



**XIV
2006**

BILLET D'ÉTAT

WEDNESDAY, 26th JULY, 2006

**ACCOUNTS OF THE STATES
FOR 2005**

CONTENTS

Statement of Responsibilities and Internal
Financial Controls, p.4
Auditors' Report, p.5
Accounting Policies, p.6
States Treasurer's Report, p.7
Income and Expenditure Summary, p.11
General Revenue Appropriation Account, p.11

General Revenue Income and Expenditure

Revenue Income, p.14
Revenue Expenditure :
 Summary, p.14
 Policy Council, p.15
 Treasury and Resources Department, p.16
 Commerce and Employment Department, p.19
 Culture and Leisure Department, p.20
 Education Department, p.21
 Environment Department, p.23
 Health and Social Services Department, p.25
 Home Department, p.27
 Housing Department, p.28
 Public Services Department, p.29
 Social Security Department, p.30

Capital Income and Expenditure

Capital Income, p.32
Capital Expenditure :
 Summary, p.32
 Treasury and Resources Department, p.33
 Commerce and Employment Department, p.34
 Culture and Leisure Department, p.34
 Education Department, p.35
 Environment Department, p.36
 Health and Social Services Department, p.37
 Home Department, p.38
 Housing Department, p.39
 Public Services Department, p.39

Miscellaneous Accounts

Summary of Balances, p.42
Capital Fund: General, p.44
Capital Fund: Reserve, p.44
Contingency Reserve Fund, p.45
General Revenue Account Reserve, p.45
Net Working Capital Reserve, p.46
States Trading Entities Reserve, p.46
Channel Islands Lottery (Guernsey) Fund, p.47
Corporate Housing Programme:
 Corporate Housing Programme Fund, p.48
 Housing Development and Loan Fund, p.48
 States Houses Fund, p.49
 States Housing Association Fund, p.50
Farm Loans Fund, p.50
Health and Social Services Department -
 Accommodation Fund, p.51
Note and Coin Issue Account, p.51
Sewers Connection Loans Fund, p.52
Sports Loans Fund, p.53
Wilfred Carey Purchase Fund, p.53

Summary of Balances held in a Fiduciary Capacity, p.54
Superannuation Fund, p.56

Cash Flow Statement, p.60

Notes to Accounts, p.61

Trading Undertakings

States Dairy, p.64
Alderney Airport, p.80
Ports, p.81
Guernsey Water, p.100

Propositions, p.117

Appendices

- I. Elizabeth College, p.120
- II. Social Security Department
 - Guernsey Insurance Fund, p.129
 - Non Contributory Services, p.145
 - Guernsey Health Service Fund, p.158
 - Long-term Care Insurance Fund, p.173
- III. Ladies College, p.184
- IV. Beau Sejour Centre, p.189
- V. Royal Court Fund, p.203
- VI. States of Alderney, p.207
- VII States Works p.232

B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Special Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 26th JULY, 2006,** immediately after the meeting already convened for that day, for the purpose of considering the States Accounts for 2005.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House,
Guernsey.
7th July, 2006

**Letter of the Minister of the Treasury
and Resources Department**

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St. Peter Port
Guernsey
GY1 1FH

4 May 2006

Dear Sir,

I enclose a copy of the accounts of the States of Guernsey for the year ended 31 December 2005 together with the Auditors' report thereon.

Yours faithfully,

L. S. TROTT

Minister
Treasury and Resources Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

The Treasury and Resources Department is responsible for the preparation of accounts for each financial year and for selecting suitable accounting policies. In preparing those accounts the Treasury and Resources Department relies on information supplied by various States Departments. Each States Department is expected to:

- apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent.

All States Departments acknowledge responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Guernsey.

STATEMENT OF INTERNAL FINANCIAL CONTROLS

It is the responsibility of each States Department to identify and install a system of internal controls, including financial control, which is adequate for its own purposes. Thus Departments are responsible for safeguarding the assets of the States of Guernsey in their care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

It is acknowledged that States Departments are subject to financial and manpower restrictions. Nevertheless, they 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 States internal financial controls and monitoring 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 States Internal Audit.
- The requirement for all audit reports to be tabled at a meeting of the relevant States Departments to ensure that all Department members are aware of their financial affairs.
- Regular review of the performance and security of the States' financial assets.

Through their staff recruitment and training States Departments strive to ensure that all those with financial responsibilities have the necessary skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

The States internal controls and accounting policies have been and are subject to continuous review and improvement.

In addition the accounts are subject to independent external audit by auditors appointed by the States.

INDEPENDENT AUDITORS' REPORT TO THE TREASURY AND RESOURCES DEPARTMENT

We have audited the accounts (the “accounts”) of the States of Guernsey for the year ended 31 December 2005 on pages 14 to 59 and 80 to 99 which have been prepared under the accounting policies set out on page 6.

Respective duties of the Treasury and Resources Department and auditors

As described in the statement of responsibilities for the preparation of annual accounts, the Treasury and Resources Department is responsible for the preparation of accounts for each financial year and for selecting suitable accounting policies.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts are properly prepared in accordance with the accounting policies set out on page 6. We also report to you if, in our opinion, the Treasury and Resources Department has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the accounts and consider whether it is consistent with those accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made in the preparation of the accounts, and of whether the accounting policies are appropriate to the States of Guernsey's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the accounts for the year ended 31 December 2005 have been properly prepared in accordance with the accounting policies set out on page 6.

KPMG Channel Islands Limited

CHARTERED ACCOUNTANTS

Guernsey
4 May 2006

STATES OF GUERNSEY ACCOUNTING POLICIES

1. The accounts of the States of Guernsey comprising those Departments set out on pages 14 to 59 and 80 to 99 are prepared under the historical cost convention with the exception of the Consolidated Superannuation Fund accounts, the Contingency Reserve Fund accounts and other financial investments which have been adjusted by the revaluation of investments.
2. Investments in States Trading Entities in respect of Guernsey Post Ltd. and Guernsey Electricity Ltd. reflect the basis of valuation attributed to the net undertaking transferred from the States Trading Boards to the commercialised entities in accordance with The States Trading Companies (Bailiwick of Guernsey) Law, 2001. The values of other shareholdings are carried at cost.
3. Income tax receipts are accounted for by recognising cash received and the amounts accrued based on assessments due for collection as at 31 January in the following calendar year. All other income and expenditure is dealt with on an accruals basis.
4. Capital expenditure from General Revenue Account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.
5. Stock is valued at the lower of cost and net realisable value.
6. Investments in the Consolidated Superannuation Fund, Contingency Reserve Fund and other financial investments are included at market prices ruling at the year end. For valuation purposes investments expressed in foreign currencies, if held, have been translated into sterling at the rate of exchange ruling at the year end.
7. In the Consolidated Superannuation Fund, realised and unrealised gains and losses on investments are adjusted on the members' capital accounts in proportion to their average balance during the year. Interest and dividends are similarly apportioned.
8. Interest receivable on the General Revenue Account is shown within the Treasury and Resources Department accounts. Other interest is shown in the respective funds and accounts to which it relates.

STATES TREASURER'S REPORT

For the Year Ended 31 December 2005

Introduction

The purpose of this report is to give a brief overview of the major financial highlights of the outturn of General Revenue for 2005.

General Revenue Account Income and Expenditure

In summary, the outturn for 2005 compared to 2004 was as follows:

	2005	2004
	£m	£m
Income	310.5	284.9
Expenditure	291.6	275.7
Operating Surplus	<u>18.9</u>	<u>9.2</u>

Although the Operating Surplus for 2005 was higher than 2004, it was still a marked decline compared to previous years. The average Operating Surplus for 2000 to 2003 was £48m.

The main reasons for the increase in Operating Surplus are:

- Total income increased by nearly 9% with income tax receipts increasing by £22.8m (9.7%) compared to 2004. This follows a period (2002 to 2004) when income tax receipts showed a decline in real terms.
- Ongoing revenue expenditure increased by 5.8% in cash terms or 2.5% in real terms (2004: 3.5%). This represents the lowest real terms increase in expenditure for many years.

The major increases in expenditure in 2005 compared to 2004 were due to increases in Health Services (£6.6m), Education (£5.1m), Home Department (£1.6m) and Social Insurance and Supplementary Benefits (£3.3m).

These increases in expenditure had been anticipated and Departments were able to fund the extra expenditure from existing resources, i.e. they were within their authorised budget. Furthermore, Departments actually underspent by a total of £6m compared to their authorised budgets.

During 2005 capital expenditure was £50.2m (2004: £44.3m). Major areas of expenditure during the year included the following:

	£m
• Education: Site Development Plan	14.3
• Health & Social Services: Site Development Plan	8.4
• Health & Social Services: Premises, equipment etc.	2.8
• Public Services: Drainage infrastructure	3.4
• Treasury & Resources: Royal Court	8.8
• Treasury & Resources: St Barnabas centre	1.9

STATES TREASURER'S REPORT

For the Year Ended 31 December 2005

General Revenue Account

The overall position of the General Revenue Account at 31 December 2005 was as follows:

	£m	£m
Operating surplus		18.9
Add: capital allocations returned		<u>1.0</u>
		19.9
Less: Appropriations		
Capital Fund	12.5	
Capital Reserve	10.0	
Contingency Fund	<u>5.0</u>	
		<u>27.5</u>
		(7.6)
Add: Balance Brought forward from 2004		<u>24.4</u>
Balance as at 31 December 2005		<u>16.8</u>

Capital Fund

The Capital Fund represents the amounts allocated and available to departments to fund their individual capital programmes. The movements on the Capital Fund for the year can be summarised as follows:

	£m	£m
Balance of Fund as at 1.1.05		61.1
Appropriations for the year	12.5	
Transfers from Capital Reserve	23.4	
Allocations returned to General Revenue	(1.0)	
Expenditure in year	<u>(50.2)</u>	
		<u>(15.3)</u>
Balance of Fund as at 31.12.05		<u>45.8</u>

Capital Reserve

The Capital Reserve is used to accumulate funds for future capital projects of exceptional size or where insufficient information on the cost of particular projects is available. The movements on the Capital Reserve for the year can be summarised as follows:

	£m	£m
Balance of Fund as at 1.1.05		50.7
Appropriation from Revenue Account	10.0	
Interest received	5.1	
Transfers to Capital Fund	<u>(23.4)</u>	
		<u>(8.3)</u>
Balance of Fund as at 31.12.05		<u>42.4</u>

STATES TREASURER'S REPORT

For the Year Ended 31 December 2005

In the 2006 Budget debate in December 2005, the States approved a transfer from the Capital Reserve at the beginning of 2006 of £12.75m to continue with the funding of the construction of the new Secondary and Special Needs Schools at Les Nicolles.

Contingency Reserve Fund

The purpose of the Contingency Reserve Fund is to provide protection against major emergencies including economic downturns having a severe adverse effect on the Island. The movements on the Contingency Reserve Fund for the year can be summarised as follows:

	£m	£m
Balance of Fund as at 1.1.05		189.7
Appropriation from Revenue Account		5.0
Net appreciation of investments and interest received	11.4	
Investment management fees	<u>(0.4)</u>	
Net investment gain		11.0
Balance of Fund as at 31.12.05		<u>205.7</u>

The balance of the Fund as at 31.12.05 represents 71% of the equivalent of one year's revenue expenditure based on the actual expenditure for 2005 (2004: 69%).

In the 2006 Budget debate in December 2005, the States approved a transfer from the Fund at the beginning of 2006 of £5.0m to establish the Restructuring and Reorganisation Fund.

Ports Holding Account

In 2005 the Ports had a total operating surplus of £1.4m (2004: £1.7m) and capital expenditure of £2.4m (2004: £11.2m).

The Balance of the Ports Holding Account as at 31 December 2005 was £7.2m (2004: £5.3m).

It should also be noted that in accordance with the January 2001 States Resolution (Billet d'Etat I, 2001) the year-end accounts of the Ports Holding Account have been prepared on a conventional trading basis for 2005. The 2003 and 2004 accounts included, on a trial basis, memorandum conventional accounts.

The 2005 Accounts only include the amounts already paid and agreed as payable in respect of contractor's claims for the Airport Building Terminal redevelopment, St Peter Port Harbour New Jetty cladding replacement and St Sampson's Marina development projects. If any further amounts are agreed as payable, they will be funded from the Ports Holding Account.

STATES TREASURER'S REPORT

For the Year Ended 31 December 2005

Superannuation Fund

The movements on the Superannuation Fund for the year can be summarised as follows:

	£m	£m
Balance of Fund as at 1.1.05		656.7
Employer and employee contributions	29.0	
Pensions and lump sums paid	<u>(26.8)</u>	
Net additions		2.2
Investment income net of management and other fees		17.4
Appreciation of investments		106.5
Balance of Fund as at 31.12.05		<u>782.8</u>

The asset and liability values of the Fund, on the FRS17 basis, can be summarised as follows:

	£m 2005	£m 2004
Market Value of Scheme Assets	782.8	656.7
Present Value of the Scheme Liabilities	(940.3)	(819.5)
Deficit	<u>(157.5)</u>	<u>(162.9)</u>
Funding Level	<u>83%</u>	<u>80%</u>

Appointment of External Auditors

In 2002, following a competitive tender process, the States approved the appointment of KPMG as auditors of all of the States accounts. It was the stated intention at that time that there should be no major review of the reappointment of external auditors for a period of five years unless the appointment proved unsatisfactory in any significant respect. Following the incorporation of the business of KPMG, with effect from 1 January 2004, the firm is now practising as KPMG Channel Islands Limited.

It is therefore recommended that the States appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December 2006.

D M Clark B.Sc, FCA
States Treasurer
4 May 2006

INCOME AND EXPENDITURE SUMMARY

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
Income				
Income Tax	258,707	235,892	238,968	236,822
Other Taxes	49,727	46,614	43,224	36,649
Miscellaneous Revenue Income	2,047	2,373	5,777	14,849
	<hr/>	<hr/>	<hr/>	<hr/>
	310,481	284,879	287,969	288,320
Revenue Expenditure	(291,605)	(275,656)	(254,390)	(239,728)
	<hr/>	<hr/>	<hr/>	<hr/>
Operating Surplus	18,876	9,223	33,579	48,592
Capital Income	-	5,153	5,023	13,991
	<hr/>	<hr/>	<hr/>	<hr/>
	£18,876	£14,376	£38,602	£62,583
	<hr/>	<hr/>	<hr/>	<hr/>
Capital Expenditure				
Major Construction and Development Projects	36,338	29,730	23,205	19,099
Transfers to States Housing Funds	5,000	-	9,789	3,000
Miscellaneous Capital Works	4,878	8,174	6,925	3,388
Equipment, Machinery and Vehicles	2,870	2,985	5,869	2,479
ICT Projects	1,095	3,476	5,319	4,854
	<hr/>	<hr/>	<hr/>	<hr/>
	£50,181	£44,365	£51,107	£32,820
	<hr/>	<hr/>	<hr/>	<hr/>

GENERAL REVENUE APPROPRIATION ACCOUNT

	2005 £	2004 £	2003 £	2002 £
Operating Surplus	18,876,562	9,223,363	33,579,260	48,592,025
Capital Income	-	5,152,655	5,023,248	13,990,821
	<hr/>	<hr/>	<hr/>	<hr/>
	18,876,562	14,376,018	38,602,508	62,582,846
Appropriated as follows				
Capital Fund - General	(12,500,000)	(16,000,000)	(17,600,000)	(21,475,000)
Capital Fund - Reserve	(10,000,000)	(7,000,000)	(15,000,000)	(23,000,000)
Contingency Reserve Fund	(5,000,000)	(5,000,000)	(23,800,000)	(5,000,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Transfer to / (from) General Revenue Account Reserve	(£8,623,438)	(£13,623,982)	(£17,797,492)	£13,107,846
	<hr/>	<hr/>	<hr/>	<hr/>

GENERAL REVENUE INCOME AND EXPENDITURE

REVENUE INCOME

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£ £	£ £	£ £	£ £
Income Tax	258,706,691	249,000,000	257,000,000	235,892,222
Other Taxes				
Customs and Immigration				
Excise duties, etc.				
Beer	1,989,051	2,000,000	2,100,000	1,906,716
Cider	257,865	250,000	225,000	219,901
Motor Spirit	1,921,002	2,000,000	2,040,000	1,861,155
Spirits	1,940,040	1,900,000	1,900,000	1,812,674
Tobacco	6,419,133	6,000,000	7,950,000	7,380,471
Wine	2,399,025	2,350,000	2,300,000	2,241,914
Less duties collected for Sark	(189,207)	(200,000)	(190,000)	(177,063)
Import duties on foreign goods, etc.	696,985	650,000	500,000	587,673
	15,433,894	14,950,000	16,825,000	15,833,441
Document duty, etc	19,283,039	17,550,000	16,550,000	16,536,254
Exempt company fees	4,797,545	4,800,000	5,000,000	4,673,329
Motor vehicle tax	6,070,080	6,200,000	6,000,000	5,526,256
Tax on rateable values	4,142,830	4,100,000	4,050,000	4,044,851
	49,727,388	47,600,000	48,425,000	46,614,131
Miscellaneous Income				
Interest receivable	12,112,813			12,246,058
Less net amount due to third parties	(12,554,102)			(11,857,312)
General Revenue Account interest receivable / (payable)	(441,289)			388,746
Unrealised profit / (loss) on revaluation of investments	564			(5,966)
	(440,725)	(500,000)	600,000	382,780
Court fines and fixed penalties	755,930	750,000	850,000	744,985
Loan Funds Interest	20,993	20,000	25,000	20,102
Sale of registration marks	17,624	25,000	30,000	25,501
States Trading Companies dividends	659,740	585,000	250,000	238,271
Surplus on Notes and Coins Account	1,021,652	1,000,000	800,000	944,608
Television tender payments	11,957	20,000	20,000	16,699
	2,047,171	1,900,000	2,575,000	2,372,946
TOTAL REVENUE INCOME	310,481,250	298,500,000	308,000,000	284,879,299

REVENUE EXPENDITURE SUMMARY

	Accounts 2005	Total Authorised 2005	Budget 2005	Accounts 2004
	£	£	£	£
Policy Council	7,850,508	8,822,367	8,500,000	8,063,062
Treasury and Resources Department	20,917,949	21,839,000	19,969,000	19,524,257
Commerce and Employment Department	11,707,015	13,225,000	12,260,000	11,767,088
Culture and Leisure Department	2,958,837	3,210,000	3,150,000	2,850,896
Education Department	64,085,712	64,772,921	62,225,000	58,989,570
Environment Department	8,357,773	9,304,750	8,700,000	7,927,787
Health and Social Services Department	80,197,842	80,480,000	79,730,000	73,622,680
Home Department	24,283,036	25,105,772	24,900,000	22,677,289
Housing Department	1,669,604	1,730,000	1,600,000	2,684,602
Public Services Department	9,206,249	9,422,000	9,200,000	10,470,030
Social Security Department	60,370,163	60,012,588	59,225,000	57,078,675
TOTAL REVENUE EXPENDITURE	291,604,688	297,924,398	289,459,000	275,655,936

POLICY COUNCIL

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Archive Service								
Premises	5,727		6,000		6,000		5,134	
Staff	170,993		165,500		136,000		131,353	
Supplies and services	24,228		36,500		35,000		23,098	
	200,948		208,000		177,000		159,585	
<i>Less operating income</i>	(1,090)		(2,000)		(2,000)		(830)	
		199,858		206,000		175,000		158,755
External Affairs and Government Business								
Administration								
Staff	393,715		405,000		405,000		407,446	
Supplies and services	76,920		247,749		345,000		322,580	
Consultants fees	271,093		385,000		365,000		328,892	
Provision of hospitality to visitors	70,772		30,000		30,000		31,066	
	812,500		1,067,749		1,145,000		1,089,984	
Contributions to Aid Overseas								
Grants	1,500,000		1,500,000		1,500,000		1,349,398	
Emergency Disaster Relief								
General provision	-		50,000		200,000		-	
Asia Quake Appeal	100,000		100,000		-		-	
Niger / West Africa Appeal	50,000		50,000		-		-	
Sudan Appeal	-		-		-		75,000	
Tsunami Earthquake Appeal	-		-		-		125,000	
	1,650,000		1,700,000		1,700,000		1,549,398	
Elections								
Staff	-		-		-		191	
Supplies and services	3,235		3,237		-		68,080	
Consultants fees	-		-		-		3,034	
	3,235		3,237		-		71,305	
<i>Less recoveries</i>	(986)		(986)		-		(12,613)	
	2,249		2,251		-		58,692	
Government Business								
Premises	166,329		177,000		170,000		150,253	
Staff	531,988		580,000		580,000		546,585	
Supplies and services	452,486		408,200		405,000		594,218	
Consultants fees	28,450		28,450		-		59,619	
	1,179,253		1,193,650		1,155,000		1,350,675	
<i>Less recoveries</i>	(5,342)		(5,000)		(5,000)		(3,700)	
	1,173,911		1,188,650		1,150,000		1,346,975	
Guernsey Financial Services Commission	300,000		300,000		300,000		300,000	
Guernsey Tax Tribunal Allowances	8,243		9,000		9,000		6,655	
States Tenancies Independent Review Tribunal Allowances	-		1,000		1,000		-	
		3,946,903		4,268,650		4,305,000		4,351,704
Human Resources								
Staff	876,374		855,000		855,000		829,986	
Supplies and services	527,816		602,000		602,000		481,816	
Consultants fees	22,206		17,000		17,000		32,367	
	1,426,396		1,474,000		1,474,000		1,344,169	
<i>Less recoveries</i>	(16,068)		(14,000)		(14,000)		(3,746)	
		1,410,328		1,460,000		1,460,000		1,340,423

POLICY COUNCIL

	Accounts 2005		Total Authorised 2005	Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£
Legal Aid Scheme							
Administration	128,965		150,000	150,000		109,107	
Civil Legal Aid	851,460		650,000	760,000		634,488	
Criminal Legal Aid	737,870		720,000	760,000		804,052	
	<u>1,718,295</u>		<u>1,520,000</u>	<u>1,670,000</u>		<u>1,547,647</u>	
Less recoveries	(171,697)		(70,000)	(70,000)		(22,162)	
		1,546,598		1,600,000			1,525,485
Policy and Research Unit							
Administration							
Staff	453,759		470,000	470,000		460,022	
Supplies and services	26,008		60,000	60,000		46,195	
Consultants fees	-		10,000	10,000		3,595	
	<u>479,767</u>		<u>540,000</u>	<u>540,000</u>		<u>509,812</u>	
Household Expenditure Survey							
Supplies and services	15,883		68,000	68,000		-	
Consultants fees	60,500		112,000	112,000		-	
	<u>76,383</u>		<u>180,000</u>	<u>180,000</u>		<u>-</u>	
Strategic and Corporate Initiatives							
Supplies and services	8,933		102,364	60,000		76,008	
Consultants fees and contracted-out work	34		298,353	200,000		34,599	
Grants	56,668		117,000	60,000		24,142	
	<u>65,635</u>		<u>517,717</u>	<u>320,000</u>		<u>134,749</u>	
		621,785		1,040,000			644,561
		<u>7,725,472</u>		<u>8,580,000</u>			<u>8,020,928</u>
Use of Accumulated Unspent Balances		-		(280,000)			-
		<u>7,725,472</u>		<u>8,300,000</u>			<u>8,020,928</u>
Scrutiny Committee							
Staff	110,455		140,000	140,000		33,969	
Supplies and services	9,797		10,000	10,000		7,505	
Consultants fees	4,784		50,000	50,000		660	
	<u>125,036</u>		<u>200,000</u>	<u>200,000</u>		<u>42,134</u>	
TOTAL REVENUE EXPENDITURE		7,850,508	8,822,367	8,500,000		8,063,062	

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2005		Total Authorised 2005	Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£
Income Tax							
Premises	68,553		71,000	71,000		67,611	
Staff	3,046,288		3,120,000	3,120,000		2,996,788	
Supplies and services	1,271,857		1,244,000	1,244,000		1,293,152	
Consultants fees	6,371		15,000	15,000		14,241	
	<u>4,393,069</u>		<u>4,450,000</u>	<u>4,450,000</u>		<u>4,371,792</u>	
Information and Communications Technology							
Staff	563,260		640,000	640,000		529,123	
Supplies and services	396,840		590,000	590,000		338,165	
Consultants fees	19,702		20,000	20,000		44,794	
Contracted-out work	108,799		150,000	150,000		113,645	
	<u>1,088,601</u>		<u>1,400,000</u>	<u>1,400,000</u>		<u>1,025,727</u>	

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Strategic Property Services								
Premises	696,944		784,300		785,000		855,452	
Staff	680,991		750,000		750,000		568,454	
Supplies and services	95,133		60,700		60,000		53,059	
Consultants fees	199,456		150,000		150,000		246,301	
Contracted-out work	562,288		515,000		515,000		517,344	
Rent	481,860		480,000		480,000		421,748	
	2,716,672		2,740,000		2,740,000		2,662,358	
<i>Less operating income</i>	(1,399,757)		(1,365,000)		(1,365,000)		(1,407,706)	
		1,316,915		1,375,000		1,375,000		1,254,652
Treasury								
Administration								
Staff	1,582,793		1,550,000		1,650,000		1,488,265	
Supplies and services	1,037,115		1,275,000		1,165,000		1,095,111	
Consultants fees	81,658		25,000		25,000		85,455	
Contracted-out work	31,635		25,000		25,000		32,493	
	2,733,201		2,875,000		2,865,000		2,701,324	
<i>Less recoveries</i>	(127,504)		(100,000)		(100,000)		(93,740)	
	2,605,697		2,775,000		2,765,000		2,607,584	
Audit, Risk and Assurance								
Premises	102,820		65,000		65,000		24,233	
Staff	344,273		345,000		345,000		283,777	
Supplies and services	(548)		70,000		70,000		74,465	
Consultants fees	35,767		70,000		70,000		46,926	
Contracted-out work	99,097		175,000		175,000		71,398	
External Audit fee	51,633		55,000		55,000		49,384	
Insurance premiums and transfers to Insurance Deductible Fund	3,567,673		3,600,000		3,600,000		3,091,486	
	4,200,715		4,380,000		4,380,000		3,641,669	
<i>Less recoveries</i>	(1,298,332)		(1,460,000)		(1,600,000)		(1,221,471)	
	2,902,383		2,920,000		2,780,000		2,420,198	
Cadastre								
Premises	6,417		7,000		7,000		13,279	
Staff	234,832		250,000		250,000		228,043	
Supplies and services	30,702		35,000		35,000		25,401	
	271,951		292,000		292,000		266,723	
<i>Less recoveries</i>	(17,743)		(12,000)		(12,000)		(13,351)	
	254,208		280,000		280,000		253,372	
		5,762,288		5,975,000		5,825,000		5,281,154
Commonwealth Parliamentary Association								
Annual contribution to General Council	24,488		25,000		25,000		23,728	
Supplies and services	16,794		30,000		30,000		23,062	
	41,282		55,000		55,000		46,790	
<i>Less operating income</i>	(3,920)		(5,000)		(5,000)		(3,519)	
		37,362		50,000		50,000		43,271
Payments to States Members								
Allowances	1,456,738		1,470,000		1,495,000		1,298,880	
Pensions and pension contributions	196,863		230,000		230,000		181,676	
		1,653,601		1,700,000		1,725,000		1,480,556
		14,251,836		14,950,000		14,825,000		13,457,152
Use of Accumulated Unspent Balances		-		-		(1,100,000)		-
		14,251,836		14,950,000		13,725,000		13,457,152

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Courts and Law Officers								
Bailiff								
Staff	763,776		775,000		775,000		810,205	
Supplies and services	48,110		88,000		88,000		47,938	
Consultants fees	13,884		2,000		2,000		-	
Grant - Royal Court Fund	6,716		10,000		10,000		694	
		832,486		875,000		875,000		858,837
Court of Appeal		122,693		100,000		100,000		104,156
Court Buildings								
Premises	74,389		102,000		102,000		84,695	
Staff	44,083		45,000		45,000		42,596	
Supplies and services	4,261		8,000		8,000		5,466	
		122,733		155,000		155,000		132,757
Grefe								
Premises	2,966		2,000		2,000		1,938	
Staff	982,986		930,000		930,000		889,205	
Supplies and services	239,062		200,000		200,000		151,540	
Consultants fees	4,293		3,000		3,000		-	
Transfer from Net Working Capital Reserve	(35,176)		-		-		-	
	1,194,131		1,135,000		1,135,000		1,042,683	
Less operating income	(640,148)		(635,000)		(635,000)		(553,371)	
		553,983		500,000		500,000		489,312
H.E. Lieutenant Governor								
Establishment allowance and salary		614,605		600,000		600,000		563,856
Interception of Communications		2,840		15,000		15,000		404
Law Officers								
Premises	17,373		22,000		22,000		16,360	
Staff	1,993,743		2,000,000		2,000,000		1,765,758	
Supplies and services	245,660		233,000		233,000		231,282	
Consultants fees	77,055		90,000		90,000		71,842	
	2,333,831		2,345,000		2,345,000		2,085,242	
Less operating income	(53,851)		(60,000)		(60,000)		(71,212)	
		2,279,980		2,285,000		2,285,000		2,014,030
Magistrates Court								
Staff	228,978		224,000		224,000		181,620	
Supplies and services	8,998		14,000		14,000		6,234	
	237,976		238,000		238,000		187,854	
Less operating income	(15,292)		(18,000)		(18,000)		(17,569)	
		222,684		220,000		220,000		170,285
Sergeant and Sheriff								
Premises	2,354		5,000		5,000		2,013	
Staff	318,949		332,000		332,000		307,432	
Supplies and services	24,015		38,000		38,000		24,994	
	345,318		375,000		375,000		334,439	
Less operating income	(129,554)		(125,000)		(125,000)		(130,703)	
		215,764		250,000		250,000		203,736
		4,967,768		5,000,000		5,000,000		4,537,373
Use of Accumulated Unspent Balances		-		-		(500,000)		-
		4,967,768		5,000,000		4,500,000		4,537,373
Public Accounts Committee								
Staff	76,981		78,000		55,000		53,024	
Supplies and services	6,803		5,000		5,000		7,011	
Contracted-out work	90,240		240,000		240,000		151,914	
		174,024		323,000		300,000		211,949
Alderney - Domestic Account Net Revenue cash allocation								
Formula led headings	8,174		16,000		24,000		14,868	
Non-formula led headings	1,516,147		1,550,000		1,550,000		1,302,915	
		1,524,321		1,566,000		1,574,000		1,317,783
Use of Accumulated Unspent Balances		-		-		(130,000)		-
		1,524,321		1,566,000		1,444,000		1,317,783
TOTAL REVENUE EXPENDITURE		20,917,949		21,839,000		19,969,000		19,524,257

COMMERCE AND EMPLOYMENT DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration of Resources								
Premises	166,683		163,000		142,000		252,011	
Staff	838,798		811,000		823,000		729,897	
Supplies and services	242,633		314,500		316,500		488,414	
Contracted-out work	4,002		4,500		4,500		2,401	
	<u>1,252,116</u>		<u>1,293,000</u>		<u>1,286,000</u>		<u>1,472,723</u>	
<i>Less operating income</i>	(17,742)		(2,000)		(2,000)		(72,937)	
	<u>1,234,374</u>		<u>1,291,000</u>		<u>1,284,000</u>		<u>1,399,786</u>	
Business Development								
Premises	7,487		11,000		11,000		14,222	
Staff	954,452		970,000		909,000		944,773	
Supplies and services	3,145,427		3,654,000		3,869,000		3,642,357	
Consultants fees	137,596		130,000		165,000		132,247	
Grants	95,929		202,000		233,000		160,501	
Grant to Guernsey Enterprise Agency	31,000		31,000		25,000		25,000	
Grant to Guernsey Finance LBG	650,000		650,000		360,000		220,000	
Grant to Guernsey Training Agency Trust	403,992		400,000		400,000		380,542	
Interest Subsidy Scheme	103,187		113,000		200,000		96,736	
Office of Public Trustee	8,753		30,000		30,000		9,375	
Organic Milk Support Scheme	-		50,000		50,000		-	
	<u>5,537,823</u>		<u>6,241,000</u>		<u>6,252,000</u>		<u>5,625,753</u>	
<i>Less operating income</i>	(347,774)		(140,000)		(140,000)		(427,629)	
	<u>5,190,049</u>		<u>6,101,000</u>		<u>6,112,000</u>		<u>5,198,124</u>	
Client Services								
Premises	57,234		53,000		47,000		45,038	
Staff	1,462,963		1,529,000		1,558,000		1,496,138	
Supplies and services	443,089		616,000		557,000		495,775	
Consultants fees	33,282		39,000		49,000		43,653	
Contracted-out work	124,140		127,000		125,000		98,078	
Bovine Spongiform Encephalopathy compensation payments	-		-		3,000		-	
Cull Cattle compensation payments	54,150		57,000		57,000		55,500	
Dairy Farm Management Payment Scheme	1,951,349		2,025,000		2,025,000		1,918,442	
Farm Waste Systems Grant Scheme	-		-		-		135,810	
	<u>4,126,207</u>		<u>4,446,000</u>		<u>4,421,000</u>		<u>4,288,434</u>	
<i>Less operating income</i>	(156,343)		(142,000)		(142,000)		(136,411)	
	<u>3,969,864</u>		<u>4,304,000</u>		<u>4,279,000</u>		<u>4,152,023</u>	
Strategic Development								
Staff	255,714		255,000		149,000		88,736	
Supplies and services	13,857		51,000		51,000		21,684	
Consultants fees	339,170		400,000		222,000		198,097	
Transport Links - Financial Concessions	703,987		825,000		825,000		717,211	
	<u>1,312,728</u>		<u>1,531,000</u>		<u>1,247,000</u>		<u>1,025,728</u>	
<i>Less operating income</i>	-		(2,000)		(2,000)		(8,573)	
	<u>1,312,728</u>		<u>1,529,000</u>		<u>1,245,000</u>		<u>1,017,155</u>	
Use of Accumulated Unspent Balances								
	<u>11,707,015</u>		<u>13,225,000</u>		<u>12,920,000</u>		<u>11,767,088</u>	
	-		-		(660,000)		-	
TOTAL REVENUE EXPENDITURE	11,707,015		13,225,000		12,260,000		11,767,088	

CULTURE AND LEISURE DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration and Policy Implementation								
Staff	410,068		293,000		293,000		271,193	
Supplies and services	37,796		48,000		48,000		19,338	
Consultants fees	823		-		-		-	
		448,687		341,000		341,000		290,531
Beau Sejour Centre								
Premises	337,079		577,500		577,500		521,224	
Staff	2,336,739		2,084,000		2,084,000		2,132,230	
Supplies and Services	722,131		649,100		649,100		739,233	
Consultants fees	14,091		-		-		-	
Contracted-out work	12,712		24,000		24,000		37,030	
External Audit fee	8,033		7,500		7,500		5,908	
	3,430,785		3,342,100		3,342,100		3,435,625	
Less operating income	(2,634,396)		(2,360,100)		(2,360,100)		(2,499,317)	
	796,389		982,000		982,000		936,308	
Less funding from Channel Islands Lottery	(150,000)		(150,000)		(100,000)		(190,000)	
		646,389		832,000		882,000		746,308
Cultural Activities Inside the Island								
Staff	10,130		38,000		38,000		-	
Supplies and services	6,392		13,000		13,000		3,071	
Consultants fees	968		-		-		-	
Grants - General	79,592		116,500		56,500		64,026	
Grant to Friends of St James	57,500		57,500		57,500		57,500	
Victor Hugo Promotion	-		-		-		40,000	
1204 Celebrations	-		-		-		41,124	
		154,582		225,000		165,000		205,721
Historic Sites								
Premises	39,546		31,000		31,000		24,673	
Staff	14,050		121,000		121,000		56,871	
Supplies and services	22,033		29,000		29,000		8,198	
Consultants fees	3,337		3,000		3,000		20,647	
Upkeep, repair and restoration	92,839		161,000		161,000		111,956	
	171,805		345,000		345,000		222,345	
Less operating income	(100)		-		-		(491)	
		171,705		345,000		345,000		221,854
Liberation Day								
Co-ordination and staging of celebrations	269,714		203,000		193,000		126,516	
Less recoveries	(96,805)		(58,000)		(58,000)		(40,650)	
		172,909		145,000		135,000		85,866
Museums and Galleries								
Premises	50,198		72,000		72,000		63,296	
Staff	989,082		844,000		844,000		816,106	
Supplies and services	206,512		251,000		251,000		237,447	
Consultants fees	250		3,000		3,000		2,975	
Contracted-out work	2,219		2,000		2,000		2,110	
	1,248,261		1,172,000		1,172,000		1,121,934	
Less admission charges	(153,326)		(160,000)		(160,000)		(167,832)	
Less operating income	(103,585)		(50,000)		(50,000)		10,897	
		991,350		962,000		962,000		964,999
Outdoor Sports Facilities								
Premises	119,649		119,000		119,000		157,389	
Staff	171,936		155,000		155,000		160,703	
Supplies and services	16,818		-		-		-	
	308,403		274,000		274,000		318,092	
Less operating income	(188,463)		(168,000)		(168,000)		(160,471)	
		119,940		106,000		106,000		157,621

CULTURE AND LEISURE DEPARTMENT

	Accounts 2005		Total Authorised 2005	Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£
Sports Commission funding		253,275	254,000	254,000		177,996	
Use of Accumulated Unspent Balances		2,958,837 -	3,210,000 -	3,190,000 (40,000)		2,850,896 -	
TOTAL REVENUE EXPENDITURE		2,958,837	3,210,000	3,150,000		2,850,896	

EDUCATION DEPARTMENT

	Accounts 2005		Total Authorised 2005	Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£
Education Office							
Premises	404,142		274,500	205,000		436,530	
Staff	2,174,207		2,140,500	2,145,700		1,835,628	
Supplies and services	1,013,473		939,600	952,200		919,224	
Consultants fees	27,052		58,000	48,000		25,367	
	3,618,874		3,412,600	3,350,900		3,216,749	
Less recoveries	(145,515)		(129,000)	(129,000)		(176,942)	
		3,473,359	3,283,600	3,221,900		3,039,807	
Schools and Pupils Support Services							
Premises	380,331		350,200	285,000		295,010	
Staff	4,429,636		3,852,500	3,921,300		3,993,855	
Supplies and services	6,471,848		7,880,022	7,042,800		6,237,837	
Consultants fees	79,180		50,000	50,000		85,198	
Contracted-out work	163,859		-	-		128,554	
Grants	436,745		439,600	329,000		393,019	
Apprenticeship Scheme - grants to employers	418,376		716,000	716,000		459,333	
	12,379,975		13,288,322	12,344,100		11,592,806	
Less recoveries	(184,360)		(80,000)	(80,000)		(121,753)	
		12,195,615	13,208,322	12,264,100		11,471,053	
College of Further Education							
Premises	224,698		169,000	150,000		162,317	
Staff	5,191,141		5,252,000	5,252,000		4,571,960	
Supplies and services	605,458		772,000	712,000		585,104	
	6,021,297		6,193,000	6,114,000		5,319,381	
Less operating income	(588,660)		(665,000)	(665,000)		(594,870)	
		5,432,637	5,528,000	5,449,000		4,724,511	
Schools							
Primary Sector							
Premises	853,586		815,000	815,000		651,604	
Staff	10,628,080		10,722,000	10,722,000		9,871,269	
Supplies and services	402,728		489,532	400,000		386,086	
	11,884,394		12,026,532	11,937,000		10,908,959	
Less recoveries	(44,380)		(10,000)	(10,000)		(27,203)	
	11,840,014		12,016,532	11,927,000		10,881,756	

