

**SHOREHAM PORT AUTHORITY**  
**REPORT AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2019**

# SHOREHAM PORT AUTHORITY

## MEMBERS

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<b>Chair</b>	A Foster
<b>Deputy Chair</b>	T Giddings
<b>Members</b>	C Dwyer J Newell J Headley M Lemmon A Massey

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

# SHOREHAM PORT AUTHORITY

## PRINCIPAL OFFICERS AND PROFESSIONAL ADVISORS

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<b>Chief Executive</b>	R Lunn (resigned 31 December 2019) T Willis (appointed 01 January 2020)
<b>Secretary/ Finance Director &amp; Deputy Chief Executive</b>	S Bassett
<b>Harbour Master/ Director of Marine Operations</b>	J Seaman
<b>Commercial/ Operations Director</b>	B Evans-Gay
<b>Director of Infrastructure and Sustainability</b>	A Parker (appointed 1 February 2019)
<b>Director of Property &amp; Development</b>	T Hague
<b>Director of Compliance</b>	P Johnson
<b>Director of Corporate Services</b>	N Goldsbrough
<b>Director of Engineering</b>	B Rousell (from 1 February 2019) A Parker (to 1 February 2019)
<b>Registered office</b>	Nautilus House 90-100 Albion Street Southwick Brighton BN42 4ED
<b>Bankers</b>	National Westminster Bank Plc
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 3rd Floor Portland 25 High Street Crawley West Sussex RH10 1BG
<b>Telephone:</b>	01273 598100
<b>Website:</b>	<a href="http://www.shoreham-port.co.uk">http://www.shoreham-port.co.uk</a>
<b>Email:</b>	<a href="mailto:info@shoreham-port.co.uk">info@shoreham-port.co.uk</a>

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The members present the following reports for the year ended 31 December 2019.

#### Overview

I am pleased to present my first Chief Executive's report. I will start by recognising and thanking my predecessor Rodney Lunn. Under Rodney's leadership Shoreham Port demonstrated significant growth and his generosity during our handover in November has set me up for the best possible start to my new role. I would also like to pay tribute to Paul Johnson our Director of Compliance who lost his battle with cancer in February 2020. Despite only having the pleasure of working with Paul for a short period of time it is clear that he has made a lasting impact across both Shoreham Port and the wider maritime community. I know that Paul's enthusiasm, determination and glass half full approach will be missed by everyone. His unwavering commitment to Shoreham Port will never be forgotten.

In summary, it is evident that the political uncertainty and subsequent destabilisation of business confidence made for a challenging 2019. Turnover reduced some 3.5% from £14.3m to £13.8m in the calendar year. Total ship calls reduced 3.3% and subsequently tonnage declined 6.2%. Our commercial property portfolio continued to perform well with gains on investment properties enabling us to show a profit for the year of £1.4m.

We continued to place safety at the heart of everything we do across the Port and I am delighted to confirm that there were no major accidents reported during 2019. As a Trust Port, all surplus funds are reinvested back into the Port for the benefit of its wide range of stakeholders. Therefore, investment in key port infrastructure has continued throughout the year, alongside supporting our local communities.

#### Stakeholders

We thank our customers in the UK and Europe for their ongoing loyalty to the Port. Throughout the year the team worked hard to engage with our communities locally, and we continue to explore how use of digital mediums can broaden our audience. The annual boat trip week and public meeting again proved popular. Relationships with educational establishments remain really important with numerous school visits, work experience placements and university engagements completed.

#### Sustainability

The Port continues to develop comprehensive plans to minimise our environmental impact and we are proud to retain our EcoPort status. During 2019 significant progress has been made with LED lighting, sustainable construction, electric charging points and the channelling of power from our onshore wind turbines. Early in 2020 we will be publishing our first public Sustainability Strategy which will detail our industry leading ambitions for the future.

The Spring and Autumn transfers of shingle to protect our beach frontage were again very successful, discussions with local authorities continue regarding a combined effort to protect the area from our East Harbour Arm to Brighton Marina.

#### Masterplan

The Masterplan process continues to guide our long-term strategy. During 2019 the units at Hove Enterprise Centre were completed vastly improving the area and the facilities offered. The Lady Bee Enterprise Centre was also completed providing 14 new light industrial units with mezzanine floor levels. Strategic land acquisition also continued, increasing the Port's overall land ownership. In August of the year we welcomed Barrett Steel who occupied the key site to the south of the Canal.

During Q1 2020 the team and I have been in the process of reviewing the 2017 Masterplan, listening to views from a diverse range of stakeholders, colleagues and port users. Our well established forums such as Port Users Group, Local Authority Liaison Committee, Public Meeting and Employee Engagement Group have all proven to be vital platforms to hear people's views. I am pleased to be able to share our revised draft plan (right), as is my preference with plans we have attempted to simplify where possible and now have the activity focussed on ten key areas, with safety first and foremost. It is also important to record that the need for flexibility and agility is becoming increasingly evident therefore our intention is to keep this plan under continual review. As part of this process we welcome ongoing feedback from stakeholders, you can get in touch at [info@shoreham-port.co.uk](mailto:info@shoreham-port.co.uk).

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### **Outlook**

Any hopes of a more settled trading landscape in 2020 as a result of the UK leaving the EU have quickly been challenged by Covid-19. In response to the pandemic the Port has quickly taken steps to protect our colleagues and organisation. As part of our response we committed to enhance cleaning across the estate, support small business tenants, speed up payments and assist the vulnerable in the local community. The teams have done an excellent job in very challenging circumstances to keep the Port open and serving our customers.

As we contemplate adapting to a new normal post the pandemic a number of themes quickly emerge. We need to accelerate the diversification of our business model into new markets and services, so far this year we have launched a new self-storage product and the commercialisation of car parking will attract new income. Building on the great work in 2019 our focus on commercial property will accelerate, adapting to the fact it is highly likely customers will have different requirements from office spaces as social distancing becomes permanent. Vertical integration remains an opportunity, so far this year through the launch of Shoreham Port Solutions we have increased control over our agency labour supply, there is a similar project underway exploring bringing an element of our haulage activity in house.

The strong safety foundations which are in place will be built upon through ongoing systematic investments in our safety culture. Through engagement with our teams we have the opportunity to continue to eliminate sources of risk and therefore accidents from our workplaces. From a financial perspective, the focus for the year is on debt consolidation, cost control and debt recovery.

