

PORT OF FELIXSTOWE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
(Registered number 2590042)
31st December 2001



Port of Felixstowe Limited

Report of the directors for the year ended 31st December 2001

The directors have pleasure in submitting their report and financial statements for the year ended 31st December 2001.

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 2001.

Dividends

Dividends of £226.41 (2000: £295.65) per £1 ordinary share totalling £22,641,000 (2000: £29,565,000) 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	
G C Gray	(resigned 8th March 2002)
D N Barr	(resigned 30th June 2001)

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 promoted 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

Report of the directors for the year ended 31st December 2001 (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 and 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.

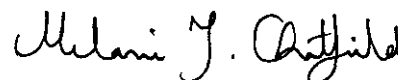
The directors confirm that suitable accounting policies have been used and consistently applied. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31st December 2001 and that applicable accounting standards have 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

A resolution to re-appoint PricewaterhouseCoopers as auditors of the company will be proposed at the Annual General Meeting.

By Order of the Board



M J Chatfield
Company Secretary

21st March 2002

Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

Port of Felixstowe Limited and its subsidiaries

Group profit and loss account for the year ended 31st December 2001

	Notes	<u>2001</u> £'000	<u>2000</u> £'000
Turnover	2	166,745	171,621
Cost of sales		(109,384)	(108,491)
Gross profit		57,361	63,130
Administrative expenses		(22,093)	(19,445)
Other operating income		3,945	4,487
Operating profit	3	39,213	48,172
Income from fixed asset investments	12	421	421
Interest payable and similar charges	4	(6,930)	(6,154)
Profit on ordinary activities before taxation		32,704	42,439
Taxation	7	(9,737)	(11,428)
Profit on ordinary activities after taxation		22,967	31,011
Minority interests	8	(100)	(1,297)
Profit for the year		22,867	29,714
Dividends	9	(22,641)	(29,565)
Amount transferred to reserves	17	226	149

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

The company has no gains or losses other than those above and therefore no separate statement of total recognised gains and losses has been presented.

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 6 to 16 form part of these financial statements.

Port of Felixstowe Limited

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 the relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

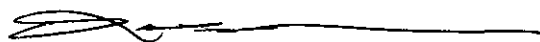
21st March 2002

Port of Felixstowe Limited and its subsidiaries

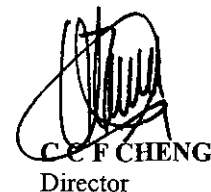
Balance sheets as at 31st December 2001

	Notes	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Fixed assets					
Tangible assets	10	218,834	225,336	-	-
Investment in subsidiary undertakings	11	-	-	97,892	97,892
Other fixed asset investments	12	60	60	-	-
		<u>218,894</u>	<u>225,396</u>	<u>97,892</u>	<u>97,892</u>
Current assets					
Stocks	13	4,985	4,974	-	-
Debtors	14	78,090	85,431	22,223	29,654
Cash at bank and in hand		881	570	-	-
		<u>83,956</u>	<u>90,975</u>	<u>22,223</u>	<u>29,654</u>
Creditors					
Amounts falling due within one year	15	(66,395)	(79,756)	(28,563)	(35,995)
Net current assets / (liabilities)		<u>17,561</u>	<u>11,219</u>	<u>(6,340)</u>	<u>(6,341)</u>
Total assets less current liabilities		<u>236,455</u>	<u>236,615</u>	<u>91,552</u>	<u>91,551</u>
Creditors					
Amounts falling due after more than one year	15	(98,584)	(99,041)	-	-
Net assets		<u>137,871</u>	<u>137,574</u>	<u>91,552</u>	<u>91,551</u>
Capital and reserves					
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	21,554	21,328	1,527	1,526
- other	17b	40,894	40,894	15,000	15,000
Equity shareholders' funds	18	<u>137,473</u>	<u>137,247</u>	<u>91,552</u>	<u>91,551</u>
Equity minority interests		398	327	-	-
		<u>137,871</u>	<u>137,574</u>	<u>91,552</u>	<u>91,551</u>

Approved by the Board of Directors on 21st March 2002.



R C PEARSON
Director



C C F CHENG
Director

The notes on pages 6 to 16 form part of these financial statements.

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001

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.

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 £25,639,000 (2000: £29,565,000).

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.

Deferred taxation

Deferred taxation is the taxation, calculated at the rate expected to be in force at the end of the relevant accounting periods, attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements.

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

1. Statement of accounting policies (continued)

Deferred taxation (continued)

Provision is included within these financial statements if, in the opinion of the directors, there is a reasonable probability of the tax falling due for payment within the foreseeable future. The amount of tax not provided for is disclosed as a contingent liability in note 20.

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.

