

**PORT OF FELIXSTOWE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**(Registered number 2590042)**

**31st December 2002**



## **Port of Felixstowe Limited and its subsidiaries**

### **Report of the directors for the year ended 31st December 2002**

The directors have pleasure in submitting their report and financial statements for the year ended 31st December 2002.

#### **Principal activities**

The principal activity of the group is the operation of the Port of Felixstowe, Suffolk.

#### **Operating results**

The profit and loss account is set out on page 4 and shows the results for the year ended 31st December 2002.

#### **Dividends**

Dividends of £270.51 (2001: £226.41) per £1 ordinary share totalling £27,051,541.02 (2001: £22,641,000.00) have been proposed.

#### **Directors and directors' interests**

The following served as directors during the year:

C Fok	Co-chairman
Mrs S Chow	
F J Sixt	
G C Magnus	
J E Meredith	Co-chairman
R C Pearson	Deputy chairman
J S Tsien	
The Rt. Hon Lord Derwent LVO DL	
Ms E Shih	
C C F Cheng	
P Morton	(appointed 11 <sup>th</sup> March 2002)
G C Gray	(resigned 8 <sup>th</sup> March 2002)

No director has had an interest in any contract with the company during the year.

No director had any interests which required disclosure in accordance with the provisions of Section 324 of the Companies Act 1985.

#### **Employment of disabled persons**

The group's policy is to give full and fair consideration to any application for employment made by a disabled person, having regard to the applicant's particular aptitudes and abilities and to the essential requirements of the job in question. In the event of an employee being disabled during the period of their employment the group would seek to continue their employment and, if necessary, to provide appropriate training for a more suitable alternative job within the group. The group regards disabled persons as equally eligible with others for training, career development and promotion, subject only to such restriction as the nature of any particular disablement may unavoidably impose.

#### **Employee involvement**

The awareness and involvement of employees in the group's performance is prompted by consultation and by the provision of information on matters of concern through a variety of internal publications and meetings involving employees at all levels. The group seeks to create an environment which encourages employees to express to management their ideas and opinions about the group and its work.

## **Port of Felixstowe Limited and its subsidiaries**

### **Report of the directors for the year ended 31st December 2002 (continued)**

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which 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. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

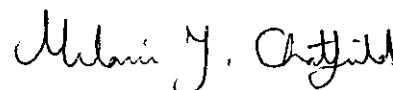
The directors confirm that suitable accounting policies have been used and consistently applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31st December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 18th March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board



Tomline House  
The Dock  
Felixstowe  
Suffolk  
IP11 3SY

M J Chatfield  
Company Secretary

20th March 2003

## **Port of Felixstowe Limited and its subsidiaries**

### **Independent auditors' report to the shareholders of Port of Felixstowe Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

#### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the group's affairs at 31st December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
1 Embankment Place  
London WC2N 6NN

20th March 2003

# Port of Felixstowe Limited and its subsidiaries

## Group profit and loss account for the year ended 31st December 2002

	Notes	<u>2002</u> £'000	<u>2001</u> (Restated) £'000
Turnover	2	169,989	166,745
Cost of sales		(107,067)	(109,384)
<b>Gross profit</b>		<b>62,922</b>	<b>57,361</b>
Administrative expenses		(22,633)	(22,093)
Other operating income		5,101	3,945
<b>Operating profit</b>	3	<b>45,390</b>	<b>39,213</b>
Income from fixed asset investments	11	480	421
Interest payable and similar charges	4	(6,820)	(6,930)
<b>Profit on ordinary activities before taxation</b>		<b>39,050</b>	<b>32,704</b>
Taxation	7	(11,730)	(10,275)
<b>Profit on ordinary activities after taxation</b>		<b>27,320</b>	<b>22,429</b>
Equity minority interests		(106)	(100)
<b>Profit for the year</b>		<b>27,214</b>	<b>22,329</b>
Dividends	8	(27,052)	(22,641)
<b>Profit/(loss) retained for financial year</b>	17	<b>162</b>	<b>(312)</b>

The profit and loss account has been prepared on the basis that all operations are continuing.

There is no difference between the profit on ordinary activities before taxation and retained profit for the year stated above and their historical cost equivalents.

The notes on pages 7 to 20 form part of these financial statements.

