



**XII
2010**

BILLET D'ÉTAT

WEDNESDAY, 26th MAY, 2010

**ACCOUNTS OF THE STATES
FOR 2009**

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 MAY, 2010,** immediately after the meetings of the States of Election and the States of Deliberation already convened for that day, for the purpose of considering the States Accounts for 2009.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
7 May 2010

**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

28 April 2010

Dear Sir,

I enclose a copy of the Accounts of the States of Guernsey for the year ended 31 December 2009 together with the Auditors' report thereon.

Yours faithfully,

C. N. K. PARKINSON

Minister
Treasury and Resources Department

(NB The Accounts of the States of Guernsey, which are attached to this Report, are published separately.)

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The States are asked to decide:-

Whether they are of the opinion to approve:-

- (1) The Accounts of the States of Guernsey for the year 2009.
- (2) The following Accounts for the year 2009:-
 1. Ports
 2. Guernsey Water
 3. States Dairy
 4. States Works
- (3) To appoint the firm of Deloitte LLP as auditors of all States accounts for the year ending 31 December, 2010.

(NB The Public Accounts Committee supports the proposition to appoint Deloitte LLP as auditors).

States of Guernsey Public Services Department

Ports

Statement of activities and performance

Year ended 31 December 2009

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 turnover for the Airport for the year was £9.3m, an increase by £0.1m from 2008. The turnover for 2009 at Guernsey Airport increased by 1.1%. Turnover at Guernsey Harbours for the year was £7.6m, an increase of £0.4m from 2008. The turnover for 2009 at Guernsey Harbours increased by 5.3%.

In terms of expenditure, the Airport had budgeted to spend £9.1m in 2009 (2008: £8.8m) and it had been forecast that the Airport would return a net surplus for the year of £453k (2008: £293k). The Airport actually incurred costs of £9.6m (2008: £8.8m), which resulted in a deficit of £321k (2008: £359k surplus). Guernsey Harbours had budgeted to spend £7.8m during the year (2008: £6.7m) with a forecast deficit of £1.0m (2008: Surplus of £445k). The Harbours actually incurred costs of £7.1m (2008: £6.1m) and achieved a surplus of £738k (2008: £1.0m). There were certain relatively high cost maintenance works to Harbour infrastructure, contributing to an increase in the operational expenditure for the year.

Operational performance

Total passenger movements for the year ended 31 December 2009 were 1,357,003 (Guernsey Airport 905,717, Guernsey Harbours 451,286), which were down 0.4% on the previous year. The movements attributable to Guernsey Airport were 1.5% lower and those for Guernsey Harbours 1.9% higher than the previous year.

There were a total of 5 full emergencies declared at Guernsey Airport during 2009 (2008:10).

The Airport employed 116 full time equivalents at the end of 2009 (2008: 116).

The Harbour employed 77 full time equivalents at the end of 2009 (2008: 77).

States of Guernsey Public Services Department Ports

Statement of activities and performance - continued
Year ended 31 December 2009

Board members and principal officers

The Ports are the responsibility of the Public Services Department.

During 2009:

Board Members were:

Deputy B F Flouquet, Minister
Deputy S J Ogier, Deputy Minister
Deputy T M Le Pelley
Deputy A Spruce
Deputy W Walden

Principal officers were:

Mr A Lewis, Chief Officer, Public Services Department
Mr P M Le Huray, Deputy Finance Director, Public Services Department
Mr CJ Le Ray, Airport Director, Guernsey Airport
Capt. P Gill, Harbour Master
Stephen Langlois, Finance and Administration Manager, Guernsey Airport
Richard Pinchemain, Commercial Manager, Guernsey Harbours

Auditors

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

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 and for selecting suitable accounting policies for the Guernsey Airport, the Harbours of St Peter Port and St Sampson (the “Ports”). 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 that 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 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.

Going concern

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

INDEPENDENT AUDITORS' REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT – PORTS

We have audited the financial statements of the States of Guernsey Public Services Department – Ports (“the Ports”) for the year ended 31 December 2009 which comprise the revenue account, the balance sheet, the cash flow statement and related notes 1 to 16 and the supplemental information. These financial statements have been prepared under the accounting policies set out in note 1.

This report is made solely to the States of Guernsey Public Services Department (“the Department”), as a body, in accordance with the terms of our engagement letter dated 26 November 2007 as appended to on 26 May 2009. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to it in an auditors’ 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 Department, for our audit work, for this report, or for the opinions we have formed.

Respective duties of the Department and auditors

The Department’s responsibilities for preparing the financial statements are 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 are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Ports 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. We are not required to consider whether the Department’s statement on internal control over all risks and controls or form part of the effectiveness of the Ports’ risk and control procedures.

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 the Ports’ 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 for the year ended 31 December 2009 have been properly prepared in accordance with the accounting policies set out in note 1.

Deloitte LLP
Chartered Accountants
Guernsey
28 April 2010

States of Guernsey Public Services Department Ports

Revenue account

for the year ended 31 December 2009

	Notes	2009 £	2008 £
Income			
Airport Fees, Charges & Other Income	1	9,287,675	9,203,894
Harbour Dues, Charges & Other Income	1	<u>7,560,400</u>	<u>7,224,425</u>
		16,848,075	16,428,319
Expenses			
Airport		8,185,020	7,313,663
Harbours		5,927,217	5,173,957
Loss on disposal of fixed assets	2	-	123,000
Depreciation	2	<u>2,569,591</u>	<u>2,413,722</u>
		<u>16,681,828</u>	<u>15,024,342</u>
Operating surplus on ordinary activities		166,247	1,403,977
Interest received from States Treasury		<u>51,243</u>	<u>313,060</u>
Surplus for the financial year		<u>217,490</u>	<u>1,717,037</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 16 form an integral part of these financial statements.

States of Guernsey Public Services Department Ports

Balance sheet at 31 December 2009

	<i>Notes</i>	2009 £	2008 £
Fixed Assets			
Tangible fixed assets – Airport	2	43,253,837	43,327,003
Tangible fixed assets – Harbours	2	132,434,503	133,192,325
Assets under construction	3	<u>86,327</u>	<u>86,327</u>
		<u>175,774,667</u>	<u>176,605,655</u>
Current assets			
Stock	4	485,148	527,459
Debtors and prepayments	5	3,003,991	2,308,872
Balances with States Treasury		<u>4,364,153</u>	<u>3,922,880</u>
		<u>7,853,292</u>	<u>6,759,211</u>
Creditors: amounts falling due within one year	6	(694,540)	(648,937)
Net current assets		<u>7,158,752</u>	<u>6,110,274</u>
Total net assets		<u>182,933,419</u>	<u>182,715,929</u>
Reserves	7	<u>182,933,419</u>	<u>182,715,929</u>

These financial statements were approved by the Public Services Department on 15 April 2010.

Signed on behalf of the Board on 27 April 2010.

B M Flouquet

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

States of Guernsey Public Services Department Ports

Cash flow statement for the year ended 31 December 2009

	<i>Notes</i>	2009 £	2008 £
Net cash inflow from operating activities	8	<u>2,128,633</u>	<u>3,541,863</u>
Returns on investments and servicing of finance			
Interest received		<u>51,243</u>	<u>313,060</u>
Capital expenditure			
Payment to acquire tangible fixed assets		<u>(1,738,603)</u>	<u>(8,020,694)</u>
Management of liquid resources			
(Increase)/Decrease in amounts held with States Treasury	9,10	<u>(441,273)</u>	<u>4,165,771</u>
Movement in cash		<u><u>-</u></u>	<u><u>-</u></u>

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

States of Guernsey Public Services Department Ports

Notes to the financial statements

1. Principal accounting policies

The accounting policies adopted are described below.

The accounts are produced on a going concern basis. The Treasury and Resources Department monitors and projects the States of Guernsey income and expenditure and confirms the appropriateness of this basis.

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention as modified for the revaluation of assets.

Income and Expenditure

Income and expenditure to be accounted for on an accruals basis.

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

Tangible fixed assets

Tangible fixed assets 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. All costs associated with capital projects, including professional fees are capitalised.

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

	1 January 2009 £	Additions £	Written off/ Disposals £	31 December 2009 £
<i>Cost</i>				
Land	2,296,578	-	-	2,296,578
Buildings	39,351,440	789,190	-	40,140,630
Plant and machinery	4,460,479	86,582	-	4,547,061
Equipment, fixtures and fittings	4,310,481	121,678	-	4,432,159
Motor vehicles and electrical equipment	1,803,112	353,230	-	2,156,342
Computers and ICT	<u>200,765</u>	<u>-</u>	<u>-</u>	<u>200,765</u>
	<u>52,422,855</u>	<u>1,350,680</u>	<u>-</u>	<u>53,773,535</u>
	1 January 2009 £	Charge for the year £	Written off/ Disposals £	31 December 2009 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	3,094,596	657,953	-	3,752,549
Plant and machinery	2,030,898	312,530	-	2,343,428
Equipment, fixtures and fittings	2,085,139	402,757	-	2,487,896
Motor vehicles and electrical equipment	1,690,426	44,784	-	1,735,210
Computers and ICT	<u>194,793</u>	<u>5,822</u>	<u>-</u>	<u>200,615</u>
	<u>9,095,852</u>	<u>1,423,846</u>	<u>-</u>	<u>10,519,698</u>
Net book value	<u>43,327,003</u>			<u>43,253,837</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

Tangible fixed assets (continued)

Harbours

<i>Cost</i>	1 January 2009 £	Additions £	Written off/ Disposals £	31 December 2009 £
Land	87,515,374	-	-	87,515,374
Buildings	47,493,662	211,899	-	47,705,561
Plant and machinery	2,298,175	125,837	-	2,424,012
Equipment, fixtures and fittings	1,705,175	40,000	-	1,745,175
Motor vehicles and electrical equipment	439,476	10,187	-	449,663
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>139,515,720</u>	<u>387,923</u>	<u>-</u>	<u>139,903,643</u>

<i>Depreciation</i>	1 January 2009 £	Charge for the year £	Written off/ Disposals £	31 December 2009 £
Land	-	-	-	-
Buildings	4,073,606	791,675	-	4,865,281
Plant and machinery	970,806	157,327	-	1,128,133
Equipment, fixtures and fittings	864,478	168,072	-	1,032,550
Motor vehicles and electrical equipment	350,647	28,671	-	379,318
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>6,323,395</u>	<u>1,145,745</u>	<u>-</u>	<u>7,469,140</u>
Net book value	<u>133,192,325</u>			<u>132,434,503</u>

3. Assets under construction

	2009 £	2008 £
Airport		
Runway Extension Feasibility Study	<u>86,327</u>	<u>86,327</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

4. Stock

	2009 £	2008 £
Airport	64,774	64,774
Harbours	<u>420,374</u>	<u>462,685</u>
	<u>485,148</u>	<u>527,459</u>

5. Debtors and prepayments

	2009 £	2008 £
Trade debtors	2,935,766	2,203,797
Prepayments	48,287	77,303
Other debtors	<u>19,938</u>	<u>27,772</u>
	<u>3,003,991</u>	<u>2,308,872</u>

6. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	604,313	406,019
Accruals	68,241	132,061
Deferred income	20,586	109,457
Other creditors:		
Harbour Operational licence deposits	<u>1,400</u>	<u>1,400</u>
	<u>694,540</u>	<u>648,937</u>

7. Reserves

	2009 £	2008 £
Balance 1 January	182,715,929	180,998,892
Surplus for financial year	<u>217,490</u>	<u>1,717,037</u>
Balance 31 December	<u>182,933,419</u>	<u>182,715,929</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

	2009 £	2008 £
Operating surplus	166,247	1,403,977
Depreciation charges and loss on sale of tangible fixed assets	2,569,591	2,536,722
Decrease/(Increase) in stocks	42,311	(23,001)
Increase in debtors	(695,119)	(76,503)
Increase/(Decrease) in creditors	<u>45,603</u>	<u>(299,332)</u>
Net cash inflow from operating activities	<u>2,128,633</u>	<u>3,541,863</u>

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

	2009 £	2008 £
Movement in cash	-	-
Increase/(Decrease) in liquid resources	<u>441,273</u>	<u>(4,165,771)</u>
	<u>441,273</u>	<u>(4,165,771)</u>
Net funds at 1 January	<u>3,922,880</u>	<u>8,088,651</u>
Net funds at 31 December	<u>4,364,153</u>	<u>3,922,880</u>

10. Analysis of changes in net funds

	At 1 January 2009 £	Cash Flows £	At 31 December 2009 £
Balance held with States Treasury	<u>3,922,880</u>	<u>441,273</u>	<u>4,364,153</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

11. Contingent Liabilities/ Overspends

The Accounts 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.

The New Jetty project is now complete. The original estimate for this work was £3.3 million. As at 31 December 2009 following settlement of the claim, amounts totalling £9.0 million have been paid to the contractor. The total project costs including the claim related expenses were £14.3 million.

The St Sampson's Marina project has been completed and the final certificate issued by the Engineer. The St Sampson's Marina project had a contract value of £3.4 million. The amount certified by the Engineer and contractual payments is £4.0 million. The contractor made a claim for a further £3.1 million which has been rejected by the engineer. No formal proceedings have been commenced.

It is emphasised that contractors' claims values are the amounts that the contractors themselves are seeking to claim and are not an indication of the merit or likelihood of success.

12. 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 decided to maintain the current employer's contribution rate to the Fund at 7.85% for the Airport and 7.35% for the Harbours which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £660,946 (2008: £613,436).

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

13. 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.

14. 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.

15. Subsequent events

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

16. Additional Information

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

Supplemental Information

GUERNSEY AIRPORT

2009 Original Budget £'000s	2009 Probable Outturn £'000s	Net Expenditure by Category		2009 Actual £'000s	2008 Actual £'000s
		Income			
9,557	9,381	<i>Operating Income</i>		9,288	9,204
1,372	1,364	<i>Recoveries</i>		1,313	1,325
<u>10,929</u>	<u>10,745</u>			<u>10,601</u>	<u>10,529</u>
		Expenditure			
		<i>Staff</i>			
		<i>Pay costs</i>			
2,294	2,332	Established Staff		2,381	2,234
741	731	Public Service Employees		802	700
2,669	2,704	Other Pay Groups		2,849	2,599
<u>5,704</u>	<u>5,767</u>			<u>6,032</u>	<u>5,533</u>
		<i>Non-Pay costs</i>			
156	200	Recruitment and Training		185	123
45	56	Other Staff Costs		39	41
154	132	<i>Communications and IT</i>		97	129
14	3	<i>Consultants' Fees</i>		15	16
192	249	<i>Contracted Out Work</i>		258	224
2	6	<i>Promotional Activities</i>		6	4
		<i>Premises</i>			
41	55	Equipment, Fixtures and Fittings		51	56
217	426	Repairs, Maintenance and Servicing		575	282
583	595	Utilities		570	603
255	255	<i>Risk Management and Insurance</i>		228	246
		<i>Supplies and Services</i>			
73	66	Plant, Machinery and Vehicles		67	53
490	472	Services and Materials		419	422
3	12	Other Operational Costs		14	9
		<i>Administration Expenses</i>			
966	915	Incidental and Other costs		926	885
22	18	Postage, Stationery and Printing		17	13
<u>8,917</u>	<u>9,227</u>			<u>9,499</u>	<u>8,639</u>
<u>2,012</u>	<u>1,518</u>	Operating Surplus for the financial year		<u>1,102</u>	<u>1,890</u>
1,559	1,425	<i>Depreciation</i>		1,424	1,408
-	-	<i>Loss on disposal of fixed assets</i>		-	123
<u>453</u>	<u>93</u>	Operating Surplus / (Deficit) transferred to the Ports Holding Account		<u>(322)</u>	<u>359</u>

GUERNSEY AIRPORT

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Net Expenditure by Service Area</u>		2009 Actual £'000s	2008 Actual £'000s
		<i>Income</i>			
363	397	Advertising, picketing etc		406	377
866	849	Airport Development Charge		804	811
485	525	Car Parking Fees		525	511
1,682	1,660	Rents		1,749	1,663
6,161	5,950	Traffic Receipts		5,803	5,842
9,557	9,381			9,287	9,204
		<i>Operational Expenditure</i>			
774	782	Administration		839	717
1,713	1,839	Aerodrome Fire Service		1,936	1,713
1,774	2,003	Airport Infrastructure		2,176	1,842
3,430	3,385	Navigational Services		3,380	3,182
7,691	8,009			8,331	7,454
(146)	(146)	<i>Recovery from Alderney Airport</i>		(146)	(140)
2,012	1,518	Operating Surplus for the financial year		1,102	1,890
1,559	1,425	<i>Depreciation</i>		1,424	1,408
-	-	<i>Loss on disposal on fixed assets</i>		-	123
453	93	Operating Surplus / (Deficit) for the financial year		(322)	359

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Routine Capital Expenditure</u>		2009 Actual £'000s	2008 Actual £'000s
400	600	<i>Major Construction and Development Projects</i>		784	1,044
550	60	<i>Miscellaneous Capital Works</i>		57	84
10	-	<i>IT Projects and Equipment</i>		-	-
1,654	695	<i>Equipment, Machinery and Vehicles</i>		510	142
2,614	1,355	Net Capital Expenditure		1,351	1,270

HARBOUR OF ST PETER PORT

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Net Expenditure by Category</u>		2009 Actual £'000s	2008 Actual £'000s
		Income			
6,028	6,142	<i>Operating Income</i>		6,611	6,356
109	99	<i>Recoveries</i>		136	133
<u>6,137</u>	<u>6,241</u>			<u>6,747</u>	<u>6,489</u>
		Expenditure			
		<i>Staff</i>			
		<i>Pay costs</i>			
1,318	1,277	Established Staff		1,184	1,146
1,992	2,033	Public Service Employees		1,924	1,827
-	-	Other Pay Groups		-	19
<u>3,310</u>	<u>3,310</u>			<u>3,108</u>	<u>2,992</u>
		<i>Non-Pay costs</i>			
2	2	Recruitment and Training		-	1
22	21	Other Staff Costs		21	17
163	134	<i>Communications and IT</i>		101	122
46	40	<i>Contracted Out Work</i>		41	30
32	31	<i>Promotional Activities</i>		22	19
		<i>Premises</i>			
8	6	Equipment, Fixtures and Fittings		2	4
6	6	Rents and Leasing		-	-
563	751	Repairs, Maintenance and Servicing		785	432
361	334	Utilities		311	273
87	95	<i>Risk Management and Insurance</i>		68	68
		<i>Supplies and Services</i>			
507	129	Plant, Machinery and Vehicles		244	78
856	632	Services and Materials		577	363
67	59	Other Operational Costs		55	47
		<i>Administration Expenses</i>			
203	201	Incidental and Other costs		177	136
25	22	Postage, Stationery and Printing		19	19
<u>6,258</u>	<u>5,773</u>			<u>5,531</u>	<u>4,601</u>
(121)	468	Operating (Deficit) / Surplus for the financial year		<u>1,216</u>	<u>1,888</u>
1,000	1,000	<i>Depreciation</i>		<u>918</u>	<u>886</u>
<u>(1,121)</u>	<u>(532)</u>	Operating (Deficit) / Surplus transferred to the Ports Holding Account		<u>298</u>	<u>1,002</u>

HARBOUR OF ST PETER PORT

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Net Expenditure by Service Area</u>		2009 Actual £'000s	2008 Actual £'000s
		<i>Income</i>			
2,588	2,600	Facilities charges		3,021	2,953
1,379	1,500	Local Marina and Mooring Fees		1,431	1,392
460	460	Visitor Marina and Mooring Fees		459	399
5	5	Pilotage Dues less payments to pilots		4	3
638	600	Rents etc.		679	644
862	880	Shipping Dues		897	862
95	96	Sundries		121	103
6,027	6,141			6,612	6,356
		<i>Operational Expenditure</i>			
2,686	2,704	Administration		2,428	2,312
1,586	1,378	Harbour Infrastructure		1,419	836
1,282	1,041	Marina and Moorings		1,050	885
594	550	Navigational Services		499	435
6,148	5,673			5,396	4,468
(121)	468	Operating (Deficit) / Surplus for the financial year		1,216	1,888
1,000	1,000	<i>Depreciation</i>		918	886
(1,121)	(532)	Operating (Deficit) / Surplus for the financial year		298	1,002

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Routine Capital Expenditure</u>		2009 Actual £'000s	2008 Actual £'000s
500	-	<i>Major Construction and Development Projects</i>		58	6,293
340	155	<i>Miscellaneous Capital Works</i>		177	375
250	-	<i>Equipment, Machinery and Vehicles</i>		20	78
1,090	155	Routine Capital Expenditure		255	6,746
-	-	<i>Crane Strategy</i>		116	-
-	-	<i>Less transfer from Capital Reserve</i>		(180)	-
1,090	155	Net Capital Expenditure		191	6,746

HARBOUR OF ST SAMPSON

2009 Original Budget £'000s	2009 Probable Outturn £'000s	Net Expenditure by Category		2009 Actual £'000s	2008 Actual £'000s
		Income			
908	938	<i>Operating Income</i>		949	869
23	21	<i>Recoveries</i>		1	2
931	959			950	871
		Expenditure			
		<i>Staff</i>			
		<i>Pay costs</i>			
84	80	<i>Established Staff</i>		75	77
274	262	<i>Public Service Employees</i>		245	228
358	342			320	305
		<i>Non-Pay costs</i>			
4	4	<i>Communications and IT</i>		5	4
89	113	<i>Repairs, Maintenance and Servicing</i>		118	251
57	46	<i>Utilities</i>		32	30
9	9	<i>Risk Management and Insurance</i>		14	19
		<i>Supplies and Services</i>			
23	13	<i>Plant, Machinery and Vehicles</i>		7	15
68	62	<i>Services and Materials</i>		25	85
6	-	<i>Other Operational Costs</i>		12	-
		<i>Administration Expenses</i>			
2	2	<i>Incidental and Other costs</i>		-	-
616	591			533	709
315	368	Operating Surplus for the financial year		417	162
100	100	<i>Depreciation</i>		228	120
215	268	Operating Surplus transferred to the Ports Holding Account		189	42

HARBOUR OF ST SAMPSON

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Net Expenditure by Service Area</u>	
		<i>Income</i>	
520	550	Facilities charges	
336	336	Marina and Mooring Fees	
39	39	Rents etc.	
12	13	Sundries	
<hr/> 907	<hr/> 938		
		<i>Operational Expenditure</i>	
242	236	Administration	
297	288	Harbour Infrastructure	
45	40	Marina and Moorings	
8	6	Navigational Services	
<hr/> 592	<hr/> 570		
<hr/> 315	<hr/> 368	Operating Surplus for the financial year	
<hr/> 100	<hr/> 100	<i>Depreciation</i>	
<hr/> <hr/> 215	<hr/> <hr/> 268	Operating Surplus for the financial year	

2009 Actual £'000s	2008 Actual £'000s
553	514
337	305
43	35
16	14
<hr/> 949	<hr/> 868
231	226
288	406
9	71
4	3
<hr/> 532	<hr/> 706
<hr/> 417	<hr/> 162
<hr/> 228	<hr/> 120
<hr/> <hr/> 189	<hr/> <hr/> 42

2009 Original Budget £'000s	2009 Probable Outturn £'000s	<u>Routine Capital Expenditure</u>	
		<i>Major Construction and Development Projects</i>	
-	-	<i>Miscellaneous Capital Works</i>	
1,000	-		
<hr/> 1,000	<hr/> -	Net Capital Expenditure	

2009 Actual £'000s	2008 Actual £'000s
16	4
-	-
<hr/> 16	<hr/> 4

PORTS HOLDING ACCOUNT

2009 Original Budget £'000s	2009 Probable Outturn £'000s		2009 Actual £'000s	2008 Actual £'000s
		Revenue Account -		
		<i>Operating Surplus / (Deficit) before depreciation</i>		
2,012	1,518	Guernsey Airport	1,102	1,890
(121)	468	Harbour of St Peter Port	1,216	1,888
315	368	Harbour of St Sampson	417	162
2,206	2,354		2,735	3,940
50	50	<i>Investment Interest Receivable</i>	51	313
		<i>Capital Expenditure</i>		
(2,614)	(1,355)	Guernsey Airport	(1,351)	(1,270)
(1,090)	(155)	Harbour of St Peter Port	(191)	(6,746)
(1,000)	-	Harbour of St Sampson	(16)	(4)
(4,704)	(1,510)		(1,558)	(8,020)
(2,448)	894	Surplus/(Deficit) before depreciation	1,228	(3,767)
-	-	<i>Loss on Disposal of Fixed Assets</i>	-	(123)
(2,659)	(2,525)	<i>Depreciation</i>	(2,570)	(2,414)
(5,107)	(1,631)	(Deficit)	(1,342)	(6,304)
1,916	6,110	<i>Balance at 1st January</i>	6,110	9,877
(2,448)	894	<i>Surplus / (Deficit) for the year</i>	1,228	(3,767)
(532)	7,004	Balance at 31st December	7,338	6,110

Guernsey Water

Statement of activities and performance

Year ended 31 December 2009

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.

Financial summary

	2009 £'000	2008 £'000	Change %
Income			
Unmeasured	3,595	3,589	+ 0.2*
Measured	5,803	5,026	+ 15.5*
Other trading (net)	187	288	- 35.1***
Total operating income	<u>9,585</u>	<u>8,903</u>	+ 7.7
Expenditure			
Operating	2,773	2,511	+ 10.4**
Management	1,743	1,729	+ 0.8
Total expenditure	<u>4,516</u>	<u>4,240</u>	+ 6.5
Operating surplus before depreciation	<u>5,069</u>	<u>4,663</u>	+ 8.7
Surplus on sale of fixed assets and properties	15	11	
Net interest received	86	228	
Depreciation	(1,472)	(1,419)	
Surplus for the year	<u>3,698</u>	<u>3,483</u>	

Notes: * Measured increase due to switch to water meters, additional water usage and both measured and unmeasured charges being subject to price increases.

** Due partially to a large increase in electricity charges.

*** See note on next page.

Fixed asset additions before customer contributions	<u>1,922</u>	<u>5,180</u>
--	--------------	--------------

The main four capital projects of 2009 were the planning and design stage for the operational depot at the St. Andrew Reservoir site, the earlier than expected completion of the water main between Frie Plaidy and Rue des Huriaux and the new and updated raw water pumping stations at Douit du Moulin and Mare de Carteret respectively.

