

HARWICH INTERNATIONAL PORT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

(Registered number 2486146)

31 December 2015

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Harwich International Port Limited

Strategic report for the financial year ended 31 December 2015

The directors present their strategic report for the financial year ended 31 December 2015.

Fair review of the business

The performance of the core operations of the port continued to grow which has resulted in an increase in revenue for the financial year. This growth is expected to continue utilising the existing facilities available.

Key performance indicators

Revenue and gross profit margin

Revenue for 2015 of £20.477 million has increased on the previous financial year (2014 restated: £20.069 million) reflecting a growth in demand in general port operations.

Gross profit margin

Gross profit margin has increased on the previous financial year (2015: 48.34%, 2014 restated: 44.91%).

Net assets

As at 31 December 2015, the company had net assets of £56.138 million (2014: £58.329 million).

Business environment

UK ports play a vital role in the UK economy. The Department for Transport confirmed that in 2014 UK ports handled in excess of 500 million tonnes of freight. According to a study by Oxford Economics, the UK ports sector employed 118,200 people in 2013. The study also estimated that in 2013 the ports sector made a £7.7 billion value-added contribution to UK GDP.

Principal risks and uncertainties

Business risks are considered on a regular basis. Any changes in the business, economy or regulatory environment are monitored and reviewed by management.

The key financial risks affecting the company are as per note 3 to the financial statements.

Approved by the Board on 6 June 2016 and signed on its behalf by:



.....
Mr Simon Richard Mullett
Company secretary

Registered number

2486146

Registered Office

Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2015

The directors submit to the sole shareholder their report and audited financial statements for the financial year ended 31 December 2015.

Principal activities

The principal activity of the company is the operation of Harwich International Port at Parkeston, Harwich. This includes the provision of port services for passenger ferries, vehicle ferries, cruise vessels and general port operations.

Results and Dividends

The Income statement is set out on page 6 and shows the results for the financial year ended 31 December 2015. The directors do not propose a final dividend for the financial year ended 31 December 2015 (2014 : £nil).

Charitable donations

No charitable donations were made during the financial year (2014: £nil).

Directors of the company

The following served as directors during the financial year and up to the date of signing of the financial statements:

Mr Sing Chi Ip

Ms Edith Shih

Mr Clemence Chun Fun Cheng

Development

The directors of the company are aware of the global economic challenges facing the industry but remain committed to continually looking at ways to offer additional services and improved facilities for existing and new port users. This commitment to further growth and investment is expected to lead to expansion in the coming years, including the development of port container handling operations.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2015

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board on 6 June 2016 and signed on its behalf by:



.....
Mr Simon Richard Mullett
Company secretary

Registered number
2486146

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Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

Harwich International Port Limited

Independent auditors' report to the members of Harwich International Port Limited

Report on the financial statements

Our opinion

In our opinion, Harwich International Port Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

The financial statements, included within the Directors' report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2015;
- the Income statement and the Statement of comprehensive income for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Harwich International Port Limited

Independent auditors' report to the members of Harwich International Port Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Robert Girdlestone (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
9 June 2016

Harwich International Port Limited

Income statement for the financial year ended 31 December 2015

	Note	2015 £ 000	2014 £ 000 restated
Revenue		20,477	20,069
Cost of sales		<u>(10,579)</u>	<u>(11,056)</u>
Gross profit		9,898	9,013
Administrative expenses		(4,883)	(4,780)
Other operating income		<u>2,261</u>	<u>723</u>
Operating profit	6	7,276	4,956
Finance costs	7	<u>(638)</u>	<u>(669)</u>
Profit before tax		6,638	4,287
Income tax credit/(expense)	9	<u>156</u>	<u>(977)</u>
Profit for the year		<u><u>6,794</u></u>	<u><u>3,310</u></u>

The Income statement has been prepared on the basis that all operations are continuing.

The notes on pages 11 to 31 form an integral part of these financial statements.

Harwich International Port Limited

Statement of comprehensive income for the financial year ended 31 December 2015

	2015 £ 000	2014 £ 000
Profit for the year	<u>6,794</u>	<u>3,310</u>
Other comprehensive income/(expense)		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit pension schemes before tax	599	(966)
Movement on current tax relating to pension scheme	-	26
Movement on deferred tax relating to pension scheme	(108)	169
Movement on deferred tax relating to change in UK tax rate	<u>(5)</u>	<u>-</u>
	<u>486</u>	<u>(771)</u>
Total comprehensive income for the year	<u><u>7,280</u></u>	<u><u>2,539</u></u>

The notes on pages 11 to 31 form an integral part of these financial statements.