EDUCATION DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Schools (continued)								
Secondary Sector								
Premises	1,020,977		1,015,000		960,000		725,451	
Staff	13,245,335		12,956,000		12,956,000		12,392,545	
Supplies and services	1,052,566		1,096,263		941,000		975,619	
	<u>15,318,878</u>		<u>15,067,263</u>		<u>14,857,000</u>		<u>14,093,615</u>	
<i>Less recoveries</i>	(39,059)		(28,000)		(28,000)		(17,121)	
	<u>15,279,819</u>		<u>15,039,263</u>		<u>14,829,000</u>		<u>14,076,494</u>	
Special Education								
Premises	136,215		115,000		115,000		99,195	
Staff	2,540,358		2,395,000		2,395,000		2,287,602	
Supplies and services	96,201		76,469		59,000		65,722	
	<u>2,772,774</u>		<u>2,586,469</u>		<u>2,569,000</u>		<u>2,452,519</u>	
<i>Less recoveries</i>	(840)		(1,000)		(1,000)		(607)	
	<u>2,771,934</u>		<u>2,585,469</u>		<u>2,568,000</u>		<u>2,451,912</u>	
Voluntary Sector								
Premises	60,668		43,000		43,000		48,795	
Staff	1,186,800		1,157,000		1,157,000		1,103,839	
Supplies and services	55,837		56,735		41,000		51,941	
	<u>1,303,305</u>		<u>1,256,735</u>		<u>1,241,000</u>		<u>1,204,575</u>	
		31,195,072		30,897,999		30,565,000		28,614,737
		<u>52,296,683</u>		<u>52,917,921</u>		<u>51,500,000</u>		<u>47,850,108</u>
Grants to Colleges and Libraries								
Blanchelande College	484,506		485,000		465,000		447,037	
Elizabeth College	1,759,008		1,760,000		1,700,000		1,752,256	
Guille Alles Library	1,000,000		1,000,000		1,000,000		1,016,000	
Ladies College	1,474,955		1,475,000		1,475,000		1,431,243	
Priaulx Library	260,000		260,000		260,000		240,000	
Schools Library Service	375,000		375,000		375,000		360,000	
	<u>5,353,469</u>		<u>5,355,000</u>		<u>5,275,000</u>		<u>5,246,536</u>	
Higher and Advanced Education		6,435,560		6,500,000		6,000,000		5,892,926
Use of Accumulated Unspent Balances		-		-		(550,000)		-
	<u>6,435,560</u>		<u>6,500,000</u>		<u>5,450,000</u>		<u>5,892,926</u>	
TOTAL REVENUE EXPENDITURE		64,085,712		64,772,921		62,225,000		58,989,570

ENVIRONMENT DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration and Central Services								
Staff	135,414		145,000		127,000		92,066	
Supplies and services	13,289		17,000		17,000		28,478	
		148,703		162,000		144,000		120,544
Environment Policy and Management								
Beaches								
Staff	16,683		17,000		17,000		18,768	
Supplies and services	26,140		36,000		36,000		29,094	
Contracted-out work	94,994		108,000		108,000		90,347	
Upkeep and repair	74,608		65,000		65,000		67,482	
	212,425		226,000		226,000		205,691	
Cliff Paths								
Contracted-out work	141,918		156,000		156,000		132,241	
Coastal Management								
Contracted-out work	79,735		80,000		80,000		75,696	
Upkeep and repairs	69,467		93,000		93,000		73,347	
	149,202		173,000		173,000		149,043	
Energy Efficiency								
Consultants fees	-		-		-		19,317	
Environment Services								
Premises	1,360		1,000		1,000		952	
Staff	209,663		215,000		215,000		215,993	
Supplies and services	48,973		81,000		69,000		49,189	
Consultants fees	1,300		1,000		1,000		-	
Contracted-out work	406,698		412,000		314,000		104,215	
L'Ancrese Commons Council Grant	30,000		31,000		31,000		30,000	
Environmental enhancement	22,986		23,000		23,000		40,532	
Tree planting scheme	69,983		100,000		100,000		91,907	
	790,963		864,000		754,000		532,788	
Less operating income	(1,080)		(9,000)		(9,000)		(901)	
	789,883		855,000		745,000		531,887	
Herm								
Upkeep and repairs	4,007		15,000		15,000		6,718	
Lihou Island								
Premises, upkeep and repairs	327		1,000		1,000		1,108	
Supplies and services	115		2,000		2,000		140	
	442		3,000		3,000		1,248	
Less operating income	-		(1,000)		(1,000)		-	
	442		2,000		2,000		1,248	

ENVIRONMENT DEPARTMENT

	Accounts 2005		Total Authorised 2005	Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£
Environment Policy and Management (continued)							
Parks, Gardens and Plantations							
Premises	71,415		41,000	41,000		31,870	
Contracted-out work	625,416		617,000	624,000		601,864	
	696,831		658,000	665,000		633,734	
		1,994,708		1,982,000			1,679,879
Land Use Planning and Development Regulation							
Staff	1,995,192		1,966,000	1,966,000		1,787,734	
Supplies and services	184,052		295,000	295,000		197,054	
Consultants fees	56,886		125,000	100,000		79,874	
	2,236,130		2,386,000	2,361,000		2,064,662	
Less operating income	(1,748)		(3,000)	(3,000)		(1,633)	
		2,234,382		2,358,000			2,063,029
Traffic Policy and Traffic Management							
Premises	15,144		20,000	20,000		14,062	
Staff	916,972		949,000	949,000		851,739	
Supplies and services	363,830		442,750	416,000		314,562	
Consultants fees	22,773		36,000	36,000		51,778	
Contracted-out work	423,516		439,000	439,000		441,600	
	1,742,235		1,886,750	1,860,000		1,673,741	
Less operating income	(449,804)		(454,000)	(454,000)		(444,699)	
	1,292,431		1,432,750	1,406,000		1,229,042	
Scheduled Bus Service Support							
Contract payments, etc.	1,983,660		2,148,000	2,148,000		2,022,144	
Leasing charges	(348,432)		(348,000)	(348,000)		(348,432)	
	1,635,228		1,800,000	1,800,000		1,673,712	
School Bus Service Support							
	227,042		244,000	244,000		225,530	
		3,154,701		3,476,750			3,128,284
Waste Services							
Bulk Refuse							
Supplies and services	218,966		253,000	253,000		210,916	
Less operating income	(30)		-	-		(20)	
	218,936		253,000	253,000		210,896	
Paper Savers Scheme							
Baling and export	122,976		118,000	118,000		116,457	
Collection points	19,401		26,000	26,000		22,493	
	142,377		144,000	144,000		138,950	

ENVIRONMENT DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Waste Services (continued)								
Recycling of Waste								
Premises	36,696		35,000		35,000		35,829	
Staff	106,539		117,000		117,000		104,781	
Supplies and services	199,709		193,000		191,000		210,120	
Contracted-out work	44,292		81,000		15,000		-	
	387,236		426,000		358,000		350,730	
<i>Less operating income</i>	(78,806)		(66,000)		(66,000)		(66,730)	
	308,430		360,000		292,000		284,000	
Waste Segregation Site								
Premises	2,587		11,000		11,000		3,271	
Supplies and services	50,723		35,000		35,000		30,066	
Contracted-out work	395,681		410,000		412,000		365,383	
	448,991		456,000		458,000		398,720	
<i>Less operating income</i>	(310,035)		(115,000)		(115,000)		(96,515)	
	138,956		341,000		343,000		302,205	
Waste Strategy								
Initiatives	16,580		100,000		-		-	
		825,279		1,198,000		1,032,000		936,051
Use of Accumulated Unspent Balances		8,357,773		9,304,750		8,966,000		7,927,787
		-		-		(266,000)		-
TOTAL REVENUE EXPENDITURE		8,357,773		9,304,750		8,700,000		7,927,787

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration and Corporate Services								
Premises	2,390,816		2,591,861		2,863,000		2,429,651	
Staff	10,307,701		9,497,059		9,659,000		9,127,587	
Supplies and services	5,590,992		5,145,060		5,009,000		5,345,090	
Consultants fees	73,482		78,000		78,000		38,156	
Contracted-out work	371,714		198,000		198,000		355,129	
Grants	3,567		58,000		58,000		57,694	
	18,738,272		17,567,980		17,865,000		17,353,307	
<i>Less recoveries</i>	(1,068,112)		(734,480)		(735,000)		(882,174)	
	17,670,160		16,833,500		17,130,000		16,471,133	
<i>Less operating income</i>	(94,685)		(37,000)		(551,000)		(591,075)	
		17,575,475		16,796,500		16,579,000		15,880,058

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Adult Acute Services								
Premises	2,452		-		-		-	
Staff	16,862,037		16,772,300		16,251,000		15,878,102	
Supplies and services	7,574,578		6,214,380		6,071,000		6,065,259	
Consultants fees	60,881		43,000		43,000		40,338	
Contracted-out work	172,669		1,172,000		1,172,000		629,696	
	<u>24,672,617</u>		<u>24,201,680</u>		<u>23,537,000</u>		<u>22,613,395</u>	
Less recoveries	(23,812)		(8,000)		(8,000)		(25,658)	
	<u>24,648,805</u>		<u>24,193,680</u>		<u>23,529,000</u>		<u>22,587,737</u>	
Less operating income	(2,009,514)		(1,677,200)		(1,754,000)		(2,676,715)	
	<u>22,639,291</u>		<u>22,516,480</u>		<u>21,775,000</u>		<u>19,911,022</u>	
Children and Young People Services								
Premises	73,378		12,000		62,000		65,094	
Staff	7,840,044		7,949,566		7,888,000		7,463,690	
Supplies and services	1,399,744		1,923,820		1,962,000		1,567,049	
Consultants fees	157,201		143,000		143,000		84,018	
Contracted-out work	183,183		184,600		176,000		203,447	
	<u>9,653,550</u>		<u>10,212,986</u>		<u>10,231,000</u>		<u>9,383,298</u>	
Less recoveries	(1,456)		(11,000)		(11,000)		(7,129)	
	<u>9,652,094</u>		<u>10,201,986</u>		<u>10,220,000</u>		<u>9,376,169</u>	
Less operating income	(24,398)		(15,000)		(15,000)		(3,681)	
	<u>9,627,696</u>		<u>10,186,986</u>		<u>10,205,000</u>		<u>9,372,488</u>	
Continuing and Community Care Services								
Premises	120,682		220,800		305,000		146,367	
Staff	16,214,603		16,868,215		17,256,000		15,495,146	
Supplies and services	2,008,739		1,913,000		1,889,000		1,954,498	
Consultants fees	2,609		4,000		4,000		1,020	
Contracted-out work	196,335		91,000		91,000		118,459	
Grants	162,854		116,200		93,000		95,990	
	<u>18,705,822</u>		<u>19,213,215</u>		<u>19,638,000</u>		<u>17,811,480</u>	
Less recoveries	(180,218)		(27,000)		(27,000)		(140,914)	
	<u>18,525,604</u>		<u>19,186,215</u>		<u>19,611,000</u>		<u>17,670,566</u>	
Less operating income	(1,509,670)		(1,472,000)		(1,472,000)		(602,925)	
	<u>17,015,934</u>		<u>17,714,215</u>		<u>18,139,000</u>		<u>17,067,641</u>	
Out of Island Placements		4,298,591		4,000,000		4,000,000		3,234,800
Public Health and Strategy								
Premises	4,369		-		-		-	
Staff	1,714,914		1,861,000		1,861,000		1,689,116	
Supplies and services	571,645		653,000		612,000		579,301	
Consultants fees	40,032		55,000		55,000		16,184	
Contracted-out work	9,005		18,000		18,000		9,543	
Grants	337,159		207,800		203,000		304,556	
	<u>2,677,124</u>		<u>2,794,800</u>		<u>2,749,000</u>		<u>2,598,700</u>	
Less recoveries	(18,409)		(15,000)		(15,000)		(10,339)	
	<u>2,658,715</u>		<u>2,779,800</u>		<u>2,734,000</u>		<u>2,588,361</u>	
Less operating income	(299,338)		(228,000)		(228,000)		(298,928)	
	<u>2,359,377</u>		<u>2,551,800</u>		<u>2,506,000</u>		<u>2,289,433</u>	
Reciprocal Health Agreements		4,951,478		3,881,000		3,881,000		4,237,238
Service Development		-		1,103,019		915,000		-
	<u>78,467,842</u>		<u>78,750,000</u>		<u>78,000,000</u>		<u>71,992,680</u>	
St John Ambulance and Rescue Service Grant		1,730,000		1,730,000		1,730,000		1,630,000
TOTAL REVENUE EXPENDITURE		80,197,842		80,480,000		79,730,000		73,622,680

HOME DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration								
Staff	643,779		619,000		604,000		448,260	
Supplies and services	188,017		235,983		619,000		579,453	
Consultants fees	8,500		25,000		-		-	
Grants	38,000		38,000		38,000		38,000	
		878,296		917,983		1,261,000		1,065,713
Broadcasting								
Supplies and services	1,048		2,000		2,000		487	
Contribution to local television subtitling	44,898		45,000		45,000		44,848	
		45,946		47,000		47,000		45,335
Customs and Immigration								
Premises	253,308		222,000		222,000		248,221	
Staff	3,242,464		3,152,000		3,152,000		3,108,185	
Supplies and services	740,053		825,122		507,000		411,060	
Consultants fees	1,065		-		-		-	
	4,236,890		4,199,122		3,881,000		3,767,466	
<i>Less recoveries</i>	(25,546)		(23,000)		(23,000)		(19,904)	
	4,211,344		4,176,122		3,858,000		3,747,562	
<i>Less operating income</i>	(14,622)		(12,000)		(12,000)		(8,387)	
	4,196,722		4,164,122		3,846,000		3,739,175	
Passport Fees	(271,530)		(260,000)		(260,000)		(260,153)	
Payments to HM Government	271,530		260,000		260,000		260,153	
	4,196,722		4,164,122		3,846,000		3,739,175	
Data Protection								
Premises	21,149		22,000		22,000		20,580	
Staff	137,252		142,500		142,500		129,783	
Supplies and services	30,850		35,500		35,500		26,553	
	189,251		200,000		200,000		176,916	
<i>Less operating income</i>	(41,686)		(31,000)		(31,000)		(37,622)	
	147,565		169,000		169,000		139,294	
Drug Strategy								
Premises	5,425		8,000		8,000		5,520	
Staff	129,235		136,000		136,000		99,613	
Supplies and services	94,582		96,000		96,000		114,046	
Consultants fees	4,119		25,000		25,000		1,127	
Grants	221,170		255,000		255,000		219,016	
	454,531		520,000		520,000		439,322	
Emergency Planning								
Premises	5,572		36,700		15,000		8,947	
Staff	55,419		56,000		56,000		55,388	
Supplies and services	60,545		41,700		45,000		38,519	
	121,536		134,400		116,000		102,854	
<i>Less recoveries</i>	(912)		(1,000)		(1,000)		(871)	
	120,624		133,400		115,000		101,983	
Financial Intelligence Service								
Supplies and services	89,848		207,000		192,000		76,037	
Fire and Rescue Service								
Premises	85,657		87,000		77,000		65,618	
Staff	2,710,542		2,601,000		2,676,000		2,605,995	
Supplies and services	294,498		331,700		297,000		291,777	
	3,090,697		3,019,700		3,050,000		2,963,390	
<i>Less operating income</i>	(1,545)		(2,000)		(2,000)		(10,701)	
	3,089,152		3,017,700		3,048,000		2,952,689	
Gambling Control								
Staff	-		-		-		986	
Supplies and services	379		1,000		1,000		429	
	379		1,000		1,000		1,415	
<i>Less operating income</i>	(9,840)		(30,000)		(30,000)		(43,790)	
	(9,461)		(29,000)		(29,000)		(42,375)	

HOME DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Parole Review								
Supplies and services	298		7,000		7,000		5,284	
Allowances to members	14,142		7,000		7,000		11,045	
		14,440		14,000		14,000		16,329
Police Force								
Premises	113,526		181,000		181,000		125,434	
Staff	8,708,136		8,880,000		8,900,000		8,100,821	
Supplies and services	2,094,022		2,336,567		2,128,000		1,904,015	
	10,915,684		11,397,567		11,209,000		10,130,270	
<i>Less recoveries</i>	(119,543)		(44,000)		(44,000)		(36,755)	
	10,796,141		11,353,567		11,165,000		10,093,515	
<i>Less operating income</i>	(36,392)		(7,000)		(7,000)		(31,029)	
		10,759,749		11,346,567		11,158,000		10,062,486
Prison Service								
Premises	362,826		422,000		422,000		312,207	
Staff	2,714,058		2,521,000		2,555,000		2,441,071	
Supplies and services	750,916		923,000		903,000		752,992	
Maintenance of prisoners in the United Kingdom	175,321		240,000		400,000		167,096	
	4,003,121		4,106,000		4,280,000		3,673,366	
<i>Less recoveries</i>	(12,131)		-		-		(21,851)	
		3,990,990		4,106,000		4,280,000		3,651,515
Probation Service								
Premises	9,227		10,000		10,000		8,503	
Staff	444,060		421,000		421,000		378,132	
Supplies and services	51,347		61,000		46,000		43,151	
		504,634		492,000		477,000		429,786
		24,283,036		25,105,772		25,098,000		22,677,289
Use of Accumulated Unspent Balances		-		-		(198,000)		-
TOTAL REVENUE EXPENDITURE		24,283,036		25,105,772		24,900,000		22,677,289

HOUSING DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration								
Staff	504,507		479,000		470,000		446,997	
Supplies and services	24,319		81,000		90,000		70,389	
Consultants fees	24,516		20,000		20,000		12,569	
		553,342		580,000		580,000		529,955
Residential Homes								
Premises	183,932		159,000		159,000		166,240	
Staff	1,491,747		1,461,000		1,461,000		1,384,282	
Supplies and services	164,288		179,000		179,000		156,582	
Consultants fees	2,155		-		-		-	
	1,842,122		1,799,000		1,799,000		1,707,104	
<i>Less recoveries</i>	(6,125)		(4,000)		(4,000)		(5,146)	
	1,835,997		1,795,000		1,795,000		1,701,958	
<i>Less operating income</i>	(719,735)		(645,000)		(645,000)		(647,311)	
		1,116,262		1,150,000		1,150,000		1,054,647
Transfer to Corporate Housing Programme Fund		-		-		-		1,100,000
		1,669,604		1,730,000		1,730,000		2,684,602
Use of Accumulated Unspent Balances		-		-		(130,000)		-
TOTAL REVENUE EXPENDITURE		1,669,604		1,730,000		1,600,000		2,684,602

PUBLIC SERVICES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration								
Premises	4,000		-		-		4,000	
Staff	485,409		566,000		566,000		429,666	
Supplies and services	26,904		25,000		25,000		98,571	
Consultants fees	33,233		-		-		5,407	
	549,546		591,000		591,000		537,644	
Alderney Airport Trading Loss	472,903		507,000		500,000		497,441	
Alderney Breakwater								
Premises	10,225		22,000		22,000		15,121	
Staff	75,058		149,000		149,000		73,826	
Supplies and services	41,826		25,000		25,000		22,536	
Contracted-out work	280,732		270,000		270,000		226,754	
	407,841		466,000		466,000		338,237	
<i>Less</i> Contribution from States of Alderney	(15,000)		(16,000)		(16,000)		(15,000)	
	392,841		450,000		450,000		323,237	
Emergency Services								
Supplies and services	13,447		11,000		11,000		8,143	
Contracted-out work	54,309		62,000		62,000		48,869	
	67,756		73,000		73,000		57,012	
<i>Less</i> recoveries	(4,031)		(4,000)		(4,000)		(5,000)	
	63,725		69,000		69,000		52,012	
	1,479,015		1,617,000		1,610,000		1,410,334	
Guernsey Technical Services								
Premises	29,190		11,000		11,000		24,893	
Staff	1,818,196		2,196,000		2,196,000		1,936,435	
Supplies and services	204,517		279,000		279,000		263,344	
Consultants fees	-		18,000		18,000		10,185	
Contracted-out work	100,164		81,000		81,000		73,877	
	2,152,067		2,585,000		2,585,000		2,308,734	
<i>Less</i> operating income	(235,009)		(227,000)		(227,000)		(310,754)	
	1,917,058		2,358,000		2,358,000		1,997,980	
Service Delivery								
Administration								
Staff	249,934		239,000		239,000		274,452	
Supplies and services	14,600		12,000		12,000		18,839	
	264,534		251,000		251,000		293,291	
Pumping Stations								
Supplies and services	149,585		203,000		203,000		150,234	
Upkeep and repairs	761,895		475,000		475,000		597,191	
	911,480		678,000		678,000		747,425	
Refuse Disposal and Land Reclamation								
Premises	33,838		49,000		49,000		31,032	
Staff	474,186		443,000		443,000		452,355	
Supplies and services	489,929		495,000		489,000		430,563	
Consultants fees	17,952		25,000		25,000		13,616	
Contracted-out work	42,801		57,000		57,000		47,905	
Preparation and completion of sites	125,452		148,000		154,000		82,659	
	1,184,158		1,217,000		1,217,000		1,058,130	
<i>Less</i> operating income	(2,274,944)		(3,040,000)		(3,040,000)		(2,653,447)	
	(1,090,786)		(1,823,000)		(1,823,000)		(1,595,317)	

PUBLIC SERVICES DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Service Delivery (continued)								
Roads Infrastructure								
Supplies and services	7,782		8,000		8,000		-	
Resurfacing and reconstruction	2,100,895		2,200,000		2,200,000		3,255,085	
Road cleaning	1,170,829		1,086,000		1,086,000		1,121,792	
Upkeep and repairs	375,139		302,000		302,000		277,013	
	<u>3,654,645</u>		<u>3,596,000</u>		<u>3,596,000</u>		<u>4,653,890</u>	
Sewage Tankers								
Staff	1,069,466		1,104,000		1,104,000		1,066,975	
Supplies and services	605		-		-		-	
Contracted out work	475,653		475,000		475,000		453,560	
	<u>1,545,724</u>		<u>1,579,000</u>		<u>1,579,000</u>		<u>1,520,535</u>	
Less operating income	(1,308,461)		(1,150,000)		(1,150,000)		(1,410,779)	
	<u>237,263</u>		<u>429,000</u>		<u>429,000</u>		<u>109,756</u>	
Sewers and Outfalls								
Consultants fees	4,189		80,000		80,000		110,349	
Sewer descaling	114,110		80,000		80,000		105,000	
Sewer rehabilitation	1,015,005		1,215,000		1,000,000		1,365,727	
Upkeep and repairs	193,225		210,000		210,000		310,274	
	<u>1,326,529</u>		<u>1,585,000</u>		<u>1,370,000</u>		<u>1,891,350</u>	
Surface Water Outfalls and Streams								
Supplies and services	1,047		1,000		1,000		1,132	
Rehabilitation and separation	210,029		500,000		500,000		541,752	
Upkeep and repairs	295,435		230,000		230,000		418,437	
	<u>506,511</u>		<u>731,000</u>		<u>731,000</u>		<u>961,321</u>	
		5,810,176		5,447,000		5,232,000		7,061,716
TOTAL REVENUE EXPENDITURE		9,206,249		9,422,000		9,200,000		10,470,030

SOCIAL SECURITY DEPARTMENT

	Accounts 2005		Total Authorised 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Non Contributory Services								
Premises	28,680		30,000		30,000		22,893	
Staff	971,856		993,000		953,000		914,076	
Supplies and services	766,509		712,588		547,000		696,854	
Attendance and invalid care allowance	1,916,916		1,985,000		2,110,000		1,877,165	
Community and environment projects	162,275		190,000		190,000		102,494	
Concessionary TV licences for the elderly	453,060		450,000		460,000		425,983	
Family allowance	7,753,729		7,722,000		7,780,000		7,407,343	
Grants to Charities	182,288		185,000		185,000		173,890	
Grants to Parochial Outdoor Assistance Boards	431,399		280,000		550,000		532,307	
Medical expenses assistance scheme	107,501		110,000		110,000		120,448	
Supplementary benefit scheme	10,663,912		10,500,000		9,020,000		9,805,093	
	<u>23,438,125</u>		<u>23,157,588</u>		<u>21,935,000</u>		<u>22,078,546</u>	
States Grants								
Health Service Scheme	8,782,340		8,780,000		9,230,000		8,347,292	
Long-Term Care Insurance Scheme	1,383,486		1,395,000		1,450,000		1,327,311	
Social Insurance Scheme	26,766,212		26,680,000		26,700,000		25,325,526	
	<u>36,932,038</u>		<u>36,855,000</u>		<u>37,380,000</u>		<u>35,000,129</u>	
		60,370,163		60,012,588		59,315,000		57,078,675
Use of Accumulated Unspent Balances		-		-		(90,000)		-
TOTAL REVENUE EXPENDITURE		60,370,163		60,012,588		59,225,000		57,078,675

CAPITAL INCOME AND EXPENDITURE

CAPITAL INCOME

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Sale of Guernsey Telecoms Limited	-	-	-	5,000,000
Sale of property / land	-	10,000	500,000	152,655
TOTAL CAPITAL INCOME	-	10,000	500,000	5,152,655

CAPITAL EXPENDITURE SUMMARY

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Treasury and Resources Department	11,869,009	14,104,901	18,560,370	7,737,803
Commerce and Employment Department	16,701	81,650	379,000	373,172
Culture and Leisure Department	290,143	368,750	590,000	899,147
Education Department	15,772,244	21,252,900	12,830,000	15,105,402
Environment Department	800,823	1,147,900	1,588,300	1,431,348
Health and Social Services Department	11,192,125	13,824,600	9,977,000	11,219,069
Home Department	1,181,271	1,777,000	2,116,400	3,152,881
Housing Department	5,017,243	5,026,000	6,000,000	375,112
Public Services Department	4,041,017	4,279,400	4,786,500	4,070,848
TOTAL CAPITAL EXPENDITURE	50,180,576	61,863,101	56,827,570	44,364,782

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Income Tax				
IT Equipment - replacement / additional	20,155	-	85,000	41,268
Information and Communications Technology				
Corporate IT projects	462,550	500,000	800,000	410,988
Strategic Property Services				
Consultants fees and site investigations net expenditure / (recovery)	86,374	150,000	(100,000)	340,650
Equipment - replacement / additional	-	-	-	35,890
Markets reconstruction consultants	60,409	55,000	65,000	58,823
Miscellaneous capital works	258,896	270,000	1,090,000	482,925
St Barnabas renovation and conversion - £2,850,000	1,854,596	2,000,000	2,400,000	446,842
St James external conservation works - £770,000	22,958	30,000	-	1,352
St Peter Port car parking and quay enhancement - £800,000	-	-	-	12,500
Town Arsenal flats refurbishment - £579,007	12,045	12,000	-	-
Vehicles - replacement / additional	8,882	8,900	-	-
Treasury				
Corporate finance and purchasing system - £5,200,000	194,616	125,000	550,000	462,860
IT Equipment - replacement / additional	(2,000)	13,550	-	71,889
Courts				
Courts redevelopment				
Courts building annex	-	-	125,000	-
Courts extension and refurbishment - £17,500,000	8,087,890	9,000,000	8,350,000	5,134,017
Royal Court essential maintenance - £2,850,000	296,211	200,000	-	-
Rue Marguerite retaining walls	150,000	150,000	150,000	-
Equipment - replacement / additional	196,961	225,000	400,000	-
IT Equipment - replacement / additional	37,895	40,000	25,000	74,933
Miscellaneous capital works	-	-	-	29,995
States of Alderney net Capital Expenditure	120,571	1,325,451	4,620,370	132,871
TOTAL CAPITAL EXPENDITURE	11,869,009	14,104,901	18,560,370	7,737,803

COMMERCE AND EMPLOYMENT DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Equipment - replacement / additional	-	-	-	10,881
Miscellaneous capital works	-	-	379,000	-
Raymond Falla House extension / alterations - £476,000	(11,181)	21,750	-	362,291
Vehicles - replacement / additional	27,882	59,900	-	-
TOTAL CAPITAL EXPENDITURE	16,701	81,650	379,000	373,172

CULTURE AND LEISURE DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Administration and Policy Implementation				
Transfers to Sports Loans Fund	-	-	100,000	92,250
Beau Sejour Centre				
Equipment - replacement / additional	59,766	60,000	-	64,016
Miscellaneous capital works	66,865	59,000	-	64,395
Redevelopment - £9,000,000	31,480	31,500	-	397,602
Museums and Galleries				
Asterix, Gallo-roman wreck preservation treatment work - £159,520	-	10,250	-	20,000
Equipment - replacement / additional	10,446	17,000	20,000	-
IT Equipment - replacement / additional	825	59,000	60,000	-
Miscellaneous capital works	43,548	52,000	10,000	7,304
Outdoor Sports Facilities				
Equipment - replacement / additional	-	-	30,000	-
Miscellaneous capital works	79,979	82,500	370,000	128,066
Osmond Priaulx Memorial Playing Field				
Changing rooms / clubhouse facilities (with hockey club) - £545,184	-	-	-	90,635
Grandstand - £600,000	24,341	24,500	-	20,252
Landscaping / general site enhancement - £491,000	(27,107)	(27,000)	-	14,627
TOTAL CAPITAL EXPENDITURE	290,143	368,750	590,000	899,147

EDUCATION DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Education Development Plan				
College of Further Education - Phase A - £8,130,000	2,325,683	2,950,000	4,155,000	548,056
Le Rondin Special Needs School - £13,900,000	4,891,636	5,670,000	3,765,000	6,877,997
Les Beaucamps School land purchase	-	-	-	45,000
Les Nicolles				
Land Purchases	1,251,056	1,250,000	-	295,000
Secondary and Special Needs Schools	1,885,429	5,100,000	740,000	1,892,922
Oakvale School minor alterations	25,925	30,000	-	-
Project execution plan - £6,000,000	925,681	1,060,000	(150,000)	464,004
Sixth Form Centre - £5,580,000	2,977,971	3,290,000	2,790,000	1,841,736
Other projects				
Equipment - replacement / additional	-	-	-	437
Essential Maintenance Programme - £2,637,000	539,148	660,000	-	1,520,968
Information and Communication Technology Strategy	2,892	2,900	-	727,961
Miscellaneous capital works	946,823	1,240,000	1,500,000	165,385
Transfer to Higher Education Loans Fund - £700,000	-	-	-	700,000
Vehicles - replacement / additional	-	-	30,000	25,936
TOTAL CAPITAL EXPENDITURE	15,772,244	21,252,900	12,830,000	15,105,402

ENVIRONMENT DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Environment Policy and Management				
Miscellaneous capital works	190,585	231,000	224,000	83,179
Land Use Planning and Development Regulation				
IT Equipment - replacement / additional	32,710	50,000	25,000	11,315
Miscellaneous capital works	-	25,000	-	-
Traffic Policy and Traffic Management				
Equipment - replacement / additional	-	21,400	-	-
IT Equipment - replacement / additional	-	10,000	75,000	22,709
Miscellaneous capital works	161,198	297,000	615,800	265,537
Traffic signal replacement programme - £1,725,000	388,450	450,000	580,000	360,712
Vehicles - replacement / additional	-	-	-	395
Waste Services				
Energy from waste facility - preparatory works - £2,450,000	15,621	16,000	-	661,162
Equipment - replacement / additional	(48)	12,000	25,000	26,339
Vehicles - replacement / additional	12,307	35,500	43,500	-
TOTAL CAPITAL EXPENDITURE	800,823	1,147,900	1,588,300	1,431,348

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Site Development Plan				
Fourth Theatre / Critical care facility - £3,466,000	1,429,368	1,540,000	255,000	1,432,803
Headquarters accommodation replacement	2,393	2,500	-	4,843
La Corbinerie car parking - £800,000	65,815	-	100,000	709,311
La Corbinerie continuing care wards - £6,318,928	110,153	139,000	487,000	1,379,435
Mignot Memorial Hospital extension and redevelopment - £6,186,000	191,660	500,000	1,000,000	157,119
St Martins Community Centre - £1,350,000	1,313,281	950,000	1,150,000	16,916
Site Development Planning costs - £3,772,700	567,728	1,000,000	1,075,000	1,903,517
States Analysts Laboratory / Environmental Health Department relocation - £3,350,000	703,177	990,000	349,000	1,691,946
Transfer to Accommodation Fund	4,000,000	4,000,000	-	-
Other Capital Projects				
Arlington Court conversion and extension - £1,075,558	-	-	-	7,061
Clinical Waste incinerator - £1,576,817	-	-	-	151,793
Computerised radiology equipment - £1,297,000	86,888	100,000	64,000	1,114,968
Equipment - replacement / additional	1,400,869	2,078,900	1,789,000	885,979
IT Equipment - replacement / additional	110,637	269,500	540,000	174,488
Miscellaneous capital works	501,179	1,470,200	3,076,000	322,611
Perruque House / Le Carrefour refurbishment - £468,299	3,027	12,000	-	-
Property purchases	465,000	465,000	-	1,130,000
Vehicles - replacement / additional	240,950	307,500	92,000	136,279
TOTAL CAPITAL EXPENDITURE	11,192,125	13,824,600	9,977,000	11,219,069

HOME DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Administration				
Miscellaneous capital works	78,123	94,000	-	-
Customs and Immigration				
Equipment - replacement / additional	33,684	38,750	107,500	303,746
IT Equipment - replacement / additional	51,146	55,500	239,200	208,243
Miscellaneous capital works	88,956	280,500	126,000	266,167
Vehicles - replacement / additional	(4,755)	(3,500)	-	45,894
Emergency Planning				
Equipment - replacement / additional	-	-	40,000	-
Financial Intelligence Service				
IT Equipment - replacement / additional	23,217	110,000	61,000	73,993
Fire and Rescue Service				
Equipment - replacement / additional	4,019	64,250	11,600	224,380
Fire / Police radio system replacement - £1,625,000	209,358	223,000	-	225,238
IT Equipment - replacement / additional	6,635	17,000	16,000	12,052
Miscellaneous capital works	26,630	142,000	255,000	215,340
Vehicles - replacement / additional	11,323	11,500	-	118,489
Police Force				
Equipment - replacement / additional	7,413	84,000	90,500	31,827
IT Equipment - replacement / additional	64,819	119,250	129,900	52,625
Miscellaneous capital works	236,386	129,000	193,700	23,327
Vehicles - replacement / additional	17,290	48,500	6,000	56,168
Prison Service				
Additional Prisoner accommodation and new visitor facilities - £6,500,000	190,046	194,000	90,000	947,693
Equipment - replacement / additional	-	10,000	100,000	36,482
IT Equipment - replacement / additional	2,205	2,250	-	15,608
Miscellaneous capital works	71,041	92,000	635,000	359,344
Vehicles - replacement / additional	63,735	65,000	15,000	(63,735)
TOTAL CAPITAL EXPENDITURE	1,181,271	1,777,000	2,116,400	3,152,881

HOUSING DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Courtil Jacques refurbishment Phase I - £727,018	4,577	-	-	-
Courtil Jacques refurbishment Phase II - £660,549	1,824	15,000	-	-
Guernsey Youth Housing Project - £455,000	10,842	11,000	-	364,106
Miscellaneous capital works	-	-	1,000,000	11,006
Transfer to Corporate Housing Programme Fund	5,000,000	5,000,000	5,000,000	-
TOTAL CAPITAL EXPENDITURE	5,017,243	5,026,000	6,000,000	375,112

PUBLIC SERVICES DEPARTMENT

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Alderney Airport net Capital Expenditure	166,516	396,000	361,500	83,747
Drainage Infrastructure				
Foul water network extension plan	3,136,937	2,700,000	3,000,000	3,618,607
Miscellaneous capital works	-	-	300,000	-
St. Sampsons Harbour pumping station / North Side firemain extension - £2,146,664	-	-	-	8,158
Sewage tankers replacement	188,494	190,000	275,000	199,933
Sewer connection grant scheme	69,942	24,900	-	117,555
Waste Service				
Miscellaneous capital works	-	20,000	-	1,436
Mont Cuet gas extraction system - £830,000	450,776	500,000	750,000	-
Mont Cuet Quarry preparation for waste disposal - £4,608,679	-	-	-	7,732
Vehicles - replacement / additional	28,352	448,500	100,000	33,680
TOTAL CAPITAL EXPENDITURE	4,041,017	4,279,400	4,786,500	4,070,848

MISCELLANEOUS ACCOUNTS

SUMMARY OF

	2005 £	2004 £
GENERAL REVENUE BALANCES		
Capital Fund - General	45,784,348	61,052,230
Capital Fund - Reserve	42,439,977	50,725,795
Contingency Reserve Fund	205,686,072	189,730,178
General Revenue Account Reserve	16,854,610	24,434,548
Net Working Capital Reserve	39,493,662	39,528,838
States Trading Entities Reserve	131,598,267	131,598,267
NOTES AND COINS ISSUE		
Notes and coins in circulation	32,599,082	30,747,390
<i>Less</i> face value of precious metal coins	(1,741,772)	(1,622,226)
NOTES AND COINS WITHDRAWN FROM CIRCULATION		
Awaiting re-issue	678,648	776,282
Awaiting destruction	395,032	227,916
STATES ENTITIES AND OTHER THIRD PARTY DEPOSITS	97,847,574	94,905,533
VARIOUS CAPITAL ACCOUNTS		
Corporate Housing Programme	40,870,381	37,781,801
Farm Loans Fund	701,066	701,066
Health and Social Services Accommodation Fund	2,179,030	-
Higher Education Loans Fund	725,468	718,296
Sewers Connection Loans Fund	200,000	230,000
Sports Loans Fund	319,001	319,001
Wilfred Carey Purchase Fund	2,695,687	2,681,880
	<hr/>	<hr/>
	£659,326,133	£664,536,795
	<hr/>	<hr/>

