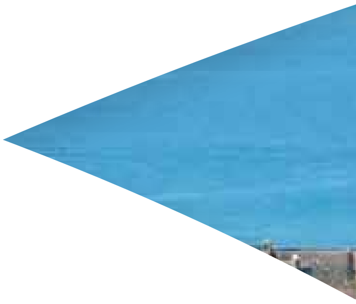
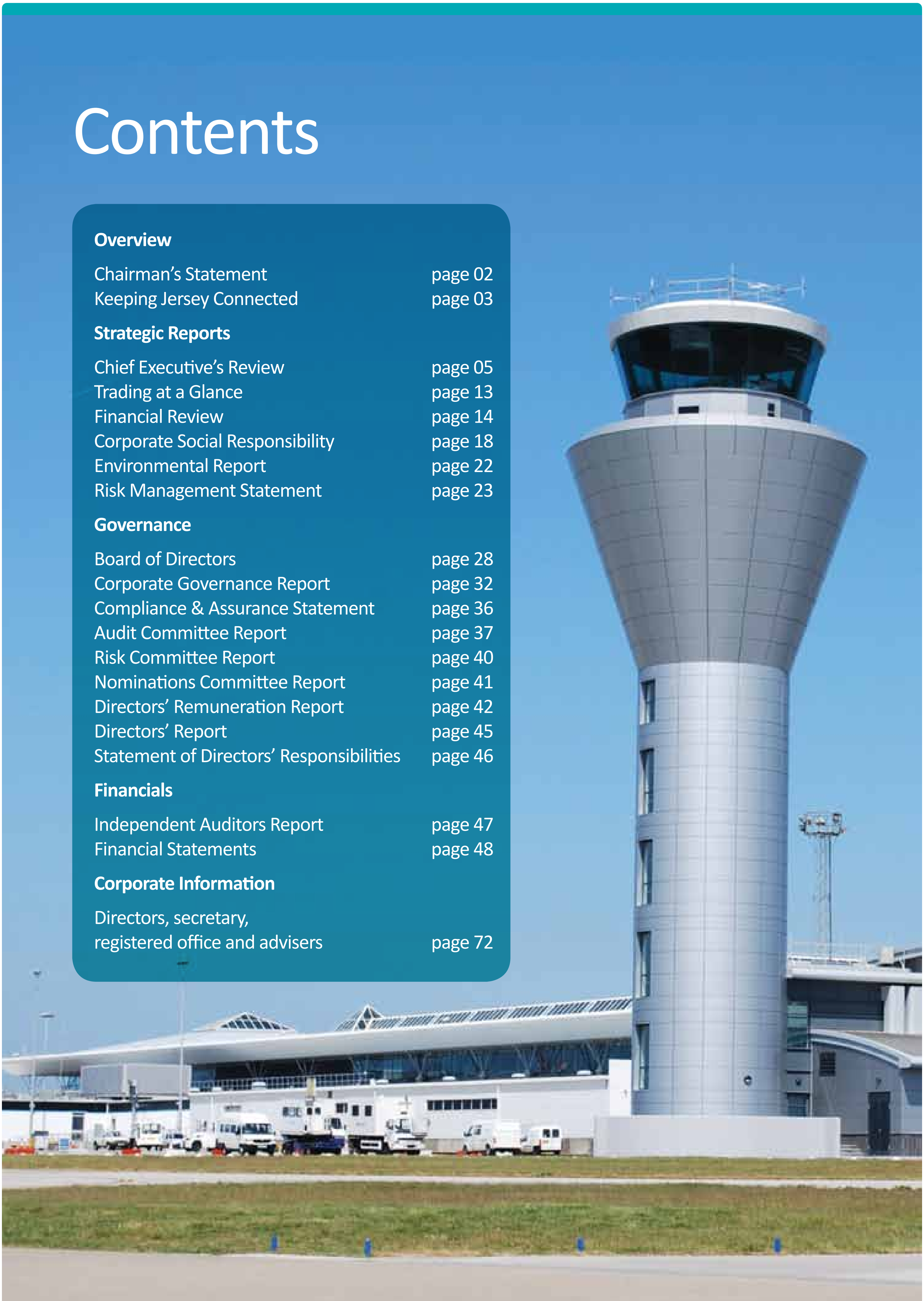
Annual Report 2015/16



PORTS OF JERSEY
YOUR ISLAND GATEWAY

R.79/2017

Contents



Chairman's Statement

I am delighted to present Ports of Jersey Limited's first Annual Report, which covers the 15 month period from 01 October 2015 to 31 December 2016. Ports of Jersey Limited was incorporated on 16 September 2015. However, assets and staff transferred from States of Jersey with effect from 01 October.

The process of achieving incorporation, which began with the formation of a Shadow Board in November 2010, took longer than my colleagues and I had hoped, but we were nevertheless pleased when finally granted the freedom to operate as a commercial company.

Our mission is very simple: we aim to undertake commercial developments that will enable us to fund the very substantial (an estimated £420 million) capital investment programme necessary over the next 25 years, without recourse to our shareholder, that is to say the tax payer. We refer to this as "self-sustainability" and it is to be achieved while also keeping Jersey's Airport and Commercial Harbours open, safe and secure, while meeting a significant Public Service Obligation, which includes operating the Coastguard service and maintaining the outlying, non-commercial harbours.

'Our mission is critical to Jersey, not only because all goods and people reaching the Island pass through our facilities, but also because no provision has been made by the States of Jersey to support the capital investment programme.'

Our mission is critical to Jersey, not only because all goods and people reaching the Island pass through our facilities, but because no provision has been made by the States of Jersey to support the capital investment programme.

I would like to pay tribute to our Executive team, led by CEO Doug Bannister, who have worked so hard to create a culture where commercial behaviour is encouraged, along with our staff who have worked equally hard to embrace this change and respond positively to the opportunities that it presents.

The road to accomplishing our mission is a long one, but some important steps have already been taken. There are many illustrations of this. The tendering of the commercial concessions at the Airport for the first time in over 40 years to add substantial value, and the way in which our vessel, the Duke of Normandy, now routinely undertakes commercial contracts for third parties, are prime examples of how we can deliver things that were not achievable under States of Jersey management.

With such capital-intensive businesses there will always be challenges in respect to the most cost-effective way to achieve our financial, macro-economic and social goals, but I am confident, as both an Island resident and a Director, that incorporation together with the appropriate support from our shareholder leaves us best placed to do so.

Charles Clarke
Chairman
01 June 2017

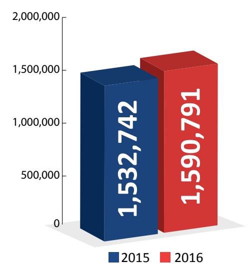
Keeping Jersey Connected

Airport

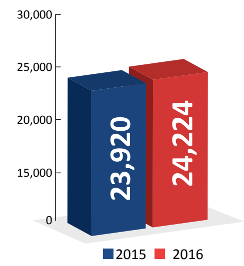
At the end of December 2016 a total of 1,590,791 commercial air passengers had travelled through Jersey Airport. This is an increase of more than 58,000 passengers up on 2015, equating to a +3.8% increase. The majority of UK regions saw increases in passenger numbers, in particular the London market, the north-west, north-east and Scotland. However, both the south of England and inter-island passenger numbers ended the year down with fewer passengers than in the previous year.

Over 80% of the market share is distributed between three major airlines with easyJet, which now operates seven routes from the Island, including the relaunch of a Luton service in 2016 having carried in excess of half a million passengers during the year, resulting in it having the largest overall market share of 32.9%, followed by British Airways with 24.3% and Flybe at 23.9%

Passenger Numbers



Aircraft Movements

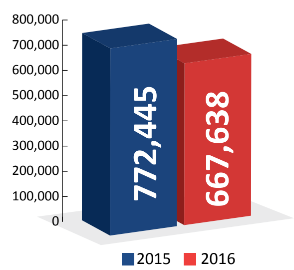


Harbour

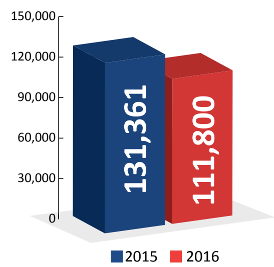
The 2016 year-end figures record an overall reduction in excess of 104,000 passengers equating to a 14% decrease on 2015 with 667,638 sea passengers compared to 772,445 in 2015. Approximately 64,000 of this reduced traffic related to the UK and inter-island routes reflecting a 15% and 30% decrease respectively. The French route, whilst also down, was relatively more resilient ending the year approximately 7% down on 2015. As would be expected, vehicle numbers were also down on the previous year in proportion to passenger numbers - 19,561 overall representing a 15% decline.

Freight/Fuel volumes were encouraging and exceeded 500,000 tonnes resulting in a 5.8% increase on prior year. Imports represented 84% of these tonnage movements whilst 61% were handled by Roll-On/Roll-Off with the remainder split between Lift-On/Lift-Off and Bulk Fuel transfers.

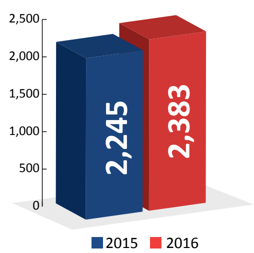
Passenger Numbers



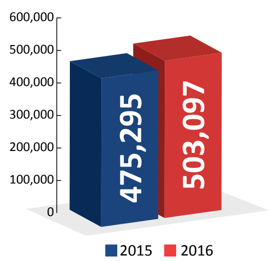
Vehicles



Ship Movements - Arrivals



Freight & Fuel (Tonnes)

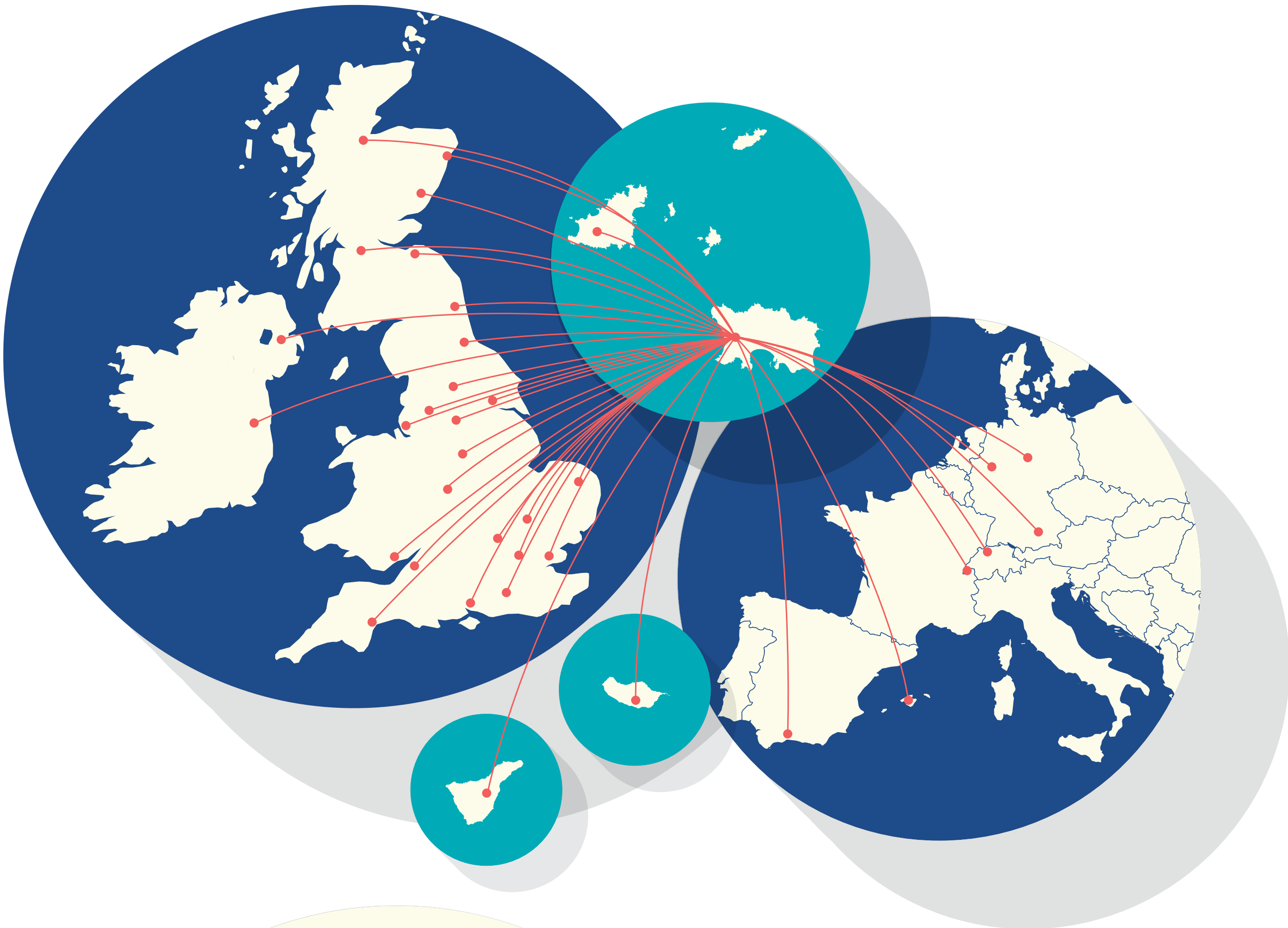


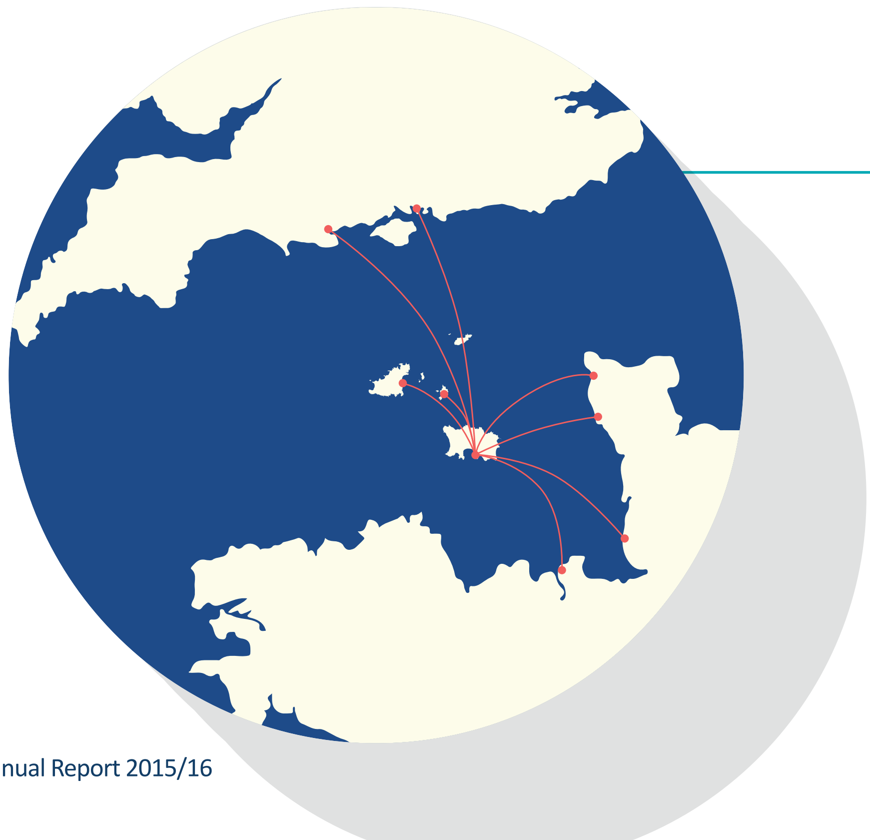
Overview

Where we fly to:

Please note: Routes change frequently. Customers should check with carriers for their travel planning.

