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Annual Report and Accounts

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Members

Chairman

R Danes (appointed 26 April 2004)
B Wheeler (retired 26 April 2004)

Deputy Chairman

R Danes (to 26 April 2004)
D Scard (appointed 26 April 2004)

Members

B Blundell (reappointed with effect from 21 June 2004)
R Carden (reappointed with effect from 21 June 2004)
D Copeman (appointed with effect from 21 June 2004)
P Hawkes (retired 20 June 2004)
J MacDonald
R Neal OBE (appointed with effect from 21 June 2004)
N Parkin (retired 20 June 2004)
J Rodway (appointed with effect from 21 June 2004)
S Savill
D Scard

The above Members are appointed in accordance with the Shoreham Port Authority Harbour Revision (Constitution) Order 2004.

Principal Officers and Professional Advisors

Chief Executive

R J Johnstone

Port Engineer

A J Vaughan

Harbour Master

Captain C F G Crookshank

Secretary/Finance Director

T P Waggott

Solicitors

Griffith Smith
Brachers

Auditors

Grant Thornton UK LLP

Bankers

Lloyds TSB Plc

Harbour Office, Southwick, Brighton, Sussex BN42 4ED

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Chief Executive's Review

Port Traffic

At 1.69 million tonnes, total port traffic was approximately 2% lower than 2003.

Whilst volumes of imported aggregates were higher than those seen in the recent past, imports of oil, timber and steel, together with cereal exports, were all lower than those achieved in 2003.

The prospects for bulk and aggregates traffic appear to be good, with RMC Limited now making use of their coated roadstone facility and with a new facility opened to accept ash and pumice for the construction of lightweight concrete blocks by Tarmac Topblock Limited.

Timber volumes remain uncertain. 2004 saw a number of major customers reassess their supply chain solutions following the particularly poor winter conditions experienced during 2003 in Scandinavia and the Baltic. One significant customer chose to permanently relocate their softwood carcassing imports to a competitor port for purely geographical reasons, and with other customers reducing stocks through the year in line with industry trends timber volumes were at their lowest levels for some years.

Oil volumes, which had been fairly impressive in 2003, returned to be more in line with historical trends, whilst steel volumes, although better than budget expectations, were lower than for the previous year due to the absence of major pipeline contracts in the geographical area served by Shoreham Port.

Cereal exports were less than 2003 and substantially below expectations, largely due to the inclement weather experienced in the UK during the harvest season. This led to much of the grain traditionally exported from the Port being absorbed into the domestic market.

Sussex Port Forwarding Limited continued to service a wide range of customers during the year and added to their portfolio by securing a contract for the importation of brick cargoes and a general cargo export service to the Channel Islands. They also continued to perform the loading of the lifeline cargo service to the Falkland Islands and handled the discharge, storage and onward distribution of wool exports from the South Atlantic.

The dry dock facilities continued to receive regular use and we were successful in expanding our range of ancillary marine services, providing bed-levelling services in other harbours and towage services by the port tug *Adurni*.

Financial Results and Cash Flow

Group turnover fell 3% to stand below £7.2 million whilst total operating expenditure remained fairly stable, and therefore a small operating loss was incurred.

This result does, however, mask the strong underlying operational cash generative nature of the business, which remains sound. The decision was taken during the year to substantially increase the historical cost depreciation charge incurred on certain plant and machinery, and but for this change profits would have been close to those achieved in 2003.

Cash flow during the year was broadly in line with expectations. In the absence of anticipated major investment in the proposed peat and bark handling facility at Fishersgate Terminal, the decision was taken to repay our medium-term debt to save interest costs. The unexpired loan facility has been retained to fund future developments in 2005 and 2006.

Close control of working capital remains a key performance target for port management, and additional steps are being taken to improve this still further in 2005 and beyond to ensure sufficient funding for our substantial infrastructural responsibilities.

Capital Projects, Port Developments, Property and Maintenance

The construction of a new quay wall, new marina facilities and a reclamation area in the Lady Bee Marina was completed. The reclaimed area will provide a site for the first phase of a major development project on the North Canal Bank. Outline planning consent has been sought for the subsequent stages.

On Fishersgate Terminal the development of a major peat and bark handling and processing facility was frustrated by government refusal to finalise the anticipated Freight Facilities Grant.

A new bulk handling facility for ash and pumice cargoes was completed on the south side of the canal. The facility, which incorporates 6.0 metre high bund walls and a dust suppression system, was ready in good time for the first vessel in October 2004.

In addition to our regular maintenance work, dredging and shingle bypassing operation, a substantial contract was awarded to upgrade the Prince Philip lock control system. This will be completed by mid-2005.

The property portfolio remained fully let, despite a higher than average turnover of tenants in the early part of the year.

Letting enquiries remain high, particularly in respect of the starter units at Hove Enterprise Centre.

Proactive estate management policies have safeguarded the interests of the Port in a number of situations. However, the pressure on operational land remains, particularly in the river where land ownerships are fragmented, and Sussex Wharf has now gone out of port use, despite our endeavours to prevent this occurring.