**Port of Felixstowe Limited and its subsidiaries**

**Group statement of total recognised gains and losses for the year ended 31st December 2002**

	<u>2002</u>	<u>2001</u>
	£'000	(Restated) £'000
Profit/(loss) for the financial year	162	(312)
	<hr/>	<hr/>
Total recognised gains/(losses) relating to the financial year	162	(312)
		<hr/>
Prior year adjustment (Note 1)	(18,900)	
	<hr/>	
<b>Total recognised losses since last financial statements</b>	<b>(18,738)</b>	
	<hr/>	

The notes on pages 7 to 20 form part of these financial statements.

# Port of Felixstowe Limited and its subsidiaries

## Balance sheets as at 31st December 2002

		Group	Group (Restated)	Company	Company
	Notes	<u>2002</u> £'000	<u>2001</u> £'000	<u>2002</u> £'000	<u>2001</u> £'000
<b>Fixed assets</b>					
Tangible assets	9	223,682	218,834	-	-
Investment in subsidiary undertakings	10	-	-	97,892	97,892
Other fixed asset investments	11	60	60	-	-
		<u>223,742</u>	<u>218,894</u>	<u>97,892</u>	<u>97,892</u>
<b>Current assets</b>					
Stocks	12	4,911	4,985	-	-
Debtors	13	70,432	78,090	26,946	22,223
Cash at bank and in hand		1,265	881	-	-
		<u>76,608</u>	<u>83,956</u>	<u>26,946</u>	<u>22,223</u>
<b>Creditors</b>					
Amounts falling due within one year	14	(63,400)	(66,395)	(33,256)	(28,563)
<b>Net current assets / (liabilities)</b>		<u>13,208</u>	<u>17,561</u>	<u>(6,310)</u>	<u>(6,340)</u>
<b>Total assets less current liabilities</b>		<u>236,950</u>	<u>236,455</u>	<u>91,582</u>	<u>91,552</u>
<b>Creditors</b>					
Amounts falling due after more than one year	14	(98,095)	(98,584)	-	-
<b>Provisions for liabilities and charges</b>	15	(19,616)	(18,900)	-	-
<b>Net assets</b>		<u>119,239</u>	<u>118,971</u>	<u>91,582</u>	<u>91,552</u>
<b>Capital and reserves</b>					
Called up share capital	16	100	100	100	100
Share premium	17a	74,925	74,925	74,925	74,925
Reserves - profit and loss account	17b	2,816	2,654	1,557	1,527
- other	17b	40,894	40,894	15,000	15,000
<b>Equity shareholders' funds</b>	18	<u>118,735</u>	<u>118,573</u>	<u>91,582</u>	<u>91,552</u>
Equity minority interests		504	398	-	-
		<u>119,239</u>	<u>118,971</u>	<u>91,582</u>	<u>91,552</u>

Approved by the Board of Directors on 20 March 2003.



**R C PEARSON**  
Director



**C C F CHENG**  
Director

The notes on pages 7 to 20 form part of these financial statements.

## **Port of Felixstowe Limited and its subsidiaries**

### **Notes to the financial statements – 31st December 2002**

#### **1. Statement of accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Financial Reporting Standard 19 has been adopted in respect of deferred taxation from 1st January 2002. As a result of this change in accounting policy, a prior year adjustment has been made and comparative results restated.

The principal accounting policies of the group are set out below.

#### **Turnover**

Turnover is the total amount receivable by the group in the ordinary course of business for services provided to third parties exclusive of Value Added Tax.

#### **Basis of consolidation**

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings together with the group's share of profits. The results of subsidiaries acquired or sold during the year are included in the consolidated financial statements up to, or from, the date control passes.

In accordance with Section 230 of the Companies Act 1985 a separate profit and loss account dealing with the results of the company only has not been presented. The profit for the financial year attributable to ordinary shareholders, which is stated on an historical cost basis, was £27,082,000 (2001: £22,642,000).

Investments in associated undertakings are carried at cost less provision for any diminution in value which is considered permanent. Income from associated undertakings is taken into account when received, as the group's share of the earnings of the associated undertakings is not material to its results.

#### **Depreciation**

Depreciation is calculated to write off the cost of fixed assets in equal instalments over their estimated useful lives.

