

Lymington Harbour Commissioners

**Annual Report and Financial Statements
Year Ended 31 March 2023**

Lymington Harbour Commissioners

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Lymington Harbour Commissioners

Commissioners' Report for the Year Ended 31 March 2023

The Commissioners present their report and the financial statements for the year ended 31 March 2023.

Principal activity

The principal activity of the Commissioners is to manage the Harbour as a Small Trust Port in accordance with the Lymington Harbour Act and Orders 1951 to 2014. The Commissioners seek to exercise their authority in a manner which is consistent with the special environmental character of the area while maximising safe use of the harbour and its enjoyment of both commercial and leisure users.

Commissioners

The Commissioners who served during the year were as follows:

A. Towler (Chair)

J. Morrow (Vice-chair)

M. Bowles

J.M. Challener

T.W. Harford (retired 31 October 2022)

P. Harrison

C. Lisher

D. Longley

P. Naylor

R.C. Willegers

R. Willows

Officers

Ryan C Willegers

Harbour Master & Chief Executive

Colin Freeman

Operations Manager

Frances Moores

Treasurer

Lymington Harbour Commissioners

Commissioners' Report for the Year Ended 31 March 2023

Results and Operating Review

Lymington Harbour Commissioners (LHC) continues to maintain a strong financial position. Turnover has increased by 3.8% on the previous year.

In order to improve transparency, turnover is broken down between statutory harbour authority income (dues) and income generated from commercial operations (see note 4 to the financial statements).

The key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Turnover	£	1,858,711	1,790,855
Gross Profit	£	951,244	736,955
Gross Profit Percentage	%	51	41

The principal reasons for the increase in the gross profit include prior year expenditure of £100,000 to refurbish the visitor washrooms at Town Quay which was not repeated in 2023 and a reduction in the dredging provision and bathymetric survey expenditure in 2023.

The Commissioners wish to acknowledge the significant impact of the change in the discount rates used by the Hampshire Local Government pension scheme actuary to calculate the value of the funded defined benefit obligation on the value of net assets at 31st March 2023 (see Note 11). Discount rates assumptions are subject to annual fluctuation based on wider macro-economic factors.

LHC seek to achieve surpluses that are sufficient to meet its strategic objectives over a 10 year period, including as set out in the current Harbour Development Plan (November 2022), provide for contingencies, and invest in supporting the continuing and long term success of the port for the benefit of stakeholders. LHC will also incur expenditure to discharge its environmental responsibilities, including discharging the commitments made in LHC's Climate Change Policy (March 2022) to halve greenhouse gas emissions before 2030 and achieve net zero emissions before 2050.

Capital Expenditure

During the year LHC incurred capital expenditure of £231,406.

Pension

The provision for the deficit on the pension scheme has been decreased by £833,490 this year compared to a decrease of £201,690 last year. Note 11 to the Accounts provide further information.

Loan

During the year £200,700 of capital was repaid and £9,938 of interest was charged on the £2,007,000 secured loan facility from the New Forest District Council to fund the cost of facilitating the second phase of breakwater construction to protect the harbour. This loan is due to be fully repaid in September 2024.

During the year £75,000 of capital was repaid and £8,158 of interest charged on the £375,000 loan facility from Lloyds Bank Plc via the Coronavirus Business Interruption Loan Scheme (CBILS). This loan is due to be repaid by June 2026.

Going Concern

The Commissioners continue to closely monitor the potential for the current economic pressures to impact on the income and operations of the Lymington Harbour Commissioners (LHC) business. The Commissioners undertake periodic reviews of LHC's finances and believe that LHC has adequate cash to cover a further period of uncertainty and reduced income should this occur and will be able to continue to operate as a going concern for at least 12 months.

