



BILLET D'ÉTAT

WEDNESDAY, 27th OCTOBER 2010

XXI
2010

1. Projet de Loi entitled "The Renewable Energy (Guernsey) Law, 2010", p. 1551
2. The Public Health (Amendment) Ordinance, 2010, p. 1551
3. The Child Protection (Amendment) (Guernsey) Ordinance, 2010, p. 1551
4. Policy Council – GTA University Centre – Involvement and Funding by the Guernsey Financial Services Commission, p. 1552
5. Health and Social Services Department – Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 – Proposed Amendment relating to Offences under Subordinate Legislation, p. 1555
6. Home Department – Electoral Roll, p. 1558
7. Requête – Cigarette Vending Machines – Decision to Ban Completely, p. 1567

Statutory Instruments laid before the States

- The Employment Protection (Summoning of Witnesses and Documents) (Amendment) Order, 2010, p. 1572
The Employment Protection (Recoverable Costs) (Amendment) Order, 2010, p. 1572
The Companies (Registrar) (Fees) (Amendment) (No.2) Regulations, 2010, p. 1572

APPENDICES

1. Treasury and Resources Department – Guernsey Electricity Limited - Submission of Annual Accounts, p. 1573
2. Treasury and Resources Department – Guernsey Post Limited - Submission of Annual Accounts, p. 1604

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 Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE**, on **WEDNESDAY**, the **27th OCTOBER 2010** at 9.30am, to consider the items contained in this Billet d'État which have been submitted for debate.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
17 September 2010

PROJET DE LOI

entitled

THE RENEWABLE ENERGY (GUERNSEY) LAW, 2010

The States are asked to decide:-

I.- Whether they are of the opinion to approve the Projet de Loi entitled “The Renewable Energy (Guernsey) Law, 2010” and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

THE PUBLIC HEALTH (AMENDMENT) ORDINANCE, 2010

The States are asked to decide:-

II.- Whether they are of the opinion to approve the draft Ordinance entitled “The Public Health (Amendment) Ordinance, 2010” and to direct that the same shall have effect as an Ordinance of the States.

**THE CHILD PROTECTION (AMENDMENT)
(GUERNSEY) ORDINANCE, 2010**

The States are asked to decide:-

III.- Whether they are of the opinion to approve the draft Ordinance entitled “The Child Protection (Amendment) (Guernsey) Ordinance, 2010” and to direct that the same shall have effect as an Ordinance of the States.

POLICY COUNCIL

GTA UNIVERSITY CENTRE – INVOLVEMENT AND FUNDING BY THE GUERNSEY FINANCIAL SERVICES COMMISSION

Executive Summary

Following recent correspondence from the Director General, Guernsey Financial Service Commission (GFSC), a States resolution is required to put beyond doubt the GFSC's legal right to provide ongoing funding, governance and support to the GTA University Centre. In addition, for the avoidance of doubt, an amendment is recommended to the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 (as amended) to make such provision retrospective. These changes will do no more than restore the legal position to what it was immediately prior to the amendment to the 1987 Law being implemented in October 2008.

Background

The Financial Services Commission (Bailiwick of Guernsey) Law, 1987 (as amended) divides the functions of the GFSC, into "general functions" and "statutory functions." The GFSC's ability to support the GTA University Centre in a governance/funding role used to be a general function.

The GFSC's involvement with the GTA University Centre (formerly Guernsey Training Agency), and its prospective involvement with other bodies (including those engaged more directly with promoting and developing the Bailiwick's finance sector), was reinforced by the Financial Services Commission (Amendment) (Bailiwick of Guernsey) Law, 2002, which came into effect on 1 November 2002. This amendment extended the general functions of the GFSC in such a way as to put beyond doubt the ability of the Commission to be involved in, and to help fund, such bodies as the GTA.

However in 2008, with the approach of the International Monetary Fund review of the Bailiwick, the States resolved, in order to reinforce the GFSC's operational independence as regulator, to remove the functions of the 1987 Law relating to the development of the finance sector. The resultant Financial Services Commission (Amendment) (Bailiwick of Guernsey) Law, 2008 came into effect on 28 October 2008.

This 2008 Amendment Law, inter-alia, removed the provisions inserted in 2002 relating to the establishment and ongoing support of bodies and organisations whose own functions included the development of the finance sector and the improvement of the infrastructure serving the finance sector. The GFSC has been advised of some resultant uncertainty over the Commission's ability to support the GTA University Centre, both in its governance (as protector) and as part-funder.

It would therefore be advisable for the States to pass a Resolution (pursuant to Section 2 (2) (f) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987 (as

amended)) to once more put such activities of the GFSC beyond doubt for the present. It would also be advisable for any such confirmation to be retrospective to cover the period prior to the date of the above States resolution, but this would need to be done by an amendment to the Law rather than by Resolution of the States.

The Future

Notwithstanding the desirability for the above changes, the GFSC has informed the GTA University Centre, the Commerce and Employment Department and the Guernsey International Business Association of its intention to cease financial support to the GTA University Centre no later than 31 December 2012. Its preferred position is also to remove itself from its ownership, governance and membership of the GTA University Centre. It recognises, however, that it should remain available to advise and assist in the courses developed to provide skills training for the finance sector.

These are matters which will need to be taken into account by the Guernsey Skills Strategy Development Group, which is being led by a number of States Departments and industry representative bodies, as it progresses its work. However, the amendment to the 1987 Law, explained above, is required whatever the future support and funding models for the GTA University Centre are to be.

Consultations

The Policy Council has consulted the Law Officers regarding the proposals and also the Commerce and Employment Department, which has no objection to the changes recommended in this Report. Consultations with the insular authorities in Alderney and Sark are ongoing and will be completed before the resulting legislation is referred to the States for approval.

Recommendations

The Policy Council therefore recommends the States to resolve:-

- a. that, pursuant to Section 2 (2) (f) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, ('1987 Law'), the general functions of the Guernsey Financial Services Commission ('Commission') shall include, as from the date of such resolution,
 - “to take such steps as the Commission considers necessary or expedient for participating in the ownership and governance of the GTA University Centre, including (without limitation) to act as protector of the charitable trust declared on 6 June 1996 by which the Finance Training Agency Trust was constituted, and to fund and support the GTA University Centre”;
- b. to amend the 1987 Law so as retrospectively to ratify and confirm all and whatsoever the Commission has done for or in respect of the GTA University

Centre since its incorporation, including (again without limitation) those matters mentioned in paragraph a. above.

L S Trott
Chief Minister

23rd August 2010

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

IV.- Whether, after consideration of the Report dated 23rd August, 2010, of the Policy Council, they are of the opinion:-

1. That, pursuant to Section 2 (2) (f) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, ('1987 Law'), the general functions of the Guernsey Financial Services Commission ('Commission') shall include, as from the date of such resolution,

"to take such steps as the Commission considers necessary or expedient for participating in the ownership and governance of the GTA University Centre, including (without limitation) to act as protector of the charitable trust declared on 6 June 1996 by which the Finance Training Agency Trust was constituted, and to fund and support the GTA University Centre";
2. To amend the 1987 Law so as retrospectively to ratify and confirm all and whatsoever the Commission has done for or in respect of the GTA University Centre since its incorporation, including (again without limitation) those matters mentioned in proposition 1 above.
3. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

HEALTH AND SOCIAL SERVICES DEPARTMENT

MISUSE OF DRUGS (BAILIWICK OF GUERNSEY) LAW, 1974 –
PROPOSED AMENDMENT RELATING TO OFFENCES
UNDER SUBORDINATE LEGISLATION

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

30th July 2010

Dear Sir

Executive Summary

1. It is proposed that legislation should be drafted to provide, with clarity, that breaches of the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, 1997 and other related Ordinances are offences and punishable in law. The drafting work should be minimal.

Background

2. The Misuse of Drugs (Bailiwick of Guernsey) Law, 1974 (“the Law”) prohibits the import, export, production, supply and possession of “controlled drugs” except where permitted or (for export/import) where licensed by the Health and Social Services Department, and it establishes penalties for contravention, depending on the harmfulness of the drug concerned.
3. The Law (like its UK 1971 counterpart, on which it was based) deals with the basic criminal justice implications of the existence of controlled drugs in society. However, the criminal framework set out in the Law would, on its own, constitute inadequate legislative provision to allow health professionals to use controlled drugs to play a legitimate and workable role in healthcare. Accordingly, Ordinances addressing these areas have been necessary. The three currently in force were made in 1997. These were the Misuse of Drugs (Bailiwick of Guernsey) Ordinance, the Misuse of Drugs (Notification of and Supply to Addicts) (Bailiwick of Guernsey) Ordinance and the Misuse of Drugs (Safe Custody) (Bailiwick of Guernsey) Ordinance, which, between them, provided for the legitimate use of controlled drugs in certain circumstances, and established rules covering matters such as prescription, licences, notification, storage, supply and record keeping requirements.

4. Over the years numerous Orders have been enacted, primarily for the purpose of updating the drug lists which form the Schedules to those pieces of legislation.
5. In addition to setting penalties for substantive offences created in the Law itself, the Law also (until 2000) made it an offence (subject to certain exceptions and within certain limitations) to contravene provisions of any Ordinance made under the Law.
6. However, in 2000, the Law was amended by the Misuse of Drugs (Bailiwick of Guernsey) (Amendment) Law, 2000, which was intended to remove the need to legislate on matters of detail by Ordinance (and enable changes to be made by Order instead), and which had the effect of substituting various references to Ordinances (within the original text of the Law) with the word “Order”.
7. As part of that process, the section relating to miscellaneous offences was amended so that it was now an offence for persons to contravene Orders made under the Law. However the reference to contravention of Ordinances being an offence was removed.
8. It is now necessary to amend the legislation to make it clear that it is an offence to contravene the 1997 Ordinances. Further minor amendments are also needed to ensure that the enforcement powers under the Law are also capable of being used in connection with the provisions of the 1997 Ordinances.

Recommendations

9. The Health and Social Services Department recommends the States to approve the drafting of legislation:
 - i) To amend the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to make it clear that it is an offence to contravene any Ordinances made thereunder; and
 - ii) To amend further the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to ensure that its enforcement powers are capable of being used in connection with the provisions of any Ordinances made thereunder.

Yours faithfully

A H Adam
Minister

(NB The Policy Council has no comment on the proposals.)

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

V.- Whether, after considering the Report dated 30th July, 2010, of the Health and Social Services Department, they are of the opinion:-

1. (1) To amend the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to make it clear that it is an offence to contravene any Ordinances made thereunder; and
(2) To amend further the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to ensure that its enforcement powers are capable of being used in connection with the provisions of any Ordinances made thereunder.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

HOME DEPARTMENT

ELECTORAL ROLL

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

11th August 2010

Dear Sir

1. EXECUTIVE SUMMARY

- 1.1 A General Election of People's Deputies will be held in 2012 ("the 2012 Election"). All islanders who wish to vote in such elections must be registered on the Electoral Roll. There is a legal responsibility placed upon the Registrar General of Electors (the States Chief Executive) to compile the Electoral Roll in accordance with the Reform (Guernsey) Law, 1948, as amended ("the Reform Law").
- 1.2 The current Electoral Roll was compiled ahead of the 2004 General Election of People's Deputies and was carried over for use in the 2008 Election. This caused a number of difficulties and inaccuracies as the base data was effectively out of date. These problems were compounded by a small number of administrative errors which occurred when the Roll was being updated.
- 1.3 Following the Election, a comprehensive review was commissioned by the Registrar General of Electors to investigate the processes and procedures in place for maintaining the Electoral Roll. This Report identified a number of recommendations, including that it is inappropriate for an Electoral Roll to be carried forward for use in the following election.
- 1.4 The Department therefore recommends that a new Electoral Roll is compiled ahead of the 2012 Election and the necessary legislation is drafted to this effect. The Department is mindful of the inaccuracies in the compilation of the 2008 Roll and is looking to implement the procedural recommendations from the post election Report to minimise future errors. Whilst the Department shall be improving the mechanisms behind the administration of the Roll, responsibility also rests on the public to check their details are shown correctly, and as with any such system it will be impossible to ensure the Roll is one hundred per cent accurate.

- 1.5 Dependent upon the method used to update the Roll, the costs of creating a new Electoral Roll will be in the region of £187,000.
- 1.6 The Department notes the States has directed the Policy Council to progress the development of a rolling electronic Census (Billet d'Etat XVII 2010) and recognises the potential impact on the future compilation of the Electoral Roll. Compiling an Electoral Roll is highly resource intensive and it is felt that an up to date and accurate electronic register of the citizens of Guernsey could be used as a basis for the Electoral Roll with minimum effort and fuss. The Department is conscious that registration on the Electoral Roll is not compulsory and would carefully consider the implications of this on any move to a rolling electronic census. Whilst the time available means that this will not be possible for the 2012 General Election, the Department will work closely with Policy Council to discuss opportunities for the future.

2. INTRODUCTION

- 2.1 The mandate of the Home Department requires it to *“be responsible for... the Electoral Roll.”* Part IV of the Reform Law places a statutory duty upon the Registrar General of Electors (the States Chief Executive) to compile the Electoral Roll in accordance with its provisions. The Registrar General of Electors has transferred this responsibility in respect of the Electoral Roll to the Chief Officer, Home Department. Other areas of his responsibility under the Reform Law have been transferred to the Principal Officer, States Assembly and Constitution Committee. In addition, the mandate of the States Assembly and Constitution Committee requires it *“to review and bring forward proposals for the States of Deliberation of the Island of Guernsey to consider in connection with... elections to the office of People’s Deputy”* and *“to exercise the powers and duties conferred on it by extant legislation including... the Reform (Guernsey) Law, 1948, as amended.”* The Department has therefore worked closely with SACC in the drafting of this report.
- 2.2 All islanders who wish to vote in elections locally must be registered on the Electoral Roll. Registration on the Electoral Roll is not compulsory, and around 33,300¹ islanders are currently listed on the Roll. Islanders who fulfil the eligibility criteria as established in the Reform Law (namely through age and residency) may submit their application to the Registrar General of Electors in a number of ways throughout the year. Application forms are available at Sir Charles Frossard House, parochial offices and other public buildings. Forms are also sent out to members of the public on request. In addition, islanders may apply by sending their details to the Elections email address and in the run up to the General Election, a specific election website is established allowing islanders to submit their details onto a secure site.

¹ The Home Department is conscious that out of the 33,000 listed individuals, a number of these individuals will have died since their addition to the Electoral Roll or have since emigrated.

- 2.3 A General Election of People's Deputies will be held in April 2012. In order that the election is equitable, an accurate and comprehensive Electoral Roll is required, compiled in accordance with the Reform Law.

3. **BACKGROUND**

- 3.1 The Roll used in the 2008 General Election was compiled ahead of the 2004 Election as it was concluded that the creation of a new Roll was not necessary. This resulted in a number of unavoidable inaccuracies namely:

- Some individuals who were deceased appeared on the Roll. At the time, the Law only allowed for the removal of deceased individuals details from the Roll where confirmation of death has been received from the Greffe,² however, where a name and address provided does not exactly match details listed on the Roll, they are not removed as there is the risk of the wrong individual being removed. It is not uncommon for there to be more than one individual with the same name particularly as people do not always provide middle names.
- Duplicate entries; when people move within the Island they do not always routinely update their details on the Roll. Unless the Department receives confirmation from the individual of his or her move individual details are not deleted. The Department cannot accept change of details from third parties.
- Similarly when people leave the Island they will not always notify the Department and details cannot be removed until a new Roll is created.

- 3.2 The Home Department is conscious that whilst there is opportunity and publicity for islanders to notify the Registrar General of Electors of changes of address, only a small proportion of the public does so. The onus is on the individual to amend his or her registration details and there is little incentive to do so unless a general election is known to be pending.

- 3.3 Under the Elections Ordinance 2007, the Electoral Roll closed from the 1st February 2008 to the date of the Election which was April 23rd 2008. Within this period, no alterations could be made, including the amendment of administrative errors. Once the roll had closed, it became apparent that of the 2180 online applications nine had not been correctly entered onto the Roll.

- 3.4 In order to ensure that all applicants to the Electoral Roll were treated fairly, a full check of all submitted forms was undertaken. Through this approximately

² After consideration of a Report by the States Assembly and Constitution Committee (Billet d'Etat IV 2010), the States resolved to authorise the Registrar General of Electors to remove the name of deceased persons upon written application, including the production of a death certificate, by a close relative. Current occupiers of dwellings will also be able to remove previous occupants of their address.

fifty omissions were observed and thirty individuals appeared to be listed in the incorrect district. An application was taken to the Royal Court on 17th April 2008 to include these people on the Electoral Roll.

3.5 After a successful application to the Royal Court, the affected individuals were added to the Electoral Roll and were able to vote. Their names and addresses were then provided to the candidates, and these details were added to the Electoral Roll used by the polling stations on Election Day.

3.6 The 2008 General Election clearly identified the problems associated with carrying over an Electoral Roll between elections. Whilst no islanders were disenfranchised by the problems that occurred, thanks to a successful application to the Royal Court, it clearly showed that the longer a Roll remains in force, the less accurate it becomes.

3.7 Following the Election, a comprehensive review of the procedures in place for the Electoral Roll was completed on the request of the Registrar General of Electors. The Report identified a number of problems and areas which could be both improved and developed. The principal problems included:

- A compounded number of inaccuracies on the Electoral Roll resulting from using base data collected for the 2004 General Election.
- Weaknesses in the administrative procedures undertaken to update and maintain the Electoral Roll, which culminated in the omission of members of the public from the Roll.

3.8 The Department having noted these problems is seeking to introduce improvements to the system including:

- The creation of a new Electoral Roll for each quadrennial election of Deputies
- Implementation of improvements to the procedures used to update and maintain the Electoral Roll to aid the accuracy and comprehensiveness of the Roll.

3.9 In 2008, the Electoral Roll closed on the 31st January, roughly three months before the date of the Election and six weeks before nomination opened. The Department intends to close the Electoral Roll in 2012 on 29th February 2012. It hopes that this extension will be of benefit to the public.

4. COMPULSORY REGISTRATION

4.1 The Department notes that there has been some interest locally in the establishment of compulsory registration. The Department considers that whilst compulsory registration would increase the number of individuals currently listed on the Roll, it is unlikely to significantly increase the number of votes cast.

