ANNUAL REPORT **2017**

PORTS OF JERSEY
YOUR ISLAND GATEWAY

R.78/2018


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Contents

Chairman's Statement

Ports of Jersey Ltd has continued to provide quality services and facilities during our second trading year as an incorporated entity.

The Company has made progress on all of its strategic objectives, and advanced key commercial initiatives towards becoming financially self sustainable over the long term – the key aim of incorporation.

Our second Annual Report provides an update on our activities, and presents our financial and operating performance during the year. Whilst delivering our mission is a long process, it is pleasing to establish some early traction on our objectives in the medium term.

An important measure of an infrastructure business's performance lies in the cash generation capability to enable forward funding of its Long Term Capital Programme. The internationally recognised measure is Earnings before interest, tax, depreciation and amortisation (EBITDA), where Ports of Jersey has managed to improve EBITDA by 7.1% to £11.5 million over an equivalent period from 2016.

This is a notable achievement, however we still have a long way to go before we are generating the required profit that will allow Ports of Jersey to fund our capital investments as envisaged at the time of incorporation. Our Case for Incorporation described what we would need to achieve in returns from our commercial projects without having to resort to above RPI price increases for our services. Despite considerable effort, we have not yet found the right mechanism to enable our economic regulator, the Jersey Competition and Regulatory Authority (JCRA), to approve a modest price increase. This means that we have significantly higher funding constraints than identified in our Case for Incorporation.

We hope progress on an appropriate model will deliver positive outcomes for 2018.

2017 saw the departure of three long standing Non-Executive Directors, Frank Walker and Michael Collett, with Margaret Llewellyn retiring 20 April 2018. Frank, Michael and Margaret were originally appointed to the Ports Shadow Board in 2010 and have made substantial contributions to our success to date, and I would like to thank them for their determined work towards this success.

As a part of our Board Succession Plan, we appointed Jeff Hume to the Board on 01 January 2017. Jeff brings relevant Ports, Island and Infrastructure experience and he has taken up the role of Chairman of our Audit Committee. On 01 November 2017 Mark Chown was appointed to our Board, delivering both aviation and investment capability to our governance team. He now chairs our Risk Committee.

Success for the Ports of Jersey is important to the Island, as we manage the gateways to Jersey. Additionally, we fulfil essential public services in the form of our Coastguard and maintenance of historic harbours and territorial navigation aids. All of our activities are designed to provide quality, safe and reliable services for Island benefit, whilst reinvesting all of our profits into Island infrastructure.

We have set a high ambition for ourselves, and I remain confident that our determined progress will ultimately deliver the benefits identified at the time of Incorporation.

Charles Clarke
Chairman
03 May 2018


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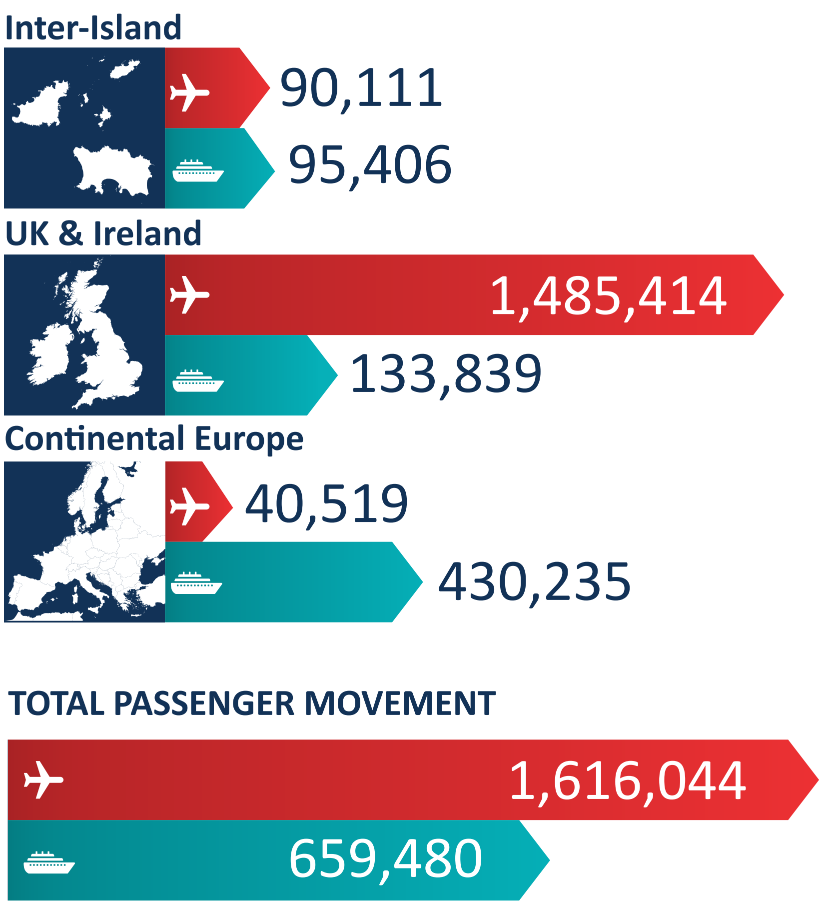
Keeping Jersey Connected

Almost 2.3 million passengers travelled through our gateways in 2017.

70% of these passed through the Airport, with the vast majority of these travelling to and from the UK. At the Harbour the majority of travelling passengers (65% of total harbour passengers) were connecting to and from France, with the remaining linking to the UK or inter-island. This highlights the complementary nature of the Airport and Harbour, with only inter-island travel being reasonably well balanced in respect of passenger numbers.

Passenger Movements

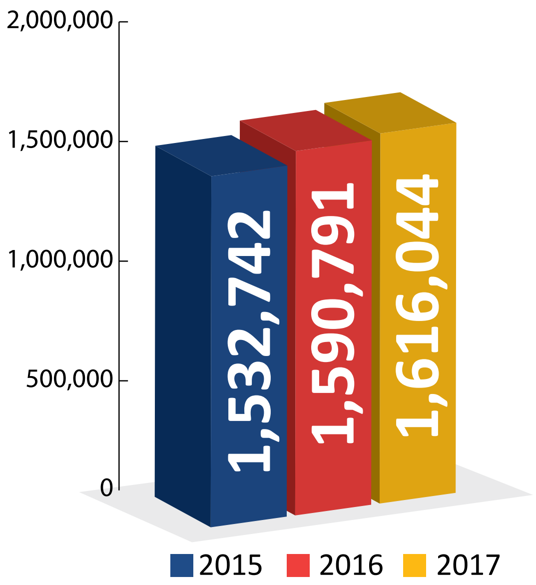


Jersey Airport

2017 was the busiest year for 17 years, with 1.6m passengers having travelled through the Airport. This was an increase of 25,253 over 2016, equating to a 1.6% uplift. The majority of this additional volume was derived from routes such as Glasgow, Liverpool, London Luton and East Midlands, however this was offset by the Guernsey, Manchester and Bristol routes, which did not perform as well.

Over 80% of the market was shared between Jersey's three largest airlines: easyJet, British Airways and Flybe. During 2017 there has been some minor shifts in the market share; easyJet grew by 4% whilst British Airways and Flybe dropped by 1% and 2% respectively. easyJet's growth has been across all of its Jersey routes, British Airways as a result of a reduction in London Gatwick frequency and Flybe as a result of route competition with its franchise partners as well as its own route to Manchester.

Airport Passenger Numbers

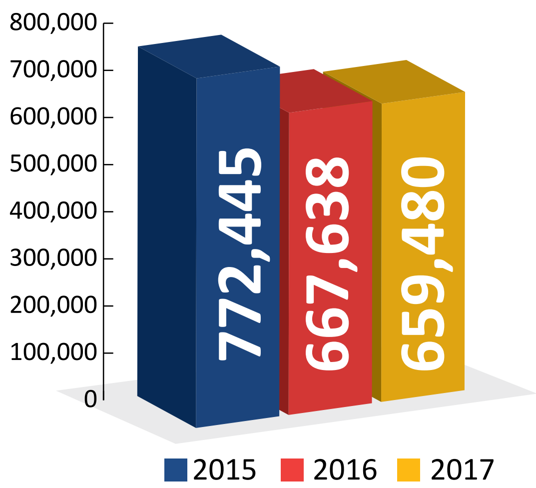


Jersey Harbours

The 2017 volumes show that ferry passenger numbers have fallen by a further 8,158 to 659,480. In addition to the decrease in 2016 of 104,807, this represented a fall in passenger numbers of 15% over the two year period, with the majority of the decline on the St Malo route.

Vehicle volumes at the Harbour broadly follow the profile of the passenger volumes and despite the overall decline of 1,512 vehicles the St Malo route has seen a small increase of less than 2%

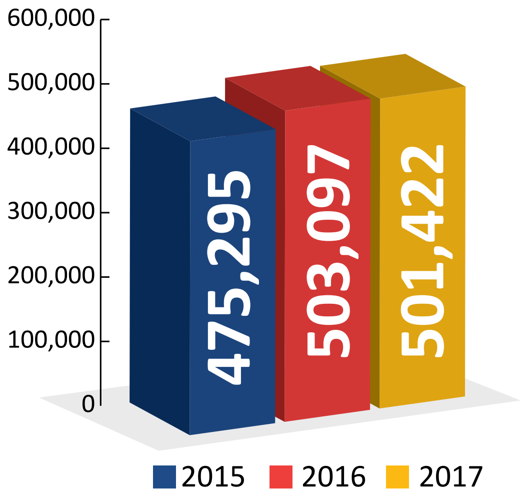
Harbour Passenger Numbers



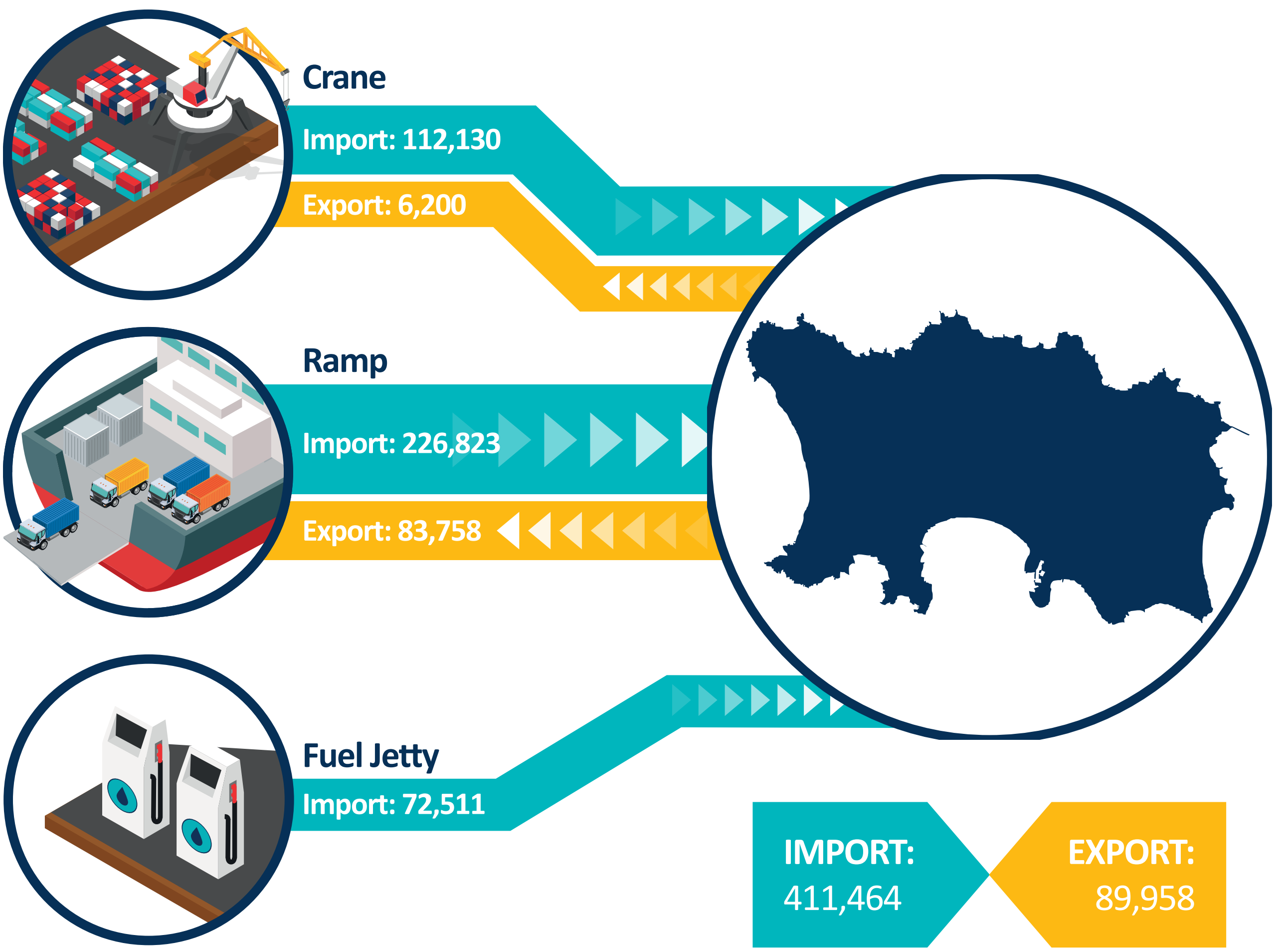
More than 95% of freight movements occurred through the harbour, amounting to in excess of 500,000 tonnes. More than 80% of this represented imports to the island, which provides a challenge to delivering efficient operations for the business and to those of our business partners.