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 2009

Operational performance

	2009	2008	Change %
Number of supplies			
Paying by tax on real property	10,218	10,600	- 3.6
Paying by measure	<u>14,436</u>	<u>13,872</u>	+ 4.1
Total	<u>24,654</u>	<u>24,472</u>	+ 0.7
Volume supplied in million litres			
Delivered to customers paying by measure	2,675 ML	2,540 ML	+ 5.3
Delivered to other customers	1,553 ML	1,521 ML	+ 2.1
Operational use, fire fighting and losses	<u>462 ML</u>	<u>398 ML</u>	+ 16.1
Total put into supply	<u>4,690 ML</u>	<u>4,459 ML</u>	+ 5.2
Service			
Restrictions on supply	None	None	
Burst mains	43	35	+ 22.9
Discolouration – claims paid	<u>£ 610</u>	<u>£ 700</u>	- 12.9
Unit costs (partially weather related)			
Water production	£ 375 / ML	£ 360 / ML	+ 4.2
Water distribution	£ 27 / supply	£ 23 / supply	+ 17.4***

Note: *** Comparisons between the two years may be slightly distorted due to the cessation of the mains and service laying and stores on-costs trading accounts at the end of 2008.

Other matters

2009 saw the introduction of non-metered customers being billed by reference to tax on real property valuations and, once again, Guernsey Water was able to supply water to the population of Guernsey without any restrictions.

The commissioning of the new Longue Hougue water treatment plant took place in 2009, enabling Guernsey Water to provide an enhanced potable water capability.

Final approval was obtained during the year for the construction of an operational depot at the St. Andrew Reservoir site, which will enable Guernsey Water to centralise its activities in one location.

Further operational and other details can be found in Guernsey Water's 2009 Annual Report.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2009

Board members and principal officers

During 2009 Public Services Department Board Members were:

Deputy BM Flouquet, Minister
Deputy SJ Ogier, Deputy Minister
Deputy TM Le Pelley
Deputy A Spruce
Mr W Walden

During 2009 Principal Officers were:

A Lewis, Chief Officer, Public Services Department
J Menhenitt, Finance Director, Public Services Department
AA Redhead, Director of Water Services, Guernsey Water
K Carter, Chief Accounting Officer, Guernsey Water

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors to Guernsey Water.

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 affairs of Guernsey Water at the end of the financial period, and of the surplus or deficit for that period that are in accordance with applicable laws and regulations. In preparing those financial statements, the 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 ensuring Guernsey Water keep 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 operations and management of Guernsey Water.

Guernsey Water’s internal financial procedures include:

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

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

The board members and principal officers have reviewed the cashflow and projected income and expenses over the next twelve months and deem that Guernsey Water has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that Guernsey Water is a going concern.

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

INDEPENDENT AUDITORS' REPORT TO GUERNSEY WATER

We have audited the financial statements of Guernsey Water for the year ended 31 December 2009 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to Guernsey Water's board, as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Board of Guernsey Water those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not except or assume responsibility to anyone other than the Board of Guernsey Water, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Board's 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 in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the Statement of Activities and Performance is not consistent with the Financial Statements, if Guernsey Water 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. We are not required to consider whether the Board's statement on internal control covers all risks and controls or form an opinion on the effectiveness of Guernsey Water's risk and control procedures.

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 Guernsey Water'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 United Kingdom Generally Accepted Accounting Practice, of the state of Guernsey Water's affairs as at 31 December 2009 and of its surplus for the year then ended.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
8 April 2010

Guernsey Water

Revenue account

For the year ended 31 December 2009

		2009 £	2008 £
Income	<i>Notes</i>		
Water supplies	<i>1</i>		
Unmeasured		3,594,943	3,588,985
Measured		<u>5,802,567</u>	<u>5,025,950</u>
		9,397,510	8,614,935
Surplus on other trading activities before management expenses and depreciation:			
Gross Income		683,937	744,206
Gross Expense		<u>(496,808)</u>	<u>(456,612)</u>
	<i>2</i>	<u>187,129</u>	<u>287,594</u>
Total operating income		£ 9,584,639	£ 8,902,529
Operating expenses			
Water production		1,758,009	1,603,815
Water distribution		674,346	566,953
Asset management		<u>340,978</u>	<u>340,252</u>
		<u>2,773,333</u>	<u>2,511,020</u>
Management expenses			
Management & general		216,437	257,695
Compliance		167,495	170,563
Customer services		778,018	726,569
Finance		305,001	279,833
Support services		<u>275,814</u>	<u>293,954</u>
		<u>1,742,765</u>	<u>1,728,614</u>
Total expenditure		£ 4,516,098	£ 4,239,634
Operating surplus before depreciation and surplus on sale of fixed assets		5,068,541	4,662,895
Depreciation	<i>4 & 5</i>	<u>(1,471,683)</u>	<u>(1,419,401)</u>
Surplus on disposal of moveable fixed assets	<i>4</i>	<u>6,379</u>	<u>11,055</u>
Operating surplus for the year	<i>9</i>	3,603,237	3,254,549
Net interest receivable	<i>3</i>	86,274	228,029
Surplus on sale of properties		<u>8,475</u>	<u>-</u>
Surplus for the year	<i>8</i>	3,697,986	<u>3,482,578</u>

All material activities derive from continuing operations.

There are no recognised gains and losses 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 2009

		2009		2008	
	Notes	£	£	£	£
Tangible fixed assets	5	37,796,409		37,367,069	
Current assets					
Stock		667,321		616,281	
Debtors and prepayments	6	1,363,350		1,324,543	
Funds held with States Treasury	11	7,727,179		4,466,780	
Cash at bank and in hand	11	184,283		173,011	
		9,942,133		6,580,615	
Current liabilities					
Creditors falling due within one year	7	886,182		793,310	
Net current assets		9,055,951		5,787,305	
Total assets less current liabilities		£ 46,852,360		£ 43,154,374	
Reserves					
General reserve		11,715,432		10,180,736	
Property development fund		6,537,303		5,874,156	
Revenue account		28,599,625		27,099,482	
Total Reserves	8	£46,852,360		£43,154,374	

These financial statements were approved by the States of Guernsey Public Services Department on 8 April 2010.

Signed on behalf of the Department

Bernard M Flouquet

Minister

Scott J Ogier

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 2009

	Notes	2009 £	£	2008 £	£
Net cash inflow from operating activities	9	5,071,566		4,878,777	
Returns on investments and servicing of finance					
Net interest received	3	86,274		228,029	
Net cash inflow from returns on investments and servicing of finance		86,274		228,029	
Capital expenditure					
Payments to acquire tangible fixed assets		(1,921,512)		(5,179,745)	
Less: customer contributions to mains		<u>20,464</u>		<u>50,995</u>	
Additions to fixed assets	5	(1,901,048)		(5,128,750)	
Receipts from sale of fixed assets		<u>14,879</u>		<u>11,055</u>	
Net cash outflow from capital expenditure		(1,886,169)		(5,117,695)	
Management of liquid resources					
(Increase) / decrease in amounts held with States Treasury	10 & 11	<u>(3,260,399)</u>		<u>19,821</u>	
Net cash (outflow) / inflow from management of liquid resources		(3,260,399)		19,821	
Increase in cash	10 & 11	<u>£11,272</u>		<u>£8,932</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.

Going concern

The board members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that Guernsey Water has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that Guernsey Water is a going concern.

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 the 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	N/A	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	12	8.3
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	7	14.3
Computer equipment	3	33.3

Guernsey Water

Notes to the financial statements - continued

1. Principal accounting policies - continued

Depreciation - continued

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.

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled supplies which, as at 31 December 2009, amounted to £642,619 (2008: £612,494) 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.

Guernsey Water

Notes to the financial statements - continued

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

	2009		2008	
	£	£	£	£
Miscellaneous income:				
Standard charges for service laying	179,382		181,764	
Charges for work at ascertained cost	23,410		100,263	
Property rental income	130,981		96,173	
Stores issues	<u>350,164</u>		<u>366,006</u>	
	683,937		744,206	
Expenditure	<u>(496,808)</u>		<u>(456,612)</u>	
Net surplus on other trading activities before management expenses and depreciation		<u>£187,129</u>		<u>£287,594</u>

3. Net interest receivable

	2009		2008	
	£	£	£	£
Interest received:				
Deposit & business accounts	86,274		228,400	
Interest Paid				
Current account	<u>-</u>		<u>(371)</u>	
		<u>£86,274</u>		<u>£228,029</u>

4. Depreciation

	2009		2008	
	£	£	£	£
Depreciation charge for the year (note 5)	1,471,683		1,419,401	
Surplus on disposal of moveable fixed assets	<u>(6,379)</u>		<u>(11,055)</u>	
Charge in revenue account		1,465,304		1,408,346
Transfer to general reserve (note 8)		<u>1,534,696</u>		<u>1,591,654</u>
		<u>£ 3,000,000</u>		<u>£ 3,000,000</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. The total annual depreciation and transfer has been set at £3,000,000.

Guernsey Water

Notes to the financial statements - continued

5. Tangible fixed assets

	1 January 2009 £	Additions £	Disposals £	31 December 2009 £
<i>Cost</i>				
Dam	309,360	-	-	309,360
Mains	26,384,058	444,198	-	26,828,256
Land and quarries	3,034,946	146,964	(25)	3,181,885
Structures and buildings	10,260,332	543,600	-	10,803,932
Fixed plant	8,755,666	555,595	-	9,311,261
Distribution meters	1,543,220	53,924	-	1,597,144
Office furniture, fittings and equipment	961,752	105,471	(7,995)	1,059,228
Mobile plant and equipment	525,442	51,296	(90,528)	486,210
Motor vehicles	613,279	-	(32,151)	581,128
	<u>52,388,055</u>	<u>1,901,048</u>	<u>(130,699)</u>	<u>54,158,404</u>
	1 January 2009 £	Charge for the year £	Disposals £	31 December 2009 £
<i>Depreciation</i>				
Dam	172,292	3,343	-	175,635
Mains	5,931,147	466,601	-	6,397,748
Structures and buildings	1,300,972	208,791	-	1,509,763
Fixed plant	4,696,906	579,800	-	5,276,706
Distribution meters	1,210,749	66,319	-	1,277,068
Office furniture, fittings and equipment	858,619	51,871	(7,995)	902,495
Mobile plant and equipment	412,815	31,105	(90,528)	353,392
Motor vehicles	437,486	63,853	(32,151)	469,188
	<u>15,020,986</u>	<u>1,471,683</u>	<u>(130,674)</u>	<u>16,361,995</u>
Net book value	<u>£37,367,069</u>			<u>£37,796,409</u>

6. Debtors and prepayments

	2009 £	2008 £
Estimated value of unbilled supplies	642,619	612,494
Customers' accounts outstanding	681,200	657,121
Other debtors and prepayments	39,531	54,928
	<u>£ 1,363,350</u>	<u>£ 1,324,543</u>

Guernsey Water

Notes to the financial statements - continued

7. Creditors: amounts falling due within one year

	2009 £	2008 £
General creditors	725,248	657,957
Deferred income	160,934	135,353
	<u>£ 886,182</u>	<u>£ 793,310</u>

8. Reserves

	Property Development Fund £	General Reserve £	Revenue Account £	Total £
Balance 1 January 2009	5,874,156	10,180,736	27,099,482	43,154,374
Surplus for the year	-	-	3,697,986	3,697,986
Transfer to Property Development Fund	663,147	-	(663,147)	-
Provision for future replacement of assets (note 4)	-	1,534,696	(1,534,696)	-
Balance 31 December 2009	<u>£ 6,537,303</u>	<u>11,715,432</u>	<u>28,599,625</u>	<u>46,852,360</u>

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.

Both reserves are distributable.

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

	2009 £	2008 £
Operating surplus for the year	3,603,237	3,254,549
Depreciation charges and surplus on disposal of moveable fixed assets (notes 4 and 5)	1,465,304	1,408,346
(Increase) / decrease in stock	(51,040)	5,385
(Increase) / decrease in debtors and prepayments	(38,807)	228,394
Increase / (decrease) in creditors due within one year	92,872	(17,897)
Net cash inflow from operating activities	<u>£ 5,071,566</u>	<u>£ 4,878,777</u>

Guernsey Water

Notes to the financial statements - continued

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

	2009 £	2008 £
Increase in cash in the year	11,272	8,932
Increase / (decrease) in balance with States Treasury	<u>3,260,399</u>	<u>(19,821)</u>
Change in net funds	3,271,671	(10,889)
Net funds at 1 January	<u>4,639,791</u>	<u>4,650,680</u>
Net funds at 31 December	<u>£ 7,911,462</u>	<u>£ 4,639,791</u>

11. Analysis of changes in net funds

	At 1 January 2009 £	Cash Flows £	At 31 December 2009 £
Cash at bank and in hand	173,011	11,272	184,283
Balance with States Treasury	<u>4,466,780</u>	<u>3,260,399</u>	<u>7,727,179</u>
	<u>£ 4,639,791</u>	<u>£ 3,271,671</u>	<u>£ 7,911,462</u>

12. Commitments

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

	2009 £	2008 £
Revenue contracted	26,879	49,906
Capital contracted	<u>652,111</u>	<u>130,630</u>
	<u>£ 678,990</u>	<u>£ 180,536</u>

Guernsey Water

Notes to the financial statements - continued

13. 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 decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees' contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £189,820 (2008: £179,847).

14. Audit fees

The audit fees for Guernsey Water's 2009's accounts are £16,675 (2008: £16,675).

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, other than as disclosed within these financial statements.

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 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.

This information is unaudited

Fixed asset additions during 2009

<u>Water distribution</u>	£	£
Renewal and replacement of mains		
Renewal of mains		
Houmtel Lane, Vale	15,552	
Le Picquerel, Vale	9,241	
Other renewals	3,793	
Replacement of mains by insertion of structural lining		
Rue des Huriaux, St. Martin to Frie Plaidy, Castel	271,072	
Northlands Estate, Vale	16,825	
Courtil Simon Lane, Castel	12,887	
Barras Lane, Vale	11,165	
Hougue Magues Lane, Vale	8,269	
Carriere Lane, Vale	8,178	
Courtil Michelle Estate, St. Saviour	7,642	
Pont Vaillant, Vale	6,247	
Colborne Road, St. Peter Port	5,916	
Clos de Foulon, St. Peter Port	5,768	
Mahaut Gardens, St. Peter Port	5,425	
Le Douit Lane, Vale	5,145	
Other replacements	43,879	
Total renewal and replacement of mains	<u>437,004</u>	
Extension of Mains and General Distribution		
Purchase and installation of meters	53,924	
Mains requisitioned by customers	30,926	
Common supply separation	3,821	
Total Extension of Mains and General Distribution	<u>88,671</u>	
<u>Total Water Distribution</u>		525,675
<u>Water Resources</u>		
Raw water pumping station – Douit du Moulin	249,552	
Raw water pumping improvements – Mare de Carteret	159,276	
Stream flow monitoring	60,411	
Raw water pumping improvements – Fermain	45,813	
Site security fencing	31,741	
Storage reservoirs slope stabilisation works	10,417	
Raw water pumping improvements – Vale Pond	9,753	
Sundry renewals and replacements	19,439	
<u>Total Water Resources</u>		<u>586,402</u>
Carried forward		1,112,077

Guernsey Water

Additional information - continued

	£	£
Brought forward		1,112,077
<u>Water Treatment</u>		
SCADA upgrade	59,738	
Valves for St. Saviour water treatment works	23,223	
Longue Hougue Reservoir – SCADA integration	13,581	
Review and improve reed beds at St. Saviour Reservoir	10,363	
Frie Plaidy Reservoir – water quality improvements	9,339	
SCADA – ADSL implementation	7,745	
Treatment works at Longue Hougue Reservoir (over provision)	(12,576)	
Sundry renewals and other schemes in progress	67,250	
<u>Total water treatment</u>		178,663
<u>Capital expenditure for general purposes</u>		
St. Andrew Reservoir site development	338,559	
Longue Hougue Reservoir – external works	69,736	
Minor building and property work	58,211	
Site security measures / CCTV	55,347	
Computer projects	36,529	
PE pipe welding kit	30,330	
Mobile plant and equipment	20,966	
Update to St. Andrew Reservoir site communication tower	11,890	
Office furniture, equipment and refurbishment	9,204	
<u>Total General</u>		<u>630,772</u>
Gross Total Capital Expenditure		1,921,512
Less: Customers' contributions to capital mains		(20,464)
Fixed Asset Additions		1,901,048
Sale of properties, vehicles and equipment – net proceeds		<u>(14,879)</u>
Net Fixed Asset Additions		<u>£1,886,169</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2009

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

The Guernsey Dairy made an overall profit of £580,286 against a profit of £443,073 in 2008. This was higher than the forecast profit of £412,000 in the probable outturn published in Billet D'Etat XXXII 2009. The Dairy's forecast profit for 2010 is expected to be in line with the 2010 budgeted figure of £187,000.

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

Sales

Overall sales turnover increased by £644,088 (11.5%) compared to 2008.

Liquid Milk

The main influence on turnover is liquid milk sales. The current volume of milk sold has not changed significantly over the previous year. However, sales revenue increased by £578,691 (12.62%) compared to 2008 due to the increase in the gate price of milk in December 2008.

By-products

By-product sales turnover increased by £47,657 (4.86%) over 2008. Due to Waitrose re-listing, butter sales continue to remain strong in their supermarkets as in previous years with an increase of £31,839 (6.29%) over the year compared to 2008, mainly due to various price promotions in the year.

Sundry Income

An increase of £13,942 (36.6%) income over 2008 is in relation to continued income received from a telecom operator for rent due relating to the mobile aerials mounted on Dairy property, advertising income and an exceptional item of £3,800 received in relation to the sale of three obsolete road tankers.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2009

Cost of Sales

The cost of sales increased by £480,951 (12.5%) compared to the 2008 figure. The increased costs are attributable to the rise in the cost of raw milk to the dairy and the increased cost of packaging materials.

Milk intake

Milk Purchases

The cost of milk purchases rose by £408,605 (16.03%) during 2009. The volume of milk purchased remained in line with 2008 volumes. The cost increase is attributable to the increase in the price paid for the milk.

Milk Wastage

Milk wastage costs have increased slightly by £3,675 (2.65%) throughout 2009 compared to 2008, although there was a reduction in waste volumes of 54,000 litres against 2008. The increase in cost is due to the increase in per litre price of milk paid.

Carriage inwards

Costs increased by £3,502 in 2009 compared to 2008, a rise of 40.22% due to an increase in freight costs.

Gross Surplus

The gross surplus for 2009 increased by £159,337 (9.0%) on 2008 figures.

Expenses

Advertising and Promotion

Advertising and promotion costs considerably increased by £28,779 in 2009 due to the re-branding of all of the Dairy's product lines.

Depreciation

The depreciation charge continued to show a reduction of £31,870 (19.1%) on the previous year due to delays in initiating the capital expenditure programme. However, capital expenditure has commenced this year and will show a continued rise in 2010.

Fuel, Light, Power and Water

Costs during 2009 have decreased by £19,308 (7.97%), mainly due to the decrease in fuel costs compared to the periods of high costs in 2008.

General Administration, Motor Vehicle and Other Expenses

Motor vehicle, general administration & other expenses all show an overall decrease in costs over the previous year, with a gross joint saving of £31,986 (21.42%) compared to 2008.

Repairs, Maintenance and insurance (plant and machinery, site and buildings)

Costs increased for both repairs, maintenance and insurance (plant and machinery) by £23,765 (30.3%) and repairs, maintenance and insurance (site and buildings) by £35,342 (167.3%), both attributable to part of the general refurbishment and upgrading of the Dairy.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2009

Salaries and Wages

Costs have increased overall by £19,659 (4.22%) compared to 2008.

Capital Expenditure

A comprehensive capital expenditure program commenced in 2009 resulting in total expenditure of £277,849 against £24,359 in 2008.

Capital expenditure	2009	2008
	£	£
Motor Vehicles		
2 x Road Tankers	126,969	-
Forklift Truck	15,890	-
Lab Equipment		
Sartorius MA35 Infrared Moisture Analyser	-	1,475
Charm Noval Luminometer	-	2,196
Laboratory Store refurbishment	2,454	-
Other Office Equipment (F&F)		
HP Computer and TFT Monitor	-	546
HP Computer and TFT Monitor	-	546
HP Computer and TFT Monitor	-	546
Digital Video Recording Unit (CCTV)	-	1,340
File Server	4,256	-
Photocopier	4,366	-
5 x Personal Computers	2,195	-
Server Software	1,930	-
HP Laserjet Printer	568	-

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2009

	2009 £	2008 £
Plant & Machinery		
Upper Store Shelving	-	2,657
Crate De-Stacker (refurbished)	-	13,922
Brie Trough	-	1,131
1.5Kw Stainless Steel Pump	2,089	-
2.5Kw Stainless Steel Pump	2,186	-
Hot Foil Printer (Butter Packaging)	3,085	-
Cold Room Store Shelving	1,664	-
C.I.P. Delivery Pump	3,872	-
Frequency Inverter	4,312	-
3 x Frequency Inverters for C.I.P. Pumps	2,400	-
Pasteuriser Raw Milk Pumps	2,695	-
Compressor Air Dryer	2,159	-
Air Compressor	13,732	-
Refrigeration/Compressor Units for Cold Stores 2,3 &4	36,580	-
Display Freezer Unit	1,365	-
Domino A200+ High Performance Inkjet Coder	9,200	-
Cold Store 7 (Butter)	27,831	-
Cold Store 5 Flooring	873	-
Buildings		
Workshop Wiring	5,178	-
Total Capital expenditure	<u>£277,849</u>	<u>£24,359</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2009

Overall purpose and responsibilities of the Dairy Management Board

The Dairy Management Board exists to review and advise on the strategic objectives of the Dairy and to submit recommendations on these matters to the 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.

Department members and principal officers

Department members:

Deputy C McNulty Bauer	-	Minister
Deputy M Laine	-	Deputy Minister
Deputy P Gillson	-	Member
Deputy R Sillars	-	Member
Deputy M Storey	-	Member

Dairy Management Board members

Mr A Child	-	Chairman
Deputy R Sillars	-	Member
Deputy M Storey	-	Member
Ms B Haines	-	Member
Mr S Keys	-	Member
Mr R Nash	-	Member
Mr A Tabel	-	Member

Resignations:

Deputy C McNulty Bauer - Member
Resigned on 18th June 2009

Appointments:

Deputy M Storey - Member
Appointed on 23rd July 2009

Principal officers:

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

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.

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’s Investment Sub-Committee.

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.

The board members and principal officers have reviewed the cashflow and projected income and expenses over the next twelve months and deem that the Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Dairy is a going concern for at least 12 months from the date of approval of these financial statements.

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 (“the Dairy”) for the year ended 31 December 2009, which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the Commerce and Employment Department (“the Department”) as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors’ 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department’s responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the Dairy 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. We are not required to consider whether the Department’s statements on internal control cover all risks and controls or form part of the effectiveness of the Dairy’s risk and control procedures.

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 the Dairy’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 United Kingdom Generally Accepted Accounting Practice, of the state of the Dairy’s affairs as at 31 December 2009 and of its surplus for the year then ended.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
13 April 2010

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Revenue account

For the year ended 31 December 2009

	Notes	2009 £	£	2008 £	£
Sales	<i>1</i>				
Liquid milk		5,161,426		4,582,735	
By-products		1,027,426		979,769	
Sundry income		52,066		38,124	
Total sales		6,240,918		5,600,630	
Cost of sales					
Opening product stock	<i>4</i>	197,209		112,383	
Opening packaging stock	<i>4</i>	<u>145,299</u>	342,508	<u>202,317</u>	314,700
Production wages		709,995		721,808	
Milk		2,956,560		2,547,955	
Milk wastage		142,165		138,490	
By-product ingredients		28,503		24,839	
Packaging materials		496,791		396,587	
Carriage inwards		12,209		8,707	
Offshore processing and freight		30,460		23,302	
Sundries		<u>(12)</u>	4,376,671	<u>32</u>	3,861,720
Closing product stock	<i>4</i>	(258,978)		(197,209)	
Closing packaging stock	<i>4</i>	<u>(145,338)</u>	(404,316)	<u>(145,299)</u>	(342,508)
Total cost of sales			4,314,863		3,833,912
Gross surplus			1,926,055		1,766,718
Administration expenses	<i>2</i>		<u>(1,355,500)</u>		<u>(1,337,368)</u>
Operating surplus for the year			570,555		429,350
Interest receivable	<i>1</i>		5,931		13,723
Gain on sale of fixed asset			<u>3,800</u>		<u>-</u>
Retained surplus for the year	<i>7</i>		<u>£ 580,286</u>		<u>£ 443,073</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 15 form an integral part of these financial statements.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Balance sheet

At 31 December 2009

	<i>Notes</i>	2009 £	2008 £
Tangible fixed assets	<i>3</i>	1,568,242	1,425,145
Current assets			
Stocks	<i>4</i>	465,313	403,551
Debtors and prepayments	<i>5</i>	964,075	787,381
Balances due from States Treasury		533,485	72,301
Bank deposits		374,352	530,241
Cash in hand		111	120
		2,337,336	1,793,594
Creditors: amounts falling due within one year	<i>6</i>	(505,408)	(398,855)
Net current assets		1,831,928	1,394,739
Total net assets		£3,400,170	£2,819,884
Reserves	<i>7</i>	£3,400,170	£2,819,884

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 13 April 2010.

Signed on behalf of the Department

C McNulty Bauer
Minister

Notes 1 to 15 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 2009

	<i>Notes</i>	£	2009 £	£	2008 £
Net cash inflow from operating activities	8		554,982		484,824
Returns on investments and servicing of finance					
Interest received			5,931		13,723
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	3	(277,849)		(24,359)	
Receipts from sales of tangible fixed assets			3,800		-
Increase in cash	10		<u>£ 286,864</u>		<u>£ 474,188</u>

Notes 1 to 15 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 GAAP 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.

