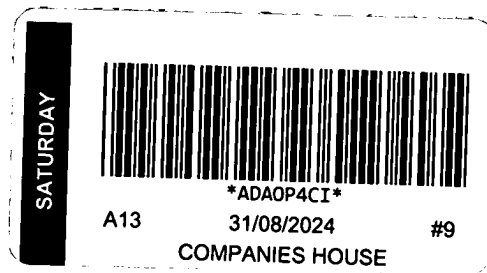


PORT OF FELIXSTOWE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

(Registered number 2590042)

31 December 2023



Port of Felixstowe Limited

Strategic report for the financial year ended 31 December 2023

The directors present their Strategic report for the financial year ended 31 December 2023.

Introduction

The company is part of the wider Hutchison Ports (UK) Limited group (“HPUK” or “HPUK group”) and much of the management of the company is carried out by HPUK. HPUK is a subsidiary of Hutchison Port Holdings Limited (“Hutchison Ports”). The company and its subsidiaries manage and operate the Port of Felixstowe and associated services.

Business review

Operational performance of the Port of Felixstowe remained strong despite a challenging business environment, resulting in increased revenue, margin and underlying profits. The net assets of the company marginally decreased to £381 million (2022: £385 million).

During the financial year, total tangible fixed asset additions of £33.5 million (2022: £30.5 million) were acquired as the company continues to invest in automated equipment to support long-term strategic aims and electric powered plant to support decarbonisation targets. Despite continued demanding trading conditions, the company has delivered an increase in both operating cash flows up 5.9% from £124.2 million in 2022 to £131.5 million in 2023 and profit for the financial year. Profit for the financial year was up 5.2% from £55.6 million in 2022 to £58.5 million in 2023. The business also offers IT transport solutions to predominantly deep-sea carriers, optimising transport by finding least cost routing by sea, truck, rail, barge and feeder.

The Russian invasion of Ukraine gave rise to the imposition of international sanctions against Russia. The company is only marginally and indirectly affected by UK shipping sanctions with most of its shipping volume, arising on the Asia - Europe routes.

The company will continue to pursue opportunities that arise from Freeport East with one of the three sites within the Port of Felixstowe. The plans for sustainable energy on the Felixstowe site include a green energy hydrogen production facility to support decarbonisation of the UK’s maritime and transport sector and contribute to Government objectives of stimulating innovation, high technology skills and economic development.

Key performance indicators

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

Whilst container volumes remained flat, the business delivered an improvement in headline revenue, margin, operating cash flow and profit for the financial year over 2022. This was despite container storage revenues softening during the financial year compared to the elevated levels seen in the prior year. Revenue per box improved together with operating productivity.

In support of its aim to make the port safer for everyone the company actively monitors the number of lost time accidents and those reportable under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (“RIDDOR”) rules. Lost time accidents increased marginally in 2023 compared to the prior financial year, but RIDDOR reportable accidents reduced substantially.

Port of Felixstowe Limited

Strategic report for the financial year ended 31 December 2023

Principal risks and uncertainties

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

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

Geopolitical risks relating to global trade have remained during the financial year owing to regional conflicts in Ukraine, Israel Gaza and Red Sea. Low economic growth coupled with high inflation has contributed to consumers remaining cautious given the still uncertain economic environment, culminating in falls in demand for goods in some sectors.

Although the UK formally left the EU on 31 January 2020, import controls and checks on EU goods at the border had still not been implemented in the financial year. The UK Government Border Target Operating Model sets out a phased implementation over the course of in 2024. The new Border Control Examinations facilities at the Port of Felixstowe funded by the Port Infrastructure Fund have been authorised by the relevant agencies for operational use.

The directors are confident that the company is well placed operationally and financially to manage the business challenges presented by these risks.

Section 172(1) statement

In making this statement it should be noted that the company acts as a holding company for operational companies. Therefore references to company should be taken to apply to the group.

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

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

In reaching their principal decisions the directors consider the long-term impacts of such decisions and look to align them to the target of achieving Net-Zero scope 1 and 2 by 2035 and the HPUK Sustainability Strategy published during the year. This includes the decisions to purchase electric internal tractors, electric rubber-tyred gantry cranes and battery-powered autonomous trucks. The autonomous trucks also allow for increased efficiency, operational consistency and support for potential driver shortages;

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

The directors appreciate that each employee contributes to the success of the company. The company has introduced a Diversity & Inclusion Plan and has continued to deliver events and raise awareness across the four working groups of gender, LGBTQIA+, cultural diversity and wellbeing. During the year the company participated in the group BeWell programme, refreshed the Employee Assistance Programme and launched an enhanced benefit and rewards platform incorporating a Wellness Hub. During the year 350 flu jabs were provided to employees free of charge, Menopause Cafes were hosted open to all employees and four courses of Mental Health First Aid training were delivered. One Life Suffolk free health checks were also completed for 40 employees aged 40-74;

Port of Felixstowe Limited

Strategic report for the financial year ended 31 December 2023

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

The company's management is in constant contact with its customers and will consider industry trends, market intelligence and customer needs. The company engages widely with suppliers both when tendering for goods and services, during the life cycle of contracts and in respect of general purchasing requirements for a range of materials and services. The company continues to engage with other port users and its local community and representatives of local councils with the Felixstowe Port Users liaison group and Local Authority liaison committee meeting regularly;

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

The directors acknowledge the corporate social responsibilities of the company. As noted above, during the year the company set a target of achieving Net-Zero for scope 1 and 2 by 2035 linking into the Hutchison Ports targets approved by the Science Based Targets initiative and issued Sustainability Strategy. The HPUK Sustainability Committee continues to review and challenge the company's environmental and diversity KPIs including emissions, electricity consumption, air quality, and targets for gender balance, ethnic minority and younger employees. The Committee is also considering opportunities for biodiversity;

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

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

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

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

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

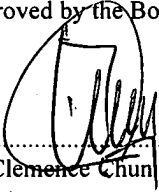
As is normal for a company within a large multinational group, authority is delegated for the day-to-day management of the company to executives, who in turn engage management in setting, approving and overseeing execution of the business strategy and related policies.

Environmental matters

The company is committed to reducing the impact of its operations on the environment and further details can be found in Sustainability, energy and carbon reporting in the Directors' report.

Port of Felixstowe Limited
Strategic report for the financial year ended 31 December 2023

Approved by the Board on 6 June 2024 and signed by its order:



.....
Mr Clemence Chun Fun Cheng
Director

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 2023

The directors submit to the sole shareholder their report and audited consolidated financial statements for the financial year ended 31 December 2023.

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 28 to the financial statements.

Results and dividends

The Consolidated income statement is set out on page 16 and shows the results for the financial year ended 31 December 2023. An interim dividend of £561 per ordinary share, totalling £56,101,000 was paid during the financial year (2022: £455 per ordinary share, totalling £45,501,000). The directors do not propose a final dividend for the financial year ended 31 December 2023 (2022: £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:

Mr Frank John Sixt

Ms Edith Shih

Mr Sing Chi Ip

Mr Clemence Chun Fun Cheng

Mr Andrew Steven Lawrence

Mr Simon Richard Mullett

Mr Christian Nicolas Roger Salbaing

Directors' liabilities

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

Strategy, values and governance

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

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

The board delegates day-to-day management to an executive team which undertakes the operational management of the group and meets frequently for the purpose. In turn the senior management team, from key business functions and departments, provides assistance and meets at least fortnightly to review detailed business performance and coordinate operational activity and actions necessary to meet performance targets set by the executive and approved by the board. The company also relies on a number of specialist committees in specific subject areas to analyse, inform and advise on subject-specific matters.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

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

- **Our Environment:** delivering Net-Zero for scope 1 and 2 by 2035, remove diesel from operations, invest in renewable energy and protect our planet;
- **Our People:** enhance safety and wellbeing, diverse and inclusive culture, sustainable career opportunities and community engagement; and
- **Our Business:** grow responsibly, adopt ethical and sustainably business practices and sustainable procurement.

