



**WARRENPOINT
PORT**

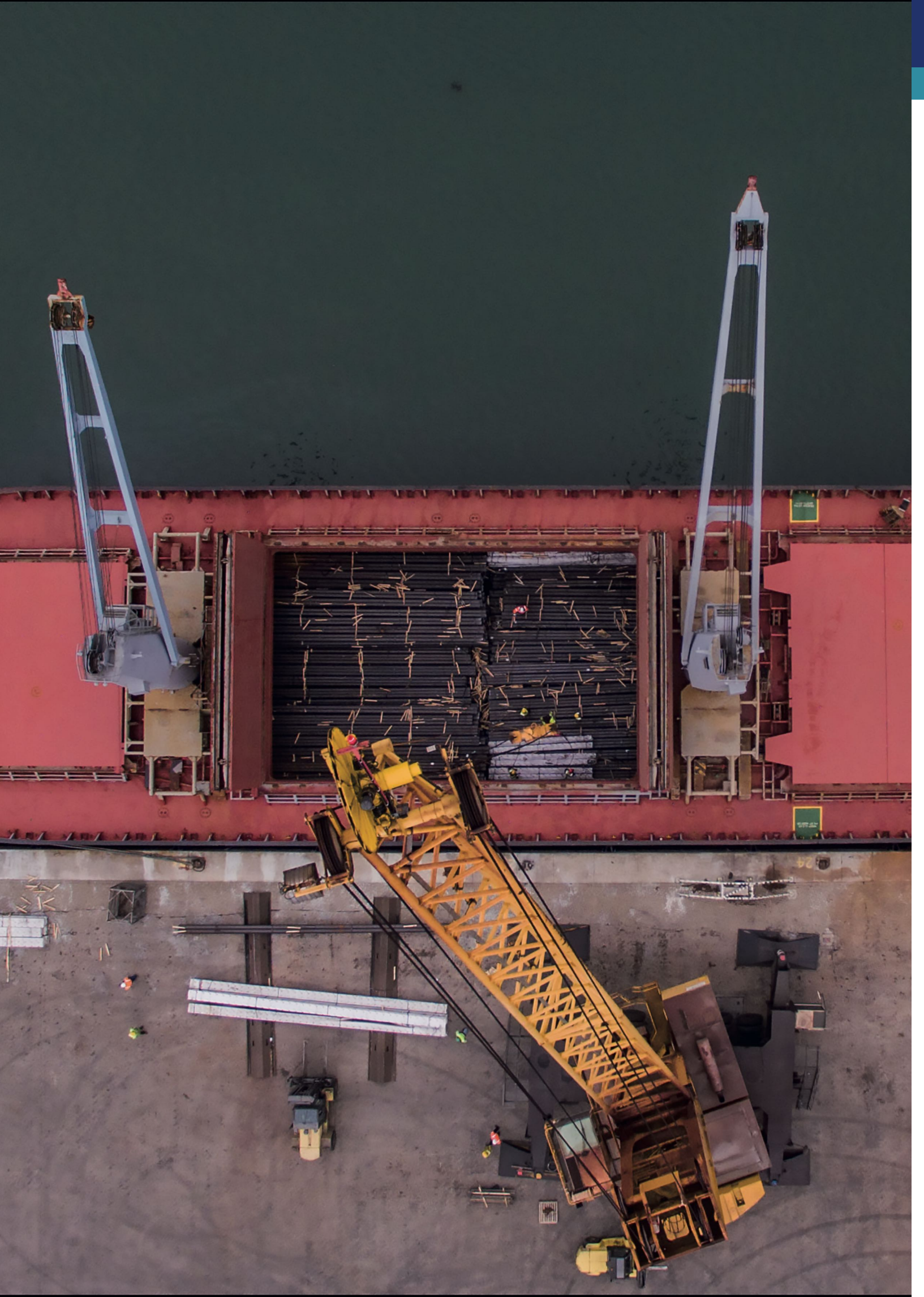


Warrenpoint Harbour Authority

Annual Report

& Financial Statements

For the year ending 31 December 2018



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Warrenpoint Harbour Authority

Members

S McIlvenny OBE (Chairman)

C Guinness (Chief Executive)
*Appointed 6th January 2018

K Grant (Finance Director)

