

# **States of Guernsey**

## **Miscellaneous Accounts 2015**



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# States' Trading Supervisory Board Ports

## Statement of activities and performance

*Year ended 31 December 2015*

During the full financial year ended 31 December, 2015, responsibility for the Ports fell within the mandate of the Public Services Department. Under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for the Ports was transferred to the mandate of the new States' Trading Supervisory Board with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

### Principal activities

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

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

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

The finances of the Harbours of St Peter Port and St Sampson and the Airport have been presented in an amalgamated format since 1962, following a States Resolution in the Billet D'État XVI, 1961, on the basis that the Ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers and that the States, as owners of the Ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another.

Under this group arrangement the trading position of the Airport and Guernsey Harbours is separately identified, but the assets and liabilities are consolidated in recognition of the States' strategic asset in the form of the combined Ports.

### Financial highlights

	Actual 2015 £'000	Budget 2015 £'000	Actual 2014 £'000
Airport income	11,916	12,529	11,808
Harbour income	9,057	9,008	9,064
<b>Total income</b>	<b>20,973</b>	<b>21,537</b>	<b>20,872</b>
Airport (deficit) for the financial year	(5,331)	(222)	(1,070)
Harbour surplus for the financial year	1,286	753	2,174
<b>Total (deficit)/surplus for the financial year</b>	<b>(3,867)</b>	<b>531</b>	<b>1,104</b>
Airport capital expenditure	781	2,515	3,813
Harbour capital expenditure	2,194	3,787	3,483
<b>Total capital expenditure</b>	<b>2,975</b>	<b>6,302</b>	<b>7,296</b>

# States' Trading Supervisory Board Ports

## Statement of activities and performance - continued

*Year ended 31 December 2015*

### **Operational performance**

Total passenger movements for the year ended 31 December 2015 were 1,329,219 (Guernsey Airport 860,123, Guernsey Harbours 469,096), which were 2.24% lower than the previous year. The movements attributable to Guernsey Airport were 0.38% lower and those for Guernsey Harbours 5.49% lower than the previous year.

There were three full emergencies declared at Guernsey Airport during 2015 (2014: 5) and one aircraft accident (2014: 0).

The Airport employed 118 full time equivalents at the end of 2015 (2014: 117\*).

The Harbour employed 80 full time equivalents at the end of 2015 (2014: 81).

*\* These have been adjusted to reflect a recasting of the prior year to include overtime.*

### **Public Services Department Board Members and Principal Officers up to 30 April 2016.**

Board Members were:

Deputy S. Ogier, Minister  
Deputy D. Duquemin, Deputy Minister  
Deputy M. Dorey  
Deputy P. Harwood  
Deputy R. Jones

Board Members were the elected political representatives of the Public Services Department.

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department  
Mr S. Gardiner, Finance Business Partner, Public Services Department  
Mrs S. McGreevy, Harbour Director  
Mr C. Le Ray, Airport Director  
Mr A. Nicholas, Deputy Airport Director  
Mr C Murray, Harbourmaster  
Mrs K. Lawson, Commercial Manager, Public Services Department

# States' Trading Supervisory Board Ports

## Statement of activities and performance - continued

*Year ended 31 December 2015*

### **States' Trading and Supervisory Board Members and Principal Officers effective from 1st May 2016.**

The Board Members are:

Deputy D. Jones, President – elected 11 May 2016

Deputy J. Smithies – elected 18 May 2016

Board Members are the elected political representatives of the States' Trading Supervisory Board.

The Principal Officers are:

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

Mr R. Evans, Head of Corporate Services, States of Guernsey Trading Assets

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

Mrs S. McGreevy, Harbour, General Manager

Mr C. Le Ray, Airport, General Manager

Mr A. Nicholas, Airport, Deputy General Manager

Mr C Murray, Harbourmaster

Mrs K. Lawson, Commercial Manager, States of Guernsey Trading Assets

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditor.

# States' Trading Supervisory Board Ports

## Statement of responsibilities for the preparation of financial statements

The States' Trading Supervisory Board is responsible for preparing financial statements for each financial year and for selecting suitable accounting policies for the Guernsey Airport and the Harbours of St Peter Port and St Sampson (the "Ports"). In preparing those financial statements, the organisation is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume the Ports will continue in business.

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

## Statement of internal financial controls and going concern

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

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

The Ports' internal financial controls and monitoring procedures include:

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

# States' Trading Supervisory Board Ports

## Statement of internal financial controls and going concern - continued

- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Section.

The States' Trading Supervisory Board strives to ensure that all staff with financial responsibility in States Works have the appropriate integrity, skills and motivation to professionally discharge their duties.

The Ports' internal controls and accounting policies have been, and are subject to, continuous review and improvement.

In addition, the financial statements are subject to an independent external audit by auditors appointed by the States.

### Going concern

The Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem the the Ports have adequate financial resources to meet their obligations as they fall due. This will utilise agreed overdraft funding from The States of Guernsey. The Board therefore believe that the Ports are a going concern for at least twelve months from the approval of the financial



# States' Trading Supervisory Board Ports

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY - STATES' TRADING SUPERVISORY BOARD, FORMERLY PUBLIC SERVICES DEPARTMENT - PORTS**

We have audited the financial statements of States of Guernsey - States' Trading Supervisory Board - Ports (the "Ports") for the Year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out in note 2.

This report is made solely to the Board of the States of Guernsey - States' Trading Supervisory Board (the "Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board 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 Board, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements have been properly prepared in accordance with the accounting policies set out in note 1.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey  
06-Jun-16

# States' Trading Supervisory Board Ports

## Statement of comprehensive income for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Income</b>			
Airport Fees, Charges & Other Income	2, 4	11,915,811	11,808,278
Harbour Dues, Charges & Other Income	2, 4	<u>9,056,514</u>	<u>9,063,837</u>
		<u>20,972,325</u>	<u>20,872,115</u>
<b>Expenses</b>	5		
Airport		15,772,092	11,672,294
Harbours		<u>6,756,768</u>	<u>5,857,856</u>
		<u>22,528,860</u>	<u>17,530,150</u>
<b>Operating (deficit)/surplus before depreciation and deficit on disposal of fixed assets</b>		<b>(1,556,535)</b>	<b>3,341,965</b>
Depreciation	5	<b>(5,846,819)</b>	<b>(5,211,458)</b>
Revaluation of fixed assets transferred to investment property	8	<b>176,199</b>	<b>-</b>
<b>Operating deficit for the year</b>		<u><b>(7,227,155)</b></u>	<u><b>(1,869,493)</b></u>
Amortisation of asset specific contributions	2	<b>3,336,741</b>	<b>2,902,103</b>
Interest received from States Treasury		<u><b>23,884</b></u>	<u><b>71,193</b></u>
<b>(Deficit)/Surplus for the financial year</b>		<u><u><b>(3,866,530)</b></u></u>	<u><u><b>1,103,803</b></u></u>

All material activities derive from continuing operations.

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

Notes 1 to 22 form an integral part of these financial statements.

# States' Trading Supervisory Board Ports

## Statement of financial position

As at 31 December 2015

	Notes	2015 £	2014 £
Fixed Assets			
Tangible fixed assets - Airport	7	<b>103,027,984</b>	107,001,382
Tangible fixed assets - Harbours	7	<b>139,802,315</b>	133,860,447
Investment Properties	8	<b>525,000</b>	-
Assets under construction	9	<b>149,420</b>	5,337,989
		<b>243,504,719</b>	246,199,818
Current assets			
Inventories	10	<b>377,403</b>	400,029
Debtors and prepayments – due within one year	11	<b>2,537,524</b>	2,602,736
Bank and cash	17	<b>275</b>	5,838
Balances with States Treasury	17	<b>3,005,212</b>	5,785,340
		<b>5,920,414</b>	8,793,943
Creditors: amounts falling due within one year	12	<b>(3,253,724)</b>	(3,137,620)
Net current assets		<b>2,666,690</b>	5,656,323
Total net assets		<b>246,171,409</b>	251,856,141
Reserves	13	<b>246,171,409</b>	251,856,141

These financial statements were approved by the Policy & Resources Committee, in exercise of its powers under the States (Reform) (Transfer of Functions) Regulations, 2016, on the 6 June 2016.

Signed on behalf of the Committee

**Deputy G. A. St Pier**  
*President of the Policy & Resources Committee*

6 June 2016

Signed on behalf of the States of Guernsey Trading Assets

**Mr S.Elliott**  
*Managing Director*

6 June 2016

Notes 1 to 22 form an integral part of these financial statements.

# States' Trading Supervisory Board Ports

## Statement of changes in equity

*As at 31 December 2015*

### Reserves

	Notes	£
<b>At 01 January 2014</b>		<b>246,492,266</b>
Surplus for financial year		1,103,803
Amortisation of asset specific contributions		(2,902,103)
Contribution from States Capital Reserve		<u>7,162,175</u>
<b>At 31 December 2014</b>		<b>251,856,141</b>
(Deficit) for financial year		(3,866,530)
Amortisation of asset specific contributions		(3,336,741)
Contribution from States Capital Reserve		<u>1,518,539</u>
<b>At 31 December 2015</b>	13	<b><u>246,171,409</u></b>

Notes 1 to 22 form an integral part of these financial statements.

# States' Trading Supervisory Board Ports

## Statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Net cash flows from operating activities</b>	15	<u>(1,352,593)</u>	<u>1,120,500</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		49	-
Purchase of fixed assets	9	(2,975,570)	(7,429,797)
Interest received		<u>23,884</u>	<u>71,193</u>
<b>Net cash flows used in investing activities</b>		<u>(2,951,637)</u>	<u>(7,358,604)</u>
<b>Cash flows from financing activities</b>			
Contribution From States Capital Reserve	13	<u>1,518,539</u>	<u>7,162,175</u>
<b>Net cash flows from financing activities</b>		<u>1,518,539</u>	<u>7,162,175</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(2,785,691)</u>	<u>924,070</u>
<b>Cash and cash equivalents at the beginning of the year</b>		5,791,178	4,867,108
<b>Cash and cash equivalents at the end of the year</b>		<u>3,005,487</u>	<u>5,791,178</u>
<b>Reconciliation to cash at bank and in hand:</b>			
Cash at bank and in hand		<u>3,005,487</u>	<u>5,791,178</u>
Cash and cash equivalents		<u>3,005,487</u>	<u>5,791,178</u>

Notes 1 to 22 form an integral part of these financial statements.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 1. General information

The management, operation and maintenance of the Ports is the responsibility of the States' Trading Supervisory Board. The nature of the Ports operations and principal activities are set out in the Statement of activities and performance.

The Ports principal places of business are Guernsey Airport, La Villiaze, Forest, Guernsey, GY8 0DS & Guernsey Harbour, St Julians Emplacement, St Peter Port, Guernsey, GY1 3DL.

### 2. Principal accounting policies

The accounting policies adopted are described below.

#### *Accounting convention*

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. Following the principles of FRS 102 for the purposes of investment property and accrued staff benefits is a change of accounting policy for 2015 compared to prior year. Whilst not fully adopting FRS102, this change is made with the intention of fully adopting FRS102 in the future.

The functional currency of the Ports is Pounds Sterling.

#### *Going concern*

The financial statements are produced on a going concern basis. The Policy and Resources Committee (formerly Treasury and Resources Department), in conjunction with States' Trading Supervisory Board and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

#### *Income and expenditure*

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

#### *Investment properties*

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

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Tangible fixed assets are depreciated over their expected useful life except assets in the course of construction.

depreciated once ready for use. All costs associated with capital projects, including professional fees are capitalised. No impairment reviews are undertaken for assets under construction.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### *Depreciation*

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

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Land	-	-
Infrastructure	15 - 60	6.67 - 1.67
Buildings	25 - 60	4.00 - 1.67
Plant and Equipment	5 - 25	20.00 - 4.00
Motor vehicles	5	20.00
Computers and ICT	3	33.33

### *Impairment of assets (excluding inventories)*

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

In respect of the Ports Fixed Assets no impairment review has been undertaken as the primary objective is to facilitate travel to and from the island and not generate an economic return. This is not in compliance with FRS102 which would have a full impairment review in the light of accounting losses.

### *Amortisation of asset specific contributions*

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

### *Inventories and work in progress*

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

### *Basic financial instruments*

#### *i) Trade and other debtors*

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

#### *ii) Trade and other creditors*

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

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### iii) Cash and cash equivalents

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

### *Turnover*

Turnover from the supply of services represents the value of services provided to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a transaction has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the transaction activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

### *Pension costs*

Pension costs are treated as described in note 19, Employee benefits.

### *Leases*

#### *As lessee*

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

#### *As lessor*

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



# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Ports accounting policies, which are described in note 2, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

#### *i. Valuation of investment property*

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

#### *ii Depreciation rates*

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

#### *iii Provisions*

Provisions are recognised when the organisation has a present obligation (legal or constructive) as a result of a past event, it is probable that the organisation will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 4. Turnover

An analysis of the Ports turnover by class of business is set out below.

	2015 £	2014 £
<b>Turnover:</b>		
Guernsey Airport	11,915,811	11,808,278
Guernsey Harbours	<u>9,056,514</u>	<u>9,063,837</u>
	<u><b>20,972,325</b></u>	<u><b>20,872,115</b></u>

### Turnover (continued)

An analysis of the Ports turnover is as follows:

Advertising, picketing etc	392,000	404,000
Airport Development Charge	769,000	766,000
Car Parking Fees	734,000	685,000
Rents	1,904,061	1,910,425
Traffic Receipts	7,917,811	7,848,278
Recovery from Alderney	174,000	170,000
Premises	766,040	819,620
Cranes	119,920	82,630
Quays	81,310	263,080
Beacons & Buoys	1,000	2,000
Shipping Dues - Cargo	4,080,074	3,980,197
Passenger Fees	1,216,830	1,191,720
Pilotage Dues	5,180	(50,230)
Leisure / Moorings	2,611,170	2,709,080
Other	174,990	65,740
Investment Property rents (note 7)	<u>24,939</u>	<u>24,575</u>
	<u><b>20,972,325</b></u>	<u><b>20,872,115</b></u>

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 5. Surplus for the financial year

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

	2015 £	2014 £
Depreciation of tangible fixed assets (note 7)	(5,846,819)	(5,211,458)
Impairment of tangible fixed assets (note 7)	223,972	-
(Gain)/loss on disposal of fixed assets (note 7)	9,995	-
	<u>(5,612,852)</u>	<u>(5,211,458)</u>

Analysis of Expenditure:

Pay costs	10,826,567	10,406,479
Staff Non-Pay costs	361,855	275,547
Audit Fees	36,275	36,275
Support Services	5,972,951	2,374,248
Premises	2,956,468	2,478,521
Transport	104,129	118,100
Supplies & Services	2,235,614	2,105,300
Peripheral Activities	35,001	(264,320)
	<u>22,528,860</u>	<u>17,530,150</u>

### 6. Net interest receivable

	2015 £	2014 £
Interest receivable and similar income	<u>23,884</u>	<u>71,193</u>
	<u><u>23,884</u></u>	<u><u>71,193</u></u>

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 7. Tangible fixed assets

#### Airport

<i>Cost</i>	1 January 2015 £	Additions £	Reclassifi- cations £	Adjustments / Disposals £	31 December 2015 £
Land	2,687,152	-	-	-	<b>2,687,152</b>
Infrastructure	64,670,726	93,308	-	-	<b>64,764,034</b>
Buildings	33,524,554	57,382	(436,045)	(12,991)	<b>33,132,900</b>
Plant and equipment	22,563,477	602,175	-	-	<b>23,165,652</b>
Motor vehicles	1,203,695	15,802	-	(20,805)	<b>1,198,692</b>
Computers and ICT	195,707	-	-	-	<b>195,707</b>
	<u>124,845,311</u>	<u>768,667</u>	<u>(436,045)</u>	<u>(33,796)</u>	<u><b>125,144,137</b></u>
<i>Depreciation</i>	1 January 2015 £	Charge for the year £	Reclassifi- cations £	Adjustments / Disposals £	31 December 2015 £
Land	-	-	-	-	-
Infrastructure	4,869,868	1,663,957	-	-	<b>6,533,825</b>
Buildings	4,565,534	783,827	(87,244)	(2,949)	<b>5,259,168</b>
Plant and equipment	7,523,644	1,608,572	-	223,972	<b>9,356,188</b>
Motor vehicles	692,790	99,278	-	(20,803)	<b>771,265</b>
Computers and ICT	192,093	3,614	-	-	<b>195,707</b>
	<u>17,843,929</u>	<u>4,159,248</u>	<u>(87,244)</u>	<u>200,220</u>	<u><b>22,116,153</b></u>
<b>Net book value</b>	<u><u>107,001,382</u></u>				<u><u><b>103,027,984</b></u></u>

A navigational radar has now been replaced at the Airport and will be removed during 2016. As it is no longer in use the net book value of the asset has been written off, incurring an extra charge to the profit and loss for the year of £224k as noted in Note 5.

FRS 102 requires that property and land held to earn rentals or for capital appreciation or both, rather than as part of the normal operations should be treated as investment property if the fair value of the asset can be measured. Following a review of the assets held by the Airport a property has been identified as meeting the criteria to be treated as investment property. Therefore it has been reclassified as investment property as at 31 December 2015 and revalued at that date.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### Harbours

<i>Cost</i>	1 January 2015 £	Additions £	Reclassifi- cations £	Adjustments / Disposals £	31 December 2015 £
Land	87,515,374	-	-	-	87,515,374
Infrastructure	1,947,438	7,308,092	-	-	9,255,530
Buildings	48,816,038	49,570	-	-	48,865,608
Plant and equipment	8,703,481	37,810	-	-	8,741,291
Motor vehicles	180,894	-	-	-	180,894
Computers and ICT	18,200	-	-	-	18,200
	<u>147,181,425</u>	<u>7,395,472</u>	<u>-</u>	<u>-</u>	<u>154,576,897</u>
<i>Depreciation</i>	1 January 2015 £	Charge for the year £	Reclassifi- cations £	Adjustments / Disposals £	31 December 2015 £
Land	-	-	-	-	-
Infrastructure	140,904	265,491	-	-	406,395
Buildings	8,900,981	809,163	-	-	9,710,144
Plant and equipment	4,079,999	378,950	-	-	4,458,949
Motor vehicles	180,894	-	-	-	180,894
Computers and ICT	18,200	-	-	-	18,200
	<u>13,320,978</u>	<u>1,453,604</u>	<u>-</u>	<u>-</u>	<u>14,774,582</u>
<b>Net book value</b>	<u><u>133,860,447</u></u>				<u><u>139,802,315</u></u>

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 8. Investment Properties

	1 January 2015 £	Tfr from Fixed Assets £	Fair Value Adjust £	Disposal £	31 December 2015 £
Airport	-	348,801	176,199	-	<b>525,000</b>
Harbour	-	-	-	-	-
	<u>-</u>	<u>348,801</u>	<u>176,199</u>	<u>-</u>	<u><b>525,000</b></u>

Investment properties, which are all freehold, were valued to fair value at 31 December 2015, based on a valuation undertaken by an independent valuer with recent experience in the location and class of the investment property being valued. The method of determining fair value was using the Red Book value. There are no restrictions on the realisability of investment property.

As set out in note 4, property rental income earned during the year was £24,939. No contingent rents have been recognised as income in the current or prior year.

At the Statement of financial position date, the Ports had contracted with tenants for the following future minimum lease payments on investment properties:

	2015 £	2014 £
Within one year	<b>25,017</b>	24,955
In the second to fifth years inclusive	-	-
After five years	-	-
	<u><b>25,017</b></u>	<u>24,955</u>

The Ports have not entered into non-cancellable contractual commitments in respect of investment properties.

### 9. Assets under construction

	Airports £	Harbours £	2015 Total £	2014 Total £
<b>As at 1 January</b>	52,857	5,285,132	<b>5,337,989</b>	4,512,026
Expenditure in the year	781,230	2,194,340	<b>2,975,570</b>	7,429,797
Transfers to fixed assets	(768,667)	(7,395,472)	<b>(8,164,139)</b>	(6,603,835)
<b>As at 31 December</b>	<u>65,420</u>	<u>84,000</u>	<u><b>149,420</b></u>	<u>5,337,989</u>

Assets under construction completed in 2015 and transferred to fixed assets includes additional runway project and radar expenditure, frost coil replacement and Fire Station exhaust extraction at the Airport. The Harbour includes additions for Berth 4 & 6, Albert Pier pontoon guide, Victoria Marina pontoons, St Sampsons Marina settlement (note 20.) and repairs to the Marine and General building roof.

Assets under construction as at 31 December 2015 related principally to on-going Administration Block refurbishment and Tetra radio system upgrade at the Airport, and at Harbours, a replacement gangway.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 10. Inventories

	2015 £	2014 £
Airport	64,774	64,774
Harbours	<u>312,629</u>	<u>335,255</u>
	<u><b>377,403</b></u>	<u><b>400,029</b></u>

### 11. Debtors and prepayments

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	2,475,395	2,574,573
Prepayments	<u>62,129</u>	<u>28,163</u>
	<u><b>2,537,524</b></u>	<u><b>2,602,736</b></u>

### 12. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	1,535,128	527,906
Accruals	1,330,510	2,181,274
Deferred income	386,686	427,040
Other creditors:		
Harbour operational license deposits	<u>1,400</u>	<u>1,400</u>
	<u><b>3,253,724</b></u>	<u><b>3,137,620</b></u>

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 13. Reserves

	2015 £	2014 £
Balance 1 January	251,856,141	246,492,266
(Deficit) / surplus for financial year	(3,866,530)	1,103,803
Amortisation of asset specific contributions	(3,336,741)	(2,902,103)
Contribution from States Capital Reserve	1,518,539	7,162,175
	<u>246,171,409</u>	<u>251,856,141</u>
Balance 31 December	<u>246,171,409</u>	<u>251,856,141</u>

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

### 14. Asset specific contributions

	2015 £	2014 £
<b>As at 1 January</b>	<b>79,282,488</b>	<b>74,754,794</b>
Contributions receivable	1,518,697	7,429,797
	<u>80,801,185</u>	<u>82,184,591</u>
Released to Statement of comprehensive income during the year	(3,336,741)	(2,902,103)
<b>As at 31 December</b>	<b><u>77,464,444</u></b>	<b><u>79,282,488</u></b>

### 15. Reconciliation of surplus/(deficit) to net cash inflow from operating activities

	2015 £	2014 £
Operating (deficit) for the year	(7,227,155)	(1,869,493)
Depreciation charges and loss on sale of tangible assets	5,846,819	5,224,285
Revaluation of investment property	(176,199)	-
Decrease in inventories	22,626	100,977
Decrease in debtors	65,212	14,732
Increase/(decrease) in creditors	116,104	(2,350,001)
<b>Net cash flows (utilised in)/generated from operating activities</b>	<b><u>(1,352,593)</u></b>	<b><u>1,120,500</u></b>



# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 16. Reconciliation of net cash flow to movement in net funds

	2015 £	2014 £
(Decrease)/increase in cash in the year	(5,563)	2,929
(Decrease)/increase in balances with States Treasury	<u>(2,780,128)</u>	<u>921,141</u>
Change in net funds	<b>(2,785,691)</b>	924,070
Net funds at 1 January	<u>5,791,178</u>	<u>4,867,108</u>
<b>Net funds at 31 December</b>	<b><u>3,005,487</u></b>	<b><u>5,791,178</u></b>

### 17. Analysis of changes in net funds

	1 January 2015 £	Cash Flows £	31 December 2015 £
Cash at bank and in hand	5,838	(5,563)	275
Balance held with States Treasury	<u>5,785,340</u>	<u>(2,780,128)</u>	<u>3,005,212</u>
	<u>5,791,178</u>	<u>(2,785,691)</u>	<u>3,005,487</u>

### 18. Financial commitments

The Ports have no future minimum payments under non-cancellable contracts.

### 19. Employee benefits

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £1,144,363 (2014: £1,118,272).

Details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2015.

# States of Guernsey States Trading Supervisory Board Ports

## Notes to the Financial Statements

### 20. Subsequent Events

#### Guernsey Harbour

In April 2016, following a long-running claim of £3.1 million made by a contractor in respect of the St Sampsons Marina project, the States of Guernsey agreed, based on legal advice and a financial risk assessment, solely to avoid incurring further and continuing irrecoverable legal and other expenses and to remove the litigation risk, to settle the case without acknowledgement of any liability with a payment of £800,000 in full and final settlement. This and the associated additional legal and other fees of £94,000 have been fully provided for in these accounts. The total legal fees charge in 2015, including £94,000 provision, was £253,000 (2014: £274,000).

#### Guernsey Airport

Following a long-running claim against a manufacturer of foam products, the States of Guernsey agreed to settle in the High Court in February 2016. Legal fees of £4.2m have been charged in the 2015 accounts (2014:£694,000) in respect of advancement of the High Court case.

Under the terms of the settlement, the States have paid a £1.4 million (US\$ 2 million) contribution towards the supplier's legal costs and a further £780,000 of its own legal fees has been paid, both of which will be charged in the 2016 accounts. Both sides have now dismissed any claim against the other.

### 21. Related party transactions

The total direct remuneration for key management personnel for the period totalled £428,659 (2014: £384,158).

A total of £5,198,000 (2014: £5,288,000) turnover was attributable to fees and charges for Aurigny, a wholly States of Guernsey owned company.

Less than 20% of the value of the Ports' annual expenditure is due to transactions with other States entities.

### 22. Statement of control

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

## Supplemental Information

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

# GUERNSEY AIRPORT

2015 Original Budget £'000s	2015 Probable Outturn £'000s		2015 Actual £'000s	2014 Actual £'000s
		<b><u>Net Expenditure by Category</u></b>		
		<b>Income</b>		
12,529	12,009	Operating Income	11,916	11,808
		<b>Expenditure</b>		
(6,889)	(6,900)	Pay Costs	(7,024)	(6,924)
		Non-Pay costs		
(193)	(236)	Staff Non-Pay costs	(187)	(134)
(817)	(3,668)	Support Services	(5,224)	(1,608)
(1,577)	(1,665)	Premises	(1,464)	(1,145)
(48)	(17)	Transport	(22)	(22)
(1,959)	(2,099)	Supplies & Services	(1,851)	(1,840)
(4,594)	(7,685)		(8,748)	(4,749)
1,046	(2,576)	<b>Operating (deficit)/surplus for the financial year</b>	(3,856)	135
(1,268)	(1,233)	Depreciation (net of amortisation of asset specific contributions)	(1,475)	(1,278)
<b>(222)</b>	<b>(3,809)</b>	<b>Operating (deficit)</b>	<b>(5,331)</b>	<b>(1,143)</b>

# GUERNSEY AIRPORT

2015 Original Budget £'000s	2015 Probable Outturn £'000s		2015 Actual £'000s	2014 Actual £'000s
		<b><u>Net Expenditure by Service Area</u></b>		
		Income		
569	503	Advertising, picketing etc	392	404
735	735	Airport Development Charge	769	766
700	695	Car Parking Fees	734	685
2,460	2,117	Rents	2,101	2,146
7,900	7,964	Traffic Receipts	7,920	7,848
<u>12,364</u>	<u>12,014</u>		<u>11,916</u>	<u>11,849</u>
		<i>Operational Expenditure</i>		
(1,117)	(1,264)	Administration	(1,267)	(1,133)
(2,037)	(2,069)	Aerodrome Fire Service	(2,190)	(2,099)
(2,582)	(5,519)	Airport Infrastructure	(7,076)	(3,190)
(1,705)	(1,831)	Airport Security	(1,552)	(1,613)
(4,042)	(4,077)	Navigational Services	(3,861)	(3,849)
<u>(11,483)</u>	<u>(14,760)</u>		<u>(15,946)</u>	<u>(11,884)</u>
165	170	<i>Recovery from Alderney Airport</i>	174	170
<u>1,046</u>	<u>(2,576)</u>	<b>Operating (deficit)/surplus for the financial year</b>	<u>(3,856)</u>	<u>135</u>
(1,268)	(1,233)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,475)	(1,278)
<u><b>(222)</b></u>	<u><b>(3,809)</b></u>	<b>Operating (deficit)</b>	<u><b>(5,331)</b></u>	<u><b>(1,143)</b></u>

2015 Original Budget £'000s	2015 Probable Outturn £'000s		2015 Actual £'000s	2014 Actual £'000s
		<b><u>Routine Capital Expenditure</u></b>		
(400)	-	<i>Miscellaneous Capital Works</i>	-	-
(2,115)	(568)	<i>Equipment, Machinery and Vehicles</i>	(163)	(70)
<u>(2,515)</u>	<u>(568)</u>	<b>Routine Capital Expenditure</b>	<u>(163)</u>	<u>(70)</u>
-	(1,008)	Airports Pavements Project	(492)	(3,369)
-	(149)	Airport Radar	(126)	(374)
-	1,157	Less Transfer from Capital Reserve	618	3,743
<u><b>(2,515)</b></u>	<u><b>(568)</b></u>	<b>Net Capital Expenditure</b>	<u><b>(163)</b></u>	<u><b>(70)</b></u>

# GUERNSEY HARBOURS

2015 Original Budget £'000s	2015 Probable Outturn £'000s		2015 Actual £'000s	2014 Actual £'000s
		<b><u>Net Expenditure by Category</u></b>		
		<b>Income</b>		
9,008	9,221	Operating Income	9,057	9,064
		<b>Expenditure</b>		
(3,918)	(3,941)	Pay Costs	(3,803)	(3,482)
		Non-Pay costs		
(167)	(208)	Staff Non-Pay costs	(175)	(142)
-	-	Peripheral Activities	(34)	264
(623)	(677)	Support Services	(786)	(803)
(2,102)	(1,959)	Premises	(1,493)	(1,335)
(45)	(105)	Transport	(82)	(96)
(373)	(400)	Supplies & Services	(384)	(264)
(3,310)	(3,349)		(2,954)	(2,376)
1,780	1,931	<b>Operating surplus for the financial year</b>	2,300	3,206
(1,027)	(1,264)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,035)	(1,032)
<b>753</b>	<b>667</b>	<b>Operating surplus</b>	<b>1,265</b>	<b>2,174</b>

# GUERNSEY HARBOURS

2015 Original Budget £'000s	2015 Probable Outturn £'000s	<u>Net Income / Expenditure by Service Area</u>	2015 Actual £'000s	2014 Actual £'000s
		<i>Commercial Operations</i>		
4,285	4,285	Shipping dues - cargo	4,080	3,980
1,218	1,218	Passenger Fees	1,217	1,192
7	7	Pilotage Dues	5	(62)
(224)	(359)	Premises	58	210
(437)	(414)	Cranes	(256)	(309)
(1,094)	(621)	Quays	(1,017)	(255)
(35)	(39)	Beacons & Buoys	(31)	(18)
<u>3,720</u>	<u>4,077</u>		<u>4,056</u>	<u>4,738</u>
1,532	1,459	<i>Leisure moorings</i>	1,714	1,793
		<i>Other Operations</i>		
(3,444)	(3,579)	Central Administration	(3,492)	(3,307)
(28)	(26)	Ships Registry	22	(18)
<u>(3,472)</u>	<u>(3,605)</u>		<u>(3,470)</u>	<u>(3,325)</u>
1,780	1,931	<b>Operating surplus for the financial year</b>	2,300	3,206
(1,027)	(1,264)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,035)	(1,032)
<u><b>753</b></u>	<u><b>667</b></u>	<b>Operating surplus</b>	<u><b>1,265</b></u>	<u><b>2,174</b></u>

2015 Original Budget £'000s	2015 Probable Outturn £'000s	<u>Routine Capital Expenditure</u>	2015 Actual £'000s	2014 Actual £'000s
(2,025)	(665)	<i>Miscellaneous Capital Works</i>	(1,087)	(196)
(45)	(20)	<i>IT Projects and Equipment</i>	(20)	
(1,035)	(120)	<i>Equipment, Machinery and Vehicles</i>	(187)	-
<u>(3,105)</u>	<u>(805)</u>	<b>Routine Capital Expenditure</b>	<u>(1,294)</u>	<u>(196)</u>
(682)	(1,480)	Crane Strategy	(900)	(3,287)
-	(150)	Deep Water Berth Investigations	-	-
682	1,630	Less Transfer from Capital Reserve	900	3,287
<u><b>(3,105)</b></u>	<u><b>(805)</b></u>	<b>Net Capital Expenditure</b>	<u><b>(1,294)</b></u>	<u><b>(196)</b></u>

# PORTS HOLDING ACCOUNT

2015 Original Budget £'000s	2015 Probable Outturn £'000s		2015 Actual £'000s	2014 Actual £'000s
<b>Revenue Account</b>				
<i>Operating (Deficit)/Surplus before depreciation</i>				
1,046	(2,576)	Guernsey Airport	(3,856)	135
1,780	1,931	Guernsey Harbour	2,300	3,206
<u>2,826</u>	<u>(645)</u>		<u>(1,556)</u>	<u>3,341</u>
-	40	<i>Investment Interest Receivable</i>	24	71
<i>Capital Expenditure</i>				
(2,515)	(568)	Guernsey Airport	(163)	(70)
(3,105)	(805)	Guernsey Harbour	(1,294)	(196)
<u>(5,620)</u>	<u>(1,373)</u>		<u>(1,457)</u>	<u>(266)</u>
<b><u>(2,794)</u></b>	<b><u>(1,978)</u></b>	<b>(Deficit)/surplus before depreciation</b>	<b><u>(2,989)</u></b>	<b><u>3,146</u></b>
(2,295)	(2,497)	Depreciation (net of amortisation of asset specific contributions)	(2,510)	(2,310)
<b><u>(5,089)</u></b>	<b><u>(4,475)</u></b>	<b>(Deficit)/surplus after depreciation</b>	<b><u>(5,499)</u></b>	<b><u>836</u></b>
2,794	6,023	<i>Balance at 1st January</i>	6,023	2,877
(2,794)	(1,978)	<i>(Deficit)/surplus for the year before depreciation</i>	(2,989)	3,146
<b><u>-</u></b>	<b><u>4,045</u></b>	<b>Balance at 31st December</b>	<b><u>3,034</u></b>	<b><u>6,023</u></b>



# States' Trading Supervisory Board

## Guernsey Water

### Statement of activities and performance

*Year ended 31 December 2015*

During the full financial year ended 31 December, 2015, responsibility for Guernsey Water fell within the mandate of the Public Services Department. Under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for Guernsey Water was transferred to the mandate of the new States' Trading Supervisory Board with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

### Principal activities

Guernsey Water, a business unit of the States' Trading Supervisory Board, delivers to its customers:

- A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at the lowest cost consistent with meeting a high level of customer service and confidence.
- A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently.

