

Southampton Container Terminals Limited
Trading as DP World Southampton

Annual Report and Financial Statements
Registered number 01960484
31 December 2018



SOUTHAMPTON CONTAINER TERMINALS LIMITED (TRADING AS DP WORLD SOUTHAMPTON)

COMPANY INFORMATION

DIRECTORS	R B Woods (Chairman) N P Loader F C Lewis R A Al Qahtani M D Budhdev I B Malcolm (resigned 6 December 2018) D V D Bosh A Shaoul (appointed 1February 2019)
COMPANY SECRETARY	M Alhashimy
REGISTERED NUMBER	01960484
REGISTERED OFFICE	16 Palace Street London SW1E 5JQ
TRADING ADDRESS	Southampton Container Terminals Limited Western Docks Southampton SO15 1DA
INDEPENDENT AUDITOR	KPMG LLP Chartered Accountants Gateway House Tollgate Chandlers Ford Southampton SO53 3TG

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Strategic report

Direction

We provide our customers with fast, reliable and secure services to move containers through safely the strategically located port of Southampton.

Our aim is to be the leading UK container terminal for excellent customer service. We will achieve this by:

- delivering consistently high levels of productivity
- being receptive and flexible to our customers' needs
- developing a culture of engagement and teamwork
- focusing on continuous improvement

Principal activities and business review

The profit and loss account and other comprehensive income for the year are set out on page 8.

The main activities of the Company are unchanged. Southampton Container Terminals Limited (trading as DP World Southampton) provides container and other cargo handling services at the Port of Southampton.

The Directors consider the Company's financial position to be satisfactory.

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

	2018	2017
	£'000	£'000
Turnover	141,686	139,396
Operating profit	19,632	21,416
Profit after tax	15,346	23,475
Shareholders' funds	107,674	93,418

Turnover increased by £2,290,000 during the year as a result of an increase in chargeable units of 2.0% compared to previous year. In addition there were increases in storage revenues, whilst ancillary revenues remained similar with previous year. Despite the revenue increase, there was a decrease in operating profit compared to 2017. Underlying Profit after tax once the £7m dividend received during 2017 from Community Network Services Limited is taken account of is lower than that reported in 2017 as a result of a one off charge relating to Guaranteed Minimum Pension equalization.

Productivity remained strong throughout the year and this puts the Company in a good position to retain existing business and gain new business.

For customers, DP World offers a competitive alternative to Felixstowe with a unique offer to those shipping lines wishing to develop a two port solution for their customers – Southampton Container Terminals Limited (trading as DP World Southampton) with its south coast location, good road/rail/feeder links and high productivity levels is in a strong position to benefit from such initiatives along with DP World London Gateway.

As a result of the strong commercial positioning derived from its combined U.K port offering The Alliance, a consortium of container shipping lines continues to use both DP World Southampton and DP World London Gateway as their two port strategy within the UK.

Strategic report *(continued)*

Business Risks

The Company operates in a competitive market place both in the UK and Europe where several container terminals operate. The Company continues to strive to provide an excellent service to its customers to ensure customer satisfaction and customer retention.

The major business risks the Company faces are:

- 1 Continued consolidation of container shipping lines
- 2 Increased container vessel sizes necessitates ongoing investment in enhanced facilities
- 3 Additional capacity has been developed in England with further potential capacity in the pipeline

Looking ahead, the impact and consequences of Brexit remain uncertain. Whilst the U.K. economy has proved resilient since the Brexit referendum in June 2016, the combination of imported inflation due to a weakened currency and fundamental uncertainty on future trade terms are beginning to show some signs of weakening consumption demand. Since the U.K. container volumes are import led, this remains an ongoing risk for the Company. However, the primary driver of volume growth for the Company is one of increasing market share; this factor combined with the fact almost all of the volume handled is between the U.K. and countries outside of Europe mean that the near-term impact of Brexit is considered minimal for the Company.

As part of its Brexit strategy, the Company has increased its stock holding by £1m to ensure equipment maintenance resilience should there be procurement delays as a result of a no-deal exit from the EU..

Financial Risks

The Company mostly purchases and sells in sterling. The Directors do not manage the remaining foreign currency risk exposures on the purchase and selling of goods overseas as these are not considered to be material.

The Company does not trade in interest rate or currency derivatives.

Given the minimal exposure of financial risk to the Company, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. Policies set by the Board of Directors are implemented by the Company's finance department.

As a result of minimal exposure to financial risk and no investment in financial securities it is accepted that there is minimal price risk.

A number of measures are in place to ensure trade debtors do not exceed standard credit terms. These include regular meetings with finance and commercial departments to discuss issues relating to debt collection. This is an area in which the company is highly focused and is in constant communication with its customers.

The Company has low liquidity risk due to its strong attention to converting the debtor balances into cash to ensure there are sufficient liquid funds to pay its short-term liabilities.

The overdraft facility of £10 million continues to be available to the Company until further notice and will be reviewed periodically by the bank, at least on an annual basis.

Based on the latest cash flow forecast for 2019 and 2020 which indicates positive cash balances, the Directors believe it is unlikely that the overdraft facility will be utilised during the period to 30 September 2019.

