

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

**(Registered number 2590042)**

**31 December 2017**

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COMPANIES HOUSE

## **Port of Felixstowe Limited**

### **Strategic report for the financial year ended 31 December 2017**

The directors present their Strategic report for the financial year ended 31 December 2017.

#### **Fair review of the business**

The performance of the container operations of the port has grown during the financial year resulting in increased revenue and underlying profits.

In order to accommodate more of the world's largest vessels, which continue to be introduced resulting in increased demand for deep water berths, the development of Berths 8 and 9 has continued with both investment in two new quay cranes, delivered in March 2018, and the expansion of the container yard with additional electric powered rubber tyre gantry crane (eRTG) stacks.

The conversion of 37 rubber tyre gantry (RTG) cranes to eRTGs reflects the group's ongoing environmental commitment and there are also 8 new eRTGs on order which will be remotely operated, a first for the group.

#### **Principal risks and uncertainties**

The principal risks and uncertainties of the group and the company have been referred to in the Directors' report.

#### **Key performance indicators**

The group uses a wide range of performance measures to monitor progress and ensure targets are met. The following is a summary of the key performance indicators for 2017, with historical comparisons:

##### **Revenue**

Revenue for 2017 of £320.749 million has increased compared to the previous financial year (2016: £305.618 million) reflecting growth in demand.

##### **Gross profit margin**

Gross profit margin (2017: 47.16%, 2016: 47.70%) and operating profit margin (2017: 24.25%, 2016: 24.95%) have both remained stable when compared to the previous financial year.

##### **Total equity and cash flow**

The group has total equity of £305.238 million (2016: £292.683 million), and net cash from operating activities was £100.845 million (2016: £95.066 million). The company has total equity of £93.107 million (2016: £100.181 million), and net cash from operating activities was £7.157 million (2016: net cash used in operating activities £2.343 million).

##### **Business environment**

UK ports play a vital role in the UK economy. The Department for Transport confirmed that in 2016 UK ports handled around 484 million tonnes of freight. Unitised traffic handled in the UK during the same period rose by 2%, with 24.1 million units coming in and out of UK major ports. 5.9 million of these units were containers, which translates to 10.2 million twenty-foot equivalent units (TEU), a record high. According to a study by the Centre for Economics and Business Research, the UK ports sector employed 101,000 people in 2015. The study also estimated that in 2015 the ports sector made a £7.6 billion value-added contribution to UK GDP.

## **Port of Felixstowe Limited**

### **Strategic report for the financial year ended 31 December 2017**

#### **Environmental matters**

The Port of Felixstowe Limited group is committed to reducing the impact of their operations on the environment. It invests significantly in cleaner technologies and lower carbon techniques to reduce its energy consumption and by utilising renewable energy sources onsite, such as Solar PV installations, it reduces reliance on fossil fuels.

The group participates in the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and as such submits an annual carbon footprint report to the Environment Agency.

The Port of Felixstowe has 9 solar photovoltaic installations that generated 463 MWh of electricity in 2017, equivalent to 250 tonnes of carbon dioxide equivalent (CO<sub>2</sub>e). The port continues to explore further opportunities for solar panels on site, as diversifying its energy mix to include more power from renewable sources, especially that which is generated on-site, helps to reduce the business's carbon footprint.

The majority of CO<sub>2</sub> emissions from port operations originate from diesel fuelled vehicles and yard cranes. As part of the port's optimisation and efficiency activities, emission reduction opportunities such as converting RTGs from fossil-fuels to electric power have resulted in emission savings. The introduction of new internal tractors fitted with start/stop engine cut out technology has also contributed to lower vehicle idling times and therefore a fuel saving and fewer emissions.

The total reduction in emissions per TEUs is 33% since the UK tax year 2008-2009. The group's relative carbon footprint has also improved by 4.4% in the past financial year.

The group's environmental commitment can be further demonstrated by:

- Ensuring all new employees undertake mandatory environmental and energy awareness training;
- a 2018 campaign to reduce single use plastic and plastic waste at the port;
- recycling of up to 76% of all waste, with zero port generated waste to landfill;
- a five year plan to replace all high mast tower lighting to LED;
- a quay crane lighting conversion programme to upgrade existing sodium lighting to LED lighting, reducing local light pollution;
- the introduction of 28 replacement industrial tractor units in 2017, and a further 22 replacements ordered for delivery in 2018, all fitted with start/stop technology to reduce diesel emissions;
- the successful conversion of 32 diesel powered RTGs to electric power as part of a two year programme, with a further 9 conversions planned for 2018. 8 new eRTGs have also been ordered for 2018. These will reduce energy consumption, noise and diesel emissions;
- financial support of local nature reserves and local environmental initiatives as well as many volunteering activities in the local community;
- involvement with local schools and school environment days held onsite; and
- its Environmental and Energy Management System certifications to ISO 14001 and ISO 50001.

**Port of Felixstowe Limited**

**Strategic report for the financial year ended 31 December 2017**

Approved by the Board on 19 June 2018 and signed by its order:

A handwritten signature in black ink, appearing to read 'S. R. Mullett', written over a dotted line.

Mr Simon Richard Mullett  
Company secretary

**Registered number**  
2590042

**Registered Office**  
Tomline House  
The Dock  
Felixstowe  
Suffolk  
IP11 3SY

## **Port of Felixstowe Limited**

### **Directors' report for the financial year ended 31 December 2017**

The directors submit to the sole shareholder their report and audited consolidated financial statements for the financial year ended 31 December 2017.

#### **Principal activities**

The principal activity of the company and its subsidiaries is the operation of the Port of Felixstowe and associated services.

#### **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 27 to the financial statements.

#### **Results and dividends**

The Consolidated income statement is set out on page 10 and shows the results for the financial year ended 31 December 2017. An interim dividend of £595 per ordinary share, totalling £59,501,000, was paid during the financial year (2016: £70,001,000). The directors do not propose a final dividend for the financial year ended 31 December 2017 (2016: £nil).

#### **Charitable donations**

During the year the group made charitable donations of £5,000 (2016: £6,000). Individual donations were:

The Suffolk Foundation	<u>£5,000</u>
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#### **Strategy and values**

The group's strategy is to achieve profitable growth in port operations and logistics activities by providing a high standard of performance, innovative solutions and developing long-term relationships with its customers.