- 4.2 The Department believes that the ability to register to vote is a right which all eligible islanders may choose to exercise at their own discretion and therefore it is not appropriate for a statutory responsibility to be placed upon islanders requiring them to do so. However, whilst the Department does not consider that registration should become compulsory, it does consider that the Government should encourage islanders to register and indeed vote and plans to actively engage with the public prior to the 2012 General Election.
- 4.3 When considering the introduction of compulsory registration locally, the Department looked at other jurisdictions where this was a legal requirement and noted that registration in these areas typically varies between 90% and 95%. Further in Australia, which operates a system of compulsory voting, universal registration has not been achieved.
- 4.4 It is not compulsory to register to vote in the UK. However, it is an offence to supply false information or fail to respond to a request for information from the Electoral Registration Officer who has a duty to maintain an electoral register. In 2005 it was estimated that between 91% and 92% of the eligible electors in England and Wales were registered to vote.
- 4.5 Similarly, in Jersey the Connétables send forms out each year to every unit of dwelling accommodation detailing the names of the persons currently registered at that address. Under the Public Elections (Jersey) Law 2002, residents have a duty to check and return this form to the Connétables but *“no criminal or civil liability attaches to a failure to discharge a duty under this article”*.
- 4.6 The Department does not recommend the introduction of compulsory registration at this time.

5. PROPOSALS FOR THE WAY FORWARD

- 5.1 Whilst the current Roll could be carried forward for use in 2012 and a publicity campaign launched to encourage islanders to check that their details are correctly displayed, the Department strongly believes that this would be irresponsible and counterproductive to the island's democratic process. Although the Electoral Roll has been rolled over in the past between two elections, it has never yet been rolled over for a third Election, and the Department is of the opinion that the data currently held is insufficiently accurate or comprehensive to act as base data for the 2012 Election.
- 5.2 Article 25 (3) of the Reform Law provides that the Electoral Roll shall remain valid “until such date as the States may determine by Ordinance”. The Department recommends that the compilation of a new Electoral Roll commence in September 2011 and enters in force into force on the 1st March 2012. The Department therefore recommends that an Ordinance be enacted terminating the validity of the current Electoral Roll at 2359 hours on the 29th February 2012.

- 5.3 In the past the Electoral Roll could only be amended during a given period (1st September to 17th January). That has now changed and the Electoral Roll can now be amended at any time but the Law provides that it shall be closed for a period prior to an election. Article 34 (11) (a) provides that the Electoral Roll shall be closed, in respect of an election for the office of People's Deputy, on the date appointed by Ordinance of the States. Mindful of the work involved in the preparation of copies of the Electoral Roll for candidates and polling stations, the Department proposes that, in respect of the 2012 Election, the Electoral Roll be closed on 29th February 2012.
- 5.4 The creation of a new Electoral Roll would require all eligible individuals who wish to be able to vote in the 2012 General Election of People's Deputies to register. The Department is conscious of the need to actively engage and inform the public to ensure that no islanders are disenfranchised by failing to realise the importance of re-registering. To this end, the Department will launch a comprehensive publicity campaign, with the aim of reaching as many islanders as possible and encouraging them to ensure their details are present.
- 5.5 Preliminary costings would estimate that the cost of creating a new Electoral Roll would be in the region of £190,000. This would include adopting a household enumeration means of enrolment, a publicity campaign, developments to the Electoral Roll database, and the employment of additional members of staff for the six month period leading up to the Election.

6. PROMOTION OF ELECTORAL REGISTRATION

- 6.1 The Department is conscious that should a new Electoral Roll be compiled for use in the 2012 General Election of People's Deputies, it is important that all islanders are fully aware of the importance of registering irrespective of their current status on the Electoral Roll. The Department has considered the following options as ways of ensuring that all islanders are aware of the need to register on the Electoral Roll.
- 6.2 **Household canvass** – this would consist of enumerators being employed to visit every dwelling on the Island (including Herm) to deliver an Electoral Roll application form and, if asked, explain the rules of eligibility and encourage enrolment. It is suggested that these forms would then be collected by the same enumerators a few days later when completed, although they could be posted to the Registrar General of Electors. The key advantage of this method is that it ensures that every household receives a form and is encouraged to complete it.
- 6.3 **Postal based canvass** – There are two options that could be adopted for a postal based canvass. Firstly, Guernsey Post could complete a household drop of application forms, although properties subdivided into multiple units tend to receive only one form and non residential properties will also receive forms. Alternatively, the Corporate Address File could be used to send out pre-addressed application forms. All forms could be returned to the Department Freepost.

- 6.4 **Combination Approach** – The Department favours and recommends a combination of the above proposals. Subject to the States’ approval for the creation of a new Electoral Roll, the Department intends to send out application forms to all dwellings on the Corporate Address File. The Department would then use enumerators as appropriate.
- 6.5 As has occurred previously, the Home Department intends to appoint an external PR company who will be responsible for creating a campaign to encourage enrolment and voting.
- 6.6 In addition, in either case registration forms will be made available from various outlets, including parochial officers, the Greffe, libraries and various States Departments. Electronic applications will also be welcomed over the internet on a secure website.
- 6.7 The Department also intends to work closely with key stakeholders such as the parochial officials and other States Departments.

7. ACCURACY OF THE ELECTORAL ROLL

- 7.1 The Department recognises that electoral registration is the bedrock of the democratic process and so it is vital that electoral registers are as complete and accurate as possible. This means that every person who is entitled to and wishes to have an entry on the Roll is registered and that none of the information registered relating to a person is false or inaccurate, intentionally or otherwise.
- 7.2 The Department is cognisant of the importance of ensuring the accuracy of the Electoral Roll and is developing its administrative procedures to aid this. However, it is important to remember that it would never be possible to establish an Electoral Roll with one hundred per cent accuracy. The Roll can only be as accurate as the information provided. Responsibility must also lie with the general public to inform the responsible authority of changes of address and name and ensure that their details are correctly shown.
- 7.3 In addition, population movement will continually compromise the completeness and accuracy of the registers in the period after its initial compilation.
- 7.4 There are many reasons why entries on an electoral roll may be inaccurate. It is often difficult to identify the source of inaccuracies, to establish whether they are intentional or unintentional and, in some cases, whether they are even inaccuracies. For example:
- Inaccuracies can occur at the registration stage, resulting from the provision of incorrect details by the household (intentional or unintentional)

- It is possible that staff may incorrectly record the electors' details, either by mis-entering or misreading the information provided by the household.
- An elector may be registered more than once, either at two different addresses or he or she may be registered (in error) more than once with slight variations in the address or a person may change his or her name and be registered twice under two separate names.

7.5 The Department shall however be working to minimise potential errors wherever possible.

8. RESOURCES

(a) Human Resources

8.1 Whilst the administrative processes of creation of a new Electoral Roll have yet to be finalised, it is anticipated that existing resources from within the Home Department's Central Services will be able to assist in the administration of the Roll. However, one additional temporary member of staff will be required to assist with the updating of the Roll itself. In addition, the Department will be required to appoint enumerators to visit households.

(b) Financial

8.2 The costs associated with the creation of a new Electoral Roll have been submitted as part of the 2010 States Strategic Plan due to be debated in September 2010.

8.3 The costs associated with the creation of a new Roll have been identified and are shown in the table below.

2011	£115,000
2012	£22,000

8.4 These costs cannot be met from the Home Department's existing budget. In addition necessary IT developments to the Electoral Roll database are required at a cost of £50,000 which will be funded from the Home Department's 2010 Budget.

9. CONSULTATION

9.1 The States Assembly and Constitution Committee has been consulted and has advised the Home Department that it supports the proposal that a new electoral roll be compiled in advance of the General Election to be held in April 2012.

10. RECOMMENDATIONS

The Department recommends the States to:-

1. Approve the establishment of a new Electoral Roll.
2. Direct the drafting of legislation that shall provide for the validity of the current Electoral Roll to cease at 2359 hours on 29th February 2012 and for the closure of the new Electoral Roll between that date and the date of the Election.
3. To note the Department's proposals to promote electoral registration.
4. To direct the Treasury and Resources Department to take account of the costs of compiling the new Electoral Roll when recommending 2011 and 2012 Cash Limits for the Home Department.

Yours faithfully

G H Mahy
Minister

(NB The Policy Council has no comment on the proposals.)

(NB The Treasury and Resources Department supports the proposals and will be recommending Cash Limits for the Home Department which include specific funding of £115,000 in 2011 and £22,000 on 2012 for compiling a new Electoral Roll.)

The States are asked to decide:-

VI.- Whether, after consideration of the Report dated 11th August, 2010, of the Home Department, they are of the opinion:-

1. To approve the establishment of a new Electoral Roll.
2. To direct the drafting of legislation that shall provide for the validity of the current Electoral Roll to cease at 2359 hours on 29th February 2012 and for the closure of the new Electoral Roll between that date and the date of the Election.
3. To note the Department's proposals to promote electoral registration.
4. To direct the Treasury and Resources Department to take account of the costs of compiling the new Electoral Roll when recommending 2011 and 2012 Cash Limits for the Home Department.

REQUÊTE

CIGARETTE VENDING MACHINES – DECISION TO BAN COMPLETELY

THE HUMBLE PETITION of the undersigned Members of the States of Deliberation SHEWETH THAT:-

1. At their meeting in June 2010 the States of Deliberation considered a Report of the Health and Social Services Department entitled “Proposed Ban on the Display of Tobacco Products and Restriction on Vending Machines to Establishments for over 18 Year Olds” (*sic.*) (Article 6 of Billet d’État XV of 2010).

2. As originally published Proposition 2 to that Article read:

“2. That legislation shall be prepared restricting vending machines to establishments for over 18 year olds and providing that such vending machines shall be token operated and the establishment’s licence (when such a system is introduced) shall be removed if it is proved that tokens were being sold to and/or used by young people under the age of 18 years old.”

However, on 1st July 2010 the States, by 25 votes to 20 votes with 1 abstention, approved an amendment moved by Deputy M P J Hadley to substitute a new proposition 2, which read:

“2. That legislation shall be prepared banning cigarette vending machines throughout Guernsey”,

and subsequently approved that substituted proposition.

3. Your Petitioners are of the view that in approving that amendment and substituted proposition Members of the States had little or no information about, or appreciation of, the potential consequences of their decision for legitimate businesses; that business should only be curtailed by legislation after full consultation with those who will be affected and States consideration of a detailed report on the ramifications of such legislation; that the amendment in this instance was ill thought-through; that the circumstances in which it was approved were neither fair nor transparent; and that the decision is consequently not an example of good government.

THESE PREMISES CONSIDERED, YOUR PETITIONERS humbly pray that the States may be pleased to resolve:

(a) to rescind Resolution 2 on Article 6 of Billet d’État No. XV of 2010;

- (b) to direct the Health and Social Services Department to consult fully with all stakeholders on the impact of banning vending machines and return to the States with a further Report recommending either constraints on the location and operation of cigarette vending machines or the prohibition of such machines, and in either case explaining the financial consequences of the States accepting the Department's recommendations for businesses supplying, servicing or operating such machines.

AND YOUR PETITIONERS WILL EVER PRAY

GUERNSEY

This 29th day of July, 2010

D B Jones
S L Langlois
B J E Paint
L R Gallienne
J M Le Sauvage

C S McNulty Bauer
M W Collins
B M Flouquet
M G O'Hara
D de G De Lisle

(NB In pursuance of Article 17 of the Rules of Procedure the views of the Departments and Committees consulted by the Policy Council, as appearing to have an interest in the subject matter of the Requête, are set out below.)

COMMERCE AND EMPLOYMENT DEPARTMENT

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

10th August 2010

Dear Deputy Trott

Requete: Cigarette Vending Machines – Decision to Ban Completely

I refer to the Deputy Chief Minister's letter, dated 02 August 2010, concerning the above matter and seeking comments from the Commerce and Employment Department.

For the avoidance of doubt, I should mention that the Department's consideration of this matter has not extended to the issue of tobacco use and its effects; my Board holds the view that matters concerning the curtailment of tobacco use on which the Assembly is asked to decide are those to which a vote of individual conscience applies.

However, the Members of my Board considered the decision to completely ban cigarette vending machines from the perspective of the economy and business and would comment as follows:-

‘The Board of the Commerce and Employment Department recognises that a complete ban on the availability of cigarette vending machines could quite possibly make a contribution to the reduction of tobacco usage. However, the Board is concerned about the manner in which the Amendment came about to Proposition 2 of the Health and Social Services Department’s Report entitled “Proposed Ban on the Display of Tobacco Products and Restriction on Vending Machines to Establishments for Over 18 Year Olds”.

The Commerce and Employment Department is of the opinion that, as a matter of principle and good governance, sufficient consultation should have taken place with key stakeholders for whom the ban will inevitably have an effect – retailers and their suppliers – before the Assembly was asked to decide on this issue. Had such consultation taken place, Members of the Assembly, would have been given the opportunity to decide upon this matter from a broad position of knowledge, including the potential commercial effects of implementing such a ban’.

Thank you again for the opportunity to comment.

Yours sincerely

Marc Laine
Deputy Minister

EDUCATION DEPARTMENT

The Deputy Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

11th August 2010

Dear Deputy Flouquet

Requete: Cigarette Vending Machines – Decision to Ban Completely

Thank you for your letter of 2nd August, 2010 attaching a copy of the Requête. Having consulted with my Board, I write to advise you that members feel this issue is a matter

of individual conscience rather than one on which the Education Department has a collective view.

Yours sincerely

C A Steere
Minister

HEALTH AND SOCIAL SERVICES DEPARTMENT

The Deputy Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

12th August 2010

Dear Deputy Flouquet

Cigarette Vending Machines – Decision to Ban Completely

The Board of the Health and Social Services Department has considered the above Requête at its meeting on 10th August 2010.

The HSSD Board reject the Petitioners' views that Members of the States had little or no information about, or appreciation of, the potential consequences of their decision for businesses that sell or support the tobacco industry.

The Board consulted extensively over a prolonged period and the consultations included the possibility of a complete ban on tobacco vending machines. The HSSD Board report to the States of Deliberation contained the results of the island wide consultation which indicated that the majority of respondents to our survey support the total ban of tobacco vending machines. Businesses had every opportunity to respond to the consultation.

While the HSSD originally proposed to permit tobacco vending machines in over-18 year old establishments, the States of Deliberation voted for a total ban. The Board of the Health and Social Services Department believe that the debate and vote in the States of Deliberation were both fair and transparent.

The majority of the HSSD Board supports the States decision to ban vending machines completely. Members believe that the evidence shows that a complete ban on tobacco vending machines is the best way of preventing this easy source of cigarettes to children. The World Health Organisation European Strategy for Tobacco Control, recommend the total ban of selling the harmful product of tobacco through vending machines.

The Health and Social Services Department reiterates that tobacco smoking remains the major cause of preventable premature death and ill health in the Bailiwick and measures to support members of our community on this issue are, quite literally, vital.

Yours sincerely

A H Adam
Minister

(NB By a majority, the Policy Council concurs with the views of the Health and Social Services Department and opposes the Requête on the grounds that the necessary information was available to States members when they resolved to ban cigarette vending machines.)

(NB The Treasury and Resources Department has no comment on the proposals.)

The States are asked to decide:-

VII.- Whether, after consideration of the Requête dated 29th July 2010, signed by Deputy D B Jones and nine other Members of the States, they are of the opinion:-

1. To rescind Resolution 2 on Article 6 of Billet d'État No. XV of 2010.
2. To direct the Health and Social Services Department to consult fully with all stakeholders on the impact of banning vending machines and return to the States with a further Report recommending either constraints on the location and operation of cigarette vending machines or the prohibition of such machines, and in either case explaining the financial consequences of the States accepting the Department's recommendations for businesses supplying, servicing or operating such machines.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

THE EMPLOYMENT PROTECTION (SUMMONSING OF WITNESSES AND DOCUMENTS) (AMENDMENT) ORDER, 2010

In pursuance of Section 8 (1) (d) of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, the Employment Protection (Summonsing of Witnesses and Documents) (Amendment) Order, 2010, made by the Commerce and Employment Department on 27th July 2010, is laid before the States.

EXPLANATORY NOTE

This Order amends the Employment Protection (Summonsing of Witnesses and Documents) Order, 2006 to ensure that it applies to the hearing and determination of a complaint relating to contravention of the Minimum Wage Law, 2009 (such complaints would be permitted by section 16(1)(c) and (d) of the Employment Protection Law, 1998, as amended).

THE EMPLOYMENT PROTECTION (RECOVERABLE COSTS) (AMENDMENT) ORDER, 2010

In pursuance of Section 8 (1) (d) of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, the Employment Protection (Recoverable Costs) (Amendment) Order, 2010, made by the Commerce and Employment Department on 27th July 2010, is laid before the States.

EXPLANATORY NOTE

This Order amends the Employment Protection (Recoverable Costs) Order, 2006 ("the principal Order") to ensure that it applies to the costs of hearing a complaint relating to contravention of the Minimum Wage Law, 2009 (such complaints would be permitted by section 16(1)(c) and (d) of the Employment Protection Law, 1998, as amended). This Order also corrects a typographical error in the principal Order.

THE COMPANIES (REGISTRAR) (FEES) (AMENDMENT) (NO.2) REGULATIONS, 2010

In pursuance of Section 501(1) of the Companies (Guernsey) Law, 2008, the Companies (Registrar) (Fees) (Amendment) (No.2) Regulations, 2010, made by the Registrar of Companies on 27th July, 2010, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the schedule of fees payable to the Registrar of Companies under the Companies (Registrar) (Fees) Regulations, 2009 in respect of the performance of his functions under the Companies (Guernsey) Law, 2008, as amended by further clarifying the definition of "financial product companies".

TREASURY AND RESOURCES DEPARTMENT

GUERNSEY ELECTRICITY LIMITED - SUBMISSION OF ANNUAL ACCOUNTS

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

3rd August 2010

Dear Sir

Under Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, the year end accounts of Guernsey Electricity Limited are required to be published as an appendix to a Billet d'Etat.

I therefore submit the Report and Financial Statements of that company for the year ended 31 March 2010.

The company made a loss on ordinary activities before taxation of £626,000 (2009: loss of £1,599,000) and as a consequence no dividend will be paid to the States. As explained in the Director's Report, increases in electricity sales and tariffs to customers helped reduce the deficit against the continuing background of a very difficult energy market.

