

States of Guernsey

Miscellaneous Accounts 2013

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States of Guernsey Public Services Department Ports

Statement of activities and performance

Year ended 31 December 2013

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 Ports exist for the common purpose of facilitating the entry and exit from Guernsey of goods and passengers and that the States, as owners of the Ports, are responsible for the expenditure needed to provide such facilities. Uneconomic expenditure may be forced upon them from time to time by the vagaries of the demand for facilities as between one port and another.

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

Financial highlights

The turnover for the Airport for the year was £11.7m, an increase of £211k (1.8%) from 2012. Turnover at Guernsey Harbours for the year was £8.2m a decrease of £435k (5%) from 2012.

In terms of expenditure, the Airport had budgeted to spend £12.3m in 2013 (2012: £11.4m) and it had been forecast that the Airport would break even for the year (2012: surplus £0.1m). The Airport actually incurred costs of £13.0m (2012: £12.3m), which resulted in an operating deficit of £1.3m (2012: £0.8m). Guernsey Harbours had budgeted to spend £9.1m during the year (2012: £8.67m) with a forecast deficit of £0.43m (2012: surplus £0.13m). The Harbours actually incurred costs of £7.0m (2012: £6.5m) and achieved a surplus of £1.2m (2012: £2.1m).

Operational performance

Total passenger movements for the year ended 31 December 2013 were 1,349,628 (Guernsey Airport 859,623, Guernsey Harbours 490,005), which were 2% higher on the previous year. The movements attributable to Guernsey Airport were 0.64% lower and those for Guernsey Harbours 6.49% higher than the previous year.

There were only two full emergencies declared at Guernsey Airport during 2013 (2012:1).

The Airport employed 123 full time equivalents at the end of 2013 (2012: 116).
The Harbours employed 70 full time equivalents at the end of 2013 (2012: 68).

States of Guernsey Public Services Department Ports

Statement of activities and performance - continued

Year ended 31 December 2013

Board Members and Principal Officers

During 2013 Board Members were:

Deputy P A Luxon, Minister
Deputy S J Ogier, Deputy Minister
Deputy Y Burford
Deputy D J Duquemin
Deputy R A Jones

During 2013 Principal Officers were:

Mr A Lewis, Chief Officer, Public Services Department
Mr J S N Menhenitt, Finance Director, Public Services Department (resigned 31 December 2013)
Mr C J Le Ray, Airport Director, Guernsey Airport
Capt. P Gill, Harbour Master (retired 31 October 2013)
Mrs Sarah McGreevy, Harbour Director
Mr S Langlois, Ports Finance Manager (to 31 August 2013)
Mrs J Scales, Ports Finance Manager (from 30 September 2013)

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 “Board”) is responsible for preparing financial statements for each financial year and for selecting suitable accounting policies for the Guernsey Airport and the Harbours of St Peter Port and St Sampson (the “Ports”). In preparing those financial statements, the 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 a going concern basis unless it is inappropriate to presume the Ports 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.

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 the Ports and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

The Ports’ internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly Board reports, which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the 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 dispatch in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- Manpower expenditure is monitored and controlled at source via time sheets, which are authorised and reconciled with the wage bill.
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Section.

States of Guernsey Public Services Department Ports

Statement of internal financial controls - continued

The Board 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.

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

Going concern

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

States of Guernsey Public Services Department Ports

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 2013 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16 and the supplemental information set out on pages 17 - 21. These financial statements have been prepared under the accounting policies set out in note 1.

This report is made solely to the members of the States of Guernsey 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where our 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

19 June 2014

States of Guernsey Public Services Department Ports

Revenue account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
Income			
Airport Fees, Charges & Other Income	1	11,718,408	11,506,979
Harbour Dues, Charges & Other Income	1	<u>8,202,572</u>	<u>8,637,677</u>
		<u>19,920,980</u>	<u>20,144,656</u>
Expenses			
Airport		11,793,336	10,657,994
Harbours		<u>5,890,000</u>	<u>5,428,478</u>
		<u>17,683,336</u>	<u>16,086,472</u>
Operating surplus before depreciation and surplus on sale of fixed assets		2,237,644	4,058,184
Depreciation	2	(3,110,823)	(2,754,524)
Amortisation of asset specific contributions	1	779,540	-
(Loss)/surplus on disposal of fixed assets		-	(99,819)
Operating (deficit)/surplus for the year		<u>(93,639)</u>	<u>1,203,841</u>
Interest received from States Treasury		<u>42,310</u>	<u>65,240</u>
(Deficit)/Surplus for the financial year		<u>(51,329)</u>	<u>1,269,081</u>

All material activities derive from continuing operations.

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

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

States of Guernsey Public Services Department Ports

Balance sheet

at 31 December 2013

	Notes	2013 £	2012 £
Fixed Assets			
Tangible fixed assets – Airport	2	104,559,439	41,087,812
Tangible fixed assets - Harbours	2	134,922,837	130,323,137
Assets under construction	3	<u>4,512,026</u>	<u>44,800,136</u>
		<u>243,994,302</u>	<u>216,211,085</u>
Current assets			
Stock	4	501,006	573,898
Debtors and prepayments	5	2,617,468	3,018,160
Bank and cash	10	2,909	-
Balances with States Treasury	10	<u>4,864,199</u>	<u>3,628,500</u>
		<u>7,985,582</u>	<u>7,220,558</u>
Creditors: amounts falling due within one year	6	(5,487,618)	(4,182,593)
Net current assets		<u>2,497,964</u>	<u>3,037,965</u>
Total net assets		<u>246,492,266</u>	<u>219,249,050</u>
Reserves	7	<u>246,492,266</u>	<u>219,249,050</u>

These financial statements were approved by the Public Services Department on 5 June 2014.

Signed on behalf of the Board

P A Luxon
Minister

19 June 2014

S J Ogier
Deputy Minister

19 June 2014

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

States of Guernsey Public Services Department Ports

Cash flow statement

for the year ended 31 December 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	9	<u>4,016,253</u>	<u>5,637,421</u>
Returns on investments and servicing of finance			
Interest received		<u>42,310</u>	<u>65,240</u>
Capital expenditure			
Payments related to assets under construction	3	<u>(30,734,198)</u>	<u>(38,049,341)</u>
Payment to acquire tangible fixed assets		<u>(159,842)</u>	<u>(206,813)</u>
		<u>(30,894,040)</u>	<u>(38,256,154)</u>
Management of liquid resources			
Contribution From States Capital Reserve	7	<u>30,354,039</u>	<u>38,033,063</u>
Contribution To States Capital Reserve	7	<u>(2,279,954)</u>	<u>(4,123,620)</u>
Increase in amounts held with States Treasury	10, 11	<u>(1,235,699)</u>	<u>(1,355,950)</u>
Movement in cash		<u><u>2,909</u></u>	<u><u>-</u></u>

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

States of Guernsey Public Services Department Ports

Notes to the financial statements

1. Principal accounting policies

The accounting policies adopted are described below.

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

Accounting convention

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

Income and expenditure

Income and expenditure 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 including land and assets under construction are held at cost. Tangible fixed assets are depreciated over their expected useful life except land and assets in the course of construction.

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

Depreciation

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

	Estimated life in years	Depreciation % per annum
Land	-	-
Buildings and infrastructure	25 - 60	4.00 - 1.67
Runway, taxiways and apron surfaces	15	6.67
Runway, taxiways and apron bases	40	2.50
Plant and machinery	15 - 25	6.67 - 4.00
Equipment, fixtures and fittings	10	10.00
Motor vehicles and electrical equipment	5	20.00
Computers and ICT	3	33.33

Amortisation of asset specific contributions

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

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

1. Principal accounting policies – continued

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.

2. Tangible fixed assets Airport

	1 January 2013 £	Reclassifi- cations £	Additions £	Write offs/ Disposals £	31 December 2013 £
<i>Cost</i>					
Land	2,687,151	-	-	-	2,687,151
Runways, taxiways and aprons	-	13,745,278	49,608,992	-	63,354,270
Buildings	40,999,748	(13,745,278)	5,522,155	-	32,776,625
Plant and machinery	4,956,525	-	5,300,720	-	10,257,245
Equipment, fixtures and fittings	4,414,845	-	4,976,880	-	9,391,725
Motor vehicles and electrical equipment	2,923,719	-	-	-	2,923,719
Computers and ICT	229,082	-	-	-	229,082
	<u>56,211,070</u>	<u>-</u>	<u>65,408,747</u>	<u>-</u>	<u>121,619,817</u>
	1 January 2013 £	Reclassifi- cations £	Charge for the year £	Write offs/ Disposals £	31 December 2013 £
<i>Depreciation</i>					
Land	-	-	-	-	-
Runways, taxiways and aprons	-	2,391,460	626,441	-	3,017,901
Buildings	5,929,012	(2,391,460)	478,120	-	4,015,672
Plant and machinery	3,216,955	-	385,426	-	3,602,381
Equipment, fixtures and fittings	3,564,716	-	329,809	-	3,894,525
Motor vehicles and electrical equipment	2,200,599	-	107,776	-	2,308,375
Computers and ICT	211,976	-	9,548	-	221,524
	<u>15,123,258</u>	<u>-</u>	<u>1,937,120</u>	<u>-</u>	<u>17,060,378</u>
Net book value	<u>41,087,812</u>				<u>104,559,439</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

2. Tangible fixed assets (continued) Harbours

	1 January 2013 £	Reclassifi- cations £	Additions £	Write offs/ Disposals £	31 December 2013 £
Cost					
Land	87,515,374	-	-	-	87,515,374
Buildings and infrastructure	48,816,037	(1,098,258)	1,751,087	-	49,468,866
Plant and machinery	2,424,012	1,098,258	4,022,316	-	7,544,586
Equipment, fixtures and fittings	1,942,727	-	-	-	1,942,727
Motor vehicles and electrical equipment	449,663	-	-	-	449,663
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>141,211,671</u>	<u>-</u>	<u>5,773,403</u>	<u>-</u>	<u>146,985,074</u>
Depreciation					
	1 January 2013 £	Reclassifi- cations £	Charge for the year £	Write offs/ Disposals £	31 December 2013 £
Land	-	-	-	-	-
Buildings and infrastructure	7,283,976	(32,056)	860,214	-	8,112,134
Plant and machinery	1,608,820	32,056	234,898	-	1,875,774
Equipment, fixtures and fittings	1,489,630	-	73,126	-	1,562,756
Motor vehicles and electrical equipment	442,250	-	5,465	-	447,715
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>10,888,534</u>	<u>-</u>	<u>1,173,703</u>	<u>-</u>	<u>12,062,237</u>
Net book value	<u>130,323,137</u>				<u>134,922,837</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

3. Assets under construction

	Airport £	Harbours £	2013 Total £	2012 Total £
As at 1 January	42,638,808	2,161,328	44,800,136	6,750,795
Expenditure in the year	25,353,477	5,380,721	30,734,198	38,049,341
Transfers to fixed assets	<u>(65,346,705)</u>	<u>(5,675,603)</u>	<u>(71,022,308)</u>	-
As at 31 December	<u>2,645,580</u>	<u>1,866,446</u>	<u>4,512,026</u>	<u>44,800,136</u>

Assets under construction completed in 2013 and transferred to fixed assets include major renovations to the airport runway, taxiways and aprons, new cranes and mountings at St Peter Port Harbour and renovations of Berth 5.

Assets under construction as at 31 December 2013 relate principally to radar equipment at the Airport; and at Harbours to the ongoing upgrade to the underlying infrastructure of Berths 4 and 6.

4. Stock

	2013 £	2012 £
Airport	64,774	64,774
Harbours	<u>436,232</u>	<u>509,124</u>
	<u>501,006</u>	<u>573,898</u>

5. Debtors and prepayments

	2013 £	2012 £
Trade debtors	2,594,487	2,714,351
Prepayments	22,981	50,583
Other debtors	<u>-</u>	<u>253,226</u>
	<u>2,617,468</u>	<u>3,018,160</u>

6. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	1,304,200	31,280
Accruals	4,064,020	4,149,913
Deferred income	117,998	-
Other creditors:		
Harbour operational licence deposits	<u>1,400</u>	<u>1,400</u>
	<u>5,487,618</u>	<u>4,182,593</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

7. Reserves

	2013 £	2012 £
Balance 1 January	219,249,050	184,070,526
(Deficit) / surplus for financial year	(51,329)	1,269,081
Amortisation of asset specific contributions	(779,540)	-
Contribution From States Capital Reserve	30,354,039	38,033,063
Contribution To States Capital Reserve	(2,279,954)	(4,123,620)
Balance 31 December	<u>246,492,266</u>	<u>219,249,050</u>

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

8. Asset specific contributions

	2013 £	2012 £
As at 1 January	44,800,136	6,750,795
Contributions receivable	<u>30,734,198</u>	<u>38,049,341</u>
	75,534,334	44,800,136
Released to Revenue account during the year	<u>(779,540)</u>	-
As at 31 December	<u>74,754,794</u>	<u>44,800,136</u>

No amounts were released to the Revenue account in 2012 as the associated assets were still in the course of construction and no depreciation had been charged to the Revenue accounts.

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

	2013 £	2012 £
Operating (deficit)/surplus	(93,639)	1,203,841
Depreciation charges and loss on sale of tangible fixed assets	3,110,823	2,854,343
Amortisation of asset specific contributions	(779,540)	-
Decrease/(increase) in stocks	72,892	(90,839)
Decrease/(increase) in debtors	400,692	(454,536)
Increase in creditors	<u>1,305,025</u>	<u>2,124,612</u>
Net cash inflow from operating activities	<u>4,016,253</u>	<u>5,637,421</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

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

	2013 £	2012 £
Increase in cash	2,909	-
Increase in liquid resources	<u>1,235,699</u>	<u>1,355,950</u>
	<u>1,238,608</u>	<u>1,355,950</u>
Net funds at 1 January	<u>3,628,500</u>	<u>2,272,550</u>
Net funds at 31 December	<u>4,867,108</u>	<u>3,628,500</u>

11. Analysis of changes in net funds

	At 1 January 2013 £	Cash Flows £	At 31 December 2013 £
Cash at bank and in hand	-	2,909	2,909
Balance held with States Treasury	<u>3,628,500</u>	<u>1,235,699</u>	<u>4,864,199</u>
	<u>3,628,500</u>	<u>1,238,608</u>	<u>4,867,108</u>

12. Contingent Liabilities / Overspends

The Accounts include the amounts already paid and agreed in respect of contract claims for the St Sampson Marina project which are considered to be properly due and payable by the States. However, the contractor has made a claim for a further £3.1 million, a claim that was rejected by the Engineer under the Contract. The contractor has now commenced formal arbitration proceedings.

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.

13. 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%. An actuarial review as at 31 December 2013 is currently in progress.

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 of Guernsey Public Services Department Ports

Notes to the financial statements - continued

13. Superannuation Fund (continued)

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 2013 were £1,136,164 (2012: £1,162,505).

14. Related party transactions

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

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

15. Statement of control

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

16. 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 in conjunction with them.

