

COWES HARBOUR COMMISSION
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

COWES HARBOUR COMMISSION

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COWES HARBOUR COMMISSION

COMMISSION INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2021

COMMISSIONERS:	C Blount	(Appointed 2020)
	V Clifford	(Appointed 2019)
	J Evans	(Appointed 2018)
	F Fitzherbert-Brockholes	(Appointed 2021)
	P Hagen	(Appointed 2020)
	G Hall	(Appointed 2021, Chief Executive)
	R Hennessy	(Appointed 2017)
	J Losty	(Appointed 2020)
	D Riley	(Appointed 2009, Chairman 2016)
	S Sheridan	(Appointed 2019)

HARBOUR MASTER: E Walker

REGISTERED OFFICE: Harbour Office
Town Quay
Cowes
Isle of Wight
PO31 7AS

AUDITORS: Harrison Black Limited
Statutory Auditor
Pyle House
136/137 Pyle Street
Newport
Isle of Wight
PO30 1JW

BANKERS: Lloyds Bank Plc
22 St Thomas' Square
Newport
Isle of Wight
PO30 1SQ

COWES HARBOUR COMMISSION

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

The Commissioners present their strategic report for the year ended 31 December 2021.

STRATEGY

The Commissioners are currently reviewing and updating the five-year strategy covering the period 2022 – 2027 for managing and developing Cowes Harbour.

MISSION STATEMENT

Cowes Harbour Commission (CHC) will manage the harbour, its safety and sustainable improvement and deliver the Commission's strategic objectives.

STRATEGIC OBJECTIVES

Promote and deliver a safety first culture and manage enforcement responsibilities.

Following completion of the Cowes Breakwater and Eastern Channel dredge, continue to support opportunities created by the more sheltered harbour in conjunction with government agencies, town councils and the Isle of Wight Council.

Engage with the Isle of Wight Council and partners where appropriate in the strategic planning for Cowes Harbour and the Medina Valley to futureproof the port's infrastructure, marine services, and employment.

Deliver a new cost-effective Medina Estuary Sustainable Maintenance Dredging Management Plan by 2021 in partnership with stakeholders.

Continue investment into marine based services and harbour facilities.

Manage our income and asset base to support the delivery of statutory duties and strategic objectives to fund harbour improvements.

Support sustainable development and conservation of the harbour and marine environment.

GOVERNANCE

The governance of the Commission is based on the Department of Transport Modernising Trusts Ports' and Combined Code. The Board met ten times in 2021 and sub-committees meet as required (Appointments, Finance, Audit, and Remuneration). Biographical details of each Commissioner and a register of interests is published on our website www.cowesharbourcommission.co.uk.

BUSINESS REVIEW 2021

Turnover increased 32% to £3,380,823 (2020: £2,569,035). Improvement in income came from both commercial and leisure users as Cowes Harbour recovered from the significant challenges of 2020 caused by Covid-19. Commercial users of the harbour increased 23% to £860,774 (2020: £700,969). Income from leisure users increased 22% to £1,269,009 (2020: £1,038,387).

Excluding fuel, purchases expenditure increased by 12% to £2,384,396 (2020: £2,124,202).

Operating surplus amounted to £399,189 (2020: £191,110). Despite a deficit on the revaluation of investment properties a surplus was achieved before tax of £166,058 (2020: deficit £281,649). All profits are retained for investment in harbour developments for the benefit of our stakeholders. The balance sheet total increased to £8,459,237 (2020: £8,076,508).

KEY PERFORMANCE INDICATORS

Profitability (Earnings before interest, tax and depreciation/turnover) 0.21 (2020: 0.20).

COWES HARBOUR COMMISSION

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Current ratio (current assets/current liabilities) 2.44 (2020: 2.12).

BUSINESS RISK

The Commissioners approach to risk management is to identify key risks which are believed could be a threat and then develop policies to manage, to an acceptable level, the impact and likelihood of those risks.

Some factors which affect the harbour are beyond the control of the Commissioners for example the national economy. The business is also very seasonal and weather dependent.

General risks that could be applicable to the harbour are lack of access to financial resources, staff skills, resistance to change, poor commercial decisions, ineffective managerial control, lack of new/loss of existing business.

FORWARD LOOK

CHC is actively working and exploring opportunities to work in partnership with other key stakeholder organisations including the Isle of Wight Council to maximise the potential of Cowes Harbour and its key strategic harbour sites for marine employment and the development of harbour and yachting facilities in the interests of all stakeholders.

Plans for a major investment project at Kingston Wharf in East Cowes to create a marine industrial park with new purpose-built commercial units and an expanded boat storage facility will continue to be developed.

