

Guernsey and Alderney Airport

Annual Report 2017



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Forward from the General Manager

2017 started with its fair share of challenge. Unprecedented levels of fog combined with reductions in capacity on the Guernsey - Jersey and the Guernsey - Southampton routes, leading to adverse impacts on passenger movements and accordingly revenues. At best, the remainder of 2017 could be best described as a year of consolidation. By the end of 2017, passenger totals were 813,595; down 3.3% on 2016; and the lowest recorded passenger movements at Guernsey Airport since 1995.

Alderney suffered too with reduced passenger numbers, passenger figures were 55,291, down -4.8% (-2,791) compared to the 2016 figures and the lowest recorded passenger movements since 1971. Again, weather had an adverse impact at Alderney, particularly in the shoulder months, but passenger numbers did recover in the Spring and Summer. Despite these operational and economic challenges largely outside of our control, 2017 achieved better than expected trading results in challenging trading conditions. However, the management team remain acutely aware of the significant challenges it faces with lower annual passenger movements.

Our parent Board (The States Trading Supervisory Board) introduced new governance arrangements across all of its trading assets in 2017. This included the formation of a political subcommittee (Company Board) at the Ports. The Board is accountable to STSB and operates by challenging established practices and assumptions and is supporting the Ports in establishing clear strategic direction, business planning and operational delivery.

I am grateful for the co-operation and support of all staff at Guernsey and Alderney Airports and for their help and assistance in 2017. They are a dedicated and highly professional team who love aviation and I am proud to lead them into another year of exciting opportunity and challenge.

Colin Le Ray
General Manager Ports

2017 in Facts and Figures

Passenger movements in Guernsey for 2017 were 813,595.

Passenger movements in Alderney for 2017 were 55,291.

17 full emergencies declared at Guernsey Airport. None in Alderney.

The Hidden Disabilities Lanyard Scheme was launched in 2017, following its success at other UK airports. The lanyard aims to inform airport staff and business partners discreetly, the wearer might need extra support as they travel through the Airport.

UK Civil Aviation Authority audits of our operational airport units (Air Traffic Control Services, Air Traffic Engineering, and the Fire and Rescue Services) took place by October 2017. These are important for checking procedures, and ensuring passengers and airport users are kept safe.

There were no aircraft accidents, no reportable (RIDDOR) injuries to staff or third parties working at either airport.

New services to Cardiff by Blue Islands, and to the German city of Dusseldorf by Flybe were launched. Waves also commenced an inter-island 'on-demand' air taxi service to and from Jersey in October 2017. The company also undertook trial flights into Alderney.

6833 followers at year end of 2017 for Guernsey and Alderney Airport Facebook Twitter and Instagram accounts.

123 full time equivalent staff were employed at Guernsey/Alderney Airport at 31st December 2017.

2017 in Review

Our Purpose

The stated purpose of the airports' operations was unchanged in 2017. Guernsey and Alderney Airports provide for safe and expeditious movement of commercial and private aircraft, passengers and cargo to and from the islands on the most cost-effective basis. The Airport also looks to ensure that policies, facilities and services are aligned to its 5 year business plan, annual air navigation services annual plan and commensurate with the requirements of the Islands in respect of air transport services, general aviation and meeting the standards set by the United Kingdom Civil Aviation Authority and other external aviation regulatory agencies, when required to do so.

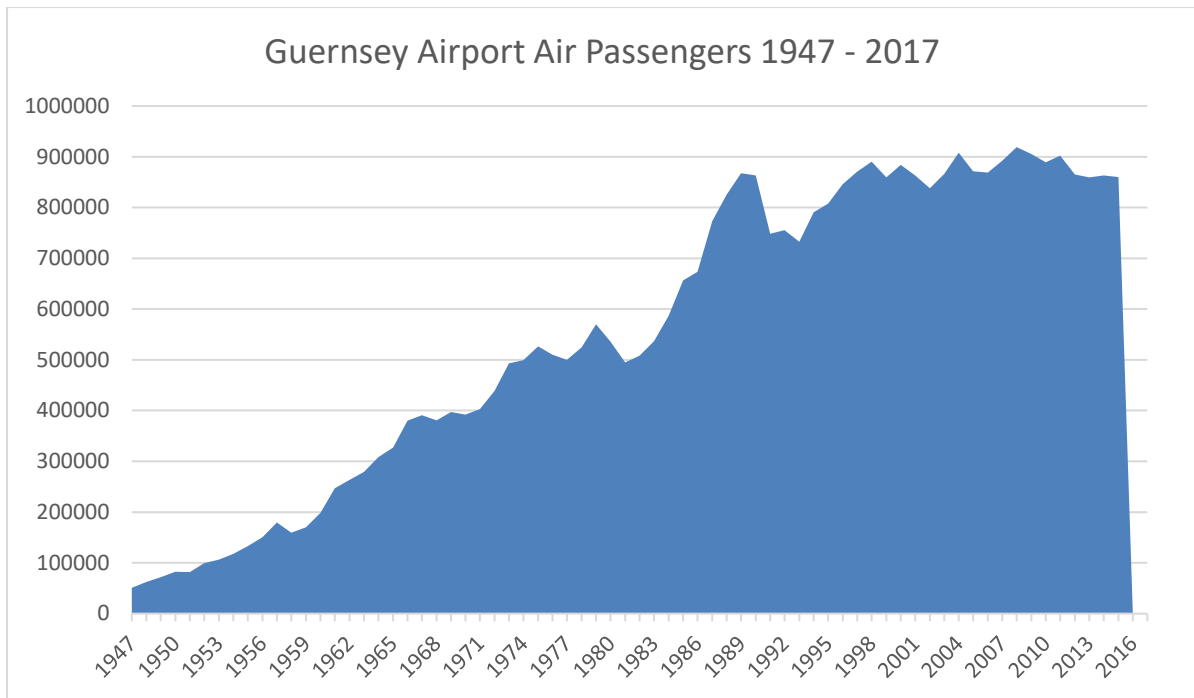
Passenger Movements - Guernsey Airport

Passenger movements for 2017 at Guernsey Airport were 813,595 in 2017 (2016 was 841,914) -28,319 lower than 2016 (-3.3%), the rate of reduction (month on month) thankfully slowed during the year after a very difficult trading start to the year, caused by a combination of exceptional fog and a general reduction in schedules on both Jersey and Southampton routes.

The first quarter of 2017 experienced 111.5 hrs of airport disruption. This compares with a typical 20-year annual average of 94hrs over the whole year. Over the whole year of 2017, fog disruption totalled 176hrs, compared against that same 20-year annual average.

The overall decline on passenger movements when compared against 2016 was measured across all routes except for Birmingham and Exeter, which both maintained and grew by 12.8% the end of December 2017.

Over 2017, the largest single contributor to the decline in passenger movements was travel to and from Southampton, -13.5% passenger movements over the year. Guernsey - Jersey fell by -11% in 2017, although in the last few months of 2017, there was a slight improvement with a proportion of the Jersey market share being picked up by a new provider Waves.

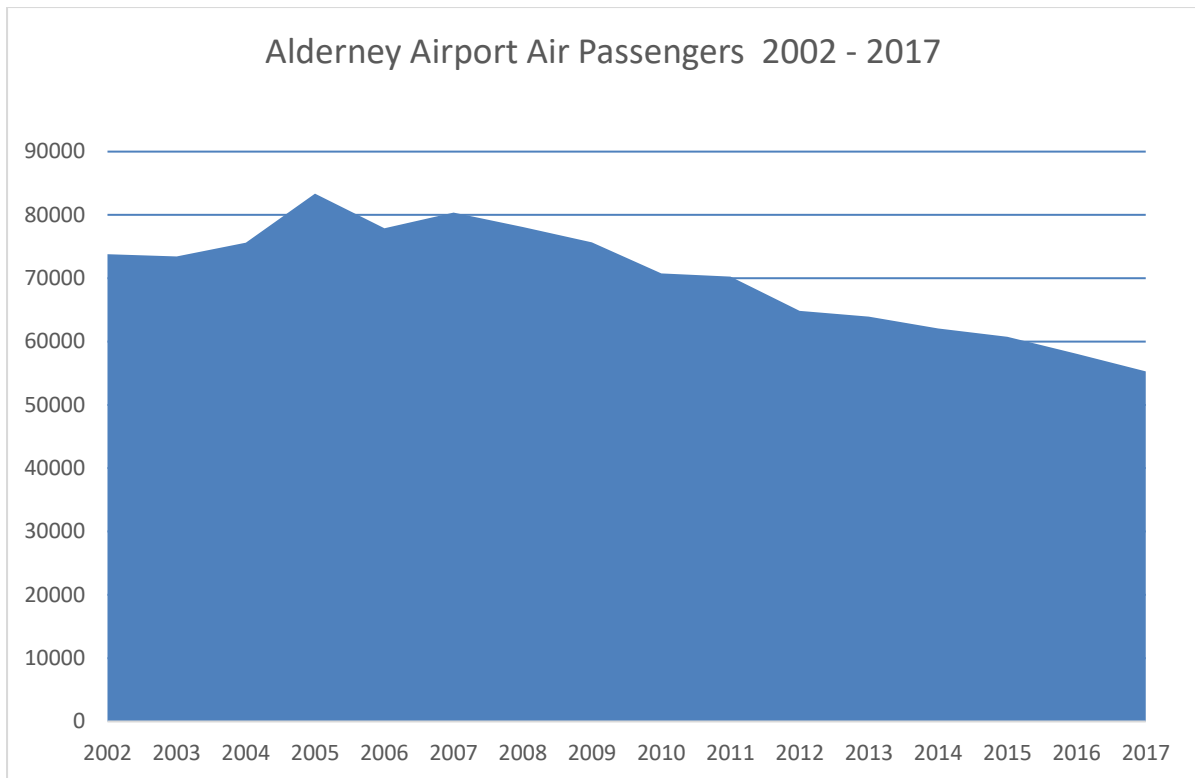


Source: Guernsey Airport.

Passenger Movements - Alderney Airport

Total passenger movements through Alderney Airport at the end of 2017 were 55,291, down -4.8% (-2,791) on 2016. Whilst there had been some growth in May and June 2017, when compared to the same months in 2016, the overall trend throughout the year was negative, ending in December with a 13% slump on that same month the previous year. This was due to exceptionally windy weather over that month and had some impacts on the Alderney operation.

This represents the lowest level of air travel through Alderney for 47 years (i.e. since 1971).



Source: Alderney Airport.

Route analysis – Guernsey Airport

2017 showed growth on Flybe’s main routes (Birmingham and Exeter), but declining performance on Aurigny’s routes including Bristol, Manchester, and East Midlands. London Gatwick did record slightly higher passenger numbers when compared to 2016, even when taking into account poor weather in February and March, with 6,873 more passengers travelling over the year. Aurigny withdrew from its London City route at the end of October 2017 and a number of other winter seasonal cuts to the route network were applied, reducing frequency.

Route Analysis – Alderney Airport

Alderney only has one carrier operating two routes. Aurigny operates daily year round services to and from Guernsey and Southampton. Overall, passenger numbers to Alderney in 2017 were 55,291. Further analysis by route shows a reduction on 2016 of 10% on the Guernsey - Alderney route, with an increase of +1% on Guernsey – Southampton Route.

Aircraft Movements – Guernsey Airport

Aircraft movements, much as passenger movements were down in 2017 at Guernsey Airport. A total of 38,307 movements were recorded over the year, 1,468 fewer than in 2016. Of this total, 25,162 movements were by commercial aircraft, the balance represented private aircraft movements. This results in a split of 65:35 in favour of commercial traffic.

Aircraft Movements – Alderney Airport

Alderney Airport recorded 5,339 aircraft movements in 2017, 420 fewer than in 2016 (-3.9%).



Finance Overview

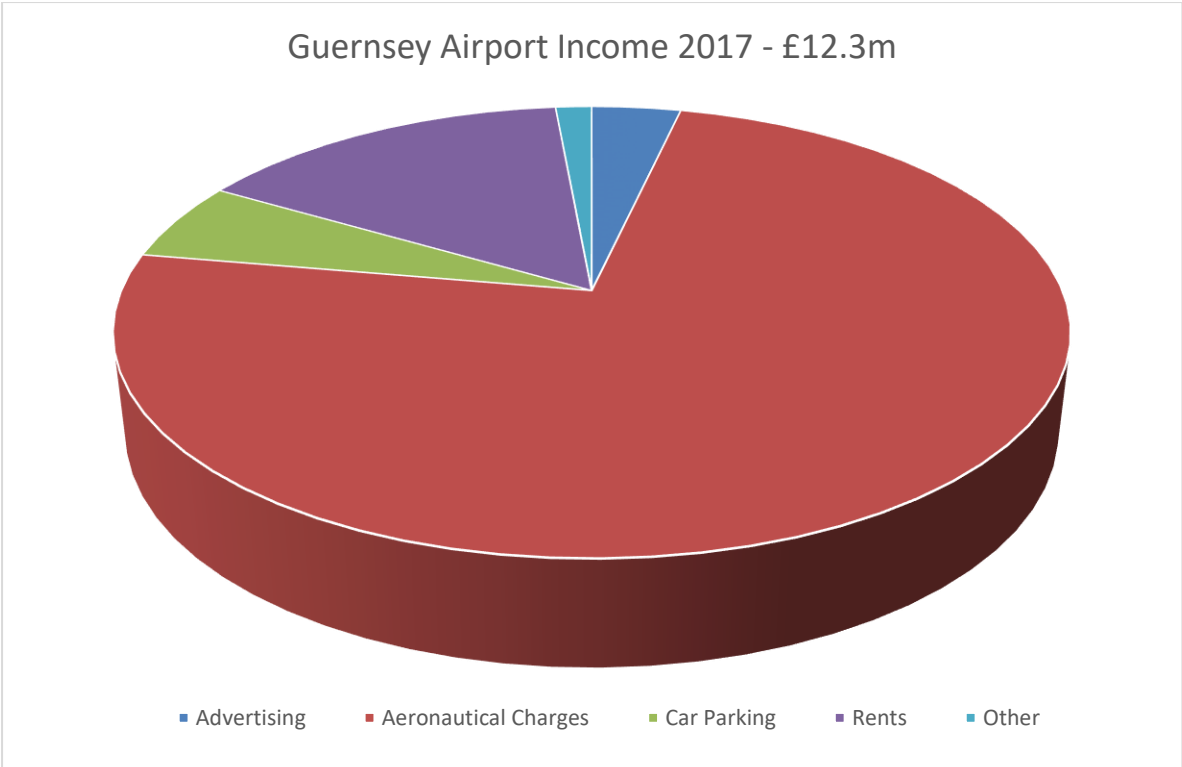
Guernsey's Airport income in 2017 was £12.3 million compared to a budgeted £12.4 million and an actual income of £12.3m in 2016. Whilst these figures are disappointing, Guernsey Airport recognises the need to diversify and grow revenue streams from other non-aviation activities.

Expenditure at Guernsey Airport in 2017 was £11.7 million, compared to a budgeted £11.8 million and an actual expenditure in 2016 of £14.2 million (albeit this latter figure included exceptional legal costs incurred during that year).

The overall trading surplus before depreciation was £615,000.

A summary of Guernsey Airport's Income and Expenditure for 2017 is shown overleaf.





Source: Guernsey Airport

A copy of the Ports trading accounts is attached as Appendix Two to this annual report, which is available on the Airport's website at www.airport.gg.

Alderney Airport's net losses for 2017 was £815,000, £10,000 above budget and £1000 above the 2016 spend. Despite lower passenger figures, Alderney Airport income was higher by 6.1% (£43,000) compared to 2016 due to higher income from airport charges (RPI-related, rather than volume related increases) and additional property rent.



Safety Overview



Guernsey Airport continues to encourage a positive reporting culture, as a means of proactively encouraging our staff and third parties to identify opportunities for improving what we do, and how we do it. The Management team hold quarterly safety meetings and produce an annual safety plan, which sets objectives and targets for the year. The results for 2017 are shown below.

Alderney Airport

The Safety Board set 9 general safety objectives set for Alderney in 2017; 6 were fully met. The Safety Board set 3 H&S objectives for Alderney in 2017, 2 were fully met. There were no HSE RIDDOR reportable events at Alderney in 2017. There were three non-RIDDOR events, two involving third parties to the Airport. 20 hazard reports were submitted over the year.

Guernsey Airport

The Safety Board set 12 general safety objectives for Guernsey in 2017, 6 were fully met. The Safety Board set 3 H&S objectives for Guernsey in 2017, 1 was fully met. The Safety Board set 26 Security objectives for Guernsey in 2017, 19 were fully met. There were no HSE RIDDOR reportable events at Guernsey in 2017. There were 31 non-RIDDOR events, 19 involving third parties to the Airport, and 22 Hazard reports were submitted over the year.

Other News in 2017

The Guernsey and Alderney Airport security-screening contract was let to G4S following a competitive tender process. The contract covers all of the security elements of Guernsey and Alderney Airports and Guernsey Harbours.

Work on installing the new carpark ticket barriers, and new pay stations in the Guernsey Airport public car parks was completed in 2017. It has anticipated a new 'oyster card' type system, which allows contactless payment and top-up functions and will give passengers the option of not having to queue at pay stations for parking payment.

Various maintenance projects were advanced in 2017 at Alderney Airport; including reviews of terminal roof, proposals on rebuilding the ATC Tower stairs and work to advance re-cladding of the fire station. Further advancement of the business case for the Alderney runway rehabilitation project was made in 2017. Following a lightning strike in September 2017, which disabled a series of meteorological systems at Alderney Airport, replacement equipment was ordered and installed. Re-Tendering of the Alderney Airport Aviation Fuel supply contract was undertaken with Fuel Supplies CI Ltd being successfully appointed.

Work to streamline the Ports Capital Procurement process and prioritisation advanced well in 2017 with workshops to establishing a priority list across the harbours and airports. These processes have been ratified by the Ports Board. Planning and prioritisation of all our capital investments now apply across the Ports as a whole. This ensures financial and staff resources are targeted into the most appropriate investments.

Further rationalisation of our Ports Management Team occurred in 2017, with a number of managers now working across both Ports, in commercial, managerial and financial roles. These areas will be broadened and deepened as the Ports aim to further consolidate management functions and seeks to exploit economies of scale and best practice across its Airports and Harbours.

The development of a consolidated management structure was further supported by the appointment of a new sub-committee for the Ports in May 2017 which, as part of its duties, will be tasked with monitoring the current and future human resources requirements and demands of the Ports.

The Ports Board is charged with providing a closer level of attention on a relatively small number of critical items, in particular those with the potential to have the greatest impact on, and risk to, trading asset operations whether financial, regulatory, health and safety, environmental or reputational. The new Board is required to challenge established practices and assumptions, creating, developing and critically reviewing long term business plans and budgets which are then set before STSB for approval and endorsement.

Customer Service

The Airport's Customer Focus Group leads on initiatives aimed at improving levels of customer service and the passenger's total journey experience in line with the aims of Service Guernsey. The group is proactive in engaging with business partners and the public via regular meetings and surveys, encouraging feedback and making improvements wherever possible. In 2017, the group's initiatives were focused on passengers requiring special assistance and were aligned with a number of the objectives outlined in the States Disability and Inclusion Strategy.

The Airport Consultative Committee met on a quarterly basis through 2017 and it continues to consider and discuss wide ranging topics including environmental issues, airport development, updates on airport operations, and the continuing monitoring and review of any passenger service and delivery issues.

In December 2017, Guernsey Airport launched the Hidden Disabilities Lanyard Scheme following its success at other UK airports. The lanyard aims to identify to airport staff that the wearer might need extra support as they travel through the Airport. The Airport's Disability and Inclusion Champion met with various charities and health care providers to gain an understanding of people's needs and support for the scheme. Members of the Airport's Customer Focus Group along with representatives from local charities undertook various training and awareness sessions with front facing staff, security, airlines and handling agents. Guernsey Airport was nominated for the Guernsey Disability Alliance's 'Think Differently about Disability' Award. The aim is expand the scheme to Guernsey Harbours in due course.



Social Media

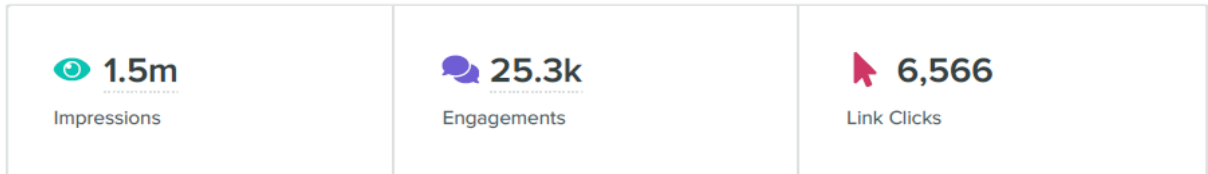
Guernsey and Alderney Airports continued to consolidate its media presence on Facebook, Twitter, and Instagram platforms. By using these means of communication both Airports have been able to respond quickly to praise, comments, and feedback, and to communicate to a new audience, which may not engage with traditional media, and more traditional means of communication or advertising. Both Guernsey and Alderney Airports are working hard to increase the amount of traffic to these channels, with the aim of boosting air travel, promoting the product on what both Airport's offer, and highlight to our audience what goes on behind the scenes.

Use of social media has proven particularly useful in significant weather events, e.g. fog, snow, and ice. This is also repeated for Guernsey Airport main website, as passengers look to find out what information is available about their flight. March 2017 saw a considerable amount days affected by fog. As a result, these sort of weather events generate more interest and drives traffic to our Facebook and Twitter accounts. The graphs overleaf provide a snapshot of the performance by Guernsey Airport in 2017.



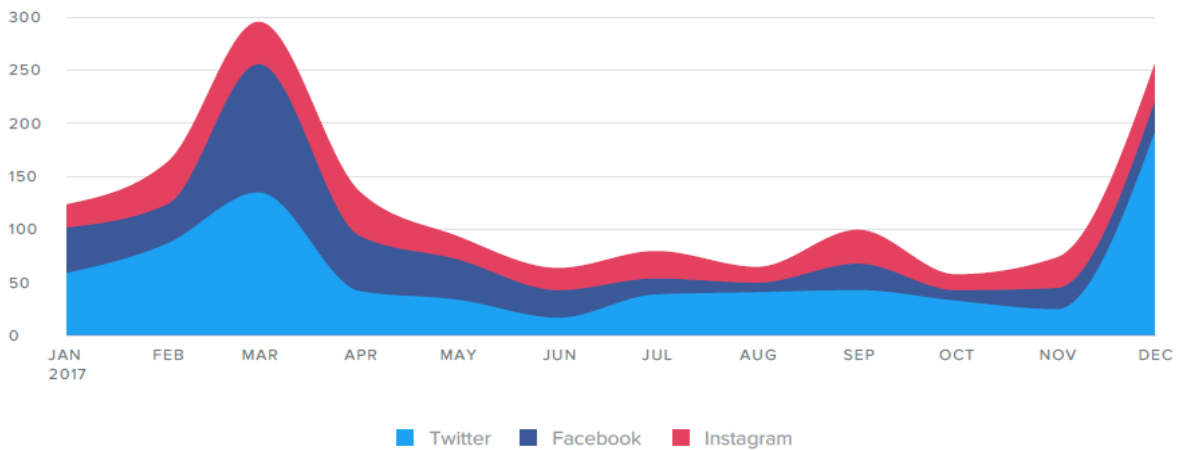
Guernsey Airport – 2017 social media performance

Group Activity Overview



Group Audience Growth

AUDIENCE GROWTH, BY MONTH



| Audience Growth Metrics | Totals | % Change |
|--------------------------|--------------|--------------|
| Total Fans | 6,833 | ↗ 28% |
| New Twitter Followers | 734 | ↗ 19.3% |
| New Facebook Fans | 425 | ↗ 32% |
| New Instagram Followers | 343 | ↗ 153.1% |
| Total Fans Gained | 1,502 | ↗ 28% |

Total followers increased by

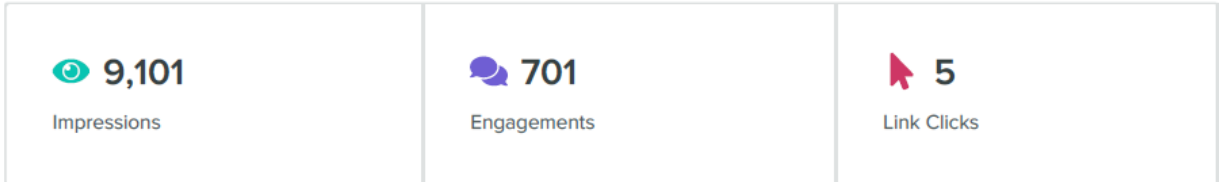
↗ 28%

since previous date range

Source: Guernsey Airport.

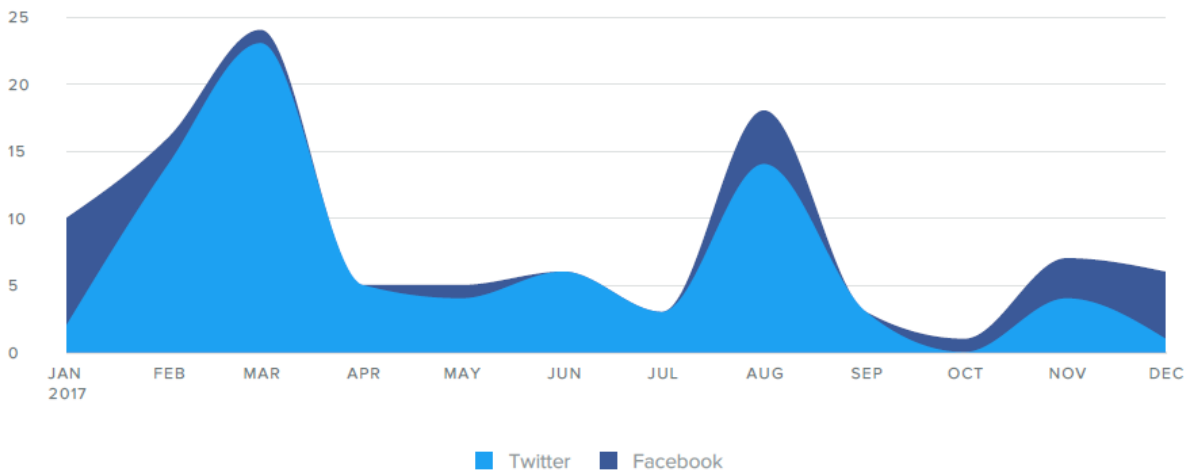
Alderney Airport – 2017 social media performance

Group Activity Overview



Group Audience Growth

AUDIENCE GROWTH, BY MONTH



| Audience Growth Metrics | Totals | % Change |
|-------------------------|------------|----------------|
| Total Fans | 483 | ↗ 26.4% |
| New Twitter Followers | 79 | ↗ 84% |
| New Facebook Fans | 23 | ↗ 7.6% |
| Total Fans Gained | 102 | ↗ 26.4% |

Total followers increased by

↗ 26.4%

since previous date range

Source: Alderney Airport.

Our Key Performance Indicators

Here are some measures of our performance of Guernsey Airport during 2017. The categories we include below will give you a view on our capacity, environmental, safety, delays and cost efficiency when compared to our annual target for 2017.

Capacity

| Performance Indicator | Actual | Target |
|--|--------|--------|
| Peak Runway Utilisation (movements per day recorded on 14/09/17) | 187 | >150 |
| Average Runway Utilisation (movements per day) (38,307 movements / 364 days) | 105 | >90 |
| Total Aircraft Movements as a % of minimum annual flow control capacity (38,307 movements as a % of 10 per hour x 14.5hrs x 364 days) | 72% | >65% |

Environmental

| Performance Indicator | Actual | Target |
|--|--------|--------|
| Number of Noise Complaints | 10 | <20 |
| Number of Triggered Noise Alerts that exceed 70db(A) in one hour | 6 | <10 |
| Total Annual Electricity Consumption (MWh) | 2,990 | <3,000 |

Safety

| Performance Indicator | Actual | Target |
|--|---------------|---------------|
| Total Mandatory Occurrence Reports submitted | | |
| -ATS | 54 | >50 |
| -Aerodrome & Ground | 56 | >50 |
| Number Full Emergencies in 2017 | 13 | <20 |
| Number Local Standby's | 13 | <20 |
| Number Ground Incidents | 8 | <10 |
| Number Runway Incursions | 2 | <5 |
| Number Fuel Spillages | 5 | <10 |
| Confirmed Bird Strikes | 39 | <10 |
| No Drones Reported in Restricted Airspace | 2 | <5 |
| No Laser Attacks | 1 | <5 |

Delays

| Performance Indicator | Actual | Target |
|--|---------------|---------------|
| Percentage of qualifying departing flights operating within 15 minutes of scheduled time | TBC | >70% |

Cost Efficiency

| Performance Indicator | Actual | Target |
|---|--------|---------|
| Operating Cost per passenger movement (£11,688,544 / 813,595) | £14.36 | <£15.00 |
| Navigational Services cost per passenger movement (£4,079,000 / 813,595) | £5.01 | <£7.50 |
| Cost of Navigation Services as a % of total costs (£4,079,000 / £11,688,544) X 100 | 34.9% | <50% |



Appendix One – Contact Details

Postal Address: Guernsey Airport, Control Tower Building, Le Villiaze, Forest, Guernsey, GY8 0DS

Tel: +44 (0)1481 237766

E-Mail: airport@gov.gg

Web: www.airport.gg

Postal Address: Alderney Airport, Le Grand Val, Alderney, GY9 3AA

Like Follow and Share Guernsey and Alderney Airports on Facebook, Twitter, and Instagram.

Appendix Two – Guernsey Airport Accounts

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

States' Trading Supervisory Board Members

Deputy C. Parkinson, President

Deputy J. Smithies

Mr S. Falla MBE

Mr J. Hollis

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

Principal Officers to the States' Trading Supervisory Board

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets

Mr R. Evans, Deputy Managing Director, States of Guernsey Trading Assets

Mr S. Gardiner, Finance Business Partner, States of Guernsey Trading Assets

Mr A. Ford, Head of Shareholder Executive, States of Guernsey Trading Assets

Ports Board Members

Mr S. Falla MBE, appointed Chairman 4 May 2017

Deputy C. Parkinson appointed 4 May 2017

Mr B. Smillie appointed as non-voting adviser 4 May 2017

Mr C. Le Ray appointed as non-voting adviser 4 May 2017

Mr I. Merrien appointed as non-voting adviser 4 May 2017

At its meeting of 4 May 2017, the STSB agreed to establish political subcommittees (company Boards) for the trading assets including the Ports. The constitution of the Ports Board ("PB") was determined by the STSB on 4 May 2017. Further information on the role of the PB is provided under Corporate Governance in the General Manager's report.

Principal Officers to the Ports Board

Mr C. Le Ray, General Manager, Ports

Mr A. Nicholas, Head of Aviation Services, Airport

Captain C. Murray, Harbourmaster, Harbour left 27 April 2018

Mrs K. Lawson, Commercial Manager, Ports left 31 August 2017

Mr I. Merrien, Senior Finance Manager, Ports

Mr D. Wright, Commercial Manager, Ports joined 1 August 2017

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

States’ Trading Supervisory Board - Ports

States’ Trading Supervisory Board Members, Principal Officers and Professional Advisers - Continued:

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Ltd

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

Chairman's Report

Overview

The STSB has implemented improved governance arrangements across all of the States of Guernsey Trading Assets during 2017, which include the formation of a political subcommittee (company board) at the Ports. The Ports board is accountable to the STSB and operates by challenging established practices and assumptions. The board seeks to support the business in establishing clear strategic direction, business planning and operational delivery in support of the outcomes of the Policy & Resource Plan, the Medium Term Financial Plan, the Public Service Reform Agenda, Service Guernsey and other key strategic reviews and organisational drivers. For the Ports, 2017 has been a positive year having achieved better than expected trading results in challenging trading conditions. However, the business remains aware of the significant challenges it faces in the years to come with lower annual passenger numbers predicted at both harbour and airport.

Business Performance

The business continues to perform ahead of budget in the face of depressed passenger numbers. The Harbour's passenger numbers were above 2016, but still down on those before the rotation of passenger vessels to Guernsey was reduced. Airport passenger numbers were at their lowest for over 20 years. This highlights the importance of the Ports continuing to diversify revenue streams.

Financial Performance

The Ports made a surplus of £1.5m during 2017 (2016 deficit £1.1m). This turnaround was mostly due to an exceptional cost of £2.1m in 2016, which was a result of a one off legal/settlement, in addition 2017 saw a £110k improvement in revenue from cruise ships. During the year, the Ports made a £4.0m payment to the Capital Reserve as part of the target set for STSB in the 2017 Budget Report.

Our Community

As the main gateway to the island, the Ports are aware of the need to balance financial performance with the greater needs of the island. To this end, the Ports are constantly striving to minimise the impact of passenger charges on the public. Alongside this, support for the community continues with a number of public events held in the harbour area such as the Town Carnival and Proms on the Pier. Whilst 2017 has been a positive year for the Ports, weather and delays have caused challenges in delivering the service required for what the island sees as 'business as usual'. The Ports are fortunate to have a loyal and committed team who continue to deliver in testing times. I would like to thank the dedicated staff and employees for all their hard work and commitment throughout the year.

The Future

In order to remain compliant with current standards, the Airport has to become ever more conscious concerning security, which comes at significant cost. Simply increasing passenger charges is not desirable and so the Airport will continue to explore other avenues of revenue. The Seafront Enhancement Area Plan (Harbour Action Area Plan) will be several years in the making but in the meantime, the Ports will continue to diversify income streams where possible and continue to research any areas where it feels efficiencies can be made.

General Manager's Report

Guernsey Ports presents its report and the audited financial statements for the year ended 31 December 2017. These comprise of the statement of comprehensive income, statement of financial position, statement of changes in equity, the statement of cash flows, and the related notes.

Principal activities

Guernsey Airport provides for safe and expeditious movement of commercial and private aircraft, passengers and cargo to and from the Island on the most cost-effective basis. The Airport also looks to ensure that policies, facilities and services are commensurate with the requirements of the Island in respect of air transport services, general aviation and meeting the standards set by the United Kingdom Civil Aviation Authority.

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962, following a States Resolution in the Billet D'État XVI, 1961. On the basis that the Ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers and that, the States, as owners of the Ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another. Under this group arrangement, the trading position of the Airport and Guernsey Harbours is separately identified, but the assets and liabilities are consolidated in recognition of the States' strategic asset in the form of the combined Ports.

'Contributions' to the States of Guernsey

During the year, the Ports made a £4.0m payment to the Capital Reserve as part of the target set for STSB in the 2017 Budget Report.

Customers

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

Financial highlights

| | Actual 2017 £'000 | Budget 2017 £'000 | Actual 2016 £'000 |
|--|-------------------------|-------------------------|-------------------------|
| Airport revenue | 12,303 | 12,451 | 12,365 |
| Harbour revenue | 9,158 | 8,914 | 8,780 |
| Total revenue | 21,461 | 21,365 | 21,145 |
| Airport (deficit) for the financial year | (287) | (654) | (3,086) |
| Harbour surplus for the financial year | 1,701 | 1,041 | 1,986 |
| Net investment return | 131 | - | 37 |
| Total surplus/(deficit) for the financial year | 1,545 | 387 | (1,063) |
| Airport capital expenditure | 198 | 2,695 | 571 |
| Harbour capital expenditure | 242 | 4,000 | 164 |
| Capital expenditure | 440 | 6,695 | 735 |

Operational performance

| | 2017 | 2016 | Change % |
|---------------------------------------|-----------|-----------|-------------|
| Passenger movements | | | |
| Airport | 813,595 | 841,914 | -3.4% |
| Harbour | 320,255 | 312,074 | +2.6% |
| Total | 1,133,850 | 1,153,988 | -1.7% |
| Airport | | | |
| Full emergencies declared | 17 | 1 | +1,600% |
| Aircraft accidents | - | - | 0% |
| Full time equivalent employees | | | |
| Airport | 123 | 119 | +3.4% |
| Harbour | 75 | 77 | -2.6% |

Corporate governance

The purpose of the PB is to support the delivery of the STSB's mandate, ensuring the efficient and effective management, operation and maintenance of the Ports. The PB is accountable to the STSB. The PB will normally focus attention on a relatively small number of critical items, in particular those with potential to have the greatest impact on, and risk to, trading asset operations whether financial, regulatory, health and safety, environmental or reputational. The PB membership is a minimum of a Chairman who is not a States Member, a Political Member of the STSB, a Senior Executive of an Incorporated Company or one or more Senior Officers of the States, the General Manager and the Financial Manager. All members of the PB other than the General Manager and the Financial Manager are appointed by the STSB.

The Chairman is responsible for:

- The proper observance of these Terms of Reference;
- Overseeing and facilitating the conduct of the PB meetings;
- Ensuring all PB members have an opportunity to participate in discussion in an open, respectful and encouraging manner;
- Seeking consensus from the whole PB for matters that may be referred to the STSB or when acting as a subcommittee;
- Setting agenda items in conjunction with the General Manager.

The PB does not hold a fiduciary responsibility. The PB will take into account the States' political direction with regard to the operation of the business unit, as directed from time to time by the STSB. It must ensure that the business unit operation and operational policies align with the wider strategy and policy framework of the States of Guernsey and / or the STSB. The PB may generate policy for endorsement by the STSB and onward to the States of Guernsey as required. The PB should operate by challenging established practices and assumptions, creating, developing and critically reviewing long-term business plans and budgets to be set before the STSB for approval.

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

- To approve capital and revenue annual budgets in line with the long-term budgets approved by the STSB;
- To approve annual business plans in line with long-term strategy and planning approved by or directed by the STSB;
- To approve and issue annual reports;
- To guide and steer the business unit.
- In carrying out these responsibilities the PB is bound and enabled by States of Guernsey rules for financial and resource management and the rules, directives, policies and procedures of the States of Guernsey, such as, but not limited to: Finance; Procurement; Property; Human Resources; Data Protection; Health and Safety Management; Risk and Issue Management; Managing Matters of Litigation; Relevant legislation.
- The PB has the authority delegated by the STSB to direct the business unit General Manager in the day-to-day operation of the business unit in line with approved budget and business plans.

In fulfilling this purpose, the PB will:

- Receive regular operational, sale/management information and financial reports from the General Manager and, as appropriate, reports from the business unit management team, with a view to directing the Ports as appropriate or recommending a course of action to the STSB.
- Receive and review regular financial performance report;
- Receive updates on significant projects.
- Prioritise and ensure work streams progress in order to meet objectives and key performance indicators.
- Consider, advise and make recommendations on aspects of business unit operations and provision of service.
- Provide challenge and guidance within the capital investment and capital approvals process and approve capital expenditure within the PB's delegated authority;
- Submit annual budgets and business plans in line with the States of Guernsey budgeting process to STSB.
- Consider and agree long-term business plans, budgets, forecasts (capital and revenue) prior to submission to the STSB for approval.
- Advise on and agree prices and pricing policy in relation to the services provided by the business unit.
- Consider any regulatory authority reports in relation to the business unit, including the Health and Safety Executive, review options and take action to ensure compliance.
- Own the business unit risk register and report risks in line with agreed policy;
- Receive, review, and recommend action from other reports as may be requested by the PB.

A recommendation by the PB to the STSB to amend the Terms of Reference must be made by majority of all PB members. STSB can disband the PB at any time without notice or recourse to any other body. The PB will meet on an as and when required basis, and in any event once a quarter.

One such meeting shall be the equivalent of an Annual General Meeting, which all members of the STSB, the Managing Director, States of Guernsey Trading Assets and the Finance Business Partner shall attend. In the event due process has not been followed, the PB must render itself unable to make a decision until such time process has been followed. Within five days of the meeting, the relevant Executive Assistant who attended the meeting, will prepare and circulate a confidential copy of the minutes for approval by members. The PB distributes reports for consideration not less than five days prior to the meeting.

Statement of responsibilities

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

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

The STSB is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time its financial position. The STSB is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of financial controls and going concern

It is the responsibility of the STSB to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in its care, and hence for taking reasonable steps for the prevention of fraud and other irregularities.

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

The Ports' internal financial controls and monitoring procedures include:

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

Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures. The STSB strives to ensure that all staff with financial responsibility in the Ports have the appropriate integrity, skills and motivation to professionally discharge their duties. The Ports' internal controls and accounting policies have been and are subject to continuous review and improvement. In addition, the financial statements are subject to an independent external audit by an auditor, appointed by the States of Guernsey.

Going concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee, in conjunction with the STSB and the Ports' Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that the Ports have adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that the Ports are a going concern for at least twelve months from the approval of the financial statements.

Auditors

Grant Thornton Ltd have expressed their willingness to continue in office as auditors.

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

Opinion

We have audited the financial statements of the States of Guernsey - States' Trading Supervisory Board – Ports (the "Ports") for the year ended 31 December 2017. It comprises of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements including a summary of significant accounting policies. In our opinion, the financial statements of the Ports for the year ended 31 December 2017 are prepared, in all material respects, in accordance with the accounting policies stated in note 2 to the financial statements.

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 Business Unit in accordance with the ethical requirements that are relevant to our audit of the financial statements in Guernsey, including the FRC's Ethical Standard. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter — Basis of accounting and restriction on distribution and use

We draw attention to note two to the financial statements, which describes the basis of accounting. Specifically, no full impairment review has been undertaken on the Ports Fixed Assets. This does not comply with FRS 102, which would require a full impairment review in light of the accounting losses. The financial statements are prepared to assist the Ports to comply with its financial reporting requirements.

As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Ports and should not be distributed to or used by parties other than the Ports. Our opinion is not modified in respect of this matter.

Who we are reporting to

This report is made solely to the members of the States of Guernsey - States' Trading Supervisory Board (the "Board") of the Ports, as a body, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the members of the Board of the Ports 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 Ports and the members of the Board of the Ports as a body, for our audit work, for this report, or for the opinions we have formed.

Other information

The Board is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard. Matters on which we are required to report by exception.

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

- Proper accounting records have not been kept.
- The financial statements are not in agreement with the accounting records and/or.
- We have not obtained all the information and explanations, which to the best of our knowledge and belief are necessary for the purposes of our audit.
- Responsibilities of Board for the financial statements.

As explained more fully in the statement of responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements in accordance with the basis of preparation and accounting policies in note 2 to the financial statements. The Board is also responsible for such internal control as they 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 Board is responsible for assessing the Ports' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Ports or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors. Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ports' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ports to cease to continue as a going concern. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Grant Thornton Limited
Chartered Accountants
St Peter Port
Guernsey

15 May 2018

States' Trading Supervisory Board Ports

Statement of Comprehensive Income

for the year ended 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|--|--------|--------------------|-------------|
| Revenue | 2 & 4 | | |
| Airport fees, charges and other income | | 12,303,272 | 12,364,925 |
| Harbour dues, charges and other income | | 9,158,079 | 8,780,356 |
| | | 21,461,351 | 21,145,281 |
| Expenses | 2 & 6 | | |
| Airport expenses | | 11,688,544 | 14,219,559 |
| Harbours expenses | | 6,305,931 | 5,688,058 |
| | | 17,994,475 | 19,907,617 |
| Operating surplus before depreciation/amortisation and loss on disposal of fixed assets | | 3,466,876 | 1,237,664 |
| Depreciation/amortisation | 9 | (5,392,807) | (5,768,079) |
| Loss on disposal of fixed assets | 9 | (2,032) | (31,787) |
| Revaluation of investment property | 10 | - | (25,000) |
| Operating deficit for the year | | (1,927,963) | (4,587,202) |
| Amortisation of asset specific contributions | 2 & 16 | 3,342,381 | 3,487,026 |
| Investment return | 6 | 130,626 | 36,844 |
| Surplus/(deficit) for the financial year | 15 | 1,545,044 | (1,063,332) |

All material activities derive from continuing operations.

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

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Financial Position

as at 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|--------------------|--------------------|
| Non-current assets | | | |
| Tangible fixed assets – Airport | 9 | 95,690,280 | 99,323,341 |
| Tangible fixed assets – Harbours | 9 | 137,136,108 | 138,435,733 |
| Investment property | 10 | 500,000 | 500,000 |
| Assets under construction | 11 | 109,058 | 155,373 |
| | | <u>233,435,446</u> | <u>238,414,447</u> |
| Current assets | | | |
| Inventories | 12 | 366,349 | 378,716 |
| Debtors and prepayments | 13 | 2,770,882 | 2,669,719 |
| Bank and cash | | 174 | 275 |
| Balances with States Treasury | | 1,567,756 | 2,087,076 |
| | | <u>4,705,161</u> | <u>5,135,786</u> |
| Creditors: amounts falling due within one year | 14 | <u>(1,894,957)</u> | <u>(1,559,242)</u> |
| Net current assets | | <u>2,810,204</u> | <u>3,576,544</u> |
| Total net assets | | <u>236,245,650</u> | <u>241,990,991</u> |
| Reserves | 15 | <u>236,245,650</u> | <u>241,990,991</u> |

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

Deputy C. Parkinson 15 May 2018
President

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott 15 May 2018
Managing Director

States' Trading Supervisory Board Ports

Statement of Changes in Equity

for the year ended 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|---------------------------|--------------------|
| At 1 January | | 241,990,991 | 246,171,409 |
| Surplus/(deficit) for the financial year | | 1,545,044 | (1,063,332) |
| Amortisation of asset specific contributions | 15 | (3,342,381) | (3,487,026) |
| Contribution from States Capital Reserve | 15 | 51,996 | 369,940 |
| Contribution to States Capital Reserve | 15 | (4,000,000) | - |
| At 31 December | 15 | <u>236,245,650</u> | <u>241,990,991</u> |

Notes 1 to 23 form an integral part of these financial statements.

States' Trading Supervisory Board Ports

Statement of Cash Flows

for the year ended 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|--------------------|------------------|
| Net cash flows from operating activities | 17 | <u>3,713,795</u> | <u>(590,326)</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 10,000 | - |
| Purchase of fixed assets | 9 | <u>(425,838)</u> | <u>(734,594)</u> |
| Net cash flows used in investing activities | | <u>(415,838)</u> | <u>(734,594)</u> |
| Cash flows from financing activities | | | |
| Net contribution (to)/from States Capital Reserve | 15 | <u>(3,948,004)</u> | 369,940 |
| Investment return received | 6 | <u>130,626</u> | <u>36,844</u> |
| Net cash flows (used in)/from financing activities | | <u>(3,817,378)</u> | <u>406,784</u> |
| Net decrease in cash and cash equivalents | | <u>(519,421)</u> | <u>(918,136)</u> |
| Cash and cash equivalents at the beginning of the year | | <u>2,087,351</u> | <u>3,005,487</u> |
| Cash and cash equivalents at the end of the year | | <u>1,567,930</u> | <u>2,087,351</u> |
| Reconciliation to cash at bank and in hand: | | | |
| Cash at bank and in hand | | 174 | 275 |
| Cash balances with States Treasury | | <u>1,567,756</u> | <u>2,087,076</u> |
| Cash and cash equivalents | | <u>1,567,930</u> | <u>2,087,351</u> |

Notes 1 to 23 form an integral part of these financial statements.

Notes to the Financial Statements

General information

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

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

Principal accounting policies

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

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. In respect of the Ports' Fixed Assets, the impairment review undertaken has not included a full impairment review of the Fixed Assets, as the primary objective is to facilitate travel to and from the island and not generate an economic return. This does not comply with FRS 102, which would have a full impairment review in the light of negative operating cash flows.

Functional and presentational currency

The financial statements are presented in Pounds Sterling, which is the functional and presentational currency of the Ports.

Going concern

The financial statements are produced on a going concern basis. The Policy & Resources Committee, in conjunction with the STSB and Ports' Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that the Ports have adequate financial resources to meet its obligations as they fall due.

The STSB therefore believes that the Ports are a going concern for at least twelve months from the approval of the financial statements.

Tangible fixed assets

I. Investment properties

Investment properties for which fair value can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any change recognised in the Statement of Comprehensive Income.

II. Property, plant and equipment

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

III. Assets under construction

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised. No impairment reviews are undertaken for assets under construction.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated expected useful lives using the straight-line method.

Depreciation commences from the beginning of the month of acquisition of an asset or, in the case of constructed assets, the asset being brought into a condition to be used as intended.

| | Estimated life in years | Depreciation % per annum |
|---------------------|----------------------------|-----------------------------|
| Land | - | - |
| Infrastructure | 15 - 60 | 6.7% - 1.7% |
| Buildings | 25 - 60 | 4.0% - 1.7% |
| Plant and Equipment | 5 - 25 | 20.0% - 4.0% |
| Motor vehicles | 5 - 10 | 20.0% - 10.0% |
| Computers and ICT | 3 | 33.3% |

Impairment of assets (excluding inventories)

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Statement of Financial Position date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income. An asset is impaired where there is objective evidence that, because of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. The exception being as noted in section 2 Accounting Convention.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Costs include an appropriate proportion of processing expenses. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete and slow-moving items where appropriate.

Financial instruments

I. Trade and other debtors

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

II. Trade and other creditors

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

III. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of the Ports. Whilst the Ports operates bank accounts, the entity will make payment and receive money via bank accounts held by the States Treasury. The net cash balance held with the States of Guernsey at the year-end is treated as Cash and Cash Equivalents on the Ports' Statement of Financial Position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest.

Any net cash balance held with the States Treasury could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.

IV. De-recognition of basic financial instruments

Financial assets are derecognised when and only when:

- I. The contractual rights to the cash flows from the financial asset expire or are settled.
- II. The Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset.
- III. The Business Unit, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in a contract is discharged, cancelled or expires.

Revenue and expenses

Revenue and expenses are accounted for on an accruals basis. Revenue comprises amounts in respect of services provided and goods supplied in the year.

Pension costs

Pension costs are treated as employee benefits. Amortisation of asset specific contributions asset specific contributions are initially recognised as capital contributions reserve and released to the revenue account over the anticipated useful life of the asset concerned on a basis consistent with the depreciation of the underlying asset.

Net investment return

Net investment return on balances held with the States Treasury is accounted for on an accruals basis.

Leases

I. As lessee

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

II. As lessor

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the STSB have made in the process of applying the Ports accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

I. Valuation of investment property

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

II. Depreciation rates

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

Notes to the Financial Statements – continued

4. Revenue

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

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

| | 2017 £ | 2016 £ |
|------------------------------------|-------------------|-------------------|
| Guernsey Airport | 12,303,272 | 12,364,925 |
| Guernsey Harbours | 9,158,079 | 8,780,356 |
| | <u>21,461,351</u> | <u>21,145,281</u> |
| Advertising, picketing etc | 442,000 | 365,000 |
| Airport development charge | 731,000 | 752,000 |
| Car parking fees | 696,000 | 720,000 |
| Rents | 1,868,000 | 1,878,452 |
| Traffic receipts | 8,387,272 | 8,453,925 |
| Recovery from Alderney | 179,000 | 178,000 |
| Commercial port operations | 5,343,603 | 5,307,966 |
| Property | 1,085,624 | 899,787 |
| Leisure | 2,653,865 | 2,512,755 |
| Non-commercial port | 29,357 | 16,768 |
| Ships registry | 45,630 | 43,080 |
| Investment property rents (note 0) | - | 17,548 |
| | <u>21,461,351</u> | <u>21,145,281</u> |

5. Expenses

| | 2017 £ | 2016 £ |
|---------------------------------|-------------------|-------------------|
| Airport | | |
| Aerodrome fire service | 2,157,000 | 2,227,000 |
| Airport infrastructure | 2,666,000 | 4,959,000 |
| Airport security | 1,795,000 | 1,816,000 |
| Navigational services | 4,079,000 | 4,064,000 |
| Administration | 991,544 | 1,153,559 |
| | <u>11,688,544</u> | <u>14,219,559</u> |
| Harbour | | |
| Commercial ports operations | 2,364,232 | 2,090,013 |
| Property | 894,233 | 840,015 |
| Leisure | 1,627,233 | 1,656,015 |
| Non-commercial ports operations | 1,352,233 | 1,036,015 |
| Ships registry | 68,000 | 66,000 |
| | <u>6,305,931</u> | <u>5,688,058</u> |

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

6. Investment return

| | 2017 £ | 2016 £ |
|-----------------------|----------------|---------------|
| Net investment return | <u>130,626</u> | <u>36,884</u> |
| | 130,626 | 36,884 |

7. Surplus/(deficit) for the financial year

Surplus/(deficit) on ordinary activities is stated after charging:

| | Note | 2017 £ | 2016 £ |
|---------------------------------------|------|------------------|------------------|
| Auditor's remuneration | | 18,013 | 18,132 |
| Depreciation of tangible fixed assets | 9 | 5,392,808 | 5,768,079 |
| Deficit on disposal of fixed assets | | <u>2,032</u> | <u>31,787</u> |
| | | 5,412,853 | 5,817,998 |

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

8. Staff numbers & costs

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

| | 2017 | 2016 |
|----------------------------|------------|------------|
| Airport | | |
| Operational | 110 | 107 |
| Administration and support | 13 | 12 |
| | <u>123</u> | <u>119</u> |
| Harbour | | |
| Operational | 62 | 66 |
| Administration and support | 13 | 11 |
| | <u>75</u> | <u>77</u> |

Their aggregate remuneration comprised:

| | Note | 2017 £ | 2016 £ |
|-----------------------|------|-------------------|-------------------|
| Wages and salaries | | 8,881,879 | 9,098,928 |
| Social security costs | | 542,830 | 495,805 |
| Pension costs | 19 | 1,084,654 | 1,012,247 |
| | | <u>10,509,363</u> | <u>10,606,980</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets

| Airport | 1 January 2017 | Additions | Adjustments/ Disposals | 31 December 2017 |
|------------------------|--------------------|------------------|---------------------------|---------------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| Land | 2,687,152 | - | - | 2,687,152 |
| Infrastructure | 64,820,134 | (1,797) | - | 64,818,337 |
| Buildings | 33,184,988 | (1,084) | - | 33,183,904 |
| Plant & equipment | 23,531,733 | 208,295 | (146,219) | 23,593,809 |
| Motor vehicles | 1,222,908 | 71,369 | (29,378) | 1,264,899 |
| Information technology | 195,707 | - | (39,950) | 155,757 |
| | <u>125,642,622</u> | <u>276,783</u> | <u>(215,547)</u> | <u>125,703,858</u> |
| Depreciation | | | | |
| Land | - | - | - | - |
| Infrastructure | 8,649,620 | 1,887,508 | - | 10,537,128 |
| Buildings | 5,597,610 | 560,637 | - | 6,158,247 |
| Plant & equipment | 11,031,481 | 1,346,619 | (146,219) | 12,231,881 |
| Motor vehicles | 844,863 | 103,049 | (17,347) | 930,565 |
| Information technology | 195,707 | - | (39,950) | 155,757 |
| | <u>26,319,281</u> | <u>3,897,813</u> | <u>(203,516)</u> | <u>30,013,578</u> |
| Net Book Value | <u>99,323,341</u> | | | <u>95,690,280</u> |

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets - continued

| Harbour | 1 January 2017 £ | Additions £ | Adjustments/ Disposals £ | 31 December 2017 £ |
|------------------------|---------------------------|------------------|--------------------------------|----------------------------------|
| Cost | | | | |
| Land | 87,515,374 | - | - | 87,515,374 |
| Infrastructure | 9,293,995 | 4,439 | (70,422) | 9,228,012 |
| Buildings | 48,824,180 | - | - | 48,824,180 |
| Plant & equipment | 8,868,541 | 156,760 | 41,164 | 9,066,465 |
| Motor vehicles | 198,139 | 14,933 | - | 213,072 |
| Information technology | 18,200 | 19,238 | (18,200) | 19,238 |
| | <u>154,718,429</u> | <u>195,370</u> | <u>(47,458)</u> | <u>154,866,341</u> |
| Depreciation | | | | |
| Land | - | - | - | - |
| Infrastructure | 725,913 | 332,655 | 10,789 | 1,069,357 |
| Buildings | 10,510,479 | 809,799 | - | 11,320,278 |
| Plant & equipment | 4,846,923 | 346,174 | (40,047) | 5,153,050 |
| Motor vehicles | 181,181 | 5,298 | - | 186,479 |
| Information technology | 18,200 | 1,069 | (18,200) | 1,069 |
| | <u>16,282,696</u> | <u>1,494,995</u> | <u>(47,458)</u> | <u>17,730,223</u> |
| Net Book Value | <u><u>138,435,733</u></u> | | | <u><u>137,136,108</u></u> |

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

10. Investment properties

| | 1 January 2017 £ | Additions/ Disposals £ | Revaluations £ | 31 December 2017 £ |
|---------|------------------------|------------------------------|-------------------|--------------------------|
| Airport | 500,000 | - | - | 500,000 |
| Harbour | - | - | - | - |
| | <u>500,000</u> | <u>-</u> | <u>-</u> | <u>500,000</u> |

Investment properties, which are all freehold, were valued to fair value at 31 December 2017, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the Red Book value. There are no restrictions on the realisability of investment property.

The original book value of the investment property was £436,045.

As set out in note 4, property rental income earned during the year was nil (2016: £17,548). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, the Ports was not contracted with tenants for any future minimum lease payments on investment properties (2016: nil)

11. Assets under construction

| | 1 January 2017 £ | Additions £ | Transfers to Tangible Fixed Assets £ | 31 December 2017 £ |
|------------|------------------------|----------------|---|--------------------------|
| Airport | 105,663 | 197,511 | (276,783) | 26,391 |
| Harbour | 49,710 | 228,327 | (195,370) | 82,667 |
| 2017 Total | <u>155,373</u> | <u>425,838</u> | <u>(472,153)</u> | <u>109,058</u> |
| 2016 Total | 149,420 | 734,594 | (728,641) | 155,373 |

Assets under construction completed in 2017 and transferred to fixed assets includes wind and cloud base monitoring equipment, car park pay stations, replacement vehicles and pontoons.

Assets under construction as at 31 December 2017 related principally to administration block refurbishment and an IT project.

Notes to the Financial Statements – continued

12. Inventories

| | 2017 £ | 2016 £ |
|----------|----------------|----------------|
| Airport | 64,774 | 64,774 |
| Harbours | 301,575 | 313,942 |
| | <u>366,349</u> | <u>378,716</u> |

13. Debtors and prepayments

| | 2017 £ | 2016 £ |
|---------------|------------------|------------------|
| Trade debtors | 2,645,113 | 2,563,251 |
| Prepayments | 125,769 | 106,468 |
| | <u>2,770,882</u> | <u>2,669,719</u> |

14. Creditors: amounts falling due within one year

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Trade creditors | 534,916 | 561,456 |
| Accruals | 591,960 | 740,032 |
| Deferred income | 765,581 | 255,304 |
| Harbour operational license and security deposits | 2,500 | 2,450 |
| | <u>1,894,957</u> | <u>1,559,242</u> |

Notes to the Financial Statements – continued

15. Reserves

| | 2017 £ | 2016 £ |
|---|--------------------|-------------|
| Balance at 1 January | 241,990,991 | 246,171,409 |
| Surplus/(deficit) for financial year | 1,545,044 | (1,063,332) |
| Amortisation of asset specific contributions | (3,342,381) | (3,487,026) |
| Contribution (to)/from States Capital Reserve | (3,948,004) | 369,940 |
| | <hr/> | <hr/> |
| Balance at 31 December | 236,245,650 | 241,990,991 |

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

All reserves are distributable

16. Asset specific contributions

| | 2017 £ | 2016 £ |
|---|--------------------|-------------|
| As at 1 January | 73,980,358 | 77,097,444 |
| Contributions (payable)/receivable | (3,398,238) | 369,940 |
| | <hr/> | <hr/> |
| | 70,582,120 | 77,467,384 |
| Released to Statement of Comprehensive Income during the year | (3,342,381) | (3,487,026) |
| | <hr/> | <hr/> |
| As at 31 December | 67,239,739 | 73,980,358 |

Notes to the Financial Statements – continued

17. Reconciliation of operating surplus/(deficit) to net cash flows from operating activities

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | £ | £ |
| Operating deficit for the year | (1,927,963) | (4,587,202) |
| Depreciation charges | 5,392,807 | 5,768,079 |
| Loss/(profit) on disposal of tangible assets | 2,032 | 31,787 |
| Revaluation of investment property | - | 25,000 |
| Decrease/(increase) in inventories | 12,367 | (1,313) |
| Increase in debtors | (101,163) | (132,195) |
| Increase/(decrease) in creditors due within one year | 335,715 | (1,694,482) |
| Net cash flows from operating activities | 3,713,795 | (590,326) |

18. Financial commitments

The Ports have no financial commitments as at 31 December 2017 (2016: nil) which are not provided for in the financial statements.

Employee benefits

The employees of the Ports are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (currently £87,434) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary.

The Scheme is funded by contributions from both members and employer, which are invested through the States of Guernsey Superannuation Fund. The employer rate for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. Although the scheme is a multi-employer plan, it is not possible to identify the Ports' share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the pension scheme across the participating entities.

The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of the Ports are considered to be ultimately employees of the States of Guernsey. Consequently, the Ports have accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Statement of Comprehensive Income. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary because of triennial valuations. The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,084,654 (2016: £1,012,247). Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2017.

Subsequent events

Management know of no events subsequent to the year-end that would materially affect the financial statements.

Related party transactions

The STSB is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at “arm’s length”. The total remuneration for key management personnel for the period totalled £360,104 (2016: £439,768). Related party transactions between the Ports and other entities controlled by the States of Guernsey have not been disclosed in accordance with the exemptions available within FRS102 Section 33 “Related Party Disclosures.”

STSB member Mr S. Falla MBE has declared certain related party transactions under FRS 102 section 33.

The aggregate of all of these transactions is not of a material nature to either party and all were conducted at arms-length in the normal course of business. Where any conflict of interest may exist, Mr Falla, as under normal rules, would excuse himself from any STSB or other meetings and has not participated in any discussions or voting regarding awarding any contracts leading to these transactions.

Statement of control

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

Off balance-sheet arrangements

There are no commitments or contingent liabilities relating to 2017, which would affect these financial statements (2016: None). The additional information has been prepared for the accounting records of the States' Trading Supervisory Board. While it does not form part of the financial statements, it should be read in conjunction with them.

Supplemental information

GUERNSEY AIRPORT

| 2017 Original Budget £'000s | 2017 Probable Outturn £'000s | <u>Net Expenditure by Category</u> | 2017 Actual £'000s | 2016 Actual £'000s |
|-----------------------------------|---------------------------------------|--|-----------------------|-----------------------|
| | | Income | | |
| 12,451 | 11,677 | Operating Income | 12,303 | 12,365 |
| | | Expenditure | | |
| (6,993) | (7,024) | Pay Costs | (7,067) | (7,211) |
| | | Non-Pay costs | | |
| (247) | (281) | Staff Non-Pay costs | (202) | (198) |
| (1,131) | (1,228) | Support Services | (1,172) | (3,340) |
| (1,270) | (1,302) | Premises | (1,193) | (1,361) |
| (38) | (47) | Transport | (45) | (117) |
| (2,192) | (2,124) | Supplies & Services | (2,009) | (1,992) |
| (4,878) | (4,982) | | (4,621) | (7,008) |
| | | Operating surplus/(deficit) for the financial year | | |
| 580 | (329) | Depreciation (net of amortisation of asset specific contributions) | 615 | (1,854) |
| (1,234) | (1,262) | | (902) | (1,217) |
| (654) | (1,591) | Operating (deficit) | (287) | (3,071) |

GUERNSEY AIRPORT

| 2017 Original Budget £'000s | 2017 Probable Outturn £'000s | <u>Net Expenditure by Service Area</u> | | 2017 Actual £'000s | 2016 Actual £'000s |
|--------------------------------|---------------------------------|---|--|-----------------------|-----------------------|
| | | Income | | | |
| 388 | 372 | Advertising, picketing etc | | 442 | 365 |
| 782 | 698 | Airport Development Charge | | 731 | 752 |
| 790 | 713 | Car Parking Fees | | 696 | 720 |
| 1,954 | 2,073 | Rents | | 2,085 | 2,080 |
| 8,357 | 7,823 | Traffic Receipts | | 8,387 | 8,426 |
| <u>12,271</u> | <u>11,679</u> | | | <u>12,341</u> | <u>12,343</u> |
| | | <i>Operational Expenditure</i> | | | |
| (1,030) | (1,322) | Administration | | (1,209) | (1,310) |
| (2,098) | (2,143) | Aerodrome Fire Service | | (2,157) | (2,227) |
| (2,627) | (2,720) | Airport Infrastructure | | (2,666) | (4,958) |
| (2,015) | (1,891) | Airport Security | | (1,795) | (1,816) |
| (4,101) | (4,112) | Navigational Services | | (4,079) | (4,064) |
| <u>(11,871)</u> | <u>(12,188)</u> | | | <u>(11,906)</u> | <u>(14,375)</u> |
| 180 | 180 | Recovery from Alderney Airport | | 180 | 178 |
| 580 | (329) | Operating surplus/(deficit) for the financial year | | 615 | (1,854) |
| (1,234) | (1,262) | <i>Depreciation (net of amortisation of asset specific contributions)</i> | | (902) | (1,217) |
| <u>(654)</u> | <u>(1,591)</u> | Operating (deficit) | | <u>(287)</u> | <u>(3,071)</u> |

| 2017 Original Budget £'000s | 2017 Probable Outturn £'000s | <u>Routine Capital Expenditure</u> | | 2017 Actual £'000s | 2016 Actual £'000s |
|--------------------------------|---------------------------------|------------------------------------|--|-----------------------|-----------------------|
| (1,770) | (387) | Miscellaneous Capital Works | | (5) | - |
| - | - | IT Projects and Equipment | | - | - |
| (925) | (180) | Equipment, Machinery and Vehicles | | (167) | (250) |
| <u>(2,695)</u> | <u>(567)</u> | Routine Capital Expenditure | | <u>(172)</u> | <u>(250)</u> |
| - | - | Airports Pavements Project | | 7 | (208) |
| - | - | Airport Radar | | (33) | (113) |
| - | - | Less Transfer from Capital Reserve | | 26 | 321 |
| <u>(2,695)</u> | <u>(567)</u> | Net Capital Expenditure | | <u>(172)</u> | <u>(250)</u> |

PORTS HOLDING ACCOUNT

| 2017 Original Budget £'000s | 2017 Probable Outturn £'000s | | 2017 Actual £'000s | 2016 Actual £'000s |
|--|---------------------------------------|--|-----------------------|-----------------------|
| Revenue Account | | | | |
| <i>Operating (Deficit)/Surplus before depreciation</i> | | | | |
| 580 | (329) | Guernsey Airport | 615 | (1,854) |
| 2,361 | 2,812 | Guernsey Harbour | 2,879 | 3,092 |
| <u>2,941</u> | <u>2,483</u> | | <u>3,494</u> | <u>1,238</u> |
| - | 40 | <i>Investment Interest Receivable</i> | 131 | 37 |
| <i>Capital Expenditure</i> | | | | |
| (2,695) | (567) | Guernsey Airport | (172) | (250) |
| (4,000) | (169) | Guernsey Harbour | (215) | (114) |
| <u>(6,695)</u> | <u>(736)</u> | | <u>(387)</u> | <u>(364)</u> |
| <u>(3,754)</u> | <u>1,787</u> | Surplus before depreciation | <u>3,238</u> | <u>911</u> |
| (2,555) | (2,529) | Depreciation (net of amortisation of asset specific contributions) | (2,080) | (2,313) |
| <u>(6,309)</u> | <u>(742)</u> | Surplus/(deficit) after depreciation | <u>1,158</u> | <u>(1,402)</u> |
| 2,944 | 3,576 | <i>Balance at 1st January</i> | 3,577 | 2,666 |
| (3,754) | 1,787 | <i>Surplus for the year before depreciation</i> | 3,238 | 911 |
| - | - | <i>Contribution to Capital reserve</i> | (4,000) | - |
| <u>(810)</u> | <u>5,363</u> | Balance at 31st December | <u>2,815</u> | <u>3,577</u> |

All images used in this annual report are credited 'Guernsey Airport'.