

States of Guernsey

States' Trading Supervisory Board

Ports

Annual Report and Audited Financial Statements

For the year ended 31 December 2022

States' Trading Supervisory Board Ports

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States' Trading Supervisory Board Ports

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers

States' Trading Supervisory Board Members

Deputy P. Roffey President
Deputy C. Parkinson
Deputy N. Moakes
Mr S. Falla CBE
Dr S. Thornton

The constitution of the States' Trading Supervisory Board ("STSB") provides that the membership of the STSB shall be a President and two members who shall be sitting members of the States and up to two voting members who shall not be sitting members of the States. If and when the STSB is inquorate and an urgent decision is required, the States' Rules of Procedure allow for the insufficiency of members to be replaced by members of the States chosen, in the first instance, from members of the Policy & Resources Committee.

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States Trading Group
Mr A. Ford, Head of Shareholder Executive, States Trading Group
Mr S. Gardiner, Finance Business Partner, States Trading Group resigned 5 December 2022
Mr M. Salmon, Finance Business Partner, States Trading Group appointed 5 December 2022

Ports Board Members

Mr S. Falla CBE Chairman
Deputy P. Roffey
Mr S. Holden non-voting adviser
Mr B. Smillie non-voting adviser
Mr R. Coppolo non-voting adviser
Mr B. Le Huray non-voting adviser
Mr C. Le Ray non-voting adviser
Mr C. McGinn non-voting adviser

At its meeting of 4 May 2017, the STSB agreed to establish political sub-committees (company boards) for the trading assets including the Ports.

The constitution of the Ports Board ("PB") was determined by the STSB at its meeting 4 May 2017.

Further information on the role of the PB is provided in the section on Corporate Governance.

States' Trading Supervisory Board Ports

States' Trading Supervisory Board Members, Principal Officers and Professional Advisers – continued

Principal Officers to the Ports Board

Mr C. Le Ray, Managing Director, Ports
Mr D. Barker, Harbourmaster, Harbour
Mr C. McGinn, Senior Finance Manager, Ports
Mr R. Coppolo, Chief Operating Officer, Ports
Mr B. Le Huray, Chief Commercial & Infrastructure Officer, Ports
Mr D. Wright, Commercial Manager, Ports

In these Financial Statements any reference to "President" refers to the President of the STSB and any reference to "Chairman" refers to the Chairman of the PB.

Legal Advisers

Law Officers of the Crown
St James Chambers
St James Street
St Peter Port
GY1 2PA

Independent Auditor

Grant Thornton Limited
St James Place
St James Street
St Peter Port
GY1 2NZ

States' Trading Supervisory Board

Ports

Chairman's Report

Overview

2022 has realised a significant improvement on the trading performance of Ports, including a £7.5m increase in income compared to 2021. Passenger movements at both the Harbour and the Airport have improved after a challenging period of disruption due to COVID-19.

High inflation has put pressure on Ports' costs. The team have worked hard to balance these cost pressures against the need to maintain viable port facilities to provide continuity for access to and from the island for cargo, medical flights and meet the increasing demand from passengers to travel by air and sea.

Business performance

The partial recovery of travel in 2022 is reflected in the results contained within these accounts. Income at both ports increased by £7.5m in 2022, with income at the Harbour exceeding the 2022 budget by £569k or +5%. Passenger traffic across both ports increased in 2022 by +170% compared to 2021, returning it to 76% of pre-COVID levels at the Airport and to 74% of pre-COVID levels at the Harbour.

Our community

As the operator of the main gateways to the island, Ports is aware of the need to balance its financial performance with the greater needs of the island. This has been particularly challenging given Ports has traded with significant financial losses over the past 3 years. Whilst Ports will constantly strive to minimise the impact of its charges on the demand for its services, Ports is now faced with some difficult decisions in order to balance those demands against depleted financial reserves and the pressing need to invest in its assets by addressing maintenance liabilities, particularly around the Harbour.

Our team

The last year has continued to challenge all of Ports' teams and the Board is encouraged by how they have continued to adapt to ensure core services can be maintained to keep the local economy functioning. Through positive action, recruitment to certain vacant posts has improved with the number of longer-term vacancies now reducing. This has led to good progress in maintaining our core functional assets over the year, although there is much to be done.