Debtors

Trade debtors are stated less a general provision of 0.5% of the trade debtors balance.

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
Buildings	20 – 50	2 – 5
Plant, machinery and laboratory equipment	5 – 20	5 – 20
Office furniture and fittings	5 – 8	12.5 – 20
Other office equipment	3 – 8	12.5 – 33.3
Motor vehicles (except forklifts)	5	20
Forklift trucks	15– 20	5 – 6.7
Computer hardware	3	33.3
Computer software	3 – 5	20-33.3

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.

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 deficits are spread over the expected average remaining working lifetime of employees in proportion to their expected payroll costs.

Going concern statement

The board members and principle officers have reviewed the cashflow and projected income and expenses over the next 12 months and deem that the Dairy has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Dairy is a going concern for at least 12 months from the date of approval of these financial statements.

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

2. Administration expenses

	2009 £	2008 £
Opening non-product stock	61,043	74,864
Advertising and promotion	31,042	2,263
Carriage outwards	8,170	7,472
Cleaning materials	60,729	54,197
Depreciation	134,752	166,623
Fuel, light, power and water	222,803	242,112
General administration costs	30,292	53,797
Laboratory expenses	89,884	75,147
Motor vehicle expenses	26,863	29,138
Other expenses	60,146	66,352
Product research and development	58	-
Professional fees	42,939	31,991
Provision for doubtful debts	-	25,423
Repairs, Maintenance and insurance (plant and machinery)	102,213	78,448
Repairs, Maintenance and insurance (site and buildings)	56,459	21,117
Rates	358	493
Salaries and wages	484,651	464,992
Staff training and recruitment	4,095	3,982
Closing non production stock	(60,997)	(61,043)
	<u>1,355,500</u>	<u>1,337,368</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2009 £	Additions £	Disposals £	31 December 2009 £
<i>Cost</i>				
Site and roads	966	-	-	966
Buildings	1,510,823	5,178	-	1,516,001
Plant and machinery	2,743,597	114,043	-	2,857,640
Motor vehicles	171,543	142,859	59,645	254,757
Laboratory equipment	122,782	2,454	-	125,236
Furniture and fittings	134,353	13,315	-	147,668
	<u>4,684,064</u>	<u>277,849</u>	<u>59,645</u>	<u>4,902,268</u>
	1 January £	Charge for £	Disposals £	31 December 2009 £
<i>Depreciation</i>				
Site and roads	965	-	-	965
Buildings	611,508	36,774	-	648,282
Plant and machinery	2,259,759	84,044	-	2,343,803
Motor vehicles	159,643	3,636	59,645	103,634
Laboratory equipment	115,197	3,941	-	119,138
Furniture and fittings	111,847	6,357	-	118,204
	<u>3,258,919</u>	<u>134,752</u>	<u>59,645</u>	<u>3,334,026</u>
Net book value 2009	<u>£1,425,145</u>			<u>£1,568,242</u>
Net book value 2008	<u>£1,567,409</u>			<u>£1,425,145</u>

4. Stocks

	2009 £	2008 £
Milk and milk by-products	258,978	197,209
Packaging materials	145,338	145,299
Other stock	60,997	61,043
	<u>£465,313</u>	<u>£403,551</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2009 £	2008 £
Trade debtors	796,730	719,487
Prepayments	82,827	2,838
Accrued income	84,518	65,056
	<u>£964,075</u>	<u>£787,381</u>

6. Creditors: amounts falling due within one year

	2009 £	2008 £
Bank	18,421	-
Trade creditors	418,283	338,011
Accruals	68,704	60,844
	<u>£505,408</u>	<u>£398,855</u>

7. Reserves

	General Reserve £	Revenue Account £	Total £
Balance 1 January 2009	3,002,491	(182,607)	2,819,884
Surplus for the financial year	-	580,286	580,286
Balance 31 December 2009	<u>3,002,491</u>	<u>397,679</u>	<u>£3,400,170</u>

**8. Reconciliation of operating surplus
to net cash flow from operating activities**

	2009 £	2008 £
Operating surplus for the year	570,555	429,350
Depreciation	134,752	166,623
(Increase) in debtors and prepayments	(176,695)	(129,638)
(Increase) in stocks	(61,762)	(13,987)
Increase in creditors and accruals	88,132	32,476
Net cash inflow from operating activities	<u>£ 554,982</u>	<u>£ 484,824</u>

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

	2009 £	2008 £
Balance at 1 January	602,662	128,474
Net cash inflow during the year	<u>286,864</u>	<u>474,188</u>
Balance at 31 December	<u><u>£ 889,526</u></u>	<u><u>£ 602,662</u></u>

10. Analysis of the changes in net funds

	At 1 January 2009 £	Cash flows £	At 31 December 2009 £
Bank balances - current	6,294	(24,715)	(18,421)
- deposit	523,947	(149,596)	374,351
Cash in hand	120	(9)	111
Balances due from States Treasury	<u>72,301</u>	<u>461,184</u>	<u>533,485</u>
	<u><u>602,662</u></u>	<u><u>286,864</u></u>	<u><u>889,526</u></u>

11. Pension fund

The employees of 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 decided to maintain the current employer's contribution rate to the Fund at 8.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2009 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2008 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £80,464 (2008: £75,749).

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, except as disclosed in these financial statements. No member of either Board is a material supplier or customer of the Dairy.

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.

14. Subsequent Events

There have been no material subsequent events since the balance sheet date which affect these financial statements.

15. Commitments and Contingent Liabilities

There are no commitments or contingent liabilities relating to 2009 which would affect these financial statements (2008: None).

States of Guernsey Public Services Department

States Works

Statement of activities and performance

Year ended 31 December 2009

Principal activities

States Works, a division of the Public Services Department, operates as a trading organisation which contracts mainly with States clients to deliver a wide range of services. Those services demand the effort of a predominantly manual labour force utilising specialist plant and equipment to maintain the public services of the island.

Financial Highlights

	Actual 2009 £'000	Budget 2009 £'000	Actual 2008 £'000
Income	11,543	11,238	10,729
Surplus	212	152	122
Capital expenditure	361	420	822

Operating turnover for the year ended 31 December 2009 exceeded the revised budget estimate by 2.7% and the equivalent 2008 turnover by 7.6%. This was achieved against a backdrop of increasing economic uncertainty, and cutbacks by some of the main States clients.

The surplus before bank interest has increased from 2008 by £131,069 to £195,949. This means that the 2009 surplus before bank interest is now 1.7% of turnover (2008 0.6%). This is as tight a margin as it is possible to operate under, and any significant reduction in a contract value would lead to operating losses.

The income has been restated in the accounts this year to match the business units. This has been done to provide a more appropriate and detailed breakdown of the income.

2009 was again a challenging year, with the economic downturn and various ominous government reviews causing many of our clients to review and reduce maintenance levels in some contracts. States Works was flexible and strong enough to replace all work lost in competitive tender. Whilst resources are already effectively deployed, the investment in staff training and retention has facilitated a multi-skilled workforce that can adapt to changed circumstances.

The proportion of non-States work has increased slightly to take up the drop in States work and ensure full and profitable employment for the workforce. The division has continued to establish a reputation for providing a quality service. Its presence and keen market pricing prevents monopolies in some private market sectors, and creates a benchmark in performance standards and quality.

States Works who already run the Sewage collection Service will take over ownership of the sewage tanker fleet in 2010. New streams of income in the area of environmentally beneficial products are ready to launch in the New Year. It is also understood that the Fundamental Spending Review sees States Works as the preferred provider of centralised services within the States of Guernsey, and this may further enhance the business profile.

States of Guernsey Public Services Department

States Works

Statement of activities and performance (continued)

Year ended 31 December 2009

Operational Performance

Staffing Statistics

	2009	2008
Ratio of Support staff to Operational staff	14%	12%
Staff members at year end	242	231
Income generated per Employee	£47,700	£46,443

Emergency Call-Out

	2009	2008
Number of calls	299	373
Man hours worked	992	1,353

Developments in 2009

2009 saw a planned reduction in capital purchases due to a lower cash balance. This needs to rise again in 2010 to maintain the rolling replacement programme. Investment over the last few years has produced a modern and effective fleet, including specialist vehicles maintained for and leased to States departments. The latter produces valuable income for States Works and eliminates private sector hire charges for the client. This investment has proved to be fortuitous in the light of an almost complete loss of bank interest.

During 2009, States Works has once again been called upon to deal with Island emergencies and one-off major contracts. By re-allocating resources, management ensured all routine contracts were completed and many standards exceeded without cost to the client. These events, which included extinguishing the fire at Mont Cuet tip, working alongside the private contractor re-lining sewers and dealing with some serious flooding incidents, enable the Division to remain profitable.

Both administrative computer systems were thoroughly upgraded, streamlining processes and producing more accurate management information. This has facilitated greater control over profitability.

Environmental issues

States Works leads the way in recycling in Guernsey and is innovative in finding commercially viable solutions to environmental issues. The launch of polystyrene recycling has been extremely successful and weatherproof furniture is now manufactured from the recycled product. This has already been used to replace wooden picnic tables, public benches and planters in the Island. A strong local market has been identified for these products. A new manufacturer is being sought to fulfil the demand. States Works is researching and constructing water recapture systems, has installed computerised heating and irrigation controls at its greenhouse facilities, has tested alternative fuel-powered vehicles and recycles all horticultural waste to produce organic compost for its own and the public's use.

States of Guernsey Public Services Department States Works

Statement of activities and performance (continued)

Year ended 31 December 2009

Board Members and Principal Officers

Deputy B Flouquet, Minister
Deputy S Ogier, Deputy Minister
Deputy T M le Pelley
Deputy A Spruce
Deputy W Walden

Principal Officers were:

Mr A Lewis, Chief Officer, Public Services Department
Mr J S N Menhenitt, Finance Director, Public Services Department
Mr N J Dorey, General Manager, States Works
Mr K J Stevens, Senior Manager, Finance and Support Services

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 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume States Works 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 responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

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 dispatch, in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised, and the computerised job costing and financial accounts packages, which check validity, and permits reconciliation with the wage bill.
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Department.

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

States of Guernsey Public Services Department

States Works

Statement of internal financial controls (continued)

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

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

Going Concern

The board members and principal officers have reviewed the cashflows and projected income and expenses over the next twelve months, prepared by management, and deem that the Division has adequate financial resources to meet its obligations as they fall due. The board therefore believe that the Division is a going concern for at least twelve months from the date of approval of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT – STATES WORKS

We have audited the financial statements of States of Guernsey Public Services Department – States Works (“the Division”) for the year ended 31 December 2009, which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the Public Services Department (“the Department”) as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors’ 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department’s responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the Division 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. We are not required to consider whether the Department’s statements on internal control cover all risks and controls or form part of the effectiveness of the Division’s risk and control procedures.

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 the Division’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 United Kingdom Generally Accepted Accounting Practice, of the state of the Division’s affairs as at 31 December 2009 and of its surplus for the year then ended.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
15th April 2010

States of Guernsey Public Services Department

States Works

Revenue account

For the year ending 31 December 2009

	<i>Notes</i>	2009 £	2008 £
Income	2	<u>11,543,287</u>	<u>10,728,559</u>
Expenses			
Labour and direct materials	3	8,882,448	8,208,903
Transport, plant and equipment maintenance	4	763,197	848,278
Building maintenance and charges	5	291,331	379,691
Administration and general	6	<u>1,410,362</u>	<u>1,226,807</u>
		<u>11,347,338</u>	<u>10,663,679</u>
Operating surplus		195,949	64,880
Interest received from States Treasury		<u>15,688</u>	<u>57,511</u>
Surplus for the financial year	11	<u>£ 211,637</u>	<u>£ 122,391</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 19 form an integral part of these financial statements.

States of Guernsey Public Services Department

States Works

Balance sheet

At 31 December 2009

	Notes	2009 £	2008 £
Tangible fixed assets	7	4,829,649	4,903,673
Current assets			
Stock and work in progress	8	296,867	291,754
Debtors	9	303,648	1,759,688
Balances with States Treasury	13	<u>2,929,237</u>	<u>1,199,673</u>
		3,529,752	3,251,115
Creditors: amounts falling due within one year	10	<u>(316,193)</u>	<u>(323,217)</u>
Net current assets		<u>3,213,559</u>	<u>2,927,898</u>
Total net assets		<u>£8,043,208</u>	<u>£7,831,571</u>
Reserves	11	<u>£8,043,208</u>	<u>£7,831,571</u>

These financial statements were approved by the Public Services Department on 15 April 2010
Signed on behalf of the Department

B M Flouquet

S J Ogier

Notes 1 to 19 form an integral part of these financial statements.

States of Guernsey Public Services Department

States Works

Cash flow statement

For the year ending 31 December 2009

	<i>Notes</i>	2009 £	2008 £
Net cash inflow / (outflow) from operating activities			
	<i>12</i>	<u>2,068,166</u>	<u>(60,166)</u>
Returns on investments and servicing of finance			
Interest received		15,688	57,511
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	<i>7</i>	(360,790)	(822,178)
Receipts from sales of tangible fixed assets		<u>6,500</u>	<u>1,125</u>
Net cash outflow from investing activities		<u>(354,290)</u>	<u>(821,053)</u>
Management of liquid resources			
Increase/ (Decrease) in amounts held with States Treasury	<i>13</i>	<u>1,729,564</u>	<u>(823,708)</u>
Movement in cash		<u><u>-</u></u>	<u><u>-</u></u>

Notes 1 to 19 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 and 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.

Trade Debtors

Trade debtors is stated less a general provision of £10,000 (2008: £10,000), which is management's best estimate of average possible bad debt.

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 & equipment	3 – 20	5 - 33.33
Motor vehicles	3 – 10	10 – 33.33
Office equipment	5	20
Buildings and fittings	10 - 50	2 – 10
Land	Unlimited	0

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 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.

Interest Income

Interest income is earned from balances held with the States Treasury at the prevailing bank rate less an administration charge.

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

2. Income

	2009 £	2008 £
Building maintenance	438,983	935,242
Cleansing services	2,132,049	2,005,612
Drainage work	323,021	257,257
Electrical & mechanical work	1,352,714	905,409
Emergency services	119,435	121,403
Fleet hire	242,245	110,381
Fleet maintenance	637,648	542,035
Grounds maintenance	1,946,296	1,897,242
Highway repairs	908,088	835,489
Landfill & recycling	887,535	588,119
Management services	173,001	182,540
Sewage collection	1,373,647	1,441,514
Signs & lines	353,973	345,357
Administration & stores	654,652	560,959
	11,543,287	10,728,559

The 2008 income balances have been restated following a review of the chart of accounts. This is to ensure that income reported reflects the income stream and nature of service provided. This is not a change in accounting policy, it is a reallocation of income categories and does not affect the total in the note above.

3. Labour & direct materials

	2009 £	2008 £
Labour charges:		
Wages and employer's superannuation	5,701,988	5,347,680
Direct materials:		
Materials and services	2,329,092	1,929,448
Stores	604,762	706,202
Sub contractors	261,061	236,339
Less: discounts received	(14,455)	(10,766)
	3,180,460	2,861,223
	8,882,448	8,208,903

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

4. Transport, plant and equipment maintenance

	2009 £	2008 £
Vehicles - fuel and maintenance	280,627	346,690
- depreciation	252,632	224,571
Plant & Tools - maintenance & replacements	140,053	186,108
- depreciation	89,885	90,909
	<u>763,197</u>	<u>848,278</u>

The 2008 expense balances for transport, plant and maintenance have been restated following a review of the chart of accounts. This is not a change in accounting policy, it is a reallocation of expense categories and does not affect the total in the note above.

5. Building maintenance and charges

	2009 £	2008 £
La Hure Mare	137,825	230,998
Burnt Lane & Saumarez Lane Depot	70,309	65,827
Buildings and fittings depreciation	83,197	82,866
	<u>291,331</u>	<u>379,691</u>

The 2008 expense balances for building maintenance and charges have been restated following a review of the chart of accounts. This is not a change in accounting policy, it is a reallocation of expense categories and does not affect the total in the note above.

6. Administration and general

	2009 £	2008 £
Salaries, wages and employer's superannuation	1,105,880	944,128
Travel & training charges	37,273	32,764
Post, stationery & telephone	37,931	37,444
Computer charges	61,188	65,515
Insurance	129,827	111,399
Audit fee	13,538	13,432
Sundry office expenses	22,126	22,723
Office and equipment depreciation	1,286	499
Loss / (Profit) on disposal of fixed assets	1,313	(1,097)
	<u>1,410,362</u>	<u>1,226,807</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

7. Tangible fixed assets

	1 January 2009 £	Additions £	Disposals £	31 December 2009 £
<i>Cost</i>				
Plant, tools & equipment	1,214,992	83,181	24,388	1,273,785
Motor vehicles	2,693,719	267,609	231,140	2,730,188
Office equipment	129,137	10,000	-	139,137
Buildings and fittings	3,643,359	-	-	3,643,359
Land	1,274,220	-	-	1,274,220
	<u>8,955,427</u>	<u>360,790</u>	<u>255,528</u>	<u>9,060,689</u>
	1 January £	Charge for £	Disposals £	31 December 2009 £
<i>Depreciation</i>				
Plant, tools & equipment	796,944	89,885	16,577	870,252
Motor vehicles	1,867,550	252,632	231,137	1,889,045
Office equipment	127,060	1,286	-	128,346
Buildings and fittings	1,260,200	83,197	-	1,343,397
Land	-	-	-	-
	<u>4,051,754</u>	<u>427,000</u>	<u>247,714</u>	<u>4,231,040</u>
Net book value	<u><u>£4,903,673</u></u>			<u><u>4,829,649</u></u>

8. Stock and work in progress

	2009 £	2008 £
Stock	140,574	152,009
Work in progress	<u>156,293</u>	<u>139,745</u>
	<u><u>£296,867</u></u>	<u><u>£291,754</u></u>

9. Debtors

	2009 £	2008 £
Trade debtors (Note 1)	274,475	1,734,478
Prepayments and other debtors	<u>29,173</u>	<u>25,210</u>
	<u><u>£303,648</u></u>	<u><u>£1,759,688</u></u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

10. Creditors: amounts falling due within one year

	2009 £	2008 £
Trade creditors	215,301	143
Accruals	100,892	323,074
	<u>£316,193</u>	<u>£323,217</u>

11. Reserves

	2009 £	2008 £
<i>Revenue account</i>		
Balance 1 January	7,831,571	7,709,180
Surplus for financial year	211,637	122,391
	<u>£8,043,208</u>	<u>£7,831,571</u>
Balance 31 December		

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

	2009 £	2008 £
Operating surplus	195,950	64,880
Depreciation charges and surplus on sale of tangible fixed assets	428,313	397,748
(Increase) / decrease in stocks and work in progress	(5,113)	7,263
Decrease / (increase) in debtors	1,456,040	(432,969)
Decrease in creditors	(7,024)	(97,088)
	<u>2,068,166</u>	<u>(60,166)</u>
Net cash inflow / (outflow) from operating activities		

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

	2009 £	2008 £
Movement in cash	-	-
Increase / (decrease) in liquid resources	1,729,564	(823,708)
	<u>1,729,564</u>	<u>(823,708)</u>
Net funds at 1 January	1,199,673	2,023,381
	<u>2,929,237</u>	<u>1,199,673</u>
Net funds at 31 December		

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

14. Analysis of changes in net funds

	1 January 2009 £	Cash Flow £	31 December 2009 £
Cash held with States Treasury	<u>1,199,673</u>	<u>1,729,564</u>	<u>2,929,237</u>

15. Capital Commitments

	2009 £	2008 £
Contracted for but not provided	<u>196,000</u>	<u>177,545</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 costs 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 decided to maintain the current employer's contribution rate to the Fund at 7.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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.

States Works 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 revenue account. The total amount of superannuation contributions for the year end 31 December 2009 was £387,169 (2008: £336,465) which were all paid during the year.

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

17. Related party transactions

Income

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 other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at “arms length”. There has been no change in the proportion of business between States (90%) and private (10%) clients.

Expenditure

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

18. Statement of control

The States of Guernsey Public Services – Works Division is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Public Services – Works Division has been delegated to the members of the Board who have been appointed by the States of Guernsey.

19. Subsequent events

Management know of no events, subsequent to the year end that would materially affect the Financial Statements.

MISCELLANEOUS ACCOUNTS

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2009

FINANCIAL HIGHLIGHTS

Overview

The Guernsey Insurance Fund (the Fund) recorded a significant operating deficit of £5.16m (2008:£0.72m surplus) to a 6.5% increase in the general rate of benefit based on the June 2008 RPI plus 1% while contribution income increased by only 3.4% due to a slowing local economy. However, with income from invested funds of £10.20m (2008: £15.0m) together with realised and unrealised profits of £6.66m (2008: £5.87m loss) and £74.07m (2008: £111.15m loss) respectively, as a result of a recovery in global financial markets, reserves increased by £85.77m (2008: £101.31m decrease). At the year-end total reserves stood at £571.34m (2008: £485.57m) with expenditure cover up from 5.3 years to 5.6 years.

Contribution income & states grant

Total contribution income for the contributory funds increased by 3.7% to £134.04m (2008: £129.32m) but was below the budget of £135.60m. The income from the contribution classes is as follows:

Contribution income allocated to the Guernsey Health Service Fund increased by 3.7% to £33.50m (2008:£32.30m) with the Long-term Care Insurance Fund's allocation increasing by 4.2% to £16.89m (2008: £16.20m).

After allocations to the Guernsey Health Service Fund and the Long-term Care Insurance Fund, the Guernsey Insurance Fund contribution income increased by 3.4% to £83.67m (2008: 24% to £80.91m) but was below the budget of £84.55m.

The States' grant, which is based on a fixed percentage of contributions, currently set at 15%, increased by 3.5% to £12.55m (2008: £12.12m) but was below the budget of £12.67m.

Contributors at week 48	2009	2008	5-Year average
Employers	2,398	2,492	2,439
Employed	28,831	29,531	28,922
Self-Employed	3,388	3,424	3,440
Non-Employed	4,961	4,745	4,582
Total Employed	37,180	37,700	36,944

The overall number of contributors, at week 48, decreased to 37,180 (2008: 37,700) with the number of employed and self-employed contributors reducing by 2.4% and 1.1% respectively while non-employed contributors increased by 4.6%.

The largest economic sector remained the financial sector, which accounted for nearly a quarter of the employed population and represented approximately a third of the total income received from employers and employees.

Benefit expenditure

Overall benefit expenditure increased by 10.1% to £96.48m (2008:£87.61m) and above the budget of £96.12m: the increase included a 6.5% increase in benefit rates generally. At the year-end there were around 17,196 benefit claims in payment (2008: 16,600), of which 85.6% (2008: 86.6%) were to people in receipt of old age pension.

Pension

	2009	2008	5-Year Average
Number of claimants at the year-end	14,782	14,369	14,103
Number of approved claims during the year	1,051	1,065	987

Pension expenditure increased by 8.8% to £78.35m (2008: £72.02m) but below the budget of £78.62m. The single rate of old age pension and the addition in pension in respect of a dependant wife both increasing by 6.5%. The number of pensioners increased by 2.9% at the end of the year and is set to rise considerably over the next few years as more of the population attain pension age.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

FINANCIAL HIGHLIGHTS (CONTINUED)

Invalidity benefit

	2009	2008	5-Year Average
Number of claimants at the year-end	861	790	775
Number of approved claims during the year	361	421	313

Invalidity benefit increased significantly by 12.1% to £6.72m (2008: £6.0m) with a 9.00% increase in the number of claimants at the year-end. The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick.

Sickness benefit

	2009	2008	5-Year Average
Number of claimants at the year-end	551	518	461
Number of approved claims during the year	12,198	11,267	11,625

Sickness benefit increased by 15.9% to £3.49m (2008: £3.01m) with the number of approved claims during the year increasing by 8.3% to 12,198. To help contain the swine flu virus, in July 2009, the Department approved a system of self-certification of incapacity for work by reasons of flu-like symptoms for the duration of the swine flu pandemic.

Unemployment benefit

	2009	2008	5-Year Average
Number of claimants at the year-end	266	182	174
Number of approved claims during the year	1,527	908	1,251

With higher levels of unemployment throughout the year, the cost of unemployment benefit has doubled to £1.27m (2008: to £0.63m). The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

In support of the additional workloads due to the high unemployment levels, the Department has had to recruit additional staff on temporary contracts.

Travel allowance grant

	2009	2008	5-Year Average
Number of approved claims during the year	1,255	1,370	Not available

The travel allowance grant provides funding and reimbursement of travel expenses for patients visiting Jersey and the UK when medical treatment is not available in Guernsey or Alderney, including emergency flights: it also provides for Alderney patients requiring treatment in Guernsey. For 2009, grant expenditure increased by 29.7% to £2.06m (2008: to £1.59m), the increase mainly due to a significant rise in the number of emergency flights, the cost of which increased by 60.3% to £0.76m (2008: 0.47m). The 5-year average cannot be calculated as the basis of recording statistical information changed during 2007.

Maternity benefit

	2009	2008	5-Year Average
Maternity allowance:			
Number of claimants at the year-end	145	121	126
Number of approved claims during the year	582	531	494
Maternity Grant:			
Number of approved claims during the year	82	91	123

Maternity benefit increased by 13.3% to £1.07m (2008: to £0.95m) it was marginally below the budget of £1.10m. In respect of the maternity allowance, the number of approved claims during the year increased by 9.6% to 582 compared to 2008 while the number of maternity grants fell by 9.9% to 82.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

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

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

FINANCIAL HIGHLIGHTS (CONTINUED)**Administration**

Total administration expenditure, excluding depreciation, increased by 7.02% to £5.98m (2008: £5.60m)

Staffing costs, which account for 70% of total administrative budget, increased by 10.7% to £4.22m (2008: £3.81m). The average number of full-time equivalent staff during 2009 was as follows:

Pay Groups	2009	2008
Established	102	102
Public Service employees	1	1
Temporary staff	14	5
Total	117	108

The increased costs were driven by a combination of annual staff salary increases and the employment of temporary staff in support of peak workloads especially in unemployment benefits. The total amount of staff overtime also increased.