Aberdeen
Basel
Belfast
Bern - via Basel
Birmingham
Bristol
Cardiff
Doncaster Sheffield
Dublin
Durham Tees Valley
Dusseldorf
East Midlands
Edinburgh
Exeter
Funchal (Madeira)
Geneva
Glasgow
Guernsey
Humberside
Inverness
Leeds Bradford
Liverpool
London City
London Gatwick
London Luton
London Southend
Malaga
Manchester
Munich
Newcastle
Norwich
Palma (Majorca)
Southampton
Tenerife





Where we sail to:

Guernsey
Poole
Portsmouth
St Malo
Sark
Granville
Carteret
Dielette

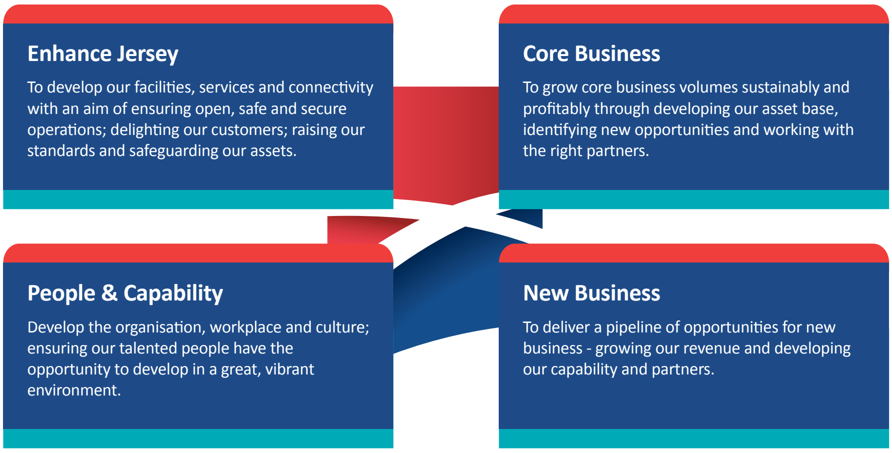
CEO's Review

It has been a remarkable period of development for Ports of Jersey Limited (PoJL) since our incorporation, as we execute our plans to deliver on the primary aim of incorporating our business - that is to become financially self-sustainable over the long term, while carrying out an ambitious programme to develop our facilities and services.

Mission & Strategic Objectives

Our mission is to enhance Jersey as a great place to live, visit and do business through keeping us reliably, safely and well connected. 100% of everything and everyone coming to our Island does so through our gateways. As a result, we have an essential role to play in Jersey's economy, community and society.

While we would be able to fulfil this role simply through the daily operation of our infrastructure, our clear aim is to do so in a manner that enhances Jersey.



Enhance Jersey: We are investing in our facilities to improve efficiency, customer experience and operational resilience. Through these activities we will enhance Jersey's reputation as a great place to live, visit and do business whilst ensuring the safety and security of operations.

Core Business: We are developing our core business through investing in our assets to grow volumes and activities, adding new products and services as well as developing our network of routes and transport links.

People & Capability: We are creating an engaged and high performing organisation, capable of thriving in a commercial environment, and I am proud of the cultural shift that we have achieved to date. We are investing in our capability through our Acceleration Programme, World Host Accredited Customer Service Training and various technical, skills, compliance and operational training. Finally, we are structuring our company to achieve our mission by building our capability while attracting and retaining talented people to deliver our objectives.

New Business: We have a pipeline of business development projects, where we are investing in new income streams for business growth and enabling business partners to also develop their business.

'Our Mission is to enhance Jersey as a great place to live, visit and do business through keeping us reliably, safely and well connected.'

Business Model

PoJL is a wholly States of Jersey (SoJ) owned entity which was created upon the incorporation of the Airport and Harbour departments. To bring the company into effective operation, all the assets and people previously managed by the two government departments were transferred into the limited company.

Given the capital intensity of Port operations, our business has a very long planning horizon. We must make a sufficient amount of money to enable us to reinvest in our assets over the long run. On average, we invest circa £10m each year in our infrastructure, entirely funded from profits generated by our operating activities.

To achieve this, we review our long term capital programme, develop master plans to guide investments, pursue operational efficiencies and continually seek new revenue streams to create the necessary cash to invest in our core infrastructure.

Our positioning in the Island is to continue to develop our facilities, services and products for the benefit of residents, visitors and businesses. This will primarily be achieved through developing our assets and pursuing growth projects.

We ensure our activities are performed with the optimal safety and security standards, which are routinely audited by competent authorities. We continue to improve our operational resilience. It is crucial for the Island's gateways to maintain our connectivity. Finally we must provide and maintain essential public services such as our Coastguard service and custodianship of the Island's Historic Harbours.

All of these activities are funded from the commercial profits of our operations, as we do not receive any government grants for these essential requirements.

'We ensure our activities are performed with the optimal safety and security standards, which are routinely audited by competent authorities'

Regulation

PoJL has been appointed as both The Harbour Authority and The Airport Authority for Jersey pursuant to the Harbours (Administration) (Jersey) Law 1961 and the Aerodromes (Administration) (Jersey) Law 1952 respectively.

The Harbour Authority has adopted and uses the UK's Port Marine Safety Code (the Code) as the standard against which the safety and performance of the business can be measured. The accountability for maritime safety in harbour waters and their approaches rests with the company as The Harbour Authority and it is committed to complying with the standards laid down in the Code.

The company as The Airport Authority uses the standards published by the International Civil Aviation Organisation (ICAO), UK Civil Aviation Authority (CAA) and European Aviation Safety Agency (EASA) against which the performance of The Airport Authority can be measured and audited. The accountability for aviation safety at any aerodrome or in the airspace controlled by the PoJL rests with us accordingly and we are committed to complying with these standards.

The very nature of the activities undertaken and overseen by PoJL dictate that its operations are regulated and constantly subject to external scrutiny. Our operational compliance is regulated in both aviation and maritime to international standards. We are regularly audited and continually achieve the highest marks - often being cited as industry best practice. Notable operational audits are listed in the Compliance and Assurance statement on page 36.

In addition to the high level of operational compliance to which we adhere, we are also economically regulated by the Jersey Competition Regulatory Authority (JCRA). During the period we participated in a consultation in respect of Significant Market Power, and we received JCRA approval for a 0.9% increase in our tariff prices in 2016.

Business Performance

We remain committed to supporting and developing our core business. We had robust aviation passenger volumes, achieving the highest volume of passengers through the Airport in the last 15 years at nearly 1.6 million passengers in 2016.

Our sea passenger and vehicle volumes were affected by a variety of issues including reliability concerns on our main ferry routes. However, the early part of 2017 has seen improvements in schedule performance, along with encouraging indications of increasing passenger volumes.

With PoJL handling all the import of the Island's freight and fuel requirements, it is a very good indicator of economic activity that we handled over 500,000 tonnes of freight and fuel during 2016. This is the highest volume achieved since 2009, which is particularly encouraging given that certain freight volumes have been affected since 2012 as a consequence of the abolition of Low Value Consignment Relief (LVCR).

During the period we developed our commercial projects pipeline, advancing seven of our planned projects into a live status. Delivering new commercial projects, with their associated revenue streams, is imperative to fulfil our aim of being financially self-sustainable over the long term.

Delivering new business revenue from activities not conducted prior to Incorporation is a key success criteria. During the year we delivered nearly £800k of new business revenue from activities and initiatives that a few years ago did not exist. These include growing our fuel business through our Fuel Farm, expanding our marine services business by more than doubling that achieved in the previous year, securing a contract for the provision of Jersey's Visitor Information Centre in partnership with Jersey Heritage and Visit Jersey, and bringing the Jersey Ships Registry into PoJL administration.

Principal Risks & Uncertainties

The aim of risk management is to provide ongoing assurance that key risks, which could prevent PoJL from achieving its objectives, are being effectively managed. The PoJL Board, Executive and Senior Management Teams are committed to adopting policies and activities that minimise risk where PoJL has facilities, employees or contractors.

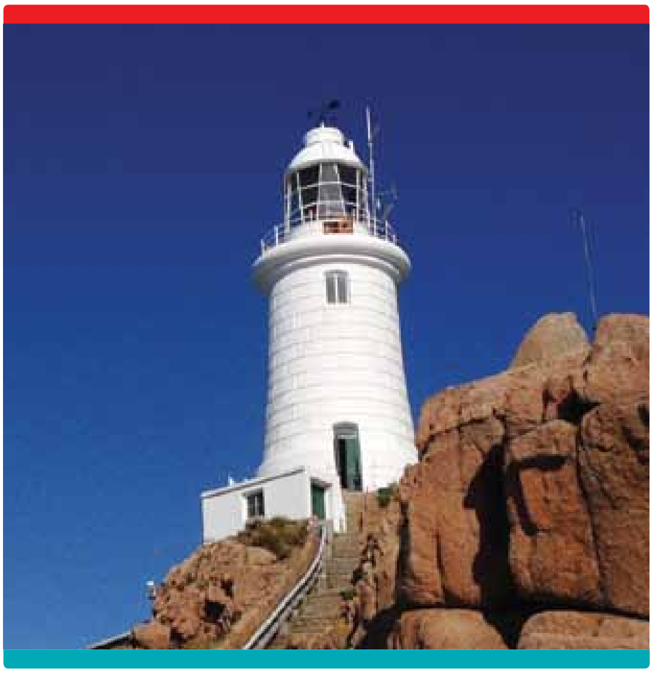
We, like many businesses, face uncertainty in the future relationship with the European Union (EU) following the United Kingdom's (UK) decision to leave the EU. We are engaging, together with colleagues from Guernsey, with the UK Department for Transport to assist them in understanding issues pertinent to our operations in the Channel Islands.

Main Business Risks

Operational: The nature of our business, which involves large public infrastructure alongside heavy industrial activity combined with compliance to international standards, means that inherently we operate in a risk filled environment. To mitigate this, PoJL has risk management processes, safety and security regimes, as well as safety and quality management systems in place to analyse and manage any risk, or potential risk, to our operations. These are routinely audited by our regulators to ensure that all processes function to their satisfaction. Corporate oversight is provided by the Board's Risk Committee and a Risk Management statement is provided on page 23.

Shareholder: We have a multifaceted relationship with our sole shareholder, SoJ. Given the decades of integration within the public sector, we continue to enjoy good personal relationships while we progress a wide variety of separation issues.

Commercial: The principal aim of incorporating PoJL was to enable long term financial self-sustainability without recourse to the tax payer for funding for our considerable capital investment programme. The main driver is the pursuit of revenue growth and diversification projects. To ensure success we have a developed commercial project pipeline, project prioritisation criteria and secured additional commercial capability to drive increased revenue and profitability.



Investment Activities

With such a capital intensive business, it is imperative that we generate sufficient cash flow to enable investment in our infrastructure. In order to achieve cash flow growth, we invest in commercial initiatives in order to generate returns to invest in capital infrastructure.

Investments made during the period span both capital and commercial investments.

Capital investments

Completed in period*

We commissioned our new Marine Operations Centre (MOC), which was a £1.1m investment to renew equipment and upgrade our technology for the Vessel Traffic Service and Coastguard Management. This has improved our ability to manage vessel traffic, coordinate Search & Rescue operations and keep people safe.

We invested £900k in replacing and upgrading our Marine Leisure infrastructure, including the gates in St Helier and Elizabeth Marinas, piling refurbishment in Elizabeth Marina and various renewal and replacement investments across our marinas, moorings and boat park.

We continually invest in reducing the obstacles around our airfield. Such activities are important to improve the safety of aircraft movements and keeping our airport compliant. We also provided some incremental community benefit through the creation of cycle paths and walkways where we purchased property that was previously outside the airfield.

We invested £1.5m in the development of an Air Traffic Control Contingency site, which will ensure we can maintain the Channel Islands Control Area operations even if we have a catastrophic failure in our ATC centre. This is crucial to ensure resilience of our operations for all the Channel Islands.

We have invested in an Automated Weather Observation System, and Runway Visual Range equipment. This £500k cost will improve the accuracy of weather operations, particularly in marginal and changeable low visibility conditions.

Initiated in period

We are replacing our Secondary Surveillance Radar at our North Coast site at Les Platons, which was a 21 year old radar. This investment will be circa £1.3m, and ensures resilient coverage of our airspace.

We launched a project investing in remote tower service technology, to ensure continued operations of our visual control at Jersey Airport should the ATC building need to be evacuated. This is a £1.4m project, which complements our ATC Contingency site, improving resilience of airport operations.

Commercial Investments

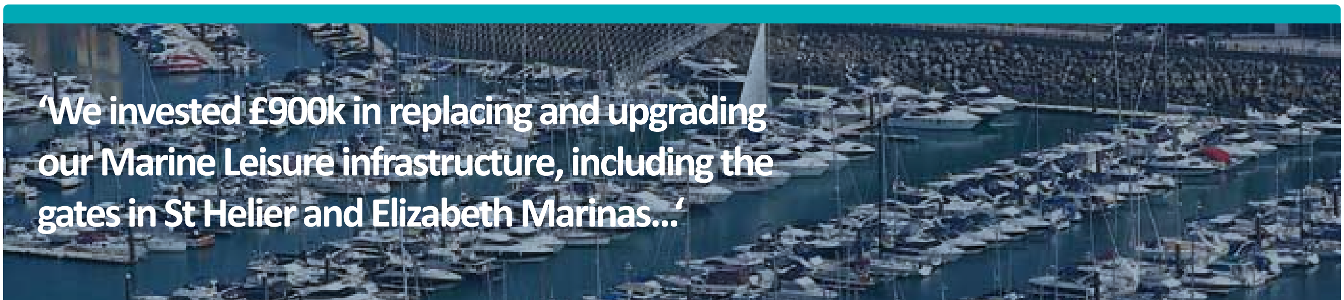
We commissioned our new Airport Cargo Centre, in total a £8.3m investment to upgrade our cargo handling capability and provide improved freight transit facilities. This has also allowed us to clear the site of the former Airport Cargo Centre, in preparation for construction of a new large Corporate Aviation facility.

We invested £250k in new equipment for our Marine Services business, including a Multi-Beam Echo Sounder, which provides enhanced imagery below the surface of the water. We have already won new business as a result of this new technology.

The Airport Retail and Food & Beverage concessions were tendered during the period, and the newly appointed operator has delivered improved products and services for our customers, as well as better concession rates for the Airport.

Our Airport Fuel Farm received new investment of £350k, to improve the safety of the operations and allow our expansion into additional fuel types.

We manage our commercial investments through a portfolio approach, whereby we adopt a stage gate methodology, for investment/project approvals. At the start of the period, we had two live projects and by the end of 2016 we had advanced seven projects into a live status. This demonstrates very good progress in our inaugural year of operating as an incorporated entity.



* Investment includes whole project cost, some of which may have commenced pre-incorporation.

Community

PoJL undertake a central role in the community, economy and society of the island through the operation of the Island's strategic transport gateways. However, in addition to this and delivering on our mission of Enhancing Jersey, we also provide substantial community benefit to Island residents.

Each year, PoJL provides the equivalent to £500k of community benefit through reduced rentals and fee reductions for maritime and aviation clubs, societies and associations. Providing this benefit enables these important institutions to educate leisure users, thus creating a safer environment. Additionally, they get more people interested in maritime and aviation activities, hence creating our customers of the future.

We deliver two of the Island's largest community events, the Barclays Jersey Boat Show and, together with the Air Display organiser, the International Air Display. The Boat Show is in its 10th year of operations, whereby we welcome over 30,000 visitors to the show each year. We work closely with the Air Display Organiser to bring this one day event to the Island every September. Both events are important to the Island community, and provide excellent opportunities for charities to fund raise.

Our own charitable activities raised over £25k for our four nominated charities in 2016, Philip's Footprints, Jersey Cancer Relief, Holidays for Heroes Jersey and Jersey Children's Charity. Additionally we support many other Island events through our participation.