BALANCES

	2005 £	2004 £
CASH AND FINANCIAL INVESTMENTS		
Bank Deposits and other Financial Investments	231,609,185	253,486,288
Cash in hand	1,163,849	1,099,307
Contingency Reserve Fund - Investments	205,686,072	189,730,178
INVESTMENT IN STATES TRADING ENTITIES		
Alderney Electricity Ltd.	3,165	3,165
Cabernet Ltd.	5,060,288	5,060,288
Guernsey Electricity Ltd.	109,208,844	109,208,844
Guernsey Post Ltd.	22,386,258	22,386,258
LOANS OUTSTANDING		
Energy from Waste Facility	3,274,699	3,864,983
Farm Loans Fund	281,182	319,717
Guernsey Gambling Control Commission	101,884	87,253
Guernsey Water	15,923	1,670,152
Health and Social Services Accommodation Fund	2,935,099	-
Higher Education Loans Fund	622,082	636,602
Housing Development and Loan Fund	25,784,988	31,803,648
Sewers Connection Loans Fund	79,589	91,611
Sports Loans Fund	288,250	274,250
NET CURRENT ASSETS		
Debtors and prepayments	76,659,095	73,405,710
Stocks	3,424,288	3,445,917
Creditors and Accruals	(19,573,368)	(21,425,862)
Housing Development and Loan Fund - Private Sector Borrowing	(5,000,000)	(5,000,000)
	<hr/>	<hr/>
	664,011,372	670,148,309
<i>Less</i> Net Assets held in a fiduciary capacity	(4,685,239)	(5,611,514)
	<hr/>	<hr/>
	£659,326,133	£664,536,795
	<hr/>	<hr/>

CAPITAL FUND - GENERAL

	2005 £	2004 £
Balance at 1 January	61,052,230	71,036,012
Appropriation from Revenue Account	12,500,000	16,000,000
Capital allocations returned to General Revenue	(1,050,000)	-
Net transfers from Capital Fund - Reserve	23,426,194	17,580,000
Transfers from General Revenue	36,500	801,000
	<hr/>	<hr/>
	95,964,924	105,417,012
<i>Less</i>		
Department capital expenditure	(50,180,576)	(44,364,782)
	<hr/>	<hr/>
Balance at 31 December	£45,784,348	£61,052,230
	<hr/>	<hr/>

CAPITAL FUND - RESERVE

	2005 £	2004 £
Balance at 1 January	50,725,795	55,479,077
Appropriations from Revenue Account	10,000,000	7,000,000
Interest received	5,140,377	5,826,718
<i>Less</i>		
Net transfers to Capital Fund - General	(23,426,195)	(17,580,000)
	<hr/>	<hr/>
Balance at 31 December	£42,439,977	£50,725,795
	<hr/>	<hr/>

CONTINGENCY RESERVE FUND

CAPITAL ACCOUNT

	2005 £	2004 £
Balance at 1 January	189,730,178	176,298,433
Interest	7,849,829	10,799,621
Investment Management Fees	(377,710)	(286,971)
Net appreciation / (depreciation) of investments - realised and unrealised profits and losses on investments and foreign exchange contracts	3,483,775	(2,080,905)
Transfers from General Revenue	5,000,000	5,000,000
Balance at 31 December	<u>£205,686,072</u>	<u>£189,730,178</u>

At 31 December, the Reserve was held as follows:

	2005 £	2004 £
Government Securities	90,698,923	32,401,712
Other Securities	107,427,468	146,005,359
	<u>198,126,391</u>	<u>178,407,071</u>
Cash Deposits including accrued interest and Investment Management Fees due	7,559,681	11,323,107
	<u>£205,686,072</u>	<u>£189,730,178</u>

GENERAL REVENUE ACCOUNT RESERVE

	2005 £	2004 £
Balance at 1 January	24,434,548	38,723,720
Appropriation for the year	(8,623,438)	(13,623,982)
Capital Allocations returned	1,050,000	-
Transfer from Farm Loans Fund	-	135,810
Transfers to Capital Fund - General	(6,500)	(801,000)
Balance at 31 December	<u>£16,854,610</u>	<u>£24,434,548</u>

NET WORKING CAPITAL RESERVE

	2005 £	2004 £
Balance at 1 January	39,528,838	39,528,838
Transfer to Treasury and Resources Department	(35,176)	-
	<hr/>	<hr/>
Balance at 31 December	£39,493,662	£39,528,838
	<hr/>	<hr/>

STATES TRADING ENTITIES RESERVE

	2005 £	2004 £
Balance at 1 January and balance at 31 December	£131,598,267	£131,598,267
	<hr/>	<hr/>
Represented by:	2005 £	2004 £
Investment in:		
Alderney Electricity Ltd.	3,165	3,165
Guernsey Electricity Ltd.	109,208,844	109,208,844
Guernsey Post Ltd.	22,386,258	22,386,258
	<hr/>	<hr/>
	£131,598,267	£131,598,267
	<hr/>	<hr/>

CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND

	2005 £	2004 £
FORFEITED PRIZES ACCOUNT		
Balance at 1 January	133,743	110,906
Share of forfeited prizes	26,420	48,562
Transfer to Operating Account	(25,855)	(25,725)
	<hr/>	<hr/>
Balance at 31 December	£134,308	£133,743
	<hr/>	<hr/>
OPERATING ACCOUNT		
Forfeited prizes	25,855	25,725
Sale of tickets	1,598,500	1,328,402
	<hr/>	<hr/>
	1,624,355	1,354,127
Agents' commission	(207,916)	(129,227)
Contribution to prize fund including forfeited prizes	(987,791)	(810,603)
Printing and stationery	(95,610)	(88,221)
Promotion	(18,005)	(14,496)
Staff costs	(16,912)	(14,211)
States of Jersey administration charges	(21,637)	(20,063)
Other expenses	(1,828)	(12)
	<hr/>	<hr/>
Surplus	274,656	277,294
Chief Pleas of Sark - share of surplus	(1,794)	(1,087)
States of Alderney - share of surplus	(2,104)	(4,078)
States of Guernsey - share of surplus transferred to Appropriation Account	(270,758)	(272,129)
	<hr/>	<hr/>
	£ -	£ -
	<hr/>	<hr/>
APPROPRIATION ACCOUNT		
Balance at 1 January	5,266	4,940
Share of surplus transferred from Operating Account	270,758	272,129
	<hr/>	<hr/>
	276,024	277,069
Donation to Association of Guernsey Charities	(114,353)	(81,803)
Transfers to Beau Sejour Centre	(150,000)	(190,000)
	<hr/>	<hr/>
Balance at 31 December	£11,671	£5,266
	<hr/>	<hr/>

Notes :

- a) The balance on the Appropriation Account is payable ultimately to the Beau Sejour Centre under States Resolutions I of 27 September 1972 and XXII of 26 February 1998.
- b) In accordance with the States Resolution of 23 February 1995 (Billet D'Etat V, February 1995), with effect from 2000 any forfeited prize money from expired Draws which remains unused in the current year will be retained for use as a contingency to support the prize funds in future Draws.

CORPORATE HOUSING PROGRAMME

	2005 £	2004 £
SUMMARY OF BALANCES AT 31 DECEMBER		
Corporate Housing Programme Fund	1,039,461	289,628
Housing Development and Loan Fund	16,386,927	9,044,126
States Houses Fund	2,427,035	3,878,543
States Housing Association Fund	231,970	(2,234,144)
	<hr/>	<hr/>
	20,085,393	10,978,153
<i>Less</i> Private Sector Borrowing	(5,000,000)	(5,000,000)
	<hr/>	<hr/>
	£15,085,393	£5,978,153

CORPORATE HOUSING PROGRAMME FUND

	2005 £	2004 £
Balance at 1 January	289,628	-
Interest	72,649	6,570
Transfer from General Revenue Account	5,000,000	-
Transfer from Housing Department revenue budget	-	1,100,000
Administration Costs		
Staff	(354,736)	(257,374)
Supplies and Services	(28,711)	(169,389)
Consultants fees	(51,506)	(19,517)
Document Duty Grant Scheme	(52,191)	(70,662)
Transfer to States Housing Association Fund	(3,000,000)	-
Transfer to States Houses Fund	(800,000)	-
Youth Housing Project	(268,804)	(300,000)
Youth Housing Project - adjustment of 2004 provision	233,132	-
	<hr/>	<hr/>
Balance at 31 December	£1,039,461	£289,628

HOUSING DEVELOPMENT AND LOAN FUND

	2005 £	2004 £
REVENUE ACCOUNT		
Interest receivable		
Borrowers	1,036,333	1,188,580
States of Guernsey	570,522	274,748
Administration Costs		
Staff	(34,238)	(52,198)
Other expenditure	(2,922)	(1,824)
Interest payable on borrowing and other fees		
Private Sector	(245,554)	(233,331)
Surplus on Revenue Account for the year transferred to Capital Account	<hr/>	<hr/>
	£1,324,141	£1,175,975
CAPITAL ACCOUNT		
Balance at 1 January	35,847,774	34,671,799
Surplus for year on Revenue Account	1,324,141	1,175,975
	<hr/>	<hr/>
Balance at 31 December	£37,171,915	£35,847,774

HOUSING DEVELOPMENT AND LOAN FUND (continued)

	2005 £	2004 £
BORROWERS ACCOUNT		
Balance at 1 January	31,803,648	35,204,034
Advances to borrowers	1,697,114	5,358,272
Repayments receivable from borrowers	(7,715,774)	(8,758,658)
	<hr/>	<hr/>
Balance at 31 December	£25,784,988	£31,803,648
	<hr/>	<hr/>
SUMMARY OF BALANCES AT 31 DECEMBER		
Capital Account	37,171,915	35,847,774
Borrowers Account	(25,784,988)	(31,803,648)
	<hr/>	<hr/>
	£11,386,927	£4,044,126
	<hr/>	<hr/>
Represented by:		
Cash balance with States of Guernsey	16,386,927	9,044,126
Private Sector borrowing	(5,000,000)	(5,000,000)
	<hr/>	<hr/>
	£11,386,927	£4,044,126
	<hr/>	<hr/>

Note :

As envisaged when the Housing Development and Loan Fund was established (Billet d'Etat XIII, 1990), there is a £25 million private sector borrowing facility. As at 31 December 2005, the Fund borrowed £5 million (2004: £5 million) from this source.

STATES HOUSES FUND

	2005 £	2004 £
Balance at 1 January	3,878,543	7,028,420
Income		
Interest	151,476	230,014
Other Income	137,993	101,127
Rents	11,053,674	7,910,926
Less Rent rebates	(4,786,991)	(2,201,551)
Transfer from Corporate Housing Programme Fund	800,000	-
	<hr/>	<hr/>
	11,234,695	13,068,936
Expenditure		
Administration Costs		
Staff	(788,795)	(649,605)
Supplies and Services	(108,859)	(77,429)
Contracted out work	(46,753)	(39,605)
Consultants fees	(21,269)	992
States Houses		
Repairs, maintenance, refurbishment and enhancements	(6,972,928)	(7,672,608)
Insurance, rates and taxes	(797,927)	(695,597)
Other expenditure	(71,129)	(56,541)
	<hr/>	<hr/>
Balance at 31 December	£2,427,035	£3,878,543
	<hr/>	<hr/>

Note :

The Housing Department has responsibility for approximately 2,050 dwellings with an estimated re-instatement value at 2005 prices of £370 million.

STATES HOUSING ASSOCIATION FUND

	2005 £	2004 £
Balance at 1 January	(2,234,144)	9,651,786
Income		
Interest	48,280	188,627
Transfer from Corporate Housing Programme Fund	3,000,000	-
	<hr/>	<hr/>
	814,136	9,840,413
Expenditure		
Administration Costs		
Staff	(43,853)	(34,779)
Consultants fees	(469)	(35,929)
Grants to Guernsey Housing Association	(248,327)	(11,951,688)
Interest on borrowing	-	(17,492)
Rent Rebates	(289,517)	(34,669)
	<hr/>	<hr/>
Balance at 31 December	£231,970	(£2,234,144)

FARM LOANS FUND

	2005 £	2004 £
CAPITAL ACCOUNT		
Balance at 1 January	701,066	836,876
Transfer to General Revenue Account	-	(135,810)
	<hr/>	<hr/>
Balance at 31 December	£701,066	£701,066
BORROWERS ACCOUNT		
Balance at 1 January	319,717	284,597
Advances to borrowers	-	73,352
Repayments receivable from borrowers	(38,535)	(38,232)
	<hr/>	<hr/>
Balance at 31 December	£281,182	£319,717

HEALTH AND SOCIAL SERVICES DEPARTMENT - ACCOMMODATION FUND

	2005 £	2004 £
Income		
Interest	259,919	-
Loan from General Revenue	3,000,000	-
Rents	569,031	-
Transfer from Health and Social Services Department capital allocation	4,000,000	-
Transfer from Health and Social Services Department revenue budget	700,000	-
	<hr/>	<hr/>
	8,528,950	-
Expenditure		
Administration Costs	(179,259)	-
John Henry Court - capital project	(5,100,257)	-
Lease / Rental Payments	(637,579)	-
Loan from General Revenue		
Capital repayments	(64,901)	-
Interest payable	(138,694)	-
Repairs, maintenance, refurbishment and enhancements	(128,300)	-
Utilities Charges	(100,930)	-
	<hr/>	<hr/>
Balance at 31 December	£2,179,030	£ -

NOTES AND COINS ISSUE

	2005 £ Notes	2005 £ Coins	2004 £ Notes	2004 £ Coins
In circulation at 1 January	25,039,101	7,893,842	25,635,017	7,280,099
Issued during the year	104,918,392	294,832	99,445,181	642,441
Withdrawn during the year	(103,325,081)	(14,186)	(100,041,097)	(28,698)
	<hr/>	<hr/>	<hr/>	<hr/>
In circulation at 31 December	£26,632,412	£8,174,488	£25,039,101	£7,893,842

NOTES AND COINS RESERVE

In circulation at 31 December	26,632,412	8,174,488	25,039,101	7,893,842
Less release from Reserve	(340,000)	(3,609,589)	(340,000)	(3,467,779)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	£26,292,412	£4,564,899	£24,699,101	£4,426,063

NOTES AND COINS WITHDRAWN FROM CIRCULATION AWAITING RE-ISSUE

Awaiting re-issue at 1 January	701,400	74,882	812,700	74,505
Withdrawn during the year	97,167,300	11,811	91,134,350	27,854
Re-issued during the year	(97,238,900)	(37,845)	(91,245,650)	(27,477)
	<hr/>	<hr/>	<hr/>	<hr/>
Awaiting re-issue at 31 December	£629,800	£48,848	£701,400	£74,882

NOTES AND COINS WITHDRAWN FROM CIRCULATION AWAITING DESTRUCTION

Awaiting destruction at 1 January	196,248	31,668	810,501	30,823
Withdrawn during the year	6,157,781	2,375	8,906,747	845
Destroyed during the year	(5,993,040)	-	(9,521,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Awaiting destruction at 31 December	£360,989	£34,043	£196,248	£31,668

NOTES AND COINS ISSUE (continued)

NOTES AND COINS TRADING ACCOUNT

	2005 £	2004 £
Interest on balance in circulation	1,245,482	1,097,934
Royalties on sale of coins		
Royalties receivable	112,359	307,392
Less transfer to Notes and Coins Reserve	(14,247)	(185,354)
	<u>98,112</u>	<u>122,038</u>
Sundry income	232	395
	<u>1,343,826</u>	<u>1,220,367</u>
Administration		
Premises	(2,400)	(2,200)
Staff	(53,978)	(48,469)
Supplies and services	(64,157)	(26,019)
Note screening	(105,058)	(97,003)
Recoveries	422	586
	<u>(225,171)</u>	<u>(173,105)</u>
Purchase of new notes and coins issued		
Stock at 1 January	(311,609)	(372,476)
Purchases	(203,443)	(41,787)
Stock at 31 December	418,049	311,609
	<u>(97,003)</u>	<u>(102,654)</u>
Surplus for year transferred to General Revenue	<u>£1,021,652</u>	<u>£944,608</u>

SEWERS CONNECTION LOANS FUND

	2005 £	2004 £
CAPITAL ACCOUNT		
Balance at 1 January	230,000	230,000
Transfer to General Revenue Account	(30,000)	-
	<u>£200,000</u>	<u>£230,000</u>
Balance at 31 December		
BORROWERS ACCOUNT		
Balance at 1 January	91,611	87,462
Advances to borrowers	8,342	18,499
Repayments receivable from borrowers	(20,364)	(14,350)
	<u>£79,589</u>	<u>£91,611</u>
Balance at 31 December		

SPORTS LOANS FUND

	2005 £	2004 £
CAPITAL ACCOUNT		
Balance at 1 January	319,001	226,751
Transfers from General Revenue Account	-	92,250
	<hr/>	<hr/>
Balance at 31 December	£319,001	£319,001
	<hr/>	<hr/>
BORROWERS ACCOUNT		
Balance at 1 January	274,250	183,500
Advances to borrowers	40,000	110,000
Repayments receivable from borrowers	(26,000)	(19,250)
	<hr/>	<hr/>
Balance at 31 December	£288,250	£274,250
	<hr/>	<hr/>

WILFRED CAREY PURCHASE FUND

	2005 £	2004 £
CAPITAL ACCOUNT		
Balance at 1 January and balance at 31 December	£1,773,000	£1,773,000
	<hr/>	<hr/>
REVENUE ACCOUNT		
Balance at 1 January	861,361	829,922
Interest	125,599	115,429
Transferred to Purchase of Exhibits Account	(88,106)	(83,990)
	<hr/>	<hr/>
Balance at 31 December	£898,854	£861,361
	<hr/>	<hr/>
PURCHASE OF EXHIBITS ACCOUNT		
Balance at 1 January	47,519	31,684
Sundry purchases	(111,792)	(68,155)
Transferred from Revenue Account	88,106	83,990
	<hr/>	<hr/>
Balance at 31 December	£23,833	£47,519
	<hr/>	<hr/>

SUMMARY OF BALANCES

	2005 £	2004 £
Consolidated Superannuation Fund	782,803,285	656,671,276
H M Receiver General	1,338,021	1,026,037
Various charity, amenity and other fund Capital Accounts etc.	691,318	493,925
Various charity, amenity and other fund Revenue Accounts etc.	2,301,414	2,637,052
	<hr/> £787,134,038	<hr/> £660,828,290

HELD IN A FIDUCIARY CAPACITY

	2005 £	2004 £
Consolidated Superannuation Fund - Investments	782,239,979	655,072,955
Various charity, amenity and other funds etc.		
Investments and bank deposit accounts	208,820	143,821
Net Assets held by the States of Guernsey	4,685,239	5,611,514
	<hr/>	<hr/>
	£787,134,038	£660,828,290
	<hr/>	<hr/>

SUPERANNUATION FUND

	2005		2004
	£	£	£
TEACHERS			
Employers' contributions	3,311,021		3,436,166
Teachers' contributions	1,625,291		1,612,145
Transfer values received from Non-members of the Fund	3,125,465		963,993
		8,061,777	6,012,304
Pensions	(4,556,784)		(5,088,740)
Lump sum payments	(711,478)		(1,211,621)
Contributions refunded to teachers	(11,163)		(18,047)
Transfer values paid to Non-members of the Fund	(1,428,622)		(893,772)
		(6,708,047)	(7,212,180)
Net additions / (reductions)		1,353,730	(1,199,876)
Returns on Investments:			
Investment management and other fees	(618,527)		(648,918)
Interest, dividends and commission	4,666,338		4,614,592
Net appreciation of investments - realised and unrealised profits and losses	15,480,631		8,776,986
		19,528,442	12,742,660
Balance at 1 January		168,977,870	157,435,086
Transfer to Combined Pool		(153,292,000)	-
Balance at 31 December		£36,568,042	£168,977,870
COMBINED POOL			
Employers' contributions	10,327,441		9,200,012
Employees' contributions	7,385,085		6,525,513
Capital payment	903,000		-
Medical and hospital staff - receipts from F.S.S.N. in respect of 'frozen' benefits	-		15,649
Post Office employees' contributions - widows and childrens scheme	500		620
Refunds of contributions repaid	41,833		37,693
Transfer values received from Non-members of the Fund	2,095,542		1,663,084
		20,753,401	17,442,571
Pensions	(14,895,134)		(12,893,934)
Lump sum payments	(3,301,811)		(2,186,377)
Contributions refunded to employees	(779,005)		(781,220)
Transfer values paid to Non-members of the Fund	(1,009,139)		(829,008)
		(19,985,089)	(16,690,539)
Net additions / (reductions)		768,312	752,032
Returns on Investments:			
Investment management and other fees	(2,197,587)		(1,858,362)
Interest, dividends and commission	15,552,084		13,215,202
Net appreciation of investments - realised and unrealised profits and losses	90,673,901		25,135,411
		104,028,398	36,492,251
Balance at 1 January		485,861,387	448,617,104
Transfer from Teachers		153,292,000	-
Balance at 31 December		£743,950,097	£485,861,387

SUPERANNUATION FUND

	2005	2004
	£	£
STATES MEMBERS PENSION FUND		
States contribution	132,718	115,368
Members' contributions	44,239	36,389
Capital payment	35,000	35,000
	<hr/>	<hr/>
	211,957	186,757
Pensions	(108,719)	(95,614)
	<hr/>	<hr/>
Net additions	103,238	91,143
Returns on Investments:		
Investment management and other fees	(16,264)	(16,041)
Interest, dividends and commission	58,581	49,109
Net appreciation of investments - realised and unrealised profits and losses	307,572	93,407
	<hr/>	<hr/>
	349,889	126,475
Balance at 1 January	1,832,019	1,614,401
	<hr/>	<hr/>
Balance at 31 December	£2,285,146	£1,832,019
	<hr/>	<hr/>
CONSOLIDATED SUPERANNUATION FUND		
Employers' contributions	13,771,180	12,751,546
Teachers' and other employees' contributions	9,054,615	8,174,047
Capital payments	938,000	35,000
Post Office employees' contributions - widows and childrens scheme	500	620
Refunds of contributions repaid	41,833	37,693
Medical and hospital staff - receipts from F.S.S.N. in respect of 'frozen' benefits	-	15,649
Transfer values received from Non-members of the Fund	5,221,007	2,627,077
	<hr/>	<hr/>
	29,027,135	23,641,632
Pensions	(19,560,637)	(18,078,288)
Lump sum payments	(4,013,289)	(3,397,998)
Contributions refunded	(790,168)	(799,267)
Transfer values paid to Non-members of the Fund	(2,437,761)	(1,722,780)
	<hr/>	<hr/>
	(26,801,855)	(23,998,333)
Net additions / (reductions)	2,225,280	(356,701)
Returns on Investments:		
Investment management and other fees	(2,832,378)	(2,523,321)
Interest, dividends and commission	20,277,003	17,878,903
Net appreciation of investments - realised and unrealised profits and losses	106,462,104	34,005,804
	<hr/>	<hr/>
	123,906,729	49,361,386
Balance at 1 January	656,671,276	607,666,591
	<hr/>	<hr/>
Balance at 31 December	£782,803,285	£656,671,276
	<hr/>	<hr/>

SUPERANNUATION FUND

Notes :

- a) Following the States approval of the Public Sector Remuneration Committee's proposal to close the Teachers Scheme to new entrants and to allow current Members to opt to transfer to the Public Servants' Pension Scheme (Combined Pool), a transfer of £153,292,000 was made from the Teachers Scheme to the Combined Pool.
- b) The employees of the States of Guernsey are members of the States of Guernsey Superannuation Fund. This is a defined benefit pension scheme funded by contributions from both employer and employee. The employer rates which are determined on the basis of independent actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employee's expected service lives.

The scheme is a multi entity arrangement and the States of Guernsey have contracted the fund's qualified independent actuaries to identify the actuarial account of each entity and therefore the value of the pension scheme assets and liabilities attributable to each entity. The assets of the scheme are held separately from the other States assets. The fund is under the control of the States Treasury and Resources Department which has arranged for it to be invested by professional advisors in a wide range of stock exchange securities.

Contributions to the defined benefit pension scheme are charged to staffing costs so as to spread the cost of pensions over employees' working lives with the States. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. Contributions to the scheme were increased from 1 January 2003 based on the actuarial recommendations of the valuation undertaken as at 31 December 2001.

- c) The total contributions payable in respect of 2005 amounting to £13,771,180 have been charged as expenses in the revenue accounts for the current year. As the Accounts do not incorporate a Balance Sheet it is not possible to adopt FRS 17 in full. However, the following disclosures provide the information which would be required under FRS 17.

(i) The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2005.

(ii) The major assumptions used by the actuary in this valuation were:

	31 December 2005 % p.a.	31 December 2004 % p.a.	31 December 2003 % p.a.
Discount rate	4.70%	5.30%	5.40%
Inflation	2.90%	2.90%	2.80%
Increases to deferred benefits during deferment	2.90%	3.00%	2.90%
Increases to pensions in payment	2.90%	3.00%	2.90%
Increases to salaries	4.40%	4.40%	4.30%

The assumptions used by the actuary have regard to the yield on AA rated corporate bonds and are also driven by other market yields which may not necessarily be borne out in practice.

(iii) Market Value of Scheme assets

	Market value at 31 December 2005 £'000	Assumed expected return on assets % p.a.	Market value at 31 December 2004 £'000	Assumed expected return on assets % p.a.	Market value at 31 December 2003 £'000	Assumed expected return on assets % p.a.
Equities	616,727	8.00%	503,428	7.50%	464,853	7.75%
Bonds	151,540	4.30%	134,269	4.70%	132,342	4.90%
Cash	14,536	4.50%	18,974	4.75%	10,472	3.75%
	<u>782,803</u>		<u>656,671</u>		<u>607,667</u>	
Present value of the schemes liabilities	(940,281)		(819,533)		(737,948)	
Resulting (deficit) and Net pension (liability)	<u>(157,478)</u>		<u>(162,862)</u>		<u>(130,281)</u>	

The asset and liability values on the FRS 17 basis reflect market conditions at the year end and can be expected to vary from year to year without prejudicing the scheme's long term ability to provide the required benefits.

SUPERANNUATION FUND

Notes : (continued)

- (iv) A valuation of the funds' investments was made at 31 December 2005. The resulting appreciation together with net realised profits and losses for the year was credited to the accounts of the participating groups in proportion to their average daily balance during 2005. Interest, dividends and commission for the period were credited on the same basis.

The net appreciation in investments for the year including realised and unrealised profits and losses was equal to 16.212% of the balance of the fund at 1 January 2005 (2004, 5.596%) or 16.198% of the average daily balance of the fund during the year before crediting such net appreciation or interest, etc. (2004, 5.606%).

Interest, dividends and commissions were equal to 3.088% of the balance of the fund at 1 January 2005 (2003, 2.942%) or 3.085% of the average daily balance of the fund during the year before crediting or debiting such interest etc. or net appreciation (2004, 2.947%).

- (v) The movement in the (deficit) in the scheme can be analysed as follows:

	2005		2004	
	£'000	£'000	£'000	£'000
(Deficit) in scheme at 1 January		(162,862)		(130,281)
Movement in the year:				
Cost attributable to current service of staff		(29,575)		(26,673)
Contributions paid in the year		14,709		12,802
Expected return on pension scheme assets		44,650		43,137
Interest on pension scheme liabilities		(42,918)		(39,357)
Actuarial gain / (loss):				
Actual return less expected return on pension scheme assets	82,090		8,748	
Experience gains and losses arising on the scheme liabilities	21,226		(10,336)	
Change in assumptions underlying the present value of the scheme liabilities	(84,798)		(20,902)	
		18,518		(22,490)
(Deficit) in scheme at 31 December		(157,478)		(162,862)

- d) A full actuarial valuation of the Fund as at 31 December 2004 was carried out. The results of this valuation were reported to the States in November 2005 (Billet d'Etat XX, 2005). The States resolved that a review of the present arrangements for providing pensions for public sector employees should be undertaken.

CASH FLOW STATEMENT

	Note	2005 £	2004 £
Net cash inflow from operating activities	1	14,233,601	6,274,247
Returns on investments and servicing of finance			
Returns on investments and interest received		23,068,707	20,677,803
Interest paid		(7,413,725)	(6,030,594)
Net cash inflow from returns on investments and servicing of finance		15,654,982	14,647,209
Investing activities			
Payments to acquire capital assets		(50,180,576)	(44,364,782)
Receipts (net) from sales of financial investments		2,269,980	14,581,473
Receipts from sales of capital assets and capital repayments		-	5,152,655
Net cash outflow from investing activities		(47,910,596)	(24,630,654)
Net movement in balances on loans and miscellaneous funds, etc.		14,435,324	(4,532,601)
(Decrease) in cash	2 & 3	(£3,586,689)	(£8,241,799)

Notes :

1 RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating Surplus	18,876,562	9,223,363
Interest received	(12,112,813)	(12,246,058)
Interest paid	12,554,102	11,857,312
Decrease / (Increase) in stocks	21,629	(523,845)
Decrease / (Increase) in debtors	(3,253,385)	(5,130,195)
Increase / (Decrease) in creditors	(1,852,494)	3,093,670
Net cash inflow from operating activities	£14,233,601	£6,274,247

2 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2005 £	2004 £
Change in net funds - increase in cash in the year	(3,586,689)	(8,241,799)
Net funds at 1 January	15,623,855	23,865,654
Net funds at 31 December	£12,037,166	£15,623,855

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2005 £	Movement in net funds £	At 31 December 2005 £
Cash at banks	14,524,548	(3,651,231)	10,873,317
Cash in hand	1,099,307	64,542	1,163,849
Total	£15,623,855	(£3,586,689)	£12,037,166

The above figures represent amounts pertaining to General Revenue only. The figures in this statement and their classification are approximate only. The statement does not constitute a part of the States Accounts and should not be treated as such.

NOTES TO ACCOUNTS

1. Non Audit Services

The 2005 revenue expenditure of the following departments include non-audit services provided by KPMG Channel Islands Limited:

Policy Council - £8,750

Commerce and Employment Department - £28,760

Education Department - £24,258

2. On 29 June 2005 (Billet d'Etat IX, 2005), the States authorised the Treasury and Resources Department to facilitate (if necessary by providing guarantees) the borrowings from third parties by Cabernet Ltd. (the holding company of Aurigny Air Services Ltd. and Anglo Normandy Engineering Ltd.). As at 31 December 2005, the Treasury and Resources Department, acting on behalf of the States, is the Guarantor of a £4.2million loan facility that Cabernet Ltd. has obtained from a local financial institution at normal commercial rates and terms.

TRADING UNDERTAKINGS

States of Guernsey Commerce and Employment Department Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2005

Principal purpose

To operate the Guernsey Dairy in order to:

- Support the policies of the Commerce & Employment Department;
- 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 given period, the business does no worse than break even in financial terms; and
- Provide a safe and rewarding environment to all staff at the Dairy.

Financial Summary

Summary

Due to circumstances outside of the Dairy's control, expected savings on costs and increased revenue were not achieved in 2005. As a result, an operating deficit of £71,730 was incurred. After interest, this translates to an overall loss of £57,482. This was despite efforts to restrict purchases, and is largely due to rising costs and the conditions in place, which restrict the raising of extra revenue.

The Dairy has maintained its credit control, and has no bad debts.

Sales

Sales turnover decreased by £53,337, however, this was due largely to the tailing off of the Channel Island Cream Liqueur contract, which has not yet been offset by new markets.

Liquid milk sales again remained steady. Sales followed the established trend of full cream milk making a 6.67% decline, low fat remaining constant, and skimmed increasing by 6.02%. Organic milk remained around 1% of liquid milk sales. Supply of this product still fails to meet demand, and the low supply level is a major contributory factor to this product remaining loss making. However, improvements to the collection procedures are being implemented to maximise yields.

Milk intake

Milk production from Guernsey farmers remains below quota levels for the fourth successive year since quotas were introduced. This has meant that the increased costs for purchasing and transporting Jersey milk have again been incurred in order to meet local demand.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2005

In 2005, the shortfall was 53,646 litres, compared to 213,086 in 2004. However, there is still significant potential for growth, as under the contract, they could have produced 891,873 more litres, and still received the producer "A" price. This equates to 11.1% of actual production (15.4% in 2004).

By-product sales

Channel Islands Cream Liqueur had an extension of production to the end of 2005, but levels were significantly reduced from 2004.

Cream sales generally remain excellent.

Retail butter sales are still improving, with new markets being explored and developed.

Cheese sales are improving. The new machinery has enabled the higher quality packaging required by customers and has yielded 20% reduction in labour costs per kilo of cheese sold, but there are other areas requiring attention. Work is ongoing to improve the process, and improvements will be achieved in 2006.

Ice cream sales continue to grow despite reduced marketing in 2005. A more effective distribution network is planned for the 2006 season. This should also improve catering sales, which is a market not yet exploited.

Expenses

Efficiency was improved, reducing the cost of sales by £86,695. The gross surplus was up by £33,358. This is even more noteworthy as product stocks were nearly £103k higher at the year-end. Much of this stock was maturing cheese required for the increased level of sales.

Administration costs were significantly higher (£99,203), with fuel bills, advertising and general admin. expenses all rising.

Advertising and promotion costs were higher in 2005 by £19,063. This was largely due to the re-launch of cheese and the promotion work for finding new markets.

Fuel, light, power and water costs were a serious issue in 2005. Despite concerted efforts to control these, there was a £35,834 rise (24.29%). Refuse charges were also much higher, up by over 64%. This has led to major changes being implemented to reduce waste.

Repairs and maintenance costs were similar to 2004, although insurance costs reduced

Although production wages rose by £52,556, other salaries and wages were down by £8,914. Pay rises and increments accounted for some of the overall increase, but temporary staff in the summer months also added to the cost. Despite this, the rise is within the RPI as targeted in last year's accounts.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2005

Capital expenditure

Capital expenditure remained low in 2005 after the heavy investments of recent years, and focussed on improving existing processes. There was a refurbishment of the offices, staff canteen and facilities, which resulted in a more effective use of space. There are no plans for further product changes, as a strong and balanced product range has now been achieved, furnished with up to date machinery.

The following summary shows the cash movement and the effect of the non-cash items such as depreciation and stock movements on the Dairy's performance for 2005.

Financial summary	£
Sales	4,472,869
Cost of sales	<u>2,868,035</u>
Gross surplus	1,604,833
Other income	<u>21,843</u>
	1,626,676
Cash expenses	1,449,870
Surplus before non-cash items	176,806
Non-cash items	<u>234,288</u>
Net deficit	<u>(57,482)</u>

Capital expenditure for 2005 £

Cheese packer (excluding deposit from 2004)	38,117
Chillers & conservators	5,612
Pumps	1,963
Soft ice cream maker	4,893
Scales	2,700
De-stacker	3,780
Check weigher	6,065
Cheese cutter (addition of new cutting frames)	1,440
Cream packer – filler and coder	5,955
SCADA transfer	1,084
Storage container	1,050
Steam/water calorifier	736
Gearbox and seal for butter maker	1,691

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2005

Capital expenditure for 2005 – continued

Computer hardware	13,927
Computer software	2,520
Logic panel for forklift truck (addition)	387
Office / Canteen Refurbishment	<u>36,307</u>
Total capital expenditure	£ <u>128,227</u>

Operational performance

During 2005 upgrades were made to the existing sales system and further upgrades are planned for 2006. The Accounts package in use throughout 2005 was replaced with a new one from January 2006 in order to improve the efficiency of the financial records. It is hoped that this would result in an improvement in the way management receives information to improve strategic decision making.

Channel Island Cream Liqueur production has almost ceased, but the Dairy has actively developed alternative sources of revenue. In particular, niche export markets for its quality cheese, cream, butter and ice cream products are being explored. Some avenues have already given successful and highly promising results. The Guernsey brand is quite well established in the UK as a premium dairy product. The Dairy is attempting to promote the aspect of authenticity with some success.

Little attention could be given to developing a successful range of ice cream products in 2005. This will be improved in 2006, and expansion of sales into the catering market is being actively pursued.

Other matters

Commerce & Employment Department instituted a Dairy Management Board in the last quarter of 2004. This replacement for the Dairy Executive had agreed the following:-

Overall purpose 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 Commerce & Employment Department. It should operate by challenging established practices and assumptions and critically reviewing annual business plans for recommendation to the Commerce and Employment Department.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2005

Department members and principal officers

Department members:

Deputy S Falla	-	Minister
Deputy C McNulty Bauer	-	Deputy Minister
Deputy M O'Hara	-	Member
Deputy L Gallienne	-	Member
Deputy D Staples	-	Member
Mr R Babbe	-	Member (Non-voting)
Mr P Ferbrache	-	Member (Non-voting)

Principal officers:

Mr ND Lewis	-	Chief Officer
Mr R Nash	-	Director of Client Services
Mr CJ Hall	-	General Manager

Dairy Management Board members

Deputy D Staples
Mr R Nash
Mr C Hall
Mr M Vaudin – non executive
Mr N Counihan – non executive

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of responsibilities for the preparation of financial statements

The States of Guernsey Commerce and Employment Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the States of Guernsey Commerce and Employment Department – Dairy Trading Account (“the Dairy”) and of the surplus or deficit of the Dairy for that period. In preparing those financial statements, the Department 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 subject to any material departures disclosed and explained in the financial statements.

The Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Dairy. It is also responsible for safeguarding the assets of the Dairy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the Department 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 Dairy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

It is acknowledged that States Departments are subject to financial and manpower restrictions. Nevertheless, Departments 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 Department’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 Department to ensure that all Department members are aware of their financial affairs; and
- regular review of the performance and security of the States financial assets by the Treasury and Resources Department.

The Department 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 Department’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 auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the States of Guernsey Commerce and Employment Department

We have audited the financial statements of States of Guernsey Commerce and Employment Department – Dairy Trading Account for the year ended 31 December 2005 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

The Department is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the statement of responsibilities for the preparation of financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Department has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Department's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Dairy's affairs as at 31 December 2005 and of its deficit for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

2 May 2006

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Revenue account

for the year ended 31 December 2005

	Notes	£	2005 £	£	2004 £
Sales	<i>1</i>				
Liquid milk			3,624,380		3,607,156
By-products			846,240		869,260
Channel Islands Cream Liquor			-		49,195
Sundry sales			<u>2,248</u>		<u>594</u>
Total sales			4,472,868		4,526,205
Cost of sales					
Opening product stock		108,582		134,357	
Opening packaging stock		<u>176,040</u>	284,622	<u>148,150</u>	282,507
Production wages		295,485		242,949	
Milk		2,066,050		2,054,867	
Milk wastage		137,542		127,499	
By-product ingredients		28,989		25,019	
Packaging materials		462,386		492,666	
Carriage inwards		10,359		6,767	
Imported products		-		-	
Offshore processing and freight		7,026		7,045	
Sundries		<u>175</u>	3,008,012	<u>33</u>	2,956,845
Closing product stock		(211,436)		(108,582)	
Closing packaging stock		<u>(213,163)</u>	<u>(424,599)</u>	<u>(176,040)</u>	<u>(284,622)</u>
Total cost of sales			<u>2,868,035</u>		<u>2,954,730</u>
Gross surplus			1,604,833		1,571,475
Other operating income			7,595		15,201
Administration expenses	<i>2</i>		<u>(1,684,158)</u>		<u>(1,584,955)</u>
Operating (deficit)/surplus for the year			(71,730)		1,721
Net interest receivable	<i>1</i>		<u>14,248</u>		<u>15,232</u>
Retained (deficit)/surplus for the year	<i>7</i>		£ <u>(57,482)</u>		£ <u>16,953</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 years other than as stated in the revenue account.

The notes 1 to 13 form an integral part of these financial statements.

