

**HARWICH INTERNATIONAL PORT LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**(Registered number 2486146)**

**31 December 2018**



## **Harwich International Port Limited**

### **Strategic report for the financial year ended 31 December 2018**

The directors present their Strategic report for the financial year ended 31 December 2018.

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

The performance of the core operations of the port improved during the financial year with a 4% increase in revenue and a 4% decrease in cost of sales, increasing the gross profit margin.

#### **Key performance indicators**

##### **Revenue**

Revenue for 2018 of £20.782 million has increased on the previous financial year (2017: £19.934 million).

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

Gross profit margin has increased on the previous financial year (2018: 54.01%, 2017: 50.25%) as a result of increased revenue and decreased costs.

##### **Total equity**

As at 31 December 2018, the company had total equity of £33.262 million (2017: £28.715 million).

#### **Business environment**

UK ports play a vital role in the UK economy. The Department for Transport confirmed that in 2017 UK ports handled around 482 million tonnes of freight. There was no significant increase in unitised traffic handled in the UK during the same period with 5.9 million container units handled, the same as in 2016. Brexit continues to create uncertainty in the market, and the wider UK economy, although Harwich International Port Limited is well placed to provide the additional facilities and services that may be required.

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

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

Approved by the Board on 20 September 2019 and signed by its order:



.....  
Mr Simon Richard Mullett  
Company secretary

#### **Registered number**

2486146

#### **Registered Office**

Tomline House  
The Dock  
Felixstowe  
Suffolk  
IP11 3SY

## **Harwich International Port Limited**

### **Directors' report for the financial year ended 31 December 2018**

The directors submit to the sole shareholder their report and audited financial statements for the financial year ended 31 December 2018.

#### **Principal activities**

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

#### **Company information**

Details regarding the company can be found in note 1 to the financial statements. Details regarding parent and ultimate parent entities can be found in note 22 to the financial statements.

#### **Results and Dividends**

The Income statement is set out on page 7 and shows the profit for the financial year ended 31 December 2018. The directors did not propose an interim dividend for the financial year ended 31 December 2018 (2017: £nil). The directors do not propose a final dividend for the financial year ended 31 December 2018 (2017: £nil).

#### **Charitable donations**

No charitable donations were made during the financial year (2017: £nil).

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

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

Ms Edith Shih

Mr Sing Chi Ip

Mr Clemence Chun Fun Cheng

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

Business risks are considered on a regular basis. Any changes in the business, economy or regulatory environment are monitored and reviewed by management. The key financial risks affecting the company are as per note 3 to the financial statements.

Other risks facing the company include the limited availability of land for expansion, constantly changing technology and the 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**

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

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

## Harwich International Port Limited

### Directors' report for the financial year ended 31 December 2018

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

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

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

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

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 20 September 2019 and signed by its order:



.....  
Mr Simon Richard Mullett  
Company secretary

**Registered number**  
2486146

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

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

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

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of cash flows, the statement 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.

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### **Basis for opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **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 or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

# ***Independent auditors' report to the members of Harwich International Port Limited (continued)***

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## **Reporting on other information (continued)**

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 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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## **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 page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

# ***Independent auditors' report to the members of Harwich International Port Limited (continued)***

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## **Other required reporting**

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### **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 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  
Chartered Accountants and Statutory Auditors  
St Albans  
23 September 2019

## Harwich International Port Limited

### Income statement for the financial year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue		20,782	19,934
Cost of sales		<u>(9,558)</u>	<u>(9,918)</u>
Gross profit		11,224	10,016
Administrative expenses		(5,252)	(5,134)
Other operating income		<u>1,234</u>	<u>990</u>
Operating profit	6	7,206	5,872
Finance costs	7	<u>(194)</u>	<u>(174)</u>
Profit before tax		7,012	5,698
Income tax expense	9	<u>(1,569)</u>	<u>(1,162)</u>
Profit for the financial year		<u><u>5,443</u></u>	<u><u>4,536</u></u>

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

The notes on pages 12 to 40 form an integral part of these financial statements.