The Port has weathered many storms, whilst short term it is clear that 2020 is going to be a difficult year for trade, we should remain cautiously optimistic about the Port's long term future.

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

# SHOREHAM PORT AUTHORITY

## CHAIR'S REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2019

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Whilst 2019 was a challenging year for trading, there are still many reasons to celebrate the hard work of our Shoreham Port colleagues. As you will see from the Chief Executive's Report, in 2019 Brexit uncertainty and the election impacted results with a 3.5% reduction in our turnover, and a reduction in the number of ships calling at Shoreham. Despite the short term down turn in results, the Board remain confident in the plans we have in place to ensure we diversify our revenue streams, enhance our customer service offerings and serve our stakeholders well as we move into 2020.

#### **Keeping our Colleagues and Port Users Safe**

Safety was, as always, a key focus of the Board. The Board is satisfied that the Port continues to meet the requirement of the Port Marine Safety Code with our designated person carrying out audits in May and December. We also underwent a landside audit during the year. Both audits made minor recommendations which we closed out.

Of course, the audit programme is just one aspect of health and safety. Discussions at the Board focussed on the role of a good safety culture and every Board member got out and about with colleagues to experience our health and safety system in action.

During 2019 there has been a focus on health and well-being with new initiatives such as 'well heart' days and free weekly colleague yoga sessions, as we recognise that looking after our colleagues' health and in particular, mental health can have a positive impact on keeping people safe at work. There was a renewed focus on improving the various safety forums at the Port to make them as effective as they can be, and this work will continue into next year.

#### **Investing in the Port**

Since 2018 we made several significant investment decisions to increase and improve our property portfolio as we look at ways to ensure we have diverse revenue streams; this continued into 2019. This property revenue can help balance out periods of uncertainty, such as the one we saw with the Brexit negotiations in 2019. During the year we saw the fruit of our investment decisions with stunning new units developed at the Lady Bee Marina, additional units at Hove Enterprise Centre, and further investment made into Ferry Wharf. This has brought a wide range of tenants onto the Port from artists, sustainable technologies and tech start-ups, and I am delighted that it has increased the number of tenant companies on the Port's footprint to 160. Our leisure users will also benefit from the installation of replacement and additional moorings that commenced in 2019.

Investing in the Port does not mean just investing in property projects. We are a Trust Port, and Board members take their role as custodians of the Port very seriously. At Board meetings we are increasingly focussed on the question of what sustainability means for the Port, so we can ensure that we improve and pass on this tremendous asset to future generations. More work will be undertaken on this in 2020.

#### **Our Stakeholders**

We have many ways in which we engage with our stakeholders; it is important to us to hear their views on our plans and performance.

During the year we welcomed thousands of visitors to our port for our annual boat trip events, we had a successful public meeting where we listened to the views of our local community on our plans and members of the team have been into schools and developed educational material to promote maritime careers. Our work with the Women in Maritime initiative has continued and I am proud that we are taking a leadership role in this area.

# SHOREHAM PORT AUTHORITY

## CHAIR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### **Changes to the Leadership Team**

During 2019, we said goodbye to Rodney Lunn, our Chief Executive who had been with us for ten years. Under Rod's leadership, the Port transformed its relationship with its stakeholders, in particular the local community and delivered a first-class service to our customers. It was a pleasure working with him and we wish him well for the future.

We also welcomed Tom Willis as our new CEO. Tom joined in November, and after a period of handover took the reins in December. Tom has a fantastic background in people leadership and joins us from the airport industry. It has been fascinating to hear his ideas on where we can utilise best practise from other industries to further raise the bar. We look forward to working with Tom in the coming years.

Finally, our Director of Compliance, Paul Johnson passed away in February 2020. Paul was a well-loved colleague and at work he strived every day to keep our colleagues safe. Paul was a passionate health and safety leader and he worked hard at a national level with industry groups to improve safety within ports. Our thoughts are with his wife and family, and we will miss him greatly at Shoreham.

### **2020 Outlook**

At the time of writing this statement, we are facing the COVID-19 pandemic together with uncertainty over the Brexit transition period. It is already obvious that 2020 will bring many challenges to the Port, our colleagues, customers and local community. The Board are immensely proud of how our key worker colleagues are working hard, keeping the Port operational whilst supporting our stakeholders and local community. At the end of 2019 we had put in place strong plans to ensure we diversified our revenue streams, enhanced our customer service offerings and served our stakeholders well. We remain focussed on these outcomes and will be adapting our plans as necessary during the year to meet the new challenges brought by the pandemic.

Finally, I would like to thank all the members of the Board and port colleagues for their hard work and the great service they provide our stakeholders.

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A Foster

**Chair**

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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The Members submit their report and the financial statements for the year ended 31 December 2019.

#### **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 2019 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 2019

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

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

#### **Statement on corporate governance**

The Board of Shoreham Port Authority is committed to operating a system of corporate governance that follows the principles laid out in the UK Corporate Governance Code, to the extent considered appropriate to the size and nature of the Authority.

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

#### **Audit and Finance committee**

The Audit Committee normally comprises three non-executive Members of the Board. During the year it was chaired by J Headley. It reviews the Annual Report and Financial Statements prior to submission to the Board. The terms of reference of the Committee include reviewing the scope and results of the external audit to ensure an appropriate control environment, reviewing any major financial risks and generally overseeing financial risk management within Shoreham Port 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. The Chief Executive and Director of Corporate Services are invited to attend.

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

During the year the Business Risk & Safety committee was chaired by J Newell. 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 2019

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#### **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 2019.

#### **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 of £471,992 (2018: £2,711,856) 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 calendar year 2020 and 2021, and a five year business plan, and having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 month from the date of approval of these financial statements.

The Authority (and group) is reliant on Debt finance provided by its lenders National Westminster Bank plc. Management have sought an extension to the £3 million revolving credit facility and £10 million main facility, detailed in note 20 which had previously fallen due in the forecast period. The repayment date of these facilities have now been extended to 31 July 2021. During the forecast period management intend to undertake a refinancing of the Authority's debt in order to finance long term growth.

Managements existing borrowings detailed in note 20 are subject to a number of covenants, measured on a quarterly basis. Management actively manage expenditure and cashflow to ensure compliance with these covenants.

