDITOR:**

Ernst & Young LLP  
One Cambridge Business Park,  
Cambridge,  
England  
CB4 0WZ

**BANKERS:**

Danske Bank  
75 King William Street  
London  
EC4 7DT

**REGISTERED OFFICE:**

Scandinavia House  
Refinery Road  
Parkeston  
Harwich  
Essex  
CO12 4QG

**REGISTRATION NO:**

3294472

## DSV Solutions Limited

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**DSV Solutions Limited**  
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**31 December 2014**

## **Strategic report**

Registered number 3294472

The Directors present their Strategic report and financial statements for the year ended 31 December 2014.

### **Principal activities**

The principal activity of the Company throughout the year was that of a provider of logistics, warehousing and supply chain services.

The Company is part of the DSV Group of Companies. DSV is a global supplier of transport and logistics services.

The international Group is legally and operationally divided into three divisions, each representing a business area, Road, Air & Sea and Solutions. The Company represents the Solutions activities of the Group in the UK.

### **Business Review**

The DSV Group's Solutions division offers logistics solutions involving all parts of the supply chain including warehousing, distribution and value added services. The Group maintains a comprehensive use of outsourcing to third party providers of transportation services whilst maintaining a degree of in house provision.

During the year the company operated with an average utilisation percentage of 89% (2013: 87%) for all depots. It is generally considered that an utilisation of 85% is good and therefore this had a positive effect on profitability.

The company gained additional business during the year which resulted in a turnover and EBIT above budget. The result also included a gain through a property sale of £841,000.

Competitive pressure on prices has had an adverse effect on operating margins.

During the year the company transitioned from EU-adopted IFRS to FRS 101 – Reduced disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, DSV A/S, was notified of and did not object to the of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS 101. The company has also adopted IFRS 13 and IAS 1 (amendment) which became mandatory during the year. The impact of the adoption of these standards was as follows:

- The impact of the adoption of the amendments to IAS 1 was to disclose other comprehensive income which can be reclassified to profit and loss separately from other comprehensive income which cannot be recycled to profit and loss.
- There was no impact from the adoption of IFRS 13. Under FRS 101, the company has an exemption from all IFRS 13 disclosures.

The company has early adopted FRS 101.

### **Performance**

2014 proved to be a year with good progress and the Directors are satisfied with performance of the company

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**Strategic report** *(continued)*

<b>Operating Performance</b>	<b>2014</b>	<b>2013</b>
	£'000s	£'000s
Turnover	41,126	38,001
Gross profit	7,420	8,709
Operating profit	1,705	2,610
Net finance costs	(77)	(231)
Profit before tax	1,628	2,379

**Key Performance Indicators**

Sales Growth	8.22%	11.76%
Gross Margin	18.04%	22.92%
Operating Profit Margin	4.15%	6.86%
Time lost through sickness	3.00%	2.30%
Staff turnover	20.56%	10.08%

**Aims and Objectives**

DSV's global mission is to create value for its shareholders.

The Group's aims are as follows:

- To maintain and improve its position amongst the most profitable intercontinental transport businesses in the UK.
- To grow at a rate exceeding the average market growth, through organic growth and acquisitions.
- To maintain and increase its profitability.
- To generate a solid cash flow.
- To be a responsible employer, providing an attractive workplace for employees.
- To provide quality service to customers.
- To be a professional partner for its subcontractors and agents.

**Principal risks and uncertainties**

The Company is exposed to normal market and economic conditions and therefore risk. The DSV policy is to lease rather than own equipment. It is the belief of the Directors that this policy improves the Company's ability to adapt pragmatically to the forces of supply and demand.

The Company is a service provider and relies on its ability to recruit and retain experienced and committed staff through the application of positive recruitment and retention policies.

Most of the Company's trade is conducted in Sterling. In line with Group policy the Company does not speculate in currency risk, and exposure is managed on a daily basis in co-ordination with the DSV Group Treasury Department.

The Company's debt and interest rate risk is managed centrally by the DSV Group Treasury Department. Long term loans are provided by this Department.

The Company's credit risk relates primarily to its trade debtors. The Company operates well established credit control procedures. Trade debtors are issued with credit limits and some of the credit risk is insured through an external provider.

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**Strategic report** *(continued)*

**Future Outlook**

During 2015 the Company will aim to maintain the high level of resource utilisation achieved during the year, increase sales revenue, maintain control of costs and as a result, improve profitability. There will also be continued focus on cash flow management.

The company will complete the building of new logistics centre of 412,000 sq. feet during 2015.

By order of the Board

A handwritten signature in black ink, appearing to be 'G M Ridsdale', written over a horizontal line.

Secretary  
G M Ridsdale

29 September 2015

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**Directors' report**

Registered number 3294472.

The Directors present their Directors' report and financial statements for the year ended 31 December 2014.

**Dividends**

After the year end the directors proposed a dividend of £nil (2013: £1.994) per share although this has not been recognised as a liability at the balance sheet date. During the year a dividend of £1.55 (2013: £3.142) per share was paid.

**Directors**

The Directors who served during the year and up to approval of these accounts were as shown below:

J P P Nielsen  
J B Andersen  
B S Ejning  
J H Lund

The ultimate parent company indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in place to the date of this report.