Sustainability at HPUK is about the constant challenge to explore new ways of delivering our service with the minimum adverse impact on our environment, whilst supporting our people and growing our business. HPUK is working to embed sustainability into its culture through three pillars:

Safety is a core priority and HPUK has a vision for everyone to be productive and return home safely to their families. During the year our Essential Safety Rules were re-issued.

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

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

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

Clemence Chun Fun Cheng is Chief Executive Officer ("CEO") of HPUK and Chair of the Exec. The CEO is responsible for the consideration of the structure, size, diversity profile and skills makeup of the Exec, the progress in achieving the strategic needs of the organisation and meeting the objectives of the company. The Exec is supported by a number of specialist committees which develop and promote specific elements of governance, including:

- Anti-Bribery and Anti-Corruption;
- Business Continuity Management;
- Sustainability;
- Health and Safety;
- IT Security;
- Internal Compliance and Risk Management
- Energy and;
- Data Privacy, incorporating data protection.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

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

Employees, engagement and diversity

Engaging the group's employees is critical if the business is to be successful in achieving its vision and strategic objectives. The group aims to focus on face-to-face engagement where possible but also uses electronic methods to provide messaging and key updates throughout the year. The aim is to provide employees information about the business and allow them to raise questions.

Employee engagement mechanisms include:

- Ask the Exec' question and answer platform
- Monthly COO forums
- Briefing events and formal monthly meetings
- Publications and video updates on the intranet and employee app

The directors and management have regard to the impact on employees when taking decisions, ensuring the people element of any decision is treated with equal importance and focus, for example when considering the introduction of remote-control ship to shore and yard cranes and the potential improvement this represents to the working environment. The involvement of employees in the performance of the group is encouraged via bonus schemes and the availability of training and advancement opportunities.

Creating an engaged, diverse and healthy workforce is an underlying theme for the business. The company has introduced a Diversity & Inclusion Plan and has continued to deliver events and raise awareness across the four working groups:

- Gender - women's network and gender working group
- Cultural diversity
- LGBTQIA+ working group and Pride Network
- Wellbeing

During the year the company participated in the group BeWell programme, refreshed the Employee Assistance Programme and launched an enhanced benefit and rewards platform incorporating a Wellness Hub. The business has an ageing workforce, but early planning and intervention will help mitigate the risk to workforce sustainability.

The group is committed to a vision of zero harm and strives to set and maintain high standards of health and safety to eliminate incidents of injuries or near-misses. Every activity must be safe, as well as effective and efficient. All minimum safety standards are expected to be observed and a zero-tolerance approach is adopted to unsafe practices. The group has reissued its Essential Safety Rules booklet alongside a mandatory online course for all employees.

The group actively manages employee health and wellbeing and supports several initiatives to promote mental and physical health, and to monitor and accelerate return to work from sickness absence. As noted above the Employee Assistance Programme was refreshed during the year and a number of employees were trained as Mental Health First Aiders. Employee wellbeing is also encouraged with personal achievement and service performance and the company sets targets, manages individual personal development and performance and encourages employees to achieve their own and business goals.

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

The group recognises the value of having a diverse workforce that reflects the community in which our ports are based. We have a rich history in our local communities, providing jobs and opportunities, often to multiple generations of the same family. The group promotes a culture that is inclusive and supportive providing a wide range of career opportunities that are accessible to anyone of any background. The benefit to the organisation in having a diverse workforce is clear, having broader perspectives leads to more creative problem solving which benefits not only the organisation but our customers and communities.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

We practise fairness in our pursuit of technology innovation and digitalisation. Using remote control technology helps to address gender balance by recruiting more female equipment drivers. We have positively impacted our Diversity & Inclusion capacity building programmes which empower women to assume “gendered roles” and penetrate a traditionally male-dominated field. Our focus will continue to be on attracting, developing, and retaining women in more varied roles as part of our wider diversity and inclusion objectives. We will do this through enhanced apprenticeships, graduate, and direct entry programmes; developing our family friendly policies, identifying new ways of working that enable more people to join us.

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

Employment of disabled persons

The company's Equality and Diversity Policy includes the requirement to conduct recruitment exercises on the basis of merit against objective criteria that avoid discrimination, including against disabled persons. The recruitment process for the remote-controlled electric rubber-tyred gantry cranes provided an opportunity for disabled persons to apply where they might have been automatically excluded from standard driving roles. 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, consider reasonable adjustments or provide appropriate training for a more suitable alternative job within the company. Similar to recruitment, the eligibility for training, career development and promotion are on the basis of merit against objective criteria that avoid discrimination.

Engagement with suppliers, customers and other relationships

The group actively promotes engagement and communication with its stakeholders, including employees, shareholders and investors, customers, end users, business partners, suppliers, pensioners, regulators, government, community and other representative groups and media partners. The group's management team is in constant contact with customers and end-users of the port's services. When reviewing service provision, the need to redevelop berths, introduction of remote-control yard and quay cranes and extension of the number of train services to and from the port, the group has regard to its customers' requirements and will also consider industry trends and market intelligence. Customers are also enquiring as to the group's policy regarding decarbonisation and transparency of the group's part in their supply chain.

The group engages widely with its suppliers both when tendering for goods and services, during the life cycle of contracts and in respect of general purchasing requirements of a range of materials and services. Management and the procurement team work continuously to ensure that suppliers meet and retain the necessary quality, capability, security, environmental and ethical requirements of the group. A Suppliers' Code of Conduct has been issued to support this and audits of suppliers initiated.

There is regular engagement with port users, the community and government departments and agencies. Regular meetings are held with port user groups representing customers, hauliers, freight forwarders and other port users. The company is a member of the UK Major Ports Group, the trade association representing most of the larger commercial ports in the UK. Close relationships are maintained with government agencies, departments and ministers at local, regional, national and European levels. The group strives to be a trusted partner for Government and ministers through a positive contribution to the development of public policy on transport, port, maritime and related environmental issues. The group also meets regularly with representatives of local councils, providing a forum to discuss aspects of the group's business. The group aims to contribute positively to the development of public policy in relevant areas.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

Sustainability, energy and carbon reporting

We have considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures when preparing this report. These recommendations encourage businesses to increase disclosure of climate-related information, with an emphasis on financial disclosure. The company supports these recommendations and is committed to disclosing the relevant information which can be found below.

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

The ports division of CKHH, which includes the company, is implementing a global decarbonisation programme of its vehicles and infrastructure. The group is committed to reducing the impact of its operations on the environment. Investments are made annually to upgrade plant and equipment to reflect the latest low carbon techniques and to trial alternative fuels and technologies. Throughout the financial year, HPUK maintained its commitment to sustainability by obtaining 100% of its electricity from contracted certified renewable source generation. This strategy aims to reposition the business through environmental commitment, leadership, and engagement to ensure that it operates in a responsible and sustainable manner.

