CABERNET LIMITED

ANNUAL REPORT AND AUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

CABERNET LIMITED

Annual report and audited financial statements
For the year ended 31 December 2019

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Company Information

Directors of the Company

A Haining
R Darby
C Simpson
M Coupar

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GY8 0DT

Independent Auditor

BDO Limited
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GY1 3LL

Directors' Report

For the year ended 31 December 2019

The Directors present their annual report and audited consolidated financial statements of Cabernet Limited (the "Company") together with Aurigny Air Services Limited ("Aurigny") and Anglo Normandy Aero Engineering Limited ("Anglo Normandy") (the "Subsidiaries", together the "Group") for the year ended 31 December 2019. These comprise the Consolidated Balance Sheet, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, which have been prepared in accordance with the Companies (Guernsey) Law, 2008.

Principal activities

The Company is the 100% holding company for Aurigny and Anglo Normandy. The principal activities of these subsidiaries are those of passenger and freight air transport services and aircraft engineering and repair respectively.

Proposed dividend

The Directors do not recommend the payment of a dividend (2018: £nil).

Results

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 8.

Directors

The Directors who held office during the year and up to the date of this report are stated on page 1.

Appointment of Directors

The articles of association do not provide for the rotation of Directors, but in the interests of good corporate governance the Board consider that Directors should retire by rotation every 3 years.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and applicable law.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Directors' Report (continued)

For the year ended 31 December 2019

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Aurigny website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Covid-19

As at the date of the signing of these financial statements, the uncertainty associated with the Covid-19 pandemic hangs heavily over all aspects of life in the Bailiwick of Guernsey. As the owner of a state-owned community airline, the thoughts of the Directors are firstly with all those affected and secondly, with all those working tirelessly to support the Bailiwick's efforts to combat this disease, including many of our own staff.

As an essential part of the infrastructure of the Bailiwick, the Group is currently operating an essential lifeline service between Guernsey and the UK and between the islands of Alderney and Guernsey.

Going concern

The Directors have considered and reviewed cash flow forecasts prepared by management which include the reassessment of the Group's operational forecasts as a result of Covid-19 as described in notes 3(i) and 23. Based on those forecasts and an assessment of the committed banking facilities available to the other Group companies and further support from the States of Guernsey, it has been considered appropriate to prepare the financial statements of the Group on a going concern basis.

Brexit

There remains uncertainty over the eventual relationship between the U.K. and the E.U. This uncertainty makes it hard to foresee what impact Brexit will have on the wider macroeconomic environment and any associated impact on the Group's operations. The U.K. has announced that it will depart from the European Union Aviation Safety Agency (EASA) at the end of the Brexit transition period, but the Civil Aviation Authority has not yet issued guidance as to what this means for airlines operating in or flying into the U.K. We do not currently believe there will be a significant impact on the Group as a direct result of Brexit; however, this cannot be guaranteed and we continue to closely monitor developments as the withdrawal process continues.

Directors’ Report (continued)
For the year ended 31 December 2019

Independent Auditor

During the year, KPMG Channel Islands Limited resigned as Independent Auditor of the Company and the Group and has been replaced by BDO Limited. BDO Limited has indicated its willingness to continue in office and a resolution for their re-appointment as auditor of the Company and the Group is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Haining	Christopher Simpson
Director	Director

23rd July 2020

Independent Auditor’s Report to the Member of Cabernet Limited

Opinion
We have audited the consolidated financial statements of Cabernet Limited (individually, the “Company”, together with its subsidiaries, the “Group”) for the year ended 31 December 2019 which comprise the Consolidated Balance Sheet, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies (the “financial statements)”. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (“United Kingdom Generally Accepted Accounting Practice”).

In our opinion, the financial statements:
- give a true and fair view of the state of the Group’s affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements relevant to our audit of 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.

Emphasis of matter – impact of Covid-19
We draw attention to Note 23 of the financial statements, which describes the impact of Covid-19 on the operations of the business after the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following 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 or Group’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 Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Independent Auditor's Report to the Member of Cabernet Limited
(continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors
As explained more fully in the Statement of Directors' responsibilities within the Directors' Report, 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 and Group'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 at the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Company's member, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

BDO Limited

BDO Limited
Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

23rd July 2020

Consolidated Balance Sheet
As at 31 December 2019

	Notes	2019 £	2019 £	2018 As Restated £	2018 As Restated £
Fixed Assets					
Tangible fixed assets	*9*		84,578,251		48,708,768
Current Assets					
Debtors (including £572,695 (2018: £572,695) due after more than one year)	*10*	2,839,862		2,999,769	
Derivative financial instruments	*15*	356,626		346,088	
Cash at bank and in hand		287,887		890,832	
Stock		1,192,662		1,331,292	
		4,677,037		5,567,981	
Creditors: amounts falling due within one year					
Bank overdraft	*12*	(364,142)		(382,902)	
Aircraft loans	*13*	(7,090,669)		(8,384,997)	
Creditors	*13*	(33,393,664)		(20,334,570)	
Derivative financial instruments	*15*	(2,003,132)		(1,353,822)	
		(42,851,607)		(30,456,291)	
Net Current Liabilities			(38,174,570)		(24,888,310)
Creditors: amounts falling due after one year					
Aircraft loans	*13, 14*		(43,028,538)		(7,663,191)
Creditors	*13, 14*		(23,186,793)		(26,237,297)
			(66,215,331)		(33,900,488)
Net Liabilities			(19,811,650)		(10,080,030)
Capital and Reserves					
Share Capital	*17*		25,212,002		25,212,002
Retained Earnings			(45,023,652)		(35,292,032)
Total Equity			(19,811,650)		(10,080,030)

The notes on pages 11 to 30 form an integral part of these financial statements.
These financial statements were approved by the Board of Directors on 23rd July 2020.

