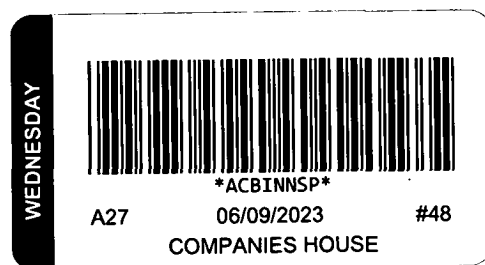


HARWICH INTERNATIONAL PORT LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

(Registered number 2486146)

31 December 2022



Harwich International Port Limited

Strategic report for the financial year ended 31 December 2022

The directors present their Strategic report for the financial year ended 31 December 2022.

Fair review of the business

The company is part of the wider Hutchison Ports (UK) Limited group ("HPUK", "HPUK group") and much of the management of the company is carried out by HPUK. The company manages and operates Harwich International Port and associated services.

The performance of the core operations of the business fared well during the financial year despite a challenging business environment with upward pressure on costs. Passenger numbers and accompanied car numbers improved considerably due to the return of passenger confidence following the end of travel restrictions in relation to coronavirus, however Roll-on/Roll-off volumes were impacted by weak consumer demand. Despite the demanding conditions, the company delivered stable earnings and an increase in profit for the financial year.

The net assets of the company increased to £57 million (2021: £49 million). Major movements included a £5.5 million increase in defined benefit scheme asset, a £5.0 million decrease in group loan, £10.2 million decrease in trade and other payables driven by an increase in 2021 for capital expenditure and a £9.8 million increase in other non-current liabilities related to the Port Infrastructure Fund. During the financial year, there were total tangible fixed asset additions of £2.3 million (2021: £24.0 million), the decrease due to investment in new examination facilities in 2021.

Despite the demanding conditions, the Company has delivered stable earnings, and profit for the financial year has increased 35.6% from £3.4 million in 2021 to £4.7 million in 2022.

The Ukraine conflict gave rise to the imposition of sanctions against Russia. The company is only marginally and indirectly affected by UK shipping sanctions.

The company will continue to pursue opportunities that arise from Freeport East and has secured permanent planning consent for Bathside Bay as a container terminal.

Principal risks and uncertainties

The principal risks and uncertainties of the company have been addressed in the Directors' report.

Key performance indicators

The company employs a wide range of financial and non-financial performance measures to monitor progress over the course of a financial year and ensure its targets are met.

In summary, the business delivered improved headline revenue and underlying profits in the financial year over 2021. Passenger throughput recovered following the end of travel restrictions in relation to coronavirus, however Roll-on/Roll-off volumes were impacted by weak consumer demand.

In support of its aim to make the port safer for everyone the company actively monitors the number of lost time accidents and those reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("RIDDOR") rules. Overall lost time accidents and RIDDOR reportable accidents fell in 2022 compared to the prior financial year.

Harwich International Port Limited

Strategic report for the financial year ended 31 December 2022

Business environment

Ports are critical to the UK economy, handling 95% of all import and export tonnage transported by sea. The Department for Transport confirmed that in 2021 UK ports handled over 445.5 million tonnes of freight, an increase of 2% on 2020 but still 8% lower than 2019.

The business environment has been demanding with the global impact of the Ukraine conflict, tight labour market and financial market instability. High price inflation led to a squeeze in domestic incomes and wage inflation pressures. That in turn led to industrial relations challenges in many major industries in the UK. The 2022 pay award was agreed in September 2022 and the 2023 pay award is in the process of being finalised providing certainty and stability for the future, both for the business and its employees.

Freeport East received final Government approval in January 2023. One of its three sites is within Harwich International Port and its development will be supplemented by Government funding to support infrastructure enhancement. The plans include the creation of a green energy hub in Harwich to facilitate offshore wind turbine developments and support decarbonisation and contribute to Government objectives of stimulating innovation, high technology skills and economic development.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to:

Section 172(1)(a) - the likely consequences of any decision in the long term

In reaching their principal decisions the directors consider the long-term impacts, both on the company and any wider repercussions. For example, the need to develop increased resilience within the workforce and on modernising supporting technology and services;

Section 172(1)(b) - the interests of the company's employees

The directors appreciate that each employee contributes to the success of the company. The company has introduced the Diversity & Inclusion Plan including a range of initiatives and targets focusing on increasing the diversity of the workforce as well as developing an inclusive culture. The introduction of a Diversity & Inclusion Committee allows for direct employee feedback on matters of inclusivity and encourages employee participation in initiatives. Regular dialogue and consultations also take place with employees on a variety of other matters of interest;

Section 172(1)(c) - the need to foster the company's business relationships with suppliers, customers and others

The company's management is in constant contact with its customers and will consider industry trends, market intelligence and customer needs. The company engages widely with suppliers both when tendering for goods and services, during the life cycle of contracts and general purchasing requirements of a range of materials and services. Additionally, the company engages with other port users and its local community and representatives of local councils;

Section 172(1)(d) - the impact of the company's operations on the community and the environment

The directors acknowledge the corporate social responsibilities of the company. The HPUK Sustainability Committee was created to help deliver a sustainable business model, through delivery of sustainability projects and initiatives, aligning with the Hutchison Port Holdings Limited Sustainability Committee to help cascade key policies and approaches across the global network;

Harwich International Port Limited

Strategic report for the financial year ended 31 December 2022

Section 172(1)(e) - the desirability of the company maintaining a reputation for high standards of business conduct

The company promotes the highest moral and ethical standards in its business. Underpinning this is a strong system of governance and sound internal controls. The group's Code of Conduct (the "Code") is published to set standards and promote honest and moral conduct including: the ethical handling of conflicts of interest; transparent disclosure; compliance with applicable laws, rules and codes; prompt reporting of any violations; and accountability for adherence to the Code; and

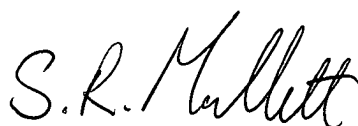
Section 172(1)(f) - the need to act fairly as between members of the company

Whilst most companies within the group are wholly-owned subsidiaries the directors are conscious of the need to consider the interests of minority shareholders and joint venture partners.

In discharging their section 172 duties the directors have regard to the factors set out above. The directors also have regard to other factors which are considered relevant to the decision being made. Those factors, for example, will include the interests and views of relevant government departments and agencies, of representative bodies of local communities, and industry trade associations. The directors acknowledge that every decision will not necessarily result in a positive outcome for all stakeholders. By considering the company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the directors aim to make sure that decisions are consistent, predictable and fair.