ON BEHALF OF THE BOARD:


.....
D Riley – Commissioner/Chairman

Date: 29/4/2022

COWES HARBOUR COMMISSION

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 31 DECEMBER 2021

The Commissioners present their report with the financial statements of the Commission for the year ended 31 December 2021.

CONSTITUTION

Cowes Harbour Commission (CHC or "the Commission") is the Statutory Harbour Authority for Cowes Harbour and the River Medina as far south as the Folly Inn. It is an independent Trust Port constituted by the Cowes Harbour Acts and Orders 1897 to 2012.

As a Trust Port any surpluses made by the Commission are retained for the benefit of stakeholders and invested in a variety of projects that benefit harbour users. Every person, company or other organisation that has an interest in Cowes Harbour or the River Medina is a stakeholder in the Commission.

PRINCIPAL ACTIVITY

The principal activities of the Commission in the year under review were acting as the Statutory Harbour Authority and the provision of harbour facilities, including yacht and commercial moorings and fuel.

COMMUNICATION WITH STAKEHOLDERS

The Commission is accountable to its stakeholders and ultimately to the Secretary of State for transport. The Commissioners encourage comments, questions and suggestions from its stakeholders and factor this input into their decision-making process. Methods used to communicate on a regular basis with stakeholders include:

- An annual public meeting held in May or June
- A website (www.cowesharbourcommission.co.uk) with a section explaining the operation of the Commission
- A monthly e-newsletter
- An Advisory Committee
- An "open door" policy for stakeholders to raise issues

COWES HARBOUR COMMISSION

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 31 DECEMBER 2021

COMMISSIONERS

The Board of Commissioners consists of ten Commissioners together with a maximum of 2 Commissioners co-opted for specific purposes for a maximum period of one year. Commissioners are appointed by the Commissioners on the recommendation of an appointments panel consisting of the Chairman, a Stakeholder representative, an independent member and advised by the chief executive. Commissioners are appointed by an openly advertised recruitment process for an initial term of 3 years and usually serve 2 terms. Commissioners are required to have knowledge, experience or ability in a number and complementary range of matters relevant to the efficient, effective and economic discharge by the Commission of its functions.

The chairman of the Commissioners is appointed by the Commissioners from among their number for a term of 3 years.

The Commissioners meet 8 times a year (2020: 10 meetings) with ad hoc meetings held when necessary. A quorum of Commissioners is 5.

The year of appointment of the current Commissioners is shown on the Commission information page. The performance of each Commissioner is evaluated annually. The post of Commissioner is not remunerated.

The Commissioners are collectively and individually responsible for the proper exercise of the Commission's Statutory Duties.

The following held office as Commissioners and their attendance at regular meetings during the year.

C Blount - 10/10 or 100%
V Clifford - 10/10 or 100%
J Evans - 10/10 or 100%
F Fitzherbert-Brockholes - 6/7 or 86%
J Gillespie - 3/4 or 75%
P Hagen - 10/10 or 100%
G Hall (Chief Executive) - 9/9 or 100%
R Hennessy - 9/10 or 90%
J Losty - 9/10 or 90%
S McIntosh - 2/2 or 100%
C Preston - 4/4 or 100%
D Riley (Chairman) - 10/10 or 100%
S Sheridan - 10/10 or 100%

G Hall was appointed Chief Executive on 1 February 2021 and F Fitzherbert-Brockholes was appointed as a Commissioner on 1 May 2021. S McIntosh resigned as Commissioner on 28 February 2021 and J Gillespie and C Preston resigned as Commissioners on 1 May 2021.

STATEMENT ON CORPORATE GOVERNANCE

The Commission is committed to operating a system of corporate governance that follows the principles and guidance laid down in "Modernising Trust Ports (second edition)" published in 2009 by the Department of Transport, to the extent considered appropriate to the size and nature of the Commission.

The Commission has developed its governance procedures including the establishment of a remuneration committee and an audit committee.

The latest statement of governance can be found on the Cowes Harbour Commission website www.cowesharbourcommission.co.uk.

COWES HARBOUR COMMISSION

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF COMMISSIONERS' RESPONSIBILITIES

The Commissioners are responsible for preparing the Strategic Report, the Report of the Commissioners 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Commission and of the surplus or deficit of the Commission for that period. In preparing these financial statements, the Commissioners are required to:

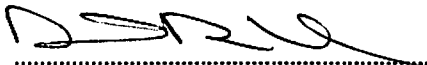
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Commission will continue in business.

