

LONDONDERRY PORT & HARBOUR COMMISSIONERS

FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 MARCH 2020





WELCOME TO THE ANNUAL REPORT

**OF LONDONDERRY PORT &
HARBOUR COMMISSIONERS**



Londonderry Port & Harbour Commissioners was first established by Act of Parliament in 1854. As an Independent Statutory Authority the Port has a duty to develop, maintain and operate to the highest standards of efficiency, financial prudence, environmental awareness, safety and security.

The Port is independent of Government and is self-financing. All financial surpluses are reinvested in the business for the benefit of future generations of stakeholders. Londonderry Port & Harbour Commissioners operate under the Foyle brand.

MEMBERS OF THE BOARD

B Anley	Chair
B McGrath	Chief Executive
Dr D O'Reilly	Term Completed 30th September 2019
P Sheridan OBE	Term Completed 30th September 2019
H McCartan	Term Completed 30th September 2019
B Dougherty MBE	Term Completed 30th September 2019
D Hussey	Resigned 16th July 2019
M Devenney	Term Completed 29th February 2020
J McKeever	Term Completed 31st March 2020
A Bissett	Appointed 1st October 2019
F Hewitt	Appointed 1st October 2019
C McHugh	Appointed 1st October 2019
N Robbins	Appointed 1st October 2019
R Ferguson	Appointed 1st March 2020
C Jackson	Appointed 1st March 2020
R McCready	Appointed 1st April 2020

AUDITORS

Deloitte N.I. Limited
19 Bedford Street
Belfast
BT2 7EJ

BANKERS

Ulster Bank
Da Vinci Complex
Culmore Road
Londonderry
BT48 8JB

SOLICITORS

Tughans
Marlborough House
30 Victoria Street
Belfast
BT1 3GG



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CHAIR'S STATEMENT

On behalf of the Commissioners, I am delighted to present the Annual Report and Accounts for Londonderry Port and Harbour Commissioners for the financial year ending March 2020. This report reflects another strong performance with a 3.6% growth in turnover to a new record of £10.4 million. This year also marks the end of our 5-year strategy 'Defend and Grow Port + 2020' and secures the eighth consecutive year of growth for Foyle Port.

It is the Statutory Duty of Londonderry Port & Harbour Commissioners (LPHC) to improve, maintain, regulate, and manage the Port to facilitate the harbour undertaking and reinvest all profits in the organisation for the benefit of future generations of stakeholders.

I can announce that the Statutory Duty of LPHC has been substantively enhanced by the Port's outstanding performance against the strategic objectives set by 'Defend and Grow, Port +2020'. Over the past 5 years turnover increased by 50%, and annual operating profits increased by 17%; the latter representing an embedding

of growth with investment in higher direct costs. In this 5-year period, direct employment increased by 50% and the Commissioners invested £15 million in the Port asset with Fixed Assets now totalling £44 million.

I would like to congratulate our Chief Executive, Brian McGrath, for his particular style of leadership and expertise which has been crucial to the successful outcome of our strategy and to the significant growth in the profile of Foyle Port in this strategic term. The Commissioners were proud to support Brian in his role as President of the Londonderry Chamber of Commerce this year, where he played a key role in furthering the interests of the North West region on a national, all-island and international platform.

I would like to thank the Executive Directors at Foyle Port and their respective teams for all their hard work and creative leadership in achieving this excellent result. The fragility of our economy and the uncertainty surrounding Brexit were a difficult context in which to ensure such a strong performance. Enhanced resilience was a key



Chair Bonnie Anley and Chief Executive Brian McGrath with Secretary of State for Northern Ireland Julian Smith MP, Westminster

strategic target and has been more than achieved in these strong results which sees Foyle Port build on its diversified services that include Foyle Marine Services, Foyle Engineering and Foyle Consulting Engineers.

The successful outcome of this year and this strategic term is also due in no small part to the dedication, flexibility, and hard work of the port-wide family. Also, the steady support and commitment from our customers, without whom we would not have the ability to invest in our facility and to better our operation.

I would also like to thank my Commissioner colleagues for their dedication, advice, and consistency in what was a challenging year in relation to the continuity of governance at LPHC. The Board bade farewell, this year, to Commissioner Sheridan, Commissioner O'Reilly, Commissioner McCartan, Commissioner Dougherty, Commissioner Hussey, Commissioner Devenney and Commissioner McKeever. I extend my personal thanks to every one of these Commissioners who contributed their part in leading Foyle Port through some challenging times.

The Board at LPHC welcomes Commissioner McHugh, Commissioner Hewitt, Commissioner Robbins, Commissioner Bissett, Commissioner Ferguson, Commissioner Jackson, and Commissioner McCready (Commissioner McCready being appointed 1st April 2020). As Chair of LPHC I was, myself, delighted to be appointed to a new term of office on 1st January 2020. On behalf of the Board and the Executive Team at Foyle Port, I would like to extend a warm welcome to the new Commissioners. We look forward to working closely together in the years and months ahead.

I would like thank Minister Mallon and her team at the Department for Infrastructure (DfI) for their constant support throughout this year. A key investment was a new, state of the art, Liebherr 280 crane that was delivered in 2019 and which would not have been possible without DfI financial support. Furthermore, DfI have shown their ready support in co-ordinating a number of lengthy appointment processes and in providing assistance with crucial Brexit preparations.

Foyle Port follows a CSR policy that commits 1% of port profits to local charities and clubs. This year included the completion of a 3-year financial support package to the Foyle Ambassadors' Programme and support to local resilience charities offering support during the Covid-19 crisis.

During the year Foyle Port participated in wide ranging political engagement. As a key facility and gateway to the North West, the Port engages with Derry City and Strabane District Council, Causeway Coast and Glens Borough Council and Donegal County Council on many key region-wide initiatives. The Port has also maintained close links with the reconstituted Assembly, political representatives at Westminster and key officials at Dail Eireann.

The Coronavirus pandemic and the challenges presented by Brexit present Foyle Port with a vista that is uncertain both locally and nationally. Following the successful completion of the current strategy the Port is in a strong position to plot an advantageous course going forward. That said, Commissioners have wisely elected to commit this year to transitional change as the new economic climate becomes a reality. Our intention is to complete work on a Master Plan in the year 20/21 and subsequently follow a new strategic course which will cascade from that.

Foyle Port occupies a unique location, straddling both British and Irish jurisdictions, that establishes the key role of Foyle Port as the Atlantic gateway to the North West region for the British, Irish and European markets. The Commissioners will continue to work with the Executive and our dedicated team of port staff to innovate and capitalise on our unique location and the opportunities arising from Brexit; whilst also maintaining our flexibility and ability to adapt to whatever the future will bring.

Bonnie Anley
Chair

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Londonderry Port and Harbour Commissioners (LPHC) is a Trust Port constituted by the Londonderry Port & Harbour Act and Orders 1854-2002. Trust Ports are autonomous, statutory bodies with perpetual succession and established to improve, maintain and manage ports and harbours in accordance with specific legislation. Trust Ports must act commercially with all surpluses re-invested in the organisation for the benefit of all stakeholders, existing, potential and future. In 2005, LPHC was designated as a Public Corporation.

THE BOARD

The Constitution, Powers and Duties of LPHC are set out in the Londonderry Harbour Order (Northern Ireland) 2002. The Order states that the primary duty of LPHC is to take such steps as it considers "necessary or expedient for the improvement, maintenance and management of the port and the accommodation and facilities afforded therein or in connection therewith".

The Department for Infrastructure appoints the Board Members of LPHC. The Board is constituted by a minimum of eight and a maximum of twelve Board Members including the Chairman and Chief Executive. A maximum of three Commissioners on the Board are Council Members of Derry City and Strabane District Council.

PORT MARINE SAFETY CODE

Londonderry Port & Harbour Commissioners as the Competent Harbour Authority and duty holder under the Port Marine Safety Code (PMSC) recognise a responsibility to publicly report on PMSC performance. The main requirements of the Code are to carry out risk assessments for marine operations, implement a safety management system, employ properly qualified marine personnel and ensure that sufficient powers and resources are provided to manage marine operations safely.

Internal compliance audits are carried out on an annual basis on the Port's Safety Management System to ensure that the standards as detailed in the PMSC and associated guide to good practice are met. External independent audits are carried out every three years and the results of the audits are reported by the designated person to the Safety Committee and the Board of Commissioners.

Londonderry Port & Harbour Commissioners are committed to discharging all of its statutory duties and to remaining open, accountable and fit for purpose. The Port manages the safety of marine operations and complies with all of the requirements of the Code.

The Port takes reasonable care so that all who may choose to navigate in the harbour may do so without danger to their lives or property. The Port conserves and promotes the safe use of the harbour and has regard to the efficiency, economy and safety of marine operations. Further details on the PMSC can be found on the Port's website <https://www.foyleport.com/port-operations/port-marine-safety-code>.