Lymington Harbour Commissioners

Commissioners' Report for the Year Ended 31 March 2023

Disclosure of information to the auditors

Each Commissioner has taken steps that they ought to have taken as a Commissioner in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The Commissioners confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

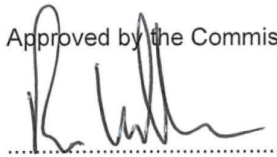
Lymington Harbour Commissioners

Commissioners' Report for the Year Ended 31 March 2023

Small companies provision statement

This report has been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved by the Commissioners on10/07/2023..... and signed on its behalf by:



.....
R.C. Willegers
Harbour Master & Chief Executive

Lymington Harbour Commissioners

Statement of Commissioners' Responsibilities

The Commissioners acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company 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). Under company 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 the company and of the profit or loss of the company for that period. In preparing these financial statements, the Commissioners are required to:

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

The Commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Lymington Harbour Commissioners

Independent Auditor's Report to Lymington Harbour Commissioners

Opinion

We have audited the financial statements of Lymington Harbour Commissioners for the year ended 31 March 2023, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) incorporating the requirements of Section 1A.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Lymington Harbour Commissioners

Independent Auditor's Report to Lymington Harbour Commissioners

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Commissioners' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Commissioners' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of Lymington Harbour Commissioners and its environment obtained in the course of the audit, we have not identified material misstatements in the Commissioners' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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
- certain disclosures of Commissioners' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Commissioners were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Commissioners' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Commissioners

As explained more fully in the Statement of Commissioners' Responsibilities [set out on page 5], 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 Lymington Harbour Commissioner'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 either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Lymington Harbour Commissioners

Independent Auditor's Report to Lymington Harbour Commissioners

As part of our audit planning we obtained an understanding of the legal and regulatory framework that is applicable to the company. We gained an understanding of the company and the industry in which the company operates as part of this assessment to identify the key laws and regulations affecting the company. As part of this, we reviewed the company's website for indication of any regulations and certification in place and discussed these with management responsible for compliance. The key legislation and regulations affecting Lymington Harbour Commissioners include constitution and powers legislation (Pier and Harbour Order Lymington Confirmation Act 1951 as amended), safety legislation (incorporating the Port Marine Safety Code), and The General Data Protection Regulation 2020. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006.

We discussed with management how the compliance with these laws and regulations is monitored and discussed policies and procedures in place. We also identified the individuals who have responsibility for ensuring that the company complies with laws and regulations and deals with reporting any issues if they arise. As part of our planning procedures, we assessed the risk of any non compliance with laws and regulations on the company's ability to continue trading and the risk of material misstatement to the accounts.

We also evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements. The key incentive identified is to meet the targets set by the Commissioners and we determined that the principal risks were related to the overstatement of profit, either through overstating revenue, understating expenditure or management bias in accounting estimates.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Enquiries of management regarding their knowledge of any non compliance with laws and regulations that could affect the financial statements. As part of these enquiries we also discussed with management whether there have been any known instances of fraud.
- Discussed with the Harbour Master/Chief Executive who has overall responsibility for safety, if any incidents have been reported during the year under The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 ("RIDDOR")
- Audited the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewed estimates and judgements made in the accounts for any indication of bias and challenged assumptions used by management in making the estimates.

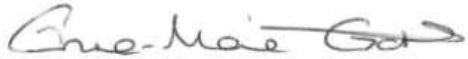
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to be come aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Lymington Harbour Commissioners

Independent Auditor's Report to Lymington Harbour Commissioners

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



.....
Anne-Marie Gates FCCA FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

Towngate House
2-8 Parkstone Road
Poole
Dorset
BH15 2PW

29 August 2023

Lymington Harbour Commissioners

Profit and Loss Account

Year Ended 31 March 2023

	Note	2023 £	2022 £
Turnover	4	1,858,711	1,790,855
Cost of sales		<u>(907,467)</u>	<u>(1,053,900)</u>
Gross profit		951,244	736,955
Administrative expenses		(459,117)	(451,735)
Other operating income		<u>1,085</u>	<u>26,026</u>
Operating profit		<u>493,212</u>	<u>311,246</u>
Other interest receivable and similar income		13,001	3,244
Interest payable and similar expenses		<u>(45,089)</u>	<u>(49,086)</u>
		<u>(32,088)</u>	<u>(45,842)</u>
Profit before tax		461,124	265,404
Taxation	9	<u>(166,419)</u>	<u>(153,769)</u>
Profit for the financial year		<u><u>294,705</u></u>	<u><u>111,635</u></u>