GUERNSEY AIRPORT

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Expenditure by Category	2013 Actual £'000s	2012 Actual £'000s
		Income		
12,252	11,795	Operating Income	11,718	11,507
		Expenditure		
(7,034)	(6,827)	Pay costs	(6,937)	(6,851)
		Non-Pay costs		
(148)	(208)	Staff Non-Pay costs	(150)	(119)
(1,997)	(2,267)	Support Services	(986)	(1,939)
(1,006)	(1,441)	Premises	(1,619)	(1,299)
(65)	(54)	Transport	(54)	(37)
(417)	(254)	Supplies & Services	(2,047)	(413)
(3,633)	(4,224)		(4,856)	(3,807)
1,585	744	Operating (Deficit)/Surplus for the financial year	(75)	849
(1,600)	(1,330)	Depreciation (net of amortisation of asset specific contributions)	(1,299)	(1,668)
(15)	(586)	Operating Deficit transferred to the Ports Holding Account	(1,374)	(819)

GUERNSEY AIRPORT

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Expenditure by Service Area	2013 Actual £'000s	2012 Actual £'000s
		<i>Income</i>		
525	435	Advertising, picketing etc	522	476
810	762	Airport Development Charge	754	756
712	682	Car Parking Fees	658	659
1,960	1,962	Rents	1,925	2,065
7,993	7,674	Traffic Receipts	7,800	7,459
12,000	11,515		11,659	11,415
		<i>Operational Expenditure</i>		
(1,011)	(1,040)	Administration	(1,268)	(1,081)
(2,100)	(2,003)	Aerodrome Fire Service	(2,068)	(2,099)
(2,132)	(2,413)	Airport Infrastructure	(2,952)	(2,444)
(1,493)	(1,510)	Airport Security	(1,647)	(1,475)
(3,844)	(3,970)	Navigational Services	(3,964)	(3,627)
(10,580)	(10,936)		(11,899)	(10,726)
165	165	<i>Recovery from Alderney Airport</i>	165	160
1,585	744	Operating (Deficit)/Surplus for the financial year	(75)	849
(1,600)	(1,330)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,299)	(1,668)
(15)	(586)	Operating Deficit transferred to the Ports Holding Account	(1,374)	(819)

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Routine Capital Expenditure	2013 Actual £'000s	2012 Actual £'000s
(410)	(96)	<i>Miscellaneous Capital Works</i>	-	(128)
(85)	-	<i>IT Projects and Equipment</i>	-	-
(755)	(195)	<i>Equipment, Machinery and Vehicles</i>	(62)	(96)
(1,250)	(291)	Routine Capital Expenditure	(62)	(224)
(22,000)	(31,100)	Airport Pavements Project	(24,716)	(34,113)
(850)	(1,000)	Airport Radar	(637)	(1,746)
22,850	32,100	Less Transfer from Capital Reserve	25,353	35,859
(1,250)	(291)	Net Capital Expenditure	(62)	(224)

HARBOURS

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Expenditure by Category		2013 Actual £'000s	2012 Actual £'000s
		Income			
8,656	8,164	Operating Income		8,203	8,638
		Expenditure			
(4,185)	(3,638)	Pay costs		(3,463)	(3,331)
		Non-Pay costs			
(18)	(120)	Staff Non-Pay costs		(87)	(22)
(676)	(426)	Support Services		(436)	(422)
(1,565)	(2,170)	Premises		(1,590)	(1,009)
(184)	(82)	Transport		(63)	(213)
(1,073)	(184)	Supplies and Services		(251)	(431)
(3,516)	(2,982)			(2,427)	(2,097)
955	1,544	Operating Surplus for the financial year		2,313	3,210
(1,380)	(1,032)	Depreciation (net of amortisation of asset specific contributions)		(1,033)	(1,086)
(425)	512	Operating (Deficit)/Surplus transferred to the Ports Holding Account		1,280	2,124

HARBOURS

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Net Income/ Expenditure by Service Area	2013 Actual £'000s	2012 Actual £'000s
		<i>Commercial Operations</i>		
3,654	3,700	Shipping dues - cargo	3,808	4,266
967	985	Passenger Fees	1,182	1,060
5	7	Pilotage Dues	8	5
(195)	(17)	Premises	(201)	189
(518)	(483)	Cranes	(461)	(469)
(1,261)	(1,101)	Quays	(798)	(939)
(76)	(42)	Beacons & Buoys	(12)	(29)
2,576	3,049		3,526	4,083
1,112	1,157	<i>Leisure moorings</i>	1,301	1,395
		<i>Other Operations</i>		
(2,701)	(2,645)	Central Administration	(2,498)	(2,264)
(32)	(17)	Ships Registry	(16)	(4)
(2,733)	(2,662)		(2,514)	(2,268)
955	1,544	Operating Surplus for the financial year	2,313	3,210
(1,380)	(1,032)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,033)	(1,086)
(425)	512	Operating (Deficit)/Surplus transferred to the Ports Holding Account	1,280	2,124

2013 Original Budget £'000s	2013 Probable Outturn £'000s	Routine Capital Expenditure	2013 Actual £'000s	2012 Actual £'000s
(545)	(17)	<i>Miscellaneous Capital Works</i>	-	-
(60)	(30)	<i>Equipment, Machinery and Vehicles</i>	(98)	-
(605)	(47)	Routine Capital Expenditure	(98)	-
(6,750)	(6,000)	<i>Crane Strategy</i>	(5,381)	(2,174)
(250)	-	<i>Pontoons</i>	-	-
(1,500)	-	<i>Sarnia Work Boat</i>	-	-
8,500	6,000	<i>Less transfer from Capital Reserve</i>	5,381	2,174
(605)	(47)	Net Capital Expenditure	(98)	-

PORTS HOLDING ACCOUNT

2013 Original Budget £'000s	2013 Probable Outturn £'000s		2013 Actual £'000s	2012 Actual £'000s
		Revenue Account -		
		<i>Operating (Deficit)/Surplus before depreciation</i>		
1,585	744	Guernsey Airport	(75)	849
955	1,544	Guernsey Harbour	2,313	3,210
2,540	2,288		2,238	4,059
10	62	<i>Investment Interest Receivable</i>	42	65
		<i>Capital Expenditure</i>		
(1,250)	(291)	Guernsey Airport	(62)	(224)
(605)	(47)	Guernsey Harbour	(98)	-
(1,855)	(338)		(160)	(224)
695	2,012	Surplus before depreciation	2,120	3,900
(2,980)	(2,362)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(2,332)	(2,754)
(2,285)	(350)	(Deficit)/Surplus after depreciation	(212)	1,146
2,546	3,037	<i>Balance at 1st January</i>	3,037	3,261
695	2,012	<i>Surplus before depreciation for the year</i>	2,120	3,900
(2,550)	(2,350)	<i>Transfer to Capital Reserve</i>	(2,280)	(4,124)
691	2,699	Balance at 31st December	2,877	3,037

Guernsey Water

Statement of activities and performance

Year ended 31 December 2013

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.

Financial summary

	2013	2012	Change
	£'000	£'000	%
Income			
Unmeasured water	3,604	3,585	+0.5
Measured water	6,856	6,550	+4.7
Unmeasured waste water	1,122	1,052	+6.7
Measured waste water	2,075	1,907	+8.8
Other trading (net)	149	422	-64.7
Cesspit emptying income	1,040	1,037	+0.3
Grant received	<u>38</u>	<u>1,270</u>	-97.0
Total operating income	<u>14,884</u>	<u>15,823</u>	-5.9
Expenditure			
Operating	7,652	7,523	+1.7
Management	<u>2,906</u>	<u>2,329</u>	+24.8
Total expenditure	<u>10,558</u>	<u>9,852</u>	+7.2
Operating surplus before depreciation	<u>4,326</u>	<u>5,971</u>	-27.5
Surplus on sale of fixed assets and properties	604	14	+4,214.0
Net interest received	639	351	+82.0
Depreciation	<u>(3,172)</u>	<u>(3,187)</u>	-0.5
Surplus for the year	<u>2,397</u>	<u>3,149</u>	-23.9
Gross total capital expenditure	<u>9,529</u>	<u>10,668</u>	-10.7

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2013

The main capital projects of 2013 were the completion and commissioning of the Wastewater Treatment Centre at the Belle Greve works on the east coast, the raw water capture and pumping facility of the Marais stream, the enhanced pump capacity for Barkers Quarry, the commencement of the network extension project at St Andrews, the replacement or refurbishment of mains and sewers, the completion of refurbishment works at King's Mills water treatment works to provide contingency to supplement the other two water treatment works and improvement/replacement of Les Landes foul water pumping station.

Operational performance

	2013	2012	Change %
Number of supplies:			
Paying by tax on real property	9,000	9,175	-1.9
Paying by measure	<u>16,219</u>	<u>15,840</u>	+2.4
Total	<u>25,219</u>	<u>25,015</u>	+0.8

Volume supplied in million litres (ML):

Delivered to customers paying by measure	2,762ML	2,714 ML	+1.8
Delivered to other customers	1,364ML	1,356 ML	+0.6
Operational use, fire fighting and losses	<u>515ML</u>	<u>612 ML</u>	-15.8
Total put into supply	<u>4,641ML</u>	<u>4,682 ML</u>	-0.9

Service:

Restrictions on supply	None	None	None
Burst mains	24	39	-38.5
Discolouration - claims paid	20	34	-41.2

Unit costs (partially weather related):

Water production	£ 413 / ML	£ 461 / ML	-10.4
Water distribution	£ 23 / supply	£ 29 / supply	-20.7

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2013

Other matters

2013 has been a year of consolidation of operations following the merger of the water and wastewater businesses that the States of Deliberation formally agreed in February 2012. This has included careful examination of the capital requirements for the two elements of the newly combined business which has resulted from the investigations into wastewater assets and their condition.

A detailed 10-year business plan remains under development to reflect the future of the business.

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.

Further operational and other details can be found in Guernsey Water's 2013 Annual Report.

Board Members and Principal Officers

During 2013 Board Members were:

Deputy P. A. Luxon, Minister
Deputy S. J. Ogier, Deputy Minister
Deputy Y. Burford
Deputy D. J. Duquemin
Deputy R. A. Jones

During 2013 Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr J. S. N. Menhenitt, Finance Director, Public Services Department (resigned 31 December 2013)
Mr A. A. Redhead, Director of Water Services, Guernsey Water (retired 28 February 2014)
Mr C. Hall, Customer Service Manager, Guernsey Water
Mrs R. Webber, Management Accounting Executive, Guernsey Water

Auditor

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

Guernsey Water

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 Guernsey Water as at the end of the financial year and of the surplus or deficit of Guernsey Water 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 a going concern basis, unless it is inappropriate to presume Guernsey Water 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.

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 Guernsey Water and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

The Guernsey Water internal financial controls and monitoring procedures include:

- Annually reported and approved budgets monitored against monthly management accounts with additional operational detail reported in monthly Board reports which monitor actual income and expenditure against that anticipated. All such detail is regularly reviewed at meetings of the Public Services Department to ensure that all Board members are informed of Guernsey Water’s financial affairs.
- Client invoices are subjected to a range of pre-determined computerised integrity checks prior to dispatch in order to ensure accuracy.
- The control of materials and stores purchases are managed using a computerised job-costing programme with specific authorisation limits for purchases and segregated areas of responsibility for processing of payments, all of which maintain detailed audit trails.
- 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 Section.

The Board strives to ensure that all staff with financial responsibilities in Guernsey Water 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.

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

Guernsey Water

Going Concern

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

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 2013 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2013 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

19 June 2014

Guernsey Water

Revenue account

for the year ended 31 December 2013

		2013	2012
		£	£
Income	<i>Notes</i>		
Water supplies	<i>1</i>		
Unmeasured		3,604,055	3,584,936
Measured		<u>6,855,872</u>	<u>6,549,807</u>
		10,459,927	10,134,743
Waste Water supplies			
Unmeasured		1,122,108	1,052,072
Measured		<u>2,074,744</u>	<u>1,906,718</u>
		3,196,852	2,958,790
Cesspit emptying income		1,039,731	1,037,189
Net surplus on other trading activities	<i>3</i>	148,831	422,181
Grant received	<i>9</i>	38,612	1,269,800
Total operating income		<u>14,883,953</u>	<u>15,822,703</u>
Operating expenses			
Water production		1,914,502	2,126,389
Water distribution		580,640	725,838
Asset management		449,781	407,878
Pumping		1,076,094	1,193,401
Sewers		<u>3,630,520</u>	<u>3,068,801</u>
		7,651,537	7,522,307
Management expenses			
Management & general		616,531	337,752
Compliance		559,018	336,412
Customer services		826,366	840,331
Finance	<i>16</i>	355,607	308,258
Support services		<u>548,749</u>	<u>506,370</u>
		2,906,271	2,329,123
Total expenditure		<u>10,557,808</u>	<u>9,851,430</u>
Operating surplus before depreciation and loss/surplus on sale of fixed assets		4,326,145	5,971,273
Depreciation	<i>5 & 6</i>	<u>(3,171,986)</u>	<u>(3,186,748)</u>
Operating surplus for the year		1,154,159	2,784,525
Net interest receivable	<i>4</i>	638,648	350,846
Surplus on sale of properties	<i>6</i>	<u>604,180</u>	<u>14,037</u>
Surplus for the year	<i>10</i>	<u>2,396,987</u>	<u>3,149,408</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 2013

		2013	2012
	Notes	£	£
Tangible fixed assets	6	132,695,379	126,397,114
Current assets			
Stocks		1,173,374	1,235,746
Debtors and prepayments	7	2,021,573	2,992,842
Funds held with States Treasury	13	13,706,928	12,298,994
Cash at bank and in hand	13	577,882	565,204
		<u>17,479,757</u>	<u>17,092,786</u>
Current liabilities			
Creditors falling due within one year	8	1,517,450	1,949,139
		<u>1,517,450</u>	<u>1,949,139</u>
Net current assets		<u>15,962,307</u>	<u>15,143,647</u>
Total assets less current liabilities		148,657,686	141,540,761
Creditors falling due after more than one year	1 & 9	<u>12,299,048</u>	<u>7,579,110</u>
Accruals and deferred income			
Net assets		<u>136,358,638</u>	<u>133,961,651</u>
Reserves			
General reserve	10	16,111,265	15,283,251
Property development fund	10	4,168,737	2,620,599
Revenue account	10	40,900,501	40,879,666
Funding from the States of Guernsey –			
Merger reserve	10	<u>75,178,135</u>	<u>75,178,135</u>
Total reserves	10	<u>136,358,638</u>	<u>133,961,651</u>

These financial statements were approved by the Public Services Department on 5 June 2014.

Signed on behalf of the Board

P A Luxon
Minister

19 June 2014

S J Ogier
Deputy Minister

19 June 2014

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

Guernsey Water

Cash flow statement

for the year ended 31 December 2013

		2013		2012	
	Notes	£	£	£	£
Net cash inflow from operating activities	11	4,889,485			6,399,008
Returns on investments and servicing of finance					
Net interest received	4	<u>638,648</u>		<u>350,846</u>	
Net cash inflow from returns on investments and servicing of finance		638,648		350,846	
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(9,528,867)		(10,668,337)	
Less: customer contributions to mains		<u>55,132</u>		<u>42,425</u>	
Additions to fixed assets	6	(9,473,735)		(10,625,912)	
Receipts from sale of fixed assets	6	607,664		14,037	
Government grants received	9	4,758,550		7,579,110	
Consideration for merged assets		<u>-</u>		<u>(940,892)</u>	
Net cash outflow from capital expenditure and financial investment		(4,107,521)		(3,973,657)	
Management of liquid resources					
Increase in amounts held with States Treasury	12 & 13	<u>(1,407,934)</u>		<u>(2,418,051)</u>	
Net cash outflow from management of liquid resources		(1,407,934)		(2,418,051)	
Increase in cash	12 & 13	<u>12,678</u>		<u>358,146</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.

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.

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled water and waste water supplies and cesspit emptying income which, as at 31 December 2013, amounted to £1,167,741 (2012: £1,131,579) 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.

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.

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

1. Principal accounting policies - continued

Depreciation

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

	Estimated life in years	Depreciation % per annum
Dam	50	2
Mains	50 – 10	2 – 10
Land and quarries	N/A	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	12	8.3
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	7	14.3
Computer equipment	3	33.3
Sewers	70	1.4
Rising mains	50	2
Pumping stations	Civil Mechanical & Engineering	50 15
		2 6.7

The accounting records for mains record expenditure on the network 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.

Stock

Stock, which consists of materials for capital projects and consumables, 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 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.

Guernsey Water

Notes to the financial statements - continued

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.

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

	2013		2012	
	£	£	£	£
Miscellaneous income:				
Standard charges for service laying	173,928		182,964	
Charges for work at ascertained cost	21,070		54,665	
Property rental income	118,304		121,899	
Stores issues	<u>680,413</u>		<u>390,762</u>	
	993,715		750,290	
Expenditure	<u>(844,884)</u>		<u>(328,109)</u>	
Net surplus on other trading activities before management expenses and depreciation		<u>148,831</u>		<u>422,181</u>

4. Net interest receivable

	2013		2012	
	£	£	£	£
Interest received:	638,425		350,749	
Deposit & business accounts				
Interest received:				
Current account	<u>223</u>		<u>97</u>	
	<u>638,648</u>		<u>350,846</u>	

5. Depreciation

	2013		2012	
	£	£	£	£
Depreciation charge for the year (note 6)	<u>3,171,986</u>		<u>3,186,748</u>	
Charge in revenue account	3,171,986		3,186,748	
Transfer to general reserve (note 10)	<u>828,014</u>		<u>813,252</u>	
	<u>4,000,000</u>		<u>4,000,000</u>	

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

Guernsey Water

Notes to the financial statements - continued

6. Tangible fixed assets

	1 January 2013 £	Additions £	Disposals/ Transfers £	31 December 2013 £
<i>Cost</i>				
Dam	309,360	956	-	310,316
Mains	27,792,798	304,423	-	28,097,221
Land and quarries	3,739,448	22,380	(3,484)	3,758,344
Structures and buildings	18,702,202	1,180,442	(269,359)	19,613,285
Fixed plant	11,423,622	1,075,110	-	12,498,732
Distribution meters	1,674,357	19,376	-	1,693,733
Office furniture, fittings and equipment	1,504,439	59,315	-	1,563,754
Mobile plant and equipment	588,979	19,498	-	608,477
Motor vehicles	680,633	23,148	-	703,781
Asset under construction	2,288,880	-	(2,288,880)	-
Sewers	76,526,803	1,741,883	2,294,390	80,563,076
Rising mains	9,854,880	-	-	9,854,880
Pumping stations	18,583,912	5,027,204	263,849	23,874,965
	<u>173,670,313</u>	<u>9,473,735</u>	<u>(3,484)</u>	<u>183,140,564</u>
<i>Depreciation</i>				
	1 January 2013 £	Charge for the year £	Disposals/ Transfers £	31 December 2013 £
Dam	185,664	3,343	-	189,007
Mains	7,967,354	557,310	-	8,524,664
Structures and buildings	2,218,471	348,047	-	2,566,518
Fixed plant	7,138,458	599,861	-	7,738,319
Distribution meters	1,441,137	49,237	-	1,490,374
Office furniture, fittings and equipment	1,180,105	143,781	-	1,323,886
Mobile plant and equipment	481,469	44,279	-	525,748
Motor vehicles	555,200	36,958	-	592,158
Assets under construction	-	-	-	-
Sewers	19,037,108	861,268	-	19,898,376
Rising mains	2,411,523	197,098	-	2,608,621
Pumping stations	4,656,710	330,804	-	4,987,514
	<u>47,273,199</u>	<u>3,171,986</u>	<u>-</u>	<u>50,445,185</u>
Net book value	<u>126,397,114</u>			<u>132,695,379</u>

The sales of property at Pre Du Murie for £590,000 and at Vale Mill for £35,500 were completed during 2013, resulting in a realised gain on sale of properties of £604,180 after disposal costs. Historical cost for the land and quarries was £3,484.