The group has 5 core values:

1. Unrivalled Standards - Setting new standards, innovating constantly, going beyond expectations, providing the best service and value for all our partners and customers.
2. Network Strength - Working together as one team, with a shared ambition to keep making our network better, showing respect and support for each other.
3. Informed Decisions - Seeing the big picture, and the small details, furthering our knowledge and understanding of our industry and the world, with the future in mind.
4. Trusted and Honest - Approaching business professionally, ethically and honestly. Understanding our place in the world, and taking responsibility for our actions and decisions.
5. Your Partners - Focusing on our customers, tailoring solutions to their precise needs. Forming and maintaining strong partnerships with customers and employees.

#### **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 affecting the company are as per note 3 to the financial statements.

Other risks facing the group include the limited availability of land for expansion, constantly changing technology and its impact on the environment. Management seek to mitigate these risks by maximising efficient use of available land, renewing, upgrading and the development of plant and machinery and seeking and implementing green technology wherever available.

#### **Future development**

Growth in UK container volumes, coupled with the increasing number of ultra large container vessels, highlights the importance of management's ongoing commitment to long-term growth and investment in port infrastructure.

## **Port of Felixstowe Limited**

### **Directors' report for the financial year ended 31 December 2017**

#### **Directors of the company**

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

Mr Frank John Sixt

Mr Dominic Kai Ming Lai

Ms Edith Shih

Mr Sing Chi Ip

Mr Clemence Chun Fun Cheng

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

The company'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 company would seek to continue their employment and, if necessary, to provide appropriate training for a more suitable alternative job within the company. The company 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 company's performance is prompted by consultation and the provision of information on matters of concern through a variety of internal publications and meetings involving employees at all levels. The company seeks to create an environment which encourages employees to express to management their ideas and opinions about the company and its work.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report (consisting of the Strategic report, Directors' report, financial statements and notes to 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and applicable IFRSs as adopted by the European Union have been followed for the company financial statements, 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 group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Port of Felixstowe Limited**

### **Directors' report for the financial year ended 31 December 2017**

The directors are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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

Approved by the Board on 19 June 2018 and signed by its order:



Mr Simon Richard Mullett  
Company secretary

**Registered number**  
2590042

**Registered Office**  
Tomline House  
The Dock  
Felixstowe  
Suffolk  
IP11 3SY

## **Port of Felixstowe Limited**

### **Independent Auditors' Report to the Members of Port of Felixstowe Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

In our opinion, Port of Felixstowe Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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: the consolidated and company statements of financial position as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity 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 group 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

##### **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.



## **Port of Felixstowe Limited**

### **Independent Auditors' Report to the Members of Port of Felixstowe Limited**

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2017 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 group and company and their 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 set out on pages 5 and 6, 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 group's and 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 group or 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.

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](http://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.

## **Port of Felixstowe Limited**

### **Independent Auditors' Report to the Members of Port of Felixstowe Limited**

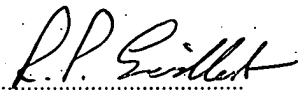
#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

- we have not received 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Robert Girdlestone (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP, Statutory Auditor

10 Bricket Road  
St Albans  
Hertfordshire  
AL1 3JX

Date: 27 June 2018

**Port of Felixstowe Limited**

**Consolidated income statement for the financial year ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
Revenue		320,749	305,618
Cost of sales		<u>(169,483)</u>	<u>(159,823)</u>
Gross profit		151,266	145,795
Administrative expenses		(82,113)	(78,797)
Other operating income		<u>8,622</u>	<u>9,263</u>
Operating profit	6	77,775	76,261
Finance income		1,800	1,810
Finance costs	7	<u>(1,762)</u>	<u>(1,991)</u>
Profit before tax		77,813	76,080
Income tax expense	9	<u>(15,529)</u>	<u>(13,361)</u>
Profit for the financial year		<u>62,284</u>	<u>62,719</u>
<b>Profit attributable to:</b>			
Owners of the company		62,197	62,564
Non-controlling interests		<u>87</u>	<u>155</u>
		<u>62,284</u>	<u>62,719</u>

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

The notes on pages 19 to 45 form an integral part of these financial statements.

**Port of Felixstowe Limited**

**Consolidated statement of comprehensive income for the financial year ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
Profit for the financial year		<u>62,284</u>	<u>62,719</u>
<b>Other comprehensive income/(expense)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains/(losses) on defined benefit pension schemes before tax	24	11,818	(16,921)
Movement on current tax relating to pension scheme		-	704
Movement on deferred tax relating to pension scheme	18	(2,275)	2,680
Movement on deferred tax relating to change in UK tax rate	18	<u>266</u>	<u>(844)</u>
Total other comprehensive income/(expense) for the financial year		<u>9,809</u>	<u>(14,381)</u>
Total comprehensive income for the financial year		<u><u>72,093</u></u>	<u><u>48,338</u></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the company		72,006	48,183
Non-controlling interests		<u>87</u>	<u>155</u>
		<u><u>72,093</u></u>	<u><u>48,338</u></u>

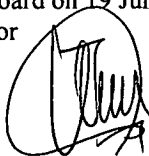
The notes on pages 19 to 45 form an integral part of these financial statements.

**Port of Felixstowe Limited**

**Consolidated statement of financial position as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	438,001	426,734
Long term prepayments		16,875	21,377
Financial assets - available-for-sale	12	60	60
		<u>454,936</u>	<u>448,171</u>
<b>Current assets</b>			
Inventories	13	7,986	8,265
Trade and other receivables	14	75,742	87,879
Cash and cash equivalents	15	3,606	3,478
		<u>87,334</u>	<u>99,622</u>
Total assets		<u>542,270</u>	<u>547,793</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	100	100
Share premium	20	74,925	74,925
Capital redemption reserve		15,000	15,000
Retained earnings	22	213,371	200,903
Equity attributable to owners of the parent		303,396	290,928
Non-controlling interests		1,842	1,755
Total equity		<u>305,238</u>	<u>292,683</u>
<b>Non-current liabilities</b>			
Loans and borrowings	19	96,843	96,843
Retirement benefit obligations	24	53,443	67,537
Other non-current liabilities	17	4,447	4,700
Deferred tax	18	19,039	15,604
		<u>173,772</u>	<u>184,684</u>
<b>Current liabilities</b>			
Trade and other payables	16	37,269	49,231
Current tax payable		25,991	21,195
		<u>63,260</u>	<u>70,426</u>
Total liabilities		<u>237,032</u>	<u>255,110</u>
Total equity and liabilities		<u>542,270</u>	<u>547,793</u>

The notes on pages 19 to 45 form an integral part of these financial statements. The financial statements on pages 10 to 45 were approved by the Board on 19 June 2018 and signed on its behalf by:  
Mr Clemence Chun Fun Cheng, Director



**Port of Felixstowe Limited**

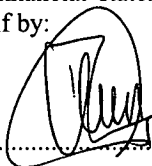
**Statement of financial position as at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	11	97,892	97,892
<b>Current assets</b>			
Trade and other receivables	14	-	20,000
Total assets		<u>97,892</u>	<u>117,892</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	20	100	100
Share premium	20	74,925	74,925
Capital redemption reserve		15,000	15,000
Retained earnings	22	<u>3,082</u>	<u>10,156</u>
Total equity		<u>93,107</u>	<u>100,181</u>
<b>Current liabilities</b>			
Trade and other payables	16	4,765	17,684
Current tax payable		<u>20</u>	<u>27</u>
		<u>4,785</u>	<u>17,711</u>
Total equity and liabilities		<u>97,892</u>	<u>117,892</u>

Profit for the financial year for the company was £52,427,000 (2016: £72,454,000).