By order of the board



NP Loader
Director

16 Palace Street
London
SW1E 5JQ

Date 25th June 2019

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Directors indemnity insurance

All Directors are entitled to contractual indemnification from the Company to the extent permitted by law against claims and legal expenses incurred in the course of their duties.

Such qualifying third party indemnity insurance is provided and remains in force as at the date of approving the Directors Report.

Dividends

A dividend of £8.7 million was paid during 2018 (2017: £9.4m).

A dividend of £Nil was received from Community Network Services Limited during 2018 (2017: £7million)

Directors

The Directors of the Company who held office during the year were as follows:

R B Woods (Chairman)

N P Loader

F C Lewis

R A Al Qahtani

M D Budhdev

I B Malcolm (resigned 6 December 2018)

D V D Bosch

A Shaoul (appointed 1 February 2019)

Political and charitable donations

No political donations were made during the year (2017: £Nil).

As part of the Company's commitment to the community in which it operates donations of £29,306 were made during the year (2017: £35,052) to registered charities.

Going concern

The Directors, having made appropriate enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Cash flows have been reviewed for the next 12 months from date of signing and there are no concerns.

Disabled persons

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 at work, Company policy is, as far as possible, to continue employment and to arrange for any necessary retraining and facilities. Opportunities for training, career development and promotion apply equally across the Company to disabled and non-disabled employees alike.

Directors' report *(continued)*

Employee involvement

The Directors believe in keeping employees informed on matters relevant to the business through an established system of briefings and memoranda by management and the quarterly newsletter.

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

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



A Shaoul
Director

Date 25th June 2019

16 Palace Street
London
SW1E 5JQ

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Southampton Container Terminals Limited (trading as DP World Southampton)

Opinion

We have audited the financial statements of Southampton Container Terminals Limited (trading as DP World Southampton) ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as pension liabilities and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

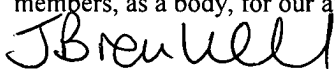
Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Julie Breakell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

Gateway House

Tollgate

Chandlers Ford

Southampton

SO53 3TG

Date: 25th June 2019

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Revenue from contracts with customers	2	139,727	137,336
Other revenue		1,959	2,060
Total revenue and other income		141,686	139,396
Cost of Sales		(75,349)	(73,913)
Gross profit		66,337	65,483
Administrative expenses		(35,387)	(33,485)
Depreciation and amortisation	3	(11,318)	(10,582)
Operating profit		19,632	21,416
Interest receivable and similar income	6	231	121
Interest payable and similar charges	7	(867)	(1,141)
Dividend received		-	7,000
Other income			
Profit on ordinary activities before taxation		18,996	27,396
Tax on profit on ordinary activities	8	(3,650)	(3,921)
Profit for the financial year		15,346	23,475
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial (losses)/gains on defined benefit pension scheme	18	9,095	2,145
Current tax arising on (losses)/gains in the pension scheme		715	392
Deferred tax arising on (losses)/gains in the pension scheme	17	(2,186)	(888)
Effect of changes in the tax rate	17	-	177
Other comprehensive income for the year		7,624	1,826
Total comprehensive income/(loss) for the year		22,970	25,301

All amounts relate to continuing operations.

Balance Sheet
at 31 December 2018

	<i>Note</i>	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	9	90,624		86,953	
Investments	10	1,182		1,182	
Intangible assets	11	1,746		1,843	
			93,552		89,978
Current assets					
Stock	12	2,157		2,156	
Debtors: amounts falling due within one year	13	17,804		21,594	
Cash at bank and in hand		53,439		44,447	
		73,400		68,197	
Creditors: amounts falling due within one year	14	(31,962)		(27,047)	
Net current assets			41,438		41,150
Total assets less current liabilities			134,990		131,128
Creditors: amounts falling due after more than one year	15		-		(130)
Provisions for liabilities					
Deferred tax liabilities	17		(1,374)		-
Pension liabilities	18		(25,942)		(37,580)
Net assets			107,674		93,418
Capital and reserves					
Called up share capital	20		3,725		3,725
Profit and loss account	21		103,949		89,693
Equity shareholders' funds			107,674		93,418

These financial statements were approved by the board of Directors on 25th June 2019 and were signed on its behalf by:



NP Loader

Director

FC Lewis

Director



Company registered number: 01960484

Statement of Changes in Equity for the year ended 31 December 2018

		Share Capital £000	Retained Earnings £000	Total £000
Balance at 1 January 2017		3,725	73,816	77,541
Total comprehensive income for the year				
Profit for the year		-	23,475	23,475
Actuarial gains/(losses) on defined benefit pension scheme	18	-	2,145	2,145
Deferred tax arising on actuarial gains/(losses) in the pension scheme	17	-	392	392
Effect of changes in the tax rate	17	-	(888)	(888)
		-	177	177
Total other comprehensive income for the period		-	99,117	102,842
Dividend		-	(9,424)	(9,424)
Balance at 31 December 2017		3,725	89,693	93,418
Balance at 1 January 2018		3,725	89,693	93,418
Total comprehensive income for the period				
Profit for the year		-	15,346	15,346
Actuarial gains/(losses) on defined benefit pension scheme	18	-	9,095	9,095
Current tax arising on (losses)/gains in the pension scheme			715	715
Deferred tax arising on actuarial gains/(losses) in the pension scheme	17	-	(2,186)	(2,186)
Effect of changes in the tax rate	17	-	-	-
Total other comprehensive (losses) for the period		-	112,663	116,388
Dividend		-	(8,714)	(8,714)
Balance at 31 December 2018		3,725	103,949	107,674