I should be grateful if you would include this matter as an Appendix to the October 2010 Billet d'Etat.

Yours faithfully

C N K Parkinson
Minister

Guernsey Electricity Limited

Report and financial statements

31 March 2010

Contents

	Page
Directors, officers and professional advisers	1
Directors' report	2 - 3
Corporate governance	4 - 5
Statement of directors' responsibilities	6
Independent auditor's report	7
Profit and loss account	8
Statement of total recognised gains and losses	9
Balance sheet	10
Cash flow statement	11
Notes to the financial statements	12 - 28

Guernsey Electricity Limited

Directors, officers and professional advisers

Directors:

KA Gregson	(non-executive Chairman)
I Watson	(managing)
IJ Limond	(finance)
SJ Morris	(engineering)
KJ Guille	(non-executive) – retired 28 July 2009
Advocate IH Beattie	(non-executive)
D Farrimond	(non-executive)
MJ Mann	(non-executive)

Secretary: SB Pattimore

Bankers:

Barclays Bank Plc
PO Box 41
Le Marchant House
St Peter Port
Guernsey
GY1 3BE

Legal advisers:

Ozannes
1 Le Marchant Street
St Peter Port
Guernsey
GY1 4HP

Independent auditor:

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

Registered office:

PO Box 4
Electricity House
North Side
Vale
Guernsey
GY1 3AD

Company number: 38692

Guernsey Electricity Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2010. These comprise the profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and notes to the financial statements set out on pages 12 to 28.

Incorporation

Guernsey Electricity Limited was incorporated on 24 August 2001.

Principal activities

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

Financial performance

During the year ended 31 March 2010, turnover from electricity sales amounted to £41,633,000 (2009: £35,113,000) which represents an increase of 18.57% (2009: 2.68%). Tariffs to our customers increased by 17% during the year (2009: 0% increase). Our financial performance also reflects excellent control of costs in a very difficult energy market, and generally higher contribution from all parts of the business.

The loss for the year amounted to £19,000 (2009: £834,000 loss before dividend paid). The retained loss in the year of £19,000 (2009: £1,160,000 retained loss after dividend paid) has been transferred to reserves.

Also debited to reserves is the significant actuarial loss this year from the accounting for pensions calculated with assumptions based on financial market conditions at the balance sheet date.

Dividend

No dividend was paid during the year (2009: £326,000, being £0.0030 per share).

Future prospects

The global energy market is continuing to give major concerns to governments, customers and companies operating in the energy industry. As directors of Guernsey Electricity Limited we share these concerns. The volatile costs in the global market are a severe risk which the company faces and manages on a daily basis. Although the directors are making efforts to minimise the impact on customers it was somewhat inevitable that charges to customers would have to increase. The price control decision determined by the Office of Utility Regulation (OUR) in February 2007 covers the four years from 1 April 2007 to 31 March 2011. Within that decision, tariff changes are provided for on 1 April. These changes reflect changes in non-controllable costs which are largely those relating to oil and import costs. Tariffs increased by 17% from 1 April 2009 following OUR's decision that these additional costs relating to financial year 2007/08 needed to be shared with customers. A further decision by OUR in February 2010 determined that these additional costs relating to financial year 2008/09 and an estimate of the additional costs for financial year 2009/10 also need to be shared with customers and this resulted in the decision to increase tariffs by 8.5% from 1 April 2010. Further income will be needed to address the continuing losses of the company. In all other respects our business activities are all making a positive contribution to the services we provide.

Customers

The number of customers as at 31 March 2010 is 29,099 (2009: 28,934).

Guernsey Electricity Limited

Directors' report - continued

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 61% (2009: 55%) of the island needs in the year ended 31 March 2010 and 39% (2009: 45%) was generated on the island, as shown by the units analysis below:

	2010	2009
Units imported MWh	239,332	210,440
Units generated MWh	<u>152,243</u>	<u>173,523</u>
Total units imported/generated MWh	<u>391,575</u>	<u>383,963</u>

Average price

The average price per kWh sold in the year ended 31 March 2010 was 11.49 pence (2009: 9.89 pence).

Reliability

The reliability of Guernsey Electricity's supply is measured by minutes lost per customer. Power failures can be caused by a failure of generation plant, a failure of the distribution network or a failure of the cable link. Customers lost no minutes due to generation activity (2009: Nil minutes). However, 22.60 minutes were lost per customer in respect of distribution and the cable link (2009: 19.38 minutes).

Directors and their interests

The directors of the company who served during the year and to date are as detailed on page 1. The directors have no beneficial interests in the shares of the company.

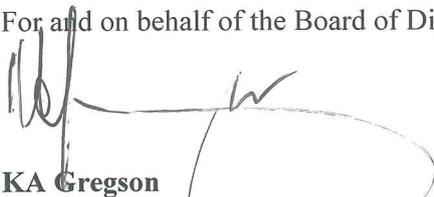
Disclosure of Information to Auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution for the reappointment of KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors



KA Gregson



IJ Limond

Directors

1 June 2010

Guernsey Electricity Limited

Corporate governance

Directors

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the non-executive directors are appointed by the States of Guernsey on the nomination of the States of Guernsey Advisory & Finance Committee, now the Department of Treasury & Resources. The first executive directors were appointed by the Advisory & Finance Committee after consultation with the non-executive directors. Further appointments of executive directors are made by the company's Board of Directors.

The company is controlled through the Board of Directors, which currently comprises four non-executive and three executive directors. As the Chairman is mainly responsible for the running of the Board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Managing Director's responsibilities focus on running the business and implementing strategy. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board monitors the exposure to key business risks and reviews the strategic direction. It also considers environmental and employee issues. The Board has established a number of standing sub-committees and each operates within defined terms of reference. The principal sub-committees are:

- Audit and Risk
- Land and Property
- Remuneration and Nominations

In addition senior management team meetings are held each fortnight.

Directors' remuneration

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the remuneration of the non-executive directors is determined by the Department of Treasury & Resources. The remuneration of the executive directors is determined by the company's Remuneration and Nominations Committee, which comprises three non-executive directors.

Relations with the shareholder

The company's issued share capital is wholly owned by the States of Guernsey. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended provided for the States of Guernsey Advisory & Finance Committee (now Department of Treasury & Resources) to undertake on behalf of the States the role of shareholder. In accordance therewith the share certificates for the whole issued share capital are held equally in the names of the Minister and Deputy Minister of the Department of Treasury & Resources as nominees on behalf of the States of Guernsey. Provision is also in place for the States to give guidance to the Department of Treasury & Resources on the policies it wishes to be pursued in fulfilling this role. Each year the company submits its forward plan to the Department of Treasury & Resources.

Guernsey Electricity Limited

Corporate governance - continued

Financial reporting

The company has a comprehensive system for reporting the financial performance of the company and each of its business units. Management and the Board of Directors review these monthly. The financial statements for the accounting period ending on the accounting reference date of 31 March are reviewed and signed on behalf of the Board of Directors, and will be presented to the shareholder at the forthcoming annual general meeting.

Internal control

An ongoing process for identifying, evaluating and managing the significant risks faced by the company is in place. The monitoring of this process is one responsibility of the Audit & Risk Sub-Committee and a system of developing the way in which the company captures and assesses its risks is in place.

Risk management

The Board of Directors has overall responsibility for identifying, evaluating and managing major business risks facing the company. A risk register is in place and this is administered by the Health, Safety & Risk Manager, who in turn gives regular updates to the Audit & Risk Sub-Committee providing assistance and assurance to the Board in these matters.

Compliance

All business units have well established compliance procedures.

IT systems

The company has established controls and procedures over the security of data held on IT systems and has in place comprehensive disaster recovery arrangements. These arrangements are tested regularly and reviewed by an independent consultant.

Internal audit

Internal audit has a continuing role in monitoring and reporting on business risks. This service continues to be provided by RSM Tenon (formerly RSM Bentley Jennison), a leading entity in providing such services. The Finance Director, in association with RSM Tenon, report on all internal audit work in accordance with the plan approved by the Audit & Risk Sub-Committee. Specialist engineering audits complement this, again as approved by the Audit & Risk Sub-Committee.

Guernsey Electricity Limited

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law.

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

In preparing these financial statements, the directors 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Guernsey Electricity Limited

We have audited the financial statements (the "financial statements") of Guernsey Electricity Limited (the "Company") for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with UK Accounting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on page 6.

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, are in accordance with UK Accounting Standards and comply with the Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2010 and of its loss for the year then ended;
- are in accordance with UK Accounting Standards; and
- comply with the Companies (Guernsey) Law, 2008

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

1 June 2010

Guernsey Electricity Limited

Profit and loss account
for the year ended 31 March 2010

	<i>Note</i>	2010 £'000	2009 £'000
Turnover	2	45,503	39,379
Cost of sales		<u>(35,556)</u>	<u>(32,315)</u>
Gross profit		9,947	7,064
Net operating expenses		<u>(10,199)</u>	<u>(10,060)</u>
Operating loss	4	(252)	(2,996)
Loss on disposal of assets		<u>(297)</u>	<u>(88)</u>
Loss on ordinary activities before interest, other finance (cost)/income and other income		(549)	(3,084)
Interest receivable	5	316	1,015
Interest payable	5	(2)	(8)
Other finance (cost)/income		(391)	341
Other income	6	<u>-</u>	<u>137</u>
Loss on ordinary activities before taxation		(626)	(1,599)
Taxation	7	<u>607</u>	<u>765</u>
Loss for the financial year		<u>(19)</u>	<u>(834)</u>

All activities derive from continuing operations.

The notes on pages 12 to 28 form an integral part of these financial statements.

Guernsey Electricity Limited

1584

Statement of total recognised gains and losses for the year ended 31 March 2010

	<i>Note</i>	2010 £'000	2009 £'000
Loss for the financial year		(19)	(834)
Actuarial loss recognised in the pension scheme	26	(7,188)	(10,025)
Movement on deferred tax relating to pension deficit	16	1,427	1,271
		<hr/>	<hr/>
Total recognised loss for the year		<u>(5,780)</u>	<u>(9,588)</u>

The notes on pages 12 to 28 form an integral part of these financial statements.

Guernsey Electricity Limited

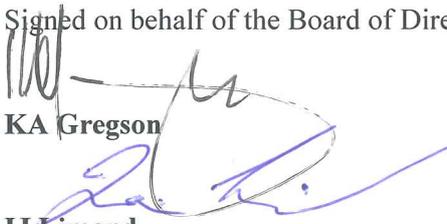
1585

Balance sheet at 31 March 2010

	Note	2010 £'000	2009 £'000
Tangible fixed assets	9	<u>93,332</u>	<u>93,263</u>
Investment	10	<u>1</u>	<u>1</u>
Current assets			
Stocks and work in progress	11	5,691	4,698
Debtors and prepayments	12	8,728	7,189
Balances with States Treasury	13	11,365	13,718
Cash at bank and in hand		<u>943</u>	<u>1,189</u>
		<u>26,727</u>	<u>26,794</u>
Creditors: amounts falling due within one year	14	<u>(7,233)</u>	<u>(6,812)</u>
Net current assets		<u>19,494</u>	<u>19,982</u>
Total assets less current liabilities		112,827	113,246
Creditors: amounts falling due after more than one year	15	(3,307)	(2,857)
Provision for liabilities and charges	16	224	47
Net pension deficit	26	<u>(10,906)</u>	<u>(5,818)</u>
Net assets including pension deficit		<u>98,838</u>	<u>104,618</u>
Share capital	17	109,209	109,209
Reserves	21	<u>(10,371)</u>	<u>(4,591)</u>
Shareholders' funds	22	<u>98,838</u>	<u>104,618</u>

The financial statements on pages 8 to 28 were approved by the Board of Directors on 1 June 2010.

Signed on behalf of the Board of Directors


KA Gregson


IJ Limond
Directors

The notes on pages 12 to 28 form an integral part of these financial statements.

Guernsey Electricity Limited

1586

Cash flow statement for the year ended 31 March 2010

	<i>Note</i>	2010 £'000	2009 £'000
Net cash inflow from operating activities	<i>18</i>	<u>2,189</u>	<u>2,215</u>
Returns on investments and servicing of finance			
Interest received		306	1,014
Interest paid		<u>(2)</u>	<u>(8)</u>
Net cash inflow from returns on investments and servicing of finance		<u>304</u>	<u>1,006</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,509)	(5,049)
Proceeds of disposal of tangible fixed assets		15	19
Customers' contributions towards capital expenditure		<u>402</u>	<u>392</u>
Net cash outflow from capital expenditure and financial investment		<u>(5,092)</u>	<u>(4,638)</u>
Dividends paid		<u>-</u>	<u>(326)</u>
Net cash outflow before use of liquid resources and financing		<u>(2,599)</u>	<u>(1,743)</u>
Management of liquid resources			
Net cash movements with States Treasury		2,353	2,626
Other income	<i>6</i>	<u>-</u>	<u>137</u>
Net cash inflow from management of liquid resources		<u>2,353</u>	<u>2,763</u>
(Decrease)/increase in cash	<i>19 & 20</i>	<u>(246)</u>	<u>1,020</u>

Movements in balances with States Treasury and the other income are deemed liquid resources in accordance with Financial Reporting Standard 1, "Cash Flow Statements", ("FRS1") (as revised).

The notes on pages 12 to 28 form an integral part of these financial statements.

Guernsey Electricity Limited

Notes to the financial statements

Year ended 31 March 2010

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention, they give a true and fair view, have been prepared in accordance with UK GAAP and are in compliance with the Companies (Guernsey) Law, 2008.

Transfer of undertaking

The company was established in accordance with the provisions of the States Trading Companies (Bailiwick of Guernsey) Law 2001 (Commencement) Ordinance and the States Trading Company (Bailiwick of Guernsey) Ordinance 2001 to take over the generation, importation and distribution of electricity previously carried out by the States of Guernsey Electricity Board with effect from 1 February 2002.

Sales of electricity

Sales of electricity are accounted for on an accruals basis and include the estimated value of unbilled units at the year end. The unbilled units are valued at current tariff rates.

Hire purchase

The company provides hire purchase facilities on the provision of goods and services ancillary to the principal activities of the company. The sales value is included in turnover at the inception of the hire purchase transaction and interest is included in interest receivable over the finance period of the transaction.

Interest

Interest receivable and payable are accounted for on an accruals basis.

Deferred income

Customers' contributions towards capital expenditure are credited in equal annual amounts to the profit and loss account over the estimated life of the assets to which they relate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Assets transferred from the States of Guernsey Electricity Board as at 1 February 2002 are being depreciated over their residual estimated useful lives from that date applying the periods noted below.

Notes to the financial statements - continued

*Year ended 31 March 2010***1. Principal accounting policies - continued***Tangible fixed assets and depreciation - continued*

Depreciation is calculated so as to write off the cost of tangible fixed assets over the period of their estimated useful lives using the straight line method. The estimated life of each class of fixed asset is set out below. Depreciation commences in the year of acquisition or on completion of construction. Any shortfall of depreciation arising on the disposal or write-off of fixed assets is charged to the disposals account and any proceeds arising from the disposal are credited to that account. Land is not depreciated. During the year a review of tangible fixed asset estimated useful lives was undertaken. The estimated lives are as shown below:

	Current estimated life in years	Previous estimated life in years
Buildings	40	40
Buildings Equipment	10	10
Cable Link	25	25
Plant and machinery - Generation	25 – 35	25 – 30
- Distribution	35	35
- Street Lights	20	20
Distribution network comprising:		
Distributors	35	35
Meters	5 – 15	5 – 10
Cyclocontrol receivers	5	5
Motor vehicles	5	5
Furniture and equipment	3 – 10	3 – 10
Minor plant	5 – 10	5 – 10

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. In respect of goods held for resale a provision is made based on the time elapsed since the goods were purchased. Provision is made for other stocks relating to strategic plant based upon the remaining useful economic life of the assets to which they relate.

Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Deferred taxation

Provision for deferred tax is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. The pension scheme deficit shown in the accounts is net of the deferred tax asset. Deferred tax assets and liabilities are not discounted.

Notes to the financial statements - continued

Year ended 31 March 2010

1. Principal accounting policies - continued*Foreign exchange*

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Foreign currency profits and losses are dealt with in the profit and loss account.

Financial instruments

The company enters into forward exchange contracts to mitigate a large percentage of the risk of fluctuations in the currency rate between the Euro and the Pound Sterling in meeting its financial obligations for the import of electricity units from the European grid. Gains and losses on these contracts are deferred and recognised in the profit and loss account only when the delayed transaction has itself been reflected in the company's account. The company does not hold or issue financial instruments for speculative purposes. The company also hedges against the fluctuation in the price of heavy fuel oil including the movement in the US Dollar which is inherent in the pricing. Gains and losses are recognised in the profit and loss account when realised.

Pension costs

The employees' pension scheme is a defined benefits scheme. The company applies Financial Reporting Standard 17, "Post retirement benefits", ("FRS17"). In so doing current service cost and any past service cost is charged to the profit and loss account together with finance costs/income for the scheme which are charged/credited to the profit and loss account. The difference between the expected and actual actuarial gains and losses are charged to the statement of total recognised gains and losses. Full actuarial valuations are carried out on a triennial basis and annual updates are carried out to disclose the values and assumptions in accordance with FRS17.

Joint arrangements

The Channel Islands Electricity Grid Limited is a joint arrangement between Jersey Electricity plc (the Jersey Electricity Company Limited changed its name on 8 March 2010 to Jersey Electricity plc) and Guernsey Electricity Limited. The company was formed to manage the project and the ongoing operation of the cable link between Guernsey, Jersey and France. In accordance with Financial Reporting Standard 9, "Associates and Joint Ventures", ("FRS9") these financial statements include the company's entitlement to the assets, liabilities, cash flows and the shared items of this joint arrangement where the company's entitlements are fully determined by contracts with the other party to the joint arrangement.

Notes to the financial statements - continued
 Year ended 31 March 2010

2. Turnover

	2010	2009
	£'000	£'000
Sales of electricity	41,633	35,113
Other sales	<u>3,870</u>	<u>4,266</u>
	<u>45,503</u>	<u>39,379</u>

All sales of electricity arise from customers in the Island of Guernsey. Other sales are made to customers throughout the Bailiwick of Guernsey. With effect from 1 April 2010 the company will recover through the 8.5% tariff increase, non-controllable costs that arose in the financial years 2008/09 and 2009/10 over and above the values allowed in the Office of Utility Regulation's final price control decision in February 2007.