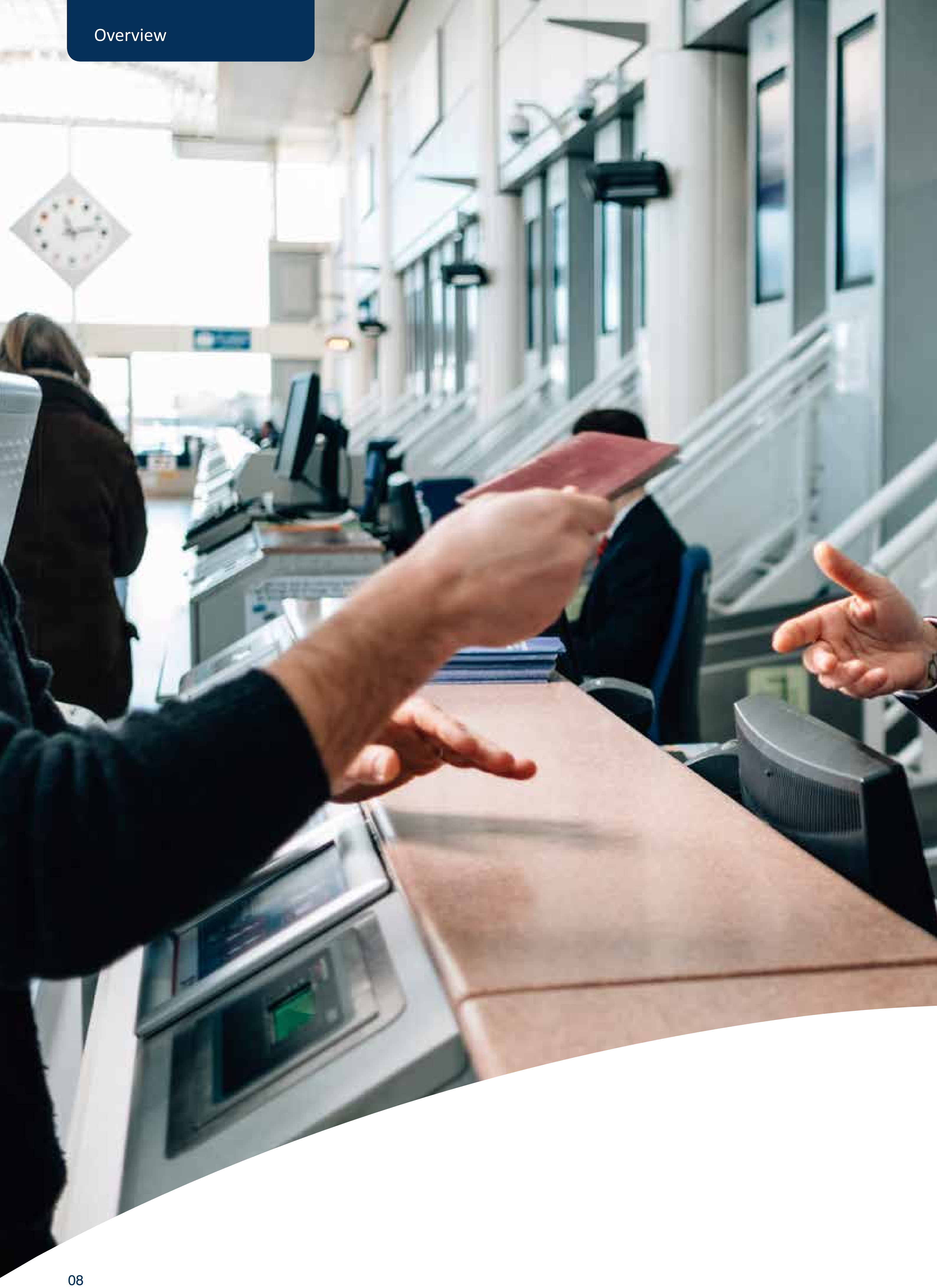
The majority 62% of freight movements passed through the port via the linkspans situated at Elizabeth Terminal, however a significant amount of freight also made use of the cranes available on North New Quay. The majority of fuel imports utilised the fuel jetty at La Collette, however we have seen the adoption of an alternate methodology to bring fuel into the island utilising ISO containers.

Freight and Fuel (Tonnes)



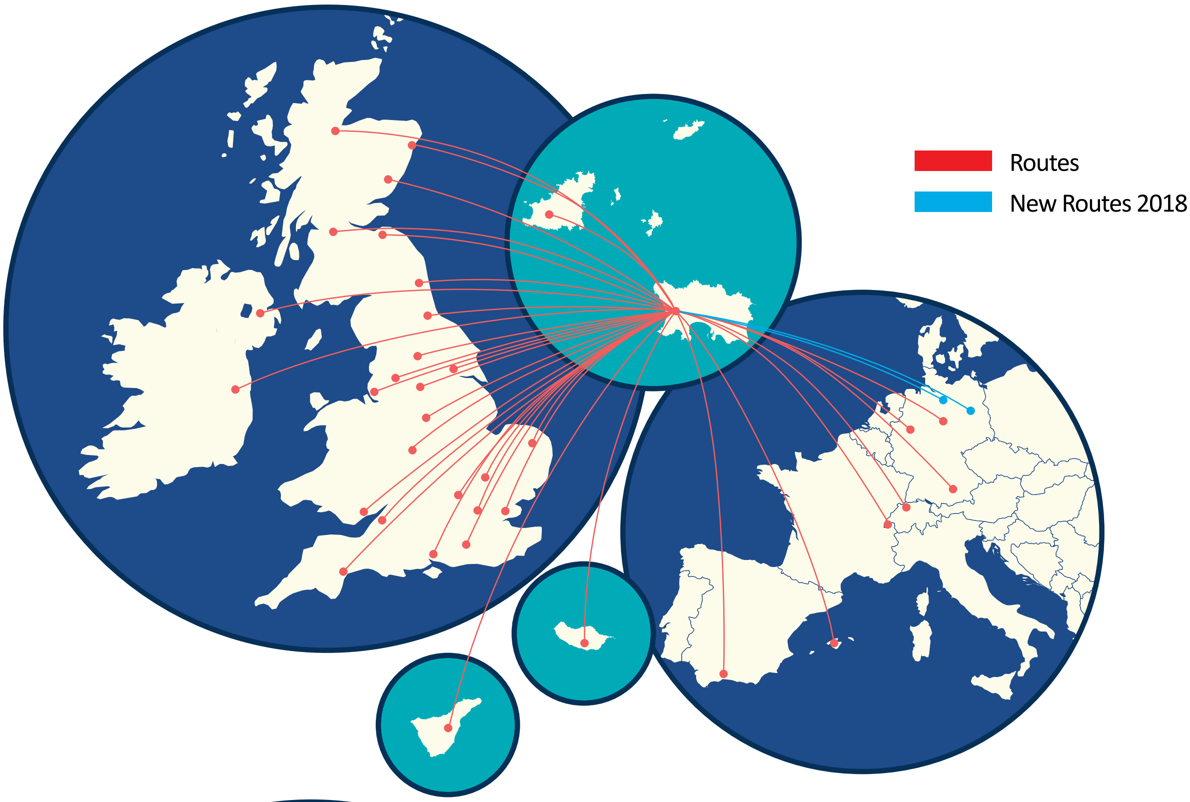
Freight (Tonnes)





Where we fly to:

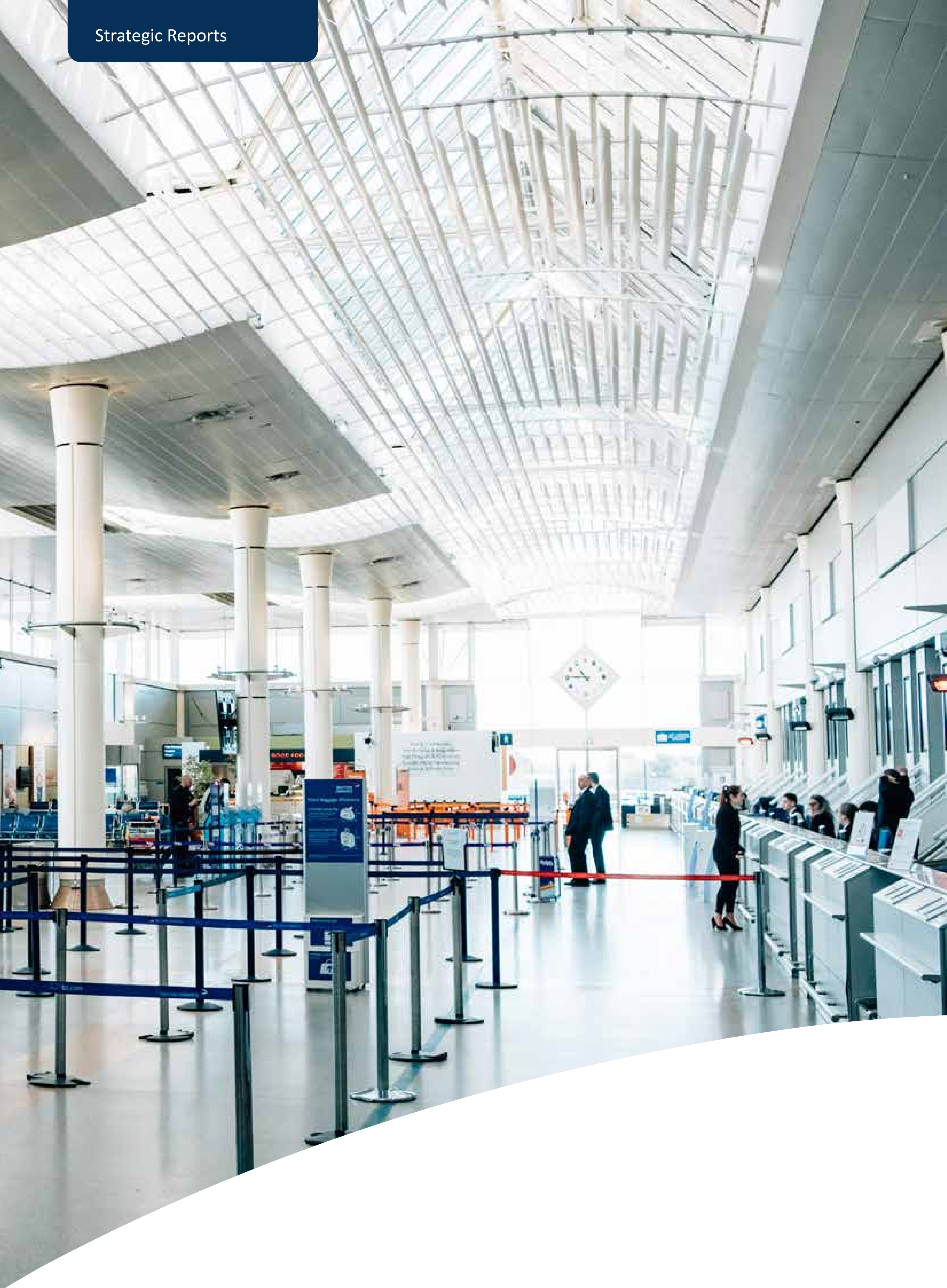
Aberdeen	Bristol	East Midlands	**Hamburg**	London Gatwick	Newcastle
Basel	Cardiff	Edinburgh	Humberside	London Luton	Norwich
Belfast Intl	Doncaster Sheffield	Exeter	Inverness	London Southend	Palma (Majorca)
Berlin	Dublin	Funchal (Madeira)	Leeds Bradford	Malaga	Southampton
Bern	Durham Tees-Valley	Glasgow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



Where we sail to:

France	UK & Channel Islands
Carteret	Guernsey
Dielette	Poole
Granville	Portsmouth
St Malo	Sark

Please note: Routes listed are as of May 2018, routes change frequently and customers should check with carrier for their travel planning.