CORPORATE GOVERNANCE

The Board of the Londonderry Harbour Commissioners is committed to achieving the highest standards of corporate governance and accountability. The LPHC Corporate Governance Framework sets out a Schedule of Matters reserved for the collective decision of the Board and each Board Member commits to adhere to the LPHC Commissioners' Code of Conduct.

Although LPHC is not a company, the duties and responsibilities of a Commissioner are analogous to those of a company director. The Board has regard to the UK Corporate Governance Code and the guidance provided within the draft Code of Practice for Northern Ireland Trust Ports.

INTERNAL CONTROL

It is the responsibility of the Commissioners to ensure that LPHC operates and maintains an effective system of risk management, control and governance sufficient to safeguard the assets of LPHC and to prevent and to detect fraud or error.

There are a range of sources of assurance available to LPHC. These sources include LPHC's risk management system, including LPHC's Risk Register, independent Internal Audit function and the Audit Committee which oversees the work of Internal and External Audit. In addition, LPHC's External Auditors identify within their 'Report to Those Charged with Governance' those control weaknesses identified during the course of the annual audit of the financial statements.

During 2019/20, no significant control weaknesses which pose a significant risk of financial loss, operational disruption or fraud were identified.

BOARD TRAINING AND DEVELOPMENT

The Board as a whole participates in various training sessions each year to keep abreast of key corporate governance developments. The Chair of the Board also conducts a formal performance review meeting with each Commissioner annually. During 2017/18, an external consultant completed an Independent Review of the LPHC Board Effectiveness. In addition a Strategic Visioning & Risk Appetite Exercise was undertaken by the Commissioners in Autumn 2018.

COMMISSIONERS' ATTENDANCE

The Board met in plenary session seven times during 2019/20. The Commissioners also attended a number of Committee Meetings during the year. The Board and Committee attendance for the Financial Year 2019/20 is outlined in the table below:

Name	Board Meetings		Committee Meetings	
	Possible	Actual	Possible	Actual
B Anley	7	7	1	1
M Devenney	7	5	4	3
B Dougherty MBE	4	4	2	2
D Hussey	2	2	1	1
H McCartan	4	3	4	2
B McGrath	7	7	7	6
J McKeever	7	6	3	2
Dr D O'Reilly	4	4	3	3
P Sheridan OBE	4	4	4	3
A Bissett	3	3	2	2
F Hewitt	3	3	2	1
C McHugh	3	3	2	2
N Robbins	3	3	2	2

BOARD COMMITTEES

The Board has established four Committees. Each Committee has a specific purpose to oversee and report to the Board on key governance aspects including Audit, Risk, Health, Safety and Environment; and Pension & Remuneration. The Role and Membership of each Committee is outlined below:

AUDIT COMMITTEE CURRENT AUDIT COMMITTEE

H McCartan (Chair)	C McHugh (Chair)
M Devenney	N Robbins
B Dougherty MBE	R Ferguson
D Hussey	R McCready

The Audit Committee has the primary duty of the oversight of Financial Reporting, Audit and Internal Control. In addition, the Committee has the following roles and responsibilities:

- 1) To review the adequacy and effectiveness of the port's internal financial controls and financial risk management systems.
- 2) To monitor the integrity of the annual financial statements of LPHC.
- 3) To oversee the relationship with the External Auditors of the organisation, including their terms of engagement and an annual assessment of their independence and objectivity.

- 4) To ensure that the internal audit function established by management is adequate and provides appropriate independent assurance to the Board through the Audit Committee and Chief Executive.

RISK COMMITTEE

Dr D O'Reilly (Chair)
M Devenney
H McCartan
P Sheridan OBE

CURRENT RISK COMMITTEE

N Robbins (Chair)
A Bissett
F Hewitt
C McHugh

The Board has overall responsibility for corporate risk. The primary duty of the Risk Committee is to oversee risk and to provide assurance to the Board that the risk management system is functional and that the identified risks are relevant and accurately assessed. In addition, the Committee has the following roles and responsibilities:

- 1) To advise the Board on LPHC's overall risk appetite, tolerance, and strategy.
- 2) To keep under review the adequacy and effectiveness of LPHC's risk management systems, covering all material controls including financial, strategic, operational and compliance.

HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

P Sheridan OBE (Chair)
B Dougherty MBE
D Hussey
J McKeever

CURRENT HEALTH, SAFETY & ENVIRONMENTAL COMMITTEE

F Hewitt (Chair)
A Bissett
C Jackson
R McCready

The primary duty of the Health, Safety and Environmental Committee is to provide oversight of the implementation and effectiveness of the Company's Health, Safety and Environmental Risk Management procedures, policies and programmes and to give assurances to the Board on the performance and compliance of the management systems in place.

PENSION & REMUNERATION COMMITTEE

B Anley (Chair)
H McCartan
Dr D O'Reilly
P Sheridan OBE

CURRENT PENSION & REMUNERATION COMMITTEE

B Anley (Chair)
F Hewitt
C McHugh
N Robbins

The primary duty of the Pension & Remuneration Committee is to make recommendations to the Board concerning its overall policy of employee remuneration and to set the framework for executive remuneration. The Committee also has a duty to advise the Board on specific remuneration packages and conditions of employment and to oversee any major changes in employee benefits structures throughout LPHC.





THE BOARD



BONNIE ANLEY - CHAIRMAN

Bonnie Anley has chaired the Board of Commissioners since February 2014 and is also Chair of Foyle Port's Pension & Remuneration Committee. Bonnie is a Chartered Director and a Fellow of the Institute of Directors. She is a member of the IoD Northern Ireland Committee and a Director of Mourne Country Park Limited. Bonnie was appointed Chair of Northern Ireland Blood Transfusion Service in April 2019 and a board member of the Northern Ireland Fire and Rescue Service in April 2020.



ALAN BISSETT - COMMISSIONER

Alan Bissett was appointed Harbour Commissioner in October 2019. Alan is a senior utilities lawyer and has advised on a wide range of corporate and commercial matters at leading firms in Belfast and London. He is a member of the Law Societies of Northern Ireland and of England & Wales. Alan is a member of the Port's Risk Committee and Health, Safety & Environmental Committee.



FRANK HEWITT - COMMISSIONER

Frank Hewitt was appointed Harbour Commissioner in October 2019. Frank's career spans both the public and private sectors. Mr Hewitt has extensive Non-Executive board member experience, including former appointments with the Northern Ireland Science Park, Invest NI and Ilex Urban Regeneration Company. He was the German Government's Honorary Consul in Northern Ireland. Frank Chairs the Port's Health, Safety & Environmental Committee and is a member of the Pension & Remuneration Committee and Risk Committee.



CATRIONA MCHUGH - COMMISSIONER

Catriona McHugh was appointed Harbour Commissioner in October 2019. Catriona is a Chartered Certified Accountant. She worked as a financial consultant overseas for almost 15 years, returning to Northern Ireland in 2016. She has provided financial consulting services for a range of public sector bodies in Ireland and the UK. Catriona Chairs the Port's Audit Committee and is a member of the Port's Risk Committee and Pension & Remuneration Committee.



NIGEL ROBBINS - COMMISSIONER

Nigel Robbins was appointed Harbour Commissioner in October 2019. Nigel has over 25 years' experience within the digital, technology, and telecommunications field. He has experience within the Private and Public sectors. He was a senior executive with Viacom Inc. for 15 years and has developed worldwide businesses. Nigel Chairs the Port's Risk Committee and is a member of the Port's Audit Committee and Pension & Remuneration Committee.



RACHAEL FERGUSON - COMMISSIONER

Rachael Ferguson was appointed as Harbour Commissioner in March 2020. She is an Alliance Councillor on Derry City & Strabane District Council (DCSDC) representing the Faughan Electoral Ward since May 2019. She is a co-founder of an online support group for mothers. She is a Director of Tiny Tots Community Group and a board member of Strathfoyle Women's Activity Group. Rachael is a member of the Port's Audit Committee.



CHRISTOPHER JACKSON - COMMISSIONER

Christopher Jackson was appointed Harbour Commissioner in March 2020. He is a Sinn Fein Councillor on Derry City & Strabane District Council (DCSDC), elected to represent the Waterside DEA in 2014. Christopher is the Chair of DCSDC's Planning Committee and sits on the Environment and Regeneration Committee. He is a Director of Advice North West, Hillcrest Trust, Jack and Jill Playgroup and is the Chairperson of the Whistle Project. Christopher is a member of the Port's Health, Safety & Environmental Committee.



RYAN MCCREEDY - COMMISSIONER

Ryan McCreedy was appointed as a Harbour Commissioner in April 2020. He is a DUP Councillor on Derry City & Strabane District Council (DCSDC), representing the Faughan Electoral Ward. He is a Non-executive Director on the City of Derry Airport Ltd Board, Committee member of the Governance and Strategic Planning Committee of DCSDC and a member of the Reserve Forces and Cadets Association. Ryan is a member of the Port's Audit Committee and Health, Safety & Environmental Committee.