Andrew Haining
Director

Christopher Simpson
Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £	2018 As Restated £
Passenger revenue		40,904,564	41,860,342
Other revenue		4,106,938	3,680,546
Total Revenue	*5*	45,011,502	45,540,888
Fuel		(4,970,472)	(3,900,364)
Station and ground expenses		(4,320,382)	(4,198,835)
Flight crew salaries and expenses		(7,201,566)	(6,135,934)
Landing fees, aerodrome charges and navigation		(14,657,517)	(14,348,782)
Aircraft maintenance		(7,364,398)	(7,247,142)
Ticketing, sales and promotions		(1,898,980)	(1,618,530)
Aircraft insurance		(423,235)	(297,450)
Aircraft leases		(1,619,837)	(1,738,252)
Other costs	*6*	(4,120,098)	(3,779,721)
EBITDA*		(1,564,983)	2,275,878
Impairment of Fixed Asset	*9*	(1,140,323)	-
Depreciation	*9*	(4,859,298)	(4,146,473)
Operating Loss		(7,564,604)	(1,870,595)
Interest payable and similar charges		(330,605)	(454,816)
Interest payable on aircraft loans		(2,002,285)	(2,133,327)
Interest receivable		110,925	-
Net finance charges		(2,221,965)	(2,588,143)
Movement in loss on derivative financial instruments	*15*	(641,536)	(430,625)
Movement on provision for onerous lease	*13*	696,485	358,932
Loss for the year		(9,731,620)	(4,530,431)

All material activities derive from continuing operations.

The Group has no recognised gains or losses other than those included in the above statement. No separate statement of other comprehensive income has been presented.

The notes on pages 11 to 30 form an integral part of these financial statements.

*EBITDA is a group specific measure which is earnings before finance expenses (interest), taxes, depreciation and amortisation.

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

2018 As restated	Notes	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2018		25,212,002	(31,366,606)	(6,154,604)
Prior period adjustment	*4 (i)*	-	(434,575)	(434,575)
Transaction with ultimate shreholder recorded directly in equity	*4 (ii)*	-	1,039,580	1,039,580
Restated balance at 1 January 2018		25,212,002	(30,761,601)	(5,549,599)
Loss for the year		-	(4,530,431)	(4,530,431)
Balance at 31 December 2018		25,212,002	(35,292,032)	(10,080,030)

2019	Share Capital £	Retained Earnings £	Total Equity £
Balance at 1 January 2019	25,212,002	(35,292,032)	(10,080,030)
Loss for the year	-	(9,731,620)	(9,731,620)
Balance at 31 December 2019	25,212,002	(45,023,652)	(19,811,650)

The notes on pages 11 to 30 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Notes	2019 £	2018 As Restated £
Operating activities			
Loss for the year		(9,731,620)	(4,530,431)
Adjustments for:			
Depreciation	9	4,859,298	4,146,473
Loan interest		2,002,285	2,133,327
Decrease/(increase) in Stock		138,629	(584)
Movement in unrealised loss on derivative financial instruments	15	638,773	286,756
Decrease in debtors	10	265,367	49,676
Adjustment to opening reserves	4	-	434,575
Decrease in creditors	13	(954,663)	(19,482)
Net cash (ouflow)/inflow from operating activities		(2,781,931)	2,500,310
Investing activities			
Purchase of tangible assets	9	(40,743,968)	(12,075,784)
Disposal of tangible assets	9	15,187	-
Net cash outflow from investing activities		(40,728,781)	(12,075,784)
Financing activities			
Repayment of bank loans		(3,529,709)	(1,251,017)
New loans raised		49,365,347	7,663,191
Amount received from parent company shareholder		(1,510,263)	3,387,091
Loan interest paid		(1,398,848)	(1,420,305)
Net cash inflow from financing activities		42,926,527	8,378,960
Net decrease in cash and cash equivalents		(584,185)	(1,196,514)
Cash and cash equivalents as at 1 January		507,930	1,704,444
Cash and cash equivalents as at 31 December		(76,255)	507,930
Cash at bank and in hand		287,887	890,832
Bank overdraft		(364,142)	(382,902)
		(76,255)	507,930

The notes on pages 11 to 30 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. Reporting entity

The Company was established on 14th February 2003 and is registered in Guernsey. The Company is limited by shares and is governed by the provisions of the Companies (Guernsey) Law, 2008. The address of the Company's registered office is given on the Company Information page.

2. Basis of consolidation

The group financial statements consolidate the financial statements of the Company and its Subsidiaries identified in Note 11 for the year ended 31 December 2019. All intra-group transactions have been excluded from the consolidated financial statements. All companies within the Group compile their financial statements to the same date.

3. Basis of accounting

These financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in accordance with United Kingdom accounting standards including FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ("FRS 102"). The functional and presentation currency of these financial statements is sterling.

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

a) *Revenue recognition*

The Group's revenue is derived solely from the activities of its subsidiaries and is recognised as follows:

(i) *Aurigny Air Services Limited (hereafter "Aurigny")*

Passenger ticket sales, exclusive of any applicable GST/VAT, are recorded as current liabilities in the "bookings paid in advance" account until recognised as revenue when the transportation service is provided. All other revenue types are accrued in the period to which they relate.