Whilst it is disappointing that the Shoreham Maritime concept has stalled due to the lack of consensus of our partners on the progression of the road link, which remains a necessary pre-requisite to realising the Vision, the Port Authority has been active in progressing proposals for regeneration of the North Canal Bank.

An outline planning application in relation to this scheme, known as Lady Bee Canalside Village, was submitted to Adur District Council in October.

This proposal provides a development mix of commercial, boating and leisure uses, including rearranged marina facilities for 300 boats, dry boat storage, a colonnaded courtyard containing café and restaurant uses and high quality commercial/industrial floor space within a number of proposed new buildings.

Following campaigns in the spring and autumn, maximum harbour depth was reinstated and maintained by a continuous in-house bed-levelling regime.

The quantities of material dredged during the year were as follows:

	2004 cu.m	2003 cu.m
Entrance/Eastern Arm	20,367	46,948
Approaches	18,525	9,135
Western Arm	6,762	9,551
	<u>45,654</u>	<u>65,634</u>

Pilotage

During the year 1,058 acts of pilotage were undertaken by five pilot co-ordinators. 64% of all commercial vessels using the Port were piloted.

Strategy and Marketing

Significant effort went into the development of a new corporate identity which was launched during the first half of 2004 in time for our first Public Open Meeting held in July.

This positive change of image, encompassing the wider range of corporate literature and marketing collateral, is supported by a vastly improved interactive website which provides customers with access to stock records and vessel movements, as well as enquiry facilities, regular news items and the ability to directly contact senior port officials.

In addition to our reference material, we continue to adopt an extremely proactive approach to marketing Shoreham Port. We participate as active members of both the British Ports Association (BPA) and the Timber Trades Federation, attending industry events and hosting meetings and conferences. Shoreham Port will be hosting the annual BPA Conference in October 2005, which will be held at The Thistle Hotel, Brighton.

Senior members of the Port's Management Team made strategic visits to Sweden, Finland, Denmark, Latvia and Estonia during the year, the latter two locations being visited as part of a Trade Mission organised by the Department of Trade and Industry's UK Trade Investment team. Close contact is also maintained with all UK-based clients.

Our strategy remains to consolidate our position as the port of first choice for existing and potential customers. We aim to expand into new markets and increase our market share in those where we already play a significant role.

Awareness of the Port, both within the local community and the business world, has clearly increased over the last twelve months. The seeds have been sown for medium-term volume growth and we are optimistic for the future based on the levels of enquiries that we are now receiving.

Health and Safety

Health and safety at work continues to receive a high priority from both line management and the Board. A duly appointed Safety Committee meets regularly and is attended by a Board Member with designated health and safety responsibility.

Regular safety inspections continued to be programmed throughout the year, reinforcing our risk assessment and safety management systems.

Corporate Governance

Our new Harbour Revision Order adopting the requirements and recommendations of the Trust Ports Review came into force in June 2004.

Five Members were appointed for a three-year term with effect from the date of the new constitution, and the standing committees were restructured accordingly.

The Harbour Revision Order also significantly increased our borrowing capabilities to a level where we feel comfortable to pursue future developments of some substance.

In line with our stated objectives we were pleased to establish and hold the first meetings of our Port Users Group and Local Authority Liaison Committee, both of which will play a pivotal role in our management of stakeholder relationships.

We also held a successful Port Open Day on a wet Sunday in July, where members of the public and customers of the Port were able to congregate and participate in a variety of activities representative of the wide range associated with Shoreham Port.

Our first Public Open Meeting held on 13 July 2004 was a great success, with stakeholders able to receive a presentation on our results and future plans before questioning Port Officers on a number of wide-ranging issues in what at times was a lively debate.

We remain committed to being open and accountable and have already set a date for our next Public Meeting, which will be held at the Southwick Community Centre on 4 July 2005.

I wrote last year that we would measure our performance against pre-determined business objectives, which will be covered in detail in our fuller performance review of 2004. In the main, we were successful in achieving or taking substantial steps towards meeting our objectives. However, we were unfortunately thwarted in our goal of securing a lease of the Fishersgate Terminal and we will therefore continue to strategically market this area to a number of potential users.

Personnel

The average number of employees during the year was 82 (84 in 2003). During the year there were two joiners and six leavers. At the year end there were 79 employees and three new employees commenced at the start of January 2005.

Communication with employees continued to be conducted via both line management and the Works Council. The Works Council is attended by elected employee representatives, senior management and a Board Member and it met regularly throughout the year.

Thanks go to all employees for their hard work in making 2004 another successful year, and particularly to all those who participated in planning the Port Open Day and working hard on the day itself to make it successful.

Rod Johnstone

Chief Executive
21 March 2005

Report of the Members

The Members submit their Report and the Financial Statements for the year ended 31 December 2004.

Activities and Business Review

The principal activities are the maintenance and improvement of the Port, provision of port services and the management of property in the Port.