Assets under construction of £2,288,880 have been transferred to additions of sewers (£2,025,031) and pumping stations (£263,849) in the period following their completion. An amount of £269,359 has also been reclassified from structures and buildings to additions of sewers.

Guernsey Water

Notes to the financial statements - continued

7. Debtors and prepayments

	2013 £	2012 £
Unbilled water supplies	766,908	724,704
Unbilled waste water	231,460	218,853
Customers' billed accounts outstanding	767,611	1,063,013
Cesspit emptying income receivable	30,491	341,010
Unbilled cesspit income	169,373	188,022
Other debtors and prepayments	55,101	456,611
Grants receivable	629	629
	<u>2,021,573</u>	<u>2,992,842</u>

8. Creditors: amounts falling due within one year

	2013 £	2012 £
General creditors	1,283,650	1,723,789
Deferred income	233,800	225,350
	<u>1,517,450</u>	<u>1,949,139</u>

9. Accruals and deferred income

Capital Grants

	2013 £	2012 £
At beginning of year	7,579,110	-
Grants receivable	4,758,550	7,579,110
	12,337,660	7,579,110
Released to revenue account during the year	(38,612)	-
At end of year	<u>12,299,048</u>	<u>7,579,110</u>

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 were released to the revenue account in 2012 as the associated assets were still in the course of construction and no depreciation had been charged to the revenue account.

Guernsey Water

Notes to the financial statements - continued

10. Reserves

	Property Development Fund £	General Reserve £	Funding from the States of Guernsey - Merger Reserve £	Revenue Account £	Total £
Balance 1 January 2013	2,620,599	15,283,251	75,178,135	40,879,666	133,961,651
Surplus for the year	-	-	-	2,396,987	2,396,987
Transfer to Property Development Fund	1,741,755	-	-	(1,741,755)	-
Transfer from Property Development Fund	(94,353)	-	-	94,353	-
Provision for future replacement of assets	-	828,014	-	(828,014)	-
Balance 31 December 2013	<u>4,268,001</u>	<u>16,111,265</u>	<u>75,178,135</u>	<u>40,801,237</u>	<u>136,358,638</u>

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. 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.

Guernsey Water

Notes to the financial statements - continued

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

	2013 £	2012 £
Operating surplus for the year	1,154,159	2,784,525
Depreciation charges and surplus on disposal of moveable fixed assets (notes 5 and 6)	3,171,986	3,186,748
Government grants released (note 9)	(38,612)	-
Decrease/(increase) in stock	62,372	(215,355)
Decrease/(increase) in debtors and prepayments	971,269	(696,864)
(Decrease)/increase in creditors due within one year	<u>(431,689)</u>	<u>1,339,954</u>
Net cash inflow from operating activities	<u>4,889,485</u>	<u>6,399,008</u>

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

	2013 £	2012 £
Increase in cash in the year	12,678	358,146
Increase in balances with States Treasury	<u>1,407,934</u>	<u>2,418,051</u>
Change in net funds	<u>1,420,612</u>	<u>2,776,197</u>
Net funds at 1 January	<u>12,864,198</u>	<u>10,088,001</u>
Net funds at 31 December	<u>14,284,810</u>	<u>12,864,198</u>

13. Analysis of changes in net funds

	At 1 January 2013 £	Cash Flows £	At 31 December 2013 £
Cash at bank and in hand	565,204	12,678	577,882
Balance with States Treasury	<u>12,298,994</u>	<u>1,407,934</u>	<u>13,706,928</u>
	<u>£12,864,198</u>	<u>1,420,612</u>	<u>14,284,810</u>

14. Commitments

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

	2013 £	2012 £
Revenue contracted	151,127	592,817
Capital contracted	<u>2,956,254</u>	<u>7,807,247</u>
	<u>3,107,381</u>	<u>8,400,064</u>

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%. An actuarial review as at 31 December 2013 is currently in progress.

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. As the share of the underlying assets and liabilities of the States of Guernsey Superannuation Scheme attributable to Guernsey Water cannot be identified on a reasonable or consistent basis, contributions payable are treated as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2013 was £402,220 (2012: £401,050).

16. Audit fees

Audit fees in respect of the 2013 financial statements for Guernsey Water are £17,850 (2012: £17,060).

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. Subsequent events

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

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2013

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 2013

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

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

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2013

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 £435,939 against a net surplus of £427,650 in 2012. This was higher than the forecast net surplus of £414,000 as stated in the probable outturn published in Billet D'Etat XXI 2013. The Dairy has a forecast budget surplus of £489,100 for 2014.

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

Sales

Overall sales turnover increased by £55,962 (0.8%) in 2013 compared to 2012.

Liquid Milk

Sales revenue increased by £67,394 (1.2%) in 2013 compared to 2012 due to an increase in the price paid for milk.

Dairy Products

Overall sales of dairy products showed a slight decrease £4,684 (0.3%) in 2013 compared to the overall product sales in 2012. Butter and cheese sales reduced by £27,422 (1.2%) and £8,949 (5.5%) respectively compared to 2012 due to a decline in product promotions taking place in the year. Sales of cream increased by £2,879 (1.1%) and sales of ice cream showed an increase of £29,120 (21.4%) partly due to an increase in the gate price of ice cream, the effectiveness of the DIIG's brand loyalty awareness activity and the extended period of warm weather in the year compared to 2012.

Sundry Income

Sundry income decreased by £6,748 (33.4%) due to a reduction in milk carton advertisement income in 2013 compared to 2012.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2013

Cost of Sales

The cost of sales increased by £35,512 (0.7%) in 2013 compared to 2012.

Milk Purchases

Although there was a continued fall in volumes of raw liquid milk in 2013 the actual cost of purchasing raw milk increased by £63,856 (2%) compared to 2012. A seasonality payment trial was introduced in October 2013 to help even out the supply of milk to the dairy from the producers. The implementation of this seasonality payment trial resulted in an increase paid for milk in the winter months but will be offset by a reduced price in summer months.

Milk – working losses

Milk – working losses increased by £3,072 (2.9%) in 2013 compared to 2012. The Dairy continues to make improvements to capital equipment and working efficiencies with regards to reducing milk working losses to a minimum.

Package materials

Costs of packaging materials increased by £24,495 (4.6%) in 2013 compared to 2012 due to increased price rises on packaging.

Freight

Freight costs increased by £3,386 (4.2%) during 2013 due to increased costs of transporting goods compared to freight costs in 2012.

Gross Surplus

The gross surplus for the year 2013 increased by £20,450 (1%) on 2012 figures.

Expenses

Advertising and promotion

Advertising and promotion costs increased by £6,558 (9.9%) in 2013 compared to 2012 mainly due to the continued participation in The Guernsey Sports Commission's PE in Primary Schools Programme initiative, distribution of island wide doorstep flyers and general product advertisements.

Depreciation

Depreciation costs increased in 2013 by £16,807 (8%) which was mainly due to the completion of some major refurbishments to dairy outer stores and the purchase of some metering equipment in 2013.

Fuel, Light, Power and Water

Fuel, light, power and water costs increased in 2013 by £11,940 (3.5%) compared to 2012 due to annual increases in utility costs and the fluctuation in fuel prices.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2013

Professional Fees

Professional fees increased by £42,119 (55.6%) which is substantially higher in 2013 compared to 2012. The majority of this increase was due to the additional costs for outsourcing the processing of supplier invoices to the Shared Transactional Service Centre (The Hub) as part of the SAP implementation.

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 £20,964 (2012: £20,762).

Salaries and Wages

Salaries and wages increased by £13,644 (2.4%) in 2013 compared to 2012. The majority of this increase was due to the substantial amount of overtime paid to key members of staff for the additional hours spent on the implementation of the new SAP computer system.

The costs of salaries and wages would have been higher in 2013 but some costs were reduced through the outsourcing of processing supplier invoices to Shared Transactional Service Centre (The Hub); the actual costs of outsourcing this work (£43k) have been included within professional fees.

Capital Expenditure

A comprehensive capital expenditure program continued in 2013 resulting in total expenditure of £119,948 against £152,071 in 2012.

Capital expenditure	2013	2012
	£	£
Plant & Equipment		
Scada upgrade of Milk & Cream Pasteuriser	-	24,311
Boilers Hotwell Level Control System	-	1,357
Pallet Drum Loader	-	752
Milk Tank 2 Liner	-	2,129
Alfa Laval Lobe Cream Pump 1.5kw Motor	-	4,955
Jetstream 850 Foam Spray Unit	-	807
Daily Use Store Racking	-	1,027
Alfast Flow Transmitters	-	8,144
Organic Milk Pasteuriser Control Panel	-	11,615
Miscellaneous Coldstore Shelving	-	1,760
Ball Float Steam Trap and Thermostat	-	1,699
Colchester Mascot 1600 Gap Bed Centre Lathe	-	7,547
MB2 Butter Cannon	-	79,194
Dairy Signage	-	6,164
Foss Milkoscan FT120	27,030	-
Cream Metering Pump (Butter)	4,161	-
S/S Centrifugal Pump (raw milk to break tank)	3,445	-
Butter Maker Control Panel	1,242	-
FOODLAB Analysis Equipment	5,981	-
Replacement Water Baths for Laboratory	1,753	-

States of Guernsey

Commerce and Employment

Department

Dairy Trading Account

Statement of activities and performance -
continued

Year ended 31 December 2013

	2013 £	2012 £
Capital expenditure		
Plant & Equipment <i>continued</i>		
UPS & Switch for File Servers	5,320	-
Danfoss replacement Inverter for Separator	5,197	-
Separate Motor & Adapters	8,657	-
Miscellaneous shelving/Racking	677	-
Replacement Dated Butter Coder	2,229	-
Genlab Hot Air Steriliser	1,621	-
Buildings & Structures		
Insulation to Warm Carton Store	22,264	-
Upper Store Refurbishment	24,628	-
Motor Vehicles		
Forklift Mounted Drum Grab	-	610
Information Technology		
Dairy File Server	4,850	-
Two PC's & Monitors	893	-
Total Capital expenditure	<u>£119,948</u>	<u>£152,071</u>

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 2013, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Dairy's affairs as at 31 December 2013 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
9th June 2014

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Revenue account

For the year ended 31 December 2013

	Notes	£	2013 £	£	2012 £
Sales	<i>1</i>				
Liquid milk			5,557,636		5,490,242
Dairy products			1,457,299		1,461,983
Sundry income			<u>13,476</u>		<u>20,224</u>
Total sales			7,028,411		6,972,449
Cost of sales					
Opening product stock	<i>4</i>	198,317		251,122	
Opening packaging stock	<i>4</i>	<u>152,561</u>	350,878	<u>155,932</u>	407,054
Production wages		852,673		811,949	
Milk		3,322,030		3,258,174	
Milk – working losses		107,643		104,571	
Dairy product ingredients		43,017		33,491	
Packaging materials		553,873		529,378	
Freight		<u>84,108</u>	4,963,344	<u>80,722</u>	4,818,285
Closing product stock	<i>4</i>	(230,837)		(198,317)	
Closing packaging stock	<i>4</i>	<u>(173,412)</u>	(404,249)	<u>(152,561)</u>	(350,878)
Total cost of sales			4,909,973		4,874,461
Gross surplus			2,118,438		2,097,988
Administration expenses	<i>2</i>		<u>(1,748,144)</u>		<u>(1,703,367)</u>
Operating surplus for the year			370,294		394,621
Interest receivable	<i>1</i>		70,989		32,659
(Loss)/gain on sale of fixed assets			<u>(5,344)</u>		<u>370</u>
Retained surplus for the year	<i>7</i>		<u>£435,939</u>		<u>£427,650</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 part of these financial statements.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Balance sheet at 31 December 2013

	Notes	2013 £	2012 £
Tangible fixed assets	3	2,049,480	2,162,770
Current assets			
Stocks	4	463,581	415,215
Debtors and prepayments	5	1,205,791	1,138,750
Balances held with the States Treasury		1,854,734	1,041,360
Cash at bank and in hand		<u>59,273</u>	<u>367,532</u>
		3,583,379	2,962,857
Creditors: amounts falling due within one year	6	<u>(482,247)</u>	<u>(410,954)</u>
Net current assets		<u>3,101,132</u>	<u>2,551,903</u>
Total net assets		<u>£5,150,612</u>	<u>£4,714,673</u>
Reserves	7	<u>£5,150,612</u>	<u>£4,714,673</u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 6th June 2014.

Signed on behalf of the Department

K A Stewart
Minister

Notes 1 to 15 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 2013

	<i>Notes</i>	£	2013 £	£	2012 £
Net cash inflow from operating activities	8		554,075		556,335
Returns on investments and servicing of finance					
Interest received			70,989		32,659
Capital expenditure					
Payments to acquire tangible fixed assets	3	(119,948)		(152,071)	
Receipts from sales of tangible fixed assets		-		370	
Net cash outflow from capital expenditure			(119,948)		(151,701)
Management of liquid resources					
Increase in assets held with States Treasury	9,10		(813,374)		(201,561)
(Decrease)/increase in cash	9,10		<u>(£308,259)</u>		<u>£235,732</u>

Notes 1 to 15 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:

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

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

As described in note 11, the Dairy has applied the provisions of FRS 17 for multi employer arrangements. As the share of the underlying assets and liabilities of the States of Guernsey Superannuation Scheme attributable to the Dairy cannot be identified on a reasonable or consistent basis, contributions payable are treated as an expense in the revenue account.

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

	2013 £	2012 £
Opening non-product stock	64,337	65,260
Advertising and promotion	72,887	66,329
Carriage outwards	-	8,701
Cleaning materials	67,527	62,114
Depreciation	227,895	211,088
Fuel, light, power and water	348,298	336,358
General administration costs	26,930	25,413
Laboratory expenses	77,915	99,281
Motor vehicle expenses	27,781	24,000
Other expenses	38,269	51,750
Professional fees	117,822	75,703
Movement in bad and doubtful debt provision	636	(3,641)
Repairs, maintenance and insurance	141,050	151,008
Rates	668	457
Salaries and wages	595,461	581,817
Staff training and recruitment	-	12,066
Closing non production stock	<u>(59,332)</u>	<u>(64,337)</u>
	<u>£ 1,748,144</u>	<u>£ 1,703,367</u>

Professional fees include £44,219 (2012: nil) in respect of services provided by the Hub, and £24,900 (2012: £24,600) in respect of the fee charged by the Commerce & Employment Department in respect of the provision of accounting services to the Dairy.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2013	Additions	Disposals	31 December 2013
	£	£	£	£
<i>Cost</i>				
Buildings & Structures	1,567,223	46,892	924	1,613,191
Plant and Machinery	3,867,420	67,313	168,249	3,766,484
Motor Vehicles	306,028	-	4,678	301,350
Information Technology	<u>-</u>	<u>5,743</u>	<u>-</u>	<u>5,743</u>
	<u>5,740,671</u>	<u>119,948</u>	<u>173,851</u>	<u>5,686,768</u>
	1 January 2013	Charge for the year	Disposals	31 December 2013
	£	£	£	£
<i>Depreciation</i>				
Buildings & Structures	762,624	42,905	477	805,052
Plant and Machinery	2,642,701	139,605	167,018	2,615,288
Motor Vehicles	172,576	44,417	1,013	215,980
Information Technology	<u>-</u>	<u>968</u>	<u>-</u>	<u>968</u>
	<u>3,577,901</u>	<u>227,895</u>	<u>168,508</u>	<u>3,637,288</u>
Net book value	<u>£2,162,770</u>			<u>£2,049,480</u>

4. Stocks

	2013	2012
	£	£
Milk and Dairy products	230,837	198,317
Packaging materials	173,412	152,561
Other stock	<u>59,332</u>	<u>64,337</u>
	<u>£463,581</u>	<u>£415,215</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2013 £	2012 £
Trade and other debtors	1,181,113	1,093,856
Prepayments	<u>24,678</u>	<u>44,894</u>
	<u>£1,205,791</u>	<u>£1,138,750</u>

6. Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	432,746	369,216
Accruals	<u>49,501</u>	<u>41,738</u>
	<u>£482,247</u>	<u>£410,954</u>

7. Reserves

	2013 Revenue Account £	2012 Revenue Account £
Balance at 1 January	4,714,673	4,287,023
Surplus for the financial year	<u>435,939</u>	<u>427,650</u>
Balance at 31 December	<u>£5,150,612</u>	<u>£4,714,673</u>

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

	2013 £	2012 £
Operating surplus for the year	370,294	394,621
Depreciation	227,895	211,088
Increase in debtors and prepayments	(67,041)	(98,717)
(Increase)/decrease in stocks	(48,366)	57,099
Increase/(decrease) in creditors and accruals	<u>71,293</u>	<u>(7,756)</u>
Net cash inflow from operating activities	<u>£ 554,075</u>	<u>£ 556,335</u>

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

	2013 £	2012 £
(Decrease)/increase in cash in the year	(308,259)	235,732
Increase in balances held with States Treasury	813,374	201,561
Change in net funds	505,115	437,293
Net funds at 1 January	1,408,892	971,599
Net funds at 31 December	<u>£ 1,914,007</u>	<u>£ 1,408,892</u>

10. Analysis of the changes in net funds

	At 1 January 2013 £	Cash flows £	At 31 December 2013 £
Cash at Bank and in hand	367,532	(308,259)	59,273
Balances held with States Treasury	<u>1,041,360</u>	<u>813,374</u>	<u>1,854,734</u>
	<u>£ 1,408,892</u>	<u>£ 505,115</u>	<u>£ 1,914,007</u>

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%. An actuarial review as at 31 December 2013 is currently in progress.

