

**States of Guernsey**  
**Miscellaneous Accounts 2012**



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# States of Guernsey Public Services Department

## Ports

### Statement of activities and performance

*Year ended 31 December 2012*

#### **Principal activities**

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

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

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

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

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

#### **Financial highlights**

The turnover for the Airport for the year was £11.5m, a decrease of £116k (1.0%) from 2011. Turnover at Guernsey Harbours for the year was £8.6m, a decrease of £41k (0.5%) from 2011.

In terms of expenditure, the Airport had budgeted to spend £11.4m in 2012 (2011: £11.1m) and it had been forecast that the Airport would generate a net surplus for the year of £0.1m (2011: £0.4m). The Airport actually incurred costs of £12.3m (2011: £12.1m), which resulted in an operating deficit of £0.8m (2011: £0.4m). Guernsey Harbours had budgeted to spend £8.67m during the year (2011: £7.9m) with a forecast deficit of £0.13m (2011: surplus £0.1m). The Harbours actually incurred costs of £6.5m (2011: £7.0m) and achieved a surplus of £2.1m (2011: £1.5m).

#### **Operational performance**

Total passenger movements for the year ended 31 December 2012 were 1,323,639 (Guernsey Airport 865,125, Guernsey Harbours 458,514), which were 6.6% lower on the previous year. The movements attributable to Guernsey Airport were 4.1% lower and those for Guernsey Harbours 10.9% lower than the previous year.

There was only one full emergency declared at Guernsey Airport during 2012 (2011:6).

The Airport employed 116 full time equivalents at the end of 2012 (2011: 118).  
The Harbours employed 68 full time equivalents at the end of 2012 (2011: 70).

# States of Guernsey Public Services Department Ports

## Statement of activities and performance - continued *Year ended 31 December 2012*

### **Board members and principal officers**

The Ports are the responsibility of the Public Services Department.

Board Members are:

Deputy P Luxon, Minister (appointed 7 May 2012)  
Deputy B M Flouquet, Minister (resigned 6 May 2012)

Deputy S J Ogier, Deputy Minister

Deputy Y Burford (appointed 7 May 2012)  
Deputy R Jones (appointed 7 May 2012)  
Deputy D Duquemin (appointed 7 May 2012)

Deputy T M Le Pelley (resigned 6 May 2012)  
Deputy A Spruce (resigned 6 May 2012)  
Deputy J Kuttelwascher (resigned 6 May 2012)

Principal Officers are:

Mr A Lewis, Chief Officer, Public Services Department  
Mr J S N Menhenitt, Finance Director, Public Services Department  
Mr C J Le Ray, Airport Director, Guernsey Airport  
Capt. P Gill, Harbour Master  
Mrs Sarah McGreevy, Harbour Director  
Mr S Langlois, Ports Finance Manager  
Mr R Pinchemain, Commercial Manager, Guernsey Harbours (resigned 2 December 2012)

### **Auditor**

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

# States of Guernsey Public Services Department Ports

## Statement of responsibilities for the preparation of financial statements

The Public Services Department (the “Department”) is responsible for preparing financial statements for each financial year and for selecting suitable accounting policies for the Guernsey Airport and the Harbours of St Peter Port and St Sampson (the “Ports”). In preparing those financial statements, the Department is required to:

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

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

## Statement of internal financial controls

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

The Public Services Department is also responsible for the economic, efficient and effective operations and management of the Ports.

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

The Ports’ internal financial controls and monitoring procedures include:

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

# States of Guernsey Public Services Department Ports

## Statement of internal financial controls - continued

- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the Internal Audit, Treasury and Resources Department.

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

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

## Going concern

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT - PORTS**

We have audited the financial statements of States of Guernsey Public Services Department – Ports (the “Ports”) for the year ended 31 December 2012 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15 and the supplemental information set out on pages 17 - 23. These financial statements have been prepared under the accounting policies set out on page 9.

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

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

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

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

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

### **Opinion on financial statements**

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

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

We have nothing to report in respect of the following matters where our requirement is to report to you if, in our opinion:

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

Deloitte LLP  
Chartered Accountants  
Guernsey

3 July 2013

# States of Guernsey Public Services Department Ports

## Revenue account

for the year ended 31 December 2012

	<i>Notes</i>	2012 £	2011 £
<b>Income</b>			
Airport Fees, Charges & Other Income	<i>1</i>	<b>11,506,979</b>	11,623,206
Harbour Dues, Charges & Other Income	<i>1</i>	<b><u>8,637,677</u></b>	<u>8,678,338</u>
		<b>20,144,656</b>	20,301,544
<b>Expenses</b>			
Airport		<b>10,657,994</b>	10,482,527
Harbours		<b>5,428,478</b>	6,020,620
Loss on disposal of fixed assets	<i>2</i>	<b>99,819</b>	-
Depreciation	<i>2</i>	<b><u>2,754,524</u></b>	<u>2,763,845</u>
		<b><u>18,940,815</u></b>	<u>19,266,992</u>
<b>Operating surplus on ordinary activities</b>		<b>1,203,841</b>	1,034,552
Interest received from States Treasury		<b><u>65,240</u></b>	<u>45,123</u>
<b>Surplus for the financial year</b>		<b><u>1,269,081</u></b>	<u>1,079,675</u>

All material activities derive from continuing operations.

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

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Balance sheet

at 31 December 2012

	<i>Notes</i>	2012 £	2011 £
<b>Fixed Assets</b>			
Tangible fixed assets – Airport	2	<b>41,087,812</b>	42,661,315
Tangible fixed assets – Harbours	2	<b>130,323,137</b>	131,397,164
Assets under construction	3	<b><u>44,800,136</u></b>	<u>6,750,795</u>
		<b><u>216,211,085</u></b>	<u>180,809,274</u>
<b>Current assets</b>			
Stock	4	<b>573,898</b>	483,059
Debtors and prepayments	5	<b>3,018,160</b>	2,563,624
Balances with States Treasury	10	<b><u>3,628,500</u></b>	<u>2,272,550</u>
		<b><u>7,220,558</u></b>	<u>5,319,233</u>
<b>Creditors: amounts falling due within one year</b>	6	<b>(4,182,593)</b>	(2,057,981)
<b>Net current assets</b>		<b><u>3,037,965</u></b>	<u>3,261,252</u>
<b>Total net assets</b>		<b><u>219,249,050</u></b>	<u>184,070,526</u>
<b>Reserves</b>	7	<b><u>219,249,050</u></b>	<u>184,070,526</u>

These financial statements were approved by the Public Services Department on 2 July 2013.

Signed on behalf of the Board.

P Luxon  
Minister

S J Ogier  
Deputy Minister

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Cash flow statement

for the year ended 31 December 2012

	<i>Notes</i>	<b>2012</b> £	2011 £
<b>Net cash inflow from operating activities</b>	8	<b><u>5,637,421</u></b>	<u>4,970,073</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		<b><u>65,240</u></b>	<u>45,123</u>
<b>Capital expenditure</b>			
Payments related to assets under construction	3	<b>(38,049,341)</b>	(6,664,468)
Payment to acquire tangible fixed assets	2	<b><u>(206,813)</u></b>	<u>(1,263,587)</u>
		<b><u>(38,256,154)</u></b>	<u>(7,928,055)</u>
<b>Management of liquid resources</b>			
Contribution From States Treasury Capital Reserve	7	<b>38,033,063</b>	6,517,662
Contribution To States Treasury Capital Reserve	7	<b>(4,123,620)</b>	(5,678,394)
(Increase)/decrease in amounts held with States Treasury	9,10	<b><u>(1,355,950)</u></b>	<u>2,073,591</u>
<b>Movement in cash</b>		<b><u><u>-</u></u></b>	<u><u>-</u></u>

Notes 1 to 15 form an integral part of these financial statements.

# States of Guernsey Public Services Department Ports

## Notes to the financial statements

### 1. Principal accounting policies

The accounting policies adopted are described below.

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

#### *Accounting convention*

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

#### *Income and expenditure*

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

#### *Tangible fixed assets*

Tangible fixed assets are held at cost and are subject to annual depreciation over their useful economic life.

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

#### *Depreciation*

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

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

#### *Stock and work in progress*

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

#### *Pension costs*

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

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

### 2. Tangible fixed assets

#### Airport

	1 January 2012 £	Additions £	Written off/ Disposals £	31 December 2012 £
<i>Cost</i>				
Land	2,687,151	-	-	<b>2,687,151</b>
Buildings	41,116,924	-	(117,176)	<b>40,999,748</b>
Plant and machinery	4,955,939	586	-	<b>4,956,525</b>
Equipment, fixtures and fittings	4,243,480	171,365	-	<b>4,414,845</b>
Motor vehicles and electrical equipment	2,912,536	11,183	-	<b>2,923,719</b>
Computers and ICT	<u>217,582</u>	<u>11,500</u>	<u>-</u>	<u><b>229,082</b></u>
	<u>56,133,612</u>	<u>194,634</u>	<u>(117,176)</u>	<u><b>56,211,070</b></u>
	1 January 2012 £	Charge for the year £	Written off/ Disposals £	31 December 2012 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	5,108,075	838,294	(17,357)	<b>5,929,012</b>
Plant and machinery	2,985,362	231,593	-	<b>3,216,955</b>
Equipment, fixtures and fittings	3,321,881	242,835	-	<b>3,564,716</b>
Motor vehicles and electrical equipment	1,850,607	349,992	-	<b>2,200,599</b>
Computers and ICT	<u>206,372</u>	<u>5,604</u>	<u>-</u>	<u><b>211,976</b></u>
	<u>13,472,297</u>	<u>1,668,318</u>	<u>(17,357)</u>	<u><b>15,123,258</b></u>
<b>Net book value</b>	<u><b>42,661,315</b></u>			<u><b>41,087,812</b></u>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

### Tangible fixed assets (continued)

#### Harbours

<i>Cost</i>	1 January 2012 £	Additions £	Written off/ Disposals £	31 December 2012 £
Land	87,515,374	-	-	<b>87,515,374</b>
Buildings	48,803,858	12,179	-	<b>48,816,037</b>
Plant and machinery	2,424,012	-	-	<b>2,424,012</b>
Equipment, fixtures and fittings	1,942,727	-	-	<b>1,942,727</b>
Motor vehicles and electrical equipment	449,663	-	-	<b>449,663</b>
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<b><u>63,858</u></b>
	<u>141,199,492</u>	<u>12,179</u>	<u>-</u>	<b><u>141,211,671</u></b>

<i>Depreciation</i>	1 January 2012 £	Charge for the year £	Written off/ Disposals £	31 December 2012 £
Land	-	-	-	-
Buildings	6,453,217	830,759	-	<b>7,283,976</b>
Plant and machinery	1,451,335	157,485	-	<b>1,608,820</b>
Equipment, fixtures and fittings	1,406,749	82,881	-	<b>1,489,630</b>
Motor vehicles and electrical equipment	427,169	15,081	-	<b>442,250</b>
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<b><u>63,858</u></b>
	<u>9,802,328</u>	<u>1,086,206</u>	<u>-</u>	<b><u>10,888,534</u></b>
<b>Net book value</b>	<u>131,397,164</u>			<b><u>130,323,137</u></b>

### 3. Assets under construction

	2012 £	2011 £
<b>Airport</b>		
Runway, Apron & Taxiway Resurfacing	<b>42,638,808</b>	6,750,795
<b>Harbours</b>		
Cranes Replacement & Berth Development	<b><u>2,161,328</u></b>	<u>-</u>
	<b><u>44,800,136</u></b>	<u>6,750,795</u>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

### 4. Stock

	2012 £	2011 £
Airport	64,774	64,774
Harbours	<u>509,124</u>	<u>418,285</u>
	<u>573,898</u>	<u>483,059</u>

### 5. Debtors and prepayments

	2012 £	2011 £
Trade debtors	2,714,351	2,307,395
Prepayments	50,583	69,121
Other debtors	<u>253,226</u>	<u>187,108</u>
	<u>3,018,160</u>	<u>2,563,624</u>

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

	2012 £	2011 £
Trade creditors	31,280	549,927
Accruals	4,149,913	1,490,216
Deferred income	-	16,438
Other creditors:		
Harbour operational licence deposits	<u>1,400</u>	<u>1,400</u>
	<u>4,182,593</u>	<u>2,057,981</u>

### 7. Reserves

	2012 £	2011 £
Balance 1 January	184,070,526	182,151,583
Surplus for financial year	1,269,081	1,079,675
Contribution From States Treasury Capital Reserve	38,033,063	6,517,662
Contribution To States Treasury Capital Reserve	<u>(4,123,620)</u>	<u>(5,678,394)</u>
<b>Balance 31 December</b>	<u>219,249,050</u>	<u>184,070,526</u>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

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

	2012 £	2011 £
Operating surplus	1,203,841	1,034,552
Depreciation charges and loss on sale of tangible fixed assets	2,854,343	2,763,845
Increase in stocks	(90,839)	(20,329)
Increase in debtors	(454,536)	(142,908)
Increase in creditors	<u>2,124,612</u>	<u>1,334,913</u>
<b>Net cash inflow from operating activities</b>	<b><u>5,637,421</u></b>	<b><u>4,970,073</u></b>

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

	2012 £	2011 £
Movement in cash	-	-
Increase/(decrease) in liquid resources	<u>1,355,950</u>	<u>(2,073,591)</u>
	<u>1,355,950</u>	<u>(2,073,591)</u>
Net funds at 1 January	<u>2,272,550</u>	<u>4,346,141</u>
<b>Net funds at 31 December</b>	<b><u>3,628,500</u></b>	<b><u>2,272,550</u></b>

### 10. Analysis of changes in net funds

	At 1 January 2012 £	Cash Flows £	At 31 December 2012 £
Balance held with States Treasury	<u>2,272,550</u>	<u>1,355,950</u>	<u>3,628,500</u>

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

### **11. Contingent Liabilities/ Overspends**

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

In relation to the St Sampson's Marina project previously the contractor made a claim for a further £3.1 million which was rejected by the engineer. No formal proceedings have been commenced.

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

### **12. Superannuation Fund**

The employees of the Ports are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2011 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2010 that indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

The Ports have applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2012 were £1,162,505 (2011: £1,146,837).

# States of Guernsey Public Services Department Ports

## Notes to the financial statements - continued

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

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

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

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

The Ports are wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Ports has been delegated to the members of the Department who have been appointed by the States of Guernsey.

### **15. Subsequent events**

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

## Supplemental Information

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

# GUERNSEY AIRPORT

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b>Net Expenditure by Category</b>		2012 Actual £'000s	2011 Actual £'000s
		<b>Income</b>			
10,241	9,994	<i>Operating Income</i>		9,943	10,132
1,754	1,691	<i>Recoveries</i>		1,564	1,491
<u>11,995</u>	<u>11,685</u>			<u>11,507</u>	<u>11,623</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
2,359	2,426	Established Staff		2,428	2,302
847	853	Public Service Employees		861	838
3,549	3,537	Other Pay Groups		3,562	3,476
<u>6,755</u>	<u>6,816</u>			<u>6,851</u>	<u>6,616</u>
		<i>Non-Pay costs</i>			
130	128	Recruitment and Training		94	164
13	13	Other Staff Costs		25	38
104	105	<i>Communications and IT</i>		90	103
14	19	<i>Consultants' Fees</i>		16	58
77	75	<i>Contracted Out Work</i>		65	71
3	3	<i>Promotional Activities</i>		-	3
		<i>Premises</i>			
44	53	Equipment, Fixtures and Fittings		83	52
257	335	Repairs, Maintenance and Servicing		509	618
707	641	Utilities		707	632
240	248	<i>Risk Management and Insurance</i>		244	248
		<i>Supplies and Services</i>			
70	56	Plant, Machinery and Vehicles		37	100
471	498	Services and Materials		404	433
3	-	Other Operational Costs		9	9
		<i>Administration Expenses</i>			
1	4	Bank Charges and Finance Costs		6	1
1,479	1,484	Incidental and Other costs		1,503	1,325
17	16	Postage, Stationery and Printing		15	12
<u>10,385</u>	<u>10,494</u>			<u>10,658</u>	<u>10,483</u>
1,610	1,191	<b>Operating Surplus for the financial year</b>		849	1,140
1,500	1,500	<i>Depreciation</i>		1,668	1,595
<u>110</u>	<u>(309)</u>	<b>Operating Surplus / (Deficit) transferred to the Ports Holding Account</b>		<u>(819)</u>	<u>(455)</u>

# GUERNSEY AIRPORT

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b>Net Expenditure by Service Area</b>	2012 Actual £'000s	2011 Actual £'000s
		<i>Income</i>		
526	530	Advertising, picketing etc	476	423
805	774	Airport Development Charge	756	787
710	690	Car Parking Fees	659	644
1,900	1,900	Rents	2,065	2,190
6,300	6,100	Traffic Receipts	5,984	6,089
<b>10,241</b>	<b>9,994</b>		<b>9,940</b>	<b>10,133</b>
		<i>Operational Expenditure</i>		
974	994	Administration	1,081	1,081
2,081	2,036	Aerodrome Fire Service	2,099	2,057
1,997	2,202	Airport Infrastructure	2,444	2,285
3,739	3,731	Navigational Services	3,627	3,725
<b>8,791</b>	<b>8,963</b>		<b>9,251</b>	<b>9,148</b>
(160)	(160)	<i>Recovery from Alderney Airport</i>	(160)	(155)
<b>1,610</b>	<b>1,191</b>	<b>Operating Surplus for the financial year</b>	<b>849</b>	<b>1,140</b>
1,500	1,500	<i>Depreciation</i>	1,668	1,595
<b>110</b>	<b>(309)</b>	<b>Operating Surplus / (Deficit) transferred to the Ports Holding Account</b>	<b>(819)</b>	<b>(455)</b>

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b>Routine Capital Expenditure</b>	2012 Actual £'000s	2011 Actual £'000s
-	-	<i>Major Construction and Development Projects</i>	-	173
191	315	<i>Miscellaneous Capital Works</i>	128	4
206	-	<i>IT Projects and Equipment</i>	-	-
1,912	300	<i>Equipment, Machinery and Vehicles</i>	96	571
<b>2,309</b>	<b>615</b>	<b>Routine Capital Expenditure</b>	<b>224</b>	<b>748</b>
51,500	28,000	Airport Pavments Project	34,113	6,782
2,275	2,000	Airport Radar	1,746	104
(53,775)	(30,000)	Less Transfer from Capital Reserve	(35,859)	(6,245)
<b>2,309</b>	<b>615</b>	<b>Net Capital Expenditure</b>	<b>224</b>	<b>1,389</b>

# HARBOUR OF ST PETER PORT

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b>Net Expenditure by Category</b>		2012 Actual £'000s	2011 Actual £'000s
		<b>Income</b>			
6,835	7,224	<i>Operating Income</i>		7,334	7,591
104	115	<i>Recoveries</i>		166	158
<u>6,939</u>	<u>7,339</u>			<u>7,500</u>	<u>7,749</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
1,498	1,411	Established Staff		1,297	1,221
2,217	2,148	Public Service Employees		1,807	1,942
1	-	Other Pay Groups		18	-
<u>3,716</u>	<u>3,559</u>			<u>3,122</u>	<u>3,163</u>
		<i>Non-Pay costs</i>			
1	1	Recruitment and Training		1	-
20	23	Other Staff Costs		21	21
164	113	<i>Communications and IT</i>		98	67
40	40	<i>Contracted Out Work</i>		48	52
-	-	<i>Grants and Subsidies</i>		2	-
23	24	<i>Promotional Activities</i>		18	19
		<i>Premises</i>			
72	95	Equipment, Fixtures and Fittings		12	23
7	4	Rents and Leasing		-	-
873	961	Repairs, Maintenance and Servicing		583	309
386	280	Utilities		324	325
91	82	<i>Risk Management and Insurance</i>		57	64
		<i>Supplies and Services</i>			
168	198	Plant, Machinery and Vehicles		195	356
403	875	Services and Materials		313	833
63	86	Other Operational Costs		83	52
		<i>Administration Expenses</i>			
203	203	Incidental and Other costs		165	180
36	20	Postage, Stationery and Printing		22	81
<u>6,266</u>	<u>6,564</u>			<u>5,064</u>	<u>5,545</u>
<u>673</u>	<u>775</u>	<b>Operating Surplus for the financial year</b>		<u>2,436</u>	<u>2,204</u>
1,050	1,050	<i>Depreciation</i>		859	940
<u>(377)</u>	<u>(275)</u>	<b>Operating (Deficit) / Surplus transferred to the Ports Holding Account</b>		<u>1,577</u>	<u>1,264</u>

# HARBOUR OF ST PETER PORT

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b><u>Net Expenditure by Service Area</u></b>	2012 Actual £'000s	2011 Actual £'000s
		<i>Income</i>		
2,910	2,910	Facilities charges	3,414	3,408
1,660	1,620	Local Marina and Mooring Fees	1,594	1,494
510	550	Visitor Marina and Mooring Fees	450	480
5	400	Pilotage Dues	3	410
686	688	Rents etc.	701	567
930	930	Shipping Dues	1,060	1,112
135	106	Sundries	112	120
<b>6,836</b>	<b>7,204</b>		<b>7,334</b>	<b>7,591</b>
		<i>Operational Expenditure</i>		
2,998	2,620	Administration	2,374	2,400
1,548	2,282	Harbour Infrastructure	1,140	1,483
945	1,451	Marina and Moorings	822	860
672	76	Navigational Services	562	644
<b>6,163</b>	<b>6,429</b>		<b>4,898</b>	<b>5,387</b>
<b>673</b>	<b>775</b>	<b>Operating Surplus for the financial year</b>	<b>2,436</b>	<b>2,204</b>
1,050	1,050	<i>Depreciation</i>	859	940
<b>(377)</b>	<b>(275)</b>	<b>Operating (Deficit) / Surplus for the financial year</b>	<b>1,577</b>	<b>1,264</b>

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b><u>Routine Capital Expenditure</u></b>	2012 Actual £'000s	2011 Actual £'000s
1,185	100	<i>Miscellaneous Capital Works</i>	-	-
-	-	<i>Equipment, Machinery and Vehicles</i>	-	21
<b>1,185</b>	<b>100</b>	<b>Routine Capital Expenditure</b>	<b>-</b>	<b>21</b>
4,650	5,250	<i>Crane Strategy</i>	2,174	273
500	-	<i>Pontoons</i>	-	-
100	-	<i>Sarnia Work Boat</i>	-	-
(5,250)	(5,250)	<i>Less transfer from Capital Reserve</i>	(2,174)	(273)
<b>1,185</b>	<b>100</b>	<b>Net Capital Expenditure</b>	<b>-</b>	<b>21</b>

# HARBOUR OF ST SAMPSON

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b>Net Expenditure by Category</b>		2012 Actual £'000s	2011 Actual £'000s
		<b>Income</b>			
1,042	1,041	<i>Operating Income</i>		1,136	928
21	1	<i>Recoveries</i>		2	1
<u>1,063</u>	<u>1,042</u>			<u>1,138</u>	<u>929</u>
		<b>Expenditure</b>			
		<i>Staff</i>			
		<i>Pay costs</i>			
88	90	Established Staff		84	84
282	275	Public Service Employees		125	251
<u>370</u>	<u>365</u>			<u>209</u>	<u>335</u>
4	4	<i>Communications and IT</i>		2	3
		<i>Premises</i>			
66	66	Repairs, Maintenance and Servicing		52	55
54	54	Utilities		38	29
14	14	<i>Risk Management and Insurance</i>		9	11
		<i>Supplies and Services</i>			
14	17	Plant, Machinery and Vehicles		18	14
43	36	Services and Materials		35	28
1	1	Other Operational Costs		-	-
		<i>Administration Expenses</i>			
1	4	Incidental and Other costs		1	-
<u>567</u>	<u>561</u>			<u>364</u>	<u>475</u>
<u>496</u>	<u>481</u>	<b>Operating Surplus for the financial year</b>		<u>774</u>	<u>454</u>
<u>250</u>	<u>250</u>	<i>Depreciation</i>		<u>227</u>	<u>228</u>
<u><b>246</b></u>	<u><b>231</b></u>	<b>Operating Surplus transferred to the Ports Holding Account</b>		<u><b>547</b></u>	<u><b>226</b></u>

# HARBOUR OF ST SAMPSON

2012 Original Budget £'000s	2012 Probable Outturn £'000s	<b><u>Net Expenditure by Service Area</u></b>	2012 Actual £'000s	2011 Actual £'000s
		<i>Income</i>		
610	608	Facilities charges	662	511
374	375	Marina and Mooring Fees	387	346
43	43	Rents etc.	64	52
15	16	Sundries	26	18
<b>1,042</b>	<b>1,042</b>		<b>1,139</b>	<b>927</b>
		<i>Operational Expenditure</i>		
261	225	Administration	98	234
259	297	Harbour Infrastructure	250	226
21	36	Marina and Moorings	15	11
5	3	Navigational Services	2	2
<b>546</b>	<b>561</b>		<b>365</b>	<b>473</b>
<b>496</b>	<b>481</b>	<b>Operating Surplus for the financial year</b>	<b>774</b>	<b>454</b>
250	250	<i>Depreciation</i>	227	228
<b>246</b>	<b>231</b>	<b>Operating Surplus for the financial year</b>	<b>547</b>	<b>226</b>

# PORTS HOLDING ACCOUNT

2012 Original Budget £'000s	2012 Probable Outturn £'000s		2012 Actual £'000s	2011 Actual £'000s
		<b>Revenue Account -</b>		
		<i>Operating Surplus before depreciation</i>		
1,610	-	Guernsey Airport	849	1,140
673	775	Harbour of St Peter Port	2,436	2,204
496	481	Harbour of St Sampson	774	454
<u>2,779</u>	<u>1,256</u>		<u>4,059</u>	<u>3,798</u>
10	10	<i>Investment Interest Receivable</i>	65	45
		<i>Capital Expenditure</i>		
(2,309)	(615)	Guernsey Airport	(224)	(1,389)
(1,185)	(100)	Harbour of St Peter Port	-	(21)
<u>(3,494)</u>	<u>(715)</u>		<u>(224)</u>	<u>(1,410)</u>
<u><b>(705)</b></u>	<u><b>551</b></u>	<b>(Deficit)/Surplus before depreciation</b>	<u><b>3,900</b></u>	<u><b>2,433</b></u>
(2,800)	(1,300)	<i>Depreciation</i>	(2,754)	(2,763)
<u><b>(3,505)</b></u>	<u><b>(749)</b></u>	<b>(Deficit)/Surplus before depreciation</b>	<u><b>1,146</b></u>	<u><b>(330)</b></u>
3,747	3,261	<i>Balance at 1st January</i>	3,261	6,506
(705)	551	<i>Surplus before depreciation for the year</i>	3,900	2,433
(2,789)	(2,473)	<i>Transfer to Capital Reserve</i>	(4,124)	(5,678)
<u>253</u>	<u>1,339</u>	<b>Balance at 31st December</b>	<u>3,037</u>	<u>3,261</u>

# Guernsey Water

## Statement of activities and performance

Year ended 31 December 2012

### Principal purpose

Guernsey Water, a business unit of the Public Services Department, delivers to its customers:

- A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at lowest cost consistent with meeting a high level of customer service and confidence.
- A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently
- Environmental catchment protection is monitored, storage is maintained at maximum possible levels and treatment techniques and delivery systems are the most appropriate to meet international standards.