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 2001 (continued)

3. <u>Operating profit</u>	Group 2001 £'000	Group 2000 £'000
Operating profit is stated after charging:		
Depreciation of assets	(17,407)	(18,013)
Hire of equipment	(316)	(247)
Operating lease rentals	(2,404)	(2,041)
Rents payable	(3,256)	(3,295)
Auditors' remuneration	(65)	(75)
Loss on sale of assets	-	(52)
And after crediting:		
Rental income	5,587	5,393
Release of government grants	230	85
Profit on sale of assets	157	-
	<hr/>	<hr/>
4. <u>Interest payable and similar charges</u>	Group 2001 £'000	Group 2000 £'000
Interest payable to group undertakings	(6,780)	(5,955)
Interest on finance leases	(139)	(187)
Other interest	(11)	(12)
	<hr/>	<hr/>
	(6,930)	(6,154)
	<hr/>	<hr/>
5. <u>Staff costs</u>	Group 2001 £'000	Group 2000 £'000
Wages and salaries	(64,698)	(62,234)
Social security costs	(5,064)	(5,163)
Other pension costs	(4,617)	(3,818)
	<hr/>	<hr/>
	(74,379)	(71,215)
	<hr/>	<hr/>

Severance costs, not included in the above analysis of £776,000 were incurred in the year.

The average number of employees of the group during the year was 2,310 (2000: 2,515), all of whom were employed in the operation of the port.

6. Directors' remuneration

All directors received their remuneration in 2001 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 2001 (continued)

7. <u>Taxation</u>	Group 2001 £'000	Group 2000 £'000
Based on the profit for the year:		
Corporation tax at 30% (2000: 30%)	(9,737)	(12,700)
Deferred tax	-	1,272
	<u>(9,737)</u>	<u>(11,428)</u>
8. <u>Minority interests</u>	Group 2001 £'000	Group 2000 £'000
Equity	(100)	(116)
Non-equity	-	(1,181)
	<u>(100)</u>	<u>(1,297)</u>
9. <u>Dividends</u>	Group 2001 £'000	Group 2000 £'000
Equity : ordinary		
Final proposed ordinary dividends: £226.41 (2000: £295.65) per £1 share	(22,641)	(29,565)

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

10. Tangible assets

Group

	Freehold land £'000	Civil works and buildings £'000	Plant and Equipment £'000	Capital work in progress £'000	Leased plant £'000	Total £'000
Cost						
At 1st January 2001	12,226	173,679	141,731	7,108	4,360	339,104
Additions	-	63	1,068	10,326	-	11,457
Disposals	-	-	(3,173)	(32)	(794)	(3,999)
Internal transfers	-	2,608	9,517	(10,169)	(1,956)	-
Transfers to parent group	-	-	-	(508)	-	(508)
At 31st December 2001	12,226	176,350	149,143	6,725	1,610	346,054
Depreciation						
At 1st January 2001	-	42,706	68,658	-	2,404	113,768
Charge for the year	-	7,234	10,173	-	-	17,407
Disposals	-	-	(3,161)	-	(794)	(3,955)
At 31st December 2001	-	49,940	75,670	-	1,610	127,220
Net book amount						
At 31st December 2001	12,226	126,410	73,473	6,725	-	218,834
At 31st December 2000	12,226	130,973	73,073	7,108	1,956	225,336

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.

11. Investment in subsidiary undertakings

Company £'000

Shares in subsidiary undertakings at cost:
At 1st January and 31st December 2001

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

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

12. Other fixed asset investments	Group £'000
Cost of shares in associated companies	
At 1st January and 31st December 2001	60

The associated undertakings comprise shareholdings in the following company:

	Country of operation and incorporation	Activity	Class of capital	Issued share capital £	Proportion of equity held %
<u>Associated undertakings</u>					
Maritime Cargo Processing plc	England and Wales	Data processing	£1 A ordinary	7	28.6
			£1 B ordinary	112,000	53.6

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 (2001: £421,000 and 2000: £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 2001 Maritime Cargo Processing plc had capital and reserves of £1,053,301 (2000: £958,891) and made a profit for the year to 31st December 2001 of £871,480 (2000: £717,155).

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

13. Stocks	<u>2001</u> £'000	<u>2000</u> £'000
Group		
Raw materials and consumables	4,791	4,778
Work in progress	194	196
	<u>4,985</u>	<u>4,974</u>

The company held no stock during the year.

14. Debtors	<u>Group 2001</u> £'000	<u>Group 2000</u> £'000	<u>Company 2001</u> £'000	<u>Company 2000</u> £'000
Amounts falling due within one year				
Trade debtors	27,668	27,116	-	-
Amounts owed by group undertakings				
- fellow subsidiaries	465	26	22,217	29,635
- parent company	47,256	56,719	-	-
Other debtors	1,439	1,020	-	-
Prepayments and accrued income	1,262	550	6	19
	<u>78,090</u>	<u>85,431</u>	<u>22,223</u>	<u>29,654</u>

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

15. <u>Creditors</u>	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Group</u> <u>2000</u> <u>£'000</u>	<u>Company</u> <u>2001</u> <u>£'000</u>	<u>Company</u> <u>2000</u> <u>£'000</u>
Amounts falling due within one year				
Bank overdraft	711	728	-	-
Instalments due on other loans	500	1,000	500	1,000
Trade creditors	986	1,929	-	-
Amounts owed to group undertakings				
- fellow subsidiaries	5,744	4,660	-	978
- parent company	17,839	23,176	5,211	4,411
Current taxation	6,189	9,802	191	-
Social security and other taxes	2,479	2,571	-	-
Other creditors	2,142	1,901	-	-
Accruals and deferred income	6,827	4,106	20	41
Government grants	110	110	-	-
Obligations under finance leases	227	208	-	-
Dividends payable to equity shareholders	22,641	29,565	22,641	29,565
	<u>66,395</u>	<u>79,756</u>	<u>28,563</u>	<u>35,995</u>