Notes

(forming part of the financial statements)

1 Accounting policies

Southampton Container Terminals Limited, trading as DP World Southampton (the “Company”) is a private Company limited by shares incorporated and domiciled in the UK.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The largest group of companies for which consolidated financial statements are prepared and which are publicly available and in which the Company is consolidated is DP World PLC (formerly DP World Limited). The consolidated financial statements of DP World PLC (formerly DP World Limited) are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from address as stated in note 24.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of DP World PLC (Formerly DP World Limited) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenses during the year. The directors consider the critical judgements, estimates and assumptions for the year ended 31 December 2018 includes pension assumptions, intangible assets, useful economic life and capitalisation. Please refer to relevant accounting policy notes for more details.

Notes *(continued)*

1 Accounting policies *(continued)*

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Company business activities together with the factors likely to affect its future development, performance and position are set out in the Directors' report and Strategic report.

The Company has sufficient financial resources together with contracts with a number of customers in different trade areas and suppliers across different geographic areas. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current additional capacity added in the UK container terminal market.

The Directors, having considered the latest available forecasts have a reasonable expectation that the Company has adequate resources 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. Cash flows have been reviewed for the next 12 months from date of signing and there are no concerns.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Investments in equity

Investments in subsidiaries are carried at cost less impairment.

Trade and other debtors

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

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents

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 using the effective interest method, less any impairment losses.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- buildings, dock structures, roads and quays various rates between 2% and 8% per annum
- plant and equipment various rates between 4% and 30% per annum

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

1.6 Intangible assets

Intangible assets refer principally to computer software and are carried at cost less accumulated amortisation. Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of those involved in the software development. Expenditure which enhances or extends the performance of identifiable computer software products beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 10 years.

Amortisation

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

- capitalised software costs 3 years

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, and other costs in bringing them to their existing location and condition.

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

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

Notes (continued)

1 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets (continued)

Financial assets (including trade and other debtors) (continued)

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

Non-financial assets

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

1.9 Employee benefits

Defined contribution plans

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

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 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 plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that has maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company's employees are members of a group wide defined benefit pension scheme, the SCT Pension Scheme. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by Southampton Container Terminals Limited, trading as DP World Southampton.

The Company is also a member of a larger industry wide pension scheme (Former Registered Dock Workers Pension Fund) providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS19 the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 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, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11 Revenue

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for the performance of a service. Revenue is net of discounts, rebates, VAT and other sales taxes or duty. Revenue is recognised on the completion of the service. Storage charges are accrued on a daily basis.

1.12 Expenses

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

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. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes *(continued)*

1 **Accounting policies** *(continued)*

1.14 **Impact of new international reporting standards, amendments and interpretations**

The Company is required to adopt IFRS 9 Financial instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising, classifying and measuring financial assets and financial liabilities and introduces a new expected credit loss model. The new guidance has also substantially reformed the existing hedge accounting rules. It provides a more principles-based approach that aligns hedge accounting closely with risk management policies.

Impairment

IFRS 9 is considered to have minimal impact on the Company due to the Company not holding financial instruments, other than cash or trade debtors.

Trade debtors are reviewed on a monthly basis to ensure provisions are not required. Strong credit control and good relationships with customers mean that trade debtors are converted into cash.

Loss allowances are therefore not measured as a result of above

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when:

the borrower is unlikely to pay its credit obligations to the company in full, or

the financial asset is more than 120 days past due

Write offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard provides a single principles-based five-step model to be applied to all contracts with customers. The Company's current practices for recognising revenue are considered to comply in all material aspects with the concepts and principles encompassed by the new standard.

Revenue is earned from a number of customers who have contracts with the Company, the majority of which is from servicing the shipping lines who bring in laden import containers and export both laden and empty containers. In addition, other revenue streams are generated from storage of containers on site and from a number of ancillary services provided by the Company. Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for the performance of a service. Revenue is net of discounts, rebates, VAT and other sales taxes or duty. Revenue is recognised on the completion of the service. Storage charges are accrued on a daily basis.

A review has been carried out and it was noted due to no vessels being worked and alongside at midnight on 31 December 2018 and therefore no unbilled revenue accrual, the impact is not considered material.

Notes (continued)

1.14 Standards issued but not yet effective

IFRS 16

The Company is required to adopt IFRS 16 *Leases* from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company will recognise new assets and liabilities for its operating leases of land and building rentals.

The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of £373,032,824 as at 1 January 2019. A net leased asset balance of £366,418,375 will also be recognised in the accounts as at 1 January 2019.

1 Accounting policies (continued)

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2 Revenue

All the Company's revenue is generated from the principal activities in the UK.