Harwich International Port Limited

Statement of financial position as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	53,648	54,861
Investments	12	-	-
Retirement benefit asset	19	2,260	1,479
		<u>55,908</u>	<u>56,340</u>
Current assets			
Inventories	11	200	273
Trade and other receivables	13	18,827	12,241
Cash and cash equivalents		110	14
		<u>19,137</u>	<u>12,528</u>
Total assets		<u>75,045</u>	<u>68,868</u>
Equity and liabilities			
Equity			
Share capital	16	16,812	16,812
Capital contribution		-	9,471
Retained earnings	17	39,326	32,046
Total equity		<u>56,138</u>	<u>58,329</u>
Non-current liabilities			
Loans and borrowings	20	9,471	-
Deferred tax	15	5,351	5,978
		<u>14,822</u>	<u>5,978</u>
Current liabilities			
Trade and other payables	14	3,501	3,381
Current tax payable		584	1,180
		<u>4,085</u>	<u>4,561</u>
Total liabilities		<u>18,907</u>	<u>10,539</u>
Total equity and liabilities		<u>75,045</u>	<u>68,868</u>

The notes on pages 11 to 31 form an integral part of these financial statements.

The financial statements on pages 6 to 31 were approved by the Board on 6 June 2016 and signed on its behalf by:



.....
Mr Clemence Chun Fun Cheng
Director

Harwich International Port Limited

Statement of changes in equity for the financial year ended 31 December 2015

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2015	16,812	9,471	32,046	58,329
Profit for the year	-	-	6,794	6,794
Movements in capital contributions	-	(9,471)	-	(9,471)
Actuarial gain on defined benefit pension schemes before tax	-	-	599	599
Movement on deferred tax relating to pension scheme	-	-	(108)	(108)
Movement on deferred tax relating to change in UK tax rate	-	-	(5)	(5)
At 31 December 2015	<u>16,812</u>	<u>-</u>	<u>39,326</u>	<u>56,138</u>

	Share capital £ 000	Capital contribution £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2014	16,812	9,471	29,507	55,790
Profit for the year	-	-	3,310	3,310
Actuarial loss on defined benefit pension schemes before tax	-	-	(966)	(966)
Movement on current tax relating to pension scheme	-	-	26	26
Movement on deferred tax relating to pension scheme	-	-	169	169
At 31 December 2014	<u>16,812</u>	<u>9,471</u>	<u>32,046</u>	<u>58,329</u>

During the financial year the capital contribution was converted to a term loan, payable to Hutchison Ports (UK) Limited, in a non-cash transaction (see note 20).

The notes on pages 11 to 31 form an integral part of these financial statements.

Harwich International Port Limited

Statement of cash flows for the financial year ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Cash flows from operating activities			
Cash generated from continuing operations	18	2,440	4,333
Income taxes paid		(1,180)	(1,596)
Interest paid	7	<u>(638)</u>	<u>(669)</u>
Net cash flow generated from operating activities		<u>622</u>	<u>2,068</u>
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(529)	(2,088)
Proceeds from sale of property, plant and equipment		<u>3</u>	<u>34</u>
Net cash flows used in investing activities		<u>(526)</u>	<u>(2,054)</u>
Net movement in cash and cash equivalents		96	14
Cash and cash equivalents at 1 January		<u>14</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>110</u></u>	<u><u>14</u></u>

The notes on pages 11 to 31 form an integral part of these financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

1 General information

The principal activity of the company is the operation of Harwich International Port at Parkeston, Harwich. This includes the provision of port services for passenger ferries, vehicle ferries, cruise vessels and general port operations.

The company is limited by shares, incorporated in England and Wales and domiciled in the United Kingdom.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as follows: the comparative figures in the Income statement have been changed to reclassify rental income of £723,000 from Revenue to Other income, consistent with the presentation in the current year. This has no impact on operating profit or net assets previously presented.

Basis of preparation

The financial statements have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention and on a going concern basis.

None of the standards, interpretations and amendments effective for the first time from 1 January 2015 have had a material effect on the financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements, except the following set out below:

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to European Union endorsement.