## Harwich International Port Limited

### Statement of comprehensive income for the financial year ended 31 December 2018

	2018 £ 000	2017 £ 000
Profit for the financial year	<u>5,443</u>	<u>4,536</u>
<b>Other comprehensive (expense)/income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Actuarial (losses)/gains on defined benefit pension schemes before tax	(1,080)	984
Movement on current tax relating to pension scheme	124	-
Movement on deferred tax relating to pension scheme	81	(189)
Movement on deferred tax relating to change in UK tax rate	<u>(21)</u>	<u>22</u>
Total other comprehensive (expense)/income	<u>(896)</u>	<u>817</u>
Total comprehensive income for the financial year	<u><u>4,547</u></u>	<u><u>5,353</u></u>

The notes on pages 12 to 40 form an integral part of these financial statements.


## Harwich International Port Limited

### Statement of financial position as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	50,892	51,971
Investments	12	-	-
Retirement benefit assets	19	3,474	3,900
		<u>54,366</u>	<u>55,871</u>
<b>Current assets</b>			
Inventories	11	181	178
Trade and other receivables	13	3,308	1,858
Cash and cash equivalents		16	1
		<u>3,505</u>	<u>2,037</u>
Total assets		<u>57,871</u>	<u>57,908</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	16,812	16,812
Retained earnings	17	16,450	11,903
Total equity		<u>33,262</u>	<u>28,715</u>
<b>Non-current liabilities</b>			
Loans and borrowings	20	9,471	9,471
Deferred tax	15	4,734	4,911
		<u>14,205</u>	<u>14,382</u>
<b>Current liabilities</b>			
Trade and other payables	14	8,842	13,421
Current tax payable		1,562	1,390
		<u>10,404</u>	<u>14,811</u>
Total liabilities		<u>24,609</u>	<u>29,193</u>
Total equity and liabilities		<u>57,871</u>	<u>57,908</u>

The notes on pages 12 to 40 form an integral part of these financial statements.

The financial statements on pages 7 to 40 were approved by the Board on 20 September 2019 and signed on its behalf by:

  
.....  
Mr Clemence Chun Fun Cheng  
Director

## Harwich International Port Limited

### Statement of changes in equity for the financial year ended 31 December 2018

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	16,812	11,903	28,715
Profit for the financial year	-	5,443	5,443
Actuarial loss on defined benefit pension schemes before tax	-	(1,080)	(1,080)
Movement on current tax relating to pension scheme	-	124	124
Movement on deferred tax relating to pension scheme	-	81	81
Movement on deferred tax relating to change in UK tax rate	-	(21)	(21)
At 31 December 2018	<u>16,812</u>	<u>16,450</u>	<u>33,262</u>

	Share capital £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017	16,812	6,550	23,362
Profit for the financial year	-	4,536	4,536
Actuarial gains on defined benefit pension schemes before tax	-	984	984
Movement on deferred tax relating to pension scheme	-	(189)	(189)
Movement on deferred tax relating to change in UK tax rate	-	22	22
At 31 December 2017	<u>16,812</u>	<u>11,903</u>	<u>28,715</u>

The directors did not propose an interim dividend for the financial year ended 31 December 2018 (2017: £nil).  
The directors do not propose a final dividend for the financial year ended 31 December 2018 (2017: £nil).

The notes on pages 12 to 40 form an integral part of these financial statements.

## Harwich International Port Limited

### Statement of cash flows for the financial year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
<b>Cash flows from operating activities</b>			
Cash generated from continuing operations	18	3,125	2,967
Income taxes paid		(1,390)	(1,432)
Interest paid	7	<u>(194)</u>	<u>(174)</u>
Net cash flow generated from operating activities		<u>1,541</u>	<u>1,361</u>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment		(1,546)	(1,476)
Proceeds from sale of property, plant and equipment		<u>20</u>	<u>65</u>
Net cash flows used in investing activities		<u>(1,526)</u>	<u>(1,411)</u>
Net movement in cash and cash equivalents		15	(50)
Cash and cash equivalents at 1 January		<u>1</u>	<u>51</u>
Cash and cash equivalents at 31 December		<u><u>16</u></u>	<u><u>1</u></u>

The notes on pages 12 to 40 form an integral part of these financial statements.

# Harwich International Port Limited

## Notes to the financial statements for the financial year ended 31 December 2018

### 1 General information

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

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

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The financial statements have been prepared in accordance with 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:

- Certain financial assets

#### New and amended standards adopted by the company

The following have been applied for the first time from 1 January 2018 and have had an effect on the financial statements:

##### *IFRS 9 'Financial Instruments'*

IFRS 9 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 company has reviewed its financial assets and liabilities and there has not been any significant impact from the adoption of the new standard on 1 January 2018.