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Balance sheet
at 31 December 2005

	Notes	2005 £	2004 £
Tangible fixed assets	3	1,795,366	1,901,863
Current assets			
Stocks	4	488,892	348,481
Debtors and prepayments	5	502,402	441,788
Balances due from States Treasury		218,412	247,336
Bank balances - current		-	49,500
- deposit		274,216	325,794
Cash in hand		<u>105</u>	<u>97</u>
		1,484,027	1,412,996
Creditors: amounts falling due within one year	6	<u>390,903</u>	<u>368,887</u>
Net current assets		<u>1,093,124</u>	<u>1,044,109</u>
Total net assets		£ <u>2,888,490</u>	£ <u>2,945,972</u>
Reserves	7	£ <u>2,888,490</u>	£ <u>2,945,972</u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 2 May 2006.

Signed on behalf of the Department

S Falla
Minister

The notes 1 to 13 form an integral part of these financial statements.

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Cash flow statement
for the year ended 31 December 2005

	<i>Notes</i>	2005			2004
		£	£	£	£
Net cash (outflow)/inflow from operating activities	8		(79,106)		200,844
Returns on investments and servicing of finance					
Interest received			14,248		15,232
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(128,226)		(134,003)	
Receipts from sales of tangible fixed assets		<u>50</u>		<u>9,750</u>	
Net cash outflow from investing activities			(128,176)		(124,253)
(Decrease)/Increase in cash	10		£ (193,034)		£ <u>91,823</u>

The notes 1 to 13 form an integral part of these financial statements.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements

1. Accounting policies

The financial statements are prepared under the historical cost convention in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Stock

Stock is valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of processing expenses.

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 tangible fixed assets over their anticipated useful lives using the straight line method:

	Estimated life In years	Depreciation % per annum
Roads	10	10 straight line
Buildings	50 – 20	2 – 5 straight line
Plant, machinery and laboratory equipment	20 – 5	5 – 20 straight line
Office furniture and fittings	8 – 5	12.5 – 20 straight line
Other office equipment	8 – 3	12.5 – 33.3 straight line
Refrigerated farm bulk tanks	8 – 5	12.5 – 20 straight line
Motor vehicles	5	20 straight line
Computer hardware	3	33.3 straight line
Computer software	5 – 3	20 – 33.3 straight line

By agreement with the Commerce and Employment Department, farmers with a bulk tank situated on their property have the option to purchase the tank for a nominal sum on or after the fifth anniversary of the date of installation.

Income

Sales are accounted for on an accruals basis.

Interest is recognised on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

1. Accounting policies - continued

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Dairy benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

2. Administration expenses

	2005 £	2004 £
Opening non product stock	63,859	64,811
Advertising and promotion	44,245	25,182
Carriage outwards	(182)	(74)
Cleaning materials	38,527	44,189
Depreciation	234,676	198,031
Discount allowed	1,334	4,708
Fuel, light, power and water	184,064	148,229
General administration costs	46,158	59,582
Laboratory expenses	47,640	53,501
Loss on disposal of fixed assets	47	73
Motor vehicle expenses	25,257	20,807
Other expenses	69,236	45,137
Product research and development	14,065	2,393
Professional fees	14,520	9,403
Provision for doubtful debts	-	(6,736)
R & M and insurance (plant and machinery)	72,731	82,561
R & M and insurance (site and buildings)	18,453	17,444
Rates	2,713	2,784
Salaries and wages	863,808	872,722
Staff training and recruitment	7,300	4,067
Closing non production stock	<u>(64,293)</u>	<u>(63,859)</u>
	£ 1,684,158	£ 1,584,955

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2005 £	Additions £	Disposals £	31 December 2005 £
<i>Cost</i>				
Site and roads	966	-	-	966
Buildings	1,484,283	26,540	-	1,510,823
Plant and machinery	2,553,692	70,040	-	2,623,732
Motor vehicles	209,690	-	28,409	181,281
Laboratory equipment	121,530	-	4,500	117,030
Furniture and fittings	137,955	31,647	8,072	161,530
Refrigerated bulk tanks – farms	<u>53,837</u>	<u>-</u>	<u>53,837</u>	<u>-</u>
	<u>4,561,953</u>	<u>128,227</u>	<u>94,818</u>	<u>4,595,362</u>
		Charge for the year		
	1 January 2005 £	£	Disposals £	31 December 2005 £
<i>Depreciation</i>				
Site and roads	965	-	-	965
Buildings	465,806	35,749	-	501,555
Plant and machinery	1,803,524	146,798	-	1,950,321
Motor vehicles	135,488	27,437	28,410	134,515
Laboratory equipment	98,814	5,836	4,453	100,197
Furniture and fittings	101,657	18,857	8,072	112,442
Refrigerated bulk tanks – farms	<u>53,837</u>	<u>-</u>	<u>53,837</u>	<u>-</u>
	<u>2,660,091</u>	<u>234,677</u>	<u>94,772</u>	<u>2,799,996</u>
Net book value	£ <u>1,901,863</u>			<u>1,795,366</u>

The Dairy had capital commitments at the year end of £nil (2004: £49,181).

4. Stocks

	2005 £	2004 £
Milk and milk by-products	211,436	108,582
Packaging materials	213,163	176,040
Other stock	<u>64,293</u>	<u>63,859</u>
	£ <u>488,892</u>	£ <u>348,481</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2005 £	2004 £
Trade debtors	412,153	345,548
Prepayments	15,724	16,567
Accrued income	<u>74,525</u>	<u>79,673</u>
	£ 502,402	£ 441,788

6. Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	63,040	-
Trade creditors	266,444	285,158
Accruals	<u>61,419</u>	<u>83,729</u>
	£ 390,903	£ 368,887

7. Reserves

	General Reserve £	Revenue Account £	Total £
Balance 1 January 2005	3,002,491	(56,519)	2,945,972
Surplus (Loss) for the financial year	<u>-</u>	<u>(57,482)</u>	<u>(57,482)</u>
Balance 31 December 2005	£ 3,002,491	(114,001)	<u>2,888,490</u>

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

	2005 £	2004 £
Operating surplus (loss) for the year	(71,730)	1,721
Depreciation	234,676	198,031
Profit on sale of fixed assets	(3)	(9,677)
Increase (decrease) in debtors	(60,614)	16,195
(Increase) in stocks	(140,411)	(1,162)
(Decrease) in creditors	<u>(41,024)</u>	<u>(4,264)</u>
Net cash (outflow)/ inflow from operating activities	£ (79,106)	£ 200,844

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

9. Analysis of changes in net cash flows during the year

	2005 £	2004 £
Balance at 1 January	622,727	530,904
Net cash (outflow)/ inflow	(193,034)	91,823
	£ 429,693	£ 622,727

10. Analysis of the changes in net funds

	At 1 January 2005 £	Cash flows £	At 31 December 2005 £
Bank balances - current	49,500	(112,540)	(63,040)
- deposit	325,794	(51,578)	274,216
Cash in hand	97	8	105
Balances due from States Treasury	247,336	(28,924)	218,412
	£ 622,727	(193,034)	429,693

11. Pension fund

The employees of the States of Guernsey – Dairy are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 8.85% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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 division has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer only accounts for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 was £77,638 (2004: £76,476) which were all paid during the year.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

12. Related party transactions

Since the formation of the new Commerce & Employment and Dairy Management Boards in 2004, no material related party transactions have taken place. No member of either Board is a supplier or customer of the Dairy.

	Income/ (expenditure) 2005 £	Income/ (expenditure) 2004 £	Debtor/ (creditor) 2005 £	Debtor/ (creditor) 2004 £
Committee President – P Roffey (to 30 April 2004) (Director of CI Co-op – supplies of milk for retail)	-	187,765	-	-
Committee member – J Watts (to 30 April 2004) (Liquid milk supplies purchased by the Dairy)	-	67,135	-	-
Dairy Executive sub-committee member – J Ogier (to 30 April 2004) (Liquid milk supplies purchased by the Dairy)	-	20,951	-	-
Dairy Executive sub-committee member – G Le Tissier (to 30 April 2004) (Supplies of milk for retail)	-	37,475	-	-
Commerce and Employment Minister – Stuart Falla (Garage supplies)	(1,970)	-	-	-

13. Statement of control

The States of Guernsey Commerce and Employment Department – Dairy Trading Account is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Commerce and Employment Department has been delegated to the members of the Department who have been appointed by the States of Guernsey.

ALDERNEY AIRPORT**REVENUE ACCOUNT**
Year Ended 31 December 2005

	2005	2004
	£	£
INCOME		
Traffic receipts, rents, etc.	485,157	399,386
EXPENDITURE		
Administration		
Premises	3,950	-
Staff	16,341	14,588
Supplies and services	287,384	274,171
<i>Less</i> recoveries	(123,772)	(116,513)
	183,903	172,246
Aerodrome Fire Service		
Staff	436,709	412,473
Supplies and services	58,349	37,311
	495,058	449,784
Airport Infrastructure		
Premises	50,032	65,270
Supplies and services	5,001	5,826
Consultants fees	6,815	-
	61,848	71,096
Navigational Services		
Staff	182,914	172,359
Supplies and services	29,837	31,342
Consultants fees	4,500	-
	217,251	203,701
TOTAL EXPENDITURE	958,060	896,827
OPERATING DEFICIT FOR THE FINANCIAL YEAR	(£472,903)	(£497,441)
FUNDED BY THE PUBLIC SERVICES DEPARTMENT		

CAPITAL ACCOUNT
Year Ended 31 December 2005

	2005	2004
	£	£
EXPENDITURE		
Administration		
Airport masterplan - £21,000	1,748	-
Airport Infrastructure		
Snow clearance equipment - £8,000	7,750	-
Navigational Services		
Communication equipment replacement - £118,000	91,507	15,717
Control Tower refurbishment - £50,000	4,164	39,214
Non - Directional Beacon - £87,000	61,347	20,877
	157,018	75,808
Other Capital Expenditure per 2004 accounts	-	7,939
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR	£166,516	£83,747
FUNDED BY THE PUBLIC SERVICES DEPARTMENT		

States of Guernsey Public Services Department

Ports

Statement of activities and performance

Year ended 31 December 2005

Principal activities

The airport provides for the 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 ensures that policies, facilities and services are commensurate with the requirements of the Island in respect of air transport services, general aviation and standards set by the United Kingdom's 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 on the basis that "the three 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 Ports is identified, but the assets and liabilities are consolidated in recognition of the States' strategic asset in the form of the Ports.

Financial highlights

The combined turnover for the Ports for the year was £15.2m up on 2004 by 4.1%. The turnover for 2005 at Guernsey Airport was up by 3.8% and Guernsey Harbours by 4.5% on 2004.

In terms of expenditure, the Ports had budgeted to spend £15.7m in 2005 and it had been forecast that the Ports would return a net deficit for the year. The Ports actually incurred costs of £13.8m and have managed to achieve a surplus of £1.6m (2004: £1.9m).

Operational performance

Total passenger movements for the 12 months ending 31 December 2005 were 1,385,459 which were down 2% on the same period last year. The movements attributable to Guernsey Airport were down 3.8% and those for Guernsey Harbours up 1% on the same period last year.

There were a total of 7 full emergencies declared at Guernsey Airport during 2005; with one incident on the ground, involving a freight aircraft which lost part of its undercarriage upon landing.

The Ports employed 188 full time equivalents at the end of 2005.

States of Guernsey Public Services Department Ports

Statement of activities and performance - continued

Year ended 31 December 2005

Board members and principal officers

The Ports are the responsibility of the Public Services Department.

During 2005:

Board Members were:

Deputy WM Bell, Minister

Deputy ME Burbridge, Deputy Minister (died 27 June 2005)

Deputy TM Le Pelley, Deputy Minister (appointed 30 September 2005)

Deputy AH Brouard

Deputy RJ Le Moignan

Deputy SJ Ogier (appointed 28 September 2005)

Principal officers were:

Mr RT Kirkpatrick, Chief Officer, Public Services Department

Mr A Lewis, Deputy Chief Officer, Public Services Department

Mr CJ Le Ray, Airport Director, Guernsey Airport

Capt. R Barton, Harbour Master (resigned 4 August 2005)

Capt. P Gill, Harbour Master (appointed 13 June 2005)

States of Guernsey Public Services Department

Ports

Statement of responsibilities for the preparation of financial statements

The Public Services Department (“the Department”) is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of Guernsey Airport and the Harbours of St Peter Port and St Sampson (“the Ports”) as at the end of the financial year and of the surplus or deficit of the Ports for that period. In preparing those financial statements, the Department 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 the going concern basis unless it is inappropriate to presume the Ports will continue in business.

The Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. It 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

It is the responsibility of each States Department 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 Public Services Department is also responsible for the economic, efficient and effective operations and management of the Ports.

It is acknowledged that the Ports are subject to financial and manpower restrictions. Nevertheless, the Public Services Department has 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 Ports’ internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in a detailed quarterly report which monitors actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the Public Services Department 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 despatch 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.

States of Guernsey Public Services Department Ports

Statement of internal financial controls - continued

- 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 Internal Audit, Treasury and Resources Department.

The Department strives to ensure that all staff with financial responsibilities in the Ports have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

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

States of Guernsey Public Services Department Ports

Revenue account

for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
Income			
Airport Fees, Charges & Other Income		8,491,782	8,177,667
Harbour Dues, Charges & Other Income		<u>6,712,314</u>	<u>6,421,953</u>
		15,204,096	14,599,620
Expenses			
Airport		6,467,801	5,982,669
Harbours		4,644,190	4,323,336
Loss on disposal of fixed assets	2	149,533	492,359
Depreciation	2	<u>2,547,978</u>	<u>2,096,824</u>
		<u>13,809,502</u>	<u>12,895,188</u>
Operating surplus on ordinary activities		1,394,594	1,704,432
Exceptional expenditure		-	(23,110)
Interest received from States Treasury		<u>164,856</u>	<u>228,792</u>
Surplus for the financial year		<u>1,559,450</u>	<u>1,910,114</u>

States of Guernsey Public Services Department Ports

Balance sheet at 31 December 2005

	<i>Notes</i>	2005 £	2004 £
Fixed Assets			
Tangible fixed assets - Airport	2	42,530,603	43,525,188
Tangible fixed assets - Harbours	2	127,162,167	122,221,502
Assets under construction	3	<u>86,327</u>	<u>4,326,944</u>
		<u>169,779,097</u>	<u>170,073,634</u>
Current assets			
Stock	4	407,141	418,211
Debtors and prepayments	5	1,746,355	2,457,477
Balances with States Treasury		<u>5,494,436</u>	<u>3,269,288</u>
		<u>7,647,932</u>	<u>6,144,976</u>
Creditors: amounts falling due within one year	6	(480,761)	(831,792)
Net current assets		<u>7,167,171</u>	<u>5,313,184</u>
Total net assets		<u>176,946,268</u>	<u>175,386,818</u>
Reserves	7	<u>176,946,268</u>	<u>175,386,818</u>

States of Guernsey Public Services Department Ports

Cash flow statement for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
Net cash inflow from operating activities	8	<u>4,463,266</u>	<u>3,888,131</u>
Returns on investments and servicing of finance			
Interest received		<u>164,856</u>	<u>228,792</u>
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(2,402,974)	(8,783,009)
Payment to acquire assets under construction		<u>-</u>	<u>(2,388,878)</u>
Net cash outflow from investing activities		<u>(2,402,974)</u>	<u>(11,171,887)</u>
Management of liquid resources			
Increase / (decrease) in amounts held with States Treasury		<u>(2,225,148)</u>	<u>7,054,964</u>
Movement in cash		<u>-</u>	<u>-</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements

1. Principal accounting policies

The following accounting policies are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention as modified for the revaluation of assets.

Revenue

Income comprises amounts in respect of services provided and goods supplied in the year.

Tangible fixed assets

Tangible fixed assets are included at the value determined by the King Sturge report in 2002 and are subject to annual depreciation over their useful economic life.

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated useful lives using the straight-line method.

	Estimated life in years	Depreciation % per annum
Land	-	-
Buildings	60	1.67
Plant and machinery	15	6.67
Equipment, fixtures and fittings	10	10.00
Motor vehicles and electrical equipment	5	20.00
Computers and ICT	3	33.33

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Department benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

2. Tangible fixed assets - Airport

<i>Cost</i>	1 January 2005 £	Additions £	Written off/ Disposals £	31 December 2005 £
Land	2,158,575	-	-	2,158,575
Buildings	34,632,840	537,080	-	35,169,920
Plant and machinery	4,377,381	120,767	70,000	4,428,148
Equipment, fixtures and fittings	3,913,863	135,909	154,000	3,895,772
Motor vehicles and electrical equipment	1,732,103	31,568	29,000	1,734,671
Computers and ICT	<u>183,299</u>	<u>-</u>	<u>-</u>	<u>183,299</u>
	<u>46,998,061</u>	<u>825,324</u>	<u>253,000</u>	<u>47,570,385</u>
<i>Depreciation</i>	1 January 2005 £	Charge for the year £	Written off/ Disposals £	31 December 2005 £
Land	-	-	-	-
Buildings	633,108	601,994	-	1,235,102
Plant and machinery	847,972	291,825	18,667	1,121,130
Equipment, fixtures and fittings	962,100	391,386	61,600	1,291,886
Motor vehicles and electrical equipment	947,840	346,421	23,200	1,271,061
Computers and ICT	<u>81,853</u>	<u>38,750</u>	<u>-</u>	<u>120,603</u>
	<u>3,472,873</u>	<u>1,670,376</u>	<u>103,467</u>	<u>5,039,782</u>
Net book value	<u>43,525,188</u>			<u>42,530,603</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

Tangible fixed assets - Harbours

<i>Cost</i>	1 January 2005 £	Additions £	Written off/ Disposals £	31 December 2005 £
Land	87,414,051	-	-	87,414,051
Buildings	33,766,114	5,490,218	-	39,256,332
Plant and machinery	1,960,422	260,214	-	2,220,636
Equipment, fixtures and fittings	1,203,615	-	-	1,203,615
Motor vehicles and electrical equipment	296,120	67,835	-	363,955
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>124,704,180</u>	<u>5,818,267</u>	<u>-</u>	<u>130,522,447</u>
	1 January 2005 £	Charge for the year £	Written off/ Disposals £	31 December 2005 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	1,506,615	562,769	-	2,069,384
Plant and machinery	391,067	130,695	-	521,762
Equipment, fixtures and fittings	352,572	120,361	-	472,933
Motor vehicles and electrical equipment	177,672	59,224	-	236,896
Computers and ICT	<u>54,752</u>	<u>4,553</u>	<u>-</u>	<u>59,305</u>
	<u>2,482,678</u>	<u>877,602</u>	<u>-</u>	<u>3,360,280</u>
Net book value	<u>122,221,502</u>			<u>127,162,167</u>

3. Assets under construction

	2005 £	2004 £
Airport		
Runway Extension Feasibility Study	86,327	86,327
Harbours		
New Jetty Sewer Main	-	177,136
St Sampson's Marina Development	<u>-</u>	<u>4,063,481</u>
	<u>86,327</u>	<u>4,326,944</u>

The costs of £4,063,481 in respect of the St Sampson's Marina Development and £177,136 in respect of the New Jetty sewer main were transferred to tangible fixed assets in 2005 when the assets were brought into use.

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

4. Stock

	2005 £	2004 £
Airport	64,774	64,538
Harbours	<u>342,367</u>	<u>353,673</u>
	<u>407,141</u>	<u>418,211</u>

5. Debtors and prepayments

	2005 £	2004 £
Trade debtors	1,615,983	2,312,035
Bad debt provision	(18,224)	(28,676)
Prepayments	31,837	17,746
Other debtors	<u>116,759</u>	<u>156,372</u>
	<u>1,746,355</u>	<u>2,457,477</u>

6. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	299,756	362,386
Accruals	163,042	458,814
Deferred income	16,563	8,592
Other creditors:		
Harbour Pilots' caution money deposits	-	600
Harbour Operational licence deposits	<u>1,400</u>	<u>1,400</u>
	<u>480,761</u>	<u>831,792</u>

During 2005 the Harbour Pilots' caution money deposits were transferred to the States of Guernsey's fiduciary funds, and are now included within the balance owed by the States Treasury.

7. Reserves

	2005 £	2004 £
Balance 1 January	175,386,818	173,476,704
Surplus for financial year	<u>1,559,450</u>	<u>1,910,114</u>
Balance 31 December	<u>176,946,268</u>	<u>175,386,818</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

8. Reconciliation of operating surplus to net cash inflow from operating activities

	2005 £	2004 £
Operating surplus	1,394,594	1,704,432
Depreciation charges and loss on sale of tangible fixed assets	2,697,511	2,589,183
Exceptional expenditure	-	(23,110)
Decrease / (increase) in stocks	11,070	(63,281)
Decrease / (increase) in debtors	711,122	(579,336)
(Decrease) / increase in creditors	<u>(351,031)</u>	<u>260,243</u>
Net cash inflow from operating activities	<u>4,463,266</u>	<u>3,888,131</u>

9. Reconciliation of net cash flow to movement in net funds

	2005 £	2004 £
Movement in cash	-	-
Increase / (decrease) in liquid resources	<u>2,225,148</u>	<u>(7,054,964)</u>
	2,225,148	(7,054,964)
Net funds at 1 January	<u>3,269,288</u>	<u>10,324,252</u>
Net funds at 31 December	<u>5,494,436</u>	<u>3,269,288</u>

10. Analysis of changes in net funds

	At 1 January 2005 £	Cash Flows £	At 31 December 2005 £
Balance held with States Treasury	<u>3,269,288</u>	<u>2,225,148</u>	<u>5,494,436</u>

11. Capital commitments

	2005 £	2004 £
Contracted for but not provided	<u>-</u>	<u>-</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

12. Contingent Liabilities/ Overspends

The Accounts only include the amounts already paid and agreed in respect of contractor's claims for the Airport Terminal Building, St Peter Port New Jetty cladding replacement and St Sampson's Marina development projects.

13. Pension Fund

The employees of the Ports are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 7.85% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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 Ports have applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 were £541,869 (2004: £509,757) which were all paid during the year.

14. Related party transactions

The Department is of the opinion that there have been no related party transactions in the current or preceding financial years apart from with other States entities.

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

15. 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 Department who have been appointed by the States of Guernsey.

16. Additional Information

The additional information has been prepared from 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

REVENUE ACCOUNT

Year Ended 31 December 2005

	2005		2004	
	£	£	£	£
INCOME				
Advertising, picketing, etc.	200,919		147,538	
Airport development charge	782,863		811,318	
Car parking fees	367,973		325,344	
Rents	1,626,656		1,566,525	
Traffic receipts	5,513,371		5,326,942	
TOTAL INCOME		8,491,782		8,177,667
EXPENDITURE				
Administration				
Premises	44,554		32,012	
Staff	308,297		263,345	
Supplies and services	1,275,130		1,229,270	
Contracted-out work	104,973		131,162	
<i>Less</i> recoveries	(958,407)		(952,212)	
	774,547		703,577	
Aerodrome Fire Service				
Staff	1,310,329		1,263,555	
Supplies and services	159,370		125,954	
	1,469,699		1,389,509	
Airport Infrastructure				
Premises	392,240		417,531	
Staff	745,894		681,028	
Supplies and services	140,285		91,099	
Consultants fees	6,625		-	
Contracted-out work	5,980		-	
Maintenance of property	316,767		368,733	
	1,607,791		1,558,391	
Navigational Services				
Staff	2,321,503		2,129,759	
Supplies and services	498,480		322,933	
Consultants fees	21,263		-	
<i>Less</i> recoveries	(98,522)		-	
	2,742,724		2,452,692	
Recovery from Alderney Airport	(126,960)		(121,500)	
TOTAL EXPENDITURE		6,467,801		5,982,669
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION, LOSS ON DISPOSAL OF FIXED ASSETS AND EXCEPTIONAL EXPENDITURE		2,023,981		2,194,998
DEPRECIATION		1,670,376		1,229,215
LOSS ON DISPOSAL OF FIXED ASSETS		149,533		492,359
EXCEPTIONAL EXPENDITURE				
Civil Aviation Authority Compliance				
Revised airport safety zone				
Roadways rerouting		-		23,110
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£204,072		£450,314

GUERNSEY AIRPORT

CAPITAL ACCOUNT Year Ended 31 December 2005

	£	2005	£	2004	£
EXPENDITURE					
Aerodrome Fire Service					
Radio replacements - £13,000		12,219		-	
Tetra radios - £6,500		6,500		-	
			18,719		-
Airport Infrastructure					
Fire alarm system replacement - £30,000		25,730		-	
Freight shed reception block - £75,000		47,960		27,039	
Freight shed refurbishment - £173,000		9,801		163,199	
Master timer display replacement - £7,500		4,915		-	
Standby generator replacement - £176,000		4,050		76,794	
Technical block alteration - £134,000		92,868		12,129	
Telephone system replacement - £110,000		7,580		97,426	
Terminal Building redevelopment - £19,529,393		386,451		6,187,872	
Vehicle replacement - £12,000		11,770		-	
			591,125		6,564,459
Navigational Services					
Instrument landing system replacement - £527,870		120,767		18,630	
Non directional beacons replacement - £87,000		61,923		22,744	
Radio communications equipment replacement - £53,000		25,090		20,205	
Signal generator - £8,000		7,700		-	
			215,480		61,579
Other Capital Expenditure per 2004 accounts			-		553,384
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR					
FUNDED BY THE PORTS HOLDING ACCOUNT					
			£825,324		£7,179,422

HARBOUR OF ST. PETER PORT

REVENUE ACCOUNT

Year Ended 31 December 2005

	2005		2004	
	£	£	£	£
INCOME				
Facilities charges	2,845,964		2,790,641	
Marina and Moorings fees local visitors	1,226,592		1,174,643	
	370,314		378,393	
Pilotage dues	319,213		352,831	
<i>Less</i> payments to pilots	(315,128)		(348,421)	
Rents, etc	556,851		526,661	
Shipping dues	901,644		839,070	
Sundries	129,525		125,572	
TOTAL INCOME		6,034,975		5,839,390
EXPENDITURE				
Administration				
Premises	22,300		21,667	
Staff	1,797,267		1,604,602	
Supplies and services	334,797		350,003	
Consultants fees	-		2,100	
Contracted-out work	5,773		27,498	
<i>Less</i> recoveries	(36,476)		(46,287)	
	2,123,661		1,959,583	
Harbour Infrastructure				
Premises	573,956		607,276	
Staff	208,479		232,844	
Supplies and services	186,331		96,613	
<i>Less</i> recoveries	(52,285)		(33,217)	
	916,481		903,516	
Marina and Moorings				
Premises	77,367		73,038	
Staff	394,869		365,453	
Supplies and services	174,346		119,914	
<i>Less</i> recoveries	(38,224)		(42,424)	
	608,358		515,981	
Navigational Services				
Staff	357,598		355,369	
Supplies and services	72,416		57,482	
	430,014		412,851	
TOTAL EXPENDITURE		4,078,514		3,791,931
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION		1,956,461		2,047,459
DEPRECIATION		833,226		823,233
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£1,123,235		£1,224,226

HARBOUR OF ST. PETER PORT

CAPITAL ACCOUNT

Year Ended 31 December 2005

	£	2005	£	£	2004	£
EXPENDITURE						
Harbour Infrastructure						
New Jetty cladding replacement		1,270,166			1,603,587	
New Jetty sewer main replacement - £370,000		83,078			177,136	
Standby generator / UPS - £17,000		15,915			-	
Tipper truck - £40,000		39,050			-	
Vehicle replacement - £13,000		12,870			-	
			1,421,079			1,780,723
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PORTS HOLDING ACCOUNT			£1,421,079			£1,780,723

HARBOUR OF ST. SAMPSON

REVENUE ACCOUNT

Year Ended 31 December 2005

	2005	2004
	£	£
INCOME		
Facilities charges	468,459	527,863
Marina and Moorings fees	160,672	14,971
Rents, etc	36,143	27,224
Sundries	12,065	12,505
TOTAL INCOME	677,339	582,563
EXPENDITURE		
Administration		
Premises	11	1,764
Staff	191,229	164,064
Supplies and services	19,986	28,903
	211,226	194,731
Harbour Infrastructure		
Premises	96,658	86,804
Staff	101,445	100,791
Supplies and services	23,087	61,154
<i>Less</i> recoveries	(1,139)	(1,232)
	220,051	247,517
Marina and Moorings		
Supplies and services	131,645	84,591
<i>Less</i> recoveries	(1,446)	-
	130,199	84,591
Navigational Services		
Supplies and services	4,200	4,566
TOTAL EXPENDITURE	565,676	531,405
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION	111,663	51,158
DEPRECIATION	44,376	44,376
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT	£67,287	£6,782

CAPITAL ACCOUNT

Year Ended 31 December 2005

	2005	2004
	£	£
EXPENDITURE		
Marina and Moorings		
Marina development - £3,442,000	156,571	2,211,742
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PORTS HOLDING ACCOUNT	£156,571	£2,211,742

PORTS HOLDING ACCOUNT

	2005		2004	
	£	£	£	£
Balance at 1 January		5,313,184		11,985,774
Revenue Account - Operating Surplus / (Deficit)				
Airport	204,072		450,314	
Harbour of St. Peter Port	1,123,235		1,224,226	
Harbour of St. Sampson	67,287		6,782	
		1,394,594		1,681,322
Depreciation and Loss on Disposal of Fixed Asset		2,697,511		2,589,183
Investment Interest received		164,856		228,792
Capital Expenditure				
Airport	(825,324)		(7,179,422)	
Harbour of St. Peter Port	(1,421,079)		(1,780,723)	
Harbour of St. Sampson	(156,571)		(2,211,742)	
		(2,402,974)		(11,171,887)
Balance at 31 December		<u>£7,167,171</u>		<u>£5,313,184</u>

NOTE:

The capital expenditure Accounts only include the amounts already paid and agreed as payable in respect of contractor's claims for the Airport Terminal Building redevelopment, St Peter Port Harbour New Jetty cladding replacement and St Sampson's Marina development projects.

Guernsey Water

Statement of activities and performance

Year ended 31 December 2005

Principal purpose

Guernsey Water, a business unit of the Public Services Department, delivers to its customers a reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at lowest cost consistent with meeting a high level of customer service and confidence.

Environmental catchment protection is monitored, storage is maintained at maximum possible levels and treatment techniques and delivery systems are the most appropriate to meet international standards.

A ten year Business Plan, covering the period 2003 to 2013, has been produced by the former States Water Board which sets out Guernsey Water's objectives and resources needed. A higher level of investment has been identified as being necessary for the future development of Guernsey Water.

Financial summary

	2005	2004	Change
	£'000	£'000	%
Income			
Unmeasured	3,450	3,006	+ 14.8
Measured	3,854	3,299	+ 16.8
Other trading (net)	<u>280</u>	<u>337</u>	- 16.9
Total operating income	<u>7,584</u>	<u>6,642</u>	+ 14.2
Expenditure			
Operating	2,497	2,281	+ 9.5
Management	<u>1,623</u>	<u>1,557</u>	+ 4.2
Total expenditure	<u>4,120</u>	<u>3,839</u>	+ 7.3
Operating surplus before depreciation	<u>3,464</u>	<u>2,803</u>	+ 23.6
Surplus on sale of fixed assets	69	398	
Net interest paid	(41)	(46)	
Depreciation, transfers and provisions	<u>(1,513)</u>	<u>(1,501)</u>	
Retained surplus for the year	<u>1,979</u>	<u>1,654</u>	
Capital expenditure (gross)	<u>1,932</u>	<u>5,007</u>	

The main focus of capital expenditure was the renewal and replacement of mains, the upgrading of Forest Road service reservoir and tower, the upgrading of St Saviour water treatment works, including the installation of new high lift pumps and reed beds, and infrastructure works at St Andrew Reservoir site.

A more detailed summary of capital expenditure during the year is appended to the financial statements.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2005

Operational performance

	2005	2004	Change %
Number of supplies			
Paying by rateable value	12,275	12,749	- 3.7
Paying by measure	<u>11,806</u>	<u>11,013</u>	+ 7.2
Total	<u>24,081</u>	<u>23,762</u>	+ 1.3

Volume supplied in million litres (partially weather related)

Delivered to customers paying by measure	2,411 ML	2,424 ML	- 0.5
Delivered to other customers	1,793 ML	1,874 ML	- 4.3
Operational use, firefighting and losses	<u>830 ML</u>	<u>761 ML</u>	+ 9.1
Total put into supply	<u>5,034 ML</u>	<u>5,059 ML</u>	- 0.5

Service (partially weather related)

Restrictions on supply	None	None	
Burst mains - trunk mains	26	19	+ 36.8
- smaller mains	<u>54</u>	<u>47</u>	+ 14.9
- total	<u>80</u>	<u>66</u>	+ 21.2
Discolouration – claims paid	£ <u>520</u>	£ <u>127</u>	+ 309.4

Unit costs (partially weather related)

Water production	£ 312 / ML	£ 286 / ML	+ 9.1
Water distribution	£ 34 / supply	£31 / supply	+ 9.7

Other matters

2005 saw the second year of three of increases to water charges of 10% above the rate of inflation to fund Guernsey Water's, formerly States Water Board's, capital development programme contained within the ten year Business Plan. The above inflation increases in water charges were approved by the States of Deliberation in the summer of 2003.

During the year, Guernsey Water was saddened to hear of the death of Deputy Michael Burbridge, the Deputy Minister of the Public Services Department. Deputy Burbridge had been President of the States Water Board for the two years up to the Machinery of Government changes and had been instrumental in initiating the Ten Year Business Plan.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2005

Board members and principal officers

Until June 2005 Public Services Department Board Members were:

Deputy WM Bell, Minister
Deputy MEW Burbridge, Deputy Minister
Deputy TM Le Pelley
Deputy RJ Le Moignan
Deputy AH Brouard

R Kirkpatrick, Chief Officer

From September 2005 Public Services Department Board Members were:

Deputy WM Bell, Minister
Deputy TM Le Pelley, Deputy Minister
Deputy RJ Le Moignan
Deputy AH Brouard
Deputy SJ Ogier

R Kirkpatrick, Chief Officer

During 2005 Principal Officers for Guernsey Water were:

A Redhead, Director of Water Services
P Lickley, Operations Manager
K Carter, Chief Accounting Officer
C Guilbert, Support Services Manager
G Johns, Water Production Director
M Wadley, Water Distribution Director (retired March 2005)
D Youlton, Water Distribution Manager (from March 2005)

Guernsey Water

Statement of responsibilities for the preparation of financial statements

The Public Services Department (“the Board”) is required to prepare financial statements for each financial year which give a true and fair view of the state of its affairs and of the surplus or deficit for that period. In preparing those financial statements, the 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 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 do so.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. It 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

It is the responsibility of the Board 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 States of Guernsey in their care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Board’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 quarterly management accounts enabling income and expenditure to be monitored against budget.
- The production of monthly management accounting reports on capital expenditure, cashflow and distribution stock.
- Authorisation and control of the placing of orders.
- Authorisation and control of payments made.
- Regular review of debts, income and expenditure by type and department.
- Regular review of charges for water supplies and other services.
- Review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Section.
- Consideration of all audit reports by the Public Services Department Board.

The Board 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 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 independent external audit by auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to Guernsey Water

We have audited the financial statements of Guernsey Water for the year ended 31 December 2005 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and additional information to the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of Guernsey Water's affairs as at 31 December 2005 and of its surplus for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

27th April 2006

Guernsey Water

Revenue account

for the year ended 31 December 2005

Income	<i>Notes</i>	2005 £	2004 £
Water supplies	<i>1</i>		
Unmeasured		3,449,922	3,005,781
Measured		<u>3,854,055</u>	<u>3,298,838</u>
		7,303,977	6,304,619
Net surplus on other trading activities before management expenses and depreciation	<i>2</i>	<u>280,460</u>	<u>337,010</u>
Total operating income		<u>7,584,437</u>	<u>6,641,629</u>
Operating expenses			
Water production		1,568,216	1,446,129
Water distribution		810,283	741,810
Property maintenance		<u>118,076</u>	<u>93,326</u>
		<u>2,496,575</u>	<u>2,281,265</u>
Management expenses			
General and financial management	<i>14</i>	402,735	394,253
Income collection		338,224	299,245
Technical services		196,877	193,940
Support services		<u>685,545</u>	<u>669,680</u>
		<u>1,623,381</u>	<u>1,557,118</u>
Total expenditure		£ <u>4,119,956</u>	£ <u>3,838,383</u>
Operating surplus before depreciation and surplus on sale of fixed assets		3,464,481	2,803,246
Depreciation	<i>4 & 5</i>	(1,079,836)	(1,049,922)
Net surplus on disposal of fixed assets	<i>4</i>	<u>13,454</u>	<u>1,429</u>
Operating surplus for the year		2,398,099	1,754,753
Net interest payable	<i>3</i>	(41,433)	(45,814)
Surplus on sale of properties		<u>55,618</u>	<u>396,220</u>
Surplus for the year		<u>2,412,284</u>	<u>2,105,159</u>

All material activities derive from continuing operations.

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

Notes 1 to 16 form an integral part of these financial statements.

Guernsey Water

Balance sheet

at 31 December 2005

		2005		2004	
	Notes	£	£	£	£
Tangible fixed assets	5		30,853,768		30,052,176
Current assets					
Stocks		497,564		545,559	
Debtors and prepayments	6	1,063,498		979,937	
Cash at bank and in hand	11	<u>100,315</u>		<u>101,683</u>	
		<u>1,661,377</u>		<u>1,627,179</u>	
Current liabilities					
Overdraft with States Treasury	11	15,923		1,670,157	
Creditors falling due within one year	7	<u>484,967</u>		<u>407,227</u>	
		<u>500,890</u>		<u>2,077,384</u>	
Net current assets/(liabilities)			<u>1,160,487</u>		<u>(450,205)</u>
Total assets less current liabilities			£ <u>32,014,255</u>		£ <u>29,601,971</u>
Reserves					
General reserve			8,120,862		7,687,244
Property development fund			2,441,966		1,723,346
Revenue account			<u>21,451,427</u>		<u>20,191,381</u>
Total Reserves	8		£ <u>32,014,255</u>		£ <u>29,601,971</u>

These financial statements were approved by the States of Guernsey Public Services Department on 13th April 2006.

Signed on behalf of the Department

William M Bell
Minister

Thomas M Le Pelley
Deputy Minister

Notes 1 to 16 form an integral part of these financial statements.

Guernsey Water

Cash flow statement

for the year ended 31 December 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	9	3,506,655	2,299,032
Returns on investments and servicing of finance			
Interest received	3	4,114	5,493
Interest paid	3	<u>(45,547)</u>	<u>(51,307)</u>
Net cash outflow from returns on investments and servicing of finance		(41,433)	(45,814)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,932,271)	(5,006,702)
Less: customer contributions to mains		<u>45,626</u>	<u>155,037</u>
Additions to fixed assets		(1,886,645)	(4,851,665)
Receipts from sale of fixed assets		<u>74,289</u>	<u>404,907</u>
Net cash outflow from investing activities		(1,812,356)	(4,446,758)
Management of liquid resources			
(Increase)/decrease in amounts held with States Treasury	10 & 11	(1,654,234)	<u>2,044,225</u>
Net cash (outflow)/inflow from management of liquid resources		(1,654,234)	2,044,225
Decrease in cash	10 & 11	£ <u>(1,368)</u>	£ <u>(149,315)</u>

Notes 1 to 16 form an integral part of these financial statements.

