

ANNUAL REPORT & ACCOUNTS PORT OF DOVER 2017



THE PORT AT A GLANCE

CONTENTS

THE PORT AT A GLANCE.....2

STRATEGIC REPORT

Chairman's Statement4
Finance Director's Report22
Our Business Model28
Review of Principal Risks.....30

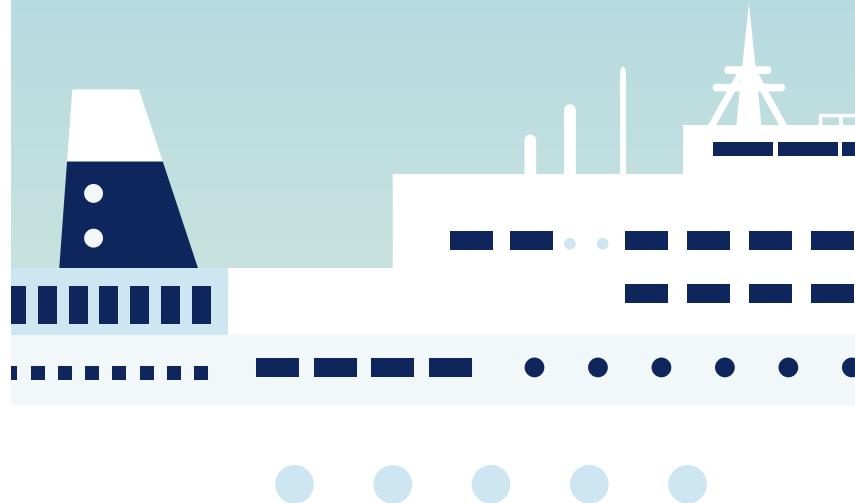
REPORT OF THE BOARD

Board Governance Report32
Report of the Audit Committee.....36
Report of the Remuneration Committee38
Report of the Nomination Committee.....40
Members of the Board42
Directors' Report46
Statement of Responsibilities of the Board48

FINANCIAL STATEMENTS

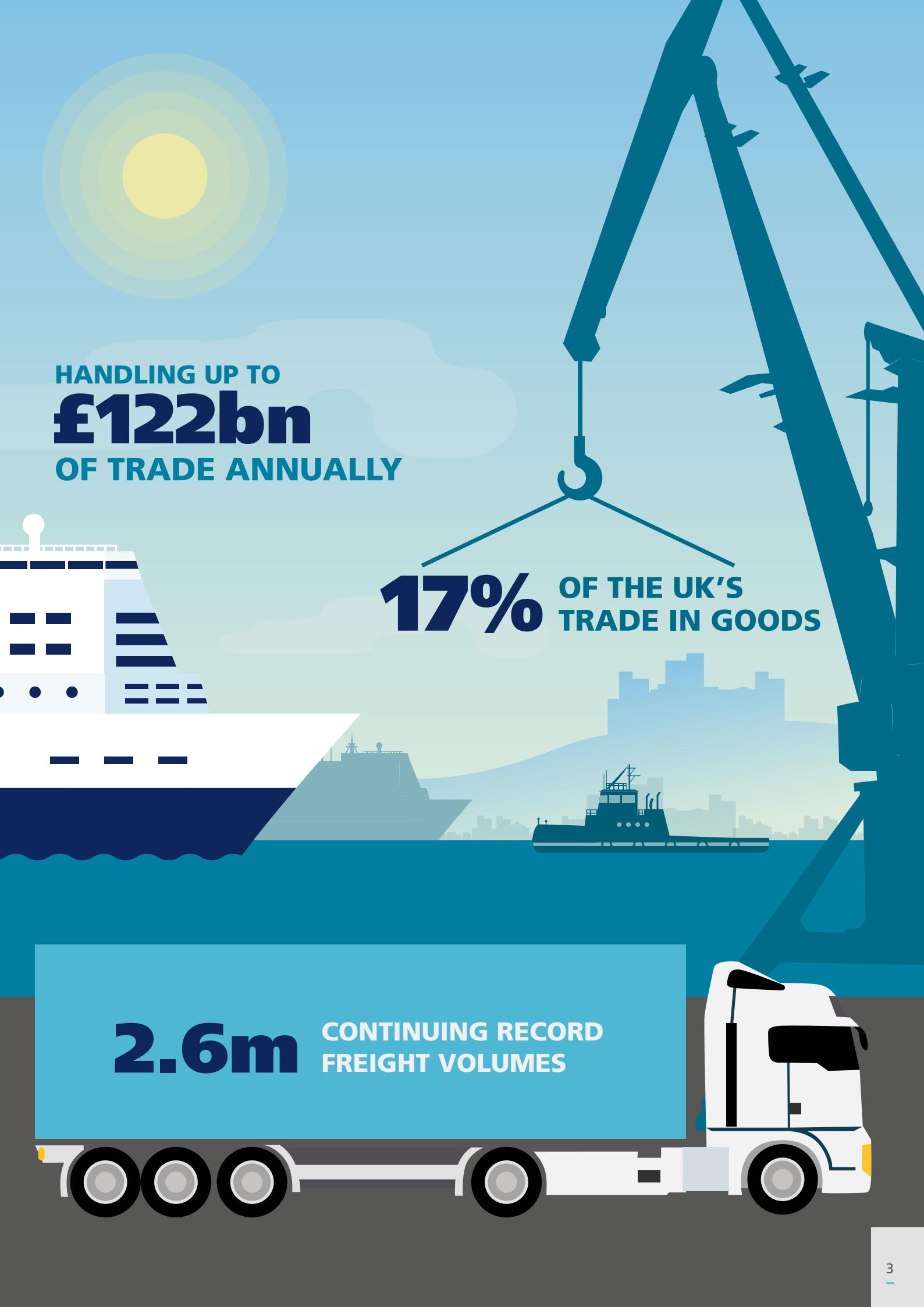
Independent Auditor's Report50
Consolidated Income Statement.....52
Consolidated Statement
of Comprehensive Income53
Consolidated and Board Statement
of Financial Position.....54
Consolidated and Board Statement
of Changes in Reserves55
Consolidated Statement of Cashflows.....56
Statement of Accounting Policies57
Notes to the Financial Statements61
Summary Statistics76

£65.2m
GROUP TURNOVER



£115m

**MARINE CIVIL
ENGINEERING CONTRACT
AWARDED FOR DOVER
WESTERN DOCKS REVIVAL**



**HANDLING UP TO
£122bn
OF TRADE ANNUALLY**

**17% OF THE UK'S
TRADE IN GOODS**



2.6m CONTINUING RECORD
FREIGHT VOLUMES



Strategic Report

CHAIRMAN'S STATEMENT

OVERVIEW OF BUSINESS PERFORMANCE

Against a backdrop of challenging public policy conditions, the Port has continued to perform well across all business streams and major projects. 2017 has laid the foundation for further growth, with successful community engagement and operational planning at its core.

I am pleased to report that in the financial year to the end of December 2017, revenue increased to £65.2 million (2016: £59.8 million) and the headline Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) increased to £23.8 million (2016: £23.5 million).

Sustaining our profit performance is paramount as substantial investment during the period, primarily in the Dover Western Docks Revival (DWDR) project, saw a reduction in the cash balance from £54.3 million at the end of 2016 to £3.9 million at the end of 2017. Early in 2018, we commenced drawing down

money under the £200 million facility negotiated with UK institutions and the European Investment Bank.

The year saw a marginal increase in freight vehicles to just over 2.6 million units, making 2017 another record year. This level of traffic is important in the context of the wider Brexit challenge and emphasises the need to find the right solution for the cross-Channel just-in-time trade flows via Dover that will ensure that the UK can maintain an effective trading relationship with its largest and nearest trading partner.

We also delivered a similarly marginal increase in cars transiting the route to just under 2.2 million. This is significant, as 2017 was the first year for some time that car numbers grew, reflecting a concerted effort by the Port and its ferry operator partners to promote the attractiveness of the route following the removal of the 'Calais Jungle' and the tackling, by both Governments, of migrant challenges faced in France. Passenger numbers were down to just under 11.5 million, primarily because of the price sensitivity of the coach market linked to the weakness of sterling against the euro.





Following the Board's acquisition of the cargo business at the end of 2016, I am pleased to report that in our first year of ownership, the business has performed well above expectations – both financially and in terms of the service to fruit importers and organisations moving outsized cargoes.

The decision by Geest Line, at the end of 2017, to move its operation to Dover was a significant vote of confidence in our investment in the Western Docks and in the service that the Port provides for handling fruit imports.

Alongside the introduction of Geest Line, the general cargo business saw the establishment of other new and innovative business streams, including the introduction of highly successful movements of National Grid transformers.

In our cruise business, Crystal Cruises returned to Dover with four calls and a commitment to developing a successful ongoing partnership that saw calls booked right through to 2020. Other returning cruise lines included Disney (the Disney Magic will feature prominently in 2018), Regent Seven Seas Cruises and Royal Caribbean Cruise Lines (back after a seven-year and four-year absence respectively), Holland America Line and V Ships, whilst Silversea Cruises' Silver Explorer made her inaugural call.

Within the property business, a development agreement was finalised for Cambridge Terrace, which will see an empty listed office building turned into modern quality apartments. This should be seen as the kick-start for further regeneration on the waterfront and will move forward in 2018.

The arrival of our first vessel is truly the start of a new era of imports and exports for UK and European trade through Dover.

*Captain Peter Dixon,
Managing Director,
Geest Line*



“We are thrilled that our beautiful ships will be once again calling into the Port of Dover, which we've enjoyed a wonderful relationship with over the years. With impressive facilities, great links to London and numerous attractions on its doorstep, the Port of Dover is always popular with our discerning guests and we look forward to a successful ongoing partnership.

*Edie Rodriguez, CEO & President,
Crystal Cruises*



PUTTING SAFETY AT THE HEART OF WHAT WE DO

Safety is the Board's primary focus in operating its businesses and the Port worked on pursuing an even stronger safety culture following its 'Safety is imPORTant' campaign.

The year was spent engaging with the wider Port community on areas for development. This included the progression of an open and learning safety culture with full staff engagement and training along with promotion of a 'one team' ethos highlighting how safety is everyone's responsibility.

Each and everyone in the organisation is empowered to adopt a clear safety first approach within the Port estate, both in terms of their own activities and in challenging or even stopping the activities of others if appropriate.

Further information concerning the Port's safety performance in relation to the Port Marine Safety Code can be found in the accompanying 2017 Corporate Social Responsibility (CSR) online report at www.doverport.co.uk.



SUPPORTING A SECURE BORDER

During a year that saw the UK's resolve and security tested following several terrorist attacks, the Port continued to provide an environment for the Government to pursue its national security objectives as administered by the relevant government agencies working at the Port.

The Port of Dover Police worked hard to deliver an enhanced and highly visible police presence in order to reassure customers using the Port as well as those working on the Port estate.

The strong focus on border security was clearly demonstrated when the terror suspect associated with the Parsons Green tube bombing was arrested at the Port trying to flee the country.

Safety and security are the responsibility of the entire port community. Delivery of the right messaging alongside broader education and enforcement work has been important in pursuing a supportive port-wide approach.



BREXIT AND TRADE

The national profile of the Port has probably been higher in 2017 than at any other time in the last 50 years as we have sought to inform the debate on the vital importance to the UK economy of the free flow of trade through Dover.

Following an updated economic impact assessment by the independent analysts at Oxera, the Port revealed that it handles trade worth up to £122 billion or 17% of the UK's trade in physical goods. These key statistics were used alongside other newly released figures to show the impact of a two-minute delay to processing

times for freight vehicles in the event of a hard Brexit. This enabled us to highlight the importance to the UK economy of keeping traffic flowing through Dover throughout the year to numerous politicians and industry representatives. This helped to ensure that traffic fluidity was a key feature of the Government's Customs Bill and was at the forefront of wider border planning discussions with officials. The Port also secured important access to EU negotiator Michel Barnier's team, and others, on related pan-European transport matters.

The Government, Opposition parties, industry representatives and continental partners are now armed with the facts ahead of the UK embarking upon forging a trade agreement with the European Union that respects the importance of maintaining this flow. Our management team is to be congratulated on building this awareness, as are those staff who have got on with the day job while explaining the operation to the many high-profile visitors to the Port throughout the year.

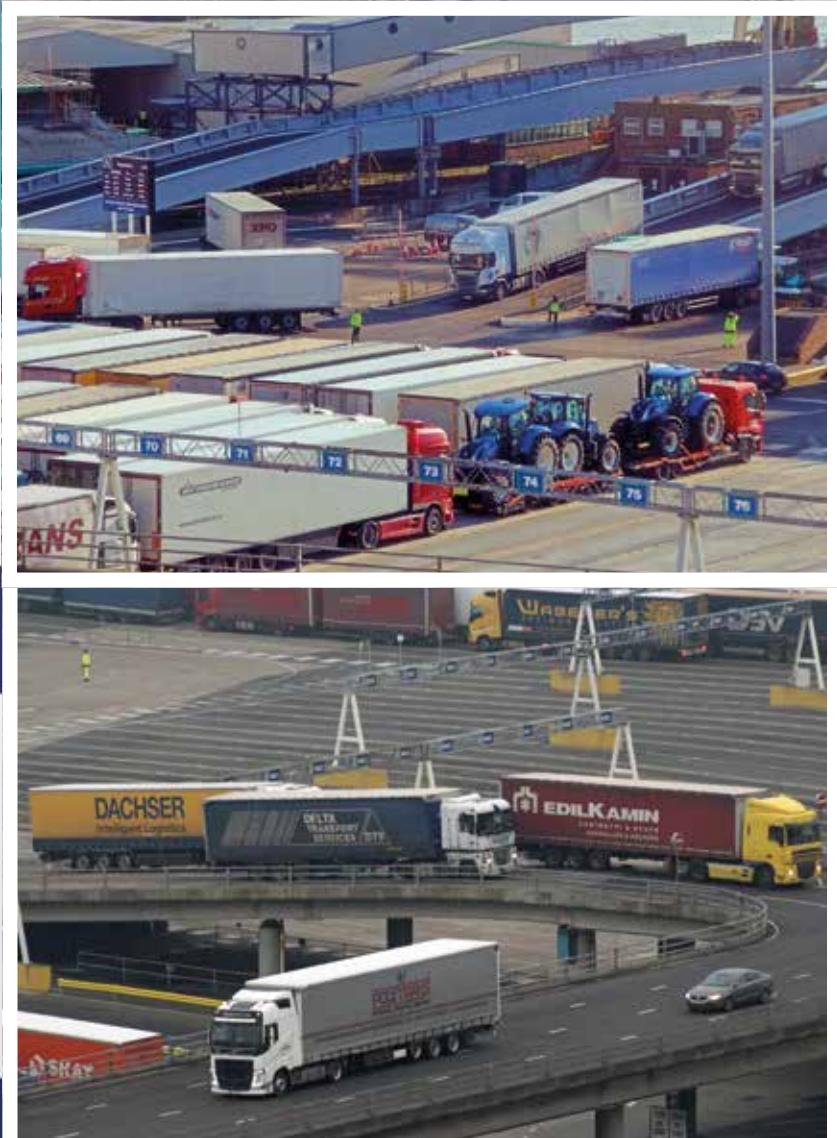


Anyone who's visited Dover will know that Dover operates as a flow-through port and volumes of trade at Dover could not be accommodated if goods had to be held for inspection even, I suspect, if they were held for minutes, it would still impede the operation of the port.