### Financial summary

	2012	2011	Change
	£'000	£'000	%
<b>Income</b>			
Unmeasured water	3,585	3,577	+0.2
Measured water	6,550	6,153	+6.5
Unmeasured waste water	1,052	784	+34.2
Measured waste water	1,907	1,379	+38.3
Other trading (net)	422	238	+77.3
Cesspit emptying income	1,037	1,244	-16.6
Grant received	<u>1,270</u>	<u>1,655</u>	-23.3
Total operating income	<u>15,823</u>	<u>15,030</u>	+5.3
<b>Expenditure</b>			
Operating	7,523	8,478	-11.3
Management	<u>2,329</u>	<u>2,065</u>	+12.8
Total expenditure	<u>9,852</u>	<u>10,543</u>	-6.6
<b>Operating surplus before depreciation</b>	<u>5,971</u>	<u>4,487</u>	+33.1
Surplus on sale of fixed assets and properties	14	1,659	
Net interest received	351	117	
Depreciation	(3,187)	(2,975)	
Loss on disposal of fixed assets	=	(141)	
<b>Surplus for the year</b>	<u>3,149</u>	<u>3,147</u>	
<b>Gross total capital expenditure</b>	<u>10,668</u>	<u>6,211</u>	+71.8

# Guernsey Water

## Statement of activities and performance - continued

Year ended 31 December 2012

The main capital projects of 2012 were the rebuilding of the Wastewater Treatment Centre at the Belle Greve works on the east coast, the wastewater storage depot at the St. Andrew Reservoir site, the replacement of mains, slope stabilisation work at various storage reservoirs the refurbishment of King's Mills water treatment works to provide contingency to supplement the other two water treatment works and surface water separation schemes in Vauvert. The St. Saviour's reservoir bypass pipelines were also completed and commissioned.

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

### Operational performance

	2012	2011	Change %
<b>Number of supplies:</b>			
Paying by tax on real property	9,175	9,401	-2.4
Paying by measure	<u>15,840</u>	<u>15,446</u>	+2.6
Total	<u>25,015</u>	<u>24,847</u>	+0.7

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

Delivered to customers paying by measure	2,714 ML	2,632 ML	+3.1
Delivered to other customers	1,356 ML	1,427 ML	-5.0
Operational use, fire fighting and losses	<u>612 ML</u>	<u>654 ML</u>	-6.4
Total put into supply	<u>4,682 ML</u>	<u>4,713 ML</u>	-0.7

### Service:

Restrictions on supply	None	None	
Burst mains	39	23	+69.6
Discolouration - claims paid	34	49	-30.6

### Unit costs (partially weather related):

Water production	£ 461 / ML	£ 431 / ML	+7.0
Water distribution	£ 29 / supply	£ 29 /supply	-

# Guernsey Water

## Statement of activities and performance - continued

*Year ended 31 December 2012*

### **Other matters**

On 8 February 2012 the States of Deliberation formally agreed to Guernsey Water becoming responsible for the financial and operational control of Guernsey Waste Water; this merger of entities was effective from 1 January 2012. The effect of this decision is that the entities are operated in the same manner; Guernsey Waste Water staff being now employed by Guernsey Water.

The policies, procedures, stock and systems have been merged with Guernsey Water. These accounts reflect this financial merger, which includes a restatement of 2011's financial statements.

A detailed 10 year business plan is under development to reflect the newly merged entity.

Finally, once again, due to the careful harvesting of water resources and the storage capacity of the reservoirs on the Island and some rather uncharacteristic heavy rainfall, Guernsey Water was able to supply water to the population of Guernsey without any restrictions.

A great deal of investigation has been conducted on the wastewater assets to determine condition, performance and resilience, the results of which will drive a significant part of the capital programme.

Further operational and other details can be found in Guernsey Water's 2012 Annual Report.

### **Board members**

During 2012 Public Services Department Board Members were:

Deputy P. A. Luxon, Minister (appointed 8 May 2012)  
Deputy B. M. Flouquet, Minister (resigned 30 April 2012)

Deputy S. J. Ogier, Deputy Minister

Deputy Y. Burford (appointed 11 May 2012)  
Deputy D. J. Duquemin (appointed 11 May 2012)  
Deputy R. A. Jones (appointed 11 May 2012)

Deputy J. Kuttelwascher (resigned 11 May 2012)  
Deputy T. M. Le Pelley (resigned 30 April 2012)  
Deputy A. Spruce (resigned 11 May 2012)

During 2012 Principal Officers were:

A. Lewis, Chief Officer, Public Services Department  
J. S. N. Menhenitt, Finance Director of Public Services Department  
A. A. Redhead, Director of Water Services, Guernsey Water  
C. Hall, Customer Service Manager, Guernsey Water  
R. Webber, Management Accounting Executive, Guernsey Water

### **Auditors**

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

# Guernsey Water

## Statement of responsibilities for the preparation of financial statements

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

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

The Board is responsible for ensuring Guernsey Water keep proper accounting records which disclose with reasonable accuracy at any time its financial position. It is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of internal financial controls

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

The Board is also responsible for the economical, efficient and effective operations and management of Guernsey Water.

Guernsey Water’s internal financial procedures include:

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

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

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

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

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

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

# **INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT**

We have audited the financial statements of Guernsey Water for the year ended 31 December 2012 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Public Services Department ("the Board") as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

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

Deloitte LLP  
Chartered Accountants  
Guernsey  
5 July 2013

# Guernsey Water

## Revenue account

for the year ended 31 December 2012

		2012	2011
		£	As restated £
<b>Income</b>	<i>Notes</i>		
<b>Water supplies</b>	<i>1</i>		
Unmeasured		3,584,936	3,576,792
Measured		<u>6,549,807</u>	<u>6,152,898</u>
		<u>10,134,743</u>	<u>9,729,690</u>
<b>Waste Water supplies</b>			
Unmeasured		1,052,072	784,405
Measured		<u>1,906,718</u>	<u>1,379,342</u>
		<u>2,958,790</u>	<u>2,163,747</u>
<b>Cesspit emptying income</b>		1,037,189	1,243,840
<b>Net surplus on other trading activities</b>	<i>3</i>	422,181	238,465
<b>Grant received</b>	<i>1</i>	1,269,800	1,654,768
<b>Total operating income</b>		<u>15,822,703</u>	<u>15,030,510</u>
<b>Operating expenses</b>			
Water production		2,126,389	2,032,206
Water distribution		725,838	714,847
Asset management		407,878	421,543
Pumping		1,193,401	1,604,857
Sewers		<u>3,068,801</u>	<u>3,704,944</u>
		<u>7,522,307</u>	<u>8,478,397</u>
<b>Management expenses</b>			
Management & general		337,752	232,216
Compliance		336,412	156,988
Customer services		840,331	985,474
Finance	<i>16</i>	308,258	323,864
Support services		<u>506,370</u>	<u>366,789</u>
		<u>2,329,123</u>	<u>2,065,331</u>
<b>Total expenditure</b>		<u>9,851,430</u>	<u>10,543,728</u>
<b>Operating surplus before depreciation and loss/surplus on sale of fixed assets</b>		5,971,273	4,486,782
Depreciation	<i>5 &amp; 6</i>	(3,186,748)	(2,975,398)
(Loss)/surplus on disposal of fixed assets	<i>5</i>	<u>-</u>	<u>(140,870)</u>
<b>Operating surplus for the year</b>		<u>2,784,525</u>	<u>1,370,514</u>
Net interest receivable	<i>4</i>	350,846	117,400
Surplus on sale of properties		<u>14,037</u>	<u>1,658,721</u>
<b>Surplus for the year</b>	<i>10</i>	<u>3,149,408</u>	<u>3,146,635</u>

All material activities derive from continuing operations.

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

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

# Guernsey Water

## Balance sheet

at 31 December 2012

		2012		2011	
	Notes	£	£	As restated	£
<b>Tangible fixed assets</b>	6		<b>126,397,114</b>		118,957,950
<b>Current assets</b>					
Stocks		1,235,746		1,020,391	
Debtors and prepayments	7	2,992,842		2,295,978	
Funds held with States Treasury	13	12,298,994		9,880,943	
Cash at bank and in hand	13	<u>565,204</u>		<u>207,058</u>	
		<b>17,092,786</b>		<b>13,404,370</b>	
<b>Current liabilities</b>					
Creditors falling due within one year	8	<u>1,949,139</u>		<u>609,185</u>	
		<b>1,949,139</b>		<b>609,185</b>	
<b>Net current assets</b>			<b>15,143,647</b>		12,795,185
<b>Total assets less current liabilities</b>			<b>141,540,761</b>		131,753,135
<b>Accruals and deferred income</b>	1 & 9		<b>7,579,110</b>		-
<b>Net assets</b>			<b>133,961,651</b>		131,753,135
<b>Reserves</b>					
General reserve	10	15,283,251		14,469,999	
Property development fund	10	2,620,599		2,630,749	
Revenue account	10	40,879,666		38,533,360	
Funding from the States of Guernsey – Merger reserve	10	<u>75,178,135</u>		<u>76,119,027</u>	
<b>Total reserves</b>	10		<b>133,961,651</b>		131,753,135

These financial statements were approved by the States of Guernsey Public Services Department on 5 July 2013.

Signed on behalf of the Department

**Paul A. Luxon**  
Minister

**Scott J. Ogier**  
Deputy Minister

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

# Guernsey Water

## Cash flow statement

for the year ended 31 December 2012

		2012		2011	
	Notes	£	£	As restated £	£
<b>Net cash inflow from operating activities</b>	11		<b>6,399,008</b>		4,330,911
<b>Returns on investments and servicing of finance</b>					
Net interest received	4	<u>350,846</u>		<u>117,400</u>	
<b>Net cash inflow from returns on investments and servicing of finance</b>			<b>350,846</b>		117,400
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets		(10,668,337)		(4,702,470)	
Less: customer contributions to mains		<u>42,425</u>		<u>21,230</u>	
Additions to fixed assets	6	(10,625,912)		(4,681,240)	
Receipts from sale of fixed assets		14,037		2,134,430	
Government grants received	9	7,579,110		-	
Consideration for merged assets	10	<u>(940,892)</u>		<u>-</u>	
<b>Net cash outflow from capital expenditure and financial investment</b>			<b>(3,973,657)</b>		(2,546,810)
<b>Management of liquid resources</b>					
Increase in amounts held with States Treasury	12 & 13	<u>(2,418,051)</u>		<u>(1,819,350)</u>	
<b>Net cash outflow from management of liquid resources</b>			<b>(2,418,051)</b>		(1,819,350)
<b>Increase in cash</b>	12 & 13		<b>£ <u>358,146</u></b>		£ <u>82,151</u>

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

# Guernsey Water

## Notes to the financial statements

### 1. Principal accounting policies

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

#### *Accounting convention*

The financial statements are prepared under the historical cost convention.

#### *Merger accounting*

The combination of businesses of Guernsey Waste Water with Guernsey Water has been accounted for using merger accounting in accordance with Financial Reporting Standard 6: Acquisitions and Mergers (FRS 6).

Under merger accounting the financial statements of the combining entities are aggregated, and presented as though the combining entities had always been part of the same reporting entity. The accounting policies of the combining entities are adjusted to achieve uniformity.

Expenditure by Guernsey Waste Water to acquire or construct its fixed assets has previously been treated as revenue expenditure in the year incurred and not recorded on a balance sheet as an asset to be depreciated in future periods over the asset's anticipated useful life.

To bring this accounting policy into line with that of Guernsey Water an extensive valuation exercise has been undertaken to attribute balance sheet values to those Guernsey Waste Water assets. This exercise involved collecting information on the age and current condition of the assets, together with network infrastructure records, to produce an estimate of the current rebuild cost of the individual assets. Discounting these rebuild costs back for changes in prices over time it has been possible to estimate historic costs for those assets, to which depreciation has then been applied to arrive at depreciated historic cost valuations as at 1 January 2012.

For comparative purposes, merger accounting provisions of FRS 6 require a restatement of the financial statements of the previous accounting period as if the operations of the combining entities had also been combined throughout that accounting period.

#### *Going concern*

The Board Members and Principal Officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that Guernsey Water has adequate financial resources to meet its obligations.

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

#### *Stock*

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

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

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

# Guernsey Water

## Notes to the financial statements - continued

### 1. Principal accounting policies - continued

#### *Grants*

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

#### *Depreciation*

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

	<b>Estimated life in years</b>	<b>Depreciation % per annum</b>
Dam	50	2
Mains	50 – 10	2 – 10
Land and quarries	N/A	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	12	8.3
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	7	14.3
Computer equipment	3	33.3
Sewers	70	1.4
Rising mains	50	2
Pumping stations	Civil	2
	Mechanical & Engineering	6.7

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

Assets under construction are not subject to depreciation.

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

#### *Revenue*

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled water and waste water supplies which, as at 31 December 2012, amounted to £943,557 (2011: £902,109) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

#### *Deferred income*

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

# Guernsey Water

## Notes to the financial statements - continued

### 1. Principal accounting policies - continued

#### *Pension costs*

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

### 2. Guernsey Water and Guernsey Waste Water Merger

On 8 February 2012 the States of Deliberation formally agreed to Guernsey Water becoming responsible for the financial and operational control of Guernsey Waste Water; this merger of entities was effective from 1 January 2012. The effect of this decision is that the entities are operated in the same manner; Guernsey Waste Water staff being now employed by Guernsey Water.

The stock and assets held were transferred to Guernsey Water.

The total net assets as at 1 January 2012 of the combining entities Guernsey Water and Guernsey Waste Water were £55,634,108 and £76,119,027 respectively.

As the business combination is regarded as a group reconstruction within the definitions of FRS6, exemption from the full disclosure requirements of FRS6, as set out in the Financial Reporting Standard, has been adopted.

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

	2012		2011	
	£	£	£	£
<b>Miscellaneous income:</b>				
Standard charges for service laying	182,964		205,661	
Charges for work at ascertained cost	54,665		18,121	
Property rental income	121,899		127,959	
Stores issues	<u>390,762</u>		<u>371,598</u>	
	750,290		723,339	
Expenditure	<u>(328,109)</u>		<u>(484,874)</u>	
<b>Net surplus on other trading activities before management expenses and depreciation</b>		<b>£ <u>422,181</u></b>		<b>£ <u>238,465</u></b>

# Guernsey Water

## Notes to the financial statements - continued

### 4. Net interest receivable

	2012		2011	
	£	£	£	£
<b>Interest received:</b>				
Deposit & business accounts	350,749		117,400	
<b>Interest paid:</b>				
Current account	<u>97</u>		<u>-</u>	
		<b>£ 350,846</b>		<b>£ 117,400</b>

### 5. Depreciation

	2012		2011	
	£	£	£	£
Depreciation charge for the year (note 6)	3,186,748		2,975,398	
Loss/(surplus) on disposal of moveable fixed assets	<u>-</u>		<u>140,870</u>	
<b>Charge in revenue account</b>		<b>3,186,748</b>		<b>3,116,268</b>
Transfer to general reserve (note 10)		<u>813,252</u>		<u>1,223,053</u>
		<b>£ 4,000,000</b>		<b>£ 4,339,321</b>

The transfer to the general reserve is required because the provision for depreciation under the historic cost convention is inadequate to meet the future replacement cost of assets. The total annual depreciation provision has been set at £4 million (2011: £3 million). The figure stated for 2011 exceeds this amount due to the presentation requirements to restate comparative figures for the merged entities.

# Guernsey Water

## Notes to the financial statements - continued

### 6. Tangible fixed assets

	1 January 2012 £	Additions £	Disposals £	31 December 2012 £
<i>Cost</i>				
Dam	309,360	-	-	309,360
Mains	27,449,354	343,444	-	27,792,798
Land and quarries	3,168,611	570,837	-	3,739,448
Structures and buildings	17,329,162	1,373,040	-	18,702,202
Fixed plant	10,421,576	1,002,046	-	11,423,622
Distribution meters	1,658,743	15,614	-	1,674,357
Office furniture, fittings and equipment	1,453,320	51,119	-	1,504,439
Mobile plant and equipment	553,112	35,867	-	588,979
Motor vehicles	655,233	25,400	-	680,633
Asset under construction	1,184,425	1,104,455	-	2,288,880
Sewers	75,731,782	795,021	-	76,526,803
Raising mains	9,854,880	-	-	9,854,880
Pumping stations	<u>13,274,843</u>	<u>5,309,069</u>	-	<u>18,583,912</u>
	<u>163,044,401</u>	<u>10,625,912</u>	-	<u>173,670,313</u>
	1 January 2012 £	Charge for the year £	Disposals £	31 December 2012 £
<i>Depreciation</i>				
Dam	182,321	3,343	-	185,664
Mains	7,417,858	549,496	-	7,967,354
Structures and buildings	1,889,986	328,485	-	2,218,471
Fixed plant	6,467,696	670,762	-	7,138,458
Distribution meters	1,387,198	53,939	-	1,441,137
Office furniture, fittings and equipment	1,029,129	150,976	-	1,180,105
Mobile plant and equipment	435,174	46,295	-	481,469
Motor vehicles	511,069	44,131	-	555,200
Assets under construction	-	-	-	-
Sewers	18,215,446	821,662	-	19,037,108
Raising mains	2,214,424	197,099	-	2,411,523
Pumping stations	<u>4,336,150</u>	<u>320,560</u>	-	<u>4,656,710</u>
	<u>44,086,451</u>	<u>3,186,748</u>	-	<u>47,273,199</u>
<b>Net book value</b>	<b><u>£118,957,950</u></b>			<b><u>£ 126,397,114</u></b>

# Guernsey Water

## Notes to the financial statements - continued

### 7. Debtors and prepayments

	2012 £	2011 £
Unbilled water supplies	724,704	690,214
Unbilled waste water	218,853	211,895
Customers' billed accounts outstanding	1,063,013	883,584
Cesspit emptying income receivable	529,032	225,334
Other debtors and prepayments	456,611	284,951
Grants receivable	<u>629</u>	<u>-</u>
	<b>£ 2,992,842</b>	<b>£ 2,295,978</b>

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

	2012 £	2011 £
General creditors	1,723,789	505,378
Deferred income	<u>225,350</u>	<u>103,807</u>
	<b>£ 1,949,139</b>	<b>£ 609,185</b>

### 9. Accruals and deferred income

#### Capital Grants

	2012 £	2011 £
At beginning of year	-	-
Grants receivable	<u>7,579,110</u>	<u>-</u>
	7,579,110	-
Released to revenue account during the year	<u>-</u>	<u>-</u>
<b>At end of year</b>	<b>£ 7,579,110</b>	<b>£ -</b>

Amounts are released to the revenue account in line with the expected useful economic life of the underlying assets for which the grant is provided on a basis which is consistent with the depreciation policy for that asset in accordance with Statement of Standard Accounting Practice 4: Accounting for Government Grants.

No amounts have been released to the revenue account in the current year as the associated assets are still in the course of construction and no depreciation has been charged to the revenue account.

# Guernsey Water

## Notes to the financial statements - continued

### 10. Reserves

	<b>Property Development Fund</b>	<b>General Reserve</b>	<b>Funding from the States of Guernsey - Merger Reserve</b>	<b>Revenue Account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance 1 January 2012	2,630,749	14,469,999	76,119,027	38,533,360	<b>131,753,135</b>
Surplus for the year	-	-	-	3,149,408	<b>3,149,408</b>
Transfer to Property Development Fund	638,515	-	-	(638,515)	-
Transfer from Property Development Fund	(648,665)	-	-	648,665	-
Consideration for merger assets	-	-	(940,892)	-	<b>(940,892)</b>
Provision for future replacement of assets	-	<u>813,252</u>	-	<u>(813,252)</u>	<u>-</u>
<b>Balance 31 December 2012</b>	<b><u>2,620,599</u></b>	<b><u>15,283,251</u></b>	<b><u>75,178,135</u></b>	<b><u>40,879,666</u></b>	<b><u>133,961,651</u></b>

The property development fund was set up to fund Guernsey Water's centralisation development. Transfers to the fund comprise of net property sales, let property income, nominal interest and the operating surplus before depreciation variance from budget. Transfers from the fund consist of all expenditure associated with the St. Andrew's Reservoir site development during 2012 this included the Guernsey Waste Water storage depot together with ancillary works to complete the whole site development. It will continue to be used to fund leased property maintenance and exploitation of related opportunities.

The general reserve is required to fund the asset base of Guernsey Water (note 5) and is being developed to provide for the eventual refurbishment or replacement of the St Saviour's Dam and the other treatments works. All reserves are distributable.

Funding from the States of Guernsey - Merger Reserve represents the net book value of the assets transferred by the States of Guernsey Public Services Department ("PSD") to Guernsey Water on the amalgamation of Guernsey Water and Guernsey Waste Water effective 1 January 2012. Consideration for merger assets relates to amounts paid by Guernsey Water in 2012 for the working capital assets of Guernsey Waste Water taken over from PSD.

# Guernsey Water

## Notes to the financial statements - continued

<b>11. Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating surplus for the year	2,784,525	1,370,514
Depreciation charges and surplus on disposal of moveable fixed assets (notes 5 and 6)	3,186,748	3,116,268
Funding for working capital provided by States of Guernsey	-	235,649
Increase in stock	(215,355)	(126,294)
Increase in debtors and prepayments	(696,864)	(86,089)
Increase/(decrease) in creditors due within one year	<u>1,339,954</u>	<u>(179,137)</u>
<b>Net cash inflow from operating activities</b>	<b>£ <u>6,399,008</u></b>	<b>£ <u>4,330,911</u></b>

<b>12. Reconciliation of net cash flow to movement in net funds</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Increase in cash in the year	358,146	82,151
Increase in balances with States Treasury	<u>2,418,051</u>	<u>1,819,350</u>
Change in net funds	<u>2,776,197</u>	1,901,501
Net funds at 1 January	<u>10,088,001</u>	8,186,500
<b>Net funds at 31 December</b>	<b>£ <u>12,864,198</u></b>	<b>£ <u>10,088,001</u></b>

<b>13. Analysis of changes in net funds</b>	At		At
	1 January	Cash	31 December
	2012	Flows	2012
	£	£	£
Cash at bank and in hand	207,058	358,146	565,204
Balance with States Treasury	<u>9,880,943</u>	<u>2,418,051</u>	<u>12,298,994</u>
	<u>£10,088,001</u>	£ <u>2,776,197</u>	<b>£ <u>12,864,198</u></b>

## 14. Commitments

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

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Revenue contracted	592,817	38,352
Capital contracted	<u>7,807,247</u>	<u>13,408,319</u>
	<b>£ <u>8,400,064</u></b>	<b>£ <u>13,446,671</u></b>

# Guernsey Water

## Notes to the financial statements - continued

### 15. Pension Fund

Guernsey Water staff are all members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2011 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2010 that indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

Guernsey Water has applied the provisions of FRS 17 for multi-employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2012 was £401,050 (2011: £311,901).