##### *IFRS 15 'Revenue from contracts with customers'*

IFRS 15 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 2018. The company has reviewed its revenue recognition policy and there has not been any significant impact from the adoption of the new standard on 1 January 2018.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements, being:

*IFRIC 22 - Foreign Currency Transactions and Advance Consideration*

*IAS 40 - Investment Property*

*IFRS 2 - Share-based Payment*

#### New standards, interpretations and amendments not yet adopted

The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company's financial statements in future:

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *IFRS 16 'Leases'*

IFRS 16 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'). The company will apply the standard from its mandatory adoption date of 1 January 2019. IFRS 16 completes the IASB's project to improve the financial reporting of leases and replaces the previous leases Standard, IAS 17 'Leases', and related Interpretations. It will result in almost all leases being recognised on the Statement of financial position by lessees, since the distinction between operating and finance leases is removed. Under the new standard, an asset (that is, the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The company intends to apply the simplified transition approach and, as a result, will not restate comparative amounts for the year prior to first adoption. Where a full history of lease payments is available, right-of-use assets for leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

#### *Key judgements and estimates*

The fundamental principle as defined by the Standard is that a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company has reviewed all current contracts which may contain a lease, and will continue to review all long term contracts entered into. The company will also continue to assess whether any split of lease and service elements of long term contracts is required.

The Standard also requires a lessee to determine the period for which a contract containing a lease is enforceable and, where applicable, identify when the lessee and the lessor each has the right to terminate the lease without permission from the other party. A lessee must also assess whether it is reasonably certain to exercise any option to extend a contract containing a lease. The company has an internal Procurement policy that states all leases must be re-tendered upon expiry. The company has therefore concluded that any automatic renewal clauses will not be exercised.

In order to derive an appropriate discount rate used in the calculation of right-of-use assets and lease liabilities, the company has made reference to average yields derived from UK Government risk free Gilts yields. This forms a base to which the company can add a typical spread in order to derive an incremental cost of borrowing over a period to match that of the lease term.

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Practical expedients*

The Standard allows a range of practical expedients to be applied on initial application of the standard. The company has chosen to apply the following expedients:

- A lessee may apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).
- A lessee may elect not to apply the requirements of the standard to leases for which the lease term ends within 12 months of the date of initial application. All lease contracts with an expiry date within 12 months of the date of initial application will be treated as short-term and will be classified as such within the Income statement.
- A lessee may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- A lessee may use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

#### *Initial application*

The company has reviewed all its leasing arrangements in light of the new lease accounting rules required under IFRS 16. As at the reporting date, the company has non-cancellable operating lease commitments of £10,507,000, as disclosed in note 21. The company expects to recognise right-of-use assets of approximately £2,068,000 on 1 January 2019 along with lease liabilities of £2,223,000. The resulting impact on opening retained earnings will be a charge of £155,000, before any deferred tax impact is considered. Short-term leases and low-value leases will both continue to be recognised on a straight-line basis as an expense in the Income Statement.

None of the other standards, interpretations and amendments effective for the first time for financial periods starting after 1 January 2018 will have a material effect on the financial statements, being:

*IFRIC 23 - Uncertainty over Income Tax Treatments*

*Amendments to IAS 19 - Employee Benefits*

*Amendments to IAS 28 - Investments in Associates and Joint Ventures*

*Annual improvements cycle (2015-2017)*

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

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

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

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

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### Revenue recognition

##### *Recognition*

The company earns revenue from the provision of services attributable to the operation of Harwich International Port, and arises wholly within the United Kingdom. Revenue is the total amount receivable by the company in the ordinary course of business for services provided to third parties, net of discounts and rebates, exclusive of Value Added Tax. The company earns revenue from the handling and storage of goods imported to, and exported from, the UK. Other income is earned from the rental of land and buildings to third parties. The company's third party customer base is primarily made up of major international shipping lines.

The company has adopted IFRS 15 with an effective date of 1 January 2018. As a result the company has changed its accounting policy for revenue recognition in line with the requirements of IFRS 15. The policy applied for the year ending 31 December 2018 is detailed below.

