

**SHOREHAM PORT AUTHORITY**  
**REPORT AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2022**

# SHOREHAM PORT AUTHORITY

## MEMBERS

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<b>Chair</b>	A Foster
<b>Deputy Chair</b>	M Lemmon (Appointed 1 January 2022)
<b>Members</b>	L Cilenti (Appointed 1 January 2022) C Dwyer (Resigned 31 December 2022) A Massey D Messem (Appointed 1 January 2022) N Nadkarni C May (Appointed 1 January 2023)

The above Members are appointed in accordance with the Shoreham Port Authority Harbour Revision (Constitution) Order 2004.

# SHOREHAM PORT AUTHORITY

## PRINCIPAL OFFICERS AND PROFESSIONAL ADVISORS

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<b>Chief Executive</b>	T Willis
<b>Secretary/ Finance Director &amp; Deputy Chief Executive</b>	S Bassett
<b>Harbour Master/ Director of Marine Operations</b>	J Seaman
<b>Commercial &amp; Property Director</b>	B Evans-Gay (W.e.f. 1 September 2022)
<b>Director of Property &amp; Infrastructure</b>	T Hague (Resigned 26 August 2022)
<b>Safety, Operations &amp; Logistics Director</b>	N Brown (W.e.f. 1 November 2022)
<b>People, Communications &amp; Sustainability Director</b>	S Woolven (Interim - Appointed 1 January 2022, Resigned 27 January 2023)
<b>Director of Engineering &amp; IT</b>	B Rousell
<b>Registered office</b>	Nautilus House 90-100 Albion Street Southwick Brighton BN42 4ED
<b>Bankers</b>	HSBC UK Bank plc
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants One London Square Cross Lanes Guildford Surrey GU1 1UN
<b>Telephone:</b>	01273 598100
<b>Website:</b>	<a href="http://www.shoreham-port.co.uk">http://www.shoreham-port.co.uk</a>
<b>Email:</b>	<a href="mailto:info@shoreham-port.co.uk">info@shoreham-port.co.uk</a>

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The directors present the strategic report for the year ended 31 December 2022.

We are pleased to provide this strategic report on our 2022 performance, sharing the positive progress made by the Shoreham Port team against our Masterplan goals. We remain committed to improving the Port and its environment in a way that is sustainable, in line with our values and our responsibilities to future generations.

We are very proud of our colleagues' achievements during 2022; despite economic instability, a cost of living crisis and the ongoing war in Ukraine the team delivered a year of strong growth.

Our Masterplan 2022 challenges us to get 'All home safe and well daily'. Whilst every accident is one too many, we are pleased to report a solid safety performance during 2022 with one Lost Time Injury over the period (compared to four during 2021). Engagement remains at the centre of our approach to safety with more colleagues now involved in reporting accidents, incidents and near misses.

To 'improve the Port for everyone' is a key commitment in our Masterplan. During 2022 we invested just over £2.2m, of this £657k was funded from reserves and the remainder from additional borrowing. Major projects included opening the Adur Dock development (providing a new workshop, a further commercial unit and Port Kitchen- our new café), completing a further phase of our Inner Layby clearance (which increases cargo handling capacity), the acquisition and integration of Lady Bee Chandlery and the creation of a new commercial compound. Our logistics business continued to grow during the year (£2.2m revenue contribution) and we announced an extension to the collaboration agreement with H2Green to create the Shoreham Port Green Energy Hub. In June we opened Port Kitchen, our new café and focal point for the estate, we have since become the first café in Sussex to achieve a Green Tourism Gold Award.

To improve facilities for our fishing and leisure users, the UK Seafood Fund: Infrastructure Scheme granted us £540k to redevelop the dry dock. The facility will be operational mid-2023 and is set to be very popular with berth holders and visiting marine users.

Alongside the development of the facilities at the Port, we also place significant emphases on our culture and how we conduct ourselves. 2022 was our second full year embedding our award winning values, which continue to guide all aspects of our activity. Direct employment increased by 35 roles during the year, we continue to be a signatory of the Brighton and Hove Living Wage Campaign.

In a year of continued uncertainty within construction supply chains, the Port saw a 11% reduction in commercial ship calls from 646 in 2021 to 575. This decline resulted in a 14% reduction in total cargo tonnage. The key factor within this was a 36% decline in timber imports from the record breaking 349k tonnes handled in 2021.

Leisure movements continued strongly with 14,772 movements recorded in the year. The total value of fish landed was £15m an increase of 12% on 2021, retaining our position as the third largest fishing port in England.

Whilst there was a reduction in ship calls and total cargo tonnage, we still achieved a second year of record breaking turnover at £16.6m – 7% more than 2021. It was our property investment plans that helped drive the Port's turnover, with rental income increasing by 10% to £4.9m. Despite the challenges around the volume of timber, 2022 saw Port Operations turnover remain consistent with 2021.

The cost of running the Port in 2022 was £17.7m, this is an increase of 7% compared to 2021. Key factors within this were the additional costs of fuel (£168k), Port Kitchen operational costs (£258k) and full year of the HGV fleet and drivers (£621k). We also incurred a pension accounting adjustment of £1.5m split over cost of sales and administrative expenses. Due to these increased expenses, the Port made an Operating loss of £962k. After interest costs of £693k, investment property valuation gain of £181k and taxation relief of £296k the Port made a loss in the year of £1.2m.

On the Port's balance sheet, the Investment Property value is £34.5m, which includes a fair value uplift of £0.2m, the cash position increased to £3.3m which is being utilised to complete key major projects early in 2023 and the surplus of the Port defined benefit pension schemes, which increased from £0.5m deficit to £8.5m surplus. This has resulted in an 11.3% increase in the Port's Net Assets from £58.8m to £65.4m.

# SHOREHAM PORT AUTHORITY

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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Since the end of 2021 we have been reviewing our financial arrangements and following a full market appraisal, in November 2022 we appointed HSBC as our new finance partner. In an overall agreement worth c£26m we consolidated all existing credit facilities, created headroom for further investment and optionality for additional funding should that be required.

The Port continued to play a proactive role within the local community donating £32k to local causes. Longer term partnerships with the Sea Scouts, Sussex Dolphin Project and Shoreham Academy continued.

2022 was our ninth year as a certified EcoPort, we held our second Sustainability Week in September with over 300 visitors attending the Port. We look forward to publishing our Sustainability Report for 2022 shortly which shares progress on our journey towards NetZero and on site renewable energy generation.

At the end of 2022 we said goodbye and thank you to Carolyn Dwyer who served on our board since 2015. Catherine May joined the board, starting in January 2023.

As a Trust Port our continued success is linked to how we engage, and importantly, listen to a wide variety of valued stakeholders. Therefore, please continue to get in touch with your views and suggestions via our social media channels or [info@shoreham-port.co.uk](mailto:info@shoreham-port.co.uk). Everyone is also welcome to join us at our Annual Public Meeting, which we are holding in both physical and on-line formats on the 13th of June, details will be available shortly at [www.shoreham-port.co.uk](http://www.shoreham-port.co.uk).

Our outlook for the next twelve months is increasingly optimistic. Despite the market uncertainty, we are confident our strong customer and supplier relationships, combined with our increasingly diversified activity base places us in a positive position. Whilst we will need to keep managing risks attributed to the ongoing energy crisis and war in Ukraine, we are both excited by the strong portfolio of projects scheduled for delivery in 2023 including the further development of the Shoreham Port Green Energy Hub. We believe we are well placed to create and maximise forthcoming opportunities with our values continuing to provide guidance.

We would like to thank everyone once again for their hard work, during a year of positive growth at Shoreham Port.

Amber and Tom

.....  
A Foster  
**Chair**

.....  
T Willis  
**Chief Executive**

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS

### FOR THE YEAR ENDED 31 DECEMBER 2022

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The Members submit their report and the financial statements for the year ended 31 December 2022.

#### **Principal activities**

The principal activities are the provision of port services, maintaining and improving the Port's infrastructure and managing the Port's property portfolio.

A review of the Authority's business and its future development are included in the Strategic Report.

#### **Results**

The results for the year are set out on page 11.

#### **Investments**

The Authority has four wholly owned subsidiaries: Shoreham Port Developments and Investments Limited, which is an investment holding company, Sussex Port Forwarding Limited (SPF) whose principal activities are stevedoring and freight forwarding, Shoreham Port Solutions Limited whose principal activities are that of a recruitment agency for drivers and casual workers at Shoreham Port, and Port of Shoreham Trustee Company Limited whose principal activity is as corporate trustee to The Port of Shoreham Retirement and Death Benefit Scheme.

#### **Payment policy and practice**

It is the Authority's policy to pay all suppliers within their agreed credit terms.

#### **Auditor**

RSM UK Audit LLP has indicated its willingness to continue in office.

#### **Members**

The Members of the Authority who served during 2022 and since are shown on page 1.

#### **Statement of Members' responsibilities**

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

Applicable law requires the Members to prepare financial statements for each financial year. Under that law the Members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under applicable law the Members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the Authority and of the profit or loss of the group for that period.

In preparing those financial statements, the Members 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 Authority will continue in business.

The Members are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the Authority's transactions and disclose with reasonable accuracy at any time the financial position of the group and the Authority and enable them to ensure that the financial statements comply with the Harbours Act 1964 as amended by the Transport Act 1981, which requires that the financial statements be prepared in accordance with the requirements of the Companies Act 2006. The Members are also responsible for safeguarding the assets of the group and the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### **Statement of Members' responsibilities**

The Members are also responsible for the maintenance and integrity of the corporate and financial information included on the Authority's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

### **Statement of disclosure to auditor**

The Members who were in office at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the Members have confirmed that they have taken all the steps they ought to have taken as Members in order to make themselves aware of any related audit information and to establish that it has been communicated to the auditor.

### **Statement on corporate governance**

The Board of Shoreham Port Authority is committed to operating a system of corporate governance that follows the principles laid out in the UK Corporate Governance Code, to the extent considered appropriate to the size and nature of the Authority.

Following the making of the Shoreham Port Authority Harbour Revision (Constitution) Order 2004, all Board Members are appointed via an openly advertised process and are required to have special knowledge, experience or ability in a number and complementary range of matters relevant to the efficient, effective and economic discharge by the Authority of its functions.

### **Audit and Finance committee**

The Audit Committee normally comprises three non-executive Members of the Board. New Co-Chairs were appointed 1 January 2022 M Lemmon and D Messem, on 1 June 2022 D Messem was appointed Chair. It reviews the Annual Report and Financial Statements prior to submission to the Board. The terms of reference of the Committee include reviewing the scope and results of the external audit to ensure an appropriate control environment, reviewing any major financial risks, and generally overseeing financial risk management within Shoreham Port. This is to ensure that the financial risk management policy is effective and consistent with the Board's policy towards risk. The Committee also meets to provide detailed consideration of budgets prior to their submission to the full Board. The Committee meets not less than three times a year. The Chief Executive and Finance Director & Deputy Chief Executive are invited to attend, as are the external auditors as and when required.

### **People and Culture Committee (Remuneration and nominations committee)**

The People and Culture Committee comprised three non-executive Members of the Board and was chaired during the year by M Lemmon. The Committee advises the Board on the remuneration of the Chief Executive, reviews the Chief Executive's recommendations in respect of the senior leadership team, and also reviews the benchmarking process and results at the Port. The Committee also makes recommendations to the Board in respect of the remuneration of non-executive Board Members, subject to independent review as considered necessary. The Committee meets as and when required. The Chief Executive and Finance Director are invited to attend. An independent advisor will be invited to join the Committee when required.

### **Business Risk & Safety committee**

During the year the Business Risk & Safety committee was chaired by A Massey. The Committee's key role is to scrutinise and monitor the Port's compliance with relevant legal and regulatory requirements. The Committee reviews the audits of the Port Marine Safety Code and Occupational Health and Safety, along with an annual review of the Port's Risk and Management Strategy. The Committee meets at least twice a year.

### **Internal control and risk management**

The Board is responsible for the systems of internal control and risk management and for reviewing the effectiveness of those systems. Such systems are designed to manage the risk of failure to achieve business objectives. To this extent any system can provide only reasonable and not absolute assurance against material misstatement or loss.

The management of the Port is subject to a number of business and financial risks.

# SHOREHAM PORT AUTHORITY

## REPORT OF THE MEMBERS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### Internal control and risk management

The financial risks to which the Authority's operations are exposed include liquidity risk, credit risk, interest rate risk and foreign exchange risk.

Liquidity risk is the risk that the Authority will encounter difficulty in meeting its financial obligations as they fall due. The Authority mitigates this risk by managing its working capital to ensure it has sufficient funds for its operations through the use of cash flow forecasts.

Credit risk is the risk that the other party to a financial instrument such as cash at bank, or debts receivable, will default. The Authority manages this risk by using only approved banks for deposits, and by close monitoring of debts due. The facility arrangement with HSBC is a five-year term, which gives some security to the Board on the debt arrangement for the Port.

Interest rate risk is the risk that future cash flows will be affected by changes in interest rates. The Authority mitigates interest rate risks with fixed rate debt along with a variable rate debt which has a natural commercial hedge in place with a Port tenant.

Foreign exchange risk is the risk that future cash flows will fluctuate because of changes in exchange rates. The Authority principally conducts its business in sterling, but occasionally purchases assets and hence incurs liabilities in other currencies.

### Performance evaluation

Evaluation of the Board and its Committees is undertaken to ensure that they remain effective. A collective evaluation of the Board and their skills was undertaken during 2022.

### Going concern

The activities of the Authority and group together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report, and the Board's risk management policies are set out in the Report of the Members. The group has secure sources of income but is exposed to the continuing economic uncertainty that exists in the UK.

In November 2022, the Port completed a refinancing exercise and appointed HSBC UK Bank plc to be their financial/banking partner. The aim of the refinancing was to consolidate existing debt, repay outstanding asset finance as well as seeking additional borrowings.

HSBC UK Bank plc have made available to the Port a loan of £20m along with a Revolving Credit Facility of £6m for a five-year term.

HSBC UK Bank plc £20m facility is a bullet loan repayable in 2027. It is a £12m variable rate loan at Bank of England base rate plus 2.1% and a £8m 5.93% fixed rate loan. Only interest is payable annually until the repayment in 2027.

Management have produced a financial model, including Profit and Loss, Balance Sheet, and Cash-flow to 2031. Having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements.

Given the position outlined above the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the board

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A Foster  
**Chair**

.....  
T Willis  
**Chief Executive**



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY**

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## **Opinion**

We have audited the financial statements of Shoreham Port Authority (the 'parent entity') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated and Authority statements of financial position, the consolidated and Authority statements of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the Authority's affairs as at 31 December 2022 and of the group's loss 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' 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 group's or the parent company'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 directors with respect to going concern are described in the relevant sections of this report.

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 as required by the terms of our engagement**

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY (CONTINUED)**

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the Authority and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the Members' report.

We have nothing to report in respect of the following matters in relation to which our engagement letter requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Authority, or returns adequate for our audit have not been received from branches not visited by us; or
- the Authority financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of directors**

As explained more fully in the Members' responsibilities statement set out on page 7, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the group or the Authority or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHOREHAM PORT AUTHORITY (CONTINUED)

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In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent authority operates in and how the group and parent authority are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that 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 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, reviewing tax calculations and making enquiries of local tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety. We performed audit procedures to inquire of management, including discussion with the Director of Safety, Operations and Commercial, whether the group is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.

The group audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied in the calculation of fair value adjustments of defined benefit pension scheme valuations and investment properties within the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Authority's members, as a body, in accordance with our engagement letter dated 15 December 2021. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Caroline Watson ACA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

3rd Floor

Portland

25 High Street

Crawley

West Sussex, RH10 1BG

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# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	2021 £
<b>Turnover</b>	<b>3</b>	16,648,923	15,624,190
Cost of sales		(9,826,377)	(10,048,158)
<b>Gross profit</b>		6,822,546	5,576,032
Administrative expenses		(7,871,948)	(6,483,763)
Other operating income	<b>3</b>	87,723	87,097
<b>Operating loss</b>	<b>6</b>	(961,679)	(820,634)
Interest receivable and similar income	<b>8</b>	137	2,540
Interest payable and similar expenses	<b>9</b>	(693,369)	(464,083)
Fair value gain/(loss) on investment properties	<b>10</b>	180,613	1,085,730
<b>Loss before taxation</b>		(1,474,298)	(196,447)
Taxation	<b>11</b>	296,285	(1,481,247)
<b>Loss for the financial year</b>	<b>27</b>	(1,178,013)	(1,677,694)
<b>Other comprehensive income</b>			
Actuarial gain on defined benefit pension schemes		10,462,000	4,111,000
Tax relating to other comprehensive income		(2,615,500)	(781,090)
<b>Total comprehensive income for the year</b>		6,668,487	1,652,216

The Consolidated Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Goodwill	12	85,500		-	
Tangible assets	13	48,044,635		47,997,146	
Investment properties	14	34,508,717		33,371,275	
		<u>82,638,852</u>		<u>81,368,421</u>	
<b>Current assets</b>					
Stocks	17	92,014		-	
Debtors	18	4,516,497		3,791,876	
Cash at bank and in hand		3,354,217		2,362,906	
		<u>7,962,728</u>		<u>6,154,782</u>	
<b>Creditors: amounts falling due within one year</b>	19	(4,792,423)		(16,011,563)	
<b>Net current assets/(liabilities)</b>		<u>3,170,305</u>		<u>(9,856,781)</u>	
<b>Total assets less current liabilities</b>		<u>85,809,157</u>		<u>71,511,640</u>	
Creditors: amounts falling due after more than one year	20	(20,733,789)		(5,835,298)	
Provisions for liabilities	23	(8,121,066)		(6,462,527)	
<b>Net assets excluding pension surplus/(deficit)</b>		<u>56,954,302</u>		<u>59,213,815</u>	
Defined benefit pension surplus/(deficit)	25	8,475,000		(453,000)	
<b>Net assets</b>		<u><u>65,429,302</u></u>		<u><u>58,760,815</u></u>	
<b>Reserves</b>					
Profit and loss reserves	27	<u><u>65,429,302</u></u>		<u><u>58,760,815</u></u>	

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

.....  
A Foster  
Chair

.....  
T Willis  
Chief Executive

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Goodwill	12		85,500		-
Tangible assets	13		46,651,333		46,816,063
Investment properties	14		34,508,717		33,371,275
Investments	15		2		2
			<u>81,245,552</u>		<u>80,187,340</u>
<b>Current assets</b>					
Stocks	17	92,014		-	
Debtors	18	4,342,310		3,372,642	
Cash at bank and in hand		3,320,360		2,255,420	
		<u>7,754,684</u>		<u>5,628,062</u>	
<b>Creditors: amounts falling due within one year</b>	19	(4,191,400)		(15,113,144)	
<b>Net current assets/(liabilities)</b>			<u>3,563,284</u>		<u>(9,485,082)</u>
<b>Total assets less current liabilities</b>			<u>84,808,836</u>		<u>70,702,258</u>
<b>Creditors: amounts falling due after more than one year</b>	20		(20,593,666)		(5,589,983)
<b>Provisions for liabilities</b>	23		(8,072,870)		(6,385,061)
<b>Net assets excluding pension surplus</b>			<u>56,142,300</u>		<u>58,727,214</u>
<b>Defined benefit pension surplus</b>	25		8,972,000		2,174,000
<b>Net assets</b>			<u><u>65,114,300</u></u>		<u><u>60,901,214</u></u>
<b>Reserves</b>					
Profit and loss reserves	27		<u><u>65,114,300</u></u>		<u><u>60,901,214</u></u>

As permitted by s408 Companies Act 2006, the Authority has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The Authority's loss for the year was £1,451,664 (2021: £969,797 loss).

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

.....  
A Foster  
Chair

.....  
T Willis  
Chief Executive

# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Profit and loss reserves £
<b>Balance at 1 January 2021</b>	57,108,599
<b>Year ended 31 December 2021:</b>	
Loss for the year	(1,677,694)
Other comprehensive income:	
Actuarial gain on defined benefit plans	4,111,000
Tax relating to other comprehensive income	(781,090)
Total comprehensive income for the year	1,652,216
<b>Balance at 31 December 2021</b>	58,760,815
<b>Year ended 31 December 2022:</b>	
Loss for the year	(1,178,013)
Other comprehensive income:	
Actuarial gain on defined benefit plans	10,462,000
Tax relating to other comprehensive income	(2,615,500)
Total comprehensive income for the year	6,668,487
<b>Balance at 31 December 2022</b>	65,429,302

# SHOREHAM PORT AUTHORITY

## AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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	Profit and loss reserves £
<b>Balance at 1 January 2021</b>	59,699,401
<b>Year ended 31 December 2021:</b>	
Loss for the year	(969,797)
Other comprehensive income:	
Actuarial gain on defined benefit plans	2,681,000
Tax relating to other comprehensive income	(509,390)
Total comprehensive income for the year	1,201,813
<b>Balance at 31 December 2021</b>	60,901,214
<b>Year ended 31 December 2022:</b>	
Loss for the year	(1,451,664)
Other comprehensive income:	
Actuarial gain on defined benefit plans	7,553,000
Tax relating to other comprehensive income	(1,888,250)
Total comprehensive income for the year	4,213,086
<b>Balance at 31 December 2022</b>	65,114,300

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# SHOREHAM PORT AUTHORITY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	28	747,172		3,672,527	
Interest paid		(415,703)		(415,083)	
Income taxes paid		(165,171)		(169,602)	
<b>Net cash inflow from operating activities</b>		166,298		3,087,842	
<b>Investing activities</b>					
Purchase of unincorporated business		(150,000)		-	
Purchase of tangible fixed assets		(1,784,971)		(1,863,129)	
Proceeds on disposal of tangible fixed assets		91,114		87,623	
Purchase of investment property		(956,829)		(380,740)	
Interest received		137		2,540	
<b>Net cash used in investing activities</b>		(2,800,549)		(2,153,706)	
<b>Financing activities</b>					
Proceeds of new bank loans		20,000,000		10,534,606	
Repayment of bank loans		(16,269,246)		(11,570,008)	
Payment of finance leases obligations		(105,192)		(178,871)	
<b>Net cash generated from/(used in) financing activities</b>		3,625,562		(1,214,273)	
<b>Net increase/(decrease) in cash and cash equivalents</b>		991,311		(280,137)	
Cash and cash equivalents at beginning of year		2,362,906		2,643,043	
<b>Cash and cash equivalents at end of year</b>		3,354,217		2,362,906	

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

#### General information

Shoreham Port Authority is an unincorporated entity domiciled in England and Wales. The group consists of Shoreham Port Authority and all of its subsidiaries. The principal activities of the Port (and the group) are the provision of port services, maintaining and improving the Port's infrastructure and managing the Port's property portfolio.

The registered office and principal place of business is Nautilus House, 90-100 Albion Street, Southwick, Brighton, BN42 4ED.

#### Accounting convention

These financial statements have been prepared in accordance with The Harbour Docks and Piers Clauses act 1847 as well as FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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

The financial statements have been prepared under the historical cost convention, modified to include investment properties at fair value.

The principal accounting policies are set out below.

#### Reduced disclosures

The Authority is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including the Authority, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Authority has therefore taken advantage of exemptions from the following disclosure requirements for parent only information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the Authority are consolidated in these financial statements, which are available from Shoreham Port Authority's registered office, Nautilus House, 90-100 Albion Street, Southwick, Brighton, BN42 4ED.

#### Basis of consolidation

The consolidated financial statements incorporate those of Shoreham Port Authority and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All financial statements are made up to 31 December 2022. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

#### Going concern

The activities of the Authority and group together with the factors likely to affect its future development, performance and financial position are set out in the Strategic Report, and the Board's risk management policies are set out in the Report of the Members. The group has secure sources of income but is exposed to the continuing economic uncertainty that exists in the UK.

In November 2022, the Port completed a refinancing exercise and appointed HSBC UK Bank plc to be their financial/banking partner. The aim of the refinancing was to consolidate existing debt, repay outstanding asset finance as well as seeking additional borrowings.

HSBC UK Bank plc have made available to the Port a loan of £20m along with a Revolving Credit Facility of £6m for a five-year term.

HSBC UK Bank plc £20m facility is a bullet loan repayable in 2027. It is a £12m variable rate loan at Bank of England base rate plus 2.1% and a £8m 5.93% fixed rate loan. Only interest is payable annually until the repayment in 2027.

Management have produced a financial model, including Profit and Loss, Balance Sheet, and Cash-flow to 2031. Having considered the assumptions and conclusions made by management, and the availability of financial resources, the Members have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements.

Given the position outlined above the Members continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Turnover

Turnover consists of amounts received/receivable in respect of shipping services, port operations, property rental and logistics services provided to third parties, excluding VAT. Revenue is recognised when the provision of the service is complete. Revenue from property is recognised when amounts are receivable under third party tenancy agreements, excluding VAT.

#### Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

Impairment tests are carried out on goodwill at the end of the first full financial year following acquisition and in subsequent years if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	5 to 80 years straight line
Plant and machinery	1 to 40 years straight line
Office and computer equipment	3 to 10 years straight line
Motor vehicles	3 to 5 years straight line

Freehold land and assets under construction are not depreciated.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### **Investment properties**

Investment properties are initially measured at cost and subsequently measured at fair value where a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in profit or loss.

#### **Heritage assets**

The land owned by the Port includes Shoreham Old Fort (a site of historical interest). The Port Authority accepts its obligation to protect this historic monument for future generations. Due to the nature of this asset, it is held at a cost of zero value.

The cost of repairs is recognised in the Consolidated Statement of Comprehensive Income in the year in which it is incurred.

Further information is given in note 13 to the financial statements.

#### **Fixed asset investments**

In the separate accounts of the Authority, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### **Impairment of fixed assets**

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the group estimates the recoverable amount of the asset.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term liquid investments with original maturities of three months or less.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

#### **Financial instruments**

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and 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 payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

#### **Equity instruments**

Equity instruments issued by the group are recorded at the fair value of the proceeds received, net of direct issue costs.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

#### **Taxation**

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries that will be assessed to or allow for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

#### **Provisions**

Provisions are recognised when the group has an obligation at the reporting date as a result of a past event which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

#### **Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be capitalised as a tangible fixed asset.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

#### **Retirement benefits**

For Shoreham Port Authority and Sussex Port Forwarding Limited's, the pension scheme contributions were made to the Superannuation Scheme of West Sussex County Council in conformity with contributions notified by the scheme administrators. The scheme is a defined benefit scheme where the underlying assets and liabilities are pooled.

The scheme is administered by the Council pursuant to the Local Government Superannuation Regulations 1986 made by the Secretary of State for the Environment under powers in sections 7 and 12 of the Superannuation Act 1978. Further to the Actuarial Valuation as at 31 March 2016 the employer contributions have been set at 18.3% of employee's pay.

Sussex Port Forwarding Limited (SPF) operates a defined benefit pension scheme, The Port of Shoreham Retirement and Death Benefit scheme, for the benefit of the employees which is contracted out of the state scheme and closed to future accrual.

#### *Defined Benefit Plans*

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

#### *Gains/Losses*

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

#### *Asset/Liability*

The net defined benefit asset/liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies (Continued)

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **Government grants**

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. Grants relating to assets are included within creditors falling due within one year and released to profit or loss over the expected useful life of the assets to which they relate.

Grants relating to investment property are classified within creditors and recognised in income in line with the associated cost incurred in relation to the asset of which the grant funding was provided for.

#### **Foreign exchange**

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All translation differences are taken to profit or loss.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### **Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

#### ***Categorisation of leases***

In categorising leases as finance leases or operating leases, management make judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee.

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Investment property revaluations***

Investment properties require annual revaluations, the value will be subject to fluctuations in rental income and yields. Investment properties at 31 December 2022 are valued at £34,508,717 (2021: £33,371,275). Please refer to note 14 for further information regarding the valuation.

#### ***Defined benefit pension scheme***

The group has recognised a defined benefit pension scheme on the statement of financial position. At 31 December 2022 the surplus was £8,475,000 (2021: £453,000 liability). Changes to actuarial assumptions could result in a material change within the next financial year. Please refer to note 25 for further information regarding the assumptions used in the valuation.



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 3 Turnover and other revenue

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

	2022 £	2021 £
<b>Turnover analysed by class of business</b>		
Dues on commercial vessels	1,137,485	1,144,574
Dues on yachts and fishing vessels	294,271	287,768
Dues on cargo	568,535	619,862
Port operations	8,275,319	7,620,903
Rents (operating leases)	4,938,462	4,493,536
Pilotage (note 4)	724,735	688,373
Miscellaneous income	710,116	769,174
	<u>16,648,923</u>	<u>15,624,190</u>
Grants received	<u>37,723</u>	<u>87,097</u>

The total turnover of the group for the year has been derived from activities wholly undertaken in the United Kingdom.

Other income of £nil (2021: £8,543) represents grant income in respect of the Coronavirus Job Retention Scheme and £37,723 (2021: £78,554) represents grant income in respect of government grants received. More information on the government grants can be found in note 19.

### 4 Pilotage

The turnover and expenditure of the pilotage service included in these financial statements and required to be shown by the Statutory Harbour Undertakings (Pilotage Accounts) Regulations 1988 amount to:

	2022 £	2021 £
<b>Turnover</b>		
Provision of pilotage service	623,223	564,301
Use of exemption certificates	101,512	124,072
	<u>724,735</u>	<u>688,373</u>
<b>Expenditure</b>		
Provision of pilots and boats including administration	692,892	660,031
<b>Net profit</b>	<u>31,843</u>	<u>28,342</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 5 Employees

The average monthly number of persons employed during the year was:

	<b>Group 2022 Number</b>	<b>2021 Number</b>	<b>Authority 2022 Number</b>	<b>2021 Number</b>
Operational	144	106	70	41
Administrative	40	42	29	27
	<u>184</u>	<u>148</u>	<u>99</u>	<u>68</u>

Their aggregate remuneration comprised:

	<b>Group 2022 £</b>	<b>2021 £</b>	<b>Authority 2022 £</b>	<b>2021 £</b>
Wages and salaries	5,761,586	5,041,497	3,289,399	2,759,445
Social security costs	612,705	525,365	345,054	287,858
Pension costs	2,797,200	2,782,601	1,476,281	1,430,335
	<u>9,171,491</u>	<u>8,349,463</u>	<u>5,110,734</u>	<u>4,477,638</u>

Members' fees were as follows:

	<b>2022 £</b>	<b>2021 £</b>
Members' fees aggregate	68,601	67,052
Chairman's fees and expenses	26,601	26,270
	<u>95,202</u>	<u>93,322</u>

The emoluments of the Members and the Chairman were in the following ranges:

	<b>2022 Number</b>	<b>2021 Number</b>
£5,001 to £10,000	3	2
£10,001 to £15,000	2	3
£15,001 to £20,000	1	1
£20,001 to £25,000	-	-
£25,001 to £30,000	1	1

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 6 Operating loss

	2022 £	2021 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	1,282	813
Government grants	(37,723)	(87,097)
Depreciation of owned tangible fixed assets	1,512,437	1,420,688
Depreciation of tangible fixed assets held under finance leases	154,360	290,306
Profit on disposal of tangible fixed assets	(20,429)	(82,015)
Amortisation of intangible assets	4,500	-
Operating lease charges	733,074	345,194

### 7 Auditor's remuneration

	2022 £	2021 £
Fees payable to the group's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and Authority	64,800	54,000

### 8 Interest receivable and similar income

	2022 £	2021 £
<b>Interest income</b>		
Interest on bank deposits	137	2,540

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	137	2,540
--	-----	-------

### 9 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank loans	627,021	375,971
Interest on finance leases and hire purchase contracts	44,348	39,112
Net interest on the net defined benefit liability	22,000	49,000
Total finance costs	693,369	464,083

### 10 Other gains and losses

	2022 £	2021 £
Changes in the fair value of investment properties	180,613	1,085,730

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 11 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	188,406	223,515
Adjustments in respect of prior periods	(55,028)	59,931
Total current tax	133,378	283,446
<b>Deferred tax</b>		
Origination and reversal of timing differences	(327,545)	48,978
Changes in tax rates	(103,421)	1,154,031
Adjustment in respect of prior periods	1,303	(5,208)
Total deferred tax	(429,663)	1,197,801
Total tax (credit)/charge	(296,285)	1,481,247

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £	2021 £
Loss before taxation	(1,474,298)	(196,447)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(280,117)	(37,325)
Tax effect of expenses that are not deductible in determining taxable profit	20,548	8,545
Tax effect of income not taxable in determining taxable profit	(37,720)	(207,705)
Adjustments in respect of prior years	(55,028)	59,931
Deferred tax adjustments in respect of prior years	1,302	(5,208)
Deferred tax on investment property movement	(143)	(5,563)
Chargeable losses	34,316	185,066
Fixed asset differences	123,978	166,315
Deferred tax adjustments	(103,421)	1,317,191
Taxation (credit)/charge	(296,285)	1,481,247

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 11 Taxation (Continued)

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £	2021 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	2,615,500	781,090

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, deferred tax is recognised at a rate of 25% in the current year (2021: 25%).

### 12 Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
Additions	90,000
At 31 December 2022	90,000
<b>Amortisation and impairment</b>	
Amortisation charged for the year	4,500
At 31 December 2022	4,500
<b>Carrying amount</b>	
At 31 December 2022	85,500
At 31 December 2021	-

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Intangible fixed assets (Continued)

<b>Company</b>	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
Additions	90,000
	<hr/>
At 31 December 2022	90,000
	<hr/>
<b>Amortisation and impairment</b>	
Amortisation charged for the year	4,500
	<hr/>
At 31 December 2022	4,500
	<hr/>
<b>Carrying amount</b>	
At 31 December 2022	85,500
	<hr/>
At 31 December 2021	-
	<hr/>

During the year, the Group and Authority purchased an unincorporated business for consideration of £150,000 which included stock of £60,000. The excess consideration being recognised as goodwill. Management will review impairment indicators on the goodwill on a periodic basis.

Amortisation charge is recognised within administrative expenses.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Tangible fixed assets

Group	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor Vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2022	67,844,789	665,999	11,480,052	1,035,475	80,674	81,106,989
Additions	307,777	1,286,739	120,601	19,354	50,500	1,784,971
Disposals	(223,800)	(66,989)	(34,882)	(2,974)	(18,690)	(347,335)
Transfers	839,699	(1,297,117)	457,418	-	-	-
At 31 December 2022	68,768,465	588,632	12,023,189	1,051,855	112,484	82,544,625
<b>Depreciation</b>						
At 1 January 2022	24,457,821	-	7,682,855	917,228	51,939	33,109,843
Depreciation charged in the year	1,152,769	-	431,713	69,808	12,507	1,666,797
Eliminated in respect of disposals	(220,571)	-	(34,415)	(2,974)	(18,690)	(276,650)
At 31 December 2022	25,390,019	-	8,080,153	984,062	45,756	34,499,990
<b>Carrying amount</b>						
At 31 December 2022	43,378,446	588,632	3,943,036	67,793	66,728	48,044,635
At 31 December 2021	43,386,968	665,999	3,797,197	118,247	28,735	47,997,146

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Tangible fixed assets (Continued)

Authority	Land and buildings	Assets under construction	Plant and machinery	Office and computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At 1 January 2022	67,844,789	300,922	6,538,774	547,341	60,674	75,292,500
Additions	307,777	812,117	120,601	18,326	25,250	1,284,071
Disposals	(223,800)	(66,989)	(34,882)	(2,974)	(8,395)	(337,040)
Transfers	-	(457,418)	457,418	-	-	-
At 31 December 2022	67,928,766	588,632	7,081,911	562,693	77,529	76,239,531
<b>Depreciation</b>						
At 1 January 2022	24,457,821	-	3,496,568	490,109	31,939	28,476,437
Depreciation charged in the year	1,132,537	-	205,614	30,264	9,701	1,378,116
Eliminated in respect of disposals	(220,571)	-	(34,415)	(2,974)	(8,395)	(266,355)
At 31 December 2022	25,369,787	-	3,667,767	517,399	33,245	29,588,198
<b>Carrying amount</b>						
At 31 December 2022	42,558,979	588,632	3,414,144	45,294	44,284	46,651,333
At 31 December 2021	43,386,968	300,922	3,042,206	57,232	28,735	46,816,063



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 13 Tangible fixed assets (Continued)

The carrying value of land and buildings comprises:

	<b>Group 2022 £</b>	<b>2021 £</b>	<b>Authority 2022 £</b>	<b>2021 £</b>
Freehold	43,449,597	42,706,434	43,449,597	42,706,434
Long leasehold	46,083	47,833	46,083	47,833
	<u>43,495,680</u>	<u>42,754,267</u>	<u>43,495,680</u>	<u>42,754,267</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	<b>Group 2022 £</b>	<b>2021 £</b>	<b>Authority 2022 £</b>	<b>2021 £</b>
Plant and machinery	268,331	422,691	-	-
	<u>268,331</u>	<u>422,691</u>	<u>-</u>	<u>-</u>

Depreciation charge in the Group of £1,627,395 (2021: £1,652,977) was recognised within cost of sales and £39,402 (2021: £58,017) within administrative expenses.

#### Shoreham Old Fort

The land owned by the Port includes Shoreham Old Fort which was acquired under the statutes establishing the Port. There have been no acquisitions or disposals of Heritage assets in the last 6 years. The Port Authority accepts its obligation to maintain access to the Fort and has consulted English Heritage in relation to the maintenance and repair of the Fort. English Heritage provided a grant in 2010 to carry out certain works, and as a result the Fort is open to the public all year round ([www.shorehamfort.co.uk](http://www.shorehamfort.co.uk)). As explained in the accounting policies, no value is reported for the Fort in the financial statements.

### 14 Investment property

	<b>Group 2022 £</b>	<b>Authority 2022 £</b>
<b>Fair value</b>		
At 1 January 2022	33,371,275	33,371,275
Additions	956,829	956,829
Net gains or losses through fair value adjustments	180,613	180,613
	<u>34,508,717</u>	<u>34,508,717</u>
At 31 December 2022	34,508,717	34,508,717

The fair value of the investment property has been arrived at by the Members on the basis of a valuation carried out at the reporting date by the board with the assistance of commercial property valuers and utilising information from an external valuation undertaken by a RICS qualified valuer. The valuation was made on an open market value basis by reference to market evidence of transaction prices and rental yields for similar properties and in accordance with RICS Valuation Professional Standards January 2014 including the International Valuation Standards. Rental yields applied ranged from 7% to 8% and included allowance for maintenance expenditure where appropriate, but not purchasers acquisition costs.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 15 Fixed asset investments

	Notes	Group 2022 £	2021 £	Authority 2022 £	2021 £
Investments in subsidiaries	16	-	-	2	2

#### Movements in fixed asset investments

Authority	Shares in group undertakings
	£
<b>Cost or valuation</b>	
At 1 January 2022 and 31 December 2022	2
<b>Carrying amount</b>	
At 31 December 2022	2
At 31 December 2021	2

### 16 Subsidiaries

Details of the Authority's subsidiaries at 31 December 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Shoreham Port Developments & Investments Limited	Nautilus House, 90-100 Albion Street, Southwick Brighton, BN42 4ED	Investment holding company	Ordinary	100.00
Sussex Port Forwarding Limited	As above	Stevedoring and freight forwarding	Ordinary	100.00
Port of Shoreham Trustee Company Limited	As above	Corporate trustee to The Port of Shoreham Retirement & Death Benefit Scheme	Ordinary	100.00
Shoreham Port Solutions Limited	As above	Recruitment agency for drivers and casual workers at Shoreham Port	Ordinary	100.00

### 17 Stocks

	Group 2022 £	2021 £	Company 2022 £	2021 £
Finished goods and goods for resale	92,014	-	92,014	-

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 18 Debtors

	Group 2022	2021	Authority 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,336,345	1,528,968	1,362,278	695,416
Amounts owed by group undertakings	-	-	1,151,288	1,243,547
Other debtors	303,600	73,804	257,115	16,220
Prepayments and accrued income	1,739,615	1,524,869	1,571,629	1,417,459
	4,379,560	3,127,641	4,342,310	3,372,642
Deferred tax asset (note 24)	136,937	664,235	-	-
	4,516,497	3,791,876	4,342,310	3,372,642

Within amounts due from group undertakings are amounts receivable in more than one year of £1,015,775 (2021: £1,015,775), these amounts are interest free and were fully impaired during the year.

### 19 Creditors: amounts falling due within one year

	Notes	Group 2022	2021	Authority 2022	2021
		£	£	£	£
Bank loans	21	122,828	11,395,757	122,828	11,395,757
Obligations under finance leases	22	105,192	105,192	-	-
Trade creditors		1,376,531	1,647,666	1,126,963	1,068,640
Amounts due to group undertakings		-	-	-	1,913
Corporation tax payable		230,478	262,271	229,447	267,004
Other taxation and social security		144,172	196,942	80,614	132,045
Government grants		778,139	715,862	778,139	715,862
Other creditors		533,241	465,237	465,350	403,847
Accruals and deferred income		1,501,842	1,222,636	1,388,059	1,128,076
		4,792,423	16,011,563	4,191,400	15,113,144

Included within group other creditors are unpaid pension contributions amounting to £109,098 (2021: £107,498), of which £61,944 (2021: £57,539) relates to the Authority.

Included within government grants is a discretionary capital grant of £103,200 received in 2015 from the Coast to Capital Local Enterprise Partnership which covered part of the cost of a project to widen wharves at the Port. The grant is conditional upon the creation of 4 jobs which must be maintained for 3 years. Those jobs were created during 2015 and maintained to the balance sheet date, at which point there was no indication that the positions would cease to exist within the required period. The grant is being released over 15 years, in line with the depreciation charged on the wharves for which it was received. At the balance sheet date £51,599 (2021: £58,479) was included within government grants, to be released as qualifying expenditure in incurred in future years.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 19 Creditors: amounts falling due within one year (Continued)

Included within government grants is a discretionary capital grant of £1,100,000 received in 2017 from the Coast to Capital Local Enterprise Partnership which covered part of the cost of the acquisition of Maritime House. The grant is conditional upon the development of the property and the safeguarding of jobs over 5 years following the receipt of the grant. The grant is being released in line with these conditions. At the balance sheet date, £543,452 (2021: £543,452) was included within government grants, to be released in future years.

During the year, the Authority received a government grant relating to green energy from Brighton & Hove County Council. The grant supports the Port in respect of planning work necessary to build wind turbines and a hydrogen plant. At the balance sheet date, £80,550 was included within government grants, to be released in future years against expenditure costs.

During the prior year the Authority received a government grant relating to a HGV lorry park. The grant enables the Authority to provide a waiting area for HGV drivers that ensures health protection, passenger and vehicle safety and security. At the balance sheet date, £102,538 (2021: £113,931) was included within government grants, to be released over the next 10 years, commencing from January 2022.

### 20 Creditors: amounts falling due after more than one year

	Notes	Group 2022 £	2021 £	Authority 2022 £	2021 £
Bank loans	21	20,593,666	5,589,983	20,593,666	5,589,983
Obligations under finance leases	22	140,123	245,315	-	-
		<u>20,733,789</u>	<u>5,835,298</u>	<u>20,593,666</u>	<u>5,589,983</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	-	905,097	-	905,097
Payable other than by instalments	102,359	-	102,359	-
	<u>102,359</u>	<u>905,097</u>	<u>102,359</u>	<u>905,097</u>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 21 Borrowings

	Group 2022 £	2021 £	Authority 2022 £	2021 £
Bank loans	20,716,494	16,985,740	20,716,494	16,985,740
Payable within one year	122,828	11,395,757	122,828	11,395,757
Payable after one year	20,593,666	5,589,983	20,593,666	5,589,983
Amounts included above which fall due after five years:				
Payable by instalments	-	905,097	-	905,097
Payable other than by instalments	102,359	-	102,359	-
	102,359	905,097	102,359	905,097

During the year, the Port completed a refinancing exercise and appointed HSBC UK Bank plc to be their financial/banking partner. The aim of the refinancing was to consolidate existing debt, repay any outstanding asset finance as well as seeking additional borrowings. HSBC UK Bank plc have made available to the Port a loan of £20m along with a Revolving Credit Facility of £6m for a five-year term. The £6m revolving credit facility hasn't been drawn down at the year end.

HSBC UK Bank plc £20m facility is a bullet loan repayable in 2027. It is a £12m variable rate loan at Bank of England base rate plus 2.1% and a £8m 5.93% fixed rate loan. Only interest is payable annually until the repayment in 2027. HSBC holds a fixed and floating charge over all of the assets.

The Port Authority also has an asset finance arrangement with Santander UK plc, this is a £871,362 loan. The facility is subject to interest at 2.03% above the Base Rate.

### 22 Finance lease obligations

	Group 2022 £	2021 £	Authority 2022 £	2021 £
Future minimum lease payments due under finance leases:				
Less than one year	127,249	127,249	-	-
Between one and five years	169,506	296,784	-	-
	296,755	424,033	-	-
Less: future finance charges	(51,440)	(73,526)	-	-
	245,315	350,507	-	-

Finance lease payments relate to the acquisition of one crane. The leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 10 years and they are subject to interest rates at Bank of England Base +1.92%. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The liabilities are secured on the assets to which they relate.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 23 Provisions for liabilities

	Notes	Group 2022 £	2021 £	Authority 2022 £	2021 £
Pension		76,152	76,152	76,152	76,152
Oil terminal provision		83,638	83,638	83,638	83,638
		<u>159,790</u>	<u>159,790</u>	<u>159,790</u>	<u>159,790</u>
Deferred tax liabilities	24	7,961,276	6,302,737	7,913,080	6,225,271
		<u>8,121,066</u>	<u>6,462,527</u>	<u>8,072,870</u>	<u>6,385,061</u>

Movements on provisions apart from deferred tax liabilities:

Group	Pension £	Oil terminal provision £	Total £
At 1 January 2022 and 31 December 2022	<u>76,152</u>	<u>83,638</u>	<u>159,790</u>

  

Authority	Pension £	Oil terminal provision £	Total £
At 1 January 2022 and 31 December 2022	<u>76,152</u>	<u>83,638</u>	<u>159,790</u>

#### Pension

The Pilot's National Pension Fund (PNPF) is a centralised, multi-employer defined benefit scheme for non-associated employers which provide benefits for employed and self-employed pilots.

In 2009 when the Authority was first notified that it may be obliged to contribute to the PNPF's deficit, provision of £504,000 was made based on the best estimate of the likely liability available at the time relating to three pilots who operated at the Port in the 1980s.

During 2013 the Trustees of the scheme agreed a recovery plan, and the Authority has been notified of the contributions due over the period of the recovery plan which is 16 years. The total contributions now due are £76,152, on an undiscounted basis.

The total obligation is not material to the total assets of the group, nor is the annual cost or the discount which would be applied, and the Members do not believe there would be any benefit in terms of improved reporting in obtaining actuarial information for disclosure of the group's share of the assets or liabilities of the scheme, or other details.

#### Oil terminal provision

The Oil Terminal Provision is for on-going monitoring works on the site. The provision recognised the deferral of income received from a previous tenant in 2014 in respect of site remediation work. The timing of the remaining payments is uncertain; the provision will be released as costs are incurred in this respect.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 24 Deferred taxation

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

Group	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Fixed asset timing differences	1,205,120	1,281,913	-	-
Rolled over gains	-	-	15	-
Short term timing differences - pension	2,203,520	513,341	136,871	656,750
Investment property value	4,552,636	4,507,483	-	-
Other timing differences	-	-	51	7,485
	<u>7,961,276</u>	<u>6,302,737</u>	<u>136,937</u>	<u>664,235</u>
Authority	Liabilities 2022 £	Liabilities 2021 £	Assets 2022 £	Assets 2021 £
Fixed asset timing differences	1,156,924	1,204,447	-	-
Short term timing differences - pension	2,203,520	513,341	-	-
Investment property value	4,552,636	4,507,483	-	-
	<u>7,913,080</u>	<u>6,225,271</u>	<u>-</u>	<u>-</u>
			<b>Group 2022 £</b>	<b>Authority 2022 £</b>
<b>Movements in the year:</b>				
Liability at 1 January 2022			5,638,502	6,225,271
Credit to profit or loss			(429,663)	(200,441)
Charge to other comprehensive income			2,615,500	1,888,250
			<u>7,824,339</u>	<u>7,913,080</u>
Liability at 31 December 2022				

The majority of the group's deferred tax asset is expected to reverse in more than 12 months and relates to short term timing differences on the defined benefit pension obligation.

The group's deferred tax liability is not expected to reverse within 12 months, with a significant proportion relating to properties which are not expected to be sold.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 25 Retirement benefit schemes

#### Defined benefit schemes

The Authority and its subsidiary company Sussex Port Forwarding Limited contribute to defined benefit pension schemes for the benefit of employees who are eligible and willing to participate in the schemes.

Shoreham Port Authority contributes to the West Sussex County Council Superannuation Scheme. The assets of the scheme are administered by the Council pursuant to the Local Government Superannuation Regulations 1987 made by the Secretary of State for the Environment under powers in sections 7 and 12 of the Superannuation Act 1978.

Sussex Port Forwarding Limited operates The Port of Shoreham Retirement and Death Benefit Scheme (PoSRaDBS) which was closed to future accrual during the prior year where the assets of the scheme are administered by trustees in a fund independent from the assets of the company. SPF also contributes to the West Sussex County Council Local Government Pension Scheme (WSCCLGPS) which SPF joined on 1 April 2019 and is available to all employees of the company. This scheme is a centralised defined benefits scheme with the assets held in separate trustee-administered funds. During the year, SPF closed to future accrual.

Costs and liabilities of all schemes are based on actuarial valuations. The latest full actuarial valuations of the schemes were completed on 31 December 2019 (SPA's and SPF's WSCCLGP scheme) and 31 December 2019 (SPF's PoSRaDBS). These valuations have been updated to 31 December 2022 using the projected unit method by qualified independent actuaries.

The key assumptions used by the actuaries in valuing the costs and liabilities of the Shoreham Port Authority scheme were:

	SPA WSCCLGPS		SPF WSCCLGPS	
	2022	2021	2022	2021
<i>Key assumptions</i>	%	%	%	%
Discount rate	4.75%	1.90%	4.75%	1.90%
Expected rate of increase of pensions in payment	3.05%	2.90%	2.95%	2.85%
Expected rate of salary increases	3.55%	3.40%	3.45%	3.35%
	=====	=====	=====	=====
			PoSRaDBS	
			2022	2021
<i>Key assumptions</i>			%	%
Discount rate			4.70%	1.80%
Expected rate of increase of pensions in payment			2.95%	3.05%
Expected rate of salary increases			n/a	n/a
Inflation - RPI			3.20%	3.35%
Inflation - CPI			2.95%	2.70%
			=====	=====



# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 25 Retirement benefit schemes (Continued)

	<b>WSCCLGPS</b>		<b>PoSRaDBS</b>	
<i>Mortality assumptions</i>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Assumed life expectations on retirement at age 65:	<b>Years</b>	<b>Years</b>	<b>Years</b>	<b>Years</b>
Retiring today				
- Males	21.90	22.10	21.50	21.40
- Females	24.20	24.40	24.40	24.30
Retiring in 20 years				
- Males	22.80	23.10	22.80	22.80
- Females	25.90	26.10	25.80	25.80
			<b>2022</b>	<b>2021</b>
<i>Amounts recognised in the income statement</i>			<b>£</b>	<b>£</b>
Current service cost			2,650,000	2,665,000
Net interest on defined benefit (asset)/liability			22,000	49,000
Administration costs			90,000	115,000
Total costs			2,762,000	2,829,000
			<b>2022</b>	<b>2021</b>
<i>Amounts taken to other comprehensive income</i>			<b>£</b>	<b>£</b>
Actual return on scheme assets			6,155,000	(2,171,000)
Calculated interest element			709,000	456,000
Return on scheme assets excluding interest income			6,864,000	(1,715,000)
Actuarial changes related to obligations			(17,326,000)	(2,396,000)
Total income			(10,462,000)	(4,111,000)

The amounts included in the statement of financial position arising from the group and Authority's obligations in respect of defined benefit plans are as follows:

	<b>Group</b>		<b>Authority</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Present value of defined benefit obligations	23,388,000	37,899,000	17,022,000	27,082,000
Fair value of plan assets	(31,863,000)	(37,446,000)	(25,994,000)	(29,256,000)
(Surplus)/deficit in scheme	(8,475,000)	453,000	(8,972,000)	(2,174,000)

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 25 Retirement benefit schemes (Continued)

	Group 2022 £	Authority 2022 £
<i>Movements in the present value of defined benefit obligations</i>		
Liabilities at 1 January 2022	37,899,000	27,082,000
Current service cost	2,650,000	1,424,000
Benefits paid	(941,000)	(788,000)
Contributions from scheme members	375,000	217,000
Actuarial gains and losses	(17,326,000)	(11,435,000)
Interest cost	731,000	522,000
At 31 December 2022	23,388,000	17,022,000

The defined benefit obligations arise from plans which are wholly or partly funded.

	Group 2022 £	Authority 2022 £
<i>Movements in the fair value of plan assets</i>		
Fair value of assets at 1 January 2022	37,446,000	29,256,000
Interest income	709,000	556,000
Return on plan assets (excluding amounts included in net interest)	(6,864,000)	(3,882,000)
Benefits paid	(941,000)	(788,000)
Contributions by the employer	1,228,000	635,000
Contributions by scheme members	375,000	217,000
Administration costs	(90,000)	-
At 31 December 2022	31,863,000	25,994,000

The analysis of the scheme assets at the reporting date were as follows:

	Group 2022 £	2021 £	Authority 2022 £	2021 £
Equity instruments	15,942,000	19,074,840	13,257,000	15,213,120
Property	4,752,000	2,764,530	4,159,000	2,633,040
Gilts	420,000	1,576,000	-	-
Bonds	8,614,000	11,672,460	8,318,000	11,117,280
Cash	357,000	362,170	260,000	292,560
Multi-sector credit	1,778,000	1,996,000	-	-
	31,863,000	37,446,000	25,994,000	29,256,000

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 25 Retirement benefit schemes (Continued)

#### WSCCLGPS - SPA

##### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 December 2022:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	304
1 year increase in member life expectancy	4%	681
0.1% increase in Salary Increase Rate	0%	21
0.1% increase in the Pension Increase Rate (CPI)	2%	287

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

#### WSCCLGPS - SPF

##### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 December 2022:	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	3%	60
1 year increase in member life expectancy	4%	73
0.1% increase in Salary Increase Rate	0%	-
0.1% increase in the Pension Increase Rate (CPI)	3%	61

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%.

#### PoS RaDBS

##### Sensitivity analysis

The sensitivities of the schemes liability to the discount rate assumption is as follows, discount rate applied is currently 4.7%, a 0.1 % increase in Discount rate would result in a 3% decrease in scheme liabilities.

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 26 Borrowing powers at 31 December 2021

ACT OR ORDER	Total £
1985 (as amended by the Shoreham Port Authority Harbour Revision (Constitution) Order 2004) Indexation to 31 December 2022	50,000,000 32,171,000
Revised Borrowing Powers at 31 December 2022	82,171,000

The 1985 Order also authorises additional borrowing of £1 million by bank overdraft.

The Shoreham Port Authority Harbour Revision (Constitution) Order 2004 provides that the borrowing powers be adjusted in line with any movement in the Consumer Price Index which occurred during the year ended on 31 December.

### 27 Reserves

#### Profit and loss reserves

Cumulative profit and loss.

### 28 Cash generated from group operations

	2022 £	2021 £
Loss for the year after tax	(1,178,013)	(1,677,694)
<b>Adjustments for:</b>		
Taxation (credited)/charged	(296,285)	1,481,247
Finance costs	693,369	464,083
Investment income	(137)	(2,540)
Gain on disposal of tangible fixed assets	(20,429)	(82,015)
Amortisation and impairment of intangible assets	4,500	-
Depreciation and impairment of tangible fixed assets	1,666,797	1,710,994
Other gains and losses	(180,613)	(1,085,730)
Pension scheme non-cash movement	1,512,000	1,588,000
Decrease in provisions	-	(42,924)
<b>Movements in working capital:</b>		
Increase in stocks	(32,014)	-
(Increase)/decrease in debtors	(1,507,585)	703,746
Increase in creditors	85,582	615,360
<b>Cash generated from operations</b>	<b>747,172</b>	<b>3,672,527</b>

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

### 29 Analysis of changes in net debt - group

	1 January 2022 £	Cash flows £	31 December 2022 £
Cash at bank and in hand	2,362,906	991,311	3,354,217
Borrowings excluding overdrafts	(16,985,740)	(3,730,754)	(20,716,494)
Obligations under finance leases	(350,507)	105,192	(245,315)
	<u>(14,973,341)</u>	<u>(2,634,251)</u>	<u>(17,607,592)</u>

### 30 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2022 £	2021 £	Authority 2022 £	2021 £
Within one year	567,050	338,608	-	-
Between one and five years	827,330	725,314	-	-
	<u>1,394,380</u>	<u>1,063,922</u>	<u>-</u>	<u>-</u>

#### Authority as a lessor

The Authority acts as a lessor, holding rental contracts with tenants under non-cancellable operating lease arrangements. The average remaining lease term at 31 December 2022 is around 5 years, excluding low-value long-term lease arrangements for which remaining lease terms range between 44 and 948 years on an amount of annual rent of £167. Rent reviews occur periodically on certain leases, generally between 2 and 5 years, and where break clauses exist these are at intervals specific to each lease. Rental income earned in the year under these lease agreements is included within turnover and amounted to £4,938,462 (2021: £4,493,536).

### 31 Financial commitments, guarantees and contingent liabilities

Shoreham Port Authority has entered into a guarantee agreement with the Port of Shoreham Trustee Company Limited. Under the guarantee, Shoreham Port Authority will pay any amounts due to the Port of Shoreham Retirement and Death Benefit Scheme that would otherwise be due to the scheme from Sussex Port Forwarding limited. The associated pension scheme liabilities are included within the consolidated statement of financial position (see note 25).

# SHOREHAM PORT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

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### 32 Capital commitments

The group has the following capital commitments not provided for in the financial statements:

	<b>Group 2022 £</b>	<b>2021 £</b>	<b>Authority 2022 £</b>	<b>2021 £</b>
Acquisition of tangible fixed assets	<u>854,768</u>	<u>614,749</u>	<u>854,768</u>	<u>614,749</u>

### 33 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	<b>2022 £</b>	<b>2021 £</b>
Aggregate compensation	<u>1,065,061</u>	<u>987,517</u>

**SHOREHAM PORT AUTHORITY**

**MANAGEMENT INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**THE FOLLOWING PAGES DO NOT FORM PART OF THE FINANCIAL STATEMENTS**

# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021
	£	£	£	£
<b>Turnover</b>				
Sales of goods		8,934,406		7,901,462
Sundry income		614,259		753,371
		<u>9,548,665</u>		<u>8,654,833</u>
<b>Cost of sales</b>				
Finished goods purchases	214,824		-	
Wages and salaries	1,736,639		1,527,051	
Social security costs	198,187		166,769	
Staff pension costs defined benefit	863,451		856,476	
Equipment repairs	1,047,589		1,296,027	
Hire of equipment (not operating lease)	17,681		21,010	
Motor running expenses	98,996		60,424	
Depreciation	1,338,714		1,269,327	
		<u>(5,516,081)</u>		<u>(5,197,084)</u>
<b>Gross profit</b>	42.23%	4,032,584	39.95%	3,457,749
<b>Other operating income</b>				
Government grants receivable and released	37,723		84,710	
Spare other operating income	50,000		-	
		<u>87,723</u>		<u>84,710</u>
<b>Administrative expenses</b>		(5,229,163)		(3,515,542)
<b>Operating (loss)/profit</b>		<u>(1,108,856)</u>		<u>26,917</u>
<b>Investment revenues</b>				
Bank interest received	137		2,540	
		<u>137</u>		<u>2,540</u>
<b>Interest payable and similar expenses</b>				
Bank interest on loans	627,021		375,971	
Net interest on defined benefit liability	(34,000)		1,000	
		<u>(593,021)</u>		<u>(376,971)</u>
<b>Other gains and losses</b>				
Increase/(decrease) in fair value of investment property		180,613		1,085,730
<b>(Loss)/profit before taxation</b>	15.93%	<u>(1,521,127)</u>	8.53%	<u>738,216</u>



# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - AUTHORITY FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
<b>Administrative expenses</b>		
Wages and salaries	1,250,708	1,086,401
Social security costs	146,867	121,089
Temporary staff	252,358	106,916
Staff recruitment costs	14,002	6,910
Staff welfare	2,806	3,429
Staff training	20,713	37,779
Staff pension costs defined benefit (allocation)	612,830	573,859
Other staff costs	49,694	39,077
Rent re operating leases	-	78
Rates	207,249	244,946
Power, light and heat	625,536	466,339
Travelling expenses	5,553	2,078
Accommodation and subsistence	5,474	6,247
Postage, courier and delivery charges	2,984	4,961
Professional subscriptions	31,295	33,101
Legal and professional fees	285,728	274,952
Accountancy	68,339	32,975
Bank charges	73,759	42,361
Bad and doubtful debts	1,079,383	35,301
Insurances (not premises)	307,270	226,383
Printing and stationery	5,853	3,312
Advertising	31,266	15,049
Telecommunications	34,451	32,283
Entertaining	4,401	1,082
Sundry expenses	63,033	57,139
Protective equipment	4,222	2,150
Amortisation	4,500	-
Depreciation	39,402	58,017
(Profit)/loss on sale of tangible assets	(513)	1,328
	<hr/> 5,229,163 <hr/>	<hr/> 3,515,542 <hr/>

# SHOREHAM PORT AUTHORITY

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT - GROUP FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021
	£	£	£	£
<b>Turnover</b>				
Sales of services		15,908,922		14,865,473
Sales of services		29,885		-
Sundry income		710,116		758,717
		<u>16,648,923</u>		<u>15,624,190</u>
<b>Cost of sales</b>				
Subcontract labour	21,349		-	
Finished goods purchases	214,824		-	
Wages and salaries	2,975,052		2,888,882	
Social security costs	332,034		308,926	
Staff pension costs defined benefit	1,244,546		1,108,826	
Equipment repairs	1,506,395		1,738,025	
Hire of equipment (not operating lease)	127,123		172,485	
Motor running expenses	1,001,317		590,086	
Depreciation	1,627,395		1,652,977	
Haulage payable	253,320		1,071,348	
Miscellaneous cargo handling	92,386		32,338	
Casual / temporary staff costs	430,186		482,652	
Property repairs and maintenance	450		1,613	
		<u>(9,826,377)</u>		<u>(10,048,158)</u>
<b>Gross profit</b>	40.98%	6,822,546	35.69%	5,576,032
<b>Other operating income</b>				
Government grants receivable and released	37,723		87,097	
Spare other operating income	50,000		-	
		<u>87,723</u>		<u>87,097</u>
<b>Administrative expenses</b>		(7,871,948)		(6,483,763)
<b>Operating loss</b>		(961,679)		(820,634)
<b>Investment revenues</b>				
Bank interest received	137		2,540	
		<u>137</u>		<u>2,540</u>
<b>Interest payable and similar expenses</b>				
Bank interest on loans	627,021		375,971	
Net interest on defined benefit liability	22,000		49,000	
Hire purchase interest payable	44,348		39,112	
		<u>(693,369)</u>		<u>(464,083)</u>
<b>Other gains and losses</b>				
Increase/(decrease) in fair value of investment property		180,613		1,085,730
<b>Loss before taxation</b>	8.86%	<u>(1,474,298)</u>	1.26%	<u>(196,447)</u>

# SHOREHAM PORT AUTHORITY

## SCHEDULE OF ADMINISTRATIVE EXPENSES - GROUP FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
<b>Administrative expenses</b>		
Other staff costs	64,620	50,873
Computer running costs	3,294	-
Bad and doubtful debts	67,308	35,301
Wages and salaries	2,469,556	1,994,826
Social security costs	280,671	216,439
Temporary staff	252,358	106,916
Staff recruitment costs	14,002	6,910
Staff welfare	4,294	6,708
Staff training	30,259	44,175
Staff pension costs defined benefit (allocation)	1,552,654	1,673,775
Rent re operating leases	-	78
Rates	207,249	244,946
Power, light and heat	625,536	466,339
Travelling expenses	19,103	4,630
Accommodation and subsistence	23,056	7,312
Postage, courier and delivery charges	3,144	5,248
Professional subscriptions	56,675	63,831
Legal and professional fees	379,281	403,033
Accountancy	116,628	55,352
Bank charges	74,927	43,296
Insurances (not premises)	597,186	476,008
Printing and stationery	22,634	37,226
Advertising	31,266	15,049
Telecommunications	49,837	43,140
Entertaining	5,415	1,274
Sundry expenses	130,838	120,830
Protective equipment	31,953	38,012
Amortisation	4,500	-
Depreciation	39,402	58,017
(Profit)/loss on sale of tangible assets	(20,429)	(82,015)
Leasing - plant and machinery	733,074	345,116
Charitable donations	60	-
Credit card charges	315	305
Loss on foreign exchange	1,282	813
	<u>7,871,948</u>	<u>6,483,763</u>