Cllr. S Doran

Cllr. G Fitzpatrick

Cllr. G Hanna

T Haslett CBE

D Sagar

R Johnston

A Stephens

P Conway
*Retired as Chief Executive 5th January 2018

Senior Management

Chief Executive C Guinness

Finance Director K Grant, FCMA

Harbour Master C Dowling, Master Mariner

Head of Engineering & Estates E O Mahony

Operations Manager I Taylor

Health, Safety & Environmental Manager T Rodgers

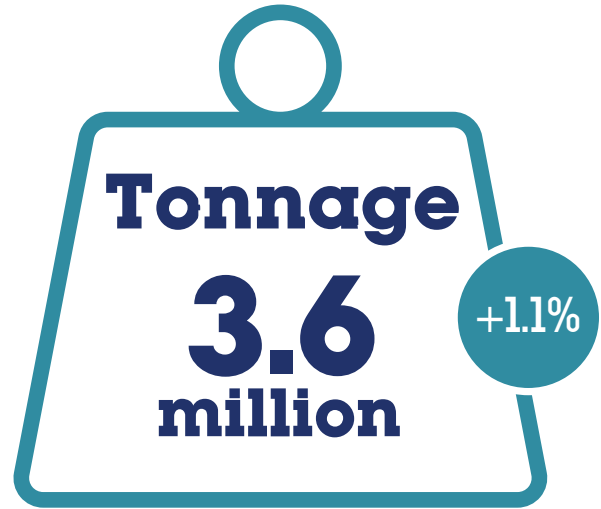
Professional Advisers

Bankers Ulster Bank Limited

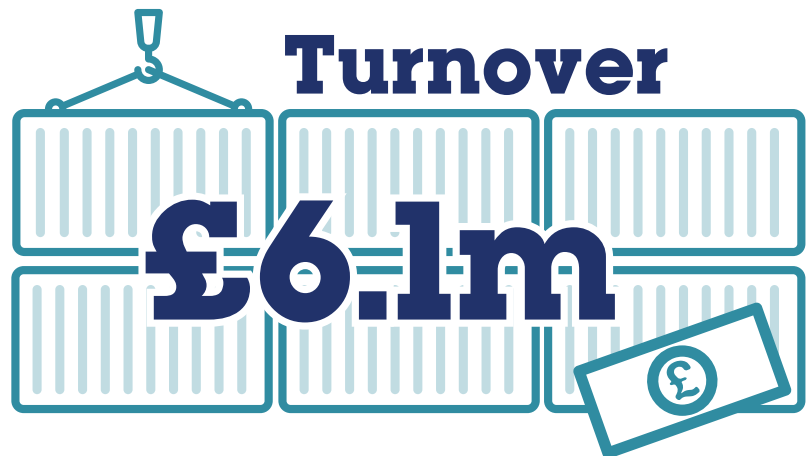
Independent Auditor Deloitte (NI) Limited, Belfast

Solicitors Mills Selig

Warrenpoint Port by numbers



Earnings Before Interest, Taxes, Depreciation and Amortisation



Chairman's statement

This is my fourth and final year of my four-year term of office as Chairman and I am pleased to note that Warrenpoint Harbour Authority (WHA) continues to deliver an increase in tonnage to 3.6 million tonnes, up one percent from the previous year. This constitutes twelve percent of total traffic through Northern Ireland's ports and maintains our status as the second largest port facility, by volume.

Turnover was £6.1 million, an increase of 5.5% on the previous year, profitability declined 6%. This was due to several factors, such as an increased dredging requirement and additional staff members recruited during 2018 to strengthen the management team.

As WHA is a Trust port, profits are invested in improving the port environs and equipment replacement for the specific benefit of customers. During the year WHA invested £3.16 million in the purchase of a new crane, refurbishment of other cranes, new loading shovels, forklift trucks, IT computer infrastructure and improvement of operational areas. Total investment spend over the previous decade is £22.6 million and this expenditure together with additional funds, which will be required to complete the implementation of the Strategic Plan, are designed to improve productivity and infrastructure.

Whilst the number of vessel calls declined marginally replacement roll-on/roll-off (RORO) vessels late in the year increased the volume of freight traffic by 4.8%. Lift-on/lift-off (LOLO) volumes continue to decline falling short of that which was anticipated by the operator and reported as budget to WHA. The year saw increased volumes of cement, scrap metals, coal and fertiliser offset by a decline of steel and timber. Animal feed imports remained steady.

There are several key strategic challenges for WHA one of which is access to the port from both Carlingford Lough and the A2. Dredging within Carlingford Lough to maintain the approach depth and depth alongside is becoming more problematic and in all probability will require annual dredging which may considerably increase costs going

forward. It appears that climate change, especially the increase in frequency of easterly winds, is playing a greater role in reducing depth of water. I am pleased to note that work on the Southern Relief Road is progressing and as stated in an earlier report this is considered a business imperative for WHA which has some 250,000 vehicle movements a year.

There are now 70 persons directly employed by WHA with associated payroll charge of £2.3 million and some 200 other persons work within the harbour daily. It is calculated that the total value of goods transiting the port estate has a value of circa £ 6.5 billion. A competitive and productive port is vital to the economy of the region.

I did not think that in writing this report I would be commenting upon the fact that Brexit uncertainty remains and is a continuing drag on our customers business investment decisions and that we are still without Government on whom so much depends regarding the democratic decision making process. I hope from a local business perspective, that both matters are resolved, soonest.

Clare Guinness, CEO commenced her employment at the beginning of 2018 and has undertaken her duties with leadership and energy, progressing several key aspects of the Strategic Plan.

I am grateful to everyone; port users, directors, management team and employees, all of whom understand the challenges ahead and contribute to the continuing progress which is there for all to see.



Stan McIlvenny OBE

Chairman

Warrenpoint Harbour Authority

Strategic report

As a trust port, Warrenpoint Harbour Authority is not bound by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. However, consistent with corporate entities of a similar size to the Harbour, the Members have adopted the main provisions of the Act and therefore present a Strategic Report.

This report, to be read in conjunction with the full annual report contains information which the Members consider to be of strategic importance to the Harbour.

Strategy update

Following the launch of the Masterplan in 2018, the management team devised a 3 year Strategic Plan to ensure key objectives are achieved. Key deliverables under this plan are aligned to our vision to grow and maximise our contribution to the regional economy. Investment in plant and equipment, creation of additional storage land, development of the Town Dock office and launch of the Community Fund mark the significant progress made.