Subsidiary companies feed into the Hutchison Ports environment, social and governance reporting system. The Hutchison Ports Sustainability Committee aims to ensure strategic alignment on major decisions and action plans. The company is one of the group innovators in the group three-tier environmental management hierarchy model having adopted the ISO 14001 Environmental Management System. The company's environmental priorities of delivering net zero and creating sustainable ports are set out in the HPUK Sustainability Strategy adopted in 2023.

Metrics and Targets

The HPUK Sustainability Committee closely monitors the port's environmental impact across a number of factors (including Greenhouse Gas emissions, air quality and climate change) and sets annual targets for improvement. Targets for 2023 were focused on reduction of diesel consumption and air quality emissions. As part of the company's efforts to meet targets it has continued its electrification programme for rubber-tyre gantry ("RTG") cranes and internal movement vehicles ("IMV") investing in additional electrical distribution infrastructure to enable this programme and taking delivery of 6 new RTGs and 48 IMVs in 2023.

Sustainability is being further accelerated with a procurement programme already underway for battery-powered autonomous trucks, with batches being delivered in phases over the next two years. These will contribute to net zero carbon emission targets, delivering sustainable productivity and reliability.

The group is committed to protecting the environment in which it operates whilst striving to constantly improve its carbon and ecological footprints. The group constantly invests in infrastructure and equipment to keep pace with container vessel size growth as shipping lines pursue supply chain efficiencies, economies of scale and energy and environmental optimisation. A vital component of this plan is a commitment to increasing rail volumes, the lowest emission mode of hinterland transportation.

Analysis of Greenhouse Gas emissions reduction to be achieved by electrification of diesel equipment and procurement of certified renewable electricity provides the basis for the company's publicly declared target to achieve net zero Scope 1 and Scope 2 Greenhouse Gas emissions by 2035. The company continues to investigate development of alternative fuel solutions for port applications with several energy partners. Hutchison Ports' 2022 commitment to setting a science-based Greenhouse Gas emission reduction target has progressed through the independent validation process in 2023 achieving Science Based Target initiative Validated status in 2024 for near term and long term targets.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

Emissions and energy consumption

The methodology used by the company in line with Streamlined Energy and Carbon Reporting is the CRC Energy Efficiency Scheme methodology.

Summary of greenhouse gas emissions and energy consumption for The Felixstowe Dock and Railway Company for the current and prior financial years:

Description	Unit of measurement	2023	2022
		CO2e tonnes	26,353
Scope 1	CO2e tonnes	8,350	8,554
Scope 2	CO2e tonnes	9,149	9,507
Scope 3	kWh	40,325,095	44,232,799
Electricity	kWh	51,894	85,286
Gas	Litres	<u>10,497,330</u>	<u>10,638,740</u>
Diesel/petrol			

Intensity ratio

CO2e per cargo unit

Kilograms of CO2e per twenty-foot equivalent cargo unit (Kg CO2e / TEUe). During the financial year ended 31 December 2023 for The Felixstowe Dock and Railway Company this was 11.60 (2022: 11.80).

Scope 3 boundary

The Scope 3 emissions totals declared for 2022 and 2023 are calculated from upstream fuel and energy related activities only. Hutchison Ports carried out a comprehensive review of emissions inventories within the group when committing to set a science-based target aligned with the Science Based Target initiative's ("SBTi") target setting criteria. To meet SBTi requirements the group has adopted additional Scope 3 emissions recording processes and as a consequence future Scope 3 emissions totals and calculated intensity ratios will not be directly comparable with information published to date. The additional Scope 3 categories identified are Purchased Goods and Services, Capital Goods, Upstream Transportation and Distribution, Waste, Business Travel, Employee Commuting and Investment. Scope 1 and Scope 2 emissions boundaries will not be affected by this change.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

Statement of directors' responsibilities

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

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

Under company law, 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 company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the group's and 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 group's and company's auditors are aware of that information.

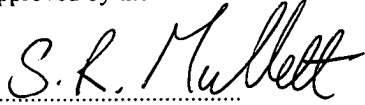
Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of an intermediate parent company, Hutchison Ports Europe Limited. The directors have received confirmation that Hutchison Ports Europe Limited intend to support the company for at least one year after these financial statements are signed.

Port of Felixstowe Limited

Directors' report for the financial year ended 31 December 2023

Approved by the Board on 6 June 2024 and signed by its order:



.....
Mr Simon Richard Mullett
Director and Company secretary

Registered number
2590042

Registered Office
Tomline House
The Dock
Felixstowe
Suffolk
IP11 3SY

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 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards 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 the Directors' report and financial statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, and the consolidated and company statements of cash flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion 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 the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic report and the Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the year ended 31 December 2023 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 the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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.

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

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

- discussions with management which have included consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- identifying and testing of manual journal entries based on risk criteria such as unusual account combinations
- evaluation of key judgements and provisions;
- review of the minutes of board and other meetings; and
- incorporating elements of unpredictability into our audit approach.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Simon Ormiston (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
17 June 2024

Port of Felixstowe Limited**Consolidated income statement for the financial year ended 31 December 2023**

	Note	2023 £ 000	2022 £ 000
Revenue		349,640	342,398
Cost of sales		<u>(189,973)</u>	<u>(195,618)</u>
Gross profit		159,667	146,780
Administrative expenses		(86,375)	(83,523)
Other operating income		<u>7,371</u>	<u>7,363</u>
Operating profit	6	80,663	70,620
Finance income	7	7,200	6,000
Finance costs	7	<u>(11,321)</u>	<u>(8,334)</u>
Profit before tax		76,542	68,286
Income tax expense	9	<u>(18,041)</u>	<u>(12,681)</u>
Profit for the financial year		<u>58,501</u>	<u>55,605</u>
Profit attributable to:			
Owners of the company		58,213	55,354
Non-controlling interests		<u>288</u>	<u>251</u>
		<u>58,501</u>	<u>55,605</u>

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

The notes on pages 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited**Consolidated statement of comprehensive income for the financial year ended 31 December 2023**

	Note	2023 £ 000	2022 £ 000
Profit for the financial year		<u>58,501</u>	<u>55,605</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit pension schemes before tax	26	(8,463)	114,687
Movement on current tax relating to pension scheme		2,116	-
Movement on deferred tax relating to pension scheme	19	-	(21,791)
Movement on deferred tax relating to change in UK tax rate	19	-	(6,881)
Total other comprehensive (expense)/income for the financial year		<u>(6,347)</u>	<u>86,015</u>
Total comprehensive income for the financial year		<u><u>52,154</u></u>	<u><u>141,620</u></u>
Total comprehensive income attributable to:			
Owners of the company		51,866	141,369
Non-controlling interests		<u>288</u>	<u>251</u>
		<u><u>52,154</u></u>	<u><u>141,620</u></u>

