

**SHOREHAM PORT AUTHORITY**  
**REPORT AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2020**

# SHOREHAM PORT AUTHORITY

## MEMBERS

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<b>Chair</b>	A Foster
<b>Deputy Chair</b>	T Giddings
<b>Members</b>	C Dwyer J Newell (resigned 31 December 2020) J Headley M Lemmon A Massey N Nadkarni (appointed 1 January 2021)

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

# SHOREHAM PORT AUTHORITY

## PRINCIPAL OFFICERS AND PROFESSIONAL ADVISORS

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**Chief Executive** T Willis (appointed 01 January 2020)

**Secretary/ Finance Director & Deputy Chief Executive** S Bassett

**Harbour Master/ Director of Marine Operations** J Seaman

**Director of Safety, Operations and Commerical** B Evans-Gay

**Director for Infrastructure and Sustainability** A Parker (retired 8 January 2021)

**Director of Property & Infrastructure** T Hague

**People, Communications and Sustainability Director** N Brown

**Director of Engineering and IT** B Rousell

**Registered office** Nautilus House  
90-100 Albion Street  
Southwick  
Brighton  
BN42 4ED

**Bankers** National Westminster Bank Plc

**Auditor** RSM UK Audit LLP  
Chartered Accountants  
3rd Floor  
Portland  
25 High Street  
Crawley  
West Sussex  
RH10 1BG

**Telephone:** 01273 598100

**Website:** <http://www.shoreham-port.co.uk>

**Email:** [info@shoreham-port.co.uk](mailto:info@shoreham-port.co.uk)

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The members present the following reports for the year ended 31 December 2020.

This report provides an update on how we performed during 2020, and the Port's significant developments and initiatives during the year. We are pleased to share the strong progress made by the teams, despite the challenges created by both the Covid-19 pandemic and the transition from the EU. As a trust port, our continued success is linked to how we engage, and most importantly, listen to our wide variety of stakeholders. Therefore, it is helpful to hear what everyone thinks so please continue to get in touch at [info@shoreham-port.co.uk](mailto:info@shoreham-port.co.uk) or join us at this year's public meeting in June.

Over the past twelve months, plans at the Port have been significantly challenged by the Covid-19 pandemic. The performance and efforts of all Port colleagues during this difficult time was outstanding. The team responded quickly, stepping forward to offer support across both our small business community and the local area. We would like to thank each of our colleagues for their commitment to keeping vital cargo supply lines moving during this time, particularly as we recognise the huge impact the pandemic has had on people's home lives.

During the year, a revitalised Masterplan 2020 was tested with stakeholders with encouraging feedback. The first point of the plan confirmed our commitment to continue to place safety at the heart of everything we do. Safety performance during the year was strong with a 33% reduction in accidents alongside a transformation in the number of colleagues proactively engaged in raising observations. As part of the Masterplan 2020 a number of major projects were undertaken - our Ferry Wharf industrial estate was completed bringing a further 6 commercial units into our property portfolio and new pontoons were added to Lady Bee Marina offering increased capacity for our leisure users. One of the most exciting changes of the year, was the creation of our new values by our colleagues, customers and stakeholders. These values define how we will behave with each other as colleagues and how we will act as an organisation in our relationships with our stakeholders and Port users. They also encapsulate our role as trusted custodians of Shoreham Port and we look forward to everyone contributing to embedding them further in 2021.

In a year of a pandemic and Brexit the Port saw a reduction in ship calls from 757 in 2019 to 669, a shortfall of some 11.6%. The Port handled some 1.99m tonnes of cargo during the year which was just under 10% down, cereal and timber were both ahead of budget. Some 328k tonnes of timber were discharged by the team, beating the previous record tonnage year of 2018.

Despite the fewer ship calls and lower tonnage, the Port's turnover at £13.7m was down less than 0.5% over 2019. The Port's policy of investing in Property helped maintain the Port's revenue lines as rental income increased by over 11% year on year to £4.2m. The tradition of cost control continued, and costs were just 1% down on prior year to £13.4m. Operating profit was strong at £313k which was 79% higher than 2019. The Port revalued its investment properties, and a yield change has resulted in a £1.6m write down in the value of an asset. After taxation of £321k the Port made a loss in the year of £2m. EBITDA at £2.57m grew just under 11%, which fully supports the banking covenants.

On the Port's balance sheet, the Investment Property value is £31.9m. The cash position reduced year on year from £4.9m to £2.6m as the Port funded Ferry Wharf and other developments. The value of the Port's defined benefit pension schemes moved from a surplus of £1.08m in 2019 to a deficit of £2.9m, a swing of some £4m due to a reduction in discount rate assumptions linked to falling in bond yields. This has resulted in a reduction in the Port's Net Assets from £62m to £57m of just under 8%.

The Port continued to play a key role within the local community extending its financial support to Shoreham Academy's Gateways Centre, welcoming Superta, the SeaScout training vessel, and reaching a new conservation partnership with the Sussex Dolphin Project who relocated to Shoreham part way through the year. We continued our commitment to sustainability with a new electric vehicle fleet and switch to cleaner fuel combined with our solar arrays and onshore wind turbines to remove or offset over 1000 tonnes of CO2. As part of our EcoPorts status we shared our Sustainability Report for 2020 which outlines our ambitious plans for carbon neutrality.

During 2020 we said goodbye and thank you to Tony Parker (Director Infrastructure and Sustainability) who retired and Jo Newall (Non-Executive Director) who left the board having successfully completed her second term of office. We welcomed Namrata Nadkarni (Non-Executive Director) who joined the board.

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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Our outlook for 2021 remains cautiously optimistic, the team at Shoreham Port have demonstrated remarkable resilience over the last twelve months. Going forward we will continue to manage risks attributed to the EU transition and the recovery of the economy post the Covid-19 pandemic. We consider ourselves well placed to maximise forthcoming opportunities. We are both excited by the launch of our Port Kitchen, our new HGV fleet and the further development of our Masterplan- all of which will be achieved through making our values part of how everything happens at Shoreham Port. We would like to thank all colleagues and partners for their hard work, despite the challenges everyone can be proud of what has been achieved in 2020.

Amber and Tom

.....  
A Foster  
**Chair**

.....  
T Willis  
**Chief Executive**

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The Members submit their report and the financial statements for the year ended 31 December 2020.

#### **Principal activities**

The principal activities are the provision of port services, maintaining and improving the Port's infrastructure and managing the Port's property portfolio.

A review of the Authority's business and its future development are included in the Strategic Report.

#### **Results**

The results for the year are set out on page 13.

#### **Investments**

The Authority has four 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, Shoreham Port Solutions Limited whose principal activities are that of a recruitment agency for drivers and casual workers at Shoreham Port, and 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.

#### **Auditor**

RSM UK Audit LLP has indicated its willingness to continue in office.

#### **Members**

The Members of the Authority who served during 2020 and since are shown on page 1.

#### **Statement of Members' responsibilities**

The Members are responsible for preparing the Strategic Report, the Report of the Members and the financial statements in accordance with applicable law and regulations.

Applicable law requires the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under applicable law the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Authority and of the profit or loss of the group for that period.

In preparing those financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the Authority's transactions and disclose with reasonable accuracy at any time the financial position of the group and the Authority and enable them to ensure that the financial statements comply with the Harbours Act 1964 as amended by the Transport Act 1981, which requires that the financial statements be prepared in accordance with the requirements of the Companies Act 2006. The Members are also responsible for safeguarding the assets of the group and the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### **Statement of Members' responsibilities**

The Members are also responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Statement of disclosure to auditor**

The Members who were in office at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Members have confirmed that they have taken all the steps they ought to have taken as Members in order to make themselves aware of any related audit information and to establish that it has been communicated to the auditor.