3. Cable link

The company previously had an ongoing obligation to its supplier, Electricité de France ("EdF"), to meet the cost of a minimum amount of electricity. Following the new pricing arrangements entered into with EdF, there is no longer a revenue commitment effective from 1 December 2005. The company remains committed to contribute towards the reinforcement of the French network. This liability is being satisfied by a revenue payment of approximately £110,000 per annum over the period of the contract.

4. Operating Loss

Operating loss is after charging/(crediting):

	2010	2009
	£'000	£'000
Depreciation (note 9)	5,076	4,974
Rentals under operating leases	11	11
Auditors' remuneration - statutory audit	32	33
- non-audit services	4	4
Bad debts	33	41
Emoluments	42	49
- non-executive directors	429	424
- executive directors (including pension)		
Regulatory costs	342	241
- external (excluding non-audit services)		
- internal	206	106
Other operating income	<u>(583)</u>	<u>(479)</u>

Notes to the financial statements - continued
 Year ended 31 March 2010

5. Interest

	2010	2009
	£'000	£'000
Interest receivable:		
Deposits with banks and States Treasury	180	876
Hire purchase	<u>136</u>	<u>139</u>
	<u>316</u>	<u>1,015</u>
Interest payable:		
Bank overdraft	1	1
Security deposits	<u>1</u>	<u>7</u>
	<u>2</u>	<u>8</u>

6. Other income

Of the £5,350,000 that the States of Guernsey Electricity Board had on deposit with the Bank of Credit and Commerce International when it ceased trading on 5 July 1991, £5,426,156 has been recovered. No distribution was received in the current year (2009: £136,565). Distributions by the liquidator are denominated in US Dollars and therefore exposed to Sterling/Dollar fluctuation. This represents a full recovery of the original capital deposit together with interest.

7. Taxation

The company is taxed at a combination of the company standard rate of 0% and the company higher rate of 20%. Therefore the tax charge included in the financial statements is based on these rates. The tax adjusted profits of the company have been apportioned so that the appropriate amount is taxed at 20% and the new rates as applicable.

The company's profits or losses from the activities subject to licence from the Office of Utility Regulation will be chargeable to tax at the 20% rate, as will rental income from Guernsey properties. For all other company activities the zero rate is applicable.

The basis of assessment to Guernsey tax continues to be on an actual current year basis.

Notes to the financial statements - continued
 Year ended 31 March 2010

7. Taxation - continued

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. Various rates of income tax are applied depending on the activity of the company. The rate applied in relation to the company's activities is a combination of the company standard rate of 0% and the company higher rate of 20%. Deferred tax has been provided at 0% and 20% on timing differences depending on which rate they are expected to reverse out in the future. Where deferred tax balances relate to items which may be taxed at either 20% or 0% a blended rate of 19.8531% (2009: 12.6799%) has been used to provide for deferred tax. The blended rate has been calculated by reference to the company's effective rate of tax in the year ended 31 March 2010.

The deferred tax credit in the profit and loss account for the year is:

	2010 £'000	2009 £'000
Timing differences on capital allowances and depreciation	222	234
Short term timing differences (pension)	(430)	(46)
Short term timing differences (other)	(22)	23
Unrelieved trading losses	<u>(377)</u>	<u>(976)</u>
	<u>(607)</u>	<u>(765)</u>

8. Dividend

	2010 £'000	2009 £'000
Paid in the year, £Nil per share (2009: £0.0030 per share)	<u>=</u>	<u>326</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

9. Tangible fixed assets

	1 April 2009 £'000	Additions £'000	Written off/ disposals £'000	31 March 2010 £'000
<i>Cost</i>				
Land and buildings	29,378	290	10	29,658
Cable link	29,109	11	271	28,849
Plant and machinery:				
Generation	32,776	1,230	244	33,762
Distribution	9,332	638	9	9,961
Distribution network	24,078	2,271	149	26,200
Motor vehicles, furniture and equipment, minor plant	<u>3,953</u>	<u>1,018</u>	<u>255</u>	<u>4,716</u>
	<u>128,626</u>	<u>5,458</u>	<u>938</u>	<u>133,146</u>
	1 April 2009 £'000	Charge for the year £'000	Written off/ disposals £'000	31 March 2010 £'000
<i>Depreciation</i>				
Land and buildings	5,838	914	10	6,742
Cable link	8,972	1,182	94	10,060
Plant and machinery:				
Generation	11,659	1,330	125	12,864
Distribution	1,508	272	5	1,775
Distribution network	5,266	882	137	6,011
Motor vehicles, furniture and equipment, minor plant	<u>2,120</u>	<u>496</u>	<u>254</u>	<u>2,362</u>
	<u>35,363</u>	<u>5,076</u>	<u>625</u>	<u>39,814</u>
Net book value	<u>93,263</u>			<u>93,332</u>

Included above are assets in the course of construction of £2,104,000 (2009: £2,986,000), which are not depreciated.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

10. Investment

The company invested £250,000 in Marine Current Turbines Limited as part of its initiatives to keep abreast of the research and development of alternative energy sources. This investment is a minority interest and the holding is less than 5%. The benefits of this investment are spread over more than one year, and £Nil has been charged to the profit and loss account for impairment (2009: £Nil).

11. Stocks and work in progress

	2010		2009	
	£'000	£'000	£'000	£'000
Fuel stocks		3,247		2,318
Purchased goods for resale	344		376	
Provision	<u>(6)</u>	338	<u>(7)</u>	369
Other stocks	2,998		2,938	
Provision	<u>(1,106)</u>	1,892	<u>(1,175)</u>	1,763
Work in progress		<u>214</u>		<u>248</u>
		<u>5,691</u>		<u>4,698</u>

12. Debtors and prepayments

	2010	2009
	£'000	£'000
Estimated value of unbilled units	4,669	3,793
Customer accounts outstanding	3,393	2,863
Other debtors	266	171
Prepayments	<u>400</u>	<u>362</u>
	<u>8,728</u>	<u>7,189</u>

Included in "Customer accounts outstanding" is an amount of £325,000 (2009: £291,000) due after more than one year.

13. Balances with States Treasury

The treasury department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

14. Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	2,354	2,287
Customer payments received in advance	3,578	3,116
Employee taxes and Social Security	160	155
Deferred income	112	96
Accruals and other creditors	<u>1,029</u>	<u>1,158</u>
	<u>7,233</u>	<u>6,812</u>

The company has a £750,000 overdraft facility with Barclays Bank Plc (2009: £750,000), and interest is payable quarterly at 1.75% over UK base rate. This facility is unsecured, is repayable on demand and is reviewed and approved by the Board annually. The facility is due for review on 1 August 2010.

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

	2010 £'000	2009 £'000
Deferred income	<u>3,307</u>	<u>2,857</u>

16. Provision for liabilities and charges

	2010 £'000	2009 £'000
Deferred taxation:		
Balance at 1 April	(892)	1,144
Profit and loss account charge	(607)	(765)
Statement of total recognised gains and losses	<u>(1,427)</u>	<u>(1,271)</u>
Balance at 31 March	<u>(2,926)</u>	<u>(892)</u>
Which comprises:		
Capital allowances in excess of depreciation	7,519	7,297
Short-term timing differences (other)	(75)	(53)
Unrelieved trading loss for tax purposes	<u>(7,668)</u>	<u>(7,291)</u>
Provision for liabilities and charges	<u>(224)</u>	<u>(47)</u>
Deferred tax asset on pension deficit (note 26)	<u>(2,702)</u>	<u>(845)</u>

17. Share capital

	2010 £'000	2009 £'000
<i>Authorised:</i>		
125,000,000 ordinary shares of £1 each	<u>125,000</u>	<u>125,000</u>
<i>Issued and fully paid:</i>		
109,208,844 ordinary shares of £1 each	<u>109,209</u>	<u>109,209</u>

Two shares were issued on formation of the company and the remaining 109,208,842 shares were issued to equate to the consideration of £109,208,844 for the net assets acquired by the company from the States of Guernsey with effect from 1 February 2002.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

18. Reconciliation of operating loss to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating loss	(252)	(2,996)
Depreciation charge	5,076	4,974
Pension service cost	978	1,015
Employer's pension cash contributions	(1,612)	(1,523)
Deferred income	(112)	(95)
(Increase)/decrease in stocks and work in progress	(993)	707
Increase in debtors and prepayments	(1,529)	(259)
Increase in creditors	<u>633</u>	<u>392</u>
	<u>2,189</u>	<u>2,215</u>

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

	2010 £'000	2009 £'000
(Decrease)/increase in cash in the year	(246)	1,020
Cash used to decrease liquid resources	<u>(2,353)</u>	<u>(2,626)</u>
Change in net funds	(2,599)	(1,606)
Net funds at 1 April	<u>14,907</u>	<u>16,513</u>
Net funds at 31 March	<u>12,308</u>	<u>14,907</u>

20. Analysis of changes in net funds

	At 1 April 2009 £'000	Cash flows £'000	At 31 March 2010 £'000
<i>Cash</i>			
Cash at bank and in hand	<u>1,189</u>	<u>(246)</u>	<u>943</u>
Balances with States Treasury	1,189	(246)	943
	<u>13,718</u>	<u>(2,353)</u>	<u>11,365</u>
	<u>14,907</u>	<u>(2,599)</u>	<u>12,308</u>

Guernsey Electricity Limited

Notes to the financial statements - continued
Year ended 31 March 2010

21. Reserves	2010	2009
	£'000	£'000
Balance at 1 April brought forward	(4,591)	5,323
Loss for the financial year	(19)	(834)
Dividend	-	(326)
Actuarial loss recognised in the pension scheme, net of movement in deferred tax relating to pension deficit	(5,761)	(8,754)
	<hr/>	<hr/>
Balance at 31 March carried forward	<u>(10,371)</u>	<u>(4,591)</u>
 22. Reconciliation of movements in shareholders' funds		
	2010	2009
	£'000	£'000
Shareholders' funds at 1 April brought forward	104,618	114,532
Loss for the financial year	(19)	(834)
Dividend	-	(326)
Actuarial loss recognised in the pension scheme, net of movement in deferred tax relating to pension deficit	(5,761)	(8,754)
	<hr/>	<hr/>
Shareholders' funds at 31 March	<u>98,838</u>	<u>104,618</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

23. Commitments

Capital commitments for which no provision has been made in these financial statements amounted to £4,808,000 as at 31 March 2010 (2009: £4,861,000). These relate to outstanding commitments on capital projects across a range of asset categories.

Operating lease commitments

Commitments to make payments during the next year in respect of an operating lease are as follows:

	2010 £'000	2009 £'000
<i>Land and Buildings</i>		
Lease which expires:		
Within one year	-	9
Within two to five years	12	-

24. Financial instruments

(a) Import Financial Hedge

Our import contract with EdF is denominated in Euros. The company has entered into participating forward currency exchange contracts to manage the currency risk. If the spot exchange rate is at or above 1.09, the company's commitment to forward contracts at the balance sheet date was as follows:

	2010 €'000	2009 €'000
Forward contracts to purchase Euro	<u>9,163</u>	<u>6,835</u>
	£'000	£'000
Contracted prices	<u>8,406</u>	<u>5,419</u>
Closing value at 31 March	<u>8,153</u>	<u>6,305</u>
Unrecognised and unrealised (loss)/gain	<u>(253)</u>	<u>886</u>

If the spot exchange rate falls below 1.09, the company is protected by forward contracts to purchase a total of €13,090,000 at the forward rate of 1.09.

The sterling/euro rate at 31 March 2010 was 1.1238 (2009: 1.084).

(b) On-island Generation Financial Hedge

The company has entered into a financial hedge on the commodity price of heavy fuel oil used for its on-island generation. The commitment to this is for an annual volume for financial year 2010/11 of 15,000 metric tonnes at a price of US\$480 per tonne.

Guernsey Electricity Limited

Notes to the financial statements - continued
 Year ended 31 March 2010

25. Contingent liability

The company is currently investigating a complaint from a homeowner living in a specific area in close proximity to the power station site, regarding the impact of noise and/or ground borne vibration claimed to be caused by the operation of the power station site. The company is seeking appropriate legal and technical advice to assess the validity and extent of the complaint. In the event that the complaint is found to be merited there is significant uncertainty surrounding the potential cost of resolving the matter but it is estimated to be in the range £0 to £350,000. The Board is seeking to achieve resolution at minimum cost.

26. Pension Scheme

Employee benefit obligations for Guernsey Electricity Limited

The employees of the company are members of the States of Guernsey Public Servants Pension Scheme (PSPS). This is a defined benefits pension scheme funded by contributions from both employer and employee to the PSPS at rates which are determined on the basis of independent actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

As the PSPS is a multi entity arrangement the States of Guernsey contracted the Scheme's qualified independent actuaries to identify the actuarial account for each entity and therefore the value of the pension fund assets and liabilities attributable to this company. The triennial valuation at 31 December 2007 recommended the increase of employer's contribution from 16.3% to 17.3% from 1 April 2009 and this was approved by the States of Guernsey. The value of these employer contributions to the Fund from 1 April 2010 to 31 March 2011 are estimated at £1,276,000. In recognising that further contribution was required to reduce the past service deficit, it was resolved by the Board of Directors to reduce the deficit by lump sums over a period of years. An additional sum of £400,000 has been provided for this year (2009: £400,000).

Description of the Guernsey Electricity Limited Actuarial Account of the States of Guernsey Superannuation Fund ("the Fund")

The Fund is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The company recognises the requirements of Financial Reporting Standard 17 ("FRS17") Retirement Benefits on the following basis:

The valuation used for FRS17 disclosures has been based on a full assessment of the liabilities of the Fund. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method.

Notes to the financial statements - continued
 Year ended 31 March 2010

26. Pension Scheme - continued

The amounts recognised in the balance sheet are as follows:

	2010 £'000	2009 £'000
Fair value of Fund assets	37,560	28,610
Present value of funded obligations	<u>(51,168)</u>	<u>(35,273)</u>
Deficit in scheme	<u>(13,608)</u>	<u>(6,663)</u>
Related deferred tax asset	<u>2,702</u>	<u>845</u>
Net pension liability	<u>(10,906)</u>	<u>(5,818)</u>
Amounts in the balance sheet		
Assets	-	-
Liabilities	<u>(10,906)</u>	<u>(5,818)</u>
Net pension liability	<u>(10,906)</u>	<u>(5,818)</u>

The amounts recognised in the profit and loss account are as follows:

	2010 £'000	2009 £'000
Current service cost	978	1,015
Interest on obligation	2,258	2,208
Expected return on Fund assets	<u>(1,867)</u>	<u>(2,549)</u>
Expense recognised in the profit and loss	<u>1,369</u>	<u>674</u>
Actual return on Fund assets	<u>(7,935)</u>	<u>(8,255)</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

26. Pension Scheme - continued

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
	£'000	£'000
Opening defined benefit obligation	35,273	33,355
Service cost	978	1,015
Interest cost	2,258	2,208
Contributions by members	486	467
Actuarial losses/(gains)	13,256	(780)
Benefits paid	<u>(1,083)</u>	<u>(992)</u>
Closing defined benefit obligation	<u>51,168</u>	<u>35,273</u>

Changes in the fair value of Fund assets are as follows:

	2010	2009
	£'000	£'000
Opening fair value of Fund assets	28,610	35,868
Expected return	1,867	2,549
Actuarial gains/(losses)	6,068	(10,805)
Contributions by employer	1,612	1,523
Contributions by members	486	467
Benefits paid	<u>(1,083)</u>	<u>(992)</u>
Closing fair value of Fund assets	<u>37,560</u>	<u>28,610</u>

Analysis of amounts recognised in the statement of total recognised gains and losses (STRGL):

	2010	2009
	£'000	£'000
Total actuarial losses	<u>(7,188)</u>	<u>(10,025)</u>
Total loss recognised in STRGL	<u>(7,188)</u>	<u>(10,025)</u>
Cumulative amount of loss recognised in STRGL	<u>(18,155)</u>	<u>(10,967)</u>

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

26. Pension Scheme - continued

The major categories of Fund assets as a percentage of the total Fund assets are as follows:

	2010 %	2009 %
Equities	60	66
Gilts	12	7
Corporate bonds	15	5
Index linked bonds	-	14
Property	2	-
Other assets	11	8

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages where applicable):

	31 March 2010 % p.a.	31 March 2009 % p.a.
Discount rate	5.5	6.5
Expected return on Fund assets at 31 March (for following year)	6.5	6.5
Rate of increase in pensionable salaries	5.15	4.5
Rate of increase in deferred pensions	3.9	3.0
Rate of increase in pensions in payment	3.9	3.0

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 86 if they are male and until age 88 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 88 if they are male and until age 89 if female.

Description of the basis used to determine the expected rate of return on the assets

The company adopts a building block approach in determining the expected rate of return of the Fund's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the disclosure year end.

Guernsey Electricity Limited

Notes to the financial statements - continued

Year ended 31 March 2010

26. Pension Scheme - continued

Amounts for the current and previous periods are as follows:

	2010	2009	2008	2007	2006
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	51,168	35,273	33,355	38,055	35,633
Fund assets	37,560	28,610	35,868	34,715	32,247
(Deficit)/surplus	(13,608)	(6,663)	2,513	(3,340)	(3,386)
Experience gains/(losses) on Fund assets	6,068	(10,805)	(2,515)	(933)	4,000
Experience gains/(losses) on Fund liabilities	1,208	426	659	(884)	791
Change in assumptions underlying the present value of Fund liabilities	(14,464)	355	6,927	1,256	(3,389)
Total Experience gains/(losses) on Fund liabilities	(13,256)	780	7,586	372	(2,598)

The Fund assets for the years ended 31 March 2006, 2007 and 2008 have not been restated to bid value (i.e. they are mid market value).

The balance sheet position in respect of the Actuarial Account has worsened due to the effect of the changes in the economic assumptions derived from the market but this has been partly offset by various factors.