### Financial highlights

	<b>Actual 2015</b>	Budget 2015	Actual 2014
	<b>£'000s</b>	£'000s	As restated £'000s
Turnover	<b>15,724</b>	15,372	15,476
Surplus	<b>949</b>	433	994
Capital Expenditure	<b>23,991</b>	24,083	5,760

The main capital projects of 2015 were the completion and commissioning of the new outfall at the Belle Greve on the east coast, the refurbishment of Les Goubey's waste water pumping station, improvement/replacement of Les Landes foul water pumping station, the replacement or refurbishment of mains and sewers and network extension to sewers at Longfrie.

### Operational performance

	<b>2015</b>	2014	Change %
<b>Number of supplies:</b>			
Paying by tax on real property	<b>8,701</b>	8,828	-1.4
Paying by measure	<b>16,954</b>	16,627	+2.0
Total	<b>25,655</b>	25,455	+0.8

### Volume supplied in million litres (ML):

Delivered to customers paying by measure	<b>2639</b>	2681	-1.6
Delivered to other customers	<b>1271</b>	1338	-5.0
Operational use, firefighting and losses	<b>617</b>	441	+39.9
Total put into supply	<b>4,527</b>	4,460	+1.5

# States' Trading Supervisory Board

## Guernsey Water

### Statement of activities and performance - continued

Year ended 31 December 2015

#### Operational performance - continued

##### Service:

Restrictions on supply	None	None	None
Burst mains	39	28	+39.3
Discolouration - claims paid	1 at £20	5 at £10	-80.0

	2015	2014	Change %
<b>Unit costs (partially weather related):</b>			
Water production	£477	£476	+0.2
Water distribution	£22	£19	+15.8
<b>Full time equivalent employees</b>	<b>87</b>	<b>84</b>	<b>+3.6</b>
<b>Average number of full time employees</b>	<b>80</b>	<b>79</b>	<b>+1.3</b>

#### Other matters

2015 has been a year of continued consolidation of operations following the merger of the water and wastewater businesses that the States of Deliberation formally agreed in February 2012. This culminated in a restructure of the business during the last quarter of the year to fully integrate these two services. Further careful examination of the capital requirements of the water and wastewater business has informed the preparation of a detailed 10-year business plan that will be published during the spring of 2016.

Once again, due to the careful collection of water resources and the storage capacity of the reservoirs on the Island, Guernsey Water was able to supply water to the population of Guernsey without any restrictions on water usage.

Further operational and other details can be found in Guernsey Water's 2015 Annual Report.

#### Guernsey Water Department Board Members and Principal Officers up to 30 April 2016

Deputy S. Ogier, Minister  
 Deputy D. Duquemin, Deputy Minister  
 Deputy M. Dorey  
 Deputy P. Harwood  
 Deputy R. Jones

Board Members are the elected political representatives of the Public Services Department.

The Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department  
 Mr S. Gardiner, Finance Business Partner, Public Services Department  
 Mr S. Langlois, Director of Water Services  
 Mr C. Hall, Customer Service Manager, Guernsey Water  
 Mr J. Holt, Operations Manager, Guernsey Water  
 Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water  
 Mr M. Walker, Capital Delivery Manager, Guernsey Water

# States' Trading Supervisory Board Guernsey Water

## Statement of activities and performance - continued

*Year ended 31 December 2015*

### **States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016**

The Board Members are:

Deputy D. Jones, President - elected 11 May 2016

Deputy J. Smithies - elected 18 May 2016

Principal Officers serving the States Trading Supervisory Board effective from 1 May 2016

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

Mr R. Evans, Head of Corporate Services, States of Guernsey Trading Assets

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

Mr S. Langlois, General Manager, Guernsey Water

Mr C. Hall, Customer Service Manager, Guernsey Water

Mr J. Holt, Operations Manager, Guernsey Water

Mrs M. McGuinness, Water Quality Risk Manager, Guernsey Water

Mr M. Walker, Capital Delivery Manager, Guernsey Water

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditor.

# States' Trading Supervisory Board

## Guernsey Water

### Statement of responsibilities for the preparation of financial statements

The States' Trading Supervisory Board is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Guernsey Water at the end of the financial period, and of the surplus or deficit for that period that are in accordance with applicable laws and regulations. In preparing those financial statements, The States' Trading Supervisory Board is required to:

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

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

### Statement of internal financial controls and going concern

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

The States Trading Supervisory Board, is responsible for the economic, efficient and effective operations and management of Guernsey Water and has a duty to ensure that they fulfil their obligations.

Guernsey Water's internal financial procedures include:

- An annual budget to allocate, control and monitor the use of capital and revenue resources, analysed by department and type of income/expenditure.
- The production of monthly management accounts enabling income and expenditure to be monitored against budget.
- The production of monthly management accounting reports on capital expenditure and cash flow.
- Authorisation and control of the placing of orders and payments made.
- Regular review of debts, income and expenditure by type and department.

# States' Trading Supervisory Board

## Guernsey Water

### Statement of internal financial controls and going concern - continued

- Regular review of charges for water supplies and other services.
- Consideration of all audit reports by The States' Trading Supervisory Board.

The States' Trading Supervisory Board strives to ensure that all staff with financial responsibility in Guernsey Water have the appropriate integrity, skills and motivation to professionally discharge their duties.

Guernsey Water's internal controls and accounting policies have been and are subject to continuous review and improvement.

In addition, the financial statements are subject to an independent external audit by the auditor appointed by the States of Guernsey

#### *Going concern*

The Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem Guernsey Water has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Water is a going concern for at least twelve months from the approval of the financial statements.

# States' Trading Supervisory Board Guernsey Water

## **INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY STATES' TRADING SUPERVISORY BOARD – GUERNSEY WATER**

We have audited the financial statements of Guernsey Water for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the States' Trading Supervisory Board, as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the States' Trading Supervisory Board 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 States' Trading Supervisory Board as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the States' Trading Supervisory Board and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Guernsey Water's affairs as at 31 December 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

# States' Trading Supervisory Board Guernsey Water

## INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY STATES' TRADING SUPERVISORY BOARD – GUERNSEY WATER (continued)

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey

# States' Trading Supervisory Board

## Guernsey Water

### Statement of comprehensive income

*for the year ended 31 December 2015*

	Notes	2015 £	2014 As restated £
<b>Turnover</b>	2 & 4	<b>15,723,978</b>	15,476,254
<b>Expenses</b>	4	<b>10,680,460</b>	10,700,482
<b>Operating surplus before depreciation/ amortisation and loss on disposal of fixed assets</b>		<b>5,043,518</b>	4,775,772
Depreciation/amortisation	7, 9 & 11	<b>(4,155,702)</b>	(3,704,137)
Loss on disposal of fixed assets	7 & 11	<b>(150)</b>	(510,031)
<b>Operating surplus for the year</b>		<b>887,666</b>	561,604
Net interest receivable	5	<b>60,998</b>	388,350
Gain on sale of properties	11	<b>-</b>	44,036
<b>Surplus for the financial year</b>		<b>948,664</b>	993,990

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial year other than as stated in the revenue account.

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



# States' Trading Supervisory Board Guernsey Water

## Statement of financial position

As at 31 December 2015

	Notes	2015 £	2014 As restated £
<b>Fixed Assets</b>			
Intangible assets	9	95,411	35,528
Investment properties	10	650,000	650,000
Tangible assets	11	151,763,921	131,961,406
Assets under construction	12	<u>1,404,871</u>	<u>1,431,984</u>
		<u>153,914,203</u>	<u>134,078,918</u>
<b>Current assets</b>			
Inventories	13	1,278,161	1,240,820
Debtors and prepayments	14	2,025,369	2,364,725
Cash at bank	20	662,666	56,776
Balances with States Treasury	20	<u>12,197,562</u>	<u>13,280,716</u>
		<u>16,163,758</u>	<u>16,943,037</u>
Creditors: amounts falling due within one year	15	(1,234,350)	(1,203,209)
<b>Net current assets</b>		<b>14,929,408</b>	<b>15,739,828</b>
Creditors: amounts falling due after more than 1 year	16	<u>(30,236,426)</u>	<u>(12,160,225)</u>
<b>Total net assets</b>		<u><b>138,607,185</b></u>	<u><b>137,658,521</b></u>
Reserves	17	<u><b>138,607,185</b></u>	<u><b>137,658,521</b></u>

These financial statements were approved by the Policy & Resources Committee, in exercise of its powers under the States (Reform) (Transfer of Functions) Regulations, 6 June 2016, on the 6

Signed on behalf of the Committee

**Deputy G. A. St Pier**

06 June 2016

*President of the Policy & Resources Committee*

Signed on behalf of the States of Guernsey Trading Assets

**Mr S.Elliott**

06 June 2016

*Managing Director*

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

# States' Trading Supervisory Board Guernsey Water

## Statement of changes in equity

*As at 31 December 2015*

### Reserves

	Notes	£
<b>At 31 December 2013 as previously stated</b>		<b>136,358,638</b>
Changes as a result of reclassifications (see note 26)		18,750
Changes on transition to FRS 102 (see note 26)		<u>287,143</u>
<b>At 1 January 2014 as restated</b>		<b>136,664,531</b>
Surplus for the financial year as restated		<u>993,990</u>
<b>At 31 December 2014</b>		<b>137,658,521</b>
Surplus for the financial year		<u>948,664</u>
<b>At 31 December 2015</b>	17	<b><u><u>138,607,185</u></u></b>

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

# States' Trading Supervisory Board Guernsey Water

## Statement of cash flows

for the year ended 31 December 2015

	Note	2015 £	2014 As restated £
<b>Net cash flows from operating activities</b>	18	<b>5,085,505</b>	4,041,012
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		-	133,036
Purchase of fixed assets	12	(23,991,137)	(5,760,219)
Interest received		60,998	388,350
Government grants received		18,367,370	250,503
<b>Net cash flows from investing activities</b>		<b>(5,562,769)</b>	(4,988,330)
<b>Net decrease in cash and cash equivalents</b>		<b>(477,264)</b>	(947,318)
<b>Cash at the beginning of the year</b>		<b>13,337,492</b>	14,284,810
<b>Cash at the end of the year</b>		<b>12,860,228</b>	13,337,492
<b>Reconciliation to cash at bank and in hand:</b>			
Cash at bank and in hand		662,666	56,776
Cash balances with States Treasury		12,197,562	13,280,716
<b>Cash and cash equivalents</b>		<b>12,860,228</b>	13,337,492

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

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements

#### 1. General Information

The management, operation and maintenance of Guernsey Water is the responsibility of the States' Trading Supervisory Board. The nature of Guernsey Water operations and principal activities are set out in the Statement of activities and performance..

Guernsey Water's principal place of business is Brickfield House, St Andrew, Guernsey, GY1 3AS.

#### 2. Principal accounting policies

The accounting policies adopted are described below which have all been applied consistently throughout the year and preceding year.

##### *Accounting convention*

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 as at 1 January 2014. For more information see note 26.

The financial statements are presented in Pounds Sterling, which is the functional currency of Guernsey Water.

##### *Going Concern*

The financial statements are produced on a going concern basis. The Policy and Resources Committee (formerly Treasury and Resources Department), in conjunction with Guernsey Water's Board and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

##### *Intangible assets*

###### *i Long-term strategies*

Expenditure on reports that are designed to inform the long-term strategies of Guernsey Water are capitalised as an intangible fixed asset and amortised over the period for which the board expects to be able to rely on the usefulness of the recommendations within the report. This period is five years. Provision is made for any impairment.

If the expenditure is only relevant to a decision in relation to a single asset then the expenditure is expensed as incurred. Expenditure on reports into the implementation of board decision are capitalised as part of the tangible fixed asset constructed as a result of that decision.

##### *Tangible fixed assets*

###### *i Investment properties*

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

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 2. Principal accounting policies (continued)

##### *ii Property, plant and equipment*

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

##### *iii Assets under construction*

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

##### *Depreciation*

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

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
<b>Land</b>		
Land and quarries	N/A	Nil
Land and quarries improvements	50 - 10	2 - 10
<b>Buildings</b>		
Structures and buildings	50 - 10	2 - 10
<b>Infrastructure</b>		
Dam	50	2
Distribution meters	12	8.3
Fixed plant (machinery)	15 - 5	6.7 - 20
Mains	50 - 10	2 - 10
Mobile plant and tools	5	20
Pumping stations - Civil	50	2
Pumping stations - Mechanical & Electrical	15	6.7
Pumping stations - Control/Instrumentation	10	10
Rising mains	50	2
Rolling Capital Programmes	7	14.3
Sewers - Pipes	70	1.4
Sewers - Chambers	20	5.0
Sewers - Manhole Covers	5	20.0
<b>Furniture, fixtures &amp; fittings</b>		
Computer equipment	5	20.0
Office furniture, fittings and equipment	10 - 5	10 - 20
<b>Motor vehicles</b>		
Motor vehicles	7	14.3

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 2. Principal accounting policies (continued)

##### *Impairment of assets (excluding inventories)*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each Statement of financial position date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of comprehensive income. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

##### *Inventories*

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials and is calculated using the average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### *Basic financial instruments*

###### *i Trade and other debtors*

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

###### *ii Trade and other creditors*

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

###### *iii Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of Guernsey Water.

###### *- States Treasury balances*

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

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 2. Principal accounting policies (continued)

##### *iv Derecognition of basic financial instruments*

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) Guernsey Water transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) Guernsey Water, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in a contract is discharged, cancelled or expires.

##### *Income and expenditure*

Income and expenditure is accounted for on an accruals basis and also includes the estimated value of unbilled water and waste water supplies and cesspit emptying income which is calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year. When the work has been completed this is recognised immediately as income.

##### *Pension costs*

Pension costs are treated as described in note 22 Employee benefits.

##### *Capital grants*

Grants from the States of Guernsey relating to tangible fixed assets are treated as deferred income and released to the Statement of Comprehensive Income over the anticipated useful life of the assets concerned on a basis consistent with the depreciation of the underlying asset. Other grants are credited to the Statement of Comprehensive Income as the related expenditure is incurred.

##### *Interest receivable/payable*

Interest receivable/payable is accounted for on an accruals basis.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of Guernsey Water's accounting policies, which are described in note 2, the board members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgements and estimations that the board members have made in the process of applying Guernsey Water's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *i Valuation of investment property*

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

##### *ii Unbilled services*

Measured and unmeasured water supplies and waste water are billed on a quarterly cycle which means at the year end a significant volume of water has been supplied and waste water treated that has not been invoiced. Management estimates the value of these services based on previous invoicing.

##### *iii Depreciation rates*

Guernsey Water's infrastructure assets are a network for the supply of clean water and a network for the treatment of waste water. There is no definite life of these assets, so management makes an assumption based on previous experience of the usage of the network. The rates used for each type of asset that makes up the infrastructure assets has been disclosed in note 2.

##### *iv Rolling capital & meters*

As a result of past experience and due to the nature of these assets, management has treated these assets as disposals once they have reached the end of their useful lives.



# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 4. Turnover and expenses

An analysis of Guernsey Water turnover and expenditure by class of business is set out below. All turnover is derived from activities within the Bailiwick of Guernsey.

	2015 £	2014 As restated £
Water supplies		
Unmeasured	3,655,197	3,663,936
Measured	6,934,093	6,822,750
	<u>10,589,290</u>	<u>10,486,686</u>
Waste water supplies		
Unmeasured	1,218,067	1,175,454
Measured	2,126,909	2,091,260
	<u>3,344,976</u>	<u>3,266,714</u>
Cesspit emptying income	1,059,404	1,114,757
Net surplus on other trading activities (see below)	439,139	319,427
Grant received	291,169	288,670
	<u>15,723,978</u>	<u>15,476,254</u>
<b>Net surplus on other trading activities:</b>		
Standard charges for service laying	297,331	202,564
Charges for work at ascertained cost	90,446	83,219
Property rental income	116,890	126,885
Stores issues	562,120	582,171
	<u>1,066,787</u>	<u>994,839</u>
Expenditure	<u>(627,648)</u>	<u>(675,412)</u>
	<u>439,139</u>	<u>319,427</u>
<b>Operating expenses</b>		
Water production	2,157,999	2,122,555
Water distribution	559,284	487,067
Asset management	317,453	346,101
Pumping	1,196,778	1,223,846
Sewers	3,366,148	3,377,184
	<u>7,597,662</u>	<u>7,556,753</u>
<b>Management expenses</b>		
Management & general	673,881	641,258
Compliance	631,773	670,198
Customer services	648,016	808,976
Finance & support services	1,129,128	1,023,297
	<u>3,082,798</u>	<u>3,143,729</u>
<b>Total expenditure</b>	<u>10,680,460</u>	<u>10,700,482</u>

# States' Trading Supervisory Board Guernsey Water

## Notes to the financial statements (continued)

### 5. Net interest receivable

	2015 £	2014 £
Other interest receivable and similar income	60,998	388,350
Interest payable and similar charges	-	-
	<u>60,998</u>	<u>388,350</u>

### 6. Surplus on ordinary activities

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

	2015 £	2014 As restated £
Amortisation of intangible assets (note 9)	17,255	-
Depreciation of tangible assets (note 11)	4,138,447	3,704,137
Government grants	(291,169)	(288,670)
Loss on disposal of fixed assets	150	465,995
	<u>3,847,428</u>	<u>3,881,462</u>

The analysis of the auditor's remuneration is as follows:

	2015 £	2014 £
<b>Fees payable to the company's auditor and its associates</b>		
The audit of Guernsey Water	<u>26,755</u>	<u>38,535</u>

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 7. Depreciation/amortisation

	2015 £	2014 As restated £
Amortisation charge for the year (note 9)	17,255	-
Depreciation charge for the year (note 11)	4,138,447	3,704,137
Loss on disposal of fixed assets	150	510,031
Charge in revenue account	<u>4,155,852</u>	<u>4,214,168</u>
Transfer from general reserve (note 17)	-	(214,168)
	<u><u>4,155,852</u></u>	<u><u>4,000,000</u></u>

The transfer to the general reserve is required because the provision for depreciation under the historic cost convention is inadequate to meet the future replacement cost of assets. The total annual depreciation provision has been set at £4 million.

#### 8. Staff numbers and costs

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

	2015	2014
Capital Delivery	9	9
Operations	38	38
Customer Services	14	14
Administration & Support	14	14
Water Quality Risk Management	5	4
	<u>80</u>	<u>79</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	3,131,504	3,037,981
Social security costs	202,639	196,596
Other pension costs (see note 22)	406,176	392,258
	<u>3,740,319</u>	<u>3,626,835</u>
Remuneration costs transferred to capital assets	<u>(412,639)</u>	<u>(290,928)</u>
	<u><u>3,327,680</u></u>	<u><u>3,335,907</u></u>

Other pension costs includes only those items included within operating and management expenses.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 9. Intangible fixed assets

	1 January 2015 As restated	Additions	Write offs / Disposals	31 December 2015
<i>Cost</i>	£	£	£	£
Long-term strategies	73,506	77,138	-	150,644
	73,506	77,138	-	150,644
<i>Amortisation</i>	£	£	£	£
Long-term strategies	37,978	17,255	-	55,233
	37,978	17,255	-	55,233
<b>Net book value</b>	<b>35,528</b>			<b>95,411</b>

Long-term strategies represent reports prepared to inform the long-term decision making of Guernsey Water.

#### 10. Investment properties

	1 January 2015 As restated	Additions/ disposals	Revaluations	31 December 2015
	£	£	£	£
Investment Properties	650,000	-	-	650,000
	650,000	-	-	650,000

Investment properties, which are all freehold, were revalued to fair value at 31 December 2013, based on a valuation undertaken by the States Property Services, an independent valuer approved by RICS with recent experience in the location and class of the investment property being valued. The method of determining fair value was the comparable basis. There are no restrictions on the realisability of investment property.

The original book value of the investment properties was £253,648.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 11. Tangible fixed assets

	1 January 2015 As restated	Additions	Write offs / Disposals	31 December 2015
<i>Cost</i>	£	£	£	£
Land	3,111,216	30,143	-	<b>3,141,359</b>
Buildings	15,042,792	274,424	-	<b>15,317,216</b>
Infrastructure	163,015,233	23,597,708	576,000	<b>186,036,941</b>
Furniture, fixtures & fittings	708,955	38,836	748	<b>747,043</b>
Motor vehicles	760,306	1	-	<b>760,307</b>
	<u>182,638,502</u>	<u>23,941,112</u>	<u>576,748</u>	<u><b>206,002,866</b></u>
	1 January 2015 As restated	Charge for the year	Write offs / Disposals	31 December 2015
<i>Depreciation</i>	£	£	£	£
Land	118,179	29,688	-	<b>147,867</b>
Buildings	2,244,201	356,722	-	<b>2,600,923</b>
Infrastructure	47,144,658	3,632,905	576,000	<b>50,201,563</b>
Furniture, fixtures & fittings	530,568	75,316	598	<b>605,286</b>
Motor vehicles	639,490	43,816	-	<b>683,306</b>
	<u>50,677,096</u>	<u>4,138,447</u>	<u>576,598</u>	<u><b>54,238,945</b></u>
<b>Net book value</b>	<u><u>131,961,406</u></u>			<u><u><b>151,763,921</b></u></u>

In 2015 the membranes at St Saviours Water Treatment Works were replaced. They had come to the end for their expected useful live and had therefore been fully depreciated.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 12. Assets under construction

	2015	2014
	£	As restated £
<b>As at 1 January</b>	<b>1,431,984</b>	-
Expenditure in the year	<b>23,991,137</b>	5,760,219
Reclassification	-	1,431,984
Transfers to fixed assets	<b>(24,018,250)</b>	(5,760,219)
<b>As at 31 December</b>	<b><u>1,404,871</u></b>	<b><u>1,431,984</u></b>

Assets under construction completed in 2015 and transferred to fixed assets include the Belle Greve Outfall Project (£18,592,997).

Assets under construction as at 31 December 2015 relate principally to Waste Water Scada upgrade (£605,196) and the Kings Mills Water Treatment Sludge Thickening project (£234,211).

#### 13. Inventories

	2015	2014
	£	£
Water production	<b>469,114</b>	432,080
Water distribution	<b>469,343</b>	487,178
Waste water	<b>339,704</b>	321,562
	<b><u>1,278,161</u></b>	<b><u>1,240,820</u></b>

#### 14. Debtors and prepayments

	2015	2014
	£	As restated £
Amounts falling due within one year:		
Unbilled water supplies	<b>729,381</b>	719,947
Unbilled waste water	<b>228,782</b>	223,563
Customers' billed accounts outstanding	<b>424,110</b>	793,858
Cesspit emptying income receivable	<b>11,978</b>	30,375
Unbilled cesspit income	<b>173,574</b>	178,024
Other debtors and prepayments	<b>193,680</b>	193,329
Grants receivable	<b>38,864</b>	629
	<b><u>1,800,369</u></b>	<b><u>2,139,725</u></b>
Amounts falling due after more than one year:		
Lease deposit	<b>225,000</b>	225,000
	<b><u>2,025,369</u></b>	<b><u>2,364,725</u></b>

# States' Trading Supervisory Board Guernsey Water

## Notes to the financial statements (continued)

### 15. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade creditors	464,627	492,830
Accruals	600,247	443,200
Payments on account	169,476	267,179
	<u>1,234,350</u>	<u>1,203,209</u>

### 16. Creditors: amounts falling due after more than one year

	2015 £	2014 As restated £
Deferred income	30,236,426	12,160,225
	<u>30,236,426</u>	<u>12,160,225</u>

### Capital Grants

	2015 £	2014 As restated £
At beginning of year	12,160,225	12,198,392
Grants receivable	18,367,370	250,503
	<u>30,527,595</u>	<u>12,448,895</u>
Released to revenue account during the year	(291,169)	(288,670)
At end of year	<u>30,236,426</u>	<u>12,160,225</u>

An amount of £291,169 was released to the Statement of Comprehensive Income in 2015 (2014: £288,670). This represents an apportionment of the States grants received over the life of the assets to which the grants relate. This offsets the depreciation on those assets. The release of the grant is commenced on the date of recognition of the asset.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 17. Reserves

	Property Developm' t Fund	General Reserve	Funding from the States of Guernsey - Merger Reserve	Revenue Account	Total
<b>Balance 1</b>					
<b>January 2015</b>	<b>4,852,546</b>	<b>16,102,073</b>	<b>75,178,135</b>	<b>41,430,082</b>	<b>137,562,836</b>
Adjustment re reclassification	-	-	-	18,750	<b>18,750</b>
Adjustment re FRS102	-	-	-	76,935	<b>76,935</b>
<b>Balance 1</b>					
<b>January 2015 as restated</b>	<b>4,852,546</b>	<b>16,102,073</b>	<b>75,178,135</b>	<b>41,525,767</b>	<b>137,658,521</b>
Surplus for the year	-	-	-	948,664	<b>948,664</b>
Transfer to Property Development Fund	154,161	-	-	(154,161)	-
Provision for future replacement of assets (note 7)	-	-	-	-	-
<b>Balance 31</b>					
<b>December 2015</b>	<b><u>5,006,707</u></b>	<b><u>16,102,073</u></b>	<b><u>75,178,135</u></b>	<b><u>42,320,270</u></b>	<b><u>138,607,185</u></b>

The property development fund was set up to fund Guernsey Water's centralisation development. Transfers to the fund comprise net property sales, let property income and nominal interest. Transfers from the fund consist of all expenditure associated with the St. Andrew's Reservoir site development. It will continue to be used to fund leased property maintenance and exploitation of related opportunities.

The general reserve is required to fund the asset base of Guernsey Water (see note 7) and is being developed to assist in the eventual refurbishment or replacement of the St Saviour's Dam and the other treatments works.

Funding from the States of Guernsey – Merger Reserve represents the net book value of the assets transferred by the States of Guernsey Public Services Department ("PSD") to Guernsey Water on the amalgamation of Guernsey Water and Guernsey Waste Water effective 1 January 2012.