### **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 UK Corporate Governance Code, to the extent considered appropriate to the size and nature of the Authority.

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 and Finance committee**

The Audit Committee normally comprises three non-executive Members of the Board. During the year it was chaired by J Headley. 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 financial risks, and generally overseeing financial risk management within Shoreham Port. This is to ensure that the financial 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 & Deputy Chief Executive are invited to attend, as are the external auditors as and when required.

### **Remuneration and nominations committee**

The Remuneration and Nominations Committee comprised three non-executive Members of the Board and was chaired during the year by C Dwyer. A new chair, M Lemmon, was appointed on 1 January 2021. The Committee advises the Board on the remuneration of the Chief Executive, reviews the Chief Executive's recommendations in respect of the senior leadership team, and also reviews the benchmarking process and results at the Port. 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. Mrs J Findlay had been an independent advisor to the Committee since 2007 and stepped down during 2020. The Chief Executive and Director of Corporate Services are invited to attend.

### **Business Risk & Safety committee**

During the year the Business Risk & Safety committee was chaired by J Newell. A new chair, A Massey, was appointed on 1 January 2021. The Committee's key role is to scrutinise and monitor the Port's compliance with relevant legal and regulatory requirements. The Committee reviews the audits of the Port Marine Safety Code and Occupational Health and Safety, along with an annual review of the Port's Risk and Management Strategy. The Committee meets at least twice a year.

### **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.

The management of the Port is subject to a number of business and financial risks.

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### **Internal control and risk management**

The financial risks to which the Authority's operations are exposed include liquidity risk, credit risk, interest rate risk and foreign exchange risk.

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its financial obligations as they fall due. The Authority mitigates this risk by managing its working capital to ensure it has sufficient funds for its operations through the use of cash flow forecasts.

Credit risk is the risk that the other party to a financial instrument such as cash at bank, or debts receivable, will default. The Authority manages this risk by using only approved banks for deposits, and by close monitoring of debts due. These mainly comprise rents due from tenants, who undergo a reference procedure at the commencement of a lease.

Interest rate risk is the risk that future cash flows will be affected by changes in interest rates. The Authority is exposed to interest rate risk on its variable rate borrowings. This is mitigated to some extent by using some fixed rate borrowings.

Foreign exchange risk is the risk that future cash flows will fluctuate because of changes in exchange rates. The Authority principally conducts its business in sterling, but occasionally purchases assets and hence incurs liabilities in other currencies.

### **Performance evaluation**

Evaluation of the Board and its Committees is undertaken to ensure that they remain effective. A collective evaluation of the Board and their skills was undertaken during 2020.

### **Going concern**

During the year, the worldwide pandemic of Covid-19 has had an adverse impact on economies globally. Whilst the directors continue to be unable to predict the full extent of the impact, the directors have had regard to the impact of Covid-19 in considering their going concern assessment of the group as detailed in the accounting policies on page 20 of these financial statements.

The activities of the Authority (and group) together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report, and the Board's risk management policies are set out in the Report of the Members. The group has secure sources of income but is exposed to the continuing economic uncertainty that exists in the UK. Management has prepared detailed forecasts for calendar year 2021 and 2022, and a five year business plan, and having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 month from the date of approval of these financial statements.

The Authority (and group) is reliant on Debt finance provided by its lenders National Westminster Bank plc. The £3 million revolving credit facility and £10 million main facility fall due in the forecast period, as detailed in note 19. The repayment date of these facilities is 31 July 2021, resulting in net current liabilities as at 31 December 2020. Since the year end the Authority has received confirmation from Natwest of the extension of the Port's existing facilities for a further 12 months, through to 31 July 2022. This extension received formal credit sanction from Natwest's Credit Committee on 2 March 2021 and confirms that there are no material changes or new conditions to the current funding structure (noting a consolidation of the RCF into a loan due to the cessation of LIBOR facilities at the end of the year).

The Port's existing borrowings detailed in note 19 are subject to a number of covenants, measured on a quarterly basis. Management actively manage expenditure and cashflow to ensure compliance with these covenants.

Given the position outlined above the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements. Management are considering new projects that are not currently budgeted or included in the forecasts. The impact of these will need to be considered. To the date of this report no decisions had been made regarding their feasibility.



# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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On behalf of the board

.....  
A Foster  
**Chair**

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T Willis  
**Chief Executive**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY

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## Opinion

We have audited the financial statements of Shoreham Port Authority (the 'parent entity') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Authority Statements of Financial Position, the Consolidated and Authority Statements of Changes in Equity, and the Consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, FRS 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 Authority's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of Section 42 of the Harbours Act 1964 (as amended by the Transport Act 1981) which requires the financial statements to be prepared in accordance with the requirements of the Companies Act 2006.

## 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 Authority 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.

## Emphasis of Matter – Material Valuation uncertainty

We draw attention to note 2 and note 13 of the financial statements which describes that a material valuation uncertainty exists in respect of the fair value of investment properties, and that as such, less certainty and a higher degree of caution should be attached to the valuations. The ultimate outcome of the matter cannot presently be determined, and no adjustments to the value of the investment property that may result have been made in the financial statements. Our opinion is not modified in respect of this matter.

## Conclusions relating to going concern

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

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Members are responsible for the other information contained within the annual report. 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY (CONTINUED)**

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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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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**

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

- the information given in the strategic report and the members' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the members' report 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 Authority and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the members' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of members**

As explained more fully in the Members' responsibilities statement set out on page 5, the 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 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 members are responsible for assessing the group's and the Authority'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 members either intend to liquidate the group or the Authority or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY (CONTINUED)

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### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent authority operates in and how the group and parent authority are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, Section 42 of the Harbours Act 1964 (as amended by the Transport Act 1981), the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures and inspecting correspondence with local tax authorities.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management, including discussion with the Director of Safety, Operations and Commercial, whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the calculation of fair value adjustments of defined benefit pension scheme valuations and investment properties within the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY (CONTINUED)

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## Use of our report

This report is made solely to the Authority's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Authority'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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Zoe Rudling (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
Portland  
25 High Street  
Crawley  
RH10 1BG

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# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	13,726,679	13,776,376
Cost of sales		(8,234,328)	(8,375,923)
<b>Gross profit</b>		5,492,351	5,400,453
Administrative expenses		(5,241,993)	(5,225,367)
Other operating income	<b>3</b>	62,300	-
<b>Operating profit</b>	<b>6</b>	312,658	175,086
Interest receivable and similar income	<b>8</b>	34,783	42,183
Interest payable and similar expenses	<b>9</b>	(444,369)	(544,704)
Fair value (loss)/gain on investment properties	<b>10</b>	(1,606,994)	1,761,743
<b>(Loss)/profit before taxation</b>		(1,703,922)	1,434,308
Taxation	<b>11</b>	(320,721)	(365,465)
<b>(Loss)/profit for the financial year</b>	<b>25</b>	(2,024,643)	1,068,843
<b>Other comprehensive income</b>			
Actuarial (loss)/gain on defined benefit pension schemes		(3,550,000)	1,585,000
Tax relating to other comprehensive income		674,500	(301,150)
<b>Total comprehensive income for the year</b>		(4,900,143)	2,352,693