The Commissioners are responsible for keeping adequate accounting records that are sufficient to show and explain the Commission's transactions and disclose with reasonable accuracy at any time the financial position of the Commission 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 Commission and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Commissioners are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Commission's auditors are unaware, and each Commissioner has taken all the steps that he or she ought to have taken as a Commissioner in order to make himself or herself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

ON BEHALF OF THE BOARD:



D Riley – Commissioner/Chairman

Date: 29/4/2022

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COWES HARBOUR COMMISSION

Opinion

We have audited the financial statements of Cowes Harbour Commission (the 'Commission') for the year ended 31 December 2021 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2021 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Section 42 of the Harbours Act 1964 (as amended by the Transport Act 1981) which requires the financial statements to be prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Commission 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 Commissioners' 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 Commission's ability to continue as a going concern for a period of at least twelve months from when the financial statements are 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COWES HARBOUR COMMISSION

Other information

The commissioners are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Commissioners, but does not include the financial statements and our Report of the Auditors 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters 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 Strategic Report and the Report of the Commissioners for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Commissioners have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Commission and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Commissioners.

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.

Responsibilities of commissioners

As explained more fully in the Statement of Commissioners' Responsibilities set out on page six, 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 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 the Commission'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 Commission or to cease operations, or have no realistic alternative but to do so.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COWES HARBOUR COMMISSION

Auditors' 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 a Report of the Auditors 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:

In identifying and assessing the risks of material misstatement in respect of irregularities, we have considered the following:

- The nature of the industry in which the entity operates, gaining an understanding of the legal and regulatory frameworks applicable. We consider the most significant laws and regulations which have a direct impact on the financial statements are FRS 102, Section 42 of the Harbours Act 1964 (as amended by the Transport Act 1981), the Companies Act 2006, Health and Safety and tax compliance regulations. We considered non-compliance of such regulatory requirements and designed our work accordingly, enquiring of management how they ensured compliance with such legislation and discussing the outcome of such procedures. External specialists were relied upon, where necessary in areas such as pension actuarial legislation.
- The management structure and control environment. We considered whether remuneration or bonus levels would give rise to incentive for fraud and in which audit areas gave the greatest potential for such fraud. We designed our testing to focus on areas such as complex transactions, unusual journals and recognition of income. We are also required to perform specific procedures to respond to the risk of management override, as is common in all audits under ISAs (UK).
- The appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures. We considered the consistency of such policies and estimates and whether they were still appropriate, who performed the work and their expertise in doing so, whether any adjustments were made in according with the relevant accounting framework.
- The appropriateness of valuations of investment property. We considered the levels of rental income and assumptions used in the preparation of the valuations, who performed the work and their expertise in doing so and whether the transactions were made in accordance with the relevant accounting framework.

Our work was carried out using systematic testing methods, analytical review, results of communication with management, professional scepticism, observation of controls and systems, and our experience and knowledge of the entity.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF COWES HARBOUR COMMISSION

Use of our report

This report is made solely to the Commission's members, 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 Commission's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Commission and the Commission's members as a body, for our audit work, for this report, or for the opinions we have formed.



A S Garner BA(Hons) FCA (Senior Statutory Auditor)
for and on behalf of Harrison Black Limited
Statutory Auditor
Pyle House
136/137 Pyle Street
Newport
Isle of Wight
PO30 1JW

Date: 11 May 2022

COWES HARBOUR COMMISSION**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	£	2020 £	£
TURNOVER	3		3,380,823		2,569,035
Cost of sales			<u>2,267,998</u>		<u>1,861,380</u>
GROSS SURPLUS			1,112,825		707,655
Administrative expenses			<u>720,400</u>		<u>581,694</u>
			392,425		125,961
Other operating income	4		<u>6,764</u>		<u>65,149</u>
OPERATING SURPLUS	6		399,189		191,110
Deficit from changes in fair value of investment property	7		<u>204,000</u>		<u>444,000</u>
			195,189		(252,890)
Interest receivable and similar income			<u>485</u>		<u>3,225</u>
			195,674		(249,665)
Interest payable and similar expenses	8	16,616		22,984	
Other finance costs	21	<u>13,000</u>		<u>9,000</u>	
			<u>29,616</u>		<u>31,984</u>
SURPLUS/(DEFICIT) BEFORE TAXATION			166,058		(281,649)
Tax on surplus/(deficit)	9		<u>182,689</u>		<u>33,028</u>
DEFICIT FOR THE FINANCIAL YEAR			<u><u>(16,631)</u></u>		<u><u>(314,677)</u></u>

The notes form part of these financial statements

COWES HARBOUR COMMISSION

**OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Notes	2021 £	2020 £
DEFICIT FOR THE YEAR		(16,631)	(314,677)
OTHER COMPREHENSIVE INCOME			
Actuarial gain/loss on pension scheme		448,000	(594,000)
Income tax relating to other comprehensive income		<u>(48,640)</u>	<u>114,760</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>399,360</u>	<u>(479,240)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>382,729</u>	<u>(793,917)</u>