The notes on pages 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited

Consolidated statement of financial position as at 31 December 2023

	Note	2023 £ 000	2022 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	468,490	461,031
Right of use assets	11	202,622	228,464
Retirement benefit asset	26	56,645	50,991
Long term prepayments		-	1,222
Financial assets	13	60	60
		<u>727,817</u>	<u>741,768</u>
Current assets			
Inventories	14	6,626	6,571
Trade and other receivables	15	98,958	112,547
Cash and cash equivalents	16	2,939	2,080
		<u>108,523</u>	<u>121,198</u>
Total assets		<u>836,340</u>	<u>862,966</u>
Equity and liabilities			
Equity			
Share capital	21	100	100
Share premium	21	74,925	74,925
Capital redemption reserve		15,000	15,000
Retained earnings	23	289,760	294,034
Equity attributable to owners of the company		379,785	384,059
Non-controlling interests		1,290	1,100
Total equity		<u>381,075</u>	<u>385,159</u>
Non-current liabilities			
Long term lease liabilities	25	197,694	220,836
Loans and borrowings	20	86,843	-
Other non-current liabilities	17	15,404	15,400
Deferred tax	19	52,776	46,603
		<u>352,717</u>	<u>282,839</u>
Current liabilities			
Current portion of lease liabilities	25	30,425	30,715
Trade and other payables	18	42,961	42,339
Loans and borrowings	20	-	86,843
Current tax payable		29,162	35,071
		<u>102,548</u>	<u>194,968</u>
Total liabilities		<u>455,265</u>	<u>477,807</u>
Total equity and liabilities		<u>836,340</u>	<u>862,966</u>

Port of Felixstowe Limited

Consolidated statement of financial position as at 31 December 2023

The notes on pages 26 to 58 form an integral part of these financial statements.

The financial statements on pages 16 to 58 were approved by the Board on 6 June 2024 and signed on its behalf by:



.....
Mr Clemence Chun Fun Cheng
Director

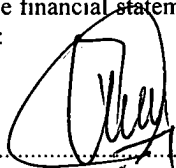
Port of Felixstowe Limited**Company statement of financial position as at 31 December 2023**

	Note	2023 £ 000	2022 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	12	97,892	97,892
Current assets			
Income tax asset		<u>1</u>	<u>1</u>
Total assets		<u>97,893</u>	<u>97,893</u>
Equity and liabilities			
Equity			
Share capital	21	100	100
Share premium	21	74,925	74,925
Capital redemption reserve		15,000	15,000
Retained earnings	23	<u>6,537</u>	<u>6,650</u>
Total equity		96,562	96,675
Current liabilities			
Trade and other payables	18	<u>1,331</u>	<u>1,218</u>
Total equity and liabilities		<u>97,893</u>	<u>97,893</u>

Profit for the financial year for the company was £55,988,000 (2022: £45,711,000).

The notes on pages 26 to 58 form an integral part of these financial statements.

The financial statements on pages 16 to 58 were approved by the Board on 6 June 2024 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 2023

	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 2023	100	74,925	15,000	294,034	384,059	1,100	385,159
Profit for the financial year	-	-	-	58,213	58,213	288	58,501
Dividends	-	-	-	(56,140)	(56,140)	(98)	(56,238)
Actuarial losses on defined benefit pension schemes before tax	-	-	-	(8,463)	(8,463)	-	(8,463)
Movement on current tax relating to pension scheme	-	-	-	2,116	2,116	-	2,116
At 31 December 2023	100	74,925	15,000	289,760	379,785	1,290	381,075

An interim dividend of £561 per ordinary share, totalling £56,101,000 was paid during the financial year (2022: £455 per ordinary share, totalling £45,501,000).

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

The notes on pages 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited

Consolidated statement of changes in equity for the financial year ended 31 December 2023

	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 2022	100	74,925	15,000	198,200	288,225	849	289,074
Profit for the financial year	-	-	-	55,354	55,354	251	55,605
Dividends	-	-	-	(45,535)	(45,535)	-	(45,535)
Actuarial gains on defined benefit pension schemes before tax	-	-	-	114,687	114,687	-	114,687
Movement on deferred tax relating to pension scheme	-	-	-	(21,791)	(21,791)	-	(21,791)
Movement on deferred tax relating to change in UK tax rate	-	-	-	(6,881)	(6,881)	-	(6,881)
At 31 December 2022	100	74,925	15,000	294,034	384,059	1,100	385,159

Port of Felixstowe Limited

Company statement of changes in equity for the financial year ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2023	100	74,925	15,000	6,650	96,675
Profit for the financial year	-	-	-	55,988	55,988
Dividends	-	-	-	(56,101)	(56,101)
At 31 December 2023	100	74,925	15,000	6,537	96,562
At 1 January 2022	100	74,925	15,000	6,440	96,465
Profit for the financial year	-	-	-	45,711	45,711
Dividends	-	-	-	(45,501)	(45,501)
At 31 December 2022	100	74,925	15,000	6,650	96,675

An interim dividend of £561 per ordinary share, totalling £56,101,000 was paid during the financial year (2022: £455 per ordinary share, totalling £45,501,000).

The notes on pages 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited**Consolidated statement of cash flows for the financial year ended 31 December 2023**

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Cash generated from operations	24	131,539	124,213
Interest paid		(11,321)	(8,334)
Income taxes paid		<u>(15,661)</u>	<u>(5,422)</u>
Net cash flows generated from operating activities		<u>104,557</u>	<u>110,457</u>
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(28,779)	(35,092)
Proceeds from sale of property, plant and equipment		31	594
Dividend income		<u>7,200</u>	<u>6,000</u>
Net cash flows used in investing activities		<u>(21,548)</u>	<u>(28,498)</u>
Cash flows from financing activities			
Repayment of other borrowing		-	(10,000)
Dividends paid to company's shareholders		(56,101)	(45,501)
Dividends paid to non-controlling interests in subsidiaries		(137)	(34)
Principal elements of lease payments		<u>(25,912)</u>	<u>(25,972)</u>
Net cash flows used in financing activities		<u>(82,150)</u>	<u>(81,507)</u>
Net increase in cash and cash equivalents		859	452
Cash and cash equivalents at 1 January		<u>2,080</u>	<u>1,628</u>
Cash and cash equivalents at 31 December		<u><u>2,939</u></u>	<u><u>2,080</u></u>

The notes on pages 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited**Company statement of cash flows for the financial year ended 31 December 2023**

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Cash generated from/(used in) operations	24	109	(214)
Income taxes received		<u>1</u>	<u>1</u>
Net cash flows generated from/(used in) operating activities		<u>110</u>	<u>(213)</u>
Cash flows from investing activities			
Dividend income		<u>55,991</u>	<u>45,714</u>
Net cash flows generated from investing activities		<u>55,991</u>	<u>45,714</u>
Cash flows from financing activities			
Dividends paid to company's shareholders		<u>(56,101)</u>	<u>(45,501)</u>
Net cash flows used in financing activities		<u>(56,101)</u>	<u>(45,501)</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 26 to 58 form an integral part of these financial statements.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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 material accounting policies

The material 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 UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The statements have been prepared on a going concern basis and on a historical cost basis, except for defined benefit pension plans.

New and amended standards adopted by the group

The following have been applied for the first time from 1 January 2023 and have not had a material effect on the financial statements:

IFRS 17 Insurance Contracts;

Disclosure of Accounting Policies - amendments to IAS 1 and IFRS Practice Statement 2;

Definition of Accounting Estimates - amendments to IAS 8;

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - amendments to IAS 12; and

International Tax Reform - Pillar Two Model Rules - amendments to IAS 12

New standards, interpretations and amendments not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of an intermediate parent company, Hutchison Ports Europe Limited. The directors have received confirmation that Hutchison Ports Europe Limited intend to support the company for at least one year after these financial statements are signed.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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.