The Consolidated Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	12	47,850,619		48,325,249	
Investment properties	13	31,904,805		31,000,973	
		<u>79,755,424</u>		<u>79,326,222</u>	
<b>Current assets</b>					
Debtors	16	4,488,939	3,600,497		
Cash at bank and in hand		2,643,043	4,902,752		
		<u>7,131,982</u>	<u>8,503,249</u>		
<b>Creditors: amounts falling due within one year</b>	17	<u>(13,577,696)</u>	<u>(8,031,257)</u>		
<b>Net current (liabilities)/assets</b>		<u>(6,445,714)</u>		<u>471,992</u>	
<b>Total assets less current liabilities</b>		<u>73,309,710</u>		<u>79,798,214</u>	
Creditors: amounts falling due after more than one year	18	(8,754,234)		(14,381,959)	
Provisions for liabilities	21	(4,519,877)		(4,490,513)	
<b>Net assets excluding pension (liability)/surplus</b>		<u>60,035,599</u>		<u>60,925,742</u>	
Defined benefit pension (liability)/surplus	23	(2,927,000)		1,083,000	
<b>Net assets</b>		<u>57,108,599</u>		<u>62,008,742</u>	
<b>Reserves</b>					
Profit and loss reserves	25	<u>57,108,599</u>		<u>62,008,742</u>	

The financial statements were approved by the board of directors and authorised for issue on 18 March 2021 and are signed on its behalf by:

A Foster  
Chair

T Willis  
Chief Executive

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	12	46,890,540		46,881,726	
Investment properties	13	31,904,805		31,000,973	
Investments	14		2		2
			<u>78,795,347</u>		<u>77,882,701</u>
<b>Current assets</b>					
Debtors	16	3,816,098		3,652,542	
Cash at bank and in hand		2,202,740		4,580,812	
			<u>6,018,838</u>		<u>8,233,354</u>
<b>Creditors: amounts falling due within one year</b>	17	(12,526,044)		(7,089,772)	
<b>Net current (liabilities)/assets</b>			<u>(6,507,206)</u>		<u>1,143,582</u>
<b>Total assets less current liabilities</b>			72,288,141		79,026,283
<b>Creditors: amounts falling due after more than one year</b>	18		(8,403,727)		(13,897,416)
<b>Provisions for liabilities</b>	21		(4,486,013)		(4,396,755)
<b>Net assets excluding pension surplus</b>			59,398,401		60,732,112
<b>Defined benefit pension surplus</b>	23		301,000		2,494,000
<b>Net assets</b>			<u>59,699,401</u>		<u>63,226,112</u>
<b>Reserves</b>					
Profit and loss reserves	25		59,699,401		63,226,112

As permitted by s408 Companies Act 2006, the Authority has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The Authority's loss for the year was £1,793,311 (2019: £1,161,064 profit).

The financial statements were approved by the board of directors and authorised for issue on 18 March 2021 and are signed on its behalf by:

A Foster  
Chair

T Willis  
Chief Executive



# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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	<b>Profit and loss reserves £</b>
<b>Balance at 1 January 2019</b>	59,656,049
<hr/>	
<b>Year ended 31 December 2019:</b>	
Profit for the year	1,068,843
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,585,000
Tax relating to other comprehensive income	(301,150)
	<hr/>
Total comprehensive income for the year	2,352,693
	<hr/>
<b>Balance at 31 December 2019</b>	62,008,742
<hr/>	
<b>Year ended 31 December 2020:</b>	
Loss for the year	(2,024,643)
Other comprehensive income:	
Actuarial loss on defined benefit plans	(3,550,000)
Tax relating to other comprehensive income	674,500
	<hr/>
Total comprehensive income for the year	(4,900,143)
	<hr/>
<b>Balance at 31 December 2020</b>	57,108,599
	<hr/> <hr/>

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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	<b>Profit and loss reserves £</b>
<b>Balance at 1 January 2019</b>	60,509,038
<b>Year ended 31 December 2019:</b>	
Profit for the year	1,161,064
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,921,000
Tax relating to other comprehensive income	(364,990)
Total comprehensive income for the year	2,717,074
<b>Balance at 31 December 2019</b>	63,226,112
<b>Year ended 31 December 2020:</b>	
Loss for the year	(1,793,311)
Other comprehensive income:	
Actuarial loss on defined benefit plans	(2,140,000)
Tax relating to other comprehensive income	406,600
Total comprehensive income for the year	(3,526,711)
<b>Balance at 31 December 2020</b>	59,699,401

# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	1,974,117		1,976,395	
Interest paid		(444,369)		(540,704)	
Income taxes paid		(32,633)		(347,950)	
<b>Net cash inflow from operating activities</b>		<b>1,497,115</b>		<b>1,087,741</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(1,311,667)		(1,069,598)	
Proceeds on disposal of tangible fixed assets		14,500		5,181	
Purchase of investment property		(2,510,826)		(3,507,452)	
Interest received		18,783		42,183	
<b>Net cash used in investing activities</b>		<b>(3,789,210)</b>		<b>(4,529,686)</b>	
<b>Financing activities</b>					
Proceeds of new bank loans		1,263,405		3,306,119	
Repayment of bank loans		(1,054,701)		(1,059,382)	
Payment of finance leases obligations		(176,318)		(276,225)	
<b>Net cash generated from financing activities</b>		<b>32,386</b>		<b>1,970,512</b>	
<b>Net (decrease) in cash and cash equivalents</b>		<b>(2,259,709)</b>		<b>(1,471,433)</b>	
Cash and cash equivalents at beginning of year		4,902,752		6,374,185	
<b>Cash and cash equivalents at end of year</b>		<b>2,643,043</b>		<b>4,902,752</b>	

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

#### General information

Shoreham Port Authority is an unincorporated entity domiciled in England and Wales. The group consists of Shoreham Port Authority and all of its subsidiaries. The principal activities of the Port (and the group) are the provision of port services, maintaining and improving the Port's infrastructure and managing the Port's property portfolio.

The registered office and principal place of business is Nautilus House, 90-100 Albion Street, Southwick, Brighton, BN42 4ED.

#### Accounting convention

These financial statements have been prepared in accordance with The Harbour Docks and Piers Clauses act 1847 as well as FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include investment properties at fair value.

The principal accounting policies are set out below.

#### Reduced disclosures

The Authority is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including the Authority, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Authority has therefore taken advantage of exemptions from the following disclosure requirements for parent only information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Authority are consolidated in these financial statements, which are available from Shoreham Port Authority's registered office, Nautilus House, 90-100 Albion Street, Southwick, Brighton, BN42 4ED.

#### Basis of consolidation

The consolidated financial statements incorporate those of Shoreham Port Authority and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2020. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies (Continued)

#### Going concern

The activities of the Authority (and group) together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report, and the Board's risk management policies are set out in the Report of the Members. The group has secure sources of income but is exposed to the continuing economic uncertainty that exists in the UK. Management has prepared detailed forecasts for calendar year 2021 and 2022, and a five year business plan, and having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 month from the date of approval of these financial statements.

The Authority (and group) is reliant on Debt finance provided by its lenders National Westminster Bank plc. The £3 million revolving credit facility and £10 million main facility fall due in the forecast period, as detailed in note 19. The repayment date of these facilities is 31 July 2021, , resulting in net current liabilities as at 31 December 2020. Since the year end the Authority has received confirmation from Natwest of the extension of the Port's existing facilities for a further 12 months, through to 31 July 2022. This extension received formal credit sanction from Natwest's Credit Committee on 2 March 2021 and confirms that there are no material changes or new conditions to the current funding structure (noting a consolidation of the RCF into a loan due to the cessation of LIBOR facilities at the end of the year).

Managements existing borrowings detailed in note 19 are subject to a number of covenants, measured on a quarterly basis. Management actively manage expenditure and cashflow to ensure compliance with these covenants.

Given the position outlined above the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements. Management are considering new projects that are not currently budgeted or included in the forecasts. The impact of these will need to be considered. To the date of this report no decisions had been made regarding their feasibility.

#### Turnover

Turnover consists of amounts received/receivable in respect of shipping services, port operations, property rental and logistics services provided to third parties, excluding VAT. Revenue is recognised when the provision of the service is complete. Revenue from property is recognised when amounts are receivable under third party tenancy agreements, excluding VAT.