**Events since the balance sheet date**

Subsequent to the year end the investment in Warth Park (no. 1) Limited was sold for a profit.

**Disabled Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

**Employee consultation**

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. The intermediate parent company, DSV Road Holding A/S, produces a periodic newsletter of the group activities for all employees.

**Political and charitable contributions**

The Company made no political or charitable contributions during the year or the prior year.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the Strategic report.

The company is dependent on finance being made available by its parent entity to enable it to meet its liabilities as they fall due. The parent entity has agreed to provide sufficient funds to the company for this purpose for the period of at least one year from the date of signing of these accounts.

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**Directors' report** *(continued)*

The directors, having made appropriate enquiries of the directors of the parent entity, have a reasonable expectation that the company will be able to continue in existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

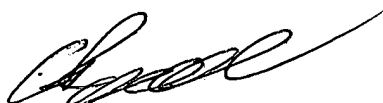
**Disclosure of information to the Auditor**

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 auditor is 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 auditor is aware of that information.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board



Secretary  
G M Ridsdale

Scandinavia House  
Refinery Road  
Parkeston  
Harwich  
Essex  
CO12 4QG

29 September 2015

**DSV Solutions Limited**  
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Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Director's 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 their profit or loss for that period. In preparing those 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 applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's report to the members of DSV Solutions Limited**

We have audited the financial statements of DSV Solutions Limited for the year ended 31<sup>st</sup> December 2014 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material 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 31<sup>st</sup> December 2014 and of the company's profit for the year then ended;
- have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company's 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.



**Rachel Wilden (Senior Statutory Auditor)**  
**for and on behalf of Ernst & Young LLP,**  
Cambridge.

30 September 2015.

**DSV Solutions Limited**  
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**Statement of Comprehensive Income**  
**for the year ended 31 December 2014**

	<i>Note</i>	2014 £'000s	2013 £'000s
Turnover	2	41,126	38,001
Cost of sales		(33,706)	(29,292)
<b>Gross profit</b>		<hr/> 7,420	<hr/> 8,709
Administrative expenses		(6,556)	(6,099)
Other operating income		841	-
<b>Operating profit</b>	3	<hr/> 1,705	<hr/> 2,610
Interest receivable and similar income		57	1
Interest payable and similar cost		(134)	(232)
<b>Net finance costs</b>	4	<hr/> (77)	<hr/> (231)
<b>Profit on ordinary activities before taxation</b>		1,628	2,379
Tax on profit on ordinary activities	6	(158)	281
<b>Profit for the financial year</b>		<hr/> 1,470	<hr/> 2,660
<b>Other comprehensive Income</b>			
Actuarial (losses)/gains on defined benefit pension scheme	18	(854)	118
Tax on actuarial (losses)/gains	9	184	(27)
<b>Other comprehensive income for the year, net of tax</b>		<hr/> (670)	<hr/> 91
<b>Total comprehensive income for the year</b>		<hr/> 800	<hr/> 2,751

The above results were derived from continuing operations.

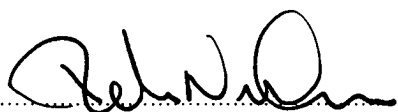
The notes on pages 15 to 38 form part of these financial statements.

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**Statement of Financial Position at 31 December 2014**

	<i>Note</i>	2014 £'000s	2013 £'000s
<b>FIXED ASSETS</b>			
Intangible fixed assets	8	6,623	6,686
Tangible fixed assets	7	2,667	4,030
Investments	7	-	-
Total fixed assets		<u>9,290</u>	<u>10,716</u>
<b>CURRENT ASSETS</b>			
Debtors	10	16,790	8,652
Cash at bank and in hand		-	5
Deferred tax asset	9	444	279
Total current assets		<u>17,234</u>	<u>8,936</u>
<b>CREDITORS: Amounts falling due within one year</b>	13, 15, 16	<u>(16,783)</u>	<u>(10,191)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		451	(1,255)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>9,741</u>	<u>9,461</u>
<b>PROVISIONS FOR LIABILITIES</b>	14, 18	(2,845)	(1,814)
<b>NET ASSETS</b>		<u>6,896</u>	<u>7,647</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,000	1,000
Other reserve		22	23
Profit and loss account		5,874	6,624
<b>SHAREHOLDERS' FUNDS</b>		<u>6,896</u>	<u>7,647</u>

These financial statements were approved and authorised for issue by the board of directors on 29 September 2015 and were signed on its behalf by:



J P P Nielsen – Director

Company registration number: 3294472

The notes on pages 15 to 38 form part of these financial statements.