Amounts falling due after more than one year	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Group		
Obligations under finance leases	586	813
Government grants	1,155	1,385
Loans due to group undertakings	96,843	96,843
	<u>98,584</u>	<u>99,041</u>

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

a) The bank and other loans comprise:	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Group</u> <u>2000</u> <u>£'000</u>
Loan note	500	1,000
b) An analysis of the bank and other loans, by due date of repayment is as follows:	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Group</u> <u>2000</u> <u>£'000</u>
Payments due within one year	500	1,000
c) Obligations under finance leases falling due for payment after more than one year are made up as follows:	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Group</u> <u>2000</u> <u>£'000</u>
Payments due between one and two years	227	227
Payments due between two and five years	359	586
Payments due beyond five years	-	-
	<u>586</u>	<u>813</u>

Finance lease obligations are supported by guarantees.

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

16. <u>Called up share capital</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Company		
Authorised		
5,000,000 8% Cumulative Redeemable Preference Shares 2001 of £1 each	-	5,000
10,000,000 11% Cumulative Redeemable Preference Shares 2001 of £1 each	-	10,000
100,002 Ordinary Shares of £1 each	100	100
	<hr/>	<hr/>
	100	15,100
	<hr/>	<hr/>
Issued and fully paid		
100,002 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

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 redemption</u> <u>£'000</u>	<u>Other</u> <u>£'000</u>	<u>Sub-total</u> <u>£'000</u>	<u>Profit and Loss account</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Group					
At 1st January 2001	15,000	25,894	40,894	21,328	62,222
Retained profit for the year	-	-	-	226	226
At 31st December 2001	<hr/> 15,000	<hr/> 25,894	<hr/> 40,894	<hr/> 21,554	<hr/> 62,448
Company					
At 1st January 2001	15,000	-	15,000	1,526	16,526
Retained profit for the year	-	-	-	1	1
At 31st December 2001	<hr/> 15,000	<hr/> -	<hr/> 15,000	<hr/> 1,527	<hr/> 16,527

18. Reconciliation of movement on shareholders' funds

	<u>Group</u> <u>2001</u> <u>£'000</u>	<u>Group</u> <u>2000</u> <u>£'000</u>	<u>Company</u> <u>2001</u> <u>£'000</u>	<u>Company</u> <u>2000</u> <u>£'000</u>
Profit for the year	22,867	29,714	22,642	29,565
Dividends on ordinary shares	(22,641)	(29,565)	(22,641)	(29,565)
	<hr/> 226	<hr/> 149	<hr/> 1	<hr/> -
Opening shareholders' funds	137,247	137,098	91,551	91,551
Closing shareholders' funds	<hr/> 137,473	<hr/> 137,247	<hr/> 94,552	<hr/> 91,551

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

19. <u>Commitments</u>	Group 2001 £'000	Group 2000 £'000
a) Capital		
Contracted but not provided for in the accounts	21,901	19,573
	<hr/>	<hr/>
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	2,398	2,609
	<hr/>	<hr/>
20. <u>Contingent liabilities</u>	2001 £'000	2000 £'000
a) The potential liability to deferred taxation which is not provided for in the financial statements is approximately as follows:		
Excess of capital allowances over related depreciation charges	18,900	18,362
	<hr/>	<hr/>

The potential liability is calculated using the tax rate of 30%. No deferred taxation has been provided in respect of capital gains which might arise on the disposal of revalued fixed assets because the directors have no intention of selling the assets concerned. The directors have not quantified the amount of tax that may be payable if the revalued assets were sold.

- b) The company and certain subsidiary undertakings have agreed to provide guarantees to the provider of loans for up to £40,116,000 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 2001 (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 2001. Scheme assets are stated at their market value at 31 December 2001.

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

Rate of increase in salaries	3.75%
Allowance for increases to pensions in payment	2.25%
Discount Rate	6.00%
Inflation	2.25%
Valuation method	Projected unit

The assets of the Plan were:

	31.12.01
	£' 000
Equities	95,260
Bonds	19,666
Additional Voluntary Contributions	15,460
Other	1,684
	<hr/>
	132,070
	<hr/>

Port of Felixstowe Limited and its subsidiaries

Notes to the financial statements – 31st December 2001 (continued)

21. Pension arrangements (continued)

The long-term expected rates of return:

Gilts	
Index linked	4.50%
Fixed	5.00%
Cash	4.25%
Equities	8.00%

The following amounts at 31 December 2001 were measured in accordance with the requirements of FRS 17:

	£'000
Total market value of assets	132,070
Present value of Plan liabilities	(158,628)
Deficit in the Plan	(26,558)
Related deferred tax asset	7,967
Net pension liability	(18,591)

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.