Staff turnover during the year was on 19% (2008: 37%) of which 8% related to internal movements within the Department. The average number of full-time equivalent staff vacancies for the year was 8 (2008: 7).

Computer expenditure decreased by 3.6% to £0.85m (2008: £0.88m) with recoveries up 7.9% on the previous year at £2.24m (2008: 2.08m). The depreciation charge was £1.14m (2008: £1.15m).

Investments

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at the 31 December 2009 had a market value of £641.93m (2008:£517.74m). The percentage allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.2009	31.12.2008	5-Year Average
Guernsey Insurance Fund	85.1%	89.3%	89.0%
Guernsey Health Service Fund	9.1%	6.9%	7.2%
Long-term Care Insurance Fund	5.8%	3.8%	3.8%

During 2009, the Department appointed two new investment managers, Barings Asset Management Limited and M&G Limited and transferred £119m and £29m respectively from the existing managers.

The Guernsey Insurance Fund's allocation of the Common Investment Fund at the year-end was £546.15m (2008: £462.45m). During the year £14.70m was reallocated from the Guernsey Insurance Fund and £8.20m was reallocated to the Guernsey Health Service Fund and £6.50m reallocated to the Long-term Care Insurance Fund to clear recoveries due in respect of operating activities.

ACTIVITIES DURING THE YEAR

In July 2009, the Department reported to the States with detailed proposals for ensuring the financial sustainability of the Guernsey Insurance fund. The States approved the majority of the proposals including the phasing in from 2020 of an increase in pension age to 67.

Following the appointment of new investment advisers, P-Solve, in May 2009 the Department re-examined the investment objectives in respect of the funds under management, the associated risk and the implementation of the various investment mandates by the various fund managers. The Department subsequently agreed to change its investment strategy which would be phased in over 12 months as part of a transition programme.

In October 2009, the Department implemented phase 1 of its transition programme and disinvested entirely of its passive holdings in Legal and General tracker funds and partially of its holdings with Schroders Investment management and BlackRock Investment Management to fund the Department's European Loan and Dynamic Asset Allocation mandates, managed by M&G Investment and Barings Asset Management respectively.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

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

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

FUTURE ACTIVITIES

The Department will continue working towards its new investment strategy by implementing phases 2 and 3 of the transition programme to include broad bond and structured equity mandates.

Following completion of the Fundamental spending review by Tribal Helm in 2009, the Department will become actively involved in a number of work streams of the States' Financial Transformation Programme.

SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The new investment is to be funded from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

Key Statistics

Number of claimants at the year-end	31.12.09	31.12.08	31.12.07	31.12.06	31.12.05
Pension	14,782	14,369	13,845	13,656	13,415
Invalidity Benefit	861	790	787	762	673
Sickness Benefit	551	518	425	381	431
Bereavement Benefits	328	346	377	410	432
Unemployment Benefit	266	182	118	152	150
Industrial Disablement Benefit	249	255	257	260	260
Industrial Injury Benefit	14	19	17	18	19
Maternity Allowance	145	121	126	104	133
Total	17,196	16,600	15,952	15,743	15,513

Number of approved claims during the year	31.12.09	31.12.08	31.12.07	31.12.06	31.12.05
Pension	1,051	1,065	825	926	1,070
Invalidity Benefit	361	421	415	390	393
Sickness Benefit	12,198	11,267	11,369	11,416	11,877
Bereavement Benefits	305	281	368	315	298
Unemployment Benefit	1,527	908	851	1,423	1,546
Industrial Disablement Benefit	11	12	13	12	27
Industrial Injury Benefit	637	619	666	265	170
Industrial Medical Benefit	1,144	1,169	1,408	1,521	1,460
Maternity Allowance	582	531	495	421	443
Maternity Grant	82	91	102	183	155
Death Grant	519	448	425	464	441
Total	18,417	16,812	16,937	17,336	17,880

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

Key Statistics (continued)

Number of contributors (as at week 48)	2009	2008	2007	2006	2005
Employers	2,398	2,492	2,466	2,419	2,422
Employed - Male	14,822	15,302	15,166	14,929	14,821
Employed - Female	14,009	14,229	13,991	13,719	13,622
	28,831	29,531	29,157	28,648	28,443
Self-employed	3,388	3,424	3,495	3,447	3,446
Non-employed	4,961	4,745	4,597	4,326	4,283
Total	37,180	37,700	37,249	36,421	36,172

The number of contributors for each year is based on week 48 whereas in previous years the statistical information was as at week 36.

Contribution rates	2009	2008	2007	2006	2005
Employers	4.9%	4.9%	4.1%	4.1%	4.1%
Employed	3.2%	3.2%	3.2%	3.2%	3.2%
Self-employed	6.3%	6.3%	6.3%	6.3%	6.3%
Non-employed	5.7%	5.7%	5.7%	5.7%	5.7%

Five year performance	2009 £	2008 £	2007 £	2006 £	2005 £
Financial performance					
Income	96,214,556	93,028,813	88,719,811	84,021,392	80,338,337
Expenditure	(101,374,253)	(92,309,733)	(85,486,325)	(81,172,876)	(75,503,131)
Operating (deficit)/surplus	(5,159,697)	719,080	3,233,486	2,848,516	4,835,206
Investments					
Property	-	-	-	10,550,000	7,900,000
Investment portfolio	-	-	-	-	455,557,854
Common Investment Fund allocation	546,145,664	462,448,211	563,963,613	514,589,931	-
Total Investments	546,145,664	462,448,211	563,963,613	525,139,931	463,457,854
Investment performance					
Investment income	10,197,455	14,994,907	15,856,980	16,365,773	12,617,785
Realised gains/(losses)	6,659,204	(5,872,667)	31,837,712	28,013,104	30,379,317
Unrealised gains/(losses)	74,073,396	(111,145,735)	(11,278,566)	10,102,135	35,823,172
Total return on investments	90,930,055	(102,023,495)	36,416,126	54,481,012	78,820,274
Expenditure cover					
Reserves	571,341,165	485,570,807	586,876,186	547,226,574	489,897,046
Expenditure (including depreciation)	101,374,253	92,309,733	85,486,325	81,172,876	75,503,131
Number of years cover	5.6	5.3	6.9	6.7	6.5

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND**Controlled and managed by the
Social Security Department****STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)****Year ended 31 December 2009****Principal officers during 2009****Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy M W Collins Deputy A R Le Lièvre
Administrator	M Nutley

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS
Year ended 31 December 2009

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 fund account 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.

Going Concern

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

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 business plan; and
 - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the Department and the States of Guernsey;
- a regular review of the performance and security of the Guernsey 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT-GUERNSEY INSURANCE FUND

We have audited the financial statements of The States of Guernsey Social Security Department-Guernsey Insurance Fund ("the Fund") for the year ended 31 December 2009 which comprise the fund account, the balance sheet, cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors' 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey 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 in accordance with United Kingdom Generally Accepted Accounting Practice and with Section 100(3) of the Social Insurance (Guernsey) Law, 1978. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund 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. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

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 the 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 United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2009 and of its surplus for the year then ended and are prepared in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey

Date: 14 April 2010

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

BALANCE SHEET
At 31 December 2009

	Note	2009 £	2008 £
Income			
Contributions	1(b),2	83,666,877	80,906,406
States grant	1(b)	12,547,679	12,122,407
		<u>96,214,556</u>	<u>93,028,813</u>
Expenditure			
Benefits payable	1(c),3	96,475,112	87,607,460
Administration	4	5,988,640	5,595,354
Recoveries	5	(2,242,373)	(2,077,609)
		<u>100,221,379</u>	<u>91,125,205</u>
Operating (deficit)/surplus before depreciation charge		(4,006,823)	1,903,608
Depreciation charge	7	(1,152,874)	(1,184,528)
Operating (deficit)/surplus		(5,159,697)	719,080
Investing activities			
Income from invested funds	1(f),6	10,197,456	14,994,907
Realised profit/(loss) on disposal	8	6,659,204	(5,872,667)
Movement in unrealised profit/(loss) on investment	8	74,073,395	(111,146,699)
		<u>90,930,055</u>	<u>(102,024,459)</u>
Net surplus/(deficit) in the fund during the year		85,770,358	(101,305,379)
Net assets of the fund at 1 January		<u>485,570,807</u>	<u>586,876,186</u>
Net assets of the fund at 31 December		<u><u>571,341,165</u></u>	<u><u>485,570,807</u></u>

All activities are derived from continuing operations.

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

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

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

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Tangible assets	7	6,773,311	7,552,033
Common investment fund	8	546,145,664	462,448,211
		<u>552,918,975</u>	<u>470,000,244</u>
Current assets			
Debtors due within one year	9	23,357,208	23,150,065
Debtors due after one year	10	966,607	619,576
Balances with States Treasury		1,221,815	4,495,774
Cash at bank and in hand		870,995	1,377,370
		<u>26,416,625</u>	<u>29,642,785</u>
Current liabilities			
Creditors due within one year	11	6,898,500	11,378,683
Bank overdraft		1,095,935	2,693,539
		<u>7,994,435</u>	<u>14,072,222</u>
Net current assets		<u>18,422,190</u>	<u>15,570,563</u>
Total net assets		<u><u>571,341,165</u></u>	<u><u>485,570,807</u></u>
Reserves		<u><u>571,341,165</u></u>	<u><u>485,570,807</u></u>

The financial statements were approved by the Social Security Department on 14 April 2010.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

CASH FLOW STATEMENT

At 31 December 2009

	2009	2008
	£	£
Operating (deficit)/surplus for the year	(5,159,697)	719,080
Add back depreciation	1,152,874	1,184,528
Increase in debtors	(554,174)	(5,021,746)
(Decrease)/increase in creditors	(4,480,182)	2,704,625
Net cash outflow from operating activities	<u>(9,041,179)</u>	<u>(413,513)</u>
Management of liquid resources		
Fixed asset acquisitions during the year	(374,152)	(175,908)
Increase/(decrease) in cash equivalent in Common Investment Fund	90,930,055	(102,024,459)
Net cash inflow from investing activities	<u>90,555,903</u>	<u>102,200,367</u>
Increase/(decrease) in cash and cash equivalent (including investments)	81,514,724	(102,613,880)
Opening common investment funds, treasury, cash balances and overdraft	465,627,816	568,241,696
Closing common investment funds, treasury, cash balances and overdraft	<u><u>547,142,540</u></u>	<u><u>465,627,816</u></u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

1. ACCOUNTING POLICIES

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

a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with United Kingdom Generally Accepted Accounting Practice, except as noted below:

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

Going Concern

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

b) Contributions & States grant

Contributions represent the amount of cash received before 1 February 2010 in respect of the financial year ended 31 December 2009 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2009 was 15% (2008: 15%).

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) 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 2008 will take place in 2010.

e) Tangible fixed assets

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

	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

f) Common Investment Fund

The investment portfolio of the Guernsey Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

1. ACCOUNTING POLICIES (continued)

g) Investments

Investments are stated in the financial statements at their fair values.

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.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

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.

h) Pension costs

The costs of the defined benefit scheme are charged to the fund 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.

i) Security lending

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period.

Collateral received is not recorded unless it is reinvested. Income, realised and unrealised gains and losses on reinvested securities are recorded in the Fund account.

j) Derivatives

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

2. CONTRIBUTIONS

	2009	2008
	£	£
Employer contributions	61,742,780	59,814,554
Employee contributions	54,010,463	52,197,720
	<hr/> 115,753,243	<hr/> 112,012,274
Self-employed contributions	11,033,443	11,163,713
Non-employed contributions	7,257,787	6,142,392
	<hr/> 134,044,473	<hr/> 129,318,379
Contributions allocated to:		
Guernsey Health Service Fund	(33,504,703)	(32,299,301)
Long-term Care Insurance Fund	(16,888,577)	(16,203,032)
	<hr/> 83,651,193	<hr/> 80,816,046
Employer surcharge and penalty	66,822	52,444
Movement in contributions unallocated	(51,138)	37,916
	<hr/> <hr/> 83,666,877	<hr/> <hr/> 80,906,406

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

3. BENEFITS PAYABLE

	2009	2008
	£	£
Pension	78,355,012	72,015,950
Invalidity	6,723,767	5,999,128
Sickness	3,490,052	3,010,457
Bereavement	2,191,727	2,141,836
Travel allowance grant	2,060,407	1,588,307
Unemployment	1,269,025	634,589
Maternity benefit	1,074,624	948,146
Industrial disablement	650,755	642,355
Industrial injury	275,425	274,592
Death grant	241,623	197,380
Industrial medical	142,695	154,720
	<u>96,475,112</u>	<u>87,607,460</u>

4. ADMINISTRATION

	2009	2008
	£	£
Salaries and pension costs	4,215,564	3,809,723
Computer expenses	851,351	882,677
Administration expenses	582,772	596,410
Property expenses	237,585	189,001
Legal and professional expenses	74,539	89,606
Actuarial expenses	18,729	16,933
Audit fee	8,100	11,004
	<u>5,988,640</u>	<u>5,595,354</u>

5. RECOVERIES

	2009	2008
	£	£
Amounts received from:		
Non Contributory Services	1,555,921	1,550,524
Guernsey Health Service Fund	424,277	410,320
Long-term Care Insurance Fund	127,953	112,389
Other States of Guernsey entities	134,222	4,376
	<u>2,242,373</u>	<u>2,077,609</u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

6. INCOME FROM INVESTED FUNDS

	2009	2008
	£	£
Income		
Dividends from equities	9,017,755	12,664,443
Interest on short term deposits	338,242	3,220,621
Interest from fixed interest securities	2,861,384	1,500,966
Interest from SWAPS	406,258	-
Less: withholding tax suffered	(287,729)	(382,445)
Brokers' commission recaptured	-	98
	<u>12,335,910</u>	<u>17,003,683</u>
Securities lending fees	255,307	520,451
Less: Securities lending expenses	(52,650)	(121,049)
	<u>202,657</u>	<u>399,402</u>
 Income of the Common Investment Fund	 <u>12,538,567</u>	 <u>17,403,085</u>
 Expenditure		
Investment managers' fees	1,977,711	1,448,935
Less: Rebate of management fees charged on in-house unit trusts	(1,380,077)	(474,094)
	<u>597,634</u>	<u>974,841</u>
 Investment advisor's fees	 50,000	 -
Investment advisor's fees – additional work	40,000	-
	<u>90,000</u>	<u>-</u>
 Global custodian – custody fees	 80,126	 67,986
Global custodian – performance monitoring fees	11,203	9,639
	<u>91,329</u>	<u>77,625</u>
 Net expenditure of the Common Investment Fund	 <u>778,963</u>	 <u>1,052,466</u>
 Net income of the Common Investment Fund	 11,759,604	 16,350,619
Net income allocated to:		
Guernsey Health Services Fund	(1,026,703)	(1,128,193)
Long-term Care Insurance Fund	(637,440)	(618,053)
	<u></u>	<u></u>
Net income of the Common Investment Fund allocated to the Guernsey Insurance Fund	10,095,461	14,604,373
 Other income		
Interest on call and treasury deposits	101,995	390,534
	<u>10,197,456</u>	<u>14,994,907</u>

In previous years the investment advisor's fees were allocated to the three Contributory Funds under professional expenses. In 2008 this amounted to £45,500.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND

Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

7. TANGIBLE ASSETS

	1 January 2009 £	Additions £	Write-off £	31 December 2009 £
Cost				
Freehold land and buildings	3,633,979	95,478	-	3,729,457
Furniture, fittings and office equipment	1,054,951	49,727	-	1,104,678
Computer equipment and software	2,408,348	66,861	-	2,475,209
Computer development – Technological migration	6,571,432	59,205	-	6,630,637
Computer development	2,229,269	102,881	(16,000)	2,316,150
	<u>15,897,979</u>	<u>374,152</u>	<u>(16,000)</u>	<u>16,256,131</u>
	1 January 2009 £	Charge for the year £	Write-off £	31 December 2009 £
Accumulated Depreciation				
Freehold land and buildings	985,632	45,425	-	1,031,057
Furniture, fittings and office equipment	810,183	60,023	-	870,206
Computer equipment and software	2,393,080	54,095	-	2,447,175
Computer development – Technological migration	2,080,099	935,832	-	3,015,931
Computer development	2,076,952	57,499	(16,000)	2,118,451
	<u>8,345,946</u>	<u>1,152,874</u>	<u>(16,000)</u>	<u>9,482,820</u>
Net book value	<u>7,552,033</u>			<u>6,773,311</u>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by Lovell & Partners Limited, a firm of estate agents and valuers, at an open market value of £11.02m (2007: £10.60m) and is carried at cost.

Depreciation commenced being charged on computer development costs associated with the technological migration project from the end of September 2006, when the new benefit system became operational.

Computer development costs and related accumulated depreciation have been written off in respect of software development work that was never completed. Full compensation was received in 2009 to reverse the related costs.

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STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

8. COMMON INVESTMENT FUND

	2009	2008
	£	£
Equities and derivatives	504,590,637	347,499,931
Equity derivatives-futures collateral	(16,390,212)	7,167,534
Fixed income and derivatives	103,853,537	43,691,785
Fixed income derivatives-futures collateral	(27,322,375)	(3,951,040)
Cash and cash equivalents	45,665,827	100,829,683
Property funds	19,833,909	9,906,473
Commodities	8,285,630	2,019,649
Alternative investments and hedge funds	3,515,171	10,848,017
	<hr/> 642,032,124	<hr/> 123,603,822
Reinvested collateral	36,995,659	40,472,941
Collateral returnable	(37,097,471)	(40,741,790)
	<hr/> (101,812)	<hr/> (268,849)
	641,930,312	517,743,183
Investments allocated to:		
Guernsey Health Service Fund	(58,709,189)	(35,724,280)
Long-term Care Insurance Fund	(37,075,459)	(19,570,692)
	<hr/> 546,145,664	<hr/> 462,448,211

At the year-end the common investment fund value comprised of £635,457,971 of listed investments and unlisted investments of £6,472,341. (2008: nil)

At the year-end securities lending stood at £35,338,293 (2008: £38,672,795) secured by cash collateral of £36,995,659 (2008: £40,741,790) being 104.69% (2008: 105.35%) of the value of the securities on loan.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £101,812 (2008: £268,849) with the market-to-book ratio of 0.996 (2008: 0.976).

Common Investment Fund movements during the year	2009	2008
	£	£
Market value 1 January	517,743,183	631,464,470
Investment income reinvested	12,415,625	17,289,015
Realised profit/(loss) on disposal	9,105,801	(6,574,862)
Movement on unrealised profit/(loss) on investments	93,665,703	(124,435,440)
New monies invested - Guernsey Insurance Fund	4,500,000	-
New monies invested - Long-term Care Insurance Fund	4,500,000	-
	<hr/> 641,930,312	<hr/> 517,743,183

The realised profit allocated to the Guernsey Insurance Fund for the year is £6,659,204 (2008: loss £5,872,667) with a movement in unrealised profit of £74,073,395 (2008: loss £111,146,699).

The reallocation of the Common Investment Fund's assets of £14.7m from the Guernsey Insurance Fund was to clear recoveries due to the Guernsey Health Service Fund of £8.2m and Long-term Care Insurance Fund of £6.5m in respect of operating activities. The common investment fund was managed throughout 2009 by Schroder Investment Management Limited and BlackRock Investment Management (UK) Limited and also Barings Asset Management and M&G Investments from 1 October 2009.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

9. DEBTORS DUE WITHIN ONE YEAR

	2009	2008
	£	£
Contributions receivable	19,450,727	19,713,762
Benefits prepaid	1,895,703	1,986,980
Recoveries due from Non Contributory Services	1,060,833	286,385
Trade debtors	622,912	621,886
Administration expenses prepaid	241,653	212,069
Benefits and allowances recoverable	85,380	62,598
States grant	-	266,385
	<u>23,357,208</u>	<u>23,150,065</u>

10. DEBTORS DUE AFTER ONE YEAR

	2009	2008
	£	£
Unsecured debt and recoveries	729,191	619,576
Secured loans	237,416	-
	<u>966,607</u>	<u>619,576</u>

The unsecured debt and recoveries relate to outstanding benefit debt. The secured loans are interest free and secured by way of a registered bond against the realty of each borrower.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Recoveries due to Guernsey Health Service Fund	2,461,309	5,149,733
Recoveries due to Long-term Care Insurance Fund	1,853,809	3,588,212
Trade creditors	1,992,375	1,986,088
Other creditors and accruals	468,686	654,650
States Treasury Grant repayable	122,321	-
States Treasury Grant repayable	<u>6,898,500</u>	<u>11,378,683</u>
States Treasury Grant repayable		

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

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 decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £251,737 (2008: £234,073) of which the Guernsey Insurance Fund contributed £162,818 (2008: £147,410).

13. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2008: none). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2009 and 2008 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11. Balances with the States Treasury at the year-end amounted to £1,221,815 (2008: £4,495,774).

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.

15. SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The £96m will be transferred from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund (see note 8). This reversal, in conjunction with the partial reversal processed on 30 November 2009 of £129,346 eliminates the charge against the Fund amounting to £81,020 after accounting for existing realised losses and related settlement costs.

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE
Year ended 31 December 2009

Financial highlights

Overview

The overall annual grant from the States of Guernsey increased by 10.5% to £30.57m (2008: £27.66m) and includes a 5.5% increase in the general rate of benefit. Total expenditure consists of:

- Formula led expenditure of £28.26m (2008:£25.51m). This element is flexible in that it is driven by the level of demand for supplementary benefit, family allowance, attendance and invalid care allowances and concessionary television licenses. The budget for 2009 was £27.55m.
- Non-Formula Led expenditure of £2.32m (2008: £2.15m). This element consists of administration costs, medical expenses assistance scheme, community and environmental projects scheme and charitable grants. The 2009 budget of £2.33m included £50k of unspent balances in previous years.

Review of main formula led expenditure

• **Supplementary benefit**

	2009	2008	4-Year Average
Number of claimants at the year-end	2,300	2,112	2,127

Overall supplementary benefit expenditure increased by 13.3% to £15.88m (2008: £14.03m) being mainly attributable to the rising benefit costs associated with single parents, the incapacitated, handicapped persons and, with continuing levels of high unemployment, more persons seeking work.

Special grants expenditure increased by 20.9% to £2.44m (2008: £2.02m) which is mainly due to an increase in medical treatment costs which rose by 19.8% to £1.21m (2008:£1.0m).

• **Family allowance**

	2009	2008	4-Year Average
Number of claimants at the year-end	6,858	6,791	6,822

Expenditure increased by 5.2% to £9.05m (2008: £8.60m) with the allowance increasing by 5.4% to £14.60 per child per week.

• **Attendance Allowance (AA) & Invalid Care Allowance (ICA)**

	2009	2008	4-Year Average
AA - Number of claimants at the year-end	495	382	363
ICA - Number of claimants at the year-end	267	227	221

Combined expenditure increased by 16.2% to £2.74m (2008:£2.36m). The rise was mainly attributable to the increase in attendance allowance expenditure which increased by 17.7% to £1.89m (2008: £1.61m) with the number of claimants increasing significantly during the latter half of the year. Invalid care allowance expenditure increased by 13.1 % to £0.85 m (2008: £0.75m) with the number of claimants also increasing during the autumn months. The Department is to actively market both allowances in 2010 and, as a result, forecast a significant increase in expenditure.

Review of main non-formula led expenditure

• **Charitable grants**

The Department makes annual grants to eight local charities to support their provision of social welfare, the charities being specified by resolution of the States. The amount of £212k paid in 2009 was frozen at the 2008 level.

STATES OF GUERNSEY –NON CONTRIBUTORY SERVICES

Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)

Year ended 31 December 2009

• Community and environmental projects scheme

In support of the States' strategy to support individuals into employment the Department funded the scheme to train and up-skill, on average, 20 people each week. In 2009, the cost of this initiative increased by 13.6% to £217k (2008: £191k).

• Administration costs

Total costs for the year increased by 7.2% to £1.74m (2008:£1.62m). This increase was driven by a combination of annual staff salary increases and the employment of temporary staff in support of peak workloads especially in unemployment benefits.

Activities during 2009

The modernisation of supplementary benefit project gathered momentum and included visits and discussions with Jersey and expert opinion from Professor Dan Flynn.

The higher levels of unemployment, and the associated high number of job seekers requiring supplementary benefit, continued to place a heavy additional workload on the Department's staff.

The Department undertook a review as to the adequacy of the attendance and invalid care allowances, with particular reference to the rules governing the payment of the carer's allowance which may be too restrictive.

Future developments

The Department will continue to progress the modernisation of supplementary benefit project with the aim of drafting an agreed strategy by the end of 2011.

Following the review of the attendance and invalid care allowances, the Department will actively promote and raise awareness of both allowances.

With the expected continuation of the high levels of unemployment, the Department will be actively developing initiatives, within resource constraints, to facilitate return to work.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department will become actively involved in a number of work-streams of the programme.

Key Statistics

Number of claimants at year-end	31.12.09	31.12.08	31.12.07	31.12.06
Family Allowances	6,858	6,791	6,720	6,822
Supplementary Benefit	2,300	2,112	2,034	2,062
Attendance Allowance	495	382	373	363
Invalid Care Allowance	267	227	225	221

Five-year performance	2009 £	2008 £	2007 £	2006 £	2005 £
Benefits expenditure - Formula Led					
Supplementary Benefit	15,884,660	14,024,153	12,966,023	12,108,032	10,614,263
Family Allowance	9,045,441	8,598,024	8,232,609	8,055,230	7,753,729
Attendance Allowance	1,894,820	1,610,421	1,486,307	1,375,705	1,296,960
Invalid Care Allowance	849,527	750,997	707,063	674,546	619,956
Concessionary television licences	542,707	504,728	463,788	482,912	453,060
Travel expenses assistance scheme	37,952	25,565	41,505	34,053	46,319
Benefits expenditure - Non-Formula Led					
Administration	1,759,543	1,623,468	1,625,044	1,561,101	1,767,553
Charitable grants	211,910	211,910	193,000	185,935	182,288
Community & Environmental Projects	216,876	190,947	200,626	218,494	162,275
Medical expenses assistance scheme	127,996	123,062	119,225	111,232	107,501

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**Controlled and managed by the
Social Security Department****STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)****Year ended 31 December 2009****Principal officers****Social Security Department**

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy M W Collins Deputy A R Le Lièvre
Administrator	M Nutley

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS
Year ended 31 December 2009

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.