A review of the Authority's business is included in the Chief Executive's Report.

Results	£000
(Loss) for the year before taxation	(103)
Taxation charge	(181)
Net loss after taxation deducted from retained profit	<u>(284)</u>

Fixed Assets

A review of the fixed assets additions is included in the Chief Executive's Report.

Investments

The Authority has three wholly owned subsidiaries: Shoreham Port Developments and Investments Limited, which is an investment holding company, Sussex Port Forwarding Limited (SPF) whose principal activities are stevedoring and freight forwarding, and The Port of Shoreham Trustee Company Limited whose principal activity is as corporate trustee to The Port of Shoreham Retirement and Death Benefit Scheme.

Payment policy and practice

It is the Authority's policy to pay all suppliers within their agreed credit terms.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Grant Thornton UK LLP offer themselves for reappointment as auditors and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

Members

The Members of the Authority who served during 2004 are shown on page 1. Following the passing of the Shoreham Port Authority Harbour Revision (Constitution) Order 2004, the appointments of Ms P Hawkes, Mr N Parkin and the outgoing Chairman, Mr B Wheeler, came to an end.

The passing of the amendment to the Constitution heralded a new era for the Port, with five members being appointed through an open, accountable and transparent process in accordance with the Department of Transport's *Trust Ports Review: Guidelines for Good Governance*.

Whilst welcoming the changes to the Constitution, we were naturally disappointed to lose the services of three individuals who together had provided 35 years' service to Shoreham Port. We wish our former colleagues well for the future and record our sincerest thanks for their significant contribution to the organisation.

Members' responsibilities for the Financial Statements

It is the responsibility of the Members to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Authority and the profit or loss of the Authority for that period. In preparing those Financial Statements, the Members are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business;
- prepare the Members' Report and the other information in the Annual Report.

The Members are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority, and to enable them to ensure that the Financial Statements comply with the Harbours Act 1964 as amended by the Transport Act 1981. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on Corporate Governance

The Board of Shoreham Port Authority is committed to operating a system of corporate governance that follows the principles laid out in the Combined Code.

Following the making of the Shoreham Port Authority Harbour Revision (Constitution) Order 2004, all Board Members are appointed via an openly advertised process and are required to have special knowledge, experience or ability in a number and complementary range of matters relevant to the efficient, effective and economic discharge by the Authority of its functions.

Audit Committee

The Audit Committee comprises three non-executive Members of the Board and is chaired by James MacDonald. It reviews the Annual Report and Financial Statements prior to submission to the Board. The terms of reference of the Committee include reviewing the scope and results of the external audit to ensure an appropriate control environment, reviewing any major business risks and generally overseeing risk management within Shoreham Port to ensure that the risk management policy is effective and consistent with the Board's policy towards risk. The Committee also meets to provide detailed consideration of budgets prior to their submission to the full Board. The Committee meets not less than three times a year. The Chief Executive and Finance Director are invited to attend, as are the external auditors as and when required.

Remuneration Committee

The Remuneration Committee comprises three non-executive Members of the Board and is chaired by Rod Danes. The Committee advises the Board on the remuneration of the Chief Executive, reviews the Chief Executive's recommendations in respect of the Senior Management team, and also reviews the Chief Executive's recommendations regarding the annual salary review for other employees. The Committee also makes recommendations to the Board in respect of the remuneration of non-executive Board Members, subject to independent review as considered necessary. The Committee meets as and when required.

Internal Control and Risk Management

The Board is responsible for the systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage the risk of failure to achieve business objectives. To this extent any system can provide only reasonable and not absolute assurance against material misstatement or loss.

Shoreham Port Authority delegates much of the process for identifying, evaluating and managing the significant risks faced by the group to the Audit Committee.

On behalf of the Port Authority

R A Danes

Chairman

21 March 2005

Report of the Independent Auditors to the Members of Shoreham Port Authority

We have audited the Financial Statements of Shoreham Port Authority for the year ended 31 December 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 26. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' 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 Authority and the Members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective Responsibilities of Members and Auditors

The Members' responsibilities for preparing the Annual Report and the Financial Statements in accordance with United Kingdom law and accounting standards are set out in the Report of the Members.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Harbours Act 1964 as amended by the Transport Act 1981. We also report to you if, in our opinion, the Members' Report is not consistent with the Financial Statements, if the Authority has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Members' remuneration and transactions with the Authority is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Report of the Members, the General Manager's Report and the traffic statistics. We consider the implications for our Report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Members in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Group and the Authority as at 31 December 2004 and of the loss of the Group for the year then ended, and have been properly prepared in accordance with the Harbours Act 1964 as amended by the Transport Act 1981.

Grant Thornton UK LLP

Chartered Accountants
Registered Auditors
Gatwick
21 March 2005

Principal Accounting Policies

Basis of Preparation

The Financial Statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention except that they have been modified to include the revaluation of certain fixed assets. The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year.