As is normal for a company within a large multinational group, authority is delegated for the day-to-day management of the company to executives, who in turn engage management in setting, approving and overseeing execution of the business strategy and related policies.

Approved by the Board on 8 June 2023 and signed by its order:



.....
Mr Simon Richard Mullett
Director and 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 2022

The directors submit to the sole shareholder their report and audited financial statements for the financial year ended 31 December 2022.

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.

Company information

Details regarding the company can be found in note 1 to the financial statements. Details regarding parent and ultimate parent entities can be found in note 24 to the financial statements.

Results and Dividends

The Income statement is set out on page 12 and shows the profit for the financial year ended 31 December 2022. The directors did not propose an interim dividend for the financial year ended 31 December 2022 (2021: £nil). The directors do not propose a final dividend for the financial year ended 31 December 2022 (2021: £nil).

Charitable donations

No charitable donations were made during the financial year (2021: £nil).

Strategy, values and governance

The company's board of directors meets regularly to review and direct the business, to set strategic direction and to discharge its responsibilities. It is informed by a variety of information including budgets and forecasts, operational performance reports and other relevant materials. There are appropriate thresholds of authority at which both the board and its individual directors operate. The board's membership includes those with executive positions in other group companies who can bring expertise and coordinated decision-making from these roles.

The board delegates day-to-day management to an executive team which undertakes the operational management of the group and meets frequently for the purpose. In turn the senior management team, from key business functions and departments, provides assistance and meets at least fortnightly to review detailed business performance and coordinate operational activity and actions necessary to meet performance targets set by the executive and approved by the board.

The company also relies on a number of specialist committees in specific subject areas to analyse, inform and advise on subject-specific matters, as noted in more detail on page 5.

The company is engaged in the provision of port operations and associated services in the United Kingdom. The company is an indirect majority-owned subsidiary of CK Hutchison Holdings Limited ("CKHH", and together with its subsidiaries, the "CKHH Group"), a company whose shares are listed on the main board of The Hong Kong Stock Exchange. The company adopts and applies high standards of corporate governance aligned to the needs and interests of the CKHH Group.

The principal objective of the company is aligned with the strategic goal of CKHH, to enhance long-term total return for all its shareholders. To achieve this objective, the group focuses on achieving recurring and sustainable earnings, cash flow and dividend growth without compromising the group's financial strength and stability. Technology transformation remains a key initiative of the group to capture new opportunities in all businesses. The group is increasingly focussed on sustainability and delivering business solutions that support social and environmental challenges, such as enabling the transition to a net-zero economy.

The group has four strategic pillars:

- **Our Business:** the group will grow volumes and market share by investing in technology with the aim to deliver high levels of productivity and customer service. The group will work together with customers and stakeholders to deliver consistent service levels;

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2022

- **Our People:** it is the group's employees that deliver the service to its customers. The group recognises the importance of gender diversification which will increase the blend of skills and experience that are vital components of future operations. The group is committed to the implementation of key initiatives to improve the gender balance across all areas of the business;
- **Our Environment:** the group's vision is to become the world leader in delivering the cleanest port operations possible. With the support of the group's global environmental program we will continue to focus on ensuring it acts in a responsible and sustainable manner; and
- **Our Safety:** the aim is to shift the group safety culture from compliance to one of self-assessment, recognition and risk management. The group will observe minimum safety standards and adopt a zero-tolerance approach to unsafe practices that may harm employees and the organisation.

The company adopts an open and transparent communication style summarised in four workplace objectives: creating an engagement culture that promotes diversity and wellbeing; delivering change to support the company's transformational journey; building our skills and capabilities; and developing inspirational and effective leadership.

The board of directors (the "Board") is appointed by the shareholder and the ultimate parent entity CKHH. The views of shareholders are clearly communicated through various channels to the Board. Whilst the Board is responsible for the overall direction and management of the company, to ensure effective day-to-day management of the group, it has selected the group's local Executive team (the "Exec") to support internal processes and delegated signing authority to certain senior officers and employees, generally based on financial thresholds. In addition, to maintain an appropriate level of control over strategic and key business decisions, the Board has identified certain matters that only it can approve. The Board regularly reviews the signing authority and matters reserved for Board approval to ensure they are appropriate and relevant.

The Exec and members of the Board meet regularly to discuss and review strategies, performance, business plans, budgets, and risk profiles of the company. Whilst the Board is charged with the task of promoting the long-term success of the company and making decisions in the best interests of the company, the Exec is accountable for the conduct and performance of the company within the agreed strategies. The Board together with the Exec and supported by senior management instil and uphold the company's objectives and strategies through the day-to-day operations and management of the company.

In alignment with the Board Diversity Policy of CKHH, the company recognises the benefits of a Board that possesses a balance of skill sets, experience, expertise and diversity of perspectives appropriate for the strategies of the company. The company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value. The Board combines a diverse set of skills and expertise which include business management, strategic planning and risk management, financial reporting, and industry knowledge and experience.

Clemence Chun Fun Cheng is Chief Executive Officer ("CEO") of HPUK and Chair of the Exec.

The CEO is responsible for the consideration of the structure, size, diversity profile and skills makeup of the Exec, the progress in achieving the strategic needs of the organisation and meeting the objectives of the company. The Exec is supported by a number of specialist committees which develop and promote specific elements of governance, including:

- Anti-Bribery and Anti-Corruption;
- Business Continuity Management;
- Sustainability;
- Executive Health and Safety;
- IT Security; and
- Internal Compliance and Risk Management.

These committees all have established terms of reference and membership, and include the CEO and / or members of the Exec. Separately, other committees are established by the Board as and when warranted to handle specific tasks.

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2022

Sustainability

The company supports the long-term sustainability of its business by regularly reviewing its business models and practices to identify opportunities for improving its performance and creating value for stakeholders. The company reviews external factors that influence the business, including political, economic, environmental, and industrial relations factors. Additionally, the company considers market demand, technology and reviews the position of its competitors and customers.

The ports division of CKHH, which includes the company, is implementing a global decarbonisation programme of its vehicles and infrastructure.

The HPUK group contributes to net zero carbon emission targets of both its UK and global parent groups under three core pillars of sustainable development: Our Environment, Our People and Our Business. The HPUK group has announced and is committed to a target of achieving net zero carbon emissions by 2035. As part of its journey plan to achieve it, the HPUK group is investing in electric powered plant replacing diesel powered equivalents.

Sustainability is being further accelerated with a procurement programme aiming to contribute to net zero carbon emission targets, delivering sustainable productivity, reliability and operating performance.