### 16. Audit fees

Audit fees in respect of the 2012 financial statements for Guernsey Water are £17,060 (2011: £17,580).

### 17. Related party transactions

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

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

### 18. Statement of control

Guernsey Water is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of Guernsey Water has been delegated to the members of the Public Services Department who have been appointed by the States of Guernsey.

### 19. Post Balance Sheet Events

In January 2013 the sale of property, Pre Du Murie, was completed for £590,000 resulting in a realised gain on sale of properties of £578,295 after disposal costs.

Additional information  
(Unaudited)

# Guernsey Water

## Additional information

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

This information is unaudited.

### Water Distribution

#### Renewal of mains

	£
La Gibauderie, St Peter Port	103,662
Les Cambrees, Torteval	35,734
Church Lane, St Sampsons	26,195
Les Menages, Torteval	17,292
Petites Fontaines, St Peter Port	16,077
Rue de La Cache, St Sampsons	11,695
Les Landelles, Castel	10,140
Carlton Estate, Rectory Hill, Castel	8,211
Maison Maraitaine, Vale	7,431
Rue De L'Issue, St Peters	7,402
Union Street, St Peter Port	7,151
Le Canus, St Sampsons	6,951
Rue a Chiens, St Sampsons	6,171
Clos de Mer, Castel	6,139
Heronniere Lane, St Sampsons	5,816
St Stephens Lane, St Peter Port	5,630
Rue Au Pretre, Rectory Hill, Castel	5,448
York Avenue, St Peter Port	5,112
Rue de La Lichoterie, St Peters	4,973
La Cloture, Vale	3,366
Clos Du Moulin, St Martins	3,331
Rue des Pointes, St Andrews	3,066
Pleinheume Lane, Vale	3,052
Rue de la Hougue Maban, St Saviours	2,434
Goldcrest Avenue, Port Soif, Vale	2,397
La Rue Au Cammu, St Martins	2,218
La Lande, Vale	2,199
Clos du Fillage, St Saviours	1,173
Ruette des Cherfs, Cobo, Castel	1,000
Elm Grove, St Peter Port	819
Retot Lane, Castel	315
Clos du Cache, Rue du Cache, Castel	49
Clos du Soleil, St Peter Port	36
<b>Total renewal and replacement of mains</b>	<b>322,685</b>

**Extension of mains and general distribution**

Longue Rue House, Les Caches, St Martins	16,206
Grande Bouet, St Peter Port	12,974
Rue des Piques, St Saviours	12,150
Rue des Martins, St Peters	10,617
Les Clos Bordier, St Martins	4,338
Thornhill, Upper St Jacques, St Peter Port	2,512
San Marco Hotel, Havilland Street, St Peter Port	1,650
Les Grandes Rues, St Peters	1,488
The Old Farm, Upper St Jacques, St Peter Port	992
Tertre Lane, Vale	504
Les Canichers, St Peter Port	287
Grand Bouet, St Peter Port	120
Rue des Marais, St Peter Port	19
Royal Chambers, Royal Avenue, St Peter Port	(673)

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63,184

Meters 15,614

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**Total extension of mains and general distribution 78,798**

**Less: Customer contributions (42,425)**

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**Total Water Distribution 359,058**

**Water Treatment**

Kings Mills - Upgrade WTW	635,124
Forest Road remedial works - West Tank	69,286
SCADA upgrade project - various sites	33,382
Hot Standby PLC - Longue Hougue	16,863
New Bund tank - St Saviours	13,460
Forest Road - Motorised valve	7,014
Juas - PLC Upgrade	4,286
Longue Hougue - Plant Optimisation	3,833
OSEC Plant - St Saviours	1,373
Building Maintenance - Rolling Budget	1,159

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**Total Water Treatment 785,780**

## **Water Resources**

Longue Hougue slope stabilisation - North face	527,332
Marais Stream - Upgrade pumping station	459,909
St Saviours Reservoir By-Pass (Main contract)	313,248
Moulin Huet - Refurbish Pumping Station	63,299
Stream Flow Monitoring	19,223
Marais Stream pump improvements	7,600
Jamblin replacement gantry	5,500
St Saviours Reservoir - Repairs to Dam wall	1,891
Fermain Pumping Station Improvements	665
Raw water pumping Station, Douit Du Moulin	81
Raw water pumping improvements - Vale Pond	48
Mains work, Douit Du Moulin	(28)

## **Total Water Resources**

---

**1,398,768**

## **Pumping Stations**

Bellgreve Wastewater Pumping Station	5,128,781
Les Landes PS	86,469
Metoc water quality monitoring	71,006
Cobo PS	18,914
HSS Overflow Alarms	3,791
Rue de la Boullerie, St Andrews	108

## **Total Pumping Stations**

---

**5,309,069**

## **Sewers**

Northside Penstock	267,956
Les Palloteries	164,731
Sewer rehabilitation	143,738
Vauvert SW Separation	141,001
Foul Water Network (Various Sites)	37,763
Fort George	31,368
Bouet	8,464

## **Total Sewers**

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**795,021**

## **Assets Under Construction**

Foul water drain - Route de St Andrew, St Andrews	344,496
L'eree	759,959

## **Total Assets Under Construction**

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**1,104,455**

**Capital Expenditure for General Purposes**

Waste Water Store at St Andrews	520,955
GW Operational Depot	112,050
Site Security Measures (2012)	71,177
General	35,244
Emergency water tanks	28,806
Remote Meter Reading (Upgrade)	25,500
Various Sites - Installation of radio equipment	18,011
Ground floor office construction	11,396
Site Security Measures - Various	11,342
Tablet PC's for field work	7,827
New website	7,361
Computer Equipment	7,068
Purchase of Chevrolet	5,967
St Andrews - Main Site Development	4,264
Slope stabilisation - Vale Mill & Longue Hougue	3,431
Computers	3,362
	<hr/>
<b><u>Total General</u></b>	<b>873,761</b>
	<hr/>
<b>Net Fixed Asset Additions</b>	<b><u><u>10,625,912</u></u></b>

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of activities and performance

*Year ended 31 December 2012*

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

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

#### **Department members and principal officers**

##### **Department members as at 31 December 2012**

Deputy K A Stewart	-	Minister
Deputy A Brouard	-	Deputy Minister
Deputy D G De Lisle	-	Member
Deputy L B Queripel	-	Member
Deputy H Soulsby	-	Member

##### **Dairy Management Board members**

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

##### **Department members as at 30 March 2012**

##### **Prior to States 2012 April deputy elections**

Deputy C McNulty Bauer	-	Minister
Deputy M Laine	-	Deputy Minister
Deputy A Brouard	-	Member
Deputy R Matthews	-	Member
Deputy M Storey	-	Member

##### **Resignations:**

Deputy M Hadley	-	Member
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Resigned from the Department on 28 November 2012 and therefore no longer eligible.

##### **Appointments:**

Deputy H Soulsby	-	Member
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Appointed on 28 November 2012

##### **Principal officers:**

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

##### **Address:**

Bailiff's Cross Road  
St Andrew  
Guernsey  
GY6 8RJ

##### **Resignations:**

Mr J Buckland	-	Chief Officer
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Resigned on 31 January 2012

##### **Appointments:**

Mr J Moriarty	-	Chief Officer
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Appointed on 13 September 2012

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Statement of activities and performance - continued

*Year ended 31 December 2012*

### **Principal purpose**

To operate the Guernsey Dairy in order to:

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

### **Financial Summary**

#### **Summary**

The Guernsey Dairy made an overall net surplus of £427,650 against a net surplus of £482,097 in 2011. This was higher than the forecast net surplus of £271,000 in the probable outturn published in Billet D'Etat XXVI 2012. The Dairy's forecast surplus for 2013 is expected to be in line with the 2013 budgeted figure of £200,000.

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

#### **Sales**

Overall sales turnover increased by £284,765 (4.2%) compared to 2011.

##### *Liquid Milk*

Sales revenue increased by £181,894 (3.4%) in 2012 compared to 2011 due to an increase in the price paid for milk.

##### *Dairy Products*

Overall sales for dairy products increased by £109,855 (8.1%) in 2012 compared to 2011. The majority of this increase is represented by higher butter sales of £216,489 (27.7%) due to various promotions taking place during the year. Cream and ice cream sales increased by £13,065 (5.1%) and £1,454 (1.1%) respectively and cheese sales reduced by £11,987 (4.7%) compared to 2011. Promotional discounts allowed across all product lines increased by £109,166 (161.3%).

##### *Sundry Income*

Sundry income decreased by £6,984 (25.6%) in 2012. This movement is mainly attributable to the reduction in advertising income received during 2012 compared to 2011.

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Statement of activities and performance - continued

Year ended 31 December 2012

### Cost of Sales

The cost of sales increased by £209,124 (4.5%) compared to 2011.

#### *Milk Purchases*

Although volumes of raw milk reduced in 2012 compared to 2011, the costs of purchasing raw milk increased by £121,577 (3.8%) due to the increased cost price paid for milk in 2012 compared to 2011.

#### *Milk – working losses*

Milk – working losses were reduced by £25,146 (19.4%) in 2012 compared to 2011 due to continued improvements to capital equipment and working efficiencies at the Dairy.

#### *Package materials*

Costs increased by £35,017 (7%) in 2012 compared to 2011 due to increased price rises on packaging materials from major suppliers.

#### *Offshore processing and freight*

Offshore processing and freight costs increased by £19,200 (41%) during 2012 compared to 2011 due to increased costs of transporting and storage of butter off island.

### Gross Surplus

The gross surplus for the year 2012 increased by £75,641 (3.7%) on 2011 figures.

### Expenses

#### *Advertising and promotion*

Advertising and promotion costs increased by £14,631 (28.3%) in 2012. The majority of this increase is due to the participation in The Guernsey Sports Commission's PE in Primary Schools Programme initiative over a three year period at a cost of £10,000 per annum.

#### *Depreciation*

Depreciation costs increased by £32,047 (17.9%) compared to 2011 this was partly due to two major capital projects being completed in 2012.

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

Fuel, light, power and water costs increased by £31,342 (10.3%) compared to 2011 due to annual increases in utility costs and the fluctuation in fuel prices.

#### *Professional Fees*

Professional fees fell by £6,849 (8.3%) in 2012 compared to 2011 due to slightly reduced audit fees and savings to a professional consultancy fee.

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

A general provision of 0.5% of the debtors balance has been included in these financial statements which forms part of Guernsey Dairy's accounting policy; a specific provision has also been included of £20,762.

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

#### Statement of activities and performance - continued

Year ended 31 December 2012

#### *Repairs, Maintenance and Insurance (plant and machinery, site and buildings)*

The overall total costs for Repairs, Maintenance and Insurance increased by £38,558 (34.3%) in 2012 compared to 2011 due to some upgrading, small replacements and repairs to equipment.

#### *Salaries and Wages*

The overall cost of salaries and wages have increased by £17,779 (3.1%) in 2012 compared to 2011.

#### **Capital Expenditure**

A comprehensive capital expenditure program continued in 2012 resulting in total expenditure of £152,071 against £866,918 in 2011.

<b>Capital expenditure</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
<b>Plant &amp; Machinery</b>		
C.I.P. Pipe -Work	-	2,836
Semi Automatic Churn Washer	-	24,500
Ice Bank System Pipe -Work & Pumps	-	32,260
Scalox/Prime Delivery Pipe -Work	-	6,628
Scada upgrade of Milk & Cream Pasteuriser	<b>24,311</b>	103,069
Shokoku S-PS60 Milk Packaging Machine	-	361,500
Brine Injector Pump	-	2,510
Rotary End Ford Butter Packaging Machine	-	199,950
LMS Cooled Brie Incubator	-	3,381
Two Ice Cream Scooping Freezers	-	4,340
MCC2 Electrical Control Panels	-	17,111
Cheese Maturation Store Racking	-	24,975
Boilers Hotwell Level Control System	<b>1,357</b>	-
Pallet Drum Loader	<b>752</b>	-
Milk Tank 2 Liner	<b>2,129</b>	-
Alfa Laval Lobe Cream Pump 1.5kw Motor	<b>4,955</b>	-
Jetstream 850 Foam Spray Unit	<b>807</b>	-
Daily Use Store Racking	<b>1,027</b>	-
Alfast Flow Transmitters	<b>8,144</b>	-
Organic Milk Pasteuriser Control Panel	<b>11,615</b>	-
Miscellaneous Coldstore Shelving	<b>1,760</b>	-
Ball Float Steam Trap and Thermostat	<b>1,699</b>	-
Colchester Mascot 1600 Gap Bed Centre Lathe	<b>7,547</b>	-
MB2 Butter Cannon	<b>79,194</b>	-
<b>Site &amp; Roads</b>		
Repairs to Tarmac	-	780
Dairy Signage	<b>6,164</b>	-

States of Guernsey  
 Commerce and Employment Department  
 Dairy Trading Account

Statement of activities and performance - continued  
 Year ended 31 December 2012

	2012 £	2011 £
<b>Motor Vehicles</b>		
Diesel Tank for Road Vehicles	-	2,811
Tanker Chassis	-	36,914
Road Tanker, Tank & Pump Cabinet	-	29,383
Road Tanker Pump	-	4,677
Forklift Mounted Drum Grab	<b>610</b>	-
<b>Other Office Equipment (F&amp;F)</b>		
Electronic Safe	-	523
HP Laser Jet P4014DN Printer	-	1,212
Storage & Segregation Racking	-	4,780
HP USDT Computer, VDU & Cabling	-	1,625
Oak Desk, Pedestal & Chair	-	339
Shockproof Laptop	-	814
<b>Total Capital expenditure</b>	<b><u>£152,071</u></b>	<b><u>£866,918</u></b>

# States of Guernsey

## Commerce and Employment Department

### Dairy Trading Account

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

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

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

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

#### Statement of internal financial controls

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

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

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

The Department’s internal financial procedures include:

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

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY COMMERCE AND EMPLOYMENT DEPARTMENT**

We have audited the financial statements of the States of Guernsey Commerce and Employment Department - Dairy Trading Account ("the Dairy") for the year ended 31 December 2012, which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Dairy's affairs as at 31 December 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

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

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

Deloitte LLP  
Chartered Accountants  
St. Peter Port, Guernsey  
4 July 2013

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Revenue account

For the year ended 31 December 2012

	Notes	£	2012 £	£	2011 £
<b>Sales</b>	<i>1</i>				
Liquid milk			5,490,242		5,308,348
Dairy products			1,461,983		1,352,128
Sundry income			<u>20,224</u>		<u>27,208</u>
<b>Total sales</b>			<b>6,972,449</b>		6,687,684
<b>Cost of sales</b>					
Opening product stock	<i>4</i>	251,122		273,061	
Opening packaging stock	<i>4</i>	<u>155,932</u>	407,054	<u>168,734</u>	441,795
Production wages		811,949		766,298	
Milk		3,258,174		3,136,597	
Milk – working losses		104,571		129,717	
Dairy product ingredients		33,491		42,391	
Packaging materials		529,378		494,361	
Carriage inwards		14,581		14,291	
Offshore processing and freight		<u>66,141</u>	4,818,285	<u>46,941</u>	4,630,596
Closing product stock	<i>4</i>	(198,317)		(251,122)	
Closing packaging stock	<i>4</i>	<u>(152,561)</u>	(350,878)	<u>(155,932)</u>	(407,054)
<b>Total cost of sales</b>			<b>4,874,461</b>		4,665,337
Gross surplus			2,097,988		2,022,347
Administration expenses	<i>2</i>		<u>(1,703,367)</u>		<u>(1,566,930)</u>
<b>Operating surplus for the year</b>			<b>394,621</b>		455,417
Interest receivable	<i>1</i>		32,659		8,924
Gain on sale of fixed assets			<u>370</u>		<u>17,756</u>
<b>Retained surplus for the year</b>	<i>7</i>		<b><u>£427,650</u></b>		<u>£ 482,097</u>

All material activities derive from continuing operations.

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

Notes on pages 56 to 61 form part of these financial statements.

States of Guernsey  
Commerce and Employment Department  
Dairy Trading Account

Balance sheet  
at 31 December 2012

	<i>Notes</i>	<b>2012</b> £	2011 £
<b>Tangible fixed assets</b>	3	<b>2,162,770</b>	2,221,787
<b>Current assets</b>			
Stocks	4	<b>415,215</b>	472,314
Debtors and prepayments	5	<b>1,138,750</b>	1,040,033
Balances held with the States Treasury		<b>1,041,360</b>	839,799
Cash at bank and in hand		<b><u>367,532</u></b>	<u>131,800</u>
		<b>2,962,857</b>	2,483,946
<b>Creditors: amounts falling due within one year</b>	6	<b><u>(410,954)</u></b>	<u>(418,710)</u>
<b>Net current assets</b>		<b><u>2,551,903</u></b>	<u>2,065,236</u>
<b>Total net assets</b>		<b><u>£4,714,673</u></b>	<u>£4,287,023</u>
<b>Reserves</b>	7	<b><u>£4,714,673</u></b>	<u>£4,287,023</u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 4 July 2013.

Signed on behalf of the Department

**K A Stewart**  
*Minister*

Notes on pages 56 to 61 form part of these financial statements.

States of Guernsey  
 Commerce and Employment Department  
 Dairy Trading Account

Cash flow statement  
 for the year ended 31 December 2012

	Notes	£	2012 £	£	2011 £
<b>Net cash inflow from operating activities</b>	8		<b>556,335</b>		855,901
<b>Returns on investments and servicing of finance</b>					
Interest received			<b>32,659</b>		8,924
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets	3	<b>(152,071)</b>		(846,918)	
Receipts from sales of tangible fixed assets		<b>370</b>		2,651	
<b>Net cash outflow from capital expenditure</b>			<b>(151,701)</b>		(844,267)
<b>Management of liquid resources</b>					
Increase in assets held with States Treasury	9,10		<b>(201,561)</b>		(506,864)
<b>Increase / (decrease) in cash</b>	9,10		<b><u>£235,732</u></b>		<b><u>(£ 486,306)</u></b>

Notes on pages 56 to 61 form part of these financial statements.

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Notes to the financial statements

### 1. Accounting policies

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

#### *Stock*

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

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

#### *Debtors*

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

#### *Depreciation*

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

	<b>Estimated life In years</b>	<b>Depreciation % per annum</b>
Site and roads	10	10
Buildings	20 – 50	2 – 5
Plant, machinery and laboratory equipment	5 – 20	5 – 20
Office furniture and fittings	5 – 8	12.5 – 20
Other office equipment	3 – 8	12.5 – 33.3
Motor vehicles (except forklifts)	5	20
Forklift trucks	15 – 20	5 – 6.7
Computer hardware	3	33.3
Computer software	3 – 5	20-33.3

#### *Income*

Sales are accounted for on an accruals basis. Interest is recognised on an accruals basis.

#### *Expenses*

Expenses are accounted for on an accruals basis.

#### *Pension costs*

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

#### *Going concern statement*

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

States of Guernsey  
 Commerce and Employment Department  
 Dairy Trading Account

Notes to the financial statements - continued

2. Administration expenses

	2012 £	2011 £
Opening non-product stock	65,260	65,059
Advertising and promotion	66,329	51,698
Carriage outwards	8,701	7,769
Cleaning materials	62,114	58,891
Depreciation	211,088	179,041
Fuel, light, power and water	336,358	305,016
General administration costs	25,413	30,332
Laboratory expenses	99,281	85,825
Motor vehicle expenses	24,000	27,650
Other expenses	51,750	45,751
Product research and development	-	31
Professional fees	75,703	82,552
Movement in bad and doubtful debt provision	(3,641)	9,382
Repairs, maintenance and insurance (plant and machinery)	107,397	76,007
Repairs, maintenance and insurance (site and buildings)	43,611	36,443
Rates	457	425
Salaries and wages	581,817	564,038
Staff training and recruitment	12,066	6,280
Closing non production stock	<u>(64,337)</u>	<u>(65,260)</u>
	<b><u>£ 1,703,367</u></b>	<b><u>£ 1,566,930</u></b>

States of Guernsey  
Commerce and Employment Department  
Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2012 £	Additions £	Disposals £	31 December 2012 £
<i>Cost</i>				
Site and roads	1,746	6,164	-	7,910
Buildings	1,559,313	-	-	1,559,313
Plant and machinery	3,439,463	145,297	1,641	3,583,119
Motor vehicles	305,418	610	-	306,028
Laboratory equipment	122,782	-	-	122,782
Furniture and equipment	<u>161,519</u>	<u>-</u>	<u>-</u>	<u>161,519</u>
	<u>5,590,241</u>	<u>152,071</u>	<u>1,641</u>	<u>5,740,671</u>
	1 January 2012 £	Charge for the year £	Disposals £	31 December 2012 £
<i>Depreciation</i>				
Site and roads	978	104	-	1,082
Buildings	723,624	37,918	-	761,542
Plant and machinery	2,262,947	116,842	1,641	2,378,148
Motor vehicles	126,715	45,861	-	172,576
Laboratory equipment	122,782	-	-	122,782
Furniture and equipment	<u>131,408</u>	<u>10,363</u>	<u>-</u>	<u>141,771</u>
	<u>3,368,454</u>	<u>211,088</u>	<u>1,641</u>	<u>3,577,901</u>
<b>Net book value 2012</b>	<u>£2,221,787</u>			<u>£2,162,770</u>
<b>Net book value 2011</b>	<u>£1,538,804</u>			<u>£2,221,787</u>

4. Stocks

	2012 £	2011 £
Milk and Dairy products	198,317	251,122
Packaging materials	152,561	155,932
Other stock	<u>64,337</u>	<u>65,260</u>
	<u>£415,215</u>	<u>£472,314</u>

States of Guernsey  
Commerce and Employment Department  
Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2012 £	2011 £
Trade debtors	1,093,856	912,333
Prepayments	44,894	17,429
Accrued income	<u>-</u>	<u>110,271</u>
	<b><u>£1,138,750</u></b>	<b><u>£1,040,033</u></b>

6. Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	369,216	381,375
Accruals	<u>41,738</u>	<u>37,335</u>
	<b><u>£410,954</u></b>	<b><u>£418,710</u></b>

7. Reserves

	2012 Revenue Account £	2011 Revenue Account £
Balance at 1 January	4,287,023	3,804,926
Surplus for the financial year	<u>427,650</u>	<u>482,097</u>
<b>Balance at 31 December</b>	<b><u>£4,714,673</u></b>	<b><u>£4,287,023</u></b>

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

	2012 £	2011 £
Operating surplus for the year	394,621	455,417
Depreciation	211,088	179,041
(Increase)/decrease in debtors and prepayments	(98,717)	234,238
Decrease in stocks	57,099	34,540
Decrease in creditors and accruals	<u>(7,756)</u>	<u>(47,335)</u>
<b>Net cash inflow from operating activities</b>	<b><u>£ 556,335</u></b>	<b><u>£ 855,901</u></b>

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Notes to the financial statements - continued

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

	<b>2012</b>	2011
	£	£
Increase / (decrease) in cash in the year	<b>235,732</b>	(486,306)
Increase in balances with States Treasury	201,561	506,864
Change in net funds	<b>437,293</b>	20,558
Net funds at 1 January	971,599	951,041
<b>Net funds at 31 December</b>	<b><u>£ 1,408,892</u></b>	<b><u>£971,599</u></b>

### 10. Analysis of the changes in net funds

	At 1 January 2012	Cash flows	At 31 December 2012
	£	£	£
Cash at Bank and in hand	131,800	235,732	<b>367,532</b>
Balances held with States Treasury	<u>839,799</u>	<u>201,561</u>	<b><u>1,041,360</u></b>
	<u>£ 971,599</u>	<u>£ 437,293</u>	<b><u>£ 1,408,892</u></b>

### 11. Superannuation fund

The employees of the States of Guernsey – Dairy are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2011 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2010 that indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

The States of Guernsey – Dairy has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2012 were £137,979 (2011: £129,653).

# States of Guernsey Commerce and Employment Department Dairy Trading Account

## Notes to the financial statements - continued

### **12. Related party transactions**

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

### **13. Statement of control**

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

### **14. Subsequent events**

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

### **15. Commitments and contingent liabilities**

There are no commitments or contingent liabilities relating to 2012 which would affect these financial statements (2011: None).

# States of Guernsey Public Services Department

## States Works

### Statement of activities and performance

Year ended 31 December 2012

#### Principal activities

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

#### Financial Highlights

	<b>Actual 2012</b>	<b>Budget 2012</b>	<b>Actual 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>	<b>13,683</b>	<b>13,394</b>	<b>13,605</b>
<b>Surplus</b>	<b>387</b>	<b>445</b>	<b>531</b>
<b>Capital expenditure</b>	<b>1,092</b>	<b>1,081</b>	<b>925</b>

Operating turnover for the year ended 31 December 2012 exceeded the revised budget estimate by 2.2% and the equivalent 2011 turnover by 0.6%. There has been an increase in fleet maintenance income during 2012 due to the new service level agreements with Guernsey Harbour, HSSD and Education.