All reserves are distributable.



# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 18. Reconciliation of surplus to net cash inflow from operating activities

	2015	2014
	£	As restated £
Operating surplus for the year	<b>887,666</b>	561,604
Adjustment re consumer contributions (note 26)	-	57,052
Depreciation and amortisation charges (notes 7 and 11)	<b>4,155,702</b>	3,704,137
Loss on disposal of fixed assets (note 7)	<b>150</b>	510,031
Government grants released (note 16)	<b>(291,169)</b>	(288,670)
(Increase) in inventories	<b>(37,341)</b>	(67,446)
Decrease/(increase) in debtors	<b>339,356</b>	(118,152)
Increase/(decrease) in creditors due within 1 year	<b>31,141</b>	(317,544)
<b>Net cash flows from operating activities</b>	<b>5,085,505</b>	4,041,012

#### 19. Reconciliation of net cash flow to movement in net funds

	2015	2014
	£	£
Increase/(decrease) in cash in the year	<b>605,890</b>	(521,106)
Decrease in balances with States Treasury	<b>(1,083,154)</b>	(426,212)
Change in net funds	<b>(477,264)</b>	(947,318)
Net funds at 1 January	<b>13,337,492</b>	14,284,810
<b>Net funds at 31 December</b>	<b>12,860,228</b>	13,337,492

#### 20. Analysis of changes in net funds

	1 January	Cash Flows	31 December
	2015		2015
	£	£	£
Cash at bank and in hand	56,776	605,890	<b>662,666</b>
Funds held with States Treasury	13,280,716	(1,083,154)	<b>12,197,562</b>
	<b>13,337,492</b>	<b>(477,264)</b>	<b>12,860,228</b>

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 21. Financial commitments

Commitments at 31 December for which no provision has been made in these financial statements were as follows:

	2015 £	2014 £
Contracted for but not provided for - capital expenditure	<u>902,497</u>	<u>23,384,185</u>
	<u><u>902,497</u></u>	<u><u>23,384,185</u></u>

The Belle Greve Wastewater Outfalls project was completed in 2015, there was a capital commitment relating to the Belle Greve Wastewater Outfalls project of £19,708,170 at 31 December 2014. There are no significant projects outstanding as at 31 December 2015.

#### 22. Employee benefits

The employees of Guernsey Water are members of the States of Guernsey Superannuation Fund, which is a defined benefit pension scheme. Although the scheme is a multi-employer plan, it is not possible to identify Guernsey Water's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the defined benefit pension scheme across the participating entities.

The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of Guernsey Water are considered to be ultimately employees of the States of Guernsey.

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £406,176 (2014: £392,258).

Details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2015.

#### 23. Subsequent events

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

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 24. Related party transactions

The total remuneration for key management personnel for the period totalled £389,503 (2014: £297,794).

Of Guernsey Water's annual income and expenditure, less than 20% of their respective value is due to transactions with other States entities.

#### 25. Statement of control

Guernsey Water is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Water has been delegated to the members of the States' Trading Supervisory Board appointed by the States of Guernsey.

#### 26. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

As result of adopting FRS 102 Guernsey Water has changed its accounting policies in relation to the following areas - Depreciation of fixed assets, Treatment of customer contributions, Investment properties and Employee benefits. The effects of these changes are detailed below:

#### Reconciliation of equity

	1 January 2014 £	31 December 2014 £
Equity reported under previous UKGAAP	136,358,638	137,562,836
<b>Adjustments to equity on transition to FRS 102</b>		
Note 1 Depreciation/amortisation	(537,041)	(742,017)
Note 2 Government grant	100,656	100,656
Note 3 Customer contributions	330,479	331,715
Note 4 Investment properties	396,352	396,352
Note 5 Employee benefits	(3,303)	(9,771)
Equity reported under FRS 102	136,645,781	137,639,771
Adjustment to equity re reclassifications (see below)	-	18,750
	136,645,781	137,658,521

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 26. Explanation of transition to FRS 102 (continued)

##### Reconciliation of surplus for year ended 31 December 2014

	£
Surplus for the financial year under previous UK GAAP	<u>1,204,198</u>
1 Depreciation/amortisation	(204,976)
2 Government Grant	-
3 Consumer Contributions	1,236
4 Investment Properties	-
5 Employee Benefits	<u>(6,468)</u>
Surplus for the financial year under FRS 102	<u><u>993,990</u></u>

##### **Note 1**

Following the adoption of FRS 102 Guernsey Water has changed its accounting policy in relation to the depreciation/amortisation of Fixed Assets. Depreciation/amortisation of Fixed Assets now commences in the month that the asset is in a condition to be utilised as intended rather than at the start of the year following commissioning of the asset. See further detail in reconciliation of fixed assets below.

##### **Note 2**

This change in policy has also had an impact on the release of the Government grant which is released to the Statement of Comprehensive Income in line with the depreciation expense in relation to the asset.

##### **Note 3**

As a result of the adoption of FRS 102, Guernsey Water no longer recognises customer contributions as a reduction of the cost of an asset. These contributions are recognised as revenue in accordance with the appropriate accounting policies once the work has been completed. The adjustment in relation to this change represents the amount received in advance less the amounts already recognised in the Statement of Comprehensive Income over the 12 year life previously given to this class of asset.

##### **Note 4**

FRS 102 requires that property and land held by Guernsey Water that is held to earn rentals or for capital appreciation or both rather than as part of the normal operations should be treated as investment property. Following a review of the assets held by Guernsey Water three properties have been identified as meeting the criteria to be treated as investment properties and as a result the opening balances at 1 January 2014 have been restated. It has been estimated that there has been no significant changes in the valuation of the properties since 1 January 2014 and hence the valuation carried out at 31 December 2015 has been used to estimate the value at the date of transition. As a result there is no impact on the results for the current or prior year.

# States' Trading Supervisory Board

## Guernsey Water

### Notes to the financial statements (continued)

#### 26. Explanation of transition to FRS 102 (continued)

##### Note 5

FRS 102 requires that the cost of any holiday carried forward into the next accounting period is accrued for in the period that the holiday was earned. This is a change of accounting policy for Guernsey Water and as a result prior years have been restated.

##### Reconciliation of fixed assets

	31 December 2014	FRS 102 adjustment	Reclassificatio ns	31 December 2014
	As previously reported £	£	£	As restated £
<b>Cost</b>				
Intangible assets	-	-	73,506	<b>73,506</b>
Investment properties	-	650,000	-	<b>650,000</b>
Land	3,332,880	(227,414)	5,750	<b>3,111,216</b>
Buildings	15,571,109	(18,083)	(510,234)	<b>15,042,792</b>
Infrastructure	162,318,451	1,871,750	(1,174,968)	<b>163,015,233</b>
Furniture, fixtures & fittings	734,305	-	(25,350)	<b>708,955</b>
Motor vehicles	760,306	-	-	<b>760,306</b>
Assets under construction	37,337	(11,649)	1,406,296	<b>1,431,984</b>
	<u>182,754,388</u>	<u>2,264,604</u>	<u>(225,000)</u>	<u><b>184,793,992</b></u>
<b>Accumulated Depreciation</b>				
Intangible assets	-	29,457	8,521	<b>37,978</b>
Investment properties	-	-	-	<b>-</b>
Land	24,732	93,447	-	<b>118,179</b>
Buildings	2,173,708	89,243	(18,750)	<b>2,244,201</b>
Infrastructure	45,104,237	2,048,942	(8,521)	<b>47,144,658</b>
Furniture, fixtures & fittings	515,917	14,651	-	<b>530,568</b>
Motor vehicles	636,676	2,814	-	<b>639,490</b>
Assets under construction	-	-	-	<b>-</b>
	<u>48,455,270</u>	<u>2,278,554</u>	<u>(18,750)</u>	<u><b>50,715,074</b></u>
<b>Net book value</b>	<u>134,299,118</u>	<u>(13,950)</u>	<u>(206,250)</u>	<u><b>134,078,918</b></u>

A valuation of the investment properties was carried out at 31 December 2015. This valuation has been reflected as a restatement of the opening balances for the year ended 31 December 2014. There is no further impact in relation periods covered by these financial statements.

As a result of the FRS102 review management identified assets that should have been classified as assets under construction, intangible assets or long-term receivables. These have been restated as a classification adjustment.

# States' Trading Supervisory Board Guernsey Dairy

## Statement of activities and performance

*for the year ended 31 December 2015*

During the financial year ended 31 December 2015, responsibility for Guernsey Dairy fell within the mandate of the Commerce and Employment Department. Under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for Guernsey Dairy was transferred to the mandate of the new States' Trading Supervisory Board with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Commerce and Employment Department if prior to 1 May 2016.

### Overall purpose and responsibilities of the Dairy Management Board

The Dairy Management Board exists to review and advise on the strategic objectives of the Dairy and to submit recommendations on these matters to the controlling Board. It should operate by challenging established practices and assumptions and critically reviewing annual business plans for recommendation to the controlling Board.

#### Department Board Members and Principal Officers up to 30 April 2016 Department members

Deputy K A Stewart	-	Minister
Deputy A Brouard	-	Deputy Minister
Deputy G Collins	-	Member
Deputy D G De Lisle	-	Member
Deputy L Trott	-	Member
Advocate Thomas Carey	-	Non States Member

#### Dairy Management Board members

Mr A Child	-	Chairman
Deputy D De Lisle	-	Member
Mr D Cowley	-	Member
Mr R Waters	-	Member
Mr S Hogg	-	Non-States Member
Mr S Keys	-	Non-States Member
Mr R Nash	-	Member – Ex officio
Mr A Tabel	-	Member – Ex officio

#### Principal officers

Mr J Moriarty	-	Chief Officer
Mr R Nash	-	Director of Client Services
Mr A Tabel	-	General Manager

#### Resignations and Appointments

Mr D Cowley	-	resigned December 2015
Mr R Waters	-	appointed January 2016

# States' Trading Supervisory Board Guernsey Dairy

Statement of activities and performance - continued  
for the year ended 31 December 2015

## States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016

### States' Trading and Supervisory Board Members

Deputy D Jones, President - elected 11 May 2016  
Deputy J Smithies - elected 18 May 2016

### Principal Officers

### Dairy Management Board members

Mr A Child - Chairman  
Mr R Waters - Member  
Mr S Hogg - Non-States Member  
Mr S Keys - Non-States Member  
Mr A Tabel - Member – Ex officio

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets  
Mr R. Nash, Director of Client Services  
Mr R. Evans, Head of Corporate Services, States of Guernsey Trading Assets  
Mr S. Gardiner, Finance Business Partner, States of Guernsey Trading Assets  
Mr A Tabel, General Manager, Guernsey Dairy

**Address:** Bailiff's Cross, St Andrew, Guernsey, GY6 8RJ

### Principal purpose

To operate the Guernsey Dairy in order to:

- Support the policies of the States' Trading Supervisory Board;
- Support a viable dairy industry in Guernsey by purchasing all locally produced milk;
- Satisfy the total consumer demand for fresh milk on Guernsey at an acceptable purchasing price;
- Operate efficiently and in such a manner that, over a year, the business does no worse than break even in financial terms; and
- Provide a safe and rewarding environment to all staff at the Dairy.

# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of activities and performance - continued

*for the year ended 31 December 2015*

#### **Financial Summary**

##### **Summary**

The Guernsey Dairy made an overall net surplus of £132,952 compared with a net surplus of £553,456 in 2014.

The following report highlights the reasons for some key variances in the Dairy's financial statements and provides a summary of the year.

##### **Sales**

Overall sales turnover increased slightly by £22,287 (0.3%) in 2015 compared to 2014.

##### *Liquid Milk*

Sales revenue decreased slightly by £6,708 (0.1%) in 2015 compared to 2014. The majority of the decrease (£4,312) related to lower organic milk sales.

##### *Dairy Products*

Overall sales of dairy products showed an increase of £20,492 (1.3%) in 2015 compared to overall product sales in 2014. Butter rose by £25,929 (2.7%) due to a slight increase in exports. Cheese sales were down by £20,243 (10.7%) compared to 2014, however, the volume of cheese being produced increased due to the increased volume of milk supplied by the farmers. The cheese market is a difficult market to compete in with a large number of varieties of cheese at competitive prices for the consumers to choose from. Sales of cream and ice cream were fairly static in comparison to 2014.

##### *Sundry Income*

Sundry income increased by £8,503 (32.4%) mainly due to an increase in milk carton advertisement income in 2015 compared to 2014.



# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of activities and performance - continued *for the year ended 31 December 2015*

#### **Cost of Sales**

The cost of sales increased by £306,488 (6.1%) in 2015 compared to 2014.

##### *Milk Purchases*

The cost of purchasing raw milk increased in 2015 by £399,454 (11.7%). A decision was taken by the States of Guernsey that, starting in January 2015, the then Commerce and Employment Department (now Committee for Economic Development) would reduce by 50% to £1 million per annum the Dairy Farm Management Payment Scheme. This change is to be phased evenly over a 5 year period. During 2015 the £200,000 reduction in payments made directly to producers has been entirely offset for producers by the Dairy increasing its producer prices. The remaining cost increase is directly attributable to increased volume in supply.

##### *Milk – working losses*

Milk – working losses increased by £16,795 (17.8%) in 2015 compared to 2014. The increased costs are directly related to the increase in supply and the increased cost of milk through the transfer of the Dairy Farm Management Payment Scheme as noted above.

##### *Dairy Product Ingredients*

Costs of ingredients increased by £10,735 (27.9%) in 2015 compared to 2014, the increase in volumes of cheese being a major contributory factor.

#### **Gross Surplus**

The gross surplus for 2015 decreased by £284,201 (12.8%) compared with 2014 figures.

#### **Administration Expenses**

##### *Depreciation*

Depreciation costs decreased during 2015 by £25,014 (10.9%). One major new capital project was postponed until 2016 and several capital assets came to the end of their depreciated lives.

##### *Fuel, Light, Power, Water and Rates*

Fuel, light, power, water and rates costs decreased in 2015 by £23,589 (7.6%) compared to 2014 due mainly to lower fuel costs.

##### *Professional Fees*

Professional fees increased by £62,716 (51.3%). The increase was mainly due to inflationary rises, additional fees including audit fees (due to the adoption of FRS 102 in the year) and fees associated with the work of the milk distribution mitigation review.

##### *Provision for bad and doubtful debts*

A general provision of 0.5% of the debtors balance has been included in these financial statements, which forms part of Guernsey Dairy's accounting policy.

##### *Repairs, Maintenance and Insurance*

Costs increased in 2015 by £49,586 (37.9%) compared to 2014. Cost increases were due to the number of building repairs and maintenance projects carried during 2015 in addition to plant maintenance.

# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of activities and performance - continued

for the year ended 31 December 2015

#### Capital Expenditure

A comprehensive capital expenditure program continued in 2015 resulting in total expenditure of £198,499 against £184,936 in 2014.

Capital expenditure	2015 £	2014 £
<b>Plant &amp; Equipment</b>		
Overhead Steam Supply to Tray Washer		33,842
4250 Cryoscope Fluorophos Testing System		12,445
Syrup Injector Pump		7,820
Office Furniture		4,324
Air Conditioning Unit		2,270
Peripherals to CCTV System		2,000
Dairy Branded Ice Cream Freezer Display Units		2,355
Plate Heat Exchanger		2,618
Grant 12 Litre Water Bath and Thermostat		1,753
Shredder		1,003
Steel Racking (Ice Cream Storage)		3,193
Freezer Unit		43,573
Fulton 60J tubeless steam boiler (1)	45,677	
Stainless Steel Filter for Butter Steam Supply	897	
Stainless Steel Boiler Chimney (1)	13,968	
Stainless Steel Boiler Chimney (2)	13,968	
Stainless Steel C.I.P. Delivery Pump	4,512	
Stainless Steel C.I.P. Scavenge Pump	3,801	
ST14456 IKA Magnetic Stirrer Hotplate Model HS10 (1)	512	
ST14456 IKA Magnetic Stirrer Hotplate Model HS10 (2)	512	
Hygiena ATP Swabbing Machine, software & carrycase	885	
Stainless Steel Water Bath T100 Optima thermostat	1,088	
Fulton 60J tubeless steam boiler (2)	45,679	
Spare Separator Motor	3,376	
SomaScope Smart somatic Cell Counter	24,227	
Allen Coder - 40/20 Print Head	1,856	

# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of activities and performance - continued

for the year ended 31 December 2015

<b>Capital expenditure - <i>continued</i></b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
<b>Buildings &amp; Structures</b>		
Concrete Pad for Road Tanker		7,476
External Door to Cold Store 5		5,875
Seal and Paint Cream Platform Steelwork		10,763
Civil Works to Coldstore 5 Threshold		3,027
Refelt Coldstore 5 roof	20,150	
Admin Kitchen Refurbishment	4,215	
Refurbish SCC Laboratory Room	5,526	
<b>Motor Vehicles</b>		
Forklift Truck		17,710
<b>Information Technology</b>		
Lone Worker Alarm System		1,500
Upgrade to DS4 (1)		2,900
Upgrade PC's		903
Upgrade CCTV System		9,255
Upgrade DS4 (2)		5,950
PC's and Monitors		2,381
Upgrade Milkoscan FT120 Software	7,650	
<b>Total Capital expenditure</b>	<b><u>£198,499</u></b>	<b><u>£184,936</u></b>
<b>Employees</b>		
Full Time Equivalent Employees	38	37

# States' Trading Supervisory Board Guernsey Dairy

## Statement of responsibilities for the preparation of financial statements

The States' Trading Supervisory Board is required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs Guernsey Dairy and of the surplus or deficit of Guernsey Dairy for that period. In preparing those financial statements, the States' Trading Supervisory Board is required to:

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

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

## Statement of internal financial controls and going concern

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

The States Trading Supervisory Board, is responsible for the economic, efficient and effective operations and management of Guernsey Dairy and has a duty to ensure that they fulfil their obligations.

It is acknowledged that States Boards are subject to financial and manpower restrictions. Nevertheless, Boards have a duty to ensure that they fulfil their obligations to install and maintain adequate internal controls and safeguard the States resources for which they are responsible.

The Board's internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit;
- the requirement for all audit reports to be tabled at a meeting of the relevant States Board's to ensure that all Board members are aware of their financial affairs; and
- regular review of the performance and security of the States' financial assets by the Policy and Resources Committee (formerly Treasury and Resources Department) Investment Sub-Committee.

The States' Trading Supervisory Board (formerly Commerce and Employment Department) strives to ensure that all staff with financial responsibility in Guernsey Dairy have the appropriate integrity, skills and motivation to professionally discharge their duties

# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of internal financial controls and going concern - continued

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

#### *Going concern*

The Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months , prepared by management, and deem that Guernsey Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that Guernsey Dairy is a going concern for at least twelve months from the approval of the financial statements.

# States' Trading Supervisory Board Guernsey Dairy

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY STATES' TRADING SUPERVISORY BOARD**

We have audited the financial statements of the States of Guernsey States' Trading Supervisory Board – Guernsey Dairy ("the Dairy") for the year ended 31 December 2015, which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the members of the States of Guernsey States' Trading Supervisory Board ("the Board"), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

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

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Dairy's affairs as at 31 December 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St. Peter Port, Guernsey  
6 June 2016

# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of comprehensive income for the year ended 31 December 2015

	Notes	£	2015 £	£	2014 £
<b>Sales</b>	2				
Liquid milk			5,657,361		5,664,069
Dairy products			1,552,073		1,531,581
Sundry income			<u>34,741</u>		<u>26,238</u>
<b>Total sales</b>			<b>7,244,175</b>		<b>7,221,888</b>
<b>Cost of sales</b>					
Opening product inventories	7	216,832		230,837	
Opening packaging inventories	7	<u>178,568</u>	395,400	<u>173,412</u>	404,249
Production wages		883,563		851,526	
Milk		3,804,927		3,405,473	
Milk – working losses		111,197		94,402	
Dairy product ingredients		49,176		38,441	
Packaging materials		544,420		525,032	
Freight		<u>72,020</u>	5,465,303	<u>79,192</u>	4,994,066
Closing product inventories	7	(367,666)		(216,832)	
Closing packaging inventories	7	<u>(183,634)</u>	(551,300)	<u>(178,568)</u>	(395,400)
<b>Total cost of sales</b>			<b>5,309,403</b>		<b>5,002,915</b>
Gross surplus			1,934,772		2,218,973
Administration expenses	5		<u>(1,832,245)</u>		<u>(1,722,942)</u>
<b>Operating surplus for the year</b>			<b>102,527</b>		<b>496,031</b>
<b>Other comprehensive income</b>					
Interest receivable	2		29,925		62,483
Gain / (loss) on sale of fixed assets			<u>500</u>		<u>(5,058)</u>
<b>Total comprehensive income for the year</b>	10		<b><u>£132,952</u></b>		<b><u>£553,456</u></b>

All material activities derive from continuing operations.

There are no recognised gains or losses or other movements in reserves for the current or preceding financial years, other than as stated in the statement of comprehensive income.

Notes 1 to 17 form part of these financial statements.

# States' Trading Supervisory Board Guernsey Dairy

## Statement of financial position as at 31 December 2015

	Notes	2015 £	2014 £
<b>Tangible fixed assets</b>	6	<b>1,993,845</b>	1,999,467
<b>Current assets</b>			
Inventories	7	<b>616,832</b>	455,715
Debtors and prepayments	8	<b>746,803</b>	836,340
Balances held with the States Treasury		<b>2,905,598</b>	2,781,152
Cash at bank and in hand		<b><u>74,447</u></b>	<u>64,153</u>
		<b>4,343,680</b>	4,137,360
<b>Creditors: amounts falling due within one year</b>	9	<b><u>(500,505)</u></b>	<u>(432,759)</u>
<b>Net current assets</b>		<b><u>3,843,175</u></b>	<u>3,704,601</u>
<b>Total net assets</b>		<b><u>£5,837,020</u></b>	<u>£5,704,068</u>
<b>Reserves</b>	10	<b><u>£5,837,020</u></b>	<u>£5,704,068</u>

"These financial statements were approved by the Policy & Resources Committee, in exercise of its powers under the States (Reform) (Transfer of Functions) Regulations, 6 June 2016.

Signed on behalf of the Committee

**Deputy G. A. St Pier** 6 June 2016  
President of the Policy & Resources Committee

Signed on behalf of the States of Guernsey Trading Assets

**Mr S.Elliott** 6 June 2016  
Managing Director

Notes 1 to 17 form part of these financial statements.



# States' Trading Supervisory Board

## Guernsey Dairy

### Statement of changes in equity for the year ended 31 December 2015

	Revenue Reserve £	Development & Continuity Reserve £	Total
Balance at 1 January 2014	5,150,612	-	5,150,612
Surplus for the financial year	£553,456	-	£553,456
<b>Balance at 31 December 2014 as restated</b>	<b><u>£5,704,068</u></b>	<b>-</b>	<b><u>£5,704,068</u></b>
Transfers (note 10)	(1,450,000)	1,450,000	-
Surplus for the financial year	132,952	-	132,952
<b>Balance at 31 December 2015 as restated</b>	<b><u>£4,387,020</u></b>	<b><u>£1,450,000</u></b>	<b><u>£5,837,020</u></b>

Notes 1 to 17 form part of these financial statements.

# States' Trading Supervisory Board Guernsey Dairy

## Statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Net cash flows from operating activities</b>	11	<b><u>302,814</u></b>	<b><u>1,052,995</u></b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of equipment	6	500	756
Purchase of property, plant and equipment	6	(198,499)	(184,936)
Interest received		<u>29,925</u>	<u>62,483</u>
<b>Net cash flows from investing activities</b>		<b><u>(168,074)</u></b>	<b><u>(121,697)</u></b>
<b>Net increase in cash and cash equivalents</b>		<b>134,740</b>	<b>931,298</b>
<b>Cash and cash equivalents at beginning of year</b>		<b><u>2,845,305</u></b>	<b><u>1,914,007</u></b>
<b>Cash and cash equivalents at end of year</b>		<b><u>£2,980,045</u></b>	<b><u>£2,845,305</u></b>
<b>Reconciliation to cash at bank and in hand</b>			
Balances held with the States Treasury		2,905,598	2,781,152
Cash at bank and in hand		<u>74,447</u>	<u>64,153</u>
<b>Cash and cash equivalents at end of year</b>		<b><u>£2,980,045</u></b>	<b><u>£2,845,305</u></b>

Notes 1 to 17 form part of these financial statements.

# States' Trading Supervisory Board Guernsey Dairy

## Notes to the financial statements

### 1. General information

The management, operation and maintenance of Guernsey Dairy is the responsibility of the States' Trading Supervisory Board. The nature of Guernsey Dairy operations and principal activities are set out in the Statement of activities and performance.

The Dairy's principal place of business is Bailiff's Cross, St Andrews, Guernsey, GY6 8RJ.

### 2. Principal accounting policies

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

#### *Accounting Convention*

The individual financial statements of The States of Guernsey Dairy have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

#### *Functional and presentational currency*

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

#### *Going Concern*

The financial statements are produced on a going concern basis. The Policy and Resources Committee (formerly Treasury and Resources Department), in conjunction with the Dairy Management Board and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

#### *Income and expenditure*

All sales are accounted for on an accruals basis. Interest is recognised on an accruals basis. Expenses are accounted for on an accruals basis.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

#### *Depreciation*

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

	Estimated life In years	Depreciation % per annum
Buildings & structures	10 – 50	2 – 10
Plant & machinery	5 – 20	5 – 33.3
Motor vehicles	5 – 20	5 – 20
Information technology	3 – 5	20 – 33.3

# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### 3. Principal accounting policies

##### *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

##### *Inventories*

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

##### *Basic financial instruments*

- i) Trade and other debtors  
Trade and other debtors are recognised initially at original invoiced amount. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses. Trade debtors are stated less a general provision of 0.5% of the trade debtor balance.
- ii) Trade and other creditors  
Trade and other creditors are recognised initially at original invoiced amount plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.
- iii) Cash and cash equivalents  
Cash and cash equivalents comprise cash at bank and in hand and balances held by States Treasury on behalf of the Dairy. Whilst the Guernsey Dairy operates two bank accounts, the entity will make payments and receive money via bank accounts held centrally by the States of Guernsey. The net cash balance held with the States of Guernsey at the year-end is treated as Cash and Cash Equivalents on the Guernsey Dairy's statement of financial position. This net cash balance may change on a daily basis, with surplus cash balances generating financial returns, and balances in deficit being charged interest. Any net cash balance held with the States of Guernsey could be reduced over a very short period of time without detriment, and therefore is considered to be a highly liquid investment, readily convertible to known amounts of cash and subject to an insignificant risk of any change in notional value.
- iv) De-recognition of basic financial instruments  
Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Dairy transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Dairy, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Dairy's accounting policies, which are described in note 2, the board members are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

There are no critical judgements and estimations that the board members have made in the process of applying the Dairy's accounting policies that have any significant effect on the amounts recognised in the financial statements.

#### 5. Administration expenses

	2015 £	2014 £
Opening non-product inventories (note 7)	60,315	59,332
Advertising and promotion	88,650	83,779
Cleaning materials	64,279	65,844
Depreciation	204,121	229,135
Fuel, light, power, water and rates	287,511	311,100
General administration costs	45,729	42,021
Laboratory expenses	99,063	92,304
Motor vehicle expenses	25,739	30,070
Other expenses	45,332	42,614
Professional fees	184,924	122,208
Movement in bad and doubtful debt provision	(615)	(8,333)
Repairs, maintenance, insurance	180,571	130,988
Salaries and wages	612,158	582,195
Closing non production inventories (note 7)	<u>(65,532)</u>	<u>(60,315)</u>
	<b><u>£ 1,832,245</u></b>	<b><u>£ 1,722,942</u></b>

Professional fees include £45,870 (2014: £44,882) in respect of services provided by the States of Guernsey Hub, and £25,800 (2014: £25,800) in respect of the fee charged by the then Commerce & Employment Department (now Committee for Economic Development) in respect of the provision of accounting services to the Dairy.

# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### 6. Tangible fixed assets

	1 January 2015 £	Additions £	Disposals £	31 December 2015 £
<i>Cost</i>				
Buildings & Structures	1,640,332	29,889	-	<b>1,670,221</b>
Plant and Machinery	3,775,886	160,960	101,225	<b>3,835,621</b>
Motor Vehicles	283,858	-	-	<b>283,858</b>
Information Technology	<u>28,632</u>	<u>7,650</u>	<u>-</u>	<b><u>36,282</u></b>
	<b><u>5,728,708</u></b>	<b><u>198,499</u></b>	<b><u>101,225</u></b>	<b><u>5,825,982</u></b>
	1 January £	Charge for the year £	Disposals £	31 December 2015 £
<i>Depreciation</i>				
Buildings & Structures	845,279	41,411	-	<b>886,690</b>
Plant and Machinery	2,648,061	134,492	101,225	<b>2,681,328</b>
Motor Vehicles	228,026	18,291	-	<b>246,317</b>
Information Technology	<u>7,875</u>	<u>9,927</u>	<u>-</u>	<b><u>17,802</u></b>
	<b><u>3,729,241</u></b>	<b><u>204,121</u></b>	<b><u>101,225</u></b>	<b><u>3,832,137</u></b>
<b>Net book value</b>	<b><u>£1,999,467</u></b>			<b><u>£1,993,845</u></b>

#### 7. Inventories

	2015 £	2014 £
Milk and Dairy products	<b>367,666</b>	216,832
Packaging materials	<b>183,634</b>	178,568
Other inventories	<b><u>65,532</u></b>	<u>60,315</u>
	<b><u>£616,832</u></b>	<b><u>£455,715</u></b>

# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### 8. Debtors and prepayments

	2015 £	2014 £
Trade and other debtors	733,359	805,884
Prepayments	<u>13,444</u>	<u>30,456</u>
	<b><u>£746,803</u></b>	<b><u>£836,340</u></b>

#### 9. Creditors: amounts falling due within one year

	2015 £	2014 £
Trade and other creditors	465,782	393,627
Accruals	<u>34,723</u>	<u>39,132</u>
	<b><u>£500,505</u></b>	<b><u>£432,759</u></b>

#### 10. Reserves

	Revenue Reserve £	Development & Continuity Reserve £
Balance at 1 January	5,704,068	-
Transfers	(1,450,000)	1,450,000
Surplus for the financial year	132,952	-
<b>Balance at 31 December</b>	<b><u>£4,387,020</u></b>	<b><u>£1,450,000</u></b>

The Development and Continuity Reserve was created in 2015 to set aside funds for future major capital plant and equipment replacements and enhancements to ensure the continued efficiency for the supply of high quality dairy products.