The notes form part of these financial statements

COWES HARBOUR COMMISSION

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021**

	Notes	2021 £	2020 £
FIXED ASSETS			
Tangible assets	10	10,086,945	10,311,568
Investment property	11	<u>1,012,000</u>	<u>1,216,000</u>
		11,098,945	11,527,568
CURRENT ASSETS			
Stocks	12	52,129	44,570
Debtors	13	295,750	292,091
Cash at bank and in hand		<u>2,597,016</u>	<u>2,355,673</u>
		2,944,895	2,692,334
CREDITORS			
Amounts falling due within one year	14	<u>1,206,167</u>	<u>1,271,799</u>
NET CURRENT ASSETS		<u>1,738,728</u>	<u>1,420,535</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,837,673	12,948,103
CREDITORS			
Amounts falling due after more than one year	15	(3,371,941)	(3,500,828)
PROVISIONS FOR LIABILITIES	19	(417,495)	(339,767)
PENSION LIABILITY	21	<u>(589,000)</u>	<u>(1,031,000)</u>
NET ASSETS		<u>8,459,237</u>	<u>8,076,508</u>

The notes form part of these financial statements

COWES HARBOUR COMMISSION

STATEMENT OF FINANCIAL POSITION - continued
31 DECEMBER 2021

		2021	2020
	Notes	£	£
RESERVES			
Retained earnings	20	<u>8,459,237</u>	<u>8,076,508</u>
	25	<u>8,459,237</u>	<u>8,076,508</u>

The financial statements were approved by the Board of Commissioners and authorised for issue on 29/4/2022 and were signed on its behalf by:



D Riley – Commissioner/Chairman



G Hall – Commissioner/Chief Executive

The notes form part of these financial statements

COWES HARBOUR COMMISSION

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Retained earnings £	Total equity £
Balance at 1 January 2020	8,870,425	8,870,425
Changes in equity		
Total comprehensive income	<u>(793,917)</u>	<u>(793,917)</u>
Balance at 31 December 2020	<u>8,076,508</u>	<u>8,076,508</u>
Changes in equity		
Total comprehensive income	<u>382,729</u>	<u>391,213</u>
Balance at 31 December 2021	<u>8,459,237</u>	<u>8,467,721</u>

The notes form part of these financial statements

COWES HARBOUR COMMISSION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash generated from operations	1	530,465	583,549
Interest paid		(16,616)	(22,984)
Tax paid		(57,217)	(97,767)
Net cash from operating activities		456,632	462,798
 Cash flows from investing activities			
Purchase of tangible fixed assets		(99,590)	(18,629)
Sale of tangible fixed assets		-	1,500
Provisions		(52,348)	28,600
Interest received		485	3,225
Net cash from investing activities		(151,453)	14,696
 Cash flows from financing activities			
Loan repayments in year		(63,836)	(57,863)
Net cash from financing activities		(63,836)	(57,863)
 Increase in cash and cash equivalents		241,343	419,631
Cash and cash equivalents at beginning of year	2	2,355,673	1,936,042
 Cash and cash equivalents at end of year	2	2,597,016	2,355,673

The notes form part of these financial statements

COWES HARBOUR COMMISSION

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

1. RECONCILIATION OF SURPLUS/(DEFICIT) BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2021	2020
	£	£
Surplus/(deficit) before taxation	166,058	(281,649)
Depreciation charges	324,214	324,588
Surplus on disposal of fixed assets	-	(1,500)
Difference on pension charge & cash contribution	(7,000)	1,000
Deficit on revaluation of investment property	204,000	444,000
Finance costs	16,616	22,984
Pension costs	13,000	9,000
Finance income	(485)	(3,225)
	<u>716,403</u>	<u>515,198</u>
Increase in stocks	(7,559)	(4,180)
(Increase)/decrease in trade and other debtors	(3,659)	146,101
Decrease in trade and other creditors	<u>(174,720)</u>	<u>(73,570)</u>
Cash generated from operations	<u>530,465</u>	<u>583,549</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2021

	31.12.21	1.1.21
	£	£
Cash and cash equivalents	<u>2,597,016</u>	<u>2,355,673</u>

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	<u>2,355,673</u>	<u>1,936,042</u>