The rates applicable are:

Civil works and buildings	2% - 5%
Plant and equipment	5% - 33 1/3%

Assets held under finance leases are depreciated by the relevant rates above. No depreciation is provided on freehold land or capital work in progress.

#### **Port modernisation and rail facility grants**

Grants receivable are credited to revenue over the estimated lifetime of the assets to which they relate. The grants shown in the balance sheet as deferred credits represent the total grants receivable to date less the amounts so far credited to the profit and loss account.

#### **Stock and work in progress**

Stock and work in progress are stated at the lower of cost and net realisable value. The cost of stock is calculated on an average cost basis. The cost of work in progress consists of direct materials, labour and outside contractors' costs.



## **Port of Felixstowe Limited and its subsidiaries**

### **Notes to the financial statements – 31st December 2002 (continued)**

#### **1. Statement of accounting policies (continued)**

##### **Deferred taxation**

Deferred tax is provided in full on timing differences between profits computed for taxation purposes and profits as stated in the financial statements, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date.

Deferred tax assets are recognised to the extent that it is regarded by the directors as more likely than not that they will be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis using tax rates that have been enacted or substantively enacted.

##### **Pension costs**

Contributions to the pension scheme are calculated as a percentage, based on actuarial advice, of the pensionable salaries of employees. The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees in accordance with Statement of Standard Accounting Practice no. 24. Additional disclosures under Financial Reporting Standard no. 17 are set out in note 21.

##### **Finance leases**

Assets acquired under finance leases are recorded in the balance sheet as tangible fixed assets with corresponding obligations to pay future rentals. The assets are valued at the present value of the minimum lease payments at the rate implicit in the lease.

##### **Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

##### **Cash flow statement and related parties**

The company is a wholly owned subsidiary of Hutchison Ports (UK) Limited and is included in the consolidated financial statements of Hutchison Ports (UK) Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Hutchison Ports (UK) Limited group or investees of the group.

#### **2. Turnover**

The turnover and profit before taxation is attributable to the operation of the Port of Felixstowe, and arises wholly within the UK.

## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

<b>3. <u>Operating profit</u></b>	<b>Group 2002 £'000</b>	<b>Group 2001 £'000</b>
Operating profit is stated after charging:		
Depreciation of assets	(15,088)	(17,407)
Hire of equipment	(388)	(316)
Operating lease rentals	(2,833)	(2,404)
Rents payable	(3,511)	(3,256)
Auditors' remuneration	(55)	(65)
And after crediting:		
Rental income	5,839	5,587
Release of government grants	176	230
Profit on sale of assets	23	157
	<hr/>	<hr/>
<b>4. <u>Interest payable and similar charges</u></b>	<b>Group 2002 £'000</b>	<b>Group 2001 £'000</b>
Interest payable to group undertakings	(6,782)	(6,780)
Interest on finance leases	(6)	(139)
Other interest	(32)	(11)
	<hr/>	<hr/>
	(6,820)	(6,930)
	<hr/>	<hr/>
<b>5. <u>Staff costs</u></b>	<b>Group 2002 £'000</b>	<b>Group 2001 £'000</b>
Wages and salaries	(67,987)	(64,698)
Social security costs	(5,158)	(5,064)
Other pension costs	(5,440)	(4,617)
	<hr/>	<hr/>
	(78,585)	(74,379)
	<hr/>	<hr/>

Severance costs, not included in the above analysis of £743,000 (2001: £776,000) were incurred in the year.

The average number of employees of the group during the year was 2,437 (2001: 2,310), all of whom were employed in the operation of the port.

### **6. Directors' remuneration**

All directors received their remuneration in 2002 primarily in respect of services provided to other group companies and as a result their respective remuneration details are reflected in the statutory accounts of those companies.