Guernsey Water

Notes to the financial statements

1. Principal accounting policies

The following accounting policies are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Stock

Stock which consists of materials for capital projects and consumables is valued at the lower of cost and net realisable value.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Work of a capital nature undertaken by Guernsey Water is capitalised at cost of materials, supplies and services used plus associated costs of labour.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of tangible fixed assets over their anticipated useful lives using the straight-line method. The calculations are based on capital expenditure incurred at the commencement of the accounting period with the exception of motor vehicles where depreciation is also charged on additions during the accounting period.

	Estimated life in years	Depreciation % per annum
Dam	50	2
Mains	50 – 10	2 – 10
Land and quarries	Nil	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	10	10
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	5	20
Computer equipment	3	33

The accounting records for mains analyse expenditure by reference to the year in which it was incurred without identifying individual items of expenditure.

The historical cost depreciation charge is inadequate to provide for the replacement of fixed assets, therefore, to meet this future expenditure; an annual transfer is made to the general reserve.

Guernsey Water

Notes to the financial statements - continued

1. Principal accounting policies - continued

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled supplies which, as at 31 December 2005, amounted to £496,684 (2004: £460,669) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Deferred income

Deferred income relates to income levied for service charges in advance of supply.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which Guernsey Water benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

2. Net surplus on other trading activities before management expenses and depreciation

	£	2005	£	£	2004	£
Mains and service laying trading account (a):						
Charges for capital works (b)	279,484			373,733		
Charges for maintenance works	185,587			116,569		
Charges for other works	<u>92,454</u>			<u>94,327</u>		
	557,525			584,629		
Expenditure	<u>(381,631)</u>			<u>(417,546)</u>		
Contribution to management expenses and depreciation		175,894			167,083	
Miscellaneous income:						
Standard charges for service laying	179,305			225,715		
Charges for work at ascertained cost	48,254			43,375		
Property rental income	73,310			60,467		
Stores issues	<u>341,738</u>			<u>530,361</u>		
	642,607			859,918		
Expenditure	<u>(538,041)</u>			<u>(689,991)</u>		
Contribution to management expenses and depreciation		104,566			169,927	
Net surplus on other trading activities before management expenses and depreciation		£ 280,460			£ 337,010	

Guernsey Water

Notes to the financial statements - continued

2. Net surplus on other trading activities before management expenses and depreciation – continued

- (a) Guernsey Water operates a trading account for the provision of fully inclusive mains and services laying teams. This enables Guernsey Water to manage the costs of direct labour by charging a standard hourly rate irrespective of whether the work relates to a department within Guernsey Water or to an external consumer.
- (b) Charges for capital works include some works partly or wholly financed by customer contributions as stated in the additional information to the financial statements.

3. Net interest payable

	2005 £	2004 £
Interest received:		
Deposit & business accounts	4,114	5,493
Interest paid:		
Overdraft account	(45,547)	(51,307)
	£ (41,433)	£ (45,814)

4. Depreciation

	2005 £	2004 £
Depreciation charge for the year (note 5)	1,079,836	1,049,922
Net surplus on disposal of moveable fixed assets	<u>(13,454)</u>	<u>(1,429)</u>
	1,066,382	1,048,493
Transfer to general reserve (note 8)	<u>433,618</u>	<u>451,507</u>
	£ <u>1,500,000</u>	£ <u>1,500,000</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.

Guernsey Water

Notes to the financial statements - continued

5. Tangible fixed assets

	1 January 2005 £	Additions £	Disposals £	31 December 2005 £
<i>Cost</i>				
Dam	309,360	-	-	309,360
Mains	23,262,884	464,691	-	23,727,575
Land and quarries	2,772,880	6,719	366	2,779,233
Structures and buildings	3,578,876	741,811	-	4,320,687
Fixed plant	7,290,326	445,569	-	7,735,895
Distribution meters	1,358,639	59,904	-	1,418,543
Office furniture, fittings and equipment	776,597	48,372	5,398	819,571
Mobile plant and equipment	428,972	22,930	11,932	439,970
Motor vehicles	<u>613,643</u>	<u>96,649</u>	<u>142,726</u>	<u>567,566</u>
	<u>40,392,177</u>	<u>1,886,645</u>	<u>160,422</u>	<u>42,118,400</u>
<i>Depreciation</i>				
Dam	158,920	3,343	-	162,263
Mains	4,237,298	402,158	-	4,639,456
Structures and buildings	960,343	68,156	-	1,028,499
Fixed plant	2,615,148	284,701	-	2,899,849
Distribution meters	1,113,383	135,864	-	1,249,247
Office furniture, fittings and equipment	493,551	73,185	5,398	561,338
Mobile plant and equipment	328,612	36,542	11,932	353,222
Motor vehicles	<u>432,746</u>	<u>75,887</u>	<u>137,875</u>	<u>370,758</u>
	<u>10,340,001</u>	<u>1,079,836</u>	<u>155,205</u>	<u>11,264,632</u>
Net book value	£ 30,052,176			£ 30,853,768

6. Debtors and prepayments

	2005 £	2004 £
Estimated value of unbilled supplies	496,684	460,669
Consumers' accounts outstanding	536,338	446,768
Other debtors and prepayments	<u>30,476</u>	<u>72,500</u>
	£ 1,063,498	£ 979,937

7. Creditors: amounts falling due within one year

	2005 £	2004 £
General creditors	308,500	266,744
Deferred income	<u>176,467</u>	<u>140,483</u>
	£ 484,967	£ 407,227

Guernsey Water

Notes to the financial statements - continued

8. Reserves

	Property Development Fund £	General Reserve £	Revenue Account £	Total £
Balance 1 January 2005	1,723,346	7,687,244	20,191,381	29,601,971
Surplus for the year	-	-	2,412,284	2,412,284
Transfer to Property Development Fund	718,620	-	(718,620)	-
Provision for future replacement of assets (note 4)	-	433,618	(433,618)	-
Balance 31 December 2005	£ 2,441,966	8,120,862	21,451,427	32,014,255

The general reserve is required to fund the asset base of Guernsey Water (note 4).

The property development fund is required to fund Guernsey Water's future planned centralisation development.

9. Reconciliation of operating surplus to net cash inflow from operating activities

	2005 £	2004 £
Operating surplus for the year	2,398,099	1,754,753
Depreciation charges and surplus on disposal of moveable fixed assets (notes 4 and 5)	1,066,382	1,048,493
Decrease/(increase) in stock	47,995	(30,263)
Increase in debtors and prepayments	(83,561)	(108,907)
Increase/(decrease) in creditors due within one year	77,740	(365,044)
Net cash inflow from operating activities	£ 3,506,655	£ 2,299,032

10. Reconciliation of net cash flow to movement in net funds

	2005 £
Decrease in cash in the year	(1,368)
Net decrease in balances with States Treasury	1,654,234
Change in net funds	1,652,866
Net funds at 1 January 2005	(1,568,474)
Net funds at 31 December 2005	£ 84,392

Guernsey Water

Notes to the financial statements - continued

11. Analysis of changes in net funds

	At 1 January 2005 £	Cash flows £	At 31 December 2005 £
Cash at bank and in hand	101,683	(1,368)	100,315
Overdraft with States Treasury	<u>(1,670,157)</u>	<u>1,654,234</u>	<u>(15,923)</u>
	£ <u>(1,568,474)</u>	<u>1,652,866</u>	<u>84,392</u>

12. Pension Fund

The employees of Guernsey Water are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 8.35% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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.

Guernsey Water has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 were £166,461 (2004: £160,160).

13. Commitments

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

	2005 £	2004 £
Revenue contracted	36,059	59,667
Capital contracted	<u>332,028</u>	<u>406,720</u>
	£ <u>368,087</u>	£ <u>466,387</u>

Guernsey Water

Notes to the financial statements - continued

14. General and Financial Management

Included in General and Financial Management is an amount paid for audit fees of £5,263 (2004: £5,130).

15. Related party transactions

After making appropriate enquiries in accordance with Guidance Notes issued by the States Treasurer on 27 March 1996, Guernsey Water are of the opinion that there have been no related party transactions in the current or preceding financial years.

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

16. Statement of control

Guernsey Water, formerly States of Guernsey Water Board, 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 Public Services Department who have been appointed by the States of Guernsey.

Guernsey Water

Additional information

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

Fixed asset additions during 2005

Water distribution	£	£
Renewal and replacement of mains		
Renewal of mains		
Skinns Lane, St Peter Port	46,446	
Rue Des Issues, St Saviour	31,049	
Rue Des Landes, Vale	26,933	
Rue Des Longcamps, St Sampson	22,925	
Longstore – Weighbridge Roundabout, St Peter Port	15,107	
Replacement of mains by insertion of structural lining		
Hautville, St Peter Port	53,224	
Rue Des Houmets, Castel	17,512	
Rue Des Belles, Castel	15,275	
Highfield Estate, Upper St Jacques, St Peter Port	13,188	
Rue Queripel, St Sampson	12,891	
Les Grippios, Vale	12,112	
Le Clos Galliot, St Martin	11,730	
Rue Du Douit, Vale	10,020	
Other minor renewals and replacements	<u>67,117</u>	
Total renewal and replacement of mains	<u>355,529</u>	
Extension of Mains and General Distribution		
Mains requisitioned by customers	78,545	
Rationalise meter infrastructure Forest Road Reservoir	72,406	
Purchase and installation of meters	59,904	
Network modelling	<u>14,110</u>	
Total Extension of Mains and General Distribution	<u>224,965</u>	
Total Water Distribution		580,494
Water Resources		
Security fencing, Frie Plaidy, St Andrew and St Saviour Reservoirs	30,181	
New pump and pipework, Marais Stream, Vale	24,809	
Stream flow monitoring	9,744	
Sundry renewals and other schemes in progress	<u>44,800</u>	
Total Water Resources		109,534
Water Treatment		
Upgrading, St Saviour Water Treatment Works	251,178	
Upgrading, Forest Road Reservoir and Tower	109,041	
Reed beds, St Saviour Reservoir	74,536	
Upgrading, Juas Water Treatment Works	37,931	
SCADA System Upgrade	14,160	
Sundry renewals and other schemes in progress	<u>30,794</u>	
Total Water Treatment		<u>517,640</u>
Carried Forward		1,207,668

Guernsey Water

Fixed asset additions during 2005

	£	£
Brought forward		1,207,668
Capital expenditure for general purposes		
Main site development, St Andrew Reservoir	530,659	
Motor vehicles	96,649	
Computer projects	37,452	
Refurbishment, St Saviour accommodation	22,320	
Mobile plant and equipment	17,792	
Asbestos related works	10,026	
Minor building projects	<u>9,705</u>	
Total General		<u>724,603</u>
Gross Total Capital Expenditure		1,932,271
Less: Customers' contributions to capital mains		<u>(45,626)</u>
Fixed Asset Additions		1,886,645
Sale of properties, vehicles and equipment – net proceeds		<u>(74,289)</u>
Net Fixed Asset Additions		£ <u>1,812,356</u>

The States are asked to decide:-

Whether they are of the opinion to approve:-

(1) The following Accounts for the year 2005:-

1. Policy Council
2. Treasury and Resources Department
3. Commerce and Employment Department
4. Culture and Leisure Department
5. Education Department
6. Environment Department
7. Health and Social Services Department
8. Home Department
9. Housing Department
10. Public Services Department
11. Social Security Department
12. Departments' Capital Income and Expenditure
13. Miscellaneous Accounts
14. States Dairy
15. Alderney Airport
16. Ports
17. Guernsey Water

(2) To appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December, 2006.

(NB The Public Accounts Committee supports the proposition to appoint KPMG Channel Islands Limited as auditors).

APPENDICES

AUDITORS' REPORT TO THE BOARD OF ELIZABETH COLLEGE - GUERNSEY

We have audited the financial statements, which have been prepared in accordance with the accounting policies set out in note 1.

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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditors

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 revenue surplus or deficit of the College for that period and are in accordance with applicable laws. 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 its operations.

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. The Board of Directors 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.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed. In this matter we draw particular attention to notes 1(b) and 3 to the financial statements:

Notes 1(b) and 3 to the financial statements explain that the historic main College buildings and playing fields are not included in fixed assets; that the costs of furniture and equipment and of minor improvements and maintenance to all buildings and grounds are written off through the revenue account when incurred; and that no depreciation is provided for on other freehold properties as it is the College's policy to maintain the properties in such a condition that the estimated residual values are at least equal to their book values. We concur with these accounting policies.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the grant-aided sector of the College as at 31 August 2005 and of its revenue deficit for the year then ended.

BDO NOVUS LIMITED

CHARTERED ACCOUNTANTS
Elizabeth House
St Peter Port
Guernsey

16 March 2006

ELIZABETH COLLEGE - GUERNSEY**REVENUE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2005**

	Note		2004
INCOME	2		
States Block Grant			
- relating to the current academic year		1,712,078	1,676,895
- relating to the previous academic year		-	63,628
Fees receivable		1,537,764	1,474,740
Sundry income		100,054	97,633
		<hr/>	<hr/>
		3,349,896	3,312,896
 EXPENDITURE			
School and departmental expenses	2,497,797	2,406,039	
Youth training expenses	11,069	9,228	
Administrative expenses	556,762	540,344	
Maintenance of buildings and grounds	368,543	279,154	
	<hr/>	<hr/>	
		(3,434,171)	(3,234,765)
 OPERATING (DEFICIT)/SURPLUS	2	(84,275)	78,131
Interest receivable		29,961	17,042
Interest payable		(4,167)	(4,667)
 REVENUE (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED (FROM)/TO CAPITAL ACCOUNT	7	<hr/>	<hr/>
		£ (58,481)	£ 90,506
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the revenue deficit for the financial year.

A statement of movements on reserves is included in note 7 to the financial statements.

The notes 1 to 11 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY**BALANCE SHEET****31 AUGUST 2005**

	Note		2004
FIXED ASSETS			
Tangible assets	3	2,383,291	2,383,291
CURRENT ASSETS			
Stock		1,991	1,527
Debtors	4	422,215	564,594
Cash at bank and in hand		372,776	234,183
		<hr/>	<hr/>
		796,982	800,304
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	5	(408,692)	(343,533)
		<hr/>	<hr/>
NET CURRENT ASSETS		388,290	456,771
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,771,581	2,840,062
CREDITOR – AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR			
	6	(70,000)	(80,000)
		<hr/>	<hr/>
		£ 2,701,581	£ 2,760,062
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES			
	7		
Capital account		2,526,581	2,585,062
Maintenance reserve		175,000	175,000
		<hr/>	<hr/>
		£ 2,701,581	£ 2,760,062
		<hr/>	<hr/>

APPROVED BY THE BOARD OF DIRECTORS

K Paul Mellor
Chairman

16 March 2006

The notes 1 to 11 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	Note		2004
NET CASH INFLOW FROM OPERATING ACTIVITIES	8	60,597	41,226
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received	27,009		14,008
Interest paid	(5,000)		(1,834)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		22,009	12,174
INVESTING ACTIVITIES			
Amounts repaid by non grant-aided sector	65,987		72,794
NET CASH INFLOW FROM INVESTING ACTIVITIES		65,987	72,794
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		148,592	126,194
FINANCING			
Repayment of loan from States Culture and Leisure Department		(10,000)	(10,000)
INCREASE IN CASH FOR THE YEAR		£ 138,593	£ 116,194
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash for the year		138,593	116,194
Cash at bank and in hand at 1 September 2004		234,183	117,989
Cash at bank and in hand at 31 August 2005		£ 372,776	£ 234,183

The notes 1 to 11 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2005

1. ACCOUNTING POLICIES

(a) CONVENTION

These financial statements have been prepared in accordance with the historical cost convention. The principal accounting policies which the Board of Directors has adopted within that convention are set out below.

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

As referred to in note 3, the historic main College buildings and playing fields are not included in fixed assets. No depreciation is provided on other freehold properties as it is the College's policy to maintain the properties in such a state of repair that the estimated residual values are at least equal to the properties' book values.

Maintenance expenditure and the costs of minor improvements to all buildings and grounds are written off through the revenue account when incurred. Expenditure on furniture and equipment is also written off through the revenue account when incurred.

(c) 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.

(d) REVENUE RECOGNITION

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled. The element of the States Block Grant relating to scholars' fees is recognised on the same basis as fee income; the element relating to the reimbursement of teachers' employment costs is recognised on the same basis as the expenditure on the related costs. All other income is recognised on an accruals basis.

2. INCOME AND OPERATING DEFICIT

The College's income and operating deficit derive wholly from continuing activities.

3. TANGIBLE FIXED ASSETS

The historic College buildings, being those situated at the College's original site situated in the Grange and in College Street, and the College Field playing fields and pavilion at Kings Road, were gifted to the College at no cost. No value is attributed to these assets within the total value of tangible fixed assets included in the balance sheet.

In choosing to exclude these assets, the Board of Directors has taken advantage of the exemptions available within Statement of Recommended Practice No. 2 – Accounting by Charities, as the assets are considered to be inalienable (in other words assets which the College is prohibited by virtue of its statutes from disposing of) and it would not be possible to determine a current market valuation without incurring significant expenditure.

Other College buildings are included in the financial statements at cost. These buildings comprise the modern buildings on the main College site off the Grange and the modern changing room and groundsmen's buildings at the College Field.

ELIZABETH COLLEGE – GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2005****3. TANGIBLE FIXED ASSETS (continued)**

The policy of the Board of Directors is that all College properties should be maintained to the highest standards, such that the useful economic life of all properties is considered to be in excess of 50 years. The Board also considers that the aggregate residual value of those College properties which are included within the financial statements at cost is in excess of their aggregate cost, and therefore no depreciation has been provided on freehold property. In accordance with the requirements of Financial Reporting Standard No. 15 - Tangible Fixed Assets, the Board carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their value in use or net realisable value.

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 current insurance values, updated from May 2005 when the properties were last valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

	<i>Cost</i>	<i>Insurance Valuation</i>
Main College site		
- Historic buildings	-	9,700,000
- Modern buildings	2,318,451	12,400,000
College Playing Fields		
- Old pavilion	-	285,000
- Modern buildings	64,840	370,000
	<hr/>	<hr/>
	£ 2,383,291	£ 22,755,000
	<hr/>	<hr/>

4. DEBTORS**2004***Amounts due within one year*

Fee debtors	3,023	16,409
Accrued income	15,585	76,261
Current account – College non-grant aided sector	308,900	374,887
Other debtors and prepayments	41,647	43,977
	<hr/>	<hr/>
	369,155	511,534

Amounts due after more than one year

Loan account – College non-grant aided sector	53,060	53,060
	<hr/>	<hr/>
	£ 422,215	£ 564,594
	<hr/>	<hr/>

The current account is interest free, unsecured and repayable upon demand.

The loan account is interest free and unsecured. The loan relates to financial assistance provided by the grant-aided sector of the College in connection with the conversion of the non-grant aided sector's property at King's Road for use as staff accommodation to be occupied by teaching staff employed by the grant-aided sector. It is intended that, with effect from the year ended 31 August 2005, the loan be repaid out of the rental income arising from the use of the property as teaching staff accommodation.

ELIZABETH COLLEGE - GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2005****5. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR****2004**

Trade creditors	296,156	199,726
Loan – States Culture and Leisure Department (note 6)	10,000	10,000
Other creditors and accruals	102,536	133,807
	<hr/>	<hr/>
	£ 408,692	£ 343,533
	<hr/>	<hr/>

6. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Loan – States Culture and Leisure Department

Repayable by instalments:

- Due within five years	40,000	40,000
- Due after more than five years	30,000	40,000
	<hr/>	<hr/>
	£ 70,000	£ 80,000
	<hr/>	<hr/>

The loan was advanced to the College in connection with the replacement of the artificial sports surface at Memorial Field. The loan bears interest at a rate of 5% and is repayable in equal capital instalments over 10 years from 31 December 2003. The loan is secured by a registered bond in the sum of £100,000 over the Acorn House premises, Kings Road, which forms part of the fixed assets of the non-grant aided sector of the College.

7. RESERVES

	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2004	2,585,062	175,000	2,760,062
Transfer to revenue account	(58,481)	-	(58,481)
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2005	£ 2,526,581	£ 175,000	£ 2,701,581
	<hr/>	<hr/>	<hr/>

8. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**2004**

Operating (deficit)/surplus	(84,275)	78,131
(Increase)/decrease in stock	(464)	3,917
Decrease/(increase) in operating debtors	79,344	(73,448)
Increase in operating creditors	65,992	32,626
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 60,597	£ 41,226
	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2005****9. PENSION COSTS**

The employees of Elizabeth College are members of the States of Guernsey Superannuation 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 costs of benefits to employees over the period of those employees' expected working lives.

The States of Guernsey Superannuation 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 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 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 total amount of superannuation contributions payable for the year ended 31 August 2005 was £378,562 (2004 : £349,321). At 31 August 2005 the amount of outstanding contributions not paid over to the Scheme was £162,937 (2004 : £61,919).

The last actuarial valuation of the Scheme was conducted at 31 December 2004. At that date the actuarial value of the assets relating to the “Teachers pool” within the overall Scheme represented 79% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer’s contributions in respect of teachers is 13.5% of pensionable salary.

At 31 December 2004 the actuarial value of the assets relating to the “Public servants pool” within the overall Scheme, to which the College’s administration and teaching ancillary staff belong, represented 88.5% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer’s contributions in respect of administration and teaching ancillary staff is 7.35% of pensionable salary.

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.

10. 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 controlling party as defined by 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.

11. RELATED PARTY TRANSACTIONS

The College operates a central accounting system administered by the Bursar, elements of which cover both the grant-aided and non grant-aided sectors of the College’s activities. A majority of the operating receipts and operating expenditure related to the College’s activities, whether related to the grant-aided sector 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-grant aided activities is disclosed in the cash flow statement as a movement on a notional current account operated between the two sectors. 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 sectors.

During the year ended 31 August 2005 an amount of £27,672 (2004: £27,142) has been charged from the grant-aided sector of the College to the non grant-aided sector in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate solely to the non grant-aided sector of the College’s activities.

ELIZABETH COLLEGE – GUERNSEY**DETAILED REVENUE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2005****INCOME****2004**

States Block Grant		
- relating to the current academic year	1,712,078	1,676,895
- relating to the previous academic year	-	63,628
Fees receivable	1,537,764	1,474,740
Hire of facilities	83,755	86,151
Other income	16,299	11,482
	<hr/>	<hr/>
	3,349,896	3,312,896
	<hr/>	<hr/>

EXPENDITURE**SCHOOL AND DEPARTMENTAL EXPENSES**

Teachers' salaries	1,901,894	1,807,406
Teachers' superannuation	224,756	209,054
Teaching ancillary salaries and superannuation	135,669	122,362
Departmental expenses	189,157	221,168
Other school expenses	10,459	15,708
Examination fees	35,862	30,341
	<hr/>	<hr/>
	2,497,797	2,406,039
	<hr/>	<hr/>

YOUTH TRAINING EXPENSES

11,069	9,228
<hr/>	<hr/>

ADMINISTRATIVE EXPENSES

Services	178,814	172,305
Administration salaries and superannuation	210,050	187,864
School administration	47,729	44,999
General expenses	45,374	58,976
Rates, insurance and taxes	64,086	52,073
Discounts given	29,866	41,498
Audit and accountancy	6,940	7,000
Bad debts	1,575	2,771
Recharge to non grant-aided sector	(27,672)	(27,142)
	<hr/>	<hr/>
	556,762	540,344
	<hr/>	<hr/>

MAINTENANCE OF BUILDINGS AND GROUNDS

Maintenance of playing fields	72,676	63,289
Maintenance of other areas	295,867	215,865
	<hr/>	<hr/>
	368,543	279,154
	<hr/>	<hr/>

OPERATING (DEFICIT)/SURPLUS

£ (84,275)	£ 78,131
<hr/>	<hr/>

States of Guernsey – Guernsey Insurance Fund

**Controlled and managed by the
Social Security Department**

Statement of activities and performance Year ended 31 December 2005

Financial highlights

The Guernsey Insurance Fund had an operating surplus of £4.84m (2004: £5.99m). In addition to the operating surplus, net income from investments increased significantly to £12.62m (2004: £10.57m).

During the year, contribution income grew by 5.7% to £53.57m (2004: £50.68m). Although the economy remains buoyant, the number of contributors has fallen slightly and contribution growth does show signs of slowing compared with recent years.

The largest economic sector remains the financial sector, which accounts for nearly a quarter of the employed population and represents 28% of the total income received from employers and employees.

Benefit expenditure increased by 7.7% to £72.27m, which includes around a 4.8% increase in benefits generally but with an increase of 6.9% in the case of single pensioners. The number of new claims processed by the staff during the year decreased slightly to 23,833 (2004: 24,137). At the year-end there were 15,514 benefit claims in payment (2004: 15,030), of which 86.5% were to people in receipt of old age pension.

The Department pursued for the fourth year in succession the strategy of strengthening the single rate of old age pension relative to the increase of pension in respect of a dependant wife. This strategy is supported by the States as an active measure in combating single pensioner poverty. The effect on the Fund is, however, material, with a 2.9% increase in the number of pensioners in 2005, expenditure increased by 8.7% to just under £60m.

The gender equality reforms introduced in 2004 continue to slowly increase benefit expenditure as the extra contributions and credits give rise to entitlements.

Reserves increased by 20.8% to £489.90m (2003: £405.49m) with expenditure cover up from 5.8 years to 6.5 years. Although the operating surplus was more than £1.16m down on the previous year, the Funds investment portfolio grew by 23.0% as a result of positive movements in world markets together with new monies of £7.00m being added to the investment portfolio. During 2005, realised profits on disposal together with unrealised movements on investment increased to £66.20m (2004: £24.70m).

From August 2005, the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund were combined to form the Common Investment Fund. At 31 December 2005 this Fund was valued at £494.62m excluding property and, for the year, enjoyed returns in excess of 20% in real terms.

The Guernsey Insurance Fund maintains its own investment strategy in respect of its share of the Common Investment Fund and its weightings in the various asset classes can be varied independent of the other Funds.

Activities during 2005

A major threat to the financing of the Guernsey Insurance Fund emerged in 2005, with the publication of the second consultation document of the Policy Council's Fiscal and Economic Review Group. The consultation document proposed the removal of the States grant to the Guernsey Insurance Fund and increases in contribution rates and upper earnings limits to replace that source of income. The Social Security Department strenuously opposed this proposal and was active in 2005 in defending the insurance principle of the contributory scheme.

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

**Statement of activities and performance - continued
Year ended 31 December 2005**

Financial highlights - continued

Work on the technological migration of the computer systems from mainframe to server platforms continued throughout 2005. By the end of the year all of the software releases had been received and the full system acceptance testing was underway. This was giving rise to a large number of development anomalies which required investigation, fixing and re-testing. The demands on the Department's experienced staff to undertake this important system testing remained intense and caused strains in the delivery of normal business.

That being so, there has been little opportunity for service development within the Guernsey Insurance Fund, although some important progress was made with a range of initiatives under the heading of 'Back-to-work benefits'. This allows a more flexible approach to be taken by the Department with people trying to move from long-term sickness back into some form of work. This is labour intensive work, making agreements on a case by case basis, but the merits are indisputable. The Department will certainly build its capacity in this area in future.

Future developments

The States should, in 2006, resolve Guernsey's fiscal strategy in order to reconfigure its public revenues following the general abolition of company tax from 2008. This could have impacts on the financing of the Guernsey Insurance Fund.

The Department looks forward to its replacement computer systems for all of the benefit programs going live in 2006.

States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
 Year ended 31 December 2005

Statistics

Benefits	No of claimants as at:		No of new cases during the year	
	31/12/05	31/12/04	2005	2004
Pension	13,415	13,037	1,070	1,119
Bereavement Benefits	432	466	298	228
Invalidity Benefit	673	642	393	331
Sickness Benefit	431	330	11,877	11,961
Unemployment Benefit	150	145	1,546	1,504
Travel Allowance Grant	N/A	N/A	5,951	6,134
Limited Medical Benefit	N/A	N/A	2	1
Industrial Medical Benefit	N/A	N/A	1,460	1,663
Industrial Injury Benefit	19	31	170	195
Industrial Disablement Benefit	260	269	27	10
Maternity Allowance	133	109	443	411
Maternity Grant	N/A	N/A	155	117
Death Grant	N/A	N/A	441	463
Child's Special Allowance	1	1	0	0
Total	15,514	14,993	23,833	24,137

Number of contributors (as at week 36)

	2005	2004	2003	2002	2001
Employers	2,490	2,513	2,503	2,490	2,537
Employed					
Male	15,152	15,249	15,283	15,283	14,984
Female	14,040	13,931	13,783	13,671	13,360
	29,192	29,180	29,066	28,954	28,344
Self-employed	3,466	3,493	3,470	3,425	3,454
Non-employed	3,953	4,151	3,982	5,024	5,116
Total	36,611	36,824	36,518	37,403	36,914

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

**Statement of activities and performance - continued
Year ended 31 December 2005**

Contribution rates

	2005	2004	2003	2002	2001
Employers	4.1%	4.1%	4.1%	4.1%	4.1%
Employed					
Full rate	3.2%	3.2%	3.2%	3.2%	3.2%
Reduced rate	-	-	0.5%	0.5%	0.5%
Self-employed	6.3%	6.3%	6.3%	6.3%	6.3%
Non-employed	5.7%	5.7%	5.7%	5.7%	5.7%

Following gender equality reforms, the reduced percentage rate contributions available to married women were abolished, all contributors paying at the full percentage rate applicable for their classification from 2004.

Five-year performance

	2005 £	2004 £	2003 £	2002 £	2001 £
Income	80,338,337	76,009,640	72,936,378	68,670,165	63,737,145
Expenditure	75,503,131	70,019,166	63,498,363	59,134,342	55,554,292
Operating surplus	4,835,206	5,990,474	9,438,015	9,535,823	8,182,853
Investments					
Property	7,900,000	7,150,000	7,550,000	7,950,000	7,540,000
Investment portfolio	455,557,854	370,296,852	329,490,265	270,655,269	319,332,015
	463,457,854	377,446,852	337,040,265	278,605,269	326,872,015
Investment performance					
Investment income	12,617,785	10,568,231	9,681,023	8,980,282	10,039,381
Realised gains/(losses)	30,379,317	11,005,263	151,693	(14,284,583)	1,855,151
Unrealised gains/(losses)	35,823,172	13,692,396	44,393,336	(51,739,802)	(47,789,748)
Total return on investments	78,820,274	35,265,890	54,226,052	(57,044,103)	(35,895,216)
Expenditure cover					
Reserves	489,897,046	405,491,566	364,635,202	301,371,135	348,469,415
Expenditure	75,503,131	70,019,166	63,498,363	59,134,342	55,554,292
Number of years cover	6.5	5.8	5.7	5.1	6.3

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Principal officers

Social Security Department

Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

States of Guernsey – Guernsey Insurance Fund Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) 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 at the end of the financial year and of the income and expenditure of the Guernsey Insurance Fund for that period. In preparing those financial statements, the Department 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 Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Guernsey Insurance Fund and enable them to ensure that the financial statements comply with Section 100(3) of The Social Insurance (Guernsey) Law, 1978. It is also responsible for safeguarding the assets of the Guernsey Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the Department 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 Guernsey Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’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 Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan;
 - 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 Department and the States of Guernsey;
- a regular review of the performance and security of the Guernsey Insurance Fund by the Department and Combined Actuarial Performance Services Limited;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department 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 Department’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 auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the Social Security Department

We have audited the financial statements (the "financial statements") of States of Guernsey – Guernsey Insurance Fund for the year ended 31 December 2005 which comprise the Fund account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

The Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of responsibilities for the preparation of financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the disposition of the net assets and surplus of the Guernsey Insurance Fund and are properly prepared in accordance with its accounting policies. We also report if, in our opinion, the Department has not kept proper accounting records or if we have not received all of the information and explanations we require for our audit.

We read the Statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to Guernsey Insurance Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the disposition of the net assets of the Guernsey Insurance Fund's as at 31 December 2005 and of its surplus for the year then ended; and
- have been properly prepared in accordance with its accounting policies.

KPMG Channel Island Limited
Chartered Accountants

19 April 2006

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

Fund account

for the year ended 31 December 2005

			2005		2004
	Notes	£	£	£	£
Income					
Contributions	1, 2	53,572,125		50,684,114	
States grant	1	<u>26,766,212</u>		<u>25,325,526</u>	
			80,338,337		76,009,640
Expenditure					
Benefits payable	1,3	72,270,649		67,119,167	
Administration	4	5,575,000		5,129,801	
Recoveries	5	<u>(2,342,518)</u>		<u>(2,229,802)</u>	
			<u>75,503,131</u>		<u>70,019,166</u>
Operating surplus for the year			4,835,206		5,990,474
Investing activities					
Income from invested funds	1,6	13,122,749		11,057,111	
Investment management expenses	6	<u>(504,964)</u>		<u>(488,880)</u>	
		12,617,785		10,568,231	
Realised profit on disposal		30,379,317		11,005,263	
Movement in unrealised gain on investment		35,823,172		13,692,396	
Movement in unrealised gain/(loss) on investment property		<u>750,000</u>		<u>(400,000)</u>	
			<u>79,570,274</u>		<u>34,865,890</u>
Net surplus in the fund during the year			84,405,480		40,856,364
Net assets of the fund at 1 January			<u>405,491,566</u>		<u>364,635,202</u>
Net assets of the fund at 31 December			£ <u>489,897,046</u>		£ <u>405,491,566</u>

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

Balance sheet
at 31 December 2005

			2005		2004
	Notes	£	£	£	£
Fixed assets					
Tangible assets	7	8,551,857		8,007,557	
Investment property	8	7,900,000		7,150,000	
Common investment fund	9	<u>455,557,854</u>		<u>370,296,852</u>	
			472,009,711		385,454,409
Current assets					
Debtors and prepayments	10	17,465,462		21,192,049	
Balances with States Treasury		8,686,528		8,095,300	
Cash at bank and in hand		<u>1,417,673</u>		<u>569,776</u>	
		27,569,663		29,857,125	
Creditors: amounts falling due within one year	11	<u>(9,682,328)</u>		<u>(9,819,968)</u>	
Net current assets			<u>17,887,335</u>		<u>20,037,157</u>
Total net assets			£ <u>489,897,046</u>		£ <u>405,491,566</u>
Reserves			£ <u>489,897,046</u>		£ <u>405,491,566</u>

The financial statements were approved by the Social Security Department on 19 April 2006.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

States of Guernsey – Guernsey Insurance Fund

**Controlled and managed by the
Social Security Department**

Notes to the financial statements

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with UK applicable accounting standards.

Contributions

Contributions represent the amount of cash received before 1 February of the following year in respect of the financial year ended 31 December 2005 and amounts received relating to prior financial periods not accounted for in those periods.

States grant

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period. The current grant is 50%.

Benefits payable

Benefits are accounted for on an accruals basis.

Guernsey Insurance Fund

No account is taken of future benefit entitlements.

The adequacy of the Guernsey Insurance Fund 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 to 31 December 2003 took place in 2004.

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:

	Estimated life in years	Depreciation % per annum
Freehold land and buildings	80	1.25 straight line
Furniture and fittings – pre 1999	20+	10 reducing balance
Furniture and fittings – 1999 onwards	10	10 straight line
Office equipment	5	20 straight line
Computer equipment and software	3	33.33 straight line
Computer development – technological migration	7	14.29 straight line
Computer development	3	33.33 straight line

States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

1. Accounting policies – continued

Common Investment Fund

From August 2005, the investment portfolio of the Guernsey Insurance Fund was combined with other Funds of the Department to form the Common Investment Fund. The Guernsey Insurance Fund's investment strategy remains independent of the other Funds and it can vary its weightings in the various asset classes in which its share of the Common Investment Fund is invested.

Investments

Listed investments are included in the financial statements at mid-market prices ruling at the balance sheet date. Listed investments quoted in foreign currencies and foreign exchange contracts have been translated into sterling at rates of exchange ruling at the balance sheet date.

Investment property

The investment property is stated at open market value.

Investment income

Interest receivable is included in the financial statements on an accruals basis and is gross of withholding tax suffered at source.

Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the year during which the Department benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

2. Contributions

	2005 £	2004 £
Employer contributions	36,251,071	34,420,689
Employee contributions	<u>39,041,203</u>	<u>37,074,889</u>
	75,292,274	71,495,578
Self-employed contributions	7,863,997	7,376,591
Non-employed contributions	<u>3,861,053</u>	<u>3,708,033</u>
	87,017,324	82,580,202
Employer surcharge and penalty	39,702	33,061
Contributions allocated to:		
Guernsey Health Service Fund	(21,955,851)	(20,868,228)
Long-term Care Insurance Fund	<u>(11,529,050)</u>	<u>(11,060,921)</u>
	<u>£ 53,572,125</u>	<u>£ 50,684,114</u>

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

3. Benefits payable

	2005 £	2004 £
Pension	59,595,321	54,843,980
Invalidity	4,363,585	4,265,727
Bereavement	2,376,131	2,403,890
Sickness	2,201,497	1,977,205
Travel allowance grant	1,400,562	1,454,923
Maternity benefit	766,454	683,064
Industrial disablement	597,402	572,231
Unemployment	471,755	376,506
Industrial injury	197,369	232,003
Death grant	152,970	160,179
Industrial medical	147,141	148,738
Child's special allowance	462	428
Limited medical	-	293
	<u>£ 72,270,649</u>	<u>£ 67,119,167</u>

4. Administration

	2005 £	2004 £
Salaries and pension costs	3,689,927	3,389,326
Administration expenses	604,778	499,455
Computer expenses	585,885	568,558
Depreciation	386,025	362,603
Property expenses	233,188	185,998
Legal and professional expenses	51,027	53,184
Actuarial expenses	11,865	51,027
Auditors' fees for other services	-	13,150
Audit fee	12,305	6,500
	<u>£ 5,575,000</u>	<u>£ 5,129,801</u>

5. Recoveries

	2005 £	2004 £
Amounts received from:		
Non Contributory Services	1,705,763	1,591,410
Guernsey Health Service Fund	397,396	396,914
Other States of Guernsey entities	134,031	141,980
Long-term Care Insurance Fund	105,328	99,498
	<u>£ 2,342,518</u>	<u>£ 2,229,802</u>

States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

6. Income from invested funds

	2005 £	2004 £
Income		
UK dividends from equities	6,490,515	6,110,509
Overseas dividends from equities	3,677,889	2,398,116
Interest on short term deposits	1,986,712	1,493,835
Interest from fixed interest securities	827,850	781,543
Less: withholding tax suffered	(514,822)	(284,244)
Property rental	555,008	542,300
Securities lending fees	76,149	-
Brokers' commission recaptured	8,785	-
Underwriting commission	7,746	15,052
Miscellaneous income	6,917	-
	<u>13,122,749</u>	<u>11,057,111</u>
Expenditure		
Investment manager's fees	450,175	448,017
Property expenses	35,841	40,863
Custody fees	18,948	-
	<u>(504,964)</u>	<u>(488,880)</u>
Net income	£ 12,617,785	£ 10,568,231

7. Tangible assets

	1 January 2005 £	Additions £	31 December 2005 £
<i>Cost</i>			
Freehold land and buildings	3,627,964	6,015	3,633,979
Furniture, fittings and office equipment	771,800	22,568	794,368
Computer equipment and software	1,929,230	165,336	2,094,566
Computer development	7,397,618	736,406	8,134,024
	<u>£ 13,726,612</u>	<u>930,325</u>	<u>14,656,937</u>
	1 January 2005 £	Charge for the year £	31 December 2005 £
<i>Depreciation</i>			
Freehold land and buildings	803,988	45,368	849,356
Furniture, fittings and office equipment	588,794	90,431	679,225
Computer equipment and software	1,925,558	139,999	2,065,557
Computer development	2,400,715	110,227	2,510,942
	<u>5,719,055</u>	<u>386,025</u>	<u>6,105,080</u>
Net book value	£ 8,007,557		£ 8,551,857

**States of Guernsey –
Guernsey Insurance Fund
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

7. Tangible assets - continued

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2005 by Lovell & Partners Limited, a firm of estate agents and valuers, at an open market value of £10,600,000.