Going Concern

The Department members and principal officers have reviewed the budget over the next twelve months and deem that Non Contributory Services has adequate financial resources to meet its obligations. The Department has obtained confirmation that a grant will be received from the Treasury and Resources Department and have assessed its adequacy to keep the entity a going concern. From a review of the above it is therefore deemed that Non Contributory Services is a going concern.

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 business plan; and
 - 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT - NON CONTRIBUTORY SERVICES

We have audited the financial statements of The States of Guernsey Social Security Department- Non Contributory Services ("the Fund") for the year ended 31 December 2009 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors' 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey 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 in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund 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. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

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 the 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 United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Non Contributory Scheme as at 31 December 2009 and of its result for the year then ended.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey

Date: 14 April 2010

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2009

	Note	2009 £	2008 £
Income			
States of Guernsey Grant	1(b) & 2	30,571,432	27,663,275
Expenditure (Formula led)			
Supplementary benefit	3	15,884,660	14,024,153
Family allowance		9,045,441	8,598,024
Attendance & invalid care allowance		2,744,347	2,361,418
Concessionary television licences		542,707	504,728
Travel expenses assistance scheme		37,952	25,565
		<u>28,255,107</u>	<u>25,513,888</u>
Expenditure (Non-Formula led)			
Administration	7	1,759,543	1,623,468
Community & environmental projects		216,876	190,947
Charitable grants	6	211,910	211,910
Medical expenses assistance scheme		127,996	123,062
		<u>2,316,325</u>	<u>2,149,387</u>
Total expenditure		<u>30,571,432</u>	<u>27,663,275</u>
Operating result for the financial year		<u>-</u>	<u>-</u>

All activities are derived from continuing operations.

The entity has no recognised gains or losses in the current or previous financial year.

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

BALANCE SHEET
At 31 December 2009

	Note	2009 £	2008 £
Current assets			
Debtors and prepayments	8	1,547,216	863,786
Creditors: amounts falling due within one year	9	(1,547,216)	(863,786)
Net current assets		-	-
Revenue account		-	-

These financial statements were approved by the Social Security Department on 14 April 2010.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

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

a) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom accounting standards, except as noted below:

The entity is exempt from producing a cash flow statement as required by Financial Reporting Statement 1 “Cash Flow Statement (Revised)” on the grounds that it is a small entity.

Going Concern

The Department members and principal officers have reviewed the budget over the next twelve months and deem that Non Contributory Services has adequate financial resources to meet its obligations. The Department has obtained confirmation that a grant will be received from the Treasury and Resources Department and have assessed its adequacy to keep the entity a going concern. From a review of the above it is therefore deemed that Non Contributory Services is a going concern.

b) 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.

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) Pension costs

The costs of the defined benefit scheme are charged to the income and expenditure 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.

e) 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 £38,168 at 31 December 2009 (2008: £37,612).

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.

3. SUPPLEMENTARY BENEFIT

	2009 £	2008 £
Benefit and fuel allowance (note 4)	13,474,167	12,052,841
Special grants (note 5)	2,443,310	2,020,279
Concessionary TV licenses for 65 to 74 year olds	19,156	21,554
Emergency payments under Public Assistance Law	403	250
Maintenance recoveries	(52,376)	(70,771)
	<u>15,884,660</u>	<u>14,024,153</u>

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

4. BENEFIT AND FUEL ALLOWANCE

	2009	2008
	£	£
Single parents	4,766,375	4,441,833
Incapacitated	2,996,116	2,552,276
Over pensionable age	2,172,532	2,137,045
Handicapped persons	1,343,423	1,228,153
Persons seeking work	1,625,720	1,149,043
Incapable of self support	394,465	378,513
Persons caring for spouse	81,486	82,580
Pregnant women	75,756	60,071
Prisoners Spouses	16,852	21,939
Persons caring for children	1,442	1,388
	<u>13,474,167</u>	<u>12,052,841</u>

5. SPECIAL GRANTS

	2009	2008
	£	£
Medical - Treatment	1,209,811	1,009,887
- Dental	264,859	248,912
- Chiropody	75,212	74,214
- Medical sundries	66,413	65,737
- Ophthalmic	65,722	60,874
- Physiotherapy	49,164	47,817
- Hearing aids	55,259	40,809
	<u>1,786,440</u>	<u>1,548,250</u>
Handicapped persons	316,007	328,561
Funeral	90,328	53,099
Surgical and medical requisites	46,755	45,287
Exceptional needs	190,015	37,036
Sundries (not medical)	7,859	2,157
Travelling expenses	5,906	5,889
	<u>2,443,310</u>	<u>2,020,279</u>

Exceptional needs includes a provision of £175,000 in respect of unrecoverable expenditure incurred in funding nursing care for a handicapped individual over many years. This was subject to a civil action on which a judgement was issued on 14 January 2010.

6. CHARITABLE GRANTS

	2009	2008
	£	£
Guernsey Welfare Service Limited (Playgroup)	50,707	50,707
Guernsey Citizens Advice Bureau	36,450	36,450
The Methodist Church (Wesley playgroup)	30,165	30,165
Women's Royal Voluntary Service	29,378	29,378
Relate	20,618	20,618
Guernsey Women's Refuge Limited	20,461	20,461
The Salvation Army (Clifton Community Centre)	19,300	19,300
The Samaritans	4,831	4,831
	<u>211,910</u>	<u>211,910</u>

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

7. ADMINISTRATION

	2009	2008
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	1,192,342	1,063,688
Computer expenses	216,278	245,530
Property expenses and sundries	183,090	154,241
Bank charges	96,261	87,065
	<u>1,687,971</u>	<u>1,550,524</u>
Management and training costs – Community & environmental projects	139,164	127,646
Administration expenses	32,716	27,165
Medical reports	21,050	20,797
Audit fee	6,600	6,800
Repatriation	3,063	1,215
Legal and professional fees	1,030	1,068
	<u>1,891,594</u>	<u>1,735,215</u>
Rent recovery received from the States Property Services, Treasury and Resources Department	(132,051)	(111,747)
	<u>1,759,543</u>	<u>1,623,468</u>

The Guernsey Insurance Fund charged rental on office space of £132,051 (2008: £111,747) to Non Contributory Services, the expenditure being included in property expenses. This rental is paid by the States Property Services, Treasury and Resources Department.

8. DEBTORS AND PREPAYMENTS

	2009	2008
	£	£
Benefits and allowances paid in advance	864,694	863,786
States grant	682,522	-
	<u>1,547,216</u>	<u>863,786</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Guernsey Insurance Fund recharges payable	1,060,832	286,385
Benefits and allowances payable	473,481	149,353
Other creditors and accruals	12,903	13,512
States grant	-	414,536
	<u>1,547,216</u>	<u>863,786</u>

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**Controlled and managed by the
Social Security Department****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2009****10. 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 (2008: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2009 and 2008 is due to transactions with other States entities, except as disclosed in notes 1, 2, 6, 7, 8 and 9.

11. 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 decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £251,737 (2008: £234,073) of which Non-Contributory Services contributed £68,205 (2008: £66,428).

12. 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 2009

FINANCIAL HIGHLIGHTS

Overview

The Guernsey Health Service Fund ("the Fund") recorded an operating surplus of £3.20m (2008:£4.21m) and with income from invested funds of £1.03m together with realised and unrealised profits of £1.37m and £11.34m respectively, as a result of a recovery in global financial markets, reserves increased by £16.94m (2008: £3.61m decrease). At the year-end total reserves stood at £61.03m (2008: £44.10m) with expenditure cover up from 1.4 years to 1.8 years.

Contribution income and states grant

Contribution income increased by only 3.7% to £33.50 m (2008: £32.30m) but was below the budget of £33.98m. The States grant based on 12% of contribution income was £4.02m (2008:£3.88m), £0.6m down on the budget of £4.08m.

Benefit expenditure

Overall benefit expenditure increased by 7.0% to £33.45m (2008:£31.12m) and 0.4% down on the 2009 budget of £33.57m.

- Consultation grants**

	2009	2008	5-Year Average
Number of doctors grants	254,487	251,030	246,849
Number of nurses grants	79,886	76,271	75,147

Consultation Grant expenditure increased by 1.82% to £3.53m (2008: 2.2% to £3.47m) with the number of doctor and nurse consultation grants increasing by 1.4% and 4.7% respectively. The doctor and nurse consultation grant rates have been fixed at £12 and £6 respectively since 2004. To help contain the swine flu virus, in July 2009, the Department approved a system of self-certification of incapacity for work by reasons of flu-like symptoms for the duration of the swine flu pandemic.

- Specialist Health Insurance Scheme**

	2009	2008	5-Year Average
Medical specialist Group - full-time equivalent consultants (average)	38.5	37.0	37.3

Specialist medical benefit increased by 10.0% to £13.26m (2008: £12.06m) with the number of consultants at the year-end increasing to 39 (2008: 37). An additional consultant was employed from 1 January 2009 with a further consultant from 1 July. The contract price increased by 5.8% based on the September 2008 RPI.

	2009	2008	5-Year Average
Guernsey Physiotherapy Group - full-time equivalent physiotherapists & assistants	27.40	25.35	25.18

Physiotherapy expenditure increased by 12.72% to £1.72m (2008: £1.52m) and, as shown above, was due mainly to a significant increase in the average full-time equivalent physiotherapists & assistants employed during the year. The contract price increased by 5.8% based on the September 2008 RPI.

- Drugs and medicines**

	2009	2008	5-Year Average
Total prescriptions	1,351,700	1,295,054	1,242,810
Average basic cost	£9.55	£9.71	£10.03

Total drug and medicine expenditure increased by 5.4% to £14.87m (2008:£14.11). As shown above, the number of items prescribed during the year increased by 4.4% to 1.35m (2008:1.30m). The continuing fall in the average net

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 2009

ingredient cost of drugs during the year, as shown above, helped to contain costs as did the continuation of initiatives introduced by the prescribing support unit, including the strict control of new entries to the white-list, increased generic prescribing and reduced wastage.

Administration

Overall administration expenditure increased by 2.93% to £0.87m (2008:£0.85m).

Investments

The investment portfolios of the Guernsey Health Service Fund, Guernsey Insurance Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at the 31 December 2009 had a market value of £641.93m (2008:£517.74m). The percentage allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.09	31.12.08	5-Year Average
Guernsey Insurance Fund	85.1%	89.3%	89.0%
Guernsey Health Service Fund	9.1%	6.9%	7.2%
Long-term Care Insurance Fund	5.8%	3.8%	3.8%

During 2009, the Department appointed two new investment managers, Barings Asset Management Limited and M&G Limited and transferred £119m and £29m respectively to those new managers from the existing mandates.

The Guernsey Health Service Fund's allocation of the Common Investment Fund at the year-end was £58.71m (2008: £35.72m). New monies of £12.70m were added to this Fund of which £8.20m was by way of reallocation of the Fund's assets from the Guernsey Insurance Fund to clear recoveries due to the Guernsey Health Service Fund in respect of operating activities.

ACTIVITIES DURING THE YEAR

Following a one year trial period, in 2009 the Department introduced a medicine use review, with the island's pharmacies, on payment from the Department, offering free consultations to patients specifically to discuss their medicines. This new service is an important step in modernising pharmacy services and making better use of the expertise of pharmacists and their staff.

The medicine use review aims, with the patient's agreement, to improve their knowledge and use of drugs by establishing their actual use, understanding and experience of taking medicines. The community pharmacists will identify and resolve poor or ineffective use of medicines and also identify side effects that may affect the patient's concordance with treatment. By improving the clinical and cost effectiveness of drugs prescribed to patients this is expected to reduce wastage.

Work has taken place to explore the potential of a prescribing incentive scheme for the islands' healthcare professionals. The scheme has the potential to benefit patients, the Department and the islands' primary care doctors and pharmacists through the funding of service developments linked to the achievement of predefined prescribing targets.

FUTURE ACTIVITIES

In respect of specialist health insurance scheme, the Department will focus on normal maintenance of the contracts and performance monitoring.

The Department will remain active, through the Prescribing Support Unit in keeping pharmaceutical costs as well controlled and cost effective as possible. The development of a prescribing incentive scheme will be progressed further.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department will become actively involved in a number of work-streams of the programme.

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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 2009

SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The new investment is to be funded from transfers from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

KEY STATISTICS

Drugs & medicines	2009	2008	2007	2006	2005
Ordinary prescriptions % change	566,572 1.59%	557,665 -0.41%	559,939 4.20%	537,139 3.30%	519,796 0.74%
Exempt prescriptions % change	785,128 6.47%	737,389 6.85%	690,105 5.90%	651,644 7.10%	608,672 5.41%
Total prescriptions % change	1,351,700 4.37%	1,295,054 3.60%	1,250,044 5.15%	1,188,783 5.30%	1,128,468 3.21%
Average basic cost % change	£9.55 -1.65%	£9.71 -2.90%	£10.00 -2.43%	£10.25 -3.57%	£10.63 -7.48%

Specialist Health Insurance Scheme Medical Specialist Group	2009 (10 months)	2008	2007	2006	2005
Inpatient & Day Case episodes % change	10,593 N/A	12,197 7.16%	11,381 -0.37%	11,423 -8.02%	12,419 -4.3%
Outpatient Appointments					
New	13,155	15,346	15,372	15,457	15,689
Follow-up	29,927	29,515	23,304	23,272	23,546
Total	43,082	44,861	38,676	38,729	39,235
% change	N/A	15.99%	-0.12%	-1.29%	-0.73%

Statistics provided by the Health and Social Services Department for the year to 31 December 2009 were unavailable due to new system implementation issues and so the above information relating to 2009 only includes data for the 10-month period to 31 October 2009.

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 2009

KEY STATISTICS (CONTINUED)

Consultation grants	2009	2008	2007	2006	2005
Guernsey					
Doctors	243,460	239,921	234,477	232,661	226,351
Nurses	77,490	73,584	71,602	72,000	69,434
Total	320,950	313,505	306,079	304,661	295,785
Alderney					
Doctors	11,027	11,109	11,338	11,822	12,078
Nurses	2,396	2,687	2,568	3,156	816
Total	13,423	13,796	13,906	14,978	12,894
Combined					
Doctors	254,487	251,030	245,815	244,483	238,429
Nurses	79,886	76,271	74,170	75,156	70,250
Total	334,373	327,301	319,985	319,639	308,679
% change	2.16%	2.28%	0.10%	3.55%	2.09%

Contribution rates	2009	2008	2007	2006	2005
Employers	1.6%	1.6%	1.4%	1.4%	1.4%
Employed					
Full rate	1.4%	1.4%	1.4%	1.4%	1.4%
Self-employed	2.8%	2.8%	2.8%	2.8%	2.8%
Non-employed					
Full rate	2.8%	2.8%	2.8%	2.8%	2.8%
Over 65s	1.2%	1.2%	1.2%	1.2%	1.2%

Five-year performance	2009	2008	2007	2006	2005
	£	£	£	£	£
Benefits					
Drugs and medicines	14,870,523	14,107,499	13,812,514	13,418,056	13,154,360
% annual increase	5.40%	2.13%	2.93%	2.00%	2.00%
Income & Expenditure					
Income	37,525,267	36,175,217	34,341,097	32,180,259	30,738,191
Expenditure	34,321,253	31,965,271	29,906,321	29,012,807	28,041,806
Operating surplus	3,204,014	4,209,946	4,434,776	3,167,452	2,696,385
Investment performance					
Investment income	1,027,408	1,219,044	1,166,186	1,123,751	928,165
Realised gains/(losses)	1,368,717	(453,665)	(855,765)	1,966,512	649,817
Unrealised gains/(losses)	11,335,859	(8,586,045)	2,340,792	442,063	2,399,124
Total return on investments	13,731,984	(7,820,666)	2,651,213	3,532,326	3,977,106
Common Investment Fund					
Allocation at market value	58,709,189	35,724,280	43,600,707	37,903,511	28,880,933
Expenditure cover					
Reserves	61,032,410	44,096,412	47,707,132	40,621,143	33,921,365
Expenditure	34,321,253	31,965,271	29,906,321	29,012,807	28,041,806
Number of years cover	1.8	1.4	1.6	1.4	1.2

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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 2009

Principal officers during 2009

Social Security Department

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy M W Collins Deputy A R Le Lièvre
Administrator	M 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
Year ended 31 December 2009

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 fund account 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 100(3) 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.

Going Concern

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

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 business plan; and
 - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT- GUERNSEY HEALTH SERVICE FUND

We have audited the financial statements of The States of Guernsey Social Security Department - Guernsey Health Service Fund ("the Fund") for the year ended 31 December 2009 which comprise the fund account, the balance sheet, the cash flow statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors' 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey 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 in accordance with United Kingdom Generally Accepted Accounting Practice, Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund 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. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

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 the 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 United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2009 and of its surplus for the year then ended and are prepared in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
Date: 14 April 2010

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STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

FUND ACCOUNT
At 31 December 2009

	Note	2009 £	2008 £
Income			
Contributions allocated	1(b), 2	33,504,703	32,299,301
States grant	1(b)	4,020,564	3,875,916
		<u>37,525,267</u>	<u>36,175,217</u>
Expenditure			
Drugs and medicines	3	14,870,523	14,107,499
Specialist Health Insurance Scheme	4	15,046,207	13,541,217
Consultation grants		3,533,160	3,469,987
Administration	5	871,363	846,568
		<u>34,321,253</u>	<u>31,965,271</u>
Operating surplus for the year		3,204,014	4,209,946
Investing activities			
Income from invested funds	1(f), 6	1,027,408	1,219,044
Realised profit/(loss) on disposal	7	1,368,717	(453,665)
Movement in unrealised profit/(loss) on investment	7	11,335,859	(8,586,045)
		<u>13,731,984</u>	<u>(7,820,666)</u>
Net surplus/(deficit) in the Fund during the year		16,935,998	(3,610,720)
Net assets of the Fund at 1 January		<u>44,096,412</u>	<u>47,707,132</u>
Net assets of the Fund at 31 December		<u><u>61,032,410</u></u>	<u><u>44,096,412</u></u>

All activities are derived from continuing operations.

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

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STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
 Controlled and managed by the
 Social Security Department

BALANCE SHEET
Year ended 31 December 2009

	Note	2009 £	2008 £
Fixed assets			
Common Investment Fund allocation	1(d), 7	58,709,189	35,724,280
Current assets			
Debtors and prepayments	8	2,461,309	5,270,987
Balances with States Treasury		32,075	3,131,370
		2,493,384	8,402,357
Creditors: amounts falling due within one year	9	170,163	30,225
Net current assets		2,323,221	8,372,132
Total net assets		61,032,410	44,096,412
Reserves		61,032,410	44,096,412

The financial statements were approved by the Social Security Department on 14 April 2010.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

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STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

CASH FLOW STATEMENT
Year ended 31 December 2009

	Note	2009	2008
		£	£
Operating surplus for the year		3,204,014	4,209,946
Decrease/(increase) in debtors		2,809,678	(1,165,761)
Increase/(decrease) in creditors		139,938	(20,875)
Net cash inflow from operating activities		<u>6,153,630</u>	<u>3,023,310</u>
Management of liquid resources			
Transfer to the Common Investment Fund		(4,500,000)	-
Increase/(decrease) in Common Investment Fund		18,231,984	(7,820,666)
Net cash inflow/(outflow) from investing activities		<u>13,731,984</u>	<u>(7,820,666)</u>
Increase/(decrease) in cash and cash equivalent (including investments)		19,885,614	(4,797,356)
Opening common investment funds and treasury balance		38,855,650	43,653,006
Closing common investment funds and treasury balance		<u><u>58,741,264</u></u>	<u><u>38,855,650</u></u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

1. ACCOUNTING POLICIES

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

a) Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of listed investments and in accordance with United Kingdom Generally Accepted Accounting Practice, except as noted below:

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

b) Contributions allocated & States grant

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 2010 in respect of the financial year ended 31 December 2009 and amounts received relating to prior financial periods.

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2009 was 12% (2008: 12%).

c) 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 actuarial review of the Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future. The actuarial review for the two years to 31 December 2008 will take place in 2010.

d) Common Investment Fund

The investment portfolio of the Guernsey Health Service Fund is amalgamated with the other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based upon the percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

e) Investments

Investments are stated in the financial statements at their fair values.

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.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

f) 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.

g) Benefits payable

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

h) Pension costs

The costs of the defined benefit scheme are charged to the fund 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.

i) Security lending

Securities lending is where securities are transferred from the Fund's custodian to a borrower against collateral in the form of cash. When the loan is terminated, identical securities are to be returned. The borrower is obligated to compensate the lender for various events relating to securities, such as subscription rights, dividends etc. Securities that are lent out are not removed from the Fund's balance sheet. Lending fees are recorded daily as interest income on lending. The borrower has voting rights attached to the securities during the lending period.

Collateral received is not recorded unless it is reinvested. Income, realised and unrealised gains and losses on reinvested securities are recorded in the Fund account.

j) Derivatives

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

2. CONTRIBUTIONS

	2009 £	2008 £
Employer contributions	61,742,780	59,814,554
Employee contributions	54,010,463	52,197,720
	<u>115,753,243</u>	<u>112,012,274</u>
Self-employed contributions	11,033,443	11,163,713
Non-employed contributions	7,257,787	6,142,392
	<u>134,044,473</u>	<u>129,318,379</u>
Contributions allocated to:		
Guernsey Insurance Fund	(83,651,193)	(80,816,046)
Long-term Care Insurance Fund	(16,888,577)	(16,203,032)
	<u><u>33,504,703</u></u>	<u><u>32,299,301</u></u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

3. DRUGS AND MEDICINES

	2009	2008
	£	£
Drugs and medicines	15,662,817	14,898,749
Appliances	566,580	480,366
Oxygen service	286,906	276,435
	<u>16,516,303</u>	<u>15,655,550</u>
Prescription charges receivable	(1,643,982)	(1,539,015)
Health and Social Services Department - reciprocal treatment	(1,798)	(9,036)
	<u>14,870,523</u>	<u>14,107,499</u>

Due to changes in the Reciprocal Health Agreement with the United Kingdom, from 1 April 2009, UK residents are no longer entitled to drugs, medicines and appliances from Guernsey and recoveries in respect of that former entitlement received from the Health and Social Security Department have ceased.

4. SPECIALIST HEALTH INSURANCE SCHEME

	2009	2008
	£	£
Specialist medical benefit	13,260,119	12,057,814
Physiotherapy benefit	1,715,202	1,521,816
Alderney hospital benefit	70,886	65,443
Health and Social Security Department recoveries	-	(103,856)
	<u>15,046,207</u>	<u>13,541,217</u>

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 is based on a per-consultant contracted price adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September. The contract price for 2009 was £344,022 per consultant (2008: £325,162), including a 5.8% RPI increase.

The contract with the Guernsey Physiotherapy Group is based on a per-physiotherapist and per-assistant price, with different rates applying to different grades of physiotherapist and adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI for the previous September. The contract price for 2009 includes a 5.8% RPI increase.

The new contract with the Island Medical Centre for services in the Mignot Memorial Hospital in Alderney commenced on 1 March 2008. The contract price is adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI.

Due to changes in the Reciprocal Health Agreement with the United Kingdom, from 1 April 2009, UK residents are no longer entitled to treatment in Guernsey by the Medical Specialist Group and recoveries in respect of such treatment received from the Health and Social Security Department have ceased.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

5. ADMINISTRATION

	2009	2008
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	237,535	223,013
Computer expenses	138,217	145,158
Property expenses and sundries	48,525	42,149
	<hr/> 424,277	<hr/> 410,320
Health and Social Services Department charges	170,974	192,048
Prescription pricing fees	191,505	183,520
Administration expenses	74,772	52,506
Audit fee	6,600	6,400
Actuarial fees and expenses	1,933	-
Professional fees	1,302	1,774
	<hr/> 871,363	<hr/> 846,568
	<hr/> <hr/>	<hr/> <hr/>

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STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

6. INCOME FROM INVESTED FUNDS

	2009	2008
	£	£
Income		
Dividends from equities	9,017,755	12,664,443
Interest on short term deposits	338,242	3,220,621
Interest from fixed interest securities	2,861,384	1,500,966
Interest from SWAPS	406,258	-
Less: withholding tax suffered	(287,729)	(382,445)
Brokers' commission recaptured	-	98
	<u>12,335,910</u>	<u>17,003,683</u>
Securities lending fees	255,307	520,451
Less: Securities lending expenses	(52,650)	(121,049)
	<u>202,657</u>	<u>399,402</u>
Income of the Common Investment Fund	<u>12,538,567</u>	<u>17,403,085</u>
Expenditure		
Investment managers' fees	1,977,711	1,448,935
Less: Rebate of management fees charged on in-house unit trusts	(1,380,077)	(474,094)
	<u>597,634</u>	<u>974,841</u>
Investment advisor's fees	50,000	-
Investment advisor's fees – additional work	40,000	-
	<u>90,000</u>	<u>-</u>
Global custodian - custody fees	80,126	67,986
Global custodian - performance monitoring fees	11,203	9,639
	<u>91,329</u>	<u>77,625</u>
Net Expenditure of the Common Investment Fund	<u>778,963</u>	<u>1,052,466</u>
Net income of the Common Investment Fund	11,759,604	16,350,619
Net income allocated to:		
Guernsey Insurance Fund	(10,095,461)	(14,604,373)
Long-term Care Insurance Fund	(637,440)	(618,053)
Net income of the Common Investment Fund allocated to the Guernsey Health Service Fund	<u>1,026,703</u>	<u>1,128,193</u>
Other income		
Interest on call and treasury deposits	705	90,851
	<u>1,027,408</u>	<u>1,219,044</u>

In previous years the investment advisor's fees were allocated to the three Contributory Funds under professional expenses. In 2008 this amounted to £45,500.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

7. COMMON INVESTMENT FUND

	2009	2008
	£	£
Equities and derivatives	504,590,637	347,499,931
Equity derivatives-futures collateral	(16,390,212)	7,167,534
Fixed income and derivatives	103,853,537	43,691,785
Fixed income derivatives-futures collateral	(27,322,375)	(3,951,040)
Cash and cash equivalents	45,665,827	100,829,683
Property funds	19,833,909	9,906,473
Commodities	8,285,630	2,019,649
Alternative investments and hedge funds	3,515,171	10,848,017
	<u>77,300,537</u>	<u>123,603,822</u>
Reinvested collateral	36,995,659	40,472,941
Collateral returnable	(37,097,471)	(40,741,790)
	<u>(101,812)</u>	<u>(268,849)</u>
	641,930,312	517,743,183
Investments allocated to:		
Guernsey Insurance Fund	(546,145,664)	(462,448,211)
Long-term Care Insurance Fund	(37,075,459)	(19,570,692)
	<u>58,709,189</u>	<u>35,724,280</u>

At the year-end the common investment fund comprised of £635,457,971 of listed investments and unlisted investments of £6,472,341 (2008: nil).