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

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

##### *Performance obligations*

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

For revenue generated from the handling and storage of goods imported to, and exported from, the UK, the company's performance obligations can be considered to be separate and individual in nature. Each element of revenue can be identified separately and is selected individually as per the customer's requirements. Individual services are invoiced to the customer following completion of that particular service and there is no obligation on the group to provide subsequent services once each individual service has been completed. All services are considered to be provided at a point in time. This includes revenue recognised from the storage of goods, which is short term in nature and is charged based on a daily rate. The company considers that a separately identifiable performance obligation is created at the completion of each day's storage.

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

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

##### *Transaction price*

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Contract assets and receivables*

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

#### *Contract liabilities*

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

#### *Practical Expedients*

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

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

#### *Transition*

The overall impact of transition on profit and retained earnings is estimated to be £nil. Given the impact of implementing the new accounting policy under IFRS 15 is no different to the financial performance and position under the IFRS that previously applied, there has been no presentation of the current year financial statements under the previous IFRS. All key judgments are unchanged from those required in application of the IFRS as previously applied. Revenue continues to be recognised when performance obligations are met, which is considered to be upon completion of each individual component of port handling services, delivered at a point in time.

#### **Depreciation**

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

<b>Asset class</b>	<b>Depreciation rate</b>
Civil works and buildings	2.00%-5.00%
Plant and equipment	4.00%-20.00%

#### **Operating leases**

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

#### **Borrowings**

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

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

## **Harwich International Port Limited**

### **Notes to the financial statements for the financial year ended 31 December 2018**

#### **Trade receivables**

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

#### **Trade payables**

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

#### **Share capital**

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

#### **Dividend distribution**

A final dividend distribution to the company's shareholders is recognised as a liability in the 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, cash and cash equivalents includes cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of financial position.

#### **Taxation**

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

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

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

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

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

## **Harwich International Port Limited**

### **Notes to the financial statements for the financial year ended 31 December 2018**

#### **Inventories**

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

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

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

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 either to the Income statement or the Statement of comprehensive income depending on the nature of the asset or liability being revalued.

#### **Pension costs**

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

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

The defined benefit pension scheme was closed to new entrants on 30 June 2003. Subsequent costs relating to the defined contribution group personal pension plan which replaced the defined benefit pension scheme are expensed as incurred. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### **Borrowing costs**

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

#### **Group financial statements**

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### Financial instruments

##### *Initial recognition*

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities, inventories, accruals and employee benefits plan. All assets and liabilities affected can be found in the table at the end of this note.

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

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

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

##### *Classification and measurement*

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

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

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

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

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

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

##### *Financial assets at amortised cost*

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

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

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

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Financial assets at FVTOCI*

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

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

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

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

#### *Financial assets at FVTPL*

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

#### *Financial liabilities at amortised cost*

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

#### *Financial liabilities at FVTPL*

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

#### *Impairment of financial assets*

##### *Measurement of Expected Credit Losses ("ECL")*

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

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

#### *Derivative financial instruments*

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

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Hedge accounting*

If the eligibility and qualification criteria are met, hedge accounting allows an entity to reflect risk management activities in the financial statements by matching gains or losses on financial hedging instruments with losses or gains on the risk exposures they hedge.

There are three types of hedging relationships: (i) fair value hedge; (ii) cash flow hedge and (iii) hedge of a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met: (i) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (ii) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge; (iii) the hedging relationship meets all of the hedge effectiveness requirements.

In order to qualify for hedge accounting, the hedge relationship must meet the following effectiveness criteria: (i) there is an economic relationship between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio of the hedging relationship is the same as that actually used in the economic hedge.

#### *Accounting estimates and assumptions*

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

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

#### *Provisions for impairment*

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

#### *Fair value of financial assets and liabilities*

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

#### *Transition to IFRS 9*

#### *Classification and measurement*

On 1 January 2018 (the date of initial application of IFRS 9), the company's management has assessed which business models apply to the financial assets held by the company and has classified its financial instruments into the appropriate IFRS 9 categories. There was no effect resulting from reclassification. There was no impact on any carrying amounts or on equity, so no restatement has been performed.