The notes on pages 19 to 45 form an integral part of these financial statements.

The financial statements on pages 10 to 45 were approved by the Board on 19 June 2018 and signed on its behalf by:



Mr Clemence Chun Fun Cheng  
Director

## Port of Felixstowe Limited

### Consolidated statement of changes in equity for the financial year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Equity attributable to owners of the parent £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2017	100	74,925	15,000	200,903	290,928	1,755	292,683
Profit for the financial year	-	-	-	62,197	62,197	87	62,284
Dividends	-	-	-	(59,538)	(59,538)	-	(59,538)
Actuarial gains on defined benefit pension schemes before tax	-	-	-	11,818	11,818	-	11,818
Movement on deferred tax relating to pension scheme	-	-	-	(2,275)	(2,275)	-	(2,275)
Movement on deferred tax relating to change in UK tax rate	-	-	-	266	266	-	266
At 31 December 2017	100	74,925	15,000	213,371	303,396	1,842	305,238

An interim dividend of £595.00 per ordinary share, totalling £59,501,000, was paid by the company during the financial year (2016: £70,001,000).

During the current and previous financial years a subsidiary company paid interim dividends to minority shareholders.

## Port of Felixstowe Limited

### Consolidated statement of changes in equity for the financial year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Equity attributable to owners of the parent £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2016	100	74,925	15,000	222,758	312,783	1,600	314,383
Profit for the financial year	-	-	-	62,564	62,564	155	62,719
Dividends	-	-	-	(70,038)	(70,038)	-	(70,038)
Actuarial losses on defined benefit pension schemes before tax	-	-	-	(16,921)	(16,921)	-	(16,921)
Movement on current tax relating to pension scheme	-	-	-	704	704	-	704
Movement on deferred tax relating to pension scheme	-	-	-	2,680	2,680	-	2,680
Movement on deferred tax relating to change in UK tax rate	-	-	-	(844)	(844)	-	(844)
At 31 December 2016	100	74,925	15,000	200,903	290,928	1,755	292,683

The notes on pages 19 to 45 form an integral part of these financial statements.



## Port of Felixstowe Limited

### Statement of changes in equity for the financial year ended 31 December 2017

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	100	74,925	15,000	10,156	100,181
Profit for the financial year	-	-	-	52,427	52,427
Dividends	-	-	-	(59,501)	(59,501)
At 31 December 2017	100	74,925	15,000	3,082	93,107
At 1 January 2016	100	74,925	15,000	7,703	97,728
Profit for the financial year	-	-	-	72,454	72,454
Dividends	-	-	-	(70,001)	(70,001)
At 31 December 2016	100	74,925	15,000	10,156	100,181

An interim dividend of £595.00 per ordinary share, totalling £59,501,000, was paid by the company during the financial year (2016: £70,001,000).

The notes on pages 19 to 45 form an integral part of these financial statements.

**Port of Felixstowe Limited**

**Consolidated statement of cash flows for the financial year ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	111,914	108,233
Interest paid		(1,762)	(1,991)
Interest received		-	10
Income taxes paid		(9,307)	(11,186)
Net cash flows generated from operating activities		<u>100,845</u>	<u>95,066</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment		(43,161)	(26,737)
Proceeds from sale of property, plant and equipment		182	165
Dividend income		<u>1,800</u>	<u>1,800</u>
Net cash flows used in investing activities		<u>(41,179)</u>	<u>(24,772)</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(59,538)</u>	<u>(70,038)</u>
Net cash flows used in financing activities		<u>(59,538)</u>	<u>(70,038)</u>
Net increase in cash and cash equivalents		128	256
Cash and cash equivalents at 1 January		<u>3,478</u>	<u>3,222</u>
Cash and cash equivalents at 31 December		<u><u>3,606</u></u>	<u><u>3,478</u></u>

The notes on pages 19 to 45 form an integral part of these financial statements.

**Port of Felixstowe Limited**

**Statement of cash flows for the financial year ended 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>Cash flows from operating activities</b>			
Cash generated from / (used in) operations	23	7,184	(2,309)
Income taxes paid		<u>(27)</u>	<u>(34)</u>
Net cash flows generated from / (used in) operating activities		<u>7,157</u>	<u>(2,343)</u>
<b>Cash flows from investing activities</b>			
Dividend income		<u>52,344</u>	<u>72,344</u>
Net cash flows generated from investing activities		<u>52,344</u>	<u>72,344</u>
<b>Cash flows from financing activities</b>			
Dividends paid		<u>(59,501)</u>	<u>(70,001)</u>
Net cash flows used in financing activities		<u>(59,501)</u>	<u>(70,001)</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		<u>-</u>	<u>-</u>
Cash and cash equivalents at 31 December		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 19 to 45 form an integral part of these financial statements.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **1 General information**

The principal activity of the company and its subsidiaries is the operation of the Port of Felixstowe and associated services.

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 financial years presented.

##### **Basis of preparation**

The financial statements have been prepared in accordance with European Union endorsed IFRSs and IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The statements have been prepared on a going concern basis and on a historical cost basis, except for the following:

- Available-for-sale financial assets
- Defined benefit pension plans

The following amendments are applicable from 1 January 2017, but do not have any impact on the financial statements of the company:

- amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses,
- amendments to IAS 7 – Statement of cash flows on disclosure initiatives, and
- annual improvements 2014-2016 – IFRS 12, Disclosure of interests in other entities

##### **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for financial years beginning after 1 January 2017 and have not been early adopted in preparing these financial statements. These are as follows:

IFRS 9 'Financial Instruments' addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The group has reviewed its financial assets and liabilities and is not expecting any significant impact from the adoption of the new standard on 1 January 2018.