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**Statement of Changes in Equity for the year ended 31 December 2014**

Attributable to the equity holders of the company

<i>Notes</i>	<u>Called-up</u> <u>Share Capital</u>	<u>Other</u> <u>Reserve</u>	<u>Retained</u> <u>Earnings</u>	<u>Total</u> <u>Equity</u>
	11	12	12	
	£'000s	£'000s	£'000s	£'000s
As at 1 January 2013	1,000	23	7,015	8,038
Profit for the financial year	-	-	2,660	2,660
Other comprehensive income	-	-	91	91
Total comprehensive income	1,000	23	9,766	10,789
Share based payments transactions (note 17)	-	-	-	-
Equity dividends paid (note 12)	-	-	(3,142)	(3,142)
As at 31 December 2013	1,000	23	6,624	7,647
As at 1 January 2014	1,000	23	6,624	7,647
Profit for the financial year	-	-	1,470	1,470
Other comprehensive income	-	-	(670)	(670)
Total comprehensive income	1,000	23	7,424	8,447
Share based payments transactions (note 17)	-	18	-	18
Group re-charge for share based payment transactions	-	(19)	-	(19)
Equity dividends paid (note 12)	-	-	(1,550)	(1,550)
As at 31 December 2014	1,000	22	5,874	6,896

The notes on pages 15 to 38 form part of these financial statements.

**DSV Solutions Limited**  
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**Notes**

*(forming part of the financial statements)*

**1 Accounting policies**

DSV Solutions Limited is a company incorporated and domiciled in the United Kingdom.

The Company is a wholly owned subsidiary of DSV Solutions Holding A/S, a company incorporated in Denmark. The consolidated financial statements for DSV A/S, (the Company's ultimate parent undertaking) a company incorporated in Denmark, within which the company is included, can be obtained from the address given in note 21.

**Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company has used a true and fair view override in respect of the non amortisation of goodwill (see note 8).

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

**Basis of preparation**

The company financial statements are presented in pound Sterling, rounded to the nearest thousand.

The Company transitioned from EU-adopted IFRS to FRS 101 for all periods presented. There were no material amendments on the adoption of FRS 101. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment, because: (i) the share based payment arrangement concerns the instruments of another group entity;
- b) The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- c) the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations
- d) the requirements of IFRS 7 Financial Instruments: Disclosures
- e) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- f) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets;
  - (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property; and (v) paragraph 50 of IAS 41 Agriculture.
- g) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;

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**Notes (continued)**

- h) the requirements of IAS 7 Statement of Cash Flows;
- i) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- j) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- k) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- l) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and details of the company's exposure to risk are described in the strategic report.

The company is dependent on finance being made available by its parent entity to enable it to continue operating and to meet its liabilities as they fall due. The parent entity has agreed to provide sufficient funds to the company for this purpose for the period of at least one year from the date of signing of these accounts. On this basis, the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would result should continuing finance cease to be made available.

**Accounting estimates and judgements**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with significant risk of material adjustment in the next year are discussed in notes 22.

**Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Revenue is recognised when the agreed freight forwarding service is considered delivered and control of the cargo has passed to the customer or another logistics services provider. The time of recognition varies depending on the service provided.

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**Notes (continued)**

connection with the impairment test, including of the expected cash flow a number of years ahead, and determines the discount rate. Please refer to note 8 for information on impairment tests for the year.

*Forwarding in progress*

At the close of periods, including at year-end, accounting estimates and judgements are made regarding forwarding in progress, including accrual of income and pertaining direct costs. These estimates are based on experience and continuous follow-up on provisions for forwarding in progress relative to subsequent invoicing. Changes in forwarding in progress are recognised in Revenue and Direct costs.

*Provisions and contingencies*

Management continually assesses provisions, contingent assets and liabilities and the likely outcome of pending and potential legal proceedings and in that connection the amount by which they are expected to be settled. The outcome of such proceedings depends on future events, which are obviously uncertain. Management includes judgements of external legal experts and existing case law in assessing the probable outcome of material legal proceedings, tax issues, etc. Please refer to note 15 for detailed information on provisions and contingencies.

*Deferred tax assets*

The Company recognises deferred tax assets, including the tax base of tax loss carryforwards, if Management deems that there will be sufficient future taxable income against which the temporary differences and unutilised tax losses can be utilised. This assessment is based on budgets and business plans for the following years, including planned business initiatives. Please refer to note 9 for a detailed description of the deferred tax assets.

*Operating lease commitments*

The Company has entered into both property and plant and equipment leases. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

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**Notes (continued)**

	<u>Land and buildings</u>		<u>Plant and equipment</u>	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Not later than one year	2,500	3,507	90	252
After one year but not more than five years	4,541	4,719	63	104
After five years	3,621	5,466	-	-
	<u>10,662</u>	<u>13,692</u>	<u>153</u>	<u>356</u>

The company has entered into commercial leases on certain properties and plant and equipment. These leases have an average duration of between 1 and 7 years. Only the property lease agreements contain an option for renewal. With such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

b) The company is a member of the DSV Road Holding Limited VAT group and, along with fellow UK undertakings, is jointly and severally liable for the VAT liabilities of the other group members. At 31 December 2014 VAT of £375,000 (2013: £900,000) was payable to HM Revenue and Customs in respect of the VAT Group.

**21 Parent and ultimate parent undertaking**

The company is a wholly owned subsidiary undertaking of DSV Solutions Holding A/S, a company incorporated in Denmark. The registered office of the parent company is Hovedgaden 630, P.O. Box 210, 2640 Hedehusene, Denmark.

The smallest group in which the company's results are consolidated is that headed by DSV A/S, a company incorporated in Denmark. The registered office of the parent company is Hovedgaden 630, P.O. Box 210, 2640 Hedehusene, Denmark.