I would like to thank the dedicated staff and employees for continuing to meet so many challenges in another exceptional year and to their ongoing commitment to maintain and provide these key lifeline links.

States' Trading Supervisory Board Ports

Chairman's Report - continued

Our business strategy and future

The Board published its Business Plan in early 2022 to reflect an amended set of strategic objectives.

Work to assess the provision of additional marina facilities continued to be pursued with significant engineering surveys undertaken around the Harbour. The scheme is being costed and proposals will be provided to the States of Deliberation in 2023. Work on Phase 1 of the Guernsey Airport Masterplan was completed in 2022 and a land-use plan is being finalised, together with several commercial development opportunities for the site. Work on repairing the Havelet Slipway and on the replacement Airport Hold Baggage System was successfully completed in the year along with a major upgrade to equipment within the Central Search Area at Guernsey Airport.

There can be no doubt that 2022 was a better trading year, but Ports recognises that the legacy of the recent unprecedented trading periods continues to place pressure on its finances, and it is now prioritising work to establish a more sustainable financial model, that will ensure the Ports can continue to provide its lifeline essential services.

States' Trading Supervisory Board Ports

Managing Director's Report

The STSB presents its annual report and the audited financial statements for the year ended 31 December 2022. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 26.

Principal activities

The Airport provides for safe and expeditious movement of commercial and private aircraft, passengers and cargo to and from the Island on the most cost-effective basis.

The Airport also looks to ensure that policies, facilities and services are commensurate with the requirements of the Island in respect of air transport services, general aviation and meeting appropriate Aviation Regulatory Standards.

The Harbours provide essential services including sea passenger and freight facilities for the commercial operators. Additional facilities include the provision of berthing and/or marina facilities for local and visiting boat-owners, together with berthing and handling facilities for the commercial sea transport requirements of the Island.

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962, following a States of Guernsey Resolution in the Billet D'État XVI, 1961, on the basis that the Ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers and that the States of Guernsey, as owners of the Ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another.

Under this group arrangement the trading position of the Guernsey Airport and Guernsey Harbours is separately identified, but the assets and liabilities are consolidated in recognition of the States of Guernsey's strategic asset in the form of the combined Ports.

Our customers

The Ports' client base comprises commercial airlines and shipping companies, along with freight, private planes, vessels and cruise ships. The team is aware that this client base passes on its costs to their ultimate customers who are largely residents of the island.

States' Trading Supervisory Board Ports

Managing Director's Report - continued

Financial performance

The continued financial impact of COVID-19 continues to influence the Ports' finances, however thankfully that impact has lessened as evidenced from these financial statements. The Ports made a deficit of £4.3m in 2022 (2021: deficit £10.1m) although income in 2022 did increase by £7.5m (+55%) when compared to 2021, it remained some £2m (-8%) lower in cash terms to pre-COVID-19 income levels. Passenger movements through Guernsey Airport whilst 160% higher than in 2021, remained 24% down on pre-COVID-19 levels. Guernsey Harbour saw its passenger movements increase by 209% when compared to 2021, but remained 26% down on pre-COVID-19 (2019) levels.

Income at both ports was above budget. The Airport income was 5% below budget and the Harbour outturn was 9% higher than budget.

Expenses across Guernsey Ports totalled £23.3m, including payroll costs amounting to £13.2m (+9% on 2021) which included an inflationary uplift. Non-Pay costs and overheads amounting to £10.1m were also expended in 2022.

Airport costs increased by £0.9m compared to 2021. Overhead costs associated with maintaining the Airport estate included essential radar repair works, additional airport security costs, as well as infrastructure and navigation works.

Harbour costs increased by £1.4m compared to 2021. Harbour payroll costs increased by £0.6m in 2022. Other cost increases compared to 2021 related to additional maintenance, including £0.2m maintaining the property portfolio, £0.3m maintaining the marinas and finally increased costs of £0.2m on servicing the Ports public service obligations.

Continued pressures on revenue streams have resulted in significant additional challenges on cash and funding. Cash & cash equivalents realised a closing balance as at 31 December 2022 of a small £6k cash deficit following funding provided by the Policy & Resources Committee ("P&RC") to write off the Ports overdraft of £4.26m as at 31 December 2022. An overdraft facility has been extended through 2023 whilst recovery plans continue to be established and delivered.