Finally, we educate the Island's youth through a variety of activities. This year, our Coastguard attended 23 schools to teach 3,800 young people about sea safety. We also host numerous school visits to the Airport, showcasing our Fire Service, Air Traffic Control and Terminal activities. This enriches children's understanding of our roles, and hopefully inspires some to consider careers in aviation and maritime.

People

As at 31 December 2016, PoJL employed 296 people (head count). During the summer months, our workforce grows with seasonal workers servicing our Airport and Harbour Terminal and Marina customers. Our roles span all aspects of our operations, providing the ability to keep our gateways open, safe and secure whilst facilitating growing business volumes.

Given the nature of our operations we have a health and safety management programme that keeps our people, partners and the public safe while working or visiting our facilities.

Each year we undertake an Employee Engagement Survey, whereby we obtain valuable feedback about what is working for our people and what we should improve. As a direct result of these surveys, we implement various corporate and team level improvements.

We develop our people through a variety of education and training programmes. Notable developments include:

- **Operational Excellence** - where we launched our Acceleration Programme in May 2016. To date we have trained nearly 80 people in business and operational improvement methods, and have already made demonstrable improvements in our operational efficiency and cost base.
- **World Host Training** - Over 50 of our front line customer service people undertook a course to improve the levels of service we provide to our customers. All participants obtained accreditation as "World Hosts", an internationally recognised standard.
- **Various operational training** - each year we conduct health and safety, fire awareness, facilitating disabled passengers, and numerous other training programmes to ensure our people are best equipped to perform their jobs.

PoJL also cares for the health and wellbeing of our employees. In excess of 60 of our people participated in the Global Corporate Challenge, competing for 'steps' with other companies around the world. We also implemented a new health benefit, Simplyhealth, to help employees proactively manage their healthcare.

Returns to Stakeholders

The principal aim of incorporation was to enable PoJL to invest in our substantial long term capital programme on a self-sustainable basis. Over the past five years no taxpayers money was granted to Ports of Jersey for infrastructure investment, and success over the long term will be never having to seek government funding for our ambitious capital programme.

Continuing Benefits

Public Service Obligations (PSOs): Through incorporation, PoJL retains responsibility for the Island's Coastguard and Historic Harbours. The continued costs for these activities is met by the commercial returns from our operating activities, and not from taxpayers as in other jurisdictions (this alleviates pressure on SoJ's tax revenue to fund these activities). Per annum the operating costs of the PSOs are circa £2m. They will fluctuate when major investment projects are required for ageing infrastructure.

SoJ Arrangements: PoJL has continued, for the time being, to procure certain services from SoJ's corporate functions (including HR, IT and Finance) as well as Harbour Engineering Services from the Department for Infrastructure (DfI). The DfI services are the primary element, representing £2.9m of the total £3.5m. We also have a range of legacy issues where we are attempting to regularise the arrangements with SoJ, such as property and service level agreements.

> **'We are working closely with Visit Jersey in targeting our efforts on the best prospects for delivering visitor growth into the Island'**

New Cash Benefits

Prior to incorporation, PoJL was not subject to certain government led charges for which most Jersey companies are liable.

Parish Rates: While PoJL was accountable for some aspects of Parish Rates, for example where our concessions performed commercial activity in our terminals, the majority of our estate was exempt from Parish Rates. The continuing expense amounts to £60k per annum and the additional expense is in excess of £200k per annum, primarily in respect to St Helier and St Peter where the core of our operations are based.

Taxation: Following incorporation, PoJL is subject to tax as a Utility at 20%.

The total financial stakeholder benefit from Ports of Jersey Limited is estimated to be £7.0m.

Outlook and Future Developments

For our core operations, we are expecting slightly increased air passenger volumes. Whilst we have lost capacity for the 2017 season in our German market due to a significant reduction in capacity from a key carrier, this has been offset by capacity growth in other markets. We are expecting improvements in our sea passengers and vehicles volumes with the commensurate reliability improvements from ferry services. Freight and fuel volumes through St Helier Harbour should remain on a par with the previous year, and are a good indicator of continued economic activity in the Island.

We are working closely with Visit Jersey in targeting our efforts on the best prospects for delivering visitor growth into the Island, which we expect to produce volume benefits in the medium term.

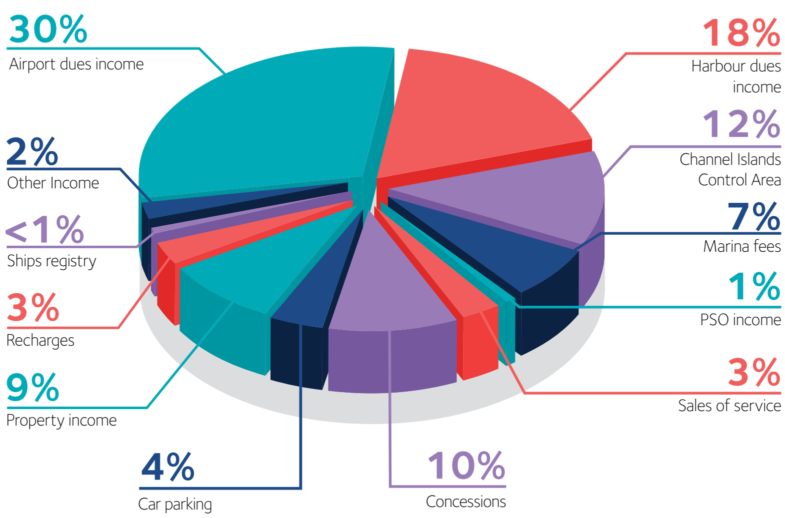
Our investment programme for growth and diversification projects will see the start of a range of new facilities for our Corporate Aviation sector, as well as further investments in our estate to deliver improved products and services for our commercial passengers at both the airport and harbour.

With these developments, we are focused on our mission of enhancing Jersey as a great place to live, visit and do business with an aim of delighting our customers.

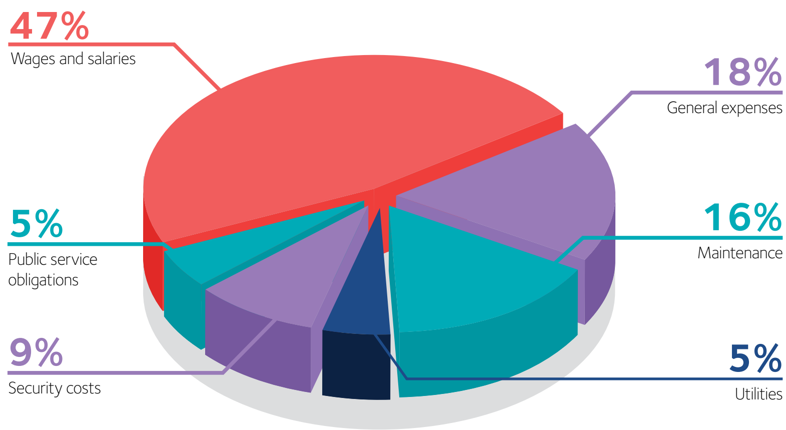
Doug Bannister
Chief Executive Officer
01 June 2017

Trading at a Glance

Turnover and other income



Operating costs (excluding depreciation)



"It has been a remarkable period of development for Ports of Jersey Limited (PoJL) since our incorporation in October 2015"

Financial Review

The audited financial statements for the 15 months to 31 December 2016 show a healthy Turnover and Other Income of £54.1m, an EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of £13.3m and a Profit before Tax of £9.6m. Under Financial Accounting Standards and given that this is the first reporting period since incorporation, these first financial statements do not show any prior period results.

On incorporation the SoJ transferred £17.6million of cash to the Company after settlement of the business's pre-1987 pension obligation (£20.7m). During the following 15 months the Company's operations generated £14.6m in free cash flow, leaving it with £32.2m in cash and money market investments. This fund is being accumulated to meet the major funding gap on future capital expenditure identified by SoJ prior to incorporation.

The free cash flow of £14.6m during this period was after £0.8m spent on our investment properties and expenditure of £9.0m on tangible assets. To put that into perspective the depreciation charge for the period was £3.3m.

Comparative financial performance

As shown in the table below it is helpful to put these results into the context of the business performance prior to incorporation. On a comparable basis Turnover and Other Income of £43.4m were in line with 2015 results of £43.5m. EBITDA fell by £1.2m to £10.8m in 2016, primarily as a result of additional costs the company became liable to as an incorporated entity.

		Unaudited		
	Audited	Comprised of		Comparative
	15 months ended 31 December 2016	3 months ended 31 December 2015	12 month ended 31 December 2016	12 months ended 31 December 2015
	£'000	£'000	£'000	£'000
Turnover (& other income)	54,109	10,716	43,393	43,458
Operating Costs (excluding depreciation)	(40,777)	(8,169)	(32,608)	(31,479)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**13,332**	**2,547**	**10,785**	**11,979**

'The audited financial statements for the 15 months to 31 December 2016 show a healthy Turnover and Other Income of £54.1m'

The following review compares trading in the 2016 calendar year to the 2015 calendar year.

Turnover

POJL (£'000)			
2015	2016	Variance	%
43,458	43,393	-65	-0.15%

Airport (£'000)			
2015	2016	Variance	%
27,461	27,417	-44	0.16%

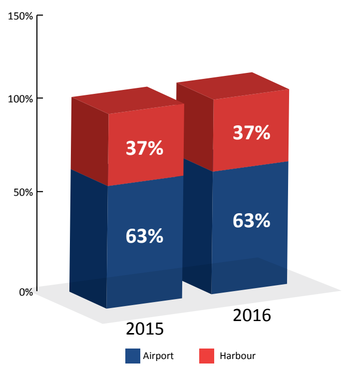
Harbour (£'000)			
2015	2016	Variance	%
15,997	15,976	-21	-0.13%

At the Airport overall turnover has been maintained, through the utilisation of growth based incentives which have helped deliver increased passenger volumes to the benefit of the Islands. The main carrier agreements are subject to re-negotiation in 2017.

At the Harbour overall turnover has also been consistent despite disappointing sea passenger numbers. This was achieved due to buoyant freight and cargo revenues, which have continued to grow as a result of improved volumes. Additional revenue growth has resulted from increased Marine Services charter work and taking on of the Ship's Registry.

Revenue from the Company's property portfolio has also seen growth in both sectors, with the resolution of a number of outstanding rent reviews. This has led to some one off items as well as recurring increases.

Revenue Mix



Year on year there has been a 0.15% decrease in turnover, with the revenue mix remaining stable year on year.

Operating Costs

POJL (£'000)			
2015	2016	Variance	%
-31,479	-32,608	-1,129	-3.59%

Airport (£'000)			
2015	2016	Variance	%
-19,784	-20,604	-820	-4.14%

Harbour (£'000)			
2015	2016	Variance	%
-11,695	-12,004	-309	-2.64%

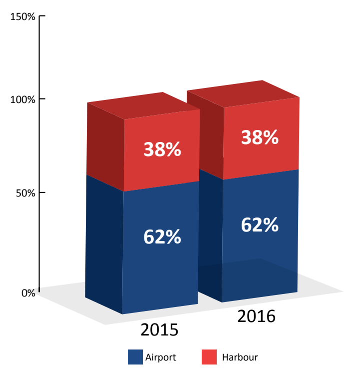
Year on year operating costs for the organisation as a whole have increased by 3.6%.

Post incorporation, the Company is subject to a number of expenses (in addition to taxation) that were not applicable to a government department, or have materially increased as a result of incorporation, these include:

Item	£'circa
JCRA license fees	£145k
Microsoft fees	£100k
Legal fees	£300k
Audit & Tax services	£130k
Rates	£200k
	£875k

Further, increases in operating expenditure, are due to recruitment to vacancies, staff training and general inflationary increases.

Expense Mix



EBITDA *(Earnings Before Interest, Tax, Depreciation and Amortisation)*

POJL (£'000)			
2015	2016	Variance	%
11,979	10,785	-1,194	-9.97%

Airport (£'000)			
2015	2016	Variance	%
7,677	6,813	-865	-11.26%

Harbour (£'000)			
2015	2016	Variance	%
4,302	3,972	-330	-7.66%

Erosion in yield, coupled with post incorporation increases in the cost base has reduced EBITDA by 9.97% for the organisation as a whole.

Net Finance Costs

Our finance lease arrangements on the Alpha Taxiway finished in the final quarter of 2015, with additional interest of £647k becoming payable as a result of a change in the corporation tax rate. The Company was not party to any debt financing at December 2016.

Taxation

Upon incorporation, the Company was designated a utility company pursuant to Article 123C of the Income Tax (Jersey) Law 1961 and is therefore liable to Jersey income tax at the rate of 20% on its trading income. Jersey source rental is also taxed at 20%.

In the audited Income statement for the 15 months period the Company's £9.6M profit before tax attracts a tax charge of £2.7M, at an effective rate of 28%. However, the Company is also entitled to a £4.2M tax credit arising from its settlement at the point of incorporation of the pre 1987 debt to PECRS.

This tax credit is being utilised against current tax over a five year period. The remaining £3.3M tax credit is recognised in the Statement of Financial Position as a deferred tax asset. It is however offset by a deferred tax liability of £1.3M in respect of the differing accounting and taxation treatments of tangible assets. Most of this deferred tax liability relates to assets acquired on incorporation. The Company's tangible asset base is predominantly infrastructure, such as runways, piers and quays, which do not qualify for tax allowances.

Capital Expenditure

The principal items of capital expenditure during these 15 months were:

Cash flow in period	£'000
Airport Cargo Centre	1,593
Airport ATC Contingency	1,401
Les Platons Monopulse Secondary Surveillance Radar	1,276
Maritime Operations Centre	732
Airport Heating, Ventilation and Air-Conditioning System	701
Automated Weather Observation System	500
Airport Projects <£500K	1,879
Harbour Project <£500K	1,762
Purchases re Tangible Assets and Investment Property	**9,844**

Tangible Fixed Assets

At 31 December 2016, the Company held tangible fixed assets with a net book value of £68.5m. Of this amount £3.4m is attributable to assets currently in the course of construction. During 2016 the Company appointed KPMG, as independent experts, to provide a valuation of the assets and liabilities on incorporation. The value recognised for accounting reporting purposes in these financial statements is based upon an analysis of comparable transactions in the market and the future discounted cash flows of the operational business, according to its Strategic Business Plan.

Investment Property

At 31 December 2016, the Company held investment properties with a net book value of £52.3m, including Car Parks and the Fuel Farm. During the period there were additions of £5.3m in respect of the tenanted portion of the Airport Cargo Centre. The portfolio was revalued primarily by independent chartered surveyors at the end of 2016 based upon an assessment of passing rents and prevailing market conditions and the fair value was reduced by £208k as a result.

Pensions

The Company continues to participate in the Public Employees Contributory Retirement Scheme (PECRS) and the Public Employees Pension Scheme (PEPS), operated by SoJ. These schemes meet the definition of defined contribution schemes for accounting purposes. During the 15 months period, the Company contributed £1.9m to the schemes in respect of its employees.

It was a condition of incorporation that the Company settle its element of the pre-1987 PECRS liability. Monies that had been held in the Harbour and Airport Trading Funds were transferred to the Company after settling this liability.

Application of Reporting Standards

These results have been prepared under the widely recognised UK Financial Reporting Standard FRS102. Under FRS102 investment assets must be separately identified and will be revalued annually. They are not depreciated. Also certain long leasehold assets are treated as Finance Lease receivables. We separately continue to provide SoJ with the information required under the Public Sector Jersey Financial Reporting Manual (JFReM).

The financial statements cover the 15 month period from 1st October 2015 to 31 December 2016. Going forward our annual reporting period will follow the calendar 12 months.

Andrew Boustouler
Chief Financial Officer
01 June 2017

Corporate Social Responsibility

Ports of Jersey - "Our Island, Our Ports, Our Responsibility"

The Company recognises that as an essential service provider, our operations touch everyone in the Island. This goes beyond providing lifeline services, including the movement of people and freight in and out of Jersey; as a major locally based business, employing circa 300 staff, we also have a prominent position in the community and are committed to using our resources to make a positive difference in supporting Island life.

