

SHOREHAM PORT AUTHORITY
REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018

SHOREHAM PORT AUTHORITY

MEMBERS

Chair	A Foster (Appointed 1 January 2018)
Deputy Chair	T Giddings (Appointed 1 January 2018)
Members	S Nicholls C Dwyer J Newell J Headley M Lemmon (Appointed 1 January 2018) A Massey (Appointed 1 January 2019)

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

Chief Executive	R Lunn
Secretary/ Finance Director & Deputy Chief Executive	S Bassett
Harbour Master/ Director of Marine Operations	J Seaman
Commercial/ Operations Director	B Evans-Gay
Director of Infrastructure and Climate Change	A Parker (appointed 1 February 2019)
Director of Property & Development	T Hague
Director of Compliance	P Johnson
Director of Corporate Services	N Goldsbrough
Director of Engineering	B Rousell (from 1 February 2019) A Parker (to 1 February 2019)
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
Tel/ Fax:	01273 598100 / 01273 592492
Website:	http://www.shoreham-port.co.uk
Email:	info@shoreham-port.co.uk

SHOREHAM PORT AUTHORITY

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The members present the following reports for the year ended 31 December 2018.

Summary

Overall 2018 was a good year, with ship call numbers remaining steady, but tonnage throughput increasing with larger ships each carrying more cargo. Our property portfolio also benefitted from improved occupancy levels again.

The Ports' key cargoes of timber, aggregates, bulks and glass, all showed growth, whilst the other core cargoes of steel, petroleum, woodchip and cereals were either steady or below the prior year.

Construction in the key hinterlands of London and the South East benefited from an expanding housing market and many large scale projects, thus fuelling demand for products through the Port.

As a Trust Port, all surplus funds are reinvested back into the Port for the benefit of its wide range of stakeholders. This includes ensuring that our terminals are well maintained for our customer's cargoes and key purchases such as a new tug to keep the Port open with improved levelling operations. We also invest heavily in local community based projects, for example new bus shelters overlooking the Port or investing in local schools to improve their facilities.

Results

In the management accounts, when compared on a like for like basis and before any year-end adjustments, the consolidated revenue for the Port was c£14 million, an increase of 5.9% over the prior year. Following year-end adjustments revenue as per the statutory accounts for 2018 is c£14.2m an increase of 7.2% over 2017.

Occupancy levels throughout the Port's thriving property portfolio increased to 99%, up 3% from the prior year. The Port now has over 100 tenants and property income equates to roughly 30% of total revenue.

The Port handled 783 commercial ships, which was very similar to the prior year, but with vessels increasing in size and carrying more cargo, the cargo tonnage was up 2.9% at 2.1 million tonnes.

All of our key tenant's cargoes on the Port, including petroleum, aggregates and cereals had a reasonable year with overall tonnage up 2.6% on the prior year.

With four aggregate companies bringing ships to the Port, this continues to be our key base commodity with 1,429k tonnes imported during the year, up 4.1% on the prior year.

65,000 tonnes of petroleum products were handled through the Port in 2018, down just 3,000 tonnes, -4.8% compared to the prior year. Investment in the terminal continues from the tenant.

128,000 tonnes of cereal was shipped through the Port to markets in the UK and Europe, and this was down 11% on the prior year.

The Port's Operations Division had a good year and handled 499,000 tonnes of cargo, which was 4.2% above the prior year. This growth was primarily driven by imported timber from the Baltics which had a record year bringing in 456,00m3, up 12.3% from 2017.

Overall, steel throughput during 2018 was 3.4% down at 86,000 tonnes for the Port. However, steel for embankments and flood defence work was up 9.4%, whilst steel for buildings and other construction work was down 13.2% compared to the prior year.

The Port's bulk terminal on Power Station Quay was again very busy with sand, quarried stone and rock salt from earlier in the year. During 2018 41,000 tonnes of bulk was handled, up 7.9% from the previous year.

Recycled glass to Europe had a good year and was up 19.4% at 16,000 tonnes, whilst woodchip exports to the UK and Europe were down 45% at 18,000 tonnes owing to changes in contracts and demand from the south east.

SHOREHAM PORT AUTHORITY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Results (continued)

The Port remains a very popular destination for fishing boats, with excellent facilities for fish handling. Visiting boats were mainly berthed on the Power Station Quay for a quick and easy discharge. Fish landings in 2018 were 31.6% up over the prior year.

Throughout the year, the Marine Department worked very closely with our broad range of leisure users and the circa 500 leisure berths were again all occupied.

During the year, the dry dock facilities were cleaned up and improved for visiting vessels of up to 50 metres in length. The new tug Acamar was a welcome addition to the fleet and Shoreham Port can now provide bed levelling services to a greater range of ports.

Masterplan

The Masterplan and refresh of the plan in 2016 remain very much on track. During 2018 the Port exited from land ownership in the West arm and will be using the proceeds to purchase land in the East arm, thus maintaining and increasing its land ownership.

The Lady Bee Enterprise Centre, which will provide 14 new light industrial units with mezzanine floor levels, ranging from 800 to 1,200 square feet received planning approval and construction commenced during the year, with completion expected in mid-2019.

In addition, renovation of the units on Albion Street also started and will be completed in early 2019, vastly improving the area and facilities offered.

After protracted discussions Britannia Wharf, the only derelict site in the Port was finally leased out at the end of the year and existing structures are now being demolished and new paving and building installed to bring the terminal back into operation. Completion is expected in the first half of 2019.

Stakeholders

We thank our customers in the UK, Sweden and Latvia for their ongoing support and loyalty as we continue to strive together for improved efficiency and turnaround.

Working and engaging with our neighbours locally was high on our priority list again. We much appreciated the feedback we received and are pleased to say we only had 33 complaints throughout the whole year, mainly related to noise outside normal working hours. A noise monitoring system has now been installed.

The annual boat trips week proved hugely popular again and we enjoyed having the schools, business groups and local residents see the Port from the water.