CEO's Review

We have made very good progress on improving our organisation and operational capability whilst advancing commercial and capital projects.

Our business has developed well during 2017 as Ports of Jersey Limited (PoJL) continues the comprehensive transformation required for us to deliver the primary aim of Incorporation – which is to be financially self-sustainable over the long term whilst carrying out an ambitious programme to develop our facilities and services.

Mission and Strategic Objectives

Our mission at PoJL is to enhance our Island as a great place to live, visit and do business, through keeping us reliably, safely and well connected. By focusing on this mission, we are pushing ourselves to consider the benefits for the Island in our activities. Underpinning this mission are four strategic objectives, where we have made demonstrable progress in the year.

Enhance Jersey

Improving the operations and service

Objective: To develop our facilities, services and connectivity with an aim of ensuring open, safe and secure operations; raising our standards and safeguarding our assets.

Improving operational resilience: We commissioned an Air Traffic Control (ATC) contingency suite, enabling us to keep the Channel Islands Control Area operational in the event of failure in our primary ATC centre. Additionally, we completed our replacement of the Les Platons radar that provides resilience in our airspace surveillance and navigation.

Investing in our maritime assets: We have commenced a significant redevelopment of our facilities for the commercial fishing industry, replacing time expired assets and reconfiguring for increased capacity. Further, our 30 year old marina gates in St Helier were fully replaced and we delivered upgrades to our Elizabeth Marina gates.

Improving passenger experience: Last summer we adjusted the configuration and process for security at the Airport, which dramatically reduced queueing times. To better understand passenger flows through our terminal, we invested in new technology that not only tracks volumes and timing of passengers, but also forecasts peak times that will enable improved manpower planning and create efficiencies.

Core Business

Developing our core business, passenger and freight volumes

Objective: To grow our core business volumes sustainably and profitably through developing our asset base, identifying new opportunities and working with the right partners.

Increasing passenger numbers: 2.3 million passengers through our gateways, 1.6 million through the airport alone making it the busiest year since 2000. Sea passengers continued to decline in the year largely driven by weather, rather than technical issues. We have also developed deeper collaboration with Visit Jersey to target markets with the best prospects of increasing visitor numbers.

Providing new routes and improved frequencies for residents and visitors: During 2017, we welcomed three new routes (Luton, Billund and Vienna), which have been well received. We continue to work with carriers to identify new opportunities, as well as targeting marketing efforts jointly with Visit Jersey.

Securing an Air Navigation Service contract: We renegotiated our Channel Islands Control Area contract with UK and French Authorities for PoJL to provide ATC services, securing a significant revenue stream for the medium term.

People and Capability

Developing our organisation

Objective: To develop the organisation, workplace and culture; ensuring our talented people have the opportunity to develop in a great, vibrant environment.

Investing in modern IT platforms: We have embarked on a complete IT System upgrade since leaving States of Jersey (SoJ), which is seeing a modern, secure and resilient platform implemented. Additionally, we have a new business intelligence system, new HR and payroll system, and are acquiring a new finance and asset system.

Restructuring and rewarding our organisation: We have restructured several of our operating units, such as Group Engineering, Airport Fire Service and Marine Operations to improve their effectiveness and efficiency. This included insourcing Harbours Engineering services from the Department for Infrastructure, as well as meteorological observations from Jersey Met. We have further developed a modern reward structure; ensuring a consistent, fair and motivational approach that rewards people across the organisation for their efforts, which was positively approved by our trade union members.

Continuing professional development: We have progressed the pursuit of operational excellence through our Acceleration Programme, whereby over 40% of PoJL have been trained and we have completed 127 projects with a total savings of nearly £0.4m. We have also implemented new on-line training system, Skillsoft, to enable all of our people to develop their skills.

New Business

Increasing and diversifying our revenue base

Objective: To deliver a pipeline of opportunities for new business – growing our revenue and developing our capability and partners.

Developing new business activities: The renegotiation of our concession agreements at the Airport, for both Food and Beverage and Retail, has improved both services for our passengers and revenue for PoJL. Additionally, we have grown our Marine Services business during the year, winning lucrative contracts. We have also taken on the Jersey Ship's Registry from SoJ, and it has seen its busiest year in 2017. Finally, we are investing in new corporate aviation hangars and facilities at the Airport which will provide attractive facilities and long term income for PoJL.

Developing our assets and facilities: We concluded negotiation on two of our commercial properties at the Airport, including bringing a new Roberts Garages facility to the west of the Island. These will be subject to planning approval and will generate significant additional revenue for PoJL. We have also progressed plans for the redevelopment of the Airport, and long term plans for St Helier Harbour.

Exploring emerging technologies: As we progress our investment in new technologies for improving operational resilience and efficiency in both our aviation and maritime sectors, we are developing commercialisation cases to turn these investments into new business opportunities. Examples include Remote/Digital ATC Tower technologies, multi-beam sonar capabilities in Marine Services and security monitoring at the Airport.

Business Model

PoJL, is a wholly SoJ owned entity which was created upon the incorporation of the Airport and Harbour departments in October 2015. Whilst we operate as a limited company, with the governance and decision making of a private company, all of our profits are reinvested into the Island rather than transferred to private investors.

We are a large infrastructure business required to continually invest in and maintain our asset base in order to ensure our gateways are open, safe and secure. The funding for this is solely generated from our company operations as we do not receive any government or tax payers funding for our capital requirements.

In order to effectively fund this investment we review our long term capital programme, develop master plans to guide investments and continually seek new revenue growth 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 projects to grow our income.

We ensure our activities are performed with the optimal safety and security standards, which are routinely independently audited by competent authorities. We continue to improve our operational resilience, which is crucial for the Island's sole gateways maintaining connectivity. Finally we must provide essential public services such as support for 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.

Regulation

PoJL continues to perform our regulatory functions as the Harbour Authority and Airport Authority, as appointed in Jersey pursuant to the Harbours (Administration) (Jersey) Law 1961 and the Aerodromes (Administration) (Jersey) Law 1952 respectively.

We follow international standards for port operations, and are routinely audited on our performance. These standards include the UK's Port Marine Safety Code, International Civil Aviation Organisation (ICAO), UK Civil Aviation Authority (CAA), the French Civil Aviation Authority (DGSA), and the European Aviation Safety Agency (EASA). Audits pursuant to these standards ensure we can continue to operate to the highest standards of operational compliance, safety and security to keep people safe when using our facilities. Audits passed during the year include:

- Air Navigation Service Provider (ANSP) certification directly from EASA
- CAA Aerodrome Audit in Oct 2017
- Aerodrome Licence/Permit authorised by the Director of Civil Aviation (DCA)
- ATC approved as an Air Traffic Control Officer Training Organisation by EASA
- Coastguard/Vessel Traffic Services (VTS) successfully reviewed by UK Maritime and Coastguard Agency (MCA)

Whilst we have not yet forged as strong a relationship with our economic regulator as we have with our operational regulators, we continue to work with the Jersey Competition and Regulatory Authority (JCRA) to develop a better mutual understanding and during the period we participated in a consultation in respect of Quality of Service. We also sought a tariff increase of 2% in 2017 however were unable to reach a satisfactory conclusion with the JCRA on this point. It had been a core assumption within the Case for Incorporation that RPI price increases would be necessary to achieve the aim of financial self sustainability whist providing continuing service levels. The failure to achieve any price increase will inevitably lead to a diminution of the level of investment and/ or customer service that can be provided by PoJL.

Business Performance

Our core business continues to improve, with air passengers growing by 1.6% to over 1.6 million – making 2017 the busiest year through our airport in the last 17 years despite the significant reduction in German capacity following the collapse of Air Berlin. We have achieved this growth through our ongoing route development programme in collaboration with our customers, the carriers. Further, we continue to develop solid plans with Visit Jersey to grow our visitor volumes targeted at those regions with the best prospects for growth.

Combined freight and fuel volumes through the harbour was consistent with last year totalling c.500,000 tonnes, offsetting some of the lost revenues from the continued lower volumes of passengers arriving by sea.

PoJL renegotiated our contracts with our major airline customers during the year, improving yields and incentivising growth in passenger numbers. As highlighted in our strategic objective review for core and new business page 11, we are making very good progress in commercialising and growing our business.

Delivering new revenue streams is critical to provide the funding for our capital investments, as we cannot rely solely on our core business to provide this funding. New commercial development during the year has been profound. As we embed our commercial culture across the business, all of our teams are joining in – with our IT department bringing in over £0.5m of 3rd party revenue and our Airport Fire and Rescue Service developing new training and teambuilding programmes.

We are continuing to develop our digital transformation, where PoJL are industry leading in our application of new technology particularly in ATC Services.

Customer Experience

PoJL gathers feedback on our service levels from our customers, the carriers, as well as passengers and users of our facilities. Overall passenger satisfaction at the Airport is 86%, and our annual review of our boat owner community achieved an overall satisfaction of 75%, with availability of car parking their primary concern. Further, we have been awarded the prestigious 'Coastal Marina of the Year over 250 berths' by the UK Yacht Harbour Association (YHA); as well as the biennial Aircraft Owners and Pilots Association (AOPA) award for best General Aviation Airfield. We are delighted to be recognised by these groups for the service levels we provide.

Improving our services for the benefit of passengers is a key component of our mission to enhance Jersey as a great place to live, visit and do business. Despite efficiencies delivered through our Acceleration Programme, net yields have decreased due to rising costs, which is impairing our ability to continue to deliver improvements in our services.

We have delivered improvements across our business in the following areas:

- We invested in new trolleys for the Airport and Harbour in time for the summer season, replacing very old equipment following considerable feedback
- We have dramatically improved our Airport security process, enabling passengers to transit security significantly quicker than they did before. Further, we invested in Crowdvision which is an advanced technology for monitoring and predicting passenger flows through our terminal
- We invested in a new car parking system at the Airport, replacing the obsolete and inflexible system. In time this will allow us to offer new car parking products, such as on line booking and long stay rates
- We introduced the Passeporte Escales product for our local boat owners, with 145 berth holders now members and getting the benefits of this wide offering of marinas around Europe

Finally, we participated in a Quality of Service consultation conducted by the JCRA. In addition to PoJL's response, there were only two other responses who highlighted elements of the service that matter to them. The focus groups paid for by JCRA produced results consistent with our own customer satisfaction surveys and general customer feedback to PoJL.

Principal Risks and 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, have a primary uncertainty in the future relationship with the European Union and the United Kingdom. We continue to engage, together with colleagues from Guernsey, with the Department for Transport in the UK to assist them in understanding issues pertinent to our operations in the Channel Islands.

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. As such, we are very alert to the protection of public safety. To mitigate risk, PoJL has risk management processes, safety and security regimes, and 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. Operational and corporate risks are reviewed on pages 34 to 38.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Investment Projects

In addition to investments made to improve our customer experience, we have made a number of significant investments in our operational and organisational capability.

Projects concluded

We completed our £1.9m investment in our replacement radar at our Les Platons site, ensuring operational resilience in our aviation navigation surveillance services.

We acquired a new Airport Fire tender for £0.4m, replacing an over 20 year old piece of equipment. The procurement process, redesigned requirements and choice of suppliers enabled us to replace this unit at a cost of 30% less than previously.