Since incorporation, we have taken a more proactive approach to developing our Corporate Social Responsibility (CSR) programme. This journey continues to gain momentum and CSR is now an integral part of our business as usual as we strive to enhance Jersey.

The CSR programme is helping to develop and inform our values, engaging and helping our people, and working in the community.

Our CSR Programme has four key areas of focus:

Community Involvement

Clubs, Associations & Societies

Employee Health & Wellbeing

Environment

'The CSR programme is helping to develop and inform our values, engaging and helping our people, and working in the community.'

Community Involvement

In 2016 four charities were chosen by our staff to benefit from fund-raising activities undertaken by them. The charities are:

- **Philip's Footprints**
- **Jersey Cancer Relief**
- **Jersey Children's Charity**
- **Holiday for Heroes Jersey**

The Company has match funded any monies raised by our staff in their fund-raising efforts to support these designated charities. These have included cake sales, bucket shaking and dress-down days as well as supporting pop-up shops and installing donation boxes throughout the airport.

We have also entered teams into many fund-raising events throughout the year, specifically supporting the efforts of our nominated charities:

- **'It's a Knockout'** - in support of Jersey Children's Charity
- **'Around the Island Swim'** - in support of Holidays for Heroes Jersey
- **'Jersey Swimarathon'** - in support of Philip's Footprints

In addition, we have continued to provide support to a range of other charities. These include:

- **Royal British Legion Poppy Appeal**
- **Jersey Aero Club's 'Helping Wings' Initiative**
- **BBC Children in Need**
- **'Bring-a-Gift' for Brig-y-Don**
- **Jersey Joint Charities Christmas Appeal**
- **British Red Cross**
- **Durrell**
- **Mind Jersey**
- **Mustard Seed Appeal**
- **Jersey Cheshire Homes**
- **Macmillan Jersey**
- **Centrepoint Trust**
- **Jersey International Air Display**
- **Standard Chartered Jersey Marathon**
- **Jersey Battle of Flowers**
- **Jersey Sailing Regatta**
- **Jersey Hospice Care Dragon Boat Racing**

Working in the Community

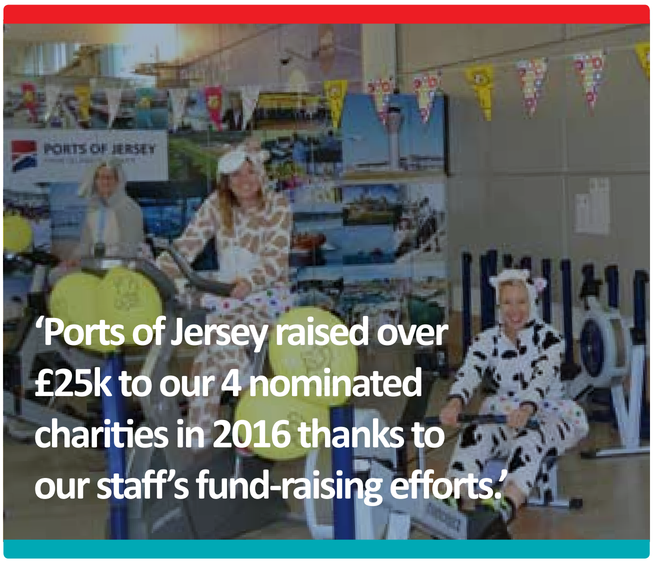
We support a number of community projects, encouraging our staff to participate in community related initiatives as well as providing support for numerous charitable and community based organisations. In 2016, PoJL has engaged with over 4,000 students through its education programmes.

In 2016 this has included:

'Behind the Scenes' Visits - We regularly host visits to Jersey Airport for local primary and secondary school students as well as community interest groups.

'Safety @ Sea Campaign' - Officers from Jersey Coastguard regularly visit local schools to educate and spread our safety at sea messages through relaxed and informative discussions and presentations

Prince's Trust Achieve Programme - PoJL has worked closely with The Prince's Trust and several Island secondary schools with the aim of developing young people's confidence and improving their employability. Our Airport Fire Crew has offered a 6-week programme as part of this initiative, focusing on team work and personal skills, including behind the scenes visits to our facilities at the Airport and Harbours.



Clubs, Associations and Societies

We support many clubs, associations and societies, many of which are connected in some way to maritime and aviation activities. We feel strongly that vibrant and growing clubs and associations are very important and provide a valuable pipeline of interest into the sector, creating the customers of the future, as well as providing valuable training and education.

This programme is aimed at developing the Island community working in partnerships and relationships that create value and benefit as well as aiming to make air and maritime activities aspirational, affordable and accessible.

These clubs and associations take many forms, some are very structured with a committee and robust governance, while some are run by enthusiastic volunteer amateurs. In all cases, our approach is to work with them to ensure that we are able to develop a common aim and a clear understanding how we can best support their objectives. We always aim to take a long term view in developing these relationships as it is important for these bodies to be able to plan for the future.

Our support takes many forms. It may be by offering reduced property rentals, free use of particular facilities, supplying free support e.g. using the Duke of Normandy to support maritime events, or providing direct support to the many events that these groups hold throughout the year.

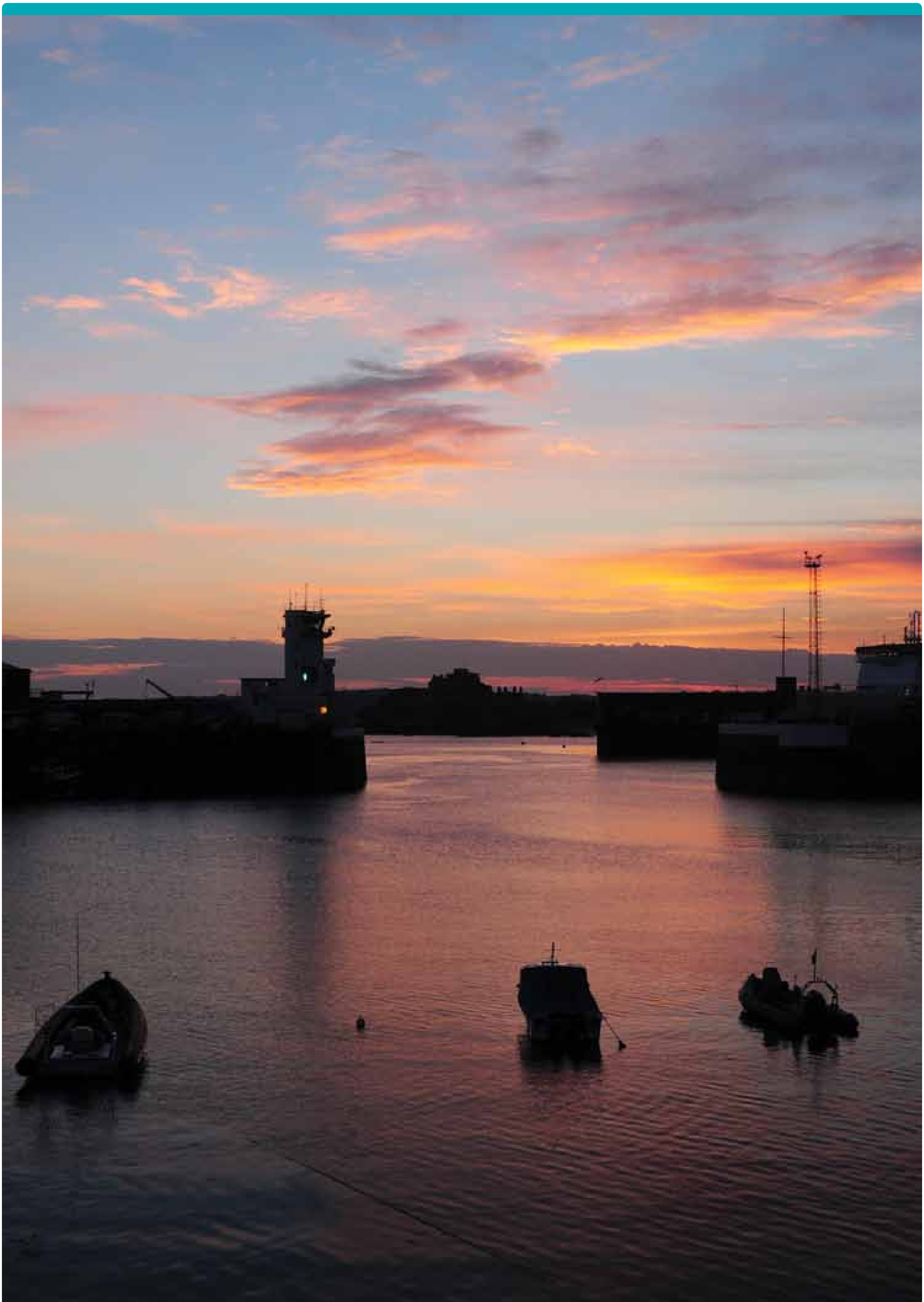
The Company is committed to continuing to provide support to such groups into the future. The equivalent financial value of this support is in excess of £500k per annum.

Employee Health & Well-Being

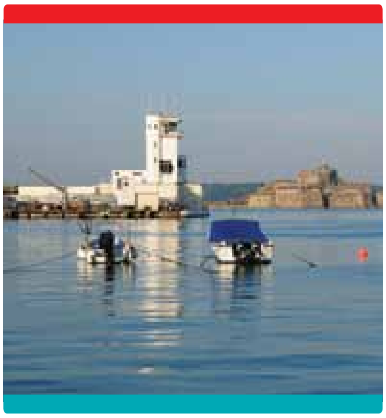
The Company is committed to supporting its staff in achieving a good work/life balance. In response to our regular staff feedback fora we have implemented the following:

Bankroll Your Bike - all staff were offered an interest free loan to purchase a bicycle and cycle to work

100-Day Challenge - in excess of 60 staff signed up to this global health and well-being programme, which included a fitness challenge, nutritional, sleep and psychological well-being initiatives.



Environmental Report



As the only aviation and maritime ports operator in Jersey our activities inevitably have an impact on the environment.

The PoJL Board, Executive and Senior Management teams are committed to adopting policies and activities that minimise our impacts on the environment. As PoJL develops we will endeavour to conduct our business by using all reasonably practicable means to mitigate the impact of our operations on the environment, working with our business partners, suppliers and contractors.

We will take all reasonable steps to prevent any adverse effects occurring, to protect the environment, ensuring as far as possible, that both present and future activities are conducted to reflect the concerns of the local community and the wider environment.

In 2011, the Airport became a member of the SoJ Eco Active Scheme and began the implementation of environmental management measures to help run our business in an increasingly sustainable manner.

As an incorporated body PoJL is keen to re-validate this initiative for the entire business and is currently working on a new Environmental Policy in development for 2017 and which will be underpinned by the following key deliverables:

- Comply with relevant legislation and regulations that aim to protect the environment.
- Co-operate with the local community, relevant authorities and the commercial sector to ensure that any development is undertaken in an environmentally sensitive manner.
- Through the effective management of noise, air emissions and water discharges ensure that all PoJL operations and activities are conducted in such a way that will, wherever possible, minimise the impact on our neighbours and the wider environment.
- Use resources as effectively as possible, and where reasonably practical use materials and sources of energy that have the least impact on the environment.
- Strive for a year on year improvement of the environmental impacts of our operations.

The detailed policy will be used as a framework for setting objectives and targets with contractors and third parties being required to conform to this policy. PoJL will keep up to date on Industry best practice and the policy will be reviewed annually.

This policy is a commitment to environmental matters, in line with the overall PoJL objectives.

‘We strive for year on year improvement of the environmental impacts of our operations’

Risk Management Statement

The Company's approach to risk is defined in its risk management policy, which outlines the roles and responsibilities for the identification, evaluation and management of risks throughout the business.

These risks are categorised under the following areas:

- **Operational Resilience**
- **Financial**
- **Regulatory, Reputational & Political**
- **Major Capital Project Management**
- **Health & Safety**
- **People / Succession Planning**
- **Information Technology (including cyber security)**

The primary features of our risk management process are the use of agreed, defined matrices, which allow a business wide systematic approach to the evaluation, scoring and escalation of identified risks. This provides the Board and Risk Committee with assurance that they may compare all assessed risks, knowing that they have been evaluated against the same set of perspectives and associated severity ratings.

This assurance can help to ensure that efforts and expenditure to reduce, eliminate or transfer risks are being targeted to the appropriate areas.

Over the year, further progress has been made on rationalising the risk process throughout all parts of the business, with particular emphasis on aligning the Harbour and Airport operational risk assessment processes. Further work is required to complete this, and as the process matures we will see the benefit of a system that is working for us to improve resilience in our core functions.

The following table summarises the principal risks to the organisation and the mitigation measures to manage them, which are either in place or planned.

This list is not exhaustive and is not set out in any order of priority.

Operational Resilience

Risk	Description & Possible Impact	Mitigation Activities
Operational Safety & Security - Aviation & Maritime	Failure to ensure safe, secure and compliant operating environment for aviation and maritime activities.	Key areas of the operation are audited on a regular basis to ensure compliance and these are detailed on page 36. To give further independent assurance a separate Designated Person (DP) report by the Compliance Team is delivered to both Harbours & Airport Authorities annually to confirm progress and ensure that a culture of continual improvement exists.
Business Continuity/ Asset Management	Failure and/or unavailability of significant infrastructure and/or facilities which has potential to cause serious disruption/ closure of our operations.	Business continuity plans which are currently in development for each department will highlight existing contingencies, and assist in identification of further measures, to mitigate against loss of infrastructure, resources and staffing. The Planned Preventative Maintenance Programme (PPM) at the Harbours and Airport provides assurance that plant/infrastructure is managed pro-actively.

Financial

Risk	Description & Possible Impact	Mitigation Activities
Asset Failure	Financial implications associated with the loss of significant plant or infrastructure.	• Regular review of the Long Term Capital Plan (LTCP) to ensure asset life cycles are captured in replacement programmes. • Utilisation of PPM schedules to ensure assets are appropriately maintained.
Liquidity	Inability to access adequate funds to meet the obligations of the organisation	The following mitigations are in place: • Use of the financial model for budgets, forecasts and actuals; • Regular review of the LTCP ; • Diversification of "on call" deposits; • Governance framework with monetary approval limits.

Regulatory, Reputational and Political

Risk	Description & Possible Impact	Mitigation Activities
Regulatory	Non-compliance with the required regulations, leading to restriction, suspension or revocation of operating licence/s; resulting in a loss of income and incurring additional expenditure in order to return to full operational functionality.	PoJL has a dedicated team, independent of the operation, checking compliance with relevant regulations, monitoring for changes through a range of activities. These include regular and open communication with Regulators as well as an effective and mature incident, together with accident investigations, process supported by a good reporting culture.
Reputational/ Public Relations	Failure to meet expected standards of customer service or breakdown of relationship with major stakeholders resulting in negative PR impacting on PoJL reputation.	Customer Service delivered by dedicated teams working with business partners. The Key Accounts Director monitors and manages the relationships with PoJL key/major stakeholders to prevent 'reactive reputational protection' measures having to be taken supported by a marketing and communications team working positively and proactively with media agencies to source PR opportunities that celebrate our success and strengthen our reputation.
Foreign Relations	External interference or inadequately maintained relationships which could cause an adverse impact on the operation and revenue generation.	Liaison with overseas counterparts, promoting open dialogue. Development of dedicated team for negotiation of the Channel Islands Control Area (CICA) 3 year contract and establishment of robust SLA with SoJ to clearly delineate responsibilities.
Micro-Political	Political and/or legislative developments which cause adverse impact on the operation of the business.	A continual process of engagement with appropriate officers and Ministers to seek to ensure minimal impact on the commercial business. Separate focus on enforcement legislation led by the Harbour Master and Airport Director to ensure flexibility and pro-active approach.
Macro-Political	Macro political and/or legislative developments which cause adverse impact on the operation of the business.	Pro-active engagement with relevant specialists to ensure emerging risks are considered and mitigated. For example, engagement with investment advisors in respect of Brexit implications and how best to diversify the investment portfolio.