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

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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On behalf of the board

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

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

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

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## Opinion

We have audited the financial statements of Shoreham Port Authority (the 'parent entity') and its subsidiaries (the 'group') for the year ended 31 December 2019 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 2019 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)

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## **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 7, 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.

Zoe Rudling (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 2019

		2019	2018
	Notes	£	as restated £
<b>Turnover</b>	<b>4</b>	13,776,376	14,258,991
Cost of sales		(8,375,923)	(9,301,220)
<b>Gross profit</b>		<u>5,400,453</u>	<u>4,957,771</u>
Administrative expenses		(5,225,367)	(4,727,413)
<b>Operating profit</b>	<b>7</b>	175,086	230,358
Interest receivable and similar income	<b>9</b>	42,183	14,352
Interest payable and similar expenses	<b>10</b>	(544,704)	(429,035)
Fair value gains on investment properties	<b>11</b>	1,761,743	1,051,847
<b>Profit before taxation</b>		<u>1,434,308</u>	<u>867,522</u>
Taxation	<b>12</b>	(365,465)	(219,649)
<b>Profit for the financial year</b>	<b>26</b>	<u>1,068,843</u>	<u>647,873</u>
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit pension schemes		1,585,000	963,000
Tax relating to other comprehensive income		(301,150)	(182,970)
<b>Total comprehensive income for the year</b>		<u><u>2,352,693</u></u>	<u><u>1,427,903</u></u>

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 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	13	48,325,249		49,694,031	
Investment properties	14	31,000,973		25,115,043	
		<u>79,326,222</u>		<u>74,809,074</u>	
<b>Current assets</b>					
Debtors	17	3,600,497	3,776,640		
Cash at bank and in hand		4,902,752	6,374,185		
		<u>8,503,249</u>	<u>10,150,825</u>		
<b>Creditors: amounts falling due within one year</b>	18	<u>(8,031,257)</u>	<u>(7,438,969)</u>		
<b>Net current assets</b>		471,992		2,711,856	
<b>Total assets less current liabilities</b>		<u>79,798,214</u>		<u>77,520,930</u>	
Creditors: amounts falling due after more than one year	19	(14,381,959)		(13,787,821)	
Provisions for liabilities	22	(4,490,513)		(3,904,060)	
<b>Net assets excluding pension surplus/(deficit)</b>		<u>60,925,742</u>		<u>59,829,049</u>	
Defined benefit pension surplus/(deficit)	24	1,083,000		(173,000)	
<b>Net assets</b>		<u><u>62,008,742</u></u>		<u><u>59,656,049</u></u>	
<b>Reserves</b>					
Profit and loss reserves	26	<u><u>62,008,742</u></u>		<u><u>59,656,049</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

.....  
T Willis  
Chief Executive

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019		2018	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13	46,881,726		47,779,643	
Investment properties	14	31,000,973		25,115,043	
Investments	15		2		2
			<u>77,882,701</u>		<u>72,894,688</u>
<b>Current assets</b>					
Debtors	17	3,652,542		3,978,885	
Cash at bank and in hand		4,580,812		6,233,090	
			<u>8,233,354</u>		<u>10,211,975</u>
<b>Creditors: amounts falling due within one year</b>	18	<u>(7,089,772)</u>		<u>(6,410,836)</u>	
<b>Net current assets</b>			<u>1,143,582</u>		<u>3,801,139</u>
<b>Total assets less current liabilities</b>			<u>79,026,283</u>		<u>76,695,827</u>
<b>Creditors: amounts falling due after more than one year</b>	19		(13,897,416)		(13,082,053)
<b>Provisions for liabilities</b>	22		<u>(4,396,755)</u>		<u>(3,762,736)</u>
<b>Net assets excluding pension surplus</b>			<u>60,732,112</u>		<u>59,851,038</u>
<b>Defined benefit pension surplus</b>	24		<u>2,494,000</u>		<u>658,000</u>
<b>Net assets</b>			<u><u>63,226,112</u></u>		<u><u>60,509,038</u></u>
<b>Reserves</b>					
Profit and loss reserves	26		<u><u>63,226,112</u></u>		<u><u>60,509,038</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 £1,161,064 (2018: £466,699 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

.....  
T Willis  
Chief Executive



# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

---

	<b>Profit and loss reserves £</b>
<b>Balance at 1 January 2018</b>	58,228,146
<hr/>	
<b>Year ended 31 December 2018:</b>	
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)
	<hr/>
Total comprehensive income for the year	1,427,903
	<hr/>
<b>Balance at 31 December 2018</b>	59,656,049
<hr/>	
<b>Year ended 31 December 2019:</b>	
Profit for the year	1,068,843
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,585,000
Tax relating to other comprehensive income	(301,150)
	<hr/>
Total comprehensive income for the year	2,352,693
	<hr/>
<b>Balance at 31 December 2019</b>	62,008,742
	<hr/> <hr/>

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

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	<b>Profit and loss reserves £</b>
<b>Balance at 1 January 2018</b>	59,429,169
<b>Year ended 31 December 2018:</b>	
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
<b>Balance at 31 December 2018</b>	60,509,038
<b>Year ended 31 December 2019:</b>	
Profit for the year	1,161,064
Other comprehensive income:	
Actuarial gains on defined benefit plans	1,921,000
Tax relating to other comprehensive income	(364,990)
Total comprehensive income for the year	2,717,074
<b>Balance at 31 December 2019</b>	63,226,112

# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	1,976,395		1,954,571	
Interest paid		(540,704)		(409,035)	
Income taxes paid		(347,950)		(198,573)	
<b>Net cash inflow from operating activities</b>		<b>1,087,741</b>		<b>1,346,963</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(1,069,598)		(1,368,891)	
Proceeds on disposal of tangible fixed assets		5,181		1,667	
Purchase of investment property		(3,507,452)		(1,250,070)	
Proceeds on disposal of investment property		-		5,250,000	
Interest received		42,183		14,352	
<b>Net cash (used in)/generated from investing activities</b>		<b>(4,529,686)</b>		<b>2,647,058</b>	
<b>Financing activities</b>					
Proceeds of new bank loans		3,306,119		2,703,258	
Repayment of bank loans		(1,059,382)		(1,604,706)	
Payment of finance leases obligations		(276,225)		(331,153)	
<b>Net cash generated from financing activities</b>		<b>1,970,512</b>		<b>767,399</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,471,433)</b>		<b>4,761,420</b>	
Cash and cash equivalents at beginning of year		6,374,185		1,612,765	
<b>Cash and cash equivalents at end of year</b>		<b>4,902,752</b>		<b>6,374,185</b>	

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

#### General information

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

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

#### Accounting convention

These financial statements have been prepared in accordance with 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 2019. 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 2019

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### 1 Accounting policies (Continued)

#### Going concern

The activities of the Authority (and group) together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report, and the Board's risk management policies are set out in the Report of the Members. The group has net current assets of £471,992 (2018: £2,711,856) 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 calendar year 2020 and 2021, and a five year business plan, and having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 month from the date of approval of these financial statements.