Turnover from contracts with customers

(i) In the following table, revenue is disaggregated by primary geographical market, major service lines and timing of revenue recognition.

	2018 £000's	2017 £000's
Major service lines		
Handling of containers	95,393	95,104
Ancillary services	44,334	42,262
	<u>139,727</u>	<u>137,366</u>

Notes (continued)

Primary geographical markets

United Kingdom	139,727	137,366
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Timing of transfer of services

Services transferred at a point in time	133,642	121,452
Services transferred overtime	6,085	15,914
	<u>139,727</u>	<u>137,366</u>

The Company has initially applied IFRS 15 using the cumulative effect method. Under this method the comparative information is not restated.

(ii) Contract balances

The following table provides information about opening and closing receivables, contract assets and contract liabilities from contracts with customers. The Company recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balances at 1 January 2018.

	Note	31-Dec-18 £000's	01-Jan-18 £000's
Receivables	13	14,911	17,145
Contract assets	13	500	796
Contract liabilities	14	(720)	(617)

The contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date for shipping line contracts. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for shipping line contracts.

The amount of revenue recognized in the current period from performance obligations satisfied in previous periods was £754,000.

The amount of revenue recognized in the current period that was included in the contract liability balance at the beginning of the period was £257,600.

3 Expenses and auditor's remuneration

	2018 £000	2017 £000
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	10,625	10,028
Leased assets	326	326
Amortisation of software	367	228
Profit on sale of tangible fixed assets	8	69
Hire of plant and machinery - rentals payable under operating leases	27	23
Hire of other assets - operating leases	22,596	22,596
	<u> </u>	<u> </u>
Auditor's remuneration:		
Audit of these financial statements:	43	40
Fees receivable by the auditor and associates in respect of other services	7	8
	<u> </u>	<u> </u>

Notes (continued)

4 Remuneration of Directors

	2018 £000	2017 £000
Directors' remuneration	398	402
Long Term Incentive Plan	21	56
	<u> </u>	<u> </u>

Directors' remuneration in 2018 relates to F.C. Lewis (UK CEO) and N.P. Loader (UK COO). Directors remuneration does not include salary payments made to non- executive directors appointed by the Company's shareholders, since any qualifying services in respect of the Company are considered to be incidental and part of these directors overall management responsibilities within DP World.

The highest paid Director received emoluments of £267,937 (2017: £246,674) and pension contributions of £Nil (2017: £Nil).

There are no Directors accruing benefits under money purchase schemes (2017: Nil).

5 Staff numbers and costs

The average number of persons employed by the Company during the year (including Directors) was as follows:

	2018	2017
Operations	370	368
Engineering	128	130
Administration	44	45
	<u> </u>	<u> </u>
	542	543
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	29,397	29,120
Social security costs	2,402	2,436
Pension scheme charge (note 18)	2,937	2,890
Other pension costs (Defined Benefit Scheme) (note 18)	-	335
Other pension costs (Defined Contribution Scheme) (note 18)	864	811
	<u> </u>	<u> </u>
	35,600	35,592
	<u> </u>	<u> </u>

6 Other interest receivable and similar income

	2018 £000	2017 £000
Interest income from bank deposit	231	121
	<u> </u>	<u> </u>

Notes (continued)

7 Interest payable and similar charges

	2018 £000	2017 £000
Finance charges payable in respect of finance leases and hire purchase contracts	18	45
Interest on Former Registered Dockworkers pension scheme (note 18)	-	-
Interest on net defined benefit pension liability	849	1,096
	<u>867</u>	<u>1,141</u>

8 Taxation

	2018 £000	2017 £000
Analysis of charge/(credit) in period		
<i>UK corporation tax</i>		
Current tax on profit for the year	3,711	4,014
Adjustments in respect of prior years	(49)	(58)
	<u>3,662</u>	<u>3,956</u>
<i>Deferred tax (see note 17)</i>		
Origination/reversal of timing differences	(77)	(48)
Deferred tax on defined benefit schemes	-	-
Adjustments in respect of prior years	57	8
Effect of changes in the tax rate	8	5
	<u>(12)</u>	<u>(35)</u>
Tax charge on profit on ordinary activities	<u>3,650</u>	<u>3,921</u>

Deferred tax (credit)/charge recognised in other comprehensive income

	2018 £000	2017 £000
Remeasurements of defined benefit liability	<u>2,186</u>	<u>941</u>

Notes *(continued)*

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit on ordinary activities before tax	18,996	27,396
	<u>3,609</u>	<u>5,274</u>
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	7	28
Depreciation in excess than capital allowances	18	12
Non-deductible expenses	-	(1,348)
Non taxable income	8	5
Reduction on tax rate on deferred tax balances	8	(50)
Adjustments to tax charge in respect of previous periods	<u>3,650</u>	<u>3,921</u>
Total tax charge (see above)	<u>3,650</u>	<u>3,921</u>

From 1 April 2017 the UK corporation tax rate was reduced from 20% to 19%.
A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.
This will reduce the company's future current tax charge accordingly.
The deferred tax liability at 31 December 2018 has been calculated based on these rates.