#### 11. Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £	2014 £
Operating surplus for the year	102,527	496,031
Depreciation	204,121	229,135
Decrease in debtors and prepayments	89,537	369,451
(Increase)/decrease in inventories	(161,117)	7,866
Increase/(decrease) in creditors and accruals	<u>67,746</u>	<u>(49,488)</u>
<b>Net cash inflow from operating activities</b>	<b><u>£ 302,814</u></b>	<b><u>£ 1,052,995</u></b>

# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### **12. Employee benefits**

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

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £132,456 (2014: £143,894).

Details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2015.

#### **13. Related party transactions**

Since the formation of the Commerce & Employment Department (now Committee for Economic Development) and Dairy Management Boards in 2004, no material related party transactions have taken place, except as disclosed in these financial statements. Two members of the Dairy Management Board are suppliers.

The total remuneration for key management personnel for the period totalled £87,341 (2014: £84,384)

#### **14. Statement of control**

Guernsey Dairy is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Dairy has been delegated to the members of the States' Trading Supervisory Board appointed by the States of Guernsey.



# States' Trading Supervisory Board

## Guernsey Dairy

### Notes to the financial statements - continued

#### **15. Subsequent events**

The States of Guernsey resolved, at its meeting on Thursday 8th March 2016, Billet D'État VII 2016 – *Financial Measures to Mitigate the Likely Adverse Consequences Upon Existing Milk Distributors of the Dairy Being Free to Sell Milk and Milk Product to Any Commercial Customer*, that the Dairy would make ex-gratia payments not exceeding £750,000 in total to the existing Milk Distributors to be funded from the Dairy's cash reserves during 2016.

#### **16. Commitments and contingent liabilities**

There are no commitments or contingent liabilities relating to 2015 which would affect these financial statements (2014: None).

#### **17. Explanation of transition to FRS 102**

This is the first year that the Dairy has presented its financial statements under Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was 1 January 2014.

The transition to the new financial reporting framework has had no material impact on recognition and measurement, but has required amendments to presentation and disclosure. The additional or amended disclosures in relation to the prior year have been presented consistently with those for the current year.

Other employee benefits amounting to £19,910 (2014: £18,935) were subject to a provision adjustment under FRS102. The 2014 figures have been restated to account for the adjustment.

# States' Trading Supervisory Board

## States Works

### Statement of activities and performance

*Year ended 31 December 2015*

During the full financial year ended 31 December, 2015, responsibility for States Works fell within the mandate of the Public Services Department. Under new arrangements agreed by the States of Guernsey for the organisation of States' affairs, responsibility for States Works was transferred to the mandate of the new States' Trading Supervisory Board with effect from 1 May 2016. All references in this document to the States' Trading Supervisory Board should be read as relating to the Public Services Department if prior to 1 May 2016.

#### Principal activities

States Works, a business unit of the States' Trading Supervisory Board, operates as a trading organisation which contracts mainly with States clients to deliver a wide range of services. Those services demand the effort of a predominantly manual labour force utilising specialist plant and equipment to maintain the public services of the Island.

#### Financial highlights

	<b>Actual</b>	<b>Budget</b>	<b>Actual</b>
			<b>as restated</b>
	<b>2015</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>	<b>15,548</b>	<b>14,585</b>	<b>15,343</b>
<b>Surplus</b>	<b>1,076</b>	<b>546</b>	<b>1,151</b>
<b>Capital expenditure</b>	<b>1,611</b>	<b>1,367</b>	<b>519</b>

There was an increase in turnover in 2015 compared to 2014. This is mainly attributed to the following reasons:

- Cleansing section undertook a glass recycling trial in St Peter Port which lasted from November 2014 to August 2015; and
- Landfill and recycling income was higher than 2014 due to the installation of a gas collection system at Mont Cuét and works done in respect of the capping of the site.

The expenditure during the year for labour and direct materials has increased from 2014 which is in line with the rise in operating income.

The capital expenditure is higher than budgeted for 2015 as a number of vehicles which had been budgeted for 2014 did not arrive until 2015.

On 1 January 2015, it was agreed by the Public Services Department Board to make a transfer of £1.0 million from States Works retained surpluses to the States General Revenue Account.

# States' Trading Supervisory Board

## States Works

### Statement of activities and performance - continued

*Year ended 31 December 2015*

#### Operational Performance

##### Staffing Statistics

	2015	2014
Ratio of Support staff to Operational staff	1:16	1:14
Number of staff members at year end	234	236
Income generated per employee	£66,433	£65,012
Full Time Equivalent Employees	252	249
<b><i>Emergency Call-Out</i></b>		
Number of calls	89	110
Man hours worked	661	1,451

#### States Works Department Board Members and Principal Officers up to 30 April 2016

During 2015 Board Members were:

Deputy S. Ogier, Minister  
 Deputy D. Duquemin, Deputy Minister  
 Deputy M. Dorey  
 Deputy P. Harwood  
 Deputy R. Jones

Board Members are the elected political representatives of the Public Services Department.

During 2015 Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department  
 Mr S. Gardiner, Finance Business Partner, Public Services Department  
 Mr P. Lickley, General Manager, States Works  
 Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works  
 Mr N. Nicolle, Senior Manager, Technical, States Works  
 Mr M. Torode, Senior Manager, Operations, States Works

#### States' Trading and Supervisory Board Members and Principal Officers effective from 1 May 2016

Board Members are:

Deputy D. Jones, President - elected 11 May 2016  
 Deputy J. Smithies - elected 18 May 2016

Principal Officers serving the States' Trading Supervisory Board effective from 1 May 2016

Mr S. Elliott, Managing Director, States of Guernsey Trading Assets  
 Mr R. Evans, Head of Corporate Services, States of Guernsey Trading Assets  
 Mr S. Gardiner, Finance Business Partner, States of Guernsey Trading Assets  
 Mr P. Lickley, General Manager, States Works  
 Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works  
 Mr N. Nicolle, Senior Manager, Technical, States Works  
 Mr M. Torode, Senior Manager, Operations, States Works

# States' Trading Supervisory Board States Works

## Statement of activities and performance - continued

*Year ended 31 December 2015*

### **Auditors**

Deloitte LLP have expressed their willingness to continue in office as auditor.

# States' Trading Supervisory Board

## States Works

### Statement of responsibilities for the preparation of financial statements

The States' Trading Supervisory Board is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of States Works as at the end of the financial year and of the surplus or deficit of States Works for that period. In preparing those financial statements, the States' Trading Supervisory Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume States Works will continue in business.

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

### Statement of internal financial controls and going concern

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

The States Trading Supervisory Board, is responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations.

The States Works internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly Board reports which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the States' Trading Supervisory Board (formerly Public Services Department) to ensure that all Board members are informed of States Works' financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch, in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised. The computerised job costing and financial accounts packages check validity and permit reconciliation with the wage bill.
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department.

# States' Trading Supervisory Board

## States Works

### Statement of internal financial controls and going concern - continued

The States' Trading Supervisory Board (formerly Public Services Department) strives to ensure that all staff with financial responsibility in States Works have the appropriate integrity, skills and motivation to professionally discharge their duties.

States Works' internal controls and accounting policies have been, and are subject to, continuous review and improvement.

In addition, the financial statements are subject to an independent external audit by auditors appointed by the States.

#### *Going concern*

The Board and Principal Officers have reviewed the cash flows and projected income and expenses over the next twelve months, prepared by management, and deem that States Works has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that States Works is a going concern for at least twelve months from the date of approval of the financial statements.

# States' Trading Supervisory Board

## States Works

### **INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY STATES' TRADING SUPERVISORY BOARD (FORMERLY PUBLIC SERVICES DEPARTMENT) – STATES WORKS**

We have audited the financial statements of States Works for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom General Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the States' Trading Supervisory Board (formerly Public Services Department), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the States' Trading Supervisory Board 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 States' Trading Supervisory Board (formerly Public Services Department) as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the States' Trading Supervisory Board and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the States Works' affairs as at 31 December 2015 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

# States' Trading Supervisory Board

## States Works

### **INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY STATES TRADING SUPERVISORY BOARD (FORMERLY PUBLIC SERVICES DEPARTMENT) – STATES WORKS (continued)**

#### **Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
Guernsey



# States' Trading Supervisory Board States Works

## Statement of Comprehensive Income for the year ended 31 December 2015

	Notes	2015 £	2014 as restated £
<b>Turnover</b>	4	<b>15,548,284</b>	15,342,736
<b>Expenses</b>			
Labour and direct materials	5	<b>10,968,683</b>	10,906,788
Transport, plant & equipment maintenance	6	<b>452,155</b>	507,914
Building maintenance & charges	7	<b>283,584</b>	210,619
Administration & general	8	<b>1,936,352</b>	1,709,244
		<b>13,640,774</b>	13,334,565
<b>Operating surplus before depreciation</b>		<b>1,907,510</b>	2,008,171
Depreciation	11	<b>(891,219)</b>	(805,110)
Fair value movement on investment property	12,26	-	-
<b>Operating surplus for the year</b>		<b>1,016,291</b>	1,203,061
Interest received from States Treasury	9	<b>60,000</b>	72,933
<b>Surplus for the financial year</b>		<b>1,076,291</b>	1,275,994

All material activities derive from continuing operations.

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

Notes 1 to 25 form an integral part of these financial statements.

# States' Trading Supervisory Board States Works

## Statement of Financial Position

As at 31 December 2015

	Notes	2015 £	2014 as restated £
<b>Fixed assets</b>			
Tangible assets	11	5,718,503	5,068,147
Investment property	12	500,000	500,000
		<u>6,218,503</u>	<u>5,568,147</u>
<b>Current assets</b>			
Inventories and work in progress	13	384,041	456,852
Debtors and prepayments	14	1,174,657	1,364,876
Balances with States Treasury	19	3,247,800	3,599,549
		<u>4,806,498</u>	<u>5,421,277</u>
<b>Creditors: amounts falling due within one year</b>	15	578,271	575,043
<b>Net current assets</b>		4,228,227	4,846,234
<b>Total net assets</b>		<u>10,446,730</u>	<u>9,914,381</u>
<b>Reserves</b>	16	<u>10,446,730</u>	<u>10,414,381</u>

These financial statements were approved by the Policy & Resources Committee, in exercise of its powers under the States (Reform) (Transfer of Functions) Regulations, 2016, on the 6 June 2016.

Signed on behalf of the Committee

**Deputy G A St Pier**  
*President of the Policy & Resources Committee*

6 June 2016

**Mr S.Elliott**  
*Managing Director*

6 June 2016

Notes 1 to 25 form an integral part of these financial statements.

# States' Trading Supervisory Board States Works

## Statement of Changes in Equity

*As at 31 December 2015*

	£
	<b>Reserves</b>
<b>At 31 December 2013 as previously stated</b>	<b>9,308,717</b>
Changes on transition to FRS 102 (see note 26)	(125,000)
	<hr/>
<b>At 1 January 2014 as restated</b>	<b>9,183,717</b>
Surplus for financial year	1,275,994
Write down of assets	(45,330)
	<hr/>
<b>At 31 December 2014</b>	<b>10,414,381</b>
Surplus for financial year	1,076,291
Transfer to General Revenue	(1,000,000)
Write down of assets	(43,942)
	<hr/>
<b>At 31 December 2015</b>	<b>10,446,730</b>
	<hr/> <hr/>

Notes 1 to 25 form an integral part of these financial statements.

# States' Trading Supervisory Board States Works

## Statement of cash flows

for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>Net cash flows from operating activities</b>	17	<b>2,216,567</b>	<b>2,173,247</b>
<b>Cash flows used in investing activities</b>			
Proceeds from sale of equipment		42,616	6,000
Purchase of equipment	11	(1,610,932)	(519,270)
Interest received		-	72,933
<b>Net cash flows used in investing activities</b>		<b>(1,568,316)</b>	<b>(440,337)</b>
<b>Cash flows from financing activities</b>			
Contribution to General Revenue		(1,000,000)	-
<b>Net cash flows from financing activities</b>		<b>(1,000,000)</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(351,749)</b>	<b>1,732,910</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,599,549</b>	<b>1,866,639</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>3,247,800</b>	<b>3,599,549</b>
<b>Reconciliation to cash at bank and in hand:</b>			
Cash balances with States Treasury		3,247,800	3,599,549
<b>Cash and cash equivalents</b>		<b>3,247,800</b>	<b>3,599,549</b>

Notes 1 to 25 form an integral part of these financial statements.

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements

#### 1. General Information

The management, operation and maintenance of States Works is the responsibility of the States' Trading Supervisory Board. The nature of States Works operations and principal activities are set out in the Statement of activities and performance.

States Works principal place of business is La Hure Mare, Vale, Guernsey, GY3 5UD.

#### 2. Principal accounting policies

The financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 25.

##### ***Accounting Convention***

The financial statements are prepared under the historical cost convention.

The financial statements are presented in Pounds Sterling, which is the functional currency of States Works.

##### ***Going Concern***

The financial statements are prepared on a going concern basis. The Policy and Resources Committee (formerly Treasury and Resources Department), in conjunction with States Works Board and Principal Officers, monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

##### ***Income and expenditure***

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

##### ***Tangible fixed assets***

###### *i Investment properties*

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

###### *ii Property, plant and equipment*

Property, plant and equipment is stated at cost or valuation, net of depreciation and any provision for impairment. Property, plant and equipment is depreciated over their useful life.

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 2. Principal accounting policies (continued)

##### ***Depreciation***

Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation of each asset on a straight line basis over its expected useful life.

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Plant, tools & equipment	3 - 20	5 - 33.33
Motor vehicles	3 - 10	10 - 33.33
Office equipment	5	20
Buildings & fittings	10 - 50	2 - 10
Land	Unlimited	0

##### ***Impairment of assets***

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

##### ***Investment properties***

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

##### ***Basic financial instruments***

###### ***i Trade and other debtors***

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

###### ***ii Trade and other creditors***

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

###### ***iii Cash and cash equivalents***

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

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 2. Principal accounting policies (continued)

##### ***Inventories***

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated at average value. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### ***Work in progress***

Work in progress is valued at cost.

##### ***Turnover***

Turnover is stated net of trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

##### ***Pension costs***

As described in note 21, States Works has expensed employer contributions through the Statement of Comprehensive Income.

##### ***Leases***

###### ***As Lessee***

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

###### ***As Lessor***

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

# States' Trading Supervisory Board

## States Works

### Notes to the financial statement (continued)

#### 3 Critical accounting judgements and key sources of estimation uncertainty

In the application of States Work's accounting policies, which are described in note 1, the board members are required to make judgments, 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 factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the critical judgments and estimations, that the board members have made in the process of applying States Works accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *i Valuation of investment property*

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

<b>4. Turnover</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
An analysis of States Works turnover by class of business is set out below.		
Building maintenance	<b>105,232</b>	431,325
Cleansing services	<b>2,078,789</b>	1,999,027
Drainage	<b>313,812</b>	310,250
Electrical & mechanical	<b>1,239,878</b>	1,081,681
Emergency services	<b>103,060</b>	152,898
Fleet hire	<b>42,092</b>	104,048
Fleet maintenance	<b>660,317</b>	690,879
Highway repair	<b>2,218,774</b>	2,237,525
Land management	<b>1,743,661</b>	1,671,936
Landfill & recycling	<b>3,278,331</b>	3,170,718
Management services	<b>222,315</b>	169,468
Sewage collection	<b>2,401,140</b>	2,387,261
Signs & lines	<b>432,344</b>	404,218
Administration & stores	<b>691,338</b>	529,783
Profit on disposal of fixed assets	<b>17,201</b>	1,719
	<b><u>15,548,284</u></b>	<b><u>15,342,736</u></b>



# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

<b>5. Labour and direct materials</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Labour charges:		
Wages and employer's superannuation	<b>6,929,351</b>	6,911,936
Direct materials:		
Materials and services	<b>2,987,431</b>	2,907,351
Stores	<b>608,713</b>	665,552
Sub-contractors	<b>462,980</b>	439,363
Less: discounts received	<b>(19,792)</b>	(17,414)
	<b>4,039,332</b>	3,994,852
	<b>10,968,683</b>	10,906,788
<b>6. Transport, plant &amp; equipment maintenance</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Vehicles - fuel and maintenance	<b>291,339</b>	339,695
Plant and tools - maintenance and replacements	<b>160,816</b>	168,219
	<b>452,155</b>	507,914
<b>7. Building maintenance &amp; charges</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
La Hure Mare	<b>240,657</b>	169,043
Burnt Lane	<b>42,927</b>	41,576
	<b>283,584</b>	210,619
<b>8. Administration &amp; general</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Salaries, wages and employer's superannuation	<b>1,433,708</b>	1,339,704
Travel and training charges	<b>109,528</b>	74,466
Post, stationery and telephone	<b>40,101</b>	29,734
Computer charges	<b>83,917</b>	86,693
Insurance	<b>106,763</b>	104,441
Audit fee	<b>14,400</b>	11,420
Sundry office expenses	<b>141,785</b>	62,011
Debt write off	<b>6,150</b>	775
	<b>1,936,352</b>	1,709,244
<b>9. Net interest receivable</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest receivable	<b>60,000</b>	72,933
	<b>60,000</b>	72,933

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 10. Surplus on ordinary activities

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

	2015 £	2014 £
Depreciation of tangible fixed assets (note 11)	891,219	805,110
Gain on disposal of fixed assets (note 4)	17,201	1,719
	<b>908,420</b>	<b>806,829</b>

The analysis of the auditor's remuneration is as follows:

	2015 £	2014 £
<b>Fees payable to the company's auditor and its associates</b>		
Audit fee - States Works	14,400	11,420
<b>Total audit fees</b>	<b>14,400</b>	<b>11,420</b>

#### 11. Tangible fixed assets

Cost	1 January 2015 As restated £	Additions £	Write down of transferred asset £	Write offs / Disposals £	31 December 2015 £
Plant , tools & equipment	1,465,316	226,559	-	(147,941)	1,543,934
Motor vehicles	5,284,499	1,241,501	(43,942)	(259,098)	6,222,960
Office Equipment	236,168	8,790	-	(10,059)	234,899
Buildings & Fittings	3,826,129	134,082	-	-	3,960,211
Land	649,220	-	-	-	649,220
	<b>11,461,332</b>	<b>1,610,932</b>	<b>(43,942)</b>	<b>(417,098)</b>	<b>12,611,224</b>
Depreciation	1 January 2015 As restated £	Charge for the year £	£	Write offs / Disposals £	31 December 2015 £
Plant , tools & equipment	1,150,006	140,838	-	(147,941)	1,142,903
Motor vehicles	3,263,211	620,723	-	(233,683)	3,650,251
Office Equipment	178,463	28,386	-	(10,059)	196,790
Buildings & Fittings	1,801,505	101,272	-	-	1,902,777
Land	-	-	-	-	-
	<b>6,393,185</b>	<b>891,219</b>	<b>-</b>	<b>(391,683)</b>	<b>6,892,721</b>
<b>Net book value</b>	<b>5,068,147</b>				<b>5,718,503</b>

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 12. Investment Property

	2015 £	2014 as restated £
Fixed Asset Investments	<u>500,000</u>	<u>500,000</u>

The investment property, which is freehold, was purchased on 1 January 2007. The fair value of this property at 31 December 2014 and 31 December 2015, was based on a valuation undertaken by Mawson Collins, RICS registered valuer with experience in the location and class of the investment property being valued.

The historic cost of the property was £625,000 and it had been previously included in tangible fixed assets. The valuation of this property to £500,000 has resulted in a charge to the Statement of Comprehensive Income of £125,000 for the year ended 31 December 2013.

#### Operating lease of investment property

The investment property is rented out under an operating lease.

At the Statement of Financial Position date, the group had contracted with tenants for the following future minimum lease payments:

	2015 £	2014 £
Within one year	<u>36,856</u>	<u>36,419</u>

#### 13. Inventories and work in progress

	2015 £	2014 £
Inventories	244,842	232,492
Work in Progress	<u>139,199</u>	<u>224,360</u>
	<u><u>384,041</u></u>	<u><u>456,852</u></u>

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

<b>14. Debtors and prepayments</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Amounts falling due within one year:		
Trade debtors (Note 2)	<b>1,036,662</b>	1,333,375
Prepayments	<b>77,995</b>	29,131
Other debtors	<b>60,000</b>	2,370
	<b><u>1,174,657</u></b>	<b><u>1,364,876</u></b>

<b>15. Creditors: amounts falling due within one year</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>433,325</b>	348,018
Accruals	<b>144,946</b>	227,025
	<b><u>578,271</u></b>	<b><u>575,043</u></b>

<b>16. Reserves</b>	<b>Revenue Reserve</b>	<b>Asset Transfer Reserve</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Re-stated balance at 1 January 2015 (see Note 25)	<b>10,343,956</b>	<b>70,425</b>	<b>10,414,381</b>
Surplus for financial year	<b>1,076,291</b>	-	<b>1,076,291</b>
Transfer to General Revenue	<b>(1,000,000)</b>	-	<b>(1,000,000)</b>
Asset write down (Note 11)	-	<b>(43,942)</b>	<b>(43,942)</b>
	<b><u>10,420,247</u></b>	<b><u>26,483</u></b>	<b><u>10,446,730</u></b>
Balance at 31 December 2015	<b>10,420,247</b>	<b>26,483</b>	<b>10,446,730</b>

<b>17. Net cash flow from operating activities</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Surplus	<b>1,076,291</b>	1,203,061
Depreciation charges and gain on sale of tangible assets	<b>874,018</b>	803,390
Decrease / (increase) in inventories and work in progress	<b>72,811</b>	(33,303)
Decrease in debtors	<b>190,219</b>	210,865
Increase / (decrease) in creditors	<b>3,228</b>	(10,766)
	<b><u>2,216,567</u></b>	<b><u>2,173,247</u></b>
<b>Net cash flows from operating activities</b>	<b>2,216,567</b>	<b>2,173,247</b>

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 18. Reconciliation of net cash flow to movement in net funds

	2015 £	2014 £
(Decrease) / increase in cash and cash equivalents	<u>(351,749)</u>	<u>1,732,910</u>
	(351,749)	1,732,910
Net funds at 1 January	<u>3,599,549</u>	<u>1,866,639</u>
<b>Net funds at 31 December</b>	<b><u>3,247,800</u></b>	<b><u>3,599,549</u></b>

#### 19. Analysis of changes in net funds

	1 January 2015 £	Cash Flows £	31 December 2015 £
Balance held with States Treasury	<u>3,599,549</u>	<u>(351,749)</u>	<u>3,247,800</u>
	<u>3,599,549</u>	<u>(351,749)</u>	<u>3,247,800</u>

#### 20. Financial commitments

Capital commitments are as follows:

	2015 £	2014 £
Contracted for but not provided for	<u>386,438</u>	<u>333,181</u>

#### 21. Employee benefits

The employees of States Works are members of the States of Guernsey Superannuation Fund, which is a defined benefit pension scheme. Although the scheme is a multi-employer plan, it is not possible to identify States Work's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the defined benefit pension scheme across the participating entities.

The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of States Works are considered to be ultimately employees of the States of Guernsey.

# **States' Trading Supervisory Board**

## **States Works**

### **Notes to the financial statements (continued)**

#### **21. Employee benefits (continued)**

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

The total cost of employer contributions included within the Statement of Comprehensive Income amounted to £834,180 (2014: £801,931).

Details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2015.

#### **22. Subsequent Events**

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

#### **23. Related party transactions**

The States' Trading Supervisory Board - States Works is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arms length". There has been a small change in the proportion of business between States 87% (2014: 84%) and private 13% (2014: 16%) clients.

Less than 20% of the value of the organisation's annual expenditure is due to transactions with other States entities.

The total direct remuneration of key management personnel in 2015 (including salaries and other benefits) was £365,360 (2014: £367,922). The key management personnel of States Works is the Senior Management Team.

#### **24. Statement of control**

States Works is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of States Works has been delegated to the members of the States' Trading Supervisory Board appointed by the States of Guernsey.

# States' Trading Supervisory Board

## States Works

### Notes to the financial statements (continued)

#### 25. Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

#### Explanations

##### Changes for FRS102 adoption

1. Investment properties are now recognised at fair value with any changes taken to the profit or loss account.

##### Reconciliation of equity

	1 January 2014	31 December 2014
	£	£
Equity reported under previous UKGAAP	<u>9,308,717</u>	<u>10,539,381</u>
<b>Adjustments to equity on transition to FRS 102</b>		
1 Investment Property at fair value	<u>(125,000)</u>	<u>(125,000)</u>
Equity reported under FRS 102	<u><u>9,183,717</u></u>	<u><u>10,414,381</u></u>

##### Reconciliation of surplus/(deficit) for 2014

	£
Profit for the financial year under previous UK GAAP	<u>1,275,994</u>
1 Investment property at fair value	-
Profit for the financial year under FRS 102	<u><u>1,275,994</u></u>

##### Notes to the reconciliation of equity and profit or loss for 2014

The Investment Property which was previously categorised as a tangible fixed asset was valued at 31 December 2014 and 31 December 2015. The net book value of the asset was £625,000 and the valuation at 31 December 2014 and 31 December 2015 was £500,000 and as a result the opening balances at 1 January 2014 have been restated. The valuation carried out at 31 December 2015 has been used for the restated figures and as a result there is no impact on the results for the current or prior year.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security  
*For the Year ended 31 December 2015*

### PRINCIPAL OFFICERS

#### Committee *for* Employment & Social Security – Membership post General Election

Title	Name	Date Elected
President	Deputy M K Le Clerc	11 May 2016
Vice President* & Member	Deputy S L Langlois	18 May 2016 25 May 2016*
Member	Deputy J A B Gollop	18 May 2016
	Deputy M J Fallaize	18 May 2016
	Deputy E A Yerby	18 May 2016
Chief Secretary	Mr M Nutley	

#### Social Security Department – Membership prior to General Election

Title	Name	Date Ceases Office
Minister	Deputy A H Langlois	30 April 2016
Deputy Minister & Member	Deputy S A James MBE	30 April 2016
Member	Deputy J A B Gollop	30 April 2016
	Deputy M K Le Clerc	30 April 2016
	Deputy D A Inglis	30 April 2016
Non-Voting Member	Mr M J Brown	30 April 2016
Chief Officer	Mr M Nutley	

Prior to 1 May 2016, the Contributory Funds were controlled by the Social Security Department as required by Law with the members of the Department being appointed by the States of Guernsey.

From 1 May 2016, the Contributory Funds are controlled by the Committee *for* Employment & Social Security which as a Principal Committee was constituted by resolutions of the States in 2015. The Committee can exercise powers and perform duties conferred on it by legislation and extant States' resolutions, including but not limited to, conferred functions on the former Social Security Department. The members of the Committee have been appointed by the States of Guernsey.

All references in this document to the Committee *for* Employment & Social Security should be read as relating to the Social Security Department if prior to 1 May 2016.



### STATEMENT OF ACTIVITIES

#### ACTIVITIES DURING THE YEAR

The joint report from the Treasury and Resources Department and the Social Security Department (the “Department”) on the Personal Tax, Pensions and Benefits Review (PTR) was debated by the States of Deliberation in March 2015. This resulted in a number of work streams for the Department to undertake, including scoping some high level proposals for the introduction of a second pillar pension scheme and identifying means to ensure the sustainability of the Long-term Care Insurance Fund. The States approved a further increase in the pension age, so that it will now gradually increase from 65 to 70 between 2020 and 2049. Associated with the increase in pension age, the States directed the Department to investigate measures aimed at supporting longer working lives and assisting older people who wished to remain in the workforce. In addition, the Department was directed to bring into effect measures to increase contribution rates by 0.1% on both the employer and employee side to finance improved parental benefits from January 2017.

The PTR proposals also focused on a shift from universal benefits to targeted benefits. The States noted the opinion of the Treasury & Resources Department and the Social Security Department that Family Allowance, which has remained frozen at £15.90 per week per child since 2013, should be phased out by 2025 through gradual reductions in the amount paid. Later in the year, having debated proposals from the Education Department for pre-school education (Billet XX of 2015), the States resolved that the financing of pre-school should be assisted through a reduction in Family Allowance by £2.40 per week from 1 January 2017.

Through the PTR report the States also noted the Department’s opinion that free TV licences for those over the age of 74 should be phased out by closing the scheme to new members in 2016, and closing it to all by 2020. Later in the year, as part of the Department’s annual proposals on changes to contributions and benefit rates (Billet d’Etat XVIII of 2015), the States approved the closure of the free TV licence for over 74s to new entrants with effect from 1 January 2016 or as soon as practicable thereafter.

Again through the PTR report, the States noted the Department’s opinion that the universal prescription charge exemption for all people over 65 should be phased out by 2020, and also the opinion that a nominal charge of £1 per prescription item should be introduced for those who are currently exempt from charge. These policy changes have not progressed, but remain for consideration.

Work on high level proposals for a Secondary Pensions scheme progressed, and the report was approved by the States in February 2016 (Billet d’Etat III of 2016). Detailed proposals will now be developed.

Following on from the Policy Council’s 2012 report on the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) work progressed in 2015 on the detailed changes necessary to improve parental benefits. The Policy Letter proposing these changes was approved by the States in February 2016 (Billet d’Etat III of 2016).

Proposals from the Social Welfare Benefits Investigation Committee (SWBIC) were developed throughout 2015, and approved by the States at the March 2016 States Meeting (Billet d’Etat VII of 2016). The timetable for implementation of the proposals is dependent on prioritisation of the additional expenditure within the States’ Budget.

The Department continued to work with the Health and Social Services Department on the review of the secondary healthcare system. The priority issue for the Departments and the States in this area is to decide on the arrangements to succeed the current contract between the States and the Medical Specialist Group, when the current contract expires at the end of 2017.