#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	5 to 80 years straight line
Plant and machinery	1 to 30 years straight line
Office and computer equipment	3 to 10 years straight line
Motor vehicles	3 to 5 years straight line

Freehold land and assets under construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies (Continued)

#### **Capitalisation of interest**

Interest directly attributable to the construction of tangible fixed assets, incurred up to the time that identifiable major capital projects are ready for service, is capitalised as part of the cost of the assets.

#### **Investment properties**

Investment properties are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

#### **Heritage assets**

The land owned by the Port includes Shoreham Old Fort (a site of historical interest). The Port Authority accepts its obligation to protect this historic monument for future generations. Due to the nature of this asset, it is held at a cost of zero value.

The cost of repairs is recognised in the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

Further information is given in note 12 to the financial statements.

#### **Fixed asset investments**

In the separate accounts of the Authority, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the group estimates the recoverable amount of the asset.

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

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies (Continued)

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and bank loans 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 payments discounted at a market rate of interest.

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

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

#### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs.

#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies (Continued)

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

#### **Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be capitalised as a tangible fixed asset.



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies (Continued)

#### **Retirement benefits**

For Shoreham Port Authority and Sussex Port Forwarding Limited's new scheme, 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 2016 the employer contributions have been set at 18.3% of employee's pay.

Sussex Port Forwarding Limited (SPF) operates a defined benefit pension scheme, The Port of Shoreham Retirement and Death Benefit scheme, for the benefit of the employees which is contracted out of the state scheme and closed to future accrual.

#### *Defined Benefit Plans*

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

#### *Gains/Losses*

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

#### *Asset/Liability*

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

---

### 1 Accounting policies (Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Grants relating to assets are included within creditors falling due within one year and released to profit or loss over the expected useful life of the assets to which they relate.

Grants relating to investment property are classified within creditors and recognised in income in line with the associated cost incurred in relation to the asset of which the grant funding was provided for.

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All translation differences are taken to profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Categorisation of leases***

In categorising leases as finance leases or operating leases, management make judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Investment property revaluations

Investment properties require annual revaluations, the value will be subject to fluctuations in rental income and yields. Investment properties at 31 December 2020 are valued at £31,904,805 (2019: £31,000,973). Please refer to note 13 for further information regarding the valuation.

The internal valuers for investment properties noted within their reports that as at 31 December 2020, there was a material valuation uncertainty relating to the valuation. This highlights the significant estimation uncertainty regarding the valuation of investment property due to the Covid-19 pandemic. The valuations as at the current balance sheet date should therefore be treated with additional caution.

#### Defined benefit pension scheme

The group has recognised a defined benefit pension scheme liability on the statement of financial position. At 31 December 2020 the liability was £2,927,000 (2019: £1,083,000 asset). Changes to actuarial assumptions could result in a material change within the next financial year. Please refer to note 23 for further information regarding the assumptions used in the valuation.

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Dues on commercial vessels	1,080,297	1,133,033
Dues on yachts and fishing vessels	260,723	262,277
Dues on cargo	371,696	424,833
Port operations	6,549,359	6,646,083
Rents (operating leases)	4,229,645	3,803,674
Pilotage (note 4)	650,474	591,577
Miscellaneous income	584,485	914,899
	<u>13,726,679</u>	<u>13,776,376</u>
Grants received	<u>62,300</u>	<u>-</u>

The total turnover of the group for the year has been derived from activities wholly undertaken in the United Kingdom.

Other income of £62,300 (2019: £nil) represents grant income in respect of the Coronavirus Job Retention Scheme.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 4 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:

	2020 £	2019 £
<b>Turnover</b>		
Provision of pilotage service	517,501	414,687
Use of exemption certificates	132,973	176,890
	<u>650,474</u>	<u>591,577</u>
<b>Expenditure</b>		
Provision of pilots and boats including administration	609,303	637,756
<b>Net profit/(loss)</b>	<u>41,171</u>	<u>(46,179)</u>

The operating expenditure line above does not include any depreciation for the Port's pilotage vessels.

### 5 Employees

The average monthly number of persons employed during the year was:

	Group 2020 Number	2019 Number	Authority 2020 Number	2019 Number
Operational	95	81	37	40
Administrative	36	36	23	23
	<u>131</u>	<u>117</u>	<u>60</u>	<u>63</u>

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Authority 2020 £	2019 £
Wages and salaries	4,505,398	4,611,917	2,630,146	2,774,235
Social security costs	457,720	478,180	274,836	292,230
Pension costs	1,563,455	1,581,984	708,218	831,279
	<u>6,526,573</u>	<u>6,672,081</u>	<u>3,613,200</u>	<u>3,897,744</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 Employees (Continued)

Members' fees were as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Members' fees aggregate	66,426	65,200
Chairman's fees and expenses	26,010	25,500
	<u>92,436</u>	<u>90,700</u>

The emoluments of the Members and the Chairman were in the following ranges:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
£5,001 to £10,000	1	2
£10,001 to £15,000	4	3
£15,001 to £20,000	1	1
£20,001 to £25,000	-	-
£25,001 to £30,000	1	1

### 6 Operating profit

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	615	624
Government grants	(62,300)	-
Depreciation of owned tangible fixed assets	1,376,046	1,353,882
Depreciation of tangible fixed assets held under finance leases	407,136	466,133
Profit on disposal of tangible fixed assets	(11,385)	(3,551)
Operating lease charges	321,260	226,071

### 7 Auditor's remuneration

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Fees payable to the group's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and Authority	51,000	36,250

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 8 Interest receivable and similar income

	2020 £	2019 £
<b>Interest income</b>		
Interest on bank deposits	17,913	42,183
Net interest on the net defined benefit asset	16,000	-
Other interest income	870	-
	<u>34,783</u>	<u>42,183</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	18,783	42,183
	<u>18,783</u>	<u>42,183</u>

### 9 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank loans	397,798	485,264
Interest on finance leases and hire purchase contracts	46,571	55,263
Net interest on the net defined benefit liability	-	4,000
Other interest	-	177
	<u>444,369</u>	<u>544,704</u>

### 10 Other gains and losses

	2020 £	2019 £
Changes in the fair value of investment properties	(1,606,994)	1,761,743
	<u>(1,606,994)</u>	<u>1,761,743</u>

### 11 Taxation

	2020 £	2019 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	171,422	176,209
Adjustments in respect of prior periods	(166,571)	(928)
	<u>4,851</u>	<u>175,281</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	202,743	190,184
Adjustment in respect of prior periods	113,127	-
	<u>315,870</u>	<u>190,184</u>
Total tax charge	<u>320,721</u>	<u>365,465</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Taxation (Continued)

The UK main corporation tax rate was expected to reduce to 17% from 1 April 2020, as announced in the Finance Bill 2016, which was substantively enacted on 12 September 2016.