IFRS 16 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. A company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from Contracts with Customers. IFRS 16 completes the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases Standard, IAS 17 'Leases', and related Interpretations.

The company is assessing the impact of IFRS 15 and IFRS 16.

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

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Revenue recognition

The revenue and profit before taxation are attributable to the operation of Harwich International Port and arise wholly within the United Kingdom.

Revenue is the total amount receivable by the company in the ordinary course of business for services provided to third parties exclusive of Value Added Tax. Revenue from the provision of services is recognised on the delivery of those services, which for ports is once the relevant throughput has taken place, for ferries is on provision of carriage and for container shipping is on completion of the shipping or transport operation.

Property, plant and equipment

Property, plant and equipment are stated at historic cost less accumulated depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated to write off the cost of fixed assets less accumulated depreciation on a straight line basis over their estimated useful lives.

Asset class	Depreciation rate
Civil works and buildings	2.00%-5.00%
Plant and equipment	4.00%-33 1/3%

The assets' useful lives and residual values are reviewed and adjusted if appropriate, at each Statement of financial position date.

The gain or loss on disposal of an asset is the difference between the net sale proceeds and the carrying amount of the relevant asset, and is recognised in the Income statement.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income statement on a straight-line basis over the period of the lease.

Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income statement within administrative costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative costs in the Income statement.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Trade payables

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

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of financial position.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Foreign currency transactions and balances

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in GBP, which is the company's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Income statement.

Pension costs

The company operates both defined benefit and defined contribution plans, the assets of which are held in trustee administered funds.

Pension accounting costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the costs of providing pensions are charged to the Income statement in accordance with the advice of qualified actuaries, who, for accounting purposes, also carry out a valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value. Actuarial gains and losses are recognised in full in the year in which they occur, outside the Income statement, in the Statement of comprehensive income. The defined benefit pension scheme was closed to new entrants on 30 June 2003.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Costs relating to the defined contribution Group Personal Pension Plan which replaced the defined benefit pension scheme are expensed as incurred. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Borrowing costs

The company capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All other borrowing costs incurred during the financial year have been expensed through the Income statement.

Group financial statements

As the company is a wholly owned subsidiary of Harwich International (Holdings) Limited, it has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 which relieves it from preparing consolidated financial statements.

3 Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: liquidity risk, market risks (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and capital risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by a central treasury department under policies approved by the group. The group approves written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk and interest rate risk. Hedge accounting is applied where appropriate. There are currently no derivative financial instruments in place to hedge risk exposure.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the business, the central treasury department aims to maintain flexibility in funding by keeping committed credit lines available. Accordingly, liquidity risk is monitored at an immediate parent company level.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Hong Kong dollar and the Euro. Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. There were no significant effects of exposure to foreign exchange movements in the financial year for the company.

Price risk

The company is not exposed to significant price risks.

Cash flow and interest rate risk

As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Credit risk

The company has no significant concentrations of risk. It has policies in place to ensure that sales of services are made to customers with an appropriate credit history. The utilisation of credit limits is regularly monitored and used as a guide to control exposure to credit risk. The company has policies that limit the amount of credit exposure to any financial institution.

Capital risk management

Capital risk is managed at a group level. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. Accordingly, the details of capital risk management are disclosed in the consolidated financial statements.

4 Fair value

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Pension assumptions

Contributions to the Harwich International Port Pension Scheme are determined by a qualified actuary on the basis of an actuarial valuation using the projected unit credit method. Valuations are carried out every three years and the most recent was issued as at 31 December 2013. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on the investments and the rates of increase in salaries and pension and mortality rates. The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 December 2015. The details of the principal actuarial assumptions are given in note 19.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

6 Operating profit

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Depreciation of owned assets	2,100	2,053
Hire of equipment	164	183
Operating lease rents payable	111	179
Profit on sale of property, plant and equipment	(3)	(34)
Rental income	<u>(854)</u>	<u>(723)</u>

Auditors' remuneration

	2015 £ 000	2014 £ 000
Audit of the financial statements	<u>40</u>	<u>36</u>

7 Finance costs

	2015 £ 000	2014 £ 000
Finance costs		
Interest payable to other group entities	(627)	(659)
Other finance costs	<u>(11)</u>	<u>(10)</u>
Total finance costs	<u>(638)</u>	<u>(669)</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

8 Staff costs and directors' remuneration

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

	2015 £ 000	2014 £ 000
Wages and salaries	6,611	6,655
Redundancy costs	86	326
Social security costs	527	559
Other pension costs, defined contribution scheme	297	266
Other pension costs, defined benefit scheme	551	613
	<u>8,072</u>	<u>8,419</u>

The monthly average number of employees of the company was 210 (2014: 223).