IFRS 15 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted subject to European Union endorsement. The group has reviewed its revenue recognition policy and is not expecting any significant impact from the adoption of the new standard on 1 January 2018.

IFRS 16 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is effective from 1 January 2019. IFRS 16 replaces the previous leases Standard, IAS 17 'Leases', and related Interpretations. The group is currently assessing the impact of adoption of this standard from 1 January 2019, which is expected to be significant.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

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

#### **Revenue recognition**

Revenue and profit before taxation are attributable to the operation of the Port of Felixstowe and associated services and arise wholly within the United Kingdom.

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

#### **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. Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The results of subsidiaries acquired or sold during the financial year are included in the consolidated financial statements up to, or from, the date control passes.

In accordance with Section 408 of the Companies Act 2006 a separate income statement dealing with the results of the company only has not been presented.

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.

#### **Financial assets**

##### **Classification**

The company classifies its financial assets as available-for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of financial position date. These are classified as non-current assets. Current loans and receivables are classified as trade and other receivables in the Statement of financial position.

##### **Impairment**

The company assesses at each Statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are removed and recognised in the Consolidated income statement as 'gains and losses from investment securities'. The cumulative impairment loss shall not be reversed through the Consolidated income statement.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **Property, plant and equipment**

All tangible assets are carried at historic cost, adjusted for subsequent additions and disposals, less accumulated depreciation and impairment losses. Historic cost includes expenditure that is directly attributable to the acquisition of the items.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each Statement of financial position date. 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. The gain or loss on disposal of an asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the Consolidated income statement. Assets under construction are not depreciated. Assets held under finance leases are depreciated by the relevant rates above. No depreciation is provided on capital work in progress.

#### **Depreciation**

Land is not depreciated. Depreciation is calculated to write off the cost of fixed assets in equal instalments over their estimated useful lives.

<b>Asset class</b>	<b>Depreciation rate</b>
Civil works and buildings	2.00%-5.00%
Plant and equipment	3.33%-20.00%

#### **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 Consolidated income statement on a straight-line basis over the expected lives of the related assets.

#### **Long term prepayments**

Long term prepayments are those which are expected to be recovered in a period falling after 12 months from the Statement of financial position date. These are originally recognised at fair value and subsequently measured at amortised cost less provision for impairment.

#### **Inventories**

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

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **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 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 Consolidated 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 Consolidated income statement.

#### **Tax**

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.

#### **Foreign currency transactions and balances**

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

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

#### **Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset can be capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed through the Consolidated income statement.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **Pension costs**

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

Pension 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 Consolidated income statement, spreading the regular cost over the service lives of the employees in accordance with the advice of qualified actuaries, who, for accounting purposes, also carry out a valuation of major plans every year. The pension obligations are measured as the present value of the estimated future cash outflows by reference to market yields on high quality corporate bonds, which have terms to maturity approximating the terms of the related liability. Plan assets are measured at fair value. Actuarial gains and losses are recognised in full in the year in which they occur, outside the Consolidated income statement, in the Consolidated statement of changes in equity. The defined benefit scheme was closed to new entrants on 30 June 2003.

Costs relating to the defined contribution group personal pension plan which replace the defined benefit scheme are expensed as incurred. The group 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.

#### **Leases**

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

#### **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 Consolidated income statement over the period of the borrowings using the effective interest method.

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

#### **Share capital**

Ordinary shares and share premium 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.

#### **Dividends**

Final dividend distributions to the company's shareholders are recognised as a liability in the group and company's financial statements in the period in which the dividends are approved by the company's shareholders. Interim dividends are recognised on payment.

#### **Cash and cash equivalents**

For the purpose of the Statement of cash flows the cash and cash equivalents note includes cash at bank and in hand, short term deposits and bank overdrafts.

#### **Trade payables**

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



## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **3 Financial risk management and impairment of financial assets**

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

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

##### **Liquidity risk**

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

##### **Foreign exchange risk**

The group 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.

Group policy advises companies to manage their foreign exchange risk against their functional currency. The policy permits the use of forward rate agreements, forward foreign exchange contracts and currency swaps with prior approval. All group companies are reviewed on a regular basis.

##### **Price risk**

The group is not exposed to significant price risks.

##### **Cash flow and fair value interest rate risk**

The group has a variety of cash deposits and borrowings with varying interest terms. A central treasury department manages the cash flow and interest rate risk that arises on these funds.

##### **Credit risk**

The group 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 group has policies that limit the amount of credit exposure to any financial institution.

##### **Capital risk management**

Capital risk is managed at the parent 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.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **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. Where appropriate, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

#### **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 group 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 group 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. Further, the recoverability of deferred tax assets for tax losses is based upon the achievement of future expected profitability, which is inherently uncertain.

##### **Pension assumptions**

Contributions to the Port of Felixstowe Pension Plan 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 2015. 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 in relation to current and future mortality rates. The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 December 2017. The details of the principal actuarial assumptions are given in note 24.

##### **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.

##### **Impairment of tangible fixed assets**

The group tests property, plant and equipment when events or circumstances indicate that a group of assets may be impaired. Estimating the recoverable amount of tangible fixed assets requires significant management judgement, particularly in assessing the amount of future cash flows that assets are expected to generate and the appropriate discount rate to apply. Changes to assumptions in respect of these variables will have a significant impact on the estimated recoverable amount and hence on the carrying value of assets recorded.

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### Carrying value of investments in subsidiaries

The group tests the carrying value of its investments when events or circumstances indicate that an investment may be impaired. Estimating the recoverable amount of an investment requires significant management judgement, particularly in assessing the amount of future cash flows that investments are expected to generate and the appropriate discount rate to apply. Changes to assumptions in respect of these variables will have a significant impact on the estimated recoverable amount and hence on the carrying value of investments recorded.

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

#### 6 Operating profit

Arrived at after charging/(crediting)

	2017	2016
	£ 000	£ 000
Depreciation of owned assets	21,667	20,610
Operating lease expense - property	33,025	31,114
Operating lease expense - plant and machinery	1,336	1,354
Release of government grants	(253)	(256)
Profit on disposal of property, plant and equipment	(63)	(151)
Rental income	<u>(2,605)</u>	<u>(2,857)</u>

#### Auditors' remuneration

	2017	2016
	£ 000	£ 000
Audit of these financial statements	3	3
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>163</u>	<u>148</u>
	<u>166</u>	<u>151</u>

#### Other fees to auditors

All other non-audit services	<u>40</u>	<u>98</u>
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**Port of Felixstowe Limited****Notes to the Financial Statements for the financial year ended 31 December 2017****7 Finance costs**

	2017 £ 000	2016 £ 000
Interest payable to group undertakings	1,748	1,978
Other interest	14	13
Total finance costs	<u>1,762</u>	<u>1,991</u>

**8 Staff costs and directors' remuneration**

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

	2017 £ 000	2016 £ 000
Wages and salaries	113,206	109,230
Social security costs	11,710	11,083
Other pension costs, defined contribution scheme	5,238	4,597
Other pension costs, defined benefit scheme	11,731	9,314
	<u>141,885</u>	<u>134,224</u>

The monthly average number of persons employed by the group (including directors) during the financial year was 2,527 (2016: 2,466), all of whom were employed in the operation of the port. The company does not employ its own staff.