THE EXECUTIVE TEAM



BRIAN MCGRATH – CHIEF EXECUTIVE/COMMISSIONER

Brian was appointed as the Chief Executive and Harbour Commissioner in March 2003. A former Director of Harland and Wolff, Brian has many years' experience in ship design and maritime economics. He is a Chartered Director, a Fellow of the Institute of Directors and a Fellow of the Royal Institution of Chartered Surveyors. Brian is a Past President of the Londonderry Chamber of Commerce and a former Council Member of the Northern Ireland Prince's Trust, British Ports' Association and the Confederation of British Industries Northern Ireland.



CAPTAIN BILL MCCANN – OPERATIONS DIRECTOR & HARBOUR MASTER

Bill was appointed as Harbour Master in July 1996 and was promoted to Operations Director in January 2016. He is a Class 1 Master Mariner and spent 16 years in the Merchant Navy with BP Shipping, Souter Shipping and P&O Irish Sea Ferries. He is a Member of the Nautical Institute and a Member of the Institute of Directors. Bill is also the Chairman and Port Security Officer for the Londonderry Port Security Authority.



GEORGE CUTHBERT - ENGINEERING & DEVELOPMENT DIRECTOR

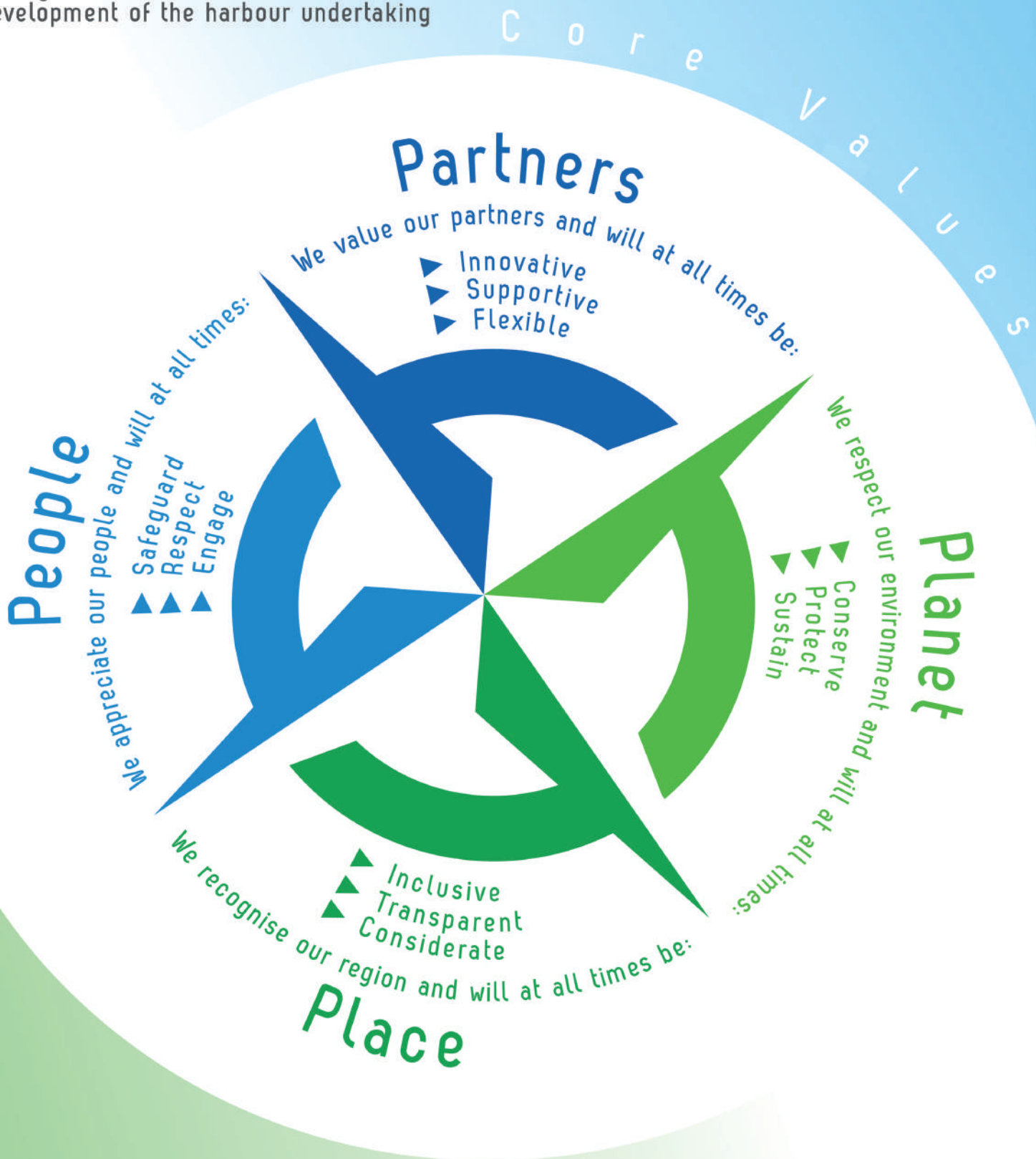
George was appointed as Port Engineer in April 2004 and was promoted to Engineering & Development Director in January 2016. Previously a Senior Engineer at Harland and Wolff, George has over 20 years' project management experience in the engineering, marine and infrastructure sectors. He is a Chartered Engineer and a Chartered Director, a Member of the Institute of Mechanical Engineers and a Fellow of the Institute of Directors.



ARLENE THOMPSON - FINANCE & CORPORATE SERVICES DIRECTOR

Arlene was appointed as Financial Controller in May 2013 having held several finance positions in the organisation since 2005. Arlene was promoted to Finance & Corporate Services Director in January 2016. She is a Fellow of Chartered Accountants Ireland and holds an Executive Master of Business Administration. Having trained and qualified with Moore Stephens Chartered Accountants, Arlene has over 17 years' experience in the finance sector including Public and Private Sector audit.

To improve, maintain, regulate and manage the Port to facilitate the development of the harbour undertaking



OUR VISION

To grow and constantly improve the business and reinvest our profits for the benefit of future generations of stakeholders

CHIEF EXECUTIVE'S REPORT

RESULT AND BACKGROUND CONTEXT

Our results for the financial year to March 31st 2020 places a financial full stop on the record just as the Covid-19 pandemic drove the country into lockdown. With only nine months to Brexit and with many remaining uncertainties, the economy, and our operational environment is likely to be significantly impacted for many years to come.

This report marks a watershed by concluding the organisation's latest cycle of fiduciary delivery. It represents the completion of our current 5-year plan, delivered a year ahead of schedule, which has consolidated our traditional port trade with added diversification in marine and engineering services. The result confirms eight years of consecutive growth against the challenging backdrop of slow national recovery in the aftermath of the economic crash of 2008.

It also concludes a trilogy of 5-year plans which have stretched everyone involved in the achievement of ambitious corporate objectives since 2003. Much of this success is due to having vastly experienced practitioners at all levels and across all disciplines in the organisation. Port development is a long-term enterprise requiring a bespoke mix of specialist maritime skills as well as mainstream business expertise. Many of our colleagues have given dedicated service to the organisation over many years, and some for their entire careers. The senior leadership team have been together since 2005, and additional key staff have joined in an ongoing process to strengthen and futureproof our small but expert team.

SUSTAINABLE PERFORMANCE

Company accounts present a snapshot of the organisation's finances but can never fully convey the sheer graft and enormous team effort behind the numbers.

Our performance this year is worthy of celebration, but there is a broader narrative which charts the strategic delivery since 2003. The financial headline from this Annual Report is a **turnover of £10.4 million**, (our best ever), and a healthy **operating profit of £1.7 million**. Our reinvestment of **£4.4 million** this year included the further expansion of the harbour estate, and the delivery of a new harbour crane. This brings the

cumulative total of reinvestment and borrowings of **£40 million** since 2003. The treasury management which oversees the reinvestment of profits fulfils a key part of our statutory obligations. Solid financial discernment of cash reserves and borrowings remains a major feature of our business ethos which ensures our overall financial well-being. Our **fixed assets** now total **£44 million** and we have strong cash reserves going forward.

Our Marine Services division generated more revenue this year than the entire organisation did back at the start of our strategic cycle. The external revenue generation through our marine assets has been a major counterbalance to the variables of port trade throughout the year.

The strategic cycles have seen our land holding grow from 65 to 157 acres. We continue to add to this land bank to ensure future unfettered growth and can, through the Department for Infrastructure, apply for the compulsory purchase of land deemed necessary for future development. Our physical capacity is greatly enhanced by our adjacent proximity to industrial power and the high-speed connectivity offered by the Project Kelvin data link. These existing attributes offer huge potential to secure future inward investment within the port in the years to come.