In the Budget of 11 March 2020, the Chancellor announced the reversal of the previously enacted reduction in the rate of corporation tax. This reversal was subsequently confirmed by a resolution under the Provisional Collection of Taxes Act 1968, which set the rate at 19%. The changes have been substantively enacted at the balance sheet date and are therefore recognised in these financial statements in the measurement of the company's deferred tax assets and liabilities (see note 22).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2020 £	2019 £
(Loss)/profit before taxation	(1,703,922)	1,434,308
Expected tax (credit)/charge based on the effective rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(323,745)	272,519
Tax effect of expenses that are not deductible in determining taxable profit	314,707	5,640
Tax effect of income not taxable in determining taxable profit	(1,198)	(1,308)
Adjustments in respect of prior years	(53,444)	(928)
Other permanent differences	-	(378)
Deferred tax on investment property movement	(188)	(11,370)
Chargeable losses	(316,177)	-
Fixed asset differences	214,724	159,093
Deferred tax adjustments	486,042	(57,803)
Taxation charge for the year	320,721	365,465

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £	2019 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	(674,500)	301,150

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Tangible fixed assets

Group	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2020	68,355,671	77,965	12,186,151	1,079,557	132,770	81,832,114
Additions	-	1,225,443	30,943	25,186	30,095	1,311,667
Disposals	(1,831,475)	-	(191,687)	(6,273)	-	(2,029,435)
Transfers	58,375	(58,375)	-	-	-	-
At 31 December 2020	66,582,571	1,245,033	12,025,407	1,098,470	162,865	81,114,346
<b>Depreciation</b>						
At 1 January 2020	24,141,341	-	8,313,398	935,941	116,185	33,506,865
Depreciation charged in the year	1,083,219	-	638,255	54,194	7,514	1,783,182
Eliminated in respect of disposals	(1,831,475)	-	(188,572)	(6,273)	-	(2,026,320)
At 31 December 2020	23,393,085	-	8,763,081	983,862	123,699	33,263,727
<b>Carrying amount</b>						
At 31 December 2020	43,189,486	1,245,033	3,262,326	114,608	39,166	47,850,619
At 31 December 2019	44,214,330	77,965	3,872,753	143,616	16,585	48,325,249



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Tangible fixed assets (Continued)

Authority	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2020	68,355,671	77,965	5,845,527	489,291	64,618	74,833,072
Additions	-	1,221,155	4,250	4,857	30,095	1,260,357
Disposals	(1,831,475)	-	(144,892)	(6,273)	-	(1,982,640)
Transfers	58,375	(58,375)	-	-	-	-
At 31 December 2020	66,582,571	1,240,745	5,704,885	487,875	94,713	74,110,789
<b>Depreciation</b>						
At 1 January 2020	24,141,341	-	3,296,222	460,706	53,077	27,951,346
Depreciation charged in the year	1,083,219	-	150,664	12,777	4,883	1,251,543
Eliminated in respect of disposals	(1,831,475)	-	(144,892)	(6,273)	-	(1,982,640)
At 31 December 2020	23,393,085	-	3,301,994	467,210	57,960	27,220,249
<b>Carrying amount</b>						
At 31 December 2020	43,189,486	1,240,745	2,402,891	20,665	36,753	46,890,540
At 31 December 2019	44,214,330	77,965	2,549,305	28,585	11,541	46,881,726

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 12 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	<b>Group</b>		<b>Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Freehold	43,139,903	44,162,997	43,139,903	44,162,997
Long leasehold	49,583	51,333	49,583	51,333
	<u>43,189,486</u>	<u>44,214,330</u>	<u>43,189,486</u>	<u>44,214,330</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	<b>Group</b>		<b>Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Plant and machinery	<u>712,997</u>	<u>1,120,133</u>	<u>-</u>	<u>-</u>

#### Shoreham Old Fort

The land owned by the Port includes Shoreham Old Fort which was acquired under the statutes establishing the Port. There have been no acquisitions or disposals of Heritage assets in the last 6 years. The Port Authority accepts its obligation to maintain access to the Fort and has consulted English Heritage in relation to the maintenance and repair of the Fort. English Heritage provided a grant in 2010 to carry out certain works, and as a result the Fort is open to the public all year round ([www.shorehamfort.co.uk](http://www.shorehamfort.co.uk)). As explained in the accounting policies, no value is reported for the Fort in the financial statements.

### 13 Investment property

	<b>Group</b>	<b>Authority</b>
	<b>2020</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
<b>Fair value</b>		
At 1 January 2020	31,000,973	31,000,973
Additions	2,510,826	2,510,826
Net gains or losses through fair value adjustments	(1,606,994)	(1,606,994)
	<u>31,904,805</u>	<u>31,904,805</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 13 Investment property (Continued)

The fair value of the investment property has been arrived at by the Members on the basis of a valuation carried out at the reporting date by an internal valuer, Tim Hague MRICS, Shoreham Port Authority's Director of Property and Development. The valuation was made on an open market value basis by reference to market evidence of transaction prices and rental yields for similar properties and in accordance with RICS Valuation Professional Standards January 2014 including the International Valuation Standards. Rental yields applied ranged from 6.5% to 8% and included allowance for maintenance expenditure where appropriate.

The outbreak of Covid-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. Market activity is being impacted in many sectors. As at the valuation date, the internal valuers consider that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to Covid-19 means that valuers are faced with an unprecedented set of circumstances on which to base a judgement. The valuations across all investment properties are therefore reported in the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. The valuers have confirmed that the inclusion of a "material valuation uncertainty" does not mean that the valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that in the current extraordinary circumstances, less certainty can be attached to valuations than would otherwise be the case.

### 14 Fixed asset investments

		Group 2020	2019	Authority 2020	2019
	Notes	£	£	£	£
Investments in subsidiaries	15	-	-	2	2

#### Movements in fixed asset investments

Authority	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2020 and 31 December 2020	2
<b>Carrying amount</b>	
At 31 December 2020	2
At 31 December 2019	2

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 15 Subsidiaries

Details of the Authority's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Shoreham Port Developments & Investments Limited	Nautilus House, 90-100 Albion Street, Southwick Brighton, BN42 4ED	Investment holding company	Ordinary	100.00	
Sussex Port Forwarding Limited	As above	Stevedoring and freight forwarding	Ordinary		100.00
Port of Shoreham Trustee Company Limited	As above	Corporate trustee to The Port of Shoreham Retirement & Death Benefit Scheme	Ordinary		100.00
Shoreham Port Solutions Limited	As above	Recruitment agency for drivers and casual workers at Shoreham Port	Ordinary		100.00

### 16 Debtors

Amounts falling due within one year:	Group	2019	Authority	2019
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	2,287,438	1,734,441	1,323,649	1,185,810
Corporation tax recoverable	-	-	50,734	-
Amounts owed by group undertakings	-	-	1,015,775	1,015,775
Other debtors	47,516	71,653	-	9,305
Prepayments and accrued income	1,496,433	1,524,845	1,425,940	1,416,207
	<u>3,831,387</u>	<u>3,330,939</u>	<u>3,816,098</u>	<u>3,627,097</u>
Deferred tax asset (note 22)	657,552	269,558	-	25,445
	<u>4,488,939</u>	<u>3,600,497</u>	<u>3,816,098</u>	<u>3,652,542</u>

Within amounts due from group undertakings are amounts receivable in more than one year of £1,015,775 (2019: £1,015,775).

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Creditors: amounts falling due within one year

	Notes	Group 2020 £	2019 £	Authority 2020 £	2019 £
Bank loans	19	9,617,415	3,915,022	9,617,415	3,915,022
Obligations under finance leases	20	178,871	221,153	-	-
Trade creditors		1,108,024	1,199,767	561,682	688,020
Amounts due to group undertakings		-	-	137,805	69,620
Corporation tax payable		148,427	176,209	-	93,758
Other taxation and social security		217,150	196,495	162,733	155,915
Government grants		680,485	845,766	680,485	845,766
Other creditors		389,019	360,414	332,017	323,487
Accruals and deferred income		1,238,305	1,116,431	1,033,907	998,184
		<u>13,577,696</u>	<u>8,031,257</u>	<u>12,526,044</u>	<u>7,089,772</u>

Included within other creditors (group) are unpaid pension contributions amounting to £98,792 (2019: £87,013), of which £57,638 (2019: £52,602) relates to the Authority.

Included within government grants is a discretionary capital grant of £103,200 received in 2015 from the Coast to Capital Local Enterprise Partnership which covered part of the cost of a project to widen wharves at the Port. The grant is conditional upon the creation of 4 jobs which must be maintained for 3 years. Those jobs were created during 2015 and maintained to the balance sheet date, at which point there was no indication that the positions would cease to exist within the required period. The grant is being released over 15 years, in line with the depreciation charged on the wharves for which it was received. At the balance sheet date £65,932 (2019: £72,239) was included within government grants, to be released as qualifying expenditure in incurred in future years.