Lymington Harbour Commissioners

Statement of Comprehensive Income

Year Ended 31 March 2023

	2023	2022
	£	£
Profit for the year	<u>294,705</u>	<u>111,635</u>
Remeasurement gain/(loss) on defined benefit pension scheme	1,141,000	384,000
Movement in deferred tax on defined benefit pension scheme	<u>(216,790)</u>	<u>(47,310)</u>
	<u>924,210</u>	<u>336,690</u>
Total comprehensive income for the year	<u><u>1,218,915</u></u>	<u><u>448,325</u></u>

Lymington Harbour Commissioners

Balance Sheet

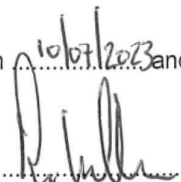
31 March 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	5	4,941,786	4,858,242
Current assets			
Debtors	6	175,932	182,897
Cash at bank and in hand		2,402,992	2,274,372
		<u>2,578,924</u>	<u>2,457,269</u>
Creditors: Amounts falling due within one year	7	<u>(1,520,708)</u>	<u>(1,519,348)</u>
Net current assets		<u>1,058,216</u>	<u>937,921</u>
Total assets less current liabilities		6,000,002	5,796,163
Creditors: Amounts falling due after more than one year	7	(269,100)	(544,800)
Provisions for liabilities	8	<u>(436,213)</u>	<u>(342,099)</u>
Net assets excluding pension liability		<u>5,294,689</u>	<u>4,909,264</u>
Net pension asset/(liability)	11	810	(832,680)
Net assets		<u>5,295,499</u>	<u>4,076,584</u>
Capital and reserves			
Capital Reserve		12,500	12,500
Revenue Reserve		5,282,999	4,064,084
Total Capital and Reserves		<u>5,295,499</u>	<u>4,076,584</u>

These financial statements have been prepared and delivered in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised by the Commissioners on 10/07/2023 and signed on its behalf by:


A. Towler (Chair)


R.C. Willegers
Harbour Master & Chief Executive

Lymington Harbour Commissioners

Statement of Cash Flows

Year Ended 31 March 2023

	2023	2022
	£	£
Cash flows from operating activities		
Operating Profit for the year	493,212	311,246
<i>Adjustments to cash flows from non-cash items</i>		
Depreciation and amortisation	139,759	127,192
Loss on disposal of tangible assets	5,603	-
Maintenance dredging costs	(114,610)	(93,860)
Provision for maintenance dredging	115,000	143,000
Pension contributions deficient to (in excess of) current service cost	85,000	109,000
	<u>723,964</u>	<u>596,578</u>
<i>Working capital adjustments</i>		
Decrease/(increase) in trade debtors	6,965	(10,359)
(Decrease)/increase in trade creditors	(55,386)	147,584
Increase in deferred income, including government grants	57,687	9,817
Cash generated from operations	<u>733,230</u>	<u>743,620</u>
Corporation tax paid	(94,916)	(98,599)
Net cash flow from operating activities	<u>638,314</u>	<u>645,021</u>
Cash flows from investing activities		
Interest received	13,001	3,244
Purchase of tangible assets	(231,406)	(370,245)
Proceeds from sale of tangible assets	2,500	-
Net cash flows from investing activities	<u>(215,905)</u>	<u>(367,001)</u>
Cash flows from financing activities		
Interest paid	(18,089)	(23,086)
Repayment of other borrowing	(275,700)	(256,950)
Net cash flows from financing activities	<u>(293,789)</u>	<u>(280,036)</u>
Net increase/(decrease) in cash and cash equivalents	128,620	(2,016)
Cash and cash equivalents at 1 April	<u>2,274,372</u>	<u>2,276,388</u>
Cash and cash equivalents at 31 March	<u>2,402,992</u>	<u>2,274,372</u>

Cash and cash equivalents include cash in a bank account which is not available for the Commissioners use in accordance with the agreement for the loan from NFDC referred to in note 7 to the financial statements. The amounts at the beginning and end of the year were £406,788 and £407,567 respectively.