The HPUK group is committed to protecting the environment in which it operates whilst striving to constantly improve its carbon and ecological footprints.

Employees, engagement and diversity

The HPUK group actively manages employee health and wellbeing and supports a number of initiatives to promote mental and physical health, and to monitor and accelerate return to work from sickness absence. Employee wellbeing is also encouraged with personal achievement and service performance and the company sets targets, manages individual personal development and performance and encourages employees to achieve their own and business goals.

The ports division of CKHH has continued to focus a lot of its attention on the overall health and well-being of its colleagues and in this regard the global BEWELL campaign has continued to be very successful in helping our people develop mental and physical health. The HPUK group also has in place its own local initiatives to support the development and well-being of its people and communities. The long-established Go Green and Dock School initiatives continue to be the cornerstone of local community outreach programmes.

Our people are our strength. We are fully supportive of our colleagues' career journey and development, whilst ensuring that our teams are inclusive, diverse and representative.

The ambition is to have a workforce within our ports that is more representative of the local demographics within which the ports reside. This occurs by fostering a culture that is inclusive and supportive providing a wider range of career opportunities that are accessible to anyone of any background. The benefit to the organisation in having a diverse workforce is clear, having broader perspectives leads to move creative problem solving which benefits not only the organisation but our customers and communities.

In 2018, Maritime UK established a Women in Maritime taskforce to promote gender equality in the maritime sector. In response, HPUK implemented initiatives to promote Women in Maritime which resulted in HPUK being awarded the Women in Maritime Charter status in 2020, making it the first major UK port group to gain such recognition. The Women in Maritime taskforce was expanded in 2020 to become the Diversity in Maritime programme which addresses issues of fairness, equality and inclusivity within the maritime sector.

The company promotes equal opportunities and enact policies and actions that encourage age diversity and inclusion. Our workplace condemns any form of discrimination or harassment based on race, colour, national or social origin, ethnicity, religion, age, disability, sex, sexual orientation, gender identification, expression, political opinion or any other status as protected by applicable laws.

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2022

Directors of the company

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

Ms Edith Shih

Mr Sing Chi Ip

Mr Clemence Chun Fun Cheng

Mr Andrew Steven Lawrence

Mr Simon Richard Mullett

Mr Christian Nicolas Roger Salbaing

Directors' liabilities

The company maintains directors' and officers' liability insurance which provides insurance cover against liabilities directors and other officers of the company may incur personally in their capacity as directors and officers. The qualifying third party indemnity provision was in force during the financial period and also at the date of approval of the financial statements.

Principal risks and uncertainties

Business risks are considered regularly. Any changes in the business, economy or regulatory environment are monitored and reviewed by management. The key financial risks are set out in note 3 to the financial statements.

Risks identified by the management of the HPUK group include the reliance on a small number of customers for a substantial proportion of business, the impact of technology, cyber-security risks and the impact on the environment of operations. The HPUK group seeks to mitigate these risks by maintaining a broad customer base as a common-user operator, upgrading and developing equipment and systems, and seeking and implementing suitable technology and behaviours.

Geopolitical risks relating to global trade have increased during the financial year because of regional conflict in Ukraine, the impact of sanctions, and low global growth following the Coronavirus pandemic. Low growth has been accompanied by heightened inflation and industrial relations challenges. The directors are confident that the company is well placed operationally and financially to manage the business challenges presented by these risks.

Harwich International Port Limited

Directors' report for the financial year ended 31 December 2022

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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 the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

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

Approved by the Board on 8 June 2023 and signed by its order:



Mr Simon Richard Mullett
Director and Company secretary

Registered number

2486146

Registered Office

Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

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

Report on the audit of the financial statements

Opinion

In our opinion, Harwich International Port Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: statement of financial position as at 31 December 2022; the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of results through manual journals or management bias in judgemental areas. Audit procedures performed by the engagement team included:

- Discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud
- Identifying and testing of manual journal entries based on risk criteria such as unusual account combinations
- Review of key judgements and provisions
- Review of the latest internal audit reports available
- Incorporating elements of unpredictability into our audit approach

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
3 August 2023

Harwich International Port Limited

Income statement for the financial year ended 31 December 2022

| | Note | 2022 £ 000 | 2021 £ 000 |
|-------------------------------|------|---------------------|---------------------|
| Revenue | | 23,195 | 20,576 |
| Cost of sales | | <u>(13,062)</u> | <u>(11,510)</u> |
| Gross profit | | 10,133 | 9,066 |
| Administrative expenses | | (5,748) | (5,141) |
| Other operating income | | <u>2,219</u> | <u>1,993</u> |
| Operating profit | 6 | 6,604 | 5,918 |
| Finance costs | 7 | <u>(381)</u> | <u>(275)</u> |
| Profit before tax | | 6,223 | 5,643 |
| Income tax expense | 9 | <u>(1,549)</u> | <u>(2,197)</u> |
| Profit for the financial year | | <u><u>4,674</u></u> | <u><u>3,446</u></u> |

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

The notes on pages 17 to 47 form an integral part of these financial statements.

Harwich International Port Limited

Statement of comprehensive income for the financial year ended 31 December 2022

| | Note | 2022 £ 000 | 2021 £ 000 |
|--|------|---------------------|---------------------|
| Profit for the financial year | | <u>4,674</u> | <u>3,446</u> |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Actuarial gains on defined benefit pension scheme before tax | 21 | 4,810 | 5,616 |
| Movement on deferred tax relating to pension scheme | 17 | (914) | (1,067) |
| Movement on deferred tax relating to change in UK tax rate | 17 | <u>(288)</u> | <u>(205)</u> |
| Total other comprehensive income | | <u>3,608</u> | <u>4,344</u> |
| Total comprehensive income for the financial year | | <u><u>8,282</u></u> | <u><u>7,790</u></u> |

The notes on pages 17 to 47 form an integral part of these financial statements.