# Port of Felixstowe Limited and its subsidiaries

## Notes to the financial statements – 31st December 2002 (continued)

### 7. Taxation

	Group <u>2002</u> £'000	Group (Restated) <u>2001</u> £'000
a) Analysis of tax charge in the year:		
UK corporation tax at 30% (2001: 30%)	(11,014)	(9,737)
Deferred tax (see Note 15)	(716)	(538)
	<u>(11,730)</u>	<u>(10,275)</u>
b) Factors affecting current tax charge for the year		

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

Profit of ordinary activities before taxation	39,050	32,704
Current tax:		
Profit on ordinary activities before taxation at 30% (2001: 30%)	11,715	9,811
Effects of:		
Permanent differences	15	464
Capital allowances in excess of depreciation and other timing differences	(716)	(538)
	<u>11,014</u>	<u>9,737</u>

The group has adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) and has restated prior year figures accordingly. Adoption has resulted in the recognition of deferred tax liabilities in respect of timing differences arising in previous years, and corresponding restatement of prior year results. The effect of the FRS 19 restatements is as follows:

	<u>2002</u> £'000	<u>2001 as</u> <u>previously</u> <u>reported</u> £'000	<u>FRS 19</u> <u>restatement</u> £'000	<u>2001</u> £'000
<b>Tax on profit on ordinary activities</b>				
UK corporation tax	11,014	9,737	-	9,737
Deferred tax	716	-	538	538
	<u>11,730</u>	<u>9,737</u>	<u>538</u>	<u>10,275</u>
<b>Balance sheet</b>				
Deferred tax liability	19,616	-	18,900	18,900

The impact of adopting this standard in 2002 has been to increase the tax charge by £716,000.

# Port of Felixstowe Limited and its subsidiaries

## Notes to the financial statements – 31st December 2002 (continued)

### 8. Dividends

	Group <u>2002</u> £'000	Group <u>2001</u> £'000
Equity : ordinary		
Final proposed ordinary dividends: £270.51 (2001: £226.41) per £1 ordinary share	(27,052)	(22,641)

### 9. Tangible assets

#### Group

	Freehold <u>land</u> £'000	Civil works and <u>buildings</u> £'000	Plant and <u>Equipment</u> £'000	Capital work in <u>progress</u> £'000	Leased <u>plant</u> £'000	Total £'000
<b>Cost</b>						
At 1st January 2002	12,226	176,350	149,143	6,725	1,610	346,054
Additions	-	1,129	1,777	16,037	-	18,943
Transfer from Parent	-	-	1,051	-	-	1,051
Disposals	-	(12)	(6,269)	-	(1,610)	(7,891)
Internal transfers	-	3,320	13,919	(17,239)	-	-
At 31st December 2002	12,226	180,787	159,621	5,523	-	358,157
<b>Depreciation</b>						
At 1st January 2002	-	49,940	75,670	-	1,610	127,220
Charge for the year	-	7,142	7,946	-	-	15,088
Disposals	-	(4)	(6,219)	-	(1,610)	(7,833)
At 31st December 2002	-	57,078	77,397	-	-	134,475
<b>Net book amount</b>						
At 31st December 2002	12,226	123,709	82,224	5,523	-	223,682
At 31st December 2001	12,226	126,410	73,473	6,725	-	218,834

Civil works and buildings comprise expenditure on freehold and long leasehold improvements. It is not practicable to apportion the expenditure between freehold and long leasehold properties.

The company held no tangible fixed assets during the year.

## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

#### 10. Investment in subsidiary undertakings

**Company**  
**£'000**

Shares in subsidiary undertakings at cost:  
At 1st January and 31st December 2002

97,892

The principal subsidiaries are detailed below. Unless otherwise indicated the company owns 100% of the equity share capital and they are incorporated and operate in England.

#### Activity

The Felixstowe Dock and Railway Company (99.9%)	Port operation
Walton Container Terminal Limited	Port operation
Port of Felixstowe Services Limited	Provision of temporary labour
Felixstowe Port Container Services Limited (51%)	Repair and storage of containers
Walton Estates Limited	Property and warehousing management
Felixstowe Tank Developments Limited	Storage operation

#### 11. Other fixed asset investments

**Group**  
**£'000**

Cost of shares in associated companies

At 1st January and 31st December 2002

60

The associated undertakings comprise shareholdings in the following company:

	<u>Country of operation and incorporation</u>	<u>Activity</u>	<u>Class of capital</u>	<u>Issued share capital</u> £	<u>Proportion of equity held</u> %
<b><u>Associated undertakings</u></b>					
Maritime Cargo Processing plc	England and Wales	Data processing	£1 A ordinary	7	28.6
			£1 B ordinary	111,010	54.1

In the opinion of the directors the value of this investment is in excess of the carrying value. Since there is no material difference between the income received from the associated undertaking (2002: £480,000 and 2001: £421,000) and the group's share of its results, the associated undertaking has not been accounted for on an equity basis.