Lymington Harbour Commissioners

Statement of Changes in Equity

Year Ended 31 March 2023

	Capital reserve £	Revenue reserve £	Total £
At 1 April 2022	12,500	4,064,084	4,076,584
Profit for the year	-	294,705	294,705
Other comprehensive income	-	924,210	924,210
Total comprehensive income	-	1,218,915	1,218,915
At 31 March 2023	<u>12,500</u>	<u>5,282,999</u>	<u>5,295,499</u>

	Capital reserve £	Revenue reserve £	Total £
At 1 April 2021	12,500	3,615,759	3,628,259
Profit for the year	-	111,635	111,635
Other comprehensive income	-	336,690	336,690
Total comprehensive income	-	448,325	448,325
At 31 March 2022	<u>12,500</u>	<u>4,064,084</u>	<u>4,076,584</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

1 General information

The address of its registered office is:
Harbour Office
Bath Road
Lymington
Hants
SO41 3SE

The Lymington Harbour Commissioners main function is to be the United Kingdom Statutory Harbour Authority for the port of Lymington.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements have been prepared in accordance with Financial Reporting Standard 102 Section 1A - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Going concern

The Commissioners have, at the time of approving the financial statements, a reasonable expectation that the Company 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 financial statements.

Key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The item in the financial statements where significant judgement has been made is in regard to the calculation of the provision for maintenance dredging. The carrying amount is £197,099 (2022 -£196,709).

Revenue recognition

Turnover represents fees, dues and rents charged by the Commissioners, net of value added tax, and is measured at the fair value of the consideration receivable. Turnover includes revenue earned from the rendering of services, which is recognised by reference to the date due and if for a period, for the proportion of the period falling in the accounting period.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Government grants

Conditional government grant income is recognised under the accrual model within the financial statements and as such are recognised on a systematic basis over the periods in which the company recognised the related costs for which the grants are intended to compensate. No conditional grant income has been received.

Under FRS102 unconditional grants should be recognised in the year in which the grants were received. During the year unconditional grants were received in respect of the Kickstart scheme.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold Property	99 years straight line basis
Mooring Facilities & Wave Screen	30 years straight line basis
Craft	3 - 30 years straight line basis
Plant and Equipment	5 - 20 years straight line basis
Office Equipment	3 - 4 years straight line basis
Harbour Protection Breakwater	100 years straight line basis

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Provisions

Provisions are recognised when the Commissioners have a present obligation as a result of a past event, it is probable that they will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the accounting period, taking into account the risks and uncertainties surrounding the obligation.

Specifically, provisions are recognised for maintenance dredging and deferred taxation. The provision for maintenance dredging is measured by considering the amount of such dredging that the Commissioners expect to be carried out as a result of the condition of the navigational channels and berths at the end of the accounting period.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Defined contribution pension obligation

The entity operates a defined contribution scheme for the benefit of its employees. Contributions are recognised in the profit and loss account when due.

Defined benefit pension obligation

The entity participates in a defined benefit pension scheme. Provision is made in the statement of financial position for the Commissioners' share of the asset or deficit in the scheme, net of deferred tax.

The current and past service costs, contributions and other finance costs are included within the statement of comprehensive income. The related deferred tax is included in taxation in the statement of comprehensive income. Actuarial gains and losses, net of the related deferred tax, are also included in the statement of comprehensive income.

Sensitivities around the pension provision in respect of the Commissioners' share of the asset or deficit in the scheme relate to the significant impact of the change in the discount rates used by the Hampshire Local Government pension scheme actuary to calculate the value of the funded defined benefit obligation on the value of net assets (see Note 11). Discount rate assumptions are subject to annual fluctuation based on wider macro-economic factors.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors;
- Bank loans; and
- Cash and bank balances.