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 2013 were £140,593 (2012: £137,979).

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 2013 which would affect these financial statements (2012: None).

States of Guernsey Public Services Department

States Works

Statement of activities and performance

Year ended 31 December 2013

Principal activities

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

Financial Highlights

	Actual 2013	Budget 2013	Actual 2012
	£'000	£'000	£'000
Income	14,886	14,051	13,683
Surplus	1,324	590	387
Capital expenditure	621	888	1,092

Turnover for the year ended 31 December 2013 increased from 2012 by £1.2m. There was a new service level agreement in 2013 for Landfill & Recycling section for Environmental Monitoring and an increase in income for Highways Section due to additional reinstatement works and a review of the chargeable rates. Sewage collection turnover also rose due to a change in the pricing structure and an increase in loads during the year. Emergency Services income has also increased due to a number of major incidents during the year.

The surplus before bank interest has risen from £366k in 2012 to £1,311k. The operating surplus is now 8.8% of turnover (2012: 2.7%). This increase in surplus is due to a reduction of labour costs due to the amalgamation of the building and electrical & mechanical sections which has resulted in a fall in both established staff and public service employees within these sections. There has also been a reduction in overtime.

The capital expenditure is slightly down from prior year as there were a number of vehicles which had been tendered for and ordered before the year end but had not yet arrived. As part of the rolling replacement of vehicles, a roadsweeper was purchased for the cleansing section, a pick up for Community Environment Project Scheme and two vans for Land Management's Section. Three replacement sewage tankers were acquired as part of the service level agreement for the Waste Water Collection Service.

A number of items purchased in 2013 should quickly realise savings for States Works and include a road planer for Highways. This equipment was previously hired from another contractor. A quadbike for weed spraying has been acquired to fulfil part of the road cleansing service level agreement. This work was previously contracted out to a UK contractor. A new heating system has been installed at Burnt Lane in the glass houses and in the short time that these units have been in place, there has been a marked reduction in the amount of oil used.

A vehicle tracking system has been installed in the majority of the Division's commercial vehicle fleet at States Works. It is anticipated that savings will be made due to the reduction in fuel consumption as a result of this initiative. A tyre changing and repair service has also been introduced.

States of Guernsey Public Services Department

States Works

Statement of activities and performance (continued)

Year ended 31 December 2013

Operational Performance

Staffing Statistics

	2013	2012
Ratio of Support staff to Operational staff	13%	13%
Staff members at year end	232	233
Income generated per Employee	£64,163	£58,724

Emergency Call-Out

Number of calls	101	105
Man hours worked	664	996

Developments in 2013

The corporate five year Land Management Service Level Agreement 2014 – 2018 commenced on the 1 January 2014. This currently encompasses all of the States Departments with the exception of Guernsey Airport which is delayed due to contractual work at the Airport.

The Division in conjunction with Central Procurement has been developing its implementation strategy for the corporate provision of fleet management through States Works as preferred provider. This is to be based on a hierarchy of service standards, Bronze (basic maintenance services), Silver (full maintenance and repairs services plus vehicle procurement) and Gold (full fleet management).

The introduction of vehicle tracking across the Division's fleet of 120 commercial vehicles was introduced in January 2014. This initiative is expected to realise a cost saving through increased fuel efficiency; improved driving leading to reduced maintenance costs and increased vehicle life cycles; a reduction in accidents leading to a reduction in days lost and accident repair costs.

The Division has been engaged by Guernsey Waste (PSD) to provide the kerbside collection of dry recyclables within the Parish of St Peter Port. This two year contract commenced on 10 March 2014. An additional secondhand compactor has been ordered to facilitate the additional collections.

States of Guernsey Public Services Department

States Works

Statement of activities and performance (continued)

Year ended 31 December 2013

Board Members and Principal Officers

During 2013 Board members were:

Deputy P. A. Luxon, Minister
Deputy S. J. Ogier, Deputy Minister
Deputy Y. Burford
Deputy D. J. Duquemin
Deputy R. A. Jones

During 2013 Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr J. S. N. Menhenitt, Finance Director, Public Services Department (resigned 31/12/13)
Mr P. Lickley, General Manager, States Works
Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works

Auditor

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

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 a 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 monthly Board reports which monitor 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. The computerised job costing and financial accounts packages check validity and permit reconciliation with the wage bill.
- Capital expenditure authorisation is subject to strict valuation guidelines and purchase procedures.
- Regular independent review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit Section.

The Board strives to ensure that all staff with financial responsibilities 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.

Going Concern

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

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 2013 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 material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the States Works' affairs as at 31 December 2013 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
19 June 2014

States of Guernsey Public Services Department

States Works

Revenue Account

for the year ended 31 December 2013

	Notes	2013 £	2012 £
Income	2	<u>14,885,734</u>	<u>13,682,771</u>
Expenses			
Labour and direct materials	3	10,305,220	10,219,742
Transport, plant and equipment maintenance	4	1,155,395	1,136,804
Building maintenance and charges	5	352,441	391,719
Administration and general	6	<u>1,761,710</u>	<u>1,568,508</u>
		<u>13,574,766</u>	<u>13,316,773</u>
Operating surplus		1,310,968	365,998
Interest received from States Treasury		<u>12,806</u>	<u>20,944</u>
Surplus for the financial year	11	<u>1,323,774</u>	<u>386,942</u>

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 2013

	Notes	2013 £	2012 £
Tangible fixed assets	7	6,028,597	6,235,555
Current Assets			
Stock and work in progress	8	423,549	410,033
Debtors	9	1,575,741	927,228
Balances with States Treasury	14	<u>1,866,639</u>	<u>798,405</u>
		<u>3,865,929</u>	<u>2,135,666</u>
Creditors: amounts falling due within one year	10	<u>585,809</u>	<u>317,038</u>
Net current assets		<u>3,280,120</u>	<u>1,818,628</u>
Total net assets		<u>9,308,717</u>	<u>8,054,183</u>
Reserves	11	<u>9,308,717</u>	<u>8,054,183</u>

These financial statements were approved by the Public Services Department on 5 June 2014.

Signed on behalf of the Board

P A Luxon
Minister

19 June 2014

S J Ogier
Deputy Minister

19 June 2014

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 2013

	Notes	2013 £	2012 £
Net cash inflow from operating activities	12	<u>1,665,470</u>	<u>447,120</u>
Returns on investments and servicing of finance			
Interest received		12,806	20,944
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(621,482)	(1,092,292)
Receipts from sales of tangible fixed assets		<u>11,440</u>	<u>30,899</u>
Net cash outflow from investing activities		<u>(610,042)</u>	<u>(1,061,393)</u>
Financing			
Transfer to General Revenue		<u>-</u>	<u>(1,500,000)</u>
Management of liquid resources			
(Increase) / decrease in amounts held with States Treasury	13	<u>(1,068,234)</u>	<u>2,093,329</u>
Movement in cash		<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. As explained in the Statement of Internal Financial Controls the Board consider that the going concern basis is appropriate and that States Works 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, recorded on an accruals basis.

Trade Debtors

Trade debtors are stated less a general provision of £10,000 (2012: £10,000) and a specific provision of £12,674 (2012: £nil).

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

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

Stock and work in progress

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

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

1. Principal accounting policies (continued)

Pension costs

As described in note 17, the Board has applied the provisions of FRS 17 for multi-employer arrangements. As the share of the underlying assets and liabilities of the States of Guernsey Superannuation Scheme attributable to States Works cannot be identified on a reasonable or consistent basis, contributions payable are treated as an expense in the revenue account.

Interest Income

Interest income is earned from balances held with the States.

Leases

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

2. Income	2013	2012
	£	£
Building maintenance	184,532	305,097
Cleansing services	1,847,360	2,052,959
Drainage work	351,228	299,636
Electrical & mechanical work	900,661	935,658
Emergency services	185,051	117,553
Fleet hire	94,105	36,679
Fleet maintenance	666,188	621,257
Grounds maintenance	2,197,399	2,175,828
Highway repairs	1,746,701	1,277,398
Landfill & recycling	3,106,443	2,513,250
Management services	209,274	219,535
Sewage collection	2,366,685	2,061,283
Signs & lines	400,793	387,205
Administration & stores	617,874	649,488
Profit on disposal of fixed assets	11,440	29,945
	<u>14,885,734</u>	<u>13,682,771</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

3. Labour and direct materials	2013	2012
	£	£
Labour charges:		
Wages and employer's superannuation	6,710,527	6,844,085
Direct materials:		
Materials and services	2,672,689	2,432,262
Stores	574,128	603,824
Sub contractors	360,553	364,096
Less: discounts received	(12,677)	(24,525)
	<u>3,594,693</u>	<u>3,375,657</u>
	<u>10,305,220</u>	<u>10,219,742</u>
 4. Transport, plant and equipment maintenance	 2013	 2012
	£	£
Vehicles - fuel and maintenance	366,648	394,982
- depreciation	559,722	511,824
Plant & Tools - maintenance & replacements	135,321	144,417
- depreciation	93,704	85,581
	<u>1,155,395</u>	<u>1,136,804</u>
 5. Building maintenance and charges	 2013	 2012
	£	£
La Hure Mare	196,836	216,701
Burnt Lane & Saumarez Lane Depot	63,265	83,306
Buildings and fittings depreciation	92,340	91,712
	<u>352,441</u>	<u>391,719</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

6. Administration and general	2013	2012
	£	£
Salaries, wages and employer's superannuation	1,418,735	1,273,895
Travel & training charges	77,683	57,586
Post, stationery & telephone	24,330	29,886
Computer charges	86,423	51,983
Insurance	100,814	103,350
Audit fee	11,200	12,496
Sundry office expenses	16,417	28,280
Debt write off	12,674	-
Office and equipment depreciation	<u>13,434</u>	<u>11,032</u>
	<u>1,761,710</u>	<u>1,568,508</u>

7. Tangible fixed assets

Cost	1 January 2013	Additions	Write down of transferred asset	Disposals	31 December 2013
	£	£	£	£	£
Plant, tools & equipment	1,269,264	73,205	-	-	1,342,469
Motor vehicles	4,932,558	490,360	(69,240)	(339,029)	5,014,649
Office equipment	164,615	51,157	-	-	215,772
Buildings and fittings	3,819,369	6,760	-	-	3,826,129
Land	<u>1,274,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,220</u>
	11,460,026	621,482	(69,240)	(339,029)	11,673,239
Depreciation	1 January 2013	Charge for the year		Disposals	31 December 2013
	£	£		£	£
Plant, tools & equipment	947,456	93,704		-	1,041,160
Motor vehicles	2,525,317	559,722		(339,029)	2,746,010
Office equipment	135,086	13,434		-	148,520
Buildings and fittings	1,616,612	92,340		-	1,708,952
Land	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
	<u>5,224,471</u>	<u>759,200</u>		<u>(339,029)</u>	<u>5,644,642</u>
Net Book Value	<u>6,235,555</u>				<u>6,028,597</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

8. Stock and work in progress	2013	2012
	£	£
Stock	255,301	262,664
Work in progress	<u>168,248</u>	<u>147,369</u>
	<u>423,549</u>	<u>410,033</u>

9. Debtors	2013	2012
	£	£
Trade debtors (Note 1)	1,550,290	874,585
Prepayments and other debtors	<u>25,451</u>	<u>52,643</u>
	<u>1,588,415</u>	<u>927,228</u>

10. Creditors: amounts falling due within one year	2013	2012
	£	£
Trade creditors	415,093	246,895
Accruals	<u>170,716</u>	<u>70,143</u>
	<u>585,809</u>	<u>317,038</u>

11. Reserves	Revenue Reserve	Asset Transfer Reserve	Total
	£	£	£
Balance 1 January 2013	7,869,188	184,995	8,054,183
Asset write down (note 7)	-	(69,240)	(69,240)
Surplus for financial year	<u>1,323,774</u>	<u>-</u>	<u>1,323,774</u>
Balance 31 December 2013	<u>9,192,962</u>	<u>115,755</u>	<u>9,308,717</u>

12. Reconciliation of operating surplus to net cash inflow from operating activities	2013	2012
	£	£
Operating surplus	1,310,968	365,998
Depreciation charges and profit on sale of tangible fixed assets	747,760	670,204
Increase in stocks and work in progress	(13,516)	(68,800)
Increase in debtors	(648,513)	(395,538)
Increase / (decrease) in creditors	<u>268,771</u>	<u>(124,744)</u>
Net cash inflow from operating activities	<u>1,665,470</u>	<u>447,120</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	2013	2012
	£	£
Movement in cash	-	-
Increase / (decrease) in liquid resources	<u>1,068,234</u>	<u>(2,093,329)</u>
	1,068,234	(2,093,329)
Net funds at 1 January	<u>798,405</u>	<u>2,891,734</u>
Net funds at 31 December	<u>1,866,639</u>	<u>798,405</u>

14. Analysis of changes in net funds

	1 January	Cash Flow	31 December
	2013		2013
	£	£	£
Cash held with States Treasury	<u>798,405</u>	<u>1,068,234</u>	<u>1,866,639</u>

15. Capital Commitments	2013	2012
	£	£
Contracted for but not provided	<u>328,256</u>	<u>43,300</u>

16. Operating leases

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

	2013	2012
	£	£
Expiry date		
- within one year	-	29,370
- between two to five years	<u>-</u>	<u>63,635</u>
	<u>-</u>	<u>93,005</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 a 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 2013 were £802,007 (2012: £789,114).

18. Related party transactions

Income

The States of Guernsey Public Services Department – States Works is of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arms length". There has been a small change in the proportion of business between States 84% (2012: 86%) and private 16% (2012: 14%) 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

For the Year ended 31 December, 2013

STATEMENT OF ACTIVITIES

Year ended 31 December 2013

ACTIVITIES DURING THE YEAR

The Department completed its fourth year of a 5-year phasing in period to increase the upper earnings limits for employed, self-employed and non-employed people. From 2014 this will match the upper earnings limit that applies to employers.

The Department has been engaged in a comprehensive review of Guernsey's Personal Tax, Social Insurance, old age pension and benefits systems (the Personal Tax, Pensions and Benefits Review) in co-operation with the Treasury and Resources Department and led by the Policy Council. In advance of the conclusions and recommendations that will emerge during 2014 from this Review and in view of the increasing operating deficit in the Guernsey Insurance Fund, the Department proposed an increase in the employers' contribution rate of 0.5%, with effect from 1 January 2014. This was rejected by the States of Deliberation in October 2013.

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. In October 2013, this pilot was extended to February 2015. The aim of the service is to develop an integrated mental health service at Primary Care level 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 completed the programme to change its investment strategy and strategic asset allocations for the Common Investment Fund.

Following the conclusion in 2012 and early 2013 of the contract price reviews and negotiations with the Medical Specialist Group and the Guernsey Physiotherapy Group, the Department has focussed on contract and performance monitoring of its main suppliers.

The Department concluded the transfer of payment for visiting medical consultants from the Health and Social Services Department General Revenue budget to the Guernsey Health Service Fund.

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

The Department is working with the Health and Social Services Department through its healthcare system review under which consideration is being given to long-term health strategies and financing.

The Department has continued its involvement with the development of a Supported Living and Ageing Well Strategy and, along with the Health and Social Services Department, Housing Department and Treasury and Resources Department, is a member of a new working party led by the Policy Council in order to bring forward the Strategy. The review incorporates 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 including: implementation of the proposals agreed by the States of Deliberation in March 2012 for work incentivisation, investing in performance improvement within supplementary benefit, improving debt recovery in supplementary benefit and commencing a project for management of incapacity benefit claims as well as focusing on post go-live activities resulting from the SAP/Shared Transaction Service Centre (STSC) project.