Harwich International Port Limited

Statement of financial position as at 31 December 2022

| | Note | 2022 £ 000 | 2021 £ 000 |
|--|------|----------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 68,470 | 68,933 |
| Investments | 13 | - | - |
| Right of use assets | 11 | 2,280 | 2,358 |
| Retirement benefit asset | 21 | 12,290 | 6,836 |
| | | <u>83,040</u> | <u>78,127</u> |
| Current assets | | | |
| Inventories | 12 | 227 | 243 |
| Trade and other receivables | 14 | 16,873 | 17,415 |
| | | <u>17,100</u> | <u>17,658</u> |
| Total assets | | <u>100,140</u> | <u>95,785</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 18 | 16,812 | 16,812 |
| Retained earnings | 19 | 40,221 | 31,939 |
| Total equity | | <u>57,033</u> | <u>48,751</u> |
| Non-current liabilities | | | |
| Loans and borrowings | 22 | - | 8,971 |
| Other non-current liabilities | 16 | 20,671 | 10,842 |
| Deferred tax | 17 | 8,010 | 6,390 |
| Long term lease liabilities | 23 | 2,352 | 2,392 |
| | | <u>31,033</u> | <u>28,595</u> |
| Current liabilities | | | |
| Trade and other payables | 15 | 6,802 | 17,049 |
| Loans and borrowings | 22 | 3,971 | - |
| Current tax payable | | 1,130 | 1,206 |
| Current portion of long term lease liabilities | 23 | 171 | 184 |
| | | <u>12,074</u> | <u>18,439</u> |
| Total liabilities | | <u>43,107</u> | <u>47,034</u> |
| Total equity and liabilities | | <u>100,140</u> | <u>95,785</u> |

The notes on pages 17 to 47 form an integral part of these financial statements.

The financial statements on pages 12 to 47 were approved by the Board on 8 June 2023 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 2022

| | Share capital £ 000 | Retained earnings £ 000 | Total equity £ 000 |
|--|------------------------|-------------------------------|-----------------------|
| At 1 January 2022 | <u>16,812</u> | <u>31,939</u> | <u>48,751</u> |
| Profit for the financial year | - | 4,674 | 4,674 |
| Actuarial gains on defined benefit pension scheme before tax | - | 4,810 | 4,810 |
| Movement on deferred tax relating to pension scheme | - | (914) | (914) |
| Movement on deferred tax relating to change in UK tax rate | - | (288) | (288) |
| At 31 December 2022 | <u>16,812</u> | <u>40,221</u> | <u>57,033</u> |

| | Share capital £ 000 | Retained earnings £ 000 | Total equity £ 000 |
|--|------------------------|-------------------------------|-----------------------|
| At 1 January 2021 | <u>16,812</u> | <u>24,149</u> | <u>40,961</u> |
| Profit for the financial year | - | 3,446 | 3,446 |
| Actuarial gains on defined benefit pension scheme before tax | - | 5,616 | 5,616 |
| Movement on deferred tax relating to pension scheme | - | (1,067) | (1,067) |
| Movement on deferred tax relating to change in UK tax rate | - | (205) | (205) |
| At 31 December 2021 | <u>16,812</u> | <u>31,939</u> | <u>48,751</u> |

The directors did not propose an interim dividend for the financial year ended 31 December 2022 (2021: £nil).
The directors do not propose a final dividend for the financial year ended 31 December 2022 (2021: £nil).

The notes on pages 17 to 47 form an integral part of these financial statements.

Harwich International Port Limited

Statement of cash flows for the financial year ended 31 December 2022

| | Note | 2022 £ 000 | 2021 £ 000 |
|---|------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash generated from continuing operations | 20 | 14,428 | 19,058 |
| Income taxes paid | | (1,207) | (1,435) |
| Interest paid | 7 | <u>(381)</u> | <u>(275)</u> |
| Net cash flow generated from operating activities | | <u>12,840</u> | <u>17,348</u> |
| Cash flows from investing activities | | | |
| Acquisitions of property, plant and equipment | | (7,783) | (16,796) |
| Cash flows from financing activities | | | |
| Repayment of loan from group undertaking | | (5,000) | (500) |
| Principal elements of lease payments | | <u>(57)</u> | <u>(53)</u> |
| Net cash flow used in financing activities | | <u>(5,057)</u> | <u>(553)</u> |
| Net movement in cash and cash equivalents | | - | (1) |
| Cash and cash equivalents at 1 January | | <u>-</u> | <u>1</u> |
| Cash and cash equivalents at 31 December | | <u><u>-</u></u> | <u><u>-</u></u> |

The notes on pages 17 to 47 form an integral part of these financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

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 a private company 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, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 and International Financial Reporting Standards Interpretations Committee interpretations. The statements have been prepared on a going concern basis and on a historical cost basis, except for the following:

- Defined benefit pension plans

New and amended standards adopted by the company

The following have been applied for the first time from 1 January 2022 and have not had a significant effect on the financial statements:

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16;

Onerous contracts - Cost of Fulfilling a Contract - Amendments to IAS 37;

Annual Improvements to IFRS Standards 2018-2020; and

Reference to the Conceptual Framework - Amendments to IFRS 3

New standards, interpretations and amendments not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Going concern

The company meets its day-to-day working capital requirements through the HPUK group banking facilities. The current economic conditions continue to create uncertainty, however, the company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of the current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Property, plant and equipment

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

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.

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%-20.00% |

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are recognised in the Income statement on a straight-line basis over the expected lives of the related assets.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Trade receivables

Trade and other receivables are recognised 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 under the impairment loss methodology 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 expenses. 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 expenses in the Income statement.

Trade payables

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

Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents includes cash in hand and bank overdrafts.

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 financial 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. Subsequent 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.

Group financial statements

As the company is a wholly owned subsidiary of HPUK, it has taken advantage of the exemption provided by Section 400 of the Companies Act 2006 which relieves it from preparing consolidated financial statements. The consolidated financial statements of HPUK are publicly available as per note 24.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Financial instruments

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities, inventories, accruals and employee benefits plan.

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Classification and measurement

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:

Financial assets are classified into one of the following three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income ("FVTOCI"); or
- financial assets at fair value through the profit or loss ("FVTPL").

Financial liabilities are classified into one of the following two categories:

- financial liabilities at amortised cost; or
- financial liabilities at FVTPL.

The classification and the basis for measurement are subject to the company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at FVTPL.

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Financial assets at FVTOCI

A financial asset is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the company may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in OCI and are not subsequently included in the Income Statement.

Financial assets at FVTPL

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at FVTPL

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Impairment of financial assets

Measurement of Expected Credit Losses ("ECL")

The impairment model is based on expected credit losses and it applies equally to debt instruments measured at amortised cost or FVTOCI, lease receivables, contract assets within the scope of IFRS 15 and certain written loan commitments and financial guarantee contracts.

Expected credit losses (with the exception of purchased or original credit-impaired financial assets) are required to be measured through a loss allowance at an amount equal to: (i) the 12-month expected credit losses or (ii) full lifetime expected credit losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.

Derivative financial instruments

All derivatives in the scope of IFRS 9, including those linked to unquoted equity investments, are measured at fair value. Value changes are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship.