Our Engineering division continues to make a significant contribution to our overall corporate performance and viability. Our in-house engineering resource supports port operations through planned and emergency interventions and is an essential constituent in the smooth running of the port. This almost incalculable level of added value is embedded within the overhead costs and is not readily appreciated by the casual observer.

We also invested significant resources during the year in a master planning exercise which will set the direction of travel for the organisation for the next twenty years. The next five-year plan will commence once the pressing health, economic and political crises have abated.

LOOKING AHEAD

The Londonderry Port and Harbour Commissioners are the only Statutory Harbour Authority in the British Isles which enjoys operating on both sides of a cross-border jurisdiction. Our conservancy area of 75 square

miles sits over the entirety of Lough Foyle between the United Kingdom and the Republic of Ireland. This makes Foyle Port a unique British and European gateway which provides significant post Brexit and cross border development potential. We urge local government and the Northern Ireland Executive to capture our potential by stimulating regional economic recovery through the establishment of an Enterprise Zone, either separately or as part of a Free Port initiative, located at Foyle Port.

We consider that we are potentially best placed to avail of the UK Government's Free Port policy which is designed to stimulate the economies of "left behind areas". Work is in hand to establish how the Free Port concept can be compatible with the Northern Ireland Protocol and the Withdrawal Agreement. We support a joined-up stakeholder approach which could maximise economic benefits for the whole of Northern Ireland.

GOING CONCERN

The Commissioners continue to keep the ongoing situation relating to the Coronavirus pandemic (COVID-19) under review. We are focused on ensuring the safety of our employees and implementing the necessary business continuity procedures in line with Government Guidance.

The Commissioners have assessed the financial position of the Organisation, including the likely impact of COVID-19 and at the time of approving the financial statements, the Commissioners have a reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future. Thus, the Commissioners continue to adopt the going concern basis of accounting in preparing the financial statements.

THANKS

I would like to congratulate the Chair on her reappointment for a second four-year term which comes at a substantial time of challenge and change in Board membership. I also greatly appreciate her support and operational latitude which allows me to manage the day to day activities of the business. The Directors also wish to express our collective thanks to the outgoing Commissioners who supported us throughout the last strategic cycle with such diligence. We look forward to a similar productive relationship with our newly appointed board members.

My thanks as ever goes to the Divisional Directors, who work relentlessly to deliver stretched performance targets over sustained periods, and to the entire workforce whose flexibility and expertise are at the heart of our success.

I would also like to record our appreciation to Katrina Godfrey and her team at the Department for Infrastructure who have been quick to provide assistance and support when necessary throughout the year.

During the calendar year of 2019 Ms Claire O'Connor stepped up as Acting Finance Director and I am personally indebted to her for seamlessly maintaining our usual high standards in the management of our finances in demanding circumstances.

The team are ready to face the challenges ahead with renewed enthusiasm and to build on the solid platform of our collective achievements to take Foyle Port to even greater heights.

Brian McGrath
Chief Executive



Chief Executive Brian McGrath speaking at the Trade NI Northern Ireland Business Reception held at the Irish Embassy, London

TURNOVER & PROFITABILITY



Eight consecutive years of growth



6.6%
Return on Capital Employed

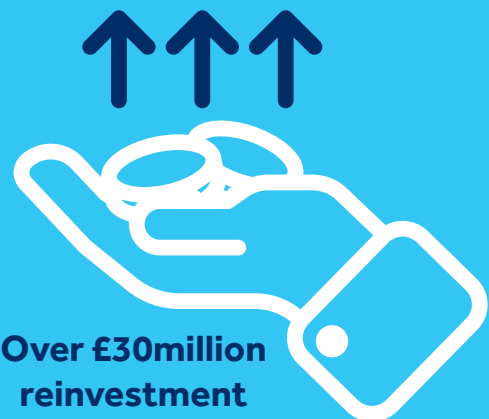


EBITDA
£3.4 million

CAPITAL INVESTMENT



£44million
fixed asset base



Over £30million
reinvestment programme



£4.4million capital investment

CAPACITY

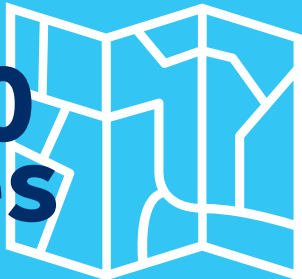


Potential of up to 3million sq ft of warehousing

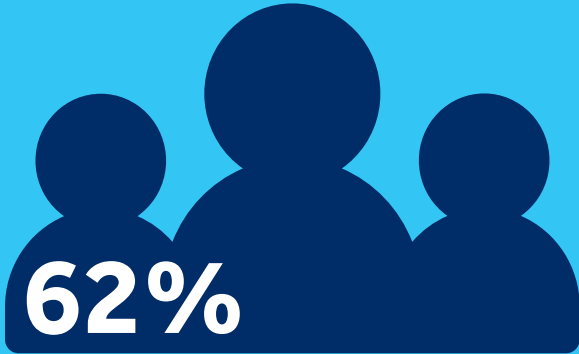


>500 acres

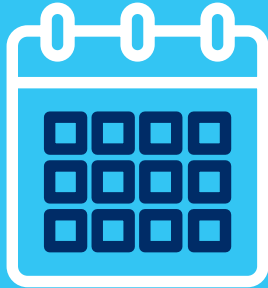
Expansion Capacity



EMPLOYMENT & PAYROLL COSTS



increase in direct employee numbers in last 10 years



£4.2 million payroll costs for the year



FOYLE PORT IN THE COMMUNITY







Operations Director & Harbour Master Captain Bill McCann presenting Michael Mooney with his 25 Years' Service Award, April 2019



Chief Executive Brian McGrath and Finance & Corporate Services Director Arlene Thompson presenting Patricia Magee with her 25 Years' Service Award, January 2020



Engineering & Development Director George Cuthbert presenting Dean Curry with his Apprenticeship NI Certificate, March 2020



STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

The Commissioners are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The law requires the Commissioners to prepare financial statements for each financial year. Under that law the Commissioners have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Commissioners must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Londonderry Port & Harbour Commissioners ('LPHC') and of the profit of LPHC for that period. In preparing these financial statements, the Commissioners are required to:

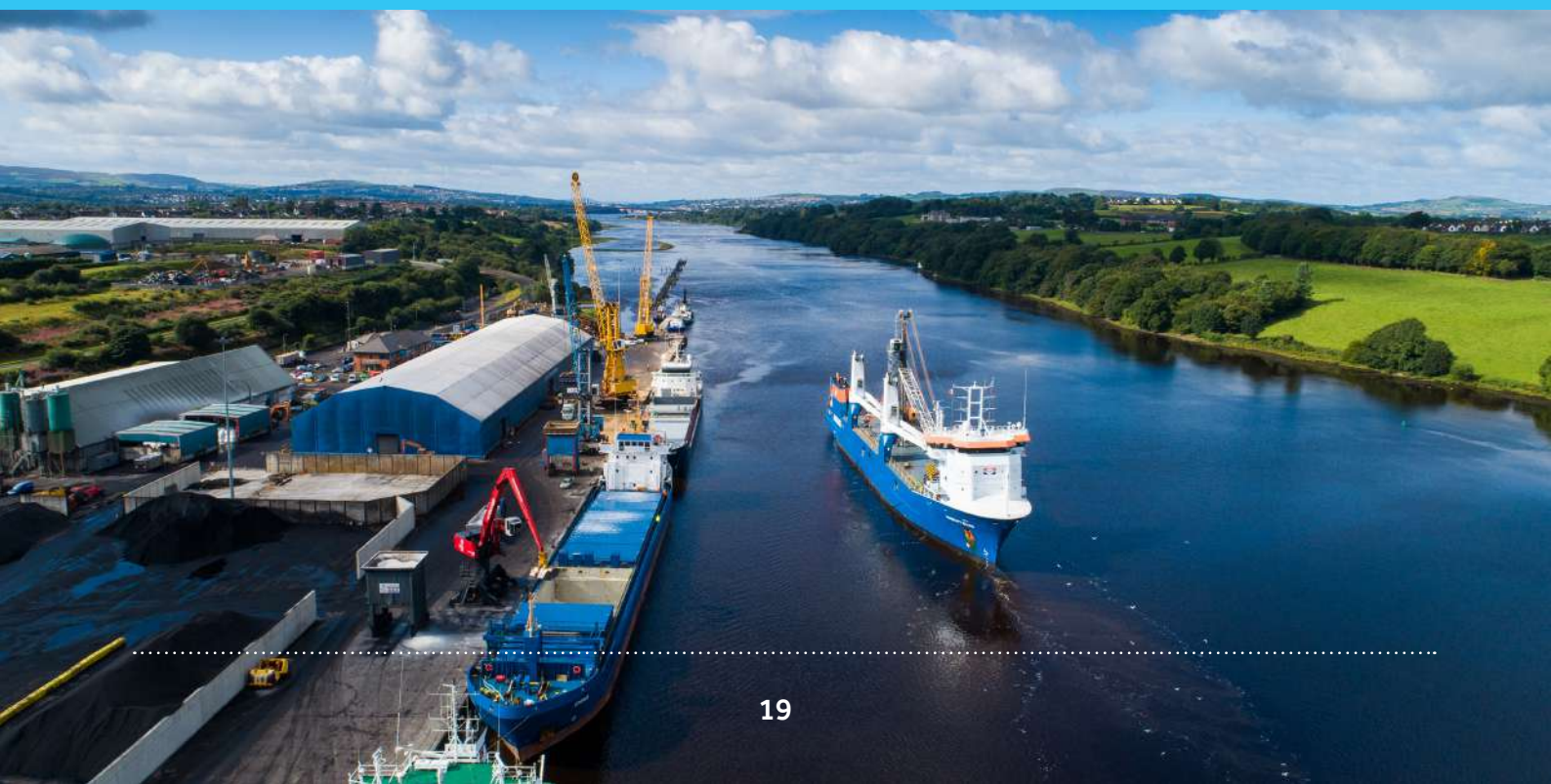
- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that LPHC will continue in business.