Current and future developments

The short-term internal objectives of creating more space for Port operations to facilitate growth in throughput and storage capacity are well underway. Two buildings having been demolished and two target buildings have benefitted from being well advanced in terms of progress towards achieving vacant possession to allow for demolition / renovation works. In addition, resurfacing works have been completed in a disused area of the Port to enable storage of trailers specifically to accommodate RORO growth and road realignment plans have been agreed. The phased completion of these activities will continue throughout 2019 with the combined impact increasing and improving land use for core Port activities.

Operational efficiencies are evident following new and improved cranes following purchase and refurbishment

which has reduced downtime and increased reliability to our customers. Substantial investment in other plant and machinery, such as the purchase of a new fleet of fork lift trucks will underpin improved customer service and capability.

In terms of new business the commencement of construction to build Ireland's only CO₂ distribution centre at the Port is notable and of strategic interest to the island.

The Port's positive contribution to our stakeholders is evidenced in part by the increasing employee numbers, up to 70 by end of year, the approval of plans to extend and refurbish Town Dock House and the launch of the Community Fund.

Risk and uncertainties

Economic & Brexit

The NI economy performed relatively well through 2018, with the Port's performance reflective of same.

Much time and effort was devoted to Brexit specifically regarding a no deal. The Port participated in numerous engagements with all key stakeholders. The risk posed by no deal increased over the year given the ongoing failure to achieve the Withdrawal Agreement. The Port remains committed to frictionless trade and continuation of open market access not only in pursuit of its own business objectives, but in the wider economic interests of the region.

Investment in plant and equipment and increased capacity will all serve to enable the Port to adapt to deal with the Brexit outcome.

Health, safety & environmental

Significant investments were made in 2018 to improve the health, safety and environmental impact of the Port which in totality represents a step change in the Port's approach. These include recruitment of a dedicated Health, Safety & Environmental Manager, development of an asbestos

management plan, purchase of personal gas detection equipment, new ventilation equipment and considerable additional training across various key aspects of port operational activity. Environmental audits by various governing bodies found us compliant throughout the year.

Dredging

Following receipt of results from the initial site characterisation study, the in-Lough placement project, which was subject of stakeholder engagement was ceased. Increased siltation of the channels and berths remains an ongoing issue and the Port will continue to investigate potential strategies to alleviate same to maintain safe navigation and Port access.

Funding

The Port benefitted from a further advance from the Department for Infrastructure to support the substantial capital expenditure programme which will ultimately benefit the regional economy.

Corporate governance

Warrenpoint Harbour Authority is a Trust Port. It is not owned by Government but operates autonomously and with a degree of public accountability and a strong public interest ethos. The Port is required to operate in a commercial manner and is an independent statutory body governed by its own legislation. Governing legislation includes the Harbours Act (Northern Ireland) 1970, the Warrenpoint Harbour Authority Order 1971, the Harbours (Northern Ireland) Order 2002 and the Warrenpoint Harbour Authority Order (Northern Ireland) 2002. The Board is comprised of a Chairman, four non-executive Directors, three local councillors and two members of the executive team.

Approved by the Members on 28th May 2019
and signed on behalf of the Members



Clare Guinness
Chief Executive
Warrenpoint Harbour Authority

Chief Executive's report

Trading

Warrenpoint Port enjoyed record trading in the year 2018, Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of £1.8m (2017: £1.9m), Profit Before Tax (PBT) of £853k (2017: £908k), resulting from increased through-put of 3.6 million tonnes (2017: 3.56m). Slight reduction in EBITDA and PBT is reflective of several factors including increased dredging and one-off costs associated with Masterplan launch and In Lough Placement programme. The introduction of larger vessels by Seatruck Ferries increased RORO volumes by 4.8% with bulk cargoes continuing to perform strongly particularly animal feed and cement. New and existing bulk customers bolstered results, noting in particular increases in recyclable metals, coal and wood chip. 2018 saw the Port handle the import of our largest consignment of wind turbines.

The overall balance of trade being 45% export and 55% import is of strategic importance to the regional economy and substantiates the Port's pivotal role in the supply chain.

Corporate services

The recruitment of a HR Manager is underway to strengthen the Port management team and bring specific expertise.

The Port remains compliant with and committed to the Port Marine Safety Code (PMSC) and in 2018 recruited the specialist support of Marico Marine to act as Designated Person under the Code. Several Directors also completed Duty Holder training to deepen understanding of their responsibility under PMSC. Completion of new risk assessments in the year with a wide range of marine stakeholders have served to assist the Port in its development of continually improving standards,

underpinned by our Safety First value.

Going concern report

The outcome of Brexit remains a source of continued uncertainty and the Members have considered this risk along with the risk of normal business activity in preparation of the financial statements on a going concern basis.

By way of background, the Authority's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's, Chief Executive's and Strategic Reports.

Using this information, the Members consider that:

- The Regional Development Strategy has highlighted the strategic importance of Northern Irish ports. The port has consolidated its position as the second only to Belfast by tonnage.
- The Authority's key customer relationships are underpinned by long-term contracts and significant investments continue to be made by customers to service their activity through Warrenpoint Port.
- The Authority has diversified income streams and will continue to do so wherever possible. The new wood chip business and completion of the CO₂ facility are examples.
- The Authority maintains good liquidity with procedures and policies in place to manage its finances.
- The Authority use up-to-date budget projections that are revised throughout the year so that financial decisions can be made in a timely and effective manner.