Basis of Consolidation

The group Financial Statements consolidate those of the Company and of its subsidiary undertakings (see Note 11) drawn up to 31 December. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Goodwill

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life, being 10 years, and is subject to regular impairment review.

Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided in the year, excluding VAT and trade discounts.

Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land and works under construction by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Land and Buildings	Years
Leasehold land – period of lease	60
Freehold buildings according to type	5 to 80
Wharves:	
Piling	40
Roads	23
Surfacing	20
Services	20
Harbour works according to type	15 to 60
Dredging	80

No depreciation is provided on freehold land.

Plant and Machinery	Years
Floating craft and plant: Tug	20
Hoppers, boats & pontoons	10 to 25
Plant and machinery according to type	5 to 25
Motor vehicles	5
Computer equipment	3 to 5
Office equipment	5 to 10

The Authority has adopted the transitional provisions of FRS 15 and not updated the valuation of properties revalued prior to the introduction of FRS 15, which have been retained at book amounts.

Operating Leases

Payments are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are included at cost less amounts written off.

Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Retirement Benefits

Defined Benefit Pension Schemes

For Shoreham Port Authority, the pension scheme contributions were made to the Superannuation Scheme of West Sussex County Council in conformity with contributions notified by the scheme administrators. The scheme is a defined benefit scheme where the underlying assets and liabilities are pooled.

The scheme is administered by the Council pursuant to the Local Government Superannuation Regulations 1986 made by the Secretary of State for the Environment under powers in Sections 7 and 12 of the Superannuation Act 1978. Further to the Actuarial Valuation as at 31 March 2004 the employer contributions have been set at 21.7% of employee's pay with effect from 1 April 2005, rising to 24.2% of employee's pay with effect from 1 April 2006 and 26.6% of employee's pay with effect from 1 April 2007.

Sussex Port Forwarding Limited (SPF) operates a defined benefit pension scheme for the benefit of the employees which is contracted out of the state scheme. The assets of the scheme are administered by trustees in a fund independent from those of the Company. Further to the Actuarial Valuation as at 27 October 2002 the employer contributions have been set at 26.2% of employee's pay.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases become payable. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

	Notes	2004 £000	2003 £000
TURNOVER	1	7,154	7,406
Operating expenditure	2 & 3	7,200	7,276
OPERATING (LOSS)/PROFIT		(46)	130
Interest receivable	4	28	12
		(18)	142
Interest payable and similar charges	5	(85)	(84)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(103)	58
Tax on (loss)/profit on ordinary activities	7	(181)	(160)
LOSS SUSTAINED FOR THE YEAR	8, 17 & 18	(284)	(102)
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
Actuarial (losses)/gains on pension schemes	25	(513)	127
Deferred tax on actuarial (losses)/gains		154	(38)
TOTAL RECOGNISED LOSSES FOR THE PERIOD		(643)	(13)

All operations are continuing.

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Note of Historical Cost Profits & Losses

for the year ended 31 December 2004

	2004 £000	2003 £000
(Loss)/profit on ordinary activities before taxation	(103)	58
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	322	322
Historical cost profit on ordinary activities before taxation	219	380
Historical cost profit retained	38	220

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Balance Sheet as at 31 December 2004

	Note	Group 2004 £000	Group 2003 £000	Authority 2004 £000	Authority 2003 £000
FIXED ASSETS					
Intangible assets	9	343	471	–	–
Tangible assets	10	23,235	23,276	22,637	22,525
Investments	11	–	–	–	–
		23,578	23,747	22,637	22,525
CURRENT ASSETS					
Debtors	12	1,145	1,068	2,497	2,475
Cash at bank and in hand		225	1,105	245	980
		1,370	2,173	2,742	3,455
CREDITORS					
Amounts falling due within one year	13	(1,411)	(1,688)	(1,266)	(1,492)
NET CURRENT (LIABILITIES)/ASSETS		(41)	485	1,476	1,963
TOTAL ASSETS LESS CURRENT LIABILITIES					
		23,537	24,232	24,113	24,488
Creditors: Amounts falling due after more than one year: Bank loan	14	–	(357)	–	(357)
PROVISION FOR LIABILITIES & CHARGES	15	(713)	(746)	(644)	(636)
NET ASSETS EXCLUDING PENSION LIABILITY		22,824	23,129	23,469	23,495
PENSIONS	16	(2,153)	(1,815)	(2,071)	(1,820)
NET ASSETS INCLUDING PENSION LIABILITY		20,671	21,314	21,398	21,675
FINANCED BY PROFIT & LOSS ACCOUNT	17	20,671	21,314	21,398	21,675
	18	20,671	21,314	21,398	21,675

The Financial Statements were approved by the Port Authority on 21 March 2005.