At the year-end securities lending stood at £35,338,293 (2008:£38,672,795) secured by cash collateral of £36,995,659 (2008:£40,741,790) being 104.69% (2008:105.35%) of the value of the securities on loan.

The cash collateral is invested in a pooled fund comprising of short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £101,812 (2008: £268,849) with a market-to-book ratio of 0.996 (2008:0.976).

	2009	2008
	£	£
Common Investment Fund movements during the year		
Market value 1 January	517,743,183	631,464,470
Investment income reinvested	12,415,625	17,289,015
Realised profit/(loss) on disposals	9,105,801	(6,574,862)
Movement on unrealised profit/(loss) on investments	93,665,703	(124,435,440)
New monies invested - Guernsey Health Service Fund	4,500,000	-
New monies invested – Long-term Care Insurance Fund	4,500,000	-
	<u>641,930,312</u>	<u>517,743,183</u>
Market value 31 December	641,930,312	517,743,183

The realised profit allocated to the Guernsey Health Service Fund for the year is £1,368,717 (2008:£453,665) and an unrealised profit of £11,335,859 (2008: loss £8,586,045).

The reallocation of the Common Investment Fund's assets of £14.7m from the Guernsey Insurance Fund was to clear recoveries due to the Guernsey Health Service Fund of £8.2m and Long-term Care Insurance Fund of £6.5m in respect of operating activities.

The common investment fund was managed throughout 2009 by Schroder Investment Management Limited and BlackRock Investment Management (UK) Limited. From 1 October 2009, it was also managed by Barings Asset Management Limited and M&G Limited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

8. DEBTORS AND PREPAYMENTS

	2009	2008
	£	£
Recharge due from the Guernsey Insurance Fund	2,461,309	5,149,733
States grant	-	116,779
Other debtors and prepayments	-	4,475
	<u>2,461,309</u>	<u>5,270,987</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Other creditors and accruals	110,727	30,225
States grant	59,436	-
	<u>170,163</u>	<u>30,225</u>

10. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2008: none).

Of the Department's annual income and expenditure, less than 20 % of their respective value for both 2009 and 2008 is due to transactions with other States entities, except as disclosed in notes 1, 2, 3, 4, 5, 6 and 7. Balances with the States Treasury at the year-end amounted to £32,075 (2008: £3,131,370).

11. STATEMENT OF CONTROL

The Guernsey Health Service Fund is controlled and managed by the Social Security Department, as required by Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990. The members of the Social Security Department have been appointed by the States of Guernsey.

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 2005 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £251,737 (2008: £234,073) of which the Guernsey Health Service Fund contributed £13,586 (2008: £13,979).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

13. SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The £96m will be transferred from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund (see note 7). This reversal, in conjunction with the partial reversal processed on 30 November 2009 of £129,346 eliminates the charge against the Fund amounting to £81,020 after accounting for existing realised losses and related settlement costs.

STATEMENT OF ACTIVITIES AND PERFORMANCE
Year ended 31 December 2009

FINANCIAL HIGHLIGHTS

Overview

The Long-term Care Insurance Fund ("the Fund") recorded an operating surplus of £2.87m (2008: £3.89m) and with income from invested funds of £0.64m together with realised and unrealised profits of £1.08m and £8.26m respectively, as a result of a recovery in global financial markets, reserves increased by £12.85m (2008: £0.37m decrease). At the year-end total reserves stood at £38.80m (2008: £25.95m) with expenditure cover up from 2.1 years to 2.8 years.

Contribution income

Contribution income increased by 4.2% to £16.89m (2008:£16.20m) which was below the budget of just over £17.00m.

Benefit expenditure

Overall benefit expenditure increased by 12.2% to £13.88m (2008:£12.19m) and 1.8% up on the 2009 budget of £13.62m.

• **Residential Home Care grant**

	2009	2008	5-Year Average
Number of claimants at the year-end	336	308	307

The increase in the numbers of residential care beds together with a general increase in benefit of 6.5% contributed to the 11.5% increase in benefit expenditure to £5.99m (2008: £5.37m); extra beds were partly as a result of new provision.

• **Nursing Home Care grant**

	2009	2008	5-Year Average
Number of claimants at the year-end	233	212	189

The increase in the numbers of nursing care beds together with a general increase in benefit of 6.5% contributed to the 14.5% increase in benefit expenditure to £7.59 m (2008: £6.63m). The extra beds were partly a result of new provision and partly a result of a change of status from residential to nursing in respect of some of the existing provisions.

Administration

Overall administration expenditure increased slightly to £137k (2008: £122k) and just under the budget of £144k.

Investments

The investment portfolios of the Long-term Care Insurance Fund, Guernsey Insurance Fund and Guernsey Health Service Fund are combined to form the Common Investment Fund which at the 31 December 2009 had a market value of £641.93m (2008:£517.74m). The percentage allocation between the three contributory funds is as follows:

Common Investment Fund allocation	31.12.09	31.12.08	5-Year Average
Guernsey Insurance Fund	85.1%	89.3%	89.0%
Guernsey Health Service Fund	9.1%	6.9%	7.2%
Long-term Care Insurance Fund	5.8%	3.8%	3.8%

During 2009, the Department appointed two new investment managers, Barings Asset Management Limited and M&G Limited and transferred £119m and £29m respectively from the existing mandates.

The Long-term Care Insurance Fund's allocation of the Common Investment Fund at the year-end was £37.08m (2008: £19.57m). New monies of £11.00m were added to the Fund of which £6.50m was by way of reallocation of the Fund's assets from the Guernsey Insurance Fund to clear recoveries due to the Long-term Care Insurance Fund in respect of operating activities.

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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 2009

ACTIVITIES DURING 2009

The Department is assisting the Health and Social Services Department, the Housing Department and the Treasury and Resources Department with the research and development of a revised older person's strategy for Guernsey and Alderney. The aims of the strategy, when finalised, will inevitably impact on the finances of the Long-term Care Insurance Fund and may call for amendment or extension of the benefits paid from the Fund.

FUTURE DEVELOPMENTS

The Department is continuing the research and development of a revised older person's strategy for Guernsey and Alderney. The Department will also investigate a new island-wide elderly mental infirm (EMI) rate for long-term care benefit.

The actuarial review of the Long-term Care Insurance Fund for the two years to 31 December 2008 will take place in 2010. The adequacy of the Fund is subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The review of the Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future.

Following the Fundamental Spending Review by Tribal Consulting, the States' have established a Financial Transformation Programme to manage the delivery of savings over a 5-year period. The Department will become actively involved in a number of work-streams of the programme.

SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The new investment is to be funded from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund. This reversal, in conjunction with the partial reversal processed on 30 November 2009, eliminates the charge against the Fund, after accounting for existing realised losses and related settlement costs.

KEY STATISTICS

Number of Claimants at year-end	31.12.09	31.12.08	31.12.07	31.12.06	31.12.05
Residential grant-permanent	336	308	296	297	300
Nursing grant-permanent	233	212	185	176	138
TOTAL	569	520	481	473	438

Contribution rates	2009	2008	2007	2006	2005
Employed - Full rate	1.4%	1.4%	1.4%	1.4%	1.4%
Self-employed	1.4%	1.4%	1.4%	1.4%	1.4%
Non-employed	1.4%	1.4%	1.4%	1.4%	1.4%

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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 2009

KEY STATISTICS (CONTINUED)

Five-year performance	2009 £	2008 £	2007 £	2006 £	2005 £
Benefits (permanent care)					
Residential home	5,988,564	5,372,130	4,996,742	4,840,833	4,719,150
Nursing home	7,594,142	6,631,392	5,713,650	4,849,826	3,938,414
Benefits (respite care)					
Residential home	115,606	89,026	85,076	134,924	136,533
Nursing home	179,973	97,859	171,331	92,810	80,338
Income & Expenditure					
Income	16,888,577	16,203,032	14,344,604	13,575,910	12,912,536
Expenditure	(14,015,537)	(12,312,829)	(11,091,168)	(10,044,592)	(8,984,263)
Operating surplus	2,873,040	3,890,203	3,253,436	3,531,318	3,928,273
Investment performance					
Investment income	638,152	695,203	599,733	549,660	314,263
Realised gains/(losses)	1,077,880	(248,530)	1,190,316	905,546	397,153
Unrealised gains/(losses)	8,256,449	(4,703,659)	(461,087)	153,099	1,079,485
Total return on investments	9,972,481	(4,256,986)	1,328,962	1,608,305	1,790,901
Common Investment Fund					
Allocation at market value	37,075,459	19,570,692	23,900,150	18,745,054	10,184,635
Expenditure cover					
Reserves	38,798,691	25,952,403	26,319,186	21,736,788	16,597,165
Expenditure	14,015,537	12,312,829	11,091,168	10,044,592	8,984,263
Number of years cover	2.8	2.1	2.4	2.2	1.9

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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 2009

Principal officers during 2009

Social Security Department

Minister	Deputy M H Dorey
Deputy Minister	Deputy A H Brouard
Members	Deputy S J Ogier Deputy M W Collins Deputy A R Le Lièvre
Administrator	M Nutley

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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
Year ended 31 December 2009

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 fund account 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 100(3) 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.

Going Concern

The Department members and principal officers have reviewed the budgeted income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

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; and
 - the quarterly management accounts;
- by Law, an actuarial review to determine the adequacy of the contribution rates must be undertaken at least once every five years and submitted to the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT-LONG-TERM CARE INSURANCE FUND

We have audited the financial statements of The States of Guernsey Social Security Department- Long-term Care Insurance Fund ("the Fund") for the year ended 31 December 2009 which comprise the fund account, the balance sheet, the cash flow statement and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1 (4) of the Long Term Care Insurance (Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors' 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 Department for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey 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 in accordance with United Kingdom Generally Accepted Accounting Practice, Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and section 1(4) of the Long Term Care Insurance (Guernsey) Law, 2002. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund 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. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

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 the 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 United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2009 and of its surplus for the year then ended and Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey

Date: 14 April 2010

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

BALANCE SHEET
At 31 December 2009

Error! Bookmark not defined.	Note	2009 £	2008 £
Income			
Contributions allocated	1(b), 2	16,888,577	16,203,032
Expenditure			
Benefits payable	1(d), 3	13,878,285	12,190,407
Administration expenses	4	137,252	122,422
		<u>14,015,537</u>	<u>12,312,829</u>
Operating surplus for the year		2,873,040	3,890,203
Investing activities			
Income from invested funds	1(h), 5	638,152	695,203
Realised profit/(loss) on disposal	6	1,077,880	(248,530)
Movement in unrealised profit/(loss) on investments	6	8,256,449	(4,703,659)
		<u>9,972,481</u>	<u>(4,256,986)</u>
Net surplus/(deficit) in the Fund during the year		12,845,521	(366,783)
Net assets of the Fund at 1 January		<u>25,952,403</u>	<u>26,319,186</u>
Net assets of the Fund at 31 December		<u><u>38,797,924</u></u>	<u><u>25,952,403</u></u>

All activities are derived from continuing operations.

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

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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 2009

	Note	2009 £	2008 £
Fixed assets			
Common Investment Fund allocation	1(g), 6	37,075,459	19,570,692
Current assets			
Debtors and prepayments	7	1,853,809	3,588,212
Balances with States Treasury		31,941	2,901,229
		1,885,750	6,489,441
Creditors: amounts falling due within one year	8	(163,285)	(107,730)
Net current assets		1,722,465	6,381,711
Total net assets		38,797,924	25,952,403
Reserves		38,797,924	25,952,403

The financial statements were approved by the Social Security Department on 14 April 2010.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

CASH FLOW STATEMENT
Year ended 31 December 2009

	Note	2009 £	2008 £
Operating surplus for the year		2,873,040	3,890,203
Decrease/(increase) in debtors		1,734,403	(1,153,720)
Increase in creditors		55,555	67,287
		<hr/>	<hr/>
Net cash inflow from operating activities		4,662,998	2,803,770
		<hr/>	<hr/>
Management of liquid resources			
Transfer to the Common Investment Fund		(4,500,000)	-
Increase/(decrease) in Common Investment Fund		14,472,481	(4,256,986)
		<hr/>	<hr/>
Net cash inflow/(outflow) from investing activities		9,972,481	(4,256,986)
		<hr/>	<hr/>
Increase)/(decrease) in cash and cash equivalent (including investments)		14,635,479	(1,453,216)
Opening common investment funds and treasury balance		22,471,921	23,925,137
		<hr/>	<hr/>
Closing common investment funds and treasury balance		37,107,400	22,471,921
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2009

ACCOUNTING POLICIES

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

a) 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 United Kingdom Generally Accepted Accounting Practice, except as noted below:

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

Going Concern

The Department members and principal officers have reviewed the budget and projected income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

b) Contributions allocated & States grant

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 2010 in respect of the financial year ended 31 December 2009 and amounts received relating to prior financial periods not accounted for in those prior periods.

Prior to 2007, the grant received from the States of Guernsey was based on a fixed percentage of contributions, accounted for in the relevant period, the rate being set at 12%. The grant was withdrawn in 2007.

c) 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. The actuarial review of the Long-term Care Insurance Fund has been brought forward by two years, so that all three contributory funds are reviewed at the same time and that all three reviews will be in phase for the future. The actuarial review for the two years to 31 December 2008 will take place in 2010.

d) Benefits payable

Benefits payable are included on an accruals basis.

e) Pension costs

The costs of the defined benefit scheme are charged to the fund 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.

f) Investments

Investments are stated in the financial statements at their fair values.

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.

Unlisted investment funds are stated at the year-end net asset value of the underlying funds as notified by the fund managers or administrators at the year-end. The net asset value reported by the relevant fund manager or administrator as at the year-end may be unaudited, and may differ from the amounts realised from redemption of the investment in the fund at year-end. While the members have no reason to suppose that any such

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

f) Investments (Continued)

valuations are unreasonable, the amounts realised from the redemption of these funds at year-end may materially differ from the reported amounts.

g) Common Investment Fund

The investment portfolio of the Long-term Care Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

h) 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.

i) Security lending

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

j) Derivatives

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

2. CONTRIBUTIONS

	2009	2008
	£	£
Employer contributions	61,742,780	59,814,554
Employee contributions	54,010,463	52,197,720
	<u>115,753,243</u>	<u>112,012,274</u>
Self-employed contributions	11,033,443	11,163,713
Non-employed contributions	7,257,787	6,142,392
	<u>134,044,473</u>	<u>129,318,379</u>
Contributions allocated to:		
Guernsey Insurance Fund	(83,651,193)	(80,816,046)
Guernsey Health Service Fund	(33,504,703)	(32,299,301)
	<u><u>16,888,577</u></u>	<u><u>16,203,032</u></u>

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

3. BENEFITS PAYABLE	2009	2008
	£	£
Residential home care benefit		
Permanent	5,988,564	5,372,130
Respite care	115,606	89,026
	<hr/>	<hr/>
	6,104,170	5,461,156
Nursing home care benefit		
Permanent	7,594,142	6,631,392
Respite care	179,973	97,859
	<hr/>	<hr/>
	13,878,285	12,190,407
	<hr/> <hr/>	<hr/> <hr/>

4. ADMINISTRATION EXPENSES

	2009	2008
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	110,050	94,909
Computer expenses	9,215	9,677
Property expenses and sundries	8,688	7,803
	<hr/>	<hr/>
	127,953	112,389
Audit fee	6,600	6,400
Printing expenses	1,933	2,625
Professional fees	766	1,008
	<hr/>	<hr/>
	137,252	122,422
	<hr/> <hr/>	<hr/> <hr/>

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

5. INCOME FROM INVESTED FUNDS

	2009	2008
	£	£
Income		
Dividends from equities	9,017,755	12,664,443
Interest on short term deposits	338,242	3,220,621
Interest from fixed interest securities	2,861,384	1,500,966
Interest from SWAPS	406,258	-
Less: withholding tax suffered	(287,729)	(382,445)
Brokers' commission recaptured	-	98
	<u>12,335,910</u>	<u>17,003,683</u>
Securities lending fees	255,307	520,451
Less: Securities lending expenses	(52,650)	(121,049)
	<u>202,657</u>	<u>399,402</u>
Income of the Common Investment Fund	<u>12,538,567</u>	<u>17,403,085</u>
Expenditure		
Investment managers' fees	1,977,711	1,448,935
Less: Rebate of management fees charged on in-house unit trusts	(1,380,077)	(474,094)
	<u>597,634</u>	<u>974,841</u>
Investment advisor's fees	50,000	-
Investment advisor's fees – additional work	40,000	-
	<u>90,000</u>	<u>-</u>
Global custodian - custody fees	80,126	67,986
Global custodian - performance monitoring fees	11,203	9,639
	<u>91,329</u>	<u>77,625</u>
Net Expenditure of the Common Investment Fund	<u>778,963</u>	<u>1,052,466</u>
Net income of the Common Investment Fund	11,759,604	16,350,619
Net income allocated to:		
Guernsey Insurance Fund	(10,095,461)	(14,604,373)
Guernsey Health Service Fund	(1,026,703)	(1,128,193)
Net income of the Common Investment Fund allocated to the Long-term Care Insurance Fund	<u>637,440</u>	<u>618,053</u>
Other income		
Interest on call and treasury deposits	712	77,150
	<u>638,152</u>	<u>695,203</u>

In previous years the investment advisor's fees were allocated to the three Contributory Funds under professional expenses. In 2008 this amounted to £45,500.

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2009

6. COMMON INVESTMENT FUND

	2009	2008
	£	£
Equities and derivatives	504,590,637	347,499,931
Equity derivatives-futures collateral	(16,390,212)	7,167,534
Fixed income and derivatives	103,853,537	43,691,785
Fixed income derivatives-futures collateral	(27,322,375)	(3,951,040)
Cash and cash equivalents	45,665,827	100,829,683
Property funds	19,833,909	9,906,473
Commodities	8,285,630	2,019,649
Alternative investments and hedge funds	3,515,171	10,848,017
	<u>77,300,537</u>	<u>123,603,822</u>
Reinvested collateral	36,995,659	40,472,941
Collateral returnable	(37,097,471)	(40,741,790)
	<u>(101,812)</u>	<u>(268,849)</u>
	641,930,312	517,743,183
Investments allocated to:		
Guernsey Insurance Fund	(546,145,664)	(462,448,211)
Guernsey Health Service Fund	(58,709,189)	(35,724,280)
	<u>37,075,459</u>	<u>19,570,692</u>

At the year-end the common investment fund comprised of £635,457,971 of listed investments and unlisted investments of £6,472,341 (2008: nil).

At the year-end securities lending stood at £35,338,293 (2008:£38,672,795) secured by cash collateral of £36,995,659 (2008:£40,741,790) being 104.69% (2008:105.35%) of the value of the securities on loan.

The cash collateral is invested in a pooled fund comprising of short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £101,812 (2008: £268,849) with a market-to-book ratio of 0.996 (2008:0.976).

	2009	2008
	£	£
Common Investment Fund movements during the year		
Market value 1 January	517,743,183	631,464,470
Investment income reinvested	12,415,625	17,289,015
Realised profit/(loss) on disposals	9,105,801	(6,574,862)
Movement on unrealised profit/(loss) on investments	93,665,703	(124,435,440)
New monies invested - Guernsey Health Service Fund	4,500,000	-
New monies invested – Long-term Care Insurance Fund	4,500,000	-
	<u>641,930,312</u>	<u>517,743,183</u>

The realised profit allocated to the Long-term Care Insurance Fund for the year was £1,077,880 (2008: loss £248,530) with an unrealised profit of £8,256,449 (2008: loss £4,703,659).

The reallocation of the Common Investment Fund's assets of £14.7m from the Guernsey Insurance Fund was to clear recoveries due to the Guernsey Health Service Fund of £8.2m and Long-term Care Insurance Fund of £6.5m in respect of operating activities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

6. COMMON INVESTMENT FUND (CONTINUED)

The common investment fund was managed throughout 2009 by Schroder Investment Management Limited and BlackRock Investment Management (UK) Limited. From 1 October 2009, it was also managed by Barings Asset Management Limited and M&G Limited.

7. DEBTORS AND PREPAYMENTS

	2009	2008
	£	£
Recharge due from Guernsey Insurance Fund	1,853,809	3,588,212

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Other creditors and accruals	163,285	107,730

9. RELATED PARTY TRANSACTIONS

The Department members confirm 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 2009 and 2008 is due to transactions with other States entities, except as disclosed in notes 1, 3, 4 and 5. Balances with the States Treasury at the year-end amounted to £31,941 (2008: £2,901,229).

10. 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 decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 cannot 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 revenue account. The total amount of superannuation contributions for the year ended 31 December 2009 were £251,737 (2008: £234,073) of which the Long-term Care Insurance Fund contributed £7,129 (2008: £6,256).

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STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2009

11. 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.

12. SUBSEQUENT EVENTS

On 13 January 2010, the Department selected Western Asset Management as an additional investment manager of the Common Investment Fund and decided to invest £96m into their Global Multi Strategy Bond Fund. The £96m will be transferred from existing mandates.

On 15 March 2010 our global custodian reversed the remaining collateral deficiency charged against the Common Investment Fund (see note 6). This reversal, in conjunction with the partial reversal processed on 30 November 2009 of £129,346 eliminates the charge against the Fund amounting to £81,020 after accounting for existing realised losses and related settlement costs.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ELIZABETH COLLEGE - GUERNSEY

We have audited the financial statements 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 and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 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 College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

Basis of 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF
DIRECTORS OF ELIZABETH COLLEGE - GUERNSEY**
(continued)

Basis of opinion (continued)

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 United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 August 2009 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the applicable laws.

BDO Novus Limited

CHARTERED ACCOUNTANTS

Place du Pré

Rue du Pré

St Peter Port

Guernsey

2 December 2009

**REVENUE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2009**

	Note		2008
INCOME	2		
States Block Grant		2,146,850	2,003,104
Fees receivable		2,155,121	1,950,192
Sundry income		119,590	121,025
		<hr/>	<hr/>
		4,421,561	4,074,321
EXPENDITURE			
School and departmental expenses	3,044,427	2,844,250	
Youth training expenses	29,030	18,703	
Administrative expenses	767,673	656,601	
Maintenance of buildings and grounds	423,743	365,825	
	<hr/>	<hr/>	
		(4,264,873)	(3,885,379)
OPERATING SURPLUS FOR THE YEAR BEFORE INTEREST		<hr/>	<hr/>
		156,688	188,942
Interest received from fixed asset investments		31,658	-
Interest receivable from banks		26,004	62,081
Interest payable		(3,051)	(5,640)
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR	2	211,299	245,383
<i>Restricted income</i>			
Capital grant from Elizabeth College Foundation	-	388,470	
Transfer to Capital Reserve - Restricted	-	(388,470)	
	<hr/>	<hr/>	
		-	-
<i>Elizabeth College Foundation costs</i>	14		
Amortisation of establishment costs	(2,006)	(2,006)	
Annual running costs	(24,151)	(60,134)	
	<hr/>	<hr/>	
		(26,157)	(62,140)
RETAINED SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT	9	<hr/>	<hr/>
		£ 185,142	£ 183,243
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of movements on reserves is included in note 9 to the financial statements.

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

BALANCE SHEET
31 AUGUST 2009

	Note		2008
FIXED ASSETS			
Tangible assets	3	2,771,761	2,771,761
Investments	4	507,829	-
		<hr/>	<hr/>
		3,279,590	2,771,761
CURRENT ASSETS			
Stock		852	859
Debtors	5	522,178	444,805
Cash at bank and in hand		768,250	1,061,735
		<hr/>	<hr/>
		1,291,280	1,507,399
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	6	(564,942)	(444,366)
		<hr/>	<hr/>
NET CURRENT ASSETS		726,338	1,063,033
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,005,928	3,834,794
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	7	(35,198)	(49,206)
		<hr/>	<hr/>
		£ 3,970,730	£ 3,785,588
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES	9	£ 3,970,730	£ 3,785,588
		<hr/>	<hr/>

APPROVED BY THE BOARD OF DIRECTORS

K. Paul Mellor
Chairman

2 December 2009

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 AUGUST 2009**

	Note		2008
NET CASH INFLOW FROM OPERATING ACTIVITIES	10	6,328	255,146
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received from investments	21,840	-	
Interest received from bank deposits	63,439	49,099	
Interest paid	(3,468)	(5,805)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		81,811	43,294
INVESTING ACTIVITIES			
Amounts repaid by non grant-aided sector	164,976	185,253	
E C Foundation costs	(24,151)	(69,809)	
Purchase of fixed assets	-	(388,470)	
Purchase of investments	(507,829)	-	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(367,004)	(273,026)
NET CASH (OUTFLOW)/INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		(278,865)	25,414
FINANCING			
Repayment of loan from States Culture and Leisure Department	(10,000)	(10,000)	
Bank loan repaid	(4,620)	(5,925)	
Old Elizabethan Association contribution to E C Foundation costs	-	100,000	
Restricted grant received from E C Foundation	-	388,470	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		(14,620)	472,545
(DECREASE)/INCREASE IN CASH FOR THE YEAR		£ (293,485)	£ 497,959
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash for the year		(293,485)	497,959
Cash at bank and in hand at 1 September		1,061,735	563,776
Cash at bank and in hand at 31 August		£ 768,250	£ 1,061,735

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

**NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009****1. ACCOUNTING POLICIES****(a) CONVENTION**

These financial statements have been prepared under 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

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.