The Port provides a great work experience environment, and not only were we able to welcome many local students, but we also worked with University graduates completing their studies.

We worked with a number of charities during the year providing time and support, and encouraged staff to have a day off working for a local charity, an initiative which continues to gain momentum.

Environment

The Port continues to work on many environmental fronts, from installing LED lights throughout its estate, to ensuring solar panels are fitted to the new Lady Bee Enterprise Centre, utilising power from the two onshore wind turbines, encouraging a cycle to work scheme and introducing power sockets for vehicle charging, all of which assist in growing and enhancing our Eco Port credentials.

The Spring and Autumn transfer of shingle to protect our beach frontage were again very successful, but, to keep on top of this escalating challenge, we are discussing with the local authorities a combined effort to protect the area from our East Harbour Arm to Brighton Marina.

SHOREHAM PORT AUTHORITY

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Outlook

The success of Shoreham Port is undoubtedly down to the hard working and dedicated staff throughout all departments, which keep the Port open 24 hours a day. I would like to thank them all for their excellent contribution and for keeping our customers informed, safe and wanting to come back each time.

By the time this Annual Report reaches you, March 29th (Brexit day) will have passed, and irrespective of what outcome is finally agreed, Shoreham Port is ready to meet the challenge and ensure cargo continues to move smoothly through the Port.

The Port continues to have a diverse mix of stakeholders and customers from shipping lines, receivers, tenants, spot cargo owners, fishing trawlers, leisure users and many others.

This wide variation ensures we have a very positive outlook for the Port as we continue to invest for the future.

The Port may not be biggest Port but we certainly want to be best in everything we do and our dedicated workforce are key to that success, so their growth, training and development will remain a top priority.

.....
R Lunn

Chief Executive

SHOREHAM PORT AUTHORITY

CHAIR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

I am delighted to present my first Annual Report as Chair of Shoreham Port.

2018 was a good year for Shoreham Port with trading results showing consolidated revenue of £14,258,991 (2017: £13,295,800) up by 7.2% on the prior year.

The cash flow remained positive and all banking covenants were met, as the Port continued to invest in property developments in the east arm of the Port. As before, our strategy to position the Port for a breakeven position was followed.

Looking after the environment and keeping our people and Port users safe remained at the centre of all Port activities. Our safety culture is a key focus for the Board and continues to be the first item discussed in-depth at each Board meeting.

The Board are satisfied that the Port continues to meet the requirements of the Port Marine Safety Code, with the designated person carrying out audits in May and December followed by presentation to the Board in January. Only a few small recommendations were made and these were immediately closed out.

An independent safety consultant has been hired by the Port since October to review the landside of our operations and his findings to date have confirmed that the Port has a robust safety system in place. Again improvement observations were made and these have been acted upon.

2018 was again a very busy year for the Port as we kept the Masterplan on track with the Board approving and supporting the continued expansion of the property portfolio, whilst ensuring sufficient investment was made in the Port's equipment, infrastructure and beach defences.

As a Trust Port, we make longer term decisions on investment, whilst ensuring they are commercially viable and suitable for our location and local residents. The Port is a key economic driver and we are pleased that over 1600 jobs continue to be sustained on the footprint of the Port.

Hearing the views of our local community and stakeholders is very important to the Board and the Senior Leadership Team. The Annual Public meeting in Southwick's Barn Theatre continues to be very popular. It is an excellent forum for our local stakeholders to engage with the Board and senior members of staff, be updated on our future plans and give feedback as well.

The twice yearly Local Area Liaison Committee and Port Users Group meetings work very effectively and we are pleased with the turnout and constructive discussions that take place in a formal meeting environment.

In September, the Board conducted their yearly review of the strategic direction of the Port, reviewing and adjusting the five-year rolling business plan to ensure it remains achievable, suitably funded and aligned to the Masterplan. For a Port of this size, raising capital for the ambitious and exciting plans remains a key challenge, hence we continue to seek out grants where applicable and are pleased that our banks remain very supportive and keen to work with the Port.

The Department for Transport has invested in a coastal shipping study to review the benefits of using the vast number of coastal Ports like Shoreham, which can assist reducing congestion on our road network and improving air quality through moving more freight by sea. We have participated in this study and look forward to the conclusion and recommendations in 2019.

Our Chief Executive, Rodney Lunn, completed a successful term as Chairman of the British Ports Association and he remains on the Association's Council. We ensure that all our Senior Leadership Team remain fully engaged with this influential trade body, which represents the Port sector and promotes, at all levels of government, a forward thinking agenda whether on policy, environment or gender diversity through the Women in Maritime Taskforce.

SHOREHAM PORT AUTHORITY

CHAIR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

The Board remain committed to good governance and fully embrace all the principles set out in the Ports Good Governance Guidance document. With this in mind I would like to thank our Non- Executive Director Stuart Nicholls who successfully completed his six year tenure at the end of 2018, and am delighted to welcome Sir Alan Massey as his replacement.

The Board have considered the likely implications of Brexit, and are satisfied that suitable contingency preparations have been made and that the Port is well positioned to meet any changes to the customs arrangement and possible stock piling of cargo in the short term. Given the diverse nature of the revenue streams, we do not believe the Port will be affected in the long term.

Finally I would like to thank all members of the Board and staff throughout the Port for their support and for continually pushing the Port forward into new areas, whilst providing a great service to our stakeholders.

.....
A Foster
Chair

SHOREHAM PORT AUTHORITY

REPORT OF THE MEMBERS

FOR THE YEAR ENDED 31 DECEMBER 2018

The Members submit their report and the financial statements for the year ended 31 December 2018.

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 three wholly owned subsidiaries: Shoreham Port Developments and Investments Limited, which is an investment holding company, Sussex Port Forwarding Limited (SPF) whose principal activities are stevedoring and freight forwarding, and 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 2018 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.

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.