The notes form part of these financial statements

COWES HARBOUR COMMISSION

NOTES TO THE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.21 £	Cash flow £	At 31.12.21 £
Net cash			
Cash at bank and in hand	<u>2,355,673</u>	<u>241,343</u>	<u>2,597,016</u>
	<u>2,355,673</u>	<u>241,343</u>	<u>2,597,016</u>
Debt			
Debts falling due within 1 year	(63,913)	(1,192)	(65,105)
Debts falling due after 1 year	<u>(637,982)</u>	<u>65,027</u>	<u>(572,955)</u>
	<u>(701,895)</u>	<u>63,835</u>	<u>(638,060)</u>
Total	<u>1,653,778</u>	<u>305,178</u>	<u>1,958,956</u>

The notes form part of these financial statements

1. INFORMATION ON THE COMMISSION

Cowes Harbour Commission is an Independent Trust Port constituted by the Cowes Harbour Acts and Orders 1897 to 2012 and its principal place of business and registered office is Harbour Office, Town Quay, Cowes, Isle of Wight, PO31 7AS.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

Turnover

Turnover represents net invoiced sales of goods, facilities and services, excluding value added tax.

A sale of goods is recognised on despatch of the goods to the customer which is the point at which all the risks and rewards of ownership of the goods pass to the customer.

Turnover in respect of services is recognised when the Commission obtains the right to receive consideration for the services rendered to its customer.

Tangible fixed assets

Tangible fixed assets, other than investment property, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2-4% on cost
Cowes breakwater	- 2% on cost
Eastern Channel dredge	- 4% on cost
Harbour equipment	- 10% on cost
Vessels	- 5% on cost
Office equipment	- 33% on cost

Freehold land is not depreciated.

Grants

Grants are credited to deferred revenue under the accruals method. Grants towards capital expenditure are released to the income statement using the straight line method over the expected useful life of the assets. Grants towards revenue expenditure are released to the income statement as the related expenditure is incurred.

Government grants which do not impose specified future performance related conditions (including Coronavirus Job Retention Scheme and Retail, Hospitality and Leisure Grant) are recognised when received or receivable.

2. ACCOUNTING POLICIES - continued

Investment property

Investment property is externally valued at least once every five years. In the intervening years investment property is valued by the Commissioners on the basis of fair value. Any surplus or deficit arising from changes in market value is recognised in the income statement.

In accordance with Section 16 of FRS 102, no depreciation is provided on investment property. The Commissioners consider that this policy results in the accounts giving a true and fair view.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is based on the cost of purchase on a first in, first out basis.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs and other post-retirement benefits

The Commission participates in the Isle of Wight Council Pension scheme, a defined benefit statutory scheme. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method. The net surplus or deficit is presented separately from other net assets on the statement of financial position. The current service costs and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on the scheme assets are included net in other finance costs/income. Actuarial gains/losses are reported in the statement of other comprehensive income. Entry for new members to this pension was stopped in May 2008.

The Commission also operates a defined contribution pension scheme. Contributions payable to the Commission's pension scheme are charged to the income statement in the period to which they relate.

2. ACCOUNTING POLICIES - continued

Financial instruments

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

(ii) Financial liabilities

Basic financial liabilities, including trade creditors and other payables including bank loans are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Trade payables 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 payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that the Commission will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

2. ACCOUNTING POLICIES - continued

Critical accounting judgements and estimation uncertainty

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

In preparing these financial statements, the commissioners have made the following judgements:

- Determine whether leases entered into by the Commission either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Commission's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether the Commission has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Commission will be required to settle such obligation and if a reliable estimate can be made of the amount of such obligation.

Key estimation uncertainties are:

- Tangible fixed assets, other than investment property, are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- Investment property is professionally valued every 5 years. In the intervening years investment property is valued using an in use methodology. This uses market rental values but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself.
- The amount the Commission recognises as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.
- Defined Benefit pension scheme. The Commission has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Managements estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and trends. See note 21 for the disclosures relating to the defined benefit pension scheme.

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

3. TURNOVER

The turnover and surplus (2020 - deficit) before taxation are attributable to the one principal activity of the Commission.

An analysis of turnover by class of business is given below:

	2021	2020
	£	£
Harbour dues	755,069	584,379
Pilotage	117,616	116,589
Fuel sales	700,462	401,604
Capital grant released	63,120	63,120
Other commercial operations	<u>1,744,556</u>	<u>1,403,343</u>
	<u><u>3,380,823</u></u>	<u><u>2,569,035</u></u>

4. OTHER OPERATING INCOME

	2021	2020
	£	£
Coronavirus Job Retention Scheme	6,764	40,149
Retail, Hospitality and Leisure Grant	<u>-</u>	<u>25,000</u>
	<u><u>6,764</u></u>	<u><u>65,149</u></u>

5. EMPLOYEES

	2021	2020
	£	£
Wages and salaries	843,974	796,064
Social security costs	75,914	69,539
Other pension costs	<u>89,434</u>	<u>103,035</u>
	<u><u>1,009,322</u></u>	<u><u>968,638</u></u>

Except for the Chief Executive, Commissioners are not remunerated.