At 31st December 2002 Maritime Cargo Processing plc had capital and reserves of £898,167 (2001: £1,053,301) and made a profit for the year to 31st December 2002 of £732,946 (2001: £871,480).

The company held no other fixed asset investments during the year.

# Port of Felixstowe Limited and its subsidiaries

## Notes to the financial statements – 31st December 2002 (continued)

12. <u>Stocks</u>	<u>2002</u> £'000	<u>2001</u> £'000
<b>Group</b>		
Raw materials and consumables	4,769	4,791
Work in progress	142	194
	<u>4,911</u>	<u>4,985</u>

The company held no stock during the year.

13. <u>Debtors</u>	<u>Group</u> <u>2002</u> £'000	<u>Group</u> <u>2001</u> £'000	<u>Company</u> <u>2002</u> £'000	<u>Company</u> <u>2001</u> £'000
<b>Amounts falling due within one year</b>				
Trade debtors	30,653	27,668	-	-
Amounts owed by group undertakings				
- fellow subsidiaries	2,232	465	26,624	22,217
- parent company	28,982	47,256	-	-
Other debtors	1,019	1,439	-	-
Prepayments and accrued income	7,546	1,262	322	6
	<u>70,432</u>	<u>78,090</u>	<u>26,946</u>	<u>22,223</u>

14. <u>Creditors</u>	<u>Group</u> <u>2002</u> £'000	<u>Group</u> <u>2001</u> £'000	<u>Company</u> <u>2002</u> £'000	<u>Company</u> <u>2001</u> £'000
<b>Amounts falling due within one year</b>				
Bank overdraft	609	711	-	-
Instalments due on other loans	500	500	500	500
Trade creditors	1,642	986	-	-
Amounts owed to group undertakings				
- fellow subsidiaries	8,488	5,744	192	-
- parent company	6,199	17,839	5,297	5,211
Current taxation	6,898	6,189	184	191
Social security and other taxes	2,264	2,479	-	-
Other creditors	1,414	2,142	-	-
Accruals and deferred income	7,911	6,827	31	20
Government grants	176	110	-	-
Obligations under finance leases	247	227	-	-
Dividends payable to equity shareholders	27,052	22,641	27,052	22,641
	<u>63,400</u>	<u>66,395</u>	<u>33,256</u>	<u>28,563</u>

## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

#### 14. Creditors (continued)

Amounts falling due after more than one year	<u>2002</u> £'000	<u>2001</u> £'000
<b>Group</b>		
Obligations under finance leases	339	586
Government grants	913	1,155
Loans to group undertakings	96,843	96,843
	<u>98,095</u>	<u>98,584</u>

The company had no creditors with amounts falling due after more than one year.

a) The bank and other loans comprise:	<b>Group</b> <u>2002</u> £'000	<b>Group</b> <u>2001</u> £'000
Loan note	500	500
b) An analysis of the bank and other loans, by due date of repayment is as follows:	<b>Group</b> <u>2002</u> £'000	<b>Group</b> <u>2001</u> £'000
Payments due within one year	500	500
c) Obligations under finance leases falling due for payment after more than one year are made up as follows:	<b>Group</b> <u>2002</u> £'000	<b>Group</b> <u>2001</u> £'000
Payments due between one and two years	270	227
Payments due between two and five years	69	359
Payments due beyond five years	-	-
	<u>339</u>	<u>586</u>

Finance lease obligations are supported by guarantees.