SHOREHAM PORT AUTHORITY

REPORT OF THE MEMBERS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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 Newell, in January 2019 J Headley became chair of the committee. 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 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 comprises three non-executive Members of the Board and was chaired during the year by C Dwyer. 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 has been an independent advisor to the Committee since 2007.

Compliance committee

During the year the Compliance Committee was chaired by S Nicholls who resigned at the end of his term and J Newell was appointed as the chair of the committee. 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.

SHOREHAM PORT AUTHORITY

REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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.

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 2018.

On behalf of the board

.....
A Foster
Chair

.....
R Lunn
Chief Executive

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

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 2018 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, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters as required by the terms of our engagement

In our opinion, based on the work undertaken in the course of our 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 has been prepared in accordance with applicable legal requirements.

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

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 its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 8, 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.

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.

Use of our report

This report is made solely to the Authority's members, as a body, in accordance with our engagement letter dated 8 January 2018. 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.

Jonathan Ericson BA FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3rd Floor
Portland
25 High Street
Crawley
West Sussex, RH10 1BG

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SHOREHAM PORT AUTHORITY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	14,258,991	13,295,800
Cost of sales		(7,470,350)	(6,562,101)
Gross profit		6,788,641	6,733,699
Administrative expenses		(6,558,283)	(6,309,400)
Operating profit	6	230,358	424,299
Interest receivable and similar income	8	14,352	60
Interest payable and similar expenses	9	(429,035)	(424,561)
Fair value gains on investment properties		1,051,847	109,115
Profit before taxation		867,522	108,913
Taxation	10	(219,649)	(199,266)
Profit/(loss) for the financial year	25	647,873	(90,353)
Other comprehensive income			
Actuarial gain on defined benefit pension schemes		963,000	1,553,000
Tax relating to other comprehensive income		(182,970)	(298,953)
Total comprehensive income for the year		1,427,903	1,163,694

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 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	11	49,694,031		50,257,449	
Investment properties	12	25,115,043		28,019,704	
		<u>74,809,074</u>		<u>78,277,153</u>	
Current assets					
Debtors	15	3,776,640		3,863,665	
Cash at bank and in hand		6,374,185		1,612,765	
		<u>10,150,825</u>		<u>5,476,430</u>	
Creditors: amounts falling due within one year	16	<u>(7,438,969)</u>		<u>(6,689,489)</u>	
Net current assets/(liabilities)		<u>2,711,856</u>		<u>(1,213,059)</u>	
Total assets less current liabilities		<u>77,520,930</u>		<u>77,064,094</u>	
Creditors: amounts falling due after more than one year	17	(13,787,821)		(13,819,518)	
Provisions for liabilities	21	<u>(3,904,060)</u>		<u>(3,982,430)</u>	
Net assets excluding pension liability		<u>59,829,049</u>		<u>59,262,146</u>	
Defined benefit pension liability	23	<u>(173,000)</u>		<u>(1,034,000)</u>	
Net assets		<u><u>59,656,049</u></u>		<u><u>58,228,146</u></u>	
Reserves					
Profit and loss reserves	25	<u><u>59,656,049</u></u>		<u><u>58,228,146</u></u>	

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

.....
A Foster
Chair

.....
R Lunn
Chief Executive

SHOREHAM PORT AUTHORITY

AUTHORITY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Tangible assets	11	47,779,643		47,777,847	
Investment properties	12	25,115,043		28,019,704	
Investments	13		2		2
			<u>72,894,688</u>		<u>75,797,553</u>
Current assets					
Debtors	15	3,978,885		4,518,746	
Cash at bank and in hand		6,233,090		1,571,888	
			<u>10,211,975</u>		<u>6,090,634</u>
Creditors: amounts falling due within one year	16	<u>(6,410,836)</u>		<u>(5,760,507)</u>	
Net current assets			<u>3,801,139</u>		<u>330,127</u>
Total assets less current liabilities			<u>76,695,827</u>		<u>76,127,680</u>
Creditors: amounts falling due after more than one year	17		(13,082,053)		(12,837,597)
Provisions for liabilities	21		<u>(3,762,736)</u>		<u>(3,782,914)</u>
Net assets excluding pension surplus/(deficit)			<u>59,851,038</u>		<u>59,507,169</u>
Defined benefit pension surplus/(deficit)	23		<u>658,000</u>		<u>(78,000)</u>
Net assets			<u><u>60,509,038</u></u>		<u><u>59,429,169</u></u>
Reserves					
Profit and loss reserves	25		<u><u>60,509,038</u></u>		<u><u>59,429,169</u></u>

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 profit for the year was £466,699 (2017: £241,081 profit).

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

.....
A Foster
Chair

.....
R Lunn
Chief Executive

SHOREHAM PORT AUTHORITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss reserves £
Balance at 1 January 2017	57,064,452
Year ended 31 December 2017:	
Loss for the year	(90,353)
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,553,000
Tax relating to other comprehensive income	(298,953)
Total comprehensive income for the year	1,163,694
Balance at 31 December 2017	58,228,146
Year ended 31 December 2018:	
Profit for the year	647,873
Other comprehensive income:	
Actuarial gains on defined benefit plans	963,000
Tax relating to other comprehensive income	(182,970)
Total comprehensive income for the year	1,427,903
Balance at 31 December 2018	59,656,049

SHOREHAM PORT AUTHORITY

AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Profit and loss reserves £
Balance at 1 January 2017	57,674,833
Year ended 31 December 2017:	
Profit for the year	241,081
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,874,000
Tax relating to other comprehensive income	(360,745)
Total comprehensive income for the year	1,754,336
Balance at 31 December 2017	59,429,169
Year ended 31 December 2018:	
Profit for the year	466,699
Other comprehensive income:	
Actuarial gains on defined benefit plans	757,000
Tax relating to other comprehensive income	(143,830)
Total comprehensive income for the year	1,079,869
Balance at 31 December 2018	60,509,038