The contractual cash flows of the financial asset are assessed in their entirety, and the asset as a whole is measured at FVTPL if the contractual cash flow characteristics test is not passed. Embedded derivatives not closely related to financial liabilities will be accounted for separately at fair value in the case of financial liabilities not designated at FVTPL.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The use of estimates and assumptions is principally limited to the determination of provisions for impairment and the valuation of financial instruments as explained in more detail below:

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

Amounts owed by group undertakings are measured at amortised cost due to their short term nature and the fact that they are repayable on demand, this would therefore approximate fair value.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated on an average cost basis.

Foreign currency transactions and balances

The financial statements are presented in GBP, which is the company's functional and presentation currency.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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.

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.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

In these financial statements right-of-use assets are split into two categories, these are:

- Machinery
- Property

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance costs in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

Revenue recognition

Recognition

The company earns revenue from the provision of services attributable to the operation of Harwich International Port, and arises 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, net of discounts and rebates, exclusive of Value Added Tax. The company earns revenue from the handling and storage of goods imported to, and exported from, the UK. Other income is earned from the rental of land and buildings to third parties. The company's third party customer base is primarily made up of major international shipping lines.

IFRS 15 requires entities to apportion revenue earned from contracts to individual performance obligations based on a stand-alone selling price. The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:

1. identify the contracts with the customer
2. identify the performance obligations in the contract
3. determine the transaction price
4. allocate the transaction price to the performance obligations in the contract
5. recognise revenue when or as the entity satisfies its performance obligations

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Performance obligations

Under IFRS 15, revenue is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and control either transfers over time or at a point in time. IFRS 15 introduces specific criteria for determining when revenue is recognised.

For revenue generated from the handling and storage of goods imported to, and exported from, the UK, the company's performance obligations can be considered to be separate and individual in nature. Each element of revenue can be identified separately and is selected individually as per the customer's requirements. Individual services are invoiced to the customer following completion of that particular service. There is no obligation to provide subsequent services once each individual service has been completed. All services are considered to be provided at a point in time.

The similar nature of revenues generated by the company results in no requirement to disaggregate revenue, in accordance with IFRS 15.

Other income generated from the rental of land and buildings to third parties is outside the scope of IFRS 15, and therefore continues to be reflected in accordance with the previous IFRS.

Transaction price

The consideration which the company expects to receive in exchange for specific services is clearly defined and agreed prior to the service being performed. Such consideration is fixed for most individual services supplied. As a result, there is little ambiguity when allocating prices to such performance obligations within the company's transactions with customers. Variable elements of revenue such as volume linked incentives are subject to agreements which are ordinarily coterminous with the financial year, which reduces the uncertainty over the revenue attributable to the financial year. Any liabilities that may arise as a result of performance related obligations are netted against revenue in the period such obligations arise.

Contract assets and receivables

Contract assets are required to be classified as a receivable when the entity's right to consideration is unconditional, when payment is due only on the passage of time. Given that the company's performance obligations can be considered to be clearly defined, separate and individual in nature, trade receivables are recognised rather than contract assets. This is due to the unconditional right to consideration which is in place following satisfaction of our performance obligation.

Contract liabilities

Contract liabilities and customer deposits are recognised in the statement of financial position when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration. In the ordinary course of business no such balances arise due to the timing and nature of the services provided and cash collection from customers.

Practical Expedients

The company applies the practical expedient under para 63 of IFRS 15 that no discounting is applied on the basis that the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service will be one year or less.

The company also applies the practical expedient under para 94 of IFRS 15 in relation to contract costs which is applied on the basis that contractually agreed rates are ordinarily in place for a period of 12 months or less.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

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.

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.

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 Hutchison Ports (UK) Limited 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

Where financial assets or liabilities are measured at fair value they are classified using a fair value hierarchy that reflects the significance of the inputs used in the measurement. 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.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

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 2019. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the discount rate applied to liabilities, the rates of increase in salaries and pension and those relation to current and future mortality rates. The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation available at the Statement of financial position date, which was the 31 December 2019 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 2022. The details of the principal actuarial assumptions are given in note 21.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. The assets are depreciated over their estimated useful lives to their estimated residual values. Both the estimated useful life and the residual value are reviewed regularly. The useful lives are determined by management and are based on historical experience with similar assets.

The carrying amount is tested for impairment whenever events or changes in circumstances indicate that the carrying amount will not be recovered.

There are no critical judgements made by the directors in applying the company's accounting policies which have a significant impact on the financial statements other than those involving estimates, as disclosed above.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

6 Operating profit

Arrived at after charging/(crediting)

| | 2022 | 2021 |
|---|-------------------|-------------------|
| | £ 000 | £ 000 |
| Depreciation of owned assets | 2,800 | 2,349 |
| Depreciation of right of use assets | 82 | 76 |
| Loss on sale of property, plant and equipment | 1 | - |
| Rental income | (1,723) | (1,977) |
| Government grant | (496) | - |
| | <u> </u> | <u> </u> |

Auditors' remuneration

| | 2022 | 2021 |
|-----------------------------------|-----------|-----------|
| | £ 000 | £ 000 |
| Audit of the financial statements | <u>50</u> | <u>46</u> |

7 Finance costs

| | 2022 | 2021 |
|--|------------|------------|
| | £ 000 | £ 000 |
| Finance costs | | |
| Interest payable to other group entities | 247 | 144 |
| Other finance costs | 3 | 1 |
| Interest expense on leases | <u>131</u> | <u>130</u> |
| Total finance costs | <u>381</u> | <u>275</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

8 Staff costs and directors' remuneration

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

| | 2022 | 2021 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Wages and salaries | 7,559 | 6,995 |
| Redundancy costs | 10 | 26 |
| Social security costs | 799 | 691 |
| Other pension costs, defined contribution scheme | 509 | 478 |
| Other pension costs, defined benefit scheme | 430 | 566 |
| | <u>9,307</u> | <u>8,756</u> |

The average number of persons employed by the company during the year, analysed by category was as follows:

| | 2022 | 2021 |
|-----------------|------------|------------|
| | No. | No. |
| Port operations | 177 | 174 |
| Administration | 5 | 5 |
| | <u>182</u> | <u>179</u> |

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.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

9 Income tax expense

Tax expense in the Income statement

| | 2022 £ 000 | 2021 £ 000 |
|--|---------------|---------------|
| Current taxation | | |
| UK corporation tax | 1,131 | 1,206 |
| Deferred taxation | | |
| Arising from origination and reversal of temporary differences | 130 | (102) |
| Arising from changes in tax rates and laws | 288 | 1,093 |
| Total deferred taxation | 418 | 991 |
| Tax expense in the Income statement | 1,549 | 2,197 |