When faced with new aerodrome security requirements, which would have increased PoJL's annual operating costs by £0.2m, we invested £0.3m in new technology using radar, CCTV and sophisticated software in monitoring certain critical parts of the Airport.

Ongoing projects

Improving operational resilience for our airport ATC services through the installation of a contingency digital tower is on track to complete during 2018. As with other operational investments PoJL has made, we are now building a business plan to commercialise these projects and generate incremental third party revenue.

We applied for planning permission for constructing three new corporate aviation hangars at the airport. This project will enable PoJL to provide 60,000 square feet more capacity to satisfy market demand for hangarage in Jersey.

Projects Initiated

Integrated Terminal Project: We announced our most significant transformation project to date, namely our Integrated Terminal Project for the Airport Master Plan. This £42m programme of work will not only enable PoJL to ensure compliance with today's regulatory regime through the removal of a number of buildings which encroach on the exclusion areas adjacent to the runway, but also:

- Improves the operating efficiency of our terminal building
- Creates more useable operational and commercial space
- Improves passenger experience, and expands our retail and food and beverage offerings

We have involved a wide range of interested parties, business partners and the public at large in a series of design workshops which aim to capture all of the Island's good ideas prior to us concluding the final designs. This process has delivered some excellent feedback which we are now building into our plans. Having received Planning Permission, the project is on track to begin construction work in Q4 2018.

IT Platforms: PoJL are upgrading our IT Platforms, improving our protection from cyber security threats, and implementing new business intelligence, finance, HR and payroll systems. In total, starting in 2017, we will be investing £3.4m in these projects over a 3 year period.

Community

PoJL undertakes a central role in the community, economy and society of the Island through the operations 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 through our management, internal resources and financial contribution.

We continue to 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 11th year and we consistently welcome over 30,000 visitors to the show each year. The Boat Show receives no grants from SoJ, and therefore it is funded by PoJL, our sponsorship partners and the participants. In respect to the Air Display, we work closely with the Air Display organiser to bring this one day event to the Island every September. The Air Display benefits from a SoJ grant, totalling £90k in 2017. In 2017 PoJL contributed over £0.25m to deliver these community events for the Island.

In 2017 PoJL also hosted the inaugural world Super League Triathlon event at the Elizabeth Marina whereby 40 of the world's leading triathletes, including 25 Olympians, participated over two days of racing. All of these events are important to the Island community, and provide excellent opportunities for charities to fund raise.

I am particularly proud that our own staff's charitable activities, matched by the company, raised over £25k for our nominated charities in 2017, Philip's Footprints, Jersey Cancer Relief, Holidays 4 Heroes Jersey and Jersey Children's Charity.

Island resilience in emergency situations is critical to the well-being of Jersey. It is important that the various emergency service entities regularly exercise responses to emergencies that the Island may face. During 2017, PoJL played a central role in the largest emergency exercise the Island has ever undertaken, which provides residents with comfort that an emergency can be professionally handled should it arise.

People

During 2017 PoJL employed on average 259 full time equivalents. During the summer months, our workforce grows with seasonal workers servicing our Airport and Harbour terminals and marina customers.

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.

During the year we conducted our Reward Project which has seen company-wide engagement through the focus groups helping to design a new reward structure for the entire company. The level of engagement across the company has been impressive, and ultimately we have implemented a structure which provides for a fairer distribution of our annual pay bill and aligns various inherited, and disparate, structures into one common set of terms and conditions.

It is also pleasing to note that all of the roles within PoJL are compensated to the level of Jersey's Living Wage, with the exception of a single trainee undergoing a capability development programme. Once completed, this role will also be above the Jersey Living Wage.

We have also reviewed our gender pay distribution, applying the UK Equalities and Human Rights Commission (EHRC) guidelines to our pay-scales following the introduction of our Reward Project. We now have 7 Pay Bands; in four of these women are paid more than men on average, in two men are paid more, and in one there is no difference. However, we are very pleased that there are no significant gender pay gaps in any of the new bands, and no overall pattern of gender discrimination across the organisation.

Work in Progress

Even though PoJL have delivered continued success in 2017, not everything has gone according to plan:

Jersey Competition Regulatory Authority: Regrettably we have as yet been unable to reach an agreement with our economic regulator in respect of a proposed modest price increase for 2017 or a framework for future annual inflationary increases – as had been the case before incorporation – and upon which we can build with efficiency gains and new commercial ventures. Against rising costs, despite efficiency improvements and an asset base requiring considerable investment, such a situation is unsustainable if we are to maintain and enhance our assets so that the people using them can continue to enjoy the use of modern and efficient services from PoJL. Discussions with the JCRA continue, where our hope is that we can develop a workable regulatory model for the long term.

Elizabeth Terminal Café: To our great disappointment we were not able to conclude acceptable commercial arrangements with the intended operator of the facility. PoJL has now appointed a new operator to the kiosk facility, which will see an expanded offering for the summer season whilst we develop the much needed main facility.

Outlook

We expect our aggregated freight & fuel volumes through St Helier Harbour to remain consistent with 2017 performance. In 2017 we saw virtually all of our flight services to Germany removed with the collapse of Air Berlin, where for 2018 we have replaced that capacity with other carriers. With new and expanded routes, we expect slight growth in our aviation passengers. Sea passengers have declined in recent years, but we anticipate ferry operators will take steps to halt the decline during this year.

Growth of our commercial agenda will continue, where we will be pursuing new business opportunities in ATC services, marine services, support services and property development.

Brexit will be featuring high on our agenda, as the date of the UK's withdrawal from the European Union approaches. While there have been few tangible decisions in our sectors, our hope is that we will retain an environment which encourages travel and transportation between Jersey, the UK and the Continent.

During 2018 we will commence significant capital investment programmes such as our £42 million Airport Terminal redevelopment, projects around the Harbour and investment in corporate aviation facilities. These projects will be undertaken without funds from SoJ and will be sourced from PoJL's own resources or commercial vehicles. These projects are transformative for the Island, and hallmark our mission to enhance Jersey as a great place to live, visit and do business.

Doug Bannister
Chief Executive Officer
03 May 2018

2017 in Numbers

2.3 million passengers through our gateways, 1.6 million through the airport alone, making it the busiest year since 2000.

2.3M
PEOPLE THROUGH OUR GATEWAYS

1.6M
PEOPLE THROUGH THE AIRPORT

£46.2M
REVENUE

41
ROUTES MAINTAINED, DURING 2017, PROVIDING JERSEY WITH ENVIABLE CONNECTIVITY

£11.5M
EBITDA (EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION)

£1.4M
KEEPING OUR SEAS SAFE & OUR HISTORIC HARBOURS MAINTAINED

2AWARDS
BEST GENERAL AVIATION AIRFIELD & BEST MARINA OVER 250 BERTHS

£42M
REDEVELOPMENT PROGRAMME FOR JERSEY AIRPORT WAS LAUNCHED

Financial Review

The audited financial statements for the year to 31 December 2017 show a Turnover of £46.2m, an EBITDA (Earnings before Interest, Tax Depreciation and Amortisation) of £11.5m and a Profit before Tax of £13.9m.

I am pleased to report that, in comparison to the previous calendar year, our 2017 turnover increased by 6.6% to £46.2m and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) by 7.1% to £11.5m.

EBITDA is internationally recognised as an indicator of the capability to fund investment from current cashflows. It is therefore particularly relevant for infrastructure businesses such as PoJL which is tasked with funding a substantial long term capital investment programme without recourse to SoJ, the shareholder.

Comparative financial performance

As I explained in the 2015/16 'Annual Report' our inaugural trading period, post incorporation, was for 15 months and the Income Statement in our Statutory Accounts therefore contains those audited figures. However I have, for better comparability, split out the results for the 12 months to December 2016 and used these for reference throughout this report.

	Audited	Unaudited	Unaudited	Audited
	Year ended 31 December 2017	12 months ended 31 December 2016	3 months ended 31 December 2015	15 months ended 31 December 2016
	£'000	**£'000**	£'000	£'000
Turnover	46,247	**43,393**	10,716	54,109
Operating Costs (excluding depreciation)	(34,698)	**(32,608)**	(9,701)	(40,777)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**11,549**	**10,785**	**1,015**	**13,332**

The following review compares trading in the 2017 (audited) calendar year to the 2016 (unaudited) calendar year.

Turnover

POJL (£'000)			
2016	2017	Variance	%
43,393	46,247	2,854	6.6%

Airport (£'000)			
2016	2017	Variance	%
27,417	30,211	2,794	10.2%

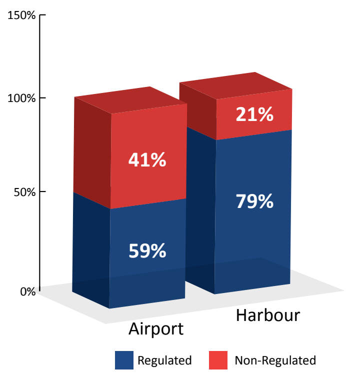
Harbour (£'000)			
2016	2017	Variance	%
15,976	16,036	60	0.4%

At the Airport overall turnover has grown by 10.2% which is largely attributable to improved concession income and growth in airline passenger numbers. The Airport concession contracts went to formal tender and the renegotiated agreements became effective in March 2017. In addition growth based incentives have been effective in sustaining increased year on year passenger numbers which have also supported income generation. The major airline contracts have been renegotiated during 2017 although yields continue to be challenging.

At the Harbour steady freight and fuel revenues have been more than offset by the continued decline in passenger and associated vehicle numbers. Passenger numbers have reduced form 772,445 in 2015 to 659,480 in 2017 representing a fall in excess of £0.2m in revenues.

Turnover growth across the business has been adversely affected due to tariff prices not having been increased due to an inability to reach agreement with Jersey Competition and Regulatory Authority (JCRA) for a modest, below RPI, price increase. This has had a disproportionate effect on Harbours as a result of the higher proportion of Harbours income deemed within the remit of the JCRA regulatory regime.

Income Split



Operating Costs

POJL (£'000)			
2016	2017	Variance	%
(32,608)	(34,698)	(2,090)	(6.4%)

Airport (£'000)			
2016	2017	Variance	%
(20,605)	(21,504)	(899)	(4.4%)

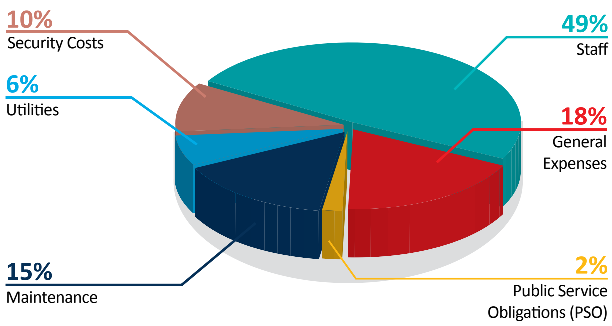
Harbour (£'000)			
2016	2017	Variance	%
(12,004)	(13,194)	(1,190)	(9.9%)

Overall costs to the business grew proportionately to the increase in Turnover at 6.4%. Airport costs have increased by 4.4%, whereas at the Harbours the increase was 9.9% compared to 2016. These increases are due to cost inflation in existing contracts such as security, and need for increased capability within PoJL's workforce, following the split from SoJ on incorporation. Recruitment in 2017 reflects the organisation's need to grow its commercial activities so as to diversify its income streams and reduce reliance on core regulated income to meet long term investment requirements.

During 2017 the organisation continued to progress a number of transition arrangements with SoJ. An agreement to resolve certain legacy issues was signed in March 2018.

At the Harbours, additional investment has been made to facilitate the transfer of Harbour Engineering services from SoJ to PoJL. It is anticipated that a material amount of these transition costs will not recur going forwards. Costs have also increased as a result of rising insurance premiums, bad debts and maintenance obligations.

Operating Costs



EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)			
POJL (£'000)			
2016	**2017**	**Variance**	**%**
10,785	11,549	764	7.1%

Airport (£'000)			
2016	**2017**	**Variance**	**%**
6,813	8,707	1,894	27.8%

Harbour (£'000)			
2016	**2017**	**Variance**	**%**
3,972	2,842	(1,130)	(28.5%)

EBITDA has improved by 7.1% for the business as a whole, however this has been primarily driven by the performance at the Airport as a result of improved returns on concessions from contract renegotiations.