Major Capital Project Management

Risk	Description & Possible Impact	Mitigation Activities
Project Management	Unsuccessful delivery of major projects resulting in inability to achieve overall project objectives.	• Governance for projects is clear with sponsor, budget holder and project management roles well defined; • Monthly meetings to discuss progress, budget and scope combined with project support team provide visibility to the Executive. Project Boards are held regularly to discuss cost plans, progress, scope, schedules and risk and identify early warnings of deviations.

Health & Safety

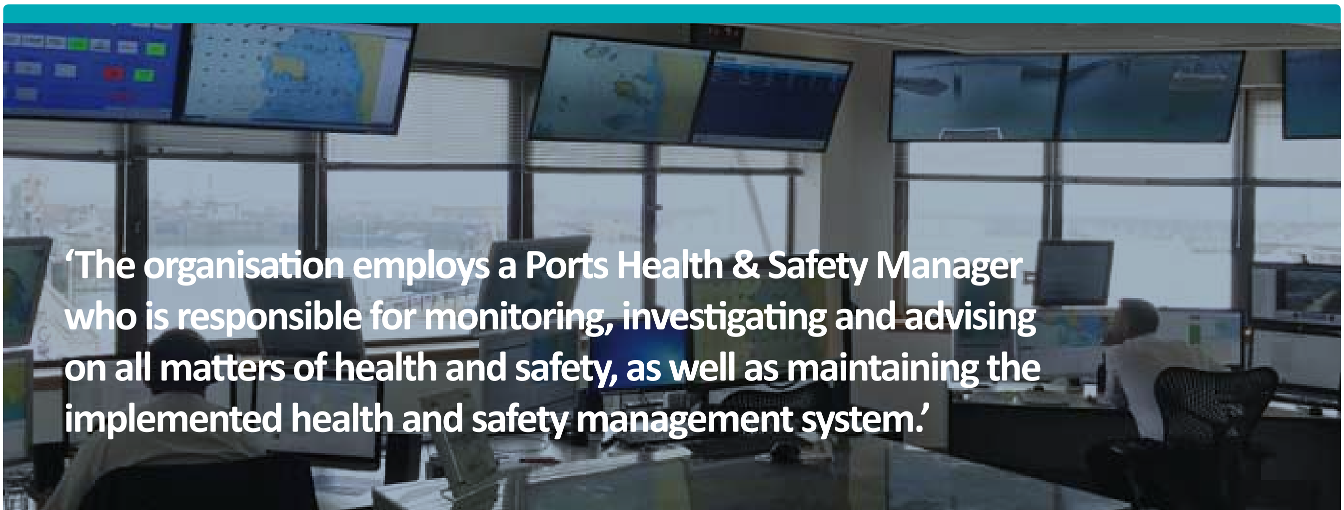
Risk	Description & Possible Impact	Mitigation Activities
Health & Safety	Failure to comply with relevant legislation, regulation and accepted codes of practice resulting in unnecessary exposure to danger for our staff, customers and members of the general public.	The organisation employs a Ports Health & Safety Manager who is responsible for monitoring, investigating and advising on all matters of health and safety, as well as maintaining the implemented health and safety management system, which is based upon British Standard BS OHSAS: 18001 - an internationally recognised health and safety management standard.

People/ Succession Planning

Risk	Description & Possible Impact	Mitigation Activities
People	The failure to retain key employees, or adequately plan for succession could negatively impact group performance.	PoJ has instigated a process of identifying the areas and roles across the business that are deemed to be critical. Active succession plans are in place in identified key areas, with cadet/ apprenticeship schemes either in place or in development. In addition, a project to review the approach to reward is underway to ensure we have the right tools and structures in place to attract, reward and retain key skills across the business.

Information Technology

Risk	Description & Possible Impact	Mitigation Activities
Cyber Risk	The failure of Information systems and/or loss of information required to run the Ports operations through malicious intent or system fault leading to operational difficulties, financial loss and reputational damage.	Mitigating actions include backup facilities should a failure occur to critical hardware or application software. Data and application backups are taken to ensure a reversion to a known safe installation can take place and anti-virus and other protection systems are in place to address known threats. System access is controlled both physically and through password access to prevent unwarranted access and most systems are installed in dual data centres with diverse cable routes and UPS supplies.
Data Security	A data breach through malicious or accidental means resulting in a failure to comply with legislation, regulatory and accepted codes of practice leading to financial loss and reputational damage.	Staff awareness sessions have been held to increase the awareness of cyber-attacks through malicious software or use of inappropriate hardware. A Cyber Security awareness programme is being created to increase the awareness of cyber threats and provide guidance on how to recognise such threats. A Cyber Maturity Assessment has been commissioned to provide details of the current level of security which will provide recommendations for improvement. Secure IT systems are available to all staff requiring mobile solutions and secure memory devices with encryption are supplied, which are the only ones approved for use in the Ports.



Board of Directors

Charles Clarke
Chairman

Charles Clarke is a Chartered Accountant who spent some 30 years with KPMG in London, Malaysia and Jersey, mainly as an Audit Partner. Latterly he was Senior Partner of the Channel Islands Firm and chaired the grouping of KPMG member firms in offshore jurisdictions. Since retiring from KPMG in 2005 he has focussed on a portfolio of Non-Executive Directorships including listed and regulated UK and Jersey companies. He has also established an offshore corporate governance consultancy.

He has been involved with Jersey Airport since late 2006, initially chairing a task force established by the previous Airport Director, and with Harbours since mid-2010, originally chairing the Jersey Harbours Advisory Group. His community roles have included Chairman and President of the Jersey Branch of the Institute of Directors, Chair of the States of Jersey Statistics Users' Group, Governor of Victoria College and independent member of Durrell Wildlife Conservation Trust's Governance Committee.

John Mills CBE
Deputy Chairman and Senior Independent Director

John Mills had an extensive public sector career in London, in Hong Kong, in a large English local authority as Chief Executive and in Jersey, where for four years he was Chief Executive of the former Policy and Resources Department and the Island's senior civil servant. His roles in London included several years as a member of the Prime Minister's Policy Unit.

Since 2007 he has held a range of non-executive roles in the statutory sector, including as a board member of the Jersey Financial Services Commission and the Port of London Authority. Since 2014 he has been the Jersey-based director on the board of the Channel Islands Financial Ombudsman.

John initiated the States' work on the incorporations of Jersey Telecom and Jersey Post, as well as the creation of the JCRA and the Island's competition policy regime. In this he drew on experience of working on the BT privatisation in 1984 and the subsequent liberalisation of the EU telecoms market.

John chairs both The Airport Authority and The Harbours Authority, the structures through which PoJL board members and senior executives govern much of the non-commercial operations of the company under the Incorporation Law. He is also Chair of the Board's Remuneration Committee.

Mike Collett
Non Executive Director

Mike Collett has been in the aviation business for many years and is a qualified pilot with an Air Transport Pilots Licence (ATPL).

He started Air Atlantique in Jersey in 1969, becoming its Chairman and Chief Executive, and has wide experience in air taxi, cargo, passenger scheduled services and charter, professional flying training, and airport management and operation.

Mike has operated Coventry Airport, Swansea Airport, Doncaster Airport and the Caernarfon Aerodrome.

His company Coventry Airport Ltd (a subsidiary of Air Atlantique) was sold to the owners of Thompsonfly (TUI) in 2004.

He founded and remains a trustee of the aircraft preservation organisation The Classic Air Force.

Jeffrey Hume
Non Executive Director

Jeff Hume is the Senior Independent Director of Manx Telecom plc, an AIM listed company, and a member of the London Stock Exchange's Primary Markets Group.

He was the Deputy Chairman of the Dover Harbour Board, a major Trust Port, until December 2016 and the Senior Independent Director of the social housing association Moat Homes Ltd until September 2016. He was the Senior Independent Director and latterly the Chairman of Hyder Consulting plc (the multinational Consulting Engineer) until 2014. He was earlier an Independent Director of Heath Lambert Insurance Brokers.

In his executive career he was the Finance Director of TDG plc (Logistics), AWG plc (Anglian Water and Morrison), Alfred McAlpine plc (Housebuilding and Construction) and Howden Group plc (Mechanical Engineering). He previously held senior management and financial positions in the FTSE100 Hawker Siddeley Group plc.

He is a Fellow of both the Institute of Chartered Accountants and the Association of Corporate Treasurers. He is the Chair of the Board's Audit Committee.

Margaret Llewellyn OBE
Non Executive Director

Margaret Llewellyn has been in the shipping and port industry for over 30 years during which time she was Deputy Chairman of the Port of Dover, as well as its Senior Independent Director and Chair of the Pension Fund.

She was a ship owner and operator of an integrated container shipping line on the Irish Sea and Managing Director of two container terminals in Ireland and Wales. She is also a former Vice Chairman of the Welsh Development Agency (WDA); she is presently a Ministerial Advisor to the Welsh Government and holds a number of Directorships of their wholly owned subsidiaries.

She is a former Chair of the WDA Audit Committee and Chair of the Governance committee of The Department of Economy and Transport of the Welsh Government.

Margaret chairs the Board's Risk Committee as well as being a member of the Marina Development Group and Marketing Sub Group.

Allan Smith MBE
Non Executive Director

Allan Smith is a professional manager and has held a number of senior management positions, including the General Manager/Chief Executive of The Channel Islands Co-operative Society for over 27 years.

He was also a Director of the Co-operative Group in Manchester between 2003 and 2010 becoming Deputy Chairman prior to his term of office expiring. He is a Director and Chair of the Audit Committee of Community Savings Limited.

Allan has a passion for ethical management and uses this when bringing his business experience to the Board.

He has also been appointed an Honorary Master for Arts for services to education and training in Jersey. He is the Chair of the Marina Development Group.

Frank Walker OBE
Non Executive Director

Frank Walker has spent his entire business and political career in Jersey. Having founded his own advertising agency in 1969 he took over W.E Guiton Ltd, the parent company of the Jersey Evening Post newspaper in 1973. He led the team who developed the company into the Guiton Group, which listed on the London Stock Exchange, until it was sold in 2004.

He was elected to SoJ in 1990 and holding a number of Presidencies and other senior positions, he was elected Jersey's first Chief Minister in 2005 and retired as planned in 2008.

Frank has been interested in aviation and boating for many years, and brings that insight to the Board. His business and political experience is an important asset in the development of the Company as it moves towards fulfilling its commercial potential.

He is a Non-Executive Director of Andium Homes Ltd, the company established by SoJ to provide high quality social housing to meet the needs of the Island community. Frank also chairs the Board of Jersey Choice Ltd., a local company which exports Jersey grown plants and associated garden supplies to the UK. He is a Trustee of the Sanctuary Trust charity.

Doug Bannister
Chief Executive

Doug Bannister became Chief Executive Officer for Jersey Airport and Jersey Harbours in July 2011 - a role with responsibility for the future strategic and financial structure of the businesses. In 2015, these previous governments departments were incorporated into PoJL.

With over 25 years' experience in international business, holding senior executive positions with leading sea transportation company P&O Nedlloyd in North America, Europe, Asia, India and New Zealand, Doug was also Managing Director with Maersk Line UK and Ireland, the largest shipping company in the UK. Doug is skilled at turnaround, restructuring and transformation of capital intensive transportation businesses.

He holds an MBA in International Marketing (Seton Hall University, New Jersey 1997) and a B.A in Economics (St Lawrence University, New York 1988). In 2016 Doug was awarded the Institute of Directors Jersey Director of the Year for large businesses.

Born in Summit, New Jersey, USA, Doug holds dual British and American citizenship.

Andrew Boustouler
Chief Financial Officer and Deputy Chief Executive

Andrew Boustouler has fulfilled a number of key roles at both Jersey Airport and Jersey Harbours over the past 15 years and was appointed by the States of Jersey as Deputy Chief Executive Officer in November 2011 following the establishment of the combined Ports of Jersey.

He undertook a central role in the incorporation process and was appointed to his current role as Chief Financial Officer on its fruition. He has direct responsibility for Finance, Property and Compliance.

Immediately prior to joining the SoJ he was employed by a local law firm where he specialised in structured finance transactions as well as providing general banking and commercial advice.

He was born in Jersey and qualified as a Chartered Certified Accountant in 2001 after having been called to the Bar in 1998 and is a member of the Honourable Society of Lincoln's Inn.

Corporate Governance Report

Dear Shareholder

Principles of Corporate Governance

As a Board, we recognise that applying sound governance principles in running the Company is essential to provide a solid platform for growth and to maintain the trust of all our stakeholders.

Although the Company is not a listed entity the Directors have decided to apply the Main Principles of the UK Corporate Governance Code ('the Code').

The Company has also entered into a Memorandum of Understanding with its Shareholder which embraces a 'no surprises' culture and specifies those strategic and other issues for which the agreement of the Shareholder's representative should be sought. The efficiency of that interaction and the level of support and encouragement received from the Shareholder is vital in order that we can meet the challenge of the commercial and social objectives of incorporation. The shareholder function is exercised by the Treasury and Resources Minister, whose duty is to act on behalf of SoJ in its capacity as the owner of securities in the company.

Customer engagement remains high on our agenda. We discuss service issues and costs with individual major carriers and marine traders through a combination of scheduled and ad-hoc meetings. We also inform and take the views of our many Harbour stakeholders through our Marina Development Group meetings and our participation in a range of group and club meetings. Furthermore we are accountable to the Jersey Competition and Regulatory Authority for pricing decisions and the avoidance of anti-competitive behaviour.

The Board

The Board has arranged a schedule of meetings to consider strategy, performance and the framework of internal controls. We have a Board that has and will support and constructively challenge management to deliver the Board's objectives. We have established Audit, Remuneration, Risk and Nomination Committees of the Board with formally delegated duties and responsibilities.

To enable the Board and its Committees to discharge their duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

As Chairman, I would like to reiterate my personal commitment to maintaining high standards of corporate governance and to us being transparent about our arrangements.

Charles Clarke
Chairman
01 June 2017

'The Company has also entered into a Memorandum of Understanding with its Shareholder which embraces a 'no surprises' culture and specifies those strategic and other issues for which the agreement of the Shareholder's representative should be sought.'

Operation of the Board and its Committees

The role of the Board

The Board is collectively responsible for promoting the success of the Company. Its role can be summarised as:

1) to provide supervision and entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
2) to develop and approve the strategic aims of the Company and to ensure that the necessary financial and human resources are in place for the Company to meet the objectives, and
3) to set the Company's values and standards and ensure that its obligations to its stakeholders are understood and met.

Whilst the Board has delegated the normal operational management to the Chief Executive, there are a number of matters where the Board formally reserves the decision making authority. These include:

a. Responsibility and approval of overall direction, long term objectives and strategy
b. Extension of Company's activities into new business areas
c. Decisions to cease operating all or a material part of the Company's business
d. Major changes to corporate, management or control structure
e. Approval of all documents and plans required by the Shareholder
f. Approval of dividend policy and distribution
g. Risk management - appropriate level of risk exposure
h. Setting of financial and treasury policies
i. Decisions that do not adhere to policy
j. Board appointment and removals (including Company Secretary)
k. External auditor appointment and removal
l. Board remuneration policy
m. Introduction and material changes to incentive schemes
n. Approval of terms of reference for board committees
o. Retained authority over major financial or property matters (defined in a tiered delegations scheme)

Composition of the Board

The Board comprises nine Directors, two of whom are Executive Directors, and seven of whom are Non-Executive Directors, reflecting a blend of different experience and backgrounds. Appointments to the Board require the approval of the Shareholder and most of the Directors are resident on Jersey. Notwithstanding any prior service on the Shadow Board, each Non-Executive Director is deemed independent for the purposes of the Code. Details of each of the Directors' experience and background are given in their biographies on pages 28 to 30.