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.

Asset class	Depreciation rate
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 group 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.

Inventories

Inventories mainly consist of spare parts. Inventories are stated at the lower of cost and net realisable value. The cost of inventories is calculated on an average cost basis. Inventories are regularly assessed for impairment and any impairment loss is recognised immediately in the Income statement.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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 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

The financial statements are presented in GBP, which is the group'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. All 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 2023

Pension costs

The group 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.

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.

Cash and cash equivalents

For the purpose of presentation in the Consolidated Statement of cash flows, cash and cash equivalents includes cash on hand and short term deposits held with financial institutions. Short term deposits are subject to an insignificant risk of changes in value.

Trade payables

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

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, and employee benefits plan.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group 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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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.

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 Consolidated 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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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.

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.

Revenue recognition

Recognition

The group earns revenue from the provision of services attributable to the operation of the Port of Felixstowe, and arises wholly within the United Kingdom. The group 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 both third parties and related parties. The group's third party customer base is primarily made up of major international shipping lines.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Performance obligations

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

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

Other income generated from leases relates to 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 IFRS 16.

Transaction price

The consideration which the group 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 group's transactions with customers. Variable elements of revenue such as volume linked incentives are subject to agreements which are ordinarily coterminous with the financial year, which reduces the uncertainty over the revenue attributable to the financial year. Any liabilities that may arise as a result of performance related obligations are netted against revenue in the period such obligations arise.

Contract assets and receivables

Contract assets are required to be classified as a receivable when the entity's right to consideration is unconditional, when payment is due only on the passage of time. Given that the group'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 group 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 group 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 group 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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Leases

Initial recognition and measurement

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

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

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

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

- Machinery
- Property

Subsequent measurement

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

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

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

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

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Lease modifications

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

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

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

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

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

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

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

Short term and low value leases

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

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

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

Sub leases

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

After classification lessor accounting is applied to the sublease.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

3 Financial risk management and impairment of financial assets

Description of risk factors and their management

Financial risk factors

The company's and group'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 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.

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 and impairment

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 a HPUK 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 cost of capital. Accordingly, the details of capital risk management are disclosed in the consolidated financial statements of HPUK.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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.

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 2021. 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 2023. Any surplus recognised is based on the company's view of best estimate returns and where the company believes it has a legal right to surplus it has accounted for in full.

The details of the principal actuarial assumptions are given in note 26.

Other accounting estimates include:

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.

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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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.

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)

	2023	2022
	£ 000	£ 000
Depreciation of owned assets	26,034	26,802
Depreciation of right of use assets	28,322	28,293
Operating lease (income)/expense - property	(222)	108
Operating lease expense - plant and machinery	358	257
Release of government grants	(217)	(501)
Profit on disposal of property, plant and equipment	(29)	(592)
Rental income	<u>(4,962)</u>	<u>(4,813)</u>

Auditors' remuneration

	2023	2022
	£ 000	£ 000
Audit of these financial statements	4	4
Audit of the financial statements of subsidiaries of the company pursuant to legislation	<u>218</u>	<u>201</u>
	<u>222</u>	<u>205</u>

Other fees to auditors

All other non-audit services fees paid to PricewaterhouseCoopers LLP	21	-
All other non-audit services fees paid to other auditors	<u>1</u>	<u>31</u>
	<u>22</u>	<u>31</u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

7 Finance income and costs

	2023	2022
	£ 000	£ 000
Finance income		
Dividend income	7,200	6,000
Finance costs		
Interest payable to group undertakings	(5,462)	(2,775)
Other interest	(472)	(99)
Interest expense on leases	<u>(5,387)</u>	<u>(5,460)</u>
Total finance costs	<u>(11,321)</u>	<u>(8,334)</u>
Net finance costs	<u><u>(4,121)</u></u>	<u><u>(2,334)</u></u>

8 Staff costs and directors' remuneration

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

	2023	2022
	£ 000	£ 000
Wages and salaries	125,348	123,746
Redundancy costs	245	425
Social security costs	12,827	13,380
Other pension costs, defined contribution scheme	8,095	7,674
Other pension costs, defined benefit scheme	<u>600</u>	<u>9,915</u>
	<u><u>147,115</u></u>	<u><u>155,140</u></u>

The monthly average number of persons employed by the group (including directors) during the financial year was as follows:

	2023	2022
	No.	No.
Port operations	2,422	2,422
Administration and support	<u>129</u>	<u>127</u>
	<u><u>2,551</u></u>	<u><u>2,549</u></u>

Key management compensation

	2023	2022
	£ 000	£ 000
Salaries and other short term employee benefits	597	1,093
Post-employment benefits	<u>33</u>	<u>30</u>
	<u><u>630</u></u>	<u><u>1,123</u></u>

The average number of key management of the company during the financial year was 3 (2022: 4).

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

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 charged in the Consolidated income statement

	2023 £ 000	2022 £ 000
Current taxation		
UK corporation tax	11,881	11,386
UK corporation tax adjustment to prior financial years	(13)	-
	<u>11,868</u>	<u>11,386</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	4,756	641
Arising from changes in tax rates and laws	1,417	654
Total deferred taxation	<u>6,173</u>	<u>1,295</u>
Tax expense in the Consolidated income statement	<u>18,041</u>	<u>12,681</u>

The tax assessed on the profit before tax for the financial year is higher (2022: lower) than the average standard rate of corporation tax in the UK of 23.5% (2022: 19%).

The differences are reconciled below:

	2023 £ 000	2022 £ 000
Profit before tax	<u>76,542</u>	<u>68,286</u>
Profit on ordinary activities before taxation at 23.5% (2022: 19%)	17,987	12,974
Income not taxable	(1,692)	(1,140)
Expenses not deductible	528	302
Deferred tax charge relating to changes in tax rates or laws	1,417	654
Other tax effects for reconciliation between accounting profit and tax expense	422	-
Adjustment in respect of prior financial years	(13)	-
Decrease from effect of capital allowances depreciation	(74)	(214)
(Decrease)/increase from changes in tax provisions	<u>(534)</u>	<u>105</u>
Total tax charge	<u>18,041</u>	<u>12,681</u>

In the Spring Budget 2021, the UK Government announced the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. For the financial year ended 31 December 2023, the current weighted averaged tax rate was 23.5%. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. A decrease in provision of £534,000 has been made in line with the requirements of IFRIC 23 - Uncertainty over Income Tax Treatments.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

The company is within the scope of the Organisation for Economic Co-operation and Development (“OECD”) Pillar Two model rules. Pillar Two legislation was enacted in the UK and is effective for accounting periods beginning on or after 31 December 2023. Since the Pillar Two legislation was not effective at the reporting date, the company has no related current tax exposure. The company applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