The Authority (and group) is reliant on Debt finance provided by its lenders National Westminster Bank plc. Management have sought an extension to the £3 million revolving credit facility and £10 million main facility, detailed in note 20 which had previously fallen due in the forecast period. The repayment date of these facilities have now been extended to 31 July 2021. During the forecast period management intend to undertake a refinancing of the Authority's debt in order to finance long term growth.

Managements existing borrowings detailed in note 20 are subject to a number of covenants, measured on a quarterly basis. Management actively manage expenditure and cashflow to ensure compliance with these covenants.

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

#### Turnover

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

#### Tangible fixed assets

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

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

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

Freehold land and assets under construction are not depreciated.

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

#### 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.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 1 Accounting policies (Continued)

#### **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.

#### **Heritage assets**

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

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

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

#### **Fixed asset investments**

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

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

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

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

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

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

#### **Financial instruments**

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

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

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

#### **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 2019

---

### 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 2019

---

### 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 and Sussex Port Forwarding Limited's new scheme, the pension scheme contributions were made to the Superannuation Scheme of West Sussex County Council in conformity with contributions notified by the scheme administrators. The scheme is a defined benefit scheme where the underlying assets and liabilities are pooled.

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

For part of the year Sussex Port Forwarding Limited (SPF) operated 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 2019

---

### 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.

#### **Share-based payments**

For cash-settled share-based payments, a liability is recognised for the goods and services acquired, measured initially at the fair value of the liability. At the balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

#### **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.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

---

### 1 Accounting policies (Continued)

#### **Government grants**

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

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

#### **Foreign exchange**

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

### 2 Judgements and key sources of estimation uncertainty

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

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

#### **Critical judgements**

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

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

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

#### **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 2019 are valued at £31,000,973 (2018: £25,115,043). Please refer to note 13 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 2019 the asset was £1,083,000 (2018: £173,000 liability). 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 2019

### 3 Prior period adjustment

#### Changes to the income statement - group

	Period ended 31 December 2018		
	As previously reported	Adjustment	As restated
	£	£	£
Cost of sales	(7,470,350)	(1,830,870)	(9,301,220)
Administrative expenses	(6,558,283)	1,830,870	(4,727,413)
Profit after taxation	647,873	-	647,873

During the year the members assessed the classification of depreciation charge on fixed assets and have determined that the appropriate classification for most depreciation is within cost of sales.

Accordingly depreciation charge for the group of £1,830,870 has been reclassified to cost of sales from administrative expenses. This reclassification has increased cost of sales for the year ended 31 December 2018 to £9,301,220 and reduced administrative expenses to £4,727,413.

The adjustment is a presentational reclassification and has had no impact on the group or authority's profit for the year ended 31 December 2018 or net assets at 31 December 2018.

### 4 Turnover and other revenue

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

	2019	2018
	£	£
<b>Turnover analysed by class of business</b>		
Dues on commercial vessels	1,133,033	1,218,835
Dues on yachts and fishing vessels	262,277	234,302
Dues on cargo	424,833	434,288
Port operations	6,646,083	6,922,906
Rents (operating leases)	3,803,674	4,238,341
Pilotage (note 4)	591,577	708,345
Miscellaneous income	914,899	501,974
	<u>13,776,376</u>	<u>14,258,991</u>

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

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 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:

	2019 £	2018 £
<b>Turnover</b>		
Provision of pilotage service	414,687	554,462
Use of exemption certificates	176,890	153,883
	<u>591,577</u>	<u>708,345</u>
<b>Expenditure</b>		
Provision of pilots and boats including administration	637,756	669,732
<b>Net (loss)/profit</b>	<u>(46,179)</u>	<u>38,613</u>

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

### 6 Employees

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

	Group 2019 Number	2018 Number	Authority 2019 Number	2018 Number
Operational	81	77	40	39
Administrative	36	35	23	22
	<u>117</u>	<u>112</u>	<u>63</u>	<u>61</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 As restated £	Authority 2019 £	2018 £
Wages and salaries	4,611,917	4,359,595	2,774,235	2,618,533
Social security costs	478,180	452,651	292,230	272,883
Pension costs	1,581,984	1,411,329	831,279	709,800
	<u>6,672,081</u>	<u>6,223,575</u>	<u>3,897,744</u>	<u>3,601,216</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 6 Employees (Continued)

Members' fees were as follows:

	2019 £	2018 £
Members' fees aggregate	65,200	64,000
Chairman's fees and expenses	25,500	25,000
	<u>90,700</u>	<u>89,000</u>

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

	2019 Number	2018 Number
£5,001 to £10,000	2	5
£10,001 to £15,000	3	-
£15,001 to £20,000	1	1
£20,001 to £25,000	-	1
£25,001 to £30,000	1	-
	<u>1</u>	<u>-</u>

Previously casual staff costs have been included in wages and salaries. The members have determined that as these costs are paid through an agency and do not represent employee staff costs they should be excluded from wages and salaries costs. The 2018 amounts disclosed above have been adjusted accordingly to exclude casual staff costs, reducing group wages and salaries costs disclosed from £4,750,318 to £4,359,595.