The surplus before bank interest has fallen from £504k in 2011 to £366k. The operating surplus is now 2.7% of turnover (2011: 3.7%). This reduction in surplus is due to increased depreciation costs which have risen from £543k to £700k in 2012, due to the purchase of replacement sewage tankers. This is a very tight margin to operate under and States Works is continually looking at ways to reduce costs and maintain its surplus.

The capital expenditure is slightly higher than last year. Two gully emptiers were purchased at the start of the year which were from the 2011 capital budget allocation. A number of cars & vans were also replaced as part of the rolling vehicle replacement programme. This replacement programme is reviewed annually to ensure that there is an economic working fleet. Four sewage tankers were purchased as part of the service level agreement for the waste water collection service.

A number of improvements have been made to the garage at La Hure Mare which include the installation of a mezzanine floor, purchase of a vehicle hoist and pit jack and the installation of pipework to enable the distribution of synthetic oils. At Burnt Lane, an automatic irrigation system has been installed which will reduce labour costs.

States Works livery is being changed to white for new vehicles going forwards, and it is anticipated that this will save States Works approximately £21k a year for the next 10 years.

It was agreed in January 2012 by the Public Services Department Board to make a transfer of £1.5million from States Works' retained surpluses to the States General Revenue Account.

# States of Guernsey Public Services Department

## States Works

### Statement of activities and performance (continued)

Year ended 31 December 2012

#### Operational Performance

##### Staffing Statistics

	2012	2011
Ratio of Support staff to Operational staff	13%	13%
Staff members at year end	233	241
Income generated per Employee	£58,724	£56,450

##### Emergency Call-Out

Number of calls	105	101
Man hours worked	996	700

#### Developments in 2012

States Works is continuing to work closely with Central Procurement in terms of progressing the corporate provision proposals for ground maintenance and fleet management. The Business Cases for these two workstreams are now due to be completed by April and June 2013 respectively. If approved by the Financial Transformation Programme's executive leadership team these new arrangements will commence in January 2014 and run for a minimum five year period. At this stage we are extremely optimistic that the proposals will provide significant tangible benefits and indeed where departmental savings and/or value for money benefits have been identified, and existing contract arrangements permit, some Departments have signed up to a 2013 commencement.

2013 service level agreement negotiations have been concluded and States Works has been successful in retaining all its current contracts apart from the public convenience cleaning contract. Our objective of securing longer term agreements has also been realised in some areas with Guernsey Water and the PSD (Emergency Services SLA) having agreed to three and five year contracts respectively.

The operational elements of the Public Services Department's Waste Services team have now transferred across to States Works and this increased functionality will be reflected in the 2013 Waste and Recycling Service Level Agreements. These new arrangements will enable the remaining members of the Waste Services team to concentrate on delivery of the Revised Waste Strategy and other strategic/policy related initiatives.

#### Environmental issues

Diesel fuel tanks have been installed at Burnt Lane which will reduce the travel distances for staff to refill their vehicles and this will reduce our carbon footprint.

# States of Guernsey Public Services Department

## States Works

### **Statement of activities and performance (continued)**

*Year ended 31 December 2012*

### **Board Members and Principal Officers**

Deputy P. A. Luxon, Minister (appointed 08/05/2012)  
Deputy S. J. Ogier, Deputy Minister  
Deputy Y. Burford (appointed 11/05/2012)  
Deputy D. J. Duquemin (appointed 11/05/2012)  
Deputy R. A. Jones (appointed 11/05/2012)  
Deputy B. M. Flouquet, Minister (resigned 30/04/2012)  
Deputy T. M. Le Pelley (resigned 30/04/2012)  
Deputy A. Spruce (resigned 11/05/2012)  
Deputy J. Kuttelwascher (resigned 11/05/2012)

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department  
Mr J. S. N. Menhenitt, Finance Director, Public Services Department  
Mr P. Lickley, General Manager, States Works (appointed 17/10/2011)  
Mr N. J. Dorey, General Manager, States Works (retired 17/02/2012)  
Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works

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

The Public Services Department (the “Board”) is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of States Works as at the end of the financial year and of the surplus or deficit of States Works for that period. In preparing those financial statements, the Board is required to:

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

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

# States of Guernsey Public Services Department

## States Works

### **Statement of internal financial controls**

It is the responsibility of each States Department to identify and install a system of internal controls, including financial controls, which is adequate for its own purposes and to safeguard the assets of the States of Guernsey in their care and hence for taking reasonable steps for the prevention of fraud and other irregularities. The Public Services Department is responsible for the economic, efficient and effective operations and management of States Works and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

The States Works internal financial controls and monitoring procedures include:

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

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

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

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

# States of Guernsey Public Services Department

## States Works

### **Statement of internal financial controls (continued)**

#### **Going Concern**

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

## **INDEPENDENT AUDITOR'S REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT – STATES WORKS**

We have audited the financial statements of States Works for the year ended 31 December 2012 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Public Services Department (“the Board”), as a body, in accordance with the terms of our engagement letter dated 29 January 2013. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the States Works’ affairs as at 31 December 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

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

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

Deloitte LLP  
Chartered Accountants  
Guernsey 20 June 2013

# States of Guernsey Public Services Department

## States Works

### Revenue account

for the year ended 31 December 2012

	Notes	2012 £	2011 £
<b>Income</b>	2	<b><u>13,682,771</u></b>	<b><u>13,604,552</u></b>
<b>Expenses</b>			
Labour and direct materials	3	10,219,742	10,229,412
Transport, plant and equipment maintenance	4	1,136,804	975,186
Building maintenance and charges	5	391,719	345,022
Administration and general	6	<u>1,568,508</u>	<u>1,550,897</u>
		<b><u>13,316,773</u></b>	<b><u>13,100,517</u></b>
<b>Operating surplus</b>		<b>365,998</b>	<b>504,035</b>
Interest received from States Treasury		<u>20,944</u>	<u>26,539</u>
<b>Surplus for the financial year</b>	11	<b><u><u>386,942</u></u></b>	<b><u><u>530,574</u></u></b>

All material activities derive from continuing operations.

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

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

# States of Guernsey Public Services Department

## States Works

### Balance sheet

at 31 December 2012

	<i>Notes</i>	<b>2012</b> £	<b>2011</b> £
<b>Tangible fixed assets</b>	7	<b>6,235,555</b>	<b>5,920,291</b>
<b>Current Assets</b>			
Stock and work in progress	8	<b>410,033</b>	<b>341,233</b>
Debtors	9	<b>927,228</b>	<b>531,690</b>
Balances with States Treasury	14	<u><b>798,405</b></u>	<u><b>2,891,734</b></u>
		<u><b>2,135,666</b></u>	<u><b>3,764,657</b></u>
<b>Creditors: amounts falling due within one year</b>	10	<u><b>317,038</b></u>	<u><b>441,782</b></u>
<b>Net current assets</b>		<u><b>1,818,628</b></u>	<u><b>3,322,875</b></u>
<b>Total net assets</b>		<u><b>8,054,183</b></u>	<u><b>9,243,166</b></u>
<b>Reserves</b>	11	<u><b>8,054,183</b></u>	<u><b>9,243,166</b></u>

These financial statements were approved by the Public Services Department on 20 June 2013  
Signed on behalf of the Board

P A Luxon  
*Minister*

S J Ogier  
*Deputy Minister*

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

# States of Guernsey Public Services Department

## States Works

### Cash flow statement

for the year ending 31 December 2012

	Notes	2012 £	2011 £
<b>Net cash inflow from operating activities</b>	12	<u>447,120</u>	<u>1,045,237</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		20,944	26,539
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets	7	(1,092,292)	(925,487)
Receipts from sales of tangible fixed assets		<u>30,899</u>	<u>29,350</u>
<b>Net cash outflow from investing activities</b>		<u>(593,329)</u>	<u>(896,137)</u>
<b>Financing</b>			
Transfer to General Revenue		<u>(1,500,000)</u>	<u>-</u>
<b>Management of liquid resources</b>			
Decrease in amounts held with States Treasury	13	<u>(2,093,329)</u>	<u>(175,639)</u>
<b>Movement in cash</b>		<u>-</u>	<u>-</u>

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

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements

#### 1. Principal accounting policies

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

##### *Accounting convention*

The financial statements are prepared under the historical cost convention

##### *Going Concern*

The financial statements have been prepared on a going concern basis. The Board consider that the going concern basis is appropriate and that the company is able to meet its liabilities as they fall due.

##### *Revenue*

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

##### *Trade Debtors*

Trade debtors are stated less a general provision of £10,000 (2011: £10,000).

##### *Tangible fixed assets*

Tangible fixed assets are stated at cost less depreciation.

##### *Depreciation*

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

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

##### *Stock and work in progress*

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

##### *Pension costs*

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

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

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

##### *Interest Income*

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

##### *Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term.

<b>2. Income</b>	<b>2012</b>	<b>2011</b>
	£	£
Building maintenance	305,097	449,705
Cleansing services	2,052,959	2,084,489
Drainage work	299,636	258,474
Electrical & mechanical work	935,658	1,043,864
Emergency services	117,553	101,183
Fleet hire	36,679	23,736
Fleet maintenance	621,257	501,847
Grounds maintenance	2,175,828	2,065,529
Highway repairs	1,277,398	1,200,353
Landfill & recycling	2,513,250	2,509,134
Management services	219,535	182,834
Sewage collection	2,061,283	2,117,364
Signs & lines	387,205	369,031
Administration & stores	649,488	667,659
Profit on disposal of fixed assets	<u>29,945</u>	<u>29,350</u>
	<u><b>13,682,771</b></u>	<u><b>13,604,552</b></u>
<b>3. Labour &amp; direct materials</b>	<b>2012</b>	<b>2011</b>
	£	£
Labour charges:		
Wages and employer's superannuation	6,844,085	6,665,420
Direct materials:		
Materials and services	2,432,262	2,512,161
Stores	603,824	619,239
Sub contractors	364,096	457,161
Less: discounts received	<u>(24,525)</u>	<u>(24,569)</u>
	<u><b>3,375,657</b></u>	<u><b>3,563,992</b></u>
	<u><b>10,219,742</b></u>	<u><b>10,229,412</b></u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

<b>4. Transport, plant and equipment maintenance</b>	<b>2012</b>	<b>2011</b>
	£	£
Vehicles - fuel and maintenance	394,982	390,819
- depreciation	511,824	370,481
Plant & Tools - maintenance & replacements	144,417	140,221
- depreciation	<u>85,581</u>	<u>73,665</u>
	<u><b>1,136,804</b></u>	<u><b>975,186</b></u>
<b>5. Building maintenance and charges</b>	<b>2012</b>	<b>2011</b>
	£	£
La Hure Mare	216,701	186,126
Burnt Lane & Saumarez Lane Depot	83,306	69,630
Buildings and fittings depreciation	<u>91,712</u>	<u>89,266</u>
	<u><b>391,719</b></u>	<u><b>345,022</b></u>
<b>6. Administration and general</b>	<b>2012</b>	<b>2011</b>
	£	£
Salaries, wages and employer's superannuation	1,273,895	1,237,921
Travel & training charges	57,586	59,598
Post, stationery & telephone	29,886	37,827
Computer charges	51,983	52,188
Insurance	103,350	117,994
Audit fee	12,496	14,240
Sundry office expenses	28,280	22,017
Office and equipment depreciation	<u>11,032</u>	<u>9,112</u>
	<u><b>1,568,508</b></u>	<u><b>1,550,897</b></u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

#### 7. Tangible fixed assets

<i>Cost</i>	1 January 2012	Additions	Write down of transferred asset	Disposals	31 December 2012
	£	£	£	£	£
Plant, tools & equipment	1,269,140	95,421	-	95,297	1,269,264
Motor vehicles	4,161,934	977,826	75,924	131,278	4,932,558
Office equipment	179,218	-	-	14,603	164,615
Buildings and fittings	3,800,324	19,045	-	-	3,819,369
Land	1,274,220	-	-	-	1,274,220
	<b>10,684,836</b>	<b>1,092,292</b>	<b>75,924</b>	<b>241,178</b>	<b>11,460,026</b>
<i>Depreciation</i>	1 January 2012	Charge for the year		Disposals	31 December 2012
	£	£		£	£
Plant, tools & equipment	957,172	85,581		95,297	947,456
Motor vehicles	2,143,816	511,824		130,323	2,525,317
Office equipment	138,657	11,032		14,603	135,086
Buildings and fittings	1,524,900	91,712		-	1,616,612
Land	-	-		-	-
	<b>4,764,545</b>	<b>700,149</b>		<b>240,223</b>	<b>5,224,471</b>
<b>Net Book Value</b>	<b><u>5,920,291</u></b>				<b><u>6,235,555</u></b>

#### 8. Stock and work in progress

	2012	2011
	£	£
Stock	262,664	201,684
Work in progress	<u>147,369</u>	<u>139,549</u>
	<b><u>410,033</u></b>	<b><u>341,233</u></b>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

<b>9. Debtors</b>	<b>2012</b>	<b>2011</b>
	£	£
Trade debtors (Note 1)	874,585	495,430
Prepayments and other debtors	<u>52,643</u>	<u>36,350</u>
	<u><u>927,228</u></u>	<u><u>531,690</u></u>

<b>10. Creditors: amounts falling due within one year</b>	<b>2012</b>	<b>2011</b>
	£	£
Trade creditors	246,895	268,797
Accruals	<u>70,143</u>	<u>172,985</u>
	<u><u>317,038</u></u>	<u><u>441,782</u></u>

<b>11. Reserves</b>	<b>Revenue Reserve</b>	<b>Asset Transfer Reserve</b>	<b>Total</b>
	£	£	£
Balance 1 January 2012	8,982,246	260,920	9,243,166
Asset write down	-	(75,925)	(75,925)
Transfer to General Reserve	(1,500,000)	-	(1,500,000)
Surplus for financial year	<u>386,942</u>	<u>-</u>	<u>386,942</u>
Balance 31 December 2012	<u><u>7,869,188</u></u>	<u><u>184,995</u></u>	<u><u>8,054,183</u></u>

It was agreed in January 2012 by the Public Services Department Board to make a transfer of £1.5million from States Works' retained surpluses to the States General Revenue Account.

<b>12. Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2012</b>	<b>2011</b>
	£	£
Operating surplus	365,998	504,035
Depreciation charges and profit on sale of tangible fixed assets	670,204	513,174
(Increase) / decrease in stocks and work in progress	(68,800)	36,467
Increase in debtors	(395,538)	(16,094)
(Decrease) / increase in creditors	<u>(124,744)</u>	<u>7,655</u>
<b>Net cash inflow from operating activities</b>	<u><u>447,120</u></u>	<u><u>1,045,237</u></u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

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

	2012 £	2011 £
Movement in cash (Decrease) / increase in liquid resources	<u>(2,093,329)</u>	<u>175,639</u>
	(2,093,329)	175,639
Net funds at 1 January	<u>2,891,734</u>	<u>2,716,095</u>
<b>Net funds at 31 December</b>	<u><u>798,405</u></u>	<u><u>2,891,734</u></u>

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

	1 January 2012 £	Cash Flow £	31 December 2012 £
Cash held with States Treasury	<u>2,891,734</u>	<u>(2,093,329)</u>	<u>798,405</u>

#### 15. Capital Commitments

	2012 £	2011 £
Contracted for but not provided	<u>43,300</u>	<u>418,832</u>

#### 16. Operating leases

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

	2012	2011
Expiry date		
- within one year	29,370	45,870
- between two to five years	63,635	93,005
- greater than five years	-	-
	<u>93,005</u>	<u>138,875</u>

# States of Guernsey Public Services Department

## States Works

### Notes to the financial statements - continued

#### 17. Superannuation Fund

The employees of States Works are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2011 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2010 that indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

States Works has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2012 were £789,114 (2011: £763,609).

#### 18. Related party transactions

##### *Income*

The States of Guernsey Public Services Department – States Works are of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at “arms length”. There has been a small change in the proportion of business between States 86% (2011: 88%) and private 14% (2011: 12%) clients.

##### *Expenditure*

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

#### 19. Statement of control

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

## **STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

#### **STATEMENT OF ACTIVITIES**

**Year ended 31 December 2012**

##### **ACTIVITIES DURING THE YEAR**

The Department was in its third year of a 5-year phasing in period to increase the upper earnings limits for employed, self-employed and non-employed people. Ultimately, this will match the upper earnings limit that applies to employers.

The Department is in dialogue with the Policy Council's Fiscal and Economic Policy Group and the Treasury and Resources Department over the rates of contribution necessary for the long-term sustainability of the Contributory Funds, with a view to taking proposals to the States in 2013. The Department and the Treasury and Resources Department will be consulting in 2013 on personal tax and benefit matters.

In co-operation with the Health and Social Services Department, the Department continued to fund, on a pilot basis, a primary care mental health and wellbeing service. The aim of the service is to develop an integrated mental health service on Guernsey to ensure that, following an assessment in the community, psychological support and therapy is available for the early intervention of mild to moderate mental health problems.

The Department continued with the programme to change its investment strategy and strategic asset allocations for the Common Investment Fund.

Contract price reviews and negotiations with the Medical Specialist Group and the Guernsey Physiotherapy Group were concluded in 2012 and early 2013. This will cover the last 5 years of the contracts associated with the specialist health insurance scheme.

The Department has remained active, through the Prescribing Support Unit in keeping pharmaceutical costs as well controlled as possible.

In co-operation with the Health and Social Services Department, consideration is being given to long term health strategies and financing. This work will include reviewing recommendations from the Public Accounts Committee's commissioned report by Sector regarding secondary healthcare.

During the year, the Department has been co-operating with the Health and Social Services Department, the Housing Department and the Treasury and Resources Department regarding the development of the supported living and ageing well strategy. This includes examining the financing models for care services currently outside the scope of long-term care insurance, including extra-care housing.

The Department has continued to be actively involved in a number of work-streams of the Financial Transformation Programme (FTP) during the year. The main focus was on the SAP/Shared Transaction Service Centre (STSC) project, which changes the way the States of Guernsey manages the administration of finance, human resources, procurement, information technology and asset management.

During the year, the Department published its Business Plan to enable all staff to align and contribute to its objectives and strengthen its Investor in People status.

##### **FUTURE ACTIVITIES**

The Department will continue to engage in dialogue with the Policy Council's Fiscal and Economic Policy Group and Treasury and Resources Department over the rates of contribution necessary for the long-term sustainability of the Contributory Funds as part of the review of personal tax, pensions and benefits.

The Department will continue to pilot a primary care mental health and wellbeing service and will monitor its progress to establish whether there is a case for making the service permanent.

## **STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

#### **STATEMENT OF ACTIVITIES (CONTINUED)**

**Year ended 31 December 2012**

#### **FUTURE ACTIVITIES (CONTINUED)**

The Department will continue to remain active, through the Prescribing Support Unit in keeping pharmaceutical costs as well controlled and cost effective as possible.

The Department will complete the transition to its revised strategic asset allocations for the Common Investment Fund.

In respect of specialist health insurance scheme, the Department will focus on contract and performance monitoring of its main suppliers.

It is intended that the travel allowance grant (TAG), which is essentially a health benefit, be transferred from the Guernsey Insurance Fund to the Guernsey Health Service Fund, although not before 2014.

The Department will consider the appropriateness of funding visiting consultants' costs from the Guernsey Health Service Fund. This will be debated with Health and Social Services Department who current fund this.

The Department will continue to co-operate with the Health and Social Services Department regarding the development of long term health strategies and financing.

The Department will continue to co-operate with the Health and Social Services Department, the Housing Department and the Treasury and Resources Department regarding the development of the supported living and ageing well strategy.

The Department will continue to participate constructively in the Financial Transformation Programme, encouraging more corporate working in order to progress business efficiencies at a local level and States wide.

The Department will use its Business Plan to further develop effective key performance indicators and a performance reporting systems. This will include further strengthening Risk Management.

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

### Controlled and managed by the Social Security Department

#### STATEMENT OF PERFORMANCE

Year ended 31 December 2012

##### *Overview*

The Consolidated Contributory Funds comprising the Guernsey Insurance Fund (GIF), Guernsey Health Service Fund (GHS) and Long-term Care Insurance Fund (LTC) recorded an operating deficit of £4.9m (2011: £44k deficit). The 2012 budgeted deficit was £3.3m. A breakdown of the operating results is as follows:

- GIF: operating deficit of £10.0m (2011: £3.9m). The budgeted deficit was £7.4m;
- GHS: operating surplus of £4.3m (2011: £3.3m). The budgeted surplus was £3.5m; and
- LTC: operating surplus of £0.8m (2011: £0.6m). The budgeted surplus was £0.6m.

Total Reserves for the year increased by £56.2m (2011: £23.1m decrease). This increase comprised the operating deficit of £4.9m and an increase from investing activities of £61.1m (2011: £23.0m decrease). The increase in Reserves is allocated as follows:

- GIF: +£40.8m (2011: £23.6m decrease) and comprised the operating deficit of £10.0m and increase from investing activities of £50.8m (2011: £19.6m decrease);
- GHS: +£10.8m (2011: £1.3m) and comprised the operating surplus of £4.3m and increase from investing activities of £6.5m (2011: £2.0m decrease); and
- LTC: +£4.6m (2011: £0.8m decrease) and comprised the operating surplus of £0.8m and increase from investing activities of £3.8m (2011: £1.3m decrease).

At the year-end total reserves stood at £783.5m (2011: £727.2m) and allocated as follows:

- GIF: £652.2m (2011: £611.4m) with expenditure cover 5.5 years (2011: 5.6 years);
- GHS: £83.0m (2011: £72.2m) with expenditure cover 2.3 years (2011: 2.0 years); and
- LTC: £48.3m (2011: £43.6m) with expenditure cover 2.9 years (2011: 2.7 years).

##### *Contribution income and states grant*

Total contribution income increased by 2.9% to £148.3m (2011: £144.1m) but below the budget of £149.8m. Total States' grants, which are based on a fixed percentage of contributions, increased to £18.5m (2011: £18.0m) and below the budget of £18.8m.

The overall number of contributors, at week 48, decreased by 0.7% to 37,263 (2011: 37,535). The number of employed and self-employed decreased by 1.0% and 1.1% respectively while non-employed contributors increased by 1.5%.

The largest economic sector remained the financial sector, which accounted for 22% of the employed population and represented 31% of the total income received from employers and employees.

Numbers of Contributors as at week 48	2012	2011	5-Year average
Employers	2,430	2,393	2,426
Employed	28,947	29,254	29,154
Self-Employed	3,302	3,339	3,372
Non-Employed	5,014	4,942	4,955
<b>Total Employed</b>	<b>37,263</b>	<b>37,535</b>	<b>37,481</b>

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

### Controlled and managed by the Social Security Department

#### STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2012

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

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

- GIF: +2.8% to £94.9m (2011: £92.3m) but below the budget of £95.86m. The grant received from the States of Guernsey, being a fixed percentage of contributions (15%), increased to £14.2m (2011: £13.8m) but below the budget of £14.4m;
- GHS: +3.0% to £35.8m (2011: £34.8m) and below the budget of £36.3m. The grant received from the States of Guernsey, being a fixed percentage of contributions (12%), increased to £4.3m (2011: £4.2m) and below the budget of £4.4m; and
- LTC: +3.3% to £17.6m (2011: £17.0m) and below the budget of £17.8m.

##### *Benefit expenditure*

Overall benefit expenditure increased by 5.9% to £165.1m (2011: £155.9m) but below the budget of £165.5m. The general rate of benefit was increased by 3.6%. The allocation between the Funds is as follows:

- GIF: +8.3% to £113.6m (2011: £104.9m) and above the budget of £112.2m;
- GHS: +0.5% to £34.9m (2011: £34.7m) and below the budget of £36.2m; and
- LTC: +2.2% to £16.6m (2011: £16.3m) but below the budget of £17.1m.

Details of major areas of benefit expenditure follow:

##### **GIF: Pension**

	2012	2011	5-Year Average
Number of claimants at the year-end	16,188	15,690	15,215
Number of approved claims during the year	1,166	1,304	1,084

Pension expenditure increased by 9.3% to £94.75m (2011: £86.69m) and above the budget of £93.18m.

The single rate of old age pension and the addition in pension in respect of a dependant wife both increased by 3.6%. The number of pensioners increased by 3.17% at the end of the year with the number of approved new claims decreasing to 1,166 (2011: 1,304). Although difficult to estimate the exact months of the increases, it was predicted that pension numbers would rise considerably in 2011 and 2012 as the so called 'baby-boomers' born in the years following World War II reached pension age. The precise timing of the months of new pension entitlement were different than budgeted.

##### **GIF: Invalidity benefit**

	2012	2011	5-Year Average
Number of claimants at the year-end	856	885	866
Number of approved claims during the year	275	299	370

Invalidity benefit decreased by 3.0% to £7.54m (2011: £7.77m) and below the budget of £8.22m. The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick. Although the number of approved claims during the year increased to 275 (2011: 299) it was well below the 5-year average of 370.