(ii) *Anglo Normandy Aero Engineering Limited (hereafter "Anglo Normandy")*

Turnover is expressed as a combination of completed work, which has been invoiced and part completed work, which is accounted for as work in progress. Any turnover billed in advance of work being performed is carried forward and not recognised as turnover in the period.

b) *Provisions*

Frequent Flyer Programme

Aurigny operates a frequent flyer programme, a loyalty programme to reward customers with free flights subject to the payment of taxes and surcharges. A provision for unused points is made in accordance with FRS 102.21. This provision is based on the anticipated fair value of rewards earned, which is calculated by multiplying the total number of points outstanding at the year-end which are expected to be redeemed by the average value of points.

EU261 compensation claims

Provision is made for passenger compensation claims when Aurigny has an obligation to recompense customers under regulation EU261 where technical issues have caused flights departing France or the United Kingdom to be delayed by more than 3 hours. Provisions are measured based on known eligible flight delays and the Aurigny's historic claim rates and are expected to unwind across the claim window, which is 6 years.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

3. Basis of accounting (continued)

b) *Provisions (continued)*

Onerous lease
In accordance with FRS102.21 provision is made against onerous lease contracts where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. When measuring a provision, the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it, less the reasonably expected income/benefits during the same period. An appropriate discount rate is applied when making the provision.

c) *Tangible fixed assets*
Tangible fixed assets are stated at cost less depreciation. The gain or loss on disposal of tangible fixed assets after deducting any costs associated with selling, disposing of or retiring the relevant asset is recognised in the consolidated statement of comprehensive income.

Estimated residual values are reviewed annually at each period end, with reference to current market conditions. Where estimated residual values are found to have changed significantly, this is accounted for prospectively as a change in estimate and depreciation charges over the remaining useful life of the asset are adjusted to take account of the revised estimate of residual value.

d) *Depreciation – Excluding aircraft*
Depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over the period of their estimated useful economic lives, at the following annual rates:

Asset	**Depreciation per annum**
Leasehold Property	5% straight line
Ground equipment	20% reducing balance
Plant, tools, equipment, office furniture and fittings	20% reducing balance
Motor vehicles	25% straight line / 25% reducing balance
Airport buildings and fittings	20% straight line
Radio equipment	10% straight line

e) *Aircraft depreciation*
In accordance with the requirements of FRS 102.17.6, the cost of each aircraft is split into its main components and each component is depreciated over the remaining useful economic life of that component. The remaining useful economic life of each component is expressed either as flying hours or aircraft landings and the annual depreciation charge is calculated by reference to the number of hours flown or landings made by each aircraft during the accounting period. Depreciation charge commences following the first full month of an aircraft's service. The cost of major maintenance inputs is also capitalised and depreciated over the length of time until the input needs repeating. The depreciation of the core hull value is based on future valuations obtained when the aircraft were acquired. These are reviewed regularly. Where a contract to sell an aircraft has been entered into, the contracted value will become the residual value and depreciation will be adjusted accordingly.

f) *Stock*
Stock is stated at the lower of cost and estimated net realisable value after making due provision for damaged, obsolete and slow-moving items. Stock items will usually be purchased as required rather than held.

The core value of rotable parts is written down in a straight line over ten years.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

3. Basis of accounting (continued)

g) *Foreign currency translation*
Monetary assets and liabilities denominated in currencies other than sterling have been translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities are translated at the historic rate ruling on the date of the transaction. Transactions during the year have been translated at the rates of exchange ruling at the date of the transaction. Foreign currency profits and losses are recognised in the consolidated statement of comprehensive income.

h) *Pension costs*
Throughout the year the Subsidiaries operated a joint defined contribution pension scheme for their Channel Islands resident employees and a Group Personal Pension Plan arrangement for their United Kingdom resident employees. Aurigny pays contributions into the personal pension plans of its United Kingdom resident employees unless they have opted out. Obligations for contributions to defined contribution pension plans and personal pension plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

i) *Going concern*
As set out in the Directors' Report, the Directors have considered detailed budgeted profitability and cash flows of the Group for the 12 months following the date on which these financial statements were approved by the Board of Directors, which include a reassessment of the operational forecasts as a result of Covid-19 on a reasonable "worst case" scenario as described in Note 23. Based on those forecasts and an assessment of the committed banking facilities available to the other Group companies and support from the States of Guernsey, it has been considered appropriate to prepare the financial statements of the Group on a going concern basis.

The Company and its 100% subsidiaries, Aurigny Air Services Limited and Anglo Normandy Aero Engineering Limited, have historically operated with a combination of third party and States of Guernsey debt and asset financing. The Group has continued to sustain losses in recent years and therefore the Directors have taken the following action: (i) secured a revolving credit facility of £25.7m with a commercial bank which is supported by a guarantee from the States of Guernsey; (ii) secured a working capital overdraft facility of £1m with a commercial bank, supported by a guarantee from the States of Guernsey ; (iii) secured credit and loan facilities with both the States of Guernsey and a commercial bank (with the States of Guernsey acting as guarantor) for the purchase of aircraft; (iv) sought written confirmation from the Policy & Resources Committee of the States of Guernsey that it will continue to make available financial support for the foreseeable future to meet the Group's debts and obligations as they fall due.

In addition, on 20 March 2020, the States of Guernsey unanimously voted through a Rule 18 Resolution brought by the States' Policy & Resources Committee in relation to their *Covid-19 Pandemic – Initial Economic and Financial Response (P.2020/58)*. This resolution included making available a temporary overdraft facility to Aurigny, or guaranteeing its external facilities, by a further £27 million from the £25.7 million that had been approved in December 2019, up to a maximum of £52.7 million in 2020. This was based on the reasonable "worst case" scenario within the detailed budgeted profitability and cash flows reviewed by the Directors which contained the key judgement that, due to UK and Bailiwick air travel restrictions, Aurigny might be unable to begin resuming operations until the beginning of 2021.