States' Trading Supervisory Board Ports

Managing Director's Report - continued

	Actual 2022 £'000	Budget 2022 £'000	Actual 2021 £'000
Airport revenue	10,532	11,101	5,477
Harbour revenue	10,698	9,764	8,233
Total revenue	<u>21,230</u>	<u>20,865</u>	<u>13,710</u>
Airport deficit for the financial year	(4,940)	(4,359)	(9,716)
Harbour surplus/(deficit) for the financial year	836	(339)	(185)
Net investment loss and interest expense	(152)	(50)	(176)
Total deficit for the financial year	<u>(4,256)</u>	<u>(4,748)</u>	<u>(10,077)</u>
Airport capital expenditure	2,394	1,616	4,379
Harbour capital expenditure	2,660	2,055	858
Total capital expenditure	<u>5,054</u>	<u>3,671</u>	<u>5,237</u>

Operational performance

	2022	2021	Change %
Passenger movements			
Airport	655,588	252,567	160%
Harbour	225,894	73,195	209%
Total	<u>881,482</u>	<u>325,762</u>	<u>170%</u>
Airport			
Mandatory occurrence reporting	61	-	-
Aircraft accidents	1	-	-
Full time equivalent employees			
Airport	123	123	-
Harbour	84	79	6%

States' Trading Supervisory Board Ports

Managing Director's Report - continued

Statement of responsibilities for the preparation of financial statements

The STSB is required to prepare financial statements for each financial year, and for selecting suitable accounting policies for Ports. In preparing those financial statements, the STSB is required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so, and
- state whether applicable accounting standards have been followed.

The STSB is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time Ports' financial position. The STSB is also responsible for identifying and installing internal controls, including financial controls, which are adequate for its own purposes and to safeguard the assets of Ports and the States of Guernsey in its care, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls

The STSB, is responsible for the economic, efficient and effective operations and management of Ports and has a duty to ensure that they fulfil their obligations.

The Ports' internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly management reports, which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the STSB and PB, to ensure that all board members are informed of the Ports' financial affairs,
- Customer invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy,
- Regular review of debtors to ensure that any delinquent debtors are identified at an early stage and dealt with appropriately,
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails,
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill,

States' Trading Supervisory Board Ports

Managing Director's Report - continued

- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

The STSB strives to ensure that all staff with financial responsibility in Ports has appropriate integrity, skills and motivation to professionally discharge their duties.

The Ports' internal controls and accounting policies have been and are subject to continuous review and improvement. In addition the financial statements are subject to an independent external audit by an auditor appointed by the States of Guernsey.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least 12 months from the approval of the financial statements.

Auditors

Grant Thornton Limited have expressed their willingness to continue in office as auditor.

States' Trading Supervisory Board Ports

Corporate Governance

The purpose of the PB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of Ports.

The PB is accountable to the STSB and operates by challenging established practices and assumptions and seeking to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Government Work Plan, the Public Service Reform Agenda, Service Guernsey and other strategic reviews and organisational drivers.

The PB membership is a minimum of a Chairman who is not a States Member, a Political Member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States of Guernsey, the Ports Managing Director and the Financial Manager.

All members other than the Ports Managing Director and the Financial Manager are appointed by the STSB.

As a sub-committee of the States of Guernsey, the quorum will be two members of the STSB.

The PB does not hold a fiduciary responsibility.

The PB will take into account the States of Guernsey's political direction with regard to the operation of Ports, as directed from time to time by the STSB. It must ensure that the Ports' operations and operational policies align with the wider strategy and policy framework of the States of Guernsey and/or the STSB. The PB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required.

The STSB specifically confers the following responsibilities and delegated authority to the PB to:

- Approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB,
- Approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB,
- Approve and issue annual reports, and
- Guide and steer Ports.

In carrying out these responsibilities the PB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; and Relevant legislation. The PB has the authority delegated by the STSB to direct the Ports Managing Director in the day-to-day operation of Ports in line with approved budget and business plans.

The PB acts as a political sub-committee of the STSB.