*The Rt Hon Philip Hammond MP,
Chancellor of the Exchequer*

It's essential that any post-Brexit deal with the European Union is good for the Port of Dover. That means an agreement which maintains frictionless trade and the swift transportation of goods between the UK and our European neighbours.

Sir Keir Starmer MP, Shadow Brexit Secretary



This is excellent news for Kent and Essex and will have a significant economic impact. The investments announced will strengthen the resilience of our UK and European connections – imperative as we now move towards Brexit. However, the benefits go far beyond Kent and Essex. With the current Dartford Crossing already operating at capacity and freight traffic continuing to grow, the new crossing will also support the government's wider economic aspirations for the Northern Powerhouse and Midlands Engine.

Christian Brodie, Chairman, South East Local Enterprise Partnership



ENHANCING THE STRATEGIC ACCESS TO A NATIONALLY SIGNIFICANT TRADE GATEWAY

The Port pursued its strategic road infrastructure campaign, with the Kent Strategic Freight Group adopting its key objectives for road investment. These included support for A2 Lydden-Dover dualling, a permanent A20 Dover TAP (Traffic Assessment Protocol), consideration of an A2 Dover TAP, a lorry park network and delivery of the new Lower Thames Crossing. Importantly, the road schemes were recognised as being germane to supporting the Government priority of traffic fluidity in a post-Brexit climate.

Following a concerted lobbying effort, the Government's announcement on its preferred route for the Lower Thames Crossing was welcome. Indeed the Port worked with the Department for Transport, Highways England and the South East Local Enterprise Partnership on the announcement in order to highlight the strategic value of the decision.

By contributing to the Department for Transport's Port Connectivity Study, the second Road Investment Strategy and Brexit contingency planning overseen by Highways England (following the withdrawal of the lorry park proposal at Stanford North on the M20), the Port continued to move forward on securing greater operational resilience in the strategic road network that serves it.

INVESTING HEAVILY TO SUPPORT A RESILIENT FUTURE TRADING CLIMATE

The first stage of construction of the Port's biggest-ever single investment began at the start of the year with a £115 million contract to deliver the marine civil engineering for Dover Western Docks Revival (DWDR). The VolkerStevin Boskalis Westminster (VSBW) joint venture has made excellent progress with nearly 700 piles driven and a new Western Docks footprint created.

We are grateful to everyone who has been directly affected by the Western Docks work for their understanding during this period and for keeping

focused on the exciting opportunities that will be created when the project is delivered.

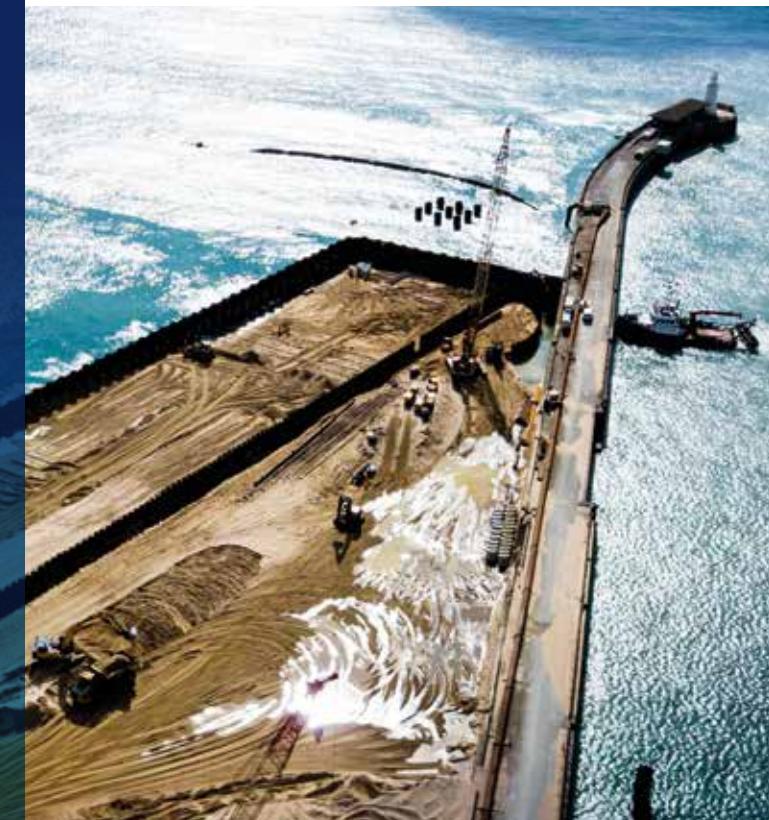
The Board has now awarded the contract for the new Refrigerated Cargo Terminal (RCT) and work on it will commence shortly with completion set for Spring 2019.

The opening of the new RCT will lead to the closure of the Cargo Terminal in the Eastern Docks, which will free up more space for the development of the Ferry Terminal – the bedrock of the Port.

One real disappointment this year has been the delay in securing a decision over our application for a licence to extract aggregate material from the Goodwin Sands. This has already added significant cost to the current phase of the DWDR project that inevitably may impact the Board's flexibility over desirable, but not essential, elements of the project.

The Port of Dover is a unique asset. Given its history and proximity to continental Europe, it is of vital importance to UK trade.

Adrian Jones, UK Infrastructure Debt Portfolio Manager, AllianzGI





Arrangement of exposed timber wall. c.1661.



Timber framed wall, with clear chalk and clay layers visible.



3D model of DWDR's Wellington Navigation Channel

PRESERVING AND CELEBRATING OUR LOCAL HERITAGE ASSETS

As a sign of the Port's commitment to its heritage preservation responsibilities in a busy operational and construction environment, our work with VSBW and Archaeology South East on Dover Western Docks Revival led to the discovery and recording of the foundations of 'The Pent', a scheme that was proposed and overseen by Thomas Digges (c.1584) under the approval of Elizabeth I. Being another scheme of national significance (at that time), the discovery highlights the evolutionary process surrounding major port development, notably as the work relates to the navigation cut that will link the historic Wellington Dock to the new marina. As part of this process, circa 250 timbers were also discovered from both the Tudor and Victorian periods that will be reincorporated into the new development with input from our Port and Community Forum.

14,000 year old
Mammoth tooth

SUPPORTING OUR LOCAL COMMUNITY AND MAXIMISING ITS INPUT INTO THE PORT'S FUTURE

The Port facilitated a wide range of community activity and input, much of which was via delivery of Dover Western Docks Revival (DWDR) and partnership working with major contractor VSBW. This included marquee community events on its estate such as the expanded White Cliffs Christmas in Cruise Terminal 1, the Port of Dover Community Regatta on the seafront and the Dover Marina Open Day. Over 100 local businesses were also given the opportunity to explore sub-contracting opportunities coming directly from DWDR.

The Port of Dover Community Fund continues to support more local good causes. The Fund is administered by the Kent Community Foundation under the oversight of the independent panel chaired by the Bishop of Dover, The Right Reverend Trevor Willmott. A further 11 grants were awarded during the year totalling over £100,000, which will benefit close to 8,000 local people. That brings the total for grants awarded since the Fund was established to over £420,000, supporting 56 local organisations.

It is really encouraging when we are able to undertake such a contract, to not only deliver a quality project, but also contribute to and support the local communities.

With a policy and contractual requirement to source labour and materials locally the development has already contributed £39.2m to the East Kent economy.

*Rob Coupe,
Managing Director,
VolkerStevin*



MANY OF THE ACTIVITIES REPORTED ON FORM PART OF THE PORT'S CORPORATE SOCIAL RESPONSIBILITY (CSR) AGENDA, ON WHICH MORE INFORMATION IS AVAILABLE IN THE 2017 CSR REPORT AT WWW.DOVERPORT.CO.UK.





IMPROVING THE ENVIRONMENTAL FOOTPRINT OF ALL OPERATIONS

Following the opening of the 4km Buffer Zone in the Eastern Docks, freight traffic queueing beyond the Port decreased with the implementation of the A20 Dover TAP reducing from once every other day to once every five days. The average duration of TAP also reduced by 36%. While continuing to handle record freight volumes, the latest data showed a marginal improvement in air quality on the A20 approach road and the Port has continued to work with Dover District Council in order to better understand effects on air quality.

Such investment and partnership working underlines the Port's dedication to improving the environment for its community within the constraint of its operational demands. This was further illustrated by the introduction of a new award, the 'SEA (Safety Environment Awareness) Award,' initiated in order to encourage other users of the Port,

specifically visiting cruise vessels, to follow the correct procedures and maximise their recycling. Following this initiative, the percentage of recycling for cruise ship waste has increased substantially from 23% to 40% in just one year.

Demonstrating its commitment to being the best, the Port was awarded with the Carbon Trust Sustainability Leaders Award for Best in Carbon Management and once again achieved 100% landfill avoidance from its general waste stream.



OUR PEOPLE

On behalf of the Board, I would like to thank all of our staff at the Port of Dover for their contribution in what has been an exceptional year. The fascination of the Port's operations is that no two days are the same and the efforts of staff to deal with all manner of situations and challenges is very much appreciated.

The Port launched its People Strategy, designed to provide excellent leadership and management, attract and retain talented staff, develop skills and ultimately cultivate a progressive, collaborative and healthy working environment. Following an initial survey, and as a sign of Board and management commitment, an extensive independently run staff engagement process was conducted throughout the organisation in order to benchmark against each of the strategy's objectives and enhance understanding and communication. The outputs of that work will be taken forward during 2018.





THE BOARD

In January 2018, Frank Martin was re-appointed by the Secretary of State for Transport for a period of two years with effect from 13 June 2018.

In March 2018, Tim Waggott left the Port of Dover to pursue new opportunities following more than a decade of service to the organisation in various positions, and as Chief Executive since 2013.

Tim led a number of successful initiatives including securing new powers, commencing the transformational Western Docks development, raising the profile of the Port (particularly in relation to Brexit), delivering improved community relations, and coping with many challenges to consistently deliver record volumes of freight traffic.

The Port continues to be run by a strong executive team under the direction of the Board whilst the recruitment process for Tim's successor moves forward.

OUTLOOK

It has been a slower start to the year in our core ferry freight market following consecutive years of record volumes. The Port will continue working to deliver a strong ferry business going forward. We will also look to grow our other business streams, including work with new cargo customers on export cargo, an increased cruise programme – a 30% increase in cruise calls for 2018 - and development of its property assets linked to wider waterfront regeneration.

We await decisions on the terms for leaving the EU in order to assess the impacts on the operations of the Port and the UK's ability to keep on trading effectively with its largest trading partner, the European Union. European engagement activity will form a key component of our work as negotiations move on to trade and the Port has developed a cross-border industry-focused partnership to prepare for the launch of a coordinated programme of Brussels-based engagement.

Buoyed by the impetus of the Anglo-French summit at the start of 2018, we will continue to work particularly closely with the Freight Transport Association (Brussels) together with Port Boulogne Calais colleagues and Kent County Council's Brussels Office in this crucial year for EU-UK trade.

Dover Western Docks Revival (DWDR) will continue apace in preparation for the opening of the Refrigerated Cargo Terminal (RCT) next year as we bring in the long-term capacity and facilities that will benefit the Port's customers and the community as well as provide further potential resilience in Brexit planning. To maximise operational resilience beyond the Port, work will continue to build on existing momentum associated with the prioritisation and delivery of key road infrastructure schemes that support day-to-day traffic fluidity.

We are now engaged with our ferry partners and other organisations on a revision to the Masterplan for the Port's development over the next 30 years, the draft of which will be subject to consultation. The Masterplan will ensure the required strategic infrastructure investments are made at the appropriate time to support future demand and the needs of its customers. Together with DWDR, these undertakings will have benefits across the Port's various business streams, not least the ferry business.

We look forward to working closely with our many customers and the community to improve their experience of the Port of Dover as we carry on supporting livelihoods not just in Dover but throughout the UK and Europe.

Richard Everitt

Chairman





The ease with which vehicles and their loads can pass through Dover and the French ports will be a big test of the post-Brexit arrangement. With Ro-Ro traffic growing at the current rates, getting clarification on how any future Customs procedures at Dover and elsewhere will work is the top priority for European logistics and supply chain managers in 2018.

James Hookham, Deputy Chief Executive,
Freight Transport Association

The Anglo-French summit has re-stated the critical trading relationship between our two nations in support of the wider European economy, which our efficient ferry bridge across the Channel already provides. The strong political support at the highest level demonstrated by the summit is hugely welcome as we head towards the next phase of Brexit negotiations.

Jean-Marc Puissesseau, President-General Manager,
Freight Transport Association

Strategic Report

FINANCE DIRECTOR'S REPORT

Shaun Pottage
Director of Finance and Operational Services



FINANCIAL SUMMARY

	2017 £m	2016 £m
Group		
Revenue	65.2	59.8
Headline EBITDA	23.8	23.5
Depreciation and amortisation	11.4	10.4
Headline Operating Profit	12.4	13.1
Operating Profit	10.2	12.7
Interest and financing costs	(0.7)	(0.2)
Taxation	(2.9)	(2.3)
Profit for the year	6.6	10.2

GROUP REVENUE

	Ferry £m	Cruise £m	Cargo £m	Property £m	Marina/Other £m	Total £m
2017						
Dues	48.5	2.0	0.2	-	0.9	51.6
Other	0.3	1.1	6.0	4.7	1.5	13.6
Total	48.8	3.1	6.2	4.7	2.4	65.2
2016						
Dues	47.0	2.0	0.4	-	1.1	50.5
Other	0.4	1.1	1.7	5.2	0.9	9.3
Total	47.4	3.1	2.1	5.2	2.0	59.8

The business continues to be built on the foundation of high volume throughput of people, cargo and vehicles and the vessels they travel upon, supported by a strong property business and an award winning marina.

Group revenue increased by £5.4 million to £65.2 million, in large part through the acquisition of the cargo handling business on

30 December 2016, delivering £4.1 million of additional revenue. Ferry volumes through the port saw a record year for freight vehicles at 2.6 million vehicles, up 0.4% on 2016. Tourist car numbers levelled off, arresting the declines seen in recent years and ended marginally up on 2016 numbers at 2.2 million. The continued reduction in coaches passing through the Port reflects a

trend seen on other short sea routes and is the driver in the reduction in passenger numbers which were down 6.5% on 2016 at 11.4 million.