As a result of the Rule 18 Resolution and subsequent letter of financial support received from the States' Policy & Resources Committee, the Directors have prepared the financial statements on a going concern basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. Basis of accounting (continued)

j) *Financial instruments*

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices and it uses forward foreign exchange and commodity contracts and interest rate swaps to hedge these exposures. The Group does not use derivative financial instruments for trading purposes.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The following describes the items subject to this re-measurement and the methods used for determining fair value:

Interest swap deals -	The fair value has been estimated by calculating the difference between the interest payments due under the swap deal, and those that would be due using the year end interest charged by Aurigny's bankers.
Fuel forward contracts-	The fair value has been estimated by calculating the difference between the total cost of the contracts (number of tonnes of fuel contracted to purchase multiplied by the contracted rate) and the cost of the equivalent amount of fuel had it been purchased at the forward rate available at the year end.
Foreign exchange forward contracts-	The fair value has been estimated by calculating the difference between the total cost of the contracts (quantity of foreign currency contracted to purchase multiplied by the contracted rate) and the cost of the equivalent amount of foreign currency had it been purchased at the forward rate charged by Aurigny's bankers at the year end.

Loans at amortised cost

Loans at amortised cost are initially measured at fair value, net of transaction costs, then subsequently measured at amortised cost using the effective interest rate method.

States of Guernsey loans to support asset purchases at fixed interest rates (see Note 13) fall into this category. Acquiring these loans on the open market would have generated a higher interest rate of approx. 6.4% for the 2015 loans, then 8.4% for the subsequent loan taken out in 2016 at the date the loans were taken out

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

3. Basis of accounting (continued)

Loans at amortised cost (continued)
(Source: local bank) (This rate was subsequently revised to 7.21 % - see Note 13(ix)). Accordingly, a fair value of the loans has been calculated using this rate (discounted for future cash flows), and the interest charge has been increased to release the unrealised gain over the life of the loan.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

k) *Operating Leases*
Rental charges on operating leases are charged to profit or loss as incurred over the life of the lease.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

4. Prior year adjustment

Two prior period adjustments have been made during the year. The impact of these adjustments, which are referenced (i) and (ii) is summarised below and the nature of the adjustments is described in notes 4(i) and 4(ii).

	Before Restatement £	Adjustment £	As Restated £
Statement of Comprehensive income			
Interest payable and similar charges			
Adjustment (ii)	(2,032,192)	(101,135)	(2,133,327)
Balance Sheet			
Creditors: amounts falling due within one year			
Creditors - Adjustment (i)	(19,899,995)	(434,575)	(20,334,570)
Creditors: amounts falling due after one year			
Creditors - Adjustment (ii)	(27,175,742)	938,445	(26,237,297)
Capital and Reserves			
Retained Earnings - Adjustment (i)		(434,575)	
Retained Earnings - Adjustment (ii)		1,039,580	
	(35,795,902)	605,005	(35,190,897)
Cash Flow Statement			
Operating activities			
Loss for the year - Adjustment (ii)	(4,429,296)	(101,135)	(4,530,431)
Loan interest - Adjustment (ii)	2,032,192	101,135	2,133,327
Adjustment to opening reserves - Adjustment (i)	-	434,575	434,575
Decrease in creditors - Adjustment (i)	415,093	(434,575)	(19,482)
Financing activities			
Amount received from parent company shareholder - Adjustment (ii)	3,161,917	225,174	3,387,091
Loan Interest paid - Adjustment (ii)	(1,195,131)	(225,174)	(1,420,305)
Statement of Changes in Equity			
Balance at 1 January 2018			
Adjustment (i)		(434,575)	
Adjustment (ii)		1,039,580	
	(31,366,606)	605,005	(30,761,601)
Loss for the year			
Adjustment (ii)	(4,429,296)	(101,135)	(4,530,431)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

4. Prior year adjustments (continued)

(i) Future Air Passenger Duty liability

Enhancements in reporting tools during the year have enabled Aurigny to identify the liability for future Air Passenger Duty on unflown flights more accurately and these have indicated that Air Passenger Duty liability had not previously been fully recognised in prior periods.

(ii) Fair value of aircraft loan from the States of Guernsey

The Directors have re-evaluated the calculation and the underlying assumptions for the fair value adjustment made in 2016 in respect of a loan made available by the States of Guernsey to purchase a second new Dornier 228NG aircraft. As a result, there is an increase of £1,039,580 in the credit to Opening Reserves. Further information is provided in Note 13(ix).

5. Turnover

	2019	2018
	£	£
Passenger revenue	40,904,564	41,860,342
Other revenue	4,106,938	3,680,546
Turnover	45,011,502	45,540,888

Other income includes revenue from: ground handling services performed for other airlines; sales of refreshments, snacks and duty free goods on board aircraft; carriage of cargo and mail; aircraft charter; and medevac flights among other sources. Turnover and operating profit/loss derive wholly from continuing activities.

6. General and administration costs

Included within general and administration costs is the audit fee of £67,000 (2018: £65,606).

7. Taxation

The Group is taxed at a standard rate of 0% under Guernsey tax regulation.

8. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

8. Critical accounting judgements and key sources of estimation uncertainty (continued)

Frequent Flyer Programme

Arriving at a provision for unused frequent flyer points involves assumptions around the average value of the points outstanding at the balance sheet date and the volume of points earned that will have now expired. The assumptions used in arriving at this estimated value are detailed in Note 3(b). The balance of this provision at the year end is detailed in Note 13.

EU261 compensation claims

The primary assumption needed in arriving at a value for the EU261 compensation provision is the percentage of potential claimants who will actually submit a claim, as the amount of potential claimants and the amount per claim are both known. The percentage of the total outstanding liability that has been included as a provision in these financial statements is based on the Group's experience of claims up to 31 December 2019. The balance of this provision at the year end is detailed in note 13.

Aircraft residual values

The ultimate residual value of commercial aircraft is impacted by numerous factors in addition to usual market demand. These include the life remaining in major components before overhaul, cumulative hull hours and cycles, the cost of fuel and exchange rates. In formulating its depreciation policy the Board uses third party valuation information, where available, and estimates based on similar fleets where there is no third party information.

As stated in Note 9, an impairment charge was applied to the fixed asset value during the year. This impairment was estimated by management based on all relevant information at the balance sheet date.

Onerous lease

Where Aurigny has entered into lease contracts for commercial aircraft that have become onerous, the present obligation under those contracts has been recognised and measured as a provision. In arriving at any provision, assumptions have been made concerning any income or benefits that can reasonably be expected to be derived from an aircraft during the remaining lease period. The discount rate applied to the provision is Aurigny's weighted average cost of debt. The balance of this provision at the year end is detailed in Note 13.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

9. Tangible fixed assets

Cost	31 December 2018 £	Additions £	Written off/ Disposals £	Impairment £	31 December 2019 £
Aircraft	71,213,685	41,693,041	-	(1,140,323)	111,766,403
Tools, ground and radio equipment	1,995,011	87,041	(17,577)		2,064,475
Motor vehicles	474,050	21,995	-		496,045
Office furniture, equipment & computer equipment	959,030	80,134	(1,784)		1,037,380
Buildings	13,549	1,208	-		14,757
Leasehold Property	551,971	872	-		552,843
Total	75,207,296	41,884,291	(19,361)	(1,140,323)	115,931,903

Accumulated Depreciation	31 December 2018 £	Depreciation £	Written off/ Disposals £	Impairment £	31 December 2019 £
Aircraft	24,023,289	4,558,082	-		28,581,371
Tools, ground and radio equipment	1,461,023	102,997	(3,859)		1,560,161
Motor vehicles	246,908	49,474	-		296,382
Office furniture, equipment & computer equipment	666,726	117,991	(315)		784,402
Buildings	401	2,810	-		3,211
Leasehold Property	100,181	27,944	-		128,125
Total	26,498,528	4,859,298	(4,174)	0	31,353,652

Carrying Amount	31 December 2018 £	31 December 2019 £
Aircraft	47,190,396	83,185,032
Tools, ground and radio equipment	533,988	504,314
Motor vehicles	227,142	199,663
Office furniture, equipment & computer equipment	292,304	252,978
Buildings	13,148	11,546
Leasehold Property	451,790	424,718
	48,708,768	84,578,251

Included within the carrying amount of aircraft at 31 December 2018 and 2019 are two ATR72-500 aircraft. In 2019 Aurigny entered into an agreement to sell these aircraft to a third party for a price to be calculated in accordance with an agreed formula. One aircraft was sold in April 2020; the sale of the second aircraft is expected to take place in 2020. An impairment of £1,140,323 has been recognised in the year to bring the asset value in line with the fair value of the aircraft less the costs of sale.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

9. Tangible fixed assets (continued)

Included within tangible fixed assets are assets acquired under finance leases as follows:

	Cost £	Accumulated Depreciation £	Carrying Amount £
Plant and equipment	124,180	107,491	16,689

10. Debtors

	2019 £	2018 £
Trade debtors	1,485,078	1,392,589
Prepayments	782,089	1,034,485
Due within one year	2,267,167	2,427,074
Lease and trade deposits	572,695	572,695
Due after more than one year	572,695	572,695
Total debtors	2,839,862	2,999,769

11. Investment in subsidiary undertakings

The Subsidiaries of the Company, which are incorporated within these consolidated financial statements, are as follows:

	Place of incorporation	*Percentage of equity share capital held*	*Principal activity*
Aurigny Air Services Limited	Guernsey	100%	Air transport services
Anglo Normandy Aero Engineering Limited	Guernsey	100%	Aircraft engineering

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

12. Bank overdraft

Aurigny has an unsecured overdraft facility of £1m supported by a guarantee from the States of Guernsey. The overdraft bears interest at 1.125% above the Bank of England base rate. The bank overdraft of £364,142 (2018: £382,902) represents an actual balance as at 31 December 2019 of £214,267 (2018: £389,084) and uncleared payments of £149,875 (2018: £6,182).

13. Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	2,412,039	2,375,913
Bookings paid in advance	5,025,833	5,157,565
Air passenger duty paid in advance	428,861	434,575
Other Loans (see note 13 (iii))	14,000,000	-
Deposits received	6,019,417	-
Accruals	1,903,868	2,651,750
Amount due to shareholder	3,603,646	9,714,767
Creditors: amounts falling due within one year	33,393,664	20,334,570

Included within trade creditors is £511,606 (2018: £965,851) which was payable to the States of Guernsey in relation to trading activities between the parties.