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

### Controlled and managed by the Social Security Department

#### STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2012

##### *Benefit expenditure (continued)*

##### **GIF: Unemployment benefit**

	2012	2011	5-Year Average
Number of claimants at the year-end	288	243	240
Number of approved claims during the year	1,331	1,133	1,218

Unemployment benefit increased by 51% to £1.63m (2011: £1.08m) and above the budget of £1.11m. This is a reflection of the current difficult economic times with the average number of weekly active claims increasing by 38%. The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

##### **GHS: Specialist Health Insurance Scheme**

	2012	2011	5-Year Average
Medical specialist Group - full-time equivalent consultants (average)	39.6	39.0	38.6

Specialist medical expenditure increased by 4.7% to £14.10m (2011: £13.47m), marginally above the budget of £14.09m). The rise in costs was due to the average number of consultants employed during the year increasing marginally and with a 3.5% increase in the contract price based on the September 2011 RPI.

	2012	2011	5-Year Average
Guernsey Physiotherapy Group - full-time equivalent physiotherapists & assistants (average)	31.13	28.97	28.56

Physiotherapy expenditure increased by 7.9% to £1.90m (2011: £1.76m) and above the budget of £1.85m. The rise in costs was due to an increase in the average full-time equivalent physiotherapists & assistants employed during the year and a 3.5% increase in the contract price based on the September 2011 RPI.

##### **GHS: Drugs and medicines**

	2012	2011	5-Year Average
Total prescriptions	1,486,843	1,463,627	1,401,774
Average basic cost	£8.60	£9.38	£9.37

Drugs & medicine expenditure for the year decreased by 4.9% to £14.88m (2011: 15.66m) and well below the budget of £16.33m. The significant decrease in expenditure is attributable to: a reduction in the net ingredient cost of drugs following a UK Government initiative and more expensive products coming off patent; and the number of items dispensed in 2012 increasing by only 1.6%, significantly below the 5-year and 10-year average of 3.8% and 4.9% respectively. The continuation of initiatives introduced by the prescribing support unit, including the strict control of new entries to the white-list, generic prescribing and reduced wastage, have also helped to contain costs.

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the  
Social Security Department

### STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2012

#### *Benefit expenditure (continued)*

##### LTC: Residential Home Care grant

Number of claimants at the year-end	2012	2011	5-Year Average
Permanent	255	255	n/a
Permanent with EMI	102	110	n/a
<b>Total</b>	<b>357</b>	<b>365</b>	<b>345</b>

Residential Home Care benefit expenditure increased by 6.5% to £8.32m (2011: £7.81m) and marginally more than the budget of £8.25m. The Elderly Mentally Infirm (EMI) rate currently £124 more than the basic residential rate and although the year-end saw a fall in the number of EMI claims to 102 (2011: 110), the average number of weekly active EMI claims increased by 43% to 110 (2011: 77) and contributed to increased costs.

##### LTC: Nursing Home Care grant

	2012	2011	5-Year Average
Number of claimants at the year-end	210	216	221

Nursing Home Care benefit expenditure decreased 1.9% to £8.04m (2011: £8.20m) and below the budget of £8.55m. Demand for Nursing Home Care has fallen whereas the budget estimated a small increase towards full capacity of nursing beds available. For the 12-month period to 31 December 2012, the average number of weekly active claims stood at 211 (2011: 224), a 5.8 % decrease.

#### **Administration**

Total administration expenditure less the £1.9m recharge of administrative expenditure to Non Contributory Services (NCS), increased by 4.1% to £5.4m (2011: £5.2m) and above the budget of £5.3m. Staffing expenditure less the £1.4m recharge of payroll costs to NCS, increased by 3.9% to £3.6m (2011: £3.5m) and above the budget of £3.4m. The allocation of administration costs between the Funds is as follows:

- GIF: +5.9% to £4.30m (2011: £4.06m) and above the budget of £4.16m. This is predominantly due to higher than expected staffing and computer expenditure. Staffing costs increased by 4.2% to £3.19m (2011: £3.06m) and above the budget of £3.02m;
- GHS: -0.6% to £0.92m (2011: 0.93m) and below the budget of £0.97m. This is predominantly due to lower than expected stationery/printing costs and professional fees. Staffing costs increased by 1.2% to £272k (2011: £269k) but below the budget of £282k; and
- LTC: -9.8% to £0.17m (2011: 0.18m) and below the budget of £0.18m. This is predominantly due to lower than expected professional fees. Staffing costs increased by 1.1% to £139k (2011: £137k) but below the budget of £141k.

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the  
Social Security Department

### STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2012

#### *Administration (continued)*

The average number of full-time equivalent staff including overtime, additional hours and miscellaneous duties paid to permanent and temporary staff were as follows:

Pay Groups — Full-Time Equivalents (Contributory Funds & NCS)	2012	2011
Established Staff	102.7	105.8
Supernumerary (Established)	9.8	6.3
Temporary Contracts	10.0	4.4
Public Service Employees	-	0.9
<b>Total</b>	<b>122.5</b>	<b>117.4</b>
Staff Vacancies	7.7	6.4

The average number of staff (excluding staff working in Alderney) in post were as follows:

Pay Groups — Number of Staff (Contributory Funds & NCS)	2012	2011
Established Staff	110	113
Supernumerary (Established)	12	8
Temporary Contracts	11	5
Public Service Employees	-	1
<b>Total</b>	<b>133</b>	<b>127</b>
Staff Vacancies	9	8

#### *Investment Funds*

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at 31 December 2012 had a market value of £750.4m (2011: £695.4m).

During the year £9.6m was reallocated from the Guernsey Insurance Fund, £6.6m to the Guernsey Health Services Fund and £3.0m to the Long-Term Care Insurance Fund to clear recoveries due to those funds in respect of operating activities. Furthermore, as the Guernsey Insurance Fund is currently running an operating deficit, it withdrew £7.0m from the Fund in December 2012 for cash flow to meet obligations. The allocation between the three contributory funds is as follows:

Common Investment Fund allocation At Year-end	2012		2011	
	£m	%	£m	%
Guernsey Insurance Fund	619	82.5%	584	83.9%
Guernsey Health Service Fund	83	11.1%	70	10.1%
Long-term Care Insurance Fund	48	6.4%	41	6.0%
<b>Total</b>	<b>750</b>	<b>100%</b>	<b>695</b>	<b>100.0%</b>

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

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Benchmark return per annum	% RPI Guernsey Average Annual Change
1-Year	8.83%	6.76%	3.2%
3-Year	5.85%	5.41%	2.9%
5-Year	3.46%	2.05%	2.5%

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

**STATEMENT OF PERFORMANCE (CONTINUED)**

**Year ended 31 December 2012**

**KEY STATISTICS**

<b>Contribution Rates - Annual Earnings/Income limits</b>		<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	125,268	120,900	117,468	115,128	108,108
	Upper earnings limit - employee	105,144	91,884	79,872	69,108	64,896
	Lower earnings limit	6,292	6,084	5,928	5,824	5,460
Class 2	<i>Self-employed</i>					
	Maximum earnings	105,144	91,884	79,872	69,108	64,896
	Minimum earnings	6,292	6,084	5,928	5,824	5,460
Class 3	<i>Non-employed</i>					
	Maximum income	105,144	91,884	79,872	69,108	64,896
	Minimum income	15,730	15,210	14,820	14,560	13,650
	Allowance	6,675	6,451	6,290	-	-

<b>Contribution Rates – Contributory Funds</b>		<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
		<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Class 1	<i>Employer</i>					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.9	4.9
	Guernsey Health Service Fund	1.6	1.6	1.6	1.6	1.6
	Long-term Care Insurance Fund	-	-	-	-	-
		<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.4	3.4	3.2	3.2
	Guernsey Health Service Fund	1.3	1.3	1.3	1.4	1.4
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.4	1.4
		<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.3	8.3	8.1	8.1
	Guernsey Health Service Fund	2.9	2.9	2.9	3.0	3.0
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.4	1.4
		<b>12.5</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>	<b>12.5</b>
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.5	6.5	6.3	6.3
	Guernsey Health Service Fund	2.7	2.7	2.7	2.8	2.8
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.4	1.4
	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	<b>10.5</b>	
Class 3	<i>Non-employed (under 65)</i>					
	Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
	Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
		<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>	<b>9.9</b>
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.3	1.3	1.2	1.2
	Long-term Care Insurance Fund	1.6	1.6	1.6	1.4	1.4
		<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.6</b>	<b>2.6</b>

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the  
Social Security Department

### STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2012

#### Key Statistics (continued)

Number of contributors (as at week 48)	2012	2011	2010	2009	2008
Employers	2,430	2,393	2,419	2,398	2,492
Employed	28,947	29,254	29,209	28,831	29,531
Self-employed	3,302	3,339	3,409	3,388	3,424
Non-employed	5,014	4,942	5,113	4,961	4,745
<b>Total</b>	<b>37,263</b>	<b>37,535</b>	<b>37,731</b>	<b>37,180</b>	<b>37,700</b>

Contributory Funds - General Revenue Grants - % of contributions	2012	2011	2010	2009	2008
	%	%	%	%	%
Guernsey Insurance Fund	15%	15%	15%	15%	15%
Guernsey Health Service Fund	12%	12%	12%	12%	12%
	£m	£m	£m	£m	£m
Guernsey Insurance Fund	14.2	13.8	13.3	12.5	12.1
Guernsey Health Service Fund	4.3	4.2	4.0	4.0	3.9
<b>Total</b>	<b>18.5</b>	<b>18.0</b>	<b>17.3</b>	<b>16.5</b>	<b>16.0</b>

#### Guernsey Insurance Fund

Number of claimants at the year-end	2012	2011	2010	2009	2008
Pension	16,188	15,690	15,047	14,782	14,369
Invalidity Benefit	856	885	937	861	790
Sickness Benefit	372	405	498	551	518
Bereavement Benefits	239	255	276	328	346
Unemployment Benefit	288	243	222	266	182
Industrial Disablement Benefit	209	216	238	249	255
Industrial Injury Benefit	14	5	15	14	19
Maternity Allowance	135	123	140	145	121
<b>Total</b>	<b>18,301</b>	<b>17,822</b>	<b>17,373</b>	<b>17,196</b>	<b>16,600</b>

Number of approved claims during the year	2012	2011	2010	2009	2008
Sickness Benefit	11,082	11,020	11,047	12,109	11,267
Pension	1,166	1,304	835	1,051	1,065
Unemployment Benefit	1,331	1,133	1,189	1,527	908
Industrial Medical Benefit	1,068	935	1,053	1,144	1,169
Maternity Allowance	534	563	516	590	531
Death Grant	541	485	457	519	448
Industrial Injury Benefit	546	520	578	637	620
Bereavement Benefits	304	292	294	305	281
Invalidity Benefit	275	299	405	450	420
Maternity Grant	92	98	80	74	91
Industrial Disablement Benefit	6	3	9	11	12
<b>Total</b>	<b>16,945</b>	<b>16,652</b>	<b>16,463</b>	<b>18,417</b>	<b>16,812</b>

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

**STATEMENT OF PERFORMANCE (CONTINUED)**

**Year ended 31 December 2012**

**Key Statistics (continued)**

**Guernsey Health Services Fund**

<b>Drugs &amp; medicines</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Ordinary prescriptions	574,724	590,243	580,955	566,572	557,665
% change	-2.63%	1.59%	2.54%	1.59%	-0.41%
Exempt prescriptions	912,119	873,384	830,693	785,128	737,389
% change	4.44%	5.14%	5.80%	6.47%	6.85%
<b>Total prescriptions</b>	<b>1,486,843</b>	<b>1,463,627</b>	<b>1,411,648</b>	<b>1,351,700</b>	<b>1,295,054</b>
% change	1.59%	3.68%	4.44%	4.37%	3.60%
Average basic cost	£8.60	£9.38	£9.61	£9.55	£9.71
% change	-8.32%	-2.39%	+0.63%	-1.65%	-2.90%

<b>Consultation grants</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<i>Guernsey</i>					
Doctors	252,919	249,417	243,827	243,460	239,921
Nurses	77,783	78,410	73,023	77,490	73,584
<b>Total</b>	<b>330,702</b>	<b>327,827</b>	<b>316,850</b>	<b>320,950</b>	<b>313,505</b>
<i>Alderney</i>					
Doctors	10,649	10,294	10,522	11,027	11,109
Nurses	2,866	2,899	2,644	2,396	2,687
<b>Total</b>	<b>13,515</b>	<b>13,193</b>	<b>13,166</b>	<b>13,423</b>	<b>13,796</b>
<i>Combined</i>					
Doctors	263,568	259,711	254,349	254,487	251,030
Nurses	80,649	81,309	75,667	79,886	76,271
<b>Total</b>	<b>344,217</b>	<b>341,020</b>	<b>330,016</b>	<b>334,373</b>	<b>327,301</b>
% change	0.94%	3.33%	-1.30%	2.16%	2.28%

**Long-term Care Insurance Fund**

<b>Number of claimants at year-end</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Residential grant-permanent	357	365	357	336	308
Nursing grant-permanent	210	216	234	233	212
<b>TOTAL</b>	<b>567</b>	<b>581</b>	<b>591</b>	<b>569</b>	<b>520</b>

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

**STATEMENT OF PERFORMANCE (CONTINUED)**

**Year ended 31 December 2012**

**5-Year Financial Performance**

<b>Guernsey Insurance Fund</b>	<b>2012 £m</b>	<b>2011 £m</b>	<b>2010 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
Income	109.1	106.2	101.8	96.2	93.0
Expenditure	(119.1)	(110.1)	(105.4)	(101.4)	(92.3)
<b>Operating (deficit)/surplus</b>	<b>(10.0)</b>	<b>(3.9)</b>	<b>(3.6)</b>	<b>(5.2)</b>	<b>0.7</b>
Investing activities	50.8	(19.6)	67.2	90.9	(102.0)
Net (deficit)/surplus in the Fund during the year	40.8	(23.6)	63.6	85.8	(101.3)
Net assets of the Fund at 1 January	611.4	634.9	571.3	485.6	586.9
<b>Net assets of the Fund at 31 December</b>	<b>652.2</b>	<b>611.4</b>	<b>634.9</b>	<b>571.3</b>	<b>485.6</b>
Expenditure cover in number of years	5.5	5.6	6.0	5.6	5.3

<b>Guernsey Health Service Fund</b>	<b>2012 £m</b>	<b>2011 £m</b>	<b>2010 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
Income	40.1	38.9	37.4	37.5	36.2
Expenditure	(35.8)	(35.6)	(34.8)	(34.3)	(32.0)
<b>Operating Surplus</b>	<b>4.3</b>	<b>3.3</b>	<b>2.6</b>	<b>3.2</b>	<b>4.2</b>
Investing activities	6.5	(2.0)	7.3	13.7	(7.8)
Net (deficit)/surplus in the Fund during the year	10.8	<b>1.3</b>	<b>9.9</b>	<b>16.9</b>	<b>(3.6)</b>
Net assets of the Fund at 1 January	72.2	70.9	61.0	44.1	47.7
<b>Net assets of the Fund at 31 December</b>	<b>83.0</b>	<b>72.2</b>	<b>70.9</b>	<b>61.0</b>	<b>44.1</b>
Expenditure cover in number of years	2.3	2.0	2.0	1.8	1.4

<b>Long-term Care Insurance Fund</b>	<b>2012 £m</b>	<b>2011 £m</b>	<b>2010 £m</b>	<b>2009 £m</b>	<b>2008 £m</b>
Income	17.6	17.0	16.4	16.9	16.2
Expenditure	(16.8)	(16.4)	(15.3)	(14.0)	(12.3)
<b>Operating Surplus</b>	<b>0.80</b>	<b>0.6</b>	<b>1.1</b>	<b>2.9</b>	<b>3.9</b>
Investing activities	3.9	(1.3)	4.5	10.0	(4.3)
Net (deficit)/surplus in the Fund during the year	4.7	(0.7)	5.6	12.9	(0.4)
Net assets of the Fund at 1 January	43.7	44.4	38.8	25.9	26.3
<b>Net assets of the Fund at 31 December</b>	<b>48.4</b>	<b>43.7</b>	<b>44.4</b>	<b>38.8</b>	<b>25.9</b>
Expenditure cover in number of years	2.9	2.7	2.9	2.8	2.1

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

### Controlled and managed by the Social Security Department

#### STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT

Year ended 31 December 2012

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

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

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

#### Going Concern

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

#### *Statement of internal financial controls*

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

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

The Department’s internal financial procedures include:

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

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

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**

### **Social Security Department**

#### **As controller and manager of**

## **THE STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

We have audited the financial statements of the States of Guernsey – Consolidated Contributory Funds (“the Fund”) for the year ended 31 December 2012 which comprise the consolidated fund account, the consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

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

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

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

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2012, and of the amount and disposition at this date of the assets and liabilities, other than the liabilities to pay benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

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

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

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

Deloitte LLP  
Chartered Accountants  
St Peter Port, Guernsey

Date: 25 June 2013

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**  
**Controlled and managed by the**  
**Social Security Department**

**CONSOLIDATED FUND ACCOUNT**  
**Year ended 31 December 2012**

	Note	Consolidated Contributory Funds 2012 £'000s	Consolidated Contributory Funds 2011 £'000s
<b>Income</b>			
Contributions	1(b),2	148,276	144,128
States grant	1(b)	18,521	18,010
		<hr/> 166,797	<hr/> 162,138
<b>Expenditure</b>			
Benefits payable	1(c),3	165,066	155,853
Administration	7	5,386	5,172
		<hr/> 170,452	<hr/> 161,025
<b>Operating (deficit)/ surplus before depreciation charge</b>		(3,655)	1,113
Depreciation charge	9	(1,211)	(1,157)
<b>Operating deficit</b>		(4,866)	(44)
Investing activities	1(f),8	61,098	(22,981)
<b>Net surplus/(deficit) in the Fund during the year</b>		56,232	(23,025)
<b>Net assets of the Fund at 1 January</b>		<hr/> 727,224	<hr/> 750,249
<b>Net assets of the Fund at 31 December</b>		<hr/> <hr/> 783,456	<hr/> <hr/> 727,224

All activities are derived from continuing operations.

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

The notes on pages 94 to 104 form part of these financial statements.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**  
**Controlled and managed by the**  
**Social Security Department**

**CONSOLIDATED BALANCE SHEET**  
**At 31 December 2012**

	Note	2012 £'000s	2011 £'000s
<b>Fixed assets</b>			
Tangible assets	9	3,680	4,791
Common investment fund	10	750,376	695,359
		<u>754,056</u>	<u>700,150</u>
<b>Current assets</b>			
Debtors due after one year	12	146	122
Debtors due within one year	11	24,282	25,165
Balances with States Treasury		7,500	5,185
Cash at bank and in hand		943	542
		<u>32,871</u>	<u>31,014</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	13	2,459	2,605
Bank overdraft		1,012	1,335
		<u>3,471</u>	<u>3,940</u>
<b>Net current assets</b>		<u>29,400</u>	<u>27,074</u>
<b>Total net assets</b>		<u><u>783,456</u></u>	<u><u>727,224</u></u>
<b>Reserves</b>			
Guernsey Insurance Fund		652,180	611,359
Guernsey Health Service Fund		82,962	72,199
Long-term Care Insurance Fund		48,314	43,666
		<u>783,456</u>	<u>727,224</u>

The financial statements on pages 91 to 104 were approved by the Social Security Department on 25 June 2013.

Signed on behalf of the Department

**A H Langlois**  
Minister

**E M Ashton**  
Deputy Chief Officer

The notes on pages 94 to 104 form part of these financial statements.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**  
**Controlled and managed by the**  
**Social Security Department**

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 December 2012**

	<b>2012</b> <b>£'000s</b>	<b>2011</b> <b>£'000s</b>
<b>Operating deficit for the year</b>	(4,866)	(44)
Depreciation	1,211	1,157
Decrease in debtors	859	1,672
Decrease in creditors	(146)	(3,317)
<b>Net cash outflow from operating activities</b>	<u>(2,942)</u>	<u>(532)</u>
<b>Management of liquid resources</b>		
Tangible asset acquisitions during the year	(100)	(101)
Increase /(decrease) in cash equivalent in Common Investment Fund	61,098	(22,981)
<b>Net cash inflow/(outflow) from investing activities</b>	<u>60,998</u>	<u>(23,082)</u>
<b>Increase/(decrease) in cash and cash equivalents (including investments)</b>	58,056	(23,614)
Opening common investment funds, treasury, cash balances and overdraft	699,751	723,365
<b>Closing common investment funds, treasury, cash balances and overdraft</b>	<u><u>757,807</u></u>	<u><u>699,751</u></u>

**ANALYSIS AND RECONCILIATION OF NET FUNDS**

	<b>At</b> <b>1 January</b> <b>2012</b> <b>£'000s</b>	<b>(Increase)/</b> <b>decrease in</b> <b>year</b> <b>£'000s</b>	<b>At</b> <b>31 December</b> <b>2012</b> <b>£'000s</b>
Cash at bank and in hand	542	401	943
Overdraft	(1,335)	323	(1,012)
Balances with States Treasury	5,185	2,315	7,500
	<u>4,392</u>	<u>3,039</u>	<u>7,431</u>
Common Investment Fund	695,359	55,017	750,376
	<u><u>699,751</u></u>	<u><u>58,056</u></u>	<u><u>757,807</u></u>

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

The notes on pages 94 to 104 form part of these financial statements.

# STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

## Controlled and managed by the Social Security Department

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

#### 1. ACCOUNTING POLICIES

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

##### a) Accounting convention

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

The Contributory Funds are not required to adopt Financial Reporting Standard (“FRS”) 23 “The Effects of Changes in Foreign Exchange Rates”, FRS26 “Financial Instruments: Measurement and Recognition” and FRS29 “Financial Instruments: Disclosures”.

##### Going Concern

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

##### b) Contributions & States grant

Contributions represent the amount of cash received before 1 February 2013 in respect of the financial year ended 31 December 2012 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grants received from the States of Guernsey are based on a fixed percentage of contributions, accounted for in the relevant period and for 2012 was 15% (2011: 15%) in respect of the Guernsey Insurance Fund and 12% (2011: 12%) in respect of the Guernsey Health Service Fund.

##### c) Benefits payable

Benefits are accounted for on an accruals basis.

##### d) Actuarial Review

The financial statements summarise the transactions of the Contributory Funds and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Contributory Funds is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five-year period to 31 December 2008 with an addendum to the year ending 31 December 2009, was completed in 2011 and published in the States Billet XV in September 2011.

##### e) Tangible fixed assets

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

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

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the  
Social Security Department

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2012

#### ACCOUNTING POLICIES (continued)

**f) Common Investment Fund**

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

**g) Investments**

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

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

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

**Investment income**

Interest receivable is included in the financial statements on an accruals basis and is gross of withholding tax suffered at source. Dividends are recognised in the financial statements when the underlying investments become ex-dividend.

**h) Pension costs**

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

**i) Security lending**

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

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

**j) Derivatives**

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

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**2. CONTRIBUTIONS**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Employer contributions	66,468	65,143
Employee contributions	60,283	58,539
	<u>126,751</u>	<u>123,682</u>
Self-employed contributions	14,017	13,266
Non-employed contributions	7,459	7,111
Employer surcharge and penalty	43	38
Movement in contributions unallocated	6	31
	<u>148,276</u>	<u>144,128</u>
<b>Contribution income allocated to:</b>		
Guernsey Insurance Fund	94,867	93,318
Guernsey Health Service Fund	35,821	34,777
Long-term Care Insurance Fund	17,588	17,033
	<u>148,276</u>	<u>144,128</u>

**3. BENEFITS PAYABLE**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>£'000s</b>	<b>£'000s</b>
Guernsey Insurance Fund	4	113,568	104,891
Guernsey Health Service Fund	5	34,872	34,689
Long-term Care Insurance Fund	6	16,626	16,273
		<u>165,066</u>	<u>155,853</u>

**4. BENEFITS PAYABLE – GUERNSEY INSURANCE FUND**

	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>£'000s</b>	<b>£'000s</b>
Pension		94,751	86,694
Invalidity		7,537	7,773
Sickness		3,382	3,326
Bereavement		1,873	1,871
Travel allowance grant		2,037	1,853
Unemployment		1,629	1,077
Maternity benefit		1,135	1,108
Industrial disablement		579	588
Industrial injury		226	204
Death grant		280	241
Industrial medical		129	113
		<u>113,558</u>	<u>104,848</u>
Benefit debt written-off		8	13
Doubtful debt provision - movement		2	30
	3	<u>113,568</u>	<u>104,891</u>

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**5. BENEFITS PAYABLE – GUERNSEY HEALTH SERVICE FUND**

	<b>Note</b>	<b>2012 £'000s</b>	<b>2011 £'000s</b>
Drugs and medicines	5(a)	14,882	15,657
Specialist Health Insurance Scheme	5(b)	16,076	15,302
Consultation grants	5(c)	3,647	3,605
Primary Care Mental Health and Wellbeing (pilot)		267	125
	<b>3</b>	<u>34,872</u>	<u>34,689</u>

**5(a). DRUGS AND MEDICINES**

	<b>Note</b>	<b>2012 £'000s</b>	<b>2011 £'000s</b>
Drugs and medicines		15,814	16,606
Appliances		639	601
Oxygen Service		299	276
		<u>16,752</u>	<u>17,483</u>
Prescription charges receivable		(1,870)	(1,826)
	<b>5</b>	<u>14,882</u>	<u>15,657</u>

**5(b). SPECIALIST HEALTH INSURANCE SCHEME**

	<b>Note</b>	<b>2012 £'000s</b>	<b>2011 £'000s</b>
Specialist medical benefit		14,100	13,468
Physiotherapy benefit		1,902	1,763
Alderney hospital benefit		74	71
	<b>5</b>	<u>16,076</u>	<u>15,302</u>

The States of Guernsey entered into new contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group from 1 January 2003.