SHOREHAM PORT AUTHORITY

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from operations	26	1,954,571		2,428,090	
Interest paid		(409,035)		(359,561)	
Income taxes paid		(198,573)		(294,619)	
Net cash inflow from operating activities		1,346,963		1,773,910	
Investing activities					
Purchase of tangible fixed assets		(1,368,891)		(579,189)	
Proceeds on disposal of tangible fixed assets		1,667		150	
Purchase of investment property		(1,250,070)		(4,352,031)	
Proceeds on disposal of investment property		5,250,000		-	
Interest received		14,352		60	
Government grants received		-		1,100,000	
Net cash generated from/(used in) investing activities		2,647,058		(3,831,010)	
Financing activities					
Proceeds of new bank loans		2,703,258		3,950,000	
Repayment of bank loans		(1,604,706)		(561,625)	
Payment of finance leases obligations		(331,153)		(331,153)	
Net cash generated from financing activities		767,399		3,057,222	
Net increase in cash and cash equivalents		4,761,420		1,000,122	
Cash and cash equivalents at beginning of year		1,612,765		612,643	
Cash and cash equivalents at end of year		6,374,185		1,612,765	

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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 Section 42 of the Harbours Act 1964 (as amended by the Transport Act 1981), 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 2018. 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 2018

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 net current assets at the balance sheet date. 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 2019, 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. Thus the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

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 whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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. The Board considers however that due to the unusual nature of the Fort, conventional valuation approaches lack sufficient reliability and that even if a valuation could be obtained the cost could not be justified by reference to the benefit to the Port or the users of the financial statements. As a result no value is reported for the Fort in the financial statements.

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 11 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.

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.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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.

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.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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 capitalised as a tangible fixed asset.

Retirement benefits

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

The scheme is administered by the Council pursuant to the Local Government Superannuation Regulations 1986 made by the Secretary of State for the Environment under powers in sections 7 and 12 of the Superannuation Act 1978. Further to the Actuarial Valuation as at 31 March 2016 the employer contributions have been set at 18.3% of employee's pay with effect from 1 April 2014.

Sussex Port Forwarding Limited (SPF) operates a defined benefit pension scheme for the benefit of the employees which is contracted out of the state scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company. Further to the Actuarial Valuation as at 31 December 2016 the employer contributions have been set at 27.4% of employee's pay.

Defined Benefit Plans

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

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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.

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.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies (Continued)

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.

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 2018 are valued at £25,115,043 (2017: £28,019,704). Please refer to note 12 for further information regarding the valuation.

Defined benefit pension scheme

The group has recognised a defined benefit pension scheme liability on the statement of financial position. At 31 December 2018 the liability was £173,000 (2017: £1,034,000). 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.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

3 Turnover and other revenue

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

	2018 £	2017 £
Turnover analysed by class of business		
Dues on commercial vessels	1,218,835	1,209,364
Dues on yachts and fishing vessels	234,302	186,405
Dues on cargo	434,288	422,026
Port operations	6,922,906	6,284,708
Rents (operating leases)	4,238,341	3,876,089
Pilotage (note 4)	708,345	738,792
Miscellaneous income	501,974	578,416
	<u>14,258,991</u>	<u>13,295,800</u>

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

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:

	2018 £	2017 £
Turnover		
Provision of pilotage service	554,462	620,318
Use of exemption certificates	153,883	118,474
	<u>708,345</u>	<u>738,792</u>
Expenditure		
Provision of pilots and boats including administration	669,732	528,664
	<u>38,613</u>	<u>210,128</u>

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

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

5 Employees

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

	Group 2018 Number	2017 Number	Authority 2018 Number	2017 Number
Operational	77	76	39	40
Administrative	35	33	22	18
	<u>112</u>	<u>109</u>	<u>61</u>	<u>58</u>

Their aggregate remuneration comprised:

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Wages and salaries	4,750,318	3,879,398	2,618,533	2,222,941
Social security costs	452,651	409,930	272,883	233,982
Pension costs	1,411,329	1,051,286	709,800	576,505
	<u>6,614,298</u>	<u>5,340,614</u>	<u>3,601,216</u>	<u>3,033,428</u>

Members' fees were as follows:

	2018 £	2017 £
Members' fees aggregate	64,000	57,000
Chairman's fees and expenses	25,000	24,000
	<u>89,000</u>	<u>81,000</u>

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

	2018 Number	2017 Number
£5,001 to £10,000	5	5
£15,001 to £20,000	1	1
£20,001 to £25,000	1	1
	<u>7</u>	<u>7</u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

6 Operating profit	2018	2017
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	780	651
Depreciation of owned tangible fixed assets	1,346,751	1,385,753
Depreciation of tangible fixed assets held under finance leases	542,136	542,136
Profit on disposal of tangible fixed assets	(1,667)	(150)
Operating lease charges	235,813	237,312
	<u> </u>	<u> </u>
7 Auditor's remuneration	2018	2017
	£	£
Fees payable to the group's auditor and associates:		
For audit services		
Audit of the financial statements of the group and Authority	31,500	31,250
	<u> </u>	<u> </u>
For other services		
Taxation compliance services	6,050	5,850
Other taxation services	-	2,195
All other non-audit services	10,350	10,250
	<u> </u>	<u> </u>
	16,400	18,295
	<u> </u>	<u> </u>
8 Interest receivable and similar income	2018	2017
	£	£
Interest income		
Interest on bank deposits	14,352	60
	<u> </u>	<u> </u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	14,352	60
	<u> </u>	<u> </u>
9 Interest payable and similar expenses	2018	2017
	£	£
Interest on bank loans	350,738	298,439
Interest on finance leases and hire purchase contracts	58,297	61,122
Net interest on the net defined benefit liability	20,000	65,000
	<u> </u>	<u> </u>
Total finance costs	429,035	424,561
	<u> </u>	<u> </u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	452,582	199,727
Adjustments in respect of prior periods	(102,631)	(2,065)
	<u>349,951</u>	<u>197,662</u>
Deferred tax		
Origination and reversal of timing differences	(217,470)	1,604
Adjustment in respect of prior periods	87,168	-
	<u>(130,302)</u>	<u>1,604</u>
Total tax charge	<u>219,649</u>	<u>199,266</u>

The UK main corporation tax rate will reduce to 17% from 1 April 2020, which was announced in the Finance Bill 2016 and was substantively enacted on 12 September 2016. The changes have been substantively enacted at the balance sheet date and are therefore recognised in these financial statements in the measurement of the Authority's deferred tax assets and liabilities.