### 7 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	624	780
Depreciation of owned tangible fixed assets	1,353,882	1,346,751
Depreciation of tangible fixed assets held under finance leases	466,133	542,136
Profit on disposal of tangible fixed assets	(3,551)	(1,667)
Operating lease charges	226,071	235,813
	<u>226,071</u>	<u>235,813</u>

### 8 Auditor's remuneration

	2019 £	2018 £
Fees payable to the group's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and Authority	36,250	31,500
	<u>36,250</u>	<u>31,500</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 9 Interest receivable and similar income

	2019 £	2018 £
<b>Interest income</b>		
Interest on bank deposits	42,183	14,352

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	42,183	14,352
--	--------	--------

### 10 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank loans	485,264	350,738
Interest on finance leases and hire purchase contracts	55,263	58,297
Net interest on the net defined benefit liability	4,000	20,000
Other interest	177	-
<b>Total finance costs</b>	<b>544,704</b>	<b>429,035</b>

### 11 Other gains and losses

	2019 £	2018 £
Changes in the fair value of investment properties	1,761,743	1,051,847

### 12 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	176,209	452,582
Adjustments in respect of prior periods	(928)	(102,631)
<b>Total current tax</b>	<b>175,281</b>	<b>349,951</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	190,184	(217,470)
Adjustment in respect of prior periods	-	87,168
<b>Total deferred tax</b>	<b>190,184</b>	<b>(130,302)</b>
<b>Total tax charge</b>	<b>365,465</b>	<b>219,649</b>

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.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 12 Taxation (Continued)

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Profit before taxation	1,434,308	867,522
Expected tax charge based on the effective rate of corporation tax in the UK of 19.00% (2018: 19.00%)	272,519	164,829
Tax effect of expenses that are not deductible in determining taxable profit	5,640	6,773
Tax effect of income not taxable in determining taxable profit	(1,308)	-
Adjustments in respect of prior years	(928)	(81)
Corporation tax adjustment in respect of prior year option grant	-	(102,550)
Other permanent differences	(378)	-
Deferred tax adjustments in respect of prior years	-	87,168
Deferred tax on investment property movement	(11,370)	(120,494)
Fixed asset differences	159,093	189,860
Deferred tax adjustments	(57,803)	(5,856)
Taxation charge for the year	365,465	219,649

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	301,150	182,970

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Tangible fixed assets

Group	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2019	68,084,215	197,846	12,126,428	1,062,768	122,777	81,594,034
Additions	645,168	147,392	170,822	96,223	9,993	1,069,598
Disposals	-	-	(111,099)	(103,684)	-	(214,783)
Transfers	-	(24,250)	-	24,250	-	-
Transfer to investment property	(373,712)	(243,023)	-	-	-	(616,735)
At 31 December 2019	68,355,671	77,965	12,186,151	1,079,557	132,770	81,832,114
<b>Depreciation</b>						
At 1 January 2019	23,057,228	-	7,728,077	1,005,415	109,283	31,900,003
Depreciation charged in the year	1,084,113	-	696,420	32,580	6,902	1,820,015
Eliminated in respect of disposals	-	-	(111,099)	(102,054)	-	(213,153)
At 31 December 2019	24,141,341	-	8,313,398	935,941	116,185	33,506,865
<b>Carrying amount</b>						
At 31 December 2019	44,214,330	77,965	3,872,753	143,616	16,585	48,325,249
At 31 December 2018	45,026,987	197,846	4,398,351	57,353	13,494	49,694,031



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Tangible fixed assets (Continued)

Authority	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2019	68,084,215	181,908	5,752,704	535,926	54,625	74,609,378
Additions	645,168	139,080	143,922	33,006	9,993	971,169
Disposals	-	-	(51,099)	(79,641)	-	(130,740)
Transfer to investment property	(373,712)	(243,023)	-	-	-	(616,735)
At 31 December 2019	68,355,671	77,965	5,845,527	489,291	64,618	74,833,072
<b>Depreciation</b>						
At 1 January 2019	23,057,228	-	3,195,672	528,208	48,627	26,829,735
Depreciation charged in the year	1,084,113	-	151,649	10,509	4,450	1,250,721
Eliminated in respect of disposals	-	-	(51,099)	(78,011)	-	(129,110)
At 31 December 2019	24,141,341	-	3,296,222	460,706	53,077	27,951,346
<b>Carrying amount</b>						
At 31 December 2019	44,214,330	77,965	2,549,305	28,585	11,541	46,881,726
At 31 December 2018	45,026,987	181,908	2,557,032	7,718	5,998	47,779,643

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 13 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	<b>Group</b>		<b>Authority</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Freehold	44,162,997	44,973,904	44,162,997	44,973,904
Long leasehold	51,333	53,083	51,333	53,083
	<u>44,214,330</u>	<u>45,026,987</u>	<u>44,214,330</u>	<u>45,026,987</u>

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

	<b>Group</b>		<b>Authority</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Plant and machinery	1,120,133	1,586,266	-	-
	<u>1,120,133</u>	<u>1,586,266</u>	<u>-</u>	<u>-</u>

#### Shoreham Old Fort

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

### 14 Investment property

	<b>Group</b>	<b>Authority</b>
	<b>2019</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
<b>Fair value</b>		
At 1 January 2019	25,115,043	25,115,043
Additions	3,507,452	3,507,452
Transfers from tangible fixed assets	616,735	616,735
Net gains or losses through fair value adjustments	1,761,743	1,761,743
	<u>31,000,973</u>	<u>31,000,973</u>
At 31 December 2019	<u>31,000,973</u>	<u>31,000,973</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.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 15 Fixed asset investments

	Notes	Group 2019 £	2018 £	Authority 2019 £	2018 £
Investments in subsidiaries	16	-	-	2	2

#### Movements in fixed asset investments Authority

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2019 and 31 December 2019	2
<b>Carrying amount</b>	
At 31 December 2019	2
At 31 December 2018	2

### 16 Subsidiaries

Details of the Authority's subsidiaries at 31 December 2019 are as follows:

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

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Debtors

	Group 2019 £	2018 £	Authority 2019 £	2018 £
<b>Amounts falling due within one year:</b>				
Trade debtors	1,734,441	1,967,823	1,185,810	1,242,085
Amounts owed by group undertakings	-	-	1,015,775	1,205,775
Other debtors	71,653	94,697	9,305	48,806
Prepayments and accrued income	1,524,845	1,539,681	1,416,207	1,455,873
	<u>3,330,939</u>	<u>3,602,201</u>	<u>3,627,097</u>	<u>3,952,539</u>
Deferred tax asset (note 23)	269,558	174,439	25,445	26,346
	<u>3,600,497</u>	<u>3,776,640</u>	<u>3,652,542</u>	<u>3,978,885</u>

Within amounts due from group undertakings are amounts receivable in more than one year of £1,015,775 (2018: £1,015,775).