Cruise calls fell to 94 in the year compared to 98 in 2016, but with increased passengers per ship and multi day calls revenues were flat on 2016. Booked calls for 2018 and 2019 are much stronger and both years are anticipated to exceed 120 calls.



HEADLINE PROFITABILITY

Group headline EBITDA was £0.3 million higher than in 2016 at £23.8 million. The increased margin from growth in revenue, particularly from the newly acquired cargo handling business, was offset by an increase of £1.9 million in planned maintenance works, part of a long term asset management plan.

Depreciation and amortisation increased by £1.0 million in the year to £11.4 million including £0.6 million relating to assets and goodwill in Port of Dover Cargo Limited.

OPERATING PROFIT

	2017 £m	2016 £m
Headline operating profit	12.4	13.1
Exceptional maintenance	(2.7)	(3.3)
Adjustment for defined benefit pension cost	-	3.7
Exchange gains / (losses)	0.1	(0.5)
Profit / (loss) on disposal of fixed assets	-	-
Asset impairment	-	(0.3)
Gain from change in fair value of investment property	-	1.3
Professional fees incurred in respect of financing	-	(1.6)
Other operating income	0.4	0.3
Operating profit	10.2	12.7

Exceptional maintenance is the element of spend incurred on large infrastructure projects which can be expensed to the profit and loss account. Spend in 2017 of £2.7 million was largely made up of two projects; £2.0 million was spent on the part demolition of the multistorey car park and £0.4 million was spent on the first stage of a major re-lifing project for the overhead roadway.

The Board's investment property portfolio was revalued at the end of 2016 by an independent valuer at fair value and this resulted in an uplift of £1.3 million. In 2017 the Board reviewed an interim update of the valuation of these properties and concluded that there had been no material change in their value during the year.

2016 had a one off credit of £4.0 million arising from the closure of the defined benefits pension scheme and the change in the way future pensions in deferment will grow with inflation compared to those for staff in service which rise faster in line with salaries. 2016 also saw a one off spend of £1.6 million for the up front costs incurred in arranging the Board's £200 million funding line.

Accordingly, the Group operating profit has decreased in the year to £10.2 million from £12.7 million in 2016.



CASH FLOW

Cash balances reduced in the year by £50.4 million to £3.9 million. This is after the payment of £85.0 million for fixed assets, including £80.7 million on the Dover Western Docks Revival (DWDR) project. High levels of spend are forecast on the DWDR project into 2018 which will be funded by the scheduled drawdown of £105.0 million of long term loans and supplemented by the Port's revolving credit facility.

Further significant non-trading payments included £1.1 million of pension deficit contributions (£1.0 million due in 2017 having been paid early in 2016) and grant receipts of £8.6 million from the South East Local Enterprise Partnership and the European Union (Connecting Europe Facility).

PENSIONS

The Board operates a defined benefits pension scheme which was closed to future accrual as at 31 May 2016. The Board continues to support the scheme, providing funding for deficit payments and administration costs.

The valuation of the liabilities at the reporting date has been estimated based on the membership data used at the last actuarial valuation as at 31 December 2014 and updated for the passage of time and changes in membership. The valuation also reflects the cessation of future accrual of benefits from 31 May 2016. This led to a curtailment of benefits accruing due to the break in the link of future liabilities with increases in salaries. From 1 June 2016 benefits will increase with inflation and this is anticipated to be lower than salary inflation.

During 2017 liabilities have increased a further £5.3 million to £218.8 million largely due to the decrease in the applied discount rate from 2.70% to 2.50% (based on corporate bond yields rated AA or equivalent) reflecting lower long term interest rates.

These calculations will remain sensitive to changes in the assumptions made and the Board continues to monitor the

position of the pension fund at regular intervals, and is cognisant that alternative assumptions, particularly in respect of lower discount rates, could significantly increase liabilities beyond the level recognised in the financial statements.

The trustees of Dover Harbour Board Pension and Life Assurance Scheme (1973) undertake triennial valuations based on prudent assumptions and agree any recovery plan with the Board. The latest actuarial valuation is currently underway as at 31 December 2017. Early indications are that the scheme will be close to balanced taking into account deficit payments made in early 2018.

The scheme is 80% hedged against interest rate risk and this, together with strong returns on equity investments and £1.15 million of deficit funding payments, have offset the increase in liabilities with the net scheme liability increasing just £0.5 million to £11.2 million at the financial year end.

Trustees of the Dover Harbour Board Pension and Life Assurance Scheme (1973) have continued to receive regular updates on matters influencing the employer covenant.

INTEREST RECEIVABLE

Interest received on cash balances were down £0.2 million on 2016 at £0.2 million reflecting the reduction in cash balances through the year. The Board continues to invest cash directly with well-regarded financial institutions whose available rates continue to reflect the very low bank base rates.

The Board invests in a Cash Plus fund administered by Royal London Asset Management. The AAA rated fund has investments in cash, covered bonds, conventional gilts, supranational bonds and certificates of deposit.

OTHER FINANCE COSTS

Amortisation of set up fees for bank facilities and non-utilisation costs increased £0.2 million to £0.7 million in 2017 with the signing of revolving credit facilities in May 2016 and term debt facilities in December 2016.

TAXATION

The effective rate of current tax is 32.3%, up from 16.0% in 2016. 2016 was particularly low, influenced by the non-taxable £4.0 million credit from the pension scheme curtailment and £3.15 million of pension deficit funding payments. This £7.15 million adjustment to taxable profits in 2016 significantly distorted the effective tax rate from the high levels normally expected as a result of the disallowable expenditure related to non-qualifying industrial buildings and 2017 is closer to the levels seen historically in the business.

BANK FACILITIES

The Board signed £90 million of revolving credit facilities on 16 May 2016 with £45 million each from Lloyds Bank plc and National Westminster Bank. This facility was subsequently reduced to £70 million on the signing of the term debt facilities. The facility is available for five years with options to extend to seven years. The first extension was exercised in May 2017.

On 14 December 2016 the Board signed term debt facilities and incorporated the revolving credit facility into a common terms structure totalling £200 million. The long term facilities comprise a 20 year loan from the European Investment Bank for £75 million and a 30 year loan note through Allianz Global Investors for £55 million. The interest rate for the long term facilities have been fixed along with drawdown dates.



The loans are secured against the assets of the Group and the Group is subject to certain financial covenants with regard to leverage and debt service as well as certain financial and operational conditions. The Port is operating comfortably within its financial covenants.

Further information on the facilities can be seen in note 16 to the accounts.

PORT OF DOVER CARGO LIMITED AND ACQUISITION OF STEVEDORING BUSINESS

The Board set up a new subsidiary, Port of Dover Cargo Limited, on 17 August 2016. On 30 December 2016 the share capital of this subsidiary was increased to £2.25 million and on the same day it purchased the trade and assets of the cargo handling business from George Hammond PLC for £2.25 million cash less the forgiveness of a £0.3 million loan owed by the Board to George Hammond PLC.

The assets acquired comprised £1.2 million of assets and £0.8 million of goodwill. The carrying value of these assets were re-assessed during 2017 resulting in a reduction of the value of the assets acquired to £1.1 million and a corresponding increase in goodwill to £0.9 million.

DOVER DEVELOPMENTS LIMITED

On 31 December 2016 Dover Waterfront Limited bought the 25% minority interest in Dover Developments Limited at net asset value. The consideration payable was £75,039 and this was paid in 2017.

Shaun Pottage
Director of Finance and Operational Services

Strategic Report

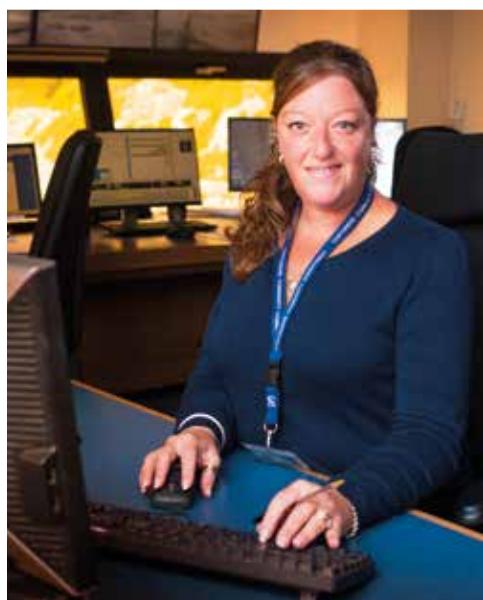
OUR BUSINESS MODEL

Our statutory objective is to administer, maintain and improve the Dover harbour. We operate an efficient and dynamic business as a trust port, generating strong cash flows to reinvest into our people and infrastructure to take a long term view of strategic investments, so as to deliver a world class port for all our stakeholders now and in the future. As an island the UK's maritime sector is critical for trade and as the closest port to Europe we contribute substantially to our community and the economic interests of our nation.



INFRASTRUCTURE / ASSETS

Our port infrastructure underpins our business and enables us to generate successful operations for our ferry, cargo and cruise customers and other users of the port. In line with its statutory objective the Port is committed to maintaining and improving its operational and heritage assets, whilst ensuring port operations do not have an adverse impact on the surrounding environment. By developing new infrastructure at Dover Western Docks we plan to grow our cargo customer base and add further value to the business overall. The transfer of cargo operations from the Eastern Docks will release land and add value to our ferry business. The Port has started work on an update to its 30 year Masterplan which will create the blueprint for future development of the port estate.



PEOPLE AND CULTURE

The port is committed to looking after its people: their welfare and career development. Our people are critical to our business and it is important that we have people with the right skills and behaviours. The Port launched its People Strategy toward the end of 2017 which is designed to provide excellent leadership and management, attract and retain talented staff, develop skills and ultimately cultivate a progressive, collaborative and healthy working environment.

THE PORT IS COMMITTED TO LOOKING AFTER ITS PEOPLE: THEIR WELFARE AND CAREER DEVELOPMENT

SOURCES OF REVENUE

Trust port guidance (Modernising Trust Ports 2) states that the Port should transact port business in the interests of the whole community of stakeholders openly, accountably and with commercial prudence to achieve a surplus which is then ploughed back into the Port. We set our dues and charges at commercial and competitive rates and have worked with our ferry customers to develop a ferry tariff framework so that the business model is properly understood and we can work with our customers to add value to the ferry business by identifying efficiencies. Through the development of the Western Docks we aim to attract new cargo and cruise customers and take advantage of the regeneration opportunities provided.



STAKEHOLDERS AND CORPORATE, SOCIAL RESPONSIBILITY (CSR)

Our CSR strategy is integral to our business model. As a trust port we have no shareholders and therefore pay no dividend. There are a number of examples where we prioritise non-financial objectives over surplus generation and use our resources for the benefit of stakeholders, such as setting our charges below the level that would maximise profit, or by investment in infrastructure that may have a lower or longer return. This also includes our commitment to and expenditure on the Port of Dover Community Fund, expenditure on our heritage assets, apprenticeships and bursaries, donation of staff time to community projects and neighbourhood policing by the Port of Dover police. We report on how we generate economic value for our stakeholders in more detail in our separate CSR report.



Strategic Report

REVIEW OF PRINCIPAL RISKS

PRINCIPAL RISKS AND UNCERTAINTIES

The Board reviews the principal risks at each meeting which are as follows:

RISK TO OPERATIONAL CONTINUITY

Significant interruption to the flow of traffic (both freight and tourist) through the Port has the potential to cause significant issues on a wide scale, causing potential financial and reputational damage. There are a number of possible causes including but not limited to:

- additional freight controls post Brexit, which may impact on transaction time through the Port;
- industrial action;
- severe weather;
- security issues such as a terrorism incident, suspect devices or Government imposing increased security levels;
- loss of ferry operator;
- infrastructure or 3rd party systems failure.

To mitigate this risk to resilience, we have adopted partnership working sharing information with other members of the Port community, have developed contingency plans which we test and through horizon scanning we prepare for known periods of business stress.

RISK TO REPUTATION AND INFLUENCE

Our reputation and influence is affected by external events outside our control; by internal failures and our management of key stakeholders' expectations at a time of change and regeneration.

To mitigate this, we have good control over our messaging and relations with the media. We have expanded our CSR activity.

REGULATION AND COMPLIANCE RISK

As a Trust Port/statutory corporation we are subject to a multitude of regulatory and compliance based requirements.

A key uncertainty remains Brexit where we intend that our voice is heard at the highest levels and that we form key partnerships with influential third party organisations to lobby for our needs and those of our customers and community to be taken into account.

To mitigate the risk, we seek to ensure that our corporate governance capability and capacity supports our ways of working and are fundamental to the delivery of our strategy. With regard to Brexit we have been very active in informing and influencing third parties including government departments. However, there remains a risk that additional statutory controls at the border could significantly affect traffic flows of both freight and tourist traffic and we are working to ensure that any impact is minimal.

AVAILABILITY OF FUNDS

The Port is entering into a significantly financially leveraged position with large scale borrowing facilities for the first time in recent years. With the size of current investments, we need to manage those borrowing arrangements with care and avoid any significant unplanned expenditure, whilst also carefully monitoring developments within the market and as a result of Brexit proposals.

To mitigate this, we continually review and monitor our position and have set a bar which enables some flexibility. We are growing our business and revenue streams. We have some flexibility in delaying certain elements of project timeframe and spend.

CULTURE, VALUES AND BEHAVIOURS

The culture, values and behaviours of our organisation are critical to our business mission to apply our skills and experience to develop a growing, vibrant and commercially focussed business that contributes to our community and to the economic interests of our nation.

The Port is a complex facility with high volumes of people and vehicular traffic coming into close contact and alongside a continual programme of major construction projects. These interfaces pose significant safety risks and we are committed to ensure these are minimised through positive and proactive engagement with staff, port community and customers.

To mitigate behavioural risks, we invest in our people through training, coaching, mentoring and reward. We seek to empower our staff and will identify and use positive influencers in the organisation to ensure the right behaviours. This will be further enhanced through the roll out of the Port's People Strategy.

FIT FOR PURPOSE ASSETS

The Port has a wide variety of assets across an extensive estate and these need to be maintained and monitored to ensure no safety implications or failures that may give rise to an interruption of the business operations of the Port. Assets are identified within five main categories: berths, cranes, passenger access, utilities and underground services and structures.

To mitigate asset risks we have a long term asset plan and robust inspection and maintenance regime. We also have a proactive approach to interruptions to our services and monitor outages of key assets and hold levels of spare parts which minimise the time taken to get assets working again.

PROGRAMME RISK FOR DWDR

As an organisation we face a number of risks attached to the future development and future proofing of the Port estate and business operations pipeline. Programme risks are those relating to major infrastructure programmes, developments and arguably business acquisitions and other modes of expansion. The most significant risk at present is the Dover Western Docks Revival programme. 2017 has seen significant progress; with the majority of marine civils work complete it is arguable that we are through the riskiest parts of the construction phase. Interface risk will increase in 2018 with multiple contractors working on site constructing the terminal and buildings.