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.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

FUTURE ACTIVITIES

The Department will continue to engage with the Policy Council's Personal Tax, Pensions and Benefits Review over the rates of contribution necessary for the long-term sustainability of the Contributory Funds.

The Department will continue to pilot the Primary Care Mental Health and Wellbeing Service until February 2015 and will be reporting to the States of Deliberation with proposals for establishing the service on a permanent basis during 2014.

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 continue to monitor investment performance following a programme to change its investment strategy and strategic asset allocations for the Common Investment Fund in recent years.

In respect of specialist health insurance scheme, the Department will focus on contract and performance monitoring of its main suppliers. The Department will also be working in partnership with HSSD and the Specialist Health Care Providers in developing plans to deliver better value for money and high quality services for the future.

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 2015.

The Department will continue to work 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 Policy Council, 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.

Under the Chairmanship of a States member who is not a member of the Social Security Department, the Department will be working with the Housing Department and Treasury and Resources Department as part of the Social Welfare Benefits Investigation Committee which was established by States resolution in November 2013. The Committee is mandated to develop a single, comprehensive social welfare benefits model to replace the supplementary benefit scheme, operated by the Department, and the rent rebate scheme operated by the Housing Department. The Committee is required to report back to the States of Deliberation by no later than March 2015.

The Department will continue to participate constructively in the Financial Transformation Programme, continuing with cross departmental working and collaboration 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 and seeking the Department's continued accreditation as an Investor in People (IIP) employer.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE

Year ended 31 December 2013

Overview

The Consolidated Contributory Funds comprising the Guernsey Insurance Fund (GIF), Guernsey Health Service Fund (GHSF) and Long-term Care Insurance Fund (LTCIF) recorded an operating deficit of £9.0m (2012: £4.9m deficit). The 2013 budgeted deficit was £3.3m. A breakdown of the operating results is as follows:

- GIF: operating deficit of £14.5m (2012: £10.0m). The budgeted deficit was £11.8m;
- GHSF: operating surplus of £4.9m (2012: £4.3m). The budgeted surplus was £5.0m; and
- LTCIF: operating surplus of £0.7m (2012: £0.8m). The budgeted surplus was £1.0m.

Total Reserves for the year increased by £57.4m (2012: £56.2m increase). This increase comprised the operating deficit of £9.0m (2012: 4.9m) and an increase from investing activities of £66.3m (2012: £61.1m increase). The increase in Reserves is allocated as follows:

- GIF: +£40.1m (2012: £40.8m increase) and comprised the operating deficit of £14.6m and increase from investing activities of £54.7m (2012: £50.8m increase);
- GHSF: +£12.3m (2012: £10.8m increase) and comprised the operating surplus of £4.8m and increase from investing activities of £7.4m (2012: £6.5m increase); and
- LTCIF: +£4.9m (2012: £4.6m increase) and comprised the operating surplus of £0.7m and increase from investing activities of £4.2m (2012: £3.8m increase).

At the year-end total reserves stood at £840.8m (2012: £783.5m) and allocated as follows:

- GIF: £692.4m (2012: £652.2m) with expenditure cover 5.5 years (2012: 5.5 years);
- GHSF: 95.2m (2012: £83.0m) with expenditure cover 2.6 years (2012: 2.3 years); and
- LTCIF: £53.2m (2012: £48.3m) with expenditure cover 3.1 years (2012: 2.9 years).

Contribution income and states grant

Total contribution income increased by 1.9% to £151.1m (2012: £148.3m) but below the budget of £155.1m. Total States' grants, which are based on a fixed percentage of contributions, increased to £18.8m (2012: £18.5m) and below the budget of £19.4m.

The overall number of contributors, at week 48, increased by 0.5% to 37,431 (2012: 37,263). The number of employed and self-employed decreased by 0.4% and 0.7% respectively while non-employed contributors increased by 6.2%.

The largest economic sector remained the financial sector, which accounted for 21% of the employed population and represented 31% of the total income received from employers and employees.

Numbers of Contributors as at week 48	2013	2012	5-Year average
Employers	2,432	2,430	2,414
Employed	28,827	28,947	29,014
Self-Employed	3,280	3,302	3,344
Non-Employed	5,324	5,014	5,071
Total	37,431	37,263	37,428

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

Contribution income and states grant (continued)

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

- GIF: +1.7% to £96.5m (2012: £94.9m) but below the budget of £99.3. The grant received from the States of Guernsey, being a fixed percentage of contributions (15%), increased to £14.4m (2012: £14.2m) but below the budget of £14.9m;
- GHSE: +2.0% to £36.5m (2012: £35.8m) and below the budget of £37.5m. The grant received from the States of Guernsey, being a fixed percentage of contributions (12%), increased to £4.4m (2012: £4.3m) and below the budget of £4.5m; and
- LTCIF: +2.8% to £18.1m (2012: £17.6m) and below the budget of £18.4m.

Benefit expenditure

Overall benefit expenditure increased by 4.5% to £172.5m (2012: £165.1m) but below the budget of £173.8m. The general rate of benefit was increased by 3.6%. The allocation between the Funds is as follows:

- GIF: +5.8% to £120.2m (2012: £113.6m) and below the budget of £120.6m;
- GHSE: +0.6% to £35.1m (2012: £34.9m) and below the budget of £36.0m; and
- LTCIF: +3.6% to £17.2m (2012: £16.6m) in line with the budget of £17.2m.

Details of major areas of benefit expenditure follow:

GIF: Pension

	2013	2012	5-Year Average
Number of claimants at the year-end	16,575	16,188	15,656
Number of approved claims during the year	1,070	1,166	1,085

Pension expenditure increased by 6.6% to £101m (2012: £94.75m) in line with the budget of £101m.

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 2.4% at the end of the year with the number of approved new claims decreasing to 1,070 (2012: 1,166). This indicates that the increased numbers in pensioners is slowing following the significant increase when the so called 'baby-boomers' born in the years following World War II reached pension age in 2011 and 2012.

GIF: Invalidity benefit

	2013	2012	5-Year Average
Number of claimants at the year-end	865	856	881
Number of approved claims during the year	284	275	343

Invalidity benefit increased by 1.5% to £7.65m (2012: £7.54m) and below the budget of £7.77m. 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 284 (2012: 275), it is well below the 5-year average of 343.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

Benefit expenditure (continued)

GIF: Unemployment benefit

	2013	2012	5-Year Average
Number of claimants at the year-end	217	288	247
Number of approved claims during the year	1,175	1,331	1,271

Unemployment benefit decreased by 6.7% to £1.52m (2012: £1.63m) and below the budget of £1.66m with the 12-month rolling average number of active claims decreasing by 1.2% from 286.8 to 283.2. The Department continues to work on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

GHSF: Specialist Health Insurance Scheme

	2013	2012	5-Year Average
Medical specialist Group - full-time equivalent consultants (average)	40.0	39.6	39.2

Medical specialist expenditure increased by 3.3% to £14.56m (2012: £14.10m) and below the budget of £14.64m. The contract price increased by 1% based on the September 2012 RPI less 2%. An additional allowance of £165,000 was added to the contract in recognition of the Group's increased workload on governance matters, increased demand for Audiology and the additional resources added to improve patient pathways within cardiology and ophthalmology.

	2013	2012	5-Year Average
Guernsey Physiotherapy Group - full-time equivalent physiotherapists & assistants (average)	31.4	31.1	29.5

Physiotherapy expenditure increased by 4.7% to £1.99m (2012: £1.90m) and in line with the budget of £1.99m. For the first quarter of 2013 the contract price increased by 3%, based on the September 2012 RPI. From April 2013 onwards, the contract price increased by 2% above the 2012 contract price, being 1% less than the September 2012 RPI.

GHSF: Drugs and medicines

	2013	2012	5-Year Average
Total prescriptions	1,482,519	1,486,843	1,439,267
Average basic cost	£8.40	£8.60	£9.11

Drugs & medicine expenditure for the year decreased by 1.5% to £14.66m (2012: 14.88m) and well below the budget of £15.49. The decrease in expenditure is attributable to: a reduction in the net ingredient cost of drugs following a UK Government initiative; more expensive products coming off patent; and the number of items dispensed in 2013 decreasing by 0.3%. 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

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

Benefit expenditure (continued)

LTCIF: Residential Home Care grant

Number of claimants at the year-end	2013	2012	5-Year Average
Permanent	277	255	295
Permanent with EMI	95	102	102*
Total	372	357	397

*3- year average

Residential Home Care benefit expenditure (excluding Respite Care) increased by 1.2% to £8.42m (2012: £8.32m) and under the budget of £8.6m. Although the overall number of claims increased, the number of claims which included an EMI supplement decreased thus tempering the increase in expenditure.

LTCIF: Nursing Home Care grant

	2013	2012	5-Year Average
Number of claimants at the year-end	210	210	220

Nursing Home Care benefit expenditure (excluding Respite Care) increased by 4.2% to £8.38m (2012: £8.04m). The increase is due mainly to the general rate of benefit increasing by 3.6% with demand remaining fairly static.

Administration

Total administration expenditure less the £2.03m (2012: 1.92m) recharge of administrative expenditure to Non Contributory Services (NCS), increased by 0.7% to £5.49m (2012: £5.39m). Staffing expenditure less the £1.4m recharge of payroll costs to NCS, increased by 3.9% to £3.6m (2012: £3.3m). The allocation of administration costs between the Funds is as follows:

- GIF: -0.2% to £4.29m (2012: £4.30m) and below the budget of £4.55m;
- GHSF: +5.4% to £0.97m (2012: 0.92m) and below the budget of £0.99m; and
- LTCIF: 0% to £0.17m (2012: 0.17m) and below the budget of £0.18m.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

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)	2013	2012
Established Staff	113.3	112.5
Temporary Contracts	7.0	10.0
Total	120.3	122.5

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 2013 had a market value of £802.7m (2012: £750.4m).

As the Guernsey Insurance Fund is currently running an operating deficit, £15.0m (2012: £7.0m) was withdrawn from the Common Investment Fund in December 2013 for cash flow to meet obligations. The allocation between the three contributory funds at the year-end is as follows:

Common Investment Fund allocation At Year-end	2013		2012	
	£m	%	£m	%
Guernsey Insurance Fund	662	82.5%	619	82.5%
Guernsey Health Service Fund	89	11.1%	83	11.1%
Long-term Care Insurance Fund	52	6.4%	48	6.4%
Total	803	100.0%	750	100.0%

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	8.91%	7.76%	2.7%
3-Year	4.74%	4.88%	3.0%
5-Year	9.49%	8.48%	2.2%

*The benchmark return is the weighted-average of the individual investment managers' benchmark.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department
For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED) Year ended 31 December 2013

KEY STATISTICS

	Contribution Rates - Annual Earnings/Income limits	2013 £	2012 £	2011 £	2010 £	2009 £
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	129,792	125,268	120,900	117,468	115,128
	Upper earnings limit - employee	119,340	105,144	91,884	79,872	69,108
	Lower earnings limit	6,500	6,292	6,084	5,928	5,824
Class 2	<i>Self-employed</i>					
	Maximum earnings	119,340	105,144	91,884	79,872	69,108
	Minimum earnings	6,500	6,292	6,084	5,928	5,824
Class 3	<i>Non-employed</i>					
	Maximum income	119,340	105,144	91,884	79,872	69,108
	Minimum income	16,250	15,730	15,210	14,820	14,560
	Allowance	6,895	6,675	6,451	6,290	-

	Contribution Rates – Contributory Funds	2013 £	2012 £	2011 £	2010 £	2009 £
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	-	-	-	-	-
		6.5	6.5	6.5	6.5	6.5
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.4	3.4	3.4	3.2
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.4
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.4
		6.0	6.0	6.0	6.0	6.0
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.3	8.3	8.3	8.1
	Guernsey Health Service Fund	2.9	2.9	2.9	2.9	3.0
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.4
		12.5	12.5	12.5	12.5	12.5
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.5	6.5	6.5	6.3
	Guernsey Health Service Fund	2.7	2.7	2.7	2.7	2.8
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.4
		10.5	10.5	10.5	10.5	10.5
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
		9.9	9.9	9.9	9.9	9.9
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.2
	Long-term Care Insurance Fund	1.6	1.6	1.6	1.6	1.4
		2.9	2.9	2.9	2.9	2.6

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

Key Statistics (continued)

Number of contributors (as at week 48)	2013	2012	2011	2010	2009
Employers	2,432	2,430	2,393	2,419	2,398
Employed	28,827	28,947	29,254	29,209	28,831
Self-employed	3,280	3,302	3,339	3,409	3,388
Non-employed	5,324	5,014	4,942	5,113	4,961
Total	37,431	37,263	37,535	37,731	37,180

Contributory Funds - General Revenue Grants - % of contributions	2013 %	2012 %	2011 %	2010 %	2009 %
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	14.4	14.2	13.8	13.3	12.5
Guernsey Health Service Fund	4.4	4.3	4.2	4.0	4.0
Total	18.8	18.5	18.0	17.3	16.5

Guernsey Insurance Fund

Number of claimants at the year-end	2013	2012	2011	2010	2009
Pension	16,575	16,188	15,690	15,047	14,782
Invalidity Benefit	865	856	885	937	861
Sickness Benefit	320	372	405	498	551
Bereavement Benefits	227	239	255	276	328
Unemployment Benefit	217	288	243	222	266
Industrial Disablement Benefit	204	209	216	238	249
Industrial Injury Benefit	14	14	5	15	14
Maternity Allowance	142	135	123	140	145
Total	18,564	18,301	17,822	17,373	17,196

Number of approved claims during the year	2013	2012	2011	2010	2009
Sickness Benefit	10,533	11,082	11,020	11,047	12,109
Pension	1,070	1,166	1,304	835	1,051
Unemployment Benefit	1,175	1,331	1,133	1,189	1,527
Industrial Medical Benefit	957	1,068	935	1,053	1,144
Travel Allowance Grant	983	1,091	997	1,032	1,255
Maternity Allowance	557	534	563	516	590
Death Grant	514	541	485	457	519
Industrial Injury Benefit	557	546	520	578	637
Bereavement Benefits	311	304	292	294	305
Invalidity Benefit	284	275	299	405	450
Maternity Grant	83	92	98	80	74
Industrial Disablement Benefit	9	6	3	9	11
Total	17,033	18,036	17,649	17,495	19,672

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****STATEMENT OF PERFORMANCE (CONTINUED)****Year ended 31 December 2013****Key Statistics (continued)****Guernsey Health Services Fund**

Drugs & medicines	2013	2012	2011	2010	2009
Ordinary prescriptions	555,296	574,724	590,243	580,955	566,572
% change	-3.38%	-2.63%	1.59%	2.54%	1.59%
Exempt prescriptions	927,223	912,119	873,384	830,693	785,128
% change	1.66%	4.44%	5.14%	5.80%	6.47%
Total prescriptions	1,482,519	1,486,843	1,463,627	1,411,648	1,351,700
% change	-0.29%	1.59%	3.68%	4.44%	4.37%
Average basic cost	£8.40	£8.60	£9.38	£9.61	£9.55
% change	-2.33%	-8.32%	-2.39%	+0.63%	-1.65%
Ordinary prescriptions as a % of total	37.5%	38.7%	40.3%	41.2%	41.9%
Exempt prescriptions as a % of total	62.5%	61.3%	59.7%	58.8%	58.1%

Consultation grants	2013	2012	2011	2010	2009
Doctors	250,998	263,568	259,711	254,349	254,487
Nurses	79,527	80,649	81,309	75,667	79,886
Total	330,525	344,217	341,020	330,016	334,373
% change	-3.98%	0.94%	3.33%	-1.30%	2.16%

Long-term Care Insurance Fund

Number of claimants at year-end	2013	2012	2011	2010	2009
Residential grant-permanent	372	357	365	357	336
Nursing grant-permanent	210	210	216	234	233
TOTAL	582	567	581	591	569

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2013

5-Year Financial Performance

Guernsey Insurance Fund	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Income	110.9	109.1	106.2	101.8	96.2
Expenditure	(125.5)	(119.1)	(110.1)	(105.4)	(101.4)
Operating deficit	(14.6)	(10.0)	(3.9)	(3.6)	(5.2)
Investing activities	54.7	50.8	(19.6)	67.2	90.9
Net surplus/(deficit) in the Fund during the year	40.1	40.8	(23.5)	63.6	85.8
Net assets of the Fund at 1 January	652.2	611.4	634.9	571.3	485.6
Net assets of the Fund at 31 December	692.3	652.2	611.4	634.9	571.3
Expenditure cover in number of years	5.5	5.5	5.6	6.0	5.6