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

	2018 £	2017 £
Profit before taxation	<u>867,522</u>	<u>108,913</u>
Expected tax charge based on the effective rate of corporation tax in the UK of 19.00% (2017: 19.25%)	164,829	20,966
Tax effect of expenses that are not deductible in determining taxable profit	6,773	5,838
Change in unrecognised deferred tax assets	-	30,090
Adjustments in respect of prior years	(81)	(2,065)
Corporation tax adjustment in respect of prior year option grant	(102,550)	-
Deferred tax adjustments in respect of prior years	87,168	-
Deferred tax on investment property movement	(120,494)	(6,632)
Other short timing differences	-	(160)
Fixed asset differences	189,860	187,026
Deferred tax adjustments	(5,856)	(35,797)
Taxation charge for the year	<u>219,649</u>	<u>199,266</u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

10 Taxation (Continued)

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

	2018 £	2017 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	182,970	298,953

11 Tangible fixed assets

Group	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	67,934,215	491,797	10,759,200	1,016,021	119,382	80,320,615
Additions	150,000	1,164,249	-	46,747	7,895	1,368,891
Disposals	-	-	(47,550)	-	(4,500)	(52,050)
Transfers	-	(1,414,778)	1,414,778	-	-	-
Transfer to investment property	-	(43,422)	-	-	-	(43,422)
At 31 December 2018	68,084,215	197,846	12,126,428	1,062,768	122,777	81,594,034
Depreciation						
At 1 January 2018	21,961,683	-	7,013,781	985,232	102,470	30,063,166
Depreciation charged in the year	1,095,545	-	761,846	20,183	11,313	1,888,887
Eliminated in respect of disposals	-	-	(47,550)	-	(4,500)	(52,050)
At 31 December 2018	23,057,228	-	7,728,077	1,005,415	109,283	31,900,003
Carrying amount						
At 31 December 2018	45,026,987	197,846	4,398,351	57,353	13,494	49,694,031
At 31 December 2017	45,972,532	491,797	3,745,419	30,789	16,912	50,257,449

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible fixed assets (Continued)

Authority	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2018	67,934,215	491,797	4,337,926	535,926	54,625	73,354,489
Additions	150,000	1,148,311	-	-	-	1,298,311
Transfers	-	(1,414,778)	1,414,778	-	-	-
Transfer to investment property	-	(43,422)	-	-	-	(43,422)
At 31 December 2018	68,084,215	181,908	5,752,704	535,926	54,625	74,609,378
Depreciation						
At 1 January 2018	21,961,683	-	3,050,092	520,357	44,510	25,576,642
Depreciation charged in the year	1,095,545	-	145,580	7,851	4,117	1,253,093
At 31 December 2018	23,057,228	-	3,195,672	528,208	48,627	26,829,735
Carrying amount						
At 31 December 2018	45,026,987	181,908	2,557,032	7,718	5,998	47,779,643
At 31 December 2017	45,972,532	491,797	1,287,834	15,569	10,115	47,777,847

The carrying value of land and buildings comprises:

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Freehold	44,973,904	45,917,699	44,973,904	45,917,699
Long leasehold	53,083	54,833	53,083	54,833
	45,026,987	45,972,532	45,026,987	45,972,532

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

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Plant and machinery	1,586,266	2,128,402	-	-
Depreciation charge for the year in respect of leased assets	542,136	542,136	-	-

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

11 Tangible fixed assets (Continued)

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). As explained in the accounting policies, no value is reported for the Fort in the financial statements.

12 Investment property

	Group 2018 £	Authority 2018 £
Fair value		
At 1 January 2018	28,019,704	28,019,704
Additions	1,250,070	1,250,070
Transfers from assets under construction	43,422	43,422
Disposals	(5,250,000)	(5,250,000)
Net gains or losses through fair value adjustments	1,051,847	1,051,847
	<u>25,115,043</u>	<u>25,115,043</u>
At 31 December 2018	<u>25,115,043</u>	<u>25,115,043</u>

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.

13 Fixed asset investments

		Group 2018 £	2017 £	Authority 2018 £	2017 £
Investments in subsidiaries	14	-	-	2	2
		<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>

Movements in fixed asset investments

	Shares in group undertakings £
Authority	
Cost or valuation	
At 1 January 2018 and 31 December 2018	2
Carrying amount	
At 31 December 2018	2
At 31 December 2017	2

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

14 Subsidiaries

Details of the Authority's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Port of Shoreham Trustee Company Limited	Nautilus House, 90-100 Albion Street, Southwick Brighton, BN42 4ED	Corporate trustee to The Port of Shoreham Retirement & Death Benefit Scheme	Ordinary		100.00
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	Nautilus House, 90-100 Albion Street, Southwick Brighton, BN42 4ED	Stevedoring and freight forwarding	Ordinary		100.00

Goodwill of £1,282,663 arose on acquisition of subsidiaries, which was fully amortised during 2007.