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

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

Both contracts are for 15-year terms with reviews after each 5 year period. The fee review for 2013 to 2017 was completed at the end of 2012.

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

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**5(c). CONSULTATION GRANTS**

	Note	2012 £'000s	2011 £'000s
Doctors consultation grants		3,163	3,117
Nurses consultation grants		484	488
	5	<u>3,647</u>	<u>3,605</u>

**6. BENEFITS PAYABLE – LONG-TERM CARE INSURANCE FUND**

	Note	2012 £'000s	2011 £'000s
Residential home care benefit			
Permanent		5,287	5,309
Permanent with EMI supplement		3,031	2,499
Respite care		139	158
Respite care with EMI supplement		32	15
		<u>8,489</u>	<u>7,982</u>
Nursing home care benefit			
Permanent		8,044	8,196
Respite care		93	95
		<u>8,137</u>	<u>8,292</u>
	3	<u>16,626</u>	<u>16,273</u>

In 2011, the Department introduced a new island-wide elderly mental infirm (EMI) rate for long-term residential home care benefit.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**7. ADMINISTRATION**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Salaries and pension costs	5,016	4,805
Computer expenses	980	928
Administration expenses	547	584
Health and Social Services Department charges	193	183
Prescription pricing fees	228	210
Property expenses	287	234
Actuarial expenses	13	45
Legal and professional expenses	14	21
Audit fee	27	25
	<u>7,305</u>	<u>7,035</u>
<b>Amounts received from:</b>		
Non Contributory Services	(1,919)	(1,862)
Other States of Guernsey entities	-	(1)
	<u>5,386</u>	<u>5,172</u>
<b>Administration expenses allocated to:</b>		
Guernsey Insurance Fund	4,297	4059
Guernsey Health Service Fund	924	930
Long-term Care Insurance Fund	165	183
	<u>5,386</u>	<u>5,172</u>

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**  
**Controlled and managed by the**  
**Social Security Department**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 December 2012**

**8. INVESTING ACTIVITIES**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
<b>Income</b>		
Interest from fixed interest securities	10,425	10,797
Dividends from equities	1,190	1,743
Distributions from property funds	1,167	1,337
Interest on short term deposits	89	165
Securities lending (less expenses)	104	166
Bank interest	160	102
Less: Withholding tax suffered	(159)	(174)
	<u>12,976</u>	<u>14,135</u>
<b>Expenditure</b>		
Investment managers' fees	3,319	3,035
Less: Rebates and fees charged directly on pooled funds	(2,294)	(1,992)
	<u>1,025</u>	<u>1,043</u>
Investment advisor's fees	196	100
Custody fees	35	46
Performance monitoring fees	21	21
	<u>1,277</u>	<u>1,210</u>
<b>Net investment income</b>	11,699	12,925
Realised profit on disposal	18,420	7,382
Movement on unrealised profit/(loss)	30,979	(43,288)
<b>Total surplus/(deficit) on investing activities for the year</b>	<u><u>61,098</u></u>	<u><u>(22,981)</u></u>
<b>Investing activities allocated to:</b>		
Guernsey Insurance Fund	50,807	(19,621)
Guernsey Health Service Fund	6,440	(2,025)
Long-term Care Insurance Fund	3,851	(1,335)
	<u><u>61,098</u></u>	<u><u>(22,981)</u></u>

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**9. TANGIBLE ASSETS**

	<b>1 January 2012 £'000s</b>	<b>Additions £'000s</b>	<b>Disposals £'000s</b>	<b>31 December 2012 £'000s</b>
<b>Cost</b>				
Freehold land and buildings	3,864	27	(6)	3,885
Furniture, fittings and office equipment	1,179	29	(354)	854
Computer equipment and software	2,506	9	(1,894)	621
Computer development	9,024	35	(453)	8,606
	<u>16,573</u>	<u>100</u>	<u>(2,707)</u>	<u>13,966</u>
	<b>1 January 2012 £'000s</b>	<b>Charge for the year £'000s</b>	<b>Disposals for the year £'000s</b>	<b>1 January 2012 £'000s</b>
<b>Accumulated Depreciation</b>				
Freehold land and buildings	1,131	56	(6)	1,181
Furniture, fittings and office equipment	986	77	(354)	709
Computer equipment and software	2,503	15	(1,894)	624
Computer development	7,162	1,063	(453)	7,772
	<u>11,782</u>	<u>1,211</u>	<u>(2,707)</u>	<u>10,286</u>
<b>Net book value</b>	<u>4,791</u>			<u>3,680</u>

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

Depreciation commenced being charged on computer development costs associated with the technological migration project from the end of September 2006, when the new benefit system (Curam) became operational. At the year-end the net book value of the Curam benefit system stood at £0.7m with cost at £6.5m less accumulated depreciation of £5.8m.

Disposals relate to numerous obsolete assets, which have been fully depreciated, being removed from the fixed asset register.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

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

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

**Year ended 31 December 2012**

**10. COMMON INVESTMENT FUND**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Equities and derivatives	439,361	352,958
Fixed income and derivatives	281,050	276,450
Property funds	20,354	21,091
Cash and cash equivalents	8,117	23,091
Alternative investments and hedge funds	1,494	4,510
Commodities	-	17,259
	<u>750,376</u>	<u>695,359</u>
<b>Investments allocated to:</b>		
Guernsey Insurance Fund	618,708	583,734
Guernsey Health Service Fund	83,265	70,102
Long-term Care Insurance Fund	48,403	41,523
	<u>750,376</u>	<u>695,359</u>

At the year-end the Common Investment Fund value comprised of £729.4m of listed and exchange traded investments (2011: £670.5m) and unlisted investments of £21.0m (2011: £24.9m).

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
<b>Common Investment Fund movements during the year</b>		
Market value 1 January	695,359	721,920
Investment income reinvested	12,618	13,845
Realised profit on disposal reinvested	18,420	7,382
Movement on unrealised loss on investments	30,979	(43,288)
Withdrawal of monies invested - Guernsey Insurance Fund	(7,000)	(4,500)
	<u>750,376</u>	<u>695,359</u>
Market value 31 December	<u>750,376</u>	<u>695,359</u>

The Common Investment Fund is managed by seven investment managers, namely Schroder Investment Management Limited, Blackrock Investment Management (UK) Limited, Barings Asset Management, M&G Investments, Legg Mason (trading name Western Asset Management) and Skagen Funds. The governance of the Fund is supported by the Fund custodian, Northern Trust Global Services Limited and a professional investment advisor, P-Solve Investments Limited.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS****Controlled and managed by the  
Social Security Department****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2012****11. DEBTORS DUE WITHIN ONE YEAR**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Contributions receivable	21,592	20,847
Benefits and allowance receivable	1,522	2,316
Recoveries due from Non Contributory Services	957	1,670
Administration expenses prepaid	165	146
Trade debtors	29	77
Other debtors and prepayments	17	17
States grant receivable	-	92
	<u>24,282</u>	<u>25,165</u>

**12. DEBTORS DUE AFTER ONE YEAR**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Benefit debt	230	204
Provision for doubtful debts	(84)	(82)
	<u>146</u>	<u>122</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2012</b>	<b>2011</b>
	<b>£'000s</b>	<b>£'000s</b>
Trade creditors	1,920	1,968
Other creditors and accruals	341	637
Benefits and allowance payable	99	-
States grant payable	99	-
	<u>2,459</u>	<u>2,605</u>

**14. SUPERANNUATION FUND**

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. During 2011 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2010 that indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

## STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the  
Social Security Department

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2012

#### 14. SUPERANNUATION FUND (CONTINUED)

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

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2012 was as follows:

	<b>2012</b> <b>£'000s</b>	<b>2011</b> <b>£'000s</b>
Guernsey Insurance Fund	328	317
Guernsey Health Service Fund	31	31
Long-term Care Insurance Fund	16	16
	<hr/>	<hr/>
	375	364
Non Contributory Services	151	147
	<hr/>	<hr/>
	<u>526</u>	<u>511</u>

#### 15. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no disclosable related party transactions with members and senior management in this financial year (2011: Nil). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2012 and 2011 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11. Balances with the States Treasury at the year-end amounted to:

	<b>2012</b> <b>£'000s</b>	<b>2011</b> <b>£'000s</b>
Guernsey Insurance Fund	7,500	5,119
Guernsey Health Service Fund	-	33
Long-term Care Insurance Fund	-	33
	<hr/>	<hr/>
	7,500	5,185
	<hr/>	<hr/>

#### 16. STATEMENT OF CONTROL

The Contributory Funds are controlled by the Social Security Department as required by Section 100(1) of the Social Insurance (Guernsey) Law, 1978, as amended in respect of the Guernsey Insurance Fund; Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990 in respect of the Guernsey Health Service Fund and by Section 1(1) of The Long-term Care Insurance (Guernsey) Law, 2002 in respect of the Long-term Care Insurance Fund. The members of the Social Security Department have been appointed by the States of Guernsey.

The additional information included on page 105 has been prepared from the accounting records of the Contributory Funds. While it does not form part of the financial statements, it should be read in conjunction with them.

**STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**

Controlled and managed by the  
Social Security Department

**DETAILED FUND ACCOUNTS**

Year ended 31 December 2012

	Note	Guernsey Insurance Fund	Guernsey Health Service Fund	Long-term Care Insurance Fund	Consolidated Contributory Funds	Consolidated Contributory Funds
		2012	2012	2012	2012	2011
		£'000s	£'000s	£'000s	£'000s	£'000s
<b>Income</b>						
Contributions	1(b),2	94,867	35,821	17,588	148,276	144,128
States grant	1(b)	14,223	4,298	-	18,521	18,010
		<u>109,090</u>	<u>40,119</u>	<u>17,588</u>	<u>166,797</u>	<u>162,138</u>
<b>Expenditure</b>						
Benefits payable	1(c),3,4,5,6	113,568	34,872	16,626	165,066	155,853
Administration	7	4,297	924	165	5,386	5,172
		<u>117,865</u>	<u>35,796</u>	<u>16,791</u>	<u>170,452</u>	<u>161,025</u>
<b>Operating (deficit)/surplus before depreciation charge</b>		(8,775)	4,323	797	(3,655)	1,113
Depreciation charge	9	(1,211)	-	-	(1,211)	(1,157)
<b>Operating (deficit)/surplus</b>		(9,986)	4,323	797	(4,866)	(44)
Investing activities	1(f),8	50,807	6,440	3,851	61,098	(22,981)
<b>Net surplus/(deficit) in the fund during the year</b>		40,821	10,763	4,648	56,232	(23,025)
<b>Net assets of the fund at 1 January</b>		611,359	72,199	43,666	727,224	750,249
<b>Net assets of the fund at 31 December</b>		<u>652,180</u>	<u>82,962</u>	<u>48,314</u>	<u>783,456</u>	<u>727,224</u>

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF ELIZABETH COLLEGE - GUERNSEY**

We have audited the financial statements of Elizabeth College - Guernsey ("the College") for the year ended 31 August 2012 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 16 and the Detailed Revenue Account. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Board of Directors, as a body, in accordance with our engagement letter dated 28 September 2012. Our audit work is undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

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

The Board of Directors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the surplus or deficit of the College for that period and are in accordance with applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing those financial statements the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the College will continue its operations.

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

It is our responsibility to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you if, in our opinion, the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In this matter we draw particular attention to notes 1(b) and 4 to the financial statements.

Notes 1(b) and 4 to the financial statements explain that the historic main College buildings and playing fields are not included in fixed assets; that the costs of furniture and equipment and of minor improvements and maintenance to all buildings and grounds are written off through the revenue account when incurred; and that no depreciation is provided for on freehold properties as it is the College's policy to maintain the properties in such a condition that the estimated residual values are at least equal to their book values. We concur with these accounting policies.

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

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

CHARTERED ACCOUNTANTS

Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

Date: 20 March 2013

# ELIZABETH COLLEGE - GUERNSEY

## REVENUE ACCOUNT

### FOR THE YEAR ENDED 31 AUGUST 2012

	Note		2011
<b>INCOME</b>	2		
States' Block Grant		2,454,109	2,377,985
Fees receivable		2,935,200	2,715,194
Sundry income		98,766	105,901
		<hr/>	<hr/>
		5,488,075	5,199,080
<b>EXPENDITURE</b>			
School and departmental expenses	3,402,102		3,237,482
Youth training expenses	19,565		79,386
Administrative expenses	1,048,452		884,868
Maintenance of buildings and grounds	601,311		665,704
		<hr/>	<hr/>
		(5,071,430)	(4,867,440)
<b>OPERATING SURPLUS FOR THE YEAR BEFORE INTEREST AND OTHER INCOME</b>		<hr/>	<hr/>
		416,645	331,640
Interest receivable from fixed asset investments		20,820	14,897
Interest receivable from cash at bank		8,098	8,118
Gain on disposal of fixed asset investments		-	2,519
Interest payable		(282)	(1,250)
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>	2	445,281	355,924
<i>Elizabeth College Foundation costs</i>	15		
Amortisation of establishment costs		(2,006)	(2,006)
Annual running costs		(68,010)	(92,178)
		<hr/>	<hr/>
		(70,016)	(94,184)
<b>RETAINED SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT</b>	10	<hr/>	<hr/>
		£ 375,265	£ 261,740
		<hr/>	<hr/>

#### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of movements on reserves is included in note 10 to the financial statements.

The notes on pages 111 to 117 form an integral part of these financial statements.

**ELIZABETH COLLEGE – GUERNSEY****BALANCE SHEET****31 AUGUST 2012**

	Note		2011
<b>FIXED ASSETS</b>			
Tangible assets	4	3,568,059	3,568,059
Investments	5	344,517	344,517
		<hr/>	<hr/>
		3,912,576	3,912,576
<b>CURRENT ASSETS</b>			
Stock		4,552	5,348
Debtors	6	766,137	602,370
Cash at bank and in hand	7	1,469,089	1,243,985
		<hr/>	<hr/>
		2,239,778	1,851,703
<b>CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	(728,296)	(705,486)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		1,511,482	1,146,217
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,424,058	5,058,793
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9	(145,000)	(155,000)
		<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>		£ 5,279,058	£ 4,903,793
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
<b>RESERVES</b>	10	£ 5,279,058	£ 4,903,793
		<hr/>	<hr/>

**APPROVED BY THE BOARD OF DIRECTORS AND AUTHORISED FOR ISSUE BY:**.....  
Chairman20 March 2013  
Date approved by the Board

The notes on pages 111 to 117 form an integral part of these financial statements.

**ELIZABETH COLLEGE – GUERNSEY**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 AUGUST 2012**

	Note		<b>2011</b> <b>(as restated)</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	11	153,991	432,854
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Interest received from fixed asset investments	20,810		19,274
Interest received from banks	8,098		8,118
Interest paid	(282)		(1,250)
		<hr/>	<hr/>
<b>NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		28,626	26,142
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>			
Amounts paid to			
non grant-aided sector	(100,221)		(80,342)
Elizabeth College Foundation costs	(68,010)		(92,178)
Sale of fixed asset investments	-		203,522
Decrease/(increase) in cash held by brokers	220,718		(222,383)
Decrease/(increase) in fixed deposit accounts	103,072		(102,072)
		<hr/>	<hr/>
<b>NET CASH INFLOW/(OUTFLOW) FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>		155,559	(293,453)
<b>NET CASH INFLOW BEFORE FINANCING</b>		338,176	165,543
<b>FINANCING</b>			
Repayment of loan from			
States Culture and Leisure Department	(10,000)		(10,000)
Repayment of bank loan	-		(4,313)
Loan received from Ernest Gardner Fund	9		145,000
		<hr/>	<hr/>
<b>NET CASH (OUTFLOW)/ INFLOW FROM FINANCING</b>		(10,000)	130,687
<b>INCREASE IN CASH FOR THE YEAR</b>		£ 328,176	£ 296,230
<b>RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS</b>			
Increase in cash for the year		328,176	296,230
Cash at bank and in hand at 1 September		1,038,905	742,675
		<hr/>	<hr/>
Cash at bank and in hand at 31 August	7	£ 1,367,081	£ 1,038,905
		<hr/>	<hr/>

The notes on pages 111 to 117 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

**1. ACCOUNTING POLICIES**

**(a) CONVENTION**

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

**(b) TANGIBLE FIXED ASSETS AND DEPRECIATION**

The policy of the Board of Directors is that all College properties should be maintained to the highest standards, such that the useful economic life of all properties is considered to be in excess of 50 years.

As referred to in note 4, the historic main College buildings and playing fields are not included in fixed assets. The Board of Directors considers that the aggregate residual value of the other College properties, which are included within these financial statements at cost, is in excess of their aggregate cost, and therefore no depreciation has been provided on freehold property. In accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill, the Board of Directors carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their recoverable amount.

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

**(c) STOCK**

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

**(d) PRIZE FUNDS AND BEQUESTS**

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College.

**(e) REVENUE RECOGNITION**

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

**(f) FIXED ASSET INVESTMENTS**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

**1. ACCOUNTING POLICIES (CONTINUED)**

**(g) PENSION COSTS**

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Revenue Account to spread the cost of the pensions over the employees working lives.

**2. INCOME AND OPERATING SURPLUS**

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

**3. TAXATION**

The College has been registered under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 and has therefore been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to taxation.

**4. TANGIBLE FIXED ASSETS**

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

In choosing to exclude these assets, the Board of Directors has taken advantage of the exemptions available within the Statement of Recommended Practice – Accounting and Reporting by Charities (published March 2005), as the assets are considered to be inalienable (in other words assets which the College is prohibited by virtue of its statutes from disposing of) and it would not be possible to determine a current market valuation without incurring significant expenditure.

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

The policy of the Board of Directors is that all College properties should be maintained to the highest standards, such that the useful economic life of all properties is considered to be in excess of 50 years. The Board also considers that the aggregate residual value of those College properties which are included within the financial statements at cost is in excess of their aggregate cost, and therefore no depreciation is provided on freehold property. In accordance with the requirements of Financial Reporting Standard No. 11 – Impairment of Fixed Assets and Goodwill, the Board carries out annual impairment reviews to ensure that the carrying value of the College's freehold properties is not greater than their value in use or net realisable value.

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their estimated insurance values, updated from June 2010 when the properties were valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

**ELIZABETH COLLEGE – GUERNSEY**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

**4. TANGIBLE FIXED ASSETS (CONTINUED)**

	<i>Cost</i> <i>At 31.8.12</i>	<i>Insurance</i> <i>Valuation</i>
Main College site		
- Historic buildings	-	20,188,091
- Modern buildings	2,318,451	25,010,004
- Sixth Form Centre	388,470	446,437
College playing fields		
- CF - Old pavilion	-	597,538
- CF - Modern buildings	64,840	773,823
- MF Pavilion	796,298	842,107
	<hr/>	<hr/>
	£ 3,568,059	£ 47,858,000
	<hr/>	<hr/>

**5. INVESTMENTS**

**2011**

**AT COST**

Sterling fixed income securities	£ 344,517	£ 344,517
	<hr/>	<hr/>

**AT MARKET VALUE**

Sterling fixed income securities	£ 350,976	£ 357,179
	<hr/>	<hr/>

The investments consist of sterling fixed income securities traded within Europe. The individual securities have terms to maturity of up to four years, and it is the intention of the Board of Directors to hold the assets until maturity.

**ELIZABETH COLLEGE - GUERNSEY****NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2012**

<b>6. DEBTORS</b>		<b>2011</b>
<b>DUE WITHIN ONE YEAR</b>		
Fee debtors	110,128	55,093
Accrued income	6,814	6,802
Amounts due from brokers	9,528	230,245
Unamortised establishment costs – Elizabeth College Foundation (note 15)	18,674	37,347
Other debtors and prepayments	328,743	142,037
Current account – College non grant-aided sector	99,656	-
Amounts recoverable on contracts	192,594	-
	<hr/>	<hr/>
	766,137	471,524
<b>DUE AFTER MORE THAN ONE YEAR</b>		
Amounts due from Elizabeth College Foundation	-	130,846
	<hr/>	<hr/>
<b>TOTAL DEBTORS</b>	<b>£ 766,137</b>	<b>£ 602,370</b>
	<hr/>	<hr/>

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

During the year the College entered into a contract to construct a new refectory building. With effect from 1 September 2012, the Elizabeth College Foundation has agreed to reimburse the College for the total cost of the Refectory building project.

<b>7. CASH AT BANK AND IN HAND</b>		<b>2011</b>
Cash at bank and in hand	1,367,081	1,038,905
Cash on fixed term deposit	102,008	205,080
	<hr/>	<hr/>
	£ 1,469,089	£ 1,243,985
	<hr/>	<hr/>

The balances held on fixed deposit have terms to maturity of up to one year and therefore are not defined as cash under FRS 1 and have therefore been excluded from the cash flow statement.

<b>8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>		<b>2011</b>
Trade creditors	169,872	154,604
Fees received in advance	67,936	52,676
Loan – States Culture and Leisure Department (note 9)	10,000	10,000
Old Elizabethan Association contribution to Elizabeth College Foundation costs (note 15)	16,667	33,332
Current account – College non grant-aided sector	-	565
Other creditors and accruals	319,439	331,242
Accruals for trips and other school activities	144,382	123,067
	<hr/>	<hr/>
	£ 728,296	£ 705,486
	<hr/>	<hr/>

**ELIZABETH COLLEGE – GUERNSEY**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

<b>9. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		<b>2011</b>
Loan – States Culture and Leisure Department		
Repayable by instalments:		
- Due within five years	-	10,000
Loan – Ernest Gardner Fund	145,000	145,000
	-----	-----
	£ 145,000	£ 155,000
	-----	-----

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

The loan account from Ernest Gardner Fund is interest free, unsecured and has no fixed repayment date. The Board of Directors does not envisage that repayment would be demanded in circumstances that would leave the entity in a position where it was unable to meet its obligations to third parties as and when they fell due.

<b>10. RESERVES</b>	<u>Capital</u>	<u>Maintenance</u>	
	<u>Account</u>	<u>Reserve</u>	<u>Total</u>
Balance at 1 September 2011	4,303,793	600,000	4,903,793
Retained surplus for the financial year	375,265	-	375,265
	-----	-----	-----
Balance at 31 August 2012	£ 4,679,058	£ 600,000	£ 5,279,058
	-----	-----	-----

<b>11. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		<b>2011</b>
Operating surplus for the year before interest	416,645	331,640
Decrease/(increase) in stock	796	(1,212)
Increase in operating debtors	(303,489)	(142,466)
Increase in operating creditors	40,039	244,892
	-----	-----
Net cash inflow from operating activities	£ 153,991	£ 432,854
	-----	-----

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

**12. PENSION COSTS**

A majority of the employees of Elizabeth College are members of the States of Guernsey Superannuation Scheme (“the Scheme”). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected costs of benefits to employees over the period of those employees' expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the Scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of Elizabeth College to be determined on a reasonable and consistent basis. The Board of Directors has therefore taken advantage of the exemption available under paragraph 9(b) of Financial Reporting Standard No. 17 – Retirement Benefits from the requirement to make the full disclosures that would normally apply to an employer operating a defined benefits scheme on behalf of its employees.

The latest actuarial valuation of the Scheme was conducted at 31 December 2010. At that date the actuarial value of the assets relating to the “Public Servants’ Pool” within the overall Scheme, to which the College’s administration and teaching staff belong, represented 90.43% of the actuarial valuation of the liabilities relating to that group. Based on the results of the above actuarial valuation, it is recommended that the base level rate of employer contributions to be paid remains 14.1% of pensionable salary in respect of all employees.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2012 was £306,983 (2011:£536,392). At 31 August 2012 the amount of outstanding contributions not paid over to the Scheme was £96,225 (2011:£89,297).

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

**13. CONTROLLING PARTY**

Throughout the year the College was under the control of the Board of Directors acting in concert. In the opinion of the Board of Directors there is no single controlling party as defined by Financial Reporting Standard No. 8 - Related Party Disclosures, as no party has the ability to direct the financial and operating policies of the College with a view to gaining economic benefits from their direction.

**14. RELATED PARTY TRANSACTIONS**

The College operates a central accounting system administered by the Bursar, elements of which cover both the grant-aided and non grant-aided sectors of the College’s activities. A majority of the operating receipts and operating expenditure related to the College’s activities, whether related to the grant-aided sector or otherwise, pass through common bank accounts, all of which are included in the balance sheet within these financial statements. The net movement arising from cash transactions relating to non grant-aided activities is disclosed in the Cash Flow Statement as a movement on the current account operated between the two sectors. At each year end, account balances within the central accounting system, including individual debtor and creditor account balances, are allocated as appropriate into the financial statements of the different sectors.