The ultimate parent undertaking and controlling party is DSV A/S, which owns 100% of DSV Road Holding A/S. The consolidated accounts of DSV A/S may be obtained from the registered office at Hovedgaden 630, P.O. Box 210, 2640 Hedehusene, Denmark.

**22 Accounting estimates and judgements**

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The most significant area of estimation, uncertainty and critical judgement in applying accounting policies is included in note 18 and relates to the defined benefit pension scheme valuation.

*Goodwill impairment testing*

The annual goodwill impairment test implies an assessment as to whether the units of the Group to which the reported goodwill relates will be able to generate sufficient positive cash flow in future to support the carrying amount of the goodwill. Management makes a number of critical estimates in

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**Notes (continued)**

	Approximate increase to defined benefit obligation £000	Approximate % increase to defined benefit obligation %
0.5% decrease in discount rate	1,211	11%
0.5% increase in discount rate	(1,062)	(9%)
0.5% decrease in inflation rate	(828)	(7%)
0.5% increase in inflation rate	929	8%

In valuing the liabilities of the pension fund at 31 December 2014, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2014 would have increased by £295,000 before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide an approximation to the sensitivity of the assumptions shown.

*Defined contribution pension arrangements*

The Group operates a number of defined contribution pension arrangements (in which the Company participates) where the Group's contributions are charged to the income statement as incurred.

The total expense relating to these pension arrangements for the current year was £143,000 (2013 £94,000).

**19 Related parties**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8 (k) of FRS101 not to disclose transactions with fellow owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties did not occur during the fiscal years 2014 and 2013.

**20 Contingent liabilities and financial commitments**

*a) Lease commitments*

Future minimum rentals payable under non-cancellable operating leases are as follows:

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Principal actuarial assumptions to determine benefit obligations (expressed as weighted averages) at the year end were as follows:

	<u>2014</u>	<u>2013</u>
	%	%
Price inflation	2.20	2.50
Rate of salary increase	3.00	3.80
Discount rate	3.70	4.50
Rate of pension increase	2.90	3.20

Principal actuarial assumptions to determine net cost (expressed as weighted averages) at the year end were as follows:

	<u>2014</u>	<u>2013</u>
	%	%
Price inflation	2.50	2.40
Rate of salary increase	3.80	3.40
Discount rate	4.50	4.50
Expected long-term rate of return on scheme assets	4.50	4.50
Rate of pension increase	3.20	2.90

Pension scheme assets are measured at fair value at the balance sheet date. Actuarial gains and losses, i.e. differences between the actual and expected returns, and the effect of changes in actuarial assumptions are recognised in the statement of recognised income and expense in the year in which they arise.

The expected return on assets reflects the portfolio mix: a combination of corporate, UK government index-linked and fixed interest bonds ("Bonds") UK, North America, Europe, and Far East Equities ("Equities"), and investment in Property. An equity risk premium of 3% is added to the yield on UK government fixed interest bonds to establish the return on equities.

The expected return on scheme assets at year-end 2014 was 5.0% (2013: 5.0%).

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 20.7 (2013: 20.7) years (male), 23.5 (2013: 23.5) years (female).
- Future retiree upon reaching 65: 21.5 (2013: 21.5) years (male), 24.3 (2013: 24.3) years (female).

*Sensitivity analysis*

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

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	Defined benefit obligation		Fair value of scheme assets		Net defined benefit liability (asset)	
	2014	2013	2014	2013	2014	2013
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
<b>Balance at 1 January</b>	9,811	9,295	9,208	8,375	603	920
Interest cost/(income)	436	413	414	377	22	36
	10,247	9,708	9,622	8,752	625	956
<b>Included in OCI</b>						
Remeasurements loss/(gain):						
Actuarial loss (gain) arising from						
- Changes in demographic assumptions	(94)	-	-	-	(94)	-
- Change in financial assumptions	1,181	343	-	-	1,181	343
Effect of experience adjustments	251	-	-	-	251	-
Return on scheme assets excluding interest income	-	-	484	461	(484)	(461)
	1,338	343	484	461	854	(118)
<b>Other</b>						
Contributions paid by the employer	-	-	256	235	(256)	(235)
Benefits paid	(267)	(240)	(267)	(240)	-	-
	(267)	(240)	(11)	(5)	(256)	(235)
<b>Balance at 31 December</b>	11,318	9,811	10,095	9,208	1,223	603

Of the total charge, £22,000 (2013: £36,000) was included in finance expense.

The company expects to contribute £269,000 to the defined benefit section of the Scheme, and £31,000 to the defined contribution section of the Scheme, in the next financial year.

The fair value of the major categories of scheme assets were as follows

	2014	2013
	£'000s	£'000s
Cash and cash equivalents	167	207
Equity instruments	5,905	4,956
	6,072	5,163
Debt instruments	4,023	4,003
Assets held by insurance company	-	42
	4,023	4,045
<b>Total</b>	10,095	9,208

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Pension obligations are measured as the present value of estimated future cash flows discounted at rates reflecting the yields on high quality corporate bonds, based on the iBoxx over 15 year AA index.