Division of responsibilities

Chairman and Chief Executive Officer

The division of responsibilities between the Chairman and Chief Executive Officer has been agreed by the Board.

Senior Independent Director

The Senior Independent Director is John Mills who is available to the Shareholder as an alternative communication channel if required.

Non-Executive Directors

The Non-Executive Directors' letters of appointment set out the duties of the Director and commitment expected. They are expected to commit at least 24 days per annum to their role plus the necessary time to prepare and consider all relevant papers in advance of each meeting.

The Chairman has established a programme of progressively refreshing the Board. The tenures of new Non-Executive Directors will extend to no more than three terms each of three-years and the recent appointment of Jeffrey Hume is accordingly for an initial three-year term.

Key elements of the Non-Executive Director's role are:

(a) Strategy - Constructively challenge and develop proposals.
(b) Performance - Scrutinise the performance of management in meeting agreed goals and objectives and monitor reporting of performance.
(c) Risk - Non-Executive Directors should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust.
(d) People - Determine appropriate levels of remuneration of Executive Directors and prime role in appointing Executive Directors and succession planning.

Development, information and support

The Directors are encouraged to attend training and continuing professional development courses.

The Chief Financial Officer, Andrew Boustouler, is also the Company Secretary and, together with his deputy, supports the Chairman in ensuring that Board members receive the information and support they need in order to carry out their roles.

Conflicts of interest

A process has been developed to identify Directors' potential or actual conflicts of interest. This includes declaring any new conflicts before the start of each Board meeting.

Performance evaluation

An externally led performance evaluation of the Board and its Committees was carried out by Satori Associates and the results were analysed in order to identify areas for improvement. The outcome of these reviews indicated that the Board and its Committees were effective in carrying out their duties.

Board and committee attendance

The number of formal scheduled Board and committee meetings held and attended (in person or by telephone conference) by Directors during the 15 month period to 31 December 2016 was as follows:

	BOARD	AUDIT	NOMINATION	REMUNERATION	RISK
Charles Clarke	10/10	2/2	2/2		
John Mills	10/10			4/4	6/7
Michael Collett	10/10		2/2		6/7
Jeffrey Hume*					
Margaret Llewellyn	9/10		2/2		7/7
Allan Smith	9/10	2/2		2/4	
Frank Walker	9/10	2/2		4/4	
Doug Bannister	10/10				
Andrew Boustouler	10/10				

*Jeffrey Hume was not appointed to the Board until 01 January 2017

Audit, Risk, Remuneration and Nomination Committees

Membership of all four Board Committees is comprised solely of Non-Executive Directors. These Committee members are authorised to obtain, at the Company's expense, professional advice on any matter within their terms of reference and to have access to sufficient resources in order to carry out their duties. A report of the Audit Committee is provided on pages 37 to 38, the Directors' Remuneration Report on pages 42 to 43, the report of the Risk Committee is provided on page 40 and the Nominations Committee Report on page 41.

Insurance

The company maintains an appropriate level of directors and officers insurance in respect of legal actions against those individuals.

Other authorities

PoJL has been appointed by the Minister for Economic Development as both The Harbour Authority and The Airport Authority for Jersey, each of which hold separate meetings and have different responsibilities under law.

Compliance & Assurance Statement

Open, Safe & Secure

For PoJL the safety and security of its passengers, employees and business partners is fundamental to everything we do. As one of our strategic objectives, the continuous improvement of safety and security standards and compliance with regulatory requirements and industry best-practice are core elements of business as usual.

The transport industry is one of the most intensely regulated sectors of business globally, particularly in relation to Aviation. PoJL is subject to external audits of its various operational management systems annually conducted by a diverse range of authorities including UK Civil Aviation Authority (CAA), Department of Transport and European Aviation Safety Agency (EASA).

A dedicated team at PoJL is tasked with ensuring compliance with regulation, and providing independent assurance to The Board on all of the main operational management systems. The team provides expertise on a range of compliance disciplines including Data Protection, Insurance, Business Continuity, Risk Management, as well as core compliance relating to Aviation and Maritime Safety (SMS), Aviation and Maritime Security and Occupational Health & Safety.

Compliance and assurance evidence is compiled from a numbers of sources, including external (agency) audit, incident and accident investigation, peer-review and Industry benchmarking, regular risk assessment and review, event and occurrence trending and internal audit.

In 2016, PoJL was subject to the following external audits, as part of its compliance obligations:

Audit Title	Audit Agency	Business Area	Audit Dates
Maritime Security	DfT	Harbours	18 - 19 April 2016
Aviation Security	CAA Security	Airport	23 - 25 May 2016
Aviation Security	CAA Security	Airport	3 - 5 Oct 2016
Aerodrome Certification	CAA SRG	Airport (Aerodrome)	6 - 10 June 2016
Air Traffic Unit Competency	CAA SRG/EASA	Airport (ANSP)	12 - 14 July 2016
Habitat Management	BSM	Airport (Aerodrome)	July 2016
Port Marine Safety Code	Marico	Harbours	14 - 15 Sept 2016
QMS ISO 9001	TUV Nord	Airport ATS	12 - 14 April 2016

All audits in 2016 were completed without significant non-conformities, and the general trend of findings compared to previous years was towards 'observation', i.e. low severity areas/ recommendations for improvement.

It is the assessment of the Group Safety, Security & Compliance Manager and endorsed by the Board, that PoJL complies with the requirements of regulations associated with systems as listed in the table above, and with its own policies for those systems. In addition, the management of Occupational Health & Safety at PoJL has been assessed as effective, and management arrangements are sufficient and competent to ensure compliance with the published PoJL Health & Safety policy and Health and Safety at Work (Jersey) Law 1989.

'For PoJL the safety and security of its passengers, employees and business partners is fundamental to everything we do.'

Audit Committee Report

Dear Shareholder

As Chairman of the Audit Committee, I am pleased to report below on its work between the Company's incorporation and the publication of this Annual Report.

The primary responsibilities of the Audit Committee are to provide effective governance over the appropriateness of the Company's financial reporting including the adequacy of related disclosures, the performance of the audit function and the management of the Company's systems of internal control and financial risks. The Company has a separate Risk Committee and the Chairs of these Committees co-ordinate their activities and share information.

I am satisfied that the Committee received sufficient, reliable and timely information from management to enable it to fulfil its responsibilities.

Being the first period since incorporation the Committee has concentrated on setting founding principles and policies. In particular it has overseen the transition of the business from Jersey's public sector accounting framework to the FRS102 accounting standard developed by the UK's Financial Reporting Council for Small and Medium-sized Entities where IFRS is not required. This necessitated commissioning KPMG, as independent experts, to advise on a valuation of the assets and liabilities on incorporation, for financial reporting purposes.

In the year ahead the Committee will look to develop PoJL's internal audit function to strengthen the control environment, supporting the application of and adherence to established financial policies.

Jeffrey Hume
Chairman, Audit Committee
01 June 2017

Role of the Audit Committee

The Committee's full terms of reference were approved on 1 October 2015. They are available on request to the Company Secretary.

Membership and expertise

Charles Clarke, Frank Walker and Allan Smith were appointed to form the Audit Committee on incorporation, in continuance of their previous roles as Shadow Board members. Jeffrey Hume joined the Board on 1 January 2017 and was appointed to the Committee as its new Chairman, at which stage Charles Clarke stood down from the Committee.

All three members of the Committee are considered to be independent and, as can be seen from the biographies on pages 28 to 30, have considerable financial and commercial experience gained through a variety of corporate and professional appointments.

In particular, the Board considers that both Jeffrey Hume and Charles Clarke before him have the recent and relevant financial experience required by the UK Corporate Governance Code. The Chief Financial Officer is routinely invited to attend meetings and the Deputy Director of Business Resources, who is secretary to the Committee, is also a qualified accountant.

'Being the first period since incorporation the Committee has concentrated on setting founding principles and policies.'

External Audit

During this time the Company appointed independent External Auditors to succeed PwC who had audited the business as a government department. Following a comprehensive tender process overseen by Committee members it was decided to select Ernst and Young LLP (EY). They have a world renowned Infrastructure and Logistics Industry group and bring a large knowledge resource directly applicable to PoJL. The Committee has been pleased to recommend to the Board that they be reappointed as auditors for the 2017 financial year.

Meetings held

The Committee held three meetings during the period, of which one was dedicated to the tender presentations and selection of the external auditor. The Audit Committee has also met twice so far in 2017, which was to review and recommend approval to the full Board of the statutory accounts for the 15 months to 31 December 2016. The Committee then met with EY without management being present. I have also met with the EY Audit Partner independently.

At the board meeting following each committee meeting, Directors receive a report on the work of the Committee, outlining key matters and making appropriate recommendations.

Financial reporting - significant issues

The main issues and judgements in relation to the published financial statements to 31 December 2016 were:

a) Revenue recognition - The recoverability of amounts due from Government departments under legacy arrangements.

b) Inherited balance sheet - The fair value determined under FRS102 of the assets and liabilities transferred from Government on incorporation.

c) Investment properties - The classification of Investment Properties and the fair value assessed by Chartered Surveyors.

d) Provisions for claims - The adequacy of provisions in relation to the legacy fire-fighting foam contamination of ground water.

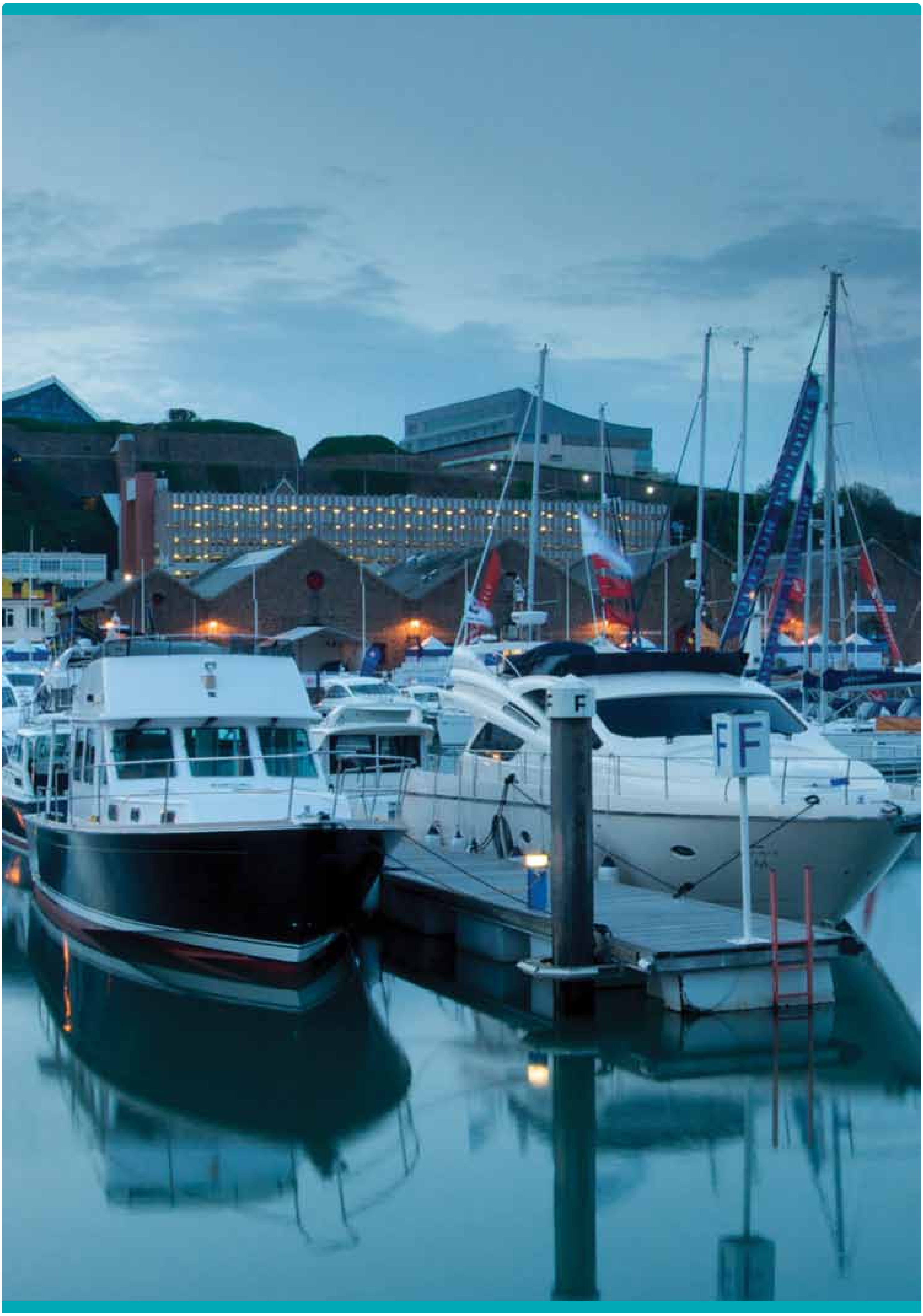
e) Currency - The denomination of the contract with Government in relation to the Channel Islands Control Area.

f) Comparability - The additional publication of financial performance information for the calendar year 2016, together with appropriately comparable information for the calendar year 2015 (as disclosed in the Financial Review pages 14 to 17)

Other work of the Committee

Much of 2015/16 has been spent reviewing and setting policy appropriate for an incorporated PoJL. In addition, Committee members met with operational and finance team members.

The Audit Committee received an early advisory review by the Internal Audit function of the Government's Treasury and Resources department. This assessed the post incorporation governance arrangements, including the Memorandum of Understanding with SoJ, together with compliance against the UK Corporate Governance Code. A key issue at Board and Committee level has been to develop and embed those governance arrangements. The review also addressed the company's arrangements over the controls and due diligence on commercial projects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Risk Committee Report

> **'The Board is responsible for overseeing the management of risk by approving the risk management policy and governing its implementation..'**

Dear Shareholder

The Board is responsible for overseeing the management of risk by approving the risk management policy and governing its implementation. It ensures that risks are managed in an appropriate way by approving risk management procedures, reviewing risk reports and monitoring metrics.

The Board is supported by the Risk Committee, which is appointed to monitor the organisation's current risk profile and provide assurance that there are robust structures, processes and accountabilities for risk management within the organisation.

The identification, evaluation, review and management of risks is the responsibility of Executives, Senior Management and departmental teams who have the appropriate expertise within their areas of operations.

The Committee meets at least 4 times per year and its members are the following independent Non-Executive Directors:

Margaret Llewellyn (Chairwoman)
John Mills
Michael Collett

The Committee met seven times during the period since incorporation and its principal activities were as follows:

Risk definition and process

The Committee undertook collaborative work with the Executive to align the risk scoring and definitions for both the aviation and maritime businesses.

Review of specific risks

Several risks that had been identified in the organisation as undesirable, were reviewed in detail with the relevant senior managers to provide the Committee with comfort as to the mitigations and ongoing strategy.

Review of hazard and incident reports

These reports are reviewed at every meeting, along with the Group Operating Director and Business Continuity Manager. Specific items are questioned and reviewed as required.

Review of departmental risk registers

A rotation of senior managers are invited to the Risk Committee to discuss their departmental specific risk registers, mitigation strategies and provide updates on specific risks or incidents with the Committee.

Preparation and review of the risk management statement

The Executive, along with relevant senior managers prepared the risk management statement, which was reviewed and approved by the Committee for recommendation to the Board to be included in the annual report.