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for bank loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Bank loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Harbour Protection

The harbour protection breakwater will be built in phases over several decades, with the timing of each phase determined by the rate of erosion of the saltmarsh that protects the harbour. The first phase construction of a breakwater on the western side of the channel was completed in 2010. Construction of the second phase on the eastern side of the channel was completed in 2014. Work on the third phase is likely to commence in the next decade.

In the year ended 31st March 2004 the Commissioners introduced the Harbour Protection Levy to help fund harbour protection and in 2014 the Commissioners borrowed £2,007,000 from New Forest District Council to finance building of the second phase of the breakwater. This loan is repayable over 10 years.

The Commissioners anticipate that, within the next decade, there will be a requirement to undertake phase 3 of the harbour protection project at a currently projected cost of up to £5m. The Commissioners review the level of harbour protection levy on a regular basis to ensure that it is at an adequate level to fund (including the funding of loans taken out for the purpose) the building of the phase 3 breakwater.

The analysis below shows the current outflow of costs incurred on harbour protection after the harbour protection levy contribution collected between 2004 to 2023 has been applied.

Years 2004 to 2023	£
Harbour protection levy received	3,692,267
Less tax thereon	(733,011)
Net Harbour protection levy	<u>2,959,256</u>
Revenue expenditure incurred	(339,595)
Less tax relief thereon	67,919
Net revenue expenditure	<u>(271,676)</u>
Finance fees and interest incurred	(319,254)
Less tax relief thereon	63,594
Net finance fees and interest	<u>(255,660)</u>
Capital expenditure	
Phase 1	(1,376,979)
Phase 1 top up	(158,452)
Phase 2	(2,091,615)
Total capital expenditure	<u>(3,627,046)</u>
Total cash (outflow) on Harbour Protection	<u>(1,195,126)</u>

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

It is forecast that if the harbour protection levy increases in line with inflation, or at the rate of 3% pa whichever is greater, the net outflow on Phases 1 and 2 of the harbour protection will reduce to zero during the year ended 31st March 2028. It is also anticipated that phase 3 of the project will not be needed before 2028, with the timing dependant on future rates of salt marsh erosion. Current assumptions are that the work will be undertaken between 2029 and 2032. The Commissioners have obtained indications of the likely costs of the Phase 3 work which will require further borrowing and are forecasting that if harbour protection levy continues to increase at the greater of the rate of inflation or 3% pa, the net outflow on the harbour protection would again decrease to zero by 2045.

3 Staff numbers

The average number of persons employed by the company during the year, was 16 (2022 - 16). One staff member was employed temporarily under the Government funded Kickstart scheme, the contract coming to the end of its 6 month term on 30th April 2022.

The number of full time equivalent employees during the year was 12 (2022 - 12).

4 Turnover

	2023	2022
	£	£
Harbour dues -		
Commercial Commuted	476,494	457,678
LHC Moorings, Visitors and Temporary Moorings	177,430	170,847
	<u>653,924</u>	<u>628,525</u>
Harbour protection fees	276,462	267,800
Total Income as Statutory Harbour Authority	<u>930,386</u>	<u>896,325</u>
Income from Commercial Operations	928,325	894,530
Total Turnover	<u><u>1,858,711</u></u>	<u><u>1,790,855</u></u>

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

5 Tangible assets

	Leasehold Property £	Mooring Facilities & Wave Screen £	Craft £	Plant and Machinery £	Office Equipment £	Harbour Protection Breakwater £	Total £
Cost or valuation							
At 1 April 2022	132,579	2,194,589	149,914	194,838	102,292	3,627,046	6,401,258
Additions	2,560	106,684	55,755	60,945	5,462	-	231,406
Disposals	-	(91,750)	(6,835)	(9,317)	(7,043)	-	(114,945)
At 31 March 2023	<u>135,139</u>	<u>2,209,523</u>	<u>198,834</u>	<u>246,466</u>	<u>100,711</u>	<u>3,627,046</u>	<u>6,517,719</u>
Depreciation							
At 1 April 2022	39,612	832,264	108,719	116,295	101,635	344,491	1,543,016
Charge for the year	1,366	67,806	16,093	15,981	2,243	36,270	139,759
Eliminated on disposal	-	(85,171)	(6,219)	(8,409)	(7,043)	-	(106,842)
At 31 March 2023	<u>40,978</u>	<u>814,899</u>	<u>118,593</u>	<u>123,867</u>	<u>96,835</u>	<u>380,761</u>	<u>1,575,933</u>
Carrying amount							
At 31 March 2023	<u>94,161</u>	<u>1,394,624</u>	<u>80,241</u>	<u>122,599</u>	<u>3,876</u>	<u>3,246,285</u>	<u>4,941,786</u>
At 31 March 2022	<u>92,967</u>	<u>1,362,325</u>	<u>41,195</u>	<u>78,543</u>	<u>657</u>	<u>3,282,555</u>	<u>4,858,242</u>