Key management compensation

The emoluments of key management are paid by another group company which makes no recharge to the company. Key management form the executive board of the group and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of key management. Their total emoluments are included in the aggregate of key management disclosed in the financial statements of the group.

Directors' remuneration

All directors received their remuneration primarily in respect of services provided to other group companies and as a result their respective remuneration details are reflected in the financial statements of those companies.

9 Income tax credit/expense

Tax (credited)/charged in the Income statement

	2015 £ 000	2014 £ 000
Current taxation		
UK corporation tax	584	1,206
Deferred taxation		
Arising from origination and reversal of temporary differences	(214)	(229)
Arising from changes in tax rates and laws	<u>(526)</u>	<u>-</u>
Total deferred taxation	<u>(740)</u>	<u>(229)</u>
Tax (credit)/expense in the Income statement	<u>(156)</u>	<u>977</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

The tax assessed on the profit on ordinary activities for the financial year can be reconciled as follows:

	2015 £ 000	2014 £ 000
Profit before tax	<u>6,638</u>	<u>4,287</u>
Profit on ordinary activities before taxation at 20.25% (2014: 21.5%)	1,344	921
Effect of revenues exempt from taxation	(1)	(7)
Effect of expense not deductible in determining taxable profit	45	46
Increase from effect of different UK tax rates on some earnings	3	17
Deferred tax credit relating to changes in tax rates or laws	(526)	-
Current tax credit from adjustment for prior periods	<u>(1,021)</u>	<u>-</u>
Total tax (credit)/charge	<u>(156)</u>	<u>977</u>

The Finance Act 2013 included legislation which reduced the main rate of corporation tax from 23% to 21% on 1 April 2014 and a further reduction to 20% on 1 April 2015.

The Finance (No. 2) Act 2015 included legislation to reduce the main rate of corporation tax from 20% to 19% on 1 April 2017 and a further reduction to 18% on 1 April 2020. The Finance (No. 2) Act 2015 was substantively enacted on 18 November 2015 and the effect of this change has been reflected in the financial statements of company for the financial year ended 31 December 2015.

Proposals to reduce the main UK corporation tax to 17% on 1 April 2020 had not been substantively enacted at the balance sheet date and are therefore not included in these financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

10 Property, plant and equipment

	Freehold land, Civil works and buildings £ 000	Plant and equipment £ 000	Capital works in progress £ 000	Total £ 000
Cost				
At 1 January 2014	82,290	11,650	484	94,424
Additions	-	-	2,098	2,098
Disposals	(29)	(432)	-	(461)
Transfers	348	136	(484)	-
At 31 December 2014	82,609	11,354	2,098	96,061
At 1 January 2015	82,609	11,354	2,098	96,061
Additions	6	70	811	887
Disposals	(41)	(205)	-	(246)
Transfers	2,185	724	(2,909)	-
At 31 December 2015	84,759	11,943	-	96,702
Depreciation				
At 1 January 2014	29,780	9,828	-	39,608
Charge for year	1,708	345	-	2,053
Disposals	(29)	(432)	-	(461)
At 31 December 2014	31,459	9,741	-	41,200
At 1 January 2015	31,459	9,741	-	41,200
Charge for the year	1,793	307	-	2,100
Disposals	(41)	(205)	-	(246)
At 31 December 2015	33,211	9,843	-	43,054
Carrying amount				
At 31 December 2015	51,548	2,100	-	53,648
At 31 December 2014	51,150	1,613	2,098	54,861

11 Inventories

	2015 £ 000	2014 £ 000
Materials and consumables	200	273

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

12 Investments

	2015	2014
	£	£
Investment in a subsidiary	2	2

Details of the subsidiaries as at 31 December 2015 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2015	2014
Harwich International Pension Trustee Limited*	Pension trustee	England and Wales	100%	100%

* indicates direct investment of the company

Associate

Details of the associate as at 31 December 2015 is as follows:

Name of associate	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
		2015	2014
Harwich Wharfingers Limited *	England and Wales	33.3%	33.3%

* indicates direct investment of the company

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

13 Trade and other receivables

	2015 £ 000	2014 £ 000
Trade receivables	1,456	1,750
Provision for impairment of trade receivables	<u>(31)</u>	<u>(31)</u>
Net trade receivables	1,425	1,719
Amounts owed by group undertakings	15,664	7,562
Other receivables	1,378	2,788
Prepayments and accrued income	<u>360</u>	<u>172</u>
Total current trade and other receivables	<u>18,827</u>	<u>12,241</u>

Amounts owed by group undertakings are denominated in GBP, unsecured, interest free and have no fixed date of repayment.