To mitigate this risk, we have established appropriate project governance and obtain specialist advice to complement our in-house expertise and seek to mitigate contract risk by robust procurement controls.

OTHER FINANCIAL RISKS

The Board's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations.

In order to augment returns from current liquid resources and diversify risk, the Board appointed Royal London Asset Management to invest a significant proportion of surplus funds in a AAA rated Cash Plus Fund which contains a portfolio of securities and money market instruments. The risk profile includes certificates of deposit with 'A rated' approved Banks and Building Societies, short dated (under 5 years) UK Government Bonds (including index linked) and Supranational (AAA rated) Bonds, Floating Rate Notes and Covered Bonds. The Board does not invest its temporary cash surpluses in UK or overseas equities, foreign currencies or the futures market nor in high return / high risk deposits.

The Board allows, subject to certain limits, surplus funds to be placed with UK 'A' rated banks where higher returns are available with a similar level of risk. Risks arising from the Board's financial instruments are interest rate risks, currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks as summarised below:

INTEREST RATE RISK

The Board finances its operations and infrastructure investments through a mixture of retained profits, short, medium and long-term debt and finance leasing. The Board finances certain items of plant and equipment by means of finance and operating leases.

The Board has borrowing facilities of £200 million comprising a revolving credit facility of £70 million, a 20-year term loan of £75 million and a 30-year loan note of £55 million. As at the financial year end £55,000 was drawn from these facilities.

The terms of these facilities require that a minimum of 65% of drawn debt is fixed interest or hedged. The Board has chosen to take the term loan and loan note as fixed interest facilities. The revolving credit facility is a floating rate facility.

LIQUIDITY RISK

The Board has secured the facilities noted above ahead. The Board continues to monitor the projected cashflows and the headroom on the facilities available to ensure it has sufficient funds to finance its strategic plan.

CURRENCY RISK

The Board's policy to manage this risk is to enter into forward exchange contracts. This should only be where payment / receipt dates are known with a degree of certainty and where such currency flows cannot be naturally hedged within the business.

Shaun Pottage

Director of Finance and Operational Services

Report of the Board

BOARD

GOVERNANCE

REPORT

CHAIRMAN'S INTRODUCTION

On behalf of my fellow directors I am pleased to introduce our corporate governance report which sets out how we discharge our governance duties. During my first full year as chairman I have continued to ensure that our processes remain robust and that we achieve a high standard of corporate governance. As a trust port we have no shareholders but have a wide range of stakeholders with varying interests in the business.

In my role as chairman I try to ensure that I lead the Board effectively and maintain the right Board dynamic encouraging effective contributions and constructive challenge from individual directors.

Culture is central to the success of any organisation and the Board has a fundamental role in understanding the organisational culture and to ensure that a healthy culture is maintained which protects and generates value to the business.

I was pleased to welcome Alisdair Cameron who joined the Board in February and took on the role of Chairman of the Audit Committee. Our non-executives bring a broad range of experience and skills to the Board, the details of which are summarised on pages 42 to 43.

We are committed to maintaining the highest standards of accountability and corporate governance and to ensure that our structures and processes are aligned with the requirements of the business and that good governance is embedded by management throughout the Group.



**WE ARE COMMITTED
TO MAINTAINING
THE HIGHEST
STANDARDS OF
ACCOUNTABILITY
AND CORPORATE
GOVERNANCE**

LEADERSHIP AND EFFECTIVENESS

This section looks at the role of our Board members, their performance and oversight.

The Board is responsible for the effective strategic direction and control of the business and in order to discharge that responsibility properly, it strives to achieve best practice in corporate governance within the boundaries of an entity which is not listed. To ensure that the business is run in a responsible manner it is committed to the principles of openness, transparency and accountability and to ensure that the business is run in a responsible manner. The main governance for trust ports is identified in "Modernising Trust Ports (second edition)" (MTP2) revised Governmental guidance issued in August 2009. The principles contained in MTP2 complement those of the UK Corporate Governance Code, which is primarily intended for companies listed on the UK stock exchange. The Board also pays due regard to the corporate governance principles set out in the Institute of Directors' "Corporate Governance Guidance and Principles for Unlisted Companies in the UK".

In addition, the Board is subject to national legislation, its own acts of Parliament and a variety of statutory instruments relating to the operation of ports.

The Board does not have shareholders. Nevertheless, the Port of Dover is run for the benefit of its stakeholders and the Board encourages regular dialogue with its different stakeholder groups in the furtherance of its objectives. In addition to an annual consultative

meeting at which it communicates its key business results to stakeholders, including customers, local government, community groups, the general public and staff. It has also established two statutory advisory bodies which it uses as forums to consult with stakeholder groups. The Dover Harbour (Constitution) Order 2016 provided a statutory framework for:

- A Port Users Group which comprises a representative cross-section of the users of the Port.
- A Port and Community Forum which provides a focal point through which there can be engagement and debate between the Port and the local community regarding matters of interest relating to the operation and development of the Port. It enables the Port management to update interested parties on options for port development, supporting local regeneration, and what actions the Port is taking to increase community engagement and to further understand the needs of its stakeholders.

Both advisory bodies have chairmen who are independent of the Port and are consulted on matters which in the Board's reasonable opinion could substantially affect the management, improvement, conservation, protection or regulation of the harbour or navigation within it.

There is also a Ferry Port User Group, with a sub-committee focussing on technical and operational matters; this group comprises the Port and its ferry operators and the operators chair the meetings on a rotating basis.



ROLE AND STRUCTURE OF THE BOARD

The Board's constitution provides for a non-executive Chairman, six non-executive and two executive members. The non-executive appointments are normally fixed for a maximum period of three years. The Chairman is appointed by the Secretary of State for Transport. Four non-executive directors are appointed to provide specialist knowledge or experience to contribute to the efficient, effective and economic discharge by the Board of its function, two of whom are appointed by the Secretary of State and two by the Board. A further two non-executive directors are appointed to bring special knowledge of the position of the harbour with the local community and local economy. The Board also appoints two executive members including the Chief Executive. All appointments are made after a rigorous competitive selection process and all new Board members participate in a comprehensive induction.

The Board meets regularly (at least six times during the year) and with a strong non-executive element brings an independent judgement and oversight on financial, strategic and organisational issues. No individual or group of individuals dominate the Board's decision-making. Additional Board meetings are arranged for exceptional items and to debate the strategic future of the Port. Reporting to the Board is the Chief Executive who together with his senior colleagues has responsibility for day-to-day management. Biographical details of all Board members and the executive management group can be found on page 42 to 43.

The Board has a schedule of matters specifically reserved to it for decision and has also defined those delegated to Board committees and management and this schedule is reviewed annually. The Chairman has ensured that the Board members are provided with appropriate and timely information and that their enquiries have been properly met.

The non-executive members bring external expertise in areas of importance to the Board such as shipping and ferry operations, general finance and corporate finance, transport and sustainable development and regeneration. The Board is satisfied that all members devote sufficient time and attention as is necessary to perform their duties and that no one individual has unfettered powers of decision.

All Board members have access to the advice and services of the Company Secretary of the Board and may take independent professional advice at the Board's expense.

There are three standing committees of the Board, being the Audit Committee, Nomination Committee and the Remuneration Committee. All the committees have written Terms of Reference.

The Dover Harbour Board Pension and Life Assurance Scheme (1973) is separately administered by an independent Board of Pension Trustees which during 2017 comprised three Board-appointed trustees, three member-nominated trustees and an employer's observer. The trustees meet quarterly under the independent chairmanship of Mr Holmes, previously a member of the Board.



Report of the Board

REPORT OF THE AUDIT COMMITTEE

Alisdair Cameron
Chairman of the Audit Committee



I was appointed as Chairman of the Audit Committee in February 2017 and I am pleased to set out an account of the Committee's work during 2017.

Our Audit Committee comprises four independent non-executive Board members, has a quorum of two and the Board has determined that the Chairman of Audit should have recent and relevant financial experience. The Chairman of the Board, Chief Executive and Director of Finance and Operational Services also normally attend meetings but are not members of the committee.

The Terms of Reference for the Committee were reviewed by the Committee in June 2017, with changes approved by the Board in September. The main change to the Terms of Reference was to give the Committee a greater responsibility for risk processes, with the Board retaining responsibility for risk appetite. The Committee is required to meet at least three times a year. One of the duties of the Committee is to review the annual report and financial statements with a particular role to ensure that the picture of the

business presented is fair, balanced and understandable.

It discusses with the external auditor the results of the interim and final audits and any other matters raised by the auditor and reviews the external auditor's management letter and management's response. It also considers the effectiveness of the external audit function.

THE COMMITTEE KEEPS UNDER REVIEW THE EFFECTIVENESS OF THE BOARD'S INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS, INCLUDING FINANCIAL, OPERATIONAL AND COMPLIANCE CONTROLS AND RISK MANAGEMENT, PROVIDING ASSURANCE TO THE BOARD THAT THE PROCESS OF RISK MANAGEMENT IS OPERATING EFFECTIVELY.

The Committee keeps under review the effectiveness of the Board's internal controls and risk management systems, including financial, operational and compliance controls and risk management, providing assurance to the Board that the process of risk management is operating effectively. It ensures that the principal risks facing the Board are appropriately assessed and provides advice on the management and mitigation of such risks.

The internal audit function is outsourced and is undertaken by Grant Thornton UK LLP with the Internal Auditor attending all meetings of the Committee.

WORK CARRIED OUT BY THE COMMITTEE DURING 2017

During the year the Committee reviewed the draft annual report and financial statements for 2016 and recommended approval by the Board and approved BDO's audit plan for the 2017 audit. In line with audit partner rotation requirements, a new

partner was appointed during 2017. The Committee also approved Grant Thornton's internal audit plan for 2017 and at each meeting the Committee reviewed a summary of the internal audits carried out by Grant Thornton together with actions arising from the audits.

The Committee received reports from internal audit reviews in the year on outsourced contract management, procurement, benefits realisation from the recently installed ERP (Enterprise Resource Planning) system, health and safety systems and cyber security.

The cyber security audit prompted the need for a further review in 2018 on the port's readiness for the new General Data Protection Regulation and Network and Information Security Directive both of which come into force in 2018. The health & safety review identified areas for improvement in safety systems for reporting and analysing data and prompted a further review which will focus on the implementation of these and on the safety culture initiatives planned for 2018.

2018 WORK PLAN

The committee will review the annual report and financial statements for 2017 ensuring they provide a fair, balanced and understandable view of the Group's position and performance.

The committee will assess the effectiveness of risk management and internal controls and will review the internal audit plan which is prepared with reference to the risk register with input from management to ensure its appropriateness and that the reviews cover areas of emerging risk or where there are key retained risks in the business.

In addition to the cyber security and health & safety reviews previously noted, reviews will continue to focus on governance and control of the Dover Western Docks Revival programme, health and safety and asset management.

Alisdair Cameron

Chairman of the Audit Committee



Report of the Board

REPORT OF THE REMUNERATION COMMITTEE

Frank Martin
Chairman of the Remuneration Committee



I am pleased to present the report of the Remuneration Committee, which I have chaired since December 2013. The Committee has written Terms of Reference and usually meets twice a year, however the Terms of Reference were updated in July 2017 to include a remit for the People Strategy and the development of appropriate KPIs. The Committee met three times in 2017 and will continue to meet a minimum of twice per year.

The duties of the Committee include the following:

- make recommendations to the Board concerning its overall policy of employee remuneration and redundancy and the framework of the Chief Executive and Directors' remuneration and its cost;
- make recommendations to the Board concerning specific remuneration packages and conditions of employment, (including pension benefits and other related contract terms and non contractual bonus schemes) for the Chief Executive and Directors;
- determine on behalf of the Board the Chief Executive's bonus scheme structure, objectives and payment and review annually actual performance against the objectives;
- in determining the remuneration packages, take into account all factors which it deems necessary. The objective shall be to ensure that members of the executive management of the organisation are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the company;
- the committee shall agree the policy for the remuneration of non-executive members including fees payable for additional duties and reimbursement of expenses and shall agree the process for determining such fees;
- consider and set targets for any performance related pay schemes;
- obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations; and
- review the scope and objectives of the People Strategy, agree appropriate KPIs and to review progress against the KPIs.

Decision-making is structured so that, while the Committee as a whole debates the structure and policy of remuneration matters, no member of the Committee is in a position to propose his or her remuneration where the final decision whether to approve the Committee's recommendation is reserved to the full Board.

The Committee has formulated a pay structure that will actively incentivise the directors and the senior team to deliver the on-going business performance whilst offering a real incentive for making a longer-term commitment in order to ensure successful delivery of the major infrastructure and commercial projects contained in the DWDR. In 2014 an appropriate base salary level for the Chief Executive and Director of Finance and Operational Services was agreed by the Committee with progression to that level over 2-3 years, by 2017.

The organisation aims to reward all staff in a way which is designed to attract and retain high quality people and motivate them to deliver the business strategy, promoting the interests of and delivering for stakeholders. The Business operates an in-year bonus scheme which pays up to between 10% and 30% of salary. It is awarded against a combination of financial performance (against a previously agreed budget)

and personal objectives. There is also a long-term incentive plan (LTIP) for certain senior managers which is focussed on the strategic priority of the delivery of the Dover Western Docks Revival scheme and accrues up to 20% of salary between 2015 and 2019 but is payable as deferred bonus between 2017 and 2020.

The work of the Committee in March 2017 included consideration of the general bonus award for staff, the directors and Chief Executive. The committee also determined the deferred bonus for certain senior managers. An additional meeting was held in September to establish and agree the People Strategy and

discussion of appropriate KPIs has continued. In November the Committee reviewed the salaries of the Chief Executive and senior management and discussed the bonus targets for the Chief Executive for 2018, which were finally agreed in January 2018.

2017	Salary & Fees £'000	Annual Bonus £'000	LTIP £'000	Pension £'000	Other Benefits £'000	Total £'000
T Waggott	255	64	42	51	16	428
S Pottage	180	36	36	36	13	301
R Everitt	80	-	-	-	-	80
F Martin	29	-	-	-	-	29
R Lane	26	-	-	-	-	26
E Østergaard	26	-	-	-	-	26
S Gurney	26	-	-	-	-	26
N Wiggins	26	-	-	-	-	26
A Cameron	*25	-	-	-	-	25

2016	Salary & Fees £'000	Annual Bonus £'000	LTIP £'000	Pension £'000	Other Benefits £'000	Total £'000
T Waggott	240	68	60	48	16	432
S Pottage	170	34	44	35	13	296
R Everitt	**40	-	-	-	-	40
G Jenkins	**40	-	-	-	-	40
J Hume	29	-	-	-	-	29
F Martin	26	-	-	-	-	26
R Lane	26	-	-	-	-	26
E Østergaard	26	-	-	-	-	26
S Gurney	**15	-	-	-	-	15
N Wiggins	**15	-	-	-	-	15

* A Cameron was appointed on 1 February 2017.