10 Property, plant and equipment

Group

	Land, civil works and buildings £ 000	Plant and equipment £ 000	Capital works in progress £ 000	Total £ 000
Cost				
At 1 January 2022	372,032	335,089	20,214	727,335
Additions	(16)	(13)	30,544	30,515
Disposals	-	(13,166)	-	(13,166)
Transfers	15,476	4,524	(20,000)	-
At 31 December 2022	<u>387,492</u>	<u>326,434</u>	<u>30,758</u>	<u>744,684</u>
At 1 January 2023	387,492	326,434	30,758	744,684
Additions	195	330	32,970	33,495
Disposals	(4)	(828)	-	(832)
Transfers	2,169	2,798	(4,967)	-
At 31 December 2023	<u>389,852</u>	<u>328,734</u>	<u>58,761</u>	<u>777,347</u>
Accumulated depreciation				
At 1 January 2022	112,952	157,063	-	270,015
Charge for the financial year	8,916	17,886	-	26,802
Disposals	-	(13,164)	-	(13,164)
At 31 December 2022	<u>121,868</u>	<u>161,785</u>	<u>-</u>	<u>283,653</u>
At 1 January 2023	121,868	161,785	-	283,653
Charge for the financial year	8,505	17,529	-	26,034
Disposals	(4)	(826)	-	(830)
At 31 December 2023	<u>130,369</u>	<u>178,488</u>	<u>-</u>	<u>308,857</u>
Carrying amount				
At 31 December 2023	<u>259,483</u>	<u>150,246</u>	<u>58,761</u>	<u>468,490</u>
At 31 December 2022	<u>265,624</u>	<u>164,649</u>	<u>30,758</u>	<u>461,031</u>

The negative additions in Land, civil works and buildings reflect a change in previously agreed contractual arrangements.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

11 Right of use assets

Group

	Machinery £ 000	Property £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	3,251	278,422	281,673
Additions	47	-	47
Disposals and revaluations	3	132	135
At 31 December 2022	<u>3,301</u>	<u>278,554</u>	<u>281,855</u>
At 1 January 2023	3,301	278,554	281,855
Disposals and revaluations	(661)	2,480	1,819
At 31 December 2023	<u>2,640</u>	<u>281,034</u>	<u>283,674</u>
Accumulated depreciation			
At 1 January 2022	1,771	23,327	25,098
Charge for the financial year	680	27,613	28,293
At 31 December 2022	<u>2,451</u>	<u>50,940</u>	<u>53,391</u>
At 1 January 2023	2,451	50,940	53,391
Charge for the financial year	556	27,766	28,322
Disposals and revaluations	(661)	-	(661)
At 31 December 2023	<u>2,346</u>	<u>78,706</u>	<u>81,052</u>
Carrying amount			
At 31 December 2023	<u>294</u>	<u>202,328</u>	<u>202,622</u>
At 31 December 2022	<u>850</u>	<u>227,614</u>	<u>228,464</u>

The company held no right of use assets in the financial year (2022:£nil).

12 Investments in subsidiaries

Summary of the company investments

	2023 £ 000	2022 £ 000
Investments in subsidiaries	<u>97,892</u>	<u>97,892</u>

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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Investments

Details of undertaking

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the group	
			2023	2022
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.

13 Financial assets

	2023 £ 000	Group 2022 £ 000
Non-current financial assets		
Financial assets at FVTOCI	<u>60</u>	<u>60</u>

The financial asset comprises a shareholding in the following company:

Company	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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

During the financial year the group received dividend income of £7,200,000 (2022: £6,000,000) from Maritime Cargo Processing plc. In the opinion of the directors the value of this investment is not materially different to its fair value.

14 Inventories

	2023 £ 000	Group 2022 £ 000
Spare parts and consumables	7,693	7,622
Provision for obsolete inventories	(1,067)	(1,051)
	<u>6,626</u>	<u>6,571</u>

Inventories recognised as an expense during the financial year ended 31 December 2023 amounted to £18,074,000 (2022: £17,971,000).

15 Trade and other receivables

	2023 £ 000	Group 2022 £ 000	2023 £ 000	Company 2022 £ 000
Trade receivables	48,004	42,636	-	-
Provision for impairment of trade receivables	(148)	(116)	-	-
Net trade receivables	47,856	42,520	-	-
Amounts owed by group undertakings	30,193	48,989	-	-
Prepayments	14,337	17,155	-	-
Other receivables	6,572	3,883	-	-
Total trade and other receivables	<u>98,958</u>	<u>112,547</u>	<u>-</u>	<u>-</u>

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 2023, trade receivables of £43,901,000 (2022: £33,692,000) were fully performing.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

As of 31 December 2023, trade receivables impairment provision was £148,000 (2022: £116,000). The aging of these receivables is as follows:

	2023	2022
	£ 000	£ 000
Group		
1 to 6 months	14	-
Over 6 months	134	116
	<u>148</u>	<u>116</u>

As of 31 December 2023, trade receivables of £3,955,000 (2022: £8,828,000) were past due but no expected credit loss provision is created against it. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2023	2022
	£ 000	£ 000
Group		
1 to 6 months	3,953	8,734
Over 6 months	2	94
	<u>3,955</u>	<u>8,828</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 in relation to expected credit losses, are as follows:

	2023	2022
	£ 000	£ 000
Group		
At 1 January	116	65
Increase in provision recognised in the Consolidated income statement	16	16
Amounts written back during the financial year	16	36
Amounts written off during the financial year	-	(1)
At 31 December	<u>148</u>	<u>116</u>

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.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

16 Cash and cash equivalents

	2023	Group
	£ 000	2022
		£ 000
Cash at bank and in hand	<u>2,939</u>	<u>2,080</u>

17 Other non-current liabilities

	2023	2022
	£ 000	£ 000
Group		
Government grant - Investment grant	2,078	2,230
Government grant - Rail mounted gantry cranes grant	866	930
Government grant - Port Infrastructure Fund grant	12,460	12,240
	<u>15,404</u>	<u>15,400</u>

18 Trade and other payables

	2023	Group	2023	Company
	£ 000	2022	£ 000	2022
		£ 000		£ 000
Trade payables	7,304	4,913	-	-
Amounts owed to group undertakings	2,340	1,393	1,331	1,218
Social security and other taxes	4,815	4,555	-	-
Other payables	3,142	6,050	-	-
Accrued expenses	16,248	20,811	-	-
Capital expenditure	8,586	3,870	-	-
Government grants	526	747	-	-
	<u>42,961</u>	<u>42,339</u>	<u>1,331</u>	<u>1,218</u>

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

Port of Felixstowe Limited**Notes to the Financial Statements for the financial year ended 31 December 2023****19 Deferred tax**

	2023	2022
Group	£ 000	£ 000

Deferred tax liability - accelerated capital allowances

At 1 January	38,946	38,633
Charged/(credited) to Consolidated income statement	3,197	(341)
Re-measurement of deferred tax liability	1,483	654
At 31 December	<u>43,626</u>	<u>38,946</u>

	2023	2022
	£ 000	£ 000

Deferred tax liability/(asset) - pension provision

At 1 January	12,985	(16,553)
Charged to Income statement	1,413	866
Re-measurement of deferred tax asset	(66)	-
Charged directly to equity in respect of:		
Movement on deferred tax relating to the pension scheme	-	21,791
Re-measurement of deferred tax asset	-	6,881
At 31 December	<u>14,332</u>	<u>12,985</u>

	2023	2022
	£ 000	£ 000

Deferred tax asset - other timing differences

At 1 January	(171)	(171)
Re-measurement of deferred tax asset	-	-
At 31 December	<u>(171)</u>	<u>(171)</u>

Port of Felixstowe Limited**Notes to the Financial Statements for the financial year ended 31 December 2023**