R A Danes
Chairman

R J Johnstone
Chief Executive

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2004

	Note	2004 £000	2003 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	1,079	1,345
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		28	12
Interest paid		(85)	(84)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE		(57)	(72)
TAXATION		(146)	17
CAPITAL EXPENDITURE			
Purchase of tangible fixed assets		(1,359)	(462)
Sale of tangible fixed assets		70	10
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,289)	(452)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	20	(413)	838
FINANCING			
Repayment of borrowing		(467)	(83)
NET CASH OUTFLOW FROM FINANCING		(467)	(83)
(DECREASE)/INCREASE IN CASH	20	(880)	755

The accompanying accounting policies and notes form an integral part of these Financial Statements.

Notes to the Financial Statements

for the year ended 31 December 2004

I TURNOVER

Turnover is analysed as follows:

	2004 £000	2003 £000
Dues – on commercial vessels	733	780
– on yachts and fishing vessels	105	107
– on cargo	377	410
	1,215	1,297
Port operations	3,437	3,492
Rents	2,170	2,275
Pilotage (See Note 3)	332	342
Turnover	7,154	7,406

The Group does not carry on different classes of business or operate in different geographical areas.

2 OPERATING EXPENDITURE

	2004 £000	2003 £000
Operating and maintenance	3,238	3,514
Dredging	607	514
Pilotage expenditure (see Note 3)	347	344
Depreciation	1,326	1,166
Amortisation of goodwill	128	128
Administrative expenditure	1,376	1,430
Auditors' remuneration – audit	22	19
– other service	5	4
Hire of plant and machinery under operating leases	147	155
Loss on sale of fixed assets	4	2
	7,200	7,276

3 PILOTAGE

The turnover and expenditure of the pilotage service included in these Financial Statements and required to be shown by the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 amount to:

	2004 £000	2003 £000
Turnover		
Provision of pilotage service	279	297
Use of exemption certificates	53	45
	332	342
Expenditure		
Provision of pilots and boats including administration:		
Operating expenditure	347	344
Depreciation	15	14
	362	358

4 INTEREST RECEIVABLE

	2004 £000	2003 £000
Short term deposit and other interest	13	8
On pension scheme assets	15	4
	28	12

5 INTEREST PAYABLE & SIMILAR CHARGES

	2004 £000	2003 £000
On bank loans	21	26
On pension scheme liabilities	64	58
	85	84

6 MEMBERS AND EMPLOYEES

Staff costs during the year were as follows:

	2004 £000	2003 £000
Wages and salaries	2,028	2,039
Social security costs	175	167
Other pension costs	296	279
Total	2,499	2,485

The average number of employees of the Group during the year was:

	2004 Number	2003 Number
Operational	55	56
Administrative	27	28
	82	84

Members' fees were as follows:

	2004 £000	2003 £000
Members' fees aggregate, which includes Chairman's fees and expenses	60	59
	18	20

The emoluments of other Members were in the following ranges:

	2004 Number	2003 Number
£1 to £5,000	9	5
£5,001 to £10,000	1	2
£10,001 to £15,000	1	1

7 TAXATION

The tax charge represents	2004	2003
	£000	£000
UK Corporation Tax	168	127
In respect of prior years: Corporation Tax	37	(3)
	205	124
Deferred taxation	(24)	36
Tax on (loss)/profit on ordinary activities	181	160

Deferred tax credit of £154,000 (2003: deferred tax charge of £38,000) on actuarial (losses)/gains has been recognised in the Statement of Total Recognised Gains and Losses.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2004	2003
	£000	£000
(Loss)/profit on ordinary activities before tax	(103)	58
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(31)	17
Effect of:		
Expenses not deductible for tax purposes	171	164
Capital allowances in advance of depreciation	19	(23)
Pension accrual movement	(9)	(55)
Short-term timing differences	-	-
Other adjustments	-	-
Tax losses for future utilisation	3	2
Utilisation of tax losses	15	22
Adjustments to tax charge in respect of prior periods	37	(3)
Current tax charge for year	205	124

8 (LOSS)/PROFIT FOR THE FINANCIAL YEAR

The Authority has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account.

The Authority's loss for the year was £12,000 (2003: profit of £44,000).

9 INTANGIBLE FIXED ASSETS**The Group**

Cost	
At 1 January 2004 and at 31 December 2004	1,283
Amortisation	
At 1 January 2004	812
Provided in the year	128
At 31 December 2004	940
Net book amount at 31 December 2004	343
Net book amount at 31 December 2003	471

Goodwill on consolidation	
£000	
	1,283
	812
	128
	940
	343
	471

10 TANGIBLE FIXED ASSETS**The Group**

	Land and buildings £000	Plant and machinery £000	Office and Computer Equipment £000	Motor vehicles £000	Works under construction £000	Total £000
Cost or valuation						
At 1 January 2004	32,346	5,476	682	240	715	39,459
Additions	26	94	54	24	1,161	1,359
Disposals	(40)	(120)	–	(51)	(1)	(212)
Transfers	1,626	–	76	–	(1,702)	–
At 31 December 2004	33,958	5,450	812	213	173	40,606
Depreciation						
At 1 January 2004	12,525	3,092	465	101	–	16,183
Provided in the year	830	333	135	28	–	1,326
Disposals	–	(120)	–	(18)	–	(138)
At 31 December 2004	13,355	3,305	600	111	–	17,371
Net book amount at 31 December 2004	20,603	2,145	212	102	173	23,235
Net book amount at 31 December 2003	19,821	2,384	217	139	715	23,276