Unfortunately the Airport yield improvement is significantly offset due to the erosion of the Harbour EBITDA, down 28.5%. This is the result of increased costs as well as an erosion in yield due to our inability to implement price increases in line with cost inflation.

Other Profit Movements

Beyond EBITDA, the Income Statement recognises a number of other items which, although they do not have an immediate cash effect, are included in the Profit before Tax of £13.9m. As these items can introduce volatility in published results they are separately shown in accordance with applicable accounting standards.

The value of our investment properties grew by £6.2m. This increase reflects an increased focus on improving the returns from PoJL's property portfolio following several negotiations with lessees. Whilst this does not provide an immediate cash benefit to the business, it demonstrates the value added to the asset base through a commercial approach.

A review of our operational property assets concluded that it was appropriate to impair the value of the Arrivals 1937 Building due to the initial demolition works having been undertaken, and a significant element of the building no longer being available for occupation.

Depreciation has increased as a result of the completion and capitalisation of projects which include the Air Navigation Service Provider Contingency site, Automated Weather Observing System and Marine Operations Centre at Maritime House.

Our finance lease income relates to finance leases, where we act as the lessor.

The Company was not party to any debt financing at December 2017.

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 rental income is also taxed at 20%.

The tax charge for 2017 is £1.3m, made up of current tax charges and release of a deferred tax asset that was set up at incorporation arising from the settlement of its pre 1987 debt to the Public Employees Contributory Retirement Scheme (PECRS).

Cashflow

During 2017 the Company's operations generated a deficit in free cash flow of £2.8m (this includes £2.0m moved into investments), leaving it with £31.4m in cash and money market investments (2016: £32.2m). The reduction in free cash flow reflects PoJL's continued transition away from SoJ with the adoption of arms-length trading arrangements, resulting in a more rapid settlement of creditors. This trend will continue as payroll has been insourced in 2018. The cash surplus being maintained in the balance sheet is being accumulated to contribute to the major funding gap on future capital expenditure identified by SoJ prior to incorporation.

The free cash flow from operations funded the purchase of £5.5m of tangible assets in the year. The level of investment was below the long term trend in anticipation of significant capital investment programmes such as our £42 million Airport integrated terminal redevelopment, projects around the Harbour and investment in corporate aviation facilities.

Capital Expenditure

The principal items of capital expenditure during the year were:

Cash Flow in Period	£'000
Integrated Terminal Development	908
IT Systems Infrastructure	903
Les Platons Radar	562
Airport Projects <£500K	2,370
Harbour Project <£500K	747
Purchases re Tangible Assets	**5,490**

Tangible Fixed Assets

At 31 December 2017, the Company held tangible fixed assets with a net book value of £70.0m. Of this amount £4.3m is attributable to assets currently in the course of construction.

Investment Property

At 31 December 2017, the Company held investment properties with a net book value of £58.3m, including car parks and the Airport fuel farm. The portfolio was revalued internally by a RICs qualified Chartered Surveyor at the end of 2017 based upon an assessment of passing rents and prevailing market conditions and the fair value was increased by £6.2m as a result.

Pensions

The Company continues to participate in PECRS, and the Public Employees Pension Scheme (PEPS). During 2017 the Company contributed £1.7m to these schemes.

Andrew Boustouler
Chief Financial Officer
03 May 2017

Corporate Social Responsibility

Our Island, Our Ports, Our Responsibility

Community and Social

We recognise that our operations touch almost everybody in the Island at some time during the year - whether it's as a boat or aircraft owner, running your business, travelling to and from the Island or simply dropping relatives off at the airport – we believe that we have a prominent role in the community and are committed to using our resources to enhance Jersey as a great place to live, visit and do business.

Our Corporate Social Responsibility programme has continued to build momentum since our incorporation in late 2015 and has now become an integral part of our business. Our employees frequently amaze us with their ideas and with the energy they put into supporting a wide range of people across the Island.

Our team get involved in a number of events throughout the year and we actively encourage them to raise funds to support our chosen charities which we then match fund whatever amount they are successful in raising so the charities get a double benefit. In 2017 this raised a fantastic £25,000 for our four nominated charities

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

Our charity partners tell us these funds will make a huge difference to their worthwhile causes.

"You have been just amazing. The support all four charities have been shown has just been phenomenal, the staff have given their all in every way to make this as successful a partnership as it could be. The donations have been amazing, but for Philip's Footprints, as a very small charity, the means to raise awareness of our charity, and support Jersey families further, has been priceless."

- Philips Footprints

"Holidays for Heroes Jersey is honoured to have been one of the Ports of Jersey's chosen charities. It has been hugely beneficial both financially and practically as the "Welcome banners to H4HJ" at the Airport and Harbour really do have a positive impact on our arriving guests, with 70% of our heroes suffering from PTSD their travel can be traumatic and the Welcome signs are really noticed. With the opportunities to fund raise and matching grants from Ports of Jersey, they have funded an amazing sixteen holidays"

- Holidays for Heroes Jersey

In addition to fundraising, we sponsored events such as Jersey Children's Charity's Robin Ball and their refurbishment and decoration of a treatment room on the Robin Children's Ward at the General Hospital. We also supported Jersey Children's Charity's Parent Packs, which are overnight bags of essentials given to parents whose children are admitted to hospital unexpectedly. For Philip's Footprints we sponsored their Christmas Service and the production of their Wellbeing Wallets that are given to all Jersey pregnant women.

Our people also took part in a range of colourful and whacky activities to raise nearly £5,000 for Children In Need and, working with our business partners, we also supported the Brig-y-don charity's initiative to purchase and wrap Christmas gifts for Jersey children in care at Christmas, donating over 100 gifts worth in excess of £2,000.

Just some of the other charities, associations and events that have benefited from the support of Ports of Jersey in 2017 include 'Helping Wings', Royal British Legion Poppy Appeal, British Red Cross, Teenage Cancer Trust, Donna Annand Melanoma Trust, Acorn Enterprises, MIND Jersey, The Durrell Challenge, The Love Hearts Appeal, International Air Display, Battle of Flowers, Standard Chartered Jersey Marathon, the Jersey Hospice Dragon Boat race and UBS Jersey Sailing Regatta.

In 2018, we will continue to work with the four charities selected by our staff to benefit from our fund-raising activities; Philip's Footprints, Jersey Cancer Relief, Jersey Children's Charity and Holidays for Heroes Jersey. Our staff are already involved in planning which charities we will support in 2019.

Community Involvement - Working with Young People

Alongside our fund-raising activities, PoJL supports and facilitates a number of community initiatives, in particular ones involving the Island's young people. Through our educational and awareness programmes we have engaged with more than 2,000 young people, during 2017.

Initiatives have included 'behind the scenes' visits for primary and secondary school students to our Airport Fire Service, Air Traffic Control Tower and Harbour Operations facility at Maritime House. As part of our annual 'Safety @ Sea' Campaign, officers from Jersey Coastguard visit local schools to educate and inform children on water safety and how to act appropriately around our water and coastline.

PoJL has worked closely with The Prince's Trust and several secondary schools with the aim of helping develop young people's confidence and improving their employability. Our Airport Fire Service has developed a 6-week programme as part of this initiative focusing on team work and personal skills, which continues to be a great success.

Clubs and Associations

PoJL supports many clubs, associations and societies, all of which are connected in some way to maritime and aviation activities. We strongly believe vibrant and growing clubs and associations are important for providing a valuable pipeline of interest into these sectors, creating our customers and employees of the future, as well as providing important training and education.

Our goal is to further enhance these relationships, allowing us to develop the Island's community by supporting and working with these societies and clubs to ensure they are able to maintain and develop the services and support they offer to the community. The value of this support is over £500,000 per year and it can take many forms; it may be through reduced property rentals, free use of Ports facilities or property, the use of Ports of Jersey assets to support events or by providing direct support to the many fund-raising activities that these groups stage throughout the year.

Staff Health and Wellbeing

At PoJL, we don't just ensure that the Island's community and charities benefit from our business, we are also committed to supporting the people that make our business run with a range of employee health and well-being initiatives. Initiatives include the promotion of healthier lifestyles and subsidised health-care charges for employees.

PoJL is committed to being a responsible business and making a positive difference in the Island. We are looking forward to growing our Corporate Social Responsibility programme with new ventures and working with other local business. With the help of our employees we will continue to work closely with local charities and aspire to build lasting relationships within the Island community.

Jersey International Air Display

The Jersey International Air Display is one of the Island's most popular events and has been delighting visitors and residents since 1952.

With an aviation event of this type it is inevitable that over the years Jersey Airport has been actively involved in helping to stage the display by utilising the skills of its aviation personnel and facilities of Jersey Airport, often on a voluntary and no fee basis.

In 2016 a more formal business arrangement was established between SoJ* and PoJL, whereby our business has taken on a greater responsibility for the overall organisation, governance and sponsorship of the event. Once again, the majority of the services and facilities provided by its staff and the organisation itself is on a voluntary basis but an agreed criteria is followed by PoJL, working alongside the event organiser and committee. An agreed budget is set whereby all parties must work within a business plan. A post-event report is compiled, including financials, which are submitted to Economic Development prior to any monies being released and future grants approved.

APPROX.
18,000
AIR DISPLAY SPECTATORS

£21K
EVENT INCOME

£90K
GRANT INCOME

£14K
SPONSORSHIP & DONATIONS

(£254K)
EVENT EXPENSE

(£129K)
NET COST TO POJL

*States of Jersey, (Economic Development, Sports and Culture) is one of the largest financial supporters of the event.

Barclays Jersey Boat Show

The annual Barclays Jersey Boat Show took place in and around St Helier Marina, adjacent Weighbridge Place and Marina Gardens between Saturday 29 April and Monday 01 May 2017.

First staged in 2008 as an opportunity to showcase Jersey's marine leisure industry to a wider audience, the event continues to grow in both size and reputation. Regularly attracting in excess of 30,000 visitors over the three days it remains the largest free-entry event in the Channel Islands. While the essence of the show remains firmly focused on maritime based activities, its continuing success has been helped by the participation of many other local and visiting individuals and businesses promoting their lifestyle products. The event attracts an increasing number of visitors to share and discover the Island's maritime culture as well as creating community spirit.

The Boat Show is organised by Ports of Jersey with the operational support of local specialists, 3D Events. The event, which receives no financial investment from SoJ, is funded entirely by sponsorship and revenue from exhibitor fees. The future of the Jersey Boat Show is guaranteed until at least 2019 due to the continuing commercial support of its title sponsor, Barclays. This financial commitment from Barclays, as well as additional sponsorship from other commercial contributors, including Solent Stevedores, Condor Ferries and Flybe ensures that the show can remain a free-entry event, something that PoJL has strived to offer since it was first staged in 2008.

APPROX.
33,000
VISITORS OVER 3 DAYS

£63K
EVENT INCOME

£41K
SPONSORSHIP & DONATIONS

(£237K)
EVENT EXPENSE

(£133K)
NET COST TO POJL

Environmental Report

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

In 2011, the Airport became a member of the States of Jersey Eco-Active scheme and began the implementation of environmental management measures to help run our business in an increasingly sustainable manner. During 2017 PoJL reviewed its Environmental Policy encompassing the entire business and set itself actions to ensure improving performance.

PoJL leases and owns property all around the island from St Helier to all the historic harbours as well as the Airport. Some of these areas of land are open to the public or used by local clubs and associations for special events such as Dragon Boat racing at the Harbour and Runway charitable events at the Airport.

The PoJL Board, Executive and Senior Management Teams are committed to adopting policies and activities that minimise our impacts on the environment and have agreed to recruit an 'Environmental Manager' to drive improvement throughout the business.

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, and by working with our business partners, suppliers and contractors.

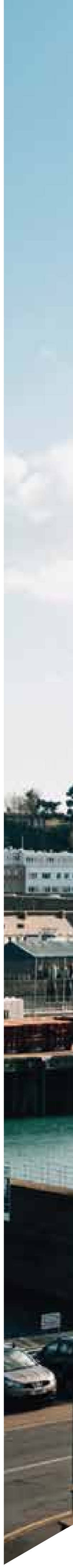
We will take all reasonable steps to prevent any adverse effects occurring and to protect the environment, ensuring as far as possible, that both present and future activities are conducted to address the concerns of the local community and the wider environment.