The average number of employees during the year was as follows:

	2021	2020
Harbour staff	<u>30</u>	<u>31</u>

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

5. EMPLOYEES - continued

The number of Commissioners who are accruing retirement benefits is as follows:

	2021	2020
Defined contribution schemes	1	-
Defined benefit schemes	<u>-</u>	<u>1</u>

6. OPERATING SURPLUS

The operating surplus is stated after charging/(crediting):

	2021 £	2020 £
Depreciation - owned assets	324,213	324,588
Surplus on disposal of fixed assets	-	(1,500)
Chief Executive's remuneration	109,684	110,363
Auditors' remuneration	4,200	4,200
Auditors' remuneration (non audit)	2,600	2,600
Capital grant released	<u>(63,120)</u>	<u>(63,120)</u>

7. EXCEPTIONAL ITEMS

	2021 £	2020 £
Deficit from changes in fair value of investment property	<u>(204,000)</u>	<u>(444,000)</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Bank loan interest	<u>16,616</u>	<u>22,984</u>

9. TAXATION

Analysis of the tax charge

The tax charge on the surplus for the year was as follows:

	2021 £	2020 £
Current tax:		
UK corporation tax	101,253	57,217
Deferred tax	<u>81,436</u>	<u>(24,189)</u>
Tax on surplus/(deficit)	<u>182,689</u>	<u>33,028</u>

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

9. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2021 £	2020 £
Surplus/(deficit) before tax	<u>166,058</u>	<u>(281,649)</u>
Surplus/(deficit) multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	31,551	(53,513)
Effects of:		
Expenses not deductible for tax purposes	10,844	5,041
Income not taxable for tax purposes	(11,993)	(11,993)
Depreciation in excess of capital allowances	32,091	33,322
Revaluation of investment property	38,760	84,360
Deferred tax	<u>81,436</u>	<u>(24,189)</u>
Total tax charge	<u>182,689</u>	<u>33,028</u>

Tax effects relating to effects of other comprehensive income

	Gross £	2021 Tax £	Net £
Actuarial surplus/deficit on pension scheme	<u>448,000</u>	<u>(48,640)</u>	<u>399,360</u>
	Gross £	2020 Tax £	Net £
Actuarial surplus/deficit on pension scheme	<u>(594,000)</u>	<u>114,760</u>	<u>(479,240)</u>

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

10. TANGIBLE FIXED ASSETS

	Freehold property £	Cowes breakwater £	Eastern Channel dredge £
COST			
At 1 January 2021	2,710,048	7,333,990	337,800
Additions	-	-	-
Disposals	-	-	-
At 31 December 2021	<u>2,710,048</u>	<u>7,333,990</u>	<u>337,800</u>
DEPRECIATION			
At 1 January 2021	244,595	750,771	22,520
Charge for year	19,447	146,527	13,512
Eliminated on disposal	-	-	-
At 31 December 2021	<u>264,042</u>	<u>897,298</u>	<u>36,032</u>
NET BOOK VALUE			
At 31 December 2021	<u>2,446,006</u>	<u>6,436,692</u>	<u>301,768</u>
At 31 December 2020	<u>2,465,453</u>	<u>6,583,219</u>	<u>315,280</u>

	Harbour equipment £	Vessels £	Office equipment £	Totals £
COST				
At 1 January 2021	3,250,968	926,379	103,203	14,662,388
Additions	97,165	-	2,425	99,590
Disposals	-	-	(19,530)	(19,530)
At 31 December 2021	<u>3,348,133</u>	<u>926,379</u>	<u>86,098</u>	<u>14,742,448</u>
DEPRECIATION				
At 1 January 2021	2,703,865	534,181	94,888	4,350,820
Charge for year	92,036	43,904	8,787	324,213
Eliminated on disposal	-	-	(19,530)	(19,530)
At 31 December 2021	<u>2,795,901</u>	<u>578,085</u>	<u>84,145</u>	<u>4,655,503</u>
NET BOOK VALUE				
At 31 December 2021	<u>552,232</u>	<u>348,294</u>	<u>1,953</u>	<u>10,086,945</u>
At 31 December 2020	<u>547,103</u>	<u>392,198</u>	<u>8,315</u>	<u>10,311,568</u>

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

10. TANGIBLE FIXED ASSETS - continued

Tangible fixed assets with a carrying value of £1,191,949 (2020: £1,191,949) are pledged as security for the bank loan.