The Members therefore consider that the Authority has adequate resources to continue in operational existence

for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Results

The financial results for the year ended 31 December 2018 are set out in detail on page 19. The profit after tax for the year is £683,678 (2017: £690,221).

Members

S McIlvenny OBE (Chairman)

C Guinness (Chief Executive)

K Grant (Finance Director)

T Haslett CBE

D Sagar

R Johnston

A Stephens

Cllr. S Doran

Cllr. G Hanna

Approved by the Board on 28th May 2019 and signed on behalf of the Board



Clare Guinness

Chief Executive

Warrenpoint Harbour Authority

Warrenpoint Port: Supporting our community

Over the financial year Warrenpoint Port supported the following charities and community groups, also playing an active part in business organisations to promote the Port's values and support its position as an economic driver.



The Cabbage Patchers



Carlingford Lough Sailability



Community Centre for Warrenpoint



Head Injury Support



Kilbroney Vintage Show



Lislea Drama Festival



Macmillan Cancer Support Newry and Mourne



The Mission to Seafarers



Northern Ireland Children's Hospice



Southern Area Hospice Services



Special Olympics Ireland



St Peter's GAA Club



USPCA



Warrenpoint Pantomime Club



Warrenpoint Town Football Club



Volunteers from Warrenpoint Port during a clean up around the town's beaches and coastline.

Warrenpoint Port Community Fund

In October 2018, Warrenpoint Port launched the Warrenpoint Port Community Fund, a new initiative to provide a financial boost to local community projects.

The fund is aimed at all community groups, ranging from schools and sports teams to choirs and community centres.

Developed to support initiatives that enrich the community, as well as social or environmental schemes, the Fund aims to improve the impact of local projects.

A large number of groups have expressed an interest in seeking assistance from the Fund which has so far supported a number of organisations including:

- Habitat for Humanity
- Macmillan Cancer Support
- NSPCC
- Our Lady's Grammar School, Newry
- Rostrevor Men's Shed
- Warrenpoint Comhaltas
- Warrenpoint Pantomime Club



Warrenpoint Comhaltas received musical equipment following a donation from Warrenpoint Port Community Fund.



New drinking stations were installed at Our Lady's Grammar School, Newry school thanks to a Warrenpoint Port Community Fund donation.



Seaview Nursery School pupils visited Warrenpoint Port and enjoyed a tour of the Seatruck vessel.



USPCA hosted a coffee morning at Warrenpoint Port to raise funds for the charity.

Port Masterplan update

In April 2018, Warrenpoint Port unveiled its Masterplan for the period from 2018-2043, setting out a vision to build on the Port's position as the second largest harbour in Northern Ireland and as a major economic driver for the region.

The Masterplan was designed as a best practice initiative to help the Port set out its plans to continue to grow and develop while informing stakeholders at government and local authority level, along with the local community and customers, on plans and requirements for the future.



Current and future Port Masterplan activity

Project	Details	Status
Town Dock House	Extension and refurbishment	Underway
Additional storage	Resurfacing	Underway
Agents Relocation	New modular units being installed	Underway
Internal road realignment	Resurfacing and space creation	2019
CO ₂ Facility	Phased construction 12-18 m	2019
Demolition	Operations Building	2019
SailAbility	New unit to be installed Customs Quay to replace Town Dock	2019
Canteen & Admin building	Internal refurbishment	2019
Gilbert Ash Sheds	Feasibility study being undertaken re possible options to improve	2019/2020
Town Dock Marina	Provision of public access to Town Dock quays for recreational use	2020



The major liquid CO₂ import and distribution terminal is expected to become operational in Q2 2020.



The redevelopment of Town Dock House at Warrenpoint Port is currently underway.

Statement of Members' responsibilities

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

The Harbours Act (Northern Ireland) 1970 requires the Members to prepare such 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).

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 Authority and of the profit or loss of the Authority for that period. In preparing these financial statements, the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- 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 Authority's transactions and disclose with reasonable accuracy at any time the financial position of the Authority and enable them to ensure that the financial statements comply with the Harbours Act (Northern Ireland) 1970. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members are 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 financial statements may differ from legislation in other jurisdictions.

Auditor

Each of the persons who is a Member at the date of approval of this report confirms that:

- so far as the Member is aware, there is no relevant audit information of which the Authority's auditor is unaware; and
- the Member has taken all the steps that he / she ought to have taken as a Member in order to make himself / herself aware of any relevant audit information and to establish that the Authority's auditor is aware of that information.

Approved by the Members on 28th May 2019 and signed on behalf of the Members



Clare Guinness

Chief Executive

Warrenpoint Harbour Authority

Independent auditor's report to the Members of Warrenpoint Harbour Authority

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Warrenpoint Harbour Authority affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Harbours Act (Northern Ireland) 1970.

We have audited the financial statements of Warrenpoint Harbour Authority which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 Warrenpoint Harbour Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Members' use of the going concern basis of accounting in 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 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.

We have nothing to report in respect of these matters.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements

and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.