A key impact on the change of assumptions item was the change in the relationship between the corporate bond based discount rate and the market derived assumption for future inflation. The discount rate decreased by 1.0% and the inflation assumption increased by 0.9%. Overall this produced a decrease of 1.65% in the net discount rate for pre retirement liabilities and a decrease of 1.9% in the net discount rate for post retirement liabilities. These changes have increased the value placed on the liabilities by about £14.5m.

This was partly offset by a gain of about £6.1m as a result of the actual investment return being higher than expected. In addition, contributions paid were more than the cost of accruing benefits which, along with other experience items, resulted in a gain of about £1.2m. The net position was an increase of around £6.9m in the deficit determined under FRS17.

27. Statement of control

The company is wholly owned and ultimately controlled by the States of Guernsey.

28. Related party transactions

There are no disclosable related party transactions in this financial year. Of the company's annual income and expenditure, less than 20% of their respective value is due to transactions with other States entities.

TREASURY AND RESOURCES DEPARTMENT

GUERNSEY POST LIMITED - SUBMISSION OF ANNUAL ACCOUNTS

The Chief Minister
Policy Council
Sir Charles Frossard House
La Charroterie
St Peter Port

3rd August 2010

Dear Sir

Under Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, the year end accounts of Guernsey Post Limited are required to be published as an appendix to a Billet d'Etat.

I therefore submit the Report and Financial Statements of Guernsey Post Limited for the year ended 31 March 2010.

The profit on ordinary activities before taxation was £235,000 (2009: £2,456,000). As set out in the Chairman's statement, whilst the underlying profit was stable at £1.2million, exceptional items were incurred during the year ended 31 March 2010. The company has paid a dividend to the States of £273,109 in 2010, based on the profit before exceptional items (2009: £613,895).

I should be grateful if you would include this matter as an Appendix to the October 2010 Billet d'Etat.

Yours faithfully

C N K Parkinson
Minister

Guernsey Post Limited
Annual report and financial statements
for the year ended 31 March 2010

Guernsey Post Limited

Contents

	Page
Corporate Details	2
Chairman's Statement	3
Chief Executive's Report	5
Finance Director's Statement	9
Environment and CSR	11
Board Profile	13
Corporate Governance Report	16
Directors' Report	21
Independent Auditor's Report	23
Profit and Loss Account	25
Statement of Total Recognised Gains and Losses	25
Balance Sheet	26
Cash Flow Statement	27
Notes to the Financial Statements	28

Guernsey Post Limited

Corporate Details

Directors:

Dudley R Jehan (Chairman)
Gordon R Steele (Chief Executive)
Boley Smillie (Executive)
Richard J Hemans (Finance)
Andrew Duquemin (Non-Executive)
Steve Hannon (Non-Executive)
Jeff Kitts (Non-Executive)
Dame Mary Perkins (Non-Executive)

Auditors:

KPMG Channel Islands Limited
Chartered Accountants
PO Box 20
20 New Street
St Peter Port
GUERNSEY
GY1 4AN

Actuaries:

BWCI Consulting Limited
Actuaries and Consultants
PO Box 68
Albert House
South Esplanade
St Peter Port
GUERNSEY
GY1 3BY

Registered office:

Envoy House
La Vrangue
St Peter Port
GUERNSEY
GY1 1AA

Grefe Registration Number:

38693

Guernsey Post Limited

Chairman's Statement

I am pleased to report that, despite having to deal with some very significant issues and difficult trading conditions, Guernsey Post has again met all of its service targets and delivered a profit for the people of the Bailiwick.

Company Performance

Underlying profit for the year was stable at £1.2m but exceptional write-offs for the year to cover higher pension provisions and the prudent decision to write off all the investment in development costs for the new financial service savings products in this year, reduced the profit to £0.162m. However, Guernsey Post will pay a dividend on the operating profit before these exceptional items, ensuring that, through the States, the people of Guernsey will receive the full benefit.

Company Strategy

We have had to adapt our strategy to take into account significant issues that have arisen throughout the year. These include the fall in southbound mail from the UK and big cost increases from Royal Mail. In addition, we have been frustrated in our efforts to launch a range of savings products and have felt the effects of excessive and unsatisfactory decisions by the Office of Utility Regulation.

We are attempting to compensate for these issues through increased efficiencies, cost reductions and the continued pursuit of alternative revenue streams from non-regulated postal products and diversification into new, profitable markets where we have the relevant reputation, expertise and infrastructure.

We shall continue to seek a solution which will enable us to launch a range of savings products to satisfy the clear demand from the people of the Bailiwick of Guernsey.

Dealing with the Office of Utility Regulation has been difficult and costly, diverting a great deal of management time and incurring levels of costs that are disproportionate to the size of the business. In our opinion, the regulatory processes, the quality of analysis, the approach and conclusions must meet the highest standards. The impact of the Regulator's most recent decision was so great that we had no choice but to appeal the decision at the Royal Court. We will continue to press for a more proportionate regulatory approach for Guernsey.

There can be no doubt that the next few years are going to be some of the most challenging for all at Guernsey Post. I am confident that we have the right strategy and the full commitment and backing of our Board and our stakeholders to succeed.

The Board

During 2010, the company welcomed Boley Smillie to the Board. Boley has been with Guernsey Post for 19 years starting with us straight from secondary school. He was appointed Operations Director in 2007 and Executive Operations Director in April 2010.

The role of the Board is to provide leadership within a prudent and effective framework of risk and internal control. Each month we review the effectiveness of the previous month's initiatives.

Our sub-committees were kept busy and the Audit Committee and the Board approved a revised risk management policy and strategy. This policy outlines our risk management principles and defines

Guernsey Post Limited

Chairman's Statement – continued

our procedures, reporting mechanisms and risk appetite.

Throughout the year, there has been an increased focus on risk management with a detailed assessment of high impact risks. Additionally, quarterly reviews of our activities relating to health and safety, anti-money laundering and countering the finance of terrorism have been completed.

The Nominations Committee has developed a new process for the appointment of Non-Executive Directors to ensure that we comply with best practice. It conducted a review of the Board's skills and experience and concluded that the levels were satisfactory. The Committee also directed the development and delivery of a corporate governance training course for the Board to ensure that it was informed of the latest developments and was refreshed on the key principles.

Finally, I would like to take this opportunity to thank my fellow Directors, management and all colleagues for their efforts and dedication throughout the year.



Dudley Jehan
Chairman
July 2010

Guernsey Post Limited

Chief Executive's Report

This year has been one of the most challenging in the history of Guernsey Post and the business has had to address some very significant issues.

The fundamental structural changes in the worldwide postal market have really become evident this year, with a sharp decline in mail to the Bailiwick, reflecting economic conditions and the continuing trend towards the use of electronic communications. This trend in the decline of the traditional postal market is set to continue.

There has been a big change in our commercial relationship with Royal Mail. Their charges to us rose significantly this year and we expect them to be an even more demanding partner in the future, reflecting the commercial pressures on their organisation.

Of very great significance both this year and in the coming years, is the change in the regulatory environment. In our opinion, the Regulator's actions and approach this year fell short of the minimum standards we are entitled to expect and have the potential to damage Guernsey Post. The cost of dealing with the Regulator is totally disproportionate. We estimate the cost this year to be approaching £1m. This money and effort could have been better spent to the benefit of all our customers and the taxpayers of the Bailiwick.

And finally, our drive for new sources of income through diversification by the launch of a range of Post Office savings accounts for the people of the Bailiwick has been delayed by regulatory issues.

I am pleased to report that the team at Guernsey Post has dealt well with all these issues and again delivered a profit for the people of the Bailiwick.

I am also delighted to be able to report, that for the second year in succession, and thanks to the efforts of all my colleagues, Guernsey Post has met all of its service and regulatory targets.

The Guernsey Post Business

Guernsey Post is one of the leading companies in the Channel Islands and operates a range of businesses serving both large and small customers. Our main postal business handles about 70 million items of mail a year and has a truly global reach. Our Philatelic business has 21,000 customers world-wide and promotes the benefits of our Island all over the world. We have an extensive retail operation and our financial services business is the largest provider of foreign exchange in the Bailiwick.

Mail services

Guernsey is fast becoming an important fulfilment hub for distribution around Europe as well as the UK and the resulting growth of our bulk mail customers' business has been vital to our success this year.

We are very aware of the importance of this industry to Guernsey and our obligations to serve this industry by providing the right combination of price, effectiveness, service and products.

Through efficiency gains, we have been able to absorb £1m of the Royal Mail price increases and the introduction of Pricing in Proportion has allowed many of our customers to avoid Royal Mail price increases. Our drive to reduce costs and become more efficient that started with savings of £1m last year has continued this year. We have strengthened our account management and introduced down-stream access products, offering our very large customers the option of lower costs with a slower service by introducing mail further down the Royal Mail distribution chain. And

Guernsey Post Limited

Chief Executive's Report – continued

we continue uniquely to manage the critical interfaces between Guernsey Customs and the UK Customs.

We recognise that our largest fulfilment customers are facing pressures of their own, especially if there are changes from the UK in their attitude to offshore businesses. Guernsey Post must be aware of the changes and adapt to them as they occur.

Whilst it has been a good year for our high volume fulfilment customers, there continues to be a decline in the traditional household and business mail business. For many years now there has been a slow decline in traditional mail volumes, but this year showed a sharp decline in inbound southbound mail from the UK to the Islands. A year-on-year decline across the board of 16% is unprecedented and this decline is likely to continue and affect not only us but all postal administrations throughout the developed world.

Costs from Royal Mail have risen sharply this year as they move to a more commercial pricing policy and become more demanding partners. We were able to absorb about £1m of the increases through increased efficiencies such as changing job roles, reviewing work practices and altering the physical processing of mail on the sorting floor.

It is with great pride that, thanks to the hard work of all my colleagues, I report that, for the second year in succession we have hit every service target set by the business and the Regulator. Each year we look at how we can improve the effectiveness and efficiency of our business. Thanks to our continued good relationship with our main union, the CWU, we have consolidated the progress of the previous year and are on track to take this further.

Pricing in Proportion

One of the most important and historic changes we have made in the last 12 months is the introduction of "Pricing in Proportion" (PiP) which changed the historical method of charging by weight, to a new system of charging by a combination of weight and size. This has been a fundamental change for the whole system and has affected every one of our departments. This significant transformation has been handled and communicated extremely well, with the minimum of disruption to our high standards of service. This change has meant that the majority of customers will avoid very large increases in Royal Mail costs and some will see their prices fall.

Financial services and BATIF Bureau de Change

With the continuing decline in the traditional postal business, the aggressive regulatory environment and the unpredictable future of the Guernsey fulfilment industry, we must look for different income streams in the future. Diversification into financial services is a key part of that strategy. This is a route that has been taken successfully by other Post Offices all over the world.

The diversification started the year before with the acquisition of BATIF, the local foreign exchange operation. The next stage was the introduction of a range of Guernsey Post savings products offered to customers of the Bailiwick at our branches, on-line and by telephone. Customer research shows a demand for a local, trusted supplier of simple savings products and that people would welcome Guernsey Post providing those products and services.

We embarked on an assessment of our ability to meet that demand and concluded that we already had a branch network, a customer service and call centre function, website management capability and local people with the necessary experience and expertise.

Guernsey Post Limited

Chief Executive's Report – continued

However, after starting the approval process with the necessary authorities and after getting endorsement from our board and shareholder, we had to recognise that world financial events had raised regulatory concerns that meant we had to put development on hold. This is most frustrating since we were on track to launch a range of simple savings products for the people of Guernsey in this calendar year. We are determined to resolve these issues and get a range of savings products launched in the future. Meanwhile we have taken the prudent decision to write off all the development cost in this year.

Regulation

This year, dealing with the Regulator has been a major and disproportionate drain on the resources and finances of Guernsey Post. The cost of dealing with the Regulator is close to £1m without any net benefit to Guernsey Post, its customers and the people of Guernsey.

Considerable management effort has been diverted into a one year price review. The unexpected proposal to reduce the reserved area to £1 and the opening of the packet market fully to competition would have such an impact on Guernsey Post that we have had no choice but to incur the expense and effort of appealing the decision in Court.

I should emphasise that Guernsey Post is not afraid of competition in the Guernsey market. That competition however has to be on a "level playing field", not allowing offshore operators with bigger economies of scale to "cream off" our high volume customers without the obligations of the USO and the price restraints under which we have to operate.

In addition to appealing the decision, we have also been very disappointed by the quality and approach of the Regulators' office, which have fallen below the minimum standards that I believe we are entitled to expect. Simple errors in price calculations have cost Guernsey Post £500,000 in lost revenue. We also received inaccurate and unfounded criticisms on matters such as overheads, health and safety training, salaries and overtime that we had to spend time correcting and addressing with our employees and stakeholders.

We very much welcome the current States' review into the scope and quality of regulation for Guernsey and we will be submitting our proposals on a more appropriate regulatory approach for the Islands.

Our responsibilities as an employer

We believe that, although we have a strong commercial focus with a duty to deliver a service to our customers and a profit to our shareholder, we also have a responsibility to be a good employer.

Guernsey Post is still recovering from a period in the company's history when little investment was made in a number of areas including training, health and safety and the maintenance of Envoy House. We spent money improving the efficiency and control of our building utilities, heating and lighting systems and as a result have already seen significant savings in costs. As a modern, environmentally friendly business and a good corporate citizen we are committed to reducing energy consumption and to an appropriate and effective waste minimisation strategy.

In November last year Guernsey Post won the top prize in the Guernsey Occupational Safety and Health Association awards following changes in working practices throughout the organisation, and the introduction of a vigorous health and safety training programme.

Guernsey Post Limited

Chief Executive's Report – continued

The future

The next twelve months will be very testing for all at Guernsey Post. Issues that arose this year will impact us even more in the next twelve months. Actions are being taken now to execute and drive the required efficiency improvements and cost reductions to protect the future viability of the business in this difficult environment.

The biggest changes will be in our postal operation and we are in discussion with our unions to remove overtime and change the number of duties and rounds and jointly review the pension scheme. These efficiencies will be significant as well as challenging to implement.

In our budgeting we have already taken £0.5m out of our variable costs and plan operational savings in total of over £1.25m. The programme to restructure the organisation and take out further jobs is underway and will be the only way to achieve further significant savings, though redundancy payments will add to costs in the short term.

We will also be streamlining procedures and systems for business customers and philatelic customers and integrating our Payroll and HR systems to drive further efficiencies.

These will all have a positive impact on our cost base but the big driver for our future performance is, of course, mails volumes and income, particularly those of our larger customers. These are hard to predict and we must work exceptionally hard to retain them.

Dealing with the Regulator will continue to be a disproportionate drain on our resources and finances.

A big thank you

Finally I would like to take this opportunity to thank the many stakeholders who play a part in our continued success. We are grateful to the people of Guernsey, Alderney and Sark for their continued and very vocal support; to our shareholders for their continued support; to our partners; our carriers; to Post Watch and to our committed team of postal professionals and to our Non-Executive Directors.

All have played their part in making Guernsey Post what it is today - a trusted local company operating in an exceptionally difficult environment, yet still providing a valued service to the people in the Bailiwick and still delivering profits.



Gordon Steele
Chief Executive
July 2010

Guernsey Post Limited

Finance Director's Statement

We had a difficult year in 2009/10 as we felt the impact of the recession, electronic substitution, unsound regulatory decisions, FRS17 pension costs and lower interest rates, but we still managed to remain profitable and the underlying performance of the company is robust. Indeed, excluding the exceptional effects of the write-off of our investment in the development of a local Savings Bank, higher FRS17 pension costs in 2009/10, and the redundancy costs incurred in 2008/9, our underlying operating profit remained stable at £1.2m.

Turnover continued to grow, but overall profits declined, cash flow was negative due to stricter credit terms from Royal Mail, and the financial position was affected by the growing deficit in the pension scheme. The company remains strong, however, and we have a clear strategy in place to address the issues, which is built on cost management and diversification.

Profit and loss account

Income rose by 5% to £45.4m in 2009/10 thanks to strong growth in priority services and UK and International bulk mail volumes. Overall income growth would have been significantly higher, but philatelic revenue fell due to its declining customer base, and southbound mail volumes dropped by 15% in response to electronic substitution and the recession. Furthermore, the average weight of bulk mail items decreased as the product mix changed and customers reduced their packaging.

Operating profit fell by 76% to £0.3m, which was a good performance as we suffered from volume declines of 16% in southbound mail, damaging regulatory decisions and the volatile impact of FRS17 pension adjustments. As noted above, southbound mail delivery services and philatelic products generated significantly lower profits. Royal Mail charges actually increased by 7% when the OUR allowed only 2.5% in the final tariff determination for 2009/10. We incurred high legal costs as we appealed against the OUR's decision to reduce our monopoly, which we believe would undermine our ability to provide the Universal Service Obligation.

We spent £861,000 on the development of a local Savings Bank to diversify the business and secure its long-term future, but we were forced to write off the entire investment because of uncertainty about the grant of a banking licence. FRS17 pension costs increased by £357,000 because the current service cost of providing pension benefits earned by active members of the scheme rose as actuarial assumptions changed and there was no gain from curtailments to the scheme that arose in 2008/9 as a result of the redundancies in that year.

The overall profit for the financial year was £0.16m, £1.97m less than in 2008/9. Interest receivable fell by 77% as interest rates went down, whilst the prior year benefited from the profit on disposal of one of the company's investment properties. There were further FRS17 pension costs relating to the net return on the pension scheme, which increased by £637,000 and resulted from the decline in the expected return on fund assets. In total, FRS17 pension costs increased by £994,000 in 2009/10.

Balance Sheet

Shareholders' funds declined by £2.4m as the net deficit in our defined benefit pension scheme grew from £5.2m to £7.5m. Although asset markets recovered strongly in 2009/10 as governments pursued reflationary policies and the global economy showed signs of recovery, the fall in corporate bond yields and moderately higher inflation combined to raise the long-term liabilities of the scheme. The pension scheme deficit must be resolved quickly and we are taking steps to achieve that, in partnership with all stakeholders.

Guernsey Post Limited

Finance Director's Statement – continued

The balance sheet remains robust in spite of the pension deficit because the company is debt-free, has high-quality assets, including Envoy House, and enjoys strong liquidity with over £13m of working capital. This will ensure that we have the flexibility and strength to execute our strategy of cost management and diversification.