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

| | 2022 £ 000 | 2021 £ 000 |
|--|---------------|---------------|
| Profit before tax | 6,223 | 5,643 |
| Profit on ordinary activities before taxation at 19% (2021: 19%) | 1,182 | 1,072 |
| Effect of expenses not deductible in determining taxable profit | 166 | 72 |
| Deferred tax expense relating to changes in tax rates or laws | 288 | 1,093 |
| Decrease from effect of capital allowances depreciation | (87) | (40) |
| Total tax expense | 1,549 | 2,197 |

In the Spring Budget 2021, the UK Government announced the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

10 Property, plant and equipment

| | Land and civil works and buildings £ 000 | Plant and equipment £ 000 | Capital works in progress £ 000 | Total £ 000 |
|---------------------------------|---|---------------------------------|---------------------------------------|----------------|
| Cost or valuation | | | | |
| At 1 January 2021 | 86,844 | 10,675 | - | 97,519 |
| Additions | - | - | 23,994 | 23,994 |
| Disposals | (494) | (489) | - | (983) |
| Transfers | - | 87 | (87) | - |
| At 31 December 2021 | 86,350 | 10,273 | 23,907 | 120,530 |
| At 1 January 2022 | 86,350 | 10,273 | 23,907 | 120,530 |
| Additions | - | 200 | 2,138 | 2,338 |
| Disposals | - | (13) | - | (13) |
| Transfers | 23,415 | 678 | (24,093) | - |
| At 31 December 2022 | 109,765 | 11,138 | 1,952 | 122,855 |
| Accumulated depreciation | | | | |
| At 1 January 2021 | 42,247 | 7,984 | - | 50,231 |
| Charge for year | 1,823 | 526 | - | 2,349 |
| Eliminated on disposal | (494) | (489) | - | (983) |
| At 31 December 2021 | 43,576 | 8,021 | - | 51,597 |
| At 1 January 2022 | 43,576 | 8,021 | - | 51,597 |
| Charge for the year | 2,282 | 518 | - | 2,800 |
| Eliminated on disposal | - | (12) | - | (12) |
| At 31 December 2022 | 45,858 | 8,527 | - | 54,385 |
| Carrying amount | | | | |
| At 31 December 2022 | 63,907 | 2,611 | 1,952 | 68,470 |
| At 31 December 2021 | 42,774 | 2,252 | 23,907 | 68,933 |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

11 Right of use assets

| | Machinery £ 000 | Property £ 000 | Total £ 000 |
|---------------------------------|----------------------------|---------------------------|------------------------|
| Cost or valuation | | | |
| At 1 January 2021 | 232 | 2,102 | 2,334 |
| Additions | 28 | - | 28 |
| Disposals and revaluations | - | 202 | 202 |
| At 31 December 2021 | 260 | 2,304 | 2,564 |
| At 1 January 2022 | 260 | 2,304 | 2,564 |
| Disposals and revaluations | - | 4 | 4 |
| At 31 December 2022 | 260 | 2,308 | 2,568 |
| Accumulated depreciation | | | |
| At 1 January 2021 | 84 | 46 | 130 |
| Charge for the financial year | 52 | 24 | 76 |
| At 31 December 2021 | 136 | 70 | 206 |
| At 1 January 2022 | 136 | 70 | 206 |
| Charge for the financial year | 56 | 26 | 82 |
| At 31 December 2022 | 192 | 96 | 288 |
| Carrying amount | | | |
| At 31 December 2022 | 68 | 2,212 | 2,280 |
| At 31 December 2021 | 124 | 2,234 | 2,358 |

12 Inventories

| | 2022 £ 000 | 2021 £ 000 |
|---------------------------|-----------------------|-----------------------|
| Materials and consumables | 227 | 243 |

Inventories recognised as an expense during the year ended 31 December 2022 amounted to £998,000 (2021: £536,000).

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

13 Investments

| | 2022 | 2021 |
|----------------------------|------|------|
| | £ | £ |
| Investment in a subsidiary | 2 | 2 |

Details of the subsidiary as at 31 December are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held | |
|--|--------------------|--|---|------|
| | | | 2022 | 2021 |
| Harwich International Pension Trustee Limited* | Pension trustee | England and Wales | 100% | 100% |

* indicates direct investment of the company

The registered address of the subsidiary is Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

Associate

Details of the associate as at 31 December are as follows:

| Name of associate | Country of incorporation and principal place of business | Proportion of ownership interest and voting rights held | |
|-------------------------------|--|---|-------|
| | | 2022 | 2021 |
| Harwich Wharfingers Limited * | England and Wales | 33.3% | 33.3% |

* indicates direct investment of the company

The registered address of the associate is Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

14 Trade and other receivables

| | 2022 £ 000 | 2021 £ 000 |
|---|---------------|---------------|
| Trade receivables | 2,396 | 1,690 |
| Amounts owed by group undertakings | 13,683 | 12,502 |
| Other receivables | 146 | 2,728 |
| Prepayments and accrued income | 648 | 495 |
| Total current trade and other receivables | <u>16,873</u> | <u>17,415</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 2022, trade receivables of £2,162,000 (2021: £1,614,000) were fully performing.

As of 31 December 2022, trade receivables of £nil were impaired (2021: £nil).

As of 31 December 2022, trade receivables of £234,000 (2021: £76,000) were past due but no expected credit loss provision is created against it. 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:

| | 2022 £ 000 | 2021 £ 000 |
|---------------|---------------|---------------|
| 1 to 6 months | 234 | 76 |
| | <u>234</u> | <u>76</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.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

15 Trade and other payables

| | 2022 | 2021 |
|------------------------------------|--------------|---------------|
| | £ 000 | £ 000 |
| Trade payables | 710 | 6,618 |
| Amounts owed to group undertakings | 1,194 | 1,533 |
| Social security and other taxes | 254 | 229 |
| Other payables | 687 | 874 |
| Capital expenditure | 1,753 | 7,198 |
| Government grants | 1,190 | - |
| Accrued expenses | 1,014 | 597 |
| | <u>6,802</u> | <u>17,049</u> |

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

16 Other non-current liabilities

| | 2022 | 2021 |
|---|---------------|---------------|
| | £ 000 | £ 000 |
| Government grant - Port Infrastructure Fund grant | 20,671 | 10,842 |
| | <u>20,671</u> | <u>10,842</u> |