States' Trading Supervisory Board Ports

Corporate Governance - continued

STSB can disband the PB at any time without notice or recourse to any other body.

In the event due process has not been followed, the PB must render itself unable to make a decision until such time process has been followed.

States' Trading Supervisory Board Ports

Independent Auditor's Report to the Members of the States of Guernsey – States' Trading Supervisory Board – Ports

Opinion

We have audited the financial statements of the States of Guernsey – States' Trading Supervisory Board ("STSB") – Ports for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements are prepared, in all material respects, in accordance with the basis of preparation and accounting policies as set out in note 2 to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of Ports in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter — Basis of Accounting and Restriction on Distribution and Use

We draw attention to note 2 to the financial statements, which describes the basis of accounting. Specifically, no full impairment review has been undertaken on Ports' Fixed Assets. This is not in compliance with FRS 102, which would require a full impairment review in light of the accounting losses. The financial statements are prepared to assist Ports to comply with its financial reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Ports and should not be distributed to or used by parties other than Ports. Our opinion is not modified in respect of this matter.

States' Trading Supervisory Board Ports

Independent Auditor's Report to the Members of the States of Guernsey – States' Trading Supervisory Board – Ports - continued

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the STSB for the financial statements

As explained more fully in the statement of responsibilities for the preparation of financial statements set out on page 10, the STSB is responsible for the preparation of the financial statements which give a true and fair view in accordance with FRS 102, and for such internal control as the STSB 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 STSB is responsible for assessing Ports' 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 STSB either intend to liquidate Ports or to cease operations, or have no realistic alternative but to do so.

States' Trading Supervisory Board

Ports

Independent Auditor's Report to the Members of the States of Guernsey – States' Trading Supervisory Board – Ports - continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ports' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ports' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ports to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

States' Trading Supervisory Board Ports

Independent Auditor's Report to the Members of the States of Guernsey – States' Trading Supervisory Board – Ports - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Use of our report

This report is made solely to the members of the STSB. Our audit work has been undertaken so that we might state to the members of the STSB 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 Ports and the members of the STSB, for our audit work, for this report, or for the opinions we have formed.



Grant Thornton Limited
Chartered Accountants
St Peter Port, Guernsey

22 May 2023

States' Trading Supervisory Board Ports

Statement of Comprehensive Income

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	2 & 4		
Airport fees, charges and other income		10,532	5,477
Harbour dues, charges and other income		10,698	8,233
		<u>21,230</u>	<u>13,710</u>
Expenses	2 & 5		
Airport expenses		(14,624)	(13,726)
Harbours expenses		(8,653)	(7,294)
		<u>(23,277)</u>	<u>(21,020)</u>
Operating deficit before depreciation and amortisation and loss on disposal of fixed assets		(2,047)	(7,310)
Depreciation and amortisation	9	(5,441)	(5,500)
Impairment of assets	11	-	(414)
Loss on disposal of fixed assets		(3)	-
Revaluation of investment property	10 & 17	65	1
Operating deficit for the year		(7,426)	(13,223)
Amortisation of asset specific contributions	2 & 18	3,322	3,322
Investment loss and interest payable	7	(152)	(176)
Deficit for the financial year		(4,256)	(10,077)

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the Statement of Comprehensive Income.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

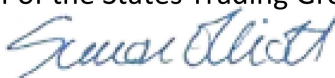
Statement of Financial Position

as at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Tangible fixed assets – Airport	9	78,373	82,052
Tangible fixed assets – Harbours	9	132,637	132,794
Investment property	10	525	460
Assets under construction	11	8,400	5,079
		219,935	220,385
Current assets			
Inventories	12	615	406
Debtors and prepayments	13	2,580	4,324
Balances with States Treasury		-	5
		3,195	4,735
Creditors: amounts falling due within one year			
Balances with States Treasury		(6)	-
Other creditors	14	(3,651)	(3,150)
		(3,657)	(3,150)
Net current (liabilities)/assets			
		(462)	1,585
Creditors: amounts falling due after one year			
	15	(2,071)	(2,167)
Total net assets			
		217,402	219,803
Reserves			
	17	217,402	219,803