11. INVESTMENT PROPERTY

	Total £
FAIR VALUE	
At 1 January 2021	1,216,000
Revaluations	<u>(204,000)</u>
At 31 December 2021	<u>1,012,000</u>
NET BOOK VALUE	
At 31 December 2021	<u>1,012,000</u>
At 31 December 2020	<u>1,216,000</u>

Fair value at 31 December 2021 is represented by:

	£
Valuation in 2015	73,000
Valuation in 2017	265,000
Valuation in 2020	(444,000)
Valuation in 2021	(204,000)
Cost	<u>1,322,000</u>
	<u>1,012,000</u>

The Investment property was valued on an open market basis on 31 December 2021 by the Commissioners.

12. STOCKS

	2021	2020
	£	£
Fuel	43,789	36,698
Goods for resale	<u>8,340</u>	<u>7,872</u>
	<u>52,129</u>	<u>44,570</u>

COWES HARBOUR COMMISSION

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021**

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade debtors	216,628	248,339
Other debtors	26,149	4,808
VAT	3,032	-
Prepayments	49,941	38,944
	<u>295,750</u>	<u>292,091</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Bank loans and overdrafts (see note 16)	65,105	63,913
Trade creditors	242,963	225,913
Corporation tax	101,253	57,217
Social security and other taxes	22,668	19,850
VAT	-	14,885
Other creditors	160,892	128,673
Accruals & deferred income	550,166	698,228
Deferred capital grants	63,120	63,120
	<u>1,206,167</u>	<u>1,271,799</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£	£
Bank loans (see note 16)	572,955	637,982
Other creditors	91,084	91,824
Deferred capital grants	2,707,902	2,771,022
	<u>3,371,941</u>	<u>3,500,828</u>

Included in "other creditors" in both notes 14 and 15 is an amount of £102,724 payable in instalments over the next 7 years to the Trustees of the Pilots National Pension Fund (PNPF) representing PNPF's estimates of CHC's share of the deficit in the Fund. PNPF have stated that amount payable may not be the final liability. It has not been possible to quantify the amount of the additional liability, if any.

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

16. LOANS

An analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year or on demand:		
Bank loans	<u>65,105</u>	<u>63,913</u>
Amounts falling due between one and two years:		
Bank loans	<u>66,819</u>	<u>65,497</u>
Amounts falling due between two and five years:		
Bank loans	<u>211,192</u>	<u>206,389</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>294,944</u>	<u>366,096</u>

17. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021 £	2020 £
Within one year	56,970	50,290
Between one and five years	252,370	236,680
In more than five years	<u>378,800</u>	<u>340,850</u>
	<u>688,140</u>	<u>627,820</u>

Lease payments recognised as an expense in the year were £51,098 (2020: £46,410). The amount received in temporary rent concession during the year were £nil (2020: £9,300).

18. SECURED DEBTS

The following secured debts are included within creditors:

	2021 £	2020 £
Bank loans	<u>638,060</u>	<u>701,895</u>

The bank loan is secured by a 1st legal charge over the land on the South West of Kingston Road and the land adjoining Shepherds Wharf Marina.

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

19. PROVISIONS FOR LIABILITIES

	2021 £	2020 £
Deferred tax		
Gain rolled over	353,207	269,633
Pension deficit	(147,250)	(195,890)
Investment property revaluation	(77,500)	(20,140)
Accelerated capital allowances	<u>220,564</u>	<u>165,342</u>
	<u>349,021</u>	<u>218,945</u>
Other provisions	<u>68,474</u>	<u>120,822</u>
Aggregate amounts	<u>417,495</u>	<u>339,767</u>
	Deferred tax	Other provisions
	£	£
Balance at 1 January 2021	218,945	120,822
Charge to Income Statement during year	81,436	-
Maintenance dredge provision	-	(52,348)
Charge to other comprehensive income	<u>48,640</u>	<u>-</u>
Balance at 31 December 2021	<u>349,021</u>	<u>68,474</u>

As a result of the Finance Act 2021 increasing the UK Corporation Tax rate from April 2023, the rate of 25% (2020: 19%) has been used in the deferred tax calculations.

The net deferred tax liability expected to reverse in 2022 is £33,159. This primarily relates to the reversal of timing differences on capital allowances.

Maintenance dredge provision

The maintenance dredge provision is calculated by considering the likely cost of such dredging as a result of the condition of the harbour at the end of the financial year. The expenditure is expected to be incurred during 2022/23.