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

On the date of initial application, 1 January 2018, the financial instruments of the company were as follows:

	Measurement Category		Carrying Amount	
	Original (IAS 39)	New (IFRS 9)	Original £ 000	New £ 000
<b>Current financial assets</b>				
Trade receivables	Amortised cost	Amortised cost	1,488	1,488
Amounts owed by group undertakings	Amortised cost	Amortised cost	2	2
Cash and cash equivalents	Amortised cost	Amortised cost	1	1
<b>Non-current financial liabilities</b>				
Loans and borrowings	Amortised cost	Amortised cost	9,471	9,471
<b>Current financial liabilities</b>				
Amounts owed to group undertakings	Amortised cost	Amortised cost	9,912	9,912

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

## **Harwich International Port Limited**

### **Notes to the financial statements for the financial year ended 31 December 2018**

#### **3 Financial risk management**

##### **Financial risk factors**

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

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

##### **Liquidity risk**

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

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

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

##### **Price risk**

The company is not exposed to significant price risks.

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

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

##### **Credit risk**

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

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

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

#### **4 Fair value**

Where financial assets or liabilities are measured at fair value they are classified using a fair value hierarchy that reflects the significance of the inputs used in the measurement. The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short-term maturities of these assets and liabilities.

## **Harwich International Port Limited**

### **Notes to the financial statements for the financial year ended 31 December 2018**

#### **5 Critical accounting estimates and judgements**

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

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

##### **Taxation**

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

##### **Pension assumptions**

Contributions to the Harwich International Port Pension Scheme are determined by a qualified actuary on the basis of an actuarial valuation using the projected unit credit method. Valuations are carried out every three years and the most recent was issued as at 31 December 2016. The assumptions, which have the most significant effect on the results of the valuation, are those relating to the discount rate applied to liabilities, the rates of increase in salaries and pension and those relation to current and future mortality rates. The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation available at the Statement of financial position date, which was the 31 December 2016 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 2018. The details of the principal actuarial assumptions are given in note 19.

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

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

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

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 6 Operating profit

Arrived at after charging/(crediting)

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation of owned assets	2,444	2,249
Hire of equipment	143	117
Operating lease rents payable	120	120
Profit on sale of property, plant and equipment	(20)	(1)
Rental income	<u>(1,234)</u>	<u>(990)</u>

#### Auditors' remuneration

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Audit of the financial statements	<u>43</u>	<u>41</u>

#### 7 Finance costs

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Finance costs</b>		
Interest payable to other group entities	(191)	(171)
Other finance costs	<u>(3)</u>	<u>(3)</u>
Total finance costs	<u>(194)</u>	<u>(174)</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 8 Staff costs and directors' remuneration

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	6,175	6,213
Redundancy costs	-	234
Social security costs	605	610
Other pension costs, defined contribution scheme	373	348
Other pension costs, defined benefit scheme	412	399
	<u>7,565</u>	<u>7,804</u>

The monthly average number of employees of the company was 180 (2017: 193).

#### Key management compensation

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

#### Directors' remuneration

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

#### 9 Income tax expense

Tax expense in the Income statement

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
UK corporation tax	1,686	1,390
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(296)	(232)
Arising from changes in tax rates and laws	179	4
Total deferred taxation	<u>(117)</u>	<u>(228)</u>
Tax expense in the Income statement	<u>1,569</u>	<u>1,162</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit before tax	<u>7,012</u>	<u>5,698</u>
Profit on ordinary activities before taxation at 19% (2017: 19.25%)	1,332	1,097
Effect of expenses not deductible in determining taxable profit	58	61
Deferred tax expense relating to changes in tax rates or laws	<u>179</u>	<u>4</u>
Total tax expense	<u>1,569</u>	<u>1,162</u>

The Finance (No. 2) Act 2015 included legislation to reduce the main rate of corporation tax from 19% 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.

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 10 Property, plant and equipment

	Freehold land, Civil works and buildings £ 000	Plant and equipment £ 000	Capital works in progress £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 January 2017	84,904	9,991	638	95,533
Additions	16	796	819	1,631
Disposals	(10)	(343)	-	(353)
Transfers	433	677	(1,110)	-
At 31 December 2017	85,343	11,121	347	96,811
At 1 January 2018	85,343	11,121	347	96,811
Additions	(3)	128	1,240	1,365
Disposals	(64)	(526)	-	(590)
Transfers	791	53	(844)	-
At 31 December 2018	86,067	10,776	743	97,586
<b>Accumulated depreciation</b>				
At 1 January 2017	35,045	7,835	-	42,880
Charge for financial year	1,875	374	-	2,249
Disposals	(10)	(279)	-	(289)
At 31 December 2017	36,910	7,930	-	44,840
At 1 January 2018	36,910	7,930	-	44,840
Charge for the financial year	1,933	511	-	2,444
Disposal	(64)	(526)	-	(590)
At 31 December 2018	38,779	7,915	-	46,694
<b>Carrying amount</b>				
At 31 December 2018	47,288	2,861	743	50,892
At 31 December 2017	48,433	3,191	347	51,971

The negative additions in the current year reflect a change in previously agreed contractual agreements.