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

6 Debtors

	2023	2022
	£	£
Trade debtors	8,776	13,264
Prepayments	167,156	169,633
	<u>175,932</u>	<u>182,897</u>

7 Creditors

Creditors: amounts falling due within one year

	2023	2022
	£	£
Due within one year		
Loans and borrowings (Secured)	275,700	275,700
Trade creditors	75,389	98,349
Corporation tax	94,116	95,057
Social security and other taxes	131,871	113,371
Outstanding defined benefit pension costs	7,397	6,883
Accrued expenses	151,495	200,710
Deferred income	775,435	717,748
Payments on account	9,305	11,530
	<u>1,520,708</u>	<u>1,519,348</u>

Creditors: amounts falling due after one year

Due after one year		
Loans and borrowings (Secured)	<u>269,100</u>	<u>544,800</u>

Deferred income of £775,435 (2022 - £717,748) relates to mooring holder fees paid in advance.

In 2013/14, the Commissioners borrowed £2.007 million from NFDC to finance Phase 2 of the Harbour Protection Project. The loan is being repaid over a period of 10 years and will be fully repaid in September 2024.

In 2020/21, the Commissioners borrowed £375k from Coronavirus Business Interruption Loan Scheme (CBILS). The loan is being repaid over a period of 6 years with the first year interest free under the scheme and will be fully repaid in June 2026.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

8 Provisions

	2023 £	2022 £
Provision for Maintenance Dredging		
Balance at 1 April	(196,709)	(147,569)
Transfer from Statement of Comprehensive Income	(115,000)	(143,000)
Utilised during the year	114,610	93,860
Balance as at 31 March	<u>(197,099)</u>	<u>(196,709)</u>

	2023 £	2022 £
Provision for Deferred Tax		
Balance at 1 April	(145,390)	(86,537)
Deferred tax charged to the P&L account	(93,724)	(58,853)
Balance as at 31 March	<u>(239,114)</u>	<u>(145,390)</u>

	2023	2022
Provisions total	<u>(436,213)</u>	<u>(342,099)</u>

9 Taxation

	2023 £	2022 £
Corporation tax	93,975	94,916
Deferred tax charged to the P&L account	93,724	58,853
Deferred tax movement on pension obligation relating to earlier year	(21,280)	-
	<u>166,419</u>	<u>153,769</u>

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

10 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2023	2022
	£	£
Not later than one year	184,915	183,751
Later than one year and not later than five years	739,660	735,004
Later than five years	2,727,314	2,880,333
	<u>3,651,889</u>	<u>3,799,088</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £184,915 (2022 - £183,751).

11 Pension and other schemes

Lymington Harbour Commissioners operates a defined benefit pension scheme (Hampshire Local Government scheme). The pension cost charge for the year represents contributions payable to the schemes and amounted to £64,739 (2022 - £62,538).

Contributions totalling £7,397 (2022 - £7,278) were payable to the defined benefits scheme at the end of the year and are included in creditors.

The net pension liability has decreased by £833,490 over the deficit at March 2023 to a net pension asset of £810. This is due to the current and past service cost of £1,141,000 plus movement in the deferred tax provision of £195,510.

The remeasurement gain of £924,210 is shown in the statement of other comprehensive income, and relates to the combined asset and liability gains of £1,141,000, adjusted for deferred tax of £216,790.