Responsibilities of Members

As explained more fully in the Statement of Members' responsibilities, 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 Warrenpoint Harbour 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 Warrenpoint Harbour 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;

Independent auditor's report to the Members of Warrenpoint Harbour Authority

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Use of our report

This report is made solely to the Members, as a body, in accordance with the Harbours Act (Northern Ireland) 1970. 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 Warrenpoint Harbour Authority as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters

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

- the information given in the Chairman's Statement, Strategic Report and Chief Executive's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Chairman's Statement, Strategic Report and Chief Executive's Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Chairman's Statement, Strategic Report and Chief Executive's Report.

Matters on which we are required to report by exception

We are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Deloitte (NI) Limited

Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom

Profit and loss account For the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	3	6,104,422	5,785,898
Operating Expenses		(5,235,069)	(4,876,381)
Operating Profit		869,353	909,517
Investment income - interest receivable		10,730	11,570
Interest payable		(56,727)	(37,478)
Other finance income		30,016	24,797
Profit on ordinary activities before taxation	4	853,372	908,406
Tax charge on profit on ordinary activities	6	(169,694)	(218,185)
Profit for the financial year		<u>683,678</u>	<u>690,221</u>

All activities in the current and prior year derive from continuing operations.

Statement of comprehensive income For the year ended 31 December 2018

	Note	2018 £	2017 £
Profit for the financial year	Above	<u>683,678</u>	<u>690,221</u>
Other comprehensive income		-	-
Total comprehensive income		<u>683,678</u>	<u>690,221</u>

Balance sheet

At 31 December 2018

	Note	31 December 2018 £	31 December 2017 £
Fixed Assets			
Tangible assets	7	<u>26,514,178</u>	<u>25,095,354</u>
Current assets			
Stocks		28,172	26,680
Debtors: due within one year	9	1,893,277	1,651,956
Debtors: due greater than one year		1,978,818	2,224,883
Investments		3,500,000	2,500,000
Cash at bank and in hand		<u>725,579</u>	<u>384,196</u>
		8,125,846	6,787,715
Creditors - Amounts falling due within one year	10	(1,525,859)	(1,141,569)
Net current assets		<u>6,599,987</u>	<u>5,646,146</u>
Total assets less current liabilities		33,114,165	30,741,500
Creditors – Amounts falling due after more than one year	11	(18,732,286)	(17,115,321)
Provisions for liabilities & charges			
Deferred taxation	12	<u>(417,284)</u>	<u>(345,262)</u>
Net Assets		<u><u>13,964,595</u></u>	<u><u>13,280,917</u></u>
Reserves		<u><u>13,964,595</u></u>	<u><u>13,280,917</u></u>

The financial statements of Warrenpoint Harbour Authority were approved by the Members and authorised for issue on 28th May 2019. They were signed on its behalf by:



Clare Guinness
Chief Executive
Warrenpoint Harbour Authority



Stan McIlvenny OBE
Chairman
Warrenpoint Harbour Authority

Statement of changes in equity As at 31 December 2018

	Reserves £	Total £
At 1 January 2017	12,590,696	12,590,696
Total comprehensive income	690,221	690,221
At 31 December 2017	<u>13,280,917</u>	<u>13,280,917</u>
At 1 January 2018	13,280,917	13,280,917
Total comprehensive income	683,678	683,678
At 31 December 2018	<u>13,964,595</u>	<u>13,964,595</u>

Cash flow statement For the year ended 31 December 2018

	Note	2018 £	2017 £
Cash generated by operations	16	<u>1,499,827</u>	<u>1,532,394</u>
Cash flows from investing activities			
Purchase of equipment		(3,156,456)	(2,072,244)
Proceeds from sale of equipment		1,167	18,500
Interest paid		(34,335)	(41,080)
Investment income received		10,730	11,570
Finance lease receipts		272,600	208,500
Net cash flows from investing activities		<u>(2,906,294)</u>	<u>(1,874,754)</u>
Cash flows from financing activities			
Repayment of borrowings		(252,150)	(245,409)
New loan raised		3,000,000	-
Net cash flows from financing activities		<u>2,747,850</u>	<u>(245,409)</u>
Net (decrease)/increase in cash and cash equivalents		<u>1,341,383</u>	<u>(587,769)</u>
Cash and cash equivalents at beginning of year		<u>2,884,196</u>	<u>3,471,965</u>
Cash and cash equivalents at end of year		4,225,579	2,884,196
Reconciliation to cash at bank and in hand			
Cash at bank and in hand		725,579	384,196
Cash equivalents		<u>3,500,000</u>	<u>2,500,000</u>
		<u>4,225,579</u>	<u>2,884,196</u>

Notes to financial statements

Year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

General information and basis of accounting

Warrenpoint Harbour Authority is a Trust Port operating under the Harbours Act (Northern Ireland) 1970, the Warrenpoint Harbour Authority Order 1971, the Warrenpoint Harbour Authority Order (Northern Ireland) 2002, and the Warrenpoint Harbour Authority Order (Northern Ireland) 2002. The nature of the entity's operations and principal activities are set out in the strategic report on pages 6-7.

The financial statements have been prepared under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the entity is considered to be pounds sterling as that is the currency of the primary economic environment in which it operates.