The net book value of land & buildings comprises

	2004 £000	2003 £000
Freehold	20,526	19,742
Leasehold – long	77	79
	<u>20,603</u>	<u>19,821</u>

10 TANGIBLE FIXED ASSETS (CONTINUED)**The Authority**

	Land and buildings £000	Plant and machinery £000	Office and Computer Equipment £000	Motor vehicles £000	Works under construction £000	Total £000
Cost or valuation						
At 1 January 2004	32,346	4,062	175	212	715	37,510
Additions	26	9	18	24	1,149	1,226
Disposals	(40)	–	–	(51)	(1)	(92)
Transfers	1,626	–	64	–	(1,690)	–
At 31 December 2004	33,958	4,071	257	185	173	38,644
Depreciation						
At 1 January 2004	12,525	2,278	109	73	–	14,985
Provided in the year	830	149	33	28	–	1,040
Disposals	–	–	–	(18)	–	(18)
At 31 December 2004	13,355	2,427	142	83	–	16,007
Net book amount at 31 December 2004	20,603	1,644	115	102	173	22,637
Net book amount at 31 December 2003	19,821	1,784	66	139	715	22,525

During 1993 certain major fixed assets acquired with land acquisitions were revalued at notional cost calculated by professionally qualified Quantity Surveyors, less cumulative historical cost depreciation. Historical cost depreciation on the same basis as other fixed assets has been provided since 1993, when it amounted to £325,000 and will continue to be provided in future years.

Harbour enlargement works constructed by the former CEGB under the provisions of the Shoreham Harbour Act 1949 have been dealt with in a similar way since 1987. Other less significant fixed assets acquired without cost by gift, grant, agreement or deed of exchange have not been revalued.

11 FIXED ASSET INVESTMENTS

Investments in subsidiary undertakings are as follows:

COMPANY	% HELD BY GROUP	% HELD BY AUTHORITY	PRINCIPAL ACTIVITY
Shoreham Port Developments & Investments Limited	100%	100%	Investment holding company
Sussex Port Forwarding Limited	100%	0%	Stevedoring and freight forwarding
The Port of Shoreham Trustee Company Limited	100%	0%	Corporate trustee to The Port of Shoreham Retirement & Death Benefit Scheme

All the subsidiaries are registered and operate in England and Wales. The cost of investment is £2.

12 DEBTORS

	GROUP		AUTHORITY	
	2004 £000	2003 £000	2004 £000	2003 £000
All due within one year:				
Trade debtors	1,037	991	521	443
Amounts due from group undertakings	–	–	1,935	2,008
Other debtors	58	34	23	17
Prepayments	50	43	18	7
	<u>1,145</u>	<u>1,068</u>	<u>2,497</u>	<u>2,475</u>

13 CREDITORS: Amounts falling due within one year

	GROUP		AUTHORITY	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loans (unsecured)	–	110	–	110
Trade creditors	377	335	283	203
Amounts owed to subsidiary companies	–	–	89	88
Corporation Tax	110	51	110	51
Other taxation & social security	56	54	42	39
Other creditors	112	64	112	64
Accruals & deferred income	756	1,074	630	937
	<u>1,411</u>	<u>1,688</u>	<u>1,266</u>	<u>1,492</u>

14 CREDITORS: Amounts falling due after more than one year

	GROUP		AUTHORITY	
	2004 £000	2003 £000	2004 £000	2003 £000
Bank loan (unsecured)				
1 to 2 years	–	110	–	110
2 to 5 years	–	247	–	247
	<u>–</u>	<u>357</u>	<u>–</u>	<u>357</u>

The bank loan was repaid in full on 29 October 2004, with the unexpired facility being retained subject to payment of commitment interest on the notional declining balance at 0.625%. Interest will be charged at a rate of 1.25% above bank base rate on the loan should it be redrawn prior to the final repayment date of 30 January 2008.

15 DEFERRED TAX

Deferred tax has been provided in full in respect of accelerated capital allowances and other timing differences as follows:

	GROUP		AUTHORITY	
	2004 £000	2003 £000	2004 £000	2003 £000
At 1 January	746	714	636	603
Transfer from profit and loss account	(33)	32	8	33
At 31 December	<u>713</u>	<u>746</u>	<u>644</u>	<u>636</u>