#### 11 Inventories

	2018 £ 000	2017 £ 000
Materials and consumables	181	178

Inventories recognised as an expense during the year ended 31 December 2018 amounted to £387,000 (2017: £379,000).

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 12 Investments

	2018	2017
	£	£
Investment in a subsidiary	2	2

Details of the subsidiary as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2018	2017
Harwich International Pension Trustee Limited*	Pension trustee	England and Wales	100%	100%

\* indicates direct investment of the company

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

#### Associate

Details of the associate as at 31 December 2018 are as follows:

Name of associate	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
		2018	2017
Harwich Wharfingers Limited *	England and Wales	33.3%	33.3%

\* indicates direct investment of the company

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 13 Trade and other receivables

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade receivables	2,840	1,488
Amounts owed by group undertakings	8	2
Other receivables	82	96
Prepayments and accrued income	<u>378</u>	<u>272</u>
Total current trade and other receivables	<u><u>3,308</u></u>	<u><u>1,858</u></u>

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

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

As of 31 December 2018, trade receivables of £2,739,000 (2017: £1,444,000) were fully performing.

As of 31 December 2018, no trade receivables were impaired (2017: £nil).

As of 31 December 2018, trade receivables of £101,000 (2017: £44,000) 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:

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
1 to 6 months	<u>101</u>	<u>44</u>
	<u><u>101</u></u>	<u><u>44</u></u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
At 1 January	-	31
Increase in provision recognised in the Income statement	-	-
Amounts written off during the financial year	-	(31)
At 31 December	<u>-</u>	<u>-</u>

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

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

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

#### 14 Trade and other payables

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade payables	635	1,237
Amounts owed to group undertakings	6,348	9,912
Social security and other taxes	205	202
Other payables	304	650
Capital expenditure	494	675
Accrued expenses	856	745
	<u>8,842</u>	<u>13,421</u>

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

#### 15 Deferred tax

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax asset - other timing differences</b>		
At 1 January	(13)	(13)
Re-measurement of deferred tax asset	-	-
At 31 December	<u>(13)</u>	<u>(13)</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax liability - pension scheme</b>		
At 1 January	582	394
Charged to Income statement	-	17
Re-measurement of deferred tax liability	(29)	4
(Credited)/charged directly to equity in respect of:		
Current financial year actuarial gain	(81)	189
Re-measurement of deferred tax liability	21	(22)
At 31 December	<u>493</u>	<u>582</u>

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax liability - accelerated capital allowances</b>		
At 1 January	4,342	4,591
Credit to Income statement	(296)	(249)
Re-measurement of deferred tax liability	208	-
At 31 December	<u>4,254</u>	<u>4,342</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Deferred tax asset to be recovered:</b>		
Within 12 months	<u>(13)</u>	<u>(13)</u>
<b>Deferred tax liability to be crystallised:</b>		
After more than 12 months	4,698	4,866
Within 12 months	49	58
	<u>4,747</u>	<u>4,924</u>
Net deferred tax liability	<u>4,734</u>	<u>4,911</u>

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 16 Share capital

	2017
	£ 000
<b>Authorised share capital</b>	
2017: 20,000,100 ordinary shares of £1 each	20,000

During the year the company adopted new articles of association reflecting the Companies Act 2006 and chose not to expressly provide for a limit on the number of shares that may be allotted. Therefore, whilst during 2017 the company had authorised share capital of £20,000,100, as at 31 December 2018 the concept of authorised share capital no longer applied.