# Port of Felixstowe Limited and its subsidiaries

## Notes to the financial statements – 31st December 2002 (continued)

### 15. Deferred Tax

	<b>Group</b>	<b>Group</b>
	<b><u>2002</u></b>	<b><u>2001</u></b>
	<b>£'000</b>	<b>£'000</b>
At 1st January (Note 7)	18,900	18,362
Charge for year (Note 7)	716	538
At 31st December	<u>19,616</u>	<u>18,900</u>
Timing differences on:		
Fixed assets	<u>19,616</u>	<u>18,900</u>

### 16. Called up share capital

	<b><u>2002</u></b>	<b><u>2001</u></b>
	<b>£'000</b>	<b>£'000</b>
<b>Company</b>		
<b>Authorised</b>		
5,000,000 8% Cumulative Redeemable Preference Shares 2001 of £1 each	-	-
10,000,000 11% Cumulative Redeemable Preference Shares 2001 of £1 each	-	-
100,002 Ordinary Shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<b>Issued and fully paid</b>		
100,002 Ordinary Shares of £1 each	100	100
	<u>100</u>	<u>100</u>

### 17. Reserves

- a) The balance on the Share Premium Account is calculated on the basis of 74,925 shares issued at a premium of £1,000 each.

	<b><u>Capital</u></b>	<b><u>Other</u></b>	<b><u>Sub-total</u></b>	<b><u>Profit and</u></b>	<b><u>Total</u></b>
	<b><u>redemption</u></b>	<b><u>£'000</u></b>	<b><u>£'000</u></b>	<b><u>Loss</u></b>	<b><u>£'000</u></b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b><u>account</u></b>	<b>£'000</b>
				<b>£'000</b>	
<b>Group</b>					
At 1st January 2002	15,000	25,894	40,894	21,554	62,448
Prior year adjustment (Note 7)	-	-	-	(18,900)	(18,900)
Retained profit for the year				162	162
At 31st December 2002	<u>15,000</u>	<u>25,894</u>	<u>40,894</u>	<u>2,816</u>	<u>43,710</u>
<b>Company</b>					
At 1st January 2002	15,000	-	15,000	1,527	16,527
Retained profit for the year	-	-	-	30	30
At 31st December 2002	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>1,557</u>	<u>16,557</u>



## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

#### 18. Reconciliation of movement on shareholders' funds

	Group <u>2002</u> £'000	Group <u>2001</u> (Restated) £'000	Company <u>2002</u> £'000	Company <u>2001</u> £'000
Profit for the year	27,214	22,329	27,082	22,642
Dividends on ordinary shares	(27,052)	(22,641)	(27,052)	(22,641)
	<u>162</u>	<u>(312)</u>	<u>30</u>	<u>1</u>
Opening shareholders' funds	118,573	137,247	91,552	91,551
Prior year adjustment (Note 7)	-	(18,362)	-	-
Closing shareholders' funds	<u>118,735</u>	<u>118,573</u>	<u>91,582</u>	<u>91,552</u>

#### 19. Commitments

##### a) Capital

	Group <u>2002</u> £'000	Group <u>2001</u> £'000
Contracted but not provided for in the accounts	48,379	21,901

##### b) Revenue

The commitment of the group during the following year in respect of non-cancellable operating leases relating to property is as follows:

Leases expiring:		
After five years	2,463	2,398

#### 20. Contingent liabilities

The company and certain subsidiary undertakings have agreed to provide guarantees to the provider of loans for up to £38,153,000 in favour of Harwich Haven Authority for capital dredging of the main channel. Any amounts paid under these guarantees would be recoverable out of certain revenues accruing to the Authority.

## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

#### 21. Pension arrangements

*Statement of Standard Accounting Practice no. 24 (SSAP 24)*

The employees' pension benefits are held in the Port of Felixstowe Pension Plan (the "Plan") which is a defined benefit funded scheme with assets held in separate trustee administered funds. Contributions to the Plan are determined by a qualified actuary on the basis of an actuarial valuation using the projected unit method. Valuations are carried out every three years and the most recent was issued on 1st January 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increase in salaries and pension. The following assumptions were used:

Future price inflation	2.5% per annum
Future salary growth	4.0% per annum
Future investment return	7.0% per annum
Allowance for increases to pensions in payment	2.5% per annum

The January 2001 actuarial valuation showed that the market value of the Plan's assets was £140.8 million and that represented 92% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Contributions by the employer have been increased from 11.0% to 14.9% and contributions by the employees remain at 5%. Any material excess of liabilities over assets is amortised over the future working lives of existing members.

#### *Financial Reporting Standard no. 17 (FRS 17)*

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation undertaken as at 1 January 2001 and updated by an independent qualified actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme as at 31 December 2002. Scheme assets are stated at their market value.