Bonnie Anley
Chair
24th June 2020

The Commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain LPHC's transactions and disclose with reasonable accuracy at any time the financial position of LPHC and enable them to ensure that the financial statements comply with the appropriate statutory requirements. They are also responsible for safeguarding the assets of LPHC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Commissioners are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each person who was a Commissioner at the date of approving this report is aware, there is no relevant audit information of which LPHC's auditor is unaware. Additionally, each Commissioner has taken all the necessary steps that they ought to have taken as a Commissioner in order to make themselves aware of all relevant audit information and to establish that LPHC's auditor is aware of that information.



INDEPENDENT AUDITOR'S REPORT TO LONDONDERRY PORT & HARBOUR COMMISSIONERS

OPINION

In our opinion the financial statements of Londonderry Port & Harbour Commissioners ('LPHC'):

- Give a true and fair view of LPHC's affairs as at 31 March 2020 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 the LPHC which comprise:

- The profit and loss account;
- The statement of comprehensive income;
- The balance sheet;
- The statement of changes in equity;
- The statement of cash flows; and
- The related notes 1 to 22.

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

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 LPHC 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 Commissioners' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- The Commissioners have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about LPHC'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 Commissioners 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

RESPONSIBILITIES OF COMMISSIONERS

As explained more fully in the Commissioners' responsibilities statement, the Commissioners 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 Commissioners 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 Commissioners are responsible for assessing LPHC'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 Commissioners intend to liquidate LPHC 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners.
- Conclude on the appropriateness of the Commissioners' 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

USE OF OUR REPORT

This report is made solely to the Commissioners, 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 Commissioners 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 Commissioners, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on other matters

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent entity, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent entity 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.

Dawn Johnston (Senior Statutory Auditor)
For and on behalf of **Deloitte (NI) Limited**
Statutory Auditor
Belfast, Northern Ireland
10th September 2020



Foyle Port's Executive Team

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	2020 £	2019 £
Turnover	3	10,368,251	10,009,124
Cost of Sales		<u>(6,690,609)</u>	<u>(6,109,793)</u>
Gross Profit		3,677,642	3,899,331
Administrative Expenses		<u>(1,953,067)</u>	<u>(2,043,506)</u>
Operating Profit	4	1,724,575	1,855,825
Profit on Disposal of Fixed Assets		<u>39,963</u>	<u>23,966</u>
Profit on Ordinary Activities before Interest		1,764,538	1,879,791
Interest Receivable and Similar Income	7	71,189	61,306
Foreign Exchange Gain / (Loss)		2,739	(5,166)
Interest Payable and Similar Charges	8	<u>(206,322)</u>	<u>(178,296)</u>
Profit on Ordinary Activities Before Taxation		1,632,144	1,757,635
Tax on Profit on Ordinary Activities	9	<u>(420,997)</u>	<u>(259,609)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>1,211,147</u>	<u>1,498,026</u>

The notes on pages 29 to 45 form part of these financial statements and should be read in accordance therewith.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

	NOTE	2020 £	2019 £
Profit for the Financial Year		1,211,147	1,498,026
Total actuarial gains / (losses) from defined benefit pension liability	18	314,745	(42,770)
Movement on deferred tax relating to pension liability	19	(58,912)	7,271
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,466,980	1,462,527

The notes on pages 29 to 45 form part of these financial statements and should be read in accordance therewith.

BALANCE SHEET

AS AT 31 MARCH 2020

	NOTE	£	2020 £	£	2019 £
FIXED ASSETS					
Intangible Assets	10		12,303		13,949
Tangible Assets	11		44,167,577		41,765,732
			<u>44,179,880</u>		<u>41,779,681</u>
CURRENT ASSETS					
Stock	13	255,781		200,536	
Debtors	14	2,561,193		1,981,379	
Cash at Bank and on Hand		7,662,454		9,703,693	
		<u>10,479,428</u>		<u>11,885,608</u>	
CURRENT LIABILITIES					
Amounts falling due within one year	15	(2,304,308)		(2,277,054)	
Capital Grants	17	(395,660)		(373,620)	
		<u>(2,699,968)</u>		<u>(2,650,674)</u>	
Net Current Assets			<u>7,779,460</u>		<u>9,234,934</u>
Total Assets Less Current Liabilities			51,959,340		51,014,615
LONG TERM LIABILITIES					
Amounts falling due after more than one year	16		(5,561,744)		(6,126,516)
Capital Grants	17		(12,073,139)		(11,919,613)
Pension Liability	18		(1,224,000)		(1,659,000)
Provisions for Liabilities and Charges	19		(866,929)		(542,938)
			<u>(866,929)</u>		<u>(542,938)</u>
NET ASSETS			32,233,528		30,766,548
RESERVES					
Profit and Loss Account			<u>32,233,528</u>		<u>30,766,548</u>
TOTAL RESERVES			32,233,528		30,766,548

These financial statements were approved at a meeting of the Commissioners held on 24th June 2020 and were signed on their behalf by:

Bonnie Anley
Chair

Brian McGrath
Chief Executive

The notes on pages 29 to 45 form part of these financial statements and should be read in accordance therewith.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

	Profit and loss reserves £	Total £
Balance at 1 April 2018	<u>29,304,021</u>	<u>29,304,021</u>
Year ended 31 March 2019		
Profit for the Financial Year	1,498,026	1,498,026
Total actuarial losses from defined benefit pension	(42,770)	(42,770)
Movement on deferred tax relating to pension liability	7,271	7,271
Balance at 31 March 2019	<u>30,766,548</u>	<u>30,766,548</u>
Year ended 31 March 2020		
Profit for the Financial Year	1,211,147	1,211,147
Total actuarial gains from defined benefit pension	314,745	314,745
Movement on deferred tax relating to pension liability	(58,912)	(58,912)
Balance at 31 March 2020	<u>32,233,528</u>	<u>32,233,528</u>

The notes on pages 29 to 45 form part of these financial statements and should be read in accordance therewith.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	Note	£	2020 £	£	2019 £
Cash flows from operating activities					
Cash generated from operations	1		3,335,092		3,257,355
Interest paid			(208,839)		(172,366)
Income taxes paid			(171,989)		(291,418)
Net cash inflow from operating activities			<u>2,954,264</u>		<u>2,793,571</u>
Investing activities					
Purchase of tangible fixed assets		(4,444,740)		(3,527,582)	
Proceeds from disposal of tangible fixed assets		42,100		32,195	
Interest received		76,348		49,151	
Net cash used in investing activities			<u>(4,326,292)</u>		<u>(3,446,236)</u>
Financing activities					
New loan advances		-		2,600,000	
Repayment of borrowings		(669,211)		(536,281)	
Net cash used in financing activities			<u>(669,211)</u>		<u>2,063,719</u>
Net (decrease) / increase in cash and cash equivalents			(2,041,239)		1,411,054
Cash and cash equivalents at beginning of the year			9,703,693		8,292,639
Cash and cash equivalents at end of the year			<u><u>7,662,454</u></u>		<u><u>9,703,693</u></u>
Relating to:					
Cash at bank and in hand			<u><u>7,662,454</u></u>		<u><u>9,703,693</u></u>

The notes on page 28 form part of the statement of cash flows and should be read in accordance therewith.