**Key management compensation**

	2017 £ 000	2016 £ 000
Salaries and other short term employee benefits	896	818
Post-employment benefits	51	48
	<u>947</u>	<u>866</u>

The average number of key management of the company during the financial year was 4 (2016: 4).

**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.

# Port of Felixstowe Limited

## Notes to the Financial Statements for the financial year ended 31 December 2017

### 9 Income tax expense

Tax charged in the Consolidated income statement

	2017 £ 000	2016 £ 000
<b>Current taxation</b>		
UK corporation tax	14,103	14,691
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	875	499
Arising from changes in tax rates and laws	551	(1,829)
Total deferred taxation	1,426	(1,330)
Tax expense in the Consolidated income statement	15,529	13,361

The tax assessed on the profit on ordinary activities for the financial year is higher (2016: lower) than the average standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	77,813	76,080
Profit on ordinary activities before taxation at 19.25% (2016: 20%)	14,979	15,216
Income not taxable	(358)	(390)
Expenses not deductible	357	364
Re-measurement of deferred tax liability	551	(1,829)
Total tax charge	15,529	13,361

The Finance (No. 2) Act 2015 included legislation to reduce the main rate of corporation tax from 20% to 19% on 1 April 2017 and a further reduction to 18% on 1 April 2020. The Finance Act 2016 included legislation to further reduce the main rate of corporation tax from 18% to 17% on 1 April 2020. The Finance Act 2016 was substantively enacted on 6 September 2016 and the effect of this change has been reflected in these financial statements.

**Port of Felixstowe Limited**

**Notes to the Financial Statements for the financial year ended 31 December 2017**

**10 Property, plant and equipment**

**Group**

	Land, civil works and buildings £ 000	Plant and equipment £ 000	Capital works in progress £ 000	Total £ 000
<b>Cost</b>				
At 1 January 2016	263,677	267,230	70,667	601,574
Additions	-	176	29,789	29,965
Disposals	(1,945)	(8,881)	-	(10,826)
Transfers	36,162	32,488	(68,650)	-
At 31 December 2016	297,894	291,013	31,806	620,713
At 1 January 2017	297,894	291,013	31,806	620,713
Additions	6	(8)	33,055	33,053
Disposals	(801)	(9,211)	-	(10,012)
Transfers	8,650	6,789	(15,439)	-
At 31 December 2017	305,749	288,583	49,422	643,754
<b>Accumulated depreciation</b>				
At 1 January 2016	70,101	114,080	-	184,181
Charge for the financial year	7,748	12,862	-	20,610
Disposals	(1,945)	(8,867)	-	(10,812)
At 31 December 2016	75,904	118,075	-	193,979
At 1 January 2017	75,904	118,075	-	193,979
Charge for the financial year	8,100	13,567	-	21,667
Disposals	(801)	(9,092)	-	(9,893)
At 31 December 2017	83,203	122,550	-	205,753
<b>Carrying amount</b>				
At 31 December 2017	222,546	166,033	49,422	438,001
At 31 December 2016	221,990	172,938	31,806	426,734

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 financial year (2016: nil).

The negative additions reflect a change in previously agreed contractual arrangements.

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### 11 Investments in subsidiaries

##### Summary of the company investments

	2017 £ 000	2016 £ 000
Investments in subsidiaries	97,892	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.

##### Investments - group

Details of the group subsidiaries as at 31 December 2017 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the group	
			2017	2016
The Felixstowe Dock and Railway Company*	Port operation	England and Wales	99.9%	99.9%
PPRP Limited*	Investment holding	England and Wales	100%	100%
Felixstowe Port Container Services Limited*	Repair and storage of containers and refrigerated container monitoring	England and Wales	51%	51%
Walton Estates Limited*	Dormant	England and Wales	100%	100%
Port of Felixstowe Pension Trustee Limited*	Pension trustee	England and Wales	100%	100%
Port of Felixstowe Trustee Limited*	Trustee	England and Wales	100%	100%

\* indicates direct investment of Port of Felixstowe Limited

The registered address for all group subsidiaries is Tomline House, The Dock, Felixstowe, Suffolk, IP11 3SY.

#### 12 Financial assets - available-for-sale

	2017 £ 000	Group 2016 £ 000
Non-current financial assets		
Available-for-sale financial assets	60	60

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

The available for sale asset comprises a shareholding in the following company:

Associated undertaking	Country of operation and incorporation	Activity	Class of capital	Issued share capital £	Proportion of equity held %
Maritime Cargo Processing plc	England and Wales	Computer services	£1 A ordinary	6	33.30
			£1 B ordinary	111,010	54.00

The registered address of Maritime Cargo Processing plc is The Chapel, Maybush Lane, Felixstowe, Suffolk, IP11 7LL.

During the financial year the group received dividend income of £1,800,000 (2016: £1,800,000) from Maritime Cargo Processing plc. In the opinion of the directors the value of this investment is in excess of net book value.

### 13 Inventories

	2017 £ 000	Group 2016 £ 000
Spare parts and consumables	9,363	9,565
Obsolete stock provision	(1,377)	(1,300)
	<u>7,986</u>	<u>8,265</u>

Inventories recognised as an expense during the financial year ended 31 December 2017 amounted to £13,444,000 (2016: £12,538,000)

### 14 Trade and other receivables

	2017 £ 000	Group 2016 £ 000	2017 £ 000	Company 2016 £ 000
Trade receivables	52,678	61,061	-	-
Provision for impairment of trade receivables	(2,242)	(2,230)	-	-
Net trade receivables	50,436	58,831	-	-
Amounts owed by group undertakings	5,127	12,326	-	20,000
Prepayments	16,954	15,882	-	-
Other receivables	3,225	840	-	-
Total trade and other receivables	<u>75,742</u>	<u>87,879</u>	<u>-</u>	<u>20,000</u>



## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

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

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 2017, trade receivables of £42,321,000 (2016: £44,029,000) were fully performing.