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

20. RESERVES

	Retained earnings £
At 1 January 2021	8,076,508
Deficit for the year	(16,631)
Other recognised gains	448,000
Movement on deferred tax relating to pension liability	<u>(48,640)</u>
At 31 December 2021	<u>8,459,237</u>

21. EMPLOYEE BENEFIT OBLIGATIONS

The commission operates a defined benefit pension scheme in the UK. A full actuarial valuation was carried out at 31 March 2019 and updated to 31 December 2021 by a qualified independent actuary.

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

	Defined benefit pension plans	
	2021 £	2020 £
Present value of funded obligations	(3,748,000)	(3,910,000)
Fair value of plan assets	<u>3,159,000</u>	<u>2,879,000</u>
	(589,000)	(1,031,000)
Present value of unfunded obligations	<u>-</u>	<u>-</u>
Net Liability	<u>(589,000)</u>	<u>(1,031,000)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2021

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in surplus or deficit are as follows:

	Defined benefit pension plans	
	2021	2020
	£	£
Current service cost	25,000	48,000
Net interest from net defined benefit asset/liability	13,000	9,000
Past service cost	-	-
	<u>38,000</u>	<u>57,000</u>
 Actual return on plan assets	 <u>341,000</u>	 <u>96,000</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2021	2020
	£	£
Opening defined benefit obligation	3,910,000	3,255,000
Current service cost	25,000	48,000
Contributions by scheme participants	5,000	12,000
Interest cost	50,000	65,000
Actuarial losses/(gains)	(144,000)	634,000
Benefits paid	<u>(98,000)</u>	<u>(104,000)</u>
	<u>3,748,000</u>	<u>3,910,000</u>

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

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

	Defined benefit pension plans	
	2021	2020
	£	£
Opening fair value of scheme assets	2,879,000	2,828,000
Contributions by employer	32,000	47,000
Contributions by scheme participants	5,000	12,000
Expected return	37,000	56,000
Actuarial gains	304,000	40,000
Benefits paid	(98,000)	(104,000)
	<u>3,159,000</u>	<u>2,879,000</u>

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	2021	2020
	£	£
Actuarial surplus/(deficit)	<u>448,000</u>	<u>(594,000)</u>
	<u>448,000</u>	<u>(594,000)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	Defined benefit pension plans	
	2021	2020
Equities	72%	64%
Bonds	19%	30%
Property	6%	5%
Cash	<u>3%</u>	<u>1%</u>
	<u>100%</u>	<u>100%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2021	2020
Discount rate	1.90%	1.30%
Future salary increases	3.70%	3.30%
Future pension increases	2.90%	2.50%

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018, an allowance for smoothing of recent mortality experience and long term rates of 1.25% p.a for males and females. Based on these assumptions, average future life expectancies at age 65 are summarised below.

	Males	Females
Current pensioners	21.9 years	24.2 years
Future pensioners	22.9 years	25.9 years

Commutation

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 and 63% of the maximum tax-free cash for post-April 2008 service.

Defined contribution scheme

The Commissioners operate a defined contribution pension scheme. The assets of the scheme are held separately from those of the Commission in an independently administered fund. The pension cost charge represents contributions payable by the Commission to the fund.

The defined contribution scheme costs for the year amounted to £64,134 (2020: £54,984) and £565 (2020: £nil) was outstanding at the year end.

22. CAPITAL COMMITMENTS

	2021	2020
	£	£
Contracted but not provided for in the financial statements	<u>221,272</u>	<u>-</u>

In 2021 contracts were placed for the purchase of new pontoons for Whitegates and Kingston. These commitments will be completed in 2022.

23. RELATED PARTY DISCLOSURES

During the year the Commissioners occupied boat storage and mooring facilities provided by the Commission amounting to £8,646 (2020: £8,010). All transactions were carried out on normal commercial terms save for key management who received the normal staff discount. The total outstanding at the balance sheet was £nil (2020: £2,209 which represented 2021 fees invoiced in December 2020).

COWES HARBOUR COMMISSION

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2021

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

25. RECONCILIATION OF MOVEMENTS IN RESERVES

	2021	2020
	£	£
Deficit for the financial year	(16,631)	(314,677)
Other comprehensive income relating to the year (net)	<u>399,360</u>	<u>(479,240)</u>
Net addition/(reduction) to reserves	382,729	(793,917)
Opening reserves	<u>8,076,508</u>	<u>8,870,425</u>
Closing reserves	<u>8,459,237</u>	<u>8,076,508</u>

26. PERMITTED BORROWING

Cowes Harbour Commission's permitted borrowing under the Cowes Harbour Acts and Orders 1897 to 2012 is 1.25 x reported net assets. In addition the Commission has temporary borrowing powers of £1,029,000 rising to £1,107,000 in July 2022.