** G Jenkins retired from the Board on 30 June 2016. R Everitt was appointed on 1 July 2016, S Gurney and N Wiggins were both appointed on 1 May 2016.

As at 31 December 2017 the following amounts had been accrued in the long-term incentive plan:

	2017 £'000	2016 £'000
T Waggott	123	90
S Pottage	92	64
Total	215	154

The total bonus and LTIP element of remuneration shown in the table above represents the amounts accrued in respect of the financial year which are payable in subsequent years.

The defined benefit pension scheme was closed to future accrual in 2016 and the amounts shown as pension above include both pension contributions and taxable consideration in lieu of pension contributions.

Frank Martin

Chairman of the Remuneration Committee

Report of the Board

REPORT OF THE NOMINATION COMMITTEE

Richard Everitt
Chairman of the Nomination Committee



The Nomination Committee comprises two to three non-executive Board members plus the Chief Executive and is chaired by the Chairman of the Board or the Deputy Chairman where an appointment relates to the Chairman. Its membership is flexible depending on the expiry of terms of appointment of individual directors. It usually meets once a year but will meet as required during years when new appointments or reappointments are required. It makes recommendations to the Board regarding the appointment of directors where the Board is the appointing body and provides support and advice to the Board Chairman in working with the Department of Transport (DfT) for appointments by the Secretary of State.

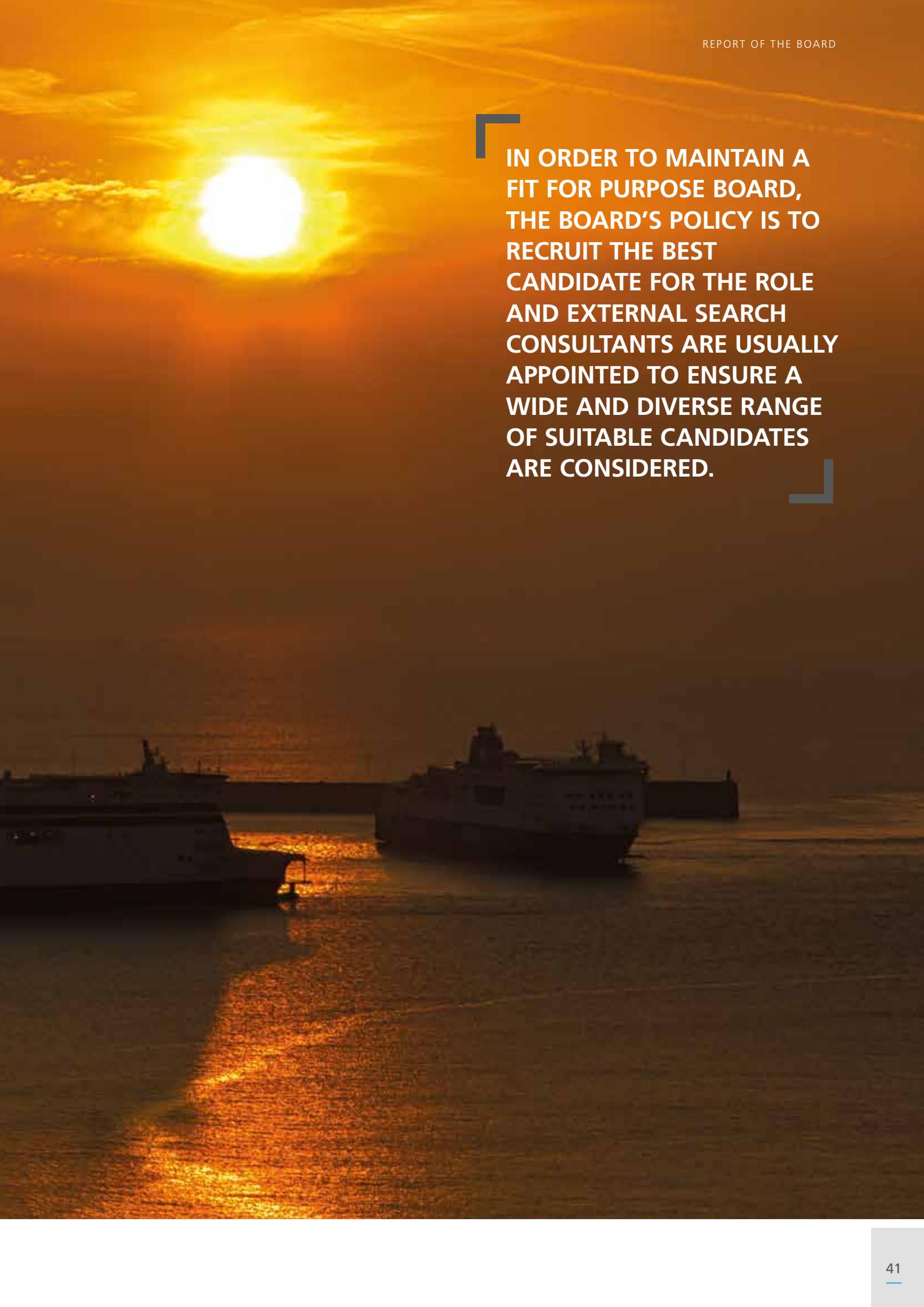
The Committee also reviews the Board's composition (its mix of skills, experiences and characteristics) and gives full consideration to succession planning for the directors appointed by the Board, including the executive directors and key senior management post-holders, taking into account the challenges and opportunities facing the Port, and what skills and expertise are therefore needed in the future.

For appointments by the Secretary of State, the Nomination Committee collaborates with the DfT to determine the relevant skills requirements of candidates and operates the recruitment process for those appointments.

The work of the Committee during autumn 2017 included a review of the skills matrix and the commencement of a recruitment campaign in respect of a Secretary of State appointment which will occur in summer 2018. The Committee also recommended to the Secretary of State the reappointment of Frank Martin. In order to maintain a fit for purpose Board, the Board's policy is to recruit the best candidate for the role and external search consultants are usually appointed to ensure a wide and diverse range of suitable candidates are considered.

The committee's Terms of Reference were reviewed in March 2017 and the composition of the committee was reviewed in November 2017.

Richard Everitt
Chairman of the Nomination Committee



IN ORDER TO MAINTAIN A FIT FOR PURPOSE BOARD, THE BOARD'S POLICY IS TO RECRUIT THE BEST CANDIDATE FOR THE ROLE AND EXTERNAL SEARCH CONSULTANTS ARE USUALLY APPOINTED TO ENSURE A WIDE AND DIVERSE RANGE OF SUITABLE CANDIDATES ARE CONSIDERED.

Board Members as at 24 April 2018

Report of the Board

MEMBERS OF THE BOARD



Richard Everitt CBE Chairman

Richard qualified as a solicitor and is currently a Commissioner of Belfast Harbour, Chairman of the Thames Skills Academy and is also Chairman of the Employers' Association involved in negotiations with the Marine Pilots National Pension Fund. Richard is the former Chief Executive of the Port of London Authority and of National Air Traffic Services. He was previously Chairman of Air Partner plc, and a Director of BAA plc with responsibility for strategy and regulatory matters following its privatisation.

Appointed by Secretary of State for Transport. Date of appointment 1 July 2016. Current term of appointment terminates 30 June 2019. (Chairs the Nomination Committee).



Frank Martin DL Deputy Chairman

Frank was Deputy Chairman and former Chief Executive at Hornby Plc and is a Deputy Lieutenant of Kent, based in East Kent. He is pro Chancellor of Canterbury Christchurch University, Vice Chairman of Royal British Legion Industries and a past Commodore of The Royal Temple Yacht Club.

Appointed by the Secretary of State for Transport on 13 June 2013. Appointed Deputy Chairman and Senior Independent Director with effect from 1 January 2017. Current term of appointment expires on 12 June 2020. (Chairs the Remuneration Committee)..



Bob Lane OBE Board Member

Appointed to the Board following a career in regeneration activities across the UK. He is currently a board member of the Ebbsfleet Development Corporation and was previously Chairman of the London Thames Gateway Development Corporation and a board member of the Homes and Communities Agency (HCA). He is also a trustee/Board member of the Brooke Weston Partnership.

Originally appointed by the Secretary of State for Transport on 13 June 2013, but reappointed by the Board under the Dover Harbour (Constitution) Revision Order 2016. Current term of appointment expires on 30 September 2019.



Erik Østergaard Board Member

Erik is currently Chief Executive Officer of Danish Transport & Logistics, an industry leader for the transport and logistics sector in Denmark. He is also Chairman of Caledonian Maritime Assets Limited, Chairman of Associated Danish Ports A/S and a board member of Mols-Linien AS. He brings a wealth of shipping, transportation and infrastructure experience, having been Chief Operating Officer for Scandlines AG Group (one of Europe's leading ferry companies).

Appointed by the Secretary of State for Transport on 13 June 2013. Current term of appointment expires on 12 June 2018.



Shaun Pottage Director of Finance and Operational Services

Shaun is a Chartered Accountant and joined the organisation as Director of Finance in November 2013, having previously been Group Finance Director at Hotchkiss Group and before that a Divisional Finance Director of the technology-led plastics business, Carclo.

Appointed by Dover Harbour Board. Date of appointment 22 May 2014.



Samantha Gurney Board Member

Samantha was a serving police officer with Kent Police for 25 years. She led a neighbourhood policing team and a team of officers in the Dover District, working with local residents and businesses to combat crime. She was previously a Special Branch Officer at the Eastern Docks Dover. She is appointed as a director who has special knowledge of the position of the harbour within the local community. She is a lay member of the interviewing sub-committee of the Kent Advisory Committee for appointment of Justices of the Peace.

Appointed by the Board on 1 May 2016. Current term of appointment expires on 30 April 2019.



Neil Wiggins Board Member

Neil has over 30 years international experience in the maritime sector, from deck officer to director. He is currently Managing Director of IVOPS Ltd an independent maritime and port operations consultancy. Neil is a member of the East Kent Hospitals University NHS Foundation Trust. He has previously held the role of Chairman of the National Maritime Group Thames and Channel Region and is a part time lecturer for Lloyds Maritime Academy. Neil is also trustee for Dover and Tees Valley Maritime Partnership. He is appointed as a director who has special knowledge of the position of the harbour within the local community.

Appointed by the Board on 1 May 2016. Current term of appointment expires on 30 April 2019.



Alisdair Cameron Board Member

Alisdair is currently Chief Financial & Operations Officer and a member of the Board of Directors of Post Office Limited. He was a Non-Executive Director of Oxford University Hospitals NHS Foundation Trust. He is a Chartered Accountant and previously worked in a variety of roles for Centrica plc prior to which he was a partner with Arthur Anderson and Deloitte and Touche.

Appointed by the Board on 1 February 2017. Current term of appointment expires on 31 December 2019. (Chairs the Audit Committee).



Barbara Buczak Director of Corporate Development

As a director Barbara attends all Board meetings. Although not a member of the Board, she is a director of a number of subsidiary companies. Barbara joined the organisation in 2010 having previously worked at South East England Development Agency (SEEDA) and has held a number of managerial positions at the Port before assuming her current role in December 2015.



Sharon Higenbottam Company Secretary

As Secretary to the Board, Sharon attends all Board meetings. She joined the organisation in 1990 and previously was Assistant Company Secretary to a listed security company. She is a fellow of the Institute of Chartered Secretaries and Administrators.



PERFORMANCE EVALUATION

Led by the Chairman a formal evaluation is undertaken of the Board and its committees annually and is used constructively as a mechanism to improve Board effectiveness. The most recent evaluation of Board performance took place in January 2017. A detailed self-assessment questionnaire on the performance of the Board as a whole was completed by all board members, directors and the Company Secretary with the results being collated by the Company Secretary. The questions gave rise to both quantitative and qualitative responses which, although anonymous, enabled the Board to identify themes for discussion.

The Chairman, Deputy Chairman, Chief Executive and Company Secretary reviewed the results and considered how best to structure Board meetings to ensure that adequate time is allowed to consider the strategic issues facing the Board such as Brexit, masterplanning, Dover Western Docks Revival and property. The structure of the Board agenda was altered to allow for a more formal written strategic report from the Chief Executive highlighting issues from the monthly Board report and any other key current issues, with the team in attendance for that item.

The table below details the number of formal Board and Committee Meetings attended by each Board member. During the year ended 31 December 2017 there were 6 scheduled Board meetings, 3 Audit Committee meetings, 3 Remuneration Committee meetings and 1 Nomination Committee meeting, although the Nomination Committee took advantage of the power provided in the HRO to conduct meetings by electronic means.

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings
Number of meetings	6	3	3	1
Member				
R Everitt	6	3*	3	1
R J Lane	6	3	3	1
F Martin	6	3	3	-
E Østergaard	5	-	-	-
T Waggott	6	3*	3*	1
S Pottage	6	3*	-	-
S Gurney	6	3	-	-
N Wiggins	6	-	3	-
A Cameron	5**	3	-	-

* were invited by the Audit or Remuneration Committees to be in attendance at a meeting

** attended 5 out of 5 meetings since being appointed to the Board on 1 February 2017

Report of the Board

DIRECTORS' REPORT

FINANCING

Our profits are reinvested in the business and together with a package of loans totalling £200 million to finance the investment in new infrastructure at the Western Docks will enable the Port to grow its markets and deliver for its customers and the Community of Dover.

RESEARCH AND DEVELOPMENT

The Board has maintained its commitment to explore new and more suitable ways to handle large numbers of passengers and vehicles with greater efficiency within the physical constraints of the Port.

DONATIONS

No donations were made for political parties.

EMPLOYEE RELATIONS

As part of its People Strategy, the organisation strives to recruit and retain the right people, facilitating ambitious training programmes, valuing continuous learning and development opportunities by providing staff with room and opportunities to grow both personally and professionally. It is also committed to maintaining and improving employee involvement in the organisation's performance and in providing them with timely and appropriate information.

The aims of the Board and its views on future developments are contained in its corporate objectives statements. The Board's ability to sustain a competitive edge over the short and long term will depend

in large part on the continuous development of customer service by all employees.

The Port maintains a variety of communication channels with its workforce including Chief Executive newsletters, an employee forum, staff seminars and "Meet the Boss" events. The Chief Executive meets all new staff when they join the organisation. The corporate intranet, which is updated daily, is accessible to all employees, and carries a wide variety of information including daily port traffic figures, internal vacancies, minutes of safety meetings, and copies of press releases.