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Notes	Group 2019 £	2018 £	Authority 2019 £	2018 £
Bank loans	20	3,915,022	2,483,648	3,915,022	2,483,648
Obligations under finance leases	21	221,153	276,153	-	-
Trade creditors		1,199,767	1,599,506	688,020	1,246,348
Amounts due to group undertakings		-	-	69,620	-
Corporation tax payable		176,209	348,878	93,758	220,396
Other taxation and social security		196,495	126,427	155,915	79,384
Government grants		845,766	936,817	845,766	936,817
Other creditors		360,414	465,914	323,487	416,053
Accruals and deferred income		1,116,431	1,201,626	998,184	1,028,190
		<u>8,031,257</u>	<u>7,438,969</u>	<u>7,089,772</u>	<u>6,410,836</u>

Included within other creditors (group) are unpaid pension contributions amounting to £87,013 (2018: £98,725), of which £52,602 (2018: £50,484) 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 £72,239 (2018: £79,120) 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 £773,527 (2018: £857,697) was included within government grants, to be released in future years.

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

	Notes	Group 2019 £	2018 £	Authority 2019 £	2018 £
Bank loans	20	13,897,416	13,082,053	13,897,416	13,082,053
Obligations under finance leases	21	484,543	705,768	-	-
		<u>14,381,959</u>	<u>13,787,821</u>	<u>13,897,416</u>	<u>13,082,053</u>

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

Payable by instalments	899,746	4,782,670	868,131	4,656,210
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# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 20 Borrowings

	Group 2019 £	2018 £	Authority 2019 £	2018 £
Bank loans	17,812,438	15,565,701	17,812,438	15,565,701
Payable within one year	3,915,022	2,483,648	3,915,022	2,483,648
Payable after one year	13,897,416	13,082,053	13,897,416	13,082,053
Amounts included above which fall due after five years:				
Payable by instalments	868,131	4,656,210	868,131	4,656,210

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 is being repaid on a monthly basis. 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.

The Port Authority also has an asset finance arrangement with Santander UK plc, this is a £1.2m loan. The facility is subject to interest at 2.03% above the Base Rate.

### 21 Finance lease obligations

	Group 2019 £	2018 £	Authority 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Less than one year	275,892	339,978	-	-
Between one and five years	547,321	710,125	-	-
After five years	37,565	150,725	-	-
	860,778	1,200,828	-	-
Less: future finance charges	(155,082)	(218,907)	-	-
	705,696	981,921	-	-

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 21 Finance lease obligations (Continued)

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

### 22 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Authority 2019 £	2018 £
Pension		119,076	119,076	119,076	119,076
Oil terminal provision		83,638	83,638	83,638	83,638
		<u>202,714</u>	<u>202,714</u>	<u>202,714</u>	<u>202,714</u>
Deferred tax liabilities	<b>23</b>	4,287,799	3,701,346	4,194,041	3,560,022
		<u>4,490,513</u>	<u>3,904,060</u>	<u>4,396,755</u>	<u>3,762,736</u>

Movements on provisions apart from deferred tax liabilities:

Group	Pension £	Oil terminal provision £	Total £
At 1 January 2019 and 31 December 2019	119,076	83,638	202,714
	<u>119,076</u>	<u>83,638</u>	<u>202,714</u>
Authority	Pension £	Oil terminal provision £	Total £
At 1 January 2019 and 31 December 2019	119,076	83,638	202,714
	<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 2019

### 22 Provisions for liabilities (Continued)

#### Pension

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

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

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

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

#### Oil terminal provision

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

### 23 Deferred taxation

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

Group	Liabilities	Liabilities	Assets	Assets
	2019	2018	2019	2018
	£	£	£	£
Fixed asset timing differences	681,420	696,411	-	-
Rolled over gains	171,077	171,077	-	-
Short term timing differences - pension	423,980	111,860	239,870	141,270
Investment property value	2,603,000	2,313,676	-	-
Land fair value uplift	408,322	408,322	-	-
Other timing differences	-	-	29,688	33,169
	<u>4,287,799</u>	<u>3,701,346</u>	<u>269,558</u>	<u>174,439</u>



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 23 Deferred taxation (Continued)

<b>Authority</b>	<b>Liabilities 2019 £</b>	<b>Liabilities 2018 £</b>	<b>Assets 2019 £</b>	<b>Assets 2018 £</b>
Fixed asset timing differences	587,662	555,087	-	-
Rolled over gains	171,077	171,077	-	-
Short term timing differences - pension	423,980	111,860	-	-
Investment property value	2,603,000	2,313,676	-	-
Land fair value uplift	408,322	408,322	-	-
Other timing differences	-	-	25,445	26,346
	<u>4,194,041</u>	<u>3,560,022</u>	<u>25,445</u>	<u>26,346</u>
			<b>Group 2019 £</b>	<b>Authority 2019 £</b>
<b>Movements in the year:</b>				
Liability at 1 January 2019			3,526,907	3,533,676
Charge to profit or loss			224,184	303,930
Charge to other comprehensive income			301,150	364,990
Liability at 31 December 2019			<u>4,052,241</u>	<u>4,202,596</u>

The majority of the deferred tax asset of £25,445 (2018: £26,346) 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 £4,194,041 (2018: £3,560,021) 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 2019

### 24 Retirement benefit schemes

#### Defined benefit schemes

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

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

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

Costs and liabilities of all schemes are based on actuarial valuations. The latest full actuarial valuations of the schemes were completed on 31 March 2016 (SPA's and SPF's WSCCLGP scheme) and 31 December 2016 (SPF's PoSRaDBS). These valuations have been updated to 31 December 2019 using the projected unit method by qualified independent actuaries.