The remainder of the government grants relates to a discretionary capital grant of £1,100,000 received in 2017 from the Coast to Capital Local Enterprise Partnership which covered part of the cost of the acquisition of Maritime House. The grant is conditional upon the development of the property and the safeguarding of jobs over 5 years following the receipt of the grant. The grant is being released in line with these conditions. At the balance sheet date £614,553 (2019: £773,527) was included within government grants, to be released in future years.

### 18 Creditors: amounts falling due after more than one year

	Notes	Group 2020 £	2019 £	Authority 2020 £	2019 £
Bank loans	19	8,403,727	13,897,416	8,403,727	13,897,416
Obligations under finance leases	20	350,507	484,543	-	-
		<u>8,754,234</u>	<u>14,381,959</u>	<u>8,403,727</u>	<u>13,897,416</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments		<u>701,842</u>	<u>899,746</u>	<u>701,842</u>	<u>868,131</u>
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# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 Borrowings

	Group 2020 £	2019 £	Authority 2020 £	2019 £
Bank loans	18,021,142	17,812,438	18,021,142	17,812,438
Payable within one year	9,617,415	3,915,022	9,617,415	3,915,022
Payable after one year	8,403,727	13,897,416	8,403,727	13,897,416
Amounts included above which fall due after five years:				
Payable by instalments	701,842	868,131	701,842	868,131

The Port Authority has six bank facilities with NatWest Bank PLC:

- There is a £3 million facility which is repayable on 31 July 2021. The loan is subject to interest at 1.95% above LIBOR, and is secured by an unlimited cross composite guarantee between the group companies and against certain assets at the port;
- There is a £10 million facility which commenced repayment in June 2013 and is subject to interest at 2% above Base Rate. The loan is secured against assets of the Port. This is repayable on 31 July 2021;
- There is a £950k facility which is being repaid on a monthly basis with the final repayment due in February 2032. The facility is subject to interest at 2% above the Base Rate;
- There is a £2.15 million facility which is being repaid on a monthly basis with the final repayment due in April 2022. The facility is subject to interest at 2.1% above the Base Rate;
- There is an £850k facility which commenced repayment in January 2018 and is being paid on a monthly basis with the final repayment due in December 2022. The facility is subject to interest at 2.1% above the Base Rate; and
- There is an £5 million facility which was taken out during the year and is being repaid on a monthly basis. The final repayment is due in October 2024. The facility is subject to interest at 2.1% above the Base Rate.

NatWest holds a debenture over all assets of the Port.

The Port Authority also has an asset finance arrangement with Santander UK plc, this is a £962,149 loan. The facility is subject to interest at 2.03% above the Base Rate.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 20 Finance lease obligations

	Group 2020 £	2019 £	Authority 2020 £	2019 £
Future minimum lease payments due under finance leases:				
Less than one year	220,394	275,892	-	-
Between one and five years	417,951	547,321	-	-
After five years	-	37,565	-	-
	<u>638,345</u>	<u>860,778</u>	<u>-</u>	<u>-</u>
Less: future finance charges	(108,967)	(155,082)	-	-
	<u><u>529,378</u></u>	<u><u>705,696</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Finance lease payments relate to the acquisition of three cranes. The leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 10 years and they are subject to interest rates at Bank of England Base +2.50%, 2.89% and 1.92%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The liabilities are secured on the assets to which they relate.

### 21 Provisions for liabilities

	Notes	Group 2020 £	2019 £	Authority 2020 £	2019 £
Pension		119,076	119,076	119,076	119,076
Oil terminal provision		83,638	83,638	83,638	83,638
		<u>202,714</u>	<u>202,714</u>	<u>202,714</u>	<u>202,714</u>
Deferred tax liabilities	<b>22</b>	4,317,163	4,287,799	4,283,299	4,194,041
		<u><u>4,519,877</u></u>	<u><u>4,490,513</u></u>	<u><u>4,486,013</u></u>	<u><u>4,396,755</u></u>

Movements on provisions apart from deferred tax liabilities:

Group	Pension £	Oil terminal provision £	Total £
At 1 January 2020 and 31 December 2020	<u>119,076</u>	<u>83,638</u>	<u>202,714</u>
Authority	Pension £	Oil terminal provision £	Total £
At 1 January 2020 and 31 December 2020	<u>119,076</u>	<u>83,638</u>	<u>202,714</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 21 Provisions for liabilities (Continued)

#### Pension

The Pilot's National Pension Fund (PNPF) is a centralised, multi-employer defined benefit scheme for non-associated employers which provide benefits for employed and self-employed pilots.

In 2009 when the Authority was first notified that it may be obliged to contribute to the PNPF's deficit, provision of £504,000 was made based on the best estimate of the likely liability available at the time relating to three pilots who operated at the Port in the 1980s.

During 2013 the Trustees of the scheme agreed a recovery plan, and the Authority has been notified of the contributions due over the period of the recovery plan which is 16 years. The total contributions now due are £119,076, on an undiscounted basis.

The total obligation is not material to the total assets of the group, nor is the annual cost or the discount which would be applied, and the Members do not believe there would be any benefit in terms of improved reporting in obtaining actuarial information for disclosure of the group's share of the assets or liabilities of the scheme, or other details.

#### Oil terminal provision

The Oil Terminal Provision is for on-going monitoring works on the site. The provision recognised the deferral of income received from a previous tenant in 2014 in respect of site remediation work. The timing of the remaining payments is uncertain; the provision will be released as costs are incurred in this respect.

### 22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or Authority has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities	Liabilities	Assets	Assets
	2020	2019	2020	2019
	£	£	£	£
Fixed asset timing differences	1,043,810	681,420	-	-
Rolled over gains	-	171,077	-	-
Short term timing differences - pension	32,731	423,980	613,320	239,870
Investment property value	3,240,622	2,603,000	-	-
Land fair value uplift	-	408,322	-	-
Other timing differences	-	-	44,232	29,688
	<u>4,317,163</u>	<u>4,287,799</u>	<u>657,552</u>	<u>269,558</u>



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 22 Deferred taxation (Continued)

<b>Authority</b>	<b>Liabilities 2020 £</b>	<b>Liabilities 2019 £</b>	<b>Assets 2020 £</b>	<b>Assets 2019 £</b>
Fixed asset timing differences	1,009,946	587,662	-	-
Rolled over gains	-	171,077	-	-
Short term timing differences - pension	32,731	423,980	-	-
Investment property value	3,240,622	2,603,000	-	-
Land fair value uplift	-	408,322	-	-
Other timing differences	-	-	-	25,445
	<u>4,283,299</u>	<u>4,194,041</u>	<u>-</u>	<u>25,445</u>
			<b>Group 2020 £</b>	<b>Authority 2020 £</b>
<b>Movements in the year:</b>				
Liability at 1 January 2020			4,018,241	4,168,596
Charge to profit or loss			315,870	521,303
Credit to other comprehensive income			(674,500)	(406,600)
Liability at 31 December 2020			<u>3,659,611</u>	<u>4,283,299</u>

The majority of the group's deferred tax asset is expected to reverse in more than 12 months and relates to short term timing differences on the defined benefit pension obligation.

The group's deferred tax liability is not expected to reverse within 12 months, with a significant proportion relating to properties which are not expected to be sold.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Retirement benefit schemes

#### Defined benefit 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 operates The Port of Shoreham Retirement and Death Benefit Scheme (PoSRaDBS) which was closed to future accrual during the prior year where the assets of the scheme are administered by trustees in a fund independent from the assets of the company. SPF also contributes to the West Sussex County Council Local Government Pension Scheme (WSCCLGPS) which SPF joined on 1 April 2019 and is available to all employees of the company. This scheme is a centralised defined benefits scheme with the assets held in separate trustee-administered funds.