DISABLED EMPLOYEES

Applications for employment from disabled persons are fully considered bearing in mind the respective capabilities of the applicant concerned. The Board provides an occupational health service which assists with monitoring the health of employees and ensuring that employees who experience disability or long-term illness receive the appropriate support to enable them to stay in or return to work. In the event of members of staff becoming disabled, every effort is made to ensure that reasonable adjustments are made, guidance and support given and where appropriate re-training is arranged. It is the Board's policy that training, career development and promotion of disabled persons should, as far as possible, be identical to those of other employees.

HEALTH AND SAFETY

In pursuance of health, safety and environment policies, the Board employs experienced staff to implement and maintain high standards in the interests of port users.

THE ENVIRONMENT

The Port of Dover is committed to ensuring the best practicable protection of the environment under its jurisdiction commensurate with its mission and the aim of sustainable development.

The Board fully endorses the principles contained in the European Sea Ports Organisation's Green Guide and is pledged to work towards a cleaner environment through the implementation of effective management strategies. The Board actively works with the British Ports Association and the Ecoports' network. There is an Environmental Management System in place and the environmental policy has been adopted following the guidance of Ecoports and ISO 14001, driving continual improvement.



GREENHOUSE GAS EMISSIONS

The Group is required to report its annual greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("Regulations"). We have collated data during the financial reporting year to 31 December 2017 from

source documentation where possible and certified by the Carbon Trust on a bi-annual basis. The carbon emissions have been calculated using the greenhouse gas reporting factors published by the Department for Business, Energy and Industrial Strategy for the respective years.

	2017	2016
Annual gross global emissions from:		
Gas	154	250
Gas oil	2,024	2,503
Owned transport – diesel	72	88
Owned transport – petrol	-	-
Fugitive emissions – refrigerant gases	655	900
	2,905	3,741
Total annual gross global emissions from purchased electricity	5,314	6,302
Total (tCO₂e)	8,219	10,043
Intensity ratio (tCO₂e per £million of revenue)	135	167

The figures for 2016 have been restated due to an error in the calculation of the fugitive emissions which was previously stated as 378 in the 2016 Directors' report.

Report of the Board

STATEMENT OF RESPONSIBILITIES OF THE BOARD

ACCOUNTABILITY AND AUDIT

The Board members are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Board members to prepare financial statements for each financial year. Under that law the Board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

The financial statements are required by law to give a true and fair view of the state of affairs of the Board and of the profit or loss of the Board for that period.

In preparing these financial statements, Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

■ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain Dover Harbour Board's transactions and disclose with reasonable accuracy at any time the financial position of Dover Harbour Board and enable them to ensure that the financial statements comply with section 42 of the Harbours Act 1964 (as amended) which requires that the financial statements be properly prepared in accordance with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board members are also responsible for confirming to the best of their knowledge that the Strategic Report includes a fair review of the development and performance of the business and position of the organisation, together with a description of the principal risks and uncertainties that it faces.

The financial statements are published on the company's website in accordance with legislation in the

United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Board members. The Board members' responsibility also extends to the on-going integrity of the financial statements contained therein.

GOING CONCERN

After making enquiries and reviewing cash flows, the members of the Board have a reasonable expectation that the Board has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

INTERNAL CONTROL

The Board members acknowledge that they are responsible for the Board's systems of internal control and for reviewing their effectiveness. These systems are designed to manage rather than eliminate, the risks that could potentially impact on the Board's ability to meet its objectives. It should be recognised that such systems can only provide reasonable not absolute assurance against material misstatement or loss.

There is an on-going formal process for identifying, evaluating and managing risks faced by the Board - the risk management process and systems of internal control.

Risk assessment and evaluation take place as integral parts of the annual corporate planning cycle. Each business sector is required to identify and document risks which might influence the attainment of business objectives. This information is then reviewed and assessed according to impact and probability. Risks are segregated into those which are routinely reported at regular intervals to Board members and those less significant risks which are routinely monitored by management.

During the first six months of 2017 responsibility for the on-going management and development of the Board's risk management processes was carried out by the Strategic Risk Team. In summer 2017 responsibility then transferred to the Legal and Risk Team. The risk management processes continued to be refined and developed during the year. There are risk registers which identify the risks faced by the organisation and detail the controls that manage the risks and where necessary, the action plans to mitigate the risk exposure. The Board reviews the strategic risks at every meeting. During 2017 the Audit Committee took on a wider remit for risk.

During the year the internal auditors monitor risk compliance and provide monitoring reports directly to the Audit Committee. During the year the Audit Committee:

- reviews the internal and external audit plans;
- considers reports from internal audit on the system of internal control and significant control weaknesses;
- discusses with management actions and progress in dealing with identified problem areas.

MEMBERS' RESPONSIBILITIES

All of the current Board and executive management have taken steps to make themselves aware of any information needed by the auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Board and executive management are not aware of any relevant audit information of which the auditors are unaware.

MODERN SLAVERY STATEMENT

This statement is made pursuant to section 54(5) of the Modern Slavery Act 2015 and sets out the Group's commitment to adherence to the Act, for the financial year ending 31 December 2017.

The Board acknowledges its legal obligation and has a zero tolerance approach to any form of modern slavery. It is committed to ensuring that effective systems and controls are in place to ensure that slavery and human trafficking do not occur within our workplace and supply chain. As an important gateway to the UK it

provides facilities in order for Border Force to undertake its responsibilities. Supported by the Port of Dover Police, the Board is also committed to working with the border agencies to assist them in detecting and disrupting human trafficking which could potentially occur at the Port.

The Group operates a robust approach to recruitment and conduct proper checks on the rights of candidates to work in the UK. To safeguard against human trafficking or individuals being forced to work against their will, the Group uses a third party to vet and conduct eligibility checks, validity of candidates' qualifications and to check criminal records.

Through its supply chain the Group acts ethically and with integrity in our business dealings and is committed to improving its procurement processes to identify risk areas associated with new suppliers, to undertake due diligence when reassessing existing suppliers, to build long-term relationships with its suppliers so that they understand and adhere to the Board's expectations and to invoke sanction against suppliers who fail to meet them. Many of the suppliers are of a size where they too are subject to the reporting requirements of the Modern Slavery Act 2015 and the Board's tender processes focus heavily on qualitative assessment of suitable tenders.

The Board is not aware of any breaches.

Sharon Higenbottam
Company Secretary

INDEPENDENT AUDITOR'S REPORT

To the Members of Dover Harbour Board

OPINION

We have audited the financial statements of Dover Harbour Board ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and board statement of financial position, the consolidated and board statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 AND HARBOURS ACT 1964, AS AMENDED BY THE TRANSPORT ACT 1981

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and report of the Board have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the report of the Board.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981 requires us to report to you if, in our opinion;

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

RESPONSIBILITIES OF THE BOARD

As explained more fully in the statement of responsibilities of the Board, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members 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 Board members are responsible for assessing the Group's and the Parent

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 Board members either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

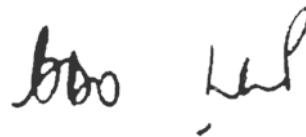
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Harbours Act 1964, as amended by the Transport Act 1981. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.



Anna Draper

(Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Gatwick

Date: 27 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Dover Harbour Board

FINANCIAL

STATEMENTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017

	Notes	Total 2017 £'000	Total 2016 £'000
Turnover	1	65,202	59,778
Net operating costs	2	(54,981)	(47,029)
Operating Profit		10,221	12,749
Analysed as:			
Headline EBITDA		23,771	23,493
Depreciation and amortisation		(11,373)	(10,395)
Headline operating profit		12,398	13,098
Exceptional maintenance		(2,734)	(3,263)
Adjustment for defined benefit pension cost		-	3,756
Exchange gains / (losses)		136	(546)
Profit on disposal of fixed assets		20	44
Asset impairments	10	-	(320)
Gain from changes in fair value of investment property	10	-	1,332
Professional fees incurred in respect of financing		-	(1,625)
Other operating income		401	273
Operating Profit		10,221	12,749
Interest payable and similar charges	4	(5)	(19)
Income from current asset investments		224	437
Changes in fair value of investments	13	-	23
Other finance costs	5	(986)	(655)
Profit on ordinary activities before taxation	3	9,454	12,535
Tax on profit on ordinary activities	7	(2,856)	(2,331)
Profit for the financial year		6,598	10,204

The results for the year arise wholly from continuing operations of the Group.

The notes on pages 61 to 75 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	Total 2017 £'000	Total 2016 £'000
Profit for the financial year		6,598	10,204
Actuarial loss recognised on defined benefit pension scheme	21	(1,358)	(5,772)
Taxation in respect of items of other comprehensive income		35	350
Other comprehensive income for the year		(1,323)	(5,422)
Total comprehensive income for the year		5,275	4,782
<hr/>			
Profit for the financial year attributable to:			
Dover Harbour Board		6,598	10,151
Non-controlling interest		-	53
		6,598	10,204
<hr/>			
Total comprehensive income for the year attributable to:			
Dover Harbour Board		5,275	4,729
Non-controlling interest		-	53
		5,275	4,782

The notes on pages 61 to 75 form part of the financial statements.

CONSOLIDATED AND BOARD STATEMENT OF FINANCIAL POSITION

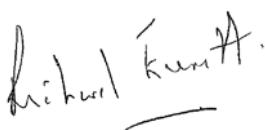
As at 31 December 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Board 2017 £'000	Board 2016 £'000
Fixed assets					
Tangible assets	10	232,216	158,501	231,907	157,667
Goodwill	9	726	777	-	-
Investments	11	-	-	2,250	2,250
		232,942	159,278	234,157	159,917
Current assets					
Stocks		573	826	570	820
Debtors	12	41,961	43,102	41,077	43,256
Investments	13	-	49,165	-	49,165
Cash at bank and in hand		3,869	5,124	3,188	4,814
		46,403	98,217	44,835	98,055
Creditors: amounts falling due within one year	14	(22,668)	(10,543)	(22,462)	(10,821)
Net current assets		23,735	87,674	22,373	87,234
Total assets less current liabilities		256,677	246,952	256,530	247,151
Creditors: amounts falling due after one year	15	(41,126)	(37,126)	(41,126)	(37,126)
Provision for liabilities	17	(4,508)	(4,541)	(4,508)	(4,628)
Net assets excluding pension liability		211,043	205,285	210,896	205,397
Pension liability	21	(11,235)	(10,752)	(11,235)	(10,752)
Net assets		199,808	194,533	199,661	194,645
Capital and reserves					
Profit and loss account		199,808	194,533	199,661	194,645
		199,808	194,533	199,661	194,645

The profit after tax of Dover Harbour Board for the year was £6,339,000 (2016: £10,205,000).

The notes on pages 61 to 75 form part of the financial statements.

The financial statements on pages 52 to 60 were approved by the Board on 24 April 2018 and signed on its behalf by:



R Everitt



S Pottage

CONSOLIDATED AND BOARD STATEMENT OF CHANGES IN RESERVES

As at 31 December 2017

	Notes	Group £'000	Non- controlling interest £'000	Total Group £'000	Board £'000
As at 1 January 2016		189,804	22	189,826	189,862
Profit for the financial year	8	10,151	53	10,204	10,205
Actuarial loss on pension scheme	21	(5,772)	-	(5,772)	(5,772)
Taxation in respect of other comprehensive income		350	-	350	350
Other comprehensive income for the year		(5,422)	-	(5,422)	(5,422)
Total comprehensive income for the year		4,729	53	4,782	4,783
Acquired from non-controlling interest on acquisition of shares		-	(75)	(75)	-
As at 31 December 2016		194,533	-	194,533	194,645
Profit for the financial year	8	6,598	-	6,598	6,339
Actuarial loss on pension scheme	21	(1,358)	-	(1,358)	(1,358)
Taxation in respect of other comprehensive income		35	-	35	35
Other comprehensive income for the year		(1,323)	-	(1,323)	(1,323)
Total comprehensive income for the year		5,275	-	5,275	5,016
As at 31 December 2017		199,808	-	199,808	199,661

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Notes	Total 2017 £'000	Total 2016 £'000
Cash flow from operating activities			
Profit for the financial period		6,598	10,204
Adjustments for:			
Depreciation and impairment charge	10	11,191	10,715
Goodwill amortisation	9	182	-
Profit on disposal of fixed assets	3	(20)	(44)
Net fair value gain recognised in profit and loss		-	(1,332)
Exchange loss		(133)	397
Net interest payable / (receivable)		56	(85)
Taxation expense	7	2,856	2,331
Additional pension contributions		(1,150)	(3,150)
Adjustment for defined benefit pension cost		275	(3,756)
Grant income		(401)	(273)
Stock decrease / (increase)		253	(76)
Debtors decrease		(3,225)	(122)
Creditors increase / (decrease)		11,272	(823)
Provision decrease	17	(17)	(17)
Cash from operations		27,737	13,969
Interest paid		(4)	(18)
Interest element of finance lease rental payment		(1)	(1)
Taxation paid		(1,982)	(2,475)
Net cash generated from operating activities		25,750	11,475
Cashflows from investing activities			
Acquisition of business operations	11	-	(2,250)
Purchase of tangible fixed assets	10	(84,997)	(13,016)
Proceeds from sale of tangible fixed assets		24	849
Interest received		224	437
Net cash from investing activities		(84,749)	(13,980)
Cash flows from financing activities			
Grants received		8,675	319
Receipts from private placement bond	16	-	55
Purchase of minority interest		(75)	-
Repayment of marine mortgage		-	(721)
Capital element of finance lease rental payments		(21)	(21)
Net cash from / (used in) financing activities		8,579	(368)
Net decrease in cash and cash equivalents		(50,420)	(2,873)
Cash and cash equivalents at beginning of year		54,289	57,162
Cash and cash equivalents at end of year		3,869	54,289
Cash and cash equivalents comprise:			
Cash at bank and in hand		3,869	54,289

STATEMENT OF ACCOUNTING POLICIES

Year ended 31 December 2017

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with FRS102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

GOING CONCERN

The Board meets its day-to-day working capital requirements through its bank facilities. The Board's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Board should be able to operate within the level of its current facilities. After making enquiries the Board has a reasonable expectation that Dover Harbour Board has adequate resources to continue in operational existence for the foreseeable future. The Dover Harbour Board continues to adopt the going concern basis in preparing its financial statements.

PARENT COMPANY DISCLOSURE

EXEMPTIONS

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the parent company.
- No disclosure has been given for the aggregate remuneration of the key management personnel (see note 22) of the parent company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

CONSOLIDATED ACCOUNTS

The consolidated financial statements present the results of Dover Harbour Board and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

TURNOVER

Turnover comprises the revenue value, exclusive of value added tax, of services provided to third parties in respect of shipping activity, port operations, and logistics together with income from property and sundry other revenue.

Revenue in respect of shipping activity, port operations and logistics is recognised when the service has been provided.

Rental income arising from operating leases is accounted for on a straight line basis.

Other revenue comprises other sundry amounts recognised on an accruals basis.