15 Debtors

	Group		Authority	
	2018	2017	2018	2017
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,967,823	1,846,442	1,242,085	1,167,005
Amounts owed by group undertakings	-	-	1,205,775	1,706,267
Other debtors	94,697	102,042	48,806	-
Prepayments and accrued income	1,539,681	1,619,568	1,455,873	1,517,566
	<u>3,602,201</u>	<u>3,568,052</u>	<u>3,952,539</u>	<u>4,390,838</u>
Deferred tax asset (note 22)	174,439	295,613	26,346	127,908
	<u>3,776,640</u>	<u>3,863,665</u>	<u>3,978,885</u>	<u>4,518,746</u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

16 Creditors: amounts falling due within one year

	Notes	Group 2018 £	2017 £	Authority 2018 £	2017 £
Bank loans	19	2,483,648	1,629,552	2,483,648	1,629,552
Obligations under finance leases	20	276,153	331,153	-	-
Trade creditors		1,599,506	1,068,560	1,246,348	742,126
Corporation tax payable		348,878	197,500	220,396	184,555
Other taxation and social security		126,427	197,776	79,384	159,124
Government grants		936,817	1,186,000	936,817	1,186,000
Other creditors		465,914	327,813	416,053	283,924
Accruals and deferred income		1,201,626	1,751,135	1,028,190	1,575,226
		<u>7,438,969</u>	<u>6,689,489</u>	<u>6,410,836</u>	<u>5,760,507</u>

Included within other creditors (group) are unpaid pension contributions amounting to £98,725 (2017: £81,322), of which £50,484 (2017: £44,025) 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 £79,120 (2017: £86,000) was included within government grants, to be released 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 £857,697 (2017: £1,100,000) was included within government grants, to be released in future years.

17 Creditors: amounts falling due after more than one year

	Notes	Group 2018 £	2017 £	Authority 2018 £	2017 £
Bank loans	19	13,082,053	12,837,597	13,082,053	12,837,597
Obligations under finance leases	20	705,768	981,921	-	-
		<u>13,787,821</u>	<u>13,819,518</u>	<u>13,082,053</u>	<u>12,837,597</u>

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

Payable by instalments	4,782,670	5,311,562	4,656,210	5,090,258
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SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

18 Financial instruments

	Group 2018 £	2017 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	9,713,434	4,910,817
Carrying amount of financial liabilities		
Measured at amortised cost	19,061,051	17,383,596

As permitted by the reduced disclosure framework within FRS 102, the Authority has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments.

19 Borrowings

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Bank loans	15,565,701	14,467,149	15,565,701	14,467,149
Payable within one year	2,483,648	1,629,552	2,483,648	1,629,552
Payable after one year	13,082,053	12,837,597	13,082,053	12,837,597
Amounts included above which fall due after five years:				
Payable by instalments	4,656,210	5,090,258	4,656,210	5,090,258

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

- There is a £3 million facility which is repayable on 26 November 2020, 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;
- There is a £950k facility which is being repaid on a monthly basis with the final repayment 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 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 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 will be repaid on a monthly basis commencing after 1 October 2019 once the facility has been fully drawn down. The final repayment is 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.

During the year the Port Authority entered into a bank facility with Santander UK plc, this is a £1.2m facility which is repayable on demand. The facility is subject to interest at 2.03% above the Base Rate. The full amount has been drawn down at the year end.

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

20 Finance lease obligations

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Future minimum lease payments due under finance leases:				
Less than one year	339,978	404,065	-	-
Between one and five years	710,125	937,015	-	-
After five years	150,725	263,813	-	-
	<u>1,200,828</u>	<u>1,604,893</u>	<u>-</u>	<u>-</u>
Less: future finance charges	(218,907)	(291,819)	-	-
	<u>981,921</u>	<u>1,313,074</u>	<u>-</u>	<u>-</u>

Finance lease payments relate to the acquisition of three cranes, two of which are funded by Lloyds TSB Commercial Finance and one is funded by Santander Finance. 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. At the balance sheet date the agreements have outstanding instalments of 6, 31 and 76 months and are subject to interest rates at Bank of England Base +2.50%, 2.89% and 1.92% respectively. 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 2018 £	2017 £	Authority 2018 £	2017 £
Pension		119,076	128,940	119,076	128,940
Oil terminal provision		83,638	83,638	83,638	83,638
		<u>202,714</u>	<u>212,578</u>	<u>202,714</u>	<u>212,578</u>
Deferred tax liabilities	22	3,701,346	3,769,852	3,560,022	3,570,336
		<u>3,904,060</u>	<u>3,982,430</u>	<u>3,762,736</u>	<u>3,782,914</u>

Movements on provisions apart from deferred tax liabilities:

Group	Pension £	Oil terminal provision £	Total £
At 1 January 2018	128,940	83,638	212,578
Utilisation of provision	(9,864)	-	(9,864)
At 31 December 2018	<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 2018

21 Provisions for liabilities (Continued)

Authority	Pension £	Oil terminal provision £	Total £
At 1 January 2018	128,940	83,638	212,578
Utilisation of provision	(9,864)	-	(9,864)
At 31 December 2018	<u>119,076</u>	<u>83,638</u>	<u>202,714</u>

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 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Fixed asset timing differences	696,411	704,447	-	-
Rolled over gains	171,077	171,077	-	-
Short term timing differences - pension	111,860	-	141,270	175,780
Investment property value	2,313,676	2,481,992	-	-
Land fair value uplift	408,322	408,322	-	-
Other timing differences	-	4,014	33,169	119,833
	<u>3,701,346</u>	<u>3,769,852</u>	<u>174,439</u>	<u>295,613</u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

22 Deferred taxation (Continued)

Authority	Liabilities 2018 £	Liabilities 2017 £	Assets 2018 £	Assets 2017 £
Fixed asset timing differences	555,087	504,931	-	-
Rolled over gains	171,077	171,077	-	-
Short term timing differences - pension	111,860	-	-	13,260
Investment property value	2,313,676	2,481,992	-	-
Land fair value uplift	408,322	408,322	-	-
Other timing differences	-	4,014	26,346	114,648
	<u>3,560,022</u>	<u>3,570,336</u>	<u>26,346</u>	<u>127,908</u>
			Group 2018 £	Authority 2018 £
Movements in the year:				
Liability at 1 January 2018			3,474,239	3,442,428
Charge to profit or loss			52,668	91,248
Liability at 31 December 2018			<u>3,526,907</u>	<u>3,533,676</u>

The majority of the deferred tax asset of £174,439 (2017: £295,613) is expected to reverse within 12 months and relates to short term timing differences on the defined benefit pension obligation.