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

	WSCCLGPS		PoSRaDBS	
	2019	2018	2019	2018
<i>Key assumptions</i>	%	%	%	%
Discount rate	2.00%	2.90%	2.00%	2.90%
Expected rate of increase of pensions in payment	2.20%	2.40%	3.05%	3.30%
Expected rate of salary increases	2.90%	3.10%	n/a	2.40%
Inflation - RPI	-	-	3.15%	3.40%
Inflation - CPI	-	-	2.15%	2.40%
	=====	=====	=====	=====
<i>Mortality assumptions</i>	2019	2018	2019	2018
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Retiring today				
- Males	21.80	23.60	21.00	21.50
- Females	23.60	25.00	23.10	23.50
	=====	=====	=====	=====
Retiring in 20 years				
- Males	23.00	26.00	22.40	22.90
- Females	25.50	17.80	24.60	25.00
	=====	=====	=====	=====

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 24 Retirement benefit schemes (Continued)

<i>Amounts recognised in the income statement</i>	<b>2019</b> £	<b>2018</b> £
Current service cost	1,339,000	1,111,000
Net interest on defined benefit liability	4,000	20,000
Administration costs	228,000	227,000
	<hr/>	<hr/>
Total costs	1,571,000	1,358,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Amounts taken to other comprehensive income</i>	<b>2019</b> £	<b>2018</b> £
Actual return on scheme assets	(3,706,000)	292,000
Calculated interest element	781,000	665,000
	<hr/>	<hr/>
Return on scheme assets excluding interest income	(2,925,000)	957,000
Actuarial changes related to obligations	1,340,000	(1,920,000)
	<hr/>	<hr/>
Total income	(1,585,000)	(963,000)
	<hr/> <hr/>	<hr/> <hr/>

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

	<b>Group</b> <b>2019</b> £	<b>2018</b> £	<b>Authority</b> <b>2019</b> £	<b>2018</b> £
Present value of defined benefit obligations	29,922,000	26,807,000	21,868,000	20,382,000
Fair value of plan assets	(31,005,000)	(26,634,000)	(24,362,000)	(21,040,000)
	<hr/>	<hr/>	<hr/>	<hr/>
(Surplus)/deficit in scheme	(1,083,000)	173,000	(2,494,000)	(658,000)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<b>Group</b> <b>2019</b> £	<b>Authority</b> <b>2019</b> £
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2019	26,807,000	20,382,000
Current service cost	1,339,000	716,000
Past service cost	132,000	126,000
Benefits paid	(763,000)	(580,000)
Contributions from scheme members	282,000	175,000
Actuarial gains and losses	1,340,000	454,000
Interest cost	785,000	595,000
	<hr/>	<hr/>
At 31 December 2019	29,922,000	21,868,000
	<hr/> <hr/>	<hr/> <hr/>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 24 Retirement benefit schemes (Continued)

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

	<b>Group 2019</b>	<b>Authority 2019</b>
	£	£
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2019	26,634,000	21,040,000
Interest income	781,000	615,000
Return on plan assets (excluding amounts included in net interest)	2,925,000	2,375,000
Benefits paid	(763,000)	(580,000)
Contributions by the employer	1,242,000	737,000
Contributions by scheme members	282,000	175,000
Administration costs	(96,000)	-
	<u>31,005,000</u>	<u>24,362,000</u>
At 31 December 2019	<u>31,005,000</u>	<u>24,362,000</u>

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

	<b>Group 2019</b>	<b>2018</b>	<b>Authority 2019</b>	<b>2018</b>
	£	£	£	£
Equity instruments	15,189,000	12,558,000	12,668,000	10,520,000
Property	1,974,000	1,893,600	1,949,000	1,893,600
Gilts	1,017,000	1,524,000	-	-
Bonds	9,670,000	8,120,800	8,527,000	7,784,800
Cash	1,835,000	1,382,600	1,218,000	841,600
Diversified growth funds	1,320,000	1,155,000	-	-
	<u>31,005,000</u>	<u>26,634,000</u>	<u>24,362,000</u>	<u>21,040,000</u>

### 25 Borrowing powers at 31 December 2019

ACT OR ORDER	<b>Total £</b>
1985 (as amended by the Shoreham Port Authority Harbour Revision (Constitution) Order 2004)	50,000,000
Indexation to 31 December 2019	21,570,000
	<u>71,570,000</u>
Revised Borrowing Powers at 31 December 2019	<u>71,570,000</u>

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.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 26 Reserves

#### Profit and loss reserves

Cumulative profit and loss.

### 27 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	1,068,843	647,873
Adjustments for:		
Taxation charged	365,465	219,649
Finance costs	544,704	429,035
Investment income	(42,183)	(14,352)
Gain on disposal of tangible fixed assets	(3,551)	(1,667)
Depreciation and impairment of tangible fixed assets	1,820,015	1,888,887
Other gains and losses	(1,761,743)	(1,051,847)
Pension scheme non-cash movement	325,000	82,000
Decrease in provisions	-	(9,864)
Movements in working capital:		
Decrease/(increase) in debtors	271,262	(34,149)
(Decrease) in creditors	(611,417)	(200,994)
<b>Cash generated from operations</b>	<b>1,976,395</b>	<b>1,954,571</b>

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

	1 January 2019 £	Cash flows	31 December 2019 £
Cash at bank and in hand	6,374,185	(1,471,433)	4,902,752
Borrowings excluding overdrafts	(15,565,701)	(2,246,737)	(17,812,438)
Obligations under finance leases	(981,921)	276,225	(705,696)
	<u>(10,173,437)</u>	<u>(3,441,945)</u>	<u>(13,615,382)</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 29 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:

	<b>Group</b>		<b>Authority</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Within one year	370,012	222,609	1,935	3,796
Between one and five years	1,177,937	75,063	161	2,096
In over five years	73,611	-	-	-
	<u>1,621,560</u>	<u>297,672</u>	<u>2,096</u>	<u>5,892</u>

#### Authority as a lessor

The Authority acts as a lessor, holding rental contracts with tenants under non-cancellable operating lease arrangements. The average remaining lease term at 31 December 2019 is between 5 and 6 years, excluding low-value long-term lease arrangements for which remaining lease terms range between 48 and 951 years on an amount of annual rent of £167. Rent reviews occur periodically on certain leases, generally between 2 and 5 years, and where break clauses exist these are at intervals specific to each lease. Rental income earned in the year under these lease agreements is included within turnover and amounted to £3,803,674 (2018: £4,238,341).