TANGIBLE FIXED ASSETS

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Nothing is included in respect of assets granted under the Charter of James I and subsequent Acts of Parliament. The amount does not and is not intended to represent the value of the Board's capital assets. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the part replaced is derecognised.

Items are categorised as work-in-progress until such time as the project is complete and can then be allocated across the other categories.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

DEPRECIATION

Land and work-in-progress are not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The maximum estimated useful lives range as follows:

– Buildings	- 50 years
– Wharves, quays, etc	- 30 years
– Ships and floating craft	- 25 years
– Site preparation and dredging	- 15 years
– Navigational aids	- 10 years
– Plant and machinery	- between 2 and 40 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

INVESTMENT PROPERTIES

Investment property is carried at fair value and reviewed annually, with an external valuation at least every three years.

The value of these properties has been determined by external valuers and derived from current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair values are recognised in profit or loss.

VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

IMPAIRMENT OF FIXED ASSETS

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less cost to sell and value in use. Non-financial assets that have previously been impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

GRANTS

Grants are accounted for under the accruals model as permitted by FRS102. Grants receivable in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the relevant assets to which they relate. Grants received but not yet released to the profit and loss account are included as deferred income in the balance sheet.

Grants of a revenue nature are recognised in the profit or loss in the same period as the related expenditure.

Certain EU grants are recognised in the balance sheet for the receivable as the lower of:

- a) the grant award percentage of the expected project costs multiplied by the exchange rate at the grant date (capped at the budget project costs on grant application multiplied by the exchange rate at the grant date) less amounts received to date (in euros) all divided by the exchange rate at the balance sheet date.
- b) The grant award percentage of the expected project costs multiplied by the current exchange rate (capped at budget project costs on grant application multiplied by the exchange rate at the grant date) less amounts received to date (in euros) all divided by the exchange rate at the balance sheet date.

STOCKS

Stocks, which comprise fuel, engineering spares and consumables, are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. At each reporting date stocks are assessed for impairment and any loss recognised immediately in the profit or loss.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into Sterling using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented on

profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

CURRENT ASSET INVESTMENTS

These short-term investments are recognised at market value and any unrealised gains or losses on the revaluation of the investment are recognised in profit or loss for the period.

CURRENT AND DEFERRED TAXATION

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Deferred tax balances are not recognised in respect of permanent differences.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

LEASED ASSETS: LESSOR

Incentive payments to new tenants to occupy the Group's investment properties are treated as a reduction in revenue and initially recorded as prepayments. The payments are charged to the profit or loss over the term of the lease. Where the prepayments relate to investment properties, the properties are carried at open fair value less the amount of the unamortised incentive.

However, the Group has taken advantage of the optional exemption available on transition to FRS102 which allows lease incentives on leases entered into before the date of transition to the standard (1 January 2014) to continue to be charged over the period to the first market rent review rather than the term of the lease.

All other leases are treated as operating leases. The annual rentals are charged to profit or loss on a straight line basis over the term of the lease.

LEASED ASSETS: LESSEE

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to profit or loss over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

All other leases are treated as operating leases. The annual rentals are charged to profit or loss on a straight line basis over the term of the lease.

PENSIONS

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the

Group's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the surplus is able to be recovered either through reduced contributions in the future or through refunds from the scheme.

Contributions to the Group's defined contribution scheme are charged to profit or loss in the year in which they become payable. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Board in independently administered funds.

HOLIDAY PAY ACCRUAL

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

PROVISIONS

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated into goodwill.

Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Board's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where it is not possible to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding five years (see note 9).

Goodwill in the balance sheet is amortised over five years.

BORROWING COSTS

All borrowing costs are recognised on profit or loss in the period in which they are incurred.

FINANCIAL INSTRUMENTS

The Board has chosen to adopt Section 11 of FRS102 in respect of financial instruments.

I. Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest rate method.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently

carried at fair value and the changes in fair value are recognised in profit or loss.

II. Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATING UNCERTAINTY

In preparing these financial statements, the Board has made the following judgements:

- Determine whether leases entered into by the group either as a lessor or lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

I. Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Investment properties are professionally valued using a yield method. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only be reliably tested in the market itself. Key inputs into the valuations were:

- Essential maintenance costs;
- Annual rent per square metre; and
- Capitalisation rate.

II. Defined benefit scheme

Details of the Group's defined benefit pension scheme are set out in note 21. At 31 December 2017, the retirement benefit liability recognised on the Group's balance sheet was £11,235,000 (2016: £10,752,000). The effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the differences between expected and actual returns on the schemes' assets are classified as actuarial gains and losses and are recognised in other comprehensive income. During 2017, the Group recognised net actuarial losses of £1,358,000 (2016: £5,772,000 loss).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

	Total 2017 £'000	Total 2016 £'000
1. Turnover		
Dues – Ships	20,676	20,094
– Goods	23,003	22,625
– Passengers	4,833	4,792
– Security	3,138	3,028
	51,650	50,539
Cargo handling	4,958	-
Cranes	-	391
Warehouse & Storage	-	266
Pilotage - Services	583	487
Pilotage – Exemption Certificates	14	16
Other Port Services	2,064	1,968
Estates & Other Income	5,933	6,111
Total turnover	65,202	59,778
2. Net operating costs		
Operations	31,031	26,217
Maintenance	11,141	9,665
Dredging	289	326
Pilotage	895	778
Administration and other general expenditures	12,046	11,147
Other operating (income)/expenditure	(421)	228
Gains from changes in fair value of investment property	-	(1,332)
Total Operating Costs	54,981	47,029

	Note	Total 2017 £'000	Total 2016 £'000
3. Operating profit			
This is arrived at after charging / crediting:			
Auditors' remuneration			
- Audit of group financial statements		52	51
- Audit of subsidiary financial statements		19	5
- Other services		35	30
Exchange rate differences		(136)	546
Non-domestic rates		2,788	2,870
Hire of plant & machinery – operating leases		59	13
Profit on disposal of fixed assets		(20)	(44)
Charge for historical cost depreciation			
- Tangible fixed assets	10	11,191	10,395
- Impairments	10	-	320
Charge for amortisation of goodwill	9	182	-
Grants		(401)	(273)
Defined contribution pension scheme		2,446	1,644
Defined benefit pension scheme	21	-	(3,050)

	Note	Total 2017 £'000	Total 2016 £'000
4. Interest Payable and Similar Charges			
Marine mortgage		-	13
Finance charges in respect of finance leases		1	1
Other loans		3	4
Other		1	1
		5	19

	Note	Total 2017 £'000	Total 2016 £'000
5. Other Finance Costs			
Cost of finance		708	471
Net interest on net defined benefit liability		275	333
Exchange losses / (gains)		3	(149)
		986	655

6. Employees	Group	Group	Board	Board
	Total	Total	Total	Total
	2017	2016	2017	2016
Staff costs (including remuneration to the Board members) were:				
Wages & salaries	14,956	13,301	12,180	12,398
Social security costs	1,658	1,429	1,391	1,327
Defined benefit pension costs	-	955	-	955
Defined contribution pension costs	2,475	1,644	2,396	1,609
	19,089	17,329	15,967	16,289

The average weekly number of persons (including Board members) employed by the Group on a continuing basis during the year was:

Operational & maintenance staff	252	199	193	199
Administrative & IT staff	141	130	107	111
	393	329	300	310

Details of Board members remuneration can be found on page 39 of this report.

Pension entitlement

The highest paid executive member, Mr T Waggott, participates in the Board's defined benefits pension scheme. The accrued pension to which he would be entitled from the normal retirement date was £24,948 at 31 December 2017 (2016: £24,319). No pension contributions were made in respect of the non-executive Board members and no pension benefits accrue to them.

	Total 2017 £'000	Total 2016 £'000
7. Taxation		
(a) Analysis of charge in period		
<i>UK corporation tax:</i>		
Current tax on profits for the year	3,063	2,076
Adjustment in respect of prior years	(9)	(70)
Total current tax	3,054	2,006
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(179)	603
Adjustment in respect of prior year	(19)	(24)
Effect of decreased tax rate on opening balances	-	(254)
Total deferred tax	(198)	325
Tax on profit on ordinary activities	2,856	2,331
(b) Factors affecting tax charge for the period		
The tax assessed for the year is different than the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:		
Profit on ordinary activities before tax	9,454	12,535
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,820	2,507
Effects of:		
Expenses not deductible for tax purposes	1,040	287
Effect of decreased tax rate on opening balances	-	(254)
Re-measurement of deferred tax – change in UK rate	24	(115)
Adjustment in respect of prior years	(28)	(94)
	2,856	2,331

The aggregate current and deferred tax relating to items recognised in other comprehensive income is a credit of £35,000 (2016: credit £325,000)

For further information on deferred tax balances see note 18.

8. Parent company profit for the year

Dover Harbour Board has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of Dover Harbour Board for the year was £6,339,000 (2016: £10,205,000).

9. Fixed Assets – Goodwill Group	Total £'000
Cost or valuation	
At 1 January 2017	777
Amendment to goodwill recognised in the prior year (note 11)	131
At 31 December 2017	908
Amortisation	
At 1 January 2017	-
Charge for the period	182
At 31 December 2017	182
Net Book Value	
At 31 December 2017	726
At 31 December 2016	777

	Group					
	Investment Property £'000	Freehold Land & Buildings £'000	Floating Craft £'000	Plant & Equipment £'000	Capital Work in Progress £'000	Total £'000
10. Fixed assets – tangible assets						
Cost or valuation						
At 1 January 2017	8,015	204,802	12,158	114,583	22,622	362,180
Additions	-	318	27	1,874	82,778	84,997
Acquisition of business assets	-	-	-	(86)	-	(86)
Transfers	-	4,501	-	1,725	(6,226)	-
Disposals	-	(54)	-	(2,140)	-	(2,194)
Revaluations						
At 31 December 2017	8,015	209,567	12,185	115,956	99,174	444,897
Depreciation						
At 1 January 2017	-	132,218	6,903	64,558	-	203,679
Charge for the period	-	5,328	278	5,585	-	11,191
Impairments	-	-	-	-	-	-
Disposals	-	(54)	-	(2,135)	-	(2,189)
At 31 December 2017	-	137,492	7,181	68,008	-	212,681
Net Book Value						
At 31 December 2017	8,015	72,075	5,004	47,948	99,174	232,216
At 31 December 2016	8,015	72,584	5,255	50,025	22,622	158,501

Included in the total net book value within plant and equipment is £674,322 (2016: £793,411) in respect of assets held under finance leases. Depreciation for the year on these assets was £119,346 (2016: £119,346).

The impairment loss recognised on tangible fixed assets in the year was £nil (2016: £320,000). It arose in 2016 as a result of writing down tangible fixed assets which were no longer in use and were then planned to be, and subsequently have been, demolished.

The Group's investment properties are valued annually at fair value. The valuations as at 31 December 2016 were undertaken by an independent, professionally qualified valuer. These valuations were externally reviewed in 2017 following an updated assessment by management of the future maintenance costs applicable to each property. This resulted in no change to the carrying value of the properties. The valuations have been prepared in accordance with the RICS Valuation Global Standards 2017. (the "Red Book"). The surplus on revaluation of investment properties arising of £nil (company £nil) has been credited to the profit and loss account for the year. All other tangible assets are stated at historical cost.

If investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	Group and Board	
	2017	2016
	£'000	£'000
Historic cost	8,426	8,426
Accumulated depreciation and impairments	(4,788)	(4,712)
	3,638	3,714

	Board					Total £'000
	Investment Property £'000	Freehold Land & Buildings £'000	Floating Craft £'000	Plant & Equipment £'000	Capital Work in Progress £'000	
10. Fixed assets – tangible assets (continued)						
Cost or valuation						
At 1 January 2017	8,015	204,802	12,158	113,375	22,996	361,346
Additions	-	318	27	1,874	82,778	84,997
Transfers	-	4,501	-	1,725	(6,226)	-
Disposals	-	(54)	-	(2,139)	-	(2,193)
Revaluations						
At 31 December 2017	8,015	209,567	12,185	114,835	99,548	444,150
Depreciation						
At 1 January 2017	-	132,218	6,903	64,558	-	203,679
Charge for the period	-	5,328	278	5,147	-	10,753
Impairments	-	-	-	-	-	-
Disposals	-	(54)	-	(2,135)	-	(2,189)
At 31 December 2017	-	137,492	7,181	67,570	-	212,243
Net Book Value						
At 31 December 2017	8,015	72,075	5,004	47,265	99,548	231,907
At 31 December 2016	8,015	72,584	5,255	48,817	22,996	157,667

Included in the total net book value within plant and equipment is £674,322 (2016: £793,411) in respect of assets held under finance leases. Depreciation for the year on these assets was £119,346 (2016: £119,346).

11. Fixed asset investments

Dover Harbour Board owns 100% of the Group undertakings. The cost at the beginning and the end of the year was £2,250,105. There were no additions, disposals or movements in the fair value in the year.

The undertakings (all of which are incorporated in England and Wales and registered at Harbour House, Marine Parade, Dover, CT17 9BU) in which the Group's interest at the year end of the year are 20% or more are as follows:

Company	Business	Proportion of voting rights and ordinary share capital held
Port of Dover Cargo Limited	Cargo handling	100%
Dover Waterfront Limited	Holding company	100%
Dover Western Docks Limited	Dormant	100%
Dover Developments Limited*	Project management services	100%
Port of Dover Limited	Dormant	100%
Port of Dover Consultancy Services Limited	Dormant	100%
DCL Kent Limited	Dormant	100%

*Dover Developments Limited is a wholly owned subsidiary of Dover Waterfront Limited

Port of Dover Cargo Limited

On 30 December 2016 Port of Dover Cargo Limited acquired the trade and assets of the cargo handling business of George Hammond PLC.

The consideration for this was £2,250,000 cash together with the forgiveness of a £300,000 debt owed from Dover Harbour Board to George Hammond PLC.

During the year the carrying value of the assets acquired and liabilities assumed were reassessed resulting in a revision to the opening fair value of the net assets acquired.

Recognised amounts of identifiable assets acquired and liabilities assumed.

	Original value £'000	Revised value £'000
Tangible fixed assets	1,208	1,122
Stock	6	6
Deferred tax assets	34	34
Accruals	(75)	(120)
Total identified net assets	1,173	1,042
Goodwill acquired	777	908
	1,950	1,950

12. Debtors	Group	Group	Board	Board
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	7,900	7,318	7,238	7,318
Amounts owed by group undertakings	-	-	202	15
Other debtors	6,628	4,373	6,549	4,512
Prepayments and accrued income	3,242	2,933	3,033	2,933
	17,770	14,624	17,022	14,778
Amounts falling due after one year:				
Other debtors	22,145	26,650	22,145	26,650
Deferred tax asset (note 18)	2,046	1,828	1,910	1,828
	24,191	28,478	24,055	28,478
	41,961	43,102	41,077	43,256

Amounts owed by group undertakings are unsecured, have no fixed date for repayment and are repayable on demand.