As discussed in Note 9, Aurigny entered into an agreement to sell two ATR 72-500 aircraft during the year. In accordance with the terms of the agreement, a part payment of the price was received during 2019 and is included within Deposits received. One aircraft was sold in April 2020; the sale of the second aircraft is expected to take place later in 2020.

Included in accruals is a provision in respect of estimated future liabilities under Aurigny's frequent flyer scheme, the movement on which is reconciled as follows:

	2019	2018
	£	£
Opening balance	376,701	415,784
Movement in outstanding points	79,778	125,453
Expired points	(19,284)	(164,536)
	437,195	376,701

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

13. Creditors: amounts falling due within one year (continued)

Included in accruals is a provision in respect of retrospective liabilities under EU 261 regarding flight delay compensation, the movement on which is reconciled as follows:

	2019	2018
	£	£
Opening balance	255,000	255,000
Additions	93,728	78,765
Charges	(68,728)	(78,765)
	280,000	255,000

Also included in accruals is an onerous lease provision. Aurigny has obligations under an aircraft lease agreement which the Directors consider to be onerous therefore they have made a provision of £149,321 (2018: £845,806). In measuring the provision, the Directors have used a discount rate of 5.08%. The movement on this provision can be reconciled as follows:

	2019	2018
	£	£
Opening balance	845,806	1,204,738
Charge to provision	-	-
Release of provision	(696,485)	(358,932)
	149,321	845,806

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

13. Creditors: amounts falling due within one year (continued)

	2019		2018 As Restated	
	£		£	
	Current	Non-current	Current	Non-current
Aircraft loans				
(i) ATR 72-500 loan	4,855,288	-	8,384,997	-
(ii) ATR 72-600 loan	2,235,381	43,028,538	-	7,663,191.0
	7,090,669	43,028,538	8,384,997	7,663,191
Other Loans				
(iii) Working capital facility	14,000,000	-	-	-
Amount due to parent company shareholder				
(iii) Working capital facility	-	-	7,839,346	-
(iv) Embraer jet loan	1,164,432	15,365,387	1,118,476	16,529,819
(v) Dornier 228 loan	1,848,275	-	188,293	1,848,276
(vi) Dornier 228 NG loan 1	282,163	4,308,777	270,820	4,590,941
(vii) Dornier 228 NG loan 2	308,776	6,301,946	297,832	6,610,722
(viii), (ix) Fair value adjustment upon initial recognition of refinanced loans	-	(2,789,317)	-	(3,342,461)
	3,603,646	23,186,793	9,714,767	26,237,297

(i) A loan facility of £19,799,383 was entered into in 2009 with a commercial bank for the purposes of financing the purchase of two ATR72-500 aircraft. In February 2019, the residual balance which was £8,000,000 was refinanced with a commercial bank at an interest rate of 0.5% per annum over LIBOR which has been capped at 1.25%. The loan was repaid on 5 March 2020.

(ii) Aurigny entered into a loan facility of up to £51m with a commercial bank in 2018 to finance the purchase of three ATR72-600 aircraft which have been acquired in the year. The loan will be repaid in part out of the proceeds of sale of two ATR72-500 aircraft one of which has been sold and the other is expected to be sold in 2020. Capital repayments on the remaining loan balance commence in March 2020 and end in December 2028 when the outstanding balance is expected to be approximately 50% of the original borrowing. The loan, which is guaranteed by the States of Guernsey, bears interest at 0.62% per annum above LIBOR. Aurigny has entered into interest rate swap arrangements in respect of loan repayments to fix the future cash flow requirements. The fixed interest rate is 1.58% until 31 December 2019 and 2.23% for the remainder of the period of the loan. Both swaps include a buy back of the 0% floor included within the loan facility. The value of these swaps is shown within "derivative financial instruments" under current liabilities, having been calculated in accordance with Note 3(j) derivative financial instruments and hedging.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

13. Creditors: amounts falling due within one year (continued)

(iii) At the beginning of the year, a temporary facility was in place with the States of Guernsey to cover ongoing cash requirements of the Group. During the year this has been replaced by an overdraft facility with a commercial bank which is supported by a guarantee from the States of Guernsey. The new facility is for up to £15m for 2019 and up to £25.7m for 2020. The facility bears interest at 0.5% above LIBOR. £14,000,000 (2018: £7,839,346 on the previous facility with the States of Guernsey) has been drawn as at the balance sheet date.

(iv) Aurigny entered into an agreement with the States of Guernsey in 2014 for the purpose of funding the purchase of one new Embraer jet. This was a £4.4m facility which was subsequently extended, also in 2014, to £22,170,805. As at the balance sheet date, the entire loan had been drawn down but had been reduced to £16,529,819 (2018: £17,648,295) through scheduled repayments. This loan bears interest at 4.047% pa, matures in June 2024 and has a residual balance of £10,900,000.

(v) Aurigny entered into an agreement with the States of Guernsey in 2014 for the purpose of purchasing two used Dornier 228 aircraft. This is a £2,678,555 facility. As at the balance sheet date, the entire loan had been drawn down but had reduced to £1,848,275 (2018: £2,036,569) through scheduled repayments. This loan bears interest at 4.066% pa, matures in March 2020 and has a residual balance of £1,800,000. Subsequent to the year end the maturity date has been extended to 31 December 2020.

(vi) Aurigny entered into an agreement with the States of Guernsey in 2015 for the purpose of purchasing a new Dornier 228 NG aircraft. This is a £5,630,216 facility. As at the balance sheet date, the entire loan had been drawn down but had reduced to £4,590,940 (2018: £4,861,761) through scheduled repayments. The loan bears a fixed interest rate of 4.124% pa. This loan matures in November 2025 and has a residual balance of £2,740,000.