Other ongoing projects throughout 2015, included the Progress to Work project, which built on the success of the Business Improvement Project. The new work focused approach has become ‘business as usual’, and there are now a number of new training opportunities available to support people into work. The Supporting Occupational Health & Wellbeing (SOHWELL) Project had seen changes being implemented, and benefits being tracked.

### STATEMENT OF ACTIVITIES

#### ACTIVITIES DURING THE YEAR (CONTINUED)

In addition to the projects and progress mentioned above, further changes resulting from the annual uprating of benefit and contribution rates took place in October 2015. The most significant change to note was the approval of the proposition that a guideline for the annual uprating of statutory old-age pensions be established, set initially at one third of the real increase in median earnings, with intention to reduce this to RPIX subject to suitable policies to enhance personal provision being in place. It was agreed that this would be reviewed no later than 2020, also having regard to the actuarial projections for the Guernsey Insurance Fund at that time.

Towards the end of 2015, the Department undertook a tendering process for an Investment Adviser for the Common Investment Fund, as the contract with P-Solve was due to expire on 31 December 2015. Following shortlisting and interviews with candidate advisory firms, the Department appointed Redington. The appointment of the new adviser brings the benefit of a fresh review of the investment strategy and implementation.

#### FUTURE ACTIVITIES

In 2016, the Department will work towards the General Election in April, and the restructure of the Government by May. A project has been set up to deliver the changes required within the Department, and to include all the services that will form the new Committee *for* Employment & Social Security.

In addition to the ongoing work resulting from the resolutions of the debate on the Personal Tax, Pensions and Benefits Review in March 2015, the Department will be looking into options for an insurance alternative to the old Reciprocal Health Agreement between Guernsey and the UK, which ended in 2009. The new Committee will also look to set out their opinion on the provision of medical and para-medical services for supplementary benefit claimants, and identify their opinion on the redirection of Family Allowance budget to children's services.

A review of the Travelling Allowance Grant scheme is also due to take place during 2016, in preparation for its intended transfer from the Guernsey Insurance Fund to the Guernsey Health Service Fund.

In addition, the Committee will continue to use its Business Plan to further develop effective key performance indicators and a performance reporting system. This will include further strengthening Risk Management, developing its in-house staff survey and seeking the Department's continued accreditation as an Investors in People (IiP) employer.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE

#### Overview

The Social Security - Contributory Funds comprising the Guernsey Insurance Fund (GIF), Guernsey Health Service Fund (GHSF) and Long-term Care Insurance Fund (LTCIF) recorded an operating deficit of £17.2m (2014: £11.5 deficit). A breakdown of the operating results is as follows:

- GIF: operating deficit of £19.3m (2014: £15.6m deficit).
- GHSF: operating surplus of £1.4m (2014: £3.8m surplus).
- LTCIF: operating surplus of £0.7m (2014: £0.3m surplus).

Total Reserves for the year decreased by £24.5m (2014: £19.4m increase). This decrease comprised the operating deficit of £17.2m (2014: £11.5m) and a decrease from investing activities of £7.3m (2014: £30.9m increase). The decrease in Reserves is allocated as follows:

- GIF: -£25.3m (2014: +£9.7m) and comprised the operating deficit of £19.3m and decrease from investing activities of £5.9m (2014: £25.3m increase);
- GHSF: +£0.5m (2014: +£7.4m) and comprised the operating surplus of £1.4m and decrease from investing activities of £0.9m (2014: £3.6m increase); and
- LTCIF: +£0.3m (2014: +£2.3m) and comprised the operating surplus of £0.7m and decrease from investing activities of £0.4m (2014: £2.0m increase).

At the year-end total reserves stood at £835.8m (2014: £860.2m) and allocated as follows:

- GIF: £676.8m (2014: £702.1m) with expenditure cover 5.0 years (2014: 5.4 years);
- GHSF: £103.1m (2014: £102.6m) with expenditure cover 2.5 years (2014: 2.7 years); and
- LTCIF: £55.8m (2014: £55.6m) with expenditure cover 3.1 years (2014: 3.1 years).

#### Contribution income and states grant

Total contribution income increased by 1.3% to £157.2m (2014: +2.8% £155.3m). The increase is mainly attributable to an increase of 1.7% (2014: +1.7%) in respect of employed persons. Contribution income from self-employed persons and non-employed persons decreased by -1.4% (2014: +10.4%) and -2.5% (2014: +9.4%) respectively. Total States' grants, which are based on a fixed percentage of contributions, increased to £19.6m (2014: £19.4m).

Numbers of Contributors as at week 48	2015	2014	5-Year average
<b>Employers</b>	<b>2,431</b>	<b>2,435</b>	<b>2,424</b>
Employed	28,713	28,771	28,902
Self-Employed	3,195	3,251	3,273
Non-Employed	5,690	5,574	5,309
<b>Total Contributors</b>	<b>37,598</b>	<b>37,596</b>	<b>37,485</b>

The overall number of contributors, at week 48, increased marginally to 37,598 (2014: +0.4% to 37,596). The number of employed and self-employed decreased by 0.2% (2014: 0.2% decrease) and 1.7% (2014: 0.9% decrease) respectively while non-employed contributors increased by 2.1% (2014: 4.7% increase). The largest economic sector remained the financial sector, which accounted for 22% (2014: 22%) of the employed population and represented 32% (2014: 32%) of the total income received from employers and employees.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### *Contribution income and states grant (continued)*

The contribution income from the contribution classes is allocated as follows:

- GIF: +1.1% to £100.1m (2014: +2.7% to £99.1m). The grant received from the States of Guernsey, being a fixed percentage of contributions (15%), increased to £15.0m (2014: £14.9m);
- GHSF: +1.4% to £38.1m (2014: +3.0% to £37.6m). The grant received from the States of Guernsey, being a fixed percentage of contributions (12%), increased to £4.6m (2014: £4.5m); and
- LTCIF: +2.1% to £18.9m (2014: +2.8% to £18.6m).

#### *Benefit expenditure*

Overall benefit expenditure increased by 4.0% to £187.5m (2014: +4.4% to £180.2m). The great majority of benefits are not discretionary and their entitlement is in accordance with law. The general rate of benefit was increased by 2.1%. The allocation between the Funds is as follows:

- GIF: +3.7% to £129.8m (2014: +4.1% to £125.1m);
- GHSF: +7.1% to £39.8m (2014: +5.9% to £37.1m); and
- LTCIF: -0.1% to £17.9m (2014: +4.1% to £17.9m).

Details of major areas of benefit expenditure follow:

GIF: Pension	2015	2014	5-Year Average
Number of claimants at the year-end	17,381	17,072	16,581
Number of approved claims during the year	956	1,110	1,121

Pension expenditure accounts for over 85% of the total benefit expenditure of GIF and for the year increased by 4.3% to £110.7m (2014: +5.1% to £106.1m). The single rate of old age pension and the addition in pension in respect of a dependant wife both increased by 2.1%. With an ageing population, the number of approved new claims during the year was down on the 5-year average although the 12-month rolling average in respect of active claims increased by 2.5%.

GIF: Invalidity benefit	2015	2014	5-Year Average
Number of claimants at the year-end	856	872	867
Number of approved claims during the year	226	271	271

Invalidity benefit increased by 2.5% to £8.1m (2014: +3.5% £7.92m). The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick and the number of active claims for the year decreased marginally and below the 5-year average.

GIF: Unemployment benefit	2015	2014	5-Year Average
Number of claimants at the year-end	213	179	228
Number of approved claims during the year	1,016	1,088	1,149

Unemployment benefit decreased by 3.2% to £1.36m (2014: -5.4% to £1.44m). The Department continues to work on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### Benefit expenditure (continued)

GHSF: Specialist Health Insurance Scheme	2015	2014	5-Year Average
Medical specialist Group <i>full-time equivalent consultants (average)</i>	41.5	40.9	40.2
Guernsey Physiotherapy Group <i>full-time equivalent physiotherapists &amp; assistants (average)</i>	35.3	32.3	32.2

Medical specialist expenditure increased by 9.0% to £17.0m (2014: +7.2% to £15.60m) with the contract price increasing by 2.5% based on the September 2014 RPI. The significant increase in expenditure was as a result of the Department agreeing to finance additional Obstetricians and Gynaecologists during the year. This was to provide the necessary resources for a resident Obstetrician at the Princess Elizabeth Hospital, while also maintaining an adequate outpatient service for Gynaecology.

Physiotherapy expenditure increased by 7.3% to £2.2m (2014: +4.5% to £2.0m) with the contract price increasing by 0.8%, based on the September 2014 RPIX of 1.8% less 1%. The increase in expenditure is due, in part, to the appointment of an extended scope practitioner and additional costs associated with the Orthopaedic pathway development.

GHSF: Drugs and medicines	2015	2014	5-Year Average
Total prescriptions	1,531,602	1,529,291	1,498,776
Average basic cost per item	£8.63	£8.29	8.66

Overall drugs & medicine expenditure for the year increased by 7.8% to £16.0m (2014: +1.5% to 14.88m).

Following an unprecedented level of cost containment in recent years, the basic drug costs increased by 5.4% to £8.63 (Dec-14: £8.29) which, in part, is due to an increase in the price of UK generic drugs and also the increased use of very high cost, low volume, treatments. However, new drugs to the White List continue to be controlled and the number of items dispensed increased by only 0.8% compared to the same period last year.

LTCIF: Residential Home Care grant	2015	2014	5-Year Average
Number of claimants at year-end - Permanent	252	265	260
Number of claimants at year-end - Permanent with EMI	97	100	101
<b>Total</b>	<b>349</b>	<b>365</b>	<b>361</b>

Residential Home Care benefit expenditure decreased by 3.5% to £8.6m (2014: +4.6% to £9.0m) and due to some extent by the closure of a residential home. The general rate of benefit increased by 2.1%.

LTCIF: Nursing Home Care grant	2015	2014	5-Year Average
Number of claimants at the year-end	227	220	217

Nursing Home Care benefit expenditure increased by 3.3% to £9.3m (2014: +5.4% to £9.0m). The increase is due mainly to increased demand with the general rate of benefit increasing by 2.1%.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### Administration

Total administration expenditure increased by 9.7% to £8.51m (2014: +5.7% to £7.96m) with the recharge of administrative expenditure to Non Contributory Services (NCS) decreasing by 0.6% to £2.15m (2014: +6.3% to 2.16m). Overall staffing costs increased by 4.9% to £5.79m (2014: +6.5% to 5.52m) which is mainly attributable to increased staffing levels associated with invest to save projects and reducing risk. The average number of full-time equivalent staff including overtime, additional hours and miscellaneous duties paid to permanent and temporary staff was 131.0 (2014: 124.1). The number of full-time equivalent staff allocated to the Contributory Funds and Non Contributory Services (General Revenue) was 93.4 and 37.6 respectively.

The allocation of administration costs between the Funds is as follows:

- GIF: +5.2% to £4.48m (2014: -2.2% to £4.26m);
- GHSF: +27.7% to £1.58m (2014: +27.8% to 1.24m); and
- LTCIF: +0.0% at £0.30m (2014: +79% to 0.30m).

The significant increase in the GHSF administration costs is due to the Department funding jointly with HSSD the project costs for the development of a replacement contract for secondary healthcare in 2018.

#### Investment Funds

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at 31 December 2015 had a market value of £807.3m (2014: £822.9m).

As the Guernsey Insurance Fund is currently running an operating deficit, £15m (2014: £6m) was withdrawn from the Common Investment Fund during the year for cash flow to meet obligations. The allocation between the three contributory funds at the year-end is as follows:

Common Investment Fund allocation At Year-end	2015		2014	
	£m	%	£m	%
Guernsey Insurance Fund	654	81.0%	672	81.6%
Guernsey Health Service Fund	99	12.3%	98	11.9%
Long-term Care Insurance Fund	54	6.7%	53	6.5%
<b>Total</b>	<b>807</b>	<b>100.0%</b>	<b>823</b>	<b>100.0%</b>

The Department has continued to diversify its investment portfolio to maximise returns for a reduced risk. The performance of the Common Investment Fund on annualised 1, 3 and 5 year periods is shown below:

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Target Return per annum *	% RPI Guernsey Average Annual Change
1-Year	(0.9%)	4.5%	1.5%
3-Year	3.9%	4.7%	1.2%
5-Year	3.5%	5.4%	1.9%

\*The Target Return is Guernsey RPIX +3.5%.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### KEY STATISTICS

<b>Contribution Rates - Annual Earnings/Income limits</b>	<b>2015 £</b>	<b>2014 £</b>	<b>2013 £</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Class 1 <i>Employed</i></b>					
Upper earnings limit - employer	135,252	132,444	129,792	125,268	120,900
Upper earnings limit - employee	135,252	132,444	119,340	105,144	91,884
Lower earnings limit	6,812	6,656	6,500	6,292	6,084
<b>Class 2 <i>Self-employed</i></b>					
Maximum earnings	135,252	132,444	119,340	105,144	91,884
Minimum earnings	6,812	6,656	6,500	6,292	6,084
<b>Class 3 <i>Non-employed</i></b>					
Maximum income	135,252	132,444	119,340	105,144	91,884
Minimum income	17,030	16,640	16,250	15,730	15,210
Allowance	7,223	7,059	6,895	6,675	6,451

<b>Contribution Rates – Contributory Funds</b>	<b>2015 £</b>	<b>2014 £</b>	<b>2013 £</b>	<b>2012 £</b>	<b>2011 £</b>
<b>Class 1 <i>Employer</i></b>					
Guernsey Insurance Fund	4.9	4.9	4.9	4.9	4.9
Guernsey Health Service Fund	1.6	1.6	1.6	1.6	1.6
Long-term Care Insurance Fund	-	-	-	-	-
	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
<b><i>Employee</i></b>					
Guernsey Insurance Fund	3.4	3.4	3.4	3.4	3.4
Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
<b><i>Combined</i></b>					
Guernsey Insurance Fund	8.3	8.3	8.3	8.3	8.3
Guernsey Health Service Fund	2.9	2.9	2.9	2.9	2.9
Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>
<b>Class 2 <i>Self-employed</i></b>					
Guernsey Insurance Fund	6.5	6.5	6.5	6.5	6.5
Guernsey Health Service Fund	2.7	2.7	2.7	2.7	2.7
Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>
<b>Class 3 <i>Non-employed (under 65)</i></b>					
Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>
<b><i>Non-employed (over 65)</i></b>					
Guernsey Insurance Fund	-	-	-	-	-
Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
Long-term Care Insurance Fund	1.6	1.6	1.6	1.6	1.6
	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### Key Statistics (continued)

Number of contributors (as at week 48)	2015	2014	2013	2012	2011
<b>Employers</b>	<b>2,431</b>	<b>2,435</b>	<b>2,432</b>	<b>2,430</b>	<b>2,393</b>
Employed	28,713	28,771	28,827	28,947	29,254
Self-employed	3,195	3,251	3,280	3,302	3,339
Non-employed	5,690	5,574	5,324	5,014	4,942
<b>Total Contributors</b>	<b>37,598</b>	<b>37,596</b>	<b>37,431</b>	<b>37,263</b>	<b>37,535</b>

Contributory Funds - General Revenue Grants - % of contributions	2015 %	2014 %	2013 %	2012 %	2011 %
Guernsey Insurance Fund	15%	15%	15%	15%	15%
Guernsey Health Service Fund	12%	12%	12%	12%	12%
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Guernsey Insurance Fund	15.0	14.9	14.4	14.2	13.8
Guernsey Health Service Fund	4.6	4.5	4.4	4.3	4.2
<b>Total</b>	<b>19.6</b>	<b>19.4</b>	<b>18.8</b>	<b>18.5</b>	<b>18.0</b>

GIF: Number of claimants at the year-end	2015	2014	2013	2012	2011
Pension	17,381	17,072	16,575	16,188	15,690
Invalidity Benefit	856	872	865	856	885
Sickness Benefit	418	440	320	372	405
Bereavement Benefits	188	205	227	239	255
Unemployment Benefit	213	179	217	288	243
Industrial Disablement Benefit	185	192	204	209	216
Industrial Injury Benefit	13	15	14	14	5
Maternity Allowance	129	125	142	135	123
<b>Total</b>	<b>19,383</b>	<b>19,100</b>	<b>18,564</b>	<b>18,301</b>	<b>17,822</b>

GIF: No. of approved claims during the year	2015	2014	2013	2012	2011
Sickness Benefit	10,177	10,042	10,533	11,082	11,020
Pension	956	1,110	1,070	1,166	1,304
Unemployment Benefit	1,016	1,088	1,175	1,331	1,133
Industrial Medical Benefit	900	1,124	957	1,068	935
Travel Allowance Grant	1,014	1,026	983	1,091	997
Maternity Allowance	521	521	557	534	563
Death Grant	570	510	514	541	485
Industrial Injury Benefit	499	603	557	546	520
Bereavement Benefits	281	280	311	304	292
Invalidity Benefit	226	271	284	275	299
Maternity Grant	70	61	83	92	98
Industrial Disablement Benefit	7	3	9	6	3
<b>Total</b>	<b>16,237</b>	<b>16,639</b>	<b>17,033</b>	<b>18,036</b>	<b>17,649</b>



## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

#### Key Statistics (continued)

<b>GHSF: Drugs &amp; medicines</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Ordinary prescriptions	562,306	571,524	555,296	574,724	590,243
% change	-1.6%	+2.92%	-3.38%	-2.63%	+1.59%
Exempt prescriptions	969,296	957,767	927,223	912,119	873,384
% change	+1.2%	+3.29%	+1.66%	+4.44%	+5.14%
Total prescriptions	1,531,602	1,529,291	1,482,519	1,486,843	1,463,627
% change	+0.2%	+3.15%	-0.29%	+1.59%	+3.68%
Average basic cost	£8.63	£8.29	£8.40	£8.60	£9.38
% change	5.4%	-2.50%	-2.33%	-8.32%	-2.39%
Ordinary prescriptions as a % of total	36.7%	37.4%	37.5%	38.7%	40.3%
Exempt prescriptions as a % of total	63.3%	62.6%	62.5%	61.3%	59.7%

<b>GHSF: Consultation grants</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Doctors	243,500	254,747	250,998	263,568	259,711
Nurses	78,833	81,531	79,527	80,649	81,309
<b>Total</b>	<b>322,333</b>	<b>336,278</b>	<b>330,525</b>	<b>344,217</b>	<b>341,020</b>
% change	-4.15%	+1.74%	-3.98%	0.94%	+3.33%

<b>LTCIF: Number of claimants at year-end</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Residential grant-permanent	349	365	372	357	365
Nursing grant-permanent	227	220	210	210	216
<b>TOTAL</b>	<b>576</b>	<b>585</b>	<b>582</b>	<b>567</b>	<b>581</b>

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF PERFORMANCE (CONTINUED)

<b>GIF: 5-Year Financial Performance</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>	<b>2012 £m</b>	<b>2011 £m</b>
Income	115.1	113.9	110.9	109.1	106.2
Expenditure	(134.5)	(129.5)	(125.5)	(119.1)	(110.1)
Operating deficit	(19.4)	(15.6)	(14.6)	(10.0)	(3.9)
Investing activities	(5.9)	25.4	54.7	50.8	(19.6)
<b>Net surplus/(deficit) during the year</b>	<b>(25.3)</b>	<b>9.8</b>	<b>40.1</b>	<b>40.8</b>	<b>(23.5)</b>
Net assets of the Fund at 1 January	702.1	692.3	652.2	611.4	634.9
<b>Net assets of the Fund at 31 December</b>	<b>676.8</b>	<b>702.1</b>	<b>692.3</b>	<b>652.2</b>	<b>611.4</b>
Expenditure cover in number of years	5.0	5.4	5.5	5.5	5.6

<b>GHSF: 5-Year Financial Performance</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>	<b>2012 £m</b>	<b>2011 £m</b>
Income	42.7	42.2	40.9	40.1	38.9
Expenditure	(41.3)	(38.4)	(36.0)	(35.8)	(35.6)
Operating Surplus	1.4	3.8	4.9	4.3	3.3
Investing activities	(0.9)	3.6	7.3	6.5	(2.0)
<b>Net surplus during the year</b>	<b>0.5</b>	<b>7.4</b>	<b>12.2</b>	<b>10.8</b>	<b>1.3</b>
Net assets at 1 January	102.6	95.2	83.0	72.2	70.9
<b>Net assets at 31 December</b>	<b>103.1</b>	<b>102.6</b>	<b>95.2</b>	<b>83.0</b>	<b>72.2</b>
Expenditure cover in number of years	2.5	2.7	2.6	2.3	2.0

<b>LTCIF: 5-Year Financial Performance</b>	<b>2015 £m</b>	<b>2014 £m</b>	<b>2013 £m</b>	<b>2012 £m</b>	<b>2011 £m</b>
Income	18.9	18.5	18.1	17.6	17.0
Expenditure	(18.2)	(18.2)	(17.4)	(16.8)	(16.4)
Operating Surplus	0.7	0.3	0.7	0.8	0.6
Investing activities	(0.5)	2.0	4.2	3.9	(1.3)
<b>Net surplus/(deficit) during the year</b>	<b>0.2</b>	<b>2.3</b>	<b>4.9</b>	<b>4.7</b>	<b>(0.7)</b>
Net assets at 1 January	55.6	53.3	48.4	43.7	44.4
<b>Net assets at 31 December</b>	<b>55.8</b>	<b>55.6</b>	<b>53.3</b>	<b>48.4</b>	<b>43.7</b>
Expenditure cover in number of years	3.1	3.1	3.1	2.9	2.7

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Committee for Employment & Social Security (“the Committee”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund (“the Contributory Funds”) at the end of the financial year and of the consolidated fund account of the Contributory Funds for that period. In preparing those financial statements, the Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Contributory Funds and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002. It is also responsible for safeguarding the assets of the Contributory Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### GOING CONCERN

The Committee members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that each of the Contributory Funds have adequate financial resources to meet its obligations. Each of the Contributory Funds is therefore deemed to be a going concern.

### STATEMENT OF INTERNAL CONTROLS

It is the responsibility of the Committee to identify and install a system of internal controls, including financial control, which is adequate for its own purposes, and to safeguard the assets of the Contributory Funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Committee is also responsible for the economical, efficient and effective management of public funds and other resources entrusted to it.

The Committee’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Committee;
  - the annual audit report together with the audited financial statements;
  - the annual report of observations and recommendations produced by the external auditor;
  - the annual business plan; and
  - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Committee and the States of Guernsey;
- a regular review of the performance and security of the Contributory Funds by the Committee;
- occasional review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Unit; and
- a requirement for internal audit reports to be tabled at a meeting of the Committee.

The Committee strives to ensure that all staff with financial responsibilities have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect. The Committee’s internal controls and accounting policies have been and are subject to continuous review and improvement.

In addition, the financial statements are subject to an independent external audit by the auditor appointed by the States of Guernsey.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
States of Guernsey – Committee *for* Employment & Social Security  
As controller and manager of**

**SOCIAL SECURITY – CONTRIBUTORY FUNDS**

We have audited the financial statements of the Social Security – Contributory Funds (“the Fund”) for the year ended 31 December 2015 which comprise the consolidated fund account, the consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out in note 1.

This report is made solely to the members of the States of Guernsey – Committee *for* Employment & Social Security (“the Committee”) as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the Committee 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 Committee, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Committee and auditor**

As explained more fully in the Statement of Responsibilities of the Committee *for* Employment & Social Security, the Committee is responsible for the preparation of the financial statements and for being satisfied that they are properly prepared in accordance with the accounting policies. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion the financial statements:

- have been properly prepared in accordance with the accounting policies set out in note 1; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

**Matters on which we are required to report by exception**

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey  
Date: 6 June 2016

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

FUND ACCOUNT	Note	2015 £'000s	2015 £'000s
<b>Income</b>			
Contributions	1(b),2	157,203	155,258
States grant	1(b)	19,595	19,376
		<b>176,798</b>	<b>174,634</b>
<b>Expenditure</b>			
Benefits payable	1(c),3,4,5,6	187,489	180,205
Administration		6,357	5,793
		<b>193,846</b>	<b>185,998</b>
Operating (deficit)/surplus before depreciation charge		(17,048)	(11,364)
Depreciation charge	9	(177)	(135)
<b>Operating deficit</b>		<b>(17,225)</b>	<b>(11,499)</b>
Investing activities	1(f),8	(7,259)	30,912
<b>Net (deficit)/surplus</b>		<b>(24,484)</b>	<b>19,413</b>
Net assets at 1 January		860,239	<b>840,826</b>
<b>Net assets at 31 December</b>		<b>835,755</b>	<b>860,239</b>

All activities are derived from continuing operations.

The Contributory Funds have no recognised surplus or deficit in the current or previous financial year other than those passing through the Fund Account.

Notes 1 to 19 form part of these financial statements.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security  
For the Year ended 31 December 2015

<b>BALANCE SHEET</b>	<b>Note</b>	<b>31.12.2015</b>	<b>31.12.14</b>
		<b>£'000s</b>	<b>£'000s</b>
<b>Non-current assets</b>			
Tangible assets	9	2,649	2,826
Financial Instruments	10	807,301	822,896
Debtors due after one year	12	101	169
		<b>810,051</b>	<b>825,891</b>
<b>Current assets</b>			
Debtors due within one year	11	26,696	32,018
Balances with States Treasury		6,034	6,692
Cash at bank and in hand		216	232
		<b>32,946</b>	<b>38,942</b>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	13	5,584	4,248
Bank overdraft		1,658	346
		<b>7,242</b>	<b>4,594</b>
<b>Net current assets</b>		<b>25,704</b>	<b>34,348</b>
<b>Total net assets</b>		<b>835,755</b>	<b>860,239</b>
<b>Reserves</b>			
Guernsey Insurance Fund		676,837	702,100
Guernsey Health Service Fund		103,086	102,575
Long-term Care Insurance Fund		55,832	55,564
		<b>835,755</b>	<b>860,239</b>

The financial statements were approved by the Committee *for* Employment & Social Security on 6 June 2016

Signed on behalf of the Committee

**M K Le Clerc**  
President

**M Nutley**  
Chief Secretary

Notes 1 to 19 form part of these financial statements.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

STATEMENT OF CASH FLOWS	Note	2015 £'000s	2014 £'000s
<b>Cash flows from operating activities</b>			
Operating deficit for the year		(17,225)	(11,499)
<i>Adjustments for:</i>			
Depreciation		177	135
Decrease /(increase) in debtors		5,390	(3,401)
Increase in creditors		1,336	1,554
Net cash used in operating activities		(10,322)	(13,211)
<b>Cash flows from investing activities</b>			
Purchases of tangible assets	9	-	(101)
Increase/(decrease)in cash equivalent in financial	8	(7,259)	30,912
Net cash from investing activities		(7,259)	30,811
<b>Net increase/(decrease) in cash and cash equivalents (including investments)</b>		<b>(17,581)</b>	<b>17,600</b>
Financial instruments, treasury, cash balances and overdraft at 1 January		829,474	811,874
<b>Financial instruments, treasury, cash balances and overdraft at 31 December</b>		<b>811,893</b>	<b>829,474</b>

ANALYSIS AND RECONCILIATION OF NET FUNDS	At 1.1.15 £'000s	(Increase)/ decrease £'000s	At 31.12.15 £'000s
Cash at bank and in hand	232	(16)	216
Overdraft	(346)	(1,312)	(1,658)
Balances with States Treasury	6,692	(658)	6,034
	6,578	(1,986)	4,592
Financial instruments	822,896	(15,595)	807,301
	<b>829,474</b>	<b>(17,581)</b>	<b>811,893</b>

The overdraft arises as a result of timing differences only and is therefore a technical overdraft arising due to accounting treatments.

Notes 1 to 19 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES**

The Social Security – Contributory Funds (the Contributory Funds”) comprise the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-Term Care Fund formed in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

The financial statements are prepared in accordance with the particular accounting policies described below:

**a) Accounting convention**

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council except for certain disclosures required to be prepared by financial institutions in respect of financial instruments. Given the complexity and extensive requirements of these disclosures, the Committee has not provided all the relevant disclosures in the current year. The Committee, in conjunction with the Policy & Resources Committee, will consider providing such disclosures in future years.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 17.

**Going Concern**

The Committee members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that each of the Contributory Funds have adequate financial resources to meet its obligations. Each of the Contributory Funds is therefore deemed to be a going concern.

**b) Contributions & States grant**

Contributions represent the amount of cash received before 1 February 2016 in respect of the financial year ended 31 December 2015 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grants received from the States of Guernsey are based on a fixed percentage of contributions, accounted for in the relevant period and for 2015 was 15% (2014: 15%) in respect of the Guernsey Insurance Fund and 12% (2014: 12%) in respect of the Guernsey Health Service Fund.

**c) Benefits payable**

Benefits are accounted for on an accruals basis.

**d) Actuarial Review**

The financial statements summarise the transactions of the Contributory Funds and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Contributory Funds is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five year period 2010 to 2014 was undertaken in 2015. Results are expected by mid-2016.

**e) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. The costs of computer development projects are capitalised as and when they are considered to be material on an individual project basis. Depreciation is provided on cost at the following annual rates so as to write off the assets over their anticipated useful lives:



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (continued)**

**e) Tangible fixed assets (continued)**

	Estimated useful life in years	Depreciation % per annum
Freehold land and buildings	80	1.25 straight line
Furniture and fittings	10	10.00 straight line
Office equipment	5	20.00 straight line
Computer equipment and software	3	33.33 straight line
Computer development	3	33.33 straight line
Computer development – Technological migration	7	14.29 straight line

**f) Common Investment Fund**

The investments of the Contributory Funds form the Common Investment Fund. The allocation to the individual Contributory Funds is based on a percentage of amounts contributed by each fund into the Common Investment Fund, as determined by the Committee.

**g) Financial instruments**

Financial assets and financial liabilities are recognised when the Contributory Funds become a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**Financial assets and liabilities**

All financial assets and liabilities are initially measured at transaction price, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Investments**

Investments are included in the financial statements at fair value. Where separate bid and offer prices are available, the bid price is used for investment assets. Otherwise, the closing single price, single dealing price or most recent transaction price is used.