Costs of £5,227,501 (2004: £4,588,305) associated with the technological migration project are included within computer development costs. No depreciation will be charged on these costs until the new system is available for use.

8. Investment property

	2005 £	2004 £
At valuation	£ 7,900,000	£ 7,150,000
At historic cost	£ 3,146,034	£ 3,146,034

The freehold property “Arnold House” was valued by Lovell & Partners Limited, a firm of estate agents and valuers, in January 2006. The property is currently let on a 42 year lease from 14 June 1989 on a full repairing and insuring basis, subject to the tenant’s 21-year lease extension option.

The annual rental is currently £553,000 and rent reviews are to open market value every 3 years. The next review is scheduled for June 2007.

9. Common Investment Fund

	2005 £	2004 £
Overseas equities	233,143,375	163,309,571
United Kingdom equities	185,766,995	169,138,304
Cash and cash equivalents	37,251,568	30,932,042
Fixed income	31,292,730	24,425,940
Alternative investments and hedge funds	<u>7,168,754</u>	<u>8,291,300</u>
	494,623,422	396,097,157
Investments allocated to:		
Guernsey Health Service Fund	(28,880,933)	(20,189,824)
Long-term Care Insurance Fund	<u>(10,184,635)</u>	<u>(5,610,481)</u>
	£ 455,557,854	£ 370,296,852

States of Guernsey – Guernsey Insurance Fund

Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

9. Common Investment Fund - continued

	2005 £
Market value of investments 1 January 2005	370,296,852
New monies invested	7,000,000
Investment income reinvested	12,058,513
Realised profit on disposals reinvested	30,379,317
Movement on unrealised gain on investments	<u>35,823,172</u>
Market value of investments 31 December 2005	<u>£ 455,557,854</u>

The 2004 comparative figures are not a true comparison of the Common Investment Fund which commenced on 1 August 2005 but an amalgamation of the individual investment portfolios of Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund. (See note 1).

10. Debtors and prepayments

	2005 £	2004 £
Contributions receivable	13,280,493	13,515,068
Recoveries due from Guernsey Health Service Fund	2,138,046	1,525,699
Recoveries due from Non Contributory Services	473,237	1,134,850
Recoveries due from Long-term Care Insurance Fund	-	3,088,275
Benefits prepaid	1,313,277	1,485,766
Trade debtors	176,414	358,443
Administration expenses prepaid	83,995	76,148
Rental income	<u>-</u>	<u>7,800</u>
	<u>£ 17,465,462</u>	<u>£ 21,192,049</u>

11. Creditors: amounts falling due within one year

	2005 £	2004 £
Contribution payable to Guernsey Health Service Fund	3,737,351	4,476,978
Contributions payable to Long-term Care Insurance Fund	1,895,050	2,514,671
Trade creditors	1,654,673	2,000,554
Recoveries due to Long-term Care Insurance Fund	1,381,879	-
Bank overdraft	637,265	465,146
Other creditors and accruals	192,322	188,145
States grant	<u>183,788</u>	<u>174,474</u>
	<u>£ 9,682,328</u>	<u>£ 9,819,968</u>

States of Guernsey – Guernsey Insurance Fund Controlled and managed by the Social Security Department

Notes to the financial statements - continued

12. Superannuation Fund

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 8.35% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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 Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 were £236,123 (2004: £213,985) of which Guernsey Insurance Fund contributed £150,293 (2004: £132,158) which were all paid during the year.

13. Related party transactions

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2004: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2005 and 2004 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 9, 10, 11 and 12.

14. Statement of control

The Guernsey Insurance Fund is controlled and managed by the Social Security Department, as required by Section 100(1) of the Social Insurance (Guernsey) Law, 1978, as amended. The members of the Social Security Department have been appointed by the States of Guernsey.

States of Guernsey – Non Contributory Services Controlled and managed by the Social Security Department

Statement of activities and performance
Year ended 31 December 2005

Financial highlights

Overall, benefit expenditure increased by 6.0% during the year to £21.67m (2004: £20.44m).

Supplementary benefit expenditure increased by 8.8% to £10.61 (2004: £9.76m), although the real increase is around 16% when you take account of the transfer to the Health and Social Services Department of the annual budget of around £0.7m relating to referrals to UK rehabilitation centres.

Following the report on relative poverty, the Department has pursued the strategy of strengthening the single rate of SPB relative to the increase in the married couples' rate. The single rate increased by 7.1% in 2005. As there are more single persons claiming benefit exacerbated by a dramatic rise in demand since the fourth quarter of 2004, supplementary benefit expenditure has risen dramatically.

Following the machinery of government review, in 2004 the Department took over from the Public Assistance Authority the grants to the Parochial Outdoor Assistance Boards. From July 2005 expenditure relating to Public Assistance was subsumed into supplementary benefit.

The number of claimants as at 31 December 2005 increased by 5.6% to 2,041 (2004: 1,933) due in part to a sharp rise in the over 60s and those who were incapacitated and require additional financial assistance. The majority of the increase is due to the inclusion in 2005 of Jobseeker claimants which were previously disclosed separately as Public Assistance. The number of new cases for the year was slightly down to 2,037 (2004: 2,140).

Special grants continue to increase with expenditure rising during the year by 9.5% to £1.73m (2004: £1.58m). The increase is mainly attributable to a sharp rise of 18% in medical treatment charges to £0.85m (2004: £0.71m).

In 2005, family allowance expenditure increased by 4.7% to £7.75m (2004: £7.41m) with the allowance increasing to £12.75 per child per week, with the number of children for whom the benefit was paid marginally up on 2004.

Expenditure relating to attendance allowance increased by 2.4% to £1.30m (2004: £1.26m) with a 4.7% increase in the benefit rate; the number of claimants at the year-end was down 6.4% on 2004. Invalid care allowance expenditure increased by 1.5% to approximately £620,000 with demand falling marginally.

Concessionary television licence expenditure increased to just over £453,000, with the annual licence fee increasing by 4.5% to £126.50 from April 2005. The number of individuals over the age of 75 issued with a free licence increased by 2.0% to 3,701 (2004: 3,629).

The Department makes annual grants to a number of local charities to support their provision of social welfare, the charities being specified by resolution of the States. In response to the findings of the Townsend Centre for International Poverty Research, the Department continues to improve its support to charities by increasing the overall grant in 2005 by 4.8% to just over £182,000, focusing on pre-school playgroups which provide facilities for underprivileged children.

States of Guernsey – Non Contributory Services Controlled and managed by the Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2005

Financial highlights - continued

From January 2004, the Board of Industry transferred its fieldwork scheme to the Department and it was renamed the Community and Environmental Projects Scheme. With the assistance of the States Works Department in providing the necessary supervision of work teams, the scheme continues to provide short-term employment opportunities for unemployed people. Benefit expenditure for the second year of operation increased to £154,446 (2004: £102,695) with additional expenditure of £7,829 incurred with the introduction of the Karabiner scheme which assists young people to become more job-ready.

Activities during 2005

The main activity for the year concerned the extension of the supplementary benefit scheme to cover the persons previously assisted by parish procureurs and overseers of the poor under the Public Assistance Law. This major change in the delivery of social welfare in Guernsey was given effect by a decision of the States on 27 April 2005 (Billet d'Etat IV of 2005) and the Supplementary Benefit (Amendment) Ordinance, 2005 which came into force on 30 June 2005.

Centralising all statutory welfare benefits at Edward T Wheadon House and ceasing the public assistance payments from the Douzaine Rooms inevitably increased customer volumes at Wheadon House. The transition, however, went very smoothly and the Department is pleased that the change in service delivery, which was contentious, has now become established. The Department was active with the extended customer group in encouraging efforts to find employment, including the Community and Environmental Project Scheme and offering some opportunities for training at the College of Further Education.

Future developments

In 2006, the Department, with the Treasury and Resources Department, will be re-examining the feasibility of clawing-back, through the income tax system, family allowances paid to high income families. This would be with the objective of redistributing the benefit and paying increased allowances to low income families.

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Statistics

	No. of claimants as at:		No. of new cases	
	31.12.05	31.12.04	2005	2004
Family Allowances	6,859	6,848	556	554
Supplementary Benefit	2,041	1,933	2,037	2,140
Attendance Allowance	339	362	137	138
Invalid Care Allowance	206	210	104	96

Five-year performance

	2005 £	2004 £	2003 £	2002 £	2001 £
Supplementary Benefit	10,614,263	9,756,652	8,998,630	9,534,565	9,212,757
Family Allowance	7,753,729	7,407,343	7,111,995	6,831,848	6,717,691
Attendance Allowance	1,296,960	1,266,670	1,164,446	1,194,888	1,135,182
Invalid Care Allowance	619,956	610,495	562,044	539,357	535,790
Concessionary television licences	453,060	425,983	402,370	397,483	237,570
Charitable grants	182,288	173,890	161,745	150,000	135,388
Community & Environmental Projects	162,275	102,695	-	-	-
Medical expenses assistance scheme	107,501	120,448	77,112	56,199	48,863
Travel expenses assistance scheme	46,319	48,391	44,738	59,181	60,596

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Principal officers

Social Security Department

Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

States of Guernsey – Non Contributory Services Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) 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 Non Contributory Services and of the income and expenditure of Non Contributory Services for that period. In preparing those financial statements, the Department 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 Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Non Contributory Services. It is also responsible for safeguarding the assets of the Non Contributory Services and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the Department 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 Non Contributory Services and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’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 Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan;
 - the quarterly management accounts;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department 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 Department’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 auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the Social Security Department

We have audited the financial statements (the "financial statements") of States of Guernsey – Non Contributory Services for the year ended 31 December 2005 which comprise the Income and expenditure account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

The Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of responsibilities for the preparation of financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the disposition of the net assets and income and expenditure of Non Contributory Services and are properly prepared in accordance with its accounting policies. We also report if, in our opinion, the Department has not kept proper accounting records or if we have not received all of the information and explanations we require for our audit.

We read the Statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to Non Contributory Services circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the disposition of the net assets of Non Contributory Services as at 31 December 2005 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited
Chartered Accountants

19 April 2006

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

**Income and expenditure account
for the year ended 31 December 2005**

			2005	2004
	<i>Note</i>	£	£	£
Income				
Grant – States of Guernsey	1 & 2	23,438,125	22,078,748	
Bank interest receivable		<u>508</u>	<u>5,952</u>	
Total income			23,438,633	22,084,700
Expenditure				
Supplementary benefit	3	10,614,263	9,756,652	
Family allowance		7,753,729	7,407,343	
Attendance & invalid care allowance		1,916,916	1,877,165	
Public assistance	5	434,679	532,307	
Concessionary television licences		453,060	425,983	
Charitable grants	6	182,288	173,890	
Community & environmental projects		162,275	102,695	
Medical expenses assistance scheme		107,501	120,448	
Travel expenses assistance scheme		46,319	48,391	
Special Christmas payment		<u>50</u>	<u>50</u>	
		<u>21,671,080</u>	<u>20,444,924</u>	
Administration	7	1,890,133	1,758,196	
Recoveries	8	<u>(122,580)</u>	<u>(118,420)</u>	
		<u>1,767,553</u>	<u>1,639,776</u>	
Total expenditure			23,438,633	22,084,700
Operating result for the financial year			£ _____	£ _____

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Balance sheet
at 31 December 2005

			2005			2004
	<i>Note</i>	£	£	£	£	
Current assets						
Debtors and prepayments	9	757,898		513,071		
Cash at bank and in hand	10	<u>-</u>		<u>1,455,138</u>		
			757,898			1,968,209
Creditors: amounts falling due within one year	11		<u>757,898</u>			<u>1,968,209</u>
Net current assets			£ <u>-</u>			£ <u>-</u>
Revenue account			£ <u>-</u>			£ <u>-</u>

These financial statements were approved by the Social Security Department on 19 April 2006.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

States of Guernsey – Non Contributory Services Controlled and managed by the Social Security Department

Notes to the financial statements

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with UK applicable accounting standards.

Grant – States of Guernsey

The grants received from the States of Guernsey are set at a level equal to expenditure accounted for in the relevant period.

Benefits payable

Benefits are accounted for on an accruals basis in whole weeks.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Department benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

Assets held in fiduciary capacity

Assets held in a fiduciary capacity for charitable settlements are not included in the balance sheet. These assets amounted to £32,119 at 31 December 2005 (2004: £30,644).

2. Grant - States of Guernsey

It is the practice of the States to match the expenditure of Non Contributory Services with grants. The income received from the States in the financial year may therefore be analysed in the same manner, and under the same headings as the expenditure. It is expected that this practice will continue for the foreseeable future.

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

3. Supplementary Benefit

	2005 £	2004 £
Benefit and fuel allowance	8,410,696	7,010,127
UK rehabilitation centres	29,223	698,616
Residential and nursing homes	495,519	527,889
Special grants (note 4)	1,734,045	1,583,682
Maintenance recoveries	<u>(55,220)</u>	<u>(63,662)</u>
	£ 10,614,263	£ 9,756,652

4. Special Grants

	2005 £	2004 £
Exceptional needs	6,953	8,054
Funeral	46,662	51,681
Handicapped persons	250,815	255,931
Medical - Chiropody	63,292	61,658
- Dental	209,965	218,351
- Hearing aids	40,163	26,566
- Medical treatment	845,517	713,878
- Medical sundries	55,860	49,115
- Ophthalmic	68,282	55,492
- Physiotherapy	78,247	68,033
Surgical and medical requisites	59,518	66,850
Sundries (not medical)	7,972	6,080
Travelling expenses	<u>799</u>	<u>1,993</u>
	£ 1,734,045	£ 1,583,682

States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

5. Public Assistance

	2005 £	2004 £
Castel	49,255	52,228
Forest	10,088	11,732
St Andrew's	16,453	16,409
St Martin's	26,306	36,783
St Peter Port	202,473	277,363
St Peter's	9,452	7,650
St Sampson's	62,998	64,407
St Saviour's	17,704	12,711
Torteval	4,067	2,580
Vale	<u>35,883</u>	<u>50,444</u>
	£ 434,679	£ 532,307

Following approval by the States of Guernsey, Public Assistance was subsumed into Supplementary Benefit from 1 July 2005. Expenditure disclosed separately in the accounts only relates to the six months to 30 June 2005.

6. Charitable grants

	2005 £	2004 £
Guernsey Citizens Advice Bureau	24,352	23,785
Relate	19,429	18,955
The Salvation Army (Clifton Community Centre)	17,422	16,970
The Samaritans	4,643	4,530
Guernsey Welfare Service Limited (Playgroup)	45,700	43,000
The Methodist Church (Wesley playgroup)	26,000	23,000
Women's Royal Voluntary Service	26,476	25,830
Guernsey Women's Refuge Limited	<u>18,266</u>	<u>17,820</u>
	£ 182,288	£ 173,890

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

7. Administration

	2005 £	2004 £
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	971,857	914,076
Computer expenses	475,491	452,210
Property expenses and sundries	186,046	165,468
Bank charges	<u>72,369</u>	<u>59,656</u>
	1,705,763	1,591,410
Management and training costs – Community & environmental projects	115,313	113,427
Legal and professional fees	456	998
Administration expenses	39,807	32,891
Medical reports	13,917	14,139
Audit fee	3,750	3,100
Repatriation	<u>11,127</u>	<u>2,231</u>
	£ <u>1,890,133</u>	£ <u>1,758,196</u>

The Guernsey Insurance Fund charges Non Contributory Services rental on the office space. This rental is paid by the Strategic Property Unit, Treasury and Resources Department as detailed in note 8.

8. Recoveries

	2005 £	2004 £
Rent received from the Strategic Property Unit, Treasury and Resources Department	£ <u>122,580</u>	£ <u>118,420</u>

9. Debtors and Prepayments

	2005 £	2004 £
Allowances paid in advance	£ <u>757,898</u>	£ <u>513,071</u>

**States of Guernsey –
Non Contributory Services
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

10. Cash at bank and in hand

	2005	2004
	£	£
Current account	-	953,492
Call account	<u>-</u>	<u>501,646</u>
	£ <u>-</u>	£ <u>1,455,138</u>

During the year, all bank accounts of Non-Contributory Services were closed, payments being made on its behalf by the Guernsey Insurance Fund which subsequently recovered the additional expenditure through monthly drawings from the States Treasury.

11. Creditors: amounts falling due within one year

	2005	2004
	£	£
Guernsey Insurance Fund recharges payable	473,237	1,134,850
Benefits and allowances payable	273,936	258,036
Other creditors and accruals	10,725	2,649
States grant	-	459,129
Bank overdraft	<u>-</u>	<u>113,545</u>
	£ <u>757,898</u>	£ <u>1,968,209</u>

12. Related party transactions

The Department is of the opinion that there have been no related party transactions with members or senior management in this financial year (2004: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2005 and 2004 is due to transactions with other States entities, except as disclosed in notes 1, 2, 7, 8 and 11.

13. Statement of control

Non Contributory Services is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Non Contributory Services has been delegated to the members of the Social Security Department, who have been appointed by the States of Guernsey.

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

**Statement of activities and performance
Year ended 31 December 2005**

Financial highlights

The Fund had an operating surplus of £2.70m for the year (2004: £1.78m). In addition, net income from investments stood at £0.93m (2004: £0.78m).

During the year, contribution income grew by only 5.2% to £21.96m (2004: £20.87m). Although the economy remains buoyant, the number of contributors has fallen slightly and contribution growth does shows signs of slowing compared with recent years.

Overall benefit expenditure increased by only 2.2% to £27.25m (2004: £26.68m).

Following initiatives by the UK Department of Health, pharmaceutical companies had to reduce the cost of branded and generic drugs in 2005. This reduction in drug costs has had a favourable impact on the Health Fund with drug expenditure for the year falling by 3.4% to £13.80m (2004: £14.29m). The number of items prescribed during the year increased by 3.2% to 1.13m, although this was less pronounced compared with recent years.

Specialist medical costs rose by 8.2% to £9.68m (2004: £8.95m) with on average 37.00 whole-time-equivalent consultants being employed throughout the year (2004: 36.00) and the maximum permitted under the scheme. The contract is also subject to an annual increase based on the Guernsey RPI.

The Physiotherapy costs increased by 6.7% to £1.2m (2004: £1.1m) with on average 23.84 whole-time-equivalent staff being employed throughout the year (2004: 23.34), still well below the maximum of 31.48 whole-time-equivalents permissible under the contract. However, the second half of the year saw the average increase to 24.89 whole-time-equivalents, 6.8% up on 2004. The contract is also subject to an annual increase based on the Guernsey RPI.

With an increased operating surplus together with a significant increase in unrealised gains of £2.4m (2004: £0.78m), net assets increased to £33.92m (2004: £27.25m) with expenditure cover increasing from 11.9 months to 14.5 months. During the year £5m of new monies was added to the investment portfolio.

From August 2005, the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund were combined to form the Common Investment Fund. At 31 December 2005 this Fund was valued at £494m excluding property, and for the year enjoyed returns in excess of 20% in real terms.

The Health Fund maintains its own investment strategy in respect of its share of the Common Investment Fund and its weightings in the various asset classes can be varied independent of the other Funds. As part of a much larger Fund, the Health Fund benefits from a greater access to a wide range of investments than would be possible if it remained as a relatively small, stand alone, investment portfolio.

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Financial highlights - continued

Activities during the Year

The pharmaceutical service remained the focus of activity for the year, with the Department continuing its drive for cost-effective prescribing. The Department undertook a publicity campaign to cut down wastage of prescription medicines, tying in with the periodic unwanted medicines dump. The Department also ran a campaign of public education about antibiotic medicines, pointing out the circumstances in which they were ineffective.

With the assistance of the Pharmaceutical Benefit Advisory Committee, the Department continued to develop the limited prescribing list (whitelist) that had been established in 2004. Having this much improved control on the range of items that may be prescribed at the expense of the Guernsey Health Service Fund is, as expected, proving beneficial to cost effective prescribing.

In June 2005, the Department received a report that it had commissioned with PriceWaterhouseCoopers entitled 'A Review of Pharmaceutical Services in Guernsey and Alderney'. The terms of reference had included a requirement to make recommendations on the levels of remuneration for dispensing services. The report included a finding that it would be appropriate to apply a four year freeze on dispensing fees. Pending receipt of the report, there had been no increase in fees in 2004. Having received the report, the freeze on fees continued throughout 2005.

Future Activities

In 2006, the focus of activity will remain on the pharmaceutical service, with a planned substantial revision of the whitelist to substitute generic drugs in place of many of the brands.

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Statistics

Drugs and medicines

	Ordinary Prescriptions	Exempt prescriptions	Total prescriptions	Average basic cost (£)
Drugs and Medicines				
2005	519,796	608,672	1,128,468	10.63
2004	515,965	577,427	1,093,392	11.49
% Change	0.74%	5.41%	3.21%	-7.48%
Appliances				
2005	1,077	3,951	5,028	62.24
2004	892	3,662	4,554	54.30
% Change	20.74%	7.89%	10.41%	14.62%

Specialist Health Insurance Scheme

	MSG	
	Inpatient and day case episodes	Outpatient consultations
2005	12,249	43,864
2004	12,804	44,183
% decrease	-4.33%	-0.72%

States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2005

Statistics - continued

Consultation grants

	Guernsey	Alderney	Total
2005			
Doctor	226,351	12,078	238,429
Nurse	69,434	816	70,250
Total 2005	295,785	12,894	308,679
2004			
Doctor	220,443	12,088	232,531
Nurse	69,114	704	69,818
Total 2004	289,557	12,792	302,349
% increase / (decrease)	2.15%	0.80%	2.09%

Contribution rates

	2005	2004	2003	2002	2001
Employers	1.4%	1.4%	1.4%	1.3%	1.3%
Employed					
Full rate	1.4%	1.4%	1.4%	1.3%	1.3%
Reduced rate	-	-	1.4%	1.3%	1.3%
Self-employed	2.8%	2.8%	2.8%	2.6%	2.6%
Non-employed					
Full rate	2.8%	2.8%	2.8%	2.6%	2.6%
Over 65s	1.2%	1.2%	1.2%	1.0%	1.0%

Following gender equality reforms, the reduced percentage rate contributions available to married women were abolished, all contributors paying at the full percentage rate applicable for their classification from 2004.

States of Guernsey – Guernsey Health Service Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance – continued
Year ended 31 December 2005

Statistics - continued

Five-year performance

	2005 £	2004 £	2003 £	2002 £	2001 £
Drugs and medicines % annual increase	13,154,360 -3.3%	13,599,307 6.9%	12,725,944 7.3%	11,858,910 6.3%	11,159,940 8.5%
Income	30,738,191	29,215,520	27,619,661	23,782,886	22,229,015
Expenditure	28,041,806	27,431,214	24,971,938	21,549,288	20,736,658
Operating surplus	2,696,385	1,784,306	2,647,723	2,233,598	1,492,357
Investment income	928,165	779,065	673,286	603,603	595,650
Investment portfolio	28,880,933	20,189,824	15,146,121	13,426,594	11,965,613
Expenditure cover					
Reserves	33,921,365	27,247,874	23,900,374	20,042,605	17,909,412
Expenditure	28,041,806	27,431,214	24,971,938	21,549,288	20,736,658
Number of months cover	14.5	11.9	11.5	11.2	10.4

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Principal officers

Social Security Department

Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

States of Guernsey – Guernsey Health Service Fund Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) 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 Health Service Fund and of the income and expenditure of the Guernsey Health Service Fund for that period. In preparing those financial statements, the Department 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 Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Guernsey Health Service Fund and enable them to ensure that the financial statements comply with Section 101 of The Social Insurance (Guernsey) Law, 1978 and Section 1(4) of The Health Service (Benefit) (Guernsey) Law, 1990. It is also responsible for safeguarding the assets of the Guernsey Health Service Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the Department to identify and install an appropriate system of internal controls, including financial controls, which is adequate for its own purposes, and to safeguard the assets of Guernsey Health Service Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’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 Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan;
 - 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 Department and the States of Guernsey;
- a regular review of the performance and security of the Guernsey Health Service Fund by the Department and Combined Actuarial Performance Services Limited;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department 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 Department’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 auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the Social Security Department

We have audited the financial statements (the "financial statements") of States of Guernsey – Guernsey Health Service Fund for the year ended 31 December 2005 which comprise the Fund account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

The Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of responsibilities for the preparation of financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the disposition of the net assets and surplus of the Guernsey Health Service Fund and are properly prepared in accordance with its accounting policies. We also report if, in our opinion, the Department has not kept proper accounting records or if we have not received all of the information and explanations we require for our audit.

We read the Statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to Guernsey Health Service Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the disposition of the net assets of the Guernsey Health Service Fund's as at 31 December 2005 and of its surplus for the year then ended; and
- have been properly prepared in accordance with its accounting policies.

KPMG Channel Island Limited
Chartered Accountants

19 April 2006

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

Fund account

for the year ended 31 December 2005

			2005		2004
	Note	£	£	£	£
Income					
Contributions allocated	1	21,955,851		20,868,228	
States grant	1	<u>8,782,340</u>		<u>8,347,292</u>	
			30,738,191		29,215,520
Expenditure					
Drugs and medicines	2	13,154,360		13,599,307	
Specialist Health Insurance Scheme	3	10,840,375		10,035,798	
Consultation grants		3,256,399		3,041,414	
Administration	4	<u>790,672</u>		<u>754,695</u>	
			28,041,806		<u>27,431,214</u>
Operating surplus for the year			2,696,385		1,784,306
Investing activities					
Income from invested funds	1,5	935,785		770,246	
Investment management expenses and rebates	5	<u>(7,620)</u>		<u>8,819</u>	
		928,165		779,065	
Realised profit on disposal		649,817		-	
Movement in unrealised gain on investment		<u>2,399,124</u>		<u>784,129</u>	
			3,977,106		<u>1,563,194</u>
Net surplus in the fund during the year			6,673,491		3,347,500
Net assets of the fund at 1 January			<u>27,247,874</u>		<u>23,900,374</u>
Net assets of the fund at 31 December			£ 33,921,365		£ <u>27,247,874</u>

States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department

Balance sheet
at 31 December 2005

	Note	2005	2004
		£	£
Fixed assets			
Common investment fund allocated	1,6	28,880,933	20,189,824
Current assets			
Debtors and prepayments	7	3,737,520	4,476,978
Balances with States Treasury		3,528,941	3,977,960
Cash at bank and in hand	8	-	527,350
		7,266,461	8,982,288
Creditors: amounts falling due within one year	9	<u>2,226,029</u>	<u>1,924,238</u>
Net current assets		<u>5,040,432</u>	<u>7,058,050</u>
Total net assets		£ <u>33,921,365</u>	£ <u>27,247,874</u>
Reserves		£ <u>33,921,365</u>	£ <u>27,247,874</u>

The financial statements were approved by the Social Security Department on 19 April 2006.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

States of Guernsey – Guernsey Health Service Fund

**Controlled and managed by the
Social Security Department**

Notes to the financial statements

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with UK applicable accounting standards.

Contributions allocated

Income to the Guernsey Health Service Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February in the following year in respect of the financial year ended 31 December 2005 and amounts received relating to prior financial periods not accounted for in those periods.

States grant

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period. The current grant is 40%.

Guernsey Health Service Fund

No account is taken of future benefit entitlements.

The adequacy of the Guernsey Health Service Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The last review was made as at 31 December 2000 and was published in the Billet D'État II, 2002.

Common Investment Fund

From August 2005, the investment portfolio of the Guernsey Health Service Fund was amalgamated with the other Funds of the Department to form the Common Investment Fund. The Health Fund's investment strategy remains independent of the other Funds and it can vary its weightings in the various asset classes in which its share of the Common Investment Fund is invested.

Investments

Listed investments are included in the balance sheet at mid-market prices ruling at the balance sheet date.

Investment income

Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

Other investment income is accounted for on a receivable basis.

States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

1. Accounting policies - continued

Benefits payable

Benefits payable are included on an accruals basis, based on returns submitted by doctors and pharmacists in respect of the year.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Department benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

2. Drugs and medicines

	2005 £	2004 £
Drugs and medicines	13,798,928	14,285,853
Appliances	381,071	305,576
Oxygen service	<u>206,468</u>	<u>181,135</u>
	14,386,467	14,772,564
Prescription charges receivable	(1,220,467)	(1,160,957)
Health and Social Security Department- reciprocal treatment	<u>(11,640)</u>	<u>(12,300)</u>
	£ <u>13,154,360</u>	£ <u>13,599,307</u>

3. Specialist Health Insurance Scheme

	2005 £	2004 £
Specialist medical benefit	9,684,573	8,952,982
Physiotherapy benefit	1,196,531	1,121,781
Alderney hospital benefit	51,075	48,551
Health and Social Security Department recoveries	<u>(91,804)</u>	<u>(87,516)</u>
	£ <u>10,840,375</u>	£ <u>10,035,798</u>

**States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

3. Specialist Health Insurance Scheme - continued

The States of Guernsey entered into new contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group from 1 January 2003. These contracts are for 15 year terms with major reviews after each 5 year period.

The contract with the Medical Specialist Group, which includes ophthalmology, is based on a per-consultant contracted price basis of £231,818. This fee is adjusted annually commencing on 1 January 2003 and on 1 January of each successive year to take account of any increase or decrease in the Guernsey RPI. The contract price for 2005 was increased by 5.2% to £261,745 (2004: £248,807).

The contract with the Guernsey Physiotherapy Group will be based on a per-physiotherapist and per-assistant price, with different rates applying to different grades of physiotherapist. The maximum contract price for the first 5 years of the contract is £1,326,839 p.a. based on 2003 costs. This allows for the complete transfer of the Health and Social Security Department physiotherapy services. The contract price was increased by 5.2% in 2005.

The contract for Alderney hospital benefit is based on a contract price of £47,000. This fee is adjusted annually commencing on 1 January 2004 and on 1 January of each successive year to take account of any increase or decrease in the Guernsey RPI. The contract price for 2005 was increased by 5.2% to £51,075 (2004: £48,551).

The level of contributions and States grant the Fund receives was raised based on actuarial advice from 1 January 2003 to allow the Fund to meet these increased obligations.

4. Administration

	2005 £	2004 £
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	244,846	223,442
Computer expenses	102,762	131,040
Property expenses and sundries	<u>49,788</u>	<u>42,432</u>
	397,396	396,914
Health and Social Security Department charges	161,197	121,254
Prescription pricing fees	159,943	154,664
Administration expenses	51,517	60,640
Legal and professional fees	16,619	15,623
Audit fee	3,750	3,100
Auditors' fees for other services	<u>250</u>	<u>2,500</u>
	£ 790,672	£ 754,695

States of Guernsey –
Guernsey Health Service Fund
 Controlled and managed by the
 Social Security Department

Notes to the financial statements – continued

5. Net income from invested funds

	2005 £	2004 £
Income		
UK dividends from equities	168,191	142,215
Interest from fixed interest securities	221,756	107,876
Overseas dividends from equities	86,090	-
Less: withholding tax suffered	(22,356)	-
Interest on short term deposits	444,948	520,155
Securities lending fees	3,330	-
Brokers' commission recaptured	433	-
Miscellaneous income	<u>33,393</u>	<u>-</u>
	<u>935,785</u>	<u>770,246</u>
Expenditure		
Investment manager's fees	6,890	(8,819)
Custody fees	<u>730</u>	<u>-</u>
	<u>7,620</u>	<u>(8,819)</u>
Net income	£ <u>928,165</u>	£ <u>779,065</u>

6. Common Investment Fund

	2005 £
Market value of investments 1 January 2005	20,189,824
New monies invested	5,000,000
Investment income reinvested	642,168
Realised profit on disposals reinvested	2,399,124
Movement on unrealised gain on investments	<u>649,817</u>
Market value of investments 31 December 2005	£ <u>28,880,933</u>

There are no comparative figures for 2004 as the Common Investment Fund, which includes the investment portfolio of the Guernsey Health Service Fund, did not commence until 1 August 2005 (See note 1).

7. Debtors and prepayments

	2005 £	2004 £
Contributions due from Guernsey Insurance Fund	3,737,351	4,476,978
Benefits prepaid	<u>169</u>	<u>-</u>
	£ <u>3,737,520</u>	£ <u>4,476,978</u>

States of Guernsey –
Guernsey Health Service Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements – continued

8. Cash at bank and in hand

	2005	2004
	£	£
Current account	-	22,947
Call account	<u>-</u>	<u>504,403</u>
	£ -	£ 527,350

During the year, the Fund's current and call accounts were closed, payments being made on its behalf by the Guernsey Insurance Fund which subsequently recovered the additional expenditure from the Health Services Treasury deposit account.

9. Creditors: amounts falling due within one year

	2005	2004
	£	£
States grant	17,660	382,709
Other creditors and accruals	70,323	15,830
Guernsey Insurance Fund recharges payable	<u>2,138,046</u>	<u>1,525,699</u>
	£ 2,226,029	£ 1,924,238

10. Related party transactions

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2004: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2005 and 2004 is due to transactions with other States entities, except as disclosed in notes 1, 2, 3, 4, 6, 7 and 9.

11. Statement of control

The Guernsey Health Service Fund is controlled and managed by the Social Security Department, as required by Section 7 of the Health Service (Benefit) (Guernsey) Law, 1990. The members of the Social Security Department have been appointed by the States of Guernsey.

**States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department**

**Statement of activities and performance
Year ended 31 December 2005**

Financial highlights

The Long-term Care Insurance Fund recorded an operating surplus of £3.9m (2004: £4.0m) with additional income from invested funds of £0.31m (2004: £0.14m).

During the year, contribution income increased by only 4.2% to £11.53m (2004: £11.06m). Although the economy remains buoyant, the number of contributors has fallen slightly and contribution growth does show signs of slowing compared with recent years.

Overall benefit expenditure increased by 7.7% to £8.87m (2004: £8.24m).

Increased demand for nursing home care attributed mainly to the overall increase in expenditure, with an 11.7% increase in costs to £3.94m (2004: £3.53m). There was also a significant increase in demand for residential respite care with costs increasing by 43.4% to just over £136,000. Residential care benefit increased by 4.9% to £4.72m (2004: £4.50m).

From August 2005, the investment portfolios of the Long-term Care Insurance Fund, Guernsey Insurance Fund and Guernsey Health Service Fund were combined to form the Common Investment Fund. At 31 December 2005 this Fund was valued at £494m excluding property and, for the year, saw returns in excess of 20% in real terms.

The Long-term Insurance Fund maintains its own investment strategy in respect of its share of the Common Investment Fund and its weightings in the various asset classes can be varied independent of the other Funds.

As part of a much larger Fund, the Long-term Care will benefit from a greater access to a wide range of investments than would otherwise be possible if it remained as a relatively small, stand alone, investment portfolio.

With net assets of £16.60m (2004: 10.88m), expenditure cover increased to 1.8 years. The strengthening of reserves is attributable to a stable operating surplus combined with a strong investment performance which saw unrealised gains on investment double to £1.18m; an additional £3.00m was also added to the investment portfolio during the year.

Activities during 2005

Contributions and benefits for the Long-term Care Insurance Scheme were routinely administered, with nothing exceptional to report.

Future developments

In 2006, the Department will commission the first actuarial review of the Long-Term Care Insurance scheme.

**States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department**

Statement of activities and performance - continued
Year ended 31 December 2005

Statistics

Benefits	No. of claimants as at 31.12.05	No. of claimants as at 31.12.04
Residential grant – permanent	300	301
Residential grant – respite care	2	2
Nursing grant – permanent	138	126
Nursing grant – respite care	1	1
Total	<u>441</u>	<u>430</u>

Contribution rates

	2005	2004
Employers	-	-
Employed		
Full rate	1.4%	1.4%
Reduced rate	-	-
Self-employed	1.4%	1.4%
Non-employed	1.4%	1.4%

Following gender equality reforms, the reduced percentage rate contributions available to married women were abolished, all contributors paying at the full percentage rate applicable for their classification from 2004.

States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2005

Principal officers

Social Security Department

Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

States of Guernsey – Long-term Care Insurance Fund Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) 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 Long-term Care Insurance Fund and of the income and expenditure of the Long-term Care Insurance Fund for that period. In preparing those financial statements, the Department 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 Department is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Long-term Care Insurance Fund and enable them to ensure that the financial statements comply with Section 101A of The Social Insurance (Guernsey) Law, 1978 and Section 1(4) of The Long-term Care Insurance (Guernsey) Law, 2002. It is also responsible for safeguarding the assets of the Long-term Care Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the Department to identify and install an appropriate system of internal controls, including financial controls, which is adequate for its own purposes, and to safeguard the assets of Long-term Care Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’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 Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan;
 - 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 Department and the States of Guernsey;
- a regular review of the performance and security of the Long-term Care Insurance Fund by the Department;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

The Department 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 Department’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 auditors appointed by the States of Guernsey.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the Social Security Department

We have audited the financial statements (the "financial statements") of States of Guernsey – Long-term Care Insurance Fund for the year ended 31 December 2005 which comprise the Fund account, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

The Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of responsibilities for the preparation of financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view of the disposition of the net assets and surplus of the Long-term care Insurance Fund and are properly prepared in accordance with its accounting policies. We also report if, in our opinion, the Department has not kept proper accounting records or if we have not received all of the information and explanations we require for our audit.