Signed on behalf of the States of Guernsey - States' Trading Supervisory Board

Deputy P. Roffey  22 May 2023
President

Signed on behalf of the States Trading Group
Mr S. Elliott  22 May 2023
Managing Director

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Changes in Equity

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Balance at 1 January		219,803	215,674
Deficit for the financial year		(4,256)	(10,077)
Write off of revaluation reserve	18	-	61
Amortisation of asset specific contributions	18	(3,322)	(3,322)
Capital contribution from General Revenue	18	1,702	3,555
Cash contribution from General Revenue		3,475	13,912
Balance at 31 December	17	217,402	219,803

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Cash Flows

for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Net cash flows used in operating activities	19	<u>(11)</u>	<u>(6,958)</u>
Cash flows from investing activities			
Purchase of fixed assets	11	<u>(5,054)</u>	<u>(5,237)</u>
Proceeds from disposal of assets		<u>125</u>	<u>-</u>
Net cash flows used in investing activities		<u>(4,929)</u>	<u>(5,237)</u>
Cash flows from financing activities			
Capital contribution from General Revenue	18	<u>1,702</u>	<u>3,555</u>
Cash contributions from General Revenue		<u>3,475</u>	<u>13,912</u>
Capital repaid	16	<u>(96)</u>	<u>(90)</u>
Investment loss and interest paid		<u>(152)</u>	<u>(176)</u>
Net cash flows from financing activities		<u>4,929</u>	<u>17,201</u>
Net (decrease)/increase in cash and cash equivalents		(11)	5,006
Cash and cash equivalents at the beginning of the year		<u>5</u>	<u>(5,001)</u>
Cash and cash equivalents at the end of the year		<u><u>(6)</u></u>	<u><u>5</u></u>
Reconciliation to cash at bank and in hand:			
Balances with States Treasury		<u>(6)</u>	<u>5</u>
Cash and cash equivalents		<u><u>(6)</u></u>	<u><u>5</u></u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements

1. General information

Ports is an unincorporated business, the management, operation and maintenance of which is the responsibility of the States of Guernsey - STSB. The nature of the Ports' operations and principal activities are set out in the Managing Director's report.

The Ports' principal places of business are Guernsey Airport, La Villiaze, Forest, Guernsey, GY8 0DS and Guernsey Harbour, St Julians Emplacement, St Peter Port, Guernsey, GY1 3DL.

2. Principal accounting policies

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.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include certain items at fair value and broadly following the principles of the Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council. The two exceptions below render the accounts non-compliant with FRS102.

i) Fixed asset impairment

In respect of the Ports' Fixed Assets the impairment review undertaken has not included a full impairment review of the Fixed Assets as the primary objective is to facilitate travel to and from the island and not generate an economic return. This is not in compliance with FRS 102 which would require a full impairment review in the light of negative operating cash flows.

ii) Amortisation of asset specific contributions

Asset specific contributions are initially recognised in the capital contributions reserve and released to the revenue account over the anticipated useful life of the asset concerned, on a basis consistent with the depreciation of the underlying asset.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of Ports and has been rounded to the nearest thousand.

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and its Principal Officers have reviewed the cash flows and projected income and expenses over the next 12 months prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least 12 months from the approval of the financial statements.

Tangible fixed assets

i) Investment properties

Investment properties for which fair value can be measured reliably on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

ii) Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their expected useful life except assets in the course of construction.

iii) Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method. Depreciation commences from the beginning of the month of acquisition of an asset or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

	Estimated life in years	Depreciation % per annum
Land	-	-
Infrastructure	15 - 60	1.7% - 6.7%
Buildings	25 - 60	1.7% - 4.0%
Plant and Equipment	5 - 25	4.0% - 20.0%
Vehicles and Vessels	5 - 25	4.0% - 20.0%
Computers and ICT	3	33.3%

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The exception being as noted under the Accounting Convention.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses and are calculated at average value method. Provisions are made for obsolete and slow-moving items where appropriate.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Basic financial instruments

i) Trade debtors

Trade debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses.

ii) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Ports. Whilst Guernsey Ports operates a treasury account, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States Treasury at the year-end is treated as cash and cash equivalents in Guernsey Port's Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

iii) Trade creditors

Trade creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

iv) Loans from the States of Guernsey

Loans from the States of Guernsey are initially recognised at cost. These loans are subsequently measured at amortised cost.

v) Derecognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the business transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the business, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

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

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue comprises amounts in respect of Harbour and Airport dues, fees and charges arising from commercial operations in the year.