Notes (continued)

9 Tangible fixed assets

	Buildings and Dock structures £000	Plant and equipment £000	Total £000
Cost			
At 1 January 2018	60,186	126,799	186,985
Additions	1,709	12,913	14,622
Disposals	(388)	(183)	(571)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	61,507	139,529	201,036
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2018	37,943	62,089	100,032
Depreciation charge for year	3,127	7,824	10,951
On disposals	(388)	(183)	(571)
	<hr/>	<hr/>	<hr/>
At 31 December 2018	40,682	69,730	110,412
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2018	20,825	69,799	90,624
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 January 2018	22,243	64,710	86,953
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The defined benefit pension scheme currently holds a charge over five ship to shore gantry cranes (2017: five) with a net book value of £18,497,109 (2017: £19,655,886).

Included in the amounts for plant and equipment above are the following amounts relating to assets acquired under hire purchase contracts.

	Total £000
Cost	
At 1 January 2018	3,621
	<hr/>
At 31 December 2018	3,621
	<hr/>
Depreciation	
At 1 January 2018	1,304
Depreciation charge for year	326
	<hr/>
At 31 December 2018	1,630
	<hr/>
Net book value	
At 31 December 2018	1,991
	<hr/> <hr/>
At 1 January 2018	2,317
	<hr/> <hr/>

Notes (continued)

10 Fixed asset investment

The Company's investment in subsidiary companies is made up as follows:-

	£000
Cost	
At 1 January 2018	1,182
	<hr/>
At 31 December 2018	1,182
	<hr/>
Carrying amount	
At 31 December 2018	1,182
	<hr/>
At 1 January 2018	1,182
	<hr/>

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership 2018	2017
Community Network Services Limited	England	Ordinary	99.5%	99.5%
Solent Container Services Limited	England	Ordinary	100%	100%
SCT Pension Trustees Limited	England	Ordinary	99%	99%
SCT Nominees Limited	England	Ordinary	100%	100%
UK EDI Limited (indirectly owned)	England	Ordinary	100%	100%

The other 0.5% of Community Network Services Limited is owned by SCT Nominees Limited

The other 1% of SCT Pension Trustees Limited is owned by SCT Nominees Limited.

UK EDI Limited is owned by Community Network Services Limited.

The registered office for all the subsidiary companies is 16 Palace Street, London, SW1E 5JQ.

Notes (continued)

11 Intangible fixed assets

	Software cost £000
Cost	
At 1 January 2018	4,273
Additions	270
	<hr/>
At 31 December 2018	4,543
	<hr/>
Amortisation	
At 1 January 2018	2,430
Amortisation for year	367
	<hr/>
At 31 December 2018	2,797
	<hr/>
Net book value	
At 31 December 2018	1,746
	<hr/> <hr/>
At 1 January 2018	1,843
	<hr/> <hr/>

Amortisation charge

The amortisation charge is recognised in the administrative expenses in the profit and loss account.

12 Stocks

	2018 £000	2017 £000
Parts and consumables	2,157	2,156
	<hr/>	<hr/>

Parts and consumable stores are mainly machine parts not for resale

13 Debtors

	2018 £000	2017 £000
Trade debtors	14,911	17,145
Amounts owed by group undertakings	932	1,019
Other debtors	598	669
Deferred Tax (see note 17)	-	800
Prepayments and accrued income	1,363	1,961
	<hr/>	<hr/>
	17,804	21,594
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

14 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Obligations under hire purchase contracts (see note 16)	130	767
Trade creditors	12,282	10,617
Amount owed to:		
Group undertakings	5,036	3,902
Corporation Tax	3,801	2,755
Other creditors including taxation and social security	1,268	1,442
Accruals and deferred income	9,445	7,564
	<hr/> 31,962 <hr/>	<hr/> 27,047 <hr/>

15 Creditors: amounts falling due after more than one year

	2018	2017
	£000	£000
Obligations under hire purchase contracts (see note 16)	-	130
	<hr/>	<hr/>

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2018	2017
	£000	£000
Creditors falling due more than one year		
Finance lease liabilities	-	130
	<hr/>	<hr/>
	-	130
	<hr/>	<hr/>

Notes (continued)

16 Interest-bearing loans and borrowings (continued)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value 2018 £000	Carrying amount 2018 £000	Face value 2017 £000	Carrying amount 2017 £000
Finance lease liabilities	GBP	3.49%	5 years	130	130	897	897

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 £000	Interest 2018 £000	Principal 2018 £000	Minimum lease payments 2017 £000	Interest 2017 £000	Principal 2017 £000
Less than one year	131	(1)	130	785	(18)	767
Between one and five years	-	-	-	131	(1)	130
	<u>131</u>	<u>(1)</u>	<u>130</u>	<u>916</u>	<u>(19)</u>	<u>897</u>

Notes (continued)

17 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	-	-	6,065	6,032	6,065	6,032
Industrial buildings	-	-	255	310	255	310
Employee benefits	(4,825)	(7,011)	-	-	(4,825)	(7,011)
Other	(121)	(131)	-	-	(121)	(131)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred Tax (assets) / liabilities	(4,946)	(7,142)	6,320	6,432	1,374	(800)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Movement in deferred tax during the year