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Defined benefit pension schemes Hampshire County Council Pension Fund

Lymington Harbour Commissioners operate in the Hampshire County Council Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS"). The fund nature of the LGPS requires Lymington Harbour Commissioners and its employees to pay contributions into the Fund, calculated at a level intended to balance the pensions' liabilities with investment assets. One Commissioner, who is also the Chief Executive, has benefits accruing under the scheme.

Date of the last full actuarial valuation of the Lymington Harbour Commissioners' LGPS funded benefits	31 March 2022
Expected employer contributions next year	£56,000
Duration of liabilities	19.0 years

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

The latest actuarial valuation of Lymington Harbour Commissioners' liabilities took place at 31st March 2022. Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The key assumptions used by the actuary in updating the latest valuation of the Fund for FRS102 purposes were (% per annum).

	2023	2022
	%	%
Discount rate	4.70	2.80
CPI Inflation	2.70	3.10
Future pension increases	2.70	3.10
Pension accounts revaluation rate	2.70	3.10
Future salary increases	3.70	4.10

Post retirement mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below.

	2023	2022
	Years	Years
Male members aged 65 at accounting date	23.30	22.90
Male members aged 45 at accounting date	23.80	24.70
Female members aged 65 at accounting date	25.70	25.40
Female members aged 45 at accounting date	26.70	27.10

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Analysis of assets

The major categories of scheme assets are as follows:

	2023	2022
	%	%
Cash and cash equivalents	1.10	.90
Equity instruments	57.60	55.70
Property	6.80	6.90
Multi asset credit	-	9.20
Government bonds	16.50	18.00
Other	18.00	9.30
	<u>100.00</u>	<u>100.00</u>

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2023	2022
	£	£
Fair value of scheme assets	2,291,000	2,402,000
Present value of defined benefit obligation	<u>(2,290,000)</u>	<u>(3,430,000)</u>
	1,000	(1,028,000)
Other amounts recognised in the balance sheet	<u>(190)</u>	<u>195,320</u>
Defined benefit pension scheme surplus/(deficit)	<u>810</u>	<u>(832,680)</u>

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	42%
Deferred pensioners	27%
Pensioners	31%

Amounts recognised in the Statement of Comprehensive Income

	2023	2022
	£	£
Included in Operating Surplus		
Current service cost	<u>147,000</u>	<u>167,000</u>
Included in Interest Payable and Similar Charges		
Interest cost	92,000	73,000
Expected return on assets	<u>(65,000)</u>	<u>(47,000)</u>
	<u>27,000</u>	<u>26,000</u>
Pension expense recognised in Statement of Comprehensive Income	<u>174,000</u>	<u>193,000</u>

Lymington Harbour Commissioners

Notes to the Financial Statements

Year Ended 31 March 2023

Amounts recognised in Other Comprehensive Income

	2023 £	2022 £
Asset gains/(losses) arising during the year	(212,000)	113,000
Liability gains/(losses) arising during the year	1,353,000	271,000
Total amount recognised on other comprehensive income	<u>1,141,000</u>	<u>384,000</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2023 £	2022 £
Present value at start of year	3,430,000	3,485,000
Current service cost	147,000	167,000
Interest cost	92,000	73,000
Actuarial gains and losses	(1,353,000)	(271,000)
Benefits paid	(53,000)	(51,000)
Contributions by scheme participants	27,000	27,000
Present value at end of year	<u>2,290,000</u>	<u>3,430,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2023 £	2022 £
Fair value at start of year	2,402,000	2,208,000
Interest income	65,000	47,000
Remeasurement gains/(losses) on assets	(212,000)	113,000
Employer contributions	62,000	58,000
Participants contributions	27,000	27,000
Net benefits paid out	(53,000)	(51,000)
Fair value at end of year	<u>2,291,000</u>	<u>2,402,000</u>

Return on scheme assets

	2023 £	2022 £
Interest income on assets	65,000	47,000
Gain/(loss) on assets	(212,000)	113,000
Return on scheme assets	<u>(147,000)</u>	<u>160,000</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.