### 30 Capital commitments

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

	<b>Group</b>		<b>Authority</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Acquisition of tangible fixed assets	<u>2,609,570</u>	<u>1,882,049</u>	<u>2,609,570</u>	<u>1,874,237</u>

### 31 Events after the reporting date

Subsequent to the year end the worldwide pandemic of Covid-19 has had an adverse impact on economies globally. Given the unpredictable nature and impact of the outbreak, and how rapidly the responses to the outbreak are changing, the directors are unable to predict the full extent of the impact. However, the members have considered the impact of Covid-19 on the ability of the group and the authority to continue in operational existence over a period of at least twelve months from the date of approval of these financial statements, as set out on page 20.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 32 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Aggregate compensation	1,139,360	988,609

**SHOREHAM PORT AUTHORITY**

**MANAGEMENT INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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



# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2019

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		2019		2018
	£	£	£	£
<b>Turnover</b>				
Sale of services		7,074,620		7,811,538
Sundry income		881,765		460,334
		<u>7,956,385</u>		<u>8,271,872</u>
<b>Cost of sales</b>				
Wages and salaries	1,549,432		1,544,998	
Social security costs	174,970		164,459	
Staff pension costs defined benefit	551,261		477,945	
Equipment repairs	894,488		1,884,969	
Hire of equipment (not operating lease)	42,180		35,469	
Motor running expenses	72,820		61,329	
Depreciation	1,192,704		1,195,076	
		<u>(4,477,855)</u>		<u>(5,364,245)</u>
<b>Gross profit</b>	43.72%	3,478,530	35.15%	2,907,627
<b>Administrative expenses</b>		<u>(3,293,368)</u>		<u>(2,985,502)</u>
<b>Operating profit/(loss)</b>		185,162		(77,875)
<b>Investment revenues</b>				
Bank interest received	42,183		14,352	
		<u>42,183</u>		<u>14,352</u>
<b>Interest payable and similar expenses</b>				
Bank interest on loans	485,264		350,738	
Net interest on defined benefit liability	(20,000)		2,000	
		<u>(465,264)</u>		<u>(352,738)</u>
<b>Other gains and losses</b>				
Increase in fair value of investment property		1,761,743		1,051,847
<b>Profit before taxation</b>	19.15%	<u>1,523,824</u>	7.68%	<u>635,586</u>

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# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2019

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	2019	2018
	£	£
<b>Administrative expenses</b>		
Wages and salaries	1,162,416	1,009,223
Social security costs	117,260	108,424
Temporary staff	18,318	26,991
Staff recruitment costs	5,192	31,171
Staff welfare	15,135	6,830
Staff training	53,251	72,271
Staff pension costs defined benefit (allocation)	280,018	231,855
Other staff costs	44,069	37,321
Rent re operating leases	2,361	2,301
Rates	174,527	183,431
Power, light and heat	434,541	420,919
Travelling expenses	6,301	7,981
Accommodation and subsistence	10,969	8,965
Postage, courier and delivery charges	10,491	11,638
Professional subscriptions	35,129	38,270
Legal and professional fees	236,336	275,034
Accountancy	25,612	23,569
Bank charges	33,812	25,432
Bad and doubtful debts	144,801	11,088
Insurances (not premises)	202,684	174,803
Printing and stationery	10,814	14,572
Advertising	60,732	58,240
Telecommunications	56,000	56,025
Entertaining	6,233	9,181
Sundry expenses	68,409	62,390
Protective equipment	18,310	19,560
Depreciation	58,017	58,017
Profit on sale of tangible assets	1,630	-
	<hr/>	<hr/>
	3,293,368	2,985,502
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# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018
	£	£	£	£
<b>Turnover</b>				
Sales of services		12,861,477		13,757,017
Sundry income		914,899		501,974
		<u>13,776,376</u>		<u>14,258,991</u>
<b>Cost of sales</b>				
Wages and salaries	2,647,528		2,607,796	
Social security costs	285,787		273,454	
Staff pension costs defined benefit	771,473		736,661	
Equipment repairs	1,292,676		2,187,109	
Hire of equipment (not operating lease)	112,145		89,073	
Motor running expenses	258,942		244,931	
Depreciation	1,761,998		1,830,870	
Haulage payable	869,246		902,902	
Miscellaneous cargo handling	13,089		30,112	
Casual / temporary staff costs	349,496		390,723	
Property repairs and maintenance	13,543		7,589	
		<u>(8,375,923)</u>		<u>(9,301,220)</u>
<b>Gross profit</b>	39.20%	5,400,453	34.77%	4,957,771
<b>Administrative expenses</b>		<u>(5,225,367)</u>		<u>(4,727,413)</u>
<b>Operating profit</b>		175,086		230,358
<b>Investment revenues</b>				
Bank interest received	42,183		14,352	
		<u>42,183</u>		<u>14,352</u>
<b>Interest payable and similar expenses</b>				
Bank interest on loans	485,264		350,738	
Net interest on defined benefit liability	4,000		20,000	
Hire purchase interest payable	55,263		58,297	
Interest payable - other	177		-	
		<u>(544,704)</u>		<u>(429,035)</u>
<b>Other gains and losses</b>				
Increase in fair value of investment property		1,761,743		1,051,847
<b>Profit before taxation</b>	10.41%	<u>1,434,308</u>	6.08%	<u>867,522</u>

# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - GROUP FOR THE YEAR ENDED 31 DECEMBER 2019

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	2019	2018
	£	£
<b>Administrative expenses</b>		
Wages and salaries	1,894,420	1,682,522
Social security costs	192,393	179,197
Temporary staff	18,318	26,991
Staff recruitment costs	5,192	31,171
Staff welfare	17,723	10,385
Staff training	63,180	75,637
Staff pension costs defined benefit (allocation)	810,511	674,668
Other staff costs	51,651	42,286
Rent re operating leases	2,361	2,301
Rates	174,527	183,431
Power, light and heat	434,541	420,919
Travelling expenses	9,931	11,977
Accommodation and subsistence	16,105	12,810
Postage, courier and delivery charges	11,186	11,767
Professional subscriptions	40,200	41,746
Legal and professional fees	282,652	323,000
Accountancy	52,362	45,494
Bank charges	34,437	25,977
Bad and doubtful debts	167,037	3,348
Insurances (not premises)	391,305	348,777
Printing and stationery	19,384	22,044
Advertising	60,732	58,240
Telecommunications	65,619	65,827
Entertaining	7,686	9,831
Sundry expenses	100,559	105,189
Protective equipment	22,220	21,126
Depreciation	58,017	58,017
Profit on sale of tangible assets	(3,551)	(1,667)
Leasing - plant and machinery	223,710	233,512
Credit card charges	335	110
Loss on foreign exchange	624	780
	<u>5,225,367</u>	<u>4,727,413</u>

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