	2023	2022
	£ 000	£ 000
Deferred tax asset - IFRS 16		
At 1 January	(5,157)	(5,273)
Charged to Consolidated income statement	146	116
Re-measurement of deferred tax asset	-	-
At 31 December	<u>(5,011)</u>	<u>(5,157)</u>

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:

	2023	2022
	£ 000	£ 000
Deferred tax liabilities to be crystallised		
After more than 12 months	56,525	50,632
Within 12 months	1,433	1,299
	<u>57,958</u>	<u>51,931</u>
Deferred tax assets to be recovered		
After more than 12 months	(4,865)	(5,041)
Within 12 months	(317)	(287)
	<u>(5,182)</u>	<u>(5,328)</u>
Net deferred tax liability	<u>52,776</u>	<u>46,603</u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

20 Loans and borrowings

	2023 £ 000	Group 2022 £ 000
Non-current loans and borrowings		
Other borrowings	<u>86,843</u>	<u>-</u>

	2023 £ 000	Group 2022 £ 000
Current loans and borrowings		
Other borrowings	<u>-</u>	<u>86,843</u>

The loan from a group undertaking is denominated in GBP, falls due within five years (2022: within one year), is unsecured and carries interest based on SONIA + 1.35% p.a. (2022: SONIA + 1.45% p.a. plus an additional credit margin based on the term of the loan).

SONIA (Sterling Overnight Index Average) is a benchmark interest rate administered by the Bank of England and is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight funds from other financial institutions and investors.

21 Share capital and share premium

Group and company

	2023 £ 000	2022 £ 000
Authorised, allotted, called up and fully paid share capital		
100,002 (2022: 100,002) ordinary shares of £1 each	<u>100</u>	<u>100</u>
Share premium	<u>74,925</u>	<u>74,925</u>

22 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £9,517,000 (2022: £13,290,000).

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

23 Retained earnings

Group

	£ 000
At 1 January 2023	<u>294,034</u>
Profit for the financial year attributable to owners of the company	58,213
Dividends	(56,140)
Actuarial losses on defined benefit pension schemes before tax	(8,463)
Movement on current tax relating to pension scheme	<u>2,116</u>
At 31 December 2023	<u>289,760</u>

	£ 000
At 1 January 2022	<u>198,200</u>
Profit for the financial year attributable to owners of the company	55,354
Dividends	(45,535)
Actuarial gains on defined benefit pension schemes before tax	114,687
Movement on deferred tax relating to pension scheme	(21,791)
Movement on deferred tax relating to change in UK tax rate	<u>(6,881)</u>
At 31 December 2022	<u>294,034</u>

Company

	£ 000
At 1 January 2023	<u>6,650</u>
Profit for the financial year	55,988
Dividends	<u>(56,101)</u>
At 31 December 2023	<u>6,537</u>

	£ 000
At 1 January 2022	<u>6,440</u>
Profit for the financial year	45,711
Dividends	<u>(45,501)</u>
At 31 December 2022	<u>6,650</u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

24 Cash generated from continuing operations

Group

	Note	2023 £ 000	2022 £ 000
Cash flows from operating activities			
Profit for the financial year		58,501	55,605
Adjustments to cash flows from non-cash items			
Depreciation	6	54,356	55,095
Profit on disposal of property, plant and equipment	6	(29)	(592)
Finance income	7	(7,200)	(6,000)
Finance costs	7	11,321	8,334
Income tax expense	9	18,041	12,681
		<u>134,990</u>	<u>125,123</u>
Working capital adjustments			
(Increase)/decrease in inventories		(55)	69
(Increase)/decrease in trade and other receivables and long term prepayments		(3,985)	10,722
Decrease in trade and other payables		(4,820)	(5,774)
Decrease in retirement benefit obligation net of actuarial changes		(14,117)	(4,558)
(Decrease)/increase in deferred income, including government grants		(217)	8,599
Increase/(decrease) in amounts owed to group undertakings		947	(1,138)
Decrease/(increase) in amounts owed by group undertakings		18,796	(8,830)
Cash generated from operations		<u><u>131,539</u></u>	<u><u>124,213</u></u>

Company

	2023 £ 000	2022 £ 000
Cash flows from operating activities		
Profit for the financial year	55,988	45,711
Adjustments to cash flows from non-cash items		
Finance income	(55,991)	(45,714)
Income tax credit	(1)	(1)
	<u>(4)</u>	<u>(4)</u>
Working capital adjustments		
Increase/(decrease) in amounts owed to group undertakings	113	(210)
Cash generated from/(used in) operations	<u><u>109</u></u>	<u><u>(214)</u></u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

25 Leases

Group

Lease liabilities maturity analysis

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

	2023 £ 000	2022 £ 000
Less than one year	30,614	30,900
2 years	30,325	30,493
3 years	30,009	30,204
4 years	22,803	29,896
5 years	22,803	22,690
6 years	22,803	22,690
7 years	22,803	22,690
8 years	3,803	22,690
9 years	3,803	3,690
10 years	3,803	3,690
Between 10 to 15 years	19,014	18,452
More than 15 years	130,631	130,726
Total lease liabilities (undiscounted)	<u>343,214</u>	<u>368,811</u>

Total cash outflows related to leases

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

	2023 £ 000	2022 £ 000
Payment		
Principal lease payments	25,912	25,972
Interest	5,387	5,460
Total cash outflow	<u>31,299</u>	<u>31,432</u>

26 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 2021. 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:

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

	Non-pensioner / Pensioner
Pre-retirement discount rate	4.70%
Post-retirement discount rate	1.70%
Pensionable earnings increases	3.15%
Inflation (RPI): Pre-retirement	3.50%
Inflation (RPI): Post-retirement	3.50%
Inflation (CPI): Pre-retirement	2.90%
Inflation (CPI): Post-retirement	2.90%
Pension increases:	
Allowances for increases to pensions in payment - pre April 1997	3.40%
Allowances for increases to pensions in payment - post April 1997, pre 2005	2.90%
Allowances for increases to pensions in payment - post 2005	2.10%
Allowances for increases to pensions in payment - post 1988 GMP	2.30%

The December 2021 actuarial valuation showed that the market value of the Plan's assets was £638.0 million which represented 93% 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 £45.6 million existed.

From 28 March 2023, total contributions to meet the benefits have been set at 32.3% (previously 25.1%) of pensionable salaries. Of the total contributions, employees will continue to pay 11% of pensionable salaries.

The Trustee and the company have agreed the following contributions to recover the deficit disclosed at 31 December 2021:

2022 - £9.5 million
2023 - £9.5 million
2024 - £5.7 million

The contributions are due to be paid by the 30 June each financial year, with the final contribution payable by the 31 January 2024.

A contribution of £9.5 million was paid by the company during the financial year ended 31 December 2022 in accordance with the recovery plan in force during that period.

The valuation used for IAS 19 disclosures has been based on the findings of the actuarial valuation undertaken as at 31 December 2021 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 2023.

Contributions payable to the pension scheme at the end of the financial year are £541,000 (2022: £524,000).