	1 January	Recognised	Recognised	31 December
	2018	in income	in equity	2018
	£000	£000	£000	£000
Tangible fixed assets	6,032	33	-	6,065
Industrial buildings	310	(55)	-	255
Employee benefits	(7,011)	-	2,186	(4,825)
Other	(131)	10	-	(121)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(800)	(12)	2,186	1,374
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Movement in deferred tax during the prior year

	1 January	Recognised	Recognised	31 December
	2017	in income	in equity	2017
	£000	£000	£000	£000
Tangible fixed assets	6,028	4	-	6,032
Industrial buildings	364	(54)	-	310
Employee benefits	(7,723)	-	712	(7,011)
Other	(146)	15	-	(32)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(1,477)	(35)	712	(800)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

18 Employee benefits

The Company sponsors a funded defined benefit pension plan for qualifying UK employees, the SCT Pension Scheme (the "Scheme"). The Scheme is a single-employer scheme and the disclosures below are in respect of the whole Scheme. The Scheme is administered by a separate Trustee Company, which is legally separate from the Company. The Trustee Directors are composed of representatives of both the Company and the members of the Scheme. The Trustee Directors are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day to day administration of the benefits.

Under the Scheme, members are entitled to annual pensions on retirement at normal retirement age (typically age 65) related to pensionable salary and length of pensionable service. Benefits are also payable on death and following other events such as early retirement or withdrawing from active service.

The Scheme was closed to new members with effect from 1 January 2002 but remains open to accrual of benefits by active members.

Profile of the Scheme

The defined benefit obligation includes benefits for active members (current employees), deferred members (former employees) and current pensioners.

Broadly, about 52% of the liabilities are attributable to active members, 8% to deferred members and 40% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the durations is around 20 years reflecting the approximate split of the defined benefit obligation between active members (duration of 26 years), deferred pensioners (duration of 24 years) and current pensioners (duration 12 years).

Funding requirements

UK legislation requires that pension schemes are funded prudently. The latest full actuarial valuation of the Scheme was carried out by a qualified actuary as at 5 April 2016 and it showed a deficit of £22.6 million. Following that valuation the Company agreed to pay:

- 16.2% pa of pensionable salaries for future accrual of benefits and the cost of insuring certain death in service benefits;
- £3,600,000 pa payable monthly to eliminate the deficit;
- £230,000 pa payable monthly towards the administration costs of running the Scheme;
- Additional contributions of £2,500,000, and £2,356,000 based on 2016 and 2017 dividends respectively;
- 25% of the amount of any future dividend paid by the Company in the month in which the dividend is paid.
- The Pension Protection Fund levy and other levies collected by the Pensions Regulator.

The next funding valuation will be carried out with an effective date of 5th April 2019, when the funding of the Scheme will be reviewed. If the Scheme is in deficit at that time, the Company will discuss any required deficit contributions with the Trustee Directors of the Scheme. The contributions in respect of the cost of benefits for active members of the Scheme will also be reviewed.

During the year ended 31 December 2018 the Company paid contributions of £7,489,000 to the Scheme. Company contributions to the Scheme in the year to 31 December 2019 are estimated to be £5,281,000 (excluding any contributions contingent on Company dividend payments).

Notes (continued)

18 Employee benefits (continued)

Risks associated with the Scheme

The Scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility	<p>The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. A significant proportion of invested assets are held in growth assets (e.g. UK and overseas equities) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term.</p> <p>The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.</p>
Changes in bond yields	A fall in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond and liability driven investment (LDI) holdings.
Inflation risk	The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). Such an increase in the liability value will be partially offset by an increase in the value of the Scheme's liability driven investment (LDI) holdings.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

The Trustee Directors are responsible for the investment strategy of the Scheme after consulting the Company. The Trustee Directors recognise that the key source of financial risk (in relation to meeting their objectives) arises from asset allocation. They therefore retain responsibility for setting asset allocation, and take expert advice as required from their professional advisers. The Trustee Directors review their investment strategy following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). The Trustee Directors take advice from their professional advisers regarding an appropriate investment strategy for the Scheme.

The Trustee Directors insure certain benefits payable on death in service before retirement and certain pensions in payment.

Notes (continued)

18 Employee benefits (continued)

The Trustee Directors insure certain benefits payable on death in service before retirement and certain pensions in payment. A contingent liability exists in relation to the equalisation of Guaranteed Minimum Pension ("GMP"). The UK Government intends to implement legislation which could result in an increase in the value of GMP for males. This would increase the defined benefit obligation of the Scheme. At this stage, it is not possible to quantify the impact of this change.

The information disclosed below is in respect of the whole of the plans for which the Company is the sponsoring employer.