16 PENSIONS**THE GROUP**

At 1 January 2004
Provided
At 31 December 2004

At 1 January 2003
Provided
At 31 December 2003

THE AUTHORITY

At 1 January 2004
Provided
At 31 December 2004

At 1 January 2003
Provided
At 31 December 2003

	Gross Pension Provision £000	Deferred Taxation £000	Net Pension Provision £000
At 1 January 2004	2,593	(778)	1,815
Provided	483	(145)	338
At 31 December 2004	<u>3,076</u>	<u>(923)</u>	<u>2,153</u>
At 1 January 2003	2,735	(820)	1,915
Provided	(142)	42	(100)
At 31 December 2003	<u>2,593</u>	<u>(778)</u>	<u>1,815</u>
At 1 January 2004	2,600	(780)	1,820
Provided	359	(108)	251
At 31 December 2004	<u>2,959</u>	<u>(888)</u>	<u>2,071</u>
At 1 January 2003	2,668	(800)	1,868
Provided	(68)	20	(48)
At 31 December 2003	<u>2,600</u>	<u>(780)</u>	<u>1,820</u>

17 RESERVES

	Group Profit & Loss Account £000	Authority Profit & Loss Account £000
At 1 January 2004 excluding pension liability	23,129	23,495
Pension liability	(1,815)	(1,820)
At 1 January 2004 including pension liability	21,314	21,675
Loss for the financial year	(284)	(12)
Actuarial loss on pension schemes	(513)	(378)
Deferred tax on actuarial loss	154	113
At 31 December 2004	20,671	21,398

18 RECONCILIATION OF MOVEMENTS IN MEMBERS FUNDS

GROUP	2004 £000	2003 £000
Members' funds at 1 January	21,314	21,327
Loss sustained for the year	(284)	(102)
Actuarial (losses)/gains on pension schemes	(513)	127
Deferred tax on actuarial (losses)/gains	154	(38)
Members' funds at 31 December	20,671	21,314

**19 RECONCILIATION OF OPERATING LOSS TO
NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2004 £000	2003 £000
Operating (loss)/profit	(46)	130
Depreciation and amortisation charges	1,454	1,294
Loss on disposal of fixed assets	4	2
(Increase)/decrease in Debtors	(77)	149
Decrease in Creditors	(226)	(215)
Decrease in provisions	(30)	(15)
Net cash inflow from operating activities	1,079	1,345

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £000	2003 £000
(Decrease)/increase in cash	(880)	755
Movement in debt financing	467	83
Movement in net Funds	(413)	838
Net Funds/(Debt) at 1 January	638	(200)
Net Funds at 31 December	225	638

21 ANALYSIS OF NET FUNDS

	1 Jan 2004 £000	Cashflow £000	31 Dec 2004 £000
Cash at Bank	1,105	(880)	225
Bank loans	(467)	467	-
Net Funds	638	(413)	225

22 BORROWING POWERS AT 31 DECEMBER 2004**ACT OR ORDER**

1985 (as amended by the Shoreham Port Authority Harbour Revision (Constitution) Order 2004

Total £000
50,000

The 1985 Order also authorises additional borrowing of £1 million by bank overdraft.

The Shoreham Port Authority Harbour Revision (Constitution) Order 2004 provides that the borrowing powers be adjusted in line with any movement in the Consumer Price Index which occurred during the year ended on 31 December.

23 CAPITAL COMMITMENTS

The group and the Authority had capital commitments at 31 December 2004 of £17,411 (2003: £388,000).

24 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2004 or 31 December 2003.

25 PENSIONS**Defined Benefit Pension Schemes**

The Authority and its subsidiary company Sussex Port Forwarding Limited contribute to defined benefit pension schemes for the benefit of employees who are eligible and willing to participate in the schemes.

Shoreham Port Authority contributes to the West Sussex County Council Superannuation Scheme. The assets of the scheme are administered by the Council pursuant to the Local Government Superannuation Regulations 1987 made by the Secretary of State for the Environment under powers in sections 7 and 12 of the Superannuation Act 1978.

Sussex Port Forwarding Limited contributes to The Port of Shoreham Retirement and Death Benefit Scheme. The assets of the scheme are administered by trustees in a fund independent from the assets of the company.

Costs and liabilities of both schemes are based on actuarial valuations. The latest full actuarial valuations of the schemes were completed on 31 March 2004 (SPA scheme) and 27 October 2002 (SPF scheme). These valuations have been updated to 31 December 2004 using the projected unit method by qualified independent actuaries. The main assumptions used by the actuaries were:

	SPA Scheme			SPF Scheme		
	2004 % pa	2003 % pa	2002 % pa	2004 % pa	2003 % pa	2002 % pa
Rate of increase in salaries	4.40	3.70	3.80	3.80	3.80	3.90
Rate of increase for pensions in payment	2.90	2.70	2.30	2.80	2.80	2.40
Rate of increase in deferred pensions	2.90	2.70	2.30	2.80	2.80	2.40
Discount rate for scheme liability	5.30	5.40	5.50	5.20	5.34	5.41
Inflation	2.90	2.70	2.30	2.80	2.80	2.40

The assets of the schemes were:

	SPA Scheme			SPF Scheme			Total		
	2004 £000	2003 £000	2002 £000	2004 £000	2003 £000	2002 £000	2004 £000	2003 £000	2002 £000
Equities	3,708	3,230	2,553	–	696	562	3,708	3,926	3,115
Bonds	678	637	660	–	702	534	678	1,339	1,194
Property	336	287	282	–	10	15	336	297	297
Cash	234	146	159	1,546	39	54	1,780	185	213
Total market value of assets	4,956	4,300	3,654	1,546	1,447	1,165	6,502	5,747	4,819
Present value of scheme liabilities	(7,915)	(6,900)		(1,663)	(1,440)		(9,578)	(8,340)	
(Liability)/surplus for the scheme	(2,959)	(2,600)		(117)	7		(3,076)	(2,593)	
Related deferred tax asset/(liability)	888	780		35	(2)		923	778	
Net pension (liability)/asset	(2,071)	(1,820)		(82)	5		(2,153)	(1,815)	

25 PENSIONS (CONTINUED)

The expected long term rates of return for each scheme were:

	SPA Scheme			SPF Scheme		
	2004 % pa	2003 % pa	2002 % pa	2004 % pa	2003 % pa	2002 % pa
Equities	7.50	7.75	8.00	6.20	6.40	7.00
Bonds	4.90	5.20	4.80	4.50	4.70	4.50
Property	5.50	6.50	6.00	6.20	7.00	7.00
Cash	4.50	4.00	4.00	4.00	3.00	3.00

Analysis of the amount charged to operating profit:

	SPA Scheme		SPF Scheme		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Current service cost, less employee contributions	(166)	(172)	(130)	(107)	(296)	(279)
Past service cost	–	–	–	–	–	–
Total operating charge	(166)	(172)	(130)	(107)	(296)	(279)

Other finance costs comprise:

	SPA Scheme		SPF Scheme		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Expected return on pension scheme assets	309	267	90	69	399	336
Interest on pension scheme liabilities	(373)	(325)	(75)	(65)	(448)	(390)
	(64)	(58)	15	4	(49)	(54)

The amount recognised in the statement of recognised gains and losses is:

	SPA Scheme		SPF Scheme		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	228	327	(85)	105	143	432
Experience gains and losses arising on the scheme liabilities	(141)	60	(3)	12	(144)	72
Changes in the assumptions underlying the present value of the scheme liabilities	(465)	(311)	(47)	(66)	(512)	(377)
	(378)	76	(135)	51	(513)	127

25 PENSIONS (CONTINUED)

History of experience gains and losses:

	SPA Scheme			SPF Scheme			Total		
	2004 £000	2003 £000	2002 £000	2004 £000	2003 £000	2002 £000	2004 £000	2003 £000	2002 £000
Difference between expected and actual return on scheme asset									
Amount (£000)	228	327	(796)	(85)	105	(166)	143	432	(962)
Percentage of scheme assets	4.6%	7.6%	(21.8%)	(5.5%)	7.3%	(14.2%)	2.2%	7.5%	(20.0%)
Experience gains and losses on scheme liabilities									
Amount (£000)	(141)	60	83	(3)	12	59	(144)	72	142
Percentage of present value of scheme liabilities	(1.8%)	0.9%	1.4%	(0.2%)	0.8%	4.8%	(1.5%)	0.9%	1.9%
Total actuarial gains and losses									
Amount (£000)	(378)	76	(699)	(135)	51	(263)	(513)	127	(962)
Percentage of present value of scheme liabilities	(4.8%)	1.1%	(11.1%)	(8.1%)	3.5%	(21.3%)	(5.4%)	1.5%	(12.7%)

The movement in the deficit in the year was:

	SPA Scheme		SPF Scheme		Total	
	2004 £000	2003 £000	2004 £000	2003 £000	2004 £000	2003 £000
(Deficit)/surplus in scheme at beginning of year	(2,600)	(2,668)	7	(67)	(2,593)	(2,735)
Current service cost	(166)	(172)	(130)	(107)	(296)	(279)
Contributions	249	222	126	126	375	348
Past service cost	–	–	–	–	–	–
Other finance (expenses)/income	(64)	(58)	15	4	(49)	(54)
Actuarial (losses)/gains	(378)	76	(135)	51	(513)	127
(Deficit)/surplus in scheme at end of year	<u>(2,959)</u>	<u>(2,600)</u>	<u>(117)</u>	<u>7</u>	<u>(3,076)</u>	<u>(2,593)</u>

26 OPERATING LEASE COMMITMENTS

Group operating lease payments amounting to £147,000 (2003: £147,000) are due within one year.

The leases to which the amounts relate expire as follows:

GROUP	2004 £000	2003 £000
Within the year	88	–
Between one and five years	59	147
	<u>147</u>	<u>147</u>

Traffic Statistics

	2004 Tonnes 000	2003 Tonnes 000	2002 Tonnes 000	2001 Tonnes 000	2000 Tonnes 000
IMPORTS					
BULK CARGOES	1,307	1,279	1,326	1,347	1,236
GENERAL	241	270	279	348	362
EXPORTS	140	175	179	108	165
TOTALS	<u>1,688</u>	<u>1,724</u>	<u>1,784</u>	<u>1,803</u>	<u>1,763</u>