Going concern

The members have a reasonable expectation that the Authority has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and assets not in use, at rates calculated to write off the cost,

less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

- Capital dredging: 25 to 35 years
- Maintenance dredging: 5 to 6 years
- Emergency dredging: 2 years
- Buildings: 5 to 50 years
- Plant and equipment: 3 to 20 years
- Dock structures and excavations: 10 to 50 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation on these assets commences when the assets are ready for their intended use.

Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the related contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities.

Notes to financial statements (continued)

Year ended 31 December 2018

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at fair value (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables subsequently are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the entity transfers to another party substantially all of the risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to

impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments comprise short term deposits held with banks and are held at fair value.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

A non-financial asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Authority's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts

and the Authority intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if a) the Authority has a legally enforceable right to set off current tax assets against the current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover is the amount derived from charges to port users and from rents of property in the normal course of business.

Turnover is stated net of VAT, other sales-related taxes, and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable.

Where a contract has been only partially completed at the balance sheet date, turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Notes to financial statements (continued) Year ended 31 December 2018

Employee benefits

The defined benefit pension scheme (the Warrenpoint Harbour Authority Pension and Assurance Scheme) was closed to new members on 30 April 2002 and was wound up on 4 July 2012. The defined benefit scheme was replaced on the same date by a new Group Personal Pension Scheme, a defined contribution scheme, to which the members of the defined benefits scheme were transferred.

All pension liabilities in respect of the defined benefit pension scheme have now been discharged.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any exchange gains or losses are recognised in the profit and loss account.

Leases

As lessee

Rentals under operating leases are charged on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are

similarly spread on a straight-line basis over the lease term.

As lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The amount due from the lessee under finance leases is recognised as a debtor at the amount of the net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Provisions

Provisions are recognised when a past event gives rise to a present obligation, a transfer of economic benefits is probably, and when a settlement amount can be reliably estimated.

Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are not capitalised

as part of the cost of those assets. Instead all borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Authority's accounting policies, which are described in note 1, the members are required to make judgements, estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Authority's accounting policies

The following are the critical judgements and key sources of estimation uncertainty that have the most significant effect on the amounts disclosed in the financial statements.

Recognition and depreciation of dredging assets.

Dredging is an essential requirement of most ports whereby siltation of the channel, turning circle and berths is removed to a different location in order to keep waterways navigable by the commercial and recreational vessel that utilise the Port.

This Port currently classifies dredging under four different headings depending on the nature and expected useful life of the dredging campaign. The

useful life of the dredging campaign is monitored by continued surveying of the waterways to ascertain the rate of siltation in these areas. The economic life is deemed to have ended when a vessel can no longer safely navigate the appropriate waterway.

1. Operational dredging. This is a form of maintenance dredging required to maintain existing navigable waterways or channels. In this particular type of dredge there is usually an immediate requirement to remove siltation from a berth or waterway that has been caused by external forces such as vessel movements or extreme weather conditions. The cost of this dredge is fully charged to the profit and loss account when costs are incurred.
2. Emergency dredging. This is similar to above but the siltation rate is such that the useful economic life of the dredge is spread over two or more years. In the port, the deep water quays currently silt up at such a rate that there has been a requirement to dredge this area every two years so that it can facilitate larger commercial vessels and cruise ships.
3. Maintenance dredging. Again this is similar to points 1 and 2 above, the main difference being a different siltation rate. In Warrenpoint Port, the first 1km of the channel including the non-deep water berths require a maintenance dredge every five to six years.
4. Capital dredging. This is typically dredging to create a new berth or waterway or to deepen existing facilities to allow large ships access. Therefore the depreciation rate of this type of dredge is much longer. Once the capital dredging is complete the area will usually be subject to a maintenance dredge depending again on the siltation rates of the area.

Notes to financial statements (continued)

Year ended 31 December 2018

3. Turnover

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

	2018	2017
	£	£
Rendering of services	5,983,580	5,669,446
Rental income	120,842	116,452
	<u>6,104,422</u>	<u>5,785,898</u>

4. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2018	2017
	£	£
Depreciation of tangible fixed assets (note 7)	1,737,632	1,772,486
Amortisation of grants on tangible fixed assets (note 13)	(711,255)	(784,742)
Foreign exchange loss	705	-
Loss on disposal of fixed assets	1,167	(90,028)
Cost of stock recognised as an expense	-	-
Operating lease rentals	6,106	6,056
	<u>6,106</u>	<u>6,056</u>

The analysis of the auditor's remuneration is as follows:

	2018	2017
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	14,900	14,390
	<u>14,900</u>	<u>14,390</u>
Total audit fees	14,900	14,390
	<u>14,900</u>	<u>14,390</u>
Taxation compliance services	8,250	15,500
	<u>8,250</u>	<u>15,500</u>
Total non-audit fees	8,250	15,500
	<u>8,250</u>	<u>15,500</u>

5. Employee numbers

The average number of employees during the year was 67 (2017: 67).