Where quoted or other unit prices are not available, the Committee adopts valuation techniques appropriate to the class of investment. Details of the valuation techniques and principle assumptions are given in the notes to the financial statements where used. The methods of determining fair value for the principle classes of investments are:

- Equities, bonds and certain pooled investment vehicles which are traded on an active market are included at the quoted price, which is normally the bid price.
- Unitized pooled investment vehicles which are not traded on an active market but where the manager is able to demonstrate that they are priced daily, weekly or at each month end, and are actually traded on substantially all pricing days are included at the last price provided by the manager at or before year end.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. ACCOUNTING POLICIES (continued)

#### *Investments (continued)*

- The value of other equities, bonds and pooled investment vehicles which are unquoted or not actively traded on a quoted market is estimated, through consultation with its advisors, by the Committee. Where the value of a pooled investment vehicle is primarily driven by the fair value of its underlying assets, the net asset value advised by the fund manager is normally considered a suitable approximation to fair value unless there are restrictions or other factors which prevent realization at the value, in which case adjustment is made.
- Exchange traded futures are valued at the difference between exchange settlement prices and inception prices.
- Swaps are valued at the net present value of future cash flows arising therefrom.
- Over the counter options are valued by the investment manager using generally accepted pricing models such as Black Scholes, where inputs are based on market data at the year-end date.
- Forward exchange contracts are valued at the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- Partnership investments are valued on the basis of the latest available net asset value if it is within one month prior to the year-end or where there has been a significant investment in the partnership subsequent to the latest valuation, to estimate the fair value of the partnership by using the price at which the amount of any significant investments is made.

#### *Derivatives*

All open derivatives are stated at their closing market values established by reference to the applicable index.

#### *Security Lending*

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's Statement of Net Assets. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period. Collateral received is not recorded unless it is reinvested. Income and realised and unrealised gains/losses on reinvested securities are recorded in the Fund account.

#### *Capital movements – Realised and unrealised*

Realised profits and losses on investments are calculated by reference to the net proceeds on disposal and the average cost attributable to those investments. Realised surpluses and deficits on the partial sale of investments are arrived at by deducting the average cost of such investments from the sales proceeds. The purchase and sales of investments are accounted for on the trade date. Unrealised profits and losses on investments are calculated by reference to the carrying value at the year end and the carrying costs of investments held. All realised and unrealised profits and losses on investments are reflected in the Statement of Comprehensive Income.

#### *Other assets*

Debtors are recognised at amortised cost, less any impairment losses. These comprise mainly contributions due and benefits prepaid at the balance sheet date and are short term in nature.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. ACCOUNTING POLICIES (continued)**

***Investments (continued)***

***Cash and cash equivalents***

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

***De-recognition of basic financial instruments***

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Fund, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

***h) Foreign Currency***

***Functional and presentational currency***

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

***i) Pension costs***

As described in note 14, the Committee has applied the provisions of FRS 102, section 27 in respect of defined contribution arrangements.

***j) Critical accounting judgements and estimates***

As stated above, investments in unlisted funds (including limited partnerships) are valued at the net asset value of that investment as determined in accordance with the terms of the funds' constitutive documents and notified by the fund manager or administrator as at the valuation date.

The valuation date of each fund may not always be co-terminus with the valuation date of the Contributory Funds, and in such cases, the valuation of the fund as at the last valuation date of the fund is used i.e. the latest available price is used on the valuation date. The net asset values reported by the relevant fund manager or administrator and used by the Committee as at 31 December 2015 may be unaudited as at that date and may differ from the amounts which would have been realised from a redemption of the investment in the relevant fund as at 31 December 2015. However, it is the belief of the Investment Manager and the Committee that the latest available net asset value used on the valuation date will not be materially different from the net asset value used to realise these investments held at 31 December 2015.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>2. CONTRIBUTIONS</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Employer contributions		69,274	68,109
Employee contributions		63,560	62,499
		132,834	130,608
Self-employed contributions		15,813	16,032
Non-employed contributions		8,465	8,685
Employer surcharge and penalty		52	28
Movement in contributions unallocated		39	(95)
		<b>157,203</b>	<b>155,258</b>
<b>Contribution income allocated to:</b>			
Guernsey Insurance Fund		100,019	99,065
Guernsey Health Service Fund		38,146	37,635
Long-term Care Insurance Fund		18,940	18,558
		<b>157,203</b>	<b>155,258</b>

  

<b>3. BENEFITS PAYABLE</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Guernsey Insurance Fund	4	129,809	125,137
Guernsey Health Service Fund	5	39,767	37,141
Long-term Care Insurance Fund	6	17,913	17,927
		<b>187,489</b>	<b>180,205</b>

  

<b>4. BENEFITS PAYABLE: GUERNSEY INSURANCE FUND</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Pension		110,708	106,149
Invalidity		8,118	7,918
Sickness		3,597	3,604
Bereavement		1,517	1,629
Travelling allowance grant		2,095	1,938
Unemployment		1,356	1,437
Maternity benefit		1,194	1,184
Industrial disablement		533	552
Industrial injury		213	300
Death grant		310	271
Industrial medical		130	135
		129,771	125,117
Benefit debt written-off		42	3
Doubtful debt provision - movement		(4)	17
	3	<b>129,809</b>	<b>125,137</b>

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

<b>5. BENEFITS PAYABLE: GUERNSEY HEALTH SERVICE FUND</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Drugs and medicines	5(a)	16,037	14,880
Specialist Health Insurance Scheme	5(b)	19,300	17,721
Consultation grants	5(c)	3,395	3,546
Visiting medical consultants		735	690
Primary Care Mental Health and Wellbeing		299	304
	<b>3</b>	<b>39,767</b>	<b>37,141</b>

<b>5(a). DRUGS AND MEDICINES</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Drugs and medicines		16,959	15,808
Appliances		783	722
Oxygen Service		302	263
		18,044	16,793
Prescription charges receivable		(2,007)	(1,913)
	<b>5</b>	<b>16,037</b>	<b>14,880</b>

<b>5(b). SPECIALIST HEALTH INSURANCE SCHEME</b>	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>£'000's</b>	<b>£'000s</b>
Specialist medical benefit		17,024	15,600
Physiotherapy benefit		2,193	2,043
Alderney hospital benefit		83	78
	<b>5</b>	<b>19,300</b>	<b>17,721</b>

The States of Guernsey entered into revised agreements for the last five years of the contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group (now Guernsey Therapy Group) from 1 January 2014 to 31 December 2017.

The contract with the Medical Specialist Group is based on a per-consultant contracted price adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September.

The contract with the Guernsey Therapy Group is based on a per-physiotherapist and per-assistant price, with different rates applying to different grades of physiotherapist and adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPIX for the previous September less 1%.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5(c). CONSULTATION GRANTS	Note	2015 £'000's	2014 £'000s
Doctors consultation grants		2,922	3,057
Nurses consultation grants		473	489
	5	3,395	3,546

6. BENEFITS PAYABLE: LONG-TERM CARE INSURANCE FUND	Note	2015 £'000's	2014 £'000s
<b>Residential home care benefit</b>			
Permanent		5,579	6,056
Permanent with EMI supplement		2,897	2,749
Respite care		159	139
Respite care with EMI supplement		11	16
		8,646	8,960
<b>Nursing home care benefit</b>			
Permanent		9,146	8,834
Respite care		121	133
		9,267	8,967
	3	17,913	17,927

7. ADMINISTRATION	Note	2015 £'000's	2014 £'000s
Salaries and pension costs		5,789	5,519
Other staff costs		42	57
IT and communication		913	922
Consultancy and contracted out work		757	605
Administration		332	303
Premises		235	217
Health and Social Services Department charges		180	178
Supplies and Services		208	132
Audit fee		50	22
		8,506	7,955
Amounts received from Non Contributory Services		(2,149)	(2,162)
		6,357	5,793

<b>Administration expenses allocated to:</b>			
Guernsey Insurance Fund		4,479	4,258
Guernsey Health Service Fund		1,579	1,236
Long-term Care Insurance Fund		299	299
		6,357	5,793

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTING ACTIVITIES	Note	2015 £'000's	2014 £'000s
<b>Income</b>			
Interest from fixed interest securities		13,275	11,713
Dividends from equities		816	183
Distributions from property funds		349	354
Interest on short term deposits		108	51
Securities lending (less expenses)		69	7
Bank interest		1	84
Less: Withholding tax suffered		(48)	(53)
		<b>14,570</b>	<b>12,339</b>
Tax reclaim receivable (see below)	11	259	5,719
		<b>14,829</b>	<b>18,058</b>
<b>Expenditure</b>			
Investment managers' fees		3,704	3,535
Less: Fees charged directly on pooled funds		(2,851)	(2,186)
		<b>853</b>	<b>1,349</b>
Investment advisor's fees		104	210
Custody fees		35	26
Performance monitoring fees		21	20
		1,013	1,605
<b>Net investment income</b>		<b>13,816</b>	<b>16,453</b>
Realised profit on disposal		22,269	59,621
Movement on unrealised loss		(43,344)	(45,162)
<b>Total (deficit)/surplus for the year</b>		<b>(7,259)</b>	<b>30,912</b>
<b>Investing activities allocated to:</b>			
Guernsey Insurance Fund		(5,933)	25,345
Guernsey Health Service Fund		(866)	3,580
Long-term Care Insurance Fund		(460)	1,987
		<b>(7,259)</b>	<b>30,912</b>

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE ASSETS	1.1.2015	Additions	31.12.2015
	£'000s	£'000s	£'000s
<b>Cost</b>			
Freehold land and buildings	3,774	-	3,774
Plant and equipment	1,004	-	1,004
Information technology	9,348	-	9,348
	14,126	-	14,126
	1.1.2015	Depreciation	31.12.2015
	£'000s	£'000s	£'000s
<b>Accumulated Depreciation</b>			
Freehold land and buildings	1,264	47	1,311
Plant and equipment	814	64	878
Information technology	9,222	66	9,288
	11,300	177	11,477
<b>Net book value</b>	<b>2,826</b>		<b>2,649</b>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by a firm of estate agents and valuers, at an open market value of £11.02m.

The Committee has reviewed fixed assets for evidence of impairment and no adjustment has been made to the carrying value of tangible fixed assets (2014: £Nil).



**SOCIAL SECURITY – CONTRIBUTORY FUNDS**

Controlled and managed by the States of Guernsey – Committee *for* Employment & Social Security  
*For the Year ended 31 December 2015*

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****10. FINANCIAL INSTRUMENTS**

<b>Assets at 31.12.2015</b>	<b>Fair Value through profit or loss</b>	<b>Amortised Cost</b>	<b>Total</b>
Financial instruments (Common Investment Fund)	807,301	-	807,301
Treasury deposit and other cash	-	6,250	6,250
Tangible fixed assets	-	2,649	2,649
Trade and other receivables	-	26,797	26,797
Trade and other payables	-	(5,584)	(5,584)
	<b>807,301</b>	<b>861,540</b>	<b>835,755</b>

<b>Assets at 31.12.2014</b>	<b>Fair Value through profit or loss</b>	<b>Amortised Cost</b>	<b>Total</b>
Common Investment Fund	822,896	-	822,896
Treasury deposit and other cash	-	6,576	6,576
Tangible fixed assets	-	2,826	2,826
Trade and other receivables	-	32,187	32,187
Trade and other payables	-	(4,248)	(4,248)
	<b>822,896</b>	<b>37,343</b>	<b>860,239</b>

The Committee do not believe that there is any material difference between the fair value and the amortised cost equivalent.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 10. FINANCIAL INSTRUMENTS (continued)

Common Investment Fund (CIF) at Fair Value	31.12.2015 £'000's	31.12.2014 £'000s
Equities and derivatives	432,923	443,811
Fixed income and derivatives	249,422	289,324
Alternative investments and hedge funds	76,893	56,201
Venture Capital & Partnerships	15,477	9,151
Property funds	6,261	6,099
Commodities	1,638	8,442
Cash and cash equivalents	24,687	9,868
	<b>807,301</b>	<b>822,896</b>
<b>Investments allocated to:</b>		
Guernsey Insurance Fund	653,794	671,622
Guernsey Health Service Fund	99,576	98,123
Long-term Care Insurance Fund	53,931	53,151
	<b>807,301</b>	<b>822,896</b>
<b>CIF movements during the year</b>	<b>2015</b>	<b>2014</b>
	£'000's	£'000s
<b>Market value 1 January</b>	822,896	802,671
Investment income reinvested	14,624	11,766
Realised profit on disposal reinvested	22,129	59,621
Movement on unrealised loss on investments	(43,344)	(45,162)
New monies	5,978	-
Withdrawal of monies invested	(15,000)	(6,000)
<b>Market value 31 December</b>	<b>807,301</b>	<b>822,896</b>

During 2015, the Common Investment Fund was managed by five investment managers, namely: BlackRock Investment Management (UK) Limited; Legg Mason Global Asset Management; Morgan Stanley Investment Management Limited; GMO UK Limited; and Skagen Funds up to 22 December 2015.

The governance of the Fund is supported by the Fund custodian, Northern Trust Global Services Limited and a professional investment adviser, P-Solve Asset Solutions.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEBTORS DUE WITHIN ONE YEAR	Note	31.12.15 £'000's	31.12.14 £'000s
Contributions receivable		22,896	22,750
Tax reclaim receivable (see below)	8	-	5,719
Benefits and allowances prepaid		3,617	3,321
Administration expenses prepaid		154	181
Trade debtors		29	47
		<b>26,696</b>	<b>32,018</b>

In 2015 UK HM Revenue and Customs confirmed that the Common Investment Fund qualified for Crown Immunity from direct taxation relating to income tax, corporation tax and capital gains tax. In 2014, a provision of £5.7m was provided in respect of tax reclaims yet to be received which was received in full in 2015.

12. DEBTORS DUE AFTER ONE YEAR	Note	31.12.15 £'000's	31.12.14 £'000s
Benefit debt		239	311
Provision for doubtful debts		(138)	(142)
		<b>101</b>	<b>169</b>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Note	31.12.15 £'000's	31.12.14 £'000s
Benefits and allowance payable		1,787	2,117
States of Guernsey Intercompany creditors		2,633	1,259
Other creditors and accruals		804	574
Trade creditors		360	298
		<b>5,584</b>	<b>4,248</b>

### 14. SUPERANNUATION FUND

The employees of the Committee for Employment and Social Security are members of the States of Guernsey Superannuation Fund, which is a defined benefit pension scheme. Although the scheme is a multi-employer plan, it is not possible to identify the Social Security Committee's share of the underlying assets and liabilities of the scheme on a reasonable and consistent basis. There is neither an agreement nor a policy in place to allocate any of the deficit of the defined benefit pension scheme across the participating entities.

The States of Guernsey is liable for any obligations that arise from the States of Guernsey Superannuation Fund in respect of employees of the States of Guernsey. All employees of the Social Security Committee are considered to be ultimately employees of the States of Guernsey.

Consequently, the Committee for Employment and Social Security has accounted for the plan as if it were a defined contribution plan, whereby it has expensed employer contributions through the Revenue Account. The employees also contribute to the States of Guernsey Superannuation Fund. The contribution rates are determined by a qualified actuary on the basis of triennial valuations. The total cost of employer contributions included within the Revenue Account amounted to £0.56m (2014: £0.56m).

Details relating to the funding of the Superannuation Scheme are included within The States of Guernsey Accounts 2015.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**15. RELATED PARTY TRANSACTIONS**

The Committee members confirm that there have been no related party transactions to disclose with members and senior management in this financial year (2014: Nil). Of the Committee's annual income and expenditure, less than 20% of their respective value for both 2015 and 2014 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11. Balances with the States Treasury at the year-end amounted to £6.0m (2014: £6.7m).

**Key management personnel compensation disclosure**

For the year, total staffing costs associated with the Committee's key management was £0.84m (2014: £0.75m), comprising of 9.5 full-time equivalent staff (2014: 8.8 F.T.E.). Approximately 79% of total costs are allocated to the Contributory Funds, the balance being charged to Non Contributory Services which is funded from General Revenue.

**16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS**

The Committee's activities expose it to a number of financial and associated risks, especially with regard to the investing activities of the Common Investment Fund and the possibility that an event or situation arises that reduces the likelihood of achieving its financial objectives.

In respect of the Common Investment Fund, there are many different types of specific risk including: governance risk, financial exposure market risk; performance risk; demographic exposure risk; and operational risk.

**Governance Risk**

The risk associated with poor governance essentially occurs where there is a failure to act as issues emerge.

Governance is the framework within which other risks are considered. The result of this consideration should, where appropriate, lead to action. Key controls and risk mitigation include:

- Objectives are well understood;
- Fund manager and other provider mandates are well defined; and
- Fund managers and providers are asked to articulate how their strategies might perform in different market and economic conditions.

Once this is done, the risks in the other areas can be defined and evaluated. The focus is then on designing metrics and benchmarks that are consistent with the conditions identified above.

**Financial Exposure Risk**

Financial exposure risk is the potential for losses (compared to objectives) from falling asset values resulting from market movements.

The Committee considers financial exposure risk in three categories and makes use of three modelling approaches to help understand each of these.

<b>Risk</b>	<b>Cause</b>	<b>Indicative magnitude of loss</b>	<b>Time to recover</b>
Regular Market Volatility	Trading activity and market sentiment	10%-15%	Months to one year
Market Stress	Market issues e.g. credit/currency or demand/supply issues	20%	1 to 2 years
Permanent Loss	Overvaluation or economic regime change	50%-85%	Can be decades

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)**

**Financial Exposure Risk (continued)**

Regular Market Volatility can be measured using a VaR type model which can estimate the expected volatility of an investment strategy in normal market conditions. Market Stress is measured by calculating the effect of one off market shocks e.g. a sharp fall in equity values or significant rise in inflation. To measure the risk of permanent loss, a range of economic scenarios is identified and projections made as to how the strategy would perform in each of these situations.

In each case the Committee will develop with each investment manager, explicit constraints within which risk is managed. The risk of Permanent Loss is the initial focus of any analysis as these are the biggest and longest-lived risks faced by the Committee.

In order to fully test an investment strategy all three of the models will be used to assess how robust the strategy is against the three different types of risk. When considering a strategy the Committee will use models to test robustness and as a useful comparison between strategies, but will also apply a qualitative assessment of the strategy to ensure the results are sensible, defensible and meet the non-financial needs of the Committee.

**Market risk**

The fair value of future cash flows of a financial instrument held by the Common Investment Fund may fluctuate because of changes in market prices.

**Market price risk sensitivity**

The following table illustrates the sensitivity of the Common Investment Fund to a decrease in the fair values of the all asset classes. A 5% increase in the fair values would have resulted in an equal but opposite effect.

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>£'000s</b>	<b>£'000s</b>
Fair value at year-end	807,301	822,895
Decrease of 5% in fair value	(40,365)	(41,145)
	<b>766,936</b>	<b>781,750</b>

The market risk comprises of four other elements – currency risk, interest rate risk, credit risk and liquidity risk. Information to enable an evaluation of the nature of these four elements is given in (i) to (iv) below, together with sensitivity analyses where appropriate.

The Committee reviews and agrees policies for managing these risks and these policies have remained unchanged from those applying in the comparative year. Each investment manager assesses their exposure to market risk when making each investment decision and monitors the overall level of market risk on the investment portfolio under its management on an ongoing basis.

**(i) Currency risk**

Certain of the Common Investment Fund's assets and liabilities and income are denominated in currencies other than sterling, which is the base currency of the Fund and the Committee's financial statements. As a result, movements in exchange rates will affect the Sterling value of those items.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

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### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### 16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

##### *Management of currency risk*

The investment managers are responsible for managing currency risk and monitoring exposure to foreign currencies. Investment managers are permitted to use forward foreign currency exchange contracts to limit the exposure to anticipated changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. Income denominated in foreign currencies is converted into Sterling.

The net currency exposure of the Common Investment Fund at the year-end was as follows

##### *Foreign currency exposure*

Currency	31.12.2015	31.12.2014
	£'000s	£'000s
GBP	805,5078	824,341
EUR	(2,304)	(8,440)
USD	4,519	6,967
CAD	8	27
<b>Total</b>	<b>807,301</b>	<b>822,895</b>

At 31 December 2015, had the GBP strengthened by 5% in relation to other currency exposure of the Common Investment Fund (CIF), with all other variables held constant, the valuation of the CIF would have changed by the amounts shown below. The analysis is performed on the same basis for 2014. A 5% weakening of GBP against other currencies respectively would have resulted in an equal but opposite effect.

Foreign Currency Exposure – Sensitivity Analysis	31.12.2015	31.12.2014
	£'000s	£'000s
EUR	(115)	(422)
USD	226	348
CAD	-	1
<b>Total</b>	<b>111</b>	<b>(73)</b>

##### **(ii) Interest rate risk**

Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

##### *Management of interest rate risk*

Interest rate risk is managed by the investment managers in accordance with their investment mandate.

##### **(iii) Credit risk**

Credit risk is the risk that the failure of the counterparty to a transaction to discharge its obligations under that transaction could result in loss to the Contributory Funds.

It is the responsibility of the investment managers to monitor dealing activity to ensure best execution, which involves measuring various indicators including the quality of the trade settlement and incidence of failed trades. Counterparties must be pre-approved by the Investment managers' credit committees.

The Committee's Custodian is Northern Trust Limited which has a credit rating of AA- from Standard and Poor, A1 from Moody's and AA- from Fitch. The Committee's investments are held in accounts which are segregated from the Custodian's own trading assets. If the Custodian were to become insolvent, the Committee's right of ownership is clear and they are therefore protected. However, the Committee cash balances, which are held with the Custodian, may be at risk in this instance as the Committee would rank alongside other creditors of the Custodian.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)

#### (iv) Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the cash flow requirements of the Committee need to be monitored to control the timing of investment and divestment to and from the Common Investment Fund. As the Committee has entered a long-term period of annual operating deficits, cash flow management including increased short-term fixed income features increasingly in the management and governance of the Common Investment Fund.

#### Other qualitative risks:

- **Country risk** – the risk of an adverse influence on investment values from political intervention is reduced by diversification of the assets across many countries;
- **Concentration risk** – the risk of an adverse influence on investment values from the concentration of holdings is reduced by the diversification of the assets;
- **Mismanagement risk** – the risk of unsuitable investment activity by the Investment Managers. This is addressed in the agreements with the Investment Managers which contain a series of restrictions. The activity of the Investment Managers and their processes are monitored regularly by the Advisers on behalf of the Committee;
- **Default risk** – the risk of income from assets not being paid when promised. This is addressed through restrictions for the Investment Managers e.g. a minimum credit rating of the bonds they are allowed to buy and use of active management for lower rated bonds to minimise the default risk.
- **Organisational risk** – the risk of inadequate internal processes leading to problems for the Committee. This is addressed through regular monitoring of the Investment Managers and Advisers.
- **Counterparty risk** – the risk of the counterparty to an agreement not carrying out his side of the deal. Where derivatives are used, the risk of counterparty default is reduced through the requirement in the relevant documentation that regular collateral or margin payments be made. It is also considered in the selection of counterparties and the incorporation of protection mechanisms in the documentation in the event of a downgrade in credit quality of an existing counterparty.
- **Transition risk** – the risk of paying unnecessary costs or being at increased risk of adverse market movements, when transitioning assets from one Manager or asset class to another. This risk is mitigated by organising transitions in a structured fashion with the advice of the Advisers or by using a specialist transition Manager, if appropriate.

The management of these risks does not simply employ statistical measures which are extremely sensitive to the assumptions used and have proven to be less than effective in extreme circumstances. It is these very situations which can do the most damage to the Committee's assets. Tests are run for these situations by ensuring risk management is carried out in a number of ways and overlaid with a pragmatic view of likely future outcomes.

#### Performance Risk

As well as financial exposure risk, poor performance of Fund Managers and providers, including the Investment Adviser, can also have a significant effect. The key contributing risks are identified as below:

- It should be well understood what the objectives of Fund Managers and providers are and the time horizon over which these operate;
- There should be evidence that added-value is skilful (rather than lucky or the result of a persistent systemic position). The basis for skill – i.e. what it is and why it is expected to persist – should be clear and understood. If this evidence does not exist, it is difficult to have confidence in the ability of performance to be delivered;

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)**

#### **Performance Risk (continued)**

- All mandates involve constraints within which the Fund manager or provider must operate. It is important that operations are within the mandate and that there have been no breaches (or any breaches have been rectified quickly); and
- It is important to understand in advance how the Fund Manager or provider is expected to perform in a range of different conditions, in order that returns generated over various time horizons may be interpreted effectively.

The Committee takes advice from its Investment Adviser prior to appointing Fund Managers. All Fund Managers sign an Investment Management Agreement with the Committee setting out the legal mandate in terms of objectives, constraints and the roles and responsibilities of all related parties. The Committee monitors Fund Managers' performance to ensure they are delivering their objectives in line with their mandates.

#### **Review of historical performance**

Having set the performance tolerances above, these can be measured on a regular basis by comparing actual performance with the target, benchmark and where appropriate a Governance comparable figure (i.e. the Fund Manager's performance might be exaggerated or impaired because of factors that affect all similar managers in the same way).

#### **Demographic Risk**

The risk of an increased cash flow requirement from the Fund resulting from demographic changes such as an increase in life expectancy, or reduction in working population.

Financial exposure risks are important, but the impact of demographics on the commitments of the funds may be just as relevant.

The demographics risks may affect the drawdown from the Fund in a number of ways:

- **Mortality:** Where benefits are related to death, the value of the benefit will be driven by this. This is particularly an issue in relation to the provision of pensions, where payments are made until the death of the beneficiary. Improvements in life expectancy would naturally result in paying out more than expected, which represents a risk to the Fund;
- **Ill-Health:** Some benefits relate to the incidence of ill-health, for example where this is in respect of invalidity or long-term care costs. Changes in this can result in paying benefits for longer, or greater overall levels of benefits; and
- **Structure of population:** The ability to finance the various funds is affected by the level of contributions, which in turn is related to the structure of the population. Therefore, a long run risk to the Fund is the relationship between those "paying" for the benefits and those receiving them.

These risks are important in absolute terms, but can intensify when combined with financial risks. For example, the "intensity" of an increase in longevity is magnified if the investment return on the Fund is expected to be lower. This has a very real effect on the risks of the Fund, if it affects the recommended contributions. Hence, these risks are not only about their effect on the long term cost, but also on the effect of the incidence of contributions in the short and medium term. The Actuarial Reviews that are undertaken at least every five years provide relevant information for this type of risk.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. FINANCIAL RISK MANAGEMENT AND ASSOCIATED RISKS (CONTINUED)**

**Operational Risk**

The risk is associated with losses resulting from weak controls, process or security. Operational risks can be either internal or external. Internal risks mainly refer to cash flow management. The Committee must ensure it plans for future cash flows and that all payments will be made in a timely manner (See: Liquidity Risk above).

Where funds are required to be moved quickly, the Committee needs to be being able to act quickly on an investment or disinvestment. External risks primarily relate to the process and control errors caused by external parties, such as Fund Managers, custodian or advisers. These risks are mitigated by thorough research and due diligence.

**17. EXPLANATION OF TRANSITION TO FRS102**

This is the first year that the Committee has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council (except for the inclusion of certain disclosures required in relation to financial instruments as described in note 1).

The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

The transition to the new financial reporting framework has had no material impact on recognition and measurement, but has requirements amendments to presentation and disclosure. The additional or amended disclosures in relation to the prior year have been presented consistently with those for the current year. Specific detailed disclosures in relation to the fair value hierarchy and liquidity disclosures have not been included in these financial statements. As described in note 1, the Committee is considering the impact of these disclosures in more detail and will consider providing these disclosures in future years.

**18. STATEMENT OF CONTROL**

Prior to 1 May 2016, the Contributory Funds were controlled by the Social Security Committee as required by Section 100(1) of the Social Insurance (Guernsey) Law, 1978, as amended in respect of the Guernsey Insurance Fund; Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990 in respect of the Guernsey Health Service Fund and by Section 1(1) of The Long-term Care Insurance (Guernsey) Law, 2002 in respect of the Long-term Care Insurance Fund. The members of the Social Security Committee had been appointed by the States of Guernsey.

From 1 May 2016, the Contributory Funds are controlled by the Committee for Employment & Social Security which as a Principal Committee was constituted by resolutions of the States in 2015. The Committee can exercise powers and perform duties conferred on it by legislation and extant States' resolutions, including but not limited to, conferred functions on the former Social Security Committee. The members of the Committee have been appointed by the States of Guernsey.

**19. SUBSEQUENT EVENTS**

Other than as noted in note 18, there have been no material subsequent events since the Balance Sheet date which affect these financial statements.

## SOCIAL SECURITY – CONTRIBUTORY FUNDS

Controlled and managed by the States of Guernsey – Committee for Employment & Social Security  
For the Year ended 31 December 2015

This additional information has been prepared from the accounting records of the Contributory Funds. While it does not form part of the financial statements, it should be read in conjunction with them.

### CONSTITUENT CONTRIBUTORY FUND ACCOUNTS

	Note	GIF	GHSF	LTCIF	TOTAL	TOTAL
		2015 £'000s	2015 £'000s	2015 £'000s	2015 £'000s	2014 £'000s
<b>Income</b>						
Contributions	1(b),2	100,117	38,146	18,940	157,203	155,258
States grant	1(b)	15,018	4,577	-	19,595	19,376
		<b>115,135</b>	<b>42,723</b>	<b>18,940</b>	<b>176,798</b>	<b>174,634</b>
<b>Expenditure</b>						
Benefits payable	1(c),3,4,5,6	129,809	39,767	17,913	187,489	180,205
Administration		4,479	1,579	299	6,357	5,793
		<b>134,288</b>	<b>41,346</b>	<b>18,212</b>	<b>193,846</b>	<b>185,998</b>
<b>Operating (deficit)/surplus before depreciation charge</b>		<b>(19,153)</b>	<b>1,377</b>	<b>728</b>	<b>(17,048)</b>	<b>(11,364)</b>
Depreciation charge	9	(177)	-	-	(177)	(135)
<b>Operating (deficit)/surplus</b>		<b>(19,330)</b>	<b>1,377</b>	<b>728</b>	<b>(17,225)</b>	<b>(11,499)</b>
Investing activities	1(f),8	(5,933)	(866)	(460)	(7,259)	30,912
<b>Net (deficit)/surplus</b>		<b>(25,263)</b>	<b>511</b>	<b>268</b>	<b>(24,484)</b>	<b>19,413</b>
Net assets at 1 January		702,100	102,575	55,564	860,239	<b>840,826</b>
<b>Net assets at 31 December</b>		<b>676,837</b>	<b>103,086</b>	<b>55,832</b>	<b>835,755</b>	<b>860,239</b>

## **ELIZABETH COLLEGE – UPPER SCHOOL**

### **REPORT OF THE BOARD OF DIRECTORS**

#### **FOR THE YEAR ENDED 31 AUGUST 2015**

The Board of Directors submits its report and the audited financial statements of Elizabeth College – Guernsey (the “College”) for the year ended 31 August 2015.