Cash flow statement

We consumed £6.5m of cash in 2009/10, but this was mainly the result of Royal Mail imposing stricter credit terms, and we had cash balances of nearly £14m at the year end. There was a net cash outflow from operating activities of £4.8m due to more timely invoicing by Royal Mail, lower operating profits as described above, and higher debtors arising from the exponential growth of two large customers.

Lower interest rates also contributed to the cash outflow, as did the year's capital expenditure programme, which aimed at driving operational efficiencies and improving the customer experience. This included the replacement of a significant proportion of the vehicle fleet, the completion of a new sorting office in Alderney, the redevelopment of the Forms Left area at Envoy House and the investment in new postal equipment for the introduction of Pricing in Proportion.

Outlook

In common with the entire postal industry, we are facing an uncertain future, but we have developed a strategy to confront the problems it will present. We expect to report losses in 2010/11 as traditional mail volumes continue to decline and bulk mail volume growth evens out, whilst we will incur significant restructuring costs as we seek to rationalise our cost base through a voluntary redundancy programme.

Moreover, we expect to sustain additional, material legal costs this year as we contest the OUR's decision to liberalise further the Bailiwick of Guernsey's postal market. Several customers may move to rivals during the year if the reserved area is reduced, and our financial performance will be impaired by some of the recent pricing decisions made by the OUR.

Our response this year is to reduce costs by over £1.25m and to continue the diversification of the business. We are also seeking to agree with the OUR the cost of providing the Universal Service Obligation and to remedy the flawed tariffs we are currently forced to charge some customers.

We are confident that we can secure the long-term future of the company, with the help of politicians, the shareholder, customers and regulators.



Richard Hemans
Finance Director
July 2010

Guernsey Post Limited

Environment and CSR

At the beginning of the year the environment committee established our first company environmental policy. The purpose of the policy is to guide the company in its operations, focus the efforts of employees and stakeholders and demonstrate the importance with which the company takes its social and environmental responsibilities

A Summary of the Policy

We recognise that operating our business has an impact on the local and global environment and our objective is to reduce this impact wherever possible. We will do this by ensuring that the environmental impact of what we do is considered at all times.

Six work streams were created to help the committee focus actions and deliver against the policy. The committee had an active, successful year working on each of them:

Waste Management General and recyclable waste continues to be the main focus. This involves the separation of waste into several categories at designated recycling points around Envoy House. A range of materials including, metals, paper, cardboard, polystyrene and printer cartridges are now recycled. An increasing range of waste from the vehicle fleets is also separated for treatment from vehicle parts to whole van chassis to batteries, tyres and oil.

Waste Minimisation The vehicle fleet was refreshed this year with 14 new Fiat Scudo vans replacing some of the older vans in the fleet. These modern vans are 30-40% more fuel efficient than their predecessors, achieving 39 miles per gallon compared to 25 mpg from their predecessors. We will benefit financially through reduced bills and the environment will benefit through reduced fuel consumption.

Building Facilities and Controls To reduce energy consumption, power correction equipment and modern control systems have been introduced. Additionally a lighting upgrade programme has introduced movement and daylight sensor technology. These two successful projects have reduced our energy consumption, providing a 10% reduction in electricity usage and a 16% reduction in oil consumption compared to 2008/09.

Biodiversity and Green Community Projects At Envoy House, the north garden has been developed into a landscaped wilderness where insects can flourish. The committee also ran a "Go Green Beach Clean" day in October where nearly 50 volunteers collected 20 bags of rubbish from Vazon beach. There was also a series of "Car Free Days" which ran throughout the summer, with 100 colleagues taking part.

Reporting The committee provides monthly data in graph form on waste management and facilities use for review at the company performance review. The committee is exploring introducing a system for assessing carbon footprint measurement in line with best practice among European postal companies.

Communications The committee run regular colleague events to publicise the impact that even small personal changes can make a significant impact on the environment.

Guernsey Post Limited

Environment and CSR - continued

Corporate Social Responsibility (CSR)

The company has had a busy year helping the community that it serves. In March a team of volunteers helped paint part of the Bridge Youth House, which is being used as a place for young people to meet. Two of our team undertook a charity bike ride around Guernsey raising £4,000 for four local charities and we also continued our support of Headway raising £1,800 during the year. Our Supporting Together initiative provides matched funding for our employees that want to support local good causes. Over 75 colleagues raised money for these charities and sports associations in the year.

As part of the introduction of Pricing in Proportion (PiP) we produced 300 bespoke Letter Size Guides for our visually impaired customers. These provided larger text and enhanced contrast between text and background colours. On our website we produced a subtitled version of the PiP video for the hard of hearing and text sizing options for the visually impaired.

Guernsey Post Limited

Board Profile

Dudley Jehan, Chairman

Born and educated in Guernsey, Dudley Jehan trained as a Meteorologist with the Air Ministry, working at Heathrow and Guernsey Airports before joining the British Antarctic Survey in 1960. During his four-year posting he was appointed Base Commander Halley and was awarded a Polar Medal by Her Majesty the Queen for outstanding contribution to science and discovery.

On returning to Guernsey he began a career in commerce, retiring in 2003 as Chief Executive of the Norman Piette Group of seven local trading companies serving the construction and home improvement sectors. He remains NP Group's Chairman today.

He was appointed the first Chairman of Guernsey Telecoms Limited, has held a number of non-executive directorships and has been a non-States Member for over 20 years. He is currently a director of the Guernsey Training Agency, University Centre and is a member of the Housing Board. He joined the board of Guernsey Post in 2003 and has served as Chairman for the last four years.

Gordon Steele, Chief Executive

Gordon Steele began his career in horticulture with Fisons after attending Bradford and Reading universities. He joined Unipart and worked in purchasing and company strategy. After preparing London Electricity for competition and taking it into the gas supply business, he rescued Eastern Energy's gas supply business, launched an electricity supply operation and grew its customer base to over 5 million residential and small business accounts. He returned to the motor trade to work for Mazda Cars Ltd before being recruited in 2001 to the UK Post Office. In his capacity as an executive board director he was responsible for commercial operations, the launch into financial services, and established a new Homephone service. He was also appointed Chairman of First Rate Travel Services, the leading provider of foreign exchange in the UK.

He joined Guernsey Post as Chief Executive in February 2007. Gordon is a fellow of the RSA, and a member of the Marketing Society.

Richard Hemans, Finance Director

Richard Hemans studied English Literature and French at university before returning to Guernsey in 1996 to train as a chartered accountant with BDO Reads. He qualified in 1999 and after travelling for six months he joined Guernsey Telecoms as the Financial Accountant. Having worked on the commercialisation of Guernsey Telecoms, he then moved to the Jacksons Group as the Financial Controller before setting up as a freelance accountant working for a variety of clients in the retail, financial services and media industries.

He wrote a weekly business column for the Guernsey Press called 'The Mercury Column' and also set up a Channel Islands business brokerage to facilitate the sale and purchase of businesses in the islands, which he sold in 2008.

In 2006, he was appointed the Finance Director of one of his clients and remained there to oversee the growth of the company and the establishment of the finance function. He joined Guernsey Post in early 2008.

Guernsey Post Limited

Board Profile - continued

Jeff Kitts

A Guernseyman, Jeff Kitts is now retired from business after a successful career in the motor industry. He began his career with the British Motor Corporation and ran a highly successful group of his own companies, the Motor Vehicle Group of Companies, based in Guernsey, which included Ruelle Braye Motors Ltd, Jeffrey's Service Stations Ltd and Rabeys Garage Ltd.

He has been a highly successful politician on the island, topping the poll in the Vale Parish on two occasions, and during his political career he was a member of the Advisory and Finance Committee, President of the Civil Service Board and President of the Income Tax Authority.

He has had the honour of being President of the local Motor Trades Association for a number of years. He has been a member of the Rotary Club of Guernsey for 29 years and has been President twice during that period.

Steve Hannon

Steve Hannon has nearly 40 years experience in the postal industry. For the majority of that time he worked for Royal Mail where he managed several multi million pound, high profile national projects including the introduction of postal automation, a new rail, road and air network, rationalising and revamping London's mail centre infrastructure and planning the nationwide introduction of the single letter delivery.

He also spent a two-year period as a divisional General Manager responsible for a workforce of 13,000 people and an annual budget of £400m. During this time he covered the complete range of management functions embracing sales, customer services, finance, human resources, planning and operations.

Since leaving Royal Mail in 2003 he has undertaken consultancy work in the postal field and became a director of Postal and Logistics Consulting Worldwide. He was appointed Chief Executive of the company in 2008.

Between July 2006 and February 2007 he undertook the role of Interim Chief Executive of Guernsey Post.

Andrew Duquemin

Andrew Duquemin has a degree in Accounting and Finance and qualified as a Chartered Accountant in 1983. He has extensive experience in the listing of companies on both the London Stock Exchange and The Channel Islands Stock Exchange. He is also a director of Corporate Consultants Limited, a Guernsey based consultancy business that has provided corporate finance and management consultancy services since 1991.

He is Chairman of Elysium Fund Management Limited, a company providing fund management and corporate finance services to a range of funds and trading companies. Elysium was formed in October 2006 to complete the management buyout of the business of Collins Stewart Fund Management Limited, a Guernsey registered company and wholly owned subsidiary of Collins Stewart Tullett plc, where Andrew was managing director.

Andrew sits on the boards of several local trading companies and a London-listed hedge fund company. He is also a Fellow of the Securities Institute and holds the advanced diploma in Corporate Finance.

Guernsey Post Limited

Board Profile - continued

Dame Mary Perkins

Dame Mary Perkins DBE co-founded the Specsavers Optical Group in 1984, which introduced the joint venture concept to the optics market.

The first Specsavers Opticians opened in Bristol in 1984, and the group now has over 1,000 stores and 600 optical stores across the UK together with a retail networks in Holland, Sweden, Norway, Denmark, Spain and Finland. Specsavers expanded into Australia in 2008 and New Zealand in 2009 and has also launched Specsavers Hearing Centres.

She is a member of the board of directors of Specsavers Optical Group, which is the market leader in UK optics, celebrated a record turnover of £1.2bn in 2008 and has been voted the Most Trusted Brand of Opticians since 2002.

She was made a Dame Commander of the British Empire in 2007, is heavily involved in Guernsey's community, is an Honorary Fellow of Cardiff University and a patron of EveryWoman. She won the Most Outstanding Woman in Business Award in 2007.

Boley Smillie

Born and raised in Guernsey, Boley Smillie joined Guernsey Post in 1991 straight from his secondary education at La Mare de Carteret School. The subsequent nineteen years have seen him gain a wide range of experience in different roles, rising through the ranks of the company. Initially employed as a clerical assistant he moved to Customer Services, then on to Logistics before being promoted to Head of Letters and Parcels in 2004. He became Operations Director in 2007 and in 2010 he was appointed an Executive Director.

During this time he has added to his hands on experience by undertaking a number of professional qualifications, including certificates in marketing and business and finance. Most recently he was awarded the certificate in Company Direction from the Institute of Directors.

Guernsey Post Limited

Corporate Governance

Compliance

The Combined Code on Corporate Governance 2006 (the Code) outlines the main principles and provisions that companies should adopt in relation to corporate governance. This report describes Guernsey Post's compliance with the Code. Guernsey Post is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our shareholder, the States of Guernsey.

Guernsey Post has signed a Memorandum of Understanding with Treasury & Resources that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post has continued to work hard on its corporate governance programme during the financial year ending 31 March 2010, and the achievements are summarised in this report.

The Board

Directors

The board's role is to provide entrepreneurial leadership of the company within a prudent and effective framework of risk management and internal control. The board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the company's objectives and monitoring the performance of management against those objectives. The board is collectively accountable for the success of the company, sets its values and standards and takes decisions objectively in the interests of the company, its shareholders and other stakeholders.

Non-executive directors help to develop and challenge the company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for executive directors.

Matters referred to the board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to the shareholder and those which can be delegated to committees of the Board or senior management.

There were eleven Board meetings held during 2009/10. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board committees are set out on pages 19 and 20, together with details of their background. The Board committees have authority to make decisions according to their terms of reference.

Chairman and Chief Executive

Guernsey Post has a non-executive chairman and a Chief Executive Officer. There is a clear division of responsibility between the two positions, with the Chairman responsible for the running of the Board and the Chief Executive Officer responsible for the running of the company's business.

Guernsey Post Limited

Corporate Governance – continued

Dudley Jehan spends, on average, 3 days per week in his role as Chairman. He is also Chairman of the Norman Piette Group. The Board considers that his external directorships do not make conflicting demands on his time as Chairman.

Jeffrey Kitts is the senior independent director and is available to talk to shareholders if they have any issues or concerns.

Boley Smillie was appointed as an executive director on 26 April 2010. Boley has been with Guernsey Post for nineteen years, starting with us straight from secondary school. He was appointed Operations Director in 2007 and Executive Operations Director in April 2010.

Board balance and independence

Throughout the year the Company has had a balance of independent non-executive directors on the Board who ensure that no one person has disproportionate influence. Only Steve Hannon is not considered to be independent because he has previously been the Chief Executive of the Company. All the non-executive directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five non-executive directors and three executive directors, which the board believes provides a satisfactory balance.

Appointments to the Board

Recommendations for appointments to the Board are the responsibility of the Nominations Committee, which has recently revised the procedures and criteria it follows for the selection of new board members. The appointment of non-executive directors has to be ratified by the States of Guernsey.

The Nominations Committee meets quarterly to consider the balance of the board, job descriptions and objective criteria for board appointments and succession planning.

Information and professional development

For each scheduled Board meeting the Chairman and the Company Secretary ensure that, during the week before the meeting, the directors receive a copy of the agenda for the meeting, Company financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled Board meeting, the directors receive the prior month and cumulative Company financial and operating information.

All newly appointed directors participate in an extensive internal induction programme that introduces the director to the Company and includes visits to key stakeholders. The Company Secretary gives guidance on Board procedures and corporate governance. In January 2010, the board received an update on the latest developments in corporate governance and a refresher of the key principles, an exercise that will be repeated bi-annually.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with Board procedures. This includes recording any concerns relating to the running of the Company or proposed actions arising there from that are expressed by a director in a Board meeting. The Company Secretary is also secretary to the Remuneration and Nomination Committees. The Company Secretary is available

Guernsey Post Limited

Corporate Governance – continued

to give ongoing advice to all directors on Board procedures, corporate governance and regulatory compliance.

Performance evaluation

The board undertakes an evaluation of its performance every three years. The last evaluation took place in October 2008, with the next one scheduled to take place some time during the year ending 31 March 2011.

Election and re-election of directors

Guernsey Post Ltd's articles state that a non-executive director should be proposed for re-election if he or she has been appointed to the Board since the date of the last AGM, or proposed for re-election if he or she has held office more than three years at the date of the notice convening the next AGM. The Board ensures that each non-executive director submits himself or herself for re-election by shareholders at least every three years.

Non-executive directors serve the company under letters of appointment, which are generally for an initial three year term. Their appointment is also ratified by the States of Guernsey.

At the 2010 AGM, Jeff Kitts, a non-executive director, is being recommended by the board and will be proposed for re-election. Jeff has made a significant contribution as a member of the board over the last five years and brings with him invaluable knowledge and experience of local political and commercial matters.

Remuneration

The Board recognises the importance of executive directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and non-executive directors are determined by the States of Guernsey.

The Remuneration Committee, which is chaired by the senior independent director, consists of two non-executive directors and determines remuneration levels and specific packages appropriate for each executive director, taking into account the Group's annual salary negotiations. No director is permitted to be present when his own remuneration is being discussed, or to vote on his own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the directors which is both appropriate for the individuals concerned and in the best interests of shareholders.

Accountability and audit

Financial reporting

The intention of the Annual Report is to provide a clear assessment of the performance and prospects of Guernsey Post Ltd. The company has a comprehensive system for reporting financial results to the board. An annual budget is prepared and presented to the board for approval. During the year, monthly management accounts, including balance sheet, cash flow and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised in the light of this comparison and also reviewed by the Board.

Guernsey Post Limited

Corporate Governance – continued

Internal control and risk management

During 2009/10 the Audit Committee and the Board approved a revised risk management policy and strategy. The risk management policy outlines Guernsey Post's risk management principles and defines the respective roles of the Board and the management team. The risk management strategy describes Guernsey Post's risk management procedures, reporting mechanisms and risk appetite. This process, managed through Audit Committee meetings, is the responsibility of all of the Group's businesses, and is overseen by the Finance Director and Head of Internal Audit.

Audit Committee meetings also include a review of the results of internal audit activity covering the financial controls and risks as well as the physical risks of all operations in the Group. The results of this process are reported to the Audit Committee by the Finance Director and the Head of Internal Audit providing an opportunity for that Committee to discuss and analyse the risks reported.

All directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and where possible, mitigate the company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

Audit committee and auditor

The Audit Committee was re-constituted in December 2008. The Board has delegated responsibility to the Audit Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law and the Code, and managing the company's relationship with the Company's external auditor. The Committee members comprise independent non-executive directors. Andrew Duquemin was appointed as the chairman of the Audit Committee and the Board is satisfied that Andrew has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Dame Mary Perkins is the other member of the Audit Committee and has spent many years sitting on internal audit committees of the States of Guernsey.

The Committee approves the appointment of the Head of Internal Audit. The annual programme of internal audit assignments is reviewed and approved by the Committee. The Committee meets twice a year with representatives of the Company's external auditor, and the Chief Executive, the Finance Director and the Head of Internal Audit also attend the meetings.

Shareholder relations

The Board believes that good communication with the shareholder is a priority. There are regular meetings between the Chief Executive and the Finance Director of Guernsey Post, and the Chief Officer and Chief Accountant of Treasury & Resources. The Company presents its strategic plan to the shareholder every year.

The Chairman and senior independent director are available to meet with the shareholder should there be unresolved matters that the shareholder believes should be brought to its attention. The non-executive directors meet with the shareholder at the AGM, as well as the Executive Team. The date of the AGM is agreed with the shareholder and ten days' working notice is given. In future the

Guernsey Post Limited

Corporate Governance – continued

AGM will be chaired by Guernsey Post, with presentations made by the Executive Team to facilitate awareness of the Company's activities and its financial performance. The shareholder will be given the opportunity to ask questions of the Board and the Chairman of each Board committee during the AGM.