During the year ended 31 August 2012 an amount of £14,000 (2011: £14,000) has been charged from the grant-aided sector of the College to the non grant-aided sector in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate to the non grant-aided sector of the College’s activities.

**NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

**15. ELIZABETH COLLEGE FOUNDATION**

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

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

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

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

**16. FINANCIAL COMMITMENTS**

The College has entered into an agreement to lease certain computer equipment, in connection with the implementation of the Guernsey Integrated Learning Environment project, on a three year operating lease which terminates in 2013. Rentals paid under this agreement in the current year amount to £9,316 (2011: £5,908). The amount currently expected to be paid under the agreement in the next financial year (based on the equipment currently in use) is £6,818.

The College has incurred expenditure of £192,594 in relation to the construction of a school refectory as part of a redevelopment of the existing Geography classroom block. The budget for this project is expected to be in the region of £1.2m. The Trustees of the Elizabeth College Foundation have given a commitment to raise sufficient funds to meet all of the required expenditure in respect of the refectory project. The costs incurred to date are being carried as amounts recoverable on contracts in the balance sheet.

## **INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE - GUERNSEY**

We have audited the financial statements of The Ladies' College - Guernsey ("the College") for the year ended 31 August 2012 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Board of Governors of the College, as a body, in accordance with our engagement letter dated 17 October 2012. Our audit work is undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Governors and auditors**

The Board of Governors is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the College and of the results of the College for that year. In preparing those financial statements the Board of Governors is required to:

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

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Small Entities (Revised)", in the circumstances set out in note 2 to the financial statements.

We also report to you if, in our opinion, the College has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In this matter we draw particular attention to note 1(b) to the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF GOVERNORS OF  
THE LADIES' COLLEGE - GUERNSEY  
(continued)**

**Scope of the audit of the financial statements (continued)**

Note 1(b) to the financial statements explains that the costs of furniture and equipment and of minor improvements and maintenance to all buildings and grounds are written off through the Income and Expenditure Account when incurred and that the costs of major improvement work are met by transfers from the Maintenance and Improvements Reserves and that no fixed assets are therefore presented in the financial statements. We concur with these accounting policies.

**Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2012 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;

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

Date: 17 January 2013

**THE LADIES' COLLEGE - GUERNSEY**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 AUGUST 2012**

	Note		2011
<b>INCOME</b>	3		
States grant		913,001	921,717
Fees receivable		2,660,348	2,493,340
Bank interest received		17,292	32,477
Student registration fees		6,800	5,200
Miscellaneous income		42,422	27,591
		<hr/>	<hr/>
		3,639,863	3,480,325
<b>EXPENDITURE</b>			
School expenditure		(3,092,519)	(2,933,576)
		<hr/>	<hr/>
<b>OPERATING SURPLUS FOR THE YEAR</b>	3/7	547,344	546,749
Capital improvements expenditure	11	(1,437,841)	(857,105)
Transfer from Maintenance and Improvements Reserve	7	1,437,841	857,105
		<hr/>	<hr/>
		-	-
<b>TRANSFER TO MAINTENANCE &amp; IMPROVEMENTS RESERVE</b>	5/7	(400,000)	(500,000)
		<hr/>	<hr/>
<b>RETAINED SURPLUS FOR THE YEAR</b>		£ 147,344	£ 46,749
		<hr/>	<hr/>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

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

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

The notes on pages 122 to 124 form an integral part of these financial statements.

# THE LADIES' COLLEGE - GUERNSEY

## BALANCE SHEET

31 AUGUST 2012

	Note		2011
<b>CURRENT ASSETS</b>			
Fee debtors		1,658	3,107
Accrued bank interest		3,808	4,443
Cash at bank and in hand		1,237,773	2,070,071
		<hr/>	<hr/>
		1,243,239	2,077,621
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Sundry creditors and accruals	6	200,778	187,843
Fees for Autumn Term received in advance		190,460	147,280
		<hr/>	<hr/>
		(391,238)	(335,123)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		£ 852,001	£ 1,742,498
		<hr/>	<hr/>
<b>REPRESENTED BY:-</b>			
Reserves	7	£ 852,001	£ 1,742,498
		<hr/>	<hr/>

**APPROVED ON BEHALF OF THE BOARD OF GOVERNORS AND AUTHORISED FOR  
ISSUE BY:**

.....  
Chairman, the Board of Governors

Date 17 January 2013

The notes on pages 122 to 124 form an integral part of these financial statements.

# **THE LADIES' COLLEGE - GUERNSEY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 AUGUST 2012**

### **1. ACCOUNTING POLICIES**

#### **(a) CONVENTION**

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

#### **(b) CAPITAL EXPENDITURE**

Capital expenditure on fixtures and fittings is written off in the year in which it is incurred, thus the Balance Sheet of the College does not disclose fixed assets. Where the College undertakes significant capital improvements, such as the capital expenditure incurred on the redevelopment of the College's buildings, these costs are met by transfers from the Maintenance & Improvements Reserve. No asset is shown on the Balance Sheet as the College does not hold legal title to the land on which the College's premises are built.

#### **(c) INCOME RECOGNITION**

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

#### **(d) PENSION COSTS**

The College operates a defined benefit multi-employer pension scheme and superannuation contributions are charged to the Income and Expenditure Account to spread the cost of the pensions over the employees working lives.

#### **(e) PRIZE FUNDS AND BEQUESTS**

Prize funds and other charitable bequests are not included in these financial statements as they do not constitute part of the day-to-day activities of the College.

### **2. APB ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES**

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

### **3. INCOME AND OPERATING SURPLUS FOR THE YEAR**

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

### **4. TAXATION**

The College has been registered under the Charities and Non Profit Organisations (Registration) (Guernsey) Law, 2008 and has therefore been granted exempt status under Section 40(k) of the Income Tax (Guernsey) Law, 1975. The College's income is therefore not subject to taxation.

# THE LADIES' COLLEGE - GUERNSEY

## NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2012

### 5. MAINTENANCE & IMPROVEMENTS RESERVE

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

- i) maintenance expenditure to which the College is committed at 31 August 2012;
- ii) maintenance needs which have been deferred;
- iii) anticipated future maintenance needs; and
- iv) anticipated expenditure in respect of future improvements to the College premises.

### 6. SUNDRY CREDITORS AND ACCRUALS

		<b>2011</b>
School and administrative expenses	£ 200,778	£ 187,843
	<hr/>	<hr/>

### 7. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2011	457,723	1,284,775	1,742,498
Operating surplus for the year	547,344	-	547,344
Transfer to Income and Expenditure Account to cover capital improvements expenditure (note 11)	-	(1,437,841)	(1,437,841)
Transfer from Income & Expenditure Account to Maintenance & Improvements Reserve	(400,000)	400,000	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2012	£ 605,067	£ 246,934	£ 852,001
	<hr/>	<hr/>	<hr/>

### 8. PENSION COSTS

A majority of the employees of the College are members of the States of Guernsey Superannuation Scheme ("the Scheme"). This is a defined benefit pension scheme, funded by contributions from both employer and employee, at rates which are determined on the basis of actuarial advice and which are calculated to spread the expected cost of benefits to employees over the period of those employees' expected working lives.

The Scheme is a multi-employer scheme and the level of contributions made to the scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of the College to be determined on a reasonable and consistent basis, as required by The Financial Reporting Standard for Smaller Entities (effective April 2008). In addition, the Board of Governors considers that the additional costs which would be incurred, were it possible to do so, in providing such information considerably outweigh any benefit to the proposed users of these financial statements.

# THE LADIES' COLLEGE - GUERNSEY

## NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2012

### 8. PENSION COSTS (continued)

The last actuarial valuation of the Scheme was conducted at 31 December 2010. At that date the actuarial value of the assets relating to the "Public servants pool" within the overall Scheme, to which the College's administration and teaching staff belong, represented 93% of the actuarial valuation of the liabilities relating to that group. With effect from 1 January 2010 the rate of employer's contribution increased to 14.1% in respect of all staff.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2012 was £263,156 (2011: £252,638). At 31 August 2012 the amount of outstanding contributions not paid over to the Scheme was £45,432 (2011: £43,692).

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

### 9. CONTROLLING PARTIES

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

### 10. RELATED PARTY TRANSACTIONS

There were no material related party transactions.

### 11. FINANCIAL COMMITMENTS

In the prior year, the College entered into a contract for the development of the Art & Drama/Melrose Linked building, the minimum anticipated building costs being £2,372,000, inclusive of related professional fees, with 80% of the costs being attributable to the College and 20% to Melrose. During the financial year ended 31 August 2012, a total of £1,429,950 was expended in respect of this project; a further £4,661 was expended in respect of the 6<sup>th</sup> Form Centre project which was substantially completed in the prior year and a further £3,230 in respect of Phase Three of the development project. All of this capital expenditure was offset by transfers from the Maintenance & Improvements Reserve. The Art & Drama/Melrose Linked building project was completed during the financial year, the expected proportion of future costs outstanding relating to the College are £170,000, exclusive of all ancillary costs such as the fitting out of the premises.

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

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

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

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

## **Independent auditor's report to the Policy and Finance Committee**

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2012 which comprise the Revenue Income and Expenditure Accounts, Capital Account, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement letter dated 06 February 2012. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Policy and Finance Committee and the States Treasurer and auditor**

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on page 125, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States Treasurer; and the overall presentation of the financial statements. In view of the purpose for which these financial statements have been prepared, however, we did not assess the overall presentation of the financial statements which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

In addition, we read all the financial and non-financial information in the Accounts 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2012 in accordance with the accounting policies set out in note 1.

### **Matters on which we report by exception**

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

- the States has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

#### **KPMG Channel Islands Limited**

*Chartered Accountants*

Guernsey

27<sup>th</sup> March 2013

## STATES OF ALDERNEY

### NOTES TO THE ACCOUNTS

#### 1. PRINCIPAL ACCOUNTING POLICIES

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

#### 2. PENSION COSTS

The States provides pension arrangements for the majority of employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of the Scheme Actuary. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Aviva. As reported to the States in March the final salary scheme has now been closed to new entrants from 31<sup>st</sup> December 2011, with investigations ongoing regarding an alternative scheme.

In preparing the disclosures for the States of Alderney (the "States") accounts, the States have noted the disclosure requirements of Financial Reporting Standard 17, "Retirement Benefits" (FRS 17). The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 1<sup>st</sup> January 2012, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31<sup>st</sup> December 2012.

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

	Valuation at 31 December 2012	Valuation at 31 December 2011
Pensionable salary growth	4.1% pa	4.2% pa
Pension escalation in payment		
– to 31.12.2009	4.0% pa	4.0% pa
– from 01.01.2010	3.0% pa	3.0% pa
Discount rate	4.1% pa	4.7% pa
Inflation assumption	3.6% pa	3.7% pa

## PENSION COSTS (Continued)

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

	Value at 31 December 2012	Expected return for 2013	Value at 31 December 2011	Expected return for 2012
Fair value of plan assets	£3,317,000	5.0%	£3,752,000	5.5%

	2012	2011
Fair value of plan assets	£3,317,000	£3,752,000
Present value of funded obligations	(£6,743,000)	(£5,514,000)
Deficit in the scheme	(£3,426,000)	(£1,762,000)
<b>Net pension liability</b>	<b>(£3,426,000)</b>	<b>(£1,762,000)</b>

Over the year to 31<sup>st</sup> December 2012 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2012 Employer premiums amounted to £242,304 (2011: £237,129) in addition to a single premium payment of £105,300, and Employee premiums were £78,749 (2011: 77,066). In addition the Employees Death in Service policy amounted to £14,980 (2011: £16,324).

### 3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2012 the States purchased goods and services from the Board to the value of £13,050, and provided goods and services to the Board to the value of £52,268.

The Royal Connaught Residential Home Limited is a States owned Company. During 2012 the States provided goods and services to the Company to the value of £78,317.

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2012 the value of these purchases was £131,761 (2011: £179,631). The States has provided goods and services to the Company during 2012 to the value of £80,277 (2011: £68,942).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2012 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £44,904 (2011 £30,042).

#### **4. BUDGET APPROVALS**

The original budget for 2012 was approved by the States of Alderney at the meeting held on 19th October 2011, with the revised budget approved by the States of Alderney on 17th October 2012.

#### **5. ALDERNEY GAMBLING CONTROL COMMISSION**

During the year the States of Alderney received a total of £4,835,650 (2011: £4,545,650) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis.

An extract from the Alderney Gambling Control Commission's financial statements for 2012 will be available to the States in April.

#### **6. ALDERNEY eGAMBLING LIMITED**

During 2012 Alderney eGambling Ltd, a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. A report on the company's activity and accounts for 2012 will be available to the States in April.

#### **7. ALDERNEY COMMISSION FOR RENEWABLE ENERGY**

With effect from 10th November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts for 2012 will be available to the States in April.

#### **8. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED**

The Royal Connaught is a States owned Company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2012 will be available to the States in April.

#### **9. ALDERNEY HARBOUR ACCOUNT**

The trading deficit is debited to the General Services Committee and capital expenditure is funded by the General Services Committee.

# STATES OF ALDERNEY

## SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

for the year ended 31 December 2012

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>INCOME ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	23,956	26,000	25,000	61,118
General Services Committee	227,222	254,870	341,380	316,879
Policy and Finance Committee	762,328	758,900	742,550	784,109
Timing Differences	41,700	41,700		16,058
<b>TOTAL INCOME ON REVENUE ACCOUNT</b>	<b>1,055,206</b>	<b>1,081,470</b>	<b>1,108,930</b>	<b>1,178,164</b>
Net revenue cash allocation from States of Guernsey	1,932,650	1,932,650	* 1,875,000	1,659,000
	<b>2,987,856</b>	<b>3,014,120</b>	<b>2,983,930</b>	<b>2,837,164</b>

\* Includes £200k Capital Allocation from Guernsey

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>EXPENDITURE ON REVENUE ACCOUNT</b>				
Building and Development Control Committee	93,012	88,000	91,650	83,515
General Services Committee	1,575,042	1,651,733	1,638,330	1,397,835
Policy and Finance Committee	1,309,283	1,274,387	1,253,950	1,313,792
<b>TOTAL EXPENDITURE ON REVENUE ACCOUNT</b>	<b>2,977,337</b>	<b>3,014,120</b>	<b>2,983,930</b>	<b>2,795,142</b>
<b>Surplus/(Deficit) for the year</b>	<b>10,519</b>	<b>-</b>	<b>-</b>	<b>41,722</b>
	<b>2,987,856</b>	<b>3,014,120</b>	<b>2,983,930</b>	<b>2,837,164</b>

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STATES TREASURER

**STATES OF ALDERNEY**  
**BUILDING AND DEVELOPMENT CONTROL COMMITTEE**

*for the year ended 31 December 2012*

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
Planning and Building fees	23,956	26,000	25,000	61,118
Land Use Plan Inquiries - recoveries	-	-	-	-
<b>TOTAL REVENUE INCOME</b>	<b>23,956</b>	<b>26,000</b>	<b>25,000</b>	<b>61,118</b>

	Accounts 2012	Revised 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>Administration</b>				
Staff costs	81,213	72,900	72,550	63,506
Supplies and services	7,315	9,100	9,100	7,275
Environmental Impact Assessments	963	-	-	-
Consultants Fees		2,000	3,000	-
Planning records system	3,054	3,000	3,000	2,541
Land Use Plan Inquiries		-	-	10,493
External Planning Advice	467	1,000	4,000	-
<b>TOTAL REVENUE EXPENDITURE</b>	<b>93,012</b>	<b>88,000</b>	<b>91,650</b>	<b>83,815</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE**

for the year ended 31 December 2012

	Accounts 2012		Revised 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Agriculture</b>								
Fees and charges	2,038		3,200		3,500		2,161	
Rents	6,649		7,400		7,550		6,786	
Abattoir fees	8,282		6,400		7,000		7,246	
		<b>16,969</b>		<b>17,000</b>		<b>18,050</b>		<b>16,193</b>
<b>Public Services</b>								
<b>Administration</b>								
Hire vehicle fees	2,795		2,300		2,000		2,424	
Vehicle import licence fees	33,246		40,000		40,000		45,607	
	<u>36,040</u>		<u>42,300</u>		<u>42,000</u>		<u>48,031</u>	
<b>Properties - General</b>								
Rent - Commercial	192,475		191,500		181,300		154,535	
Rent - Housing	31,118		31,000		30,400		28,162	
	<u>223,592</u>		<u>222,500</u>		<u>211,700</u>		<u>182,697</u>	
<b>Refuse Collection and Disposal</b>								
Refuse charges (scrapped vehicles)	21,000		21,000		21,000		21,000	
	<u>21,000</u>		<u>21,000</u>		<u>21,000</u>		<u>21,000</u>	
<b>Sewage and Sanitation</b>								
Cesspit emptying fees	12,768		12,500		12,500		12,425	
	<u>12,768</u>	<b>293,400</b>	<u>12,500</u>	<b>298,300</b>	<u>12,500</u>	<b>287,200</b>	<u>12,425</u>	<b>264,153</b>
<b>Recreation</b>								
<b>Campsite</b>								
Campsite fees (net)/Rent	470		270		4,500		4,009	
<b>Island Hall</b>								
Island Hall Rents	19,084		19,800		11,930		10,267	
Concessions on Rents	(4,426)		(8,000)		-		-	
	<u>15,128</u>		<u>12,070</u>		<u>16,430</u>		<u>14,276</u>	
<b>Alderney Harbour Trading (Deficit)/Surplus</b>		<b>(98,276)</b>		<b>(72,500)</b>		<b>19,700</b>		<b>22,257</b>
<b>TOTAL REVENUE INCOME</b>		<b>227,222</b>		<b>254,870</b>		<b>341,380</b>		<b>316,879</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE (continued)**  
*for the year ended 31 December 2012*

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Agriculture</b>								
Staff	161,112		161,500		158,100		141,812	
Supplies and services	28,882		27,500		28,000		31,380	
Bovine Spongiform Encephalopathy - Compensation	600		1,500		1,500		300	
Disposal costs (Burhou & Ramsar site costs 2011)	-		600		600		-	6,075
Dairy and land management compensation	58,268		65,000		65,000		60,845	
Foot and mouth insurance			1,400		1,400		1,304	
Abattoir costs	10,826		7,000		7,000		10,868	
Veterinary services	3,417		4,500		11,000		2,708	
	263,104		269,000		272,600		255,292	
Less: Recoveries	(6,661)		(5,000)		(5,000)		(4,718)	
		<b>256,443</b>		<b>264,000</b>		<b>267,600</b>		<b>250,574</b>
<b>Camp Site and Recreation</b>								
<b>Camp Site</b>								
Camp site expenses	7,494		9,000		9,000		7,867	
<b>Children's Playground</b>								
Supplies and services	4,310		5,000		5,000		5,240	
<b>Island Hall</b>								
Premises	7,590		7,000		7,000		6,707	
Staff	8,128		9,200		10,800		8,882	
Supplies and services	1,092		2,500		2,500		833	
	16,810	<b>28,614</b>	18,700	<b>32,700</b>	20,300	<b>34,300</b>	16,422	<b>29,529</b>
<b>Civil Emergency</b>								
Premises	796		2,000		2,000		1,771	
Supplies and services	11,447		15,000		13,500		1,638	
Environmental monitoring	19,519		20,000		20,000		18,682	
Responses to major incidents	-		2,500		2,500		-	
		<b>31,761</b>		<b>39,500</b>		<b>38,000</b>		<b>22,091</b>
<b>Alderney Wildlife Trust</b>								
Annual allocation	16,000		16,000		16,000		-	
Ramsar £10.5k (£5.5K from unforeseen)	4,996		5,000		5,000		-	
Woodland Project	1,000		1,000		1,000		-	
		<b>21,996</b>		<b>22,000</b>		<b>22,000</b>		
Sea Fisheries (see Harbour)	-		-		-		21,602	
Gardens, Cemetery and Church (inc in Agriculture)	-		-		-		31,186	
								<b>52,788</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE (continued)**

for the year ended 31 December 2012

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Public Services</b>								
<b>Administration</b>								
Staff	113,608		104,100		100,900		94,390	
Supplies and services	10,199		10,600		7,100		22,218	
Training & equipment - Health and Safety	9,614		6,300		6,500		5,301	
Insurance	12,040		12,050		11,300		10,610	
	<u>145,461</u>		<u>133,050</u>		<u>125,800</u>		<u>132,519</u>	
<b>Fire Brigade and Cliff Rescue</b>								
Staff	25,380		25,500		23,600		24,508	
Supplies and services	35,112		38,500		23,400		16,357	
Administration of Law	7,283		6,000		6,000		5,059	
	<u>67,775</u>		<u>70,000</u>		<u>53,000</u>		<u>45,924</u>	
<b>Apprenticeship Scheme</b>								
Staff	30,517		32,233		31,180		4,170	
Associated Costs	872		1,000		700		247	
	<u>31,388</u>		<u>33,233</u>		<u>31,880</u>		<u>4,417</u>	
Less: Grant Recoveries	(3,945)		(2,250)		(3,300)		(750)	
	<u>27,443</u>		<u>30,983</u>		<u>28,580</u>		<u>3,667</u>	
<b>Minor Projects</b>								
Staff	103,178		123,300		142,900		-	
Supplies and services	53,670		40,000		52,500		-	
	<u>156,848</u>		<u>163,300</u>		<u>195,400</u>		<u>-</u>	
Less: Recoveries	(112,652)		(75,000)		(50,000)		-	
	<u>44,196</u>		<u>88,300</u>		<u>145,400</u>		<u>-</u>	
<b>Properties - General &amp; Housing</b>								
Staff	81,432		85,350		85,800		142,755	
Supplies and services	101,209		96,950		124,500		117,798	
	<u>182,641</u>		<u>182,300</u>		<u>210,300</u>		<u>260,553</u>	
Less: Recoveries	(2,112)		(1,000)		(5,000)		(65,894)	
	<u>180,529</u>		<u>181,300</u>		<u>191,350</u>		<u>194,659</u>	
<b>Refuse Collection, Separation and Disposal</b>								
<b>Household Collection and Impôt</b>								
Staff	139,795		145,500		140,000		132,553	
Supplies and services: -								
Vehicles & Plant maintenance	72,638		40,700		20,000		29,109	
Household & general waste - disposal	161,836		176,000		176,000		146,625	
Vehicles & white goods etc - disposal	6,110		5,000		10,000		1,958	
	<u>380,379</u>		<u>367,200</u>		<u>346,000</u>		<u>310,245</u>	
<b>Recycling Centre - Glacis</b>								
Refuse separation / Recycling - staff	107,463		88,250		89,250		113,979	
Refuse separation / recycling - supplies & services	18,069		39,000		39,000		27,546	
	<u>125,532</u>		<u>127,250</u>		<u>128,250</u>		<u>141,525</u>	
Less: Recoveries	-		-		-		(2,015)	
	<u>125,532</u>		<u>127,250</u>		<u>128,250</u>		<u>139,510</u>	
<b>Roads, Coasts and Beaches</b>								
Staff	36,287		34,250		34,100		42,994	
Supplies and services	71,140		62,000		53,000		40,908	
	<u>107,427</u>		<u>96,250</u>		<u>87,100</u>		<u>83,902</u>	
Less: Recoveries	(12,104)		(5,000)		(5,000)		(17,683)	
	<u>95,323</u>		<u>91,250</u>		<u>82,100</u>		<u>66,219</u>	
<b>Sewage and Sanitation</b>								
Staff	75,536		79,700		75,750		96,676	
Supplies and services	43,077		56,500		35,000		29,183	
	<u>118,613</u>		<u>136,200</u>		<u>110,750</u>		<u>125,859</u>	
Less: Recoveries	(5,085)		(5,000)		(1,500)		(3,737)	
	<u>113,528</u>		<u>131,200</u>		<u>109,250</u>		<u>122,122</u>	
<b>Vehicle Fleet</b>								
Staff	26,345		29,350		29,500		29,680	
Supplies and services	63,480		65,852		52,700		55,981	
	<u>89,826</u>		<u>95,200</u>		<u>82,200</u>		<u>85,661</u>	
Less: Recoveries	(33,763)		(22,200)		(15,500)		(26,486)	
	<u>56,063</u>		<u>73,000</u>		<u>66,700</u>		<u>59,175</u>	
	<b>1,236,228</b>		<b>1,293,533</b>		<b>1,276,430</b>		<b>1,073,558</b>	
<b>TOTAL REVENUE EXPENDITURE</b>	<b>1,575,042</b>		<b>1,651,733</b>		<b>1,638,330</b>		<b>1,397,835</b>	