Costs and liabilities of all schemes are based on actuarial valuations. The latest full actuarial valuations of the schemes were completed on 31 March 2019 (SPA's and SPF's WSCCLGP scheme) and 31 December 2019 (SPF's PoSRaDBS). These valuations have been updated to 31 December 2020 using the projected unit method by qualified independent actuaries.

The key assumptions used by the actuaries in valuing the costs and liabilities of the Shoreham Port Authority scheme were:

	SPA WSCCLGPS		SPF WSCCLGPS	
	2020 %	2019 %	2020 %	2019 %
<i>Key assumptions</i>				
Discount rate	1.30%	2.00%	1.35%	2.10%
Expected rate of increase of pensions in payment	2.50%	2.20%	2.45%	2.20%
Expected rate of salary increases	3.00%	2.90%	2.95%	2.90%
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
			PoSRaDBS	
			2020	2019
<i>Key assumptions</i>			%	%
Discount rate			1.30%	2.00%
Expected rate of increase of pensions in payment			2.85%	3.05%
Expected rate of salary increases			n/a	n/a
Inflation - RPI			3.10%	3.15%
Inflation - CPI			2.40%	2.15%
			<u>          </u>	<u>          </u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Retirement benefit schemes (Continued)

<i>Mortality assumptions</i>	<b>WSCCLGPS</b>		<b>PoSRA DBS</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Retiring today				
- Males	22.20	21.80	21.40	21.00
- Females	24.20	23.60	24.30	23.10
Retiring in 20 years				
- Males	23.30	23.00	22.80	22.40
- Females	25.90	25.50	25.70	24.60
<i>Amounts recognised in the income statement</i>			<b>2020</b>	<b>2019</b>
			<b>£</b>	<b>£</b>
Current service cost			1,439,000	1,339,000
Net interest on defined benefit (asset)/liability			(16,000)	4,000
Administration costs			108,000	228,000
Total costs			1,531,000	1,571,000
<i>Amounts taken to other comprehensive income</i>			<b>2020</b>	<b>2019</b>
			<b>£</b>	<b>£</b>
Actual return on scheme assets			(3,624,000)	(3,706,000)
Calculated interest element			623,000	781,000
Return on scheme assets excluding interest income			(3,001,000)	(2,925,000)
Actuarial changes related to obligations			6,551,000	1,340,000
Total expense/(income)			3,550,000	(1,585,000)

The amounts included in the statement of financial position arising from the group and Authority's obligations in respect of defined benefit plans are as follows:

	<b>Group</b>		<b>Authority</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Present value of defined benefit obligations	37,715,000	29,922,000	27,354,000	21,868,000
Fair value of plan assets	(34,788,000)	(31,005,000)	(27,655,000)	(24,362,000)
Surplus/(deficit) in scheme	2,927,000	(1,083,000)	(301,000)	(2,494,000)

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Retirement benefit schemes (Continued)

	<b>Group 2020</b>	<b>Authority 2020</b>
	£	£
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2020	29,922,000	21,868,000
Current service cost	1,439,000	758,000
Past service cost	(65,000)	(59,000)
Benefits paid	(1,041,000)	(694,000)
Contributions from scheme members	302,000	182,000
Actuarial gains and losses	6,551,000	4,858,000
Interest cost	607,000	441,000
	<hr/>	<hr/>
At 31 December 2020	37,715,000	27,354,000
	<hr/> <hr/>	<hr/> <hr/>

The defined benefit obligations arise from plans which are wholly or partly funded.

	<b>Group 2020</b>	<b>Authority 2020</b>
	£	£
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2020	31,005,000	24,362,000
Interest income	623,000	489,000
Return on plan assets (excluding amounts included in net interest)	3,001,000	2,718,000
Benefits paid	(1,041,000)	(694,000)
Contributions by the employer	1,071,000	598,000
Contributions by scheme members	302,000	182,000
Administration costs	(173,000)	-
	<hr/>	<hr/>
At 31 December 2020	34,788,000	27,655,000
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*The analysis of the scheme assets at the reporting date were as follows:*

	<b>Group 2020</b>	<b>2019</b>	<b>Authority 2020</b>	<b>2019</b>
	£	£	£	£
Equity instruments	17,680,150	15,189,000	14,657,150	12,668,000
Property	1,994,850	1,974,000	1,935,850	1,949,000
Gilts	2,658,000	1,017,000	-	-
Bonds	10,257,800	9,670,000	9,955,800	8,527,000
Cash	1,307,200	1,835,000	1,106,200	1,218,000
Diversified growth funds	-	1,320,000	-	-
Multi-sector credit	890,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	34,788,000	31,005,000	27,655,000	24,362,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Retirement benefit schemes (Continued)

#### WSCCLGPS - SPA

##### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 December 2020:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	2,630
0.5% increase in the Salary Increase Rate	1%	191
0.5% increase in the Pension Increase Rate (CPI)	9%	2,379

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

#### WSCCLGPS - SPF

##### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 December 2020:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	18%	333
0.5% increase in the Salary Increase Rate	0%	-
0.5% increase in the Pension Increase Rate (CPI)	17%	328

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

#### PoS RaDBS

##### Sensitivity analysis

The sensitivities of the schemes liability to the discount rate assumption is as follows, discount rate applied is currently 1.3%, a 0.1 % increase in Discount rate would result in a 2.3% decrease in scheme liabilities.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 24 Borrowing powers at 31 December 2020

ACT OR ORDER	Total £
1985 (as amended by the Shoreham Port Authority Harbour Revision (Constitution) Order 2004) Indexation to 31 December 2020	50,000,000 22,164,000
Revised Borrowing Powers at 31 December 2020	72,164,000

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.

### 25 Reserves

#### Profit and loss reserves

Cumulative profit and loss.

### 26 Cash generated from group operations

	2020 £	2019 £
(Loss)/profit for the year after tax	(2,024,643)	1,068,843
Adjustments for:		
Taxation charged	320,721	365,465
Finance costs	444,369	544,704
Investment income	(34,783)	(42,183)
Gain on disposal of tangible fixed assets	(11,385)	(3,551)
Depreciation and impairment of tangible fixed assets	1,783,182	1,820,015
Other gains and losses	1,606,994	(1,761,743)
Pension scheme non-cash movement	476,000	325,000
Movements in working capital:		
(Increase)/decrease in debtors	(500,448)	271,262
(Decrease)/increase in creditors	(85,890)	611,417
<b>Cash generated from operations</b>	<b>1,974,117</b>	<b>1,976,395</b>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 27 Analysis of changes in net debt - group

	1 January 2020 £	Cash flows £	31 December 2020 £
Cash at bank and in hand	4,902,752	(2,259,709)	2,643,043
Borrowings excluding overdrafts	(17,812,438)	(208,704)	(18,021,142)
Obligations under finance leases	(705,696)	176,318	(529,378)
	<u>(13,615,382)</u>	<u>(2,292,095)</u>	<u>(15,907,477)</u>

### 28 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2020 £	2019 £	Authority 2020 £	2019 £
Within one year	530,653	370,012	161	1,935
Between one and five years	1,924,819	1,177,937	-	161
In over five years	-	73,611	-	-
	<u>2,455,472</u>	<u>1,621,560</u>	<u>161</u>	<u>2,096</u>

#### Authority as a lessor

The Authority acts as a lessor, holding rental contracts with tenants under non-cancellable operating lease arrangements. The average remaining lease term at 31 December 2020 is between 4 and 5 years, excluding low-value long-term lease arrangements for which remaining lease terms range between 36 and 939 years on an amount of annual rent of £167. Rent reviews occur periodically on certain leases, generally between 2 and 5 years, and where break clauses exist these are at intervals specific to each lease. Rental income earned in the year under these lease agreements is included within turnover and amounted to £4,229,645 (2019: £3,803,674).