6. Tax on profit on ordinary activities

(a) Analysis of charge in year	2018	2017
	£	£
Current tax:		
UK corporation tax on profits of the current year	114,021	189,793
Adjustments in respect of previous periods	(16,349)	(328)
	<u>97,672</u>	<u>189,465</u>
Total current tax	<u>97,672</u>	<u>189,465</u>
Deferred tax:		
Origination and reversal of timing differences (including impact of rate change)	80,827	32,200
Effect of decrease in tax rate	(297)	279
Adjustments in respect of previous periods	(8,508)	(3,759)
	<u>72,022</u>	<u>28,720</u>
Total deferred tax charge/(credit) – Note 12	<u>72,022</u>	<u>28,720</u>
Tax on profit on ordinary activities	<u>169,694</u>	<u>218,185</u>
(b) Factors affecting tax charge for the year		
	2018	2017
	£	£
Profit on ordinary activities before tax	<u>853,372</u>	<u>908,406</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	162,141	174,868
Effects of:		
Other expenses not deductible for tax purposes	2,917	5,214
Ineligible depreciation	29,790	41,911
Change in tax rate	(8,508)	(3,759)
Adjustments to tax charge in respect of previous periods	(16,646)	(49)
	<u>169,694</u>	<u>218,185</u>
Tax charge for year	<u>169,694</u>	<u>218,185</u>

(c) Factors that may affect future tax charges

The standard rate of tax applied to reported profit on ordinary activities is 19.00% (2017: 19.25%). The applicable tax rate has changed following substantive enactment of the Finance (No 2) Act 2015, which provided for the reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and the substantive enactment of the Finance Act 2016, which provided for the reduction in the main rate of corporation tax from 19% to 17% on 1 April 2020. This will affect the future tax charge of Warrenpoint Harbour Authority. It is not expected this rate reduction will have a material impact on Warrenpoint Harbour Authority.

Notes to financial statements (continued)

Year ended 31 December 2018

7. Tangible assets

	Land and Buildings £	Dredging £	Dock Structures and Excavations £	Plant and Equipment £	Assets in Course of Constructions £	Total £
Cost or valuation						
At 1 January 2018	13,844,721	8,487,930	24,107,973	10,201,598	-	56,642,222
Additions	27,375	6,576	202,622	2,919,883	-	3,156,456
Disposals	-	-	-	(70,626)	-	(70,626)
Adjustment	-	-	-	67,000	-	67,000
At 31 December 2018	13,872,096	8,494,506	24,310,595	13,117,855	-	59,795,052
Depreciation						
At 1 January 2018	(6,324,628)	(6,194,676)	(11,035,788)	(7,991,776)	-	(31,546,868)
Charge for year	(345,990)	(385,968)	(629,137)	(376,537)	-	(1,737,632)
Disposals	-	-	-	70,626	-	70,626
Adjustment	-	-	-	(67,000)	-	(67,000)
At 31 December 2018	(6,670,618)	(6,580,644)	(11,664,925)	(8,364,687)	-	(33,280,874)
Net Book Value						
At 31 December 2018	7,201,478	1,913,862	12,645,670	4,753,168	-	26,514,178
At 31 December 2017	7,520,093	2,293,254	13,072,185	2,209,822	-	25,095,354

Included in land and buildings is land with a cost of £3,348,747 (2017 - £3,348,747) in respect of which no depreciation is provided.

The net book value of land and buildings comprises freehold property £3,852,731 (2017 - £4,171,345) and short leasehold property £nil (2017 - £nil).

8. Financial commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Leases expiring:		
Within one year	-	-
Within one and five years	14,189	-
After five years	-	-
	<u>-</u>	<u>-</u>

9. Debtors

Due within one year	2018	2017
	£	£
Trade debtors	1,435,849	1,163,582
VAT	67,858	33,051
Prepayments and accrued income	138,106	207,339
Amounts receivable under finance leases	251,464	247,984
	<u>1,893,277</u>	<u>1,651,956</u>
Due greater than one year		
Amounts receivable under finance leases	1,978,818	2,224,883
	<u>3,872,095</u>	<u>3,876,839</u>
Finance Lease receivables	Minimum lease payments	
	2018	2017
	£	£
Amounts receivable under finance leases:		
Within one year	278,000	278,000
In the second to fifth years inclusive	1,118,971	1,114,085
After five years	938,789	1,221,675
	<u>(105,477)</u>	<u>(140,893)</u>
Present value of minimum lease payments receivable	<u>2,230,283</u>	<u>2,472,867</u>
	Present value of minimum lease payments	
	2018	2017
	£	£
Amounts receivable under finance leases:		
Within one year	251,464	247,984
In the second to fifth years inclusive	1,047,629	1,028,822
After five years	931,189	1,196,060
	<u>2,230,282</u>	<u>2,472,867</u>
Present value of minimum lease payments receivable	<u>2,230,282</u>	<u>2,472,867</u>
Analysed as:		
Non-current finance lease receivables (recoverable after 12 months)	1,978,818	2,224,883
Current finance lease receivables (recoverable within 12 months)	251,464	247,984
	<u>2,230,282</u>	<u>2,472,867</u>
Present value of minimum lease payments receivable	<u>2,230,282</u>	<u>2,472,867</u>

The authority has entered into finance lease arrangements for certain installations on the harbour site. The term of the finance lease is 10 years and no value has been placed on the unguaranteed residual values of the leased assets.