NOTES TO THE STATEMENT OF CASH FLOW

1. Cash generated from operations

	2020	2019
	£	£
Profit for the year after tax	1,211,147	1,498,026
Adjustments for:		
Taxation charged	420,997	259,609
Finance costs	206,322	178,296
Investment income	(71,189)	(61,306)
Gain on disposal of tangible fixed assets	(39,963)	(23,966)
Amortisation of intangible fixed assets	1,646	1,647
Depreciation and impairment of tangible fixed assets	2,040,758	1,855,471
Amortisation of capital grants	(375,457)	(373,620)
Adjustment for pension funding	(120,255)	(114,770)
Movements in working capital:		
Increase in stock	(55,245)	(8,110)
Increase in debtors	(33,951)	(247,728)
Increase in creditors	150,282	293,806
	3,335,092	3,257,355

Arrival of the new Liebherr 280 Harbour Crane to Foyle Port, August 2019



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES

(A) GENERAL INFORMATION

The legal form of the entity, its country of incorporation, and the nature of the entity's operations and principal activities are set out in the Corporate Governance Statement on page 3 of the Annual Report.

(B) ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"). There were no material departures from that standard.

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

The principal accounting policies adopted are set out below.

(C) GOING CONCERN

The Commissioners continue to keep the ongoing situation relating to the Coronavirus pandemic (COVID-19) under review. We are focused on ensuring the safety of our employees and implementing the necessary business continuity procedures in line with Government Guidance.

The Commissioners have assessed the financial position of the Organisation, including the likely impact of COVID-19 and at the time of approving the financial statements, the Commissioners have a reasonable expectation that the Organisation has adequate resources to continue in operational existence for the foreseeable future. Thus, the Commissioners continue to adopt the going concern basis of accounting in preparing the financial statements.

(D) TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for services and rentals provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from services to Port users and rentals is recognised when the service has been provided and the contractual obligation has been met.

(E) GRANTS

The organisation has adopted the accruals model whereby capital grants are recognised as a liability on the balance sheet and released to the profit and loss account over the useful economic life of the asset. Revenue grants are credited to the profit and loss account in the period to which they relate.

(F) INTANGIBLE FIXED ASSETS

The cost of intangible assets comprises the purchase price of development, materials and employee benefits. Intangible fixed assets are initially measured at cost and subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset systematically over its expected useful life as follows:

CE Marking 10 years

CE marking is a certification mark that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area. The CE marking is also found on products sold outside the EEA that are manufactured in, or designed to be sold in, the EEA.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(G) TANGIBLE FIXED ASSETS AND DEPRECIATION

The cost of fixed assets comprises the purchase price of land, structures, plant and machinery, etc. acquired, plus costs of construction and installation. Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset systematically over its expected useful life as follows:

Work and Improvements comprising:

Buildings	20 years	-	100 years
Tools and Equipment	5 years	-	10 years

Other assets:

Pontoon	10 years	-	20 years
Cranes	10 years	-	20 years
Plough Boat and Dredging Plant	10 years	-	30 years
Tug Boats	5 years	-	30 years
Pilot Boat and Station	5 years	-	20 years
Plant, Machinery and Equipment	3 years	-	50 years
Dry Dock	5 years		
Motor Vehicles	4 years		

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 the profit and loss account.

Impairment of fixed assets

At each reporting end date, the organisation reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the organisation estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(H) STOCK

Stocks are valued at the lower of cost and net realisable value.

(I) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(J) FINANCIAL INSTRUMENTS

The organisation 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 in the organisation's balance sheet when the organisation becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

BASIC FINANCIAL ASSETS

Basic financial assets, which include trade and other debtors and cash and bank balances, which are receivable within one year and do not constitute a financing transaction, are initially measured at transaction price including transaction costs. Basic financial assets are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement constitutes a financing transaction, the transaction is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those held at fair value through profit and loss, 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.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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 organisation after deducting all of its liabilities.

Basic financial liabilities, including trade and other creditors, which are payable within one year and do not constitute a financing transaction, are initially measured at transaction price including transaction costs. Basic financial liabilities are subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement constitutes a financing transaction, the transaction is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Debt instruments are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost, using the effective interest rate method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(K) PROVISIONS

Provisions are recognised when the organisation 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.

(L) TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The organisation's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

DEFERRED TAXATION

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the organisation has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

1. ACCOUNTING POLICIES - CONTINUED

(M) EMPLOYEE BENEFITS

The pension entitlements of pensionable employees arise under a defined contribution pension scheme. This scheme is maintained by contributions from the Commissioners and employees to an independently administered fund. Annual contributions are charged to the Profit and Loss Account on an accruals basis.

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the organisation is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

The Commissioners, in common with other Competent Harbour Authorities, are making recovery plan payments to the Pilot's National Pension Fund (PNPF), which is a centralised, multi-employer defined benefit pension scheme for non-associated employers which provides benefits for employed and self-employed maritime pilots upon retirement and also on death before or after retirement. Full details are disclosed in note 18.

(N) FOREIGN CURRENCY

Assets and liabilities in foreign currencies are translated at the rate of exchange at the Balance Sheet date. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transactions. All differences in foreign currency are taken to the Profit and Loss Account.

2. JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the organisation's accounting policies, the Commissioners 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

EMPLOYEE BENEFITS

The organisation has recognised a defined benefit pension scheme liability in the balance sheet, the value of which has been prepared by an independent qualified actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. TURNOVER AND OTHER REVENUE

	2020	2019
	£	£
An analysis of turnover is as follows:		
Revenue from Port Customers	8,804,316	8,604,823
Rents Receivable	569,291	453,594
Storage Receipts	994,644	950,707
	<u>10,368,251</u>	<u>10,009,124</u>
Turnover analysed by geographical market		
United Kingdom and Ireland	<u>10,368,251</u>	<u>10,009,124</u>

4. OPERATING PROFIT

	2020	2019
	£	£
Operating Profit is stated after charging:		
Amortisation of intangible fixed assets	1,646	1,647
Depreciation of tangible fixed assets	2,040,758	1,855,471
Auditor's remuneration for audit of the financial statements	16,275	15,500
Auditor's remuneration for taxation compliance services	4,725	4,500
Foreign exchange loss	-	5,166
and after crediting:		
Capital grant amortisation	375,457	373,620
Foreign exchange gain	2,739	-

5. PARTICULARS OF EMPLOYEES

The average number of persons employed by the Commissioners during the year was 105 (2019: 107).

	2020	2019
	£	£
Their aggregate remuneration comprised:		
Wages and salaries	3,634,806	3,444,239
Social security costs	358,077	347,217
Pension costs	173,699	163,978
	<u>4,166,582</u>	<u>3,955,434</u>

Key Management Personnel

All board members, directors 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 £977,794 (2019: £916,661).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

6. COMMISSIONERS' REMUNERATION

	2020	2019
	£	£
Remuneration for qualifying services	87,868	90,452

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2020	2019
	£	£
Bank Interest	71,189	61,306

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Bank Interest & Charges	159,432	131,249
Interest on Pilots' National Pension Fund Liability	46,440	46,442
3 1/2% Consolidated Loan Stock	450	605
	<u>206,322</u>	<u>178,296</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

9. TAXATION

	2020	2019
	£	£
Current year tax		
UK Corporation Tax on profits for the current period	157,085	265,968
Adjustment in respect of prior periods	(1,167)	10,532
Deferred tax		
Origination and reversal of timing differences	200,035	112,397
Adjustment in respect of prior periods	285	(64,563)
Effect of changes in tax rates	64,759	(64,725)
Total tax per profit and loss account	<u>420,997</u>	<u>259,609</u>