(vii) Aurigny entered into an agreement with the States of Guernsey in 2016 for the purpose of purchasing a second new Dornier 228 NG aircraft which was delivered in August 2018. This is a £6,981,347 facility. As at the balance sheet date the entire loan had been drawn down but had been reduced to £6,610,722 (2018: £6,908,554) though scheduled repayments. The loan bears a fixed interest rate of 3.625% pa. This loan matures in September 2028 and has a residual balance of £3,490,000.

(viii) When the loans with the States of Guernsey (referenced in (iv), (v), and (vi) above) were refinanced to fixed interest rate loans on 1 April 2015, a fair value adjustment upon initial recognition of £3,695,999 was recognised. £129,793 of this amount was released in full in 2016 as it related to an aircraft that was sold in that year. This adjustment was calculated using an external market rate of 6.4% pa to determine the net present value of future cashflows. The effective interest rate method has increased the interest being charged through profit or loss to unwind this unrealised gain over the life of the loans. This increased the interest charged during the year by £408,283 (2018: £427,209; restated for 2018: £416,187).

(ix) When the loan with the States of Guernsey referenced in (vii) above was made available in 2016 a fair value adjustment upon initial recognition of £476,383 was recognised. The adjustment was calculated using an external market rate of 8.4% pa to determine the net present value of future cash flows. As stated in Note 4(ii) the Directors have re-evaluated the calculation and the underlying assumptions used to make this adjustment and have concluded that an external market rate of 7.21% is a more accurate rate. Additionally, the amount of the loan has been increased to the full loan amount of £6,981,347 rather than the partial loan amount which had been drawn in 2016 at the time of the initial recognition. The effective interest rate method has increased the interest being charged through profit or loss to unwind this unrealised gain over the life of the loan. This increased the interest charged during the year by £144,861 (2018: £44,299; restated for 2018: £145,434). The restatement is discussed in Note 4(ii).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

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

	2019	2018 As Restated
	£	£
Aircraft loan	43,028,538	7,663,191
Amount due to shareholder	23,186,793	26,237,297
Creditors: amounts falling due after more than one year	**66,215,331**	**33,900,488**

Maturity of debt:

	2019	2018 As Restated
	£	£
One to two years	10,546,541	6,409,668
Two to five years	24,963,104	17,613,164
More than five years	30,705,686	9,877,656
	66,215,331	**33,900,488**

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

15. Derivative financial instruments

Current Assets	2019	2018
	£	£
Foreign currency exchange forward contracts	356,626	346,088
	356,626	346,088

Creditors: amounts falling due within one year	2019	2018
	£	£
Aircraft interest rate swap	(1,838,905)	(300,450)
Fuel forward contracts	(164,227)	(815,466)
Foreign currency exchange forward contracts	-	(237,906)
	(2,003,132)	(1,353,822)

Statement of Comprehensive Income

	2019	2018
	£	£
Realised loss on derivative financial instruments	(2,763)	(143,869)
Movement in unrealised loss on derivative financial instruments	(638,773)	(286,756)
Movement in loss on derivative financial instruments	(641,536)	(430,625)

Details of the aircraft loan interest rate swap are disclosed in Note 13.

The fuel forward contracts relate to the hedging of fuel costs and the outstanding contracts at the Balance Sheet date totalled 7,575 (2018: 7,885) tonnes. All of these contracts expire in 2020.

The foreign currency exchange forward contracts relate to the hedging of the purchase of USD 9.3m (2018: USD 7.68m). All of these contracts expire in 2020.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

16. Categories of financial instruments

	Financial assets at fair value through profit or loss	Debt instruments at amortised cost	Financial liabilities measured at fair value through profit or loss	Other financial liabilities measured at amortised cost	Total
	£	£	£	£	£
31 December 2019					
Debtors	-	2,057,773	-	-	2,057,773
Cash and cash equivalents (net of overdrafts)	-	(76,255)	-	-	(76,255)
Creditors	-	-	-	(56,580,457)	(56,580,457)
Aircraft loans	-	-	-	(50,119,207)	(50,119,207)
Derivative financial instruments (Current Assets)	356,626	-	-	-	356,626
Derivative financial instruments (Creditors: amounts falling due within one year)	-	-	(2,003,132)	-	(2,003,132)
	356,626	1,981,518	(2,003,132)	(106,699,664)	(106,364,652)

	Financial assets at fair value through profit or loss	Debt intruments at amortised cost	Financial liabilities measured at fair value through profit or loss	Other financial liabilities measured at amortised cost	Total
	£	£	£	£	£
31 December 2018					
Debtors	-	1,965,284	-	-	1,965,284
Cash and cash equivalents (net of overdrafts)	-	507,930	-	-	507,930
Creditors	-	-	-	(46,571,867)	(46,571,867)
Aircraft loans	-	-	-	(16,048,188)	(16,048,188)
Derivative financial instruments (Current Assets)	346,088	-	-	-	346,088
Derivative financial instruments (Creditors: amounts falling due within one year)	-	-	(1,353,822)	-	(1,353,822)
	346,088	2,473,214	(1,353,822)	(62,620,055)	(61,154,575)

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

17. Called up share capital

	2019	2018
	£	£
Authorised and issued ordinary shares of £1 each		
At 1 January	25,212,002	25,212,002
At 31 December	25,212,002	25,212,002

The ordinary shares have the right to participate in the profits of the Company and on a return of capital are entitled to repayment, in full, of the nominal amount. Further, the ordinary shares carry rights to attend and vote at general meetings of the Company. All these shares are fully paid.

18. Pension costs

Throughout the year the Subsidiaries operated a joint defined contribution pension scheme for their Channel Islands resident employees and a Group Personal Pension Plan arrangement for their United Kingdom resident employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £306,688 (2018: £293,588). The amount payable at the end of the year was £48,424 (2018: £47,972). A defined contribution plan and a personal pension plan are post-employment benefit plans under which a company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay any further amounts.

19. Financial commitments

	Leases of Aircraft	Land & buildings
	£	£
In less than one year	1,086,667	267,981
In one to five years	786,667	940,320
Over five years	-	1,645,560
	1,873,334	2,853,861

Aurigny operates two leased aircraft, one of which has a 5 year lease term that expired in April 2020, and the other also has a 5 year lease term that expires in December 2021. Leases of Aircraft represents the total of future minimum lease payments under non-cancellable operating leases.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2019

19. Financial commitments (continued)

Cabernet Limited has been granted a lease to occupy the hangar at La Planque Lane in which Anglo Normandy conducts its business. The lease term is 21 years ending on 31 December 2031. The annual rent is paid in advance by equal monthly payments on the first day of every month. The amount of £235,080 (2018: £227,317) is borne by Anglo Normandy and paid via Cabernet to the States of Guernsey

20. Contingent liabilities

Aurigny has provided a guarantee in favour of Guernsey Customs and Excise to the value of £500 (2018: £500) and the UK Customs and Excise to the value of £5,000 (2018: £5,000), guaranteeing duty-free stock held by Anglo Normandy.

Anglo Normandy has provided a guarantee in favour of Guernsey Customs and Excise to the value of £40,000 (2018: £40,000), guaranteeing duty-free stock held by Anglo Normandy.

The Company is party to an unlimited inter-company guarantee between Anglo Normandy, Aurigny and a commercial bank as security for loans and overdrafts provided.

21. Ultimate controlling party

The controlling and ultimate controlling party, which has interests in 100% (2018: 100%) of the issued share capital of the Company, is the States of Guernsey.

22. Related party transactions

On 22 July 2011 Cabernet Limited signed a 21 year lease agreement, commencing on 1 January 2011 and ending on 31 December 2031, with the States of Guernsey for the hangar and land situated at La Planque Lane, Forest. Rents of £235,080 (2018: £227,317) were paid.

During the year Energy Aviation Services Ltd, a company resident in the United Kingdom wholly owned by Chris Holliday, a Director of Aurigny, provided aviation consulting services amounting to £nil (2018: £11,400).

Key management personnel compensation for the Group totalled £979,802 (2018: £837,713; restated for 2018: £879,813). The restatement related mainly to pension contributions and benefits in kind.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2019

23. Post Balance Sheet Events

Covid-19 pandemic

Since early 2020, the outbreak of Covid-19, which remains a rapidly evolving situation, has adversely impacted global commercial activities, particularly within the airline sector where a number of other airlines are in financial distress and may not survive in the longer term. The rapid development and fluidity of this situation precludes any prediction as to its ultimate global impact, which may have a continued adverse impact on economic conditions and trigger a period of global economic slowdown. There are a range of contingent risks stemming from Covid-19, which include, but may not be limited to, restrictions on air travel and operational capacity, staff shortages and supply chain breakdowns and their consequences. The Group continues to monitor and where possible take action to avoid or mitigate any such impacts on its operations, but notes that as the entirety of its route network relates solely to travel between the islands of the Bailiwick and the UK, that it is more directly impacted by the situation in those jurisdictions than elsewhere.

The Group has been actively engaging with its shareholder the States of Guernsey, through the States' Trading Supervisory Board and it began temporarily scaling back business operations from 23 March 2020 and as at the date of these financial statements is currently only operating lifeline routes between Guernsey and the UK and between the islands of Alderney and Guernsey.

On 20 March, the States of Guernsey unanimously voted through a Rule 18 Resolution brought by the States' Policy & Resources Committee in relation to their *Covid-19 Pandemic – Initial Economic and Financial Response (P.2020/58)*. This resolution included making available a temporary overdraft facility to the Company, or guaranteeing its external facilities, by a further £27 million from the £25.7 million that had been approved in December 2019, up to a maximum of £52.7 million. This was based on a reasonable "worst case" scenario that due to UK and Bailiwick air travel restrictions, the Group would be unable to operate any flights other than the current lifeline routes for the remainder of 2020. The letter from the States' Policy & Resources Committee that accompanied the resolution also made it clear that whilst the Group will and is taking whatever steps it can to reduce its costs during the period in which the pandemic is impacting its operations, that no material reductions in staff or overall operating capacity were planned so as to ensure that the Company remains in place as an "airline in waiting" and can be positioned to restore services as quickly as possible when circumstances allow. As at the date of the signing of these financial statements, the Group is developing its plans to ensure that a re-start plan is in place.

As Covid-19 and its consequences are new and untested circumstances, it is not possible at this time to assess with confidence what the medium, or long term, impacts of Covid-19 may be on the Group, or if these will be negative or positive. Whilst the full consequences of the pandemic and its effects cannot yet be known, the Group believes that its business model as a state-owned community airline with extensive financial support continues to offer a significant degree of protection in an adverse economic environment.

Given the above and the intention to remain at full operational capacity with support from the States of Guernsey, whilst the full consequences of the pandemic and its effects on the Group's financial and non-financial assets cannot yet be fully known, the Directors do not believe there is any financial impact to the financial statements as at 31 December 2019 as a result of this subsequent event.