The expected contributions to the plan for the next financial year are £12,801,000.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

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

	2023	2022
	£ 000	£ 000
Fair value of scheme assets	534,829	506,392
Present value of scheme liabilities	<u>(478,184)</u>	<u>(455,401)</u>
Defined benefit pension scheme surplus	<u><u>56,645</u></u>	<u><u>50,991</u></u>

Scheme assets

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

	2023	2022
	£ 000	£ 000
Fair value at start of financial year	506,392	639,036
Interest income	24,116	12,392
Return on plan assets, excluding amounts included in interest income	9,131	(138,229)
Employer contributions	14,717	14,473
Contributions by scheme participants	3,109	3,015
Benefits paid	(22,043)	(18,963)
Net transfer out liability	(196)	(4,952)
Administrative expenses paid	<u>(397)</u>	<u>(380)</u>
Fair value at end of financial year	<u><u>534,829</u></u>	<u><u>506,392</u></u>

Analysis of assets

The major categories of scheme assets are as follows:

	2023	2022
	£ 000	£ 000
Cash and cash equivalents	82,979	75,219
Equity instruments	126,170	187,520
Debt instruments	<u>325,680</u>	<u>243,653</u>
	<u><u>534,829</u></u>	<u><u>506,392</u></u>

Cash equivalents, Equity instruments and Debt instruments have a quoted market price.

Actual return on scheme's assets

	2023	2022
	£ 000	£ 000
Actual return on scheme assets	<u><u>33,247</u></u>	<u><u>(125,837)</u></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 2023

Scheme liabilities

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

	2023	2022
	£ 000	£ 000
Present value at start of financial year	455,401	707,290
Current service cost	2,917	8,260
Actuarial gains arising from changes in demographic assumptions	(9,887)	(376)
Actuarial losses/(gains) arising from changes in financial assumptions	9,282	(257,784)
Actuarial losses arising from experience adjustments	18,199	5,244
Interest cost	21,402	13,667
Benefits paid	(22,043)	(18,963)
Contributions by scheme participants	3,109	3,015
Net transfer out liability	(196)	(4,952)
Present value at end of financial year	<u>478,184</u>	<u>455,401</u>

Weighted average duration of the defined benefit obligation is 14 years (2022: 14 years).

Principal actuarial assumptions

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

	2023	2022
	%	%
Discount rate	4.50	4.80
Future salary increases	2.70	3.10
Allowance for increases to pensions in payment - pre 6 April 2005	2.60	2.70
Allowance for increases to pensions in payment - post 6 April 2005	1.90	1.90
Inflation RPI	3.05	3.35
Inflation CPI	<u>2.65</u>	<u>2.80</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:

	2023	2022
	Years	Years
Current UK pensioners at retirement age of 63 - male	19.80	20.40
Current UK pensioners at retirement age of 63 - female	<u>23.40</u>	<u>23.90</u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Amounts recognised in the Consolidated income statement

	2023 £ 000	2022 £ 000
Amounts recognised in operating profit		
Current service cost	2,917	8,260
Administrative expenses paid	397	380
Net interest	<u>(2,714)</u>	<u>1,275</u>
Total recognised in the Consolidated income statement	<u>600</u>	<u>9,915</u>

Of the total expense £581,000 (2022: £9,574,000) and £19,000 (2022: £341,000) were included in the Port of Felixstowe Limited's consolidated costs of sales and administrative expenses respectively.

Amounts recognised in the Consolidated statement of comprehensive income

	2023 £ 000	2022 £ 000
Actuarial gains arising from changes in demographic assumptions	9,887	376
Actuarial (losses)/gains arising from changes in financial assumptions	(9,282)	257,784
Actuarial losses arising from experience adjustments	(18,199)	(5,244)
Return on plan assets, excluding amounts included in interest income	<u>9,131</u>	<u>(138,229)</u>
Amounts recognised in the Consolidated statement of comprehensive income	<u>(8,463)</u>	<u>114,687</u>

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

Sensitivity analysis

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

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Expressed as %			
Discount rate	0.25%	decrease by 3.12%	increase by 3.28%
Inflation - RPI	0.25%	increase by 2.31%	decrease by 2.47%
Salary growth rate	0.25%	increase by 0.82%	decrease by 0.80%
Life expectancy	1 Year	increase by 3.01%	-
Expressed as £ 000			
Discount rate	0.25%	decrease by 14,903	increase by 15,673
Inflation - RPI	0.25%	increase by 11,042	decrease by 11,791
Salary growth rate	0.25%	increase by 3,907	decrease by 3,838
Life expectancy	1 Year	increase by 14,395	-

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
2023	128,436	136,831	136,779	130,839	394,552	927,437
2022	<u>112,597</u>	<u>134,243</u>	<u>145,905</u>	<u>141,610</u>	<u>476,809</u>	<u>1,011,164</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 £8,095,000 (2022: £7,674,000).

Contributions totalling £750,000 (2022: £580,000) 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 2023

27 Operating lease commitments

Group

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

	2023	2022
	£ 000	£ 000
Within one year	31	8
In two to five years	95	-
	<u>126</u>	<u>8</u>

28 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, 48th Floor, Cheung Kong Center, 2 Queen’s Road Central, Hong Kong.

Port of Felixstowe Limited

Notes to the Financial Statements for the financial year ended 31 December 2023

29 Related party transactions

Group

During the financial year, the group provided services worth £269,000 (2022: £216,000) to Cosco Shipping Lines (UK) Limited, of which £23,000 (2022: £6,000) was included as a trade receivable at 31 December 2023. Cosco Shipping (UK) Company Limited, the minority shareholder of a group subsidiary and Cosco Shipping Lines (UK) Limited are under common control, being fellow members of the international COSCO Group.

The group received fees based on equipment usage of £98,000 (2022: £90,000) from Thamesport (London) Limited, a fellow subsidiary undertaking of Hutchison Ports (UK) Limited, of which £nil was outstanding at 31 December 2023 (2022: £nil).

The group provided services worth £1,002,000 (2022: £940,000) to Maritime Cargo Processing plc during the financial year of which £nil (2022: £183,000) is included as a trade receivable as at 31 December 2023.

The group paid property rental fees of £9,607,000 (2022: £9,607,000) and a licence to occupy of £10,000 (2022: £10,000) to Hutchison Ports (Jersey) Port Development Limited during the financial year. Payments totalling £2,404,000 for future periods are held in prepayments at 31 December 2023 (2022: £2,404,000).

During the financial year, the group paid property rental fees of £16,900,000 (2022: £16,900,000) to Hutchison Ports (Jersey) Property Management Limited. Payments totalling £4,136,000 for future periods are held in prepayments at 31 December 2023 (2022: £4,136,000).

Expenses totalling £146,000 (2022: £148,000) in respect of software support services provided during the financial year were paid to HPH Corporate Services Limited.

Expenses totalling £787,000 (2022: £854,000) in respect of software services provided during the financial year were paid to Hutchison Ports nGen Services Limited, of which £nil was outstanding as at 31 December 2023 (2022: £73,000).

During the financial year, the group paid for subcontracted labour worth £809,000 (2022: £3,372,000) and logistics services worth £209,000 (2022: £30,000) to Hutchison Logistics (UK) Limited, a fellow subsidiary undertaking of Hutchison Ports Europe Limited, of which £4,000 was outstanding as at 31 December 2023 (2022: £74,000).

During the financial year, the group provided stevedoring services worth £7,000 (2022: £11,000) and warehousing space worth £723,000 (2022: £611,000) to Hutchison Logistics (UK) Limited, of which £120,000 was outstanding as at 31 December 2023 (2022: £118,000).