	2018 £000	2017 £000
Total defined benefit asset	133,466	135,999
Total defined benefit liability	(159,408)	(173,579)
	<hr/>	<hr/>
Liability recognised on the balance sheet	(25,942)	(37,580)
	<hr/>	<hr/>

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Balance at 1 January	173,579	165,623	(135,999)	(120,200)	37,580	45,423
Included in profit or loss						
Current service cost	2,937	2,890	-	-	2,937	2,890
Contributions paid by the employer	-	-	(7,489)	(10,019)	(7,489)	(10,019)
Administrative costs	-	-	161	335	161	335
Interest cost/(income)	4,272	4,430	(3,424)	(3,334)	848	1,096
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Included in OCI*						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Change in financial assumptions	(16,945)	3,720	7,850	(5,865)	(9,095)	(2,145)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other						
Contributions paid by the participants	909	944	(909)	(944)	-	-
Benefits paid	(6,344)	(4,028)	6,344	4,028	-	-
Past service cost	1,000	-	-	-	1,000	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	159,408	173,579	(133,466)	(135,999)	25,942	37,580
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

18 Employee benefits (continued)

Plan assets

	2018	2017
	£000	£000
Cash and cash equivalents	846	1,706
Equities and other growth assets	56,169	58,106
Corporate bonds	19,149	16,712
Indexed linked government bonds	-	-
Multi-asset credit	-	-
LDI	48,597	50,636
Insured pensions	1,925	2,109
Property	6,780	6,730
	<hr/>	<hr/>
Total	133,466	135,999
	<hr/> <hr/>	<hr/> <hr/>

None of the assets are invested in the Company's financial instruments or in property occupied by, or other assets

Actuarial assumptions

The results of the latest funding valuation at 5th April 2016 have been adjusted to the balance sheet date of 31st December 2018, taking account of experience over the period since 5th April 2016, changes in market conditions and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation and the related current service cost, were measured using the projected unit method.

The following principal actuarial assumptions at the reporting date under IAS19/FRS101 are as follows:

	2018	2017
Discount rate for Scheme liabilities	3.0%	2.5%
RPI inflation	3.2%	3.2%
CPI inflation	2.1%	2.1%
Rate of general long-term increase in salaries	2.5%	2.5%
Pension increases	3.1%	3.1%

The assumptions reflect the nature and term of the Scheme's liabilities.

Main demographic assumptions

The mortality assumptions are based on standard mortality tables derived from the collected mortality experience of a large number of schemes. The standard tables are adjusted to allow for the expected experience of the Plan's membership relative to the population underlying the standard tables and for expected future improvements in mortality rates.

The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Notes (continued)

18 Employee benefits (continued)

	2018	2017
	105% of the S2NxA tables with an assumption for future improvements in longevity in line with CMI 2017 core projections and a long term improvement rate of 1.25% pa	105% of the S2NxA tables with an assumption for future improvements in longevity in line with CMI 2016 core projections and a long term improvement rate of 1.25% pa
Life expectancy for male currently aged 65	21.8	21.9
Life expectancy for female currently aged 65	23.8	23.9
Life expectancy at 65 for male currently aged 45	23.2	23.3
Life expectancy at 65 for female currently aged 45	25.3	25.4
Transfer take-up	No allowance	No allowance
Cash commutation	Members assumed to take 2/3rds of their maximum cash lump sum at retirement	Members assumed to take 2/3rds of their maximum cash lump sum at retirement

Sensitivity analysis

The key assumptions used for IAS 19/FRS 101 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is as follows.

	2018	2017
	£000	£000
Discount rate-0.1% pa decrease	3,154	3,690
Inflation-0.1% pa increase	1,364	1,630
Long term rate of mortality-0.25% pa increase	1,562	1,906

The sensitivity information shown above has been prepared using the same method as adopted when adjusting the results of the latest funding valuation to the balance sheet date. This is the same approach as has been adopted in previous periods.

The Scheme operates a cap on pensionable salary increase of 2.5% pa and therefore the results are not particularly sensitive to changes in the assumption for the rate of increase in salaries. There is no medical cost trend assumption as this relates to post-retirement medical benefits rather than the defined benefit obligation. The sensitivity to changes in the assumptions for pension increases is included in the inflation sensitivity above.

Notes (continued)

18 Employee benefits (continued)

Multi-employer pension scheme

The Group is a member of a larger industry wide pension scheme (Former Registered Dock Workers Pension Fund) providing benefits based on final pensionable pay. Because the Group is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by IAS19 the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme. With the agreement of all participating members it was agreed to close the scheme to future accrual in 2013. Following negotiation with the trustees the employers agreed to provide £10,000,000 in contributions to the scheme of which the Group's share is £1,170,000 over 6.5 years covering the period 01 July 2014 to 01 December 2020. The final payment was made on 28 September 2017 as the scheme is now fully funded and the trustees are seeking approval to wind up the scheme during 2019. The balance of £620,472 which has been adjusted for the time value of money at 31 December 2018 (2017: £620,472) is shown under Accruals and Deferred income (see note 14) and all contributions are set against the liability, rather than being expensed. As at 5th April 2016, the date of the most recent full triennial valuation carried out by an independent actuary, the fund had assets with a market value of £753,000,000 compared to liabilities under the technical provisions of £757,200,000.

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £864,610 (2017: £810,890). This includes life assurance of £68,143 (2017: £84,690).