Vision

We shall ensure the health, safety and security of all people in our care whilst at and in the vicinity of PoJL property. We shall conduct our business in an environmentally responsible manner.

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 practicable 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.
- All contractors and third parties are to conform to this policy.
- The PoJL will keep up to date on Industry best practice.
- This policy will be reviewed annually.



Sustainable Design

Strive to achieve designs that are in harmony with the local environment, that are efficient in materials used, and minimise any adverse effects operations could have socially and culturally.

Partnership for Sustainable Development

Foster links with all PoJL stakeholders to ensure operations contribute to long-term sustainability for the island.

Community Relations

Be aware of the concerns and improve contact with local people and community groups.

Noise Management

Minimise as far as reasonably practicable the effects and disturbance of noise from PoJL operations.

Air Quality

Monitor and seek to improve air quality from PoJL operations and that of its business partners.

Waste Water Quality

Investigate, monitor and determine the most appropriate strategy for minimising the generation and impact of wastewater on the environment.

Ecology

Consider the effects of operations on the landscape and make every effort to conserve local ecology, whilst taking into account operational requirements.

Transport

Continue to develop, promote and encourage the use of more sustainable means of travel to and from the harbours and airport, in accordance with the Island Plan.

Hazardous Substances

Ensure that the use, storage and disposal of all hazardous substances are managed in a manner to minimise risk to the environment.

Energy Management

Promote the efficient use of energy and reduce its consumption where practicable. Where reasonably practicable use sources of energy that have the least effect on the environment.

Fresh Water Management

Promote the efficient use of water throughout PoJL, and reduce its consumption where reasonably practicable.

Waste Management

Ensure waste disposal is kept to a minimum, and promote a policy of re-use and recycling where possible.

Purchasing

Specify only those materials that are environmentally benign and sustainable, where a reasonably practicable alternative is available.

Environmental Management

Implement and maintain an environmental management system that facilitates the achievement of our publicly declared strategy.

Environmental Auditing

Maintain and improve environmental standards by auditing and monitoring procedures and practices.

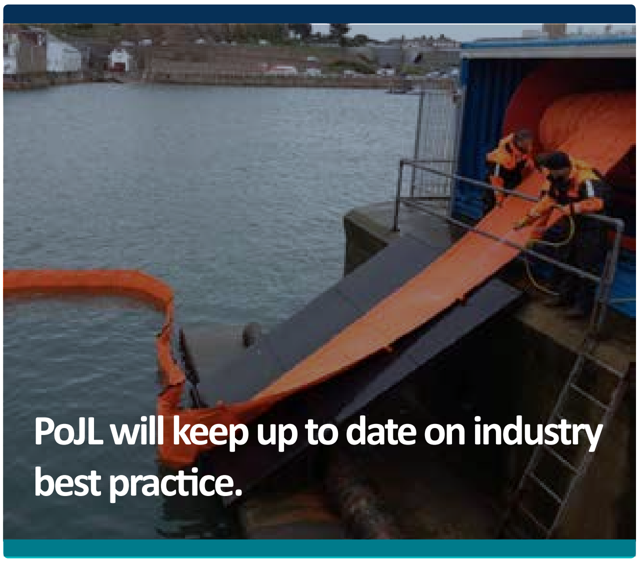
Employee Awareness

Promote sustainable working practices and develop employee awareness by ensuring that all employees take into account environmental consequences of their work.

This Policy is a commitment to a non-compromising approach to environmental matters, in line with overall PoJL objectives.

2017 Achievements

- Agreed the role of an Environmental Manager
- Created an Environmental Team formed from existing employees
- Agreed a list of 50 actions for 2018 and beyond
- Use of LED lighting technology in public areas expanding at both Airport and Harbours
- Increasing use of LEDs for aviation lighting systems
- Separation of passenger waste at source commenced in passenger terminals
- Cardboard, metal, glass and paper separation expanded
- Replacement vehicle fleet underway to improve performance
- Limit airport operating hours to ensure a 'quiet period' between 00:00 and 06:00hrs (Except for MEDVACs, SARs, or major disruption)



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 and Political
- Major Capital Project Management
- Health and 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, we have continued rationalising the risk process throughout all parts of the business. As the process continues to mature 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 and Possible Impact	Mitigation Activities
Operational Safety and Security - Aviation and 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 48. To give further independent assurance a separate Designated Person (DP) report by the Compliance Team is delivered to both Harbours and 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 and 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 a 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 and 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 and 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 and Safety

Risk	Description and Possible Impact	Mitigation Activities
Health and 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 and 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 and Possible Impact	Mitigation Activities
People	The failure to retain key employees, or adequately plan for succession could negatively impact group performance.	PoJL 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 and 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 back up 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 to most systems are installed in dual data centres with diverse cable routes and UPS supplies. During 2017 a major programme was initiated to establish our own independent IT infrastructure and to transfer all systems and applications from SoJ in 2018. A key element of this programme was to implement an organisation wide programme to educate staff, including the Board, on the nature of the risks and the steps that they should take to reduce the risk of possible cyber attack.
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 PoJL.

Corporate Risks

Risk	Description and Possible Impact	Mitigation Activities
Shareholder and Legacy Items	Inability to reach conclusion on matters that affect the financial or operational performance of the business.	• Both PoJL and SoJ to deliver the agreed actions in the settlement of the 'Legacy Issues' • Periodic Shareholder meetings to ensure regular discussion of matters that may affect each other (ie no surprises) • Improved partnership working through new SoJ structure
Commercial Projects	Inability to deliver commercial projects that provide cashflow for funding infrastructure investments.	• Regular review of the Commercial Projects Pipeline • Secure a Chief Commercial Officer (CCO) to drive commercial developments • Improve project governance and reporting to the Executive • Review LTCP and funding requirements
Unsustainable pricing levels	Whilst PoJL have made solid efficiency improvements, we are still faced with a rising cost base, particularly as over 70% of our cost base is fixed in the medium term due to regulatory and operational requirements. A continuing failure to secure agreement to our modest below RPI price increases from the JCRA is impacting service and investment levels in the medium term.	• Development of a long term price control model with the JCRA • Improve the business understanding of PoJL by CICRA • Improve PoJL's regulatory approval understanding and process • Continue to deliver efficiencies in the operation
Large scale economic impact as a result of Brexit	Significant reduction in economic activity in Jersey, potentially through the impact in Financial Services, reducing harbour and airport business volumes.	• Continue the diversification of the business activities, to reduce reliance on core income • Continue the development of 'Best Prospects' with Visit Jersey to attract more visitors to the Island • Work with government and agencies to identify areas of risk to Jersey

Board of Directors

Charles Clarke

Chairman

Appointed: October 2015

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 focused 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 taskforce 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

Appointed: October 2015

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 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.

Mark Chown

Non-Executive Director

Appointed: November 2017

Mark Chown has extensive business experience in the private equity, leisure, property and aviation sectors. He held senior executive and non-executive positions with Flybe Group plc over 18 years, until 2014, including Deputy Chairman. During this time Flybe quadrupled in size, to become Europe's largest regional airline. Mark led the successful acquisition of BA Connect, the IPO on the London Stock Exchange and other significant corporate transactions. Mark has held Non-Executive Director and Chairman roles in substantial businesses in the leisure, property and IT sectors. Mark has a BA (Econ) from Manchester University and a post graduate qualification from the Manchester School of Management. He trained as Chartered Accountant with what is now PWC, before moving into the private equity sector with 3i plc, prior to becoming a partner in an independent private equity firm. Mark is a member of both the Audit Committee and Risk Committee at PoJL and will chair the Risk Committee upon Margaret Llewellyn's retirement.

Jeff Hume

Non-Executive Director

Appointed: January 2017

Jeff Hume is the Senior Independent Director of Manx Telecom plc, an AIM listed company, and is 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

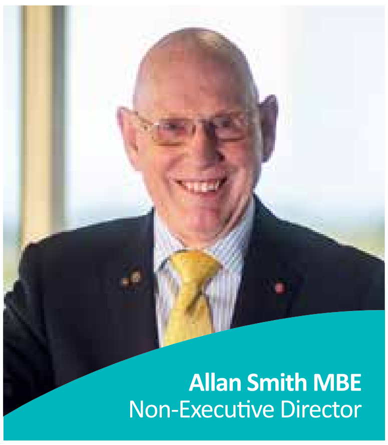
Appointed: October 2015

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 the Marketing Sub Group. Margaret retired from the Board 30 April 2018.



Allan Smith MBE

Non-Executive Director

Appointed: October 2015

Allan Smith is a professional manager and has held a number of senior management positions, including being 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 from 2003 to 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.

Doug Bannister

Chief Executive

Appointed: October 2015

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

Appointed: October 2015

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 SoJ 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.

Mike Collett and Frank Walker OBE, served as non-executive directors for PoJL from incorporation, retiring on 31 October 2017.

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.

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.

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 JCRA 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
03 May 2018

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 normally comprises eight Directors, two of whom are Executive Directors, and six 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 40 to 43.

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 Mark Chown is accordingly for an initial three-year term.

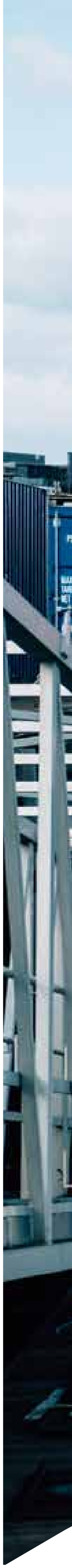
Key elements of the Non-Executive Director's role are:

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 as required.

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 any of the 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 in 2016 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. The Board has continued to monitor its effectiveness during 2017, with an external review planned for 2018.

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 year to 31 December 2017 was as follows:

	Board	Audit	Nomination	Remuneration	Risk
Charles Clarke	9/10		1/1		
John Mills	10/10			4/4	4/5
Michael Collett**	8/8		1/1		4/5
Mark Chown*	2/2	1/1			
Jeffrey Hume	10/10	4/4	1/1	1/1	
Margaret Llewellyn	10/10		1/1		5/5
Allan Smith	9/10	4/4		4/4	
Frank Walker**	7/8	3/3		2/3	
Doug Bannister	8/10				
Andrew Boustouler	10/10				

*Mark Chown was not appointed to the Board until 01 November 2017
**Michael Collett and Frank Walker retired from the Board 31 October 2017

Audit, Risk, Remuneration and Nomination Committees

Membership of all four Board Committees is composed 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 49 to 50, the Directors' Remuneration Report on pages 54 to 55, the report of the Risk Committee is provided on page 52 and the Nominations Committee Report on page 53.

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.


FURUNO

Compliance and Assurance Statement

Open, Safe and Secure.

PoJL places the safety and security of its passengers, employees and business partners at the heart of 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. These include UK 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 and 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.

2017 was a significant year for PoJL as the first Air Navigation Service Provider in a 'third country' to be directly audited by EASA and awarded an operating certificate.

In 2017, Ports of Jersey 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	26 July 2017
Aviation Security	CAA Security	Airport	20 - 22 Sept 2017
Aviation Security	CAA Security	Airport	21 - 23 Feb 2017
Aerodrome Certification	CAA SRG	Airport (Aerodrome)	2 - 05 Oct 2017
Air Navigation Service (ANS) Certification	CAA SRG/EASA	Airport (ANSP)	27 Feb - 03 Mar 2017
Air Traffic Unit Competency	CAA SRG/EASA	Airport (ANSP)	6 - 07 June 2017
Habitat Management	BSM	Airport (Aerodrome)	20 - 21 July 2017
QMS ISO 9001	TUV Nord	Airport ATS	24 - 26 April 2017
Statutory Financial Audit	Ernst Young	Group	1 Jan - 31 May 2017

All audits in 2017 were completed without significant non-conformities.

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

Audit Committee Report

Dear Shareholder

As Chairman of the Audit Committee, I am pleased to report below on its work for the year ended 31st December 2017 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.

Since my last report to you the Committee has concentrated on ensuring that the founding principles and processes established in relation to PoJL's first financial reporting period have been embedded and have been followed in relation to the 2017 Annual Report, with earlier communication and consideration of key issues. We observed that the control environment in the Finance function had improved.