Margaret Llewellyn
Committee Chairwoman
01 June 2017

Nominations Committee Report

Dear Shareholder

The Nominations Committee is responsible for (i) reviewing the structure, size and composition of the Board, (ii) leading the process for potential appointments, and (iii) overseeing succession planning in respect of the Directors and senior executives. The Committee meets at least once a year and its members are the following independent Non-Executive Directors:

Charles Clarke (Chairman)
Michael Collett
Margaret Llewellyn

The Committee met twice during the period since incorporation and its principal activities were as follows:

Succession Planning

a) In recognition of the fact that, on incorporation, all of the Non-Executives had served on the Shadow Board for some 5 years and acknowledging the Board's wish to comply with the provisions of the UK Corporate Governance Code in respect of tenure, a plan for an orderly succession process was devised. This plan was informed by an externally-facilitated Board Effectiveness Review and an analysis of the current Non-Executives' skills and experience against the developing governance needs of the business. As the first stage of the plan's implementation, a new Audit Committee Chair, Jeffrey Hume, was appointed from 1 January 2017 following a competitive process run by specialist recruitment consultants. Further implementation steps will continue during 2017 and beyond.

b) The business depends heavily on a number of key individuals, at both Board and senior executive level. Accordingly, the Committee worked with the CEO to develop a senior executive succession plan.

Senior Executive Recruitment

The Committee oversaw the process by which a Chief Commercial Officer, a newly-created role, was recruited, using specialist recruitment consultants and following best practice as prescribed by the Jersey Appointments Commission.

External Appointments

The Committee developed a policy in respect of Board members holding external appointments.

The Board acknowledges that it can be not only appropriate, but also beneficial to the Company for Directors to hold external appointments. Directors must declare any potential conflicts of interest that might arise as soon as they become aware of them and specifically, Executive Directors must consult with the Chairman before seeking or accepting any external directorships.

Charles Clarke
Committee Chairman
01 June 2017

'The business depends heavily on a number of key individuals, at both Board and senior executive level.'

Directors' Remuneration Report

Dear Shareholder

On behalf of the Board, I present our first Directors' Remuneration Report which covers the period to 31 December 2016.

The Remuneration process

The Board has established a Remuneration Committee ('the Committee') which is responsible on its behalf for setting the remuneration policy, pension arrangements and any other compensation for the Executive Directors and for the Company's Chairman. Additionally, the Committee recommends and monitors the level and structure of remuneration for the other senior management and oversees any major change in employee benefit structure.

The members of the Committee are John Mills (Chairman), Allan Smith and Frank Walker, each of whom are Independent Non-Executive Directors.

The Board also receives joint recommendations by the Chairman and Chief Executive on the fees payable to all the Non-Executive Directors, bar the Chairman. These are compared to information on the market provided by external Consultants to ensure that they remain practicable.

The Board and the Minister for Treasury and Resources have agreed in a Memorandum of Understanding that all decisions on Directors' remuneration need to be endorsed by the latter in advance of being implemented. This is in exercise of SoJ's powers as the Company's shareholder. The Board has also agreed with the Minister that the Committee will undertake a review of Directors' Remuneration and terms of employment at least every two years.

Remuneration Policy

The policy adopted by the Committee is to ensure that Directors' remuneration is set at a level that is appropriate for the accountabilities associated with the overall management and leadership of the company, and that the Company is able to attract, retain and motivate executive management of the quality necessary to deliver the Company's Strategic Business Plan. The Committee is responsible for determining the design of any performance-related schemes for the Executive Directors, including the related targets, and the total annual payments under such schemes.

'Directors' remuneration is set at a level that is appropriate for the accountabilities associated with the overall management and leadership of the company.'

The outcome for the period

The total remuneration of the Directors for the 15 months ended 31 December 2016 is set out below:

	Salary & fees 2016 £'000	Incentive Scheme £'000	Pension contribution £'000	Total Remuneration £'000
Executive Directors				
D Bannister: Chief Executive	181	65	25	271
A Boustouler: Chief Financial Officer	131	28	16	175
Non-Executive Directors				
C Clarke: Chairman	42			42
J Mills	25			25
M Collett	25			25
M Llewellyn	25			25
A Smith	25			25
F Walker	25			25
Total for 2016 calendar year	**479**	**93**	**41**	**613**

	Salary & fees 2015 £'000	Incentive Scheme £'000	Pension contribution £'000	Total Remuneration £'000
Executive Directors				
D Bannister: Chief Executive	46		6	52
A Boustouler: Chief Financial Officer	33		5	38
Non-Executive Directors				
C Clarke: Chairman	8			8
J Mills	6			6
M Collett	6			6
M Llewellyn	6			6
A Smith	6			6
F Walker	6			6
Total for 3 months to 31/12/2015	**117**		**11**	**128**

Incentive Scheme

A non-pensionable short-term incentive scheme has been in place throughout the period. This provides for a maximum potential payment of 45% of base salary for the Chief Executive and 30% for the Chief Financial Officer. Awards under the scheme are assessed by the Committee and agreed by the Board against performance criteria directly linked to the objectives of the Strategic Business Plan, which has been agreed with the Shareholder. 50% of the potential is determined against the Company's financial performance and the remaining 50% against the achievement of a range of agreed strategic objectives.

Notice period and other benefits

The service contracts of Executive Directors contain a mutual notice period of six months or compensation for loss of office.
Both Executive Directors are members of the Jersey Public Employees' Contributory Retirement Scheme (PECRS). They do not have either Company cars or an allowance, nor do they receive any other financial benefits from the Company, such as life assurance, private health cover or permanent health insurance.

John Mills
Chairman of the Remuneration Committee
01 June 2017

John F. Mills

Directors' Report

INTRODUCTION

The Directors of the Company present their report and the audited financial statements of the Company for the period ended 31 December 2016.

The principal activity of the Company is the management, development and operation of Jersey Airport and the Port of St Helier, together with the historic harbours and associated maritime and aeronautical assets, including the territorial coastguard service.

A more detailed description of the Company's activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Strategic Reports on pages 05 to 23 and the Governance Reports on pages 28 to 46, each of which are incorporated into this report by reference.

DIRECTORS OF THE COMPANY

The Directors of the Company are:

Charles Clarke (Chairman)

John Mills CBE (Deputy Chairman and Senior Independent Director)

Michael Collett

Jeffrey Hume

Margaret Llewellyn OBE

Allan Smith MBE

Frank Walker OBE

James D Bannister (Chief Executive)

Andrew Boustouler (Chief Financial Officer)

James D Bannister & Andrew Boustouler were appointed on 16 September 2015, all others were appointed on 01 October 2015, with the exception of Jeffrey Hume who was appointed on 01 January 2017.

POST BALANCE SHEET DATE EVENTS

There were no significant events affecting the Company after the 2016 period end.

RE-APPOINTMENT OF INDEPENDENT AUDITORS

Ernst & Young LLP, who were appointed during the period, have indicated their willingness to continue in office. A resolution is to be proposed at the Annual General Meeting for their reappointment as the Independent Auditor of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Statement of Directors' responsibilities is presented separately on page 46.

FORWARD LOOKING STATEMENTS

This report, including those documents incorporated by reference, contain certain forward-looking statements and forecasts with respect to the financial condition, results, operations and business of the Company which may involve risk and uncertainty, because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Charles Clarke
Chairman
01 June 2017

Andrew Boustouler
Company Secretary
01 June 2017

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Jersey Company Law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors should:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 102 ("FRS 102") the Financial Reporting Standard applicable in the UK and Republic of Ireland, issued by the Financial Reporting Council.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Andrew Boustouler
Company Secretary
For and on behalf of the Board of Directors
01 June 2017

Independent Auditor's Report to the Members of Ports of Jersey Limited

We have audited the financial statements of Ports of Jersey Limited (the "Company") for the period ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Company's member, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Matthew Williams
(Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
01 June 2017

NOTES:

1. The maintenance and integrity of the Ports of Jersey Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Comprehensive Income for the 15 month period ended 31 December 2016

	Note	15 month period ended 31 December 2016 £'000
Turnover	4	53,022
Other income	6	1,087
Operating costs (excluding depreciation)	7	(40,777)
Earnings before interest, depreciation and amortisation (EBITDA)		13,332
Increase/(decrease) in fair value of investment properties	13	(208)
Depreciation	12	(3,341)
Operating profit		**9,783**
Finance lease income		283
Interest receivable	9	133
Interest payable	9	(647)
Unrealised gain on investment	15	4
Profit before taxation		**9,556**
Tax credit in respect of pensions settlement	10	4,151
Other tax charges on profit	10	(2,742)
Taxation	10	1,409
Profit for the financial period		10,965
Other comprehensive income:		
Other comprehensive income, net of tax		-
Total comprehensive income		**10,965**

Statement of Financial Position as at 31 December 2016

	Note	15 month period ended 31 December 2016 £'000
Assets		
Non-current assets		
Tangible assets	12	68,489
Investment property	13	52,328
Finance lease receivable	14	2,476
Investments	15	4,004
		127,297
Current assets		
Trade and other receivables	17	4,667
Finance lease receivable assets	14	209
Inventories	16	340
Cash and cash equivalents	19	28,195
		33,411
Non-current assets		
Deferred tax	18	1,996
Total assets		**162,704**
Liabilities		
Current liabilities		
Trade and other payables	20	(13,388)
		(13,388)
Non-current liabilities		
Provisions	21	(1,000)
Total liabilities		**(14,388)**
Net assets		**148,316**
Shareholder's equity		
Called up share capital	22	1
Incorporation reserve		137,350
Retained earnings		10,965
Total Shareholder's equity		**148,316**

Approved and authorised by the Board and signed on its behalf on 01 June 2017.

Charles Clarke
Chairman
01 June 2017

James D Bannister
Group Chief Executive
01 June 2017

Statement of Changes in Equity for the Period Ended 31 December 2016

	Note	Called up share capital	Incorporation reserve	Profit and loss reserve	Total
		£'000	£'000	£'000	£'000
On incorporation		-	-	-	-
Issue of shares		1	-	-	1
Transferred in from States of Jersey	3.1	-	137,350	-	137,350
Total comprehensive income for the period		-	-	10,965	10,965
At 31 December 2016		**1**	**137,350**	**10,965**	**148,316**

Statement of Cash Flows for the 15 Month Period Ended 31 December 2016

	Note	**15 month period ended 31 December 2016 £'000**
Cash flows from operating activities		
EBITDA	a	13,332
(Increase)/decrease in inventories		11
(Increase)/decrease in debtors		4,423
Increase/(decrease) in creditors		7,012
Tax payment		(80)
Net cash inflow from operating activities		**24,698**
Cash flows from investing activities		
Cash transferred in on incorporation, after settlement of pension liability		17,572
Finance lease interest received		283
Interest paid		(647)
Interest received		133
Purchase of tangible assets		(8,999)
Additions to investment property		(845)
Purchase of investments		(4,000)
Net cash inflow from investing activities		**3,497**
Change in cash and cash equivalents during the period		**28,195**
Cash and cash equivalents on incorporation		-
Cash and cash equivalents at 31 December 2016		**28,195**

Notes to the Statement of Cash Flows

a) Reconciliation of operating profit to net cash inflow from operating activities

	Note	**15 month period ended 31 December 2016 £'000**
Operating profit		9,783
Adjustments for:		
Depreciation	12	3,341
Revaluation of investment property	13	208
EBITDA		**13,332**

Notes to the Financial Statements

1. BASIS OF PREPARATION

The Company and its dormant subsidiary are private companies limited by shares and incorporated in Jersey Channel Islands.

The address of its registered office:
Jersey Airport
St Peter
Jersey JE1 1BY

The Company was incorporated on 16 September 2015 and assets were transferred from the States of Jersey on 01 October 2015. These financial statements are the financial statements of Ports of Jersey Limited ("the Company") for the period from incorporation to 31 December 2016. These financial statements have been prepared in accordance with United Kingdom Accounting Standards ("UK GAAP") and Financial Reporting Standard 102 ("FRS 102").

The Company is a wholly-owned subsidiary of the States of Jersey and is included in the consolidated financial statements of the States of Jersey, which are publicly available.

The financial statements were approved by the Directors on 01 June 2017.

The principal accounting policies, which have been applied consistently throughout the period, are set out below.

Going concern

The Directors have prepared the financial statements on a going concern basis, which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company has no borrowings and a stable demand for core services provided, which generate a consistent operating profit; the Company has no debt and sufficient cash reserves. As a result the Directors have a reasonable expectation that sufficient funds are available to meet the Company's liabilities as they fall due over a period of at least 12 months from the date of approval of the financial statements. Accordingly the financial statements have been prepared on that basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Businesses transferred in from the States of Jersey

The States of Jersey approved the Air and Sea Ports (Incorporation) (Jersey) Law 2015 (the "Incorporation Law") on 02 June 2015. The Incorporation Law came into force on 01 October 2015 (with limited provisions having effect from 08 September 2015). The objective of the Incorporation Law was to enable the Ports of Jersey to continue to provide essential public services to the Island in a sustainable manner and avoid a significant capital shortfall requiring tax payer funding.

The Air and Sea Ports Incorporation (Transfer) (Jersey) Regulations 2015 (the "Transfer Regulations") came into force on 01 October 2015 and were registered in the Jersey Public Registry on 01 October 2015, having the effect of transferring the ownership of key assets (including the Airport and associated lands) to Ports of Jersey Limited. St Helier Harbour and other outlying harbours were not included within the assets transferred pursuant to the Transfer Regulations, but were subsequently leased to Ports of Jersey Limited by contract lease registered before the Royal Court on 06 November 2015 (with an effective commencement date of 01 October 2015).

On the transfer date, the assets, rights and liabilities of States of Jersey that are specified in the Regulations were transferred to the Company. The asset primarily consisted of operational properties, investment properties, finance leases, cash and cash equivalents and other working capital balances.

As the transfer was between entities under common control, the transfer did not qualify to be accounted for as a business combination. Rather, the assets acquired are initially recorded at their relative fair value via a capital contribution. No goodwill or deferred tax is provided.

Notes to the Financial Statements (continued)

2.2 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Company's principal activity of the operation and management of the Ports of Jersey, and comprises:

Revenue type	Based on	Point of recognition
Airport, Harbour and other traffic charges:		
Passenger charges	Volume	On passenger landing/departing
Aircraft and vessel charges	Weight	On use of facilities
Freight and fuel charges	Weight and type	On provision of goods/services
Property, marinas and operational facilities:		
Property letting income	Lease agreement	Recognised straight line over period
Marina and mooring rentals	Location and length of vessel	Recognised straight line over period
Usage and charges of operational systems	Usage	On provision of services
Other invoiced sales	Various	On provision of goods/services
Retail:		
Concession fees	% of turnover	As concession earns relevant income
Car parking:		
Airport car parking	Date of parking	When space occupied
Harbour car parking	Period of permit	Recognised straight line over period

Notes to the Financial Statements (continued)

2.3 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met. Grants are revenue in nature and are credited to the income statement so as to match them with the expenditure to which they relate.

2.4 Tangible assets

Terminal complexes, airfield assets, maritime infrastructure, plant and equipment and Company occupied properties are stated at cost less accumulated depreciation. Assets in the course of construction are stated at cost less provision for impairment (if any). Assets in the course of construction are transferred to tangible assets when substantially all the activities necessary to get the asset ready for use are complete. Where appropriate, cost includes relevant borrowing costs, own labour costs of construction and related project management costs, and directly attributable overheads. Costs that are associated with projects that are in the early stages of planning are capitalised where the Directors are satisfied that it is probable the necessary consents will be received and the resources will be available to achieve a successful delivery of an asset such that future commercial returns will flow to the Company.

Depreciation is provided on tangible assets, other than land, and assets in the course of construction, to write off the costs of the assets, less estimated residual value, on a straight-line basis over their expected useful life as follows:

Asset type	Depreciation rate
Terminal buildings and satellite structures	20-50 years
Runway surfaces	20-30 years
Runway bases	20-50 years
Maritime piers and quays	20-50 years
Taxiways and aprons	20-50 years
Baggage systems	10 years
Security equipment	10 years
Other plant and equipment including runway lighting, buoys and beacons, cranes and building plant	10-15 years
Motor vehicles	10 years
Marine vehicles	10-20 years
Office equipment	10 years
Computer equipment	10 years
Computer software	5 years

The Company assesses, at each balance sheet date, whether there is an indication that an asset's residual value and/or useful life may not be appropriate. If such indication exists, the useful lives and residual values are reviewed, and adjusted if appropriate.