The deferred tax liability of £3,701,346 (2017: £3,769,852) 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 2018

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

Costs and liabilities of both schemes are based on actuarial valuations. The latest full actuarial valuations of the schemes were completed on 31 March 2016 (SPA scheme) and 31 December 2016 (SPF scheme). These valuations have been updated to 31 December 2018 using the projected unit method by qualified independent actuaries.

The current valuation does not reflect the expected increase in benefits and therefore liability as a result of Guaranteed Minimum Pension ('GMP') equalisation between men and women which is required as a result of the removal of the Additional State Pension. Methodologies for a long-term solution are still being investigated by the Government as set out in the published (January 2018) outcome of the Government Consultation 'Indexation and Equalisation of GMP in Public Sector Pensions Schemes' and therefore the expected impact cannot be reliably estimated and consequently no provision/liability has been recognised.

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

<i>Key assumptions</i>	2018	2017
	%	%
Discount rate	2.9	2.5
Expected rate of increase of pensions in payment	2.4	2.4
Expected rate of salary increases	3.1	3.1
	=====	=====
<i>Mortality assumptions</i>	2018	2017
Assumed life expectations on retirement at age 65:	Years	Years
Retiring today		
- Males	23.6	23.6
- Females	25	25
	=====	=====
Retiring in 20 years		
- Males	26	26
- Females	27.8	27.8
	=====	=====

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

23 Retirement benefit schemes (Continued)

<i>Amounts recognised in the income statement</i>	2018 £	2017 £
Current service cost	1,111,000	972,000
Net interest on defined benefit liability	20,000	65,000
Administration costs	227,000	123,000
Total costs	1,358,000	1,160,000
	2018 £	2017 £
<i>Amounts taken to other comprehensive income</i>		
Actual return on scheme assets	292,000	(3,105,000)
Calculated interest element	665,000	630,000
Return on scheme assets excluding interest income	957,000	(2,475,000)
Actuarial changes related to obligations	(1,920,000)	922,000
Total income	(963,000)	(1,553,000)

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:

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Present value of defined benefit obligations	26,807,000	27,340,000	20,382,000	20,879,000
Fair value of plan assets	(26,634,000)	(26,306,000)	(21,040,000)	(20,801,000)
Deficit in scheme	173,000	1,034,000	(658,000)	78,000

	Group 2018 £	Authority 2018 £
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2018	27,340,000	20,879,000
Current service cost	1,111,000	710,000
Past service cost	126,000	-
Benefits paid	(773,000)	(592,000)
Contributions from scheme members	238,000	160,000
Actuarial gains and losses	(1,920,000)	(1,300,000)
Interest cost	685,000	525,000
At 31 December 2018	26,807,000	20,382,000

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

23 Retirement benefit schemes (Continued)

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

	Group 2018 £	Authority 2018 £
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2018	26,306,000	20,801,000
Interest income	665,000	523,000
Return on plan assets (excluding amounts included in net interest)	(957,000)	(543,000)
Benefits paid	(773,000)	(592,000)
Contributions by the employer	1,256,000	691,000
Contributions by scheme members	238,000	160,000
Administration costs	(101,000)	-
At 31 December 2018	<u>26,634,000</u>	<u>21,040,000</u>

The analysis of the scheme assets at the reporting date were as follows:

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Equity instruments	12,558,000	12,895,530	10,520,000	11,024,530
Property	1,893,600	2,235,080	1,893,600	1,664,080
Gilts	1,524,000	1,363,000	-	-
Bonds	8,120,800	7,830,360	7,784,800	7,488,360
Cash	1,382,600	962,030	841,600	624,030
Diversified growth funds	1,155,000	863,000	-	-
Other assets	-	157,000	-	-
	<u>26,634,000</u>	<u>26,306,000</u>	<u>21,040,000</u>	<u>20,801,000</u>

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

24 Borrowing powers at 31 December 2018

ACT OR ORDER	Total £
1985 (as amended by the Shoreham Port Authority Harbour Revision (Constitution) Order 2004)	50,000,000
Indexation to 31 December 2018	19,173,000
Revised Borrowing Powers at 31 December 2018	69,173,000

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

	2018 £	2017 £
Profit/(loss) for the year after tax	647,873	(90,353)
Adjustments for:		
Taxation charged	219,649	199,266
Finance costs	429,035	424,561
Investment income	(14,352)	(60)
Gain on disposal of tangible fixed assets	(1,667)	(150)
Depreciation and impairment of tangible fixed assets	1,888,887	1,927,889
Other gains and losses	(1,051,847)	(109,115)
Pension scheme non-cash movement	82,000	(14,000)
Decrease in provisions	(9,864)	(9,540)
Movements in working capital:		
Increase in debtors	(34,149)	(320,566)
(Decrease)/increase in creditors	(200,994)	420,158
Cash generated from operations	1,954,571	2,428,090

SHOREHAM PORT AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

27 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 2018 £	2017 £	Authority 2018 £	2017 £
Within one year	222,609	230,532	3,796	8,237
Between one and five years	75,063	251,158	2,096	-
	<u>297,672</u>	<u>481,690</u>	<u>5,892</u>	<u>8,237</u>

28 Capital commitments

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

	Group 2018 £	2017 £	Authority 2018 £	2017 £
Acquisition of tangible fixed assets	<u>1,882,049</u>	<u>1,805,000</u>	<u>1,874,237</u>	<u>1,805,000</u>

29 Events after the reporting date

After extensive consultation and approval from the affected employees, the Trustees unanimously made the decision to close the Sussex Port Forwarding Limited scheme from 31 March 2019. All active members will be able to join the West Sussex County Council Local Government Pension Scheme from 1 April 2019.