#### **BOARD OF DIRECTORS' RESPONSIBILITIES STATEMENT**

The Board of Directors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period and are in accordance with applicable law and United Kingdom Accounting Standards. In preparing those financial statements the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue in operation.

The Board of Directors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and to enable it to ensure that the financial statements have been properly prepared in accordance with applicable law. It is also responsible for safeguarding the assets of the College and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Board of Directors is aware, they have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the College’s auditor is aware of such information.

#### **PRINCIPAL ACTIVITIES**

Elizabeth College, founded in 1563 by Queen Elizabeth I, is a selective day school located in St Peter Port in Guernsey. The College includes the Upper School which is reported in these financial statements. The Pre-School and Pre-Preparatory School (Acorn House), and Preparatory School, (Beechwood), are reported in separate financial statements as the Elizabeth College – Junior School.

The principal activity of the College is the provision of education.

## **ELIZABETH COLLEGE – UPPER SCHOOL**

### **REPORT OF THE BOARD OF DIRECTORS (continued)**

#### **FOR THE YEAR ENDED 31 AUGUST 2015**

#### **BOARD OF DIRECTORS**

The Board of Directors of the College who served during the year were:-

Deputy Allister Langlois	(resigned 6 January 2016)
Mr Kevin Roberts	
Mr David Preston	
Advocate Davey Le Marquand	
Mr John Perkins	
Mr Mike Buchanan	
Ms Anne-Marie Collivet	
Mr David Sussman	(appointed 5 January 2015 and resigned 6 January 2016)

The Dean of Guernsey, The Very Reverend Timothy Barker was appointed as Chairman to the Board of Directors on 29 November 2015.

On 6 January 2016 Deputy Allister Langlois and Mr David Sussman resigned from the Board of Directors.

Mr Mark Thompson and Mr Stephen Falla were appointed to the Board of Directors on 6 January 2016 and 2 March 2016 respectively.

#### **INDEPENDENT AUDITOR**

BDO Limited has expressed its willingness to continue in office.

#### **APPROVED BY THE BOARD OF DIRECTORS**

.....  
The Very Reverend Timothy Barker  
Chairman

.....  
Mr John Perkins  
Director

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF ELIZABETH COLLEGE – UPPER SCHOOL**

We have audited the financial statements of Elizabeth College – Upper School (the “College”) for the year ended 31 August 2015 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the College's Board of Directors, as a body, in accordance with the terms of engagement dated 25 November 2015. Our audit work is undertaken so that we might state to the College's Board of Directors 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 College and the College's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditor**

As explained more fully in the Directors' Responsibilities Statement within the Report of the Board of Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### **CHARTERED ACCOUNTANTS**

Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

Date: .....

# ELIZABETH COLLEGE - UPPER SCHOOL

## REVENUE ACCOUNT

### FOR THE YEAR ENDED 31 AUGUST 2015

	Note	2015	2014 (as restated)
<b>INCOME</b>			
States' block grant		778,744	925,795
Fees receivable		5,009,116	4,784,907
Other income		349,892	308,246
		<hr/>	<hr/>
	1(b)	6,137,752	6,018,948
<b>EXPENSES</b>			
School and departmental expenses	4,384,331	4,364,475	
Administrative expenses	1,105,124	1,172,705	
Maintenance of buildings and grounds	438,683	415,553	
		<hr/>	<hr/>
		(5,928,138)	(5,952,733)
<b>OPERATING SURPLUS BEFORE INTEREST</b>		<hr/>	<hr/>
		209,614	66,215
Interest receivable from investments		5,560	5,814
Interest receivable from cash at bank		17,848	17,381
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>		233,022	89,410
Ernest Gardner Bursary Fund loan waived	10	145,000	-
<b><i>Restricted Income</i></b>			
Capital grant from Elizabeth College Foundation	17	140,821	358,829
<b><i>Elizabeth College Foundation</i></b>			
Annual running costs		(96,864)	(98,123)
		<hr/>	<hr/>
<b>RETAINED SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE CAPITAL ACCOUNT</b>	11	£ 421,979	£ 350,116
		<hr/>	<hr/>

A statement of movements on reserves is included in note 11 to the financial statements.

Notes 1 - 17 form an integral part of these financial statements.

**ELIZABETH COLLEGE – UPPER SCHOOL****BALANCE SHEET****AS AT 31 AUGUST 2015**

	Note	2015	2014 (as restated)
<b>FIXED ASSETS</b>			
Tangible assets	5	4,743,896	4,511,261
Investments	6	-	137,259
		<hr/>	<hr/>
		4,743,896	4,648,520
<b>CURRENT ASSETS</b>			
Stock		7,661	118
Investments	6	37,690	-
Debtors	7	222,166	264,414
Cash at bank and in hand	8	2,368,678	1,884,620
		<hr/>	<hr/>
		2,636,195	2,149,152
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(1,014,005)	(708,565)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,622,190	1,440,587
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,366,086	6,089,107
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	10	-	(145,000)
		<hr/>	<hr/>
<b>NET ASSETS</b>		£ 6,366,086	£ 5,944,107
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
<b>RESERVES</b>	11	£ 6,366,086	£ 5,944,107
		<hr/>	<hr/>

**APPROVED BY THE BOARD OF DIRECTORS AND AUTHORISED FOR ISSUE BY:**

.....  
Chairman

.....  
Date approved by the Board

Notes 1 - 17 form an integral part of these financial statements.

**ELIZABETH COLLEGE – UPPER SCHOOL**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 AUGUST 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b> <b>(as restated)</b>
<b>Net cash inflow from operating activities</b>	12	776,808	496,216
<b>Returns on investments</b>			
Interest received from investments		5,560	5,814
Interest received from banks		17,848	17,381
		<hr/>	<hr/>
<b>Net cash inflow from returns on investments</b>		23,408	23,195
<b>Capital expenditure and financial investment</b>			
Tangible fixed assets acquired		(456,979)	(533,583)
Restricted grant received from Elizabeth College Foundation		140,821	358,829
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>		(316,158)	(174,754)
<b>Management of liquid resources</b>			
Decrease/(increase) in fixed deposit accounts		209,718	(211,056)
		<hr/>	<hr/>
<b>Increase in cash for the year</b>		<b>£ 693,776</b>	<b>£ 133,601</b>
		<hr/>	<hr/>
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Increase in cash for the year		693,776	133,601
Movement (into)/out of liquid resources		(209,718)	211,056
Non-cash loan waiver		145,000	-
Net funds at 1 September		1,739,620	1,394,963
		<hr/>	<hr/>
<b>Net funds at 31 August</b>	13	<b>£ 2,368,678</b>	<b>£ 1,739,620</b>
		<hr/>	<hr/>

Notes 1 - 17 form an integral part of these financial statements.



# **ELIZABETH COLLEGE – UPPER SCHOOL**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 AUGUST 2015**

#### **1. ACCOUNTING POLICIES**

##### **(a) CONVENTION**

These financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards. The principal accounting policies which the Board of Directors has consistently adopted within that convention are set out below.

##### **(b) INCOME RECOGNITION**

The States' Block Grant comprises a general grant (non-special placeholder) from The States of Guernsey and is recognised on receipt. The general grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution dated 28 September 2011.

School fee income is recognised as receivable on the first day of each term for which pupils are enrolled. Income received in respect of future accounting periods is carried forward as fees received in advance within creditors and is taken to income in the school term when the pupil attends or is otherwise refunded.

Other income, including the hire of facilities, investment income and catering income is recognised in the period it is receivable and to the extent the goods or services have been provided or completed.

##### **(c) EXPENSES**

All expenses are accounted for on an accruals basis in the period to which the cost relates and have been classified under headings that aggregate all costs related to the category.

The costs of maintenance are charged in the period in which they are incurred.

##### **(d) TANGIBLE FIXED ASSETS AND DEPRECIATION**

Assets with a cost of £1,000 or more are capitalised as tangible fixed assets and are carried at cost, less accumulated depreciation and any provision for impairment.

Depreciation is provided to write off the cost of the assets to their estimated residual values over the period of their expected useful economic lives, at the following annual rates:-

College buildings	- 2% straight line
Furniture and equipment	- 10% straight line
Computer equipment	- 33.33% straight line
Plant and machinery	- 10% straight line
Motor vehicles	- 20% straight line

##### **(e) INVESTMENTS**

Investments, which comprise quoted fixed interest securities, are carried at historical cost, less any provision for impairment where applicable.

##### **(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.

# **ELIZABETH COLLEGE – UPPER SCHOOL**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 AUGUST 2015**

#### **1. ACCOUNTING POLICIES (continued)**

##### **(g) CASH**

The balances held on fixed deposit are not defined as cash under the Financial Reporting Standard No.1 and are therefore excluded from the cash flow statement.

##### **(h) PRIZE FUNDS AND BEQUESTS**

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College, nor does the College have control over the associate bank accounts.

##### **(i) PENSION COSTS**

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Revenue Account to spread the cost of the pensions over the employees' working lives.

##### **(j) ELIZABETH COLLEGE FOUNDATION**

Capital grants are recognised in the Revenue Account when received and are not deferred over the life of the asset on which they are expended (note 17).

#### **2. CHANGE IN ACCOUNTING POLICY**

The College has retrospectively applied a change in accounting policy to tangible fixed assets in order to comply with Financial Reporting Standard 15 – Tangible Fixed Assets, resulting in the restatement of the comparative figures.

Previously no depreciation was provided on freehold property. Maintenance expenditure and the costs of minor improvements to all buildings and grounds were previously written off to the Revenue Account when incurred. Expenditure on furniture and equipment was also written off to the Revenue Account when incurred. The College now capitalises assets with a cost of more than £1,000 and carries the assets at cost less accumulated depreciation as described in note 1(d).

Identified fixed assets acquired since 1993 of £556,559 were capitalised and an accumulated depreciation charge of £1,221,798 posted. The maintenance reserve of £600,000 was transferred back to the capital reserve as a result of the change in policy. The net reduction in capital reserves at 1 September 2014 as a result of the change in accounting policy was £65,239 (note 11). The surplus for the financial year ended 31 August 2014 has decreased by a net amount of £96,215, being a credit to maintenance costs of £79,733 for additions capitalised to fixed assets and a depreciation charge of £175,948 for the year.

#### **3. INCOME AND OPERATING SURPLUS**

The College's income and operating surplus derive wholly from continuing activities.

#### **4. TAXATION**

The College is registered under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 and has therefore been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to tax.

# ELIZABETH COLLEGE – UPPER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2015

#### 5. TANGIBLE FIXED ASSETS

	<u>College Buildings</u>	<u>Furniture &amp; Equipment</u>	<u>Computer Equipment</u>	<u>Plant &amp; Machinery</u>	<u>Motor Vehicles</u>	Total
<b>COST</b>						
At 1 September 2014	5,176,500	342,529	72,246	127,212	14,572	5,733,059
Additions	267,859	25,397	90,708	61,265	11,750	456,979
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2015	5,444,359	367,926	162,954	188,477	26,322	6,190,038
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>						
At 1 September 2014	1,027,441	103,758	46,278	42,958	1,363	1,221,798
Charge for the year	110,798	36,793	52,641	18,848	5,264	224,344
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2015	1,138,239	140,551	98,919	61,806	6,627	1,446,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>						
At 31 August 2015	£ 4,306,120	£ 227,375	£ 64,035	£ 126,671	£ 19,695	£ 4,743,896
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2014	£ 4,149,059	£ 238,771	£ 25,968	£ 84,254	£ 13,209	£ 4,511,261
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

College buildings comprise the modern buildings on the main College site off the Grange, the modern changing room and groundsmen's buildings at the College Field and the pavilion at the Memorial Field.

The historic College buildings, being those situated at the College's original site in the Grange and in College Street, and the College Field playing fields and pavilion at King's Road, were gifted to the College at no cost. College buildings which have been held for 50 years or more have not been capitalised as they are considered to have been fully depreciated. As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their estimated insurance values, updated from April 2013 when the properties were valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

	<i>Cost At 31.8.14</i>	<i>Additions</i>	<i>Cost At 31.8.15</i>	<i>Insurance Valuation</i>
Main College site				
- Historic buildings	-	-	-	21,074,547
- Modern buildings	3,926,892	183,029	4,109,921	26,108,190
- Sixth Form Centre	388,470	-	388,470	466,040
College playing fields				
- CF - Old pavilion	-	-	-	623,776
- CF - Modern buildings	64,840	84,830	149,670	807,802
- MF Pavilion	796,298	-	796,298	879,083
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 5,176,500	£ 267,859	£ 5,444,359	£ 49,959,438
	<hr/>	<hr/>	<hr/>	<hr/>

**ELIZABETH COLLEGE – UPPER SCHOOL****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 AUGUST 2015**

<b>6. INVESTMENTS</b>	<b>2015</b>	<b>2014</b>
<b>COST</b>		
As at 31 August 2015	£ 37,690	£ 137,259
	<hr/>	<hr/>
<b>MARKET VALUE</b>		
Sterling fixed income securities	£ 35,026	£ 141,194
	<hr/>	<hr/>

The investments consist of Sterling fixed income securities traded within Europe.

The individual securities are due to mature in 2015, and it is the intention of the Board of Directors to hold the assets until maturity.

<b>7. DEBTORS</b>	<b>2015</b>	<b>2014</b>
Fee debtors	28,997	95,941
Accrued income	1,362	2,009
Amounts due from brokers	105,732	57
Current account – Elizabeth College – Junior School	-	100,334
Other debtors and prepayments	86,075	66,073
	<hr/>	<hr/>
	£ 222,166	£ 264,414
	<hr/>	<hr/>

Included in other debtors and prepayments is £15,881 (2014: £11,207) due from the Ernest Gardner Bursary Fund.

<b>8. CASH AT BANK AND IN HAND</b>	<b>2015</b>	<b>2014</b>
Cash at bank and in hand	2,115,321	1,421,545
Cash on fixed term deposit	253,357	463,075
	<hr/>	<hr/>
	£ 2,368,678	£ 1,884,620
	<hr/>	<hr/>

Amounts totalling £354,089 (2014: £352,803) held by the Ernest Gardner Bursary Fund are excluded from these financial statements on the basis that they represent monies held on behalf of third parties.

**ELIZABETH COLLEGE - UPPER SCHOOL**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2015**

**9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2015</b>	<b>2014</b>
Creditors and accruals	328,485	301,482
Payroll creditors	199,380	193,647
Fees received in advance	127,765	140,035
Other sundry creditors	98,750	73,401
Current account:		
– Elizabeth College - Junior School	259,625	-
	<hr/>	<hr/>
	£ 1,014,005	£ 708,565
	<hr/>	<hr/>

The current account due to the Elizabeth College – Junior School is interest free, unsecured and repayable upon demand.

**10. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2015</b>	<b>2014</b>
Loan – Ernest Gardner Bursary Fund	£ -	£ 145,000
	<hr/>	<hr/>

During the year the Trustees of the Ernest Gardner Bursary Fund resolved to waive the loan payable by the College.

**11. RESERVES**

	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2014			
- as previously stated	6,009,346	600,000	6,609,346
- prior year adjustment (note 2)	(65,239)	(600,000)	(665,239)
	<hr/>	<hr/>	<hr/>
Balance at 1 September 2014			
- as restated	5,944,107	-	5,944,107
Surplus for the financial year	421,979	-	421,979
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2015	£ 6,366,086	£ -	£ 6,366,086
	<hr/>	<hr/>	<hr/>

# ELIZABETH COLLEGE - UPPER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 AUGUST 2015

<b>12. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>2015</b>	<b>2014</b>
Operating surplus for the year before interest	209,614	66,215
Depreciation	224,344	175,948
(Increase)/decrease in stock	(7,543)	6,023
Decrease in operating debtors	41,483	290,797
Increase in operating creditors	45,815	4,224
Elizabeth College Foundation costs	(96,864)	(98,123)
Movement in current account		
– Elizabeth College – Junior School	359,959	51,132
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 776,808	£ 496,216
	<hr/>	<hr/>

<b>13. ANALYSIS OF CHANGES IN NET FUNDS</b>	<b>At 1 September 2014</b>	<b>Cash Flows</b>	<b>Non-cash Movement</b>	<b>At 31 August 2015</b>
Cash at bank and in hand (note 8)	1,421,545	693,776	-	2,115,321
Cash on fixed term deposit (note 8)	463,075	(209,718)	-	253,357
Debt due after one year	(145,000)	-	145,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 1,739,620	£ 484,058	£ 145,000	£ 2,368,678
	<hr/>	<hr/>	<hr/>	<hr/>

### 14. PENSION COSTS

A majority of the employees of Elizabeth College are members of the States of Guernsey Superannuation Scheme (“the Scheme”). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates determined on the basis of actuarial advice which are calculated to spread the expected costs of benefits to employees over the period of those employees' expected working lives. The Scheme is a multi-employer scheme and the levels of contributions made to the Scheme by each employer are affected by actuarial risks relating to the employees of other employers. It is not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of Elizabeth College to be determined on a reasonable and consistent basis. The Board of Directors has therefore taken advantage of the exemption available under paragraph 9(b) of the Financial Reporting Standard No. 17 – Retirement Benefits from the requirement to make the full disclosures that would normally apply to an employer operating a defined benefits scheme on behalf of its employees.

The latest actuarial valuation of the Scheme was conducted at 31 December 2013. At that date the actuarial value of the assets relating to the “Public Servants’ Pool” within the overall Scheme, to which the College’s administration and teaching staff belong, represented 92.2% of the actuarial valuation of the liabilities relating to that group. Based on the results of the above actuarial valuation, it is recommended that the base level rate of employer contributions to be paid remains 14.1% of pensionable salary in respect of all employees. The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2015 was £357,788 (2014: £346,865). At 31 August 2015 the amount of outstanding contributions not paid over to the Scheme was £114,091 (2014: £110,079). Further details relating to the funding of the Scheme are provided in the Superannuation Fund section of the accounts of The States of Guernsey.

## **ELIZABETH COLLEGE – UPPER SCHOOL**

### **NOTES TO THE FINANCIAL STATEMENTS**

#### **FOR THE YEAR ENDED 31 AUGUST 2015**

#### **15. CONTROLLING PARTY**

Throughout the year the College was under the control of the Board of Directors acting in concert. In the opinion of the Board of Directors there is no single controlling party as defined by the Financial Reporting Standard No. 8 - Related Party Disclosures, as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefits from their direction.

#### **16. RELATED PARTY DISCLOSURES**

The College operates a central accounting system administered by the Finance Bursar, elements of which cover both the Upper School and Junior School of the College's activities. A majority of the operating receipts and operating expenditure related to the College's activities, whether related to the Upper School or otherwise, pass through common bank accounts, all of which are included in the balance sheet within these financial statements. The net movement arising from cash transactions relating to non Upper School activities are disclosed in the Cash Flow Statement as a movement on the current account operated between the two Schools (note 12). Periodically and at each year end, account balances within the central accounting system, including individual debtor and creditor account balances, are allocated as appropriate into the financial statements of the different Schools.

During the year ended 31 August 2015 an amount of £150,000 (2014: £14,000) was charged from the Upper School of the College to the Junior School in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate to the Junior School of the College's activities. At 31 August 2015 an amount of £259,625 was owed to Elizabeth College – Junior School. At 31 August 2014 there was a debtor balance of £100,334 due from Elizabeth College – Junior School. Elizabeth College - Upper School and Ernest Gardner Bursary Fund are related parties due to sharing common directors during the year. A loan amount of £145,000 was waived during the year by the Ernest Gardner Bursary Fund (note 10).

#### **17. ELIZABETH COLLEGE FOUNDATION**

The Elizabeth College Foundation comprises two charitable trusts (one UK and one Guernsey) which were established in 2006 to raise funds, principally from parents and alumni of the College, to enable the College to undertake projects and activities which might otherwise be beyond the means of the College to finance from its own operations.

The Trustees of the Foundation trusts, although initially appointed by the College Board of Directors, are independent of the College and are required to act in accordance with the terms of the relevant trust deeds. The basis upon which donations to the Foundation have been requested from donors is such that all monies donated are to be retained within the Foundation until such time as they may be expended as grants towards the funding of specified projects or activities for the benefit of the College.

Other than donations and interest arising on retained funds, the Foundation trusts have no other sources of income. Therefore the Foundation is reliant upon the College to meet a substantial proportion of its annual running costs, including the employment of Foundation staff involved with fund-raising, clerical support and project development.

Capital grants are recognised when received in the Revenue Account and are not deferred over the life of the asset on which they are expended.

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE - GUERNSEY**

We have audited the financial statements of The Ladies' College - Guernsey ("the College") for the year ended 31 August 2015 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the Board of Governors of the College, as a body, in accordance with our engagement letter dated 6 October 2015. Our audit work is undertaken so that we might state to the Board of Governors 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 Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Governors and auditors**

The Board of Governors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the results of the College for that year. In preparing those financial statements the Board of Governors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue its operations.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors, including "FRC Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 3 to the financial statements.

### **Scope of the audit of the financial statements**

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



**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF  
THE LADIES' COLLEGE - GUERNSEY  
(continued)**

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2015 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;

BDO LIMITED

CHARTERED ACCOUNTANTS

Place du Pré

Rue du Pré

St Peter Port

Guernsey

Date: 22 March 2016

**THE LADIES' COLLEGE - GUERNSEY**

**INCOME AND EXPENDITURE ACCOUNT**

**FOR THE YEAR ENDED 31 AUGUST 2015**

	Note	2015	2014 (as restated)
<b>INCOME</b>	1(c)		
States grant		617,653	744,162
Fees receivable		3,376,475	3,153,403
Student registration fees		6,500	10,460
Miscellaneous income		46,032	23,039
		<hr/>	<hr/>
		4,046,660	3,931,064
 <b>EXPENDITURE</b>			
School expenditure		(3,639,120)	(3,570,530)
		<hr/>	<hr/>
<b>OPERATING SURPLUS</b>	4	407,540	360,534
 Fundraising donations received	2	550,632	110,535
Bank interest received		9,906	14,077
Capital improvements expenditure		-	(321,309)
Transfer from Maintenance and Improvements reserve		-	321,309
		<hr/>	<hr/>
<b>SURPLUS FOR THE YEAR</b>	10	£ 968,078	£ 485,146
		<hr/>	<hr/>

Part of the above information forms an integral part of these financial statements.

**THE LADIES' COLLEGE - GUERNSEY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR THE YEAR ENDED 31 AUGUST 2015**

	<b>2015</b>	<b>2014</b> <b>(as restated)</b>
<b>SURPLUS FOR THE YEAR</b>	968,078	485,146
Prior year adjustment (as explained in note 2)	998,494	-
<b>TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST FINANCIAL STATEMENTS</b>	<hr/> £ 1,966,572 <hr/>	<hr/> £ 485,146 <hr/>

A statement of movements on reserves is included in note 10 to the financial statements.

Particulars forming an integral part of these financial statements.

# THE LADIES' COLLEGE - GUERNSEY

## BALANCE SHEET

31 AUGUST 2015

	Note	2015	2014 (as restated)
<b>FIXED ASSETS</b>			
Tangible assets	6	886,220	1
<b>CURRENT ASSETS</b>			
Fee debtors		9,061	14,640
Other debtors and prepayments	7	61,897	58,177
Cash at bank and in hand	8	1,938,819	1,756,118
		<hr/>	<hr/>
		2,009,777	1,828,935
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	9	(510,321)	(411,338)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,499,456	1,417,597
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		£ 2,385,676	£ 1,417,598
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
Reserves	10	£ 2,385,676	£ 1,417,598
		<hr/>	<hr/>

**APPROVED ON BEHALF OF THE BOARD OF GOVERNORS AND AUTHORISED FOR ISSUE BY:**

P L Gillson

.....  
Chairman, the Board of Governors

Date....22<sup>nd</sup> March 2016.....

P qv u"3"q"37"form an integral part of these financial statements.

# **THE LADIES' COLLEGE - GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2015**

### **1. ACCOUNTING POLICIES**

#### **(a) CONVENTION**

These financial statements have been prepared under the historical cost convention and in accordance with the requirements of The Financial Reporting Standard for Smaller Entities (effective April 2008). The principal accounting policies which the Board of Governors have adopted within that convention are set out below.

#### **(b) CAPITAL EXPENDITURE**

In the previous year no asset was shown on the Balance Sheet in relation to the College premises or other assets as the College did not hold legal title to the land on which the College's premises are built. During the current financial year the College entered into a lease arrangement with the States of Guernsey for the land and buildings occupied by the College.

The fixed assets of the College are now being recognised in accordance with the accounting policy set out in note 1f.

#### **(c) INCOME RECOGNITION**

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled. The States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. The General Grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution on 28 September 2011.

Fee income received in advance of the term is deferred and released on the first day of the applicable term

Where deemed appropriate the States' can recall an element of the General Grant which is debited against income when repaid by the College.

Student registration fees and miscellaneous income are recognised on receipt.

All other income is recognised on an accruals basis.

#### **(d) FUNDRAISING DONATIONS RECEIVED**

Fundraising donations received are recognised on a cash receipts basis.

#### **(e) SCHOOL EXPENDITURE RECOGNITION**

School supplies and equipment including books and teaching materials are recognised in relation to the academic year in which they are to be used as designated by the school budget agreed by the Governors. All other expenses are recognised on an accruals basis.

# **THE LADIES' COLLEGE - GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2015**

### **1. ACCOUNTING POLICIES (continued)**

#### **(f) TANGIBLE FIXED ASSET**

Freehold land is recognised at cost. The College acquired the land for a nominal sum from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, The Board of Governors have elected to carry its land at the nominal value.

Depreciation will be charged on leasehold assets in the course of construction once construction has been completed and the asset is brought into use. The assets will be depreciated over the lease term.

Depreciation on other tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful economic lives, at the following annual rates:-

Fixtures and fittings	- 10% straight line
-----------------------	---------------------

#### **(g) PENSION COSTS**

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Income and Expenditure Account to spread the cost of the pensions over the employees working lives.

#### **(h) PRIZE FUNDS AND BEQUESTS**

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College.

#### **(i) BORROWING COSTS**

Finance costs directly attributable to leasehold improvement additions are added to the cost of the leasehold improvements. Capitalisation of these finance cost will cease once the asset is substantially complete.

### **2. PRIOR PERIOD ADJUSTMENT**

The College has made a prior period adjustment relating to the balance of cash at bank and in hand and reserves. Previously the College had not recognised in its financial statements cash held in fundraising accounts relating to the Gift for Learning campaign. A prior period adjustment of £998,494 has therefore been made. As a result of the prior period adjustment the surplus for the financial year ended 31 August 2014 has increased by £110,535 relating to donations received in that year.

### **3. FRC ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES**

In common with many other organisations of its size and nature, the College uses its auditor to assist with the preparation of the financial statements.

# THE LADIES' COLLEGE - GUERNSEY

## NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

### 4. INCOME AND OPERATING SURPLUS FOR THE YEAR

Income and operating surplus for the year derive wholly from continuing activities.

### 5. TAXATION

The College has been registered under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 and has therefore been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to taxation.

### 6. TANGIBLE FIXED ASSETS

	Freehold <u>Land</u>	Leasehold asset in the course <u>of construction</u>	Fixtures and <u>fittings</u>	<u>Total</u>
COST				
At 1 September 2014	1	-	-	1
Additions	-	854,362	32,150	886,512
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2015	1	854,362	32,150	886,513
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
Charge for the year and at 31 August 2015	-	-	293	293
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 August 2015	£ 1	£ 854,362	£ 31,857	£ 886,220
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2014	£ 1	£ -	£ -	£ 1
	<hr/>	<hr/>	<hr/>	<hr/>

On 13 September 2012 The College acquired a parcel of land, known as the Ladies' College Playing Field for a nominal sum of £1 from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, The Board of Governors have elected to carry its land at the nominal value.

During the year the College entered into an agreement with the Treasury and Resources department of the States of Guernsey for a lease of the land and buildings used by the College. The lease runs though to 31 December 2039 with an option to extend to 31 December 2065.

Included within leasehold asset in the course of construction additions are capitalised interest and finance costs amounting to £18,000.

**THE LADIES' COLLEGE - GUERNSEY**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2015**

**7. OTHER DEBTORS AND PREPAYMENTS**

	<b>2015</b>	<b>2014</b>
Prepayments	37,637	42,287
Other debtors	19,410	11,246
Accrued bank interest	4,850	4,644
	<hr/>	<hr/>
	£ 61,897	£ 58,177
	<hr/>	<hr/>

**8. CASH AT BANK AND IN HAND**

	<b>2015</b>	<b>2014</b> (as restated)
Cash in hand	447	45
Operating cash	389,245	757,579
	<hr/>	<hr/>
	389,692	757,624
Gift for learning	1,549,127	998,494
	<hr/>	<hr/>
	£ 1,938,819	£ 1,756,118
	<hr/>	<hr/>

The Gift for learning funds relate to donations received in relation to the phase three development of the College premises.

**9. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2015</b>	<b>2014</b>
School and administrative expenses	149,879	244,898
Fees for autumn term received in advance	212,776	166,440
Amount payable on building contract	147,666	-
	<hr/>	<hr/>
	£ 510,321	£ 411,338
	<hr/>	<hr/>



## THE LADIES' COLLEGE - GUERNSEY

### NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2015

#### 10. RESERVES

Balance at 1 September 2014	
- as previously stated	419,104
- prior year adjustment (note 2)	998,494
	<hr/>
Balance at 1 September 2014	
- as restated	1,417,598
	<hr/>
Retained surplus for the year	968,078
	<hr/>
Balance at 31 August 2015	£ 2,385,676
	<hr/>

#### 11. PENSION COSTS

A majority of the employees of the College are members of the States of Guernsey Superannuation Scheme ("the Scheme"). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected cost of benefits to employees over the period of those employees' expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of the College to be determined on a reasonable and consistent basis, as required by The Financial Reporting Standard for Smaller Entities (effective April 2008). In addition, the Board of Governors considers that the additional costs which would be incurred, were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

The last actuarial valuation of the Scheme was conducted at 31 December 2013. At that date the actuarial value of the assets relating to the "Public servants pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 92.2% of the actuarial valuation of the liabilities relating to that group. With effect from 1 January 2010 the rate of employer's contribution increased to 14.1% in respect of all staff.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2015 was £306,821 (2014: £308,163). At 31 August 2015 the amount of outstanding contributions not paid over to the Scheme was £69,277 (2014: £50,607).