As of 31 December 2017, trade receivables impairment provision was £2,242,000 (2016: £2,230,000). The aging of these receivables is as follows:

	2017	2016
	£ 000	£ 000
<b>Group</b>		
1 to 6 months	-	2,132
Over 6 months	2,242	98
	<u>2,242</u>	<u>2,230</u>

As of 31 December 2017, trade receivables of £8,115,000 (2016: £14,802,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2017	2016
	£ 000	£ 000
<b>Group</b>		
1 to 6 months	7,372	14,482
Over 6 months	743	320
	<u>8,115</u>	<u>14,802</u>

The carrying amounts of the group's trade receivables are all denominated in GBP.

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

	2017	2016
	£ 000	£ 000
<b>Group</b>		
At 1 January	2,230	108
Increase in provision recognised in the Consolidated income statement	25	2,119
Receivables written back during the financial year as recoverable	-	5
Receivables written off during the financial year as uncollectable	(13)	(2)
At 31 December	<u>2,242</u>	<u>2,230</u>

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

#### 15 Cash and cash equivalents

	2017 £ 000	Group 2016 £ 000
Cash at bank and in hand	<u>3,606</u>	<u>3,478</u>

#### 16 Trade and other payables

	2017 £ 000	Group 2016 £ 000	2017 £ 000	Company 2016 £ 000
Trade payables	4,860	5,841	-	-
Amounts owed to group undertakings	2,635	2,628	4,765	17,684
Social security and other taxes	3,616	3,588	-	-
Other payables	3,911	4,557	-	-
Accrued expenses	18,154	18,416	-	-
Capital expenditure	3,841	13,949	-	-
Government grants	252	252	-	-
	<u>37,269</u>	<u>49,231</u>	<u>4,765</u>	<u>17,684</u>

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

#### 17 Other non-current liabilities

	2017 £ 000	2016 £ 000
Government grant - Investment grant	3,009	3,169
Government grant - Freight grant	185	214
Government grant - Rail mounted gantry cranes grant	1,253	1,317
	<u>4,447</u>	<u>4,700</u>

**Port of Felixstowe Limited**

**Notes to the Financial Statements for the financial year ended 31 December 2017**

**18 Deferred tax**

	<b>2017</b>	<b>2016</b>
<b>Group</b>	<b>£ 000</b>	<b>£ 000</b>

**Deferred tax liability - accelerated capital allowances**

At 1 January	27,824	29,084
Charged to Consolidated income statement	438	499
Re-measurement of deferred tax liability	-	(1,759)
At 31 December	<u>28,262</u>	<u>27,824</u>

<b>2017</b>	<b>2016</b>
<b>£ 000</b>	<b>£ 000</b>

**Deferred tax asset - pension provision**

At 1 January	(12,104)	(10,191)
Charged to Consolidated income statement	437	-
Re-measurement of deferred tax asset	551	(77)
(Credited)/charged directly to equity in respect of:		
Movement on deferred tax relating to the pension scheme	2,275	(2,680)
Re-measurement of deferred tax asset	(266)	844
At 31 December	<u>(9,107)</u>	<u>(12,104)</u>

<b>2017</b>	<b>2016</b>
<b>£ 000</b>	<b>£ 000</b>

**Deferred tax asset - other timing differences**

At 1 January	(116)	(123)
Re-measurement of deferred tax asset	-	7
At 31 December	<u>(116)</u>	<u>(116)</u>

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore the asset has been recognised in these financial statements.

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:

	2017 £ 000	2016 £ 000
<b>Deferred tax liabilities to be crystallised</b>		
After more than 12 months	28,262	27,824
<b>Deferred tax assets to be recovered</b>		
After more than 12 months	(8,196)	(12,220)
Within 12 months	(1,027)	-
	(9,223)	(12,220)
<b>Net deferred tax liability</b>	<b>19,039</b>	<b>15,604</b>

#### 19 Loans and borrowings

	2017 £ 000	Group 2016 £ 000
<b>Non-current loans and borrowings</b>		
Other borrowings	96,843	96,843

The loan from a group undertaking is denominated in GBP, falls due between two and five years, is unsecured and carries interest of LIBOR + 1.32 % (2016: LIBOR + 1.32 %).

#### 20 Share capital

	2017 £ 000	2016 £ 000
<b>Authorised, allotted, called up and fully paid share capital</b>		
100,002 (2016: 100,002) ordinary shares of £1 each	100	100
<b>Share premium</b>	<b>74,925</b>	<b>74,925</b>

#### 21 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £42,092,000 (2016: £8,500,000).

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### 22 Retained earnings

##### Group

	£ 000
At 1 January 2017	200,903
Profit for the financial year attributable to owners of the company	62,197
Dividends	(59,538)
Actuarial gains on defined benefit pension schemes before tax	11,818
Movement on deferred tax relating to pension scheme	(2,275)
Movement on deferred tax relating to change in UK tax rate	266
At 31 December 2017	<u>213,371</u>

	£ 000
At 1 January 2016	222,758
Profit for the financial year attributable to owners of the company	62,564
Dividends	(70,038)
Actuarial losses on defined benefit pension schemes before tax	(16,921)
Movement on current tax relating to pension scheme	704
Movement on deferred tax relating to pension scheme	2,680
Movement on deferred tax relating to change in UK tax rate	(844)
At 31 December 2016	<u>200,903</u>

##### Company

	£ 000
At 1 January 2017	10,156
Profit for the financial year	52,427
Dividends	(59,501)
At 31 December 2017	<u>3,082</u>

	£ 000
At 1 January 2016	7,703
Profit for the financial year	72,454
Dividends	(70,001)
At 31 December 2016	<u>10,156</u>

**Port of Felixstowe Limited**

**Notes to the Financial Statements for the financial year ended 31 December 2017**

**23 Cash generated from continuing operations**

**Group**

	Note	2017 £ 000	2016 £ 000
<b>Cash flows from operating activities</b>			
Profit for the financial year		62,284	62,719
Adjustments to cash flows from non-cash items			
Depreciation	6	21,667	20,610
Profit on disposal of property, plant and equipment	6	(63)	(151)
Finance income		(1,800)	(1,810)
Finance costs	7	1,762	1,991
Income tax expense	9	15,529	13,361
		<u>99,379</u>	<u>96,720</u>
Working capital adjustments			
Decrease in inventories		279	223
Decrease/(increase) in trade and other receivables and long term prepayments		9,440	(36,058)
(Decrease)/increase in trade and other payables		(1,861)	3,648
Decrease in retirement benefit obligation net of actuarial changes		(2,276)	(3,522)
(Decrease)/increase in deferred income, including government grants		(253)	519
Increase in amounts owed to group undertakings		7	1,391
Decrease in amounts owed by group undertakings		<u>7,199</u>	<u>45,312</u>
Cash generated from operations		<u>111,914</u>	<u>108,233</u>