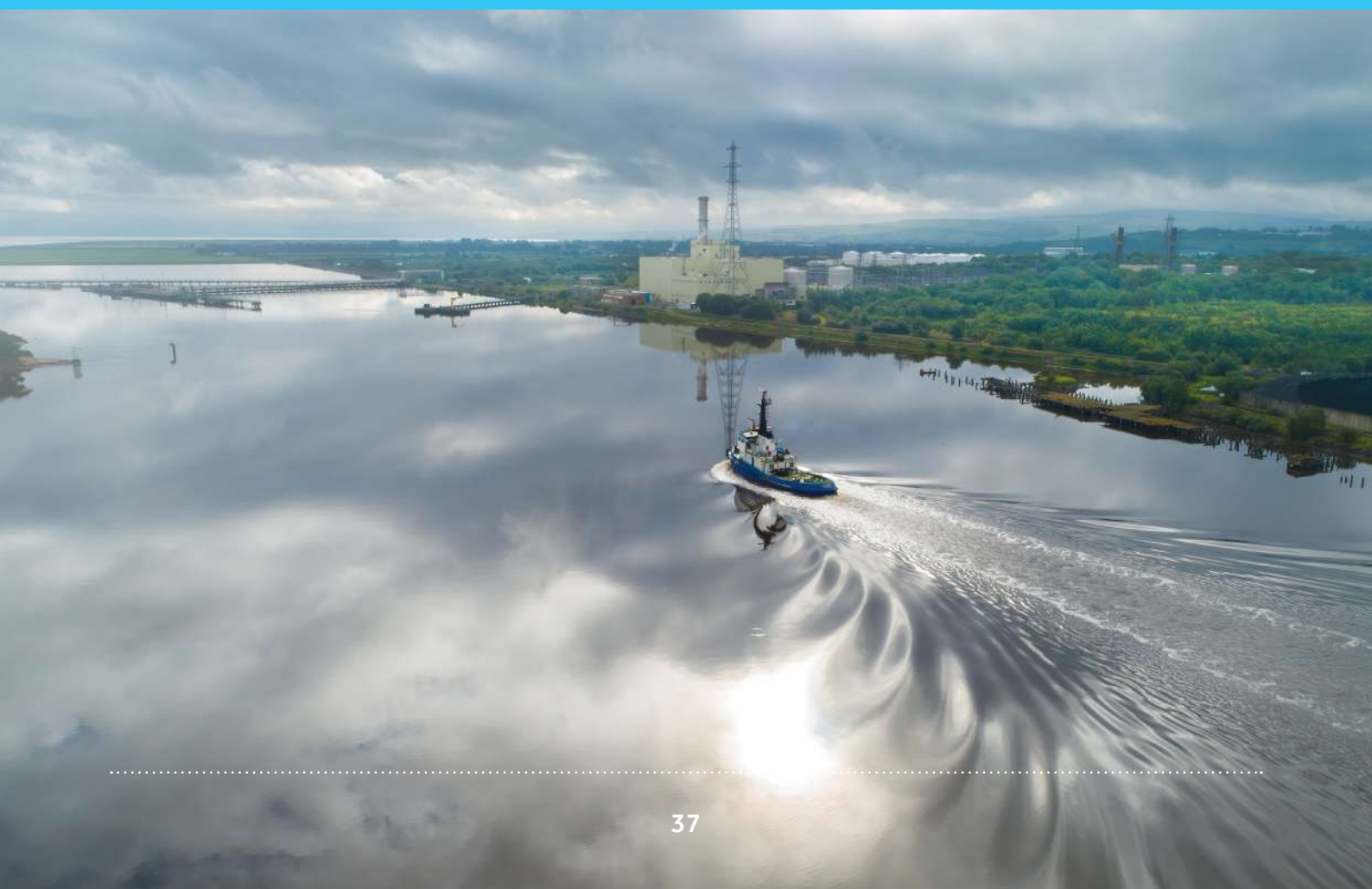
	2020	2019
	£	£
The charge for the year can be reconciled to the profit per the profit and loss account as follows:		
Profit before taxation	<u>1,632,144</u>	<u>1,757,635</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	<u>310,107</u>	<u>333,951</u>
Effects of:		
Expenses not deductible	47,397	47,464
Other tax reliefs	(384)	(3,050)
Adjustment in respect of prior periods	(882)	(54,031)
Tax rate changes	64,759	(64,725)
Tax expense for the year	<u>420,997</u>	<u>259,609</u>

The standard rate of tax applied to reported profit is 19% (2019: 19%). In the 2020 Budget the Government announced that the tax rate would not reduce from 19% to 17% on 1st April 2020. The deferred tax liability has therefore been increased by an amount of £64,759 to reflect the enacted rate of 19%.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. INTANGIBLE FIXED ASSETS

	CE Marking £
Cost	
At 1 April 2019	
Cost	16,464
Additions	-
Disposals	-
At 31 March 2020	16,464
Depreciation	
At 1 April 2019	
Accumulated Depreciation	2,515
Charge for Year	1,646
Release on disposal	-
At 31 March 2020	4,161
Net Book Value	
31 March 2020	12,303
31 March 2019	13,949



NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. TANGIBLE FIXED ASSETS

Cost	Works & Improvements	Pontoon	Cranes	Plough Boat & Dredging Plant	Tug Boats	Pilot Boat & Station	Motor Vehicles	Plant, Machinery & Equipment	Dry Dock	TOTAL
At 1 April 2019										
Cost	44,167,326	2,232,607	9,725,015	3,990,468	5,878,875	646,578	209,313	2,793,432	937,651	70,581,265
Additions	1,467,344	-	1,624,209	589,854	98,443	3,532	37,003	365,813	258,542	4,444,740
Disposals	(339)	-	-	(1,485)	-	-	(5,700)	(70,342)	(40,903)	(118,769)
At 31 March 2020	45,634,331	2,232,607	11,349,224	4,578,837	5,977,318	650,110	240,616	3,088,903	1,155,290	74,907,236
Depreciation										
At 1 April 2019										
Accumulated Depreciation	15,502,744	1,025,506	6,328,378	1,910,617	1,328,854	443,378	130,077	1,738,386	407,593	28,815,533
Charge for Year	780,778	142,700	321,085	141,157	208,743	26,763	42,755	194,753	182,024	2,040,758
Release on disposal	(339)	-	-	(1,485)	-	-	(3,563)	(70,342)	(40,903)	(116,632)
At 31 March 2020	16,283,183	1,168,206	6,649,463	2,050,289	1,537,597	470,141	169,269	1,862,797	548,714	30,739,659
Net Book Value										
31 March 2020	29,351,148	1,064,401	4,699,761	2,528,548	4,439,721	179,969	71,347	1,226,106	606,576	44,167,577
31 March 2019	28,664,582	1,207,101	3,396,637	2,079,851	4,550,021	203,200	79,236	1,055,046	530,058	41,765,732

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12. FINANCIAL INSTRUMENTS

	2020	2019
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost:		
Trade Debtors	1,591,592	1,312,246
Other Debtors	566,208	6,169
	<u>2,157,800</u>	<u>1,318,415</u>

	2020	2019
	£	£
Carrying amount of financial liabilities		
Measured at amortised cost:		
Government Loans	6,111,461	6,780,671
Trade Creditors	249,107	441,949
	<u>6,360,568</u>	<u>7,222,620</u>

13. STOCK

	2020	2019
	£	£
Consumables	185,500	140,613
Materials	65,097	54,739
Finished Goods	5,184	5,184
	<u>255,781</u>	<u>200,536</u>

14. DEBTORS (Amounts falling due within one year)

	2020	2019
	£	£
Trade Debtors	1,591,592	1,312,246
Other Debtors	566,208	6,169
VAT	127,944	380,114
Prepayments & Accrued Income	275,449	282,850
	<u>2,561,193</u>	<u>1,981,379</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

15. CREDITORS (Amounts falling due within one year)

	2020	2019
	£	£
Trade Creditors	249,107	441,949
Corporation Tax	108,381	124,452
Government Loans	564,774	669,212
Other Tax & Social Security	95,737	79,980
Accruals & Deferred Income	1,285,043	961,461
Other Creditors	1,266	-
	<u>2,304,308</u>	<u>2,277,054</u>

16. CREDITORS (Amounts falling due after more than one year)

	2020	2019
	£	£
3 ½% Consolidated Loan Stock (Undated)	15,057	15,057
Government Loan	5,546,687	6,111,459
	<u>5,561,744</u>	<u>6,126,516</u>

Analysis of Loans

	2020	2019
	£	£
Not wholly repayable within five years other than by instalments:		
Other Loans	6,111,461	6,780,671
	<u>6,111,461</u>	<u>6,780,671</u>
Included in current liabilities	(564,774)	(669,212)
	<u>5,546,687</u>	<u>6,111,459</u>

Loan Maturity Analysis

	2020	2019
	£	£
In more than one year but not more than two years	578,458	564,774
In more than two years but not more than five years	1,625,461	1,777,776
In more than five years	3,342,768	3,768,909
	<u>5,546,687</u>	<u>6,111,459</u>

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. CAPITAL GRANTS

Cost	Works & Pontoon		Cranes	Plough Boat & Dredging Plant	Tug Boat & Launch	Pilot Boat & Station	Plant, Machinery & Equipment	TOTAL
	Improvements	£						
At 1 April 2019								
Cost	18,705,421	2,009,663	2,618,856	337,500	15,395	134,240	357,956	24,179,031
Additions	551,023	-	-	-	-	-	-	551,023
Disposals	-	-	-	-	-	-	-	-
At 31 March 2020	19,256,444	2,009,663	2,618,856	337,500	15,395	134,240	357,956	24,730,054
Amortisation								
At 1 April 2019								
Accumulated Amortisation	7,562,500	952,481	2,618,856	337,500	7,400	113,395	293,666	11,885,798
Amortised for year	237,971	125,785	-	-	513	5,675	5,513	375,457
Release on disposal	-	-	-	-	-	-	-	-
At 31 March 2020	7,800,471	1,078,266	2,618,856	337,500	7,913	119,070	299,179	12,261,255
Net Book Value								
At 31 March 2020	11,455,973	931,397	-	-	7,482	15,170	58,777	12,468,799
At 31 March 2019	11,142,921	1,057,182	-	-	7,995	20,845	64,290	12,293,233

Total Capital Grants of £12,468,799 is split between current liabilities £395,660 (2019: £373,620) and non-current liabilities £12,073,139 (2019: £11,919,613).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

18. EMPLOYEE BENEFITS

The Commissioners operate a defined contribution pension scheme for all employees. Employees are automatically enrolled in this scheme once mandatory registration criteria are met. Employees who meet these criteria have the option of opting out of the scheme. The amount charged in the profit and loss account for pension costs under the above scheme was £173,699 (2019: £163,978).