The financial assumptions used to calculate the Plan liabilities under FRS 17 are:

	<u>2002</u>	<u>2001</u>
Rate of increase in salaries	3.75%	3.50%
Allowance for increases to pensions in payment	2.00%	2.25%
Discount Rate	6.00%	6.00%
Inflation	2.00%	2.25%
Valuation method	Projected unit	Projected unit

The assets of the Plan were:

	<u>2002</u>	<u>2001</u>
	£'000	(Restated)* £'000
Equities	77,561	95,260
Bonds	18,485	19,666
Other	2,061	1,684
	<u>98,107</u>	<u>116,610</u>

\* The 2001 values have been restated to exclude Additional Voluntary Contributions in line with the presentation adopted in 2002. An equal value has been excluded from 2001 liabilities.

## Port of Felixstowe Limited and its subsidiaries

### Notes to the financial statements – 31st December 2002 (continued)

#### 21. Pension arrangements (continued)

The long-term expected rates of return:

	<u>2002</u>	<u>2001</u>
Gilts:		
Index linked	4.00%	4.50%
Fixed	4.50%	5.00%
Cash	4.00%	4.25%
UK Equities	8.50%	8.00%

The following information is for disclosure purposes only and is measured in accordance with the requirements of FRS 17:

	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Total market value of assets	98,107	116,610
Present value of Plan liabilities	(147,094)	(143,168)
Deficit in the Plan	(48,987)	(26,558)
Related deferred tax asset	14,696	7,967
Net pension liability	<u>(34,291)</u>	<u>(18,591)</u>

#### Components of pension cost for year:

	<u>2002</u> <u>£'000</u>
Current service cost	6,686

#### Analysis of the amount relating to other finance income:

	<u>2002</u> <u>£'000</u>
Expected return on assets	8,682
Interest cost	(8,419)
Total credit relating to financing provisions	<u>263</u>

# **Port of Felixstowe Limited and its subsidiaries**

## **Notes to the financial statements – 31st December 2002 (continued)**

### **21. Pension arrangements (continued)**

	<b><u>2002</u></b> <b>£'000</b>
<b>Amounts for recognition in statement of total recognised gains and losses:</b>	
Actual return less than expected return	(28,924)
Experience losses arising on Plan liabilities	(800)
Change in actuarial assumptions underlying the present value of Plan liabilities	8,144
	<hr/>
Actuarial loss for recognition in statement of total recognised gains and losses	(21,580)
	<hr/>
<b>Movement in deficit during year</b>	
Deficit in Plan at 1 January 2002:	(26,558)
Current service cost	(6,686)
Past service cost	-
Contributions	5,574
Other finance income	263
Actuarial loss	(21,580)
	<hr/>
Deficit in Plan at 31 December 2002	(48,987)
	<hr/>

### **History of experience gains and losses**

	<b><u>2002</u></b> <b>£'000</b>
<b>Difference between the expected and actual return on Plan assets</b>	
Amount	(28,924)
Percentage of Plan assets	29%
<b>Experience gains and losses on Plan liabilities</b>	
Amount	(800)
Percentage of the present value of Plan liabilities	1%
<b>Total amount for recognition in statement of total recognized gains and losses</b>	
Amount	(21,580)
Percentage of present value of Plan liabilities	15%

## **Port of Felixstowe Limited and its subsidiaries**

### **Notes to the financial statements – 31st December 2002 (continued)**

#### **22. Parent company**

Hutchison Ports (UK) Limited, whose principal activity is a holding company, is the immediate parent of the company and owns 100% of the shares and voting rights, and is the smallest group to consolidate the accounts of the company.

Copies of the group accounts may be obtained from the Company Secretary, Tomline House, The Dock, Felixstowe, Suffolk IP11 3SY.

Hutchison Whampoa Limited, incorporated in Hong Kong, is the company's ultimate parent company and is the largest group to consolidate these accounts.

Copies of the Hutchison Whampoa Limited accounts may be obtained from the Company Secretary, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

#### **23. Related parties**

The company is a wholly owned subsidiary of Hutchison Ports (UK) Limited and is included in the consolidated financial statements of Hutchison Ports (UK) Limited which are publicly available. Consequently the company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Hutchison Ports (UK) Limited group or investees of the group.