Included within other debtors are the following amounts in respect of grants receivable.

	Group and Board	
	2017	2016
	£'000	£'000
EU BRIDGE Grant	-	3,409
EU DWDR Motorways of the Sea Grant	12,129	12,125
EU DWDR Objective 1 Grant	14,016	14,916
South East LEP Local Growth Fund Grant	273	-

The deferred tax asset recognised in respect of the defined benefits pension scheme will reverse over the life of the scheme subject to changes in valuations of the defined benefit obligations and plan assets.

The impairment loss recognised in the group and Board profit or loss for the period in respect of bad and doubtful trade debtors was £7,257 (2016: £69,498).

13. Current asset investments	Group and Board	
	Market value £'000	Book value £'000
Value at 1 January 2017	49,165	49,022
Sales	(49,380)	(49,237)
Interest reinvested	215	215
Value at 31 December 2017	-	-

	Group	Group	Board	Board
	2017	2016	2017	2016
14. Creditors: amounts falling due within one year	£'000	£'000	£'000	£'000
Obligations under finance leases	9	21	9	21
Amounts owed to group undertakings	-	-	427	300
Trade creditors	3,018	2,533	2,903	2,803
Taxation & social security payable	2,108	557	1,787	459
Accruals and deferred income	17,325	7,223	17,136	7,029
Other	208	209	200	209
	22,668	10,543	22,462	10,821

Amounts owed to group undertakings are unsecured, interest free, have no fixed date for repayment and are repayable on demand.

An amount of £4,141,000 has been reclassified from trade creditors to accruals and deferred income in the prior year at both Group and Board level to more appropriately reflect the timing of invoices received. Total creditors due within one year for 2016 remains unchanged.

	Group and Board	
	2017	2016
15. Creditors: amounts falling due after one year	£'000	£'000
Private placement bond	55	55
Obligations under finance lease	-	9
Deferred income	41,071	37,062
	41,126	37,126

Deferred income relates to grants which will be released to the consolidated income statement to match the costs for which the grants were awarded.

	Group and Board	
	2017	2016
16. Loans and other borrowings	£'000	£'000
Private placement bond	55	55
Obligations under finance lease	9	30
	64	85

The Board's financing facilities consist of short, medium and long term debt and are made up as follows:

Private Placement Bond

Allianz Global Investors have provided a 30 year, £55 million 3.63%, senior, fully amortising note facility with final payment due in 2046. The notes will be drawn in three tranches. The first tranche of £55,000 was drawn in December 2016. Interest is payable semi-annually in arrears.

Tranche	Amount £'000	Drawdown Date	Fixed Interest Rate	Capital Repayment Commences
1	55	December 2016	3.63%	December 2020
2	24,495	January 2018	3.63%	December 2020
3	30,000	June 2018	3.63%	December 2020

Senior Loans

The European Investment Bank (EIB) have provided a 20 year, £75 million facility. This fully amortising facility will be drawn in three equal tranches. A non-utilisation fee is payable quarterly at 0.2% per annum. Interest is payable semi-annually in arrears. The final payment is due in December 2036.

Tranche	Amount £'000	Drawdown Date	Fixed Interest Rate	Capital Repayment Commences
1	25,000	September 2018	2.743%	December 2020
2	25,000	December 2018	2.776%	December 2020
3	25,000	March 2019	2.806%	December 2020

Revolving Credit Facility

A revolving credit facility of £90 million was signed on 16 May 2016 provided by Lloyds Bank plc and National Westminster Bank. This was reduced to £70 million on financial close of the term facilities. This facility will provide working capital and liquidity over the construction phase of the DWDR project. Interest is charged at LIBOR plus the margin. The margin is 1.05% in year 1, 1.15% in years 2 to 5 and 1.35% in years 6 and 7. A commitment fee of 35% of the margin is charged on the undrawn amount. The facility has a 5+1+1 term from the date of signing. A request to extend the termination date of the facility by one year was agreed by the lenders in May 2017 and the second extension request will be submitted in May 2018 seeking to extend the facility termination date from 2022 to 2023.

Common Terms

All the above facilities fall under a Common Terms Agreement. All the debt under the Common Terms Agreement rank pari passu and are secured by guarantees from certain group companies and by fixed and floating charge over all assets other than certain non-operational seafront properties (investment properties).

Finance Leases		2017 £'000	2016 £'000
The maturity of obligations in respect of finance leases, net of future charges, is as follows:			
Within one year		9	21
In the second to fifth years		-	9
		9	30

17. Provision for liabilities	Group		
	Pilots' National Pension Fund £'000	Deferred Tax (Note 18) £'000	Total £'000
At 1 January 2017	243	4,298	4,541
Credit to profit and loss account	(17)	(16)	(33)
At 31 December 2017	226	4,282	4,508

	Board		
	Pilots' National Pension Fund £'000	Deferred Tax (Note 18) £'000	Total £'000
At 1 January 2017	243	4,385	4,628
Credit to profit and loss account	(17)	(103)	(120)
At 31 December 2017	226	4,282	4,508

The shortfall in funding on the Pilots' National Pension Fund (PNPF) has been communicated to all Participating Bodies and the amount identified as being attributable to Dover Harbour Board has been provided in full. The payment of deficit contributions against this shortfall is to be spread over 16 years and commenced in 2013.

	Group	
	2017 £'000	2016 £'000
18. Deferred taxation		
Deferred tax liabilities		
Accelerated capital allowances	3,736	3,758
Other short-term timing differences	546	(83)
Deferred tax on revaluation of investment properties	-	623
	4,282	4,298
Deferred tax assets		
Defined benefit pension scheme	1,910	1,828
Accelerated capital allowances	136	-
	2,046	1,828

	Board	
	2017 £'000	2016 £'000
Deferred tax liabilities		
Accelerated capital allowances	3,736	3,845
Other short term timing differences	546	(83)
Deferred tax on revaluation of investment properties	-	623
	4,282	4,385
Deferred tax assets		
Defined benefit pension scheme	1,910	1,828
	1,910	1,828

The net reversal of deferred tax assets and liabilities expected in 2018 is £246,000. This is expected to arise because the capital allowances available are anticipated to be lower than depreciation. However, it should be noted that further reversals (or future increases in deferred tax balances) may arise as a result of revaluations of investment property, financial instruments and changes in the defined benefit pension liability. As the future deferred tax balances, if any, will be dependent on future changes in fair values of assets and liabilities, it is not possible to estimate any future reversals.

	Group and Board	
	2017 £'000	2016 £'000
19. Commitments		
a) Capital commitments		
Capital expenditure which has been contracted for but which has not been provided for in the accounts	49,807	117,637
Capital expenditure which has been authorised by the Board but has not been contracted for	82,792	87,753
(b) Commitments under operating leases		
The Group and Board had minimum lease payments under non-cancellable operating leases as set out below:		
Not later than one year	56	23
Later than one year and not later than five	-	-
	56	23

20. Contingent liabilities – Group and Board

The Board has given a performance guarantee to Highways England Company Limited in order to construct and complete the A20 roadworks. The amount guaranteed is £340,000 (2016: £340,000).

21. Pensions – Group and Board

Dover Harbour Board operated a defined benefit pension scheme that closed to future accrual on 31 May 2016. This has been replaced with a defined contribution pension scheme operating in the UK.

The defined benefit scheme is established under an irrevocable deed of trust. The deed determines the appointment of the trustees to the fund. The trustees of the fund are required to act in the best interest of the beneficiaries. Pension benefits depend on age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 December 2014. Contributions to the scheme are made by the Board based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees.

There were no amounts owed to the scheme at the year end.

	2017 £'000	2016 £'000
Defined Benefit Scheme		
Reconciliation of present value of plan liabilities		
Benefit obligation at beginning of the year	213,461	182,881
Current service cost	-	955
Interest cost	5,650	6,618
Plan participants' contributions	-	226
Actuarial losses	8,108	35,298
Curtailments	-	(4,005)
Benefits paid	(8,429)	(8,512)
At the end of the year	218,790	213,461
Composition of plan liabilities		
Plans that are wholly or partly funded	218,790	213,461
Reconciliation of present value of plan assets		
Fair value of plan assets at start of the year	202,709	171,328
Interest income on scheme assets	5,375	6,285
Return on assets excluding interest income	6,750	29,526
Employer contributions	1,150	3,856
Member contributions	-	226
Benefits paid	(8,429)	(8,512)
At the end of the year	207,555	202,709
Net pension scheme liability	11,235	10,752

21. Pensions – Group and Board (continued)	2017 £'000	2016 £'000
Amounts recognised in the profit and loss account are as follows:		
Included in cost of sales and administrative expenses		
Service cost including current service costs, past service costs and settlements (note 6)	-	955
Curtailments	-	(4,005)
	-	(3,050)
Amounts included in other finance costs		
Net interest on the net defined pension liability	275	333
Analysis of loss recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	(6,750)	(29,526)
Experience losses arising on the scheme liabilities	8,108	35,298
	1,358	5,772
Actual return on plan assets	12,125	35,811
Composition of plan assets		
The weighted average asset allocation at the year end were as follows:		
Equities	9%	16%
Structured equity	18%	10%
Bonds	47%	54%
Property	5%	4%
Dynamic asset allocation	15%	14%
Swaps	-2%	-3%
Other	8%	5%
	100%	100%
Principal actuarial assumptions used at the balance sheet date		
Discount rate	2.50%	2.70%
Rate of compensation increase	N/A	N/A
Post 2006 increase	2.50%	2.50%
Rate of increase of pensions in deferment	2.30%	2.20%
Inflation (RPI)	3.30%	3.20%
Inflation (CPI)	2.30%	2.20%
Cash commutation	20% of pension	20% of pension

21. Pensions – Group and Board (continued)	2017	2016
Principal actuarial assumptions used at the balance sheet date (continued)		
The mortality assumption uses the table S1PA ("SAPS") adjusted by 97% for males and 95% for females with improvements from 2006 using the CMI 2015 projection model with a long-term rate of improvement of 1% per annum.		
Mortality rates		
– For a man aged 65 now	21.3	21.3
– At 65 for a man aged 45 now	22.4	23.9
– For a female aged 65 now	23.7	22.6
– At 65 for a female aged 45 now	25.0	25.4
	2017	2016
	£'000	£'000
Sensitivity analysis		
Discount rate increases by 0.25%	(9,200)	(9,000)
Rate of inflation (RPI, CPI and associated terms) increases by 0.25%	4,600	4,500
Increase in life expectancy at age 65 by 1 year	9,700	9,000

Defined Contribution Scheme

The Board contributes to a defined contribution scheme for which the amount recognised as an expense in the profit and loss account was £2,332,000 (2016: £1,609,000). An amount of £195,348 was owed to the scheme at the year end. Port of Dover Cargo Limited also contributes to a separate defined contribution pension scheme for which the amount recognised as an expense in the profit and loss account was £34,416 (2016: £nil). An amount of £4,138 was owed to the scheme at the end of the year (2016: £nil). Dover Developments Limited also contributes to a separate defined contribution pension scheme for which the amount recognised as an expense in the profit and loss account was £44,371 (2016: £34,523). An amount of £4,429 was owed to the scheme at the end of the year (2016: £3,866).

22. Related Party Transactions

The ultimate controlling party of the group is Dover Harbour Board. Key management personnel are considered to be the executive members identified on pages 42 to 43 as they have the authority and responsibility for planning, directing and controlling the activities of the group. Details of their compensation are set out on page 39.

Sales of £1,399,841 (2016: £1,710,856) were made to Dover Harbour Board by Dover Developments Limited during the period. At the end of the year £419,440 (2016: £269,912) was owed by Dover Harbour Board to Dover Developments Limited. All transactions were conducted on an arm's length basis on normal trading terms.

Sales of £1,290,506 (2016: £nil) were made by Dover Harbour Board to Port of Dover Cargo Limited during the period. Sales of £100,337 (2016: £nil) were made to Dover Harbour Board by Port of Dover Cargo Limited. At the end of the year £112,544 (2016: £nil) was owed to Dover Harbour Board and £8,498 (2016: £nil) was owed to Port of Dover Cargo Limited. All transactions were conducted on an arm's length basis on normal trading terms.

The loan of £89,800 (2016: £89,800) previously made to Dover Waterfront Limited remains outstanding at the year end.

SUMMARY STATISTICS

Year ended 31 December 2017

Summary of Five Year Financial Results	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Turnover	65,202	59,778	59,817	60,637	59,141
Net operating costs	(54,981)	(47,029)	(55,360)	(58,361)	(50,501)
Operating profit	10,221	12,749	4,457	2,276	8,640
Analysed as:					
Headline EBITDA	23,771	23,493	24,608	24,329	22,734
Depreciation and amortisation	(11,373)	(10,395)	(9,848)	(9,980)	(10,568)
Headline operating profit	12,398	13,098	14,760	14,349	12,166
Exceptional maintenance	(2,734)	(3,263)	(6,984)	(13,165)	(2,909)
Adjustment for defined benefit pension cost	-	3,756	(1,079)	(623)	(596)
Exchange gains / (losses)	136	(546)	(434)	-	-
Profit / (loss) on disposal of fixed assets	20	44	(1,087)	356	(21)
Asset impairments	-	(320)	(1,231)	-	-
Gain from changes in fair value of investment property	-	1,332	15	-	-
Professional fees incurred in respect of financing	-	(1,625)	-	-	-
Other operating income	401	273	497	1,359	-
Operating Profit	10,221	12,749	4,457	2,276	8,640
Interest payable and similar charges	(5)	(19)	(52)	(95)	(134)
Income from current asset investments	224	437	438	398	694
Changes in fair value of investments	-	23	(48)	120	-
Other finance costs	(986)	(655)	(650)	(585)	781
Profit on ordinary activities before taxation	9,454	12,535	4,145	2,114	9,981
Tax on profit on ordinary activities	(2,856)	(2,331)	(2,265)	(2,162)	(4,857)
Profit for the financial year	6,598	10,204	1,880	(48)	5,124

Summary of Five Year Traffic Statistics	Passengers	Coaches	Other tourist vehicles	Commercial road haulage vehicles	Vessels entering the Port
2017	11,413,979	79,638	2,180,611	2,601,162	17,786
2016	12,204,707	87,023	2,179,331	2,591,286	17,731
2015	13,190,117	96,592	2,335,531	2,539,918	16,869
2014	13,481,599	96,576	2,456,817	2,421,537	18,669
2013	13,004,077	90,478	2,471,193	2,206,728	19,441

This page does not form part of the audited financial statements.
2013 has not been restated for FRS102.



Some images courtesy of Matman Photography and Nigel Scutt



PORT OF DOVER
Harbour House, Dover, Kent CT17 9BU
T: +44 (0)1304 240400
F: +44 (0)1304 240465
E: communications@doverport.co.uk
www.doverport.co.uk