**STATES OF ALDERNEY  
POLICY AND FINANCE COMMITTEE**

for the year ended 31 December 2012

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Administration</b>								
Company registrations	51,784		43,000		43,000		43,049	
Court receipts	38,244		32,300		43,300		57,048	
Duty free concession	14,167		14,000		24,000		20,000	
Interest receivable	23,556		11,500		5,150		6,331	
Numismatic and philatelic profits	122,581		175,000		98,000		170,067	
Occupiers rates	467,839		469,300		462,600		450,726	
Permits and licences	17,723		16,700		21,900		18,335	
Rents	35,274		35,300		35,300		35,274	
Royalties and fees	14,833		4,000		3,000		3,395	
Sundry sales and charges	14,499		20,000		18,500		19,614	
	800,498		821,100		754,750		823,839	
Less: Transfer to Currency Reserve	(54,879)		(80,000)		(30,000)		(56,240)	
		745,619		741,100		724,750		767,599
<b>Marketing and Promotion</b>								
Accommodation permits	5,424		5,500		6,000		5,160	
Sale of advertising space	12,285		12,300		11,800		11,350	
		17,709		17,800		17,800		16,510
<b>TOTAL REVENUE INCOME</b>		763,328		758,900		742,550		784,109

**STATES OF ALDERNEY  
POLICY AND FINANCE COMMITTEE (continued)**

for the year ended 31 December 2012

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Administration</b>								
Premises	20,479		20,500		22,000		18,951	
Staff	450,102		458,550		441,900		608,733	
Supplies and services	89,209		105,200		84,000		93,956	
Audit fees and expenses	29,612		30,000		31,000		28,714	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	1,246		3,000		3,000		2,419	
Insurance	36,066		34,250		6,770		9,102	
States Members allowances	95,461		95,350		95,350		90,484	
Supplementary & Retirement pensions	16,173		16,200		15,600		15,551	
Unforeseen expenditure: -	79,612		50,687		50,000		140,724	
	832,960		828,737		764,620		1,023,634	
Less: Recoveries	(66,412)		(65,900)		(72,700)		(60,489)	
		766,548		762,837		691,920		963,145
<b>Court</b>								
Staff	149,029		150,600		148,750		-	
Supplies and services	16,245		18,000		16,750		22,251	
Insurance	1,921		1,900		1,900		1,854	
Premises	6,335		5,100		5,100		-	
		173,530		175,600		172,500		24,105
<b>Education and Health</b>								
Supplies and services	46		900		900		775	
Grant to Alderney playschools	6,404		7,030		4,530		500	
School bus subsidy	20,982		22,520		21,000		19,446	
Grant for IT Education	1,500		1,500		2,400		-	
Youth Services grant	5,000		5,000		5,000		6,500	
	33,932		36,950		33,830		27,221	
<b>Social and Welfare Services</b>								
Social Services and welfare support	49,030		50,000		48,500		62,482	
Less: Recoveries	(33,483)		(34,000)		(30,000)		(46,767)	
	15,547		16,000		18,500		15,715	
		49,479		52,950		52,330		42,936
<b>Grants</b>								
Alderney Island Games Association	-		-		-		7,000	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week	4,000		4,000		4,000		4,000	
Alderney Wildlife Trust (inc GSC)	-		-		-		16,000	
Minor grants	13,752		11,500		11,500		9,991	
St. John Ambulance Brigade	42,000		42,000		42,000		42,000	
		63,252		61,000		61,000		82,491
<b>Marketing</b>								
<b>Administration</b>								
Premises	7,548		8,700		8,700		6,986	
Staff	44,089		50,300		49,000		50,864	
Supplies and services	5,850		7,000		9,000		10,829	
	57,487		66,000		66,700		68,679	
<b>Promotion</b>								
Marketing	151,363		122,500		109,500		132,436	
Business Development	47,624		33,500		100,000		-	
		256,474		222,000		276,200		201,115
<b>TOTAL REVENUE EXPENDITURE</b>		1,309,283		1,274,387		1,253,950		1,313,792

# STATES OF ALDERNEY

## GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR

for the year ended 31 December 2012

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>REVENUE ACCOUNT</b>								
<b>INCOME</b>								
<b>Administration</b>								
Facilities charges	192,214		203,800		227,700		217,401	
Sundries	6,747		6,500		7,500		5,133	
	198,961		210,300		235,200		222,534	
Less: concessions on charges	(2,240)		(1,000)		(3,000)		(1,021)	
	196,721		209,300		232,200		221,513	
<b>Crane dues and boat lifts</b>	53,211		54,000		62,000		60,781	
<b>Moorings and Navigation</b>								
Fees	115,841		109,850		118,500		120,182	
Pilotage fees	99,683		79,000		89,700		85,154	
	215,524		188,850		208,200		205,336	
Less: Pilots remuneration	(37,460)		(33,000)		(30,000)		(31,032)	
Concessions on charges	(7,684)		(4,000)		(6,000)		(3,515)	
	170,381		151,850		172,200		170,789	
<b>Quays and Buildings rent</b>	14,014		13,300		15,400		12,557	
<b>TOTAL INCOME</b>		434,327		428,450		481,800		465,640
<b>EXPENDITURE</b>								
<b>Administration</b>								
Staff	259,099		266,900		277,100		255,050	
Supplies and services	23,856		28,500		37,500		31,927	
Training costs	8,462		8,000		12,000		5,378	
Insurance	4,067		3,900		3,900		3,769	
Port security expenses	1,733		4,000		4,000		119	
	297,217		311,300		334,500		296,243	
Less: Recoveries	(56,662)		(48,000)		(48,000)		(50,431)	
	240,555		263,300		286,500		245,812	
<b>Cranes, Plant and Vehicles</b>								
Staff	35,732		33,900		39,400		36,068	
Supplies and services	105,994		98,150		25,600		19,647	
	141,725		132,050		65,000		55,715	
Less: Recoveries	(4,957)		(4,000)		(4,000)		(2,825)	
	136,768		128,050		61,000		52,890	
<b>Moorings and Navigation</b>								
Supplies and services	47,075		48,000		55,000		51,990	
Wrecks and salvage	2,120		3,000		3,000		2,120	
	49,195		51,000		58,000		54,110	
<b>Quays and Buildings</b>								
Buildings	9,762		10,000		17,000		23,237	
Quay Maintenance	20,786		20,000		15,000			
Pontoon Maintenance	207		2,000		2,000			
Consultancy/Survey Fees	55,207		6,000		2,000		67,334	
	85,963		38,000		36,000		90,571	
<b>Fisheries</b>								
Staff Costs	17,600		17,600		17,600		-	
Supplies and services	2,522		3,000		3,000		-	
	20,122		20,600		20,600			
<b>TOTAL EXPENDITURE</b>		532,603		500,950		462,100		443,383
<b>TRADING (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE</b>		(98,276)		(£72,500)		£19,700		£22,257

# STATES OF ALDERNEY CAPITAL ACCOUNT SUMMARY

for the year ended 31 December 2012

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>INCOME ON CAPITAL ACCOUNT</b>				
General Services Committee	8,085	5,585	3,500	121,200
Policy and Finance Committee	236,685	185,000	1,376,000	319,157
<b>TOTAL INCOME ON CAPITAL ACCOUNT</b>	<b>244,770</b>	<b>190,585</b>	<b>1,379,500</b>	<b>440,357</b>
Routine capital allocation from States of Guernsey	-	-	-	200,000
Transfer of funds from AGCC reserves	2,337,593	2,390,000	2,250,000	3,061,267
<b>Surplus/(Deficit) for the year</b>	<b>1,310,839</b>	<b>853,004</b>	<b>(316,500)</b>	<b>1,555,747</b>
	<b>1,271,523</b>	<b>1,727,581</b>	<b>3,946,000</b>	<b>2,145,877</b>

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>EXPENDITURE ON CAPITAL ACCOUNT</b>				
General Services Committee	1,271,523	1,727,581	2,746,000	2,145,877
Policy and Finance Committee	-	-	1,200,000	-
<b>TOTAL EXPENDITURE ON CAPITAL ACCOUNT</b>	<b>1,271,523</b>	<b>1,727,581</b>	<b>3,946,000</b>	<b>2,145,877</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE**

for the year ended 31 December 2012

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
Sewerage Law contributions	2,500	-	3,000	1,000
Transfer from Housing Loans fund (re Social Housing)	-	-	-	100,000
Sale of Vehicles/Plant	5,585	5,585	500	20,200
<b>TOTAL CAPITAL INCOME</b>	<b>8,085</b>	<b>5,585</b>	<b>3,500</b>	<b>121,200</b>

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>Alderney Harbour Account</b>	344,541	550,000	1,610,000	210,757
<b>Alderney Water Board - Capital Grants:</b>				
Water Filtration Plant - Phase 2 (£700k)	70,000	70,000	-	80,000
Trigale High Level Storage - Phase 3 (£420k)	70,000	70,000	70,000	350,000
Distribution Network - Phase 4a (£210,300)	210,300	210,300	250,000	-
<b>Public Services</b>				
Road Resurfacing Contract (£250K)	250,251	250,000	250,000	-
Coastal Protection (£20k)	3,932	10,000	106,000	6,928
Sewerage Projects (£10k & £16k)	8,088	30,000	80,000	7,040
Waste Disposal Improvements	-	25,000	-	-
Purchase of Abattoir Equipment (£37k)	15,644	15,174	-	16,625
<b>Fire Brigade</b>				
Cliff Rescue Equipment (£16k)	15,038	15,000	26,000	-
Fire Fighting Equipment-Breathing Apparatus (£10k)	10,000	10,000	10,000	-
<b>Land and Property</b>				
New Connaught Care Home (£2.5m)	40,048	65,000	65,000	1,193,353
Acquisition of land for Runway Safety Area (£50k)	4,082	10,000	5,000	-
Camp Site - Improved facilities (£81k & £64K)	164,724	190,200	95,000	21,204
St Anne's Church Refurbishment (£200k)	7,433	150,000	100,000	136
Transfer of Loans Fund to AHA (£299k)	-	-	-	100,000
Fort Albert Alternative Storage	-	30,000	30,000	-
<b>Works Department Vehicles and Plant</b>				
Vehicles (£49k)	43,352	42,816	49,000	62,016
Plant (£15k)	14,091	14,091	-	-
Per published accounts 2011	-	-	-	97,818
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>1,271,523</b>	<b>1,757,581</b>	<b>2,746,000</b>	<b>2,145,877</b>

**STATES OF ALDERNEY  
POLICY AND FINANCE COMMITTEE**

*for the year ended 31 December 2012*

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Property Transfer Duties</b>								
Congé	226,344		175,000		245,000		302,454	
Leasehold Duty	10,340		10,000		5,000		16,704	
Transfer Duty	-		-		1,000		-	
		<b>236,685</b>		<b>185,000</b>		<b>251,000</b>		<b>319,157</b>
Sale of States Properties		-		-		1,025,000		-
Transfer from Coin Reserve account		-		-		100,000		-
<b>TOTAL CAPITAL INCOME</b>		<b>236,685</b>		<b>185,000</b>		<b>1,376,000</b>		<b>319,157</b>

	Accounts 2012		Revised Budget 2012		Budget 2012		Accounts 2011	
	£	£	£	£	£	£	£	£
<b>Expenditure</b>								
<b>Allocation of Funds/Grants</b>								
Social Housing Projects - Phase 1	-		-		400,000		-	
Sports Centre Trust	-		-		400,000		-	
Airport Improvements	-		-		400,000		-	
<b>TOTAL CAPITAL EXPENDITURE</b>		<b>0</b>		<b>0</b>		<b>1,200,000</b>		<b>0</b>

**STATES OF ALDERNEY**  
**GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR**

*for the year ended 31 December 2012*

	Accounts 2012	Revised Budget 2012	Budget 2012	Accounts 2011
	£	£	£	£
<b>CAPITAL ACCOUNT - EXPENDITURE</b>				
<b>Commercial Quay Revetment</b>	1,711	100,000	500,000	1,911
<b>Harbour Area Redevelopment</b>				
Replacement Harbour Office (£642k)	25,040	55,000	300,000	2,646
Improvements to Shower Facilities	-	-	200,000	-
Inner Harbour Improvements - Ladders (£26k)	-	26,000	-	-
Boat Park	7,868	17,000	50,000	-
<b>Replacement Crane (£730k)</b>	265,692	300,000	500,000	-
<b>New Engines for Pilot Boat (£52k)</b>	44,230	52,000	60,000	-
per published accounts 2011	-	-	-	206,200
<b>TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE</b>	<b>344,541</b>	<b>£550,000</b>	<b>£1,610,000</b>	<b>£210,757</b>

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2012

### LE BANQUAGE HOUSING LOANS SCHEME

	<b>2012</b>
CAPITAL ACCOUNT	£
Balance of Funds at 01.01.12	199,099
Transfer to Alderney Housing Association	0
Balance of Funds at 31.12.12	<u>199,099</u>

### COINS IN CIRCULATION ACCOUNT

Value of coins in circulation at 01.01.12	3,101,160
Value of coins issued in 2012	<u>311,823</u>
	3,412,983
Less: Value of coins withdrawn from circulation	<u>(2,077)</u>
Value of coins in circulation at 31.12.12	<u>3,410,906</u>

### CURRENCY RESERVE FUND

Balance at 01.01.12	356,270
Reserve for base metal coins issued in 2012	<u>54,955</u>
	411,225
Less: Value of coins redeemed.	<u>(2,077)</u>
Balance at 31.12.12	<u>409,148</u>

### INVESTMENTS

<b>2011</b>			<b>2012</b>	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		Ordinary Shares at £1 each fully paid at cost		
1,146,090	39,860	Balance at 01.01.12 and 31.12.12	1,146,090	39,860
<b>2011</b>			<b>2012</b>	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		7% Cumulative Preference Shares		
		at £1 each fully paid at cost		
11,150	5,659	Balance at 01.01.12 and 31.12.12	11,150	5,659
<b>2011</b>			<b>2012</b>	
SHARES	£	<u>Alderney eGambling Ltd</u>	SHARES	£
		Ordinary Shares at £1 each fully paid at cost		
1	1	Balance at 01.01.12 and 31.12.12	1	1
<b>2011</b>			<b>2012</b>	
SHARES	£	<u>Alderney Golf Club</u>	SHARES	£
		Shares at £1 each fully paid at cost		
650	650	Balance at 01.01.12 and 31.12.12	650	650
<b>2011</b>			<b>2012</b>	
SHARES	£	<u>Royal Connaught Residential Home Ltd</u>	SHARES	£
		Shares at £1 each fully paid at cost		
2	2	Balance at 01.01.12 and 31.12.12	2	2

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2012 (continued)

<u>2011</u>	<b>Bank accounts</b>	<u>2012</u>
£	<u>Daisy Hansen St Anne's School Trust</u>	£
983	Balance at 01.01.12	984
1	Interest received	0
<u>984</u>	Balance at 31.12.12	<u>984</u>
	<u>The Anne French Hospital Annexe Fund</u>	
11,957	Balance at 01.01.12	11,974
17	Interest received	202
<u>11,974</u>	Balance at 31.12.12	<u>12,176</u>
	<u>States of Alderney Interest on Investments Account</u>	
	<u>(Educational Bequests)</u>	
10,151	Balance at 01.01.12	10,165
14	Interest received	163
10,165		10,328
0	Grants	0
<u>10,165</u>	Balance at 31.12.12	<u>10,328</u>
	<u>The Packe History Trust</u>	
1,526	Balance at 01.01.12	1,502
1	Interest received	1
1,527		1,503
(25)	School History Prize	0
<u>1,502</u>	Balance at 31.12.12	<u>1,503</u>

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2012 (continued)

<u>2011</u> £	<b>Bank accounts</b>	<u>2012</u> £
<u>200</u>	<u>Alderney Pilotage Board</u> Balance at 01.01.12 and 31.12.12	<u>200</u>
15,431	<u>The Mary Roylance Mignot Memorial Hospital Fund</u> Balance at 01.01.12	15,623
192	Interest received	471
<u>15,623</u>		<u>16,094</u>
0	Grants	(1,200)
<u>15,623</u>	Balance at 31.12.12	<u>14,894</u>
30,945	<u>St Anne's Trust</u> Balance at 01.01.12	30,989
44	Interest received	497
<u>30,989</u>		<u>31,486</u>
0	Grants	0
<u>30,989</u>	Balance at 31.12.12	<u>31,486</u>
70,163	<u>The New Parsonage House Trust</u> Balance at 01.01.12	70,801
810	Interest received	2,523
<u>70,973</u>		<u>73,324</u>
(173)	Maintenance costs	(295)
<u>70,801</u>	Balance at 31.12.12	<u>73,030</u>

### Outstanding Commitments on major projects at 31.12.2012

	Vote	Spend to 31.12.12	Balance outstanding
New Connaught Care Home	2,500,000	3,078,823	(578,823)
Harbour Crane	730,000	265,692	464,308
Harbour Office Replacement	642,000	44,966	597,034

### Commercial Quay:

**Phase 1 Revetment Rebuild** The outstanding item in Phase 1 was the rock revetment. There was disagreement between the Consulting Engineer and the Contractor as to whether the design was correct, the construction was satisfactory and whether appropriate sea condition data was used. To help resolve this impasse, the States appointed an independent Consulting Engineer Mouchel and a redesign of the revetment was produced. On 4th September 2012 the States of Alderney went out to tender to five pre-qualified tenderers, four were returned on the deadline date of 29th October 2012. The four tenders were evaluated and scored in accordance with the Tender Document by Mouchel. They then provided a full tender evaluation report and that report was considered by P&F on 27th November 2012. Mouchel recommended that P&F approved the appointment of Mackley Construction as the preferred bidder subject to agreement with them of the amount of liquidated damages and third party liability, and agreement of the proposed lead time for mobilisation. This item was laid before the States on 9th January 2013.

## **STATES OF ALDERNEY WATER BOARD**

### **STATEMENT OF THE BOARD'S RESPONSIBILITIES**

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year.

In preparing those financial statements the Board is required to:

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

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

## **Independent auditor's report to the members of the States of Alderney Water Board**

We have audited the financial statements of the States of Alderney Water Board (the "the Water Board") for the year ended 31 December 2012 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the terms of our engagement letter dated 6 February 2012. Our audit work has been undertaken so that we might state to the members those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Water Board and the members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of the Board's Responsibilities set out on page 145, the Board is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2012 in accordance with the accounting policies set out in note 1.

### **Matters on which we report by exception**

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

- the Board has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

### **KPMG Channel Islands Limited**

*Chartered Accountants*

Guernsey

27th March 2013

## STATES OF ALDERNEY WATER BOARD

## REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2012

	Notes	2012		2011	
		£	£	£	£
<b>REVENUE</b>					
	1				
Unmetered Supplies		483,816		475,290	
Metered Supplies		64,250		72,192	
Service Charges		3,114		1,040	
Contract Work		<u>2,463</u>		<u>3,064</u>	
			553,642		551,586
<b>EXPENSES</b>	1				
<b>OPERATING AND MAINTENANCE EXPENSES</b>					
Salaries and Wages		198,538		170,264	
Water Treatment and Testing		39,146		43,820	
Fuel, Electricity and Telemetry		106,482		97,321	
Maintenance		52,380		44,853	
Maintenance Contracts		13,905		13,500	
Health & Safety expenses		3,518		2,597	
Pension Costs	2	29,632		22,614	
Depreciation	1 & 6	<u>82,664</u>		<u>61,387</u>	
		<u>526,266</u>		<u>456,357</u>	
<b>ADMINISTRATION AND GENERAL EXPENSES</b>					
Administration Charge		22,768		15,534	
Rents, Rates and Taxes		14,786		7,623	
Insurance		7,787		6,948	
Motor Vehicle Expenses		4,933		7,789	
Office Expenses and Equipment		4,997		6,279	
Accountancy and Audit		6,135		6,070	
Bank Charges		477		797	
Travelling and General Expenses		1,835		1,465	
Staff Training Costs		4,366		6,283	
Consultancy Fees and Expenses		0		88	
Bad Debts Written off		133		533	
Fixed Asset Written off		<u>0</u>		<u>3,191</u>	
		<u>68,217</u>		<u>62,600</u>	
			(594,483)		(518,957)
<b>OPERATING (DEFICIT)/SURPLUS</b>			(40,841)		32,629
<b>OTHER INCOME</b>					
Interest and other Receivable			6,800		0
Rents Receivable	5		<u>10,493</u>		<u>10,481</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>			(23,547)		43,110
<b>BALANCE BROUGHT FORWARD</b>			531,723		488,613
<b>BALANCE CARRIED FORWARD</b>		£	<u><u>508,175</u></u>	£	<u><u>531,723</u></u>

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

The Notes on pages 149 and 150 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31ST DECEMBER 2012

	Notes	2012		2011	
		£	£	£	£
<b>ASSETS EMPLOYED</b>					
FIXED ASSETS	1 & 6		1,813,179		1,565,086
<b>CURRENT ASSETS</b>					
Stock	1	51,699		50,145	
Debtors		75,063		115,771	
Bank balances - deposit		102		102	
Bank balances - current		<u>419,078</u>		<u>299,801</u>	
		545,942		465,819	
<b>LIABILITIES FALLING DUE WITHIN ONE YEAR</b>					
Creditors		<u>85,360</u>		<u>83,896</u>	
NET CURRENT ASSETS			<u>460,582</u>		<u>381,923</u>
NET ASSETS		£	<u>2,273,761</u>	£	<u>1,947,009</u>
<b>FINANCED BY</b>					
<b>RESERVES</b>					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		1,679,300		1,329,000
Revenue Account			<u>508,175</u>		<u>531,723</u>
		£	<u>2,273,761</u>	£	<u>1,947,009</u>

The Notes on pages 149 and 150 form part of these financial statement

The financial statements on pages 146 to 150 were approved by the States of Alderney Water Board on 25th March 2013 and are signed on its behalf by:

L. Jean  
Chairman

## STATES OF ALDERNEY WATER BOARD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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#### 1 PRINCIPAL ACCOUNTING POLICIES

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

##### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting policies.

##### **Revenue and Expenses**

Revenue and Expenditure is recognised on an accruals basis.

##### **Fixed Assets**

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

##### **Depreciation**

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

	%
Mains and services	2.50
Buildings	2.50
High Level Storage Tanks	4.00
Machinery and Filtration Plant	6.66
Tools and equipment	10.00
Consumers' meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

##### **Stock**

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

##### **Cash Flow Statement**

Under Financial Reporting Standard No 1 the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

#### 2 PENSION COSTS

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2012 indicated that the fund was in deficit. The next triannual report is due as at 1st January 2015. Over the year to 31st December 2012 the employer contributed at the rate of 20% of pensionable salaries, the employees contribution was 6.5% of pensionable salaries, subject to review at future actuarial valuations.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £29,632 (2011: £22,614).

**STATES OF ALDERNEY WATER BOARD**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**3 RESERVES**

**General Reserve**

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

**Capital Contribution from States of Alderney.**

A capital contribution of £420,000 approved by the States of Alderney on 20th July 2011 to fund the installation of new water storage tanks (Phase 3) and a further £210,300 granted for Phase 4a of the upgrade of the water distribution network.

As at 31.12.12 £630,300 had been received

**4 RELATED PARTY TRANSACTIONS**

In 2012 Mr W Walden was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr B Kelly until 31st December 2012.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2012 the value of these purchases was £118,723. (2011 £96,813)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2012 the Board purchased goods and services from Tugby Contractors Ltd to the value of £33,881

During 2012 the Water Board purchased goods and services from the States of Alderney to the value of £52,268 and supplied goods and services to the States of Alderney to the value of £13,050.

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

**5 RENTS RECEIVABLE**

During 2012 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

**6 FIXED ASSETS**

	At 1st January 2012	Additions/ Charge	Disposals and amounts written off	At 31st December 2012
	£	£	£	£
<b>COST</b>				
Land	10	3,727	-	3,737
Mains and Services	802,956	81,933	-	884,889
Buildings	85,132	103,570	-	188,702
Storage Tanks	0	102,850	-	102,850
Machinery	634,106	92,634	-	726,740
Filter Membranes	65,000	0	-	65,000
Tools and Equipment	25,066	6,227	(6,604)	24,689
Motor Vehicles	9,498	0	-	9,498
Consumer Meters	1,107	2,878	-	3,985
Assets in course of construction (Phase 2)*	(263)	263	-	0
Assets in course of construction (Phase 3)*	219,686	(184,911)	-	34,775
Assets in course of construction (Phase 4a)*	2,065	121,587	-	123,652
	1,844,364	330,759	(6,604)	2,168,519
<b>DEPRECIATION</b>				
Mains and Services	150,601	20,586	-	171,187
Buildings	12,264	2,776	-	15,040
Storage Tanks	0	1,028	-	1,028
Machinery	92,491	44,851	0	137,342
Tools and Equipment	11,213	2,020	(6,604)	6,629
Motor Vehicles	6,332	1,900	0	8,232
Consumer Meters	960	215	0	1,175
Filter Membranes	5,418	9,289	-	14,707
	279,280	82,664	(6,604)	355,339
<b>NET BOOK VALUE</b>	1,565,084	248,095	0	1,813,179

\*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31st December 2012, assets in the course of construction relate to Phase 3 and Phase 4a of the potable water projects.