Guernsey Health Service Fund	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Income	40.9	40.1	38.9	37.4	37.5
Expenditure	(36.0)	(35.8)	(35.6)	(34.8)	(34.3)
Operating Surplus	4.9	4.3	3.3	2.6	3.2
Investing activities	7.3	6.5	(2.0)	7.3	13.7
Net surplus in the Fund during the year	12.2	10.8	1.3	9.9	16.9
Net assets of the Fund at 1 January	83.0	72.2	70.9	61.0	44.1
Net assets of the Fund at 31 December	95.2	83.0	72.2	70.9	61.0
Expenditure cover in number of years	2.6	2.3	2.0	2.0	1.8

Long-term Care Insurance Fund	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Income	18.1	17.6	17.0	16.4	16.9
Expenditure	(17.4)	(16.8)	(16.4)	(15.3)	(14.0)
Operating Surplus	0.7	0.8	0.6	1.1	2.9
Investing activities	4.2	3.9	(1.3)	4.5	10.0
Net surplus/(deficit) in the Fund during the year	4.9	4.7	(0.7)	5.6	12.9
Net assets of the Fund at 1 January	48.4	43.7	44.4	38.8	25.9
Net assets of the Fund at 31 December	53.3	48.4	43.7	44.4	38.8
Expenditure cover in number of years	3.1	2.9	2.7	2.9	2.8

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

PRINCIPAL OFFICERS

Year ended 31 December 2013

Social Security Department

Minister	Deputy A H Langlois	
Deputy Minister	Deputy S A James MBE	
Members	Deputy J A B Gollop Deputy C J Green Deputy M K Le Clerc Deputy D A Inglis	Resigned 26 March, 2014 Elected 26 March, 2014
Non-Voting Members	Mrs S M Andrade Mr M J Brown	Elected 26 March, 2013 Elected 26 March, 2013
Administrator	Mr M Nutley	

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

STATEMENT OF RESPONSIBILITIES OF THE SOCIAL SECURITY DEPARTMENT

Year ended 31 December 2013

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 2013 which comprise the consolidated fund account, the consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2013, 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: 30 May 2014

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****CONSOLIDATED FUND ACCOUNT****Year ended 31 December 2013**

	Note	Consolidated Contributory Funds 2013 £'000s	Consolidated Contributory Funds 2012 £'000s
Income			
Contributions	1(b),2	151,086	148,276
States grant	1(b)	18,825	18,521
		<hr/> 169,911	<hr/> 166,797
Expenditure			
Benefits payable	1(c),3	172,529	165,066
Administration	7	5,490	5,386
		<hr/> 178,019	<hr/> 170,452
Operating deficit before depreciation charge		(8,108)	(3,655)
Depreciation charge	9	(863)	(1,211)
Operating deficit		<hr/> (8,971)	<hr/> (4,866)
Investing activities	1(f),8	66,341	61,098
Net surplus in the Fund during the year		<hr/> 57,370	<hr/> 56,232
Net assets of the Fund at 1 January		<hr/> 783,456	<hr/> 727,224
Net assets of the Fund at 31 December		<hr/> <hr/> 840,826	<hr/> <hr/> 783,456

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.

Notes 1 to 17 form part of these financial statements.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****CONSOLIDATED BALANCE SHEET****At 31 December 2013**

	Note	2013 £'000s	2012 £'000s
Fixed assets			
Tangible assets	9	2,860	3,680
Common investment fund	10	802,671	750,376
		<u>805,531</u>	<u>754,056</u>
Current assets			
Debtors due after one year	12	152	146
Debtors due within one year	11	28,634	24,282
Balances with States Treasury		13,185	7,500
Cash at bank and in hand		171	943
		<u>42,142</u>	<u>32,871</u>
Current liabilities			
Creditors: Amounts falling due within one year	13	2,694	2,459
Bank overdraft		4,153	1,012
		<u>6,847</u>	<u>3,471</u>
Net current assets		<u>35,295</u>	<u>29,400</u>
Total net assets		<u>840,826</u>	<u>783,456</u>
Reserves			
Guernsey Insurance Fund		692,360	652,180
Guernsey Health Service Fund		95,221	82,962
Long-term Care Insurance Fund		53,245	48,314
		<u>840,826</u>	<u>783,456</u>

The financial statements were approved by the Social Security Department on 27 May 2014.

Signed on behalf of the Department

A H Langlois
Minister

M Nutley
Administrator

Notes 1 to 17 form part of these financial statements.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****CONSOLIDATED CASH FLOW STATEMENT****Year ended 31 December 2013**

	2013 £'000s	2012 £'000s
Operating deficit for the year	(8,971)	(4,866)
Depreciation	863	1,211
(Increase)/decrease in debtors	(4,358)	859
Increase/(decrease) in creditors	235	(146)
Net cash outflow from operating activities	(12,231)	(2,942)
Management of liquid resources		
Tangible asset acquisitions during the year	(43)	(100)
Increase in cash equivalent in Common Investment Fund	66,341	61,098
Net cash inflow from investing activities	66,298	60,998
Increase in cash and cash equivalents (including investments)	54,067	58,056
Opening common investment funds, treasury, cash balances and overdraft	757,807	699,751
Closing common investment funds, treasury, cash balances and overdraft	811,874	757,807

ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 January 2013 £'000s	(Increase)/ decrease in year £'000s	At 31 December 2013 £'000s
Cash at bank and in hand	943	(772)	171
Overdraft	(1,012)	(3,141)	(4,153)
Balances with States Treasury	7,500	5,685	13,185
	7,431	1,772	9,203
Common Investment Fund	750,376	52,295	802,671
	757,807	54,067	811,874

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

Notes 1 to 17 form part of these financial statements.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2013

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 2014 in respect of the financial year ended 31 December 2013 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 2013 was 15% (2012: 15%) in respect of the Guernsey Insurance Fund and 12% (2012: 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 2012 and published in the States Billet XV in September 2012.

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

For the Year ended 31 December, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2013

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

As described in note 14, the Department has applied the provisions of FRS 17 for multi-employer arrangements. As the share of the underlying assets and liabilities of the States of Guernsey Superannuation Scheme attributable to the Contributory Funds cannot be identified on a reasonable or consistent basis, contributions made are treated as an expense in the revenue account.

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 and realised and unrealised gains/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

For the Year ended 31 December, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2013

2. CONTRIBUTIONS

	2013 £'000s	2012 £'000s
Employer contributions	67,110	66,468
Employee contributions	61,296	60,283
	<u>128,406</u>	<u>126,751</u>
Self-employed contributions	14,527	14,017
Non-employed contributions	7,941	7,459
Employer surcharge and penalty	30	43
Movement in contributions unallocated	182	6
	<u>151,086</u>	<u>148,276</u>
Contribution income allocated to:		
Guernsey Insurance Fund	96,474	94,867
Guernsey Health Service Fund	36,546	35,821
Long-term Care Insurance Fund	18,066	17,588
	<u>151,086</u>	<u>148,276</u>

3. BENEFITS PAYABLE

	Note	2013 £'000s	2012 £'000s
Guernsey Insurance Fund	4	120,245	113,568
Guernsey Health Service Fund	5	35,070	34,872
Long-term Care Insurance Fund	6	17,214	16,626
		<u>172,529</u>	<u>165,066</u>

4. BENEFITS PAYABLE – GUERNSEY INSURANCE FUND

	Note	2013 £'000s	2012 £'000s
Pension		100,989	94,751
Invalidity		7,648	7,537
Sickness		3,535	3,382
Bereavement		1,835	1,873
Travel allowance grant		2,229	2,037
Unemployment		1,519	1,629
Maternity benefit		1,224	1,135
Industrial disablement		593	579
Industrial injury		238	226
Death grant		273	280
Industrial medical		112	129
		<u>120,195</u>	<u>113,558</u>
Benefit debt written-off		9	8
Doubtful debt provision - movement		41	2
	3	<u>120,245</u>	<u>113,568</u>

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****5. BENEFITS PAYABLE – GUERNSEY HEALTH SERVICE FUND**

	Note	2013 £'000s	2012 £'000s
Drugs and medicines	5(a)	14,657	14,882
Specialist Health Insurance Scheme	5(b)	16,621	16,076
Consultation grants	5(c)	3,488	3,647
Primary Care Mental Health and Wellbeing (pilot)		304	267
	3	<u>35,070</u>	<u>34,872</u>

5(a). DRUGS AND MEDICINES

	Note	2013 £'000s	2012 £'000s
Drugs and medicines		15,551	15,814
Appliances		689	639
Oxygen Service		267	299
		<u>16,507</u>	<u>16,752</u>
Prescription charges receivable		(1,850)	(1,870)
	5	<u>14,657</u>	<u>14,882</u>

5(b). SPECIALIST HEALTH INSURANCE SCHEME

	Note	2013 £'000s	2012 £'000s
Specialist medical benefit		14,558	14,100
Physiotherapy benefit		1,987	1,902
Alderney hospital benefit		76	74
	5	<u>16,621</u>	<u>16,076</u>

The States of Guernsey entered into revised 5 year fee agreements for contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group from 1 January 2013.

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****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****5(c). CONSULTATION GRANTS**

	Note	2013 £'000s	2012 £'000s
Doctors consultation grants		3,011	3,163
Nurses consultation grants		477	484
	5	3,488	3,647

6. BENEFITS PAYABLE – LONG-TERM CARE INSURANCE FUND

	Note	2013 £'000s	2012 £'000s
Residential home care benefit			
Permanent		5,568	5,287
Permanent with EMI supplement		2,852	3,031
Respite care		207	139
Respite care with EMI supplement		35	32
		8,662	8,489
Nursing home care benefit			
Permanent		8,381	8,044
Respite care		171	93
		8,552	8,137
	3	17,214	16,626

In 2012, 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****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****7. ADMINISTRATION**

	2013	2012
	£'000s	£'000s
Salaries and pension costs	5,182	5,016
Other staff costs	30	15
IT and communication	976	980
Administration, Consultancy and contracted out work	884	802
Health and Social Services Department charges	172	193
Premises	250	287
Audit fee	30	27
	7,524	7,305
Amounts received from:		
Non Contributory Services	(2,034)	(1,919)
	5,490	5,386
Administration expenses allocated to:		
Guernsey Insurance Fund	4,356	4,297
Guernsey Health Service Fund	967	924
Long-term Care Insurance Fund	167	165
	5,490	5,386

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****8. INVESTING ACTIVITIES**

	2013	2012
	£'000	£'000
Income		
Interest from fixed interest securities	8,743	10,425
Dividends from equities	1,621	1,190
Distributions from property funds	548	1,167
Interest on short term deposits	47	89
Securities lending (less expenses)	83	104
Bank interest	275	160
Less: Withholding tax suffered	(106)	(159)
	<u>11,211</u>	<u>12,976</u>
Expenditure		
Investment managers' fees	3,576	3,319
Less: Rebates and fees charged directly on pooled funds	(2,372)	(2,294)
	<u>1,204</u>	<u>1,025</u>
Investment advisor's fees	112	196
Custody fees	44	35
Performance monitoring fees	24	21
	<u>1,384</u>	<u>1,277</u>
Net investment income	9,827	11,699
Realised profit on disposal	25,575	18,420
Movement on unrealised profit	30,939	30,979
Total surplus on investing activities for the year	<u><u>66,341</u></u>	<u><u>61,098</u></u>
Investing activities allocated to:		
Guernsey Insurance Fund	54,731	50,807
Guernsey Health Service Fund	7,364	6,440
Long-term Care Insurance Fund	4,246	3,851
	<u><u>66,341</u></u>	<u><u>61,098</u></u>

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****9. TANGIBLE ASSETS**

	1 January 2013 £'000s	Additions £'000s	31 December 2013 £'000s
Cost			
Freehold land and buildings	3,774	-	3,774
Plant and equipment	972	1	973
Information technology	9,236	42	9,278
	<u>13,982</u>	<u>43</u>	<u>14,025</u>
	1 January 2013 £'000s	Depreciation for the year £'000s	31 December 2013 £'000s
Accumulated Depreciation			
Freehold land and buildings	1,170	47	1,217
Plant and equipment	676	70	746
Information technology	8,456	746	9,202
	<u>10,302</u>	<u>863</u>	<u>11,165</u>
Net book value	<u>3,680</u>		<u>2,860</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.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS**Controlled and managed by the Social Security Department****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****10. COMMON INVESTMENT FUND**

	2013	2012
	£'000s	£'000s
Equities and derivatives	471,383	439,361
Fixed income and derivatives	239,887	281,050
Alternative investments and hedge funds	41,006	1,494
Cash and cash equivalents	32,827	8,117
Commodities	9,161	-
Property funds	7,245	20,354
Venture Capital & Partnerships	1,162	-
	802,671	750,376
Investments allocated to:		
Guernsey Insurance Fund	662,203	618,708
Guernsey Health Service Fund	89,097	83,265
Long-term Care Insurance Fund	51,371	48,403
	802,671	750,376

At the year-end the Common Investment Fund value comprised of £768.7m of listed and exchange traded investments (2012: £729.4) and unlisted investments of £34.0m (2012: £21.0).

	2013	2012
	£'000s	£'000s
Common Investment Fund movements during the year		
Market value 1 January	750,376	695,359
Investment income reinvested	10,780	12,618
Realised profit on disposal reinvested	25,575	18,420
Movement on unrealised loss on investments	30,939	30,979
Withdrawal of monies invested	(15,000)	(7,000)
Market value 31 December	802,670	750,376

The Common Investment Fund is managed by six investment managers, namely Schroder Investment Management Limited, Blackrock Investment Management (UK) Limited, Barings Asset Management, 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****For the Year ended 31 December, 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 December 2013****11. DEBTORS DUE WITHIN ONE YEAR**

	2013	2012
	£'000s	£'000s
Contributions receivable	23,902	21,592
Benefits and allowances prepaid	3,446	1,522
States of Guernsey Intercompany debtors	1,022	957
Administration expenses prepaid	130	165
Trade debtors	79	29
Other debtors and prepayments	55	17
	<u>28,634</u>	<u>24,282</u>

12. DEBTORS DUE AFTER ONE YEAR

	2013	2012
	£'000s	£'000s
Benefit debt	277	230
Provision for doubtful debts	(125)	(84)
	<u>152</u>	<u>146</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013	2012
	£'000s	£'000s
Trade creditors	366	1,920
Other creditors and accruals	279	341
Benefits and allowance payable	2,049	99
States grant payable	-	99
	<u>2,694</u>	<u>2,459</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 2012 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%. An actuarial review as at 31 December 2013 is currently in progress.

STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

Controlled and managed by the Social Security Department

For the Year ended 31 December, 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2013

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 2013 was £0.50m (2012: £0.53m).

15. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no related party transactions to disclose with members and senior management in this financial year (2012: Nil). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2013 and 2012 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 £13.2m (2013: £7.5m).

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.

17. SUBSEQUENT EVENTS

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

The additional information included on the following page 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

For the Year ended 31 December, 2013

DETAILED FUND ACCOUNTS

Year ended 31 December 2013

	Note	Guernsey Insurance Fund	Guernsey Health Service Fund	Long-term Care Insurance Fund	Consolidated Contributory Funds	Consolidated Contributory Funds
		2013 £'000s	2013 £'000s	2013 £'000s	2013 £'000s	2012 £'000s
Income						
Contributions	1(b),2	96,474	36,546	18,066	151,086	148,276
States grant	1(b)	14,439	4,386	-	18,825	18,521
		<u>110,913</u>	<u>40,932</u>	<u>18,066</u>	<u>169,911</u>	<u>166,797</u>
Expenditure						
Benefits payable	1(c),3,4,5,6	120,245	35,070	17,214	172,529	165,066
Administration	7	4,356	967	167	5,490	5,386
		<u>124,601</u>	<u>36,037</u>	<u>17,381</u>	<u>178,019</u>	<u>170,452</u>
Operating (deficit)/surplus before depreciation charge		(13,688)	4,895	685	(8,108)	(3,655)
Depreciation charge	9	(863)	-	-	(863)	(1,211)
Operating (deficit)/surplus		<u>(14,551)</u>	<u>4,895</u>	<u>685</u>	<u>(8,971)</u>	<u>(4,866)</u>
Investing activities	1(f),8	54,731	7,364	4,246	66,341	61,098
Net surplus in the fund during the year		<u>40,180</u>	<u>12,259</u>	<u>4,931</u>	<u>57,370</u>	<u>56,232</u>
Net assets of the fund at 1 January		<u>652,180</u>	<u>82,962</u>	<u>48,314</u>	<u>783,456</u>	<u>727,224</u>
Net assets of the fund at 31 December		<u><u>692,360</u></u>	<u><u>95,221</u></u>	<u><u>53,245</u></u>	<u><u>840,826</u></u>	<u><u>783,456</u></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 2013 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement, the related notes 1 to 17 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 Financial Reporting Council's (FRC'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 2013 and of its deficit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

BDO Limited

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 1st April 2014

ELIZABETH COLLEGE - GUERNSEY

REVENUE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2013

	Note		2012
INCOME	2		
States' Block Grant	1 (e)	1,058,093	1,141,798
Fees receivable		4,510,118	4,247,511
Sundry income		91,429	98,766
		<hr/>	<hr/>
		5,659,640	5,488,075
EXPENDITURE			
School and departmental expenses		4,115,503	3,402,102
Youth training expenses		26,945	19,565
Administrative expenses		1,060,671	1,048,452
Maintenance of buildings and grounds	4	671,516	601,311
		<hr/>	<hr/>
		(5,874,635)	(5,071,430)
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR BEFORE INTEREST AND OTHER INCOME		<hr/>	<hr/>
		(214,995)	416,645
Interest receivable from fixed asset investments		9,638	20,820
Interest receivable from cash at bank		2,799	8,098
Interest payable		(250)	(282)
		<hr/>	<hr/>
OPERATING (DEFICIT) / SURPLUS FOR THE YEAR	2	(202,808)	445,281
<i>Restricted Income</i>	4		
Capital Grant from Elizabeth College Foundation		1,350,506	-
Transfer to Capital Reserve (restricted)		(1,154,591)	-
Maintenance costs related to capital projects		(195,915)	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
		(202,808)	-
<i>Elizabeth College Foundation costs</i>	16		
Amortisation of establishment costs		(2,006)	(2,006)
Annual running costs		(65,820)	(68,010)
		<hr/>	<hr/>
		(67,826)	(70,016)
RETAINED (DEFICIT)/SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT	10	<hr/>	<hr/>
		£ (270,634)	£ 375,265
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

Notes 1 to 17 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY

BALANCE SHEET

31 AUGUST 2013

	Note		2012
FIXED ASSETS			
Tangible assets	4	4,722,650	3,568,059
Investments	5	137,259	344,517
		<hr/>	<hr/>
		4,859,909	3,912,576
CURRENT ASSETS			
Stock		6,141	4,552
Debtors	6	606,343	766,137
Cash at bank and in hand	7	1,539,963	1,469,089
		<hr/>	<hr/>
		2,152,447	2,239,778
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(704,341)	(728,296)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,448,106	1,511,482
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,308,015	5,424,058
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(145,000)	(145,000)
		<hr/>	<hr/>
TOTAL NET ASSETS		£ 6,163,015	£ 5,279,058
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES	10	£ 6,163,015	£ 5,279,058
		<hr/>	<hr/>

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORISED FOR ISSUE BY:

Very Rev. K. Paul Mellor

.....