Formal, independent, actuarial valuations of the Group's main scheme – the DSV UK Group Pension Scheme, are undertaken regularly, normally at least every three years, in order to determine the rate of contributions paid by the participating employers. The assets of the scheme are held in a separately administered trust. Assets are invested in different classes in order to maintain a balance between risk and return. Investments are diversified to limit the financial effect of the failure of any individual investment. As at 31 December 2014 the asset allocation applying to the defined benefit section of the Scheme was 58% Equities, 40% Bonds and 2% Cash (2013: 56% Equities, 41% Bonds and 3% Cash).

The information below is in respect of the Company only (including the defined contribution section) except where otherwise stated. The Company's contributions to the defined contribution section of the DSV UK Group Pension Scheme are charged to the income statement as incurred. The assets attributable to defined contribution members within the DSV UK Group Pension Scheme are identifiable separately from the other assets of the Scheme.

The directors have split the scheme assets and liabilities based on the number of members as at 31 December 2014.

Five companies participate in the Scheme (including DSV Solutions Limited), all of which are subsidiaries of the DSV Group and wholly owned through intermediate parent companies by DSV A/S. There is no contractual agreement for charging the net benefit cost to each participating company, however such costs are shared between the companies based on the Scheme membership. The membership numbers were modified each year until 2005 when the Scheme was closed and members ceased to accrue pension benefits for each additional year of service. The percentages were modified to reflect the additional membership numbers when the Frans Maas pension scheme was integrated into Scheme in 2007. Since then, the percentages have been fixed and applied consistently in subsequent actuarial and accounting valuations. Ongoing recovery contribution payments are paid into the Scheme by the participating companies using the same percentage basis. Ongoing contributions to the Defined Contribution Section are charged to the participating company that employs the contributing member.

The movement in the net defined assets and liabilities of the scheme as at 31 December recognised in the balance sheet are as follows:

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The terms and conditions of the outstanding options are as follows:

	Vesting conditions	Remaining period (years)	Executive board	Senior staff	Total
2010 scheme	Three years of service	0.00	-	1,000	1,000
2011 scheme	Three years of service	0.25	-	3,000	3,000
2012 scheme	Three years of service	1.25	4,000	4,000	8,000
2013 scheme	Three years of service	2.25	4,000	5,000	9,000
2014 scheme	Three years of service	3.25	4,000	6,000	10,000
Total share options			12,000	19,000	31,000

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year.

	Weighted average exercise price 2014 DKK	Number of options 2014	Weighted average exercise price 2013 DKK	Number of options 2013
Outstanding at the beginning of the period	128.92	27,000	115.69	25,000
Transferred during the period	-	-	-	-
Exercised during the period	115.10	(6,000)	98.50	(7,000)
Granted during the period	166.75	10,000	142.00	9,000
Outstanding at the end of the period	143.80	31,000	128.92	27,000

The number of share options exercisable as at 31 December 2014 was 4,000 (2013: 2,000).

For the share options outstanding as at 31 December 2014, the weighted average remaining contracted life is 2.5 years (2013: 2.5 years).

The weighted average fair value of options granted during the year was DKK 22.17 (2013: DKK 18.54).

The expense recognised for equity settled share-based payment transactions in respect of employee services received during the year to 31 December 2014 is £18,000 (2013: £nil).

## **18 Pension arrangements**

The Group operated both defined benefit and defined contribution schemes.

### *Defined benefit scheme*

The cost of providing pensions under the defined benefit schemes is calculated using the projected unit method and spread over the period during which benefit is expected to be derived from the employees' services, in accordance with the advice of an independent professionally qualified actuary.

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**17 Share based payments**

DSV A/S, the ultimate parent company, has launched incentive programmes consisting of options with a view to motivating and retaining staff, senior staff and members of the executive board. The incentive programmes launched are also to make staff and shareholders identify with the same interests.

Share options are exercisable by a cash purchase of shares.

**2010 option scheme**

The scheme comprises options to buy 1,983,000 shares. The options were granted to 2 company managers and 1001 senior staff members within the DSV Group. Within the Company, 1 manager and 4 senior staff received options to buy a total of 8,000 shares. The exercise price is DKK 98.5 per share with a nominal amount of DKK 1.00, which was the market price at the grant date. The grant date was 4 March 2010. The 2010 share options are exercisable from the vesting date to 1 April 2015.

**2011 option scheme**

The scheme comprises options to buy 1,977,000 shares. The options were granted to 2 company managers and 1009 senior staff members within the DSV Group. Within the Company, 1 manager and 4 senior staff received options to buy a total of 8,000 shares. The exercise price is DKK 129.9 per share with a nominal amount of DKK 1.00, which was the market price at the grant date. The grant date was 1 April 2011. The 2011 share options are exercisable from the vesting date to 1 April 2016.

**2012 option scheme**

The scheme comprises options to buy 1,964,500 shares. The options were granted to 2 company managers and 1033 senior staff members within the DSV Group. Within the Company, 1 manager and 4 senior staff received options to buy a total of 8,000 shares. The exercise price is DKK 127 per share with a nominal amount of DKK 1.00, which was the market price at the grant date. The grant date was 1 April 2012. The 2012 share options are exercisable from the vesting date to 1 April 2017.