Further, the Committee has monitored the organisation in addressing points noted in the auditors' management letter and by Internal Audit, providing advice on resolution where required.

In the year ahead the Committee will look to continue developing 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
03 May 2018

Role of the Audit Committee

The Committee's full terms of reference were approved on 01 October 2015. They are available on request to the Company Secretary.

Membership and expertise

During the year to 31 December 2017 the Audit Committee comprised of Jeffrey Hume, Frank Walker, Allan Smith and Mark Chown. Mark Chown joined the Board on 01 November 2017 and was appointed to the Committee, filling the vacancy created when Frank Walker retired from the PoJL Board on 31 October 2017.

All members of the Committee are considered to be independent and, as can be seen from the biographies on pages 40 to 43, have considerable financial and commercial experience gained through a variety of corporate and professional appointments.

In particular, the Board considers that Jeffrey Hume has 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.

External Audit

During this time the Company was advised by its independent External Auditors Ernst and Young LLP. 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 2018 financial year.

Meetings held

The Committee held four meetings during the year ended 31 December 2017. The Audit Committee has also formally met twice so far in 2018, the second of which was to review and recommend approval to the full Board the Annual Report and statutory accounts for the year to 31 December 2017. 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 2017 were:

A Revenue recognition – Assurance that the revenue had been properly recorded.

B Investment properties –Their fair value at 31 December 2017, as assessed internally, and the tax treatment of the revaluation surplus.

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

D The resolution with the States of Jersey of a number of legacy items not adequately settled on incorporation.

E The impairment of the 1937 Arrivals building.

F Classification of the Public Employees Pension Scheme (PEPS) – Classification of the scheme as a defined benefit or defined contribution scheme.

G Alternative Profit Measure – The definition of the non GAAP measure EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and, in response to the UK Financial Reporting Council's circulars, the reason for PoJL giving it prominence.

Other work of the Committee

2017 has been a year of implementing policy appropriate for an incorporated PoJL. The Chief Executive and Chairman have attended meetings. In addition the Committee members met with operational and finance team members.

The Audit Committee has overseen the engagement of BDO to provide financial internal audit services, with their first findings in respect of self-declared income received in 2017. An internal audit plan for 2018 has been endorsed by the Committee.

Risk Committee Report

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 met 4 times during the year and its members are the following independent Non-Executive Directors:

Margaret Llewellyn (Chairwoman, retired April 30 2018)
Mark Chown (Chairman, appointed 01 May 2018)
John Mills
Michael Collett (retired 31 October 2017)

The Committee's principal activities were as follows:

Review of terms of reference

The Committee, along with the Audit Committee undertook collaborative work to more clearly define the segregation of responsibilities in terms of operational and financial risks.

Review of adequacy of insurance cover

The Committee, along with the Executive reviewed the organisation's insurance cover and endorsed changes to coverage as required.

Review of specific risks and incidents

Several risks and incidents 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 Chief Operations Officer and Business Continuity Manager. Specific items are questioned and reviewed as required.

Margaret Llewellyn
Committee Chairwoman
(To 30 April 2018)
03 May 2018

Mark Chown
Committee Chairman
(From 01 May 2018)
03 May 2018

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 (Chair)
Jeffrey Hume (appointed 05 July 2017)
Michael Collett (retired 31 October 2017)
Margaret Llewellyn (retired 30 April 2018)

The Committee met once during 2017 and its principal activities were as follows:

Succession Planning

Non-Executive:

Acknowledging the Board's wish to comply with the provisions of the UK Corporate Governance code in respect of tenure, the Committee has continued to facilitate an orderly succession plan, as was approved in 2016. During the year the Committee monitored Board effectiveness in particular ensuring an appropriate balance of experience and skills amongst the Non-Executives, to best serve 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 01 January 2017. Following the retirement of Mike Collett on 31 October 2017, Mark Chown was appointed from 01 November 2017, this appointment in part was to ensure appropriate aviation knowledge was maintained at Board level. Mark Chown also took over the Chair of the Risk Committee on the retirement of Margaret Llewellyn on 30 April 2018. Recruitment of both Jeffrey Hume and Mark Chown followed a competitive process run by specialist recruitment consultants.

Executive:

The business depends heavily on a number of key individuals, at both Board and senior executive level. Accordingly, the Committee has 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 sought, using specialist recruitment consultants. The organisation appointed this position in June 2017.

External Appointments

During 2017, as part of the 2016 Annual Report 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
03 May 2018

Directors' Remuneration Report

The Remuneration Committee

The Remuneration Committee sets the remuneration policy, pension rights and any compensation payments for Executive Directors and the Company's Chairman. Additionally, the Committee recommends and monitors the level and structure of remuneration for senior management and oversee any major change in employee benefit structure, keeping the company's remuneration policies under review.

The Remuneration Committee members are John Mills (Chairman), Allan Smith and Jeffrey Hume, each of whom are independent Non-Executive Directors.

Remuneration Policy

The Remuneration Committee is responsible for ensuring that 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 approving the design of any performance related schemes for Executive Directors, including any related targets, and the total annual payments under such schemes.

The Board's decisions on Directors' remuneration are subject to the agreement of the Minister for Treasury and Resources in her or his capacity as shareholder of the company on behalf of SoJ.

Directors' Remuneration

The total remuneration of the Directors for the year ended 31 December 2017 is set out below:

	Basic Salary/ Fees 2017 £'000	Performance-related Payment £'000	Pension Contribution £'000	Total Remuneration 2017 £'000	15 Months to 31 December 2016 £'000	Notes
Non- Executive Directors						
C Clarke (Chairman)	52	-	-	52	50	
J Mills CBE (Senior Independent Director)	25	-	-	25	31	
M Chown	4	-	-	4	-	3
M Collett	21	-	-	21	31	2
J Hume	35	-	-	35	-	3
M Llewellyn OBE	25	-	-	25	31	
A Smith MBE	25	-	-	25	31	
F Walker OBE	21	-	-	21	31	2
Executive Directors						
D Bannister (Executive)	220	28	30	278	323	
A Boustouler (Executive)	156	15	20	191	213	1
Total for 2017 calendar year	**584**	**43**	**50**	**677**	**741**	

Non-Executive Directors receive no other payments and are reimbursed for travel and other out of pocket expenses in accordance with Company policy.

Incentive scheme for Executive Directors

A non-pensionable short-term incentive scheme has been in place throughout the period. This provides for maximum 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. 60% of the potential is determined against the Company's financial performance and the remaining 40% against 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 private health cover or permanent health insurance.

John F. Mills

John Mills
Deputy Chairman and Senior Independent Director
03 May 2018

Notes:

1. Includes £11,000 in Duty Executive standby payments.
2. Both Michael Collett and Frank Walker stood down as Non-Executive Directors on 31 October 2017.
3. Jeffrey Hume joined as a Non-Executive Director on 01 January 2017.
4. Mark Chown joined as a Non-Executive Director on 01 November 2017.

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 2017.

Directors of the Company

The Directors of the Company during 2017 were:

Charles Clarke (Chair)
John Mills CBE (Non-Executive Deputy Chair and Senior Independent Director)
Mark Chown (appointed 01 November 2017)
Michael Collett (resigned 31 October 2017)
Jeffrey Hume (appointed 01 January 2017)
Margaret Llewellyn OBE (resigned 30 April 2018)
Allan Smith MBE
Frank Walker OBE (resigned 31 October 2017)
J Douglas Bannister (Chief Executive)
Andrew Boustouler (Chief Financial Officer)

Future developments

An analysis of future developments are described in the CEO’s Review on page 17.

Post balance sheet date events

In March 2018 an agreement was reached with the States of Jersey (‘States’) on certain legacy items. In particular, the rent free occupation by States of two Ports of Jersey properties. It has been agreed to transfer those properties to States for nil consideration in exchange for the transfer of three sites from States to Ports of Jersey for nil consideration. The two Ports of Jersey properties were valued at £1.6m at 31 December 2017. These transactions will be accounted for in the 31 December 2018 financial statements.

Re-appointment of auditors

The 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 auditor of the Company.

Charles Clarke
Chair
03 May 2018

Andrew Boustouler
Chief Financial Officer
03 May 2018

Statement of Directors’ Responsibility

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
Chief Financial Officer
03 May 2018

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

Opinion

We have audited the financial statements of Ports of Jersey Limited (the "company") for the year ended 31 December 2017 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 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Ireland"; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, 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.

Conclusions relating to going concern

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

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the company, 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 company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

Matthew Williams
For and on behalf of Ernst & Young LLP, Statutory Auditor London
03 May 2018

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.

Income Statement
for the Year Ended 31 December 2017

	Note	Year ended 31 December 2017	15 month period ended 31 December 2016
		£'000	**£'000**
Turnover	4	**46,247**	**54,109**
Operating costs (excluding depreciation)	6	**(34,698)**	(40,777)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**11,549**	**13,332**
Revaluation of investment properties	12	**6,247**	(208)
Impairment of operational assets	11	**(658)**	-
Depreciation	11	**(3,591)**	(3,341)
Operating profit		**13,547**	**9,783**
Finance lease income		**226**	283
Interest receivable	8	**79**	133
Interest payable	8	**-**	(647)
Unrealised gain on investment	14	**3**	4
Profit before taxation		**13,855**	**9,556**
Tax credit in respect of pensions settlement	9	**-**	4,151
Other tax charges on profit	9	**(1,295)**	(2,742)
Taxation	9	**(1,295)**	**1,409**
Profit for the financial period		**12,560**	**10,965**

Total comprehensive income was the same as the profit for the financial period.

Statement of Financial Position as at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Assets			
Non-current assets			
Tangible assets	11	**69,970**	68,489
Investment property	12	**58,335**	52,328
Finance lease receivable	13	**2,459**	2,476
Investments	14	**6,007**	4,004
		136,771	**127,297**
Current assets			
Trade and other receivables	16	**5,883**	4,667
Finance lease receivable assets	13	**225**	209
Inventories	15	**393**	340
Cash and cash equivalents	18	**25,413**	28,195
		31,914	**33,411**
Non-current assets			
Deferred tax	17	**1,377**	1,996
Total assets		**170,062**	**162,704**
Liabilities			
Current liabilities			
Trade and other payables	19	**(8,486)**	(13,388)
		(8,486)	**(13,388)**
Non-current liabilities			
Provisions	20	**(700)**	(1,000)
Total liabilities		**(9,186)**	**(14,388)**
Net assets		**160,876**	**148,316**
Shareholder's equity			
Called up share capital	21	**1**	1
Incorporation reserve		**137,350**	137,350
Retained earnings		**23,525**	10,965
Total shareholder's equity		**160,876**	**148,316**

Approved and authorised by the Board and signed on its behalf on 03 May 2018

Charles Clarke
Chairman
03 May 2018

James D Bannister
Group Chief Executive
03 May 2018

Statement of Changes in Equity for the Period Ended 31 December 2017

2017	Note	Called up share capital £'000	Incorporation reserve £'000	Profit and loss reserve £'000	Total £'000
At 01 January 2017		1	137,350	10,965	148,316
Issue of shares		-	-	-	-
Transferred in from States of Jersey		-	-	-	-
Total comprehensive income for the period		-	-	12,560	12,560
At 31 December 2017		**1**	**137,350**	**23,525**	**160,876**

2016		Called up share capital £'000	Incorporation reserve £'000	Profit and loss reserve £'000	Total £'000
Issue of shares		1	-	-	1
Transferred in from States of Jersey	2.1	-	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 Year Ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016
Cash flows from operating activities			
EBITDA	a	**11,549**	13,332
(Increase)/decrease in inventories		**(54)**	11
(Increase)/decrease in debtors		**(1,216)**	4,423
(Decrease)/increase in creditors		**(5,390)**	7,012
Tax payment		**(486)**	(80)
Net cash inflow from operating activities		**4,403**	**24,698**
Cash flows from financing activities*			
Cash transferred in on incorporation, after settlement of pension liability		**-**	17,572
Finance lease interest received		**226**	283
Interest paid		**-**	(647)
Interest received		**79**	133
Net cash inflow from financing activities		**305**	**17,341**
Cash flows from investing activities			
Purchase of tangible assets		**(5,490)**	(8,999)
Additions to investment property		**-**	(845)
Purchase of investments		**(2,000)**	(4,000)
Net cash outflow from investing activities		**(7,490)**	**(13,844)**
Change in cash during the period		**(2,782)**	**28,195**
Cash at 01 January 2017		**28,195**	-
Cash at 31 December 2017		**25,413**	**28,195**

*The comparatives have been adjusted to reflect the presentation of the below items as financing, rather than investing.

Notes to the Statement of Cash Flows

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

	Note	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Operating profit		**13,547**	9,783
Adjustments for:			
Depreciation	11	**3,591**	3,341
Impairment of operational assets	11	**658**	-
Revaluation of investment property	12	**(6,247)**	208
EBITDA		**11,549**	**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 16th September 2015 and assets were transferred from the States of Jersey on 1st October 2015. These financial statements are the financial statements of Ports of Jersey Limited ("the Company") for the year to 31 December 2017. 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 03 May 2018.

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 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 assets 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 was provided.

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

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	5-10 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's 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.

i) Defined contribution pension scheme

The Company participates in multi-employer pension schemes operated by the States of Jersey. See note 23.

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 probably 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.

2.16 Disclosure Exemptions

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.

3. Significant Accounting Judgements 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 Investment properties

Investment properties were valued at fair value at 31 December 2017 internally by a qualified Chartered Surveyor. 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 12 for the significant methods and assumptions used.

3.2 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:

3.3 Classification of investment property

Property has been classified as investment property, according to the criteria in note 2.5, 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.

3.4 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 inception when considering the classification.

4. Turnover

Turnover is analysed as follows:	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Airport and Harbour charges	22,327	26,196
Channel Islands control area	5,257	6,579
Marina charges	3,399	4,056
PSO income	348	445
Sale of services	1,254	1,772
Concessions	5,602	5,413
Car parking	1,661	2,106
Property income due under operating leases	3,971	4,856
Recharges	1,614	1,469
Ships Registry	148	130
Grants	90	145
Other Income	576	942
	46,247	**54,109**

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.

5. Property Income Due Under Operating Leases

Future minimum lease payments	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Not later than one year	**3,797**	3,768
Later than one year and not later than 5 years	**26,466**	22,380
Later than five years	**18,333**	14,931
	48,596	**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. No contingent rental has been recognised in the income statement.

6. Operating Costs (excluding depreciation)

	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Wages and salaries	**14,574**	15,936
Social security costs	**796**	915
Pension costs	**1,717**	1,948
Other staff related costs	**-**	489
	17,087	**19,288**
General expenses	**16,894**	19,530
Public service obligations	**717**	1,959
	34,698	**40,777**

Operating costs include:	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Staff training and development	**403**	500
Rentals under operating leases		
- Other operating leases	**25**	7
Services provided by the Company's auditor		
- Audit fees	**93**	90
- Other non-audit services	**-**	-

The operating lease charge relates to a property lease which is cancellable within one year.

Employee information

The average number of full time equivalent (“FTE”) employees during the year to 31 December 2017 analysed by function was:

	Year ended 31 December 2017	15 month period ended 31 December 2016
Operational	**156**	152
Other	**103**	99
	259	**251**

7. Directors' Emoluments

	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Directors' emoluments		
Non-Executive Directors	**208**	205
Executive Directors	**469**	536
Directors' emoluments	**677**	**741**
Other key management personnel	**438**	434
Total key management personnel compensation	**1,115**	**1,175**

8. Interest

	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Interest payable		
Interest on bank borrowings	**-**	(647)
Interest receivable		
Interest receivable on money markets and bank deposits	**79**	133

9. Taxation on Profit

	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Current tax		
Total current tax charge	**695**	587
Prior year adjustment	**(19)**	-
	676	587
Deferred tax		
Deferred tax on timing differences	**619**	(1,996)
	619	(1,996)
Total tax charge for the period	**1,295**	(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 rental income is also taxed at the rate of 20%. Jersey capital gains are taxed at a rate of 0%.

	Year ended 31 December 2017 £'000	15 month period ended 31 December 2016 £'000
Profit before tax	**13,855**	9,556
Tax on profit at 20%	**2,771**	1,911
Effect of:		
Permanent differences	**(1,406)**	831
Prior year adjustment	**(19)**	-
Timing differences	**(51)**	
Pension contributions	**-**	(4,151)
Total tax charge for the period	**1,295**	(1,409)

Non-taxable revaluation gains make up (£1.2m) of the permanent differences (2016: £0.04m).

10. Investments in Subsidiaries

At 31st December 2017, as in 2016, the Company had an investment in the following subsidiary undertaking:

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

At 31st December 2017, PFD Limited did not hold any net assets and as such has no carrying value.

The subsidiary is incorporated in Jersey, Channel Islands.

11. Tangible Assets

	Operational Land	Buildings	Structures	Plant and equipment	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 01 January 2017	9,944	23,077	24,114	11,251	3,444	71,830
Additions	-	-	-	23	5,934	5,957
Transfers	96	569	688	3,421	(4,774)	-
Reclassified between asset classes		(25)	37	(12)		-
Reclassified from investment property	80	160	-	-	-	240
Write off of assets	-	(26)	-	(165)	(276)	(467)
At 31 December 2017	**10,120**	**23,755**	**24,839**	**14,518**	**4,328**	**77,560**
Depreciation						
At 01 January 2017	-	919	1,353	1,069	-	3,341
Transfer between asset classes			10	(10)		-
Charge for the period	-	977	1,144	1,470	-	3,591
Impairment	-	658	-	-	-	658
At 31 December 2017	**-**	**2,554**	**2,507**	**2,529**	**-**	**7,590**
Net book value						
At 31 December 2016	9,944	22,158	22,761	10,182	3,444	68,489
At 31 December 2017	**10,120**	**21,201**	**22,332**	**11,989**	**4,328**	**69,970**

The 2017 impairment of £.658m is in relation to 1937 Arrivals Building which is due to be demolished as part of the Airport Masterplan development over the next 2-4 years.

12. Investment Property

2017	Completed investment property £'000	Assets in the course of construction £'000	Total £'000
Valuation			
At 01 January 2017	52,328	-	52,328
Reclassified to operational assets	(240)	-	(240)
Increase/(decrease) in fair value of investment properties	6,247	-	6,247
At 31 December 2017	**58,335**	**-**	**58,335**

2016	Completed investment property £'000	Assets in the course of construction £'000	Total £'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**

The fair value of the Company's investment property at 31 December 2017 has been arrived at on the basis of a valuation carried out at that date internally, by a chartered surveyor, 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 forecoming reviews, rental value has been assessed in accordance with the terms of 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 yields and or discount rates. The %'s used were in the ranges:

	2017	2016
Commercial property:	**7%-10% (yield)**	7%-10% (yield)
Car parks:	**10% (discount rate)**	10% (discount rate)

13. Finance Lease Receivables

	2017 £'000	2016 £'000
At 01 January 2017/on incorporation	**2,685**	-
Transfer from States of Jersey	**-**	2,685
Repayment	**(1)**	-
At 31 December 2017	**2,684**	**2,685**
Made up of:		
Current finance lease receivables	**225**	209
Non-current finance lease receivables	**2,459**	2,476
	2,684	**2,685**

Amounts receivable under finance leases at 31 December 2017

	2017		2016	
	Present value of minimum lease payments	**Gross investment**	Present value of minimum lease payments	Gross investment
	£'000	**£'000**	£'000	£'000
Not later than one year	**225**	**228**	209	226
Later than one year and not later than 5 years	**727**	**910**	687	905
Later than five years	**1,732**	**14,827**	1,789	14,991
	2,684	**15,965**	2,685	16,122
Future interest amounts		**(13,281)**		(13,437)
		2,684		2,685

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

14. Investments

	2017	2016
	£'000	£'000
At 01 January	**4,004**	-
Additions	**2,000**	4,000
Unrealised gain	**3**	4
At 31 December 2017	**6,007**	**4,004**

The Company holds a portfolio of three funds, with a valuation of £6.0 million, invested in bonds. Details of the funds are disclosed below, further information is available at the fund manager's respective websites. The investments can be realised at any time, but the Company has no intention of realising them in the next 12 months.

Insight Investment Management (Global) Ltd - IIFIG Bonds Plus 400 fund (£2.0 million)
Goldman Sachs Asset Management – Global Strategic Income Bond (£2.0 million)
Wellington Management Funds – Global Total Return (£2.0 million)

The value of these holdings will vary subject to market fluctuations. Investments are valued at the market prices and exchange rates prevailing at the balance sheet date.

15. Stocks

	2017	2016
	£'000	£'000
Raw material and consumables	**393**	340

The replacement cost of raw materials and consumables at 31 December 2017 was not materially different to the amount at which they are included in the financial statements.

16. Trade and Other Receivables

	2017	2016
	£'000	£'000
Due within one year:		
Trade debtors	**3,962**	3,537
Other debtors	**1,495**	962
Prepayments and accrued income	**426**	168
	5,883	**4,667**

17. Deferred Tax Asset

	2017	2016
	£'000	£'000
Accelerated capital allowances	(1,113)	(1,325)
Pension deductions in future periods	2,490	3,321
	1,377	1,996

18. Cash and Cash Equivalents

	2017	2016
	£'000	£'000
Cash at bank	25,413	28,195

Cash at bank 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.

19. Creditors: Amounts Falling Due within One Year

	2017	2016
	£'000	£'000
Trade creditors	1,065	1,041
Accruals and deferred income	2,437	1,683
Capital creditors	1,075	570
Due to parent undertaking	3,043	5,686
Corporation tax	695	507
Other creditors	171	3,901
	8,486	13,388

20. Provisions for Liabilities

	2017 Other provisions £'000	2016 Other provisions £'000
At 01 January	1,000	1,000
Amounts paid	(104)	(215)
Charged/(credited) to profit and loss account	(196)	215
At 31 December 2017	**700**	**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.

21. Called Up Share Capital

	2017 £'000	2016 £'000
Called up, allotted and fully paid		
1,000 ordinary shares of £1.00 each	**1**	**1**

22. Commitments

Capital	**£'000**	**£'000**
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**2,671**	**2,303**

23. Pension Costs

During the period, the Company principally participated in the Public Employees 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). PEPS is also a multi-employer scheme operated by the States of Jersey. The retirement benefits of PEPS are calculated with reference to the retiring employee's average salary and length of service. However, the benefits are subject to a cap on the employers contributions of 16.5% of salaries. In the event that the costs of the scheme's retirement benefits are such that the cap would be exceeded, the employer has the right to unilaterally reduce the benefits. Ports of Jersey currently contribute 16% of employees' salaries to the scheme.

The cumulative contributions of employers and employees to the scheme as at 31 December 2017 was £0.5m (2016: £0.1m). The directors consider that no significant actuarial surplus or deficit attributable to the Ports of Jersey exists in PEPS at 31 December 2017

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

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 liability as at the period 31 December 2017 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.

24. Ultimate Parent Undertaking

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

25. Contingent Liabilities

As at 31 December 2017, there were no contingent liabilities.

26. Post Balance Sheet Events

In March 2018 an agreement was reached with the States of Jersey ('States') on certain legacy items. In particular, the rent free occupation by States of two Ports of Jersey properties. It was agreed to transfer those properties to States for nil consideration in exchange for the transfer of three sites from States to Ports of Jersey for nil consideration. The two Ports of Jersey properties were valued at £1.6m at 31 December 2017. These transactions will be accounted for in the 31 December 2018 financial statements.

Corporate Information

Directors

Charles Clarke	Non-Executive Chair
John Mills CBE	Non-Executive Deputy Chair and Senior Independent Director
Mark Chown	Non-Executive Director
Jeffrey Hume	Non-Executive Director
Margaret Llewellyn OBE (retired 30 April 2018)	Non-Executive Director
Allan Smith MBE	Non-Executive Director
J Douglas Bannister	Group Chief Executive
Andrew Boustouler	Chief Financial Officer

Company Secretary

Andrew Boustouler

Registered Office

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Auditors

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London SW1 2AF

Bankers

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Halkett Street
St Helier
Jersey JE4 8NJ

Solicitors

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