	2018	2017
	£ 000	£ 000
<b>Allotted, issued, called up and fully paid share capital</b>		
16,812,002 (2017: 16,812,002) ordinary shares of £1 each	16,812	16,812

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

#### 17 Retained earnings

	£ 000
At 1 January 2018	11,903
Profit for the financial year	5,443
Actuarial loss on defined benefit pension schemes before tax	(1,080)
Movement on current tax relating to pension scheme	124
Movement on deferred tax relating to pension scheme	81
Movement on deferred tax relating to change in UK tax rate	(21)
At 31 December 2018	16,450
	£ 000
At 1 January 2017	6,550
Profit for the financial year	4,536
Actuarial gains on defined benefit pension schemes before tax	984
Movement on deferred tax relating to pension scheme	(189)
Movement on deferred tax relating to change in UK tax rate	22
At 31 December 2017	11,903

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 18 Cash generated from continuing operations

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit for the financial year	5,443	4,536
Adjustments to cash flows from non-cash items		
Income tax expense	1,569	1,162
Finance costs	194	174
Depreciation	2,444	2,249
Profit on disposal of property, plant and equipment	(20)	(1)
	<u>9,630</u>	<u>8,120</u>
Working capital adjustments		
Increase in inventories	(3)	(10)
(Increase)/decrease in trade and other receivables	(1,444)	1,222
(Decrease)/increase in trade and other payables	(834)	1,079
Decrease in retirement benefit obligations net of actuarial changes	(654)	(85)
(Increase)/decrease in amounts owed by group undertakings	(6)	2
Decrease in amounts owed to group undertakings	(3,564)	(7,361)
Cash generated from continuing operations	<u>3,125</u>	<u>2,967</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 19 Pension and other schemes

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

#### Defined benefit pension scheme

##### Harwich International Port Pension Scheme

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

Contributions to the defined benefit scheme are determined by a qualified actuary on the basis of an actuarial valuation. The most recent valuation was carried out as at 31 December 2016. The following assumptions were used:

Future price inflation - RPI	3.66% per annum
Future price inflation - CPI	2.66% per annum
Allowances for increases in pensionable salaries	3.91% per annum
Future investment return - pre-retirement	4.40% per annum
Future investment return - post-retirement (actives/deferreds)	2.80% per annum
Future investment return - post-retirement (pensioners)	2.80% per annum
Allowances for increases to pensions in payment - Price inflation	2.66% per annum
Allowances for increases to pensions in payment - CPI capped at 3%	2.25% per annum
Allowances for increases to pensions in payment - RPI capped at 2.5%	2.20% per annum

The valuation showed the market value of the defined benefit scheme assets was £38.189 million and an actuarial deficit of £3.979 million existed. In order to eliminate this deficit, company contributions will be paid at the rate of 33.5% of pensionable salary from 1 April 2018. In addition, members pay contributions at a rate of 6% of pensionable salaries.

The Trustee and the company have agreed that the deficit should be targeted to be removed over a period of five years commencing 1 January 2018. This requires five annual payments of £514,000. This Recovery Plan assumes an investment return of 4.25% per annum over the period. This represents an outperformance assumption of 0.7% over the average return expected on the Technical Provisions assumptions.

The valuation used for IAS 19 disclosures has been based on the most recent actuarial valuation undertaken as at the Statement of financial position date, which was the 31 December 2016 valuation, and updated by an independent qualified actuary to take account of the requirements of IAS 19 in order to assess the liabilities of the defined benefit scheme as at 31 December 2018. Defined benefit scheme assets are stated at bid value as at 31 December 2018.

Contributions payable to the pension scheme at the end of the financial year are £42,000 (2017: £45,000).

The expected contributions to the plan for the next financial year are £1,066,000.

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

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

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value of scheme assets	37,908	40,589
Present value of scheme liabilities	<u>(34,434)</u>	<u>(36,689)</u>
Defined benefit pension scheme surplus	<u>3,474</u>	<u>3,900</u>

#### *Scheme assets*

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value at start of financial year	40,589	38,184
Interest income	1,022	1,053
Return on plan assets, excluding amounts included in interest income	(3,184)	2,598
Employer contributions	1,066	484
Contributions by scheme participants	80	88
Benefits paid	(1,576)	(1,729)
Administrative expenses paid	<u>(89)</u>	<u>(89)</u>
Fair value at end of financial year	<u>37,908</u>	<u>40,589</u>