Chairman

1st April 2014

.....

Date approved by the Board

Notes 1 to 17 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2013

	Note		2012
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	11	(928)	153,991
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received from fixed asset investments	8,240		20,810
Interest received from banks	2,799		8,098
Interest paid	(250)		(282)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		10,789	28,626
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Amounts paid to non grant-aided sector	(51,810)		(100,221)
Elizabeth College Foundation costs	(65,820)		(68,010)
Fixed asset additions	(1,154,591)		-
(Increase)/decrease in cash held by brokers	(214,530)		220,718
Sale of fixed asset investments	207,258		-
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,279,493)	52,487
MANAGEMENT OF LIQUID RESOURCES			
(Increase)/decrease in fixed deposit accounts		(150,011)	103,072
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,419,643)	338,176
FINANCING			
Repayment of loan from States Culture and Leisure Department	(10,000)		(10,000)
Restricted grant received from Elizabeth College Foundation	1,350,506		-
NET CASH INFLOW/ (OUTFLOW) FROM FINANCING		1,340,506	(10,000)
(DECREASE)/INCREASE IN CASH FOR THE YEAR		£ (79,137)	£ 328,176
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash for the year		(79,137)	328,176
Cash used to increase/(decrease) liquid resources		150,011	(103,072)
Cash outflow from loan repayment		10,000	10,000
Net funds at 1 September		1,314,089	1,078,985
Net funds at 31 August	12	£ 1,394,963	£ 1,314,089

Notes 1 to 17 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

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 The 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 States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. The General Grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution of 28 September 2011. 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.

(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.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

2. INCOME AND OPERATING DEFICIT

The College's income and operating deficit 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 The 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 April 2013 when the properties were valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

	<i>Cost</i> <i>At 31.8.12</i>	<i>Additions</i>	<i>Cost</i> <i>At 31.8.13</i>	<i>Insurance</i> <i>Valuation</i>
Main College site				
- Historic buildings	-	-	-	21,074,547
- Modern buildings	2,318,451	1,154,591	3,473,042	26,108,190
- Sixth Form Centre	388,470	-	388,470	466,040
College playing fields				
- CF - Old pavilion	-	-	-	623,776
- CF - Modern buildings	64,840	-	64,840	807,802
- MF Pavilion	796,298	-	796,298	879,083
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 3,568,059	£ 1,154,591	£ 4,722,650	£ 49,959,438
	<hr/>	<hr/>	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

4. TANGIBLE FIXED ASSETS (CONTINUED)

The addition to tangible fixed assets related to the addition of an extra storey on an existing building in order to provide a Refectory. The lower floors of the building were substantially refurbished to provide music rooms and a new Performing Arts Studio. The capital cost was financed by a restricted capital grant from the Elizabeth College Foundation, disclosed as restricted non-operating income in the Revenue Account for the year. A proportion of the other non-capital costs were also financed by the Elizabeth College Foundation with the balance funded by the College and charged to the Revenue Account during the year.

5. INVESTMENTS

2012

COST

As at 1 September 2012	344,517	344,517
Disposals during the year	(207,258)	-
	<hr/>	<hr/>
As at 31 August 2013	£ 137,259	£ 344,517
	<hr/>	<hr/>
AT MARKET VALUE		
Sterling fixed income securities	£ 145,436	£ 350,976
	<hr/>	<hr/>

The investments consist of Sterling fixed income securities traded within Europe. The individual securities are due to mature in 2015, and it is the intention of the Board of Directors to hold the assets until maturity.

6. DEBTORS

2012

DUE WITHIN ONE YEAR

Fee debtors	116,330	110,128
Accrued income	8,212	6,814
Amounts due from brokers	224,059	9,528
Unamortised establishment costs – Elizabeth College Foundation (note 16)	-	18,674
Other debtors and prepayments	106,276	328,743
Current account – College non grant-aided sector	151,466	99,656
Amounts recoverable on contracts	-	192,594
	<hr/>	<hr/>
	£ 606,343	£ 766,137
	<hr/>	<hr/>

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

ELIZABETH COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

7. CASH AT BANK AND IN HAND 2012

Cash at bank and in hand	1,287,944	1,367,081
Cash on fixed term deposit	252,019	102,008
	<hr/>	<hr/>
	£ 1,539,963	£ 1,469,089
	<hr/>	<hr/>

The balances held on fixed deposit are not defined as cash under The Financial Reporting Standard No.1 and have therefore been excluded from the cash flow statement.

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR 2012

Trade creditors	355,479	169,872
Fees received in advance	107,465	67,936
Loan – States Culture and Leisure Department	-	10,000
Old Elizabethan Association contribution to Elizabeth College Foundation costs (note 16)	-	16,667
Other creditors and accruals	180,241	319,439
Accruals for trips and other school activities	61,156	144,382
	<hr/>	<hr/>
	£ 704,341	£ 728,296
	<hr/>	<hr/>

The States Culture and Leisure Department loan was advanced to the College in connection with the replacement of the artificial sports surface at Memorial Field. The loan was repaid on 8 February 2013. The loan bore interest at a rate of 5% per annum and was repayable in equal capital instalments over 10 years from 31 December 2003. The loan was 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. Upon repayment of the loan the registered bond lapsed and is therefore no longer enforceable.

9. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR 2012

Loan – Ernest Gardner Fund	£ 145,000	£ 145,000
	<hr/>	<hr/>

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 College in a position where it was unable to meet its obligations to third parties as and when they fell due.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

10. RESERVES	<u>Restricted Capital Reserve</u>	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2012	-	4,679,058	600,000	5,279,058
Transfer from Revenue Account	1,154,591	-	-	1,154,591
Deficit for the financial year	-	(270,634)	-	(270,634)
Capital expenditure	(1,154,591)	1,154,591	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2013	£ -	£ 5,563,015	£ 600,000	£ 6,163,015
	<hr/>	<hr/>	<hr/>	<hr/>

11. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

2012

Operating (deficit)/surplus for the year before interest and other income	(214,995)	416,645
(Increase)/decrease in stock	(1,589)	796
Decrease/(increase) in operating debtors	216,265	(303,489)
(Decrease)/increase in operating creditors	(609)	40,039
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	£ (928)	£ 153,991
	<hr/>	<hr/>

12. ANALYSIS OF CHANGES IN NET FUNDS

	<u>At 1 September 2012</u>	<u>Cash Flows</u>	<u>At 31 August 2013</u>
Cash at bank and in hand (note 7)	1,367,081	(79,137)	1,287,944
Cash on fixed term deposit (note 7)	102,008	150,011	252,019
Debt due within one year	(10,000)	10,000	-
Debt due after one year	(145,000)	-	(145,000)
	<hr/>	<hr/>	<hr/>
	£ 1,314,089	£ 80,874	£ 1,394,963
	<hr/>	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

13. 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 The Financial Reporting Standard No. 17 – Retirement Benefits from the requirement to make the full disclosures that would normally apply to an employer operating a defined benefits scheme on behalf of its employees.

The latest actuarial valuation of the Scheme was conducted at 31 December 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 2013 was £336,477 (2012: £306,983). At 31 August 2013 the amount of outstanding contributions not paid over to the Scheme was £275,319 (2012: £96,225).

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

14. CONTROLLING PARTY

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

15. RELATED PARTY TRANSACTIONS

The College operates a central accounting system administered by the Finance 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 2013 an amount of £14,000 (2012: £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.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

16. ELIZABETH COLLEGE FOUNDATION

The Elizabeth College Foundation comprises two charitable trusts (one UK and one Guernsey) which were established in 2006 to raise funds, principally from parents and alumni of the College, to enable the College to undertake projects and activities which might otherwise be beyond the means of the 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 deeds. The basis upon which donations to the Foundation have been requested from donors is such that all monies donated are to be retained within the Foundation until such time as they may be expended as grants towards the funding of specified projects or activities for the benefit of the College.

Other than donations and interest arising on retained funds, the Foundation trusts have no other sources of income. Therefore the Foundation is reliant upon the College to meet a substantial proportion of its annual running costs, including the employment of Foundation staff involved with fund-raising, clerical support and project development. 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 was expected to benefit from the release by the Foundation of the proceeds from its initial fund-raising appeal.

17. FINANCIAL COMMITMENTS

The College had 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 terminated in 2013. Rentals paid under this agreement in the current year amounted to £6,818 (2012: £9,316). The agreement is now terminated and therefore no payments are expected in the next financial year (2013: £6,818).

ELIZABETH COLLEGE – GUERNSEY

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2013

		2012
INCOME		
States' Block Grant	1,058,093	1,141,798
Fees receivable	4,510,118	4,247,511
Hire of facilities	78,902	86,571
Other income	12,527	12,195
	<hr/>	<hr/>
	5,659,640	5,488,075
	<hr/>	<hr/>
EXPENDITURE		
SCHOOL AND DEPARTMENTAL EXPENSES		
Teachers' salaries	2,693,510	2,456,313
Teachers' superannuation	336,477	306,983
Teaching ancillary salaries and superannuation	281,667	243,187
Departmental expenses	655,175	322,808
Other school expenses	107,920	27,877
Examination fees	40,754	44,934
	<hr/>	<hr/>
	4,115,503	3,402,102
	<hr/>	<hr/>
YOUTH TRAINING EXPENSES	26,945	19,565
	<hr/>	<hr/>
ADMINISTRATIVE EXPENSES		
Services	324,017	293,754
Administration salaries and superannuation	401,478	348,742
School administration	91,691	101,349
General expenses	154,322	215,421
Rates, insurance and taxes	48,365	40,913
Discounts given	42,919	37,399
Audit and accountancy	12,185	16,504
Bad debts (recovered)/written off	(306)	8,370
Recharge to non grant-aided sector	(14,000)	(14,000)
	<hr/>	<hr/>
	1,060,671	1,048,452
	<hr/>	<hr/>
MAINTENANCE OF BUILDINGS AND GROUNDS		
Maintenance of playing fields	122,344	102,272
Maintenance of other areas	549,172	499,039
	<hr/>	<hr/>
	671,516	601,311
	<hr/>	<hr/>
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR BEFORE INTEREST AND OTHER INCOME	<hr/>	<hr/>
	£ (214,995)	£ 416,645
	<hr/>	<hr/>

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 2013 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 works are met by transfers from the Maintenance and Improvements Reserve to the Income and Expenditure Account. As such expenditure on capital improvements is not capitalised. 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 2013 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;

BDO Limited

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

Date: 14 January 2014

THE LADIES' COLLEGE - GUERNSEY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2013

	Note	2012
INCOME	3	
States grant	831,491	913,001
Fees receivable	2,873,540	2,660,348
Bank interest received	13,945	17,292
Student registration fees	4,100	6,800
Miscellaneous income	31,176	42,422
	<hr/>	<hr/>
	3,754,252	3,639,863
EXPENDITURE		
School expenditure	(3,368,332)	(3,092,519)
	<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR	3/8 385,920	547,344
Capital improvements expenditure	(872,119)	(1,437,841)
Transfer from Maintenance and Improvements reserve	1b 872,119	1,437,841
	<hr/>	<hr/>
SURPLUS FOR THE YEAR	£ 385,920	£ 547,344
	<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of movements on reserves is included in note 8 to the financial statements.

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

THE LADIES' COLLEGE - GUERNSEY

BALANCE SHEET

31 AUGUST 2013

	Note		2012
FIXED ASSET			
Tangible asset	1/6	1	-
CURRENT ASSETS			
Fee debtors		3,035	1,658
Prepayments		87,178	-
Accrued bank interest		2,609	3,808
Cash at bank and in hand		931,227	1,237,773
		<hr/>	<hr/>
		1,024,050	1,243,239
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors and accruals	7	465,061	200,778
Fees for autumn term received in advance		193,187	190,460
		<hr/>	<hr/>
		(658,248)	(391,238)
NET CURRENT ASSETS			
		<hr/>	<hr/>
		£ 365,802	£ 852,001
REPRESENTED BY:-			
Reserves	8	£ 365,802	£ 852,001
		<hr/>	<hr/>

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

Mr P Gilson

.....
Chairman, the Board of Governors

14 January 2014
Date

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

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

No asset is shown on the Balance Sheet in relation to the College premises as the College does not hold legal title to the land on which the College's premises are built.

Where the College undertakes significant capital improvements, such as the capital expenditure incurred on the redevelopment of the College's buildings, these costs are recognised on an accruals basis, and met by transfers from the Maintenance and Improvements Reserve to the Income and Expenditure Account.

This transfer from the Maintenance and Improvements Reserve to the Income and Expenditure Account is a departure from the requirements of The Financial Reporting Standard for Smaller Entities (FRSSE), but in the opinion of the Board of Governors it is necessary to give a true and fair view of the surplus or deficit of The Ladies College.

The usual accounting treatment under the FRSSE would be to disclose a transfer from the Maintenance & Improvements Reserve to the Income and Expenditure Account in relation to capital expenditure incurred only within the reserves note.

The Board of Governors believes that capital expenditure should not be regarded as incurred out of the operating surplus of one year, but rather that it is financed from reserves that have been specifically built up over a number of years for this purpose.

If the transfer was not made the Income and Expenditure Account would show a deficit for the current year of £486,199 but the net current assets as shown in the balance sheet would remain unchanged.

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 fixtures and fittings.

(c) INCOME RECOGNITION

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

(d) SCHOOL EXPENDITURE RECOGNITION

School supplies and equipment including books and teaching materials are recognised in relation to the academic year in which they are to be used. All other expenses are recognised on an accruals basis.

(e) TANGIBLE FIXED ASSET

Land has been recognised at cost.

31 AUGUST 2013

1. ACCOUNTING POLICIES (continued)

(f) 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.

(g) 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 auditor 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.

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 2013;
- 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. TANGIBLE ASSET

On 13 September 2012 The College acquired a parcel of land, known as the Ladies' College Playing Field for a nominal sum of £1 from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, The Board of Governors have elected to carry its land at the nominal value.

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2013

7. SUNDRY CREDITORS AND ACCRUALS

		2012
School and administrative expenses	216,063	200,778
Accounts payable on building contracts	248,998	-
	<hr/>	<hr/>
	£ 465,061	£ 200,778
	<hr/>	<hr/>

8. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2012	605,067	246,934	852,001
Surplus for the year	385,920	-	385,920
Transfer to Income and Expenditure Account to cover capital improvements expenditure	-	(872,119)	(872,119)
Transfer from Income & Expenditure Account to Maintenance & Improvements reserve	(885,000)	885,000	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2013	£ 105,987	£ 259,815	£ 365,802
	<hr/>	<hr/>	<hr/>

31 AUGUST 2013

9. PENSION COSTS

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

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

The last actuarial valuation of the Scheme was conducted at 31 December 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 2013 was £294,218 (2012: £263,156). At 31 August 2013 the amount of outstanding contributions not paid over to the Scheme was £57,813 (2012: £45,432).

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

10. CONTROLLING 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.

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions.