The carrying values of trade and other receivables are assumed to approximate their fair values due to their short-term nature.

As of 31 December 2015, trade receivables of £1,396,000 (2014: £1,655,000) were fully performing.

As of 31 December 2015, trade receivables of £31,000 (2014: £31,000) were impaired. The amount of the provision was £31,000 as of 31 December 2015 (2013: £31,000). The aging of these receivables is as follows:

	2015 £ 000	2014 £ 000
Over 6 months	31	31
	<u>31</u>	<u>31</u>

As of 31 December 2015, trade receivables of £29,000 (2014: £64,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 £ 000	2014 £ 000
1 to 6 months	29	64
	<u>29</u>	<u>64</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Movements on the company provision for impairment of trade receivables are as follows:

	2015	2014
	£ 000	£ 000
At 1 January	31	-
Increase in provision recognised in the Income statement	-	31
At 31 December	<u>31</u>	<u>31</u>

The creation and release of provision for impaired receivables have been included in administrative expenses in the Income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

14 Trade and other payables

	2015	2014
	£ 000	£ 000
Trade payables	588	291
Amounts owed to group undertakings	1,253	1,743
Social security and other taxes	193	191
Other payables	227	246
Capital expenditure	368	10
Accrued expenses	<u>872</u>	<u>900</u>
	<u>3,501</u>	<u>3,381</u>

Amounts owed to group undertakings are denominated in GBP, unsecured, interest free and repayable on demand.

15 Deferred tax

	2015	2014
	£ 000	£ 000
Deferred tax asset - other timing differences		
At 1 January	(14)	(14)
Re-measurement of deferred tax asset	1	-
At 31 December	<u>(13)</u>	<u>(14)</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

	2015	2014
	£ 000	£ 000
Deferred tax liability - pension scheme		
At 1 January	274	443
Charged to Income statement	36	-
Re-measurement of deferred tax liability	(46)	-
Charged/(credited) directly to equity in respect of:		
Current financial year actuarial gain/(loss)	108	(169)
Re-measurement of deferred tax liability	5	-
At 31 December	<u>377</u>	<u>274</u>

	2015	2014
	£ 000	£ 000
Deferred tax liability - accelerated capital allowances		
At 1 January	5,718	5,947
Credit to Income statement	(250)	(229)
Re-measurement of deferred tax liability	(481)	-
At 31 December	<u>4,987</u>	<u>5,718</u>

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax income relates to the same fiscal authority. The offset amounts are as follows:

	2015	2014
	£ 000	£ 000
Deferred tax asset to be crystallised:		
After more than 12 months	<u>(13)</u>	<u>(14)</u>
Deferred tax liability to be recovered:		
After more than 12 months	5,326	5,965
Within 12 months	38	27
	<u>5,364</u>	<u>5,992</u>
Net deferred tax liability	<u>5,351</u>	<u>5,978</u>

A deferred tax asset is recognised on timing differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

16 Share capital

	2015 £ 000	2014 £ 000
Authorised share capital		
20,000,100 (2014: 20,000,100) ordinary shares of £1 each	20,000	20,000
Allotted, issued, called up and fully paid share capital		
16,812,002 (2014: 16,812,002) ordinary shares of £1 each	16,812	16,812

The ordinary shares have voting rights with no restrictions and are not limited in respect of participation in any dividend or capital distribution.