The Company assesses, at each balance sheet date, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the asset does not generate cash flows that are independent of other assets, the recoverable amount of the income-generating unit to which the asset belongs is estimated. Recoverable amount is the higher of an asset's net realisable value and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to it recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

2.5 Investment properties

Property (including land held for development) is classified as investment property if:

- It is not occupied by the company or used by the company for the provision of operational ports services that are material in nature (e.g. stevedoring);
- It is a defined area (land, buildings, jetties, and other fixed structures) and one or more users pay an amount, whether rental or commercial revenue for use of that area for a period of one or more years; and
- Any "ancillary services" provided by the company at the property are insignificant to the arrangements as a whole. Ancillary services are deemed to be significant when they take place within the property, the value of the services exceeds one quarter of the estimated rental value of the property and they are provided under a non-cancellable contract.

Completed investment property is measured at fair value. Investment property in the course of construction is measured at cost (including interest and other appropriate net outgoings) until such time as it is possible to determine fair value, consistent with the criteria in measuring completed investment property, with the exception of underlying land, which is included at carrying value before construction commenced.

Valuations are conducted annually. Surpluses or deficits arising on the revaluation of investment property are recognised in the income statement.

2.6 Leases

Operating Leases

i) Company as lessor

Leases where the Company retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognised over the lease term on a straight line basis as with income.

ii) Company as lessee

Rental costs under operating leases are charged to the profit and loss account in equal instalments over the period of the lease.

Finance Leases

i) Company as lessor

Amounts due from lessees under financial leases are recorded as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate on the Company's net investment outstanding in respect of the leases.

ii) Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease obligation. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction in the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on borrowing costs.

2.7 Inventories

Consumables consist of engineering spares and other consumable stores and are valued at the lower of costs and net realisable value.

2.8 Debtors

Trade debtors are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for the impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract.

2.9 Creditors

Trade creditors are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

2.10 Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

2.11 Employee benefits

(i) Short term benefits

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

(ii) Defined contribution pension schemes

The Company participates in multi-employer defined contribution pension schemes operated by the States of Jersey. Pension contributions for the Company's staff to these schemes amounted to £1.9M.

Notes to the Financial Statements (continued)

2.12 Current and deferred taxation

Taxation expense/credit for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years.

(ii) Deferred tax

Deferred tax arises from timing differences that are the difference between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except that deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.13 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

2.14 Dividend distribution

A dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the year in which the shareholder's right to receive payment of the dividend is established by approval of the dividend by the Board.

2.15 Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market. Liquid resources comprise term deposits less than one year (other cash) and investments in money market managed funds.

2.16 Disclosure exemption

The Company qualifies as a "qualifying entity" in terms of FRS102 as the Company is included in the consolidated financial statements of the States of Jersey.

The Company has taken advantage of the following exemptions:

FRS 102.33.11 - Exemption from related party disclosure requirements 33.9 in relation to a state that has control, joint control or significant influence over the reporting entity.

Notes to the Financial Statements (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

In applying the Company's accounting policies, management have made estimates and judgements. Actual results may, however, differ from the estimates calculated and management believes that the following are the more significant judgements impacting these financial statements.

Estimates:

3.1 Fair value of business transferred from States of Jersey

The fair value of the business as a whole was estimated by KPMG for financial reporting purposes. A commercial valuation of the investment property was undertaken primarily by Buckley & Co which amounted to £51.7M. The adjusted value of the KPMG valuation, taking into account the updated Buckley & Co valuation provides a fair value on transfer of £137.3M.

The fair value was allocated initially as:

	£'000
Tangible assets	62,913
Investment properties	51,690
Finance lease assets	2,685
Working capital	2,490
Cash after settlement of pension liability	17,572
Total	**137,350**

The valuation was completed using a weighted average of a "sum of parts" valuation against market multiple valuations.

The sum of part valuation used projected cash flows from the Company's approved strategic business plan (2017-2021), removing cash flows that related to investment properties and unapproved commercial projects to produce an operating cash flow, which was then discounted at a rate of 11.4% (a blended airport and harbours rate based on the Capital Asset Pricing Method (CAPM).

3.2 Investment properties

Investment properties were valued at fair value primarily by Buckley & Co, Chartered Surveyors. The valuations were prepared in accordance with the appraisal and valuation manual issued by the Royal Institute of Chartered Surveyors. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence. See note 13 for the significant methods and assumptions used.

3.3 Useful lives of tangible fixed assets

Tangible fixed assets are depreciated on a systematic basis based on management's best estimates of the asset's useful life. This estimate is based on a variety of factors such as the expected use, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Judgements:

3.4 Classification of investment property

Property has been classified as investment property, in accordance with the principles set out in FRS 102. That is, properties where their cash flows (from rental or sale) are largely independent of those from other assets held by the entity.

3.5 Classification of finance lease receivables

Property has been classified as a finance lease, where the Company retains the legal title to an asset but passes substantially all the risks and rewards of ownership to the lessee in return for a stream of rentals. The Company considers any leases with over 30 years outstanding at the end of the accounting period when considering the classification.

Notes to the Financial Statements (continued)

4. TURNOVER

	15 months ended 31 December 2016 £'000
The total amount of turnover, recognised in the period is analysed as follows:	
Airport and Harbour dues	26,196
Channel Islands control area	6,579
Marina charges	4,056
PSO income	445
Sale of services	1,772
Concessions	5,413
Car parking	2,106
Property income due under operating leases	4,856
Recharges	1,469
Ships Registry	130
	53,022

5. PROPERTY INCOME DUE UNDER OPERATING LEASES

	Future minimum lease payments £'000
Amounts receivable under operating leases at 31 December 2016:	
Not later than one year	3,768
Later than one year and not later than 5 years	22,380
Later than five years	14,931
	41,079

Operating leases relate to property leases on buildings and land. Rentals are reviewed periodically every 1-5 years (dependent on specific lease) and increased in accordance with prevailing Jersey RPI or market value. There are no fixed escalation clauses and no contingent rental has been recognised in the income statement.

Notes to the Financial Statements (continued)

6. OTHER INCOME

	15 months ended 31 December 2016 £'000
During the period ended 31 December 2016, the Company received other income as follows:	
Insurance receipts	139
Fees and fines	46
Grants	145
Other income	757
	1,087

Grants relate to monies received from the States of Jersey in respect to the Jersey International Air Display. The grant is provided to offset the expenditure incurred by the Company in organising the air display. The Company provides an assurance statement to the States of Jersey at the end of the year to confirm that all terms and conditions have been adhered to and that the grant has been fully utilised.

Notes to the Financial Statements (continued)

7. OPERATING COSTS (EXCLUDING DEPRECIATION)

	15 months ended 31 December 2016 £'000
Wages and salaries	15,936
Social security costs	915
Pension costs	1,948
Other staff related costs	489
	19,288
General expenses	6,998
Maintenance expenditure	6,489
Rent and rates	292
Utilities	1,960
Security costs	3,791
Public service obligations	1,959
	40,777

	15 months ended 31 December 2016 £'000
Operating costs include:	
Staff training and development	500
Rentals under operating leases	
- Other operating leases	7
Services provided by the Company's auditor	
- Audit fees	90
- Other non-audit services	-

Employee information

The average number of full time equivalent ("FTE") employees during the period to 31 December 2016 analysed by function was:

	15 months ended 31 December 2016
Operational	149
Other	98
	247

Notes to the Financial Statements (continued)

8. DIRECTORS' EMOLUMENTS

	15 months ended 31 December 2016 £'000
Non-Executive Directors	205
Executive Directors	536
Directors' emoluments	**741**
Other key management personnel	434
Total key management personnel compensation	**1,175**

9. NET INTEREST (PAYABLE)/RECEIVABLE

	15 months ended 31 December 2016 £'000
Interest payable	
Interest on bank borrowings	(647)
Interest receivable	
Interest receivable on money market and bank deposits	133
Net interest payable	**(514)**

Interest on bank borrowings relates to the final payment on a finance lease on a taxiway, which was completed in 2015.

10. TAXATION ON PROFIT

	15 months ended 31 December 2016 £'000
Current tax	
Total current tax charge	587
	587
Deferred Tax	
Deferred tax on timing differences	(1,996)
	(1,996)
Total tax charge for the year	**(1,409)**

Reconciliation of tax charge
The Company is taxed as a utility company under Article 123C(3) of the Income Tax (Jersey) Law 1961. Accordingly, the company is liable to Jersey income tax at the standard rate of 20% on its trading income. Jersey source rental income is also taxed at the rate of 20%.

	15 months ended 31 December 2016 £'000
Profit before tax	9,556
Tax on profit at 20%	**1,911**
Effect of:	
Permanent differences	831
Pension contributions	(4,151)
Total tax charge for the period	**(1,409)**

Notes to the Financial Statements (continued)

11. INVESTMENT IN SUBSIDIARIES

At 31 December 2016, the Company had investments in the following subsidiaries undertakings:

Subsidiary Undertakings	Principal activity	Holding	%
PFD Limited	Dormant company	Ordinary Shares	100

At 31 December 2016, PFD Limited did not hold any net assets and as such has no carrying value.

The subsidiary is incorporated and operates in Jersey, Channel Islands.

12. TANGIBLE ASSETS

	Operational Land	Buildings	Structures	Plant and equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£’000	£’000
Cost						
On incorporation	-	-	-	-	-	-
Transfer from States of Jersey	8,579	20,183	23,837	4,367	5,947	62,913
Additions		49			8,950	8,999
Transfers	1,365	2,845	277	6,884	(11,371)	-
Write off of public service obligation asset spend	-	-	-	-	(82)	(82)
At 31 December 2016	**9,944**	**23,077**	**24,114**	**11,251**	**3,444**	**71,830**
Depreciation						
On incorporation	-	-	-	-	-	
Charge for the period	-	919	1,353	1,069	-	3,341
Disposals	-	-	-	-	-	-
At 31 December 2016	**-**	**919**	**1,353**	**1,069**	**-**	**3,341**
Net book value						
At 31 December 2016	**9,944**	**22,158**	**22,761**	**10,182**	**3,444**	**68,489**

13. INVESTMENT PROPERTY

	Completed investment property	Assets in the course of construction	Total
	£'000	£'000	£'000
Valuation			
On incorporation	-	-	-
Transfer from States of Jersey	47,214	4,477	51,691
Additions	49	796	845
Transfers within investment properties	5,273	(5,273)	-
Increase/(decrease) in fair value of investment properties	(208)	-	(208)
At 31 December 2016	**52,328**	**-**	**52,328**

Closing valuation

The fair value of the Company's investment property at 31 December 2016 has been arrived at on the basis of a valuation carried out at that date primarily by Buckley & Co Chartered Surveyors, in accordance with the RICS Valuation Standards 6th Edition ("the Red Book"). The valuation was arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods. Where there were outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental values have been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

The key unobservable inputs are the yield and or discount rates. The %'s used were in the ranges:

Commercial property :	7% to 10% (yield)
Car parks :	10% (discount rate)

Notes to the Financial Statements (continued)

14. FINANCE LEASE RECEIVABLES

	Finance lease receivables
	£'000
On incorporation	-
Transfer from States of Jersey	2,685
At 31 December 2016	**2,685**
Made up of:	
Current finance lease receivables	209
Non-current finance lease receivables	2,476
	2,685

Amounts receivable under finance leases at 31 December 2016

	Present value of minimum lease payments	Gross investment
	£'000	£'000
Not later than one year	209	226
Later than one year and not later than 5 years	687	905
Later than five years	1,789	14,991
	2,685	**16,122**

These finance lease receivables represent three properties which are held by tenants under long leases and where substantially all of the risks and rewards of ownership have been passed to those tenants in exchange for lease payments due to the Company.

Notes to the Financial Statements (continued)

15. INVESTMENTS

	2016 £'000
On incorporation	-
Additions	4,000
Unrealised (loss)/gain	4
At 31 December 2016	**4,004**

These money market investments, made on the Company's behalf, are traded on the open market. The investments can be realised at any time, but the Company has no intention of realising them in within the next 12 months.

16. INVENTORIES

	2016
Raw material and consumables	340

The replacement cost of raw materials and consumables at 31 December 2016 was not materially different to the amount at which they are included in the financial statements.

17. TRADE AND OTHER RECEIVABLES

	2016
Due within one year:	
Trade debtors	3,537
Other debtors	962
Prepayments and accrued income	168
	4,667

Notes to the Financial Statements (continued)

18. DEFERRED TAX ASSET

	2016 £'000
Accelerated capital allowances	(1,325)
Pension deductions in future periods	3,321
	1,996

19. CASH AND CASH EQUIVALENTS

	2016 £'000
Cash at bank and in hand	28,195

Cash at bank and in hand represents amounts held on operating bank accounts which generally earn interest at floating rates based on the prevailing bank base rate and are subject to interest rate risk.

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000
Trade creditors	1,041
Accruals & deferred income	1,683
Capital creditors	570
Inter-company with parent undertaking	5,686
Corporation tax	507
Other creditors	3,901
	13,388

Notes to the Financial Statements (continued)

21. PROVISIONS FOR LIABILITIES

	Other provisions £'000
On incorporation	-
Transfer from States of Jersey	1,000
Charged/(credited) to profit and loss account	-
At 31 December 2016	**1,000**

Other provisions relates to a number of claims and ongoing costs that have been assessed in conjunction with the relevant legal advisors. A discount rate of 2% is applied to expected cash outflows.

22. CALLED UP SHARE CAPITAL

	2016
Called up, allotted and fully paid	
1,000 ordinary shares of £1.00 each	1

23. COMMITMENTS

	2016
Capital	
Capital expenditure that has been contracted for but has not been provided for in the financial statements	2,303

Notes to the Financial Statements (continued)

24. PENSION COSTS

During the period, the Company principally participated in the Public Employee Contributory Retirement Scheme (PECRS) operated by the States of Jersey. The scheme is accounted for as a defined contribution scheme as the employer is not responsible for meeting any deficiency in the scheme, rather only a fixed amount is payable by the employer. The company also participates in the Public Employees Pension Scheme (PEPS) where there is a 16.5% employer contribution cap.

Further information on these schemes can be found in the financial statements of The States of Jersey.

Routine pension contributions for the Company's staff to these schemes during the period amounted to £1.9M.

Post incorporation a sum of £20.7M was paid in respect to pension liabilities for a pre-1987 pension scheme. This was part of the terms of incorporation for the transfer of the Company's employees' benefits to the newly formed entity. The Company does not have any outstanding liability as at the period end 31 December 2016 for the pre-1987 scheme.

Copies of the latest Annual Accounts of the schemes, and of the States of Jersey, may be obtained from States Treasury, Cyril Le Marquand House, The Parade, St Helier, JE4 8UL.

25. ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking is States of Jersey Investments Limited. The ultimate parent undertaking and controlling party is States of Jersey.

26. CONTINGENT LIABILITIES

As at 31 December 2016, there were no contingent liabilities.

27. POST BALANCE SHEET EVENTS

There were no post balance sheet events after 31 December 2016 to be reported in these financial statements.

Corporate Information

Directors

Charles Clarke	Non-Executive Chair
John Mills CBE	Non-Executive Deputy Chair and Senior Independent Director
Michael Collett	Non-Executive Director
Jeffrey Hume	Non-Executive Director
Margaret Llewellyn OBE	Non-Executive Director
Allan Smith MBE	Non-Executive Director
Frank Walker OBE	Non-Executive Director
James D Bannister	Chief Executive
Andrew Boustouler	Chief Financial Officer

Company Secretary

Andrew Boustouler

Registered Office

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