### 29 Financial commitments, guarantees and contingent liabilities

Subsequent to the year end, Shoreham Port Authority entered into a guarantee agreement with the Port of Shoreham Trustee Company limited. Under the guarantee, Shoreham Port Authority will pay any amounts due to the Port of Shoreham Retirement and Death Benefit Scheme that would otherwise be due to the scheme from Sussex Port Forwarding limited. The associated pension scheme liabilities are included within the consolidated statement of financial position (see note 23).

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 30 Capital commitments

The group has the following capital commitments not provided for in the financial statements:

	<b>Group 2020 £</b>	<b>2019 £</b>	<b>Authority 2020 £</b>	<b>2019 £</b>
Acquisition of tangible fixed assets	<u>727,215</u>	<u>2,609,570</u>	<u>727,215</u>	<u>2,609,570</u>

### 31 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	<b>2020 £</b>	<b>2019 £</b>
Aggregate compensation	<u>1,048,529</u>	<u>1,139,360</u>



**SHOREHAM PORT AUTHORITY**

**MANAGEMENT INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**THE FOLLOWING PAGES DO NOT FORM PART OF THE FINANCIAL STATEMENTS**

# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2020

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		2020		2019
	£	£	£	£
<b>Turnover</b>				
Sales of goods		7,343,372		7,074,620
Sundry income		568,485		881,765
		<u>7,911,857</u>		<u>7,956,385</u>
<b>Cost of sales</b>				
Wages and salaries	1,412,477		1,549,432	
Social security costs	154,414		174,970	
Staff pension costs defined benefit	411,201		551,261	
Equipment repairs	1,077,208		894,488	
Hire of equipment (not operating lease)	21,392		42,180	
Motor running expenses	43,133		72,820	
Depreciation	1,193,526		1,192,704	
		<u>(4,313,351)</u>		<u>(4,477,855)</u>
<b>Gross profit</b>	45.48%	3,598,506	43.72%	3,478,530
<b>Other operating income</b>				
Government grants receivable and released	49,011		-	
		<u>49,011</u>		<u>-</u>
<b>Administrative expenses</b>		(3,038,152)		(3,293,368)
<b>Operating profit</b>		609,365		185,162
<b>Investment revenues</b>				
Bank interest received	17,913		42,183	
		<u>17,913</u>		<u>42,183</u>
<b>Interest payable and similar expenses</b>				
Bank interest on loans	397,798		485,264	
Net interest on defined benefit liability	(48,000)		(20,000)	
		<u>(349,798)</u>		<u>(465,264)</u>
<b>Other gains and losses</b>				
(Decrease)/increase in fair value of investment property		(1,606,994)		1,761,743
<b>(Loss)/profit before taxation</b>	16.80%	<u>(1,329,514)</u>	19.15%	<u>1,523,824</u>

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# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020	2019
	£	£
<b>Administrative expenses</b>		
Wages and salaries	1,049,386	1,162,416
Social security costs	120,422	117,260
Temporary staff	122,975	18,318
Staff recruitment costs	149	5,192
Staff welfare	4,412	15,135
Staff training	10,546	53,251
Staff pension costs defined benefit (allocation)	297,017	280,018
Other staff costs	45,308	44,069
Rent re operating leases	2,361	2,361
Rates	198,027	174,527
Power, light and heat	374,264	434,541
Travelling expenses	3,144	6,301
Accommodation and subsistence	772	10,969
Postage, courier and delivery charges	6,820	10,491
Professional subscriptions	30,518	35,129
Legal and professional fees	306,730	236,336
Accountancy	30,000	25,612
Bank charges	33,974	33,812
Bad and doubtful debts	12,307	144,801
Insurances (not premises)	202,881	202,684
Printing and stationery	3,399	10,814
Advertising	11,275	60,732
Telecommunications	48,676	56,000
Entertaining	432	6,233
Sundry expenses	47,041	68,409
Protective equipment	17,299	18,310
Depreciation	58,017	58,017
Profit on sale of tangible assets	-	1,630
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	3,038,152	3,293,368
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# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

		2020		2019
	£	£	£	£
<b>Turnover</b>				
Sales of services		13,142,194		12,861,477
Sundry income		584,485		914,899
		<u>13,726,679</u>		<u>13,776,376</u>
<b>Cost of sales</b>				
Wages and salaries	2,520,656		2,647,528	
Social security costs	260,731		285,787	
Staff pension costs defined benefit	604,658		771,473	
Equipment repairs	1,659,096		1,292,676	
Hire of equipment (not operating lease)	79,084		112,145	
Motor running expenses	215,870		258,942	
Depreciation	1,725,165		1,761,998	
Haulage payable	812,964		869,246	
Miscellaneous cargo handling	25,128		13,089	
Casual / temporary staff costs	326,122		349,496	
Property repairs and maintenance	4,854		13,543	
		<u>(8,234,328)</u>		<u>(8,375,923)</u>
<b>Gross profit</b>	40.01%	5,492,351	39.20%	5,400,453
<b>Other operating income</b>				
Government grants receivable and released	62,300		-	
		<u>62,300</u>		<u>-</u>
<b>Administrative expenses</b>		(5,241,993)		(5,225,367)
<b>Operating profit</b>		312,658		175,086
<b>Investment revenues</b>				
Net interest on defined benefit asset	16,000		-	
Bank interest received	17,913		42,183	
Other interest received - not on financial instruments	870		-	
		<u>34,783</u>		<u>42,183</u>
<b>Interest payable and similar expenses</b>				
Net interest on defined benefit liability	-		4,000	
Bank interest on loans	397,798		485,264	
Hire purchase interest payable	46,571		55,263	
Interest payable - other	-		177	
		<u>(444,369)</u>		<u>(544,704)</u>
<b>Other gains and losses</b>				
(Decrease)/increase in fair value of investment property		(1,606,994)		1,761,743
<b>(Loss)/profit before taxation</b>	12.41%	<u>(1,703,922)</u>	10.41%	<u>1,434,308</u>

# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - GROUP FOR THE YEAR ENDED 31 DECEMBER 2020

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	2020	2019
	£	£
<b>Administrative expenses</b>		
Bank charges	34,712	34,437
Wages and salaries	1,807,512	1,894,420
Social security costs	196,989	192,393
Temporary staff	122,975	18,318
Staff recruitment costs	149	5,192
Staff welfare	6,172	17,723
Staff training	15,302	63,180
Staff pension costs defined benefit (allocation)	958,797	810,511
Other staff costs	54,255	51,651
Rent re operating leases	2,361	2,361
Rates	198,027	174,527
Power, light and heat	374,264	434,541
Travelling expenses	3,711	9,931
Accommodation and subsistence	830	16,105
Postage, courier and delivery charges	7,249	11,186
Professional subscriptions	56,355	40,200
Legal and professional fees	351,712	282,652
Accountancy	75,750	52,362
Bad and doubtful debts	12,307	167,037
Insurances (not premises)	405,396	391,305
Printing and stationery	19,113	19,384
Advertising	11,275	60,732
Telecommunications	60,044	65,619
Entertaining	779	7,686
Sundry expenses	80,076	100,559
Protective equipment	19,465	22,220
Depreciation	58,017	58,017
Profit on sale of tangible assets	(11,385)	(3,551)
Leasing - plant and machinery	318,899	223,710
Credit card charges	270	335
Loss on foreign exchange	615	624
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	5,241,993	5,225,367
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