17 Retained earnings

	Retained earnings £ 000
At 1 January 2015	32,046
Profit for the year	6,794
Actuarial gain on defined benefit pension schemes before tax	599
Movement on deferred tax relating to pension scheme	(108)
Movement on deferred tax relating to change in UK tax rate	(5)
At 31 December 2015	39,326
	Retained earnings £ 000
At 1 January 2014	29,507
Profit for the year	3,310
Actuarial loss on defined benefit pension schemes before tax	(966)
Movement on current tax relating to pension scheme	26
Movement on deferred tax relating to pension scheme	169
At 31 December 2014	32,046

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

18 Cash generated from continuing operations

	2015 £ 000	2014 £ 000
Profit for the year	6,794	3,310
Adjustments to cash flows from non-cash items		
Income tax (credit) / expense	(156)	977
Finance costs	638	669
Depreciation	2,100	2,053
Profit on disposal of property, plant and equipment	(3)	(34)
	<u>9,373</u>	<u>6,975</u>
Working capital adjustments		
Decrease in inventories	73	-
Decrease/(increase) in trade and other receivables	1,516	(1,591)
Increase/(decrease) in trade and other payables	252	(556)
Decrease in retirement benefit obligation net of actuarial changes	(182)	(119)
Increase in amounts owed by group undertakings	(8,102)	(1,013)
(Decrease)/increase in amounts owed to group undertakings	(490)	637
Cash generated from continuing operations	<u>2,440</u>	<u>4,333</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

19 Pension and other schemes

Pension benefits are provided to employees through a defined benefit pension scheme, which was closed to new members on 30 June 2003, and through a defined contribution group personal pension plan which replaced it for new entrants from 1 July 2003. Both schemes are funded by the company and its employees.

Defined benefit pension scheme

Harwich International Port Pension Scheme

The Harwich International Port Pension Scheme was established with effect from 1 February 1998 in succession to the Stena Line (UK) Pension Scheme for employees of Harwich International Port Limited. It is a defined benefit scheme.

Contributions to the defined benefit scheme are determined by a qualified actuary on the basis of an actuarial valuation. The most recent valuation was carried out as at 31 December 2013. The following assumptions were used:

Future price inflation - RPI	3.67% per annum
Future price inflation - CPI	2.97% per annum
Allowances for increases in pensionable salaries	3.92% per annum
Future investment return - pre-retirement	6.00% per annum
Future investment return - post-retirement (actives/deferreds)	4.50% per annum
Future investment return - post-retirement (pensioners)	4.50% per annum
Allowances for increases to pensions in payment - Price inflation	2.97% per annum
Allowances for increases to pensions in payment - CPI capped at 3%	2.37% per annum
Allowances for increases to pensions in payment - RPI capped at 2.5%	2.20% per annum

The valuation showed the market value of the defined benefit scheme assets was £31.767 million and an actuarial deficit of £0.922 million existed. In order to eliminate this deficit, company contributions are being paid at the rate of 31.7% of pensionable salary, with an additional three payments of £0.162 million per annum commencing 30 June 2014. In addition, members pay contributions at a rate of 6% of pensionable salaries.

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation undertaken as at 31 December 2013 and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the defined benefit scheme as at 31 December 2015. Defined benefit scheme assets are stated at bid value as at 31 December 2015.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2015 £ 000	2014 £ 000
Fair value of scheme assets	32,925	32,594
Present value of scheme liabilities	(30,665)	(31,115)
Defined benefit pension scheme surplus	<u>2,260</u>	<u>1,479</u>

Scheme assets

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

	2015 £ 000	2014 £ 000
Fair value at start of financial year	32,594	31,721
Interest income	1,184	1,476
Return on plan assets, excluding amounts included in interest income	126	280
Employer contributions	733	732
Contributions by scheme participants	102	113
Benefits paid	(1,698)	(1,582)
Administrative expenses paid	(116)	(146)
Fair value at end of financial year	<u>32,925</u>	<u>32,594</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2015 £ 000	2014 £ 000
Equity instruments	23,232	23,246
Debt instruments	<u>9,693</u>	<u>9,348</u>
	<u>32,925</u>	<u>32,594</u>

Actual return on scheme's assets

	2015 £ 000	2014 £ 000
Actual return on scheme assets	<u>1,310</u>	<u>1,756</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Scheme liabilities

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

	2015 £ 000	2014 £ 000
Present value at start of financial year	31,115	29,395
Current service cost	505	599
Actuarial losses and (gains) arising from changes in demographic assumptions	27	(87)
Actuarial (gains) and losses arising from changes in financial assumptions	(657)	2,298
Actuarial losses and (gains) arising from experience adjustments	157	(965)
Interest cost	1,114	1,344
Benefits paid	(1,698)	(1,582)
Contributions by scheme participants	102	113
Present value at end of financial year	<u>30,665</u>	<u>31,115</u>