30 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2018 £	2017 £
Aggregate compensation	<u>988,609</u>	<u>936,303</u>

SHOREHAM PORT AUTHORITY

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2018

THE FOLLOWING PAGES DO NOT FORM PART OF THE FINANCIAL STATEMENTS

SHOREHAM PORT AUTHORITY

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017
	£	£	£	£
Turnover				
Sales of services		13,757,017		12,717,385
Sundry income		501,974		578,415
		<u>14,258,991</u>		<u>13,295,800</u>
Cost of sales				
Wages and salaries	2,607,796		2,345,774	
Social security costs	273,454		244,677	
Staff pension costs defined benefit	736,661		464,393	
Equipment repairs	2,187,109		1,913,333	
Hire of equipment (not operating lease)	89,073		63,447	
Motor running expenses	244,931		175,880	
Haulage payable	902,902		872,137	
Miscellaneous cargo handling	30,112		20,809	
Casual / temporary staff costs	390,723		438,326	
Property repairs and maintenance	7,589		23,325	
		<u>(7,470,350)</u>		<u>(6,562,101)</u>
Gross profit	47.61%	6,788,641	50.65%	6,733,699
Administrative expenses		<u>(6,558,283)</u>		<u>(6,309,400)</u>
Operating profit		230,358		424,299
Investment revenues				
Bank interest received	14,352		60	
		<u>14,352</u>		<u>60</u>
Interest payable and similar expenses				
Bank interest on loans	350,738		298,439	
Net interest on defined benefit liability	20,000		65,000	
Hire purchase interest payable	58,297		61,122	
		<u>(429,035)</u>		<u>(424,561)</u>
Other gains and losses				
Increase in fair value of investment property		1,051,847		109,115
Profit before taxation	6.08%	<u>867,522</u>	0.82%	<u>108,913</u>

SHOREHAM PORT AUTHORITY

SCHEDULE OF ADMINISTRATIVE EXPENSES - GROUP FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Administrative expenses		
Wages and salaries	1,682,522	1,533,624
Social security costs	179,197	165,253
Temporary staff	26,991	25,785
Staff recruitment costs	31,171	12,079
Staff welfare	10,385	13,700
Staff training	75,637	58,588
Staff pension costs defined benefit (allocation)	674,668	586,893
Other staff costs	42,286	39,467
Rent re operating leases	2,301	2,155
Rates	183,431	186,792
Power, light and heat	420,919	439,343
Travelling expenses	11,977	14,329
Accommodation and subsistence	12,810	14,855
Postage, courier and delivery charges	11,767	11,856
Professional subscriptions	41,746	41,389
Legal and professional fees	323,000	199,047
Accountancy	45,494	52,534
Bank charges	25,977	17,561
Bad and doubtful debts	3,348	12,562
Insurances (not premises)	348,777	419,890
Printing and stationery	22,044	20,522
Advertising	58,240	85,339
Telecommunications	65,827	50,725
Entertaining	9,831	6,587
Sundry expenses	105,189	113,154
Protective equipment	21,126	21,614
Depreciation	1,888,887	1,927,889
Profit on sale of tangible assets	(1,667)	(150)
Leasing - plant and machinery	233,512	235,157
Credit card charges	110	210
Loss on foreign exchange	780	651
	<u>6,558,283</u>	<u>6,309,400</u>

SHOREHAM PORT AUTHORITY

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2018

		2018		2017
	£	£	£	£
Turnover				
Sale of services		7,811,538		7,532,640
Sundry income		460,334		557,588
		<u>8,271,872</u>		<u>8,090,228</u>
Cost of sales				
Wages and salaries	1,544,998		1,424,302	
Social security costs	164,459		150,956	
Staff pension costs defined benefit	477,945		248,698	
Equipment repairs	1,884,969		1,395,859	
Hire of equipment (not operating lease)	35,469		40,121	
Motor running expenses	61,329		45,618	
		<u>(4,169,169)</u>		<u>(3,305,554)</u>
Gross profit	49.60%	4,102,703	59.14%	4,784,674
Administrative expenses		<u>(4,180,578)</u>		<u>(4,045,660)</u>
Operating (loss)/profit		(77,875)		739,014
Investment revenues				
Bank interest received	14,352		60	
		<u>14,352</u>		<u>60</u>
Interest payable and similar expenses				
Bank interest on loans	350,738		298,439	
Net interest on defined benefit liability	2,000		53,000	
		<u>(352,738)</u>		<u>(351,439)</u>
Other gains and losses				
Increase in fair value of investment property		1,051,847		109,115
Profit before taxation	7.68%	<u><u>635,586</u></u>	6.14%	<u><u>496,750</u></u>

SHOREHAM PORT AUTHORITY

SCHEDULE OF ADMINISTRATIVE EXPENSES - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
Administrative expenses		
Wages and salaries	1,009,223	798,639
Social security costs	108,424	83,026
Temporary staff	26,991	25,785
Staff recruitment costs	31,171	9,079
Staff welfare	6,830	8,550
Staff training	72,271	56,036
Staff pension costs defined benefit (allocation)	231,855	327,807
Other staff costs	37,321	34,902
Rent re operating leases	2,301	2,155
Rates	183,431	186,792
Power, light and heat	420,919	439,343
Travelling expenses	7,981	8,421
Accommodation and subsistence	8,965	7,030
Postage, courier and delivery charges	11,638	11,222
Professional subscriptions	38,270	37,766
Legal and professional fees	275,034	162,811
Accountancy	23,569	27,034
Bank charges	25,432	17,119
Bad and doubtful debts	11,088	21,448
Insurances (not premises)	174,803	270,163
Printing and stationery	14,572	14,463
Advertising	58,240	85,339
Telecommunications	56,025	41,130
Entertaining	9,181	5,792
Sundry expenses	62,390	75,674
Protective equipment	19,560	20,472
Depreciation	1,253,093	1,267,812
Profit on sale of tangible assets	-	(150)
	<hr/>	<hr/>
	4,180,578	4,045,660
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