**Company**

	2017 £ 000	2016 £ 000
<b>Cash flows from operating activities</b>		
Profit for the financial year	52,427	72,454
Adjustments to cash flows from non-cash items		
Finance income	(52,344)	(72,344)
Income tax expense	<u>20</u>	<u>27</u>
	103	137
Working capital adjustments		
(Decrease)/increase in amounts owed to group undertakings	(12,919)	17,554
Decrease/(increase) in amounts owed by group undertakings	<u>20,000</u>	<u>(20,000)</u>
Cash generated from/(used in) operations	<u>7,184</u>	<u>(2,309)</u>

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### 24 Retirement benefit obligations

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 schemes

Members' 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 credit method.

Valuations are carried out every three years and the most recent was undertaken as at 31 December 2015. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The following assumptions were used for the most recent valuation:

	Non-pensioner	Pensioner
Pre-retirement discount rate	5.00%	n/a
Post-retirement discount rate	4.45%	2.90%
Pensionable earnings increases	2.80%	n/a
Inflation (RPI): Pre-retirement	2.80%	n/a
Inflation (RPI): Post-retirement	4.05%	2.60%
Inflation (CPI): Pre-retirement	1.80%	n/a
Inflation (CPI): Post-retirement	3.05%	1.60%
Pension increases:		
Allowances for increases to pensions in payment - pre April 1997	3.50%	2.55%
Allowances for increases to pensions in payment - post April 1997, pre 2005	2.95%	1.80%
Allowances for increases to pensions in payment - post 2005	2.00%	1.40%
Allowances for increases to pensions in payment - post 1988 GMP	2.30%	1.55%

The December 2015 actuarial valuation showed that the market value of the Plan's assets was £382.8 million which represented 86% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Any material excess of liabilities over assets is amortised over the future working lives of existing members. The valuation showed an actuarial deficit of £62.5 million existed.

From 6 March 2017, total contributions to meet the benefits have been set at 24.9% (previously 22.6%) of pensionable salaries. Of the total contributions, employees will continue to pay 11% of pensionable salaries, which increased from 7% in April 2016.

The Trustee proposes to retain the end date of the previous recovery plan of 30 June 2023, with deficit contributions of £7.5 million payable per annum. The employer will also pay 2.7% per annum of active members' pensionable salaries until 30 September 2018.

The valuation used for IAS 19 disclosures has been based on the findings of the actuarial valuation undertaken as at 31 December 2015 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 2017.

Contributions payable to the pension scheme at the end of the financial year are £714,000 (2016: £673,000).

The expected contributions to the plan for the next financial year are £17,880,000.

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### *Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

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

	2017 £ 000	2016 £ 000
Fair value of scheme assets	512,384	466,779
Present value of scheme liabilities	<u>(565,827)</u>	<u>(534,316)</u>
Defined benefit pension scheme deficit	<u>(53,443)</u>	<u>(67,537)</u>

#### *Scheme assets*

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

	2017 £ 000	2016 £ 000
Fair value at start of financial year	466,779	382,563
Interest income	13,058	14,755
Return on plan assets, excluding amounts included in interest income	31,756	70,007
Employer contributions	14,064	12,890
Contributions by scheme participants	3,725	3,435
Benefits paid	(14,997)	(14,899)
Net transfer out liability	(1,438)	(1,206)
Administrative expenses paid	<u>(563)</u>	<u>(766)</u>
Fair value at end of financial year	<u>512,384</u>	<u>466,779</u>

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	2017 £ 000	2016 £ 000
Cash and cash equivalents	43,006	9,313
Equity instruments	265,749	258,899
Debt instruments	163,987	161,297
Real estate	<u>39,642</u>	<u>37,270</u>
	<u>512,384</u>	<u>466,779</u>

#### *Actual return on scheme's assets*

	2017 £ 000	2016 £ 000
Actual return on scheme assets	<u>44,814</u>	<u>84,762</u>

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



## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### *Scheme liabilities*

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

	2017 £ 000	2016 £ 000
Present value at start of financial year	534,316	436,701
Current service cost	9,552	6,825
Actuarial gains arising from changes in demographic assumptions	(1,012)	(138)
Actuarial losses arising from changes in financial assumptions	20,151	95,403
Actuarial losses/(gains) arising from experience adjustments	799	(8,337)
Interest cost	14,731	16,532
Benefits paid	(14,997)	(14,899)
Contributions by scheme participants	3,725	3,435
Net transfer out liability	(1,438)	(1,206)
Present value at end of financial year	<u>565,827</u>	<u>534,316</u>

Weighted average duration of the defined benefit obligation is 19 years (2016: 19 years).

#### **Principal actuarial assumptions**

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

	2017 %	2016 %
Discount rate	2.55	2.80
Future salary increases	2.65	2.70
Allowance for increases to pensions in payment - pre 6 April 2005	1.95	2.00
Allowance for increases to pensions in payment - post 6 April 2005	1.60	1.65
Inflation RPI	3.15	3.20
Inflation CPI	<u>1.95</u>	<u>2.00</u>

#### **Post retirement mortality assumptions**

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 63:

	2017 Years	2016 Years
Current UK pensioners at retirement age of 63 - male	20.30	20.70
Current UK pensioners at retirement age of 63 - female	<u>23.80</u>	<u>23.40</u>

**Port of Felixstowe Limited**

**Notes to the Financial Statements for the financial year ended 31 December 2017**

*Amounts recognised in the Consolidated income statement*

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Amounts recognised in operating profit</b>		
Current service cost	9,552	6,825
Administrative expenses paid	563	766
Net interest	<u>1,673</u>	<u>1,777</u>
Total recognised in the Consolidated income statement	<u><u>11,788</u></u>	<u><u>9,368</u></u>

The total above includes contributions totalling £57,000 (2016: £54,000) paid on behalf of Hutchison Ports Europe Limited (formerly Hutchison Westports Limited). Of the remaining expense £11,256,000 (2016: £8,917,000) and £475,000 (2016: £397,000) were included in the Port of Felixstowe Limited's costs of sales and administrative expenses respectively.