19 Financial Instruments

The only financial instruments that the Company holds are cash and trade debtors

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company believes there is very minimal credit risk due to the fact that there are strong credit control processes in place with regular credit control meetings with management, good relationships with the Company's customers with some of those customers paying by direct debit. Past experience has shown there is a limited requirement for a credit risk provision and therefore these accounts do not account for credit risk. The maximum exposure to credit risk at the yearend is therefore considered to be £0 (2017: £0)

The aging of trade receivables at the balance sheet date was

	£000 2018	£000 2017
Not past due	10,104	7,815
Past due 0-30 days	3,923	5,898
Past due 31-120 days	604	2,590
More than 120 days	280	842
	<u>14,911</u>	<u>17,145</u>

The Company considers the credit quality of the Not past due to be strong and based on knowledge of its customer base and from past experience believe there is a requirement to make a provision for a credit risk.

Notes *(continued)*

20 Called up share capital

	2018	2017
	£000	£000
<i>Authorised</i>		
5,000,000 Ordinary 'P' shares of £1 each	5,000	5,000
	<hr/>	<hr/>
	5,000	5,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
3,725,000 Ordinary 'P' shares of £1 each	3,725	3,725
	<hr/>	<hr/>
	3,725	3,725
	<hr/>	<hr/>

Notes (continued)

21 Reserves

	Profit and loss account £000
As at 31 December 2016	73,816
Actuarial gain on defined benefit pension plan	2,145
Tax on pension scheme recognised in other comprehensive income	(319)
Retained profit for the financial year	23,475
Dividend Paid	(9,424)
At 31 December 2017	89,693

	Profit and loss account £000
As at 31 December 2017	89,693
Actuarial Loss on defined benefit pension plan	9,095
Tax on pension scheme recognised in other comprehensive income	(1,471)
Retained profit for the financial year	15,346
Dividend paid	(8,714)
At 31 December 2018	103,949

22 Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £000	2017 £000
Less than one year	31,872	31,172
Between one and five years	127,394	126,881
More than five years	763,976	792,890
	923,242	950,943

The Company leases a number of land and buildings and concession license under operating leases. Land and buildings have been considered separately for lease classification.

During the year £34,491,725 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £33,549,894).

Notes (continued)

23 Commitments

Capital commitments

During the year ended 31 December 2018, the Company entered into contract to purchase property, plant and equipment of £7,406k (2017: £9,259k), all of which are due within one year.

24 Related party disclosures

The Peninsular and Oriental Steam Navigation Company and its subsidiaries are related parties as the Company is a wholly owned subsidiary of P&O Ports Limited, which is owned by The Peninsular and Oriental Steam Navigation Company.

Sales to The Peninsular and Oriental Steam Navigation Company and its subsidiaries including accrued revenue were £1,367,686 (2017: £121,573).

Services purchased from The Peninsular and Oriental Steam Navigation Company and its subsidiaries were £671,571 (2017: £546,560).

The balance due from The Peninsular and Oriental Steam Navigation Company and its subsidiaries was £120,922 (2017: £106,152).

The balance due to The Peninsular and Oriental Steam Navigation Company and its subsidiaries was £4,820 (2017: £212,303).

DP World PLC (formerly DP World Limited) and its subsidiaries other than The Peninsular and Oriental Steam Navigation Company and its subsidiaries as disclosed above are related parties as the ultimate controlling parent undertaking as at 31 December 2018 was Port & Free Zone World FZE which owns 80.45% of DP World PLC (formerly DP World Limited) who ultimately consolidates the results of the Company.

Sales to DP World and its subsidiaries were £25,345 (2017: £4,944).

Services purchased from DP World and its subsidiaries were £53,207 (2017: £92,380).

The balance due from DP World and its subsidiaries was £4,658 (2017: £Nil).

The balance due to DP World and its subsidiaries was £Nil (2017: £Nil).

The Company is exempt from under FRS101 from disclosing related party transactions with any companies that are wholly owned by Southampton Container Terminals Limited (trading as DP World Southampton).

25 Ultimate parent Company and parent Company of larger group

The smallest Group of companies for which consolidated financial statements are prepared and in which the Company is consolidated is The Peninsular and Oriental Steam Navigation Company, its ultimate United Kingdom parent undertaking, and U.K. controlling party, a Company incorporated by Royal Charter and therefore not registered, copies of whose accounts can be obtained from: The Registrar of Companies, Companies House, Crown Way, Cardiff CF14 3UZ.

The largest Group of companies for which consolidated financial statements are prepared and which are publicly available and in which the Company is consolidated is DP World PLC (formerly DP World Limited) a Company limited by shares incorporated in Dubai, whose accounts are filed with the Dubai International Financial Centre. DP World PLC (formerly DP World Limited) has 19.55% of its shares trading on NASDAQ Dubai.

In the opinion of the directors, the ultimate controlling parent undertaking as at 31 December 2018 was Port & Free Zone World FZE, which owns 80.45% of DP World PLC (formerly DP World Limited).

Port and Free Zone World FZE is a wholly owned subsidiary of Dubai World Corporation, which is the ultimate parent Company of the Company but which does not exert control over the Company.

Both Port & Free Zone World FZE and Dubai World Corporation have their registered offices at Jebel Ali Free Zone, P.O Box 17000, Dubai, United Arab Emirates.