17 Deferred tax

| | 2022 | 2021 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Deferred tax asset - other timing differences | | |
| At 1 January | (20) | (15) |
| Re-measurement of deferred tax asset | - | (5) |
| At 31 December | <u>(20)</u> | <u>(20)</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

| | 2022 | 2021 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Deferred tax liability - pension scheme | | |
| At 1 January | 1,730 | 154 |
| Charged to Income statement | 122 | 274 |
| Re-measurement of deferred tax liability | 33 | 30 |
| Charged directly to equity in respect of: | | |
| Movement on deferred tax relating to pension scheme | 914 | 1,067 |
| Re-measurement of deferred tax liability | 288 | 205 |
| At 31 December | <u>3,087</u> | <u>1,730</u> |

| | 2022 | 2021 |
|--|--------------|--------------|
| | £ 000 | £ 000 |
| Deferred tax liability - accelerated capital allowances | | |
| At 1 January | 4,718 | 4,016 |
| Charged/(credited) to Income statement | 7 | (375) |
| Re-measurement of deferred tax liability | 255 | 1,077 |
| At 31 December | <u>4,980</u> | <u>4,718</u> |

| | 2022 | 2021 |
|--|-------------|-------------|
| | £ 000 | £ 000 |
| Deferred tax asset - IFRS 16 | | |
| At 1 January | (38) | (28) |
| Charged/(credited) to Income statement | 1 | (1) |
| Re-measurement of deferred tax asset | - | (9) |
| At 31 December | <u>(37)</u> | <u>(38)</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:

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

| | 2022 | 2021 |
|---|--------------|--------------|
| | £ 000 | £ 000 |
| Deferred tax asset to be recovered: | | |
| After more than 12 months | (38) | (37) |
| Within 12 months | (19) | (21) |
| | <u>(57)</u> | <u>(58)</u> |
| Deferred tax liability to be crystallised: | | |
| After more than 12 months | 7,758 | 6,275 |
| Within 12 months | 309 | 173 |
| | <u>8,067</u> | <u>6,448</u> |
| Net deferred tax liability | <u>8,010</u> | <u>6,390</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.

18 Share capital

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

| | 2022 | 2021 |
|---|---------------|---------------|
| | £ 000 | £ 000 |
| Allotted, issued, called up and fully paid share capital | | |
| 16,812,002 (2021: 16,812,002) ordinary shares of £1 each | <u>16,812</u> | <u>16,812</u> |

19 Retained earnings

| | £ 000 |
|---|---------------|
| At 1 January 2022 | <u>31,939</u> |
| Profit for the financial year | 4,674 |
| Actuarial gains on defined benefit pension schemes before tax | 4,810 |
| Movement on deferred tax relating to pension scheme | (914) |
| Movement on deferred tax relating to change in UK tax rate | <u>(288)</u> |
| At 31 December 2022 | <u>40,221</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

| | £ 000 |
|---|---------------|
| At 1 January 2021 | <u>24,149</u> |
| Profit for the financial year | 3,446 |
| Actuarial gains on defined benefit pension schemes before tax | 5,616 |
| Movement on deferred tax relating to pension scheme | (1,067) |
| Movement on deferred tax relating to change in UK tax rate | <u>(205)</u> |
| At 31 December 2021 | <u>31,939</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

20 Cash generated from continuing operations

| | Note | 2022 £ 000 | 2021 £ 000 |
|---|------|---------------|---------------|
| Profit for the financial year | | 4,674 | 3,446 |
| Adjustments to cash flows from non-cash items | | | |
| Income tax expense | 9 | 1,549 | 2,197 |
| Finance costs | 7 | 381 | 275 |
| Depreciation | 6 | 2,882 | 2,425 |
| Loss on disposal of property, plant and equipment | 6 | <u>1</u> | <u>-</u> |
| | | 9,487 | 8,343 |
| Working capital adjustments | | | |
| Decrease/(increase) in inventories | 12 | 16 | (53) |
| Decrease/(increase) in trade and other receivables | 14 | 1,723 | (1,658) |
| (Decrease)/increase in trade and other payables | 15 | (5,653) | 6,847 |
| Decrease in retirement benefit obligations net of actuarial changes | | (644) | (489) |
| Increase in deferred income, including government grants | | 11,019 | 10,842 |
| Increase in amounts owed by group undertakings | | (1,181) | (4,332) |
| Decrease in amounts owed to group undertakings | | <u>(339)</u> | <u>(442)</u> |
| Cash generated from continuing operations | | <u>14,428</u> | <u>19,058</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

21 Retirement benefit asset

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 2019. The following assumptions were used:

| | |
|--|-----------------|
| Future price inflation - RPI | 3.20% per annum |
| Future price inflation - CPI | 2.20% per annum |
| Allowances for increases in pensionable salaries | 3.45% per annum |
| Future investment return - pre-retirement | 4.30% per annum |
| Future investment return - post-retirement (actives/deferreds) | 1.80% per annum |
| Future investment return - post-retirement (pensioners) | 1.80% per annum |
| Allowances for increases to pensions in payment - Price inflation | 2.20% per annum |
| Allowances for increases to pensions in payment - CPI capped at 3% | 2.00% 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 £42.977 million and an actuarial deficit of £1.354 million existed. In order to eliminate this deficit, company contributions will be paid at the rate of 37.3% of pensionable salary from 1 January 2021. In addition, members pay contributions at a rate of 6% of pensionable salaries.

The Trustee and the company have agreed that deficit recovery payments will be made at an amount of £430,000 per annum in equal quarterly payments between 1 January 2021 and 31 December 2022. An amount of £514,300 was already paid in equal quarterly instalments between 1 January 2020 and 31 December 2020. This Recovery Plan assumes an investment return of 2.80% per annum over the period. This represents no outperformance over the average return expected on the Technical Provisions assumptions.

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation undertaken as at the Statement of financial position date, which was the 31 December 2019 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 defined benefit scheme as at 31 December 2022. Defined benefit scheme assets are stated at bid value as at 31 December 2022.

Contributions payable to the pension scheme at the end of the financial year are £44,000 (2021: £42,000).

The expected contributions to the plan for the next financial year are £713,000.