Committees of the board and main terms of reference

In addition to regular scheduled Board meetings, the Company operates through various Board committees, of which the membership and main terms of reference are set out below (except the Audit Committee which is outlined above).

Jeff Kitts and Steve Hannon are the two non-executive directors who serve on the Nominations Committee. The main terms of reference of this committee are to review regularly the structure, size and composition of the Board and to make recommendations to the Board on the role and nomination of directors for appointment to the Board, Board committees and as holders of any executive office. The Committee met four times in 2009/10 and all members of the Committee were present.

Jeff Kitts and Steve Hannon are the two non-executive directors who serve on the Remuneration Committee. The main terms of reference of this committee are to determine and agree with the Board the remuneration policy for the Company's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the company and to determine the policy for, and scope of, pension arrangements for each executive director. The Committee met four times in 2009/10 and all members of the Committee were present.

Andrew Duquemin is the only non-executive director who sits on the Pensions Committee, although he is supported by the Chief Executive, Finance Director and HR Director. The main terms of reference of this committee are to review and make recommendations to the Board on the company's retirement and post retirement benefit arrangements including the control and funding of such arrangements. The Committee met twice in 2009/10, and all members of the Committee were present.

Guernsey Post Limited

Directors' report

The directors present their annual report together with the financial statements for the year ended 31 March 2010.

Principal activities

The Company's principal activity is the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the licence awarded to it by the Director General of Utility Regulation. The Company also markets its postage stamps and other philatelic products to stamp collectors worldwide.

Significant events

During the year, the Office of Utility Regulation made the decision to reduce the reserved area, which governs the value of mail over which Guernsey Post holds a monopoly, from £1.35 to £1, and to exclude all packets. The board of Guernsey Post believes that this decision will undermine the provision of the company's Universal Service Obligation and has launched an appeal in the Royal Court.

Guernsey Post spent significant time, money and effort in the development of a domestic Savings Bank, as part of its strategy to diversify and to exploit its brand and core infrastructure. Following re-direction from The Guernsey Financial Services Commission in late 2009, the board took the decision to suspend all activity on the project. Although diversification into financial services remains a key strategic objective for the company, the board considers that on the basis of prudence the significant regulatory uncertainty regarding the viability of the project obliges it to write off the entire investment.

Results

The results for the year are shown in the profit and loss account on page 25.

Dividend

The directors recommend that a dividend for the financial year of 1.22p (2009: 2.74p) per ordinary share is paid on 20 July 2010 (2009: 4th August 2009) to ordinary shareholders on the register at that date. The total value of the dividend is £273,109 (2009: £613,895). As this dividend is being recommended and will be paid after the year end no provision has been made in the financial statements.

Fixed assets

Fixed asset movements for the year are disclosed in note 8 to the financial statements.

Directors

The directors of the Company, who served throughout the year were as follows:

D R Jehan	G R Steele
R J Hemans	J Kitts
S Hannon	A Duquemin
Dame M Perkins	

In addition, B Smillie was appointed on 26 April 2010.

Guernsey Post Limited

Directors' report - continued

No director has an interest either beneficially or non-beneficially in any shares of the Company (2009: no interest beneficially or non-beneficially).

In accordance with the Articles of Association J Kitts is due to retire by rotation and being eligible offers himself for re-election at the forthcoming AGM.

Statement of responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which 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 Company will continue in business.

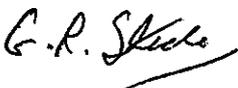
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and The Post Office (Guernsey) Law 1969. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditors

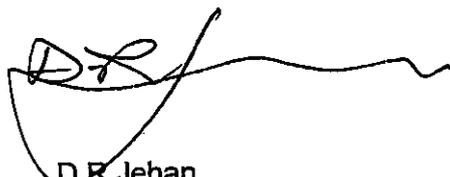
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

Auditors

KPMG has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.



G R Steele
Chief Executive



D.R. Jehan
Chairman



20 New Street
St. Peter Port
Guernsey
GY1 4AN

Independent auditor's report to the members of Guernsey Post Limited

We have audited the financial statements (the "financial statements") of Guernsey Post Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008 and Section 10(1) of The Post Office (Guernsey) Law, 1969. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements which give a true and fair view and are in accordance with UK Accounting Standards and are in compliance with applicable Guernsey law are set out in the Statement of Directors' Responsibilities on page 22.

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, are in accordance with UK Accounting Standards and comply with The Companies (Guernsey) Law, 2008. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of audit opinion

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



Independent auditor's report to the members of Guernsey Post Limited (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 of the state of the Company's affairs as at 31 March 2010 and of its profit for the year then ended;
- are in accordance with UK Accounting Standards; and
- comply with The Companies (Guernsey) Law, 2008 and Section 10(1) of The Post Office (Guernsey) Law, 1969.

KPMG Channel Islands Limited

Chartered Accountants

8 July 2010

Guernsey Post Limited

		31 March 2010	31 March 2009
	Notes	£'000	£'000
Profit and loss account			
<i>For the year ended 31 March 2010</i>			
Income		45,392	43,306
Expenditure		<u>(45,132)</u>	<u>(42,241)</u>
Operating Profit	2	260	1,065
Other income			
Interest receivable	3	207	906
Rents receivable		<u>58</u>	<u>61</u>
Exceptional item			
Profit on disposal of investment property	6	-	77
Profit on ordinary activities before net return on pension scheme		525	2,109
Net return on pension scheme		<u>(290)</u>	<u>347</u>
Profit on ordinary activities before taxation		235	2,456
Taxation charge	4	(73)	(322)
Profit for the financial year		<u><u>162</u></u>	<u><u>2,134</u></u>
		31 March 2010	31 March 2009
		£'000	£'000
Statement of total recognised gains and losses			
<i>For the year ended 31 March 2010</i>			
Profit for the financial year		162	2,134
Actuarial loss recognised in the pension scheme	18	(2,481)	(10,920)
Dividend paid	5	(614)	(627)
Movement on deferred tax attributable to actuarial loss	13	496	2,185
Unrealised loss on revaluation of investment properties	15	-	(75)
Total recognised losses relating to the year		<u>(2,437)</u>	<u>(7,303)</u>
Prior year adjustments		-	(26)
Total losses recognised since last annual report and financial statements		<u><u>(2,437)</u></u>	<u><u>(7,329)</u></u>

All activities derive from continuing operations.

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Balance sheet

At 31 March 2010

		31 March 2010 £'000	31 March 2009 £'000
Fixed assets			
Intangible assets	7	451	507
Tangible assets	8	13,008	12,866
Investment properties	9	875	875
Investment in subsidiaries	10	-	-
		<u>14,334</u>	<u>14,248</u>
Current assets			
Stock		265	201
Debtors	11	5,939	4,997
Cash at bank and in hand	17	13,959	20,420
		<u>20,163</u>	<u>25,618</u>
Creditors: Amounts falling due within one year	12	<u>(7,130)</u>	<u>(12,248)</u>
Net current assets		13,033	13,370
Total assets less current liabilities		<u>27,367</u>	<u>27,618</u>
Provisions for liabilities and charges	13	<u>(47)</u>	<u>(142)</u>
Net assets excluding pension liability		27,320	27,476
Net pension liability	18	<u>(7,481)</u>	<u>(5,200)</u>
Net assets including pension liability		<u>19,839</u>	<u>22,276</u>
Capital and reserves			
Share capital	14	22,386	22,386
Profit and loss account	15	(2,507)	(70)
Revaluation reserve	15	(40)	(40)
Shareholders' funds	16	<u>19,839</u>	<u>22,276</u>

The financial statements were approved by the board of directors and authorised for issue on 8 July 2010. They were signed on its behalf by:



G R Steele
Chief Executive



D R Jehan
Chairman

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Cash flow statement

For the year ended 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000
Net cash (outflow)/ inflow from operating activities	17	(4,829)	1,542
Returns on investments and servicing of finance			
Interest received		207	906
Rent received		<u>58</u>	<u>61</u>
Net cash inflow from returns on investments and servicing of finance		265	967
Taxation		(219)	(339)
Capital expenditure			
Purchase of fixed assets		(974)	(603)
Sale of investment property		-	452
Sale of fixed assets		<u>10</u>	<u>-</u>
Net cash outflow from capital expenditure		(964)	(151)
Dividend paid		(614)	(627)
Acquisitions and disposals			
Deferred consideration on purchase of subsidiary undertaking		(100)	-
Purchase of subsidiary undertaking		-	(526)
Net cash balances acquired with subsidiary undertaking		-	156
(Decrease)/increase in cash	17	<u>(6,461)</u>	<u>1,022</u>

The notes on pages 28 to 47 form an integral part of these financial statements.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements

1. Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold investment properties, they give a true and fair view, have been prepared in accordance with United Kingdom Accounting Standards and are in compliance with The Companies (Guernsey) Law, 2008.

Income

Sales of stamps and the crediting of franking machines are accounted for on a receipt of funds basis. All other income is accounted for on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling or delivering mail in respect of stamps and franking machine credits sold but unused at the balance sheet date.

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. The pension scheme deficit shown in the balance sheet is net of the deferred tax asset.

Pension costs

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Such variations are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated remaining working life of the scheme members. The scheme is funded with assets of the scheme held separately from those of the Company.

The employees' pension scheme is a defined benefit scheme. The Company applies Financial Reporting Standard 17, "Retirement Benefits" ("FRS 17"). In accordance with FRS 17 current service costs and any post service costs are charged to the profit and loss account, together with the finance costs and income for the scheme. Actuarial gains and losses are recognised in full in the period in which they occur. Pension scheme assets are measured using market values for quoted securities, the current bid price is taken as market value. Pension scheme liabilities are measured using the projected unit credit method, with an actuarial valuation being carried out each year at the balance sheet date. They are recognised in the statement of total recognised gains and losses. The retirement benefit deficit is recognised in the balance sheet.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

1. Significant accounting policies - continued

Dividends

Dividends are accounted for when they are paid.

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. Commemorative stamp costs are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Intangible assets - goodwill

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is ten years. An impairment review is carried out every year and any necessary provision made.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition.

	Estimated life in years	Depreciation % per annum
Freehold land	N/A	Nil
Freehold buildings	30 – 50	2 – 3.3
Plant and equipment	15	6.67
Leasehold Improvements	8	12.5
Furniture and fittings, office equipment and postal machinery	3 – 13	7.7 – 33.3
Transport	5	20

Following a review of the sorting machine (classified under furniture and fittings, office equipment and postal machinery) by Siemens, the original manufacturer, its remaining useful economic life has been revised from 1.5 years to 6.5 years. Siemens concluded that the machine was in excellent condition and would not need replacing until 2015. This revision has reduced its annual depreciation charge from £237,613 to £54,834.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

1. Significant accounting policies - continued

Investment Properties

Investment properties are revalued annually. Revaluation surpluses or deficits on individual properties are transferred to the revaluation reserve. Depreciation is not provided in respect of freehold investment properties.

Investment in subsidiaries

The investment in subsidiaries is stated at cost. The subsidiaries have not been consolidated on the basis that they are dormant, and non-consolidation does not have a material impact on these financial statements.

Foreign currency

Foreign currency held in German and Dutch bank accounts is translated at the exchange rate prevailing at the balance sheet date. Gains or losses are taken to the Profit and Loss account at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

2. Operating profit

Operating profit is stated after charging:

	31 March 2010 £'000	31 March 2009 £'000
Staff costs	12,823	12,510
Auditors' remuneration		
Audit Fees	35	30
Other services	3	5
Amortisation of goodwill	56	56
Research and development of 'Savings Bank'	861	-
Loss on disposal of fixed assets	5	-
Depreciation of tangible fixed assets	<u>817</u>	<u>920</u>

In 2009/10, Guernsey Post spent £861,000 on the research and development of a domestic Savings Bank. Following re-direction from The Guernsey Financial Services Commission in late 2009, the board took the decision to suspend all activity on the project. Although diversification into financial services remains a key strategic objective for the Company, the board considers that on the basis of prudence the significant regulatory uncertainty regarding the viability of the project obliges it to write off the entire investment.

Average full time equivalent employee numbers for the period were as follows:

	31 March 2010	31 March 2009
Operational staff including postmen and women, post office counter staff and philatelic production staff	204	201
All other staff	69	67
Total	<u>273</u>	<u>268</u>

3. Interest receivable

	31 March 2010 £'000	31 March 2009 £'000
States Treasury	207	892
Other	-	14
	<u>207</u>	<u>906</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

4. Taxation

The actual tax charge differs from the expected tax charge computed by applying the standard rate of Guernsey income tax of 20% as follows:

	Note	31 March 2010 £'000	31 March 2009 £'000
Current taxation			
Expected tax charge		141	249
Current year tax charge		<u>141</u>	<u>249</u>
Deferred taxation			
Timing differences:	13	(68)	73
Profit and loss taxation charge		<u><u>73</u></u>	<u><u>322</u></u>

Guernsey Post Limited as a Guernsey Utility Company regulated by the Office of Utility Regulation is subject to the standard rate of income tax of 20% on its regulated income and 0% on its non regulated income. The basis of assessment to Guernsey tax continues to be on actual current year basis.

	31 March 2010 £'000	31 March 2009 £'000
Operating profit	<u>235</u>	<u>2,456</u>
Tax at 20%	47	491
Effects of adjusting items:		
Timing differences	(10)	13
Profit on disposal of fixed assets	-	15
Disallowed expenses	188	-
Rate differences on current tax	(113)	(251)
Adjustment for pension costs	70	(97)
Prior year adjustment	<u>(41)</u>	<u>78</u>
Current tax charge	141	249
Deferred tax - pension deficit	(73)	120
Deferred tax - timing differences	5	(47)
Profit and loss taxation charge	<u><u>73</u></u>	<u><u>322</u></u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

5. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:

	31 March 2010 £'000	31 March 2009 £'000
Final dividend for the year ended 31 March 2009 of 2.74p (31 March 2008 2.8p)	<u>614</u>	<u>627</u>

The board is proposing a final dividend for the year ended 31 March 2010 of 1.22p. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

6. Exceptional Items

The profit on disposal of investment property in the prior year related to the sale of the property known as 'Flammanville' and was shown net of sale costs and previously recognised unrealised gains.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

7. Intangible assets - Goodwill

Cost	£'000
At 1 April 2009	563
At 31 March 2010	<u>563</u>
Amortisation	
At 1 April 2009	56
Charge for the year	56
At 31 March 2010	<u>112</u>
Net book value	
At 31 March 2009	<u>507</u>
At 31 March 2010	<u>451</u>

On 1 April 2008 the company acquired 100% of the issued share capital of BATIF Bureau de Change Ltd, for a cash consideration of £525,611 and a deferred cash consideration of £200,000. The fair value of the net assets acquired amounted to £162,431, giving rise to goodwill of £563,180. Upon acquisition, the trade and net assets of BATIF Bureau de Change Ltd were transferred to Guernsey Post Ltd and BATIF Bureau de Change Ltd changed to a dormant company.

The sale and purchase agreement specifies that the deferred cash consideration is payable in two equal instalments of £100,000 on 31 July 2009 and 31 July 2010. Payment is subject to meeting pre-determined adjusted profit targets in respect of the financial years ending 31 March 2009 and 31 March 2010. On 29 June 2009 the board approved the payment of the first instalment of £100,000 and agreed to provide for the second instalment of £100,000. The board has not yet determined if the second instalment is payable and has agreed prudently to leave the provision unadjusted at £100,000.

The carrying value of the goodwill has been reviewed during the year and the directors have determined that no impairment has taken place.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

8. Tangible fixed assets

	1 April 2009 £'000	Additions £'000	Written off / disposals / transfers £'000	31 March 2010 £'000
Cost				
Freehold land	2,505	-	-	2,505
Freehold buildings	8,335	248	-	8,583
Plant and equipment	2,662	-	-	2,662
Leasehold improvements	357	1	-	358
Furniture and fittings	89	140	-	229
Office equipment	1,282	170	-	1,452
Postal machinery	2,238	118	(9)	2,347
Transport	797	297	(129)	965
	<u>18,265</u>	<u>974</u>	<u>(138)</u>	<u>19,101</u>
	1 April 2009 £'000	Charge for the year £'000	Written off / disposals / transfers £'000	31 March 2010 £'000
Depreciation				
Freehold land	-	-	-	-
Freehold buildings	1,071	174	-	1,245
Plant and equipment	747	256	-	1,003
Leasehold improvements	45	45	-	90
Furniture and fittings	85	19	-	104
Office equipment	1,023	110	-	1,133
Postal machinery	1,787	91	-	1,878
Transport	641	122	(123)	640
	<u>5,399</u>	<u>817</u>	<u>(123)</u>	<u>6,093</u>
Net book value	<u>12,866</u>			<u>13,008</u>

Freehold land with a value of £2,505,000 (2009: £2,505,000) is not depreciated.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

9. Investment properties

	Market Value	Market Value
	31 March	31 March
	2010	2009
	£'000	£'000
At 1 April	875	1,325
Sale of Flammanville	-	(375)
Revaluation	-	(75)
At 31 March	<u>875</u>	<u>875</u>

Investment properties, which are all freehold, were valued on an open market existing use basis at 31 March 2010 by Swoffers Ltd. Such properties are not depreciated.

10. Investment in subsidiaries

	31 March	31 March
	2010	2009
	£'000	£'000
Independent Delivery Solutions Limited	-	-
BATIF Bureau de Change Limited	-	-
	<u>-</u>	<u>-</u>

Guernsey Post Limited owns all the share capital, consisting of two fully paid up £1 shares (2009: two fully paid up £1 shares) in Independent Delivery Solutions Limited. This is a dormant company and has never traded. Guernsey Post Limited pays the administration costs for this company.