As referred to in note 3, the historic main College buildings and playing fields are not included in fixed assets. The Board of Directors considers that the aggregate residual value of the other College properties, which are included within these 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. 11 – Impairment of Fixed Assets and Goodwill, the Board of Directors carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their recoverable amount.

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

(c) STOCK

Stock is stated at the lower of cost and estimated net realisable value after making due provision for damaged, obsolete and slow moving items. The valuation was arrived at after deducting the estimated gross profit from the goods sold at selling price, in a manner consistent with that used in previous years.

(d) 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.

(e) 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.

(f) FIXED ASSET INVESTMENTS

Fixed asset investments, which comprise quoted fixed interest securities, are included at historical cost. Interest income from fixed asset investments is accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009

2. INCOME AND OPERATING SURPLUS

The College's income and operating surplus 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 King's 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 the Statement of Recommended Practice – Accounting and Reporting by Charities (published March 2005), 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 groundsman's buildings at the College Field.

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. 11 – Impairment of Fixed Assets and Goodwill, 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 estimated 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>At 1.9.08</i>	<i>Additions</i>	<i>Cost</i> <i>At 31.8.09</i>	<i>Insurance</i> <i>Valuation</i>
Main College site				
- Historic buildings	-	-	-	18,630,261
- Modern buildings	2,318,451	-	2,318,451	23,857,213
- Sixth Form Centre	388,470	-	388,470	411,987
College Playing Fields				
- Old pavilion	-	-	-	551,429
- Modern buildings	64,840	-	64,840	714,110
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 2,771,761	£ -	£ 2,771,761	£ 44,165,000
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009

4. INVESTMENTS **2008**

AT COST		
Sterling fixed income securities	£ 507,829	£ -
	<hr/>	<hr/>
AT MARKET VALUE		
Sterling fixed income securities	£ 518,485	£ -
	<hr/>	<hr/>

The investments consist of sterling fixed income securities traded within Europe and/or the United Kingdom. The individual securities had terms to maturity at acquisition of between two and nine years, and it is the intention of the Board of Directors to hold the assets until maturity.

5. DEBTORS **2008**

Fee debtors	16,084	21,489
Accrued income	904	38,339
Current account – College non grant-aided sector	-	75,901
Amounts due from brokers	33,785	-
Unamortised establishment costs – Elizabeth College Foundation (note 14)	74,693	93,366
Other debtors and prepayments	396,712	215,710
	<hr/>	<hr/>
	£ 522,178	£ 444,805
	<hr/>	<hr/>

6. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR **2008**

Trade creditors	282,376	165,880
Loan – States Culture and Leisure Department (note 7)	10,000	10,000
Bank loan (note 8)	5,313	5,925
Old Elizabethan Association contribution to Elizabeth College Foundation costs (note 14)	66,666	83,333
Current account – College non grant-aided sector	89,075	-
Other creditors and accruals	111,512	179,228
	<hr/>	<hr/>
	£ 564,942	£ 444,366
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009

7. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2008
Loan – States Culture and Leisure Department		
Repayable by instalments:		
- Due within five years	30,000	40,000
Bank loan (note 8)	5,198	9,206
	<hr/>	<hr/>
	£ 35,198	£ 49,206
	<hr/>	<hr/>

The States Culture and Leisure Department 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% per annum 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, King's Road, which forms part of the fixed assets of the non grant-aided sector of the College.

8. BANK LOAN		2008
Wholly repayable within five years	£ 10,511	£ 15,131
	<hr/>	<hr/>
Aggregate amounts repayable:		
Within one year	5,313	5,925
Between one and two years	5,198	5,925
Between two and five years	-	3,281
	<hr/>	<hr/>
	£ 10,511	£ 15,131
	<hr/>	<hr/>

The bank loan, which was taken out to fund the cost of a replacement school minibus, bears interest at 2% above The Royal Bank of Scotland International Limited base rate and is repayable by monthly instalments until 30 April 2012.

9. RESERVES	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2008	3,335,588	450,000	3,785,588
Retained surplus for the financial year	185,142	-	185,142
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2009	£ 3,520,730	£ 450,000	£ 3,970,730
	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009

10. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2008
Operating surplus for the year before interest	156,688	188,942
Decrease in stock	7	2,801
(Increase)/decrease in operating debtors	(199,564)	15,516
Increase in operating creditors	49,197	47,887
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 6,328	£ 255,146
	<hr/>	<hr/>

11. PENSION COSTS

A majority of the employees of Elizabeth College are members of the States of Guernsey Superannuation Scheme (“the Scheme”). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates 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 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.

Following the States' approval, in July 2005, 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 was made from the Teachers' Scheme to the Combined Pool on 1 November 2005.

The last actuarial valuation of the Scheme was conducted at 31 December 2006. At that date the actuarial value of the assets relating to the “Public Servants' Pool” within the overall Scheme, to which the College's administration and teaching staff belong, represented 84.00% 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. The current rate of the employer's contributions in respect of teachers is 13.50% of pensionable salary.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2009 was £473,360 (2008: £444,907). At 31 August 2009 the amount of outstanding contributions not paid over to the Scheme was £200,073 (2008: £77,808).

Further details relating to the funding of the Scheme are provided in the Superannuation Fund section of the accounts of the States of Guernsey.

NOTES TO THE FINANCIAL STATEMENTS
31 AUGUST 2009**12. CONTROLLING PARTY**

Throughout the year the College was under the control of the Board of Directors acting in concert. In the opinion of the Board of Directors there is no single controlling party as defined by 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.

13. 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 2009 an amount of £30,000 (2008: £30,000) 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 to the non grant-aided sector of the College's activities.

14. ELIZABETH COLLEGE FOUNDATION

The Elizabeth College Foundation comprises two charitable trusts (one UK and one Guernsey) which were established in 2006 to raise funds, principally from parents and ex-alumni of the College, to enable the College to undertake projects and activities which might otherwise be beyond the means of the school to finance from its own operations.

The Trustees of the Foundation trusts, although initially appointed by the College Board of Directors, are independent of the College and are required to act in accordance with the terms of the relevant trust deed. The basis upon which donations to the Foundation have been requested from donors is such that all monies donated are to be retained within the Foundation until such time as they may be expended as grants towards the funding of specified projects or activities for the benefit of the College.

Other than donations and interest arising on retained funds, the Foundation trusts have no other sources of income. Therefore the Foundation is reliant upon the College to meet a substantial proportion of its annual running costs, including the employment of Foundation staff involved with fund-raising, clerical support and project development. These costs are shown as an exceptional cost within the College's Revenue Account.

The initial costs of establishing the Foundation, which was originally an initiative jointly pursued by the Board and members of the Old Elizabethan Association, were borne by the College and amounted to £112,039. This expenditure was partially covered by a donation from the Old Elizabethan Association of £100,000. The Board has determined that these net initial costs of £12,039 should be written off on a straight line basis over a six year period from 1 September 2007, this being the period over which the College is expected to benefit from the release by the Foundation of the proceeds from its initial fund-raising appeal, anticipated to amount to in the region of £1.5 million.

**DETAILED REVENUE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2009**

2008

INCOME

States' Block Grant	2,146,850	2,003,104
Fees receivable	2,155,121	1,950,192
Hire of facilities	92,562	95,319
Other income	27,028	25,706
	<hr/>	<hr/>
	4,421,561	4,074,321
	<hr/>	<hr/>

EXPENDITURE

SCHOOL AND DEPARTMENTAL EXPENSES

Teachers' salaries	2,298,261	2,153,526
Teachers' superannuation	277,437	265,662
Teaching ancillary salaries and superannuation	170,371	150,926
Departmental expenses	243,597	226,754
Other school expenses	10,405	9,704
Examination fees	44,356	37,678
	<hr/>	<hr/>
	3,044,427	2,844,250
	<hr/>	<hr/>

YOUTH TRAINING EXPENSES

	29,030	18,703
	<hr/>	<hr/>

ADMINISTRATIVE EXPENSES

Services	240,636	219,643
Administration salaries and superannuation	245,369	230,271
School administration	61,408	58,422
General expenses	128,880	51,582
Rates, insurance and taxes	60,092	55,677
Discounts given	43,012	47,973
Audit and accountancy	12,100	11,500
Bad debts	6,176	11,533
Recharge to non grant-aided sector	(30,000)	(30,000)
	<hr/>	<hr/>
	767,673	656,601
	<hr/>	<hr/>

MAINTENANCE OF BUILDINGS AND GROUNDS

Maintenance of playing fields	83,084	80,529
Maintenance of other areas	340,659	285,296
	<hr/>	<hr/>
	423,743	365,825
	<hr/>	<hr/>

OPERATING SURPLUS BEFORE INTEREST

	£ 156,688	£ 188,942
	<hr/>	<hr/>

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

We have audited the financial statement of The Ladies' College for the year ended 31 August 2009. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out in note 1 and the requirements of The Financial Reporting Standard for Smaller Entities (effective April 2008).

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 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 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.

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities, in the circumstances set out in note 2 to the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the College's affairs as at 31 August 2009 and of its surplus for the year then ended.

BDO LIMITED

CHARTERED ACCOUNTANTS
Place du Pré
Rue du Pré
St Peter Port
Guernsey

14 JANUARY 2010

.....

THE LADIES' COLLEGE - GUERNSEY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2009

	Note		2008
INCOME	3		
States grant		908,643	858,951
Fees receivable:			
- special place holders	866,985		821,100
- fee payers	1,385,434		1,296,987
		<hr/>	<hr/>
		2,252,419	2,118,087
Bank interest received		59,030	77,272
Student registration fees		5,100	6,480
Miscellaneous income		8,250	18,634
		<hr/>	<hr/>
		3,233,442	3,079,424
EXPENDITURE			
School expenditure		(2,789,458)	(2,553,480)
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR	3	443,984	525,944
TRANSFER TO MAINTENANCE & IMPROVEMENTS RESERVE	4/6	(300,000)	(400,000)
		<hr/>	<hr/>
RETAINED SURPLUS FOR THE YEAR	6	£ 143,984	£ 125,944
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of movement on reserves is included in note 6 to the financial statements.

The notes 1 to 9 form an integral part of these financial statements.

THE LADIES' COLLEGE - GUERNSEY**BALANCE SHEET****31 AUGUST 2009**

	Note		2008
CURRENT ASSETS			
Stock of uniforms and student equipment		2,623	3,316
Accrued bank interest		20,214	-
Bank balances		1,866,109	1,441,249
Cash in hand		84	69
		<hr/>	<hr/>
		1,889,030	1,444,364
CURRENT LIABILITIES			
Creditors	5	125,160	122,745
Fees for Autumn Term received in advance		154,661	156,664
		<hr/>	<hr/>
		(279,821)	(279,409)
		<hr/>	<hr/>
NET CURRENT ASSETS		£ 1,609,209	£ 1,165,225
		<hr/>	<hr/>
REPRESENTED BY:-			
Reserves	6	£ 1,609,209	£ 1,165,225
		<hr/>	<hr/>

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS***K N N RICHARDS***.....
Governor***14 JANUARY 2010***

Date

The notes 1 to 9 form an integral part of these financial statements.

THE LADIES' COLLEGE - GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2009****1. ACCOUNTING POLICIES****(a) CONVENTION**

These financial statements have been prepared under the historical cost convention and in accordance with the requirements of The Financial Reporting Standard for Smaller Entities (effective April 2008). The principal accounting policies which the Board of Governors have adopted within that convention are set out below.

(b) CAPITAL EXPENDITURE

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) 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.

(d) INCOME RECOGNITION

Student registration fees and miscellaneous income are recognised on receipt. All other income is recognised on an accruals basis.

2. APB ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other organisations of its size and nature, the College uses its auditors to assist with the preparation of the financial statements.

3. INCOME AND OPERATING SURPLUS FOR THE YEAR

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

4. MAINTENANCE & IMPROVEMENTS RESERVE

The Board of Governors has resolved to set aside funds to meet:

- i) maintenance expenditure to which the College is committed at 31 August 2009;
- ii) maintenance needs which have been deferred;
- iii) anticipated future maintenance needs; and
- iv) anticipated expenditure in respect of future improvements to the College premises.

THE LADIES' COLLEGE - GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2009****5. CREDITORS****2008**

School and administrative expenses	£ 125,160	£ 122,745
	<hr/>	<hr/>

6. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2008	149,978	1,015,247	1,165,225
Operating surplus for the year	443,984	-	443,984
Transfer from income & expenditure account to maintenance & improvements reserve	(300,000)	300,000	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2009	£ 293,962	£ 1,315,247	£ 1,609,209
	<hr/>	<hr/>	<hr/>

7. PENSION COSTS

A majority of the employees of The Ladies' 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 cost 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 The Ladies' College to be determined on a reasonable and consistent basis, as required by The Financial Reporting Standard for Smaller Entities (effective April 2008). In addition, the Board of Governors considers that the additional costs which would be incurred, were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

The last actuarial valuation of the Scheme was conducted at 31 December 2007. At that date the actuarial value of the assets relating to the "Public servants pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 94.9% 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 7.85% of pensionable salary. The current rate of the employer's contributions in respect of teachers is 13.5% of pensionable salary. With effect from 1 January 2010 the rate of employer's contribution will increase to 14.1% in respect of all staff.

THE LADIES' COLLEGE - GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2009****7. PENSION COSTS (continued)**

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2009 was £214,956 (2008:£207,409). At 31 August 2009 the amount of outstanding contributions not paid over to the Scheme was £34,593 (2008:£33,773).

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.

8. CONTROLLING PARTIES

Throughout the year the College was under the control of the Board of Governors acting in concert. In the opinion of the Board of Governors there is no controlling party as defined by The Financial Reporting Standard for Smaller Entities (effective April 2008) as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefit from their direction.

9. 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 2009****2008****INCOME**

States grant	908,643	858,951
Fees receivable	2,252,419	2,118,087
Student registration fees	5,100	6,480
Bank interest received	59,030	77,272
Miscellaneous income	8,250	18,634
	<hr/>	<hr/>
	3,233,442	3,079,424

EXPENDITURE

Teachers' salaries	2,055,309	1,930,336
Staff training	7,783	6,494
Staff recruitment and relocation	18,457	12,909
Office and administration salaries	116,007	107,658
Maintenance salaries	122,158	108,136
Books, stationery and other teaching materials	73,444	70,661
Laboratory and design and technology	18,825	20,411
Sports and expedition	22,270	18,154
Art	10,575	-
Examination fees	44,304	42,251
Electricity, oil, gas, water and telephone	43,789	36,873
Rates, taxes and insurance	10,517	10,090
Routine maintenance of buildings, grounds and equipment	139,755	106,788
Fixed asset acquisition costs	70,835	53,477
General administrative expenses	26,585	23,392
Audit fee	5,850	5,850
Professional fees	2,995	-
	<hr/>	<hr/>
	2,789,458	2,553,480

**OPERATING SURPLUS
FOR THE YEAR**

<hr/>	£ 443,984	£ 525,944
<hr/>		<hr/>

STATES OF ALDERNEY

STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts she is required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 2004. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the Policy and Finance Committee

We have audited the accounts (the "accounts") of The States of Alderney for the year ended 31 December 2009 which comprise Revenue Income and Expenditure accounts, Capital Account, Summary of Balances and the related notes 1 to 6. These accounts 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 accounts which fairly summarise the transactions made during that year and for selecting suitable accounting policies.

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

We report to you our opinion as to whether the accounts 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.

We read the Statement of Responsibilities of the Policy and Finance Committee and the States Treasurer 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 having regard to 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 by the Treasurer in the preparation of the accounts, 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 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 accounts.

Opinion

In our opinion the accounts:

- fairly summarise the transactions made during the year ended 31 December 2009; and
- have been properly prepared in accordance with the accounting policies set out in note 1.

KPMG Channel Islands Ltd

Chartered Accountants

Guernsey

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

- a. General revenue account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate. Rental income, Numismatic revenue and Harbour account revenues are accounted for on an accruals basis.
- b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

2 PENSION COSTS

The States provides pension arrangements for the majority of 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 Aviva.

In preparing the disclosures for the States of Alderney accounts, the States have noted the disclosure requirements of 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 31 December 2009.

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 2009.

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2009	Valuation at 31 December 2008
Pensionable salary growth	5.10% pa	4.20% pa
Pension escalation in payment	4.00% pa	4.00% pa
Discount rate	5.8% pa	6.50% pa
Inflation assumption	4.1% pa	2.95% pa

The assets in the scheme and the expected rate of return were:

	Value at 31 December 2009 (£)	Expected return for 2010 (%)	Value at 31 December 2008 (£)	Expected return for 2009 (%)
Fair value of plan assets	£2,672,000	5.75%	£2,318,000	5.75%

STATES OF ALDERNEY

PENSION COSTS (Continued)

	2009	2008
Fair value of plan assets	£2,672,000	£2,318,000
Present value of funded obligations	(£3,970,000)	(£2,686,000)
Deficit in the scheme	(£1,298,000)	(£368,000)
Net pension liability	(£1,298,000)	(£368,000)

Over the year to 31st December 2009 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6% of pensionable salaries. Employee's Death in Service benefits were secured under a separate policy.

The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2009 Employer premiums amounted to £238,572 (2008: £245,000) and Employee premiums were £71,572 (2008: £69,000). At the end of the year the total annual value of pensions paid to 30 pensioners and spouses was £169,712 (2008 : £163,182).

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 2009 the value of these purchases was £79,992 (2008: £104,030). The States has provided goods and services to the Company during 2009 to the value of £8,603 (2008: £51,321).

4 ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £3,395,650 (2008: £3,258,050) 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.

During 2008 an amount of £3,500,000 was segregated by Alderney Gambling Control Commission at the request of the States of Alderney from the Commission's other bank accounts and committed as collateral to finance a States capital project. During 2010 the Commission will be requested to allocate further funds to finance in whole or in part additional expenditure on the Commercial Quay project and the New Connaught Residential Home. Drawings shown as being from the Commission in the Capital Summary were £1,068,931 more than the original budget of £3,500,000 although this sum had not been transferred at the year end. A further distribution of £1,500,000 was received from the Commission in February 2010 in order to meet this shortfall.

Costs relating to the promotion of the Gambling Industry are financed out of the Gambling licence fee reserves which are held by the Commission and ultimately payable to the States of Alderney.

5 ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10th November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts November 2008 to December 2009 will be available to the States in April 2010.

6 ALDERNEY HARBOUR ACCOUNT

The trading loss and capital expenditure is funded by the General Services Committee.

STATES OF ALDERNEY

SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

for the year ended 31 December 2009

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
INCOME ON REVENUE ACCOUNT				
Building and Development Control Committee	16,898	10,000	17,000	33,599
General Services Committee	496,356	505,500	516,700	483,245
Policy and Finance Committee	759,231	806,345	829,000	772,925
TOTAL INCOME ON REVENUE ACCOUNT	1,272,485	1,321,845	1,362,700	1,289,769
Net revenue cash allocation from States of Guernsey	1,570,000	1,570,000	1,570,000	1,500,000
	2,842,485	2,891,845	2,932,700	2,789,769

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
EXPENDITURE ON REVENUE ACCOUNT				
Building and Development Control Committee	46,512	47,500	50,500	36,897
General Services Committee	1,778,775	1,831,500	1,770,200	1,668,763
Policy and Finance Committee	1,134,668	1,169,630	1,152,000	1,104,410
TOTAL EXPENDITURE ON REVENUE ACCOUNT	2,959,955	3,048,630	2,972,700	2,810,070
Use of Accumulated Unspent Balances	(117,470)	(156,785)	(40,000)	(20,301)
	2,842,485	2,891,845	2,932,700	2,789,769

K A HATCHER-GAUDION
STATES TREASURER

STATES OF ALDERNEY**BUILDING AND DEVELOPMENT CONTROL COMMITTEE***for the year ended 31 December 2009*

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
Planning fees	16,898	10,000	17,000	33,599
TOTAL REVENUE INCOME	16,898	10,000	17,000	33,599

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
Administration				
Staff costs	29,968	38,000	-	-
Supplies and services	14,265	7,000	48,000	34,471
Planning records system	2,279	2,500	2,500	2,426
TOTAL REVENUE EXPENDITURE	46,512	47,500	50,500	36,897

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE

for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Agriculture								
Fees and charges	3,529		3,000		3,200		2,374	
Rents	5,932		6,500		4,500		6,428	
Slaughterhouse fees	3,430		3,000		4,600		2,634	
		12,891		12,500		12,300		11,436
Gardens, Cemetery and Church								
Burial plots		950		1,300		1,200		1,280
Public Services								
Administration								
Hire vehicle fees	1,350		3,000		3,000		2,968	
Vehicle import licence fees	32,202		35,000		35,000		35,076	
	33,552		38,000		38,000		38,044	
Properties - General								
Rent	108,657		112,000		128,000		109,883	
Properties - Housing								
Rent	293,753		290,000		290,000		272,112	
Refuse Collection and Disposal								
Refuse charges (scrapped vehicles)	21,000		21,000		21,000		21,000	
Sewage and Sanitation								
Cesspit emptying fees	9,100		9,500		8,000		9,376	
		466,062		470,500		485,000		450,415
Recreation								
Campsite								
Campsite fees (net)	4,296		6,000		6,000		5,369	
Rent of showers / shop	200		200		200		200	
	4,496		6,200		6,200		5,569	
Island Hall								
Island Hall charges	11,957		15,000		12,000		14,545	
		16,453		21,200		18,200		20,114
TOTAL REVENUE INCOME		496,356		505,500		516,700		483,245

STATES OF ALDERNEY**GENERAL SERVICES COMMITTEE (continued)***for the year ended 31 December 2009*

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Alderney Harbour trading loss		97,074		80,000		75,800		79,149
Agriculture								
Staff	121,685		120,500		120,000		114,580	
Supplies and services	16,709		20,000		19,000		20,420	
Bovine Spongiform Encephalopathy - Compensation	1,050		1,500		1,500		600	
Disposal costs	-		600		600		-	
Burhou and Ramsar site costs	6,087		6,000		6,000		6,003	
Dairy and land management compensation	57,462		65,000		65,000		62,198	
Foot and mouth insurance	1,380		1,400		1,400		1,380	
Slaughterhouse	2,176		5,500		5,500		4,277	
Veterinary services	4,981		7,500		6,500		3,112	
	211,530		228,000		225,500		212,570	
<i>Less: Recoveries</i>	(12,052)		(12,000)		-		-	
		199,478		216,000		225,500		212,570
Camp Site and Recreation								
Administration								
Official entertainments and presentations	3,213		6,000		6,000		7,185	
Camp Site								
Camp site expenses	21,764		13,900		8,000		8,634	
Children's Playground								
Supplies and services	5,054		5,000		4,500		5,438	
Island Hall								
Premises	5,131		7,000		7,000		5,988	
Staff	11,053		10,300		10,700		8,232	
Supplies and services	1,216		3,000		3,500		1,674	
	17,400		20,300		21,200		15,894	
		47,431		45,200		39,700		37,151
Civil Emergency								
Premises	1,672		2,500		2,500		2,267	
Supplies and services	2,373		3,500		3,500		2,352	
Environmental monitoring	18,023		19,000		18,900		17,628	
Responses to major incidents	-		2,500		2,500		2,198	
		22,068		27,500		27,400		24,445
Fieldwork Scheme								
Staff	2,929		8,000		8,000		7,391	
Supplies and services	-		500		500		-	
		2,929		8,500		8,500		7,391
Sea Fisheries								
Staff	17,600		17,600		17,600		17,000	
Supplies and services	1,469		3,300		3,300		2,091	
		19,069		20,900		20,900		19,091
Gardens, Cemetery and Church								
Staff	28,893		27,300		26,800		25,997	
Supplies and services	5,498		4,000		4,000		2,467	
	34,391		31,300		30,800		28,464	
<i>Less recoveries</i>	(3,047)		(2,500)		(2,300)		(2,711)	
		31,344		28,800		28,500		25,753

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE (continued)
for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Public Services								
Administration								
Staff	84,866		86,000		85,500		83,696	
Supplies and services	12,542		15,000		15,600		12,740	
Training - Health and Safety	356		5,000		10,000		4,082	
	<u>97,764</u>		<u>106,000</u>		<u>111,100</u>		<u>100,518</u>	
Fire Brigade and Cliff Rescue								
Staff	22,262		24,000		24,000		13,583	
Supplies and services	15,258		12,000		10,500		6,558	
Administration of Law	634		2,000		2,000		-	
	<u>38,154</u>		<u>38,000</u>		<u>36,500</u>		<u>20,141</u>	
Properties - General								
Staff	123,749		108,800		115,000		137,012	
Supplies and services	129,244		110,000		95,000		109,170	
	<u>252,993</u>		<u>218,800</u>		<u>210,000</u>		<u>246,182</u>	
<i>Less recoveries</i>	<u>(48,069)</u>		<u>(30,000)</u>		<u>(30,000)</u>		<u>(63,808)</u>	
	<u>204,924</u>		<u>188,800</u>		<u>180,000</u>		<u>182,374</u>	
Properties - Housing								
Staff	52,251		95,400		95,400		50,774	
Supplies and services	72,460		55,000		55,000		72,172	
Survey of States Houses	-		-		-		23,000	
	<u>124,711</u>		<u>150,400</u>		<u>150,400</u>		<u>145,946</u>	
Refuse Collection, Separation and Disposal								
Household Collection and Impôt								
Staff	142,842		123,800		118,000		125,954	
Supplies and services: -								
Vehicles & Plant maintenance	11,003		20,000		20,000			
Household & general waste - disposal	152,251		181,200		186,000		187,829	
Vehicles & white goods etc - disposal	27,250		36,000		36,000			
	<u>333,346</u>		<u>361,000</u>		<u>360,000</u>		<u>313,783</u>	
Recycling Centre - Glacis								
Refuse separation / Recycling - staff	117,020		123,800		112,000		110,174	
Refuse separation / recycling - supplies & services	34,064		39,000		39,000		81,946	
	<u>151,084</u>		<u>162,800</u>		<u>151,000</u>		<u>192,120</u>	
<i>Less recoveries</i>	<u>(3,050)</u>		<u>(9,000)</u>		<u>(11,000)</u>		<u>(7,863)</u>	
	<u>148,034</u>		<u>153,800</u>		<u>140,000</u>		<u>184,257</u>	
Roads, Coasts and Beaches								
Staff	34,387		54,800		55,000		46,817	
Supplies and services	75,635		100,000		140,000		145,614	
Pavement renovations	-		-		-		1,823	
	<u>110,022</u>		<u>154,800</u>		<u>195,000</u>		<u>194,254</u>	
<i>Less recoveries</i>	<u>(4,456)</u>		<u>(5,000)</u>		<u>(5,000)</u>		<u>(36,558)</u>	
	<u>105,566</u>		<u>149,800</u>		<u>190,000</u>		<u>157,696</u>	
Sewage and Sanitation								
Staff	101,754		94,600		93,300		81,794	
Supplies and services	144,618		115,000		39,000		33,226	
	<u>246,372</u>		<u>209,600</u>		<u>132,300</u>		<u>115,020</u>	
<i>Less recoveries</i>	<u>(5,668)</u>		<u>(6,000)</u>		<u>(5,000)</u>		<u>(9,048)</u>	
	<u>240,704</u>		<u>203,600</u>		<u>127,300</u>		<u>105,972</u>	
Vehicle Fleet								
Staff	33,625		28,200		22,600		26,759	
Supplies and services	42,047		32,000		32,000		32,723	
	<u>75,672</u>		<u>60,200</u>		<u>54,600</u>		<u>59,482</u>	
<i>Less recoveries</i>	<u>(9,493)</u>		<u>(7,000)</u>		<u>(6,000)</u>		<u>(6,956)</u>	
	<u>66,179</u>		<u>53,200</u>		<u>48,600</u>		<u>52,526</u>	
		1,359,382		1,404,600		1,343,900		1,263,213
TOTAL REVENUE EXPENDITURE		1,778,775		1,831,500		1,770,200		1,668,763