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

| | 2022 £ 000 | 2021 £ 000 |
|--|---------------|---------------|
| Fair value of scheme assets | 41,378 | 48,824 |
| Present value of scheme liabilities | (29,088) | (41,988) |
| Defined benefit pension scheme surplus | 12,290 | 6,836 |

Scheme assets

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

| | 2022 £ 000 | 2021 £ 000 |
|--|---------------|---------------|
| Fair value at start of financial year | 48,824 | 44,626 |
| Interest income | 946 | 621 |
| Return on plan assets, excluding amounts included in interest income | (7,818) | 4,138 |
| Employer contributions | 1,074 | 1,055 |
| Contributions by scheme participants | 76 | 74 |
| Benefits paid | (1,637) | (1,598) |
| Administrative expenses paid | (87) | (92) |
| Fair value at end of financial year | 41,378 | 48,824 |

Analysis of assets

The major categories of scheme assets are as follows:

| | 2022 £ 000 | 2021 £ 000 |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 1,001 | 2,345 |
| Equity instruments | 16,205 | 28,554 |
| Debt instruments | 24,172 | 17,925 |
| | 41,378 | 48,824 |

All cash equivalents, equity instruments and debt instruments have a quoted market price.

Actual return on scheme's assets

| | 2022 £ 000 | 2021 £ 000 |
|--------------------------------|---------------|---------------|
| Actual return on scheme assets | (6,872) | 4,759 |

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 2022

Scheme liabilities

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

| | 2022 £ 000 | 2021 £ 000 |
|---|---------------|---------------|
| Present value at start of financial year | 41,988 | 43,895 |
| Current service cost | 481 | 487 |
| Actuarial gains arising from changes in demographic assumptions | (25) | (80) |
| Actuarial gains arising from changes in financial assumptions | (13,433) | (1,169) |
| Actuarial losses/(gains) arising from experience adjustments | 830 | (229) |
| Interest cost | 808 | 608 |
| Benefits paid | (1,637) | (1,598) |
| Contributions by scheme participants | 76 | 74 |
| Present value at end of financial year | <u>29,088</u> | <u>41,988</u> |

Weighted average duration of the defined benefit obligation is 11 years (2021: 14 years).

Principal actuarial assumptions

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

| | 2022 % | 2021 % |
|--|-------------|-------------|
| Discount rate | 4.80 | 1.95 |
| Future salary increases | 3.10 | 3.40 |
| Allowance for increases to pensions in payment – pre 6 April 2006 | 2.70 | 2.70 |
| Allowance for increases to pensions in payment – post 6 April 2006 | 1.90 | 2.00 |
| Inflation - RPI | 3.35 | 3.30 |
| Inflation - CPI | <u>2.80</u> | <u>2.75</u> |

Post retirement mortality assumptions

| | 2022 Years | 2021 Years |
|--|---------------|---------------|
| Current UK pensioners at age 62 - male | 21.20 | 21.20 |
| Current UK pensioners at age 62 - female | <u>24.90</u> | <u>24.80</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Amounts recognised in the Income statement

| | 2022 £ 000 | 2021 £ 000 |
|---|---------------|---------------|
| Amounts recognised in operating profit | | |
| Current service cost | 481 | 487 |
| Administrative expenses paid | 87 | 92 |
| Net interest income | (138) | (13) |
| Total recognised in the Income statement | <u>430</u> | <u>566</u> |

Amounts recognised in the Statement of comprehensive income

| | 2022 £ 000 | 2021 £ 000 |
|--|----------------|---------------|
| Actuarial gains arising from changes in demographic assumptions | 25 | 80 |
| Actuarial gains arising from changes in financial assumptions | 13,433 | 1,169 |
| Actuarial (losses)/gains arising from experience adjustments | (830) | 229 |
| Return on plan assets, excluding amounts included in interest income | <u>(7,818)</u> | <u>4,138</u> |
| Amounts recognised in the Statement of comprehensive income | <u>4,810</u> | <u>5,616</u> |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

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 2.82% | increase by 2.95% |
| Inflation - RPI | 0.25% | increase by 1.79% | decrease by 1.82% |
| Salary growth rate | 0.25% | increase by 0.61% | decrease by 0.61% |
| Mortality future long term improvement rate | 1 Year | increase by 3.68% | - |
| Expressed as £ 000 | | | |
| Discount rate | 0.25% | decrease by 820 | increase by 858 |
| Inflation - RPI | 0.25% | increase by 521 | decrease by 530 |
| Salary growth rate | 0.25% | increase by 178 | decrease by 176 |
| Mortality future long term improvement rate | 1 Year | increase by 1,069 | - |

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.

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 |
|------|-------------------------------|--------------------------------|---------------------------------|---------------------------------|------------------------|----------------|
| 2022 | 8,936 | 9,489 | 9,194 | 7,967 | 25,813 | 61,399 |
| 2021 | <u>8,768</u> | <u>9,494</u> | <u>9,437</u> | <u>8,280</u> | <u>27,389</u> | <u>63,368</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 £509,000 (2021: £478,000).

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

22 Loans and borrowings

| | 2022 £ 000 | 2021 £ 000 |
|---|-----------------------|-----------------------|
| Non-current loans and borrowings | | |
| Loan from group undertaking | - | 8,971 |
| | 2022 £ 000 | 2021 £ 000 |
| Current loans and borrowings | | |
| Loan from group undertaking | 3,971 | - |

The loan from a group undertaking is denominated in GBP, falls due within one year (2021: between two and five years), is unsecured and carries interest based on SONIA + 1.45% p.a. plus an additional credit margin based on the term of the loan (2021: LIBOR + 1.45% p.a.).

LIBOR (London Inter-Bank Offered Rate) ceased to be available after 31 December 2021. SONIA (Sterling Overnight Index Average) is a benchmark interest rate administered by the Bank of England and is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight funds from other financial institutions and investors.

23 Leases

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

| | 2022 £ 000 | 2021 £ 000 |
|--|---------------|---------------|
| Less than one year | 182 | 188 |
| 2 years | 160 | 174 |
| 3 years | 141 | 152 |
| 4 years | 130 | 132 |
| 5 years | 130 | 130 |
| 6 years | 130 | 130 |
| 7 years | 130 | 130 |
| 8 years | 130 | 130 |
| 9 years | 130 | 130 |
| 10 years | 130 | 130 |
| Between 10 to 15 years | 651 | 650 |
| More than 15 years | 9,526 | 9,642 |
| Total lease liabilities (undiscounted) | 11,570 | 11,718 |

Harwich International Port Limited

Notes to the financial statements for the financial year ended 31 December 2022

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

| | 2022 | 2021 |
|--------------------------|-------|-------|
| Payment | £ 000 | £ 000 |
| Principal lease payments | 57 | 53 |
| Interest | 131 | 130 |
| Total cash outflow | 188 | 183 |

24 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.

CK Hutchison Holdings Limited ("CKHH"), a company incorporated in the Cayman Islands and listed in Hong Kong is the ultimate parent of the company and the largest group to consolidate these financial statements.

Copies of the financial statements of CKHH may be obtained from the Company Secretary, 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.