**Amounts recognised in the Consolidated statement of comprehensive income**

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Actuarial gains arising from changes in demographic assumptions	1,012	138
Actuarial losses arising from changes in financial assumptions	(20,151)	(95,403)
Actuarial (losses) / gains arising from experience adjustments	(799)	8,337
Return on plan assets, excluding amounts included in interest income	<u>31,756</u>	<u>70,007</u>
Amounts recognised in the Consolidated statement of comprehensive income	<u><u>11,818</u></u>	<u><u>(16,921)</u></u>

## Port of Felixstowe Limited

### Notes to the Financial Statements for the financial year ended 31 December 2017

#### Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
<b>Expressed as %</b>			
Discount rate	0.25%	decrease by 4.56%	increase by 4.84%
Inflation - RPI	0.25%	increase by 3.81%	decrease by 3.25%
Salary growth rate	0.25%	increase by 0.36%	decrease by 0.35%
Life expectancy	1 Year	increase by 4.30%	-
<b>Expressed as £ 000</b>			
Discount rate	0.25%	decrease by 25,830	increase by 27,370
Inflation - RPI	0.25%	increase by 21,570	decrease by 18,400
Salary growth rate	0.25%	increase by 2,060	decrease by 1,980
Life expectancy	1 Year	increase by 24,330	-

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 Consolidated statement of financial position.

#### Maturity analysis of benefit payments

	1-5 years £ 000	6-10 years £ 000	11-15 years £ 000	16-20 years £ 000	Over 20 years £ 000	Total £ 000
2017	89,135	111,031	124,685	129,576	474,159	928,586
2016	<u>82,983</u>	<u>105,410</u>	<u>121,718</u>	<u>128,123</u>	<u>490,763</u>	<u>928,997</u>

#### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the group to the scheme and amounted to £5,238,000 (2016: £4,597,000).

Contributions totalling £285,000 (2016: £237,000) were payable to the scheme at the end of the financial year and are included in trade and other payables.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **25 Contingent liabilities**

##### **Company**

The company has agreed to provide guarantees to the provider of loan facilities for up to £4,882,000 (2016: £7,076,000) in favour of Harwich Haven Authority (the "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.

The company has agreed to provide a guarantee to The Secretary of State for Transport in relation to road works and highway improvement. As at the financial year end the contingent liability was £284,000 (2016: £284,000).

#### **26 Operating lease commitments**

##### **Group**

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

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Within one year	33,000	33,022
In two to five years	86,594	112,108
In over five years	153,440	148,644
	<u>273,034</u>	<u>293,774</u>

#### **27 Parent and ultimate parent undertaking**

Hutchison Ports (UK) 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, and is the smallest group to consolidate the financial statements of the company.

Copies of the Hutchison Ports (UK) Limited group 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, 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

#### **28 Related party transactions**

##### **Group**

During the financial year, the group provided services worth £382,000 (2016: £390,000) to Coscon (UK) Limited, of which £47,000 (2016: £215,000) was included as a trade receivable at 31 December 2017. Cosco Shipping (UK) Company Limited (formerly Cosco (UK) Limited), the minority shareholder of the group and Coscon (UK) Limited are under common control, being fellow members of the international COSCO Group.

The group received operating lease payments of £145,000 (2016: £145,000) from Thamesport (London) Limited, a fellow subsidiary undertaking of Hutchison Ports (UK) Limited. There were no outstanding balances at 31 December 2017 (2016: £nil).

During the financial year, the group provided no services to Thamesport (London) Limited, a fellow subsidiary undertaking of Hutchison Ports (UK) Limited (2016: no services provided). A balance of £383,000 relating to services provided in previous years is outstanding at 31 December 2017 (2016: £383,000).

The group provided services worth £812,000 (2016: £870,000) to Maritime Cargo Processing plc during the financial year of which £78,000 (2016: £2,000) is included as a trade receivable as at 31 December 2017.

During the financial year, the group received a share of profits of £5,581,000 (2016: £5,946,000) relating to a joint venture with Hutchison Ports (Jersey) Port Development Limited. A share of profits totalling £1,429,000 for future periods are held in other creditors at 31 December 2017 (2016: £1,429,000).

The group paid property rental fees of £14,044,000 (2016: £14,274,000) and a licence to occupy of £17,000 (2016: £17,000) to Hutchison Ports (Jersey) Port Development Limited during the financial year. Payments totalling £3,514,000 for future periods are held in prepayments at 31 December 2017 (2016: £3,514,000).

During the financial year, the group paid property rental fees of £15,000,000 (2016: £13,508,000) to Hutchison Ports (Jersey) Property Management Limited. Payments totalling £3,668,000 for future periods are held in prepayments at 31 December 2017 (2016: £3,668,000).

Technical services income of £853,000 (2016: £650,000) was received by the group during the financial year from Terminal Catalunya, S.A., a subsidiary of Hutchison Ports Investments S.à r.l., a company owned by the group's ultimate parent, CK Hutchison Holdings Limited.

Expenses totalling £169,000 (2016: £177,000) in respect of software support services provided during the financial year were paid to Hutchison Port Holdings Limited.

Capital work in progress expenditure totalling £659,000 (2016: £1,473,000) in respect of an on-going software development programme was incurred during the financial year. As at 31 December 2017, £220,000 of this total was payable to Hutchison Ports nGen Services Limited, a fellow group company (2016: £1,097,000 payable to Hutchison Ports nGen Limited and £376,000 payable to Hutchison Ports nGen Services Limited).

Expenses totalling £748,000 (2016: £565,000) in respect of consultancy services provided during the financial year were paid to Hutchison Port Holdings Limited, a company owned by the group's ultimate parent, CK Hutchison Holdings Limited.

## **Port of Felixstowe Limited**

### **Notes to the Financial Statements for the financial year ended 31 December 2017**

During the financial year, the group paid for subcontracted labour worth £2,843,000 (2016: £2,243,000) and logistics services worth £26,000 (2016: £18,000) to Hutchison Logistics (UK) Limited, a fellow subsidiary undertaking of Hutchison Ports Europe Limited (formerly Hutchison Westports Limited), of which £191,000 was outstanding as at 31 December 2017 (2016: £172,000).

During the financial year, the company provided warehousing space worth £123,000 (2016: £nil) and stevedoring services worth £74,000 (2016: £81,000) to Hutchison Logistics (UK) Limited, of which £58,000 was outstanding as at 31 December 2017 (2016: £3,000).

#### **29 Non adjusting event after the financial period**

On 9 March 2018, an intermediate parent company, which prepares consolidated financial statements, changed its name from Hutchison Westports Limited to Hutchison Ports Europe Limited.