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Administration								
Company registrations	44,328		46,000		45,000		46,524	
Court receipts	44,052		52,000		50,000		52,754	
Duty free concession	27,751		32,000		32,000		27,490	
Interest receivable	11,942		26,000		42,000		43,974	
Numismatic revenues	137,891		120,000		120,000		98,179	
Occupiers rates	415,312		420,000		420,000		397,899	
Permits and licences	20,598		17,000		17,000		14,830	
Post Office - share of philatelic profits	15,282		27,000		35,000		22,860	
Rents	35,274		35,300		35,300		35,274	
Royalties and fees	2,578		5,000		5,000		3,756	
Sundry sales and charges	13,609		15,000		16,000		13,886	
Television tender payments	471		500		500		249	
	<u>769,088</u>		<u>795,800</u>		<u>817,800</u>		<u>757,675</u>	
Less: transfer to currency reserve	(34,627)		(15,000)		(15,000)		(8,374)	
		<u>734,461</u>		<u>780,800</u>		<u>802,800</u>		<u>749,301</u>
Grants								
Lottery profits	2,945		2,945		3,000		2,926	
Less: Distribution of Christmas Draw profits	(1,500)		(1,500)		-		(1,473)	
		<u>1,445</u>		<u>1,445</u>		<u>3,000</u>		<u>1,453</u>
Promotion and Marketing								
Accommodation permits	4,992		5,600		5,200		4,930	
Sale of advertising space	18,333		18,500		18,000		17,241	
		<u>23,325</u>		<u>24,100</u>		<u>23,200</u>		<u>22,171</u>
TOTAL REVENUE INCOME		759,231		806,345		829,000		772,925

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE (continued)

for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Administration								
Premises	19,370		18,000		18,000		15,739	
Staff	539,832		535,330		549,800		529,489	
Supplies and services	73,466		85,000		85,000		85,140	
Alderney Commission for Renewable Energy	1,876		-		50,000		58,754	
Alderney Housing Association - Set up costs	8,290		18,000		-		-	
Audit fees and expenses	26,597		23,500		17,000		21,712	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	1,816		6,000		6,000		4,407	
Insurance	29,039		30,500		30,000		30,488	
Meteorological station	24		300		300		2,552	
States Members allowances	86,183		89,500		63,000		60,228	
Supplementary pensions	710		800		800		894	
Unforeseen expenditure: -	-		17,000		20,000		-	
Housing Needs Survey	-		-		-		3,093	
Maritime Trust - promotion	-		-		-		4,363	
Marina Investigations	18,456		23,000		-		1,406	
Review & Report on Alderney Electricity Ltd	-		-		-		12,296	
	820,659		861,930		854,900		845,561	
Less recoveries	(8,796)		(16,000)		(16,000)		(14,534)	
		811,863		845,930		838,900		831,027
Administration of Justice								
Supplies and services		15,042		30,000		30,000		25,314
Education and Health								
Supplies and services	598		800		800		749	
Grant to Alderney playschools	500		500		-		350	
School bus subsidy	17,976		18,000		18,000		16,929	
Youth employment scheme	-		3,000		3,000		91	
Youth Services grant	10,000		10,000		10,000		-	
	29,074		32,300		31,800		18,119	
Social and Welfare Services								
Social Services and welfare support	1,921		2,500		2,500		2,327	
Less recoveries	-		(700)		(700)		-	
	1,921		1,800		1,800		2,327	
		30,995		34,100		33,600		20,446
Grants								
Alderney Island Games Association	7,000		7,000		-		-	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week	4,000		4,000		4,000		4,000	
Alderney Wildlife Trust	15,000		15,000		15,000		15,000	
Minor grants	9,874		9,700		9,700		7,101	
St. John Ambulance Brigade	30,000		30,000		30,000		30,000	
		69,374		69,200		62,200		59,601
Promotion and Marketing								
Administration								
Premises	8,458		8,000		7,000		6,848	
Staff	49,944		47,300		46,700		44,634	
Supplies and services	24,262		16,500		15,000		11,712	
	82,664		71,800		68,700		63,194	
Promotions								
Promotion of Tourism	126,500		118,600		118,600		111,745	
Promotion of Gambling industry	154,302		175,000		151,000		101,808	
	280,802		293,600		269,600		213,553	
Less contribution from AGCC	(156,072)		(175,000)		(151,000)		(108,725)	
	124,730		118,600		118,600		104,828	
		207,394		190,400		187,300		168,022
TOTAL REVENUE EXPENDITURE		1,134,668		1,169,630		1,152,000		1,104,410

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR

for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
INCOME								
Administration								
Facilities charges	64,544		65,000		65,000		66,267	
Sundries	3,764		7,000		7,000		4,161	
	<u>68,308</u>		<u>72,000</u>		<u>72,000</u>		<u>70,428</u>	
<i>Less concessions on charges</i>	<i>(2,883)</i>		<i>(1,500)</i>		<i>(1,500)</i>		<i>(1,514)</i>	
	<u>65,425</u>		<u>70,500</u>		<u>70,500</u>		<u>68,914</u>	
Crane dues and boat lifts	<u>57,188</u>		<u>60,000</u>		<u>60,000</u>		<u>65,225</u>	
Moorings and Navigation								
Fees	125,822		120,000		120,000		113,075	
Pilotage fees	33,874		30,000		30,000		34,221	
	<u>159,696</u>		<u>150,000</u>		<u>150,000</u>		<u>147,296</u>	
<i>Less pilots remuneration</i>	<i>(12,653)</i>		<i>(10,000)</i>		<i>(10,000)</i>		<i>(9,933)</i>	
<i>concessions on charges</i>	<i>(6,507)</i>		<i>(3,000)</i>		<i>(3,000)</i>		<i>(2,697)</i>	
	<u>140,536</u>		<u>137,000</u>		<u>137,000</u>		<u>134,666</u>	
Quays and Buildings rent	<u>8,615</u>		<u>10,000</u>		<u>13,000</u>		<u>8,165</u>	
TOTAL INCOME		271,764		277,500		280,500		276,970
EXPENDITURE								
Administration								
Staff	241,738		240,200		247,000		231,036	
Supplies and services	26,496		21,000		21,000		26,775	
Training costs	11,466		15,000		15,000		<i>(428)</i>	
Insurance	4,338		5,000		5,000		5,008	
Port security expenses	448		2,000		2,000		960	
	<u>284,486</u>		<u>283,200</u>		<u>290,000</u>		<u>263,351</u>	
<i>Less recoveries</i>	<i>(45,575)</i>		<i>(40,000)</i>		<i>(40,000)</i>		<i>(39,276)</i>	
	<u>238,911</u>		<u>243,200</u>		<u>250,000</u>		<u>224,075</u>	
Cranes								
Staff	32,537		30,300		30,300		33,014	
Supplies and services	16,554		25,000		25,000		40,563	
	<u>49,091</u>		<u>55,300</u>		<u>55,300</u>		<u>73,577</u>	
<i>Less recoveries</i>	<i>(3,747)</i>		<i>(4,000)</i>		<i>(2,000)</i>		<i>(4,879)</i>	
	<u>45,344</u>		<u>51,300</u>		<u>53,300</u>		<u>68,698</u>	
Moorings and Navigation								
Supplies and services	52,389		40,000		30,000		43,524	
Wrecks and salvage	2,120		3,000		3,000		2,120	
	<u>54,509</u>		<u>43,000</u>		<u>33,000</u>		<u>45,644</u>	
Quays and Buildings								
Premises	<u>30,074</u>		<u>20,000</u>		<u>20,000</u>		<u>17,702</u>	
TOTAL EXPENDITURE		368,838		357,500		356,300		356,119
TRADING LOSS FOR THE FINANCIAL YEAR		(£97,074)		(£80,000)		(£75,800)		(£79,149)
FUNDED BY THE GENERAL SERVICES COMMITTEE								

STATES OF ALDERNEY

CAPITAL ACCOUNT SUMMARY

for the year ended 31 December 2009

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
INCOME ON CAPITAL ACCOUNT				
General Services Committee	4,568,931	5,500,000	5,605,000	6,677
Policy and Finance Committee	243,849	289,320	1,353,320	251,217
TOTAL INCOME ON CAPITAL ACCOUNT	4,812,780	5,789,320	6,958,320	257,894
Routine capital allocation from States of Guernsey	200,000	200,000	200,000	200,000
Excess of Expenditure over Income on Capital Account	221,366	1,567,339	774,680	6,692,699
	5,234,146	7,556,659	7,933,000	7,150,593

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
EXPENDITURE ON CAPITAL ACCOUNT				
General Services Committee	5,234,146	7,556,659	7,933,000	7,150,411
Policy and Finance Committee	-	-	-	182
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	5,234,146	7,556,659	7,933,000	7,150,593

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE

for the year ended 31 December 2009

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
Sewerage Law contributions	-	-	6,000	6,677
Transfer from Housing Loans fund (re Social Housing)	-	-	299,000	-
Transfer from AGCC Reserve (Commercial Quay) (note 4)	4,276,199	5,000,000	3,500,000	-
Transfer from AGCC Reserve (Other Projects) (note 4)	292,732	500,000	1,800,000	-
TOTAL CAPITAL INCOME	4,568,931	5,500,000	5,605,000	6,677

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
Alderney Harbour capital expenditure	4,515,120	5,104,279	4,268,000	5,653,397
Alderney Water Board - Capital contribution: -				
Potable Water Project - £349,000	240,000	240,000	-	109,000
Water Filtration Plant	-	1,200,000	650,000	-
Health and Welfare				
Royal Connaught Residential Home: -				
New Connaught Care Home - Preliminaries £37,000	101,296	500,000	1,500,000	27,226
Purchase of Land - £214,000	212,913	214,000	-	-
Public Services				
Land and Property				
Acquisition of land for runway safety area - £50,000	-	28,794	-	189
Camp Site - Improved facilities	-	-	120,000	-
Courthouse renovations - £539,678	51,288	47,421	-	363,173
Crusher site infrastructure - £89,590	-	25,383	-	-
St. Anne's Church roof repairs - Consultants Fees £20,000	-	-	300,000	-
Social Housing Projects	-	-	1,000,000	-
Val Field - purchase and car park construction - £125,000	-	-	-	20,750
Whitegates - repairs & renovation - Preliminaries £30,000	1,155	11,193	-	1,964
Sewage, Sanitation and Refuse				
Banquage sewage pumps replacement - £14,000	746	1,514	-	12,486
Sewerage Projects - Phase 1 - £40,000	7,765	8,323	-	31,677
Sewerage Projects - Phase 2	-	-	80,000	-
Upgrade foul water sewer - La Vallee - £1,258,805	(5,143)	42,037	-	747,473
Vehicles and Plant				
Conveyor System for Recycling Centre - £20,000	16,547	20,000	-	-
Forklift Truck - £5,600	415	415	-	5,689
Green Waste Shredder - £35,000	36,226	36,300	-	-
Sewer Cart replacement - £64,000	55,818	56,000	-	-
Vehicles - replacements - £21,000	-	21,000	15,000	-
Per published accounts 2008	-	-	-	177,387
TOTAL CAPITAL EXPENDITURE	5,234,146	7,556,659	7,933,000	7,150,411

STATES OF ALDERNEY
POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2009

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Loan repayments								
Alderney Snooker Club		3,322		3,320		3,320		3,321
Property Transfer Duties								
Congé	213,990		200,000		270,000		191,900	
Leasehold Duty	26,537		35,000		29,000		55,994	
Transfer Duty	-		1,000		1,000		2	
		240,527		236,000		300,000		247,896
Sale of States Properties		-		50,000		1,050,000		-
TOTAL CAPITAL INCOME		243,849		289,320		1,353,320		251,217

	Accounts 2009		Probable Outturn 2009		Budget 2009		Accounts 2008	
	£	£	£	£	£	£	£	£
Fort Tourgis - consultancy and marketing costs - £58,000		-		-		-		182
TOTAL CAPITAL EXPENDITURE		-		-		-		182

STATES OF ALDERNEY**GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR (continued)***for the year ended 31 December 2009*

	Accounts 2009	Probable Outturn 2009	Budget 2009	Accounts 2008
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Commercial Quay renovation & survey costs - £9,500,000	4,287,478	5,011,279	4,000,000	5,650,109
Commercial Quay - Survey of Upper Berth - £68,000	63,432	68,000	-	-
Commercial Quay renovation - Stage 2 - £274,815	162,245	-	-	-
Commercial Quay renovation - Stage 3 - £950,000	1,965	-	-	-
Fuelling pontoon	-	-	18,000	-
Glacis Boat Park	-	-	50,000	-
Harbour Office reconstruction -	-	-	200,000	-
Preliminaries - £15,000 + £17,000	-	25,000	-	3,288
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	£4,515,120	£5,104,279	£4,268,000	£5,653,397

STATES OF ALDERNEY

Summary of Balances at 31 December 2009

	Balance of Loans 01.01.09 £	Repayments 2009 £	Balance 31.12.09 £
<u>Loans made and not repaid</u>			
New Alderney Snooker Club (vote 16.07.01)	8,303	(3,322)	4,981

<u>LE BANQUAGE HOUSING LOANS SCHEME</u>	2009
CAPITAL ACCOUNT	£
Balance of Funds at 01.01.09 and at 31.12.09	299,099
	<u>299,099</u>

<u>COINS IN CIRCULATION ACCOUNT</u>	
Value of coins in circulation at 01.01.09	2,325,186
Value of coins issued in 2009	241,165
	<u>2,566,351</u>
Less: Value of coins withdrawn from circulation	(549)
Value of coins in circulation at 31.12.09	<u>2,565,802</u>

<u>CURRENCY RESERVE FUND</u>	
Balance at 01.01.09	244,140
Reserve for base metal coins issued in 2009	34,627
	<u>278,767</u>
Less: Value of coins redeemed.	(549)
Balance at 31.12.09	<u>278,218</u>

INVESTMENTS

2008			2009	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		Ordinary Shares at £1 each fully paid at cost		
1,146,090	39,860	Balance at 01.01.09 and 31.12.09	1,146,090	39,860

2008			2009	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		7% Cumulative Preference Shares		
		at £1 each fully paid at cost		
11,150	5,659	Balance at 01.01.09 and 31.12.09	11,150	5,659

2008			2009	
SHARES	£	<u>Alderney Golf Club</u>	SHARES	£
		Shares at £1 each fully paid at cost		
650	650	Balance at 01.01.09 and 31.12.09	650	650

2008			2009	
SHARES	£	<u>Royal Connaught Residential Home Ltd</u>	SHARES	£
		Shares at £1 each fully paid at cost		
2	2	Balance at 01.01.09 and 31.12.09	2	2

STATES OF ALDERNEY**Summary of Balances at 31 December 2009 (continued)**

<u>2008</u>	Bank accounts	<u>2009</u>
£	<u>Daisy Hansen St Anne's School Trust</u>	£
972	Balance at 01.01.09	977
5	Interest received	3
<u>977</u>	Balance at 31.12.09	<u>980</u>
11,703	<u>The Anne French Hospital Annexe Fund</u>	11,882
179	Balance at 01.01.09	45
<u>11,882</u>	Interest received	<u>11,927</u>
	Balance at 31.12.09	
	<u>States of Alderney Education Committee</u>	
	<u>(ex- Tostevin Trust)</u>	
2,030	Balance at 01.01.09	496
6	Interest received	1
<u>2,036</u>		<u>497</u>
(1,590)	Educational grants	(497)
50	Educational grants repaid	-
<u>496</u>	Balance at 31.12.09	<u>-</u>
	<u>States of Alderney Interest on Investments Account</u>	
	<u>(Educational Bequests)</u>	
12,908	Balance at 01.01.09	11,882
374	Interest received	43
<u>13,282</u>		<u>11,925</u>
(1,400)	Grants	(800)
<u>11,882</u>	Balance at 31.12.09	<u>11,125</u>
	<u>The Packe History Trust</u>	
1,567	Balance at 01.01.09	1,571
29	Interest received	4
<u>1,596</u>		<u>1,575</u>
(25)	School History Prize	(25)
<u>1,571</u>	Balance at 31.12.09	<u>1,550</u>

STATES OF ALDERNEY

Summary of Balances at 31 December 2009 (continued)

2008 £	Bank accounts	2009 £
200	<u>Alderney Pilotage Board</u> Balance at 01.01.09 and 31.12.09	200
16,903	<u>The Mary Roylance Jubilee Home Fund</u> Balance at 01.01.09	17,287
496	Interest received	66
17,399		17,353
(112)	Residents amenities	-
17,287	Balance at 31.12.09	17,353
20,308	<u>The Mary Roylance Mignot Memorial Hospital Fund</u> Balance at 01.01.09	15,051
(6,233)	Purchase of patient's TVs for MMH	-
14,075		15,051
976	Interest received	222
15,051	Balance at 31.12.09	15,273
38,350	<u>St Anne's Trust</u> Balance at 01.01.09	36,466
1,616	Interest received	163
39,966		36,629
(3,500)	Grants	(2,000)
36,466	Balance at 31.12.09	34,629
66,467	<u>The New Parsonage House Trust</u> Balance at 01.01.09	69,389
3,416	Interest received	939
69,883		70,328
(494)	Maintenance costs	(453)
69,389	Balance at 31.12.09	69,875
3,500,000	<u>The Commercial Quay Renovation Project</u> Funds transferred from the Alderney Gambling Control Commission and held on deposit with the States of Guernsey Treasury. Balance at 31.12.08 and 01.01.09 Funds transferred to the States of Alderney Balance at 31.12.09	3,500,000 (3,500,000) -
	<u>Outstanding Commitments at 31.12.09</u>	
	Vote	Spend to 31.12.09
		Balance outstanding
	Commercial Quay Renovation	9,500,000 10,276,199 (776,199)
	Commercial Quay Renovation - Phase 2	274,815 162,245 112,570
	Commercial Quay Renovation - Phase 3	950,000 1,965 948,035
	Commercial Quay Renovation - Fire Fighting System	250,000 0 250,000
	Commercial Quay Renovation - New Fuel Line	80,000 0 80,000
	New Conaught Care Home	2,500,000 128,522 2,371,478

The overspend on the Commercial Quay Phase 1 has been reported via the Commercial Quay Project Board to the States of Alderney, and the Guernsey Treasury & Resources Department. It is largely attributable to costs associated with the trench and the German Jetty and a substantial cavity in the lower berth, all unidentified by previous surveys. Phase 1 is yet to be completed, and once the precise amount of the overspend is known formal approval will be sought.

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 auditor's 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 2009 which comprise the Revenue Account, Balance Sheet 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 preparing the Statement of the Board's responsibilities and the financial statements in accordance with applicable UK accounting standards as set out in the Statement of the Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and having regard to 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 having regard to 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 Board's affairs as at 31 December 2009 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the accounting policies as set out in note 1.
- **KPMG Channel Islands Ltd**

Chartered Accountants

Guernsey

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2009

	Notes	2009	2008
		£	£
REVENUE	1		
Unmetered Supplies		394,609	302,112
Metered Supplies		59,276	46,841
Service Charges		2,673	3,140
Contract Work		1,926	1,216
		<u>458,484</u>	<u>353,309</u>
EXPENSES	1		
OPERATING AND MAINTENANCE EXPENSES			
Salaries and Wages		171,282	145,609
Water Treatment Charges		49,041	45,705
Fuel and Electricity		67,472	72,169
Maintenance		57,751	22,211
Pension Costs	2	25,781	26,652
Depreciation	1 & 6	25,529	25,890
		<u>396,856</u>	<u>338,236</u>
ADMINISTRATION AND GENERAL EXPENSES			
Wages and Administration Charge		14,148	13,605
Rents, Rates and Taxes		7,045	7,007
Insurance		5,481	5,709
Motor Vehicle Expenses		5,954	7,201
Postage and Telephone		3,132	2,845
Printing and Stationery		514	317
Accountancy and Audit		5,336	4,810
Bank Charges		738	685
Travelling and General Expenses		1,969	3,329
Staff Training Costs		1,916	0
Consultancy Fees and Expenses		44	1,678
Bad Debts written off		0	13
Fixed Asset Written off		1,337	647
		<u>47,614</u>	<u>47,846</u>
		(444,470)	(386,082)
OPERATING SURPLUS / (DEFICIT)		14,014	(32,773)
OTHER INCOME			
Interest Receivable		437	3,566
Rents Receivable	5	9,008	9,008
		<u>23,459</u>	<u>(20,199)</u>
SURPLUS / (DEFICIT) FOR THE YEAR		23,459	(20,199)
BALANCE BROUGHT FORWARD		423,472	443,671
BALANCE CARRIED FORWARD		<u>£ 446,931</u>	<u>£ 423,472</u>

The Water Board has no recognised gains or losses other than the surplus for the year.

The Notes 1 to 6 form part of these financial statements.

BALANCE SHEET AS AT 31ST DECEMBER 2009

	Notes	2009	2008
		£	£
ASSETS EMPLOYED			
FIXED ASSETS	1 & 6	706,951	529,628
CURRENT ASSETS			
Stock	1	50,720	54,459
Debtors		80,850	72,883
Bank balances - deposit		31,398	30,961
Bank balances - current		68,420	55,044
		<u>231,388</u>	<u>213,347</u>
LIABILITIES FALLING DUE WITHIN ONE YEAR			
Creditors		56,122	124,217
NET CURRENT ASSETS		<u>175,266</u>	<u>89,130</u>
NET ASSETS		<u>£ 882,217</u>	<u>£ 618,758</u>
FINANCED BY			
RESERVES			
General	3	86,286	86,286
Capital Contribution from States of Alderney	3	349,000	109,000
Revenue Account		446,931	423,472
		<u>£ 882,217</u>	<u>£ 618,758</u>

Notes 1 to 6 form part of these financial statements.

The financial statements were approved by the States of Alderney Water Board on 22nd March 2010 and are signed on its behalf by:

W Walden
Chairman

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

Revenue and Expenditure is recognised on an accruals basis.

Fixed Assets

Fixed assets are stated at cost less depreciation. Staff time spent on capital projects is capitalised at cost.

Depreciation

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

	%
Mains and services	2.50
Buildings	2.50
Machinery	6.66
Tools and equipment	10.00
Motor vehicle	20.00
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 2009 indicated that the fund was in deficit. The next triannual report is due as at 1st January 2012. Over the year to 31st December 2009 the employer contributed at the rate of 20% of pensionable salaries, including death in service premiums, subject to review at future actuarial valuations.

Employees contribute at a rate of 6%.

As 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 £25,781 (2008: £26,652).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

3 RESERVES

General Reserve.

This is an historic record of the States of Alderney investment into the Water Board in the early years of operation.

Capital Contribution from States of Alderney.

A Capital Contribution of £349,000 was approved by the States of Alderney on 23rd July 2008 to fund the Board's Potable Water Project. At 31st December 2009 £349,000 had been received from the States of Alderney in full payment of this contribution.

4 RELATED PARTY TRANSACTIONS

In 2009 Mr W Walden 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 R Willmott during the year 2009.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2009 the value of these purchases was £72,293. (2008 £87,967)

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

5 RENTS RECEIVABLE

During 2009 the Board received rent from two mobile telephone companies that utilise the Mouriaux water tower as a base station for their equipment and aerials.

6 FIXED ASSETS

	At 1st January 2009	Additions/ Charge	Disposals and amounts written off	At 31st December 2009
	£	£	£	£
COST				
Land	10	-	-	10
Mains and Services	268,831	34,839	-	303,670
Buildings	19,863	-	-	19,863
Machinery	193,263	8,748	(1,880)	200,131
Tools and Equipment	11,607	-	-	11,607
Motor Vehicles	24,742	-	-	24,742
Consumer Meters	2,820	-	-	2,820
Assets in course of construction*	188,098	160,602	-	348,700
	709,234	204,189	(1,880)	911,543
DEPRECIATION				
Mains and Services	112,294	6,967	-	119,261
Buildings	9,834	497	-	10,331
Machinery	36,687	13,023	(543)	49,167
Tools and Equipment	7,579	1,161	-	8,740
Motor Vehicles	11,209	3,599	-	14,808
Consumer Meters	2,003	282	-	2,285
	179,606	25,529	(543)	204,592
NET BOOK VALUE.	£ 529,628		£	706,951

* At 31st December 2009 £160,602 (2008: £188,098) had been expended or accrued on the Potable Water Project and is shown above as "Assets in course of construction". Upon completion these costs will be reclassified as Capital Assets and depreciated accordingly.