**2013 option scheme**

The scheme comprises options to buy 1,996,000 shares. The options were granted to 2 company managers and 1057 senior staff members within the DSV Group. Within the Company, 1 manager and 5 senior staff received options to buy a total of 9,000 shares. The exercise price is DKK 142 per share with a nominal amount of DKK 1.00, which was the market price at the grant date. The grant date was 2 April 2013. The 2013 share options are exercisable from the vesting date to 29 March 2018.

**2014 option scheme**

The scheme comprises options to buy 2,119,500 shares. The options were granted to 2 company managers and 1.126 senior staff members within the DSV Group. Within the Company, 1 manager and 5 senior staff received options to buy a total of 10,000 shares. The exercise price is DKK 166.75 per share with a nominal amount of DKK 1.00, which was the market price at the grant date. The grant date was 2 April 2014. The 2014 share options are exercisable from the vesting date to 29 March 2019.

Continued employment with DSV at the date of exercise is a condition for exercise of the options.

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**14 Provisions for liabilities**

	<u>Restructuring</u>	<u>Property</u>	<u>Total</u>
	£'000	£'000	£'000
At the beginning of the year	-	1,211	1,211
Arising during the year	388	339	727
Utilised during the year	(87)	(229)	(316)
At the end of the year	<u>301</u>	<u>1,321</u>	<u>1,622</u>
Non-current liabilities	<u>-</u>	<u>389</u>	<u>389</u>
Current liabilities	<u>301</u>	<u>932</u>	<u>1,233</u>

The property provision relates mainly to dilapidations on leasehold properties and is expected to be utilised on expiry of the leases which ranges over the years 2015 to 2021 with £932,000 relating to 2015.

The restructuring provision relates to an onerous lease and associated utility costs and is expected to be utilised during 2015.

**15 Trade and other creditors**

	2014	2013
	£'000s	£'000s
Trade creditors	4,044	3,873
Amounts owed to group undertakings		
- owed to UK group undertakings	126	88
- owed to other group undertakings	426	206
Taxation and social security	932	1,051
Non-trade creditors and accrued expenses	1,608	1,886
	<u>7,136</u>	<u>7,104</u>

Trade creditors are non-interest bearing and are normally settled on 60 day terms. Other creditors are non-interest bearing and have an average term of 2 months.

**16 Income tax payable**

	2014	2013
	£'000s	£'000s
Income tax payable	<u>64</u>	<u>129</u>

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**10 Trade and other debtors**

	2014	2013
	£'000s	£'000s
Trade debtors	7,771	7,576
Amounts owed by group undertakings	7,893	26
Other debtors and prepayments	1,126	1,050
	<u>16,790</u>	<u>8,652</u>

Trade debtors are shown net of an allowance for doubtful debts of £4,000 (2013: £98,000) arising from allowances against overdue or doubtful debts. The impairment loss recognised in the current year was £11,000 (2013: £164,000).

**11 Called-up share capital**

	2014	2013
	£'000s	£'000s
Authorised, allotted, called up and fully paid 1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

**12 Capital and reserves**

Reserves disclosed in the statement of changes in equity are attributable to the equity holders of the company.

The other reserve is in respect of share options in the ultimate parent undertaking granted to employees of the company.

During the year a dividend of £1.55 (2013: £3.142) per share was paid.

After the year end, and before these financial statements were authorised for issue, the directors proposed a dividend of £nil (2013: £1,994,000) being £nil (2013: £1,994) per share. This has not been recognised as a liability at the balance sheet date.

**13 Interest bearing loans and borrowings**

	2014	2013
	£'000	£'000
<i>Current liabilities</i>		
Loan owed to ultimate parent company	9,583	2,958
Total interest bearing loans and borrowings	<u>9,583</u>	<u>2,958</u>

The loan is from the ultimate parent company, DSV A/S. Interest is charged at a rate calculated using LIBOR plus 1%. There are no formal repayment terms in relation to the loan.

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**9 Recognised deferred tax assets and liabilities**

Deferred tax liabilities and assets are attributable to the following:

	2014 £'000s	2013 £'000s
Accelerated capital allowances	(37)	(93)
Short term temporary differences	236	233
Pension scheme	245	139
Net deferred tax asset	444	279

Movement in deferred tax during the year:

	<u>1 January</u> <u>2014</u> £'000	<u>Recognised</u> <u>in income</u> £'000	<u>Recognised</u> <u>in equity</u> £'000	<u>31 December</u> <u>2014</u> £'000
Accelerated capital allowances	(93)	56	-	(37)
Short term temporary differences	233	3	-	236
Pension scheme	139	(78)	184	245
Net deferred tax asset	279	(19)	184	444

Movement in deferred tax during the prior year

	<u>1 January</u> <u>2013</u> £'000	<u>Recognised</u> <u>in income</u> £'000	<u>Recognised</u> <u>in equity</u> £'000	<u>31 December</u> <u>2013</u> £'000
Accelerated capital allowances	(704)	611	-	(93)
Short term temporary differences	266	(33)	-	233
Pension scheme	212	(46)	(27)	139
Net deferred tax (liability)/asset	(226)	532	(27)	279

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**Investments**

The movement in the cost of investments was as follows:-

	<u>Investment</u> <u>in subsidiaries</u> £'000	<u>Total</u> £'000	
At 1 January 2014 and 31 December 2014	-	-	
	<u>Country of</u> <u>incorporation</u>	<u>Principal</u> <u>activity</u>	<u>Proportion of</u> <u>ordinary</u> <u>shares held</u>
Warth Park (No. 1) Limited	UK	Property leasing	100%

Subsequent to the year end, this investment was sold for a gain.