We read the Statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Department in the preparation of the financial statements, and of whether the accounting policies are appropriate to Long-term Care Insurance Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the disposition of the net assets of the Long-term Care Insurance Fund's as at 31 December 2005 and of its surplus for the year then ended; and
- have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited
Chartered Accountants

19 April 2006

**States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department**

Fund account

for the year ended 31 December 2005

	<i>Note</i>	2005	2004
		£	£
Income			
Contributions allocated	<i>1</i>	11,529,050	11,060,921
States grant	<i>1</i>	<u>1,383,486</u>	<u>1,327,311</u>
		12,912,536	12,388,232
Expenditure			
Benefits payable	<i>1,2</i>	8,874,435	8,238,356
Administration expenses	<i>3</i>	<u>109,828</u>	<u>108,301</u>
		<u>8,984,263</u>	<u>8,346,657</u>
Operating surplus for the year		3,928,273	4,041,575
Investing activities			
Income from invested funds	<i>1,4</i>	319,072	142,637
Investment management expenses	<i>4</i>	<u>(4,809)</u>	<u>-</u>
		314,263	142,637
Realised profit on disposal		397,153	-
Movement in unrealised gain on investment		<u>1,079,485</u>	<u>612,227</u>
		<u>1,790,901</u>	<u>754,864</u>
Net surplus in the fund during the year		5,719,174	4,796,439
Net assets of the fund at 1 January		<u>10,877,991</u>	<u>6,081,552</u>
Net assets of the fund at 31 December		£ <u>16,597,165</u>	£ <u>10,877,991</u>

States of Guernsey –
 Long-term Care Insurance Fund
 Controlled and managed by the
 Social Security Department

Balance sheet
 at 31 December 2005

	Note	2005	2004
		£	£
Fixed assets			
Common investment fund allocated	1,5	10,184,635	5,610,481
Current assets			
Debtors and prepayments	6	3,276,929	2,514,671
Balances with States Treasury		<u>3,167,753</u>	<u>5,875,398</u>
		6,444,682	8,390,069
Creditors: amounts falling due within one year	7	<u>(32,152)</u>	<u>(3,122,559)</u>
Net current assets		<u>6,412,530</u>	<u>5,267,510</u>
Total net assets		£ <u>16,597,165</u>	£ <u>10,877,991</u>
Reserves		£ <u>16,597,165</u>	£ <u>10,877,991</u>

The financial statements were approved by the Social Security Department on 19 April 2006.

Signed on behalf of the Department

Mary Lowe
 Minister

M Nutley
 Administrator

States of Guernsey – Long-term Care Insurance Fund Controlled and managed by the Social Security Department

Notes to the financial statements

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with applicable UK accounting standards.

Contributions allocated

Income to the Long-term Care Insurance Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February in the following year in respect of the financial year ended 31 December 2005.

States grant

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period. The current rate is set at 12%.

Long-term Care Insurance Fund

No account is taken of future benefit entitlements.

The adequacy of the Long-term Care Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates.

Benefits payable

Benefits payable are included on an accruals basis, based on whole weeks.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Department benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

Investments

Listed investments are included in the balance sheet at mid-market prices ruling at the balance sheet date.

Common Investment Fund

From August 2005, the investment portfolio of the Long-term Care Insurance Fund was combined with other Funds of the Department to form the Common Investment Fund. The Long-term Care Insurance Fund's investment strategy remains independent of the other Funds and it can vary its weightings in the various asset classes in which its share of the Common Investment Fund is invested.

States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

1. Accounting policies - continued

Investment income

Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

Other investment income is accounted for on a receivable basis.

2. Benefits payable

	2005	2004
	£	£
Residential home care benefit		
Permanent	4,719,150	4,496,722
Respite care	<u>136,533</u>	<u>95,180</u>
	4,855,683	4,591,902
Nursing home care benefit		
Permanent	3,938,414	3,525,821
Respite care	<u>80,338</u>	<u>120,633</u>
	<u>4,018,752</u>	<u>3,646,454</u>
	£ 8,874,435	£ 8,238,356

3. Administration expenses

	2005	2004
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	89,935	83,948
Computer expenses	6,851	8,736
Property expenses and sundries	<u>8,542</u>	<u>6,814</u>
	105,328	99,498
Administration expenses	750	5,703
Audit fee	<u>3,750</u>	<u>3,100</u>
	£ 109,828	£ 108,301

**States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department**

Notes to the financial statements - continued

4. Net income from invested funds

	2005 £	2004 £
Income		
UK dividends from equities	75,582	-
Overseas dividends from equities	38,688	-
Less: withholding tax suffered	(9,388)	-
Interest on short term deposits	212,884	142,637
Securities lending fees	1,156	-
Brokers' commission recaptured	<u>150</u>	<u>-</u>
	<u>319,072</u>	<u>142,637</u>
Expenditure		
Investment manager's fees	4,540	-
Custody fees	<u>269</u>	<u>-</u>
	<u>(4,809)</u>	<u>-</u>
Net income	£ <u>314,263</u>	£ <u>142,637</u>

5. Common Investment Fund

	2005 £
Market value of investments 1 January 2005	5,610,481
New monies invested	3,000,000
Investment income reinvested	97,516
Realised profit on disposals reinvested	1,079,485
Movement on unrealised gain on investments	<u>397,153</u>
Market value of investments 31 December 2005	£ <u>10,184,635</u>

There are no comparative figures for 2004 as the Common Investment Fund, which includes the investment portfolio of the Long-term Care Insurance Fund, did not commence until 1 August 2005 (See note 1).

6. Debtors and prepayments

	2005 £	2004 £
Share of contributions due from Guernsey Insurance Fund	1,895,050	2,514,671
Recharge due from Guernsey Insurance Fund	<u>1,381,879</u>	<u>-</u>
	£ <u>3,276,929</u>	£ <u>2,514,671</u>

States of Guernsey –
Long-term Care Insurance Fund
Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

7. Creditors: amounts falling due within one year

	2005	2004
	£	£
Other creditors and accruals	5,638	1,595
Guernsey Insurance Fund recharges payable	-	3,088,275
States grant	<u>26,514</u>	<u>32,689</u>
	£ <u>32,152</u>	£ <u>3,122,559</u>

8. Related party transactions

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year.

Of the Department's annual income and expenditure, less than 20% of their respective value for 2005 and 2004 is due to transactions with other States entities, except as disclosed in notes 1, 3, 6 and 7.

9. Statement of control

The Long-term Care Insurance Fund is controlled and managed by the Social Security Department, as required by Section 1(1) of The Long-term Care Insurance (Guernsey) Law, 2002. The members of the Social Security Department have been appointed by the States of Guernsey.

AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF LADIES' COLLEGE - GUERNSEY

We have audited the financial statements, which have been prepared in accordance with the accounting policies set out in note 1.

This report is made solely to the Board of Governors of the Ladies' College, as a body. Our audit work has been 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 are 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 are 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College. They are 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.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Governors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the College's circumstances, consistently applied and adequately disclosed. In this matter we draw attention to note 1(b) to the financial statements. This note states that all capital expenditure is written off through the profit and loss account when incurred. We concur with this accounting policy.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the College's affairs as at 31 August 2005, and of its results for the year then ended.

BDO NOVUS LIMITED

CHARTERED ACCOUNTANTS

Elizabeth House
Guernsey

5 JANUARY 2006

.....

THE LADIES' COLLEGE - GUERNSEY

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2005

	Note		2004
INCOME	2		
States grant		701,001	659,000
States contribution to staff superannuation		220,699	196,991
Fees receivable :			
- special place holders	557,140		512,560
- fee payers	1,476,776		1,414,636
		<hr/>	<hr/>
		2,033,916	1,927,196
Lunchtime supervision		9,701	8,307
Bank interest received		14,403	7,145
Student registration fees		5,825	6,625
Miscellaneous income		12,909	17,904
		<hr/>	<hr/>
		2,998,454	2,823,168
EXPENDITURE			
School expenditure		(2,958,743)	(2,789,310)
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR	2	£ 39,711	£ 33,858
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the operating surplus for the year.

The notes 1 to 6 form an integral part of these financial statements.

THE LADIES' COLLEGE - GUERNSEY**BALANCE SHEET****31 AUGUST 2005**

	Note		2004
CURRENT ASSETS			
Stock of uniforms and student equipment		18,943	21,008
Debtors	3	9,919	13,698
Bank balances		597,913	443,367
Cash in hand		109	80
		<hr/>	<hr/>
		626,884	478,153
CURRENT LIABILITIES			
Creditors	4	137,502	68,947
Fees re Autumn Term received in advance		139,461	98,996
		<hr/>	<hr/>
		(276,963)	(167,943)
		<hr/>	<hr/>
NET CURRENT ASSETS		£ 349,921	£ 310,210
		<hr/>	<hr/>

REPRESENTED BY:-**CAPITAL ACCOUNT**

At 1 September 2004	310,210	276,352
Operating surplus for the year	39,711	33,858
	<hr/>	<hr/>
At 31 August 2005	£ 349,921	£ 310,210
	<hr/>	<hr/>

WILLIAM M BELL

Chairman of the Board of Governors

5 JANUARY 2006

Date

The notes 1 to 6 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2005

1. ACCOUNTING POLICIES**(a) CONVENTION**

These financial statements are prepared in accordance with the historical cost convention. The principal accounting policies which the Board have adopted within that convention are set out below.

(b) CAPITAL EXPENDITURE

All capital expenditure is written off in the year in which it is incurred, thus the balance sheet of the College does not disclose fixed assets.

(c) BANK INTEREST AND INVESTMENT INCOME

Bank interest and investment income is accounted for on a received basis.

(d) STOCK

Stock of uniforms and student equipment is stated at the lower of cost and estimated net realisable value after making due provision for damaged, obsolete and slow moving items.

2. INCOME AND OPERATING SURPLUS FOR THE YEAR

Income and operating surplus for the year derive wholly from continuing activities.

3. DEBTORS		2004
Fees receivable	-	9,195
Other debtors	9,919	4,503
	<hr/>	<hr/>
	£ 9,919	£ 13,698
	<hr/>	<hr/>
4. CREDITORS		
School and administrative expenses	£ 137,502	£ 68,947
	<hr/>	<hr/>

5. 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 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 benefit from their direction.

6. RELATED PARTY TRANSACTIONS

There were no material related party transactions.

THE LADIES' COLLEGE - GUERNSEY**DETAILED INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2005**

	Upper <u>School</u>	Lower <u>School</u>	<u>Total</u>	2004 <u>Total</u>
INCOME				
States grant	701,001	-	701,001	659,000
States contribution to staff superannuation	181,996	38,703	220,699	196,991
Fees receivable	1,497,665	536,251	2,033,916	1,927,196
Lunchtime supervision	-	9,701	9,701	8,307
Student registration fees	5,825	-	5,825	6,625
Bank interest received	9,602	4,801	14,403	7,145
Miscellaneous income	12,909	-	12,909	17,904
	<hr/>	<hr/>	<hr/>	<hr/>
	2,408,998	589,456	2,998,454	2,823,168
EXPENDITURE				
Teachers' salaries	1,555,789	365,732	1,921,521	1,745,628
Maintenance wages	91,461	26,597	118,058	125,373
Office and administration salaries	87,529	38,765	126,294	110,911
Staff superannuation	181,996	38,703	220,699	196,991
Books, stationery and other teaching materials	78,786	24,492	103,278	106,905
Laboratory and design and technology expenditure	21,580	-	21,580	19,834
Examination fees	46,320	-	46,320	36,665
Sport and expedition expenditure	19,489	-	19,489	40,445
Staff training	5,844	626	6,470	5,849
Electricity, oil, gas, water and telephone	31,252	10,808	42,060	42,446
Rates, taxes and insurance	15,900	7,950	23,850	23,420
Routine maintenance of buildings, grounds and equipment	164,296	17,323	181,619	211,728
Fixed asset acquisition costs	64,741	5,098	69,839	70,191
General administrative expenses	27,195	16,390	43,585	33,628
Staff recruitment and relocation	11,231	-	11,231	16,646
Audit fee	2,850	-	2,850	2,650
	<hr/>	<hr/>	<hr/>	<hr/>
	2,406,259	552,484	2,958,743	2,789,310
OPERATING SURPLUS FOR THE YEAR	<hr/>	<hr/>	<hr/>	<hr/>
	8,323	31,388	39,711	33,858
Add: Surplus/(deficit) brought forward	(5,447)	315,657	310,210	276,352
	<hr/>	<hr/>	<hr/>	<hr/>
RESERVES CARRIED FORWARD	£ 2,876	£ 347,045	£ 349,921	£ 310,210
	<hr/>	<hr/>	<hr/>	<hr/>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Statement of activities and performance

Year ended 31 December 2005

Principal purpose

Beau Sejour Centre ("the Centre") is the Island's principal centre for sports and leisure. It provides a variety of sporting and recreational activities, which are available to the local population and visitors to the Island.

Facilities provided include swimming (both competitive and recreational), indoor sports (squash, badminton, football etc.) and fitness and health suites including saunas, steam room and solarium. The Centre provides leisure facilities such as live theatre, light entertainment and a brasserie/bar. In addition the Centre is, by virtue of the scope of its facilities, a venue for conferences, exhibitions and dinner dances.

Financial summary

	2005 £'000	2004 £'000
Operating income		
Sports	877	753
Health and fitness	1,026	991
Entertainment	453	483
Trading areas	<u>477</u>	<u>476</u>
Total operating income	<u>2,833</u>	<u>2,703</u>
Total operating expenditure (excluding depreciation)	<u>3,621</u>	<u>3,553</u>
Operating deficit on ordinary activities (excluding depreciation)	<u>(788)</u>	<u>(850)</u>

Operational performance

The operating deficit figure recorded for the period was £62,000 lower than 2004. An increase in operating expenditure of £68,000 was cancelled out by an increase in operating income of £130,000.

Extra income generated by sports (£118,000) and memberships (£58,000) were the main reasons for the improvement. Birthday party fees, Swim School fees, Holiday Club fees, squash and swimming were the main generators of the extra sports income.

Direct costs disproved the normal trend by falling in spite of the increase in income, with improved cost control and reductions in staff numbers in some areas helping to reduce the total direct costs.

Central services costs increased, with business development costs rising significantly due to a combination of re-allocation of pay costs and increased focus on advertising and promotion of the Centre's facilities (2004 saw unusually low investment in advertising and promotion).

Following a detailed review of the Centre's fixed asset register, it was discovered that a number of assets no longer present following the redevelopment of the Centre remained on the financial records. The net book value of these assets represents the majority of the £550,926 "net deficit on disposal of fixed assets" figure shown in the Revenue Account.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Statement of activities and performance - continued

Year ended 31 December 2005

Other matters

Beau Sejour remains committed to the Quest quality scheme. The Quest Scheme is supported by Sport England, with only around 500 facilities in the UK accredited out of a total of around 3,000. In March 2005, the Centre received a visit from the Quest assessors. On the back of this visit, Beau Sejour was awarded an overall score of 78%, which lifted the Centre into the top four in the UK league table.

The Health & Safety partnership with DC Leisure Management Limited has been retained, with the Centre continuing to benefit from DC Leisure's experience in this field.

Rate of staff turnover remained relatively low in 2005. The Centre took the opportunity to re-structure in some areas following a batch of (unrelated) staff resignations in the latter part of 2005.

Board members and principal officers

Board Members as at 31 December 2005 were:

Deputy P Sirett – Minister
Deputy C Le Pelley – Deputy Minister
Deputy M O'Hara
Deputy C McNulty-Bauer
Deputy J Honeybill

Principal officers as at 31 December 2005 were:

K Gallienne – Director of Leisure Services
S Herridge – Business Development Manager
A Collenette – Operations Manager
A Baudains – Technical Services Manager
P Weaver – Events Manager
G Merrien – Health & Fitness Manager
S Mourant – Acting Trading Areas Manager
A Frankland – Swim School Manager
L Whittaker – Sales Manager
P Gallienne, E Darling & R Whitford – Duty Managers

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Statement of responsibilities for the preparation of financial statements

The Culture and Leisure Department (“the Board”) is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Centre and of the surplus or deficit of the Centre for that period. In preparing those financial statements, the 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 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 the Centre 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 Centre. It is also responsible for safeguarding the assets of the Centre and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

It is the responsibility of the each States Department 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 States of Guernsey (including those of the Centre) in their care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department and specifically the Centre’s internal financial controls include:

- An annual budget and planning process to allocate, control and monitor the use of resources;
- Review and appraisal of the adequacy and application of internal controls in conjunction with the States Internal Audit; and
- The requirement for all audit reports to be tabled at a meeting of the Department to ensure that its members are aware of their financial affairs.

The Department 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 Department’s internal controls and accounting policies have been and are subject to continuous review and improvement.

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



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the States of Guernsey Culture and Leisure Department – Beau Sejour Centre

We have audited the financial statements of the States of Guernsey Culture and Leisure Department - Beau Sejour Centre ("the centre") for the year ended 31 December 2005 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Board has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Centre's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Centre's affairs as at 31 December 2005 and of its deficit for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

3 May 2006

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Revenue account

for the year ended 31 December 2005

		2005	2004
		£	£
	Note		
Operating income	2	2,832,956	2,702,547
Operating expenses			
Direct costs	3	(2,078,568)	(2,100,643)
Central services expenses	4	(1,542,780)	(1,451,693)
Depreciation	1 & 5	<u>(571,635)</u>	<u>(494,498)</u>
		(4,192,983)	(4,046,834)
Operating deficit on ordinary activities		(1,360,027)	(1,344,287)
Other income			
Advertising and rentals		17,347	16,251
Exceptional items			
Net deficit on disposal of fixed assets		<u>(550,926)</u>	<u>-</u>
Deficit for the year	9	£ (1,893,606)	£ (1,328,036)

All material activities derive from continuing operations.

The notes 1 to 14 form an integral part of these financial statements.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Balance sheet at 31 December 2005

	Notes	2005 £	2004 £
Tangible fixed assets	1 & 5	<u>11,800,893</u>	<u>12,772,081</u>
Current assets			
Stocks	1 & 6	52,899	30,912
Debtors and prepayments	7	127,358	126,476
Cash at bank and in hand		<u>6,490</u>	<u>6,578</u>
		<u>186,747</u>	<u>163,966</u>
Creditors: amounts falling due within one year	8	<u>(269,889)</u>	<u>(226,379)</u>
Net current liabilities		<u>(83,142)</u>	<u>(62,413)</u>
Total net assets		£ <u>11,717,751</u>	£ <u>12,709,668</u>
Reserves	9	£ <u>11,717,751</u>	£ <u>12,709,668</u>

These financial statements were approved by the Culture and Leisure Department on 3 May 2006.

Signed on behalf of the Department

P Sirett
Minister

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Cash flow statement

for the year ended 31 December 2005

	<i>Notes</i>	2005	2004
		£	£
Net cash outflow from operating activities	<i>10</i>	(750,404)	(1,240,684)
Capital expenditure			
Purchase of tangible fixed assets		<u>(151,373)</u>	<u>(661,834)</u>
Net cash outflow from investing activities		<u>(151,373)</u>	<u>(661,834)</u>
Net cash outflow before financing		(901,777)	(1,902,518)
Financing			
Capital funding		158,111	526,013
Revenue funding		<u>796,389</u>	<u>969,708</u>
Net cash inflow from financing		954,500	1,495,721
Movement in cash funding		<u>88</u>	<u>-</u>
Movement in reserves		£ <u>52,811</u>	£ <u>406,797</u>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements

year ended 31 December 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis on the assumption that support will continue to be provided by the States of Guernsey (see note 14).

Stock

Stock is valued at the lower of cost and net realisable value.

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 useful lives using the straight line method:

	Estimated life In years	Depreciation % per annum
Freehold land and buildings	50	2
Plant, equipment, furniture, fixtures and fittings and catering equipment	10	10
Office equipment	10 – 5	10 – 20
Motor vehicles and weight training equipment	5	20
Water flumes	25	4
Soft play equipment	3	33.33
Outdoor facilities	80	1.25
Sports equipment	5	20

Sports equipment

Sports equipment and maintenance equipment purchased prior to 1998 are dealt with on a renewals basis (the assets being replaced when required) under which no depreciation is charged. This departure from Financial Reporting Standard No 15 “Tangible Fixed Assets” is not regarded as having a material impact on the results of the Centre.

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2005

1. Accounting policies - continued

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Centre (Department) benefits from the employees' services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

2. Operating income

	2005 £	2004 £
Sports	877,307	752,973
Health and fitness	1,025,938	990,888
Entertainment	453,115	482,999
Trading areas	<u>476,596</u>	<u>475,687</u>
	£ 2,832,956	£ 2,702,547

3. Direct costs

	2005 £	2004 £
Sports		
Salaries, wages and superannuation	854,812	792,726
Maintenance and general expenses	<u>71,170</u>	<u>60,414</u>
	<u>925,982</u>	<u>853,140</u>
Health and fitness		
Salaries, wages and superannuation	265,792	254,357
Maintenance and general expenses	<u>58,401</u>	<u>75,561</u>
	<u>324,193</u>	<u>329,918</u>
Entertainment		
Salaries, wages and superannuation	245,237	219,625
Theatre and concerts	147,754	217,871
Maintenance and general expenses	<u>12,055</u>	<u>21,157</u>
	<u>405,046</u>	<u>458,653</u>
Trading areas		
Cost of sales – bar, catering and shop	236,440	235,661
Salaries, wages and superannuation	172,263	186,378
Maintenance and general expenses	<u>14,644</u>	<u>36,893</u>
	<u>423,347</u>	<u>458,932</u>
	£ 2,078,568	£ 2,100,643

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2005

4. Central services expenses

	2005 £	2004 £
Business development		
Salaries, wages and superannuation	146,596	105,013
Advertising and general expenses	<u>94,364</u>	<u>66,807</u>
	<u>240,960</u>	<u>171,820</u>
Repairs and maintenance		
Salaries, wages and superannuation	410,006	394,803
Fuel, light and power	245,064	233,371
General expenses	<u>155,211</u>	<u>178,226</u>
	<u>810,281</u>	<u>806,400</u>
Finance, administration and information technology		
Salaries, wages and superannuation	242,033	209,404
Insurance	54,382	48,189
Rates	20,361	21,140
Postage, printing, telephone and stationery	62,602	46,931
Training, travel and entertainment	13,807	10,583
Computer charges	58,928	45,438
Consultancy charges	6,727	150
Audit fee	8,033	5,908
General expenses	24,666	37,490
Bad debts	<u>-</u>	<u>48,240</u>
	<u>491,539</u>	<u>473,473</u>
	<u>£ 1,542,780</u>	<u>£ 1,451,693</u>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2005

5. Tangible fixed assets

	1 January 2005 £	Additions £	Disposals £	31 December 2005 £
<i>Cost</i>				
Freehold land and buildings	13,933,586	38,980	613,095	13,359,471
Plant and equipment	1,835,421	14,866	18,712	1,831,575
Furniture, fixtures and fittings	1,266,154	37,761	371,981	931,934
Office equipment	476,204	-	55,711	420,493
Catering equipment	181,290	-	19,979	161,311
Weight training equipment	294,601	59,766	61,894	292,473
Outdoor facilities	2,502	-	-	2,502
Water flumes	359,068	-	-	359,068
Soft play equipment	26,976	-	7,555	19,421
Sports equipment	131,642	-	93,944	37,698
Maintenance equipment	<u>136,770</u>	<u>-</u>	<u>92,505</u>	<u>44,265</u>
	£ 18,644,214	151,373	1,335,376	£ 17,460,211
<i>Depreciation</i>				
Freehold land and buildings	2,073,071	272,606	195,682	2,149,995
Plant and equipment	1,668,928	36,149	7,561	1,697,516
Furniture, fixtures and fittings	1,040,593	56,510	340,909	756,194
Office equipment	380,299	54,162	69,698	364,763
Catering equipment	149,881	12,277	13,597	148,561
Weight training equipment	197,264	107,273	55,688	248,849
Outdoor facilities	2,501	-	-	2,501
Water flumes	214,669	14,363	-	229,032
Soft play equipment	26,976	-	7,555	19,421
Sports equipment	110,058	9,824	87,777	32,105
Maintenance equipment	<u>7,893</u>	<u>8,471</u>	<u>5,983</u>	<u>10,381</u>
	5,872,133	571,635	784,450	5,659,318
Net book value	£ 12,772,081			£ 11,800,893

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2005

6. Stocks

	2005 £	2004 £
Consumables	35,704	26,872
Goods for resale	<u>17,195</u>	<u>4,040</u>
	£ <u>52,899</u>	£ <u>30,912</u>

7. Debtors and prepayments

	2005 £	2004 £
Trade debtors	108,154	116,624
Other debtors and prepayments	<u>19,204</u>	<u>9,852</u>
	£ <u>127,358</u>	£ <u>126,476</u>

8. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	-	2,170
Accruals	66,232	59,172
Deferred income	<u>203,657</u>	<u>165,037</u>
	£ <u>269,889</u>	£ <u>226,379</u>

9. Reserves

	General reserve £	Revenue Account £	Total £
Balance 1 January 2005	15,331,653	(2,621,985)	12,709,668
Capital funding	158,111	-	158,111
Deficit for year	-	(1,893,606)	(1,893,606)
Revenue funding	-	796,389	796,389
Non-cash movements	<u>-</u>	<u>(52,811)</u>	<u>(52,811)</u>
	£ <u>15,489,764</u>	(<u>3,772,013</u>)	<u>11,717,751</u>

Balance 31 December 2005

The general reserve is required to fund the asset base of the Centre.

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued

year ended 31 December 2005

10. Cash flow statement

Reconciliation of operating deficit to net cash outflow from operating activities

	2005 £	2004 £
Operating deficit	(1,893,606)	(1,328,036)
Depreciation charge	571,635	494,498
Net deficit on scrapping of fixed assets	550,926	-
Increase in stocks	(21,987)	(5,406)
(Increase)/decrease in debtors	(882)	19,835
Increase/(decrease) in creditors	<u>43,510</u>	<u>(421,575)</u>
Net cash outflow from operating activities	£ <u>(750,404)</u>	£ <u>(1,240,684)</u>

11. Pension Fund

The employees of the States of Guernsey Culture and Leisure Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 7.85% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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 department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 were £85,771 (2004: £82,558) which were all paid during the year.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued *year ended 31 December 2005*

12. Related party transactions

After making appropriate enquiries in accordance with Guidance Notes issued by the States Treasurer on 27 March 1996, the Committee are of the opinion that there have been no related party transactions in the current or preceding financial years.

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

13. Statement of control

The Beau Sejour Centre is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Beau Sejour Centre has been delegated to the members of the Culture and Leisure Department, who have been appointed by the States of Guernsey.

14. Funding

The States of Guernsey, through the budgetary arrangements agreed with the Culture and Leisure Department, have undertaken to provide sufficient financial support to enable the Centre to operate on a going concern basis for the foreseeable future.

Royal Court Fund

Statement of responsibilities for the preparation of financial statements

The States Treasurer is responsible for the preparation of an income and expenditure account for each financial year and for selecting suitable accounting policies. In preparing that account the States Treasurer is expected to:

- apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent; and
- prepare the income and expenditure account on a going concern basis, unless it is inappropriate to do so.

The States Treasurer acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Royal Court Fund.

It is the responsibility of the Royal Court Fund to identify and install a system of internal controls, including financial control, which is adequate for its own purposes. Thus the Royal Court Fund is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the Bailiff and Jurats of the Royal Court- Royal Court Fund

We have audited the accounts (the "accounts") of the Royal Court Fund for the year ended 31 December 2005 which comprise the income and expenditure account and the related note 1. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the Committee and auditors

As described in the statement of responsibilities, the States Treasurer on behalf of the Treasury and Resources Department is responsible for the preparation of an income and expenditure account for each financial year and for selecting suitable accounting policies.

Our responsibility is to audit the income and expenditure account in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the income and expenditure account is properly prepared in accordance with the accounting policy. We also report, if in our opinion, the Fund has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also includes an assessment of the significant estimates and judgements made by States Treasurer in the preparation of the expenditure account, and of whether the accounting policies are appropriate to the Royal Court Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the expenditure account is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the expenditure account.

Opinion

In our opinion the accounts for the year ended 31 December 2005 are properly prepared in accordance with the accounting policy set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

3 May 2006

Royal Court Fund

Income and expenditure account for the year ended 31 December 2005

	<i>Note</i>	2005 £	2004 £
Income			
Grant from States General Revenue Account		<u>10,000</u>	<u>10,000</u>
Expenditure			
Court Attire		877	233
Grants - Chief Pleas		52	-
- Remembrance Day service		188	149
- Wreaths		88	80
Sundries		179	374
Swearing in of Bailiff		1,993	-
Swearing in of Deputy Bailiff		1,643	-
Swearing in of His Excellency the Lieutenant Governor		1,741	-
Less surplus on sale of "The Charters of Guernsey" publication		<u>(45)</u>	<u>(142)</u>
		<u>6,716</u>	<u>694</u>
Surplus for the financial year, transferred to the States General Revenue Account		£ <u>3,284</u>	£ <u>9,306</u>

The income and expenditure account was approved on 3 May 2006 by:

DM Clark
States Treasurer

Royal Court Fund

Notes to the income and expenditure account
year ended 31 December 2005

1. Accounting policy

Income and expenditure account

Income and expenditure are included on a cash basis.

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 present fairly, 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, 1987. 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 AUDITORS' REPORT TO THE POLICY AND FINANCE COMMITTEE

We have audited the financial statements (the “financial statements”) of The States of Alderney for the year ended 31 December 2005 which comprise Revenue Income and Expenditure accounts and Capital Account and the related notes 1 to 5. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the States Treasurer and auditors

The States Treasurer is responsible for preparing the financial statements which fairly summarise the transactions made during that year and for selecting suitable accounting policies.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements fairly summarise and are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Treasurer has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Treasurer in the preparation of the financial statements, and whether the accounting policies are appropriate to the States of Alderney's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- fairly summarise the transactions made during the year ended 31 December 2005; and
- have been properly prepared in accordance with the accounting policies set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

24 March 2006

STATES OF ALDERNEY

SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
INCOME ON REVENUE ACCOUNT	£	£	£	£
Building and Development Control Committee	11,442	20,000	20,000	18,541
General Services Committee	357,735	354,500	355,800	321,967
Policy and Finance Committee	721,863	692,400	704,500	604,523
TOTAL INCOME ON REVENUE ACCOUNT	1,091,040	1,066,900	1,080,300	945,031
Net revenue cash allocation from States of Guernsey	1,524,321	1,532,800	1,444,000	1,317,783
	2,615,361	2,599,700	2,524,300	2,262,814

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
EXPENDITURE ON REVENUE ACCOUNT	£	£	£	£
Building and Development Control Committee	44,515	38,500	41,500	27,188
General Services Committee	1,634,321	1,645,600	1,716,600	1,414,782
Policy and Finance Committee	936,525	915,600	896,200	820,844
TOTAL EXPENDITURE ON REVENUE ACCOUNT	2,615,361	2,599,700	2,654,300	2,262,814
Use of Accumulated Unspent Balances	-	-	(130,000)	-
	2,615,361	2,599,700	2,524,300	2,262,814

BUILDING AND DEVELOPMENT CONTROL COMMITTEE

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Planning fees	11,442	20,000	20,000	18,541
TOTAL REVENUE INCOME	11,442	20,000	20,000	18,541

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Administration				
Staff, supplies and services	31,211	23,500	37,500	12,864
Planning inquiry	187	12,000	-	12,289
Planning records system	3,054	3,000	4,000	2,035
Fort Turgis - EIA	10,063	-	-	-
TOTAL REVENUE EXPENDITURE	44,515	38,500	41,500	27,188

GENERAL SERVICES COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Agriculture								
Fees and charges	764		2,000		1,500		1,932	
Rents	3,397		4,000		4,000		3,683	
Slaughterhouse fees	2,758		3,500		3,500		3,262	
		6,919		9,500		9,000		8,877
Gardens, Cemetery and Church								
Burial plots		783		900		800		921
Public Services								
Administration								
Hire vehicle fees	2,132		3,000		3,000		2,640	
Vehicle import licence fees	33,200		30,000		25,000		25,925	
		35,332		33,000		28,000		28,565
Properties - General								
Rent	43,879		32,000		30,000		29,791	
Properties - Housing								
Rent	240,957		250,000		250,000		242,253	
Sewage, Sanitation and Refuse								
Cesspit emptying fees	6,820		7,200		7,200		6,687	
Refuse charges	7,000		10,000		20,000		-	
		13,820		17,200		27,200		6,687
		333,988		332,200		335,200		307,296
Recreation								
Campsite								
Campsite fees (net)	5,648		4,200		4,200		4,565	
Rent of showers/shop	200		200		100		100	
		5,848		4,400		4,300		4,665
Island Hall								
Island Hall rents	10,197		7,500		6,500		208	
		16,045		11,900		10,800		4,873
TOTAL REVENUE INCOME		357,735		354,500		355,800		321,967

GENERAL SERVICES COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Alderney Harbour trading loss		75,564		46,800		53,400		51,937
Agriculture								
Staff	98,954		100,000		100,000		96,009	
Supplies and services	27,400		18,000		16,000		18,774	
Bovine Spongiform Encephalopathy - Compensation	1,350		2,000		2,000		900	
Disposal costs	147		600		600		-	
Dairy and land management compensation	60,934		65,000		65,000		59,058	
Foot and mouth insurance	1,624		1,600		1,000		967	
Slaughterhouse	5,331		3,500		3,000		7,677	
Veterinary services	2,618		3,500		3,500		3,050	
		198,358		194,200		191,100		186,435
Civil Emergency								
Premises	1,502		2,000		2,000		1,343	
Supplies and services	1,133		3,500		3,000		8,153	
Environmental monitoring	15,900		18,000		15,600		17,676	
Responses to major incidences	-		2,500		2,500		(21,500)	
		18,535		26,000		23,100		5,672
Fieldwork Scheme								
Staff	3,533		8,000		8,000		7,536	
Supplies and services	72		500		500		397	
		3,605		8,500		8,500		7,933
Gardens, Cemetery and Church								
Staff	23,422		27,500		27,900		23,330	
Supplies and services	2,284		3,000		2,500		4,709	
	25,706		30,500		30,400		28,039	
<i>Less recoveries</i>	(1,750)		(2,000)		(1,200)		(2,147)	
		23,956		28,500		29,200		25,892
Health and Welfare								
Administration								
Supplies and services	34		500		500		200	
Education and Health								
Grant to Alderney playschools	350		500		500		350	
School bus subsidy	12,589		14,000		14,000		11,952	
Youth employment scheme	-		3,000		3,000		887	
	12,939		17,500		17,500		13,189	
Home Carers Service								
Staff	1,723		2,000		2,000		1,591	
<i>Less recoveries</i>	(1,194)		(800)		(800)		(950)	
	529		1,200		1,200		641	
Welfare Services								
Out-relief and welfare support	6,824		15,000		24,000		14,168	
<i>Less recoveries</i>	-		(1,000)		(2,000)		(200)	
	6,824		14,000		22,000		13,968	
		20,326		33,200		41,200		27,998

GENERAL SERVICES COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Public Services								
Administration								
Staff	104,080		101,000		95,800		91,964	
Supplies and services	14,671		17,000		13,500		17,014	
	<u>118,751</u>		<u>118,000</u>		<u>109,300</u>		<u>108,978</u>	
Fire Brigade and Cliff Rescue								
Staff	20,873		23,000		25,000		19,562	
Supplies and services	4,894		12,000		12,000		13,848	
Administration of Law	200		3,000		5,000		1,323	
	<u>25,967</u>		<u>38,000</u>		<u>42,000</u>		<u>34,733</u>	
Properties - General								
Staff	137,815		107,000		150,300		158,330	
Supplies and services	114,065		100,000		75,000		100,782	
	<u>251,880</u>		<u>207,000</u>		<u>225,300</u>		<u>259,112</u>	
<i>Less recoveries</i>	<u>(37,206)</u>		<u>(15,000)</u>		<u>(15,000)</u>		<u>(49,841)</u>	
	<u>214,674</u>		<u>192,000</u>		<u>210,300</u>		<u>209,271</u>	
Properties - Housing								
Staff	75,424		99,000		94,900		63,044	
Supplies and services	69,854		75,000		30,000		38,174	
	<u>145,278</u>		<u>174,000</u>		<u>124,900</u>		<u>101,218</u>	
Refuse Collection and Disposal								
Staff	132,793		131,000		110,200		128,360	
Supplies and services	151,152		159,000		240,000		27,888	
Refuse separation / recycling - staff	61,473		47,000		50,000		33,495	
Refuse separation / recycling - supplies and services	46,892		65,000		65,000		64,519	
	<u>392,310</u>		<u>402,000</u>		<u>465,200</u>		<u>254,262</u>	
<i>Less recoveries</i>	<u>(4,078)</u>		<u>(5,000)</u>		<u>(5,000)</u>		<u>(193)</u>	
	<u>388,232</u>		<u>397,000</u>		<u>460,200</u>		<u>254,069</u>	
Roads, Coasts and Beaches								
Staff	45,493		58,300		92,200		56,085	
Supplies and services	187,068		170,000		170,000		162,836	
	<u>232,561</u>		<u>228,300</u>		<u>262,200</u>		<u>218,921</u>	
<i>Less recoveries</i>	<u>(1,707)</u>		<u>(5,000)</u>		<u>(5,000)</u>		<u>(379)</u>	
	<u>230,854</u>		<u>223,300</u>		<u>257,200</u>		<u>218,542</u>	
Sewage and Sanitation								
Staff	67,638		65,000		63,200		74,844	
Supplies and services	33,570		30,000		27,500		38,526	
	<u>101,208</u>		<u>95,000</u>		<u>90,700</u>		<u>113,370</u>	
<i>Less recoveries</i>	<u>(5,714)</u>		<u>(4,000)</u>		<u>(4,000)</u>		<u>(1,892)</u>	
	<u>95,494</u>		<u>91,000</u>		<u>86,700</u>		<u>111,478</u>	
Vehicle Fleet								
Staff	12,783		13,200		13,200		15,967	
Supplies and services	24,308		18,000		23,500		19,432	
	<u>37,091</u>		<u>31,200</u>		<u>36,700</u>		<u>35,399</u>	
<i>Less recoveries</i>	<u>(3,508)</u>		<u>(3,000)</u>		<u>(3,500)</u>		<u>(2,880)</u>	
	<u>33,583</u>		<u>28,200</u>		<u>33,200</u>		<u>32,519</u>	
	<u>1,252,833</u>		<u>1,261,500</u>		<u>1,323,800</u>		<u>1,070,808</u>	

GENERAL SERVICES COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Recreation								
Administration								
Grants - sporting and cultural activities	1,200		3,200		3,200		849	
Official entertainments and presentations	4,235		6,000		6,000		8,324	
	<u>5,435</u>		<u>9,200</u>		<u>9,200</u>		<u>9,173</u>	
Camp Site								
Camp site expenses	1,306		3,500		3,500		4,581	
	<u>1,306</u>		<u>3,500</u>		<u>3,500</u>		<u>4,581</u>	
Children's Playground								
Supplies and services	3,192		2,500		2,000		2,161	
	<u>3,192</u>		<u>2,500</u>		<u>2,000</u>		<u>2,161</u>	
Island Hall								
Premises	4,107		5,000		2,000		1,055	
Staff	5,013		5,300		8,200		971	
Supplies and services	3,455		3,000		3,000		2,930	
	<u>12,575</u>		<u>13,300</u>		<u>13,200</u>		<u>4,956</u>	
		22,508		28,500		27,900		20,871
Sea Fisheries								
Staff	15,300		15,300		15,300		14,700	
Supplies and services	3,336		3,100		3,100		2,536	
	<u>18,636</u>		<u>18,400</u>		<u>18,400</u>		<u>17,236</u>	
TOTAL REVENUE EXPENDITURE		1,634,321		1,645,600		1,716,600		1,414,782