Pension costs

Pension costs are treated as described in note 22.

Amortisation of asset specific contributions

Asset specific contributions are initially recognised in the capital contributions reserve and released to the revenue account over the anticipated useful life of the asset concerned on a basis consistent with the depreciation of the underlying asset.

Investment return and interest receivable/payable

Investment return on balances held with the States Treasury and interest receivable/payable is accounted for on an accruals basis.

Leases

i) As lessee

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

ii) As lessor

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

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Ports' accounting policies, which are described in note 2, the PB is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There were no critical judgements that require disclosure made by the PB in the process of applying Ports' accounting policies. The following estimations made by the PB have the most significant effect on the amounts recognised in the financial statements.

i) Valuation of investment property

As stated in the accounting policies above, the Ports' investment properties are stated at fair value as accounted for by management based on an independent external appraisal. The estimated fair value may differ from the price at which the properties could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

The Ports' infrastructure assets have no definite life of the assets, so management makes an assumption based on previous experience of the usage of the assets. The rate used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

4. Revenue

All revenue is derived from activities within the Bailiwick of Guernsey.

An analysis of Ports' revenue by class of business is set out below:

	2022	2021
	£'000	£'000
Airport	10,532	5,477
Harbours	10,698	8,233
Ports revenue	21,230	13,710
Airport		
Advertising & sundries	326	323
Airport development charge	572	209
Car parking fees	822	306
Recovery from Alderney	177	187
Rents	1,389	1,126
Traffic receipts	7,246	3,326
Airport revenue	10,532	5,477
Harbour		
Commercial port operations	6,194	4,780
Leisure	3,316	2,432
Non-commercial port	21	5
Property	1,130	980
Ships registry	37	36
Harbour revenue	10,698	8,233

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

5. Expenses

	2022	2021
	£'000	£'000
Airport		
Aerodrome fire service	2,395	2,193
Airport infrastructure	2,965	2,306
Airport security	2,713	2,636
Navigational services	4,567	4,265
Administration	1,984	2,326
	14,624	13,726
Harbour		
Commercial ports operations	3,314	2,809
Property	1,179	999
Leisure	2,286	1,880
Non-commercial ports operations	1,803	1,541
Ships registry	71	65
	8,653	7,294

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

6. Staff numbers and costs

The average monthly number of full time employees (including senior management) was:

	2022	2021
Airport		
Operational	109	108
Administration and support	14	14
	<u>123</u>	<u>122</u>
Harbour		
Operational	67	67
Administration and support	17	12
	<u>84</u>	<u>79</u>

Their aggregate remuneration comprised:

	Note	2022	2021
		£'000	£'000
Wages and salaries		10,960	10,142
Social security costs		756	665
Pension costs	22	1,545	1,304
		<u>13,261</u>	<u>12,111</u>

Pension costs include only those items within operating and management expenses.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

7. Interest

	2022	2021
	£'000	£'000
Interest payable		
Investment loss on balances with States Treasury	(80)	(92)
Interest payable on loans	(72)	(84)
	<u>(152)</u>	<u>(176)</u>

8. Deficit for the financial year

Deficit for the financial year is stated after charging:

	Note	2022	2021
		£'000	£'000
Auditor's remuneration		31	28
Depreciation of tangible fixed assets	9	5,441	5,500
Impairment of tangible fixed assets	11	-	414
Loss on disposal of fixed assets		3	-
		<u>5,475</u>	<u>5,942</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets

	1 January			31
Airport	2022	Additions	Disposals	December
	£'000	£'000	£'000	2022
				£'000
Cost				
Land	2,687	-	-	2,687
Infrastructure	64,846	-	-	64,846
Buildings	33,605	-	-	33,605
Plant & equipment	24,185	-	(539)	23,646
Vehicles & vessels	1,682	421	(93)	2,010
Information technology	156	-	-	156
	<u>127,161</u>	<u>421</u>	<u>(632)</u>	<u>126,950</u>
Depreciation				
Land	-	-	-	-
Infrastructure	18,101	1,891	-	19,992
Buildings	8,398	580	-	8,978
Plant & equipment	17,163	1,456	(414)	18,205
Vehicles & vessels	1,291	45	(90)	1,246
Information technology	156	-	-	156
	<u>45,109</u>	<u>3,972</u>	<u>(504)</u>	<u>48,577</u>
Net Book Value	<u><u>82,052</u></u>			<u><u>78,373</u></u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets– continued

	1 January			31
Harbour	2022	Additions	Disposals	December
	£'000	£'000	£'000	2022
				£'000
Cost				
Land	87,515	-	-	87,515
Infrastructure	8,428	-	-	8,428
Buildings	49,624	322	-	49,946
Plant & equipment	9,380	990	-	10,370
Vehicles & Vessels	1,218	-	-	1,218
Information technology	283	-	-	283
	<u>156,448</u>	<u>1,312</u>	<u>-</u>	<u>157,760</u>
Depreciation				
Land	-	-	-	-
Infrastructure	2,481	346	-	2,827
Buildings	14,559	812	-	15,371
Plant & equipment	6,026	253	-	6,279
Vehicles & Vessels	316	55	-	371
Information technology	272	3	-	275
	<u>23,654</u>	<u>1,469</u>	<u>-</u>	<u>25,123</u>
Net Book Value	<u>132,794</u>			<u>132,637</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

10. Investment properties

	1 January 2022 £'000	Additions/ Disposals £'000	Revaluations £'000	31 December 2022 £'000
Airport	460	-	65	525
	<u>460</u>	<u>-</u>	<u>65</u>	<u>525</u>

Investment properties, which are all freehold, were valued to fair value at 31 December 2022, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the RICS Red Book value. There are no restrictions on the realisability of investment property.

The original book value of the investment property was £436k.

No property rental income was earned during the year (2021: £nil). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, the Ports were not contracted with tenants for any future minimum lease payments on investment properties (2021: £nil).

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

11. Assets under construction

	1 January 2022 £'000	Additions £'000	Impairment £'000	Transfers to Tangible Fixed Assets £'000	31 December 2022 £'000
Airport	3,877	2,394	-	(421)	5,849
Harbour	1,202	2,660	-	(1,312)	2,549
2022 Total	5,079	5,054	-	(1,733)	8,400
2021 Total	1,348	5,237	(414)	(1,092)	5,079

Assets under construction completed in 2022 and transferred to fixed assets includes: RoRo Linkspan Control Equipment Replacement, New Jetty ICCP system, and Pontoons.

Assets under construction as at 31 December 2022 mainly relate to the Pool Marina Project at the Harbour and the Central Search Area project at the Airport.

12. Inventories

	2022 £'000	2021 £'000
Airport	65	65
Harbours	550	341
	615	406

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

13. Debtors and prepayments

	2022	2021
	£'000	£'000
Trade debtors - Airport	968	902
Trade debtors - Harbour	1,507	3,400
Prepayments - Airport	96	10
Prepayments - Harbour	9	12
	2,580	4,324

14. Other creditors: amounts falling due within one year

	Note	2022	2021
		£'000	£'000
Trade creditors - Airport		457	608
Trade creditors - Harbour		315	479
Accruals - Airport		1,388	1,092
Accruals - Harbour		941	635
Deferred income - Airport		75	75
Deferred income - Harbour		378	170
Harbour operational license and security deposits		1	1
Loan from States of Guernsey	16	96	90
		3,651	3,150

15. Creditors: amounts falling due after one year

	Note	2022	2021
		£'000	£'000
Loan from States of Guernsey	16	2,071	2,167

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

16. Loan from the States of Guernsey

	2022	2021
	£'000	£'000
Balance at 1 January	<u>2,257</u>	<u>2,347</u>
Capital repaid	<u>(96)</u>	<u>(90)</u>
Balance at 31 December	<u>2,158</u>	<u>2,257</u>

On 1 March 2019 Ports borrowed £2.5m from the States of Guernsey which is repayable on a quarterly basis over a period of 20 years at an annual interest rate charged at 3.625%.