**8 Intangible fixed assets**

	<u>Goodwill</u> £'000	<u>Customer</u> <u>Relationships</u> £'000	<u>Software</u> £'000	<u>Total</u> £'000
At 1 January 2014	6,486	132	271	6,889
Additions	-	-	27	27
Disposals	-	-	(68)	(68)
At 31 December 2014	6,486	132	230	6,848
At 1 January 2014	-	75	128	203
Charge for year	-	15	41	56
Disposals	-	-	(34)	(34)
At 31 December 2014	-	90	135	225
<u>Carrying amounts</u>				
At 31 December 2014	6,486	42	95	6,623
At 31 December 2013	6,486	57	143	6,686

Goodwill considered significant in comparison to the Company's total carrying amount of such assets has been allocated to cash generating units as follows:

	2014 £'000	2013 £'000
DSV Solutions Limited	6,486	6,486

The recoverable amount has been calculated with reference to its value in use, using cash flow projections based on financial budgets approved by the board covering a five year period.

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In his budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017, and 18% from 1 April 2020. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements.

It has not yet been possible to quantify the full anticipated effect of the announced further rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

**7 Tangible fixed assets and investments**

***Tangible fixed assets***

	<u>Land and buildings</u>	<u>Furniture fittings &amp; equipment</u>	<u>Total</u>
	£'000	£'000	£'000
At 1 January 2014	3,155	2,009	5,164
Additions	274	206	480
Disposals	(1,621)	(96)	(1,717)
At 31 December 2014	1,808	2,119	3,927
At 1 January 2014	277	857	1,134
Charge for year	57	267	324
Disposals	(117)	(81)	(198)
At 31 December 2014	217	1,043	1,260
<u>Carrying amounts</u>			
At 31 December 2014	1,591	1,076	2,667
At 31 December 2013	2,878	1,152	4,030

The net book value of freehold land was £600,000 (2013: £1,497,000).

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None of the directors have exercised share options that they received for their qualifying services to the Company (2013: Nil) or received shares for qualifying services in either the current or prior year.

**6 Taxation**

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Current income tax		
- UK corporation tax	138	251
- adjustment in respect of prior year	1	-
Total current income tax	<u>139</u>	<u>251</u>
Deferred Tax		
Origination and reversal of timing differences	19	(532)
Total deferred tax	<u>19</u>	<u>(532)</u>
Total income tax (income)/expense in the income statement	<u>158</u>	<u>(281)</u>
Reconciliation to effective tax rate:		
	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Profit before tax	<u>1,628</u>	<u>2,379</u>
Income tax calculated at UK standard corporation tax rate of 21.5% (2013 23.25%)	350	553
Effects of:		
Over provided in prior years - current tax	1	-
Not taxable income	(243)	(849)
Effect of change in tax rate	52	9
Unprovided deferred tax on share options granted	(2)	6
Total tax charge/(credit) reported in the income statement (see above)	<u>158</u>	<u>(281)</u>

*Factors affecting future tax charges*

The standard rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015. The Finance Act 2015, which received Royal Assent on 26<sup>th</sup> March 2015, states that this rate will not change for financial year 2016. Deferred tax has been calculated accordingly in the financial statements.

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	Number of employees	
	2014	2013
Operations	390	354
Administration	9	9
	<hr/>	<hr/>
	399	363

The following costs were incurred in respect of the above:

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Wages and salaries	8,732	7,878
Compulsory social security contributions	666	605
Contributions to defined contribution and defined benefit schemes	368	308
Equity settled share based payments (see note 17)	18	-
	<hr/>	<hr/>
	9,784	8,791

Director's remunerations comprise:

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Emoluments	143	156
Contributions to defined contribution pension scheme	23	22
	<hr/>	<hr/>
	166	178

Retirement benefits are accruing to the following number of directors under:

	2014 Number	2013 Number
Defined contribution pension scheme	<hr/> 1	<hr/> 1
	2014 Number	2013 Number
Number of directors who exercised share options	<hr/> 1	<hr/> 1

The directors' remuneration included above relates to the highest paid director.

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**3 Operating profit**

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Arrived at after charging/(crediting)		
Rentals payable under operating leases		
- Plant and equipment	512	549
- Land and buildings	2,544	2,211
Profit on sale of fixed assets (within administrative expenses)	43	(1,025)
Amortisation of intangible fixed assets	56	51
Depreciation of tangible fixed assets - owned assets	324	373
	<hr/>	<hr/>
<i>Auditor's remuneration</i>		
Audit of these financial statements	13	9
	<hr/>	<hr/>

**4 Net finance costs**

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
<i>Interest receivable and similar income</i>		
Interest receivable from group undertakings	57	1
	<hr/>	<hr/>
Total Interest receivable and similar income	57	1
	<hr/>	<hr/>
<i>Interest payable and similar cost</i>		
On amounts due to group undertakings	(107)	(166)
In respect of pension scheme (note 18)	(22)	(36)
Other interest payable	(5)	(30)
	<hr/>	<hr/>
Total Interest payable and similar cost	(134)	(232)
	<hr/>	<hr/>
Total net finance cost	(77)	(231)
	<hr/>	<hr/>

**5 Personnel expenses**

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

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**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.