Principal actuarial assumptions

The principal actuarial assumptions at the Statement of financial position date are as follows:

	2015 %	2014 %
Discount rate	3.85	3.65
Future salary increases	2.55	2.45
Allowance for increases to pensions in payment – pre 5 April 2006	1.90	1.90
Allowance for increases to pensions in payment – post 5 April 2006	1.50	1.55
Inflation - RPI	3.05	2.95
Inflation - CPI	<u>1.85</u>	<u>1.85</u>

Post retirement mortality assumptions

	2015 Years	2014 Years
Current UK pensioners at age 62 - male	21.40	21.30
Current UK pensioners at age 62 - female	<u>24.20</u>	<u>24.10</u>

Amounts recognised in the Income statement

	2015 £ 000	2014 £ 000
Amounts recognised in operating profit		
Current service cost	505	599
Administrative expenses paid	116	146
Net interest income	<u>(70)</u>	<u>(132)</u>
Total recognised in the Income statement	<u>551</u>	<u>613</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Amounts recognised in the Statement of comprehensive income

	2015 £ 000	2014 £ 000
Actuarial (losses)/gains arising from changes in demographic assumptions	(27)	87
Actuarial gains/(losses) arising from changes in financial assumptions	657	(2,298)
Actuarial (losses)/gains arising from experience adjustments	(157)	965
Return on plan assets, excluding amounts included in interest income	126	280
Amounts recognised in the Statement of comprehensive income	<u>599</u>	<u>(966)</u>

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Expressed as %			
Discount rate	0.25%	decrease by 3.31%	increase by 3.49%
Inflation - RPI	0.25%	increase by 2.72%	decrease by 2.51%
Salary growth rate	0.25%	increase by 1%	decrease by .98%
Life expectancy	1 Year	increase by 1%	-
Expressed as £'000			
Discount rate	0.25%	decrease by 1,015	increase by 1,071
Inflation - RPI	0.25%	increase by 833	decrease by 769
Salary growth rate	0.25%	increase by 307	decrease by 299
Life expectancy	1 Year	increase by 307	-

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the Statement of financial position.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

Maturity analysis of benefit payments

	Between 1-5 years £ 000	Between 6-10 years £ 000	Between 11-15 years £ 000	Between 16-20 years £ 000	Over 20 years £ 000	Total £ 000
2015	7,802	9,140	9,944	9,466	35,915	72,267
2014	<u>7,420</u>	<u>9,124</u>	<u>9,455</u>	<u>9,896</u>	<u>34,900</u>	<u>70,795</u>

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to £297,000 (2014: £266,000).

20 Loans and borrowings

	2015 £ 000	2014 £ 000
Non-current loans and borrowings		
Loan from group undertaking	<u>9,471</u>	<u>-</u>

The loan from group undertaking is denominated in GBP, falls due between two and five years, is unsecured and carries interest of LIBOR + 1.32 %.

21 Obligations under leases and hire purchase contracts

Operating leases

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

	2015 £ 000	2014 £ 000
Within one year	158	104
In two to five years	427	419
In over five years	<u>9,356</u>	<u>9,461</u>
	<u>9,941</u>	<u>9,984</u>

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2015

22 Parent and ultimate parent undertaking

Harwich International (Holdings) Limited, a company registered in England and Wales, whose principal activity is to act as a holding company, is the immediate parent of the company and owns 100% of the shares and voting rights.

Hutchison Ports (UK) Limited, a company registered in England and Wales, is the smallest group to consolidate the financial statements of the company. Copies of the financial statements may be obtained from the Company Secretary, Tomline House, The Dock, Felixstowe, Suffolk IP11 3SY.

As at 31 December 2014, the ultimate holding company was Hutchison Whampoa Limited ("HWL"), a company incorporated and listed in Hong Kong. On 9 January 2015, a joint announcement was made by Cheung Kong (Holdings) Limited ("Cheung Kong") and HWL on the proposed reorganisation and combination of the business of Cheung Kong and HWL. The reorganisation was completed on 3 June 2015. Since then, the ultimate holding company has been changed to CK Hutchison Holdings Limited ("CKHH"), a company incorporated in the Cayman Islands and listed in Hong Kong.

Copies of the financial statements of CKHH may be obtained from the Company Secretary, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

23 Contingent liabilities

At 31 December 2015 the company had provided guarantees in respect of Customs duties of £350,000 (2014: £350,000).