POLICY AND FINANCE COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration								
Company registrations	9,186		20,000		15,500		19,750	
Court receipts	41,104		42,000		42,000		41,110	
Duty free concession	35,341		33,000		30,200		33,969	
Housing loan interest	525		700		1,000		800	
Interest receivable	34,367		30,000		25,000		29,404	
Numismatic revenues	157,854		150,000		125,000		158,301	
Occupiers rates	335,628		336,000		395,000		250,812	
Permits and licences	11,320		10,000		10,000		8,128	
Post Office - share of philatelic profits	62,214		33,000		30,000		28,674	
Rents	28,795		28,800		28,800		28,795	
Royalties and fees	4,586		3,500		3,500		3,431	
Sundry sales and charges	14,367		12,000		8,000		10,212	
Television tender payments	-		1,000		1,000		891	
	735,287		700,000		715,000		614,277	
<i>Less</i> transfer to currency reserve	(35,370)		(30,000)		(30,000)		(28,651)	
		699,917		670,000		685,000		585,626
Grants								
Lottery profits		3,945		3,900		1,500		1,573
Promotion and Marketing								
Accommodation permits	2,724		3,000		3,000		2,808	
Sale of advertising space	15,277		15,500		15,000		14,516	
		18,001		18,500		18,000		17,324
TOTAL REVENUE INCOME		721,863		692,400		704,500		604,523

POLICY AND FINANCE COMMITTEE

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
Administration								
Premises	15,040		15,000		15,000		12,297	
Staff	454,445		472,500		484,000		424,437	
Supplies and services	119,664		95,000		90,000		83,044	
Audit fees and expenses	15,048		12,500		11,700		12,171	
Breakwater / harbour investigations	-		-		5,000		(1,280)	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	5,916		5,000		5,000		3,913	
Insurance	27,338		24,000		14,000		13,050	
Meteorological station	22		300		300		201	
States members expenses	33,652		24,000		19,000		22,069	
Supplementary pensions	1,026		800		800		739	
Tidal Power Commission expenses	10,195		-		-		-	
Unforeseen expenditure	-		14,500		34,500		-	
	697,346		678,600		694,300		585,641	
<i>Less recoveries</i>	(14,025)		(13,500)		(13,500)		(13,209)	
		683,321		665,100		680,800		572,432
Administration of Justice								
Supplies and services		18,229		25,000		16,000		21,460
Grants								
Alderney Island Games Association	7,000		7,000		-		-	
Alderney Library	3,000		3,000		3,000		3,000	
Alderney Week	4,000		4,000		4,000		3,990	
Alderney Wildlife Trust	12,000		12,000		12,000		12,000	
Minor grants	9,613		6,000		6,000		7,681	
St. John Ambulance Brigade	30,000		30,000		10,000		23,000	
		65,613		62,000		35,000		49,671
Promotion and Marketing								
Administration								
Premises	4,608		7,000		6,500		6,877	
Staff	42,937		34,000		35,400		35,574	
Supplies and services	15,247		13,000		13,000		19,953	
	62,792		54,000		54,900		62,404	
Promotions								
Supplies and services	88,957		81,500		81,500		96,914	
Events services	3,777		10,000		10,000		5,588	
Promotion of local trade and industry	13,836		18,000		18,000		12,375	
	106,570		109,500		109,500		114,877	
		169,362		163,500		164,400		177,281
TOTAL REVENUE EXPENDITURE		936,525		915,600		896,200		820,844

STATES OF ALDERNEY CAPITAL ACCOUNT SUMMARY

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
INCOME ON CAPITAL ACCOUNT	£	£	£	£
General Services Committee	9,558	6,150	6,000	6,551
Policy and Finance Committee	459,425	433,700	324,630	821,746
TOTAL INCOME ON CAPITAL ACCOUNT	468,983	439,850	330,630	828,297
Excess of Expenditure over Income on Capital Account recovered from the States of Guernsey	120,571	1,325,451	4,620,370	132,871
	589,554	1,765,301	4,951,000	961,168

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
EXPENDITURE ON CAPITAL ACCOUNT	£	£	£	£
General Services Committee	572,425	1,756,224	4,951,000	942,743
Policy and Finance Committee	17,129	9,077	-	18,425
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	589,554	1,765,301	4,951,000	961,168

GENERAL SERVICES COMMITTEE

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Sale of vehicles	3,000	-	-	355
Sewerage Law contributions	6,558	6,150	6,000	6,196
TOTAL CAPITAL INCOME	9,558	6,150	6,000	6,551

GENERAL SERVICES COMMITTEE

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Alderney Harbour capital expenditure	210,789	1,212,168	4,096,000	69,929
Health and Welfare				
Royal Connaught Residential Home				
Lift - replacement - £40,000	-	8,462	-	21,818
Repairs, replacement windows and extra room - £37,000	(21,105)	(18,000)	-	60,407
Public Services				
Land and Property				
Airport - acquisition and preparation of land - £30,000	-	4,190	-	250
Crusher site infrastructure - £89,590	593	26,709	-	2,580
Fire station relocation - £243,516	2,681	3,000	-	24,993
Island Hall				
Car park and railings etc - £50,000	26,201	50,000	-	-
Repairs/conversion, Court repairs and sale of property - £760,000 (net)	171,770	160,000	250,000	601,306
Court House tender documents - £12,000	1,540	1,540	-	1,928
Newtown land purchase - £18,000	18,540	-	-	-
St Anne's Church roof repairs	-	35,000	35,000	-
Val Field - purchase and car park construction - £125,000	80,223	125,000	-	-
Whitegates - repairs and renovation	-	50,000	-	-
Sewage, Sanitation and Refuse				
Impot Tip - infrastructure improvements - £40,000	1,077	10,432	-	29,568
Portable toilet block - purchase - £10,000	10,732	10,000	-	-
Upgrade foul water sewer - Le Vallee	-	-	540,000	-
Waste Compacting and Transfer Equipment - £120,000	34,559	52,723	-	67,277
Vehicles and Plant				
Vehicles - replacement - £25,000	34,825	25,000	30,000	-
Per published accounts 2004	-	-	-	62,687
TOTAL CAPITAL EXPENDITURE	572,425	1,756,224	4,951,000	942,743

POLICY AND FINANCE COMMITTEE

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Loan repayments -				
Alderney Football Association	416	415	415	416
Alderney Snooker Club	3,321	3,285	3,215	3,321
Property Transfer Duties				
Congé	408,761	350,000	300,000	422,238
Leasehold Duty	23,100	30,000	20,000	57,458
Transfer Duty	8,827	10,000	1,000	3,840
	<u>440,688</u>	<u>390,000</u>	<u>321,000</u>	<u>483,536</u>
Sale of freeholds - Le Banquage	-	-	-	116,762
Sale of States land	15,000	40,000	-	-
Transfer from Currency Reserve Account	-	-	-	217,711
TOTAL CAPITAL INCOME	459,425	433,700	324,630	821,746

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
Fort Tourgis - consultancy and marketing costs - £58,000	17,129	9,077	-	18,425
TOTAL CAPITAL EXPENDITURE	17,129	9,077	-	18,425

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR (Note 5)

	Accounts 2005		Probable Outturn 2005		Budget 2005		Accounts 2004	
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
INCOME								
Administration								
Facilities charges	39,829		42,000		40,000		41,958	
Sundries	4,942		6,500		6,000		6,225	
	44,771		48,500		46,000		48,183	
<i>Less concessions on charges</i>	(1,195)		(1,000)		(1,000)		(6,644)	
	43,576		47,500		45,000		41,539	
Crane dues and boat lifts	53,215		43,000		43,000		41,473	
Moorings and Navigation								
Fees	112,124		110,000		110,000		101,708	
Pilotage fees	25,076		28,000		28,000		25,929	
	137,200		138,000		138,000		127,637	
<i>Less pilots remuneration</i>	(7,287)		(7,500)		(7,500)		(7,446)	
<i>concessions on charges</i>	(3,593)		(4,000)		(5,000)		(3,938)	
	126,320		126,500		125,500		116,253	
Quays and Buildings rent	14,955		14,500		14,000		14,381	
TOTAL INCOME		238,066		231,500		227,500		213,646
EXPENDITURE								
Administration								
Staff	204,158		203,500		210,400		199,882	
Supplies and services	32,740		23,500		23,500		27,494	
Insurance	9,110		9,000		6,000		5,798	
Port security expenses	-		3,500		3,500		378	
	246,008		239,500		243,400		233,552	
<i>Less recoveries</i>	(37,353)		(54,000)		(54,000)		(49,955)	
	208,655		185,500		189,400		183,597	
Cranes								
Staff	32,754		32,000		30,600		26,982	
Supplies and services	10,899		10,000		10,000		3,637	
	43,653		42,000		40,600		30,619	
<i>Less recoveries</i>	(5,061)		(4,200)		(4,100)		(4,198)	
	38,592		37,800		36,500		26,421	
Moorings and Navigation								
Supplies and services	34,551		30,000		30,000		33,414	
Wrecks and salvage	2,026		3,000		3,000		2,000	
	36,577		33,000		33,000		35,414	
Quays and Buildings								
Premises	29,806		22,000		22,000		20,151	
TOTAL EXPENDITURE		313,630		278,300		280,900		265,583
TRADING (LOSS) FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE		(£75,564)		(£46,800)		(£53,400)		(£51,937)

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR (Note 5)

	Accounts 2005	Probable Outturn 2005	Budget 2005	Accounts 2004
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Boat hoist - purchase - £50,000	47,450	50,000	-	-
Commercial Quay renovation and survey costs £4,050,000	84,185	1,050,000	4,000,000	46,884
Glacis boat park	-	50,000	-	-
Mobile crane - refurbishment - £35,000	42,245	35,000	25,000	-
Office/freight shed - reconstruction	-	-	50,000	-
Radar - replacement - £14,000	14,308	-	-	-
Rib - replacement - £22,300	18,283	15,756	21,000	6,544
Security fencing - £20,000	4,318	11,412	-	8,588
Per published accounts 2004	-	-	-	7,913
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	£210,789	£1,212,168	£4,096,000	£69,929

STATES OF ALDERNEY**NOTES TO THE ACCOUNTS****1 PRINCIPAL ACCOUNTING POLICIES**

- a. General revenue account receipts and payments arising in the month following the year end are brought into account in the accounting year to which they relate.
- 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 provides pension arrangements for the majority of full time employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of actuaries. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Norwich Union. A full actuarial valuation of the scheme was carried out as at 1st January 2003.

In accordance with Financial Reporting Standard 17, "Retirement Benefits" (FRS 17), the States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 31st December 2005. The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31st December 2005.

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2005	Valuation at 31 December 2004
Pensionable salary growth	4.3% pa	4.5% pa
Pension escalation in payment	4.0% pa	4.0% pa
Discount rate	4.9% pa	5.2% pa
Inflation assumption	3.3% pa	4.0% pa

The assets in the scheme and the expected rate of return were:

	Value at 31 December 2005 (£)	Expected return for 2006 (%)	Value at 31 December 2004 (£)	Expected return for 2005 (%)
Unitised with-profits policy	£1,925,000	5.75%	£1,939,000	6.0%
Other	Nil	-%	Nil	-%

STATES OF ALDERNEY**PENSION COSTS (Continued)**

	2005	2004
Total market value of assets	£1,925,000	£1,939,000
Present value of scheme liabilities	(£3,301,000)	(£2,951,000)
Surplus/(Deficit) in the scheme	(£1,376,000)	(£1,012,000)
Net pension asset/ (liability)	(£1,376,000)	(£1,012,000)

Over the year to 31st December 2005 the employer contributed at the rate of 20% of pensionable salaries, including death in service premiums, subject to review at future actuarial valuations. The employee's contribution was 6% of pensionable salaries.

3 RELATED PARTY TRANSACTIONS

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2005 the value of these purchases was £62,646. The States has provided goods and services to the Company during 2005 to the value of £4,718.

4 ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £1,280,650 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 and for the investment of the surplus.

5 ALDERNEY HARBOUR ACCOUNT

The trading loss and capital expenditure is funded by the General Services Committee.

SUMMARY OF BALANCES AT 31 DECEMBER 2005

<u>Loans made and not repaid</u>	Balance of Loans 01.01.05	Repayments 2005	Balance 31.12.05
	£	£	£
Alderney Football Association (Vote 05.06.91)	854	(416)	438
	Balance of Loans 01.01.05	Repayments 2005	Balance 31.12.05
	£	£	£
New Alderney Snooker Club (Vote 16.07.01)	21,590	(3,321)	18,269
<u>LE BANQUAGE HOUSING LOANS SCHEME</u>			2005
<u>CAPITAL ACCOUNT</u>			£
Balance of funds at 01.01.05 and at 31.12.05			299,099
			<u>299,099</u>
<u>BORROWERS ACCOUNT</u>			
Balance with borrowers at 01.01.05			14,584
Instalment of loans repaid during 2005			(8,805)
Balance with borrowers at 31.12.05			<u>5,779</u>
Balance not lent at 31.12.05			<u>293,320</u>
			<u>299,099</u>
<u>COINS IN CIRCULATION ACCOUNT</u>			
Value of coins in circulation at 01.01.05			1,448,021
Value of coins issued in 2005			270,520
Less: value of coins withdrawn from circulation in 2005			(6,566)
Value of coins in circulation at 31.12.05			<u>1,711,975</u>
<u>CURRENCY RESERVE FUND</u>			
Balance at 01.01.05			293,567
Base metal coins issued in 2005			35,370
Less: value of coins redeemed in 2005			(6,556)
Balance at 31.12.05			<u>322,381</u>
<u>INVESTMENTS</u>			
<u>2004</u>		<u>2005</u>	
SHARES £	<u>Alderney Electricity Ltd.</u>	SHARES £	
	Ordinary Shares at £1 each fully paid at cost		
34,730 39,860	Balance at 01.01.05 and 31.12.05	34,730 39,860	
<u>2004</u>		<u>2005</u>	
SHARES £	<u>Alderney Electricity Ltd.</u>	SHARES £	
	7% Cumulative Preference shares		
	at £1 each fully paid at cost		
10,950 5,499	Balance at 01.01.05 and 31.12.05	10,950 5,499	
<u>2004</u>		<u>2005</u>	
SHARES £	<u>Alderney Golf Club</u>	SHARES £	
	Shares at £1 each fully paid at cost		
650 650	Balance at 01.01.05 and 31.12.05	650 650	
<u>2004</u>		<u>2005</u>	
SHARES £	<u>Royal Connaught Residential Home Ltd</u>	SHARES £	
	Shares at £1 each fully paid at cost		
2 2	Balance at 01.01.05 and 31.12.05	2 2	

SUMMARY OF BALANCES AT 31 DECEMBER 2005

<u>2004</u> £	Bank accounts	<u>2005</u> £
953	<u>Daisy Hansen St Anne's School Trust</u>	957
4	Balance at 01.01.05	5
<u>957</u>	Interest received	<u>962</u>
	Balance at 31.12.05	
607	<u>States of Alderney Queens Silver Jubilee Fund</u>	483
(124)	Balance at 01.01.05	(483)
<u>483</u>	Community project - Alderney Wildlife Trust	<u>-</u>
	Balance at 31.12.05	
10,933	<u>The Anne French Hospital Annexe Fund</u>	11,102
169	Balance at 01.01.05	173
<u>11,102</u>	Interest received	<u>11,275</u>
	Balance at 31.12.05	
1,123	<u>The Anne French Room Fund</u>	1,128
5	Balance at 01.01.05	-
-	Interest received	(1,128)
<u>1,128</u>	Anne French Room curtains - part cost	<u>-</u>
	Balance at 31.12.05	
10,653	<u>States of Alderney Education Committee</u>	6,946
255	<u>(ex - Tostevin Trust)</u>	140
10,908	Balance at 01.01.05	7,086
(3,962)	Interest received	(2,325)
<u>6,946</u>	Educational Grants	<u>4,761</u>
	Balance at 31.12.05	
12,548	<u>States of Alderney Interest on Investments Account</u>	12,646
398	<u>(Educational Bequests)</u>	431
12,946	Balance at 01.01.05	13,077
(300)	Interest received	(290)
<u>12,646</u>	Grants	<u>12,787</u>
	Balance at 31.12.05	
1,546	<u>The Packe History Trust</u>	1,554
8	Balance at 01.01.05	19
<u>1,554</u>	Interest received	1,573
-	School History prize	(25)
<u>1,554</u>	Balance at 31.12.05	<u>1,548</u>

SUMMARY OF BALANCES AT 31 DECEMBER 2005

<u>2004</u> £	Bank accounts	<u>2005</u> £
<u>200</u>	<u>Alderney Pilotage Board</u> Balance at 01.01.05 and 31.12.05	<u>200</u>
15,040	<u>The Mary Roylance Jubilee Home Fund</u> Balance at 01.01.05	15,424
<u>484</u>	Interest received	<u>528</u>
15,524		15,952
<u>(100)</u>	Residents' amenities	<u>(140)</u>
<u>15,424</u>	Balance at 31.12.05	<u>15,812</u>
16,764	<u>The Mary Roylance Mignot Memorial Hospital Fund</u> Balance at 01.01.05	17,507
<u>743</u>	Interest received	<u>835</u>
<u>17,507</u>	Balance at 31.12.05	<u>18,342</u>
34,766	<u>St Anne's Trust</u> Balance at 01.01.05	35,440
<u>1,374</u>	Interest received	<u>1,603</u>
36,140		37,043
<u>(700)</u>	Grant	<u>(2,250)</u>
<u>35,440</u>	Balance at 31.12.05	<u>34,793</u>
62,422	<u>The New Parsonage House Trust</u> Balance at 01.01.05	65,029
<u>2,640</u>	Interest received	<u>102</u>
65,062		65,131
<u>(33)</u>	Maintenance costs	<u>(141)</u>
<u>65,029</u>	Balance at 31.12.05	<u>64,990</u>

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 are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities

Independent auditors' report to the members of the States of Alderney Water Board

We have audited the financial statements (the "financial statements") of the States of Alderney Water Board for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Board is responsible for preparing the Statement of the Board's Responsibilities and the financial statements in accordance with UK accounting standards as set out in the Statement of the Board's Responsibilities on page 1.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the accounting policies as set out in note 1. We also report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Statement of the Board's Responsibilities and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view in accordance with UK Accounting Standards, of the state of the Board's affairs as at 31 December 2005 and of its deficit for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

31 March 2006

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2005

	Notes	£	2005	£	£	2004	£
REVENUE	1						
Unmetered supplies		222,715			217,204		
Metered supplies		38,505			36,312		
Service charges		<u>4,482</u>			<u>4,674</u>		
				265,702			258,190
EXPENSES	1						
OPERATING AND MAINTENANCE EXPENSES							
Salaries and wages		148,258			137,622		
Water treatment charges		14,913			9,692		
Fuel and electricity		40,126			24,078		
Maintenance		16,469			22,338		
Pension costs	2	22,752			22,395		
Depreciation	1 & 5	<u>16,722</u>			<u>17,111</u>		
		<u>259,240</u>			<u>233,236</u>		
ADMINISTRATION AND GENERAL EXPENSES							
Wages and administration charge		12,456			11,974		
Rents, rates and taxes		3,314			2,976		
Insurance		4,168			2,945		
Motor vehicle expenses		2,905			3,032		
Postage and telephone		1,988			1,405		
Printing and stationery		288			1,088		
Accountancy and audit		2,380			2,558		
Bank charges		487			436		
Travelling and general expenses		1,662			1,858		
Consultancy fees and expenses		1,570			1,511		
Bad Debts written off		<u>1,050</u>			<u>1,013</u>		
		<u>32,268</u>			<u>30,796</u>		
OPERATING DEFICIT				(291,508)			(264,032)
				(25,806)			(5,842)
OTHER INCOME							
Interest receivable				<u>17,848</u>			<u>21,648</u>
SURPLUS (DEFICIT) FOR THE YEAR				(7,958)			15,806
BALANCE BROUGHT FORWARD				622,829			607,023
BALANCE CARRIED FORWARD				<u>£614,871</u>			<u>£622,829</u>

The Water Board has no recognised gains or losses other than the deficit for the year

Notes 1 to 5 form part of these financial statements

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31ST DECEMBER 2005

	Notes	£	2005	£	£	2004	£
ASSETS EMPLOYED							
FIXED ASSETS	1 & 5			233,535			232,396
CURRENT ASSETS							
Stock	1	28,256			23,950		
Debtors		48,869			54,094		
Bank balances - deposit		392,600			242,753		
Bank balances - current		13,708			175,863		
		<u>483,433</u>			<u>496,660</u>		
LIABILITIES FALLING DUE WITHIN ONE YEAR							
Creditors		<u>15,811</u>			<u>19,941</u>		
				467,622			476,719
NET ASSETS							
				<u>£701,157</u>			<u>£709,115</u>
FINANCED BY							
RESERVES							
General	3			86,286			86,286
Revenue Account				<u>614,871</u>			<u>622,829</u>
				<u>£701,157</u>			<u>£709,115</u>

Notes 1 to 5 form part of these financial statements

The financial statements were approved by the States of Alderney Water Board on 28 March 2006 and are signed on its behalf by:

B. Pengilley
Chairman

STATES OF ALDERNEY WATER BOARD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005****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 UK applicable accounting standards.

Revenue and Expenses

Income and Expenditure is recognised on an accruals basis.

Fixed Assets

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 fixed assets over their anticipated useful lives using the straight line method:

	%
Mains and services	2.50
Buildings	2.50
Machinery	6.66
Tools and equipment	10.00
Motor vehicle	33.33
Consumers' meters	10.00

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.

Cash Flow Statement

Under Financial Reporting Standard No 1 the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

2 PENSION COSTS

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2003 indicated that the fund was in deficit. A contribution rate of 20% was agreed with the actuary for 2005.

Employees contribute at a rate of 6%.

Because the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £22,752. (2004: £22,395)

3 GENERAL RESERVE

The General Reserve is an historic record of States of Alderney investment into the Water Board in the early years of operation.

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**4 RELATED PARTY TRANSACTIONS**

In 2005 Mr B Pengilley 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 J Postlethwaite during the year 2005.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2005 the value of these purchases was £40,598.

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

5 FIXED ASSETS

	At 1st January 2005	Additions/ Charge	Disposals and amounts written off	At 31st December 2005
	£	£	£	£
COST				
Land	10	-	-	10
Mains and Services	240,690	-	-	240,690
Buildings	19,863	-	-	19,863
Machinery	65,381	17,861	-	83,242
Tools and Equipment	12,418	-	(1,326)	11,092
Motor Vehicle	12,981	-	(12,981)	-
Consumer Meters	11,896	-	(9,076)	2,820
	<u>363,239</u>	<u>17,861</u>	<u>(23,383)</u>	<u>357,717</u>
DEPRECIATION				
Mains and Services	87,090	6,037	-	93,127
Buildings	7,848	497	-	8,345
Machinery	13,217	4,754	-	17,971
Tools and Equipment	3,747	1,161	(1,326)	3,582
Motor Vehicle	9,374	3,607	(12,981)	-
Consumer Meters	9,567	666	(9,076)	1,157
	<u>130,843</u>	<u>16,722</u>	<u>(23,383)</u>	<u>124,182</u>
NET BOOK AMOUNT	<u>£ 232,396</u>			<u>£ 233,535</u>

States of Guernsey Public Services Department

States Works

Statement of activities and performance

Year ended 31 December 2005

Principal activities

States Works, a division of the Public Services Department, operates as a trading organisation which contracts with mainly States' clients to deliver a wide range of services. Those services demand the effort of a predominately manual labour force utilising specialist plant and equipment to maintain the public services of the island.

Financial highlights

	2005	2004
	£'000	£'000
Income	8,571	8,591
Surplus	340	344
Capital expenditure	198	294

Income is almost unchanged from 2004, so it is encouraging that costs have also been contained resulting in a surplus of £340,389, which is less than 1% below 2004 despite more difficult trading conditions throughout the year.

As a direct result of gaining the agency for Flygt pumps in 2003 the division continues to see a growth in income in this area which accounts for most of the increased revenue for sewers and pump station work.

Income from land work increased by over 10% as the Parks and Gardens and Playing Fields sections expanded the amount of work undertaken in landscape and grass maintenance.

There was a significant reduction in income from buildings maintenance following an exceptional year in 2004 when several major projects were completed. 2005 saw a tightening of budgets for many States clients resulting in a reduction in activity. This situation looks set to continue for some time so further reductions in revenue are likely.

Direct labour costs increased by only 1.1% on 2004 despite a pay award of 4.5% from the beginning of the year and a further increase from April. By mid year it was clear that our major clients will be looking to reduce contract values with States Works from 2006 so in anticipation of lower revenue, overtime is being reduced and as posts have become vacant, many have not been filled. At 31 December 2005, 182 posts were occupied compared to 194 at the start of the year.

2005 has been a good year for States Works as the division enters a period when revenue may well begin to fall as major contracts, which in 2005 amounted to 45% of total income, are lowered in value to match clients reduced budgetary values. It is likely that this will result in lower future profits but the division is well placed to withstand any reduced trading activities.

States of Guernsey Public Services Department

States Works

Statement of activities and performance - continued

Year ended 31 December 2005

Operational Performance

Overheads

	2005	2004
Numeric ratio: Support staff/Operational Staff	16.2%	14.3%
Cost ratio: Support staff/Operational Staff	22.1%	21.7%

Effort

Income/Employee	£ <u>57,023</u>	£ <u>52,773</u>
-----------------	-----------------	-----------------

Emergency Call-Out

Number of calls	428	445
Man hours worked	1,344	1,667

Non Scheduled Work

New jobs raised	4,684	4,401
-----------------	-------	-------

Developments in 2005

The formation of the Public Services Department (PSD) under the Machinery of Government changes has given States Works the opportunity of working far more closely with other Divisions within the Department than would have previously been possible. This has resulted in new Service Level Agreements (SLA) being prepared and accepted, offering auditable value for money services to all PSD Divisions.

The second half of the year saw States Works take over the responsibility for the managing and running of the Sewage Collection Service. This operation has historically been managed from the PSD centre but the Board decided to place this workforce and its operations with States Works who have greater experience and expertise in managing this type of operation. The financial responsibility for the operating of this activity will take effect from 1 January 2006.

With the impending cuts to States budgets, States Works have been actively reducing staffing levels in all areas. As a Division whose contracts are very much labour orientated, any cuts in contract value has an immediate effect on staff numbers. This has been recognised very early and staff numbers have been reduced by 6.2% during the final six months of 2005. This reduction is expected to continue into 2006.

The Flygt pump agency, continues to grow from strength to strength and we anticipate this situation will continue for as long as the islands sewage network extension programme runs. Once this programme ends, the work associated with many Service Level Agreements for the maintenance of these pumps will of course continue, providing a continuous source of income from this agency.

States of Guernsey Public Services Department States Works

Statement of activities and performance - continued

Year ended 31 December 2005

Board members and principal officers

Deputy WM Bell, Minister

Deputy ME Burbridge, Deputy Minister (died 27 June 2005)

Deputy TM Le Pelley, Deputy Minister (appointed 30 September 2005)

Deputy AH Brouard

Deputy RJ Le Moignan

Deputy S Ogier (appointed 28 September 2005)

Principal officers were:

Mr RT Kirkpatrick, Chief Executive, Public Services Department

Mr A Lewis, Deputy Chief Officer, Public Services Department

Mr NJ Dorey, General Manager, States Works

Mr BG Langlois, Financial Controller, States Works

Mr JD McEwan, Contract Managers, States Works

Mr N Le C Nicolle, Projects Manager, States Works

States of Guernsey Public Services Department

States Works

Statement of responsibilities for the preparation of financial statements

The Public Services Department (“the Board”) is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the 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 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 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 the Division will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. It 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

It is the responsibility of each States Department 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 Public Services Department is also responsible for the economic, efficient and effective operations and management of States Works.

It is acknowledged that States Works is subject to financial and manpower restrictions. Nevertheless, the Public Services Department has 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 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 a detailed quarterly report which monitors actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the Public Services Department to ensure that all Board members are informed of the Division’s financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to despatch 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 the computerised job costing and financial accounts packages, which check validity, and permits reconciliation with the wage bill.

States of Guernsey Public Services Department States Works

Statement of internal financial controls - continued

- 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.

The Board strives to ensure that all staff with financial responsibilities in the States Works Division have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect.

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.



KPMG Channel Islands Limited
20 New Street
St Peter Port
Guernsey, Channel Islands
GY1 4AN

Independent auditors' report to the States of Guernsey Public Services Department – States Works

We have audited the financial statements of The States of Guernsey Public Services Department - States Works ("the Division") for the year ended 31 December 2005 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the Board has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Division's affairs as at 31 December 2005 and of its surplus for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

27th April 2006

States of Guernsey Public Services Department

States Works

Revenue account

for the year ended 31 December 2005

	Notes	2005 £	2004 £
Income	2	<u>8,496,467</u>	<u>8,551,266</u>
Expenses			
Labour and direct materials	3	5,903,742	6,033,946
Transport, plant and equipment maintenance	4	732,457	685,857
Building maintenance and charges	5	395,156	415,631
Administration and general	6	<u>1,198,950</u>	<u>1,111,701</u>
		<u>8,230,305</u>	<u>8,247,135</u>
Operating surplus		266,162	304,131
Interest received from States Treasury		<u>74,227</u>	<u>39,568</u>
Surplus for the financial year	11	£ <u>340,389</u>	£ <u>343,699</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 years other than as stated in the revenue account.

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department

States Works

Balance sheet at 31 December 2005

	Notes	2005 £	2004 £
Tangible fixed assets	7	<u>3,866,726</u>	<u>4,151,738</u>
Current assets			
Stock and work in progress	8	165,259	148,374
Debtors and prepayments	9	1,117,117	963,500
Balances due from States Treasury		<u>2,197,771</u>	<u>1,761,199</u>
		<u>3,480,147</u>	<u>2,873,073</u>
Creditors: amounts falling due within one year	10	(272,681)	(291,008)
Net current assets		<u>3,207,466</u>	<u>2,582,065</u>
Total net assets		£ <u>7,074,192</u>	£ <u>6,733,803</u>
Reserves	11	£ <u>7,074,192</u>	£ <u>6,733,803</u>

The financial statements and related notes were approved by the Public Services Department on 13 April 2006.

WM Bell
Minister

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department

States Works

Cash flow statement

for the year ended 31 December 2005

	<i>Notes</i>	2005 £	2004 £
Net cash inflow from operating activities	<i>12</i>	<u>558,649</u>	<u>1,002,642</u>
Returns on investments and servicing of finance			
Interest received		<u>74,227</u>	<u>39,568</u>
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(197,924)	(294,349)
Receipts from sales of tangible fixed assets		<u>1,620</u>	<u>2,070</u>
Net cash outflow from investing activities		(196,304)	<u>(292,279)</u>
Management of liquid resources			
Increase in amounts held with States Treasury		(436,572)	<u>(749,931)</u>
Movement in cash		<u>-</u>	<u>-</u>

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department

States Works

Notes to the financial statements

1. Principal accounting policies

The following accounting policies are prepared in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue

Income comprises amounts in respect of services provided and goods supplied in the year.

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 useful lives using the straight-line method.

	Estimated life in years	Depreciation % per annum
Plant, tools and equipment	20-3	5-33.33
Motor vehicles	10-3	10-33.33
Office equipment	5	20
Buildings and fittings	50-10	2-10
Land		0.00

Stock and work in progress

Stock and work in progress is valued at the lower of costs and net realisable value.

Pension costs

The costs of the defined benefit scheme are charged to the revenue account over the period during which the Board benefits from the employee's services. Surpluses or deficiencies are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

2. Income

	2005 £	2004 £
Maintenance - Building and properties	2,131,961	2,487,539
- Highways	2,384,961	2,271,937
- Sewers and pump stations	1,152,268	1,086,415
- Vehicles and plant	492,516	497,275
- Land areas	1,709,339	1,545,530
Transport services	44,643	37,533
Island wide emergencies and call outs	98,481	95,565
Administrative services	<u>482,298</u>	<u>529,472</u>
	£ 8,496,467	£ 8,551,266

3. Labour and direct materials

	2005 £	2004 £
Labour charges:		
Wages and employers superannuation	<u>3,945,563</u>	<u>3,902,694</u>
Direct materials:		
Materials and services	1,342,323	1,321,904
Stores	409,092	428,079
Sub contractors	218,985	392,265
Less: discounts received	<u>(12,221)</u>	<u>(10,996)</u>
	1,958,179	2,131,252
	£ 5,903,742	£ 6,033,946

4. Transport, plant and equipment maintenance

	2005 £	2004 £
Vehicles - Fuel and maintenance	255,970	218,261
- Depreciation	203,691	210,165
Plant and tools - Maintenance	102,066	113,216
- Replacements	57,460	57,688
- Depreciation	73,928	55,360
Contractors charges	9,598	3,491
Garage expenses	17,929	15,873
Other costs	<u>11,815</u>	<u>11,803</u>
	£ 732,457	£ 685,857

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

5. Building maintenance and charges

	2005 £	2004 £
La Hure Mare	182,044	175,038
Burnt Lane Depot	48,176	76,512
Saumarez Park Depot	1,537	1,404
Other sites	1,520	353
Buildings and fittings depreciation	<u>161,879</u>	<u>162,324</u>
	£ 395,156	£ 415,631

6. Administration and general

	2005 £	2004 £
Salaries, wages and employers superannuation	840,222	791,279
Travel and training charges	53,683	49,749
Post, stationery and telephone	47,270	49,435
Computer charges	86,351	75,126
Insurance	85,097	77,616
Audit fee	8,122	7,765
Sundry office expenses	35,300	17,562
Office and equipment depreciation	37,382	41,240
Loss/(profit) on disposal of fixed assets	4,436	(299)
Bad debts provided for and written off	<u>1,087</u>	<u>2,228</u>
	£ 1,198,950	£ 1,111,701

7. Tangible fixed assets

	1 January 2005 £	Additions £	Written off/ Disposals £	31 December 2005 £
<i>Cost</i>				
Plant, tools and equipment	786,878	55,192	31,678	810,392
Motor vehicles	1,823,815	142,732	24,403	1,942,144
Office equipment	214,641	-	36,990	177,651
Buildings and fittings	3,475,693	-	-	3,475,693
Land	<u>649,220</u>	<u>-</u>	<u>-</u>	<u>649,220</u>
	£ 6,950,247	£ 197,924	£ 93,071	£ 7,055,100

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

7. Tangible fixed assets - continued

	1 January 2005 £	Charge for the year £	Written off/ Disposals £	31 December 2005 £
<i>Depreciation</i>				
Plant, tools and equipment	568,958	73,928	31,287	611,599
Motor vehicles	1,366,617	203,691	24,400	1,545,908
Office equipment	142,231	37,381	31,327	148,285
Buildings and fittings	720,703	161,879	-	882,582
Land	—	—	—	—
	<u>2,798,509</u>	<u>476,879</u>	<u>87,014</u>	<u>3,188,374</u>
Net book value	£ <u>4,151,738</u>			£ <u>3,866,726</u>

8. Stock and work in progress

	2005 £	2004 £
Stock	128,471	137,051
Work in progress	<u>36,788</u>	<u>11,323</u>
	£ <u>165,259</u>	£ <u>148,374</u>

9. Debtors and prepayments

	2005 £	2004 £
Trade debtors	233,862	198,037
Balance due from States Departments	860,364	750,991
Prepayments and other debtors	<u>22,891</u>	<u>14,472</u>
	£ <u>1,117,117</u>	£ <u>963,500</u>

10. Creditors: amounts falling due within one year

	2005 £	2004 £
Trade creditors	185,841	177,317
Accruals	<u>86,840</u>	<u>113,691</u>
	£ <u>272,681</u>	£ <u>291,008</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

11. Reserves

	Revenue account £
Balance 1 January 2005	6,733,803
Surplus for financial year	<u>340,389</u>
Balance 31 December 2005	£ <u>7,074,192</u>

12. Reconciliation of operating surplus to net cash inflow from operating activities

	2005 £	2004 £
Operating surplus	266,162	304,131
Depreciation charges and surplus on sale of tangible fixed assets	481,316	468,789
(Increase)/decrease in stocks and work in progress	(16,885)	67,141
(Increase)/decrease in debtors	(153,617)	92,658
(Decrease)/increase in creditors due within one year	<u>(18,327)</u>	<u>69,923</u>
Net cash inflow from operating activities	£ <u>558,649</u>	£ <u>1,002,642</u>

13. Reconciliation of net cash flow to movement in net funds

	2005 £	2004 £
Movement in cash	-	-
Increase in liquid resources	<u>436,572</u>	<u>749,931</u>
	436,572	749,931
Net funds at 1 January	<u>1,761,199</u>	<u>1,011,268</u>
Net funds at 31 December	£ <u>2,197,771</u>	£ <u>1,761,199</u>

14. Analysis of changes in net funds

	At 1 January 2005 £	Cash Flows £	At 31 December 2005 £
Cash held with States Treasury	£ <u>1,761,199</u>	£ <u>436,572</u>	£ <u>2,197,771</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

15. Capital commitments

	2005	2004
	£	£
Contracted for but not provided	£ <u>49,365</u>	£ <u>2,750</u>

16. Pension Fund

The employees of the States of Guernsey Works Division are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States have decided to maintain the current employer's contribution rate to the Fund at 7.85% which came in to effect at 1 January 2003. Employees contribute at a rate of 6%. The present arrangements for providing pensions for public sector employees will be reviewed during 2006.

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 division has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the profit and loss account. The total amount of superannuation contributions for the year ended 31 December 2005 were £291,774 (2004: £275,194) which were all paid during the year.

17. Related party transactions

The States of Guernsey Public Services Department – Works Division are of the opinion that there have been no related party transactions in the current or preceding financial years apart from with other States entities.

Of the States of Guernsey Public Services – Works Division annual income, 87% (2004: 87%) of the value is due to transactions with other States entities. This includes aggregate value of transactions with the Public Services – Central Services Division totalling 37% (2004: 33%) of the Division's annual income.

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

18. Statement of control

The States of Guernsey Public Services Department – Works Division is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Public Services Department – Works Division has been delegated to the members of the Board who have been appointed by the States of Guernsey.

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 28TH DAY OF JULY, 2006

The States resolved as follows concerning Billet d'État No. XIV
dated 7th July, 2006

TREASURY AND RESOURCES DEPARTMENT

ACCOUNTS OF THE STATES FOR 2005

To approve:-

(1) The following Accounts for the year 2005:-

1. Policy Council
2. Treasury and Resources Department
3. Commerce and Employment Department
4. Culture and Leisure Department
5. Education Department
6. Environment Department
7. Health and Social Services Department
8. Home Department
9. Housing Department
10. Public Services Department
11. Social Security Department
12. Departments' Capital Income and Expenditure
13. Miscellaneous Accounts
14. States Dairy
15. Alderney Airport
16. Ports
17. Guernsey Water

(2) To appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December, 2006.

S. M. D. ROSS
HER MAJESTY'S DEPUTY GREFFIER