**Dividends on shares presented within shareholders' funds**

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

**Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**2 Turnover**

Revenue recognised in the income statement is analysed as follows:

	Year ended 31 December 2014 £'000s	Year ended 31 December 2013 £'000s
Logistics, warehousing & transport services	41,126	38,001

No geographical analysis of turnover is disclosed as the directors believe that such disclosure would be seriously prejudicial to the interests of the business.

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The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforced right exists to set off all current tax assets against current tax liabilities, the deferred income tax relate to the same tax authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

***Foreign currency***

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

***Impairment***

The carrying amounts of the Company's assets, 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 assessed.

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.

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 and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis. The cash generating unit is the lowest level at which goodwill is monitored.

Goodwill is tested for impairment on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and selection of suitable discount rates. An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of goodwill is not reversed.

***Interest-bearing 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.

***Trade and other payables***

Trade and other payables are stated at cost.

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***Trade and other receivables***

Trade debtors, which generally have 30-60 day terms are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

***Cash and cash equivalents***

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

***Leasing transactions***

The company enters into operating leases as described in note 20(a). Rentals under operating leases are charged on a straight-line basis over the term of the lease.

Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

***Net finance costs***

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income and foreign exchange gains and losses.

Interest income 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 that the entity's right to receive payments is established.

***Taxation***

Taxation comprises current and deferred tax. Corporation tax payable is provided on taxable profits at the current rate.

The taxation liability may be reduced wholly or in part by the surrender of losses by fellow group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering and recipient undertakings.

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. Timing differences on goodwill not deductible for tax purposes are not provided for. The amount of deferred tax provided (measured on an undiscounted basis) 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.

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Leases in terms of which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policies).

*Depreciation*

Depreciation is charged to the income statement on a straight-line basis at annual rates based on the estimated useful lives of the property, plant and equipment. The estimated useful lives are as follows:

Terminals and administration buildings	40 - 60 years
Other buildings and building elements	10 - 25 years
Leasehold Improvements	The length of the lease or 40 years if lower
Motor vehicles	4 - 8 years
Technical plant and machinery	6 - 10 years
Other furniture, fittings and equipment	3 - 8 years

The depreciation basis takes into account the residual value of the asset. Land is not depreciated. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

***Intangible assets and goodwill***

*Goodwill*

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair override' to overcome the prohibition on the amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements if the true and fair override on the basis that the useful economic life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. The latest test being performed as at 31 December 2014 with no impairment indicated.

*Other intangible assets*

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of intangible property. The estimated useful lives are as follows:

Customer relationships	10 years
Software	3 - 8 years

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period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employees is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

*Pension costs - defined contribution scheme*

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

*Pension costs - defined benefit scheme*

A defined benefit scheme is a post-employment benefit scheme other than a defined contribution scheme. The Company's net obligation in respect of defined benefit pension schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any scheme assets (at bid price) are deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of benefits available in the form of any future refunds from the scheme, reductions in future contributions to the scheme or on settlement of the scheme and takes into account the adverse effect of any minimum funding requirements.

It is the policy of the company to fund pension liabilities on the advice of external actuaries. Pension costs charged in the financial statements comprise the regular pension cost which is based upon a percentage of pensionable payroll as advised by the actuary. Independent actuarial valuations on a going concern basis are carried out every three years. It is the policy of the Company to charge the net finance costs through the income statement and the actuarial adjustments through the Statement of Comprehensive Income, as set out in the Definitive Trust Deed.

**Property, plant and equipment**

*Owned assets*

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation (see below) and impairment losses (see below). According to IAS 16, costs of assets at the point of time for first recognition also include the present value of demolition and restoration costs that the company is obliged to bear.

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

*Leased assets*

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**Direct costs**

Direct costs comprise costs paid to generate the revenue for the year. Direct costs include settlement of accounts with haulage and warehousing contractors, other direct costs including staff costs for own staff used for fulfilling orders and other operating costs.

**Employee benefits**

Employee benefits include pension obligations and similar obligations.

*Share based payments*

The incentive programmes of the DSV Group consist of share option schemes that will be settled by the issue of shares in the ultimate parent, DSV A/S.

The value of the services provided by the employee in return for options is measured at the fair value of the options.

The fair value of the equity-settled share-based programmes is measured at the grant date and recognised in the income statement under staff costs over the period until the options are vested, with a corresponding entry in equity.

On initial recognition of such share-based programmes, an estimate is made of the number of options that the employees are expected to acquire. The estimated number of options is adjusted subsequently to reflect the actual number of options vested.

The fair value of the option granted is estimated on the basis of the Black Scholes valuation model. The estimate is based on the terms and conditions applicable to the grant of options.

In valuing equity settled transactions, no account is taken of any service and performance (vesting conditions), other than performance conditions linked to the price of the shares of the Company (market conditions). Any other conditions which are required to be met in order for an employee to become fully entitled to an award are considered to be non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in the equity. Where the terms of an equity settled award are modified or a new award is designated as replaced a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting