

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

PORTS ACCOUNTS 2019

The States are asked to decide:-

1. Whether they are of the opinion to agree with the States' Trading Supervisory Board's approval of the Ports Accounts for the year ending 31 December 2019.

The above Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

States of Guernsey
States' Trading Supervisory Board
Ports

Report and Financial Statements

For the year ended 31 December 2019

States' Trading Supervisory Board Ports

STATES' TRADING SUPERVISORY BOARD MEMBERS, PRINCIPAL OFFICERS AND PROFESSIONAL ADVISERS 3

CHAIRMAN'S REPORT 5

GENERAL MANAGER'S REPORT 7

CORPORATE GOVERNANCE 11

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY – STATES' TRADING SUPERVISORY BOARD – PORTS 13

STATEMENT OF COMPREHENSIVE INCOME 16

STATEMENT OF FINANCIAL POSITION..... 17

STATEMENT OF CHANGES IN EQUITY 18

STATEMENT OF CASH FLOWS..... 19

NOTES TO THE FINANCIAL STATEMENTS..... 20

States' Trading Supervisory Board Ports

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

States' Trading Supervisory Board Members

| | | |
|-------------------------|-----------|----------------------------|
| Deputy P. Ferbrache, | President | |
| Deputy J. Kuttelwascher | | deceased 23 January 2020 |
| Deputy P. Roffey | | appointed 26 February 2020 |
| 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 two members 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, | Chairman | |
| Deputy P. Ferbrache | | |
| Mrs S. Kazantseva | non-voting adviser | appointed 25 July 2019 |
| Mr S. Holden | non-voting adviser | appointed 25 July 2019 |
| Mr B. Smillie | non-voting adviser | |
| Mr C. Le Ray | non-voting adviser | |
| Mr C. McGinn | non-voting adviser | appointed 23 September 2019 |
| Miss A. Tough | non-voting adviser | resigned 23 September 2019 |

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 at its meeting of 4 May 2017.

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

States' Trading Supervisory Board Ports

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

Principal Officers to the Ports Board

Mr C. Le Ray, General Manager, Ports

Mr A. Nicholas, Head of Aviation Services, Airport

Mr D. Barker, Harbourmaster, Harbour

Mr D. Wright, Commercial Manager, Ports

Mr C. McGinn, Senior Finance Manager, Ports

appointed 23 September 2019

Miss A. Tough, Senior Finance Manager, Ports

resigned 23 September 2019

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

Legal Advisers

Law Officers of the Crown

St James Chambers

St James Street

St Peter Port

GY1 2PA

Independent Auditor

Grant Thornton Limited

PO Box 313

Lefebvre House

Lefebvre Street

St Peter Port

GY1 3TF

States' Trading Supervisory Board

Ports

Chairman's Report

Overview

For Ports, 2019 has been a positive trading year, passenger numbers at both the Harbour and the Airport were higher than in 2018. This increase is evident in the income streams at both ports. Whilst it's been a positive year, the PB remains aware of the significant challenges and demands associated with providing an efficient and reliable Harbour and Airport and through its Business Plans is continuing to develop an environment that it hopes will encourage even more activity through the island's key facilities.

Business Performance

The upturn in passenger numbers in 2019 is reflected in the results contained within these accounts. Income at both ports outperformed the 2019 budget and 2018 actuals. The percentage increase in passenger numbers across Ports was 5% compared to 2018. The improvement on income in 2019 has been steadily maintained throughout the year which is encouraging as Airport dues and charges were maintained at 2018 levels in an effort to encourage growth in passenger numbers. The Harbour's passenger numbers were an improvement on 2018 levels which is an achievement considering a disappointing end to the year with 1,690 fewer passenger movements in December (compared to 2018) due to adverse weather conditions. This further highlights the positive performance and growth across both ports during 2019.

Financial Performance

Ports made an operating surplus before depreciation of £3,172k in 2019 (2018: surplus £3,643k). Revenue across Ports was higher in 2019 by £1,538k. Ports also incurred additional costs of £2,009k in 2019 compared to 2018 of which £537k related to pay cost pressures due to annual pay increases and higher overtime costs.

The Airport incurred additional regulatory costs in relation to security amounting to £329k compared to 2018. Support costs were higher compared to 2018 by £680k with additional costs in relation to Airport audits, engagement of consultants and additional resources contracted to the Airport. In addition to this, depreciation costs were higher in 2019 by £80k and a revaluation of an existing Airport Property 'Twinings' resulted in a charge amounting to £125k.

The cost of repairing and maintaining premises and infrastructure at the Harbour was £53k higher compared to 2018. Additional depreciation costs of £56k were incurred at the Harbour due to higher capital spending including a new Harbour workboat.

States' Trading Supervisory Board

Ports

Chairman's Report - continued

Our Community

As the main gateway to the island, Ports is aware of the need to balance financial performance with the greater needs of the island. To this end, Ports is constantly striving to minimise the impact of passenger charges on the general public and propensity to travel. Alongside this, support for the community continues with a range of public realm maintenance liabilities around the Harbour together with a number of public events being held at the ports, including sponsored runway events, Proms on the Pier, Liberation Day celebrations etc.

The Team

Whilst 2019 has been positive, it has also been challenging in terms of increased passenger throughput and making progress on maintaining, improving and adding to Ports assets. The Ports' team has tried hard to improve its level of service provided to customers and users of the Harbour and Airport, despite some challenges particularly during upgrades to the security comb at the Airport. Ports has responded well to these demands and to developing its strategic and long term planning.

I would like to thank the dedicated staff and employees for all their hard work and commitment throughout the year.

The Future

Work undertaken by the STSB in 2018 to improve governance arrangements across all of the States of Guernsey Trading Assets has continued and developed in 2019 through the PB.

In order to remain compliant with current standards, the Airport has worked on new governance arrangements for its critical services, primarily in air traffic control and aviation security. Simply increasing passenger charges to accommodate these requirements is seen as counter-productive and so the Airport will continue to explore other avenues of revenue generation to better meet these increased costs. The Seafront Enhancement Area Plan (Harbour Action Area Plan) has progressed in 2019, with Ports continuing to make an important contribution to the future planning and development of the Harbour Area.

The PB commissioned a prioritised condition survey of Harbour assets in 2019 and has formed a Commercial Port Investigation Board, which is working through options on the future planning and development of the Harbour Area.

States' Trading Supervisory Board

Ports

General Manager's Report

STSB presents its report and the audited financial statements for Ports for the year ended 31 December 2019. 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 1 to 26.

Principal activities

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

The Airport also looks to ensure that policies, facilities and services are commensurate with the requirements of the Island in respect of air transport services, general aviation and meeting the standards set by the United Kingdom Civil Aviation Authority.

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

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962, following a States Resolution in the Billet D'État XVI, 1961, on the basis that 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

Ports repaid part of the grant in relation to the crane project which amounts to a contribution to the States Capital Reserve of £3,000k (2018: £Nil).

Customers

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

States' Trading Supervisory Board Ports

General Manager's Report – continued

Financial highlights

| | Actual 2019 £'000 | Budget 2019 £'000 | Actual 2018 £'000 |
|--------------------------------------|----------------------------------|-------------------------|-------------------------|
| Airport revenue | 13,183 | 12,555 | 12,319 |
| Harbour revenue | 10,139 | 9,660 | 9,465 |
| Total revenue | 23,322 | 22,215 | 21,784 |
| Total surplus for the financial year | 1,328 | 1,875 | 1,447 |
| Airport capital expenditure | 652 | 4,077 | 779 |
| Harbour capital expenditure | 1,334 | 2,389 | 370 |
| Capital expenditure | 1,986 | 6,466 | 1,149 |

Whilst asset condition surveys, particularly at the Harbours, were completed in 2019, the progression of the capital programme was delayed due to resourcing constraints. This resulted in a lower than expected capital spend in 2019.

Operational performance

| | 2019 | 2018 | Change % |
|---------------------------------------|------------------|-----------|-------------|
| Passenger movements | | | |
| Airport | 858,230 | 808,616 | 6.1% |
| Harbour | 309,604 | 307,997 | 0.5% |
| Total | 1,167,834 | 1,116,613 | 4.6% |
| Airport | | | |
| Full emergencies declared | 4 | 6 | -33.3% |
| Aircraft accidents | - | - | N/A |
| Full time equivalent employees | | | |
| Airport | 121 | 124 | -2.4% |
| Harbour | 79 | 77 | 2.6% |

States' Trading Supervisory Board Ports

General Manager's Report – continued

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on 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

It is the responsibility of the STSB to identify and install internal controls, including financial controls, which are 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 Ports and has a duty to ensure that they fulfil their obligations.

The Ports' internal financial controls and monitoring procedures include:

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

States' Trading Supervisory Board Ports

General Manager's Report – continued

- 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,
- Regular review of charges, and
- Consideration of all audit reports by the STSB.

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

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

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months (including the assessment of the impact of COVID-19), prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least twelve months from approval of the financial statements.

Auditors

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

States' Trading Supervisory Board Ports

Corporate Governance

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

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

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

All members other than the General Manager and the Financial Manager are appointed by the STSB.

As a subcommittee of the States, the quorum will be two members of the STSB.

The PB does not hold a fiduciary responsibility.

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

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

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

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

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

States' Trading Supervisory Board Ports

Corporate Governance – continued

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

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

States' Trading Supervisory Board

Ports

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

Opinion

We have audited the financial statements of the States of Guernsey - States' Trading Supervisory Board ("STSB") – Ports for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the financial statements of Ports for the year ended 31 December 2019 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 Ports 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 2 to the financial statements, which describes the basis of accounting. Specifically, no full impairment review has been undertaken on the Ports' Fixed Assets. This is not in compliance with FRS 102, which would require a full impairment review in light of the accounting losses. The financial statements are prepared to assist Ports to comply with its financial reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Ports and should not be distributed to or used by parties other than Ports. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you where:

- The STSB's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The STSB has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Ports' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

States' Trading Supervisory Board Ports

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement 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; or
- the financial statements are not in agreement with the accounting records; 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 STSB for the financial statements

As explained more fully in the Statement of responsibilities for the preparation of financial statements in the General Manager's report, the STSB 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 STSB 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 STSB 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 STSB either intend to liquidate Ports or to cease operations, or has no realistic alternative but to do so.

States' Trading Supervisory Board Ports

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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.

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.

Use of our report

This report is made solely to the members of the States of Guernsey – States' Trading Supervisory Board ("STSB"), 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 STSB those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Ports and the members of STSB as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton Limited

Chartered Accountants

St Peter Port

Guernsey

8 June 2020

States' Trading Supervisory Board Ports

Statement of Comprehensive Income

for the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|--|--------|----------------|---------------|
| Revenue | 2 & 4 | | |
| Airport fees, charges and other income | | 13,183 | 12,319 |
| Harbour dues, charges and other income | | 10,139 | 9,465 |
| | | 23,322 | 21,784 |
| Expenses | 2 & 5 | | |
| Airport expenses | | 13,578 | 12,159 |
| Harbours expenses | | 6,572 | 5,982 |
| | | 20,150 | 18,141 |
| Operating surplus before depreciation/amortisation and loss on disposal of fixed assets | | 3,172 | 3,643 |
| Depreciation/amortisation | 9 | (5,462) | (5,382) |
| Loss on disposal of fixed assets | 9 | (3) | (60) |
| Revaluation of investment property | 10 | (125) | - |
| Operating deficit for the year | | (2,418) | (1,799) |
| Amortisation of asset specific contributions | 2 & 18 | 3,332 | 3,332 |
| Investment return/(loss) | 6 | 485 | (86) |
| Interest paid | | (71) | - |
| Surplus for the financial year | | 1,328 | 1,447 |

All material activities derive from continuing operations.

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

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

States' Trading Supervisory Board

Ports

Statement of Financial Position

as at 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|--|-------|----------------|----------------|
| Non-current assets | | | |
| Tangible fixed assets – Airport | 9 | 88,546 | 91,964 |
| Tangible fixed assets – Harbours | 9 | 135,559 | 136,027 |
| Investment property | 10 | 375 | 500 |
| Assets under construction | 11 | 1,058 | 651 |
| | | <u>225,538</u> | <u>229,142</u> |
| Current assets | | | |
| Inventories | 12 | 391 | 418 |
| Debtors and prepayments | 13 | 2,080 | 2,437 |
| Cash at bank and in hand | | - | 5 |
| Balances with States Treasury | | 6,550 | 3,976 |
| | | <u>9,021</u> | <u>6,836</u> |
| Creditors: amounts falling due within one year | 14 | <u>(2,703)</u> | <u>(1,522)</u> |
| Net current assets | | <u>6,318</u> | <u>5,314</u> |
| Creditors: amounts falling due after more than one year | 15 | <u>(2,347)</u> | <u>-</u> |
| Total net assets | | <u>229,509</u> | <u>234,456</u> |
| Reserves | 17 | <u>229,509</u> | <u>234,456</u> |

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

Deputy P. Ferbrache
President

8 June 2020

Signed on behalf of the States of Guernsey Trading Assets

Mr S. Elliott
Managing Director

8 June 2020

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

States' Trading Supervisory Board Ports

Statement of Changes in Equity

for the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|--|-------|----------------|---------------|
| Balance at 1 January | | 234,456 | 236,246 |
| Surplus for the financial year | | 1,328 | 1,447 |
| Amortisation of asset specific contributions | 18 | (3,332) | (3,332) |
| Contribution from States Capital Reserve | 17 | 57 | 95 |
| Contribution to States Capital Reserve | 17 | (3,000) | - |
| Balance at 31 December | 17 | 229,509 | 234,456 |

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

States' Trading Supervisory Board Ports

Statement of Cash Flows

for the year ended 31 December 2019

| | Notes | 2019 £'000 | 2018 £'000 |
|---|-------|----------------------------|----------------------------|
| Net cash flows from operating activities | 19 | <u>4,648</u> | <u>3,370</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | - | - |
| Purchase of fixed assets | 11 | <u>(1,986)</u> | <u>(1,149)</u> |
| Net cash flows used in investing activities | | <u>(1,986)</u> | <u>(1,149)</u> |
| Cash flows from financing activities | | | |
| Net contribution (to)/from States Capital Reserve | 17 | <u>(2,943)</u> | 95 |
| Loans taken out in year | | <u>2,500</u> | - |
| Capital repaid | | <u>(64)</u> | - |
| Interest paid | | <u>(71)</u> | - |
| Investment return received | | <u>485</u> | <u>97</u> |
| Net cash flows from financing activities | | <u>(93)</u> | <u>192</u> |
| Net increase in cash and cash equivalents | | 2,569 | 2,413 |
| Cash and cash equivalents at the beginning of the year | | <u>3,981</u> | <u>1,568</u> |
| Cash and cash equivalents at the end of the year | | <u><u>6,550</u></u> | <u><u>3,981</u></u> |
| Reconciliation to cash at bank and in hand: | | | |
| Cash at bank and in hand | | - | 5 |
| Balances with States Treasury | | <u>6,550</u> | <u>3,976</u> |
| Cash and cash equivalents | | <u><u>6,550</u></u> | <u><u>3,981</u></u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements

1. General information

Ports is an unincorporated business 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 Harbour, St Julians Emplacement, St Peter Port, Guernsey, GY1 3DL.

2. Principal accounting policies

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

Accounting convention

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

i) Fixed asset impairment

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

ii) Amortisation of asset specific contributions

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Functional and presentational currency

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

Going concern

The financial statements have been prepared on the going concern basis of accounting. The STSB and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months (including the assessment of the impact of COVID-19), prepared by management, and deem that Ports, as an essential part of the island's infrastructure and part of the States of Guernsey, has access to adequate financial resources to meet its obligations as they fall due. The STSB therefore believes that Ports is a going concern for at least 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.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Depreciation

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

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

Impairment of assets (excluding inventories)

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Basic financial instruments

i) Trade debtors

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

ii) Cash and cash equivalents

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

iii) Trade creditors

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

iv) Loans from the States of Guernsey

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

v) De-recognition of basic financial instruments

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Business Unit transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) 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 Harbour and Airport dues, fees and charges arising from commercial operations in the year.

Pension costs

Pension costs are treated as described in note 21.

Amortisation of asset specific contributions

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

Net investment return and interest receivable/payable

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

2. Principal accounting policies – continued

Leases

i) As lessee

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

ii) As lessor

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Ports' accounting policies, which are described in note 2, the 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 to be relevant. Actual results may differ from these estimates.

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

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. Also certain estimates require an assessment of factors not within management's control such as overall market conditions. As a result, actual realisable proceeds could differ from the valuations in these financial statements, and the difference could be significant.

ii) Depreciation rates

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

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

4. Revenue

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

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

| | 2019 | 2018 |
|----------------------------|---------------|--------|
| | £'000 | £'000 |
| Guernsey Airport | 13,183 | 12,319 |
| Guernsey Harbours | 10,139 | 9,465 |
| | 23,322 | 21,784 |
| Advertising & Sundries | 412 | 393 |
| Airport development charge | 760 | 727 |
| Car parking fees | 826 | 737 |
| Rents | 2,083 | 1,861 |
| Traffic receipts | 8,915 | 8,418 |
| Recovery from Alderney | 187 | 183 |
| Commercial port operations | 6,071 | 5,588 |
| Property | 1,099 | 1,040 |
| Leisure | 2,914 | 2,779 |
| Non-commercial port | 13 | 21 |
| Ships registry | 42 | 37 |
| | 23,322 | 21,784 |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

5. Expenses

| | 2019 £'000 | 2018 £'000 |
|---------------------------------|---------------|---------------|
| Airport | | |
| Aerodrome fire service | 2,372 | 2,322 |
| Airport infrastructure | 2,756 | 2,782 |
| Airport security | 2,803 | 1,854 |
| Navigational services | 4,208 | 4,062 |
| Administration | 1,439 | 1,139 |
| | <u>13,578</u> | <u>12,159</u> |
| Harbour | | |
| Commercial ports operations | 2,362 | 2,263 |
| Property | 886 | 869 |
| Leisure | 1,888 | 1,616 |
| Non-commercial ports operations | 1,365 | 1,159 |
| Ships registry | 71 | 75 |
| | <u>6,572</u> | <u>5,982</u> |

6. Investment return/(loss)

| | 2019 £'000 | 2018 £'000 |
|--------------------------|---------------|---------------|
| Investment return/(loss) | <u>485</u> | <u>(86)</u> |
| | <u>485</u> | <u>(86)</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

7. Surplus for the financial year

Surplus for the financial year is stated after charging:

| | Note | 2019 £'000 | 2018 £'000 |
|---------------------------------------|------|-----------------------------|---------------|
| Auditor's remuneration | | 25 | 25 |
| Depreciation of tangible fixed assets | 9 | 5,462 | 5,382 |
| Loss on disposal of fixed assets | | 3 | 60 |
| | | <u>5,490</u> | <u>5,467</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

8. Staff numbers and costs

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

| | 2019 | 2018 |
|----------------------------|-------------------|------------|
| Airport | | |
| Operational | 108 | 111 |
| Administration and support | 13 | 13 |
| | <u>121</u> | <u>124</u> |
| Harbour | | |
| Operational | 67 | 65 |
| Administration and support | 12 | 12 |
| | <u>79</u> | <u>77</u> |

Their aggregate remuneration comprised:

| | Note | 2019 | 2018 |
|-----------------------|------|----------------------|---------------|
| | | £'000 | £'000 |
| Wages and salaries | | 9,553 | 9,084 |
| Social security costs | | 626 | 596 |
| Pension costs | 21 | 1,229 | 1,191 |
| | | <u>11,408</u> | <u>10,871</u> |

Pension costs include only those items within operational and administration expenses.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

9. Tangible fixed assets

| | 1 January 2019 £'000 | Additions £'000 | Disposals £'000 | 31 December 2019 £'000 |
|------------------------|----------------------------|---------------------------------|--------------------|---------------------------------|
| Airport | | | | |
| Cost | | | | |
| Land | 2,687 | - | - | 2,687 |
| Infrastructure | 64,846 | - | - | 64,846 |
| Buildings | 33,201 | 345 | - | 33,546 |
| Plant & equipment | 23,006 | 205 | - | 23,211 |
| Vehicles & Vessels | 1,284 | - | - | 1,284 |
| Information technology | 156 | - | - | 156 |
| | <u>125,180</u> | <u>550</u> | <u>-</u> | <u>125,730</u> |
| | | | | |
| | 1 January 2019 £'000 | Charge for the year £'000 | Disposals £'000 | 31 December 2019 £'000 |
| Depreciation | | | | |
| Land | - | - | - | - |
| Infrastructure | 12,428 | 1,891 | - | 14,319 |
| Buildings | 6,698 | 558 | - | 7,256 |
| Plant & equipment | 12,902 | 1,416 | - | 14,318 |
| Vehicles & Vessels | 1,032 | 103 | - | 1,135 |
| Information technology | 156 | - | - | 156 |
| | <u>33,216</u> | <u>3,968</u> | <u>-</u> | <u>37,184</u> |
| Net Book Value | <u>91,964</u> | | | <u>88,546</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

10. Investment properties

| | 1 January 2019 £'000 | Additions/ Disposals £'000 | Revaluations £'000 | 31 December 2019 £'000 |
|---------|----------------------------|----------------------------------|-----------------------|---------------------------------|
| Airport | 500 | - | (125) | 375 |
| Harbour | - | - | - | - |
| | <u>500</u> | <u>-</u> | <u>(125)</u> | <u>375</u> |

Investment properties, which are all freehold, were valued to fair value at 31 December 2019, 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.

As at the 31 December 2019 the investment property was valued at £375k (2018: £500k). The original book value of the investment property was £436k.

As set out in note 4, property rental income earned during the year was nil (2018: £Nil). No contingent rents have been recognised as income in the current or prior year.

At the Statement of Financial Position date, Ports were not contracted with tenants for any future minimum lease payments on investment properties (2018: £Nil).

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

11. Assets under construction

| | 1 January £'000 | Expense in the year £'000 | Transfers to Tangible Fixed Assets £'000 | 31 December £'000 |
|-------------------|--------------------|------------------------------------|---|-------------------------|
| Airport | 527 | 652 | (550) | 629 |
| Harbour | 124 | 1,334 | (1,029) | 429 |
| 2019 Total | 651 | 1,986 | (1,579) | 1,058 |
| 2018 Total | 109 | 1,149 | (607) | 651 |

Assets under construction completed in 2019 and transferred to fixed assets includes the Harbour workboat, replacement pontoons and vehicles at the Harbour. Transfers to fixed assets in relation to the Airport include expenditure on the refurbishment of the Airport administration building, security related equipment and fencing.

Assets under construction as at 31 December 2019 mainly relate to the Harbour IT project, replacement fire appliances at the Aerodrome and the Airport roof replacement.

12. Inventories

| | 2019 £'000 | 2018 £'000 |
|----------|---------------|---------------|
| Airport | 65 | 65 |
| Harbours | 326 | 353 |
| | 391 | 418 |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

13. Debtors and prepayments

| | 2019 | 2018 |
|-------------------------|---------------------|--------------|
| | £'000 | £'000 |
| Trade debtors - Airport | 1,078 | 1,659 |
| Trade debtors - Harbour | 903 | 713 |
| Prepayments - Airport | 42 | 28 |
| Prepayments - Harbour | 57 | 37 |
| | <u>2,080</u> | <u>2,437</u> |

14. Creditors: amounts falling due within one year

| | Note | 2019 | 2018 |
|---|------|---------------------|--------------|
| | | £'000 | £'000 |
| Trade creditors - Airport | | 512 | 282 |
| Trade creditors - Harbour | | 338 | 168 |
| Accruals - Airport | | 865 | 434 |
| Accruals - Harbour | | 633 | 328 |
| Deferred income - Airport | | 110 | 170 |
| Deferred income - Harbour | | 153 | 137 |
| Harbour operational license and security deposits | | 3 | 3 |
| Loan from States of Guernsey | 16 | 89 | - |
| | | <u>2,703</u> | <u>1,522</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

15. Creditors: amounts falling due after more than one year

| | Note | 2019 £'000 | 2018 £'000 |
|------------------------------|------|---------------|---------------|
| Loan from States of Guernsey | 16 | <u>2,347</u> | <u>-</u> |
| | | <u>2,347</u> | <u>-</u> |

16. Loan from the States of Guernsey

| | 2019 £'000 | 2018 £'000 |
|-------------------------------|---------------|---------------|
| Balance at 1 January | - | - |
| Loan drawdown on 1 March 2019 | 2,500 | - |
| Capital repaid | <u>(64)</u> | <u>-</u> |
| Balance at 31 December | <u>2,436</u> | <u>-</u> |

The loan from the States of Guernsey is repayable on a quarterly basis over a period of 20 years at an annual interest rate of 3.625%.

| | 2019 £'000 | 2018 £'000 |
|---------------------------|---------------|---------------|
| Within one year | 89 | - |
| Between one to two years | 92 | - |
| Between two to five years | 298 | - |
| More than five years | <u>1,957</u> | <u>-</u> |
| | <u>2,436</u> | <u>-</u> |

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

17. Reserves

| | Note | 2019 £'000 | 2018 £'000 |
|--|------|-----------------------|----------------|
| Balance at 1 January | | 234,456 | 236,246 |
| Surplus for the financial year | | 1,328 | 1,447 |
| Amortisation of asset specific contributions | 18 | (3,332) | (3,332) |
| Contribution from States Capital Reserve | | 57 | 95 |
| Contribution to States Capital Reserve | | (3,000) | - |
| Balance at 31 December | | <u>229,509</u> | <u>234,456</u> |

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. Ports repaid part of the grant in relation to the crane project which amounts to a contribution to the States Capital Reserve of £3,000k.

All reserves are distributable.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

18. Asset specific contributions

| | 2019 £'000 | 2018 £'000 |
|---|----------------------|----------------------|
| Balance at 1 January | 64,003 | 67,240 |
| Contributions receivable | <u>57</u> | <u>95</u> |
| | 64,060 | 67,335 |
| Released to Statement of Comprehensive Income during the year | <u>(3,332)</u> | <u>(3,332)</u> |
| Balance at 31 December | <u>60,728</u> | <u>64,003</u> |

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

| | 2019 £'000 | 2018 £'000 |
|--|---------------------|---------------------|
| Operating deficit for the year | (2,418) | (1,799) |
| Depreciation charges | 5,462 | 5,382 |
| Loss on disposal of tangible assets | 3 | 60 |
| Revaluation of investment property | 125 | - |
| Decrease/(increase) in inventories | 27 | (51) |
| Decrease/(increase) in debtors | 357 | 151 |
| Increase/(decrease) in creditors due within one year | <u>1,092</u> | <u>(373)</u> |
| Net cash flows from operating activities | <u>4,648</u> | <u>3,370</u> |

20. Financial commitments and contingent liabilities

Ports has no financial commitments or contingent liabilities as at 31 December 2019 (2018: £Nil) which are not provided for in the financial statements.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

21. Employee benefits

The employees of Ports are members of the States of Guernsey Public Servants' Pension Scheme. These arrangements provide defined benefits on a career average revalued earnings (CARE) basis up to a salary cap (which was £87,434 from 1 May 2016, increasing to £92,236 from 1 December 2019) for members joining from 1 May 2015 and, on a different CARE basis, for the service from 1 March 2016 of members who joined before 1 May 2015. There is a defined contribution section for earnings in excess of this salary cap. The arrangements for service before 1 March 2016 for members who joined before 1 May 2015 and for the future service of those closer to pension age remains final salary. The scheme is funded by contributions from both employer and employee. The employer rates for the defined benefits are determined on the basis of independent actuarial advice, and calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,229k (2018: £1,191k).

Further details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2019.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

22. Subsequent events

COVID-19

The World Health Organisation's declaration that the Covid-19 outbreak was a public health emergency of international concern did not take place until 31 January 2020. Subsequently, the STSB considers that the impact of COVID-19 is a non-adjusting subsequent event for all of its financial statements in the year ending 31 December 2019.

Since 31 December 2019, the spread of Covid-19 has severely impacted many local economies around the globe, the States of Guernsey is no exception. Businesses are being forced to cease or limit operations for a long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Ports has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government response, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of Ports for future periods. Actions to mitigate the impacts of Covid-19 are underway, whilst being mindful that such mitigations need to enable economic recovery.

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

23. 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 compensation of key management personnel in 2019 (including salaries and other benefits) was £427k (2018: £389k).

Related party transactions between 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.

STSB member Mr P. Ferbrache 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 Ferbrache, 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.

24. Statement of control

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

25. Off balance-sheet arrangements

There are no commitments or contingent liabilities other than detailed in note 20 relating to 2019 which would affect these financial statements (2018: None).

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

States' Trading Supervisory Board Ports

Notes to the Financial Statements – continued

26. Financial instruments

The Ports' financial instruments may be analysed as follows:

| | 2019 | 2018 |
|---|----------------|-------|
| | £'000 | £'000 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 6,550 | 3,981 |
| Debtors | 1,981 | 2,372 |
| Financial liabilities at amortised cost | | |
| Creditors: amounts falling due within one year | (939) | (450) |
| Creditors: amounts falling due after more than one year | (2,347) | - |

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

States of Guernsey

States' Trading Supervisory Board

Ports

Supplemental Information

The additional information has been prepared for the accounting records of the the States' Trading Supervisory Board. While it does not form part of the financial statements, it should be read in conjunction with them.

GUERNSEY AIRPORT

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Net Expenditure by Category</u> | | 2019 Actual £'000s | 2018 Actual £'000s |
|-----------------------------|------------------------------|---|--|--------------------|--------------------|
| | | Income | | | |
| 12,742 | 12,898 | Operating Income | | 13,183 | 12,319 |
| | | Expenditure | | | |
| (6,939) | (7,283) | Pay Costs | | (7,660) | (7,421) |
| | | Non-Pay costs | | | |
| (224) | (182) | <i>Staff Non-Pay costs</i> | | (181) | (163) |
| (1,284) | (1,830) | <i>Support Services</i> | | (1,991) | (1,275) |
| (1,249) | (1,338) | <i>Premises</i> | | (1,346) | (1,271) |
| (100) | (120) | <i>Transport</i> | | (112) | (107) |
| (2,138) | (2,012) | <i>Supplies & Services</i> | | (2,288) | (1,983) |
| (4,995) | (5,482) | | | (5,918) | (4,799) |
| | | Operating (deficit)/surplus for the financial year | | | |
| 808 | 133 | | | (395) | 99 |
| (1,050) | (855) | Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property | | (1,081) | (942) |
| (242) | (722) | Operating (deficit) | | (1,476) | (843) |

GUERNSEY AIRPORT

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Net Expenditure by Service Area</u> | 2019 Actual £'000s | 2018 Actual £'000s |
|-----------------------------|------------------------------|---|--------------------|--------------------|
| | | Income | | |
| 373 | 412 | <i>Advertising, picketing etc</i> | 414 | 393 |
| 726 | 745 | <i>Airport Development Charge</i> | 760 | 727 |
| 771 | 786 | <i>Car Parking Fees</i> | 826 | 737 |
| 2,194 | 1,901 | <i>Rents</i> | 2,083 | 2,080 |
| 8,495 | 8,867 | <i>Traffic Receipts</i> | 8,913 | 8,199 |
| 183 | 187 | <i>Recovery from Alderney Airport</i> | 187 | 183 |
| <u>12,742</u> | <u>12,898</u> | | <u>13,183</u> | <u>12,319</u> |
| | | Operational Expenditure | | |
| (1,431) | (1,350) | <i>Administration</i> | (1,440) | (1,322) |
| (2,067) | (2,236) | <i>Aerodrome Fire Service</i> | (2,371) | (2,322) |
| (2,655) | (2,743) | <i>Airport Infrastructure</i> | (2,756) | (2,782) |
| (1,768) | (2,373) | <i>Airport Security</i> | (2,803) | (1,854) |
| (4,013) | (4,063) | <i>Navigational Services</i> | (4,208) | (3,940) |
| <u>(11,934)</u> | <u>(12,765)</u> | | <u>(13,578)</u> | <u>(12,220)</u> |
| 808 | 133 | Operating (deficit)/surplus for the financial year | (395) | 99 |
| | | Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property | | |
| (1,050) | (855) | | (1,081) | (942) |
| <u>(242)</u> | <u>(722)</u> | Operating (deficit) | <u>(1,476)</u> | <u>(843)</u> |

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Capital Expenditure</u> | 2019 Actual £'000s | 2018 Actual £'000s |
|-----------------------------|------------------------------|------------------------------------|--------------------|--------------------|
| (2,782) | (475) | Miscellaneous Capital Works | (178) | (168) |
| (325) | (70) | IT Projects and Equipment | - | - |
| (970) | (1,201) | Equipment, Machinery and Vehicles | (474) | (526) |
| <u>(4,077)</u> | <u>(1,746)</u> | Routine Capital Expenditure | <u>(652)</u> | <u>(694)</u> |
| - | (5) | Airports Pavements Project | (10) | (61) |
| - | - | Airport Radar | - | (24) |
| - | 5 | Less Transfer from Capital Reserve | 10 | 85 |
| <u>(4,077)</u> | <u>(1,746)</u> | Net Capital Expenditure | <u>(652)</u> | <u>(694)</u> |

GUERNSEY HARBOURS

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Net Expenditure by Category</u> | | 2019 Actual £'000s | 2018 Actual £'000s |
|--------------------------------|------------------------------------|---|--|-----------------------|-----------------------|
| | | Income | | | |
| 9,658 | 9,812 | Operating Income | | 10,139 | 9,465 |
| | | Expenditure | | | |
| (3,498) | (3,500) | Pay Costs | | (3,749) | (3,451) |
| | | Non-Pay costs | | | |
| (113) | (125) | <i>Staff Non-Pay costs</i> | | (88) | (63) |
| (2) | (80) | <i>Peripheral Activities</i> | | (52) | 64 |
| (862) | (1,113) | <i>Support Services</i> | | (1,093) | (1,041) |
| (1,402) | (1,509) | <i>Premises</i> | | (1,193) | (1,105) |
| (122) | (133) | <i>Transport</i> | | (75) | (78) |
| (420) | (458) | <i>Supplies & Services</i> | | (322) | (298) |
| (2,921) | (3,418) | | | (2,823) | (2,521) |
| 3,239 | 2,894 | Operating surplus for the financial year | | 3,567 | 3,493 |
| (1,606) | (1,169) | Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property | | (1,174) | (1,117) |
| 1,633 | 1,725 | Operating surplus | | 2,393 | 2,376 |

GUERNSEY HARBOURS

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Net Income / Expenditure by Service Area</u> | 2019 Actual £'000s | 2018 Actual £'000s |
|-----------------------------|------------------------------|---|--------------------|--------------------|
| 3,155 | 3,307 | Commercial Ports Operations | 3,711 | 3,328 |
| 103 | 60 | Property | 213 | 174 |
| 1,242 | 1,065 | Leisure | 1,026 | 1,166 |
| (1,237) | (1,504) | Non-Commercial Ports Operations | (1,355) | (1,136) |
| (24) | (34) | Ships Registry | (28) | (39) |
| 3,239 | 2,894 | | 3,567 | 3,493 |
| (1,606) | (1,169) | Depreciation (net of amortisation of asset specific contributions) and revaluation of Investment Property | (1,174) | (1,117) |
| 1,633 | 1,725 | Operating surplus | 2,393 | 2,376 |

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | <u>Routine Capital Expenditure</u> | 2019 Actual £'000s | 2018 Actual £'000s |
|-----------------------------|------------------------------|------------------------------------|--------------------|--------------------|
| (1,605) | (196) | Miscellaneous Capital Works | (15) | - |
| - | (304) | IT Projects and Equipment | (146) | (256) |
| (784) | (1,182) | Equipment, Machinery and Vehicles | (1,174) | (114) |
| (2,389) | (1,682) | Routine Capital Expenditure | (1,335) | (370) |
| - | - | Crane Strategy | (48) | - |
| - | - | Less Transfer from Capital Reserve | 48 | - |
| (2,389) | (1,682) | Net Capital Expenditure | (1,335) | (370) |

PORTS HOLDING ACCOUNT

| 2019 Original Budget £'000s | 2019 Probable Outturn £'000s | | 2019 Actual £'000s | 2018 Actual £'000s |
|--------------------------------|------------------------------------|--|-----------------------|-----------------------|
| | | Operating (Deficit)/Surplus before depreciation | | |
| 808 | 133 | Guernsey Airport | (395) | 99 |
| 3,239 | 2,894 | Guernsey Harbour | 3,567 | 3,493 |
| <u>4,047</u> | <u>3,027</u> | | <u>3,172</u> | <u>3,592</u> |
| - | 60 | Investment return | 400 | (96) |
| | (91) | Interest Expense | (71) | |
| | - | Loss on disposal of assets | (3) | (28) |
| | | Capital Expenditure | | |
| (4,077) | (1,746) | Guernsey Airport | (652) | (694) |
| (2,389) | (1,682) | Guernsey Harbour | (1,335) | (370) |
| <u>(6,466)</u> | <u>(3,428)</u> | Total Capital Expenditure | <u>(1,987)</u> | <u>(1,064)</u> |
| <u>(2,419)</u> | <u>(432)</u> | (Deficit) / Surplus for the year | <u>1,511</u> | <u>2,404</u> |
| 1,948 | 5,314 | Balance at 1st January | 5,314 | 2,815 |
| (2,419) | (432) | Surplus for the year before depreciation | 1,511 | 2,404 |
| - | (3,000) | Contribution to Capital reserve | (2,943) | 95 |
| 4,130 | 3,831 | Loans Drawdown | 2,500 | - |
| (434) | (81) | Loans Repaid | (64) | - |
| <u>3,225</u> | <u>5,632</u> | Balance at 31st December | <u>6,318</u> | <u>5,314</u> |