Further details relating to the funding of the superannuation scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

# **THE LADIES' COLLEGE - GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2015**

### **12. CAPITAL COMMITMENT**

During the year the College entered into an agreement with the Treasury and Resources department of the States of Guernsey for a lease of the land and buildings used by the College. Under the terms of the lease the College is required to invest an aggregate of not less than £10,000,000 on the property at Ladies College by 31 December 2035. The amount is subject to increase in line with the Guernsey retail price index and does not include finance costs. As at 31 August 2015 a total of £854,362 has been spent on the property.

### **13. FINANCIAL COMMITMENT**

The College has entered into a lease over the land and buildings occupied by the College. The rent payable under this lease in the next year is £250. The lease runs to 31 December 2039 with an option to extend to 31 December 2065.

The College has committed to spend £5,790,000 on the construction contract for phase three of the development of the College. Work is expected to be completed prior to the 2016/17 academic year.

### **14. CONTROLLING PARTIES**

Throughout the year the College was under the control of the Board of Governors acting in concert. In the opinion of the Board of Governors there is no controlling party as defined by The Financial Reporting Standard for Smaller Entities (effective April 2008) as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefit from their direction.

### **15. RELATED PARTY TRANSACTIONS**

During the year the College received £335,000 (2014: £Nil) in the form of donations from members of the Board of Governors and their close family members. These amounts have been disclosed within fundraising donations received in the profit and loss account.

## **STATES OF ALDERNEY**

### **STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER**

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts she is required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 2004, as amended. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the Policy and Finance Committee**

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2015 which comprise the Revenue Income and Expenditure Accounts, Capital Account, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement letter dated 16 March 2016. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged 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 States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Policy and Finance Committee and the States Treasurer and auditor**

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on page 1, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States Treasurer; and the overall presentation of the financial statements. In view of the purpose for which these financial statements have been prepared, however, we did not assess the overall presentation of the financial statements which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

## **Opinion on financial statements**

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2015, have been prepared, in all material aspects, in accordance with the accounting policies set out in note 1.

## **Matters on which we report by exception**

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

- the States has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

*Chartered Accountants*  
Guernsey

30 March 2016

## **STATES OF ALDERNEY**

### **NOTES TO THE ACCOUNTS**

#### **1. PRINCIPAL ACCOUNTING POLICIES**

- a. General revenue account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate. Rental income, numismatic revenue and Harbour account revenues are accounted for on an accruals basis.
- b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

#### **2. PENSION COSTS**

##### **The States of Alderney 1982 Pension Scheme**

The States provides pension arrangements for the majority of employees through a defined benefit scheme (the “1982 Scheme”) and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of this scheme are held separately from those of the States in an independently administered fund which up until 2013 were invested with Aviva.

Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role. In 2015 the investment management services were further improved to ensure that the portfolio and underlying funds are continually monitored by specialist and portfolio managers.

In preparing the disclosures for the States of Alderney (the “States”) accounts, the States have noted the disclosure requirements of Financial Reporting Standard 102, section 28. The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 1 January 2012, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2015. The pensionable salary growth has been directly linked to the inflation assumption (as opposed to previously 1% above inflation), as the scheme is now closed to new entrants, those remaining in the scheme have no further known increments due, and pay awards have been, and are expected to be, lower than UK inflation assumption figure in the foreseeable future.

The major assumptions used by the actuary were (in nominal terms):

	<b>Valuation at 31 December 2015</b>	<b>Valuation at 31 December 2014</b>
Pensionable salary growth	3.25% pa	4.15% pa
Pension escalation in payment		
– to 31.12.2009	4.0% pa	4.0% pa
– from 01.01.2010	3.0% pa	3.0% pa
Discount rate	3.8% pa	3.6% pa
Inflation assumption	3.25% pa	3.15 pa

## **STATES OF ALDERNEY**

### **NOTES TO THE ACCOUNTS - continued**

#### **PENSION COSTS (Continued)**

The assets in the scheme and the expected rate of return were:

	<b>2015</b>	<b>2014</b>
Fair value of plan assets	£4,610,000	£4,364,000
Present value of funded obligations	(£7,077,000)	(£7,448,000)
Deficit in the scheme	(£2,467,000)	(£3,084,000)
<b>Net pension liability</b>	<b>(£2,467,000)</b>	<b>(£3,084,000)</b>

The balance sheet position of the Scheme has improved by £617,000 over the year. This is due to a combination of investment returns being greater than expected, favourable scheme experience over 2015, slight increase in the discount rate, together with the changes to the salary increase assumptions which has reduced the value placed on liabilities.

Over the year to 31 December 2015 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2015 Employer premiums amounted to £152,610 (2014: £220,426) with no additional premium payments, and Employee premiums were £49,598 (2014: £71,638). In addition the Employees Death in Service policy amounted to £9,129 (2014: £11,978), relating to both Schemes. Of this amount £8,421 related to the 1982 Scheme members.

#### **The States of Alderney 2013 Pension Scheme**

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. There were 6 new entrants to the scheme during 2015. The employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

In 2015 the Employer premium amounted to £18,178 (2014: £7,426.92), and the Employee contribution amounted to £29,345 (2014: £6,430.97).

As mentioned above, in addition the Employees Death in Service policy amounted to £9,129 (2014: £11,978), relating to both Schemes. Of this amount £708 related to the 2013 Scheme members.

## **STATES OF ALDERNEY**

### **3. RELATED PARTY TRANSACTIONS**

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2015 the States purchased goods and services from the Water Board to the value of £19,915 (2014: £13,670), and provided goods and services to the Board to the value of £51,595 (2014: £61,933).

The Royal Connaught Residential Home Limited is a States owned Company. During 2015 the States provided goods and services to the Company to the value of £83,457 (2014: £82,186).

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2015 the value of these purchases was £114,160 (2014: £136,174). The States has provided goods and services to the Company during 2015 to the value of £62,423 (2014: £66,699).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2015 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £50,870 (2014: £52,925).

### **4. BUDGET APPROVALS**

The original budget for 2015 was approved by the States of Alderney at the meeting held on 22 October 2014, with the revised budget approved by the States of Alderney on 21 October 2015.

### **5. ALDERNEY GAMBLING CONTROL COMMISSION**

During the year the States of Alderney received a total of £4,370,500 (2014: £4,650,000) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis. In 2015 the surplus received from the Commission amounted to £2,048,530 (2014: £1,935,381). An extract from the Alderney Gambling Control Commission's financial statements for 2015 will be available to the States in April 2016.

### **6. ALDERNEY eGAMBLING LIMITED**

During 2015 Alderney eGambling Ltd, a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. A report on the company's activity and accounts for 2015 will be available to the States in April 2016.

### **7. ALDERNEY eGAMBLING ADVISERS LIMITED**

Alderney eGambling Advisors Limited was established in 2013, in order to provide advice and assistance on the creation of online gambling regimes, and consultancy services to regulators. However in 2015 it was agreed that the Company would be liquidated and that these activities would subsequently be undertaken by Alderney eGambling Limited (AeGL). The balance of the 2015 funding budget for AeGAL was therefore reallocated to AeGL (see 6 above) by the States of Alderney.

## **STATES OF ALDERNEY**

### **8. ALDERNEY COMMISSION FOR RENEWABLE ENERGY**

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States of Alderney as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. As the accounts for 2015 have yet to be finalised and approved, a report on the Commission's activities and accounts for 2015 will be available to the States at a later date in 2016.

### **9. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED**

The Royal Connaught is a States owned Company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. As the audit is scheduled to commence in April 2016, the report on the Board's activities and accounts for 2015 will be available to the States at a later date during the year.

### **10. ALDERNEY HARBOUR ACCOUNT**

The trading deficit is debited to the General Services Committee and capital expenditure is funded by the General Services Committee.

### **11. ECONOMIC DEVELOPMENT RESERVE FUND**

The Economic Development Reserve Fund has been approved as being funded by AGCC reserves at £300k per annum for 3 years 2014-2016. As this is a fund any unspent balances are carried forward into the following year, and as such is now being shown as a separate fund on page 19. The balance of the fund as at year end amounted to £264,615.



# STATES OF ALDERNEY

## SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

for the year ended 31 December 2015

	Accounts 2015	Revised Budget 2015	Budget 2015	Accounts 2014
	£	£	£	£
<b>INCOME ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	11,493	13,000	14,800	16,237
General Services Committee	290,341	267,771	259,278	302,917
Policy and Finance Committee	701,313	711,305	721,980	739,632
<b>INCOME ON REVENUE ACCOUNT</b>	<b>1,003,147</b>	<b>992,076</b>	<b>996,058</b>	<b>1,058,786</b>
Net revenue cash allocation from States of Guernsey	1,909,050	1,909,050	1,875,000	1,960,450
Less underspend 2014	(13,182)	(13,182)	-	-
VES Funding	-	-	-	510,500
<b>TOTAL INCOME</b>	<b>2,899,015</b>	<b>2,887,944</b>	<b>2,871,058</b>	<b>3,529,736</b>

	Accounts 2015	Revised Budget 2015	Budget 2015	Accounts 2014
	£	£	£	£
<b>EXPENDITURE ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	182,851	155,978	114,050	77,031
General Services Committee	1,308,615	1,361,100	1,496,722	1,917,585
Policy and Finance Committee	1,357,899	1,370,866	1,260,286	1,521,938
<b>EXPENDITURE ON REVENUE ACCOUNT</b>	<b>2,849,365</b>	<b>2,887,944</b>	<b>2,871,058</b>	<b>3,516,554</b>
Surplus for the year	49,650	-	-	13,182
<b>TOTAL EXPENDITURE</b>	<b>2,899,015</b>	<b>2,887,944</b>	<b>2,871,058</b>	<b>3,529,736</b>

K A HATCHER-GAUDION  
STATES TREASURER  
29 MARCH 2016

**STATES OF ALDERNEY**  
**BUILDING AND DEVELOPMENT CONTROL COMMITTEE**

*for the year ended 31 December 2015*

	Accounts 2015	Revised Budget 2015	Budget 2015	Accounts 2014
<b>INCOME</b>	£	£	£	£
Planning and Building fees	11,493	13,000	14,800	16,237
<b>TOTAL REVENUE INCOME</b>	<b>11,493</b>	<b>13,000</b>	<b>14,800</b>	<b>16,237</b>

	Accounts 2015	Revised Budget 2015	Budget 2015	Accounts 2014
<b>EXPENDITURE</b>	£	£	£	£
<b>Administration</b>				
Staff Costs	51,119	48,978	100,250	67,560
Supplies and services	37,591	35,500	10,300	6,413
Consultants Fees/Land Use Plan Inquiry	88,360	63,000	-	240
Planning records system	3,610	8,000	3,000	2,818
External Planning Advice	2,171	500	500	-
<b>TOTAL REVENUE EXPENDITURE</b>	<b>182,851</b>	<b>155,978</b>	<b>114,050</b>	<b>77,031</b>

# STATES OF ALDERNEY GENERAL SERVICES COMMITTEE

for the year ended 31 December 2015

	Accounts 2015		Revised 2015		Budget 2015		Accounts 2014	
	£	£	£	£	£	£	£	£
<b>INCOME</b>								
<b>Agriculture</b>								
Fees and charges	1,410		2,000		2,200		2,866	
Land rents	7,409		7,200		6,950		6,866	
Abattoir fees	8,890		8,500		8,500		9,042	
		17,709		17,700		17,650		18,774
<b>Public Services</b>								
<b>Administration</b>								
Hire vehicle fees	2,986		3,000		3,000		3,053	
Vehicle import licence fees	48,119		35,000		33,000		44,126	
		51,105		38,000		36,000		47,179
<b>Properties - General</b>								
Commercial rent	194,648		199,290		203,375		204,670	
Housing rent	20,799		20,530		9,165		25,166	
		215,447		219,820		212,540		229,836
<b>Sewage and Sanitation</b>								
Cesspit emptying fees	12,500		12,500		12,500		13,024	
		12,500		12,500		12,500		13,024
<b>Recreation</b>								
Campsite fees (net) & rent	5,053		5,053		3,500		-	
Butes Recreation Park	-		-		-		41,231	
Corporation Quarry Rent	-		-		-		-	
Island Hall fees	18,373		15,000		15,000		18,711	
		23,426		20,053		18,500		59,942
<b>Alderney Harbour Trading Loss</b>		(29,846)		(40,302)		(37,912)		(65,838)
<b>TOTAL REVENUE INCOME</b>		290,341		267,771		259,278		302,917

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE (continued)**

for the year ended 31 December 2015

	Accounts 2015		Revised Budget 2015		Budget 2015		Accounts 2014	
	£	£	£	£	£	£	£	£
<b>EXPENDITURE</b>								
<b>Agriculture</b>								
Staff	132,653		126,860		145,800		243,596	
Supplies and services	25,359		33,000		40,000		32,347	
Bovine Spongiform Encephalopathy -								
Compensation	-		1,500		1,500		-	
Disposal costs	-		600		600		-	
Dairy and land management compensation	59,087		65,000		65,000		53,837	
Abattoir costs	7,331		6,000		7,100		5,177	
Veterinary services	15,407		16,500		5,000		5,646	
	239,837		249,460		265,000		340,603	
Less: Recoveries	(3,026)		(3,750)		(4,750)		(6,491)	
		236,811		245,710		260,250		334,112
<b>Public Services</b>								
<b>Recreation</b>								
Camp Site expenses	3,402		5,000		10,000		5,003	
Butes Recreation Park	3,625		2,500		4,000		52,330	
Corporation Quarry	-		600		-		-	
Island Hall Staff	15,363		13,200		9,585		10,874	
Premises	6,199		9,500		9,500		7,195	
Supplies and services	1,387		2,000		13,000		8,266	
		29,976		32,800		46,085		83,668
<b>Emergency Services &amp; Environmental Trusts</b>								
<b>Fire Brigade and Cliff Rescue</b>								
Staff & Retained Crew	22,963		24,250		32,540		29,041	
Less: Recoveries	-		(1,000)		(3,818)		(1,730)	
	22,963		23,250		28,722		27,311	
Supplies and services	13,078		23,000		33,430		27,913	
Administration of Law	7,344		12,730		12,730		11,368	
		43,385		58,980		74,882		66,592
<b>Civil Emergency</b>								
Premises	600		750		750		582	
Supplies and services	695		1,100		3,000		1,418	
Environmental monitoring	19,139		20,200		22,500		21,369	
		20,434		22,050		26,250		23,369
<b>Alderney Wildlife Trust</b>								
Annual allocation	16,000		16,000		16,000		16,000	
Ramsar	11,178		11,300		11,300		11,070	
Woodland Project	1,000		1,000		1,000		1,000	
		28,178		28,300		28,300		28,070

# STATES OF ALDERNEY

## GENERAL SERVICES COMMITTEE (continued)

for the year ended 31 December 2015

	Accounts 2015		Revised Budget 2015		Budget 2015		Accounts 2014	
EXPENDITURE (continued)	£	£	£	£	£	£	£	£
<b>Public Services</b>								
<b>Administration</b>								
Staff	62,402		69,288		76,200		185,665	
Supplies, Services and Audit Cost (2014)	8,609		7,900		7,900		10,175	
SWD Organisation Review	-		-		-		765	
Training & Equipment - Health and Safety	14,912		18,300		14,300		7,846	
Insurance	7,765		8,000		14,200		8,798	
		93,688		103,488		112,600		213,249
<b>Apprenticeship Scheme</b>								
Staff	46,145		48,466		45,345		53,194	
Associated Costs	245		400		400		409	
	46,390		48,866		45,745		53,603	
Less: Grant Recoveries	(1,951)		(2,000)		(1,000)		(2,655)	
		44,439		46,866		44,745		50,948
<b>Contracted Out Work</b>								
Labour	16,905		14,470		12,820		117,559	
Materials/Goods	5,583		2,000		2,000		5,861	
	22,488		16,470		14,820		123,420	
Less: Recoveries	(9,056)		(12,500)		(3,500)		(26,011)	
		13,432		3,970		11,320		97,409
<b>Properties - General &amp; Housing</b>								
Staff	88,908		100,595		77,490		100,044	
Supplies and services	130,751		113,625		137,625		99,454	
	219,659		214,220		215,115		199,498	
Less: Recoveries	(55,975)		(2,500)		(2,500)		(3,842)	
		163,684		211,720		212,615		195,656
<b>Refuse Collection, Separation &amp; Disposal:-</b>								
<b>Household Collection and Impôt</b>								
Staff	130,400		122,144		101,200		186,438	
Supplies and services:-								
Vehicles & Plant maintenance	31,551		28,000		28,000		25,593	
Household & general waste - disposal	177,618		170,000		170,000		177,953	
Vehicles & white goods etc - disposal	6,615		3,250		2,500		1,722	
		346,184		323,394		301,700		391,706
<b>Recycling Centre - Glacis</b>								
Staff	102,191		85,786		71,700		128,712	
Supplies and services- separation & recycling	14,100		17,000		17,000		18,060	
		116,291		102,786		88,700		146,772
<b>Roads, Coasts and Beaches</b>								
Staff	53,464		50,443		73,745		42,839	
Supplies and services	38,258		37,500		40,000		48,526	
	91,722		87,943		113,745		91,365	
Less: Recoveries	(2,880)		(1,000)		(1,000)		(962)	
		88,842		86,943		112,745		90,403
<b>Sewage and Sanitation</b>								
Staff	26,943		28,893		33,790		106,759	
Supplies and services	67,301		55,000		52,500		45,967	
	94,244		83,893		86,290		152,726	
Less: Recoveries	(24,051)		(3,500)		(3,500)		(8,869)	
		70,193		80,393		82,790		143,857
Bank Staff (post VES)	-		-			70,000		-
<b>Vehicle Fleet</b>								
Staff	-		-		-		41,452	
Supplies and services	31,540		37,200		47,240		39,745	
	31,540		37,200		47,240		81,197	
Less: Recoveries	(18,462)		(23,500)		(23,500)		(29,422)	
		13,078		13,700		23,740		51,775
<b>TOTAL REVENUE EXPENDITURE</b>		1,308,615		1,361,100		1,496,722		1,917,585

# STATES OF ALDERNEY POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2015

	Accounts 2015		Revised Budget 2015		Budget 2015		Accounts 2014	
INCOME	£	£	£	£	£	£	£	£
<b>Administration</b>								
Company registrations	45,273		43,000		43,000		50,362	
Court receipts, licences and fines	32,042		25,500		28,000		39,009	
Duty free concession	25,000		25,000		25,000		25,000	
Interest receivable	15,794		40,200		39,000		43,118	
Numismatic and philatelic profits	70,145		47,800		44,000		89,577	
Occupiers rates	463,130		464,400		465,200		461,778	
Permits, licences and fines	14,861		12,700		15,550		13,812	
Rents	41,729		41,730		41,730		41,729	
Royalties and fees	2,431		3,500		3,500		3,138	
Sundry sales and charges	20,493		19,475		18,700		20,870	
	730,898		723,305		723,680		788,393	
Less: Transfer to Currency Reserve	(45,899)		(30,000)		(20,000)		(65,679)	
		684,999		693,305		703,680		722,714
<b>Promotion and Marketing</b>								
Accommodation permits	1,488		3,000		5,000		4,512	
Sale of advertising space	14,826		15,000		13,300		12,406	
		16,314		18,000		18,300		16,918
<b>TOTAL REVENUE INCOME</b>		701,313		711,305		721,980		739,632

# STATES OF ALDERNEY

## POLICY AND FINANCE COMMITTEE (continued)

for the year ended 31 December 2015

	Accounts 2015		Revised Budget 2015		Budget 2015		Accounts 2014	
	£	£	£	£	£	£	£	£
<b>EXPENDITURE</b>								
<b>Administration</b>								
Staff	449,244		479,953		454,050		485,127	
Premises	23,016		23,050		21,000		20,117	
Supplies, services and recruitment	129,170		135,700		125,000		194,557	
Audit fees and expenses	31,868		37,500		32,000		30,302	
Legal and Consultancy Expenses (net)	81,168		47,423		-		24,860	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	282		2,000		3,000		2,868	
Insurance and Reserve	119,793		107,500		46,500		114,767	
States Member's allowances	97,359		100,000		102,000		93,908	
Supplementary & retirement pensions	-		-		-		17,493	
Unforeseen expenditure: -	15,861		35,281		29,284		13,183	
	962,761		983,407		827,834		1,012,182	
Less: Recoveries	(101,651)		(100,475)		(100,473)		(94,173)	
		861,110		882,932		727,361		918,009
<b>Court</b>								
Staff	155,654		150,434		159,000		158,663	
Premises	5,488		5,500		5,000		5,588	
Supplies and services	25,381		23,000		18,000		13,774	
Insurance	2,099		2,100		2,150		2,003	
		188,622		181,034		184,150		180,028
<b>Education and Health</b>								
Supplies and services	21		200		200		-	
Grant for IT Education	-		-		-		500	
Grant to Alderney playschools	4,600		5,500		5,500		5,500	
School bus subsidy	23,706		24,000		23,000		22,871	
Youth Services grant	5,000		5,000		5,000		5,000	
		33,327		34,700		33,700		33,871
<b>Social and Welfare Services</b>								
Social Services and welfare support	108,428		99,000		79,500		76,473	
Less: Recoveries	(94,499)		(82,000)		(61,000)		(61,825)	
		13,929		17,000		18,500		14,648
<b>Grants</b>								
Alderney Island Games Association	3,000		3,000		3,000		-	
Alderney Library	3,500		3,500		3,500		3,500	
Minor grants	9,883		10,000		7,000		7,119	
Living Islands	-		-		-		25,000	
St. John Ambulance Brigade	72,000		72,000		42,000		42,000	
		88,383		88,500		55,500		77,619
<b>Marketing</b>								
<b>Administration &amp; Promotion</b>								
Staff	38,518		38,900		33,275		48,367	
Premises	13,922		10,500		9,000		15,830	
Supplies and services	4,221		3,300		3,300		3,564	
Promotion of Tourism	104,066		94,000		115,500		119,138	
Marketing Support (ex Business Development)	11,801		20,000		80,000		110,865	
		172,528		166,700		241,075		297,764
<b>TOTAL REVENUE EXPENDITURE</b>		1,357,899		1,370,866		1,260,286		1,521,938

## **STATES OF ALDERNEY WATER BOARD**

### **STATEMENT OF THE BOARD'S RESPONSIBILITIES**

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board. They also have a general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Board, and to prevent and detect fraud and other irregularities.



## **Independent auditor's report to the members of the States of Alderney Water Board**

We have audited the financial statements of the States of Alderney Water Board ("the Water Board") for the year ended 31 December 2015 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the terms of our engagement letter dated 16 March 2016. Our audit work has been undertaken so that we might state to the members those matters we have been engaged 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 Water Board and the members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board and auditor**

As explained more fully in the Statement of the Board's Responsibilities set out on page 1, the Board is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Water Board circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2015, have been prepared, in all material aspects, in accordance with the accounting policies set out in note 1.

### **Matters on which we report by exception**

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

- the Board has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

**STATES OF ALDERNEY WATER BOARD**

**REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015**

	Notes	2015	2014
REVENUE		£	£
	1		
Unmetered Supplies		536,954	524,539
Metered Supplies		85,631	75,907
Service Charges		13,031	7,840
Contract Work		2,261	2,045
Sale of Fixed Assets		0	1,000
		<u>637,877</u>	<u>611,331</u>
<b>EXPENSES</b>	1		
OPERATING AND MAINTENANCE EXPENSES			
Salaries and Wages		170,083	171,897
Water Treatment and Testing		24,187	30,552
Fuel, Electricity and Telemetry		88,142	98,912
Maintenance		39,460	72,809
Maintenance Contracts		22,831	14,320
Health & Safety expenses		2,974	4,273
Pension Costs	2	27,449	33,505
Depreciation	1 & 6	109,207	101,307
		<u>484,333</u>	<u>527,575</u>
ADMINISTRATION AND GENERAL EXPENSES			
Administration Charge		30,473	23,800
Rents, Rates and Taxes		16,571	15,736
Insurance		5,191	5,967
Motor Vehicle Expenses		3,770	4,859
Office Expenses and Equipment		5,979	5,712
Accountancy and Audit		6,478	6,284
Bank Charges		1,972	185
Travelling and General Expenses		1,787	2,156
Staff Training Costs		2,210	715
Consultancy Fees and Expenses		3,946	3,367
Bad Debts Written off		391	2,143
		<u>78,768</u>	<u>70,924</u>
		(563,101)	(598,499)
OPERATING SURPLUS		74,776	12,832
OTHER INCOME			
Interest and other Receivable		0	0
Rents Receivable	5	11,336	11,427
<b>SURPLUS FOR THE YEAR</b>		86,112	24,259
BALANCE BROUGHT FORWARD		535,565	511,306
BALANCE CARRIED FORWARD		<u>621,677</u>	<u>535,565</u>

The Water Board has no recognised gains or losses other than the surplus for the year.

**STATES OF ALDERNEY WATER BOARD**  
**BALANCE SHEET AS AT 31 DECEMBER 2015**

	Notes	2015		2014	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,084,384		2,067,318
CURRENT ASSETS					
Stock	1	81,922		72,465	
Debtors		53,613		86,103	
Bank balances - deposit		67		67	
Bank balances - current		<u>787,525</u>		<u>649,240</u>	
		923,127		807,875	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		90,047		93,842	
NET CURRENT ASSETS			<u>833,080</u>		<u>714,033</u>
NET ASSETS			<u>2,917,464</u>		<u>2,781,351</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		2,209,500		2,159,500
Revenue Account			621,678		535,565
			<u>2,917,464</u>		<u>2,781,351</u>

The financial statements were approved by the States of Alderney Water Board on 29th March 2016 and are signed on its behalf by:

Mr I Tugby  
Chairman

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015**
**1 PRINCIPAL ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the States of Alderney Water Board's financial statements:

**Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting policies.

**Revenue and Expenses**

Revenue and Expenditure is recognised on an accruals basis.

**Fixed Assets**

Fixed assets are stated at cost less depreciation. Staff time spent on capital projects is capitalised at cost.

**Depreciation**

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

	%
Mains and services	2.50
Buildings	2.50
High Level Storage Tanks	4.00
Machinery and Filtration Plant	6.66
Tools and equipment	10.00
Consumers' meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

**Stock**

Stock is valued at the lower of cost and net realisable value.

**2 PENSION COSTS**

The employees of the States of Alderney Water Board (the "Board") are members of the States of Alderney (the "States") Pension Scheme. The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of the 1982 Scheme are held separately from those of the States of Alderney in an independently administered fund which up until 2013 were invested with Aviva. Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2015, under the 1982 Scheme, the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

Employee's Death in Service benefits are secured under a separate policy.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities.

The new Defined Contributions Scheme, administered by BWCI came into effect on 1st January 2013 "the 2013 Scheme". During 2015 there was one mid-year entrant to the Scheme from the Water Board. Since 1st July, 2015 until 31st December, 2015 the employer contributed 7.5% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

The pension charge to the Water Board for the year was £27,449 (2014: £33,505).

# STATES OF ALDERNEY WATER BOARD

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

### 3 RESERVES

#### General Reserve

This is a historic record of the States of Alderney investment into the Water Board in the early years of operation.

#### Capital Contribution from States of Alderney.

Since 2008 capital contributions amounting to £2,209,500 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution network (Phase 5), was approved in 2015 at £50,000. As at 31 December 2015 this amount had been received in full.

### 4 RELATED PARTY TRANSACTIONS

In 2015 Mr I Tugby was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr M Birmingham during 2015.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2015 the value of these purchases was £79,003 (2014 £94,213)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2015 the Board purchased goods and services from Tugby Contractors Ltd to the value of £54,792 (2014 £105,537)

During 2015 the Water Board purchased goods and services from the States of Alderney to the value of 2015 £51,595 (2014 £61,932) and supplied goods and services to the States of Alderney to the value of 2015 £19,915 (2014 £13,670).

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

### 5 RENTS RECEIVABLE

During 2015 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

### 6 FIXED ASSETS

	At 1 January 2015	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2015
	£	£	£	£
<b>COST</b>				
Land	3,737	-	-	3,737
Mains and Services	1,033,092	-	282,954	1,316,046
Buildings	206,928	-	1,583	208,511
Storage Tanks	104,449	-	-	104,449
Machinery	815,761	7,299	87,775	910,835
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	25,662	2,009	215	27,886
Motor Vehicles	18,450	-	-	18,450
Consumer Meters	4,469	448	-	4,917
Assets in course of construction (Phase 4b)*	218,196	234	(218,430)	-
Assets in course of construction (Phase 4c)*	105,513	61,584	(167,097)	-
Assets in course of construction (Phase 5)*	-	41,516	-	41,516
Assets in course of construction (Phase 6)*	-	15,864	-	15,864
	2,601,257	128,954	(13,000)	2,717,212
<b>DEPRECIATION</b>				
Mains and Services	219,757	27,975	-	247,732
Buildings	24,966	4,931	-	29,897
Storage Tanks	9,310	4,178	-	13,488
Machinery	237,234	56,225	(10,318)	283,142
Tools and Equipment	8,208	2,492	-	10,700
Motor Vehicles	308	3,689	-	3,997
Consumer Meters	873	428	-	1,301
Filter Membranes	33,284	9,288	-	42,572
	533,939	109,206	(10,318)	632,827
<b>NET BOOK VALUE</b>	2,067,318	19,748	(2,682)	2,084,384

\*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2015, assets in the course of construction relate to Phase 5, together with the initial expenditure relating to Phase 6, of the potable water projects. Phase 4(b) was completed July 2015 and Phase 4(c) in October 2015 and capitalised in 2015.