Notes to financial statements (continued)

Year ended 31 December 2018

10. Creditors - Amounts falling due within one year

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£	£
Loan from Dfl	532,819	252,150
Trade creditors	390,400	231,806
Corporation tax	114,021	194,816
Other taxation and social security	70,557	71,520
Accruals & deferred income	418,062	391,277
	<u>1,525,859</u>	<u>1,141,569</u>

11. Creditors - Amounts falling due after more than one year

	2018	2017
	£	£
Loan from Dfl	3,807,784	1,340,603
Accruals & deferred income	880,753	1,019,713
Grants	14,043,749	14,755,005
	<u>18,732,286</u>	<u>17,115,321</u>

Borrowings are repayable as follows:

	2018	2017
	£	£
Loan from Dfl		
Between one and two years	424,513	259,091
Between two and five years	1,325,960	444,761
After 5 years	2,057,312	636,751
	<u>532,819</u>	<u>252,150</u>
On demand or within one year	532,819	252,150
	<u>4,340,604</u>	<u>1,592,753</u>

Interest is payable on the loans at rates of between 2.01% and 3.59% on the principal amount.

12. Deferred tax

Deferred tax is provided as follows:

	2018 £	2017 £
Accelerated capital allowances	420,119	347,174
Other timing differences	(2,835)	(1,911)
	<u>417,284</u>	<u>345,262</u>
Deferred Tax	<u>417,284</u>	<u>345,262</u>
Provision at start of year	345,262	316,542
Adjustment in respect of prior years	(297)	279
Deferred tax charge to income statement for the period	72,319	28,441
	<u>417,284</u>	<u>345,262</u>
Provision at end of year	<u>417,284</u>	<u>345,262</u>

13. ERDF and other grants

	2018 £	2017 £
At start of year	14,755,004	15,539,746
Released to profit and loss account	(711,255)	(784,742)
	<u>14,043,749</u>	<u>14,755,004</u>
At end of year	<u>14,043,749</u>	<u>14,755,004</u>

14. Investments in subsidiaries

The Authority holds two ordinary £1 shares, not yet paid, representing a 100% holding in Warrenpoint Bulk Liquid Storage Co. Limited, a dormant company, registered in the United Kingdom. Consolidated accounts are not prepared as the subsidiary is wholly immaterial.

The Authority also holds two ordinary £1 shares, not yet paid, representing a 100% holding in Warrenpoint Harbour Authority Marina Limited, a dormant company, registered in the United Kingdom. Consolidated accounts are not prepared as the subsidiary is wholly immaterial.

15. Pension schemes

The Authority operates defined contribution schemes for all staff. The total expense charged to profit or loss in the year ended 31 December 2018 was £129,588 (2017: £113,116).

Notes to financial statements (continued)

Year ended 31 December 2018

16. Cash flow statement

(i) Reconciliation of operating profit to cash generated by operations

	2018	2017
	£	£
Operating profit	869,353	909,517
Adjustment for		
Depreciation charges (net of grant release)	1,026,376	987,743
Loss/(Profit) on sale of tangible fixed assets	(1,167)	90,028
Corporation tax paid	(178,467)	(235,555)
	<hr/>	<hr/>
Operating cash flow before movement in working capital	1,716,095	1,751,733
Decrease in stocks	(1,492)	1,205
Increase in debtors	(237,842)	(196,970)
(Decrease) in creditors	23,066	(23,574)
	<hr/>	<hr/>
Cash generated by operations	1,499,827	1,532,394
	<hr/> <hr/>	<hr/> <hr/>

17. Contingent liability

Government Grant

It is a condition upon which grants are paid that the fixed infrastructure assets to which they relate remain in use by Warrenpoint Harbour Authority for periods which reflect their economic life. In the event that either of these conditions is breached, a liability to repay any or all of the grants will arise.

18. Financial instruments

a) Overview

This note provides details of the entity's financial instruments.

Liabilities or assets that are not contractual (such as income taxes, prepayments, provisions and deferred income) are not financial assets or financial liabilities and accordingly are excluded from the disclosures provided in this note.

Details of the significant accounting policies and methods adopted for each class of financial asset and financial liability are disclosed in the accounting policies note.

18. Financial instruments (continued)

b) Categories and carrying value of financial instruments

The carrying values of the entity's financial assets and liabilities are summarised by category below:

	2018	2017
	£	£
Financial assets		
Measured at undiscounted amount receivable		
Trade and other debtors	1,435,849	1,163,582
Debt instruments measured at amortised cost		
Finance leases	2,230,282	2,472,867
Total interest income for financial assets at amortised cost	30,016	24,797
Financial liabilities		
Measured at amortised cost		
Loans payable	4,340,603	1,592,753
Measured at undiscounted amount payable		
Trade and other creditors	756,429	560,993

c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the entity. The entity has adopted a policy of only dealing with creditworthy counterparties.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, provisions are made.

The entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The entity defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the entity's maximum exposure to credit risk.

At the end of the reporting period, there are no significant concentrations of credit risk for loans and receivables. The carrying amount reflected above represents the entity's maximum exposure to credit risk for such loans and receivables.

d) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Members, which have established an appropriate liquidity risk management framework for the management of the entity's short-, medium- and long-term funding and liquidity management requirements. The entity manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Notes to financial statements (continued) Year ended 31 December 2018

19. Related party transactions

(i) Reconciliation of operating profit to cash generated by operations

All board members and certain senior employees who have authority and responsibility for planning, directing and controlling activities are considered to be key management personnel. The total remuneration in respect of these individuals is £580,426 (2017: £545,941), included in these figures is a total of £80,721 (2017: £82,780) for the non-executive members of the Board.



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