On 1 April 2008 the Company acquired 100% of the issued share capital of BATIF Bureau de Change Ltd, which consists of 100 fully paid up £1 shares. Upon acquisition, the trade and net assets of BATIF Bureau de Change Ltd were transferred to Guernsey Post Ltd and BATIF Bureau de Change Ltd changed to a dormant company. Guernsey Post Ltd pays the administration costs for this company.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

11. Debtors

	31 March	31 March
	2010	2009
	£'000	£'000
Trade debtors	5,514	4,795
Less: Provision for bad debt	(86)	(76)
Other debtors	62	66
Prepayments and accrued income	449	212
	<u>5,939</u>	<u>4,997</u>

12. Creditors

	31 March	31 March
	2010	2009
	£'000	£'000
Amounts falling due within one year		
Trade creditors	5,052	10,024
Other creditors	1,578	1,738
Accruals and deferred income	398	306
Taxation payable	102	180
	<u>7,130</u>	<u>12,248</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

13. Provision for liabilities and charges

	Deferred taxation - Accelerated Capital Allowances	Deferred consideration	Sub Total	Deferred taxation - Pension deficit / surplus	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	(58)	200	142	(1,300)	(1,158)
Charged to profit and loss account	5	-	5	(73)	(68)
Charged to statement of total recognised gains and losses	-	-	-	(496)	(496)
Payment	-	(100)	(100)	-	(100)
At 31 March 2010	(53)	100	47	(1,869)	(1,822)

Deferred tax in the financial statements is therefore measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. With effect from 1 January 2008, the standard rate of income tax for Guernsey Post Limited as a Guernsey Utility Company regulated by the Office of Utility Regulation remained at 20% for regulated income and changed to 0% for non-regulated income.

The provision for liabilities and charges in the balance sheet excludes the deferred tax asset of £1.869m relating to the pension scheme deficit. The pension scheme deficit in the balance sheet is shown net of this deferred tax asset.

Deferred consideration

The provision for deferred consideration relates to the acquisition of a subsidiary undertaking. The sale and purchase agreement specifies that the deferred cash consideration is payable in two equal instalments of £100,000 on 31 July 2009 and 31 July 2010. Payment is subject to meeting pre-determined adjusted profit targets in respect of the financial years ending 31 March 2009 and 31 March 2010. On 29 June 2009 the board approved the payment of the first instalment of £100,000 and agreed to provide for the second instalment of £100,000. The board has not yet determined if the second instalment is payable and has agreed prudently to leave the provision unadjusted at £100,000.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

14. Share capital	31 March 2010 £'000	31 March 2009 £'000
Authorised		
40,000,000 ordinary shares of £1 each	<u>40,000</u>	<u>40,000</u>
Allotted, called-up and fully-paid		
22,386,000 ordinary shares of £1 each	<u>22,386</u>	<u>22,386</u>

100% of the shares of the Company are owned beneficially by the States of Guernsey.

15. Reserves

Profit and Loss Account	31 March 2010 £'000	31 March 2009 £'000
Opening reserves at 1 April	(70)	7,113
Retained profit for the year	162	2,134
Actuarial loss for the year, net of movement in deferred tax	(1,985)	(8,735)
Dividend paid	(614)	(627)
Realised revaluation surplus	-	45
As at 31 March	<u>(2,507)</u>	<u>(70)</u>
Revaluation Reserve	31 March 2010 £'000	31 March 2009 £'000
Opening reserves at 1 April	(40)	80
Unrealised loss on revaluation of investment properties	-	(75)
Realised revaluation deficit	-	(45)
As at 31 March	<u>(40)</u>	<u>(40)</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

16. Reconciliation of movement in shareholders' funds

	31 March 2010 £'000	31 March 2009 £'000
Profit for the financial year	162	2,134
Actuarial loss recognised in the pension scheme	(2,481)	(10,920)
Movement on deferred tax attributable to actuarial loss	496	2,185
Unrealised loss on revaluation of investment properties	-	(75)
Dividend paid on equity shares	(614)	(627)
Net reduction in shareholders' funds	<u>(2,437)</u>	<u>(7,303)</u>
Opening shareholders' funds as previously stated	22,276	29,605
Prior year adjustments	-	(26)
Opening shareholders' funds as restated	<u>22,276</u>	<u>29,579</u>
Closing shareholders' funds	<u>19,839</u>	<u>22,276</u>

17. Reconciliation of operating profit to net cash inflow from operating activities

	31 March 2010 £'000	31 March 2009 £'000
Operating profit	260	1,065
Depreciation charges	817	920
Amortisation	56	56
Net pension scheme service returns/(costs)	79	(278)
Increase in stock	(64)	(49)
Increase in debtors	(942)	(507)
Loss on disposal of fixed assets	5	-
(Decrease)/increase in creditors	(5,040)	335
Net cash (outflow)/inflow from operating activities	<u>(4,829)</u>	<u>1,542</u>

Reconciliation of net cash inflow to movement in net funds

	31 March 2010 £'000	31 March 2009 £'000
(Decrease)/increase in cash balances	(6,461)	1,022
Net funds at 1 April	20,420	19,398
Net funds at 31 March	<u>13,959</u>	<u>20,420</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund

Employees of the Company, where they are eligible and have chosen to join, are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme funded by contributions from both employer and employees 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 these employees' expected service lives. The assets of the scheme are held by the States of Guernsey and the ultimate liability to pay out any pension when it is realised lies also with the States should the Company be unable to meet its funding commitments.

The scheme has established differing terms for those who joined before 1st January 2008 and those who joined after. For pre-2008 members of the scheme the employee is entitled to a retirement benefit of 1/80th of final salary for each year of membership of the scheme up to a maximum of 45 years on reaching 65 years of age. Additionally a lump-sum payment is paid based on 3/80th of final salary for each year of employment. For members who joined after 1 January 2008 the benefit entitlement accrues at 1/60th of final salary but no lump sum automatically accrues. A lump sum is achievable by commuting part of the pension entitlement. The take up of this commutation into lump sum cannot be known but an assumption based on a prudent forecast has been adopted. This assumes that a 75% commutation will be requested by members. The scheme is a funded scheme. The most recent actuarial update of scheme assets and the present value of the defined benefit obligation was carried out at 31 March 2010 by Mrs D Simon, Fellow of the Institute of Actuaries.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund (cont'd)

The valuation used for FRS17 disclosures has been based on a full assessment of the liabilities of the Fund. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method.

The amounts recognised in the Balance Sheet are as follows:

	31 March 2010	31 March 2009
	£'000	£'000
Fair value of Fund Assets	25,126	18,615
Present value of funded obligations	(34,476)	(25,115)
Deficit in the scheme	<u>(9,350)</u>	<u>(6,500)</u>
Related deferred tax asset	1,869	1,300
Net pension liability	<u>(7,481)</u>	<u>(5,200)</u>
Amounts in the Balance Sheet		
Assets	-	-
Liabilities	(7,481)	(5,200)
Net pension liability	<u>(7,481)</u>	<u>(5,200)</u>

The amounts recognised in the Profit and Loss account are as follows:

	31 March 2010	31 March 2009
	£'000	£'000
Current service cost	1,148	874
Interest on obligation	1,515	1,335
Expected return on Fund assets	(1,225)	(1,681)
Past service cost	-	31
Gains on curtailments	-	(196)
Expense recognised in the Profit and Loss	<u>1,438</u>	<u>363</u>
Actual return on Fund assets	<u>5,351</u>	<u>(5,346)</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund (cont'd)

Changes in the present value of the defined benefit obligation are as follows:

	31 March 2010	31 March 2009
	£'000	£'000
Opening defined benefit obligation	25,115	19,490
Service cost	1,148	874
Interest cost	1,514	1,335
Contributions by members	466	462
Actuarial Losses	6,607	3,893
Past service costs	-	31
Gains on curtailments	-	(196)
Benefits paid	(374)	(774)
Closing defined benefit obligation	<u>34,476</u>	<u>25,115</u>

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund (cont'd)

Changes in the fair value of Fund assets are as follows:

	31 March 2010	31 March 2009
	£'000	£'000
Opening fair value of Fund assets	18,615	23,285
Expected return	1,225	1,681
Actuarial Gains/(Losses)	4,126	(7,027)
Contributions by employer	1,069	987
Contributions by members	465	463
Benefits paid	(374)	(774)
Closing fair value of Fund assets	<u>25,126</u>	<u>18,615</u>

Analysis of amounts recognised in statement of total recognised gains and losses

	31 March 2010	31 March 2009
	£'000	£'000
Total Actuarial Losses	<u>(2,481)</u>	<u>(10,920)</u>
Total Losses in statement of total recognised gains and losses	<u>(2,481)</u>	<u>(10,920)</u>
Cumulative amount of Losses recognised in statement of total recognised gains and losses	<u>(6,375)</u>	<u>(3,894)</u>

Guernsey Post expects to contribute £1,129,795 to the Fund from 1 April 2010 to 31 March 2011.

The major categories of Fund assets as a percentage of the total Fund assets are as follows:

	31 March 2010	31 March 2009
	%	%
Equities	60	66
Gilts	12	7
Corporate Bonds	15	5
Index Linked Bonds	-	14
Other Assets	11	8
Property	2	-

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund (cont'd)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages (where applicable)) are as follows:

	31 March 2010	31 March 2009
	% pa	% pa
Discount rate	5.5	6.1
Expected return on Fund assets at 31 March (for following year)	6.5	6.5
Rate of increase in pensionable salaries	5.15	4.55
Rate of increase in deferred pensions	3.9	3.3
Rate of increase in pensions in payment	3.9	3.3

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 86 if they are male and until age 88 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 88 if they are male and until age 89 if female.

Description of the basis used to determine the expected rate of return on the assets

The Employer adopts a building block approach in determining the expected rate of return on the Fund's assets. Historic markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at the disclosure year end.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

18. Pension Fund (cont'd)

Amounts for the current and previous periods are as follows:

	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2006 £'000
Defined benefit obligation	34,476	25,115	19,490	22,882	22,814
Fund Assets	25,126	18,615	23,285	22,213	20,321
(Deficit)/surplus	(9,350)	(6,500)	3,795	(669)	(2,493)
Experience Gains / (Losses) on Fund assets	4,126	(7,027)	(1,712)	(571)	1,346
Experience Gains / (Losses) on Fund liabilities	1,335	(658)	831	1,530	(538)

The Fund assets for the years ended 31 March 2006 and 31 March 2007 have not been restated to bid value (i.e. they are mid market value).

19. Financial Commitments

Capital commitments are as follows:

	31 March 2010 £'000	31 March 2009 £'000
Freehold buildings	10	243
Leasehold improvements	19	-
	29	243

Annual commitments under non-cancellable operating leases are as follows:

	31 March 2010 Land and buildings £'000	31 March 2009 Land and buildings £'000
Expiry date		
- within 1 year	10	6
- between two and five years	-	-
- after five years	71	65
	81	71

Leases of land and buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

Guernsey Post Limited

Year ended 31 March 2010

Notes to the financial statements - continued

20. Statement of control

The Company is wholly owned and ultimately controlled by the States of Guernsey.

21. Related party transactions

S Hannon, a Non-Executive Director, is also a director of Postal & Logistics Consulting Worldwide Limited (PLCWW). Guernsey Post received consultancy and management services from PLCWW during the year, transacted on an arm's length basis. The charges incurred by the Company payable to PLCWW during the year ended 31 March 2010 were £82,750 (2009: £nil). The balance outstanding at 31 March 2010 was £nil (2009:£nil).

Mrs M Perkins, a Non-Executive Director, is also a director of Specsavers Optical Group Limited (SOGL). Guernsey Post received income from SOGL during the year for postal services, transacted on an arm's length basis. The income received by the Company from SOGL during the year ended 31 March 2010 was £160,730 (2009: £nil). The balance outstanding at 31 March 2010 was £16,072 (2009:£nil).

Through the normal course of its business activity the Company both purchases and provides services to its shareholder or entities under the controlling influence of the shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Boards operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2010 amount to 1.2% of total turnover (2009: 1.3%). The total value of purchases for the year amounted to 1.2% of total expenses (2009: 1.5%).

The States also provides, through its treasury department, management of the Company's liquid funds in excess of short term needs. At 31 March 2010 the balance held was £12,842,783 (2009:£19,535,429).

**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 27TH DAY OF OCTOBER 2010**

**The States resolved as follows concerning Billet d'État No XXI
dated 17th September 2010**

PROJET DE LOI

entitled

THE RENEWABLE ENERGY (GUERNSEY) LAW, 2010

I.- To approve, subject to the following amendment, the Projet de Loi entitled "The Renewable Energy (Guernsey) Law, 2010" and to authorise the Bailiff to present a most humble petition to Her Majesty in Council praying for Her Royal Sanction thereto.

AMENDMENT

In the preamble, delete the words "OF GUERNSEY"

THE PUBLIC HEALTH (AMENDMENT) ORDINANCE, 2010

II.- To approve the draft Ordinance entitled "The Public Health (Amendment) Ordinance, 2010" and to direct that the same shall have effect as an Ordinance of the States.

**THE CHILD PROTECTION (AMENDMENT)
(GUERNSEY) ORDINANCE, 2010**

III.- To approve the draft Ordinance entitled "The Child Protection (Amendment) (Guernsey) Ordinance, 2010" and to direct that the same shall have effect as an Ordinance of the States.

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

**THE EMPLOYMENT PROTECTION (SUMMONSING OF WITNESSES AND
DOCUMENTS) (AMENDMENT) ORDER, 2010**

In pursuance of Section 8 (1) (d) of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, the Employment Protection (Summonsing of Witnesses and Documents) (Amendment) Order, 2010, made by the Commerce and Employment Department on 27th July 2010, was laid before the States.

**THE EMPLOYMENT PROTECTION (RECOVERABLE COSTS)
(AMENDMENT) ORDER, 2010**

In pursuance of Section 8 (1) (d) of the Employment and Discrimination Tribunal (Guernsey) Ordinance, 2005, the Employment Protection (Recoverable Costs) (Amendment) Order, 2010, made by the Commerce and Employment Department on 27th July 2010, was laid before the States.

**THE COMPANIES (REGISTRAR) (FEES)
(AMENDMENT) (NO.2) REGULATIONS, 2010**

In pursuance of Section 501(1) of the Companies (Guernsey) Law, 2008, the Companies (Registrar) (Fees) (Amendment) (No.2) Regulations, 2010, made by the Registrar of Companies on 27th July, 2010, were laid before the States.

**K H TOUGH
HER MAJESTY'S GREFFIER**

**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 29TH DAY OF OCTOBER 2010**

(Meeting adjourned from 28th October 2010)

**The States resolved as follows concerning Billet d'État No XXI
dated 17th September 2010**

POLICY COUNCIL

**GTA UNIVERSITY CENTRE – INVOLVEMENT AND FUNDING BY THE GUERNSEY
FINANCIAL SERVICES COMMISSION**

IV.- TO POSTPONE CONSIDERATION of this Article until Tuesday 23rd November 2010.

HEALTH AND SOCIAL SERVICES DEPARTMENT

**MISUSE OF DRUGS (BAILIWICK OF GUERNSEY) LAW, 1974 –
PROPOSED AMENDMENT RELATING TO OFFENCES
UNDER SUBORDINATE LEGISLATION**

V - TO POSTPONE CONSIDERATION of this Article until Tuesday 23rd November 2010.

HOME DEPARTMENT

ELECTORAL ROLL

VI.- TO POSTPONE CONSIDERATION of this Article until Tuesday 23rd November 2010.

REQUÊTE

CIGARETTE VENDING MACHINES – DECISION TO BAN COMPLETELY

VII.- TO POSTPONE CONSIDERATION of this Article until Tuesday 23rd November 2010.

**D J ROBILLIARD
HER MAJESTY'S DEPUTY GREFFIER**

**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 23RD DAY OF NOVEMBER 2010**

(Meeting adjourned from 27th October 2010)

**The States resolved as follows concerning Billet d'État No XXI
dated 17th September 2010**

POLICY COUNCIL

**GTA UNIVERSITY CENTRE – INVOLVEMENT AND FUNDING BY THE GUERNSEY
FINANCIAL SERVICES COMMISSION**

IV.- After consideration of the Report dated 23rd August, 2010, of the Policy Council:-

1. That, pursuant to Section 2 (2) (f) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, ('1987 Law'), the general functions of the Guernsey Financial Services Commission ('Commission') shall include, as from the date of such resolution,

“to take such steps as the Commission considers necessary or expedient for participating in the ownership and governance of the GTA University Centre, including (without limitation) to act as protector of the charitable trust declared on 6 June 1996 by which the Finance Training Agency Trust was constituted, and to fund and support the GTA University Centre”;
2. To amend the 1987 Law so as retrospectively to ratify and confirm all and whatsoever the Commission has done for or in respect of the GTA University Centre since its incorporation, including (again without limitation) those matters mentioned in proposition 1 above.
3. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

HEALTH AND SOCIAL SERVICES DEPARTMENT

**MISUSE OF DRUGS (BAILIWICK OF GUERNSEY) LAW, 1974 –
PROPOSED AMENDMENT RELATING TO OFFENCES
UNDER SUBORDINATE LEGISLATION**

V.- After considering the Report dated 30th July, 2010, of the Health and Social Services Department:-

1. (1) To amend the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to make it clear that it is an offence to contravene any Ordinances made thereunder; and

- (2) To amend further the Misuse of Drugs (Bailiwick of Guernsey) Law 1974 to ensure that its enforcement powers are capable of being used in connection with the provisions of any Ordinances made thereunder.
2. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.

HOME DEPARTMENT

ELECTORAL ROLL

VI.- After consideration of the Report dated 11th August, 2010, of the Home Department:-

1. To approve the establishment of a new Electoral Roll.
2. To direct the drafting of legislation that shall provide for the validity of the current Electoral Roll to cease at 2359 hours on 29th February 2012 and for the closure of the new Electoral Roll between that date and the date of the Election.
3. To note the Department's proposals to promote electoral registration
4. To direct the Treasury and Resources Department to take account of the costs of the Home Department.

REQUÊTE

CIGARETTE VENDING MACHINES – DECISION TO BAN COMPLETELY

VII.- After consideration of the Requête dated 29th July 2010, signed by Deputy D B Jones and nine other Members of the States:-

1. TO NEGATIVE THE PROPOSITION to rescind Resolution 2 on Article 6 of Billet d'État No. XV of 2010.
2. TO NEGATIVE THE PROPOSITION to direct the Health and Social Services Department to consult fully with all stakeholders on the impact of banning vending machines and return to the States with a further Report recommending either constraints on the location and operation of cigarette vending machines or the prohibition of such machines, and in either case explaining the financial consequences of the States accepting the Department's recommendations for businesses supplying, servicing or operating such machines.

S M D ROSS
HER MAJESTY'S DEPUTY GREFFIER