PILOTS' NATIONAL PENSION FUND ('PNPF')

The PNPF is a centralised multi-employer defined benefit pension scheme for non-associated employers. It provides benefits for employed and self-employed maritime pilots upon retirement and also on death before or after retirement.

The PNPF is administered by a separate Trustee Company which is legally separate from LPHC. The Trustee Directors are required by law to act in the interests of all relevant beneficiaries and are responsible for the PNPF's investment policy and day-to-day administration.

The Trustee of the PNPF sought the guidance of the court on a number of issues relating to the Trustee's powers under the Rules of the PNPF, including who is liable to contribute. Until the legal status of the PNPF had been clarified, LPHC was unable to determine its share of the liabilities of the PNPF.

Following the court's determination and further information being made available on the extent of the PNPF's liabilities, LPHC is able to determine its share of the liabilities as described below.

LPHC is responsible for its own share of the total liabilities in the PNPF, together with a proportionate share of the 'orphan' liabilities of the PNPF i.e. those liabilities that cannot be attributed to another participating port authority.

The last formal actuarial valuation of the PNPF was completed as at 31 December 2016. The results of these calculations have been updated to 31 March 2020 by a qualified independent actuary. The actuarial valuation of the PNPF as at 31 December 2019 is currently ongoing and initial indications suggest that there will be an increase in the pension deficit. However, sufficient information is not readily available at the date of approval of the financial statements to enable the Commissioners to make a reasonable estimate of the increase.

The present value of the defined benefit obligation, the current service costs and any past service costs were measured using the projected unit credit method. Actuarial gains and losses have been recognised in the period in which they occur (but outside of the profit and loss account) through the Statement of Comprehensive Income.

The main assumptions used to calculate scheme liabilities are as follows:

Key Financial Assumptions as at 31 March	2020	2019
Discount rate (% p.a.)	2.5%	2.4%
Rate of salary increases (% p.a.)	2.6%	3.2%
Rate of increase to pensions in deferment where not subject to a minimum (% p.a.)	1.8%	2.2%
RPI inflation (% p.a.)	2.6%	3.2%
CPI inflation (% p.a.)	1.8%	2.2%
Pension increases: maximum 5% p.a., minimum 0% p.a.	2.4%	3.1%
Pension increases: maximum 5% p.a., minimum 3% p.a.	3.3%	3.6%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

KEY DEMOGRAPHIC ASSUMPTIONS AS AT 31 MARCH

	2020	2019
Mortality base table (% of S2PxA Standard Tables)	105%	105%
Mortality future improvements (core projections)	CMI_2019	CMI_2018
Mortality future improvements (% p.a. long term improvement)	1.00%	1.00%
Male life expectancy		
- Retiring at age 65 now	21.4 years	21.2 years
- Retiring at age 65 in 20 years	22.4 years	22.3 years
Female life expectancy		
- Retiring at age 65 now	23.5 years	23.1 years
- Retiring at age 65 in 20 years	24.5 years	24.3 years

CONTRIBUTIONS TO MEET PNPf LIABILITY

LPHC made contributions of £166,695 in respect of the PNPf recovery plan during the year ended 31 March 2020 (2019: £161,211).

CHANGES IN THE VALUE OF ASSETS

	2020	2019
	£	£
Opening fair value of assets	3,315,000	3,363,000
Interest income on assets	77,000	85,000
Member contributions	3,000	3,000
LPHC Contributions	167,000	161,000
Actuarial gain on assets	137,000	81,000
Benefits paid	(339,000)	(360,000)
Expenses paid	(18,000)	(18,000)
Closing fair value of assets	<u>3,342,000</u>	<u>3,315,000</u>

The value of the assets did not include any assets used directly by LPHC, nor did it include any direct investment by LPHC's own financial instruments.

ACTUAL ASSET ALLOCATION

	2020	2019
	%	%
'Growth' Assets		
- Global Equities	0.0	17.6
- Partners Growth Fund	30.6	0.0
- Fund of Hedge Funds	8.1	17.5
- Diversified Growth Funds	4.5	10.8
- Downside Risk Hedge	0.3	0.0
'Matching' Assets		
- Corporate Bonds	10.0	33.3
- Gilts	16.3	15.1
- Liquidity Fund	26.2	0.0
- Cash	4.0	5.7
	<u>100.0</u>	<u>100.0</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

<u>ACTUAL RETURN ON ASSETS</u>	2020	2019
	£	£
Expected return on assets	77,000	85,000
Actuarial gains on assets	137,000	81,000
Actual return	<u>214,000</u>	<u>166,000</u>

<u>CHANGES IN THE DEFINED BENEFIT LIABILITIES</u>	2020	2019
	£	£
Opening defined benefit liability	4,974,000	5,094,000
Service cost	2,000	3,000
Interest cost	115,000	128,000
Member contributions	3,000	3,000
Actuarial (gain) / loss on liability	(189,000)	106,000
Benefits paid	(339,000)	(360,000)
Closing defined benefit liability	<u>4,566,000</u>	<u>4,974,000</u>

<u>ANALYSIS OF AMOUNTS RECOGNISED IN INCOME STATEMENT</u>	2020	2019
	£	£
Financing cost		
- Net interest on the net liability	46,440	46,442
Total Expense	<u>46,440</u>	<u>46,442</u>

<u>ANALYSIS OF AMOUNTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME</u>	2020	2019
	£	£
Total actuarial (gains) / losses	(314,745)	42,770
Total (gains) / losses in Statement of Comprehensive Income	<u>(314,745)</u>	<u>42,770</u>

<u>RECONCILIATION OF FUNDED STATUS TO BALANCE SHEET</u>	2020	2019
	£	£
Present value of funded defined benefit obligation	(4,566,000)	(4,974,000)
Fair value of assets	3,342,000	3,315,00
(Deficit)	<u>(1,224,000)</u>	<u>(1,659,000)</u>

	2020	2019
	£	£
Liability recognised on the balance sheet	(1,224,000)	(1,659,000)
Related deferred tax asset (Note 19)	232,560	282,030
Net Liability recognised on the Balance Sheet	<u>(991,440)</u>	<u>(1,346,970)</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation
	£
Opening balance 1 April 2019	542,938
Debit to profit and loss account	265,079
Debit to statement of comprehensive income	59,802
Credit to statement of comprehensive income	<u>(890)</u>
Closing balance 31 March 2020	<u><u>866,929</u></u>

The amount debited to the Statement of Comprehensive Income of £59,802 represents the portion of the deferred tax asset relating to the actuarial gain recognised in the Statement of Comprehensive Income multiplied by the appropriate rate of tax. The amount credited to the Statement of Comprehensive Income of £890 relates to changes in tax rates and adjustment in respect of prior periods.

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

	2020	2019
	£	£
Balances:		
Accelerated capital allowances	1,099,489	824,968
Pension deficit	<u>(232,560)</u>	<u>(282,030)</u>
	<u><u>866,929</u></u>	<u><u>542,938</u></u>

The net deferred tax liability expected to reverse in the next 12 months is £19,641. This primarily relates to the reversal of timing differences.

20. CAPITAL COMMITMENTS

	2020	2019
	£	£
Capital Expenditure contracted for or authorised by the Commissioners but not provided in the financial statements	<u><u>1,648,332</u></u>	<u><u>1,930,249</u></u>

21. CONTINGENT LIABILITY

The Court of Appeal ruled in June 2019 that Police Service of Northern Ireland (PSNI) staff were owed money for a shortfall in pay going back 20 years. The court ruled that miscalculations arose because holiday pay had been based on basic working hours excluding overtime. Trade union NIPSA said the ruling could go beyond the public sector and affect private sector employees as well. Pending the outcome of the PSNI case Londonderry Port & Harbour Commissioners cannot quantify the potential impact.

22. INVESTMENT IN SUBSIDIARIES

Londonderry Port & Harbour Commissioners hold one ordinary €1 share, not yet paid, representing a 100% holding in Foyle Port (Ireland) Limited, a dormant company, registered in the Republic of Ireland. Consolidated accounts are not prepared as the subsidiary is wholly immaterial.

TRADE & STATISTICS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
GROSS TONNAGE OF VESSELS	<u>2,383,464</u>	<u>2,382,793</u>
GROSS TONNAGE OF CARGO	2020	2019
Imports	1,813,235	1,800,852
Exports	105,021	96,364
Total Trade	<u>1,918,256</u>	<u>1,897,216</u>





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