#### *Analysis of assets*

The major categories of scheme assets are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Cash and cash equivalents	1,264	814
Equity instruments	22,548	26,387
Debt instruments	<u>14,096</u>	<u>13,388</u>
	<u>37,908</u>	<u>40,589</u>

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Actual return on scheme assets	<u>(2,162)</u>	<u>3,651</u>

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

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Scheme liabilities*

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

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value at start of financial year	36,689	35,353
Current service cost	428	396
Actuarial gains arising from changes in demographic assumptions	(399)	(3)
Actuarial (gains) / losses arising from changes in financial assumptions	(2,226)	1,069
Actuarial losses arising from experience adjustments	521	548
Interest cost	917	967
Benefits paid	(1,576)	(1,729)
Contributions by scheme participants	80	88
Present value at end of financial year	<u>34,434</u>	<u>36,689</u>

Weighted average duration of the defined benefit obligation is 14 years (2017: 15 years).

#### **Principal actuarial assumptions**

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

	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>
Discount rate	3.00	2.55
Future salary increases	2.65	2.65
Allowance for increases to pensions in payment – pre 6 April 2006	2.05	1.95
Allowance for increases to pensions in payment – post 6 April 2006	1.60	1.60
Inflation - RPI	3.15	3.15
Inflation - CPI	<u>1.95</u>	<u>1.95</u>

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

	<b>2018</b>	<b>2017</b>
	<b>Years</b>	<b>Years</b>
Current UK pensioners at age 62 - male	21.01	21.16
Current UK pensioners at age 62 - female	<u>24.73</u>	<u>24.76</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### *Amounts recognised in the Income statement*

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Amounts recognised in operating profit</b>		
Current service cost	428	396
Administrative expenses paid	89	89
Net interest income	<u>(105)</u>	<u>(86)</u>
Total recognised in the Income statement	<u>412</u>	<u>399</u>

#### **Amounts recognised in the Statement of comprehensive income**

	<b>2018</b>	<b>2017</b>
	<b>£ 000</b>	<b>£ 000</b>
Actuarial gains arising from changes in demographic assumptions	399	3
Actuarial gains/(losses) arising from changes in financial assumptions	2,226	(1,069)
Actuarial losses arising from experience adjustments	(521)	(548)
Return on plan assets, excluding amounts included in interest income	<u>(3,184)</u>	<u>2,598</u>
Amounts recognised in the Statement of comprehensive income	<u>(1,080)</u>	<u>984</u>

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### Sensitivity analysis

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
<b>Expressed as %</b>			
Discount rate	0.25%	decrease by 3.32%	increase by 3.50%
Inflation - RPI	0.25%	increase by 3.22%	decrease by 2.70%
Salary growth rate	0.25%	increase by 0.80%	decrease by 0.78%
Mortality future long term improvement rate	1 year	increase by 0.68%	decrease by 0.67%
<b>Expressed as £ 000</b>			
Discount rate	0.25%	decrease by 1,144	increase by 1,206
Inflation - RPI	0.25%	increase by 1,110	decrease by 929
Salary growth rate	0.25%	increase by 275	decrease by 270
Mortality future long term improvement rate	1 year	increase by 234	decrease by 231

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

#### Maturity analysis of benefit payments

	Between 1-5 years £ 000	Between 6-10 years £ 000	Between 11-15 years £ 000	Between 16-20 years £ 000	Over 20 years £ 000	Total £ 000
2018	8,271	9,082	9,669	8,703	28,532	64,257
2017	<u>8,032</u>	<u>8,803</u>	<u>9,736</u>	<u>8,910</u>	<u>29,727</u>	<u>65,208</u>

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the financial year represents contributions payable by the company to the scheme and amounted to £373,000 (2017: £348,000).

## Harwich International Port Limited

### Notes to the financial statements for the financial year ended 31 December 2018

#### 20 Loans and borrowings

	2018 £ 000	2017 £ 000
<b>Non-current loans and borrowings</b>		
Loan from group undertaking	<u>9,471</u>	<u>9,471</u>

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

#### 21 Obligations under leases and hire purchase contracts

##### Operating leases

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

	2018 £ 000	2017 £ 000
Within one year	136	141
In two to five years	460	454
In over five years	<u>9,911</u>	<u>10,030</u>
	<u>10,507</u>	<u>10,625</u>

#### 22 Parent and ultimate parent undertaking

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

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

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

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