	2022	2021
	£'000	£'000
Within one year	99	90
Between one and two years	103	96
Between two and five years	332	303
More than five years	<u>1,624</u>	<u>1,768</u>
	<u>2,158</u>	<u>2,257</u>

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

17. Reserves

	2022	2021
	£'000	£'000
Balance at 1 January	219,803	215,674
Deficit for financial year	(4,256)	(10,077)
Write off of revaluation reserve	-	61
Amortisation of asset specific contributions	(3,322)	(3,322)
Capital contribution from General Revenue	1,702	3,555
Cash contribution from General Revenue	3,475	13,912
	<hr/>	<hr/>
Balance at 31 December	217,402	219,803
	<hr/>	<hr/>

Included within Reserves are amounts contributed by the States Capital Reserve specifically for the Guernsey Airport Pavements Rehabilitation and the Airport Hold Baggage System projects. As the contributions are specifically related to assets acquired or constructed under those projects, the contributions reserve has been released back to the Statement of Comprehensive Income to match the depreciation expense on those specific assets. Amounts are released to the Statement of Comprehensive Income in line with the expected useful lives of the underlying assets for which contribution is provided for on a basis which is consistent with the depreciation policy for that asset.

All reserves are distributable.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

18. Asset specific contributions

	2022	2021
	£'000	£'000
As at 1 January	57,813	57,580
Contributions from General Revenue Reserve	1,702	3,555
	59,515	61,135
Released to Statement of Comprehensive Income during the year	(3,322)	(3,322)
Net book value of projects not yet released to the Statement of Comprehensive Income	56,193	57,813

19. Reconciliation of operating deficit to net cash flows from operating activities

	2022	2021
	£'000	£'000
Operating deficit for the year	(7,426)	(13,223)
Depreciation charges	5,441	5,500
Impairment of assets	-	414
Loss on disposal of fixed assets	3	-
Revaluation of investment property	(65)	(1)
Increase in inventories	(209)	(31)
Decrease/(increase) in debtors	1,744	(244)
Increase in creditors due within one year	501	627
Net cash flows used in operating activities	(11)	(6,958)

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

20. Financial commitments and contingent liabilities

Ports has no financial commitments as at 31 December 2022 (2021: £nil) which are not provided for in the financial statements.

Ports has no contingent liabilities as at 31 December 2022 (2021: £nil).

21. Financial instruments

Port's financial instruments may be analysed as follows:

	Note	2022 £'000	2021 £'000
Financial Assets at amortised cost			
Cash and cash equivalents		-	5
Debtors	13	2,475	4,302
Financial liabilities at amortised cost			
Cash and cash equivalents		(6)	-
Creditors: amounts falling due within one year	14	(1,178)	(1,178)
Creditors: amounts falling due after more than one year	15	(2,157)	(2,157)

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

22. Employee benefits

The employees of Ports are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (£94,081 as at 31 December 2022) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

Although the scheme is a multi-employer plan, it is not possible to identify the Ports' share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities. The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of the Ports are considered to be ultimately employees of the States of Guernsey.

Consequently, the Ports has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of triennial valuations.

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,545k (2021: £1,304k). The rate of employer contributions was reduced with effect from 1 August 2022 from 14.1% to 10.3%.

Further details relating to the funding of the Superannuation Scheme are included within the States of Guernsey Accounts 2022.

Notes 1 to 26 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

23. Statement of control

The Ports are wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Ports has been delegated to the members of the STSB appointed by the States of Guernsey.

24. Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arm's length".

The total remuneration for key management personnel in 2022 (including salaries and other benefits) was £618k (2021: £606k).

Related party transactions between the Ports and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 "Related Party Disclosures".

STSB member Mr S. Falla CBE declared that he was a major shareholder in the Garenne Group during 2022. As such, transactions which had taken place between Ports and Garenne Group companies in the ordinary course of business were subject to declaration under FRS 102 section 33. The aggregate of all of these transactions is not of a material nature to either party and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules would excuse himself from any STSB or other meetings, and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

25. Subsequent events

Management knows of no events subsequent to the end of the reporting period that would materially affect the financial statements.

26. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 20 relating to 2022 which would affect these financial statements (2021: None).

Notes 1 to 26 form an integral part of these financial statements.