STATES OF ALDERNEY

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

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

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

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

Independent auditor's report to the Policy and Finance Committee

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2013 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on page 119, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2013 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

26 March 2014

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

2. PENSION COSTS

The States of Alderney 1982 Pension Scheme

The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. 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 (until 31 December 2013). As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

As approved by the States of Alderney in April 2013, the structured withdrawal from Aviva was completed during the year, and an amended investment strategy commenced in 2014, using several alternative fund managers to take on the Aviva role.

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 January 2012, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2013.

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

	Valuation at 31 December 2013	Valuation at 31 December 2012
Pensionable salary growth	4.5% pa	4.1% 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	4.4% pa	4.1% pa
Inflation assumption	3.7% pa	3.6% pa

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS - continued

PENSION COSTS (Continued)

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

	Value at 31 December 2013	Expected return for 2014	Value at 31 December 2012	Expected return for 2013
Fair value of plan assets	£3,943,000	1.5%	£3,317,000	5.0%

	2013	2012
Fair value of plan assets	£3,943,000	£3,317,000
Present value of funded obligations	(£7,066,000)	(£6,743,000)
Deficit in the scheme	(£3,123,000)	(£3,426,000)
Net pension liability	(£3,123,000)	(£3,426,000)

Over the year to 31 December 2013 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 2013 Employer premiums amounted to £256,627 (2012: £242,304) in addition to a single premium payment of £25,000 (2012: £105,300), and Employee premiums were £83,404 (2012: £78,749). In addition the Employees Death in Service policy amounted to £15,888 (2012: £14,980).

The States of Alderney 2013 Pension Scheme

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. Although there were no new entrants to the scheme during 2013 the employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS - continued

3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2013 the States purchased goods and services from the Water Board to the value of £13,817 (2012: £13,050), and provided goods and services to the Board to the value of £49,036 (2012: £52,268).

The Royal Connaught Residential Home Limited is a States owned Company. During 2013 the States provided goods and services to the Company to the value of £42,516 (2012: £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 2013 the value of these purchases was £136,189 (2012: £131,761). The States has provided goods and services to the Company during 2013 to the value of £62,898 (2012: £80,277).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2013 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £13,869 (2012: £44,904).

4. BUDGET APPROVALS

The original budget for 2013 was approved by the States of Alderney at the meeting held on 17 October 2012, with the revised budget approved by the States of Alderney on 23 October 2013.

5. ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £4,710,650 (2012: £4,835,650) 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. In 2013 the surplus received from the Commission amounted to £2,331,863 (2012: £2,337,593).

An extract from the Alderney Gambling Control Commission's financial statements for 2013 will be available to the States in April 2014.

6. ALDERNEY eGAMBLING LIMITED

During 2013 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 2013 will be available to the States in April 2014.

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS - continued

7. ALDERNEY eGAMBLING ADVISERS LIMITED

In July 2013 a new wholly States owned Company, Alderney eGambling Advisors Limited was established, in order to provide advice and assistance on the creation of online gambling regimes, and consultancy services to regulators. As the Company was inactive during 2013, with no significant income or expenditure occurring within the financial year, a report on the Company's activities will be included in the 2014 report.

8. ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 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 2013 will be available to the States in April 2014.

9. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED

The Royal Connaught is a States owned Company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2013 will be available to the States at a later date in 2014.

10. 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 2013

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
INCOME ON REVENUE ACCOUNT				
Building and Development Control Committee	23,432	11,500	21,000	23,956
General Services Committee	227,345	203,309	315,050	227,222
Policy and Finance Committee	735,442	707,329	735,400	762,328
Timing Differences 2012	10,500	10,500	-	41,700
Transfer from Coin Reserve	21,150	-	-	-
TOTAL INCOME ON REVENUE ACCOUNT	1,017,869	932,638	1,071,450	1,055,206
Strategic Development/Budget Reserves	-	205,000	-	-
Net revenue cash allocation from States of Guernsey	1,976,200	1,960,000	1,940,000	1,932,650
	2,994,069	3,097,638	3,011,450	2,987,856

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
EXPENDITURE ON REVENUE ACCOUNT				
Building and Development Control Committee	99,835	121,365	90,550	93,012
General Services Committee	1,503,101	1,581,901	1,630,870	1,575,042
Policy and Finance Committee	1,391,133	1,394,372	1,290,030	1,309,283
TOTAL EXPENDITURE ON REVENUE ACCOUNT	2,994,069	3,097,638	3,011,450	2,977,337
Surplus for the Year	-	-	-	10,519
	2,994,069	3,097,638	3,011,450	2,987,856

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STATES TREASURER

STATES OF ALDERNEY
BUILDING AND DEVELOPMENT CONTROL COMMITTEE

for the year ended 31 December 2013

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
INCOME	£	£	£	£
Planning and Building fees	23,432	11,500	21,000	23,956
Land Use Plan Inquiries - recoveries	-	-	-	-
TOTAL REVENUE INCOME	23,432	11,500	21,000	23,956

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
EXPENDITURE	£	£	£	£
Administration				
Staff	72,942	65,765	65,450	81,213
Supplies and services	7,305	8,100	9,100	7,315
Environmental Impact Assessments	-	1,000	-	963
Consultants Fees	300	3,000	3,000	-
Planning Review	15,730	40,000	-	-
Planning records system	3,090	3,000	3,000	3,054
Land Use Plan Inquiries	-	-	8,000	-
External Planning Advice	468	500	2,000	467
TOTAL REVENUE EXPENDITURE	99,835	121,365	90,550	93,012

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE
for the year ended 31 December 2013

	Accounts 2013		Revised 2013		Budget 2013		Accounts 2012	
	£	£	£	£	£	£	£	£
INCOME								
Agriculture								
Fees and charges	1,548		1,400		3,200		2,038	
Land rents	6,720		6,450		7,250		6,649	
Abattoir fees	10,318		8,500		7,000		8,282	
		18,586		16,350		17,450		16,969
Public Services								
Administration								
Hire vehicle fees	2,403		2,300		2,300		2,795	
Vehicle import licence fees	47,653		33,000		40,000		33,246	
		50,056		35,300		42,300		36,040
Properties - General								
Commercial rent	158,625		165,672		206,000		192,475	
Housing rent	26,035		26,256		31,700		31,118	
		184,660		191,928		237,700		223,592
Refuse Collection and Disposal								
Refuse charges (scrapped vehicles)	21,000		21,000		21,000		21,000	
Sewage and Sanitation								
Cesspit emptying fees	13,605		12,500		12,500		12,768	
		269,321		260,728		313,500		293,400
Camp Site and Recreation								
Campsite fees (net) & rent	3,073		3,000		4,000		470	
Island Hall fees	16,712		15,000		12,000		14,658	
		19,785		18,000		16,000		15,128
Alderney Harbour Trading (Deficit)		(80,347)		(91,769)		(31,900)		(98,276)
TOTAL REVENUE INCOME		227,345		203,309		315,050		227,222

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE (continued)
for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
	£	£	£	£	£	£	£	£
EXPENDITURE								
Agriculture								
Staff	163,748		166,097		159,120		161,112	
Supplies and services	19,952		24,250		31,400		28,882	
Bovine Spongiform Encephalopathy - Compensation	-		1,500		1,500		600	
Disposal costs	900		600		600		-	
Dairy and land management compensation	55,913		65,000		65,000		58,268	
Abattoir costs	6,168		8,000		7,800		10,826	
Veterinary services	3,111		5,000		5,000		3,417	
	249,792		270,447		270,420		263,104	
Less: Recoveries	(4,978)		(4,200)		(5,000)		(6,661)	
		244,814		266,247		265,420		256,443
Public Services								
Camp Site and Recreation								
Camp Site expenses	7,147		10,000		10,000		7,494	
Children's Playground								
Supplies and services	4,228		3,700		5,000		4,310	
Island Hall								
Staff	9,252		10,118		10,170		8,128	
Premises	8,328		10,000		7,200		7,590	
Supplies and services	910		1,100		1,000		1,092	
	18,490	29,865	21,218	34,918	18,370	33,370	16,810	28,614
Civil Emergency								
Premises	604		1,000		2,000		796	
Supplies and services	768		2,500		4,500		11,447	
Environmental monitoring	19,579		21,500		21,500		19,519	
		20,951		25,000		28,000		31,761
Alderney Wildlife Trust								
Annual allocation	16,000		16,000		16,000		16,000	
Ramsar	14,419		10,840		10,840		4,996	
Woodland Project	1,000		1,000		1,000		1,000	
		31,419		27,840		27,840		21,996

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE (continued)
for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
EXPENDITURE (continued)	£	£	£	£	£	£	£	£
Public Services								
Administration								
Staff	123,827		116,170		112,850		113,608	
Supplies and services	5,634		7,800		7,100		10,199	
SWD Organisation Review	44,194		35,000		-		-	
Training & Equipment - Health and Safety	24,616		24,700		7,800		9,614	
Insurance	13,805		13,806		12,500		12,040	
	212,076		197,476		140,250		145,461	
Fire Brigade and Cliff Rescue								
Staff & Retained	27,865		28,352		28,050		25,380	
Supplies and services	28,767		31,200		31,650		35,112	
Administration of Law	10,000		10,000		7,000		7,283	
	66,632		69,552		66,700		67,775	
Apprenticeship Scheme								
Staff	45,346		45,705		45,050		30,517	
Associated Costs	560		1,000		1,200		872	
	45,906		46,705		46,250		31,388	
Less: Grant Recoveries	(1,995)		(1,500)		(1,500)		(3,945)	
	43,911		45,205		44,750		27,443	
Minor Projects								
Staff	95,146		132,510		141,000		103,178	
Supplies and services	28,000		39,500		50,000		53,670	
	123,146		172,010		191,000		156,848	
Less: Recoveries	(99,635)		(95,500)		(75,000)		(112,652)	
	23,511		76,510		116,000		44,196	
Properties - General & Housing								
Staff	82,588		81,000		82,100		81,432	
Supplies and services	63,694		73,635		107,500		101,209	
	146,282		154,635		189,600		182,641	
Less: Recoveries	(4,071)		(1,500)		(1,000)		(2,112)	
	142,211		153,135		188,600		180,529	
Refuse Collection, Separation & Disposal:- Household Collection and Impôt								
Staff	135,830		138,583		135,940		139,795	
Supplies and services:-								
Vehicles & Plant maintenance	34,521		27,000		20,000		72,638	
Household & general waste - disposal	158,489		170,000		180,000		161,836	
Vehicles & white goods etc - disposal	1,460		4,000		5,000		6,110	
	330,300		339,583		340,940		380,379	
Recycling Centre - Glacis								
Staff	111,249		108,659		95,550		107,463	
Supplies and services- separation & recycling	13,788		15,000		29,000		18,069	
	125,037		123,659		124,550		125,532	
Less: Recoveries	(304)		-		-		-	
	124,733		123,659		124,550		125,532	
Roads, Coasts and Beaches								
Staff	52,679		34,717		33,500		36,287	
Supplies and services	31,751		38,500		47,000		71,140	
	84,430		73,217		80,500		107,427	
Less: Recoveries	(9,250)		(9,000)		(1,000)		(12,104)	
	75,180		64,217		79,500		95,323	
Sewage and Sanitation								
Staff	75,027		71,510		72,150		75,536	
Supplies and services	27,103		29,000		36,500		43,077	
	102,130		100,510		108,650		118,613	
Less: Recoveries	(5,087)		(3,500)		(5,000)		(5,085)	
	97,043		97,010		103,650		113,528	
Vehicle Fleet								
Staff	28,372		28,009		29,800		26,345	
Supplies and services	65,933		66,240		62,200		63,480	
	94,305		94,249		92,000		89,825	
Less: Recoveries	(33,850)		(32,700)		(20,700)		(33,763)	
	60,455		61,549		71,300		56,062	
	1,176,052		1,227,896		1,276,240		1,236,228	
TOTAL REVENUE EXPENDITURE	1,503,101		1,581,901		1,630,870		1,575,043	

STATES OF ALDERNEY
POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
	£	£	£	£	£	£	£	£
INCOME								
Administration								
Company registrations	47,807		43,000		45,000		51,784	
Court receipts	49,106		26,500		32,000		38,244	
Duty free concession	25,000		25,000		25,000		14,167	
Interest receivable	19,120		11,600		13,550		23,556	
Numismatic and philatelic profits	47,948		47,500		171,500		122,581	
Occupiers rates	470,195		471,000		470,000		467,839	
Permits and licences	16,358		16,550		18,800		17,723	
Rents	41,729		41,729		36,400		35,274	
Royalties and fees	3,415		3,500		4,000		14,833	
Sundry sales and charges	18,852		19,650		19,700		14,499	
	739,530		706,029		835,950		800,498	
Less: Transfer to Currency Reserve	(22,594)		(17,000)		(120,000)		(54,879)	
		716,936		689,029		715,950		745,619
Marketing and Promotion								
Accommodation permits	5,239		5,000		5,500		5,424	
Sale of advertising space	13,267		13,300		14,000		12,285	
		18,506		18,300		19,500		17,709
TOTAL REVENUE INCOME		735,442		707,329		735,450		763,328

STATES OF ALDERNEY
POLICY AND FINANCE COMMITTEE (continued)

for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
	£	£	£	£	£	£	£	£
EXPENDITURE								
Administration								
Staff	489,343		484,374		476,700		450,102	
Premises	20,963		18,000		22,000		20,479	
Supplies and services	83,590		95,575		99,580		89,209	
Audit fees and expenses	30,793		31,000		31,000		29,612	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	2,248		3,000		3,000		1,246	
Insurance and reserves	41,339		41,500		40,000		36,066	
States Member's allowances	94,905		97,900		96,500		95,461	
Supplementary & retirement pensions	16,820		16,800		16,800		16,173	
Unforeseen expenditure: -	37,500		33,375		51,000		79,612	
	832,501		836,524		851,580		832,960	
Less: Recoveries	(73,159)		(73,000)		(74,200)		(66,412)	
		759,342		763,524		777,380		766,548
Court								
Staff	160,814		158,428		157,800		149,029	
Premises	6,833		6,000		5,000		6,335	
Supplies and services	12,631		15,000		17,000		16,245	
Insurance	2,041		2,050		2,000		1,921	
		182,319		181,478		181,800		173,530
Education and Health								
Supplies and services	87		500		900		46	
Grant to Alderney playschools	1,500		1,500		1,500		6,404	
School bus subsidy	22,403		5,000		9,530		20,982	
Grant for IT Education	5,000		22,522		22,520		1,500	
Youth Services grant	5,000		5,000		5,000		5,000	
	33,990		34,522		39,450		33,932	
Social and Welfare Services								
Social Services and welfare support	67,054		72,500		50,500		49,030	
Less: Recoveries	(50,020)		(54,000)		(34,000)		(33,483)	
	17,034		18,500		16,500		15,547	
		51,024		53,022		55,950		49,479
Grants								
Alderney Island Games Association	2,000		2,000		7,000		-	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week	4,000		4,000		4,000		4,000	
Minor grants	12,404		12,000		11,500		13,752	
St. John Ambulance Brigade	42,000		42,000		42,000		42,000	
		63,904		63,500		68,000		63,252
Marketing								
Administration								
Staff	34,601		33,848		50,900		44,089	
Premises	6,826		9,000		9,000		7,548	
Supplies and services	4,385		4,500		7,000		5,850	
	45,812		47,348		66,900		57,487	
Promotion								
Marketing	104,216		105,500		110,000		151,363	
Business Development	184,516		180,000		30,000		47,624	
		334,544		332,848		206,900		256,474
TOTAL REVENUE EXPENDITURE		1,391,133		1,394,372		1,290,030		1,309,283

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR

for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
INCOME								
Administration								
Facilities charges	145,273		152,031		196,000		192,214	
Sundries	14,175		5,500		5,300		6,747	
	159,448		157,531		201,300		198,961	
Less: Concessions on charges	(606)		(2,000)		(2,000)		(2,240)	
	158,842		155,531		199,300		196,721	
Crane dues and boat lifts	51,326		50,000		56,000		53,211	
Moorings and Navigation								
Fees	119,629		113,000		113,500		115,841	
Pilotage fees	70,614		68,191		86,700		99,683	
	190,243		181,191		200,200		215,524	
Less: Pilots remuneration	(26,340)		(25,743)		(30,000)		(37,460)	
Concessions on charges	(2,177)		(4,000)		(1,000)		(7,684)	
	161,726		151,448		169,200		170,381	
Quays and Buildings rent	11,224		13,000		13,700		14,014	
TOTAL INCOME		383,118		369,979		438,200		434,327
EXPENDITURE								
Administration								
Staff	266,467		264,080		260,900		259,099	
Supplies and services	20,895		23,900		26,500		23,856	
Training costs	1,538		5,000		14,000		8,462	
Insurance	4,117		4,600		4,200		4,067	
Port security expenses	13,539		15,000		4,000		1,733	
	306,556		312,580		309,600		297,217	
Less: Recoveries	(50,694)		(46,031)		(48,000)		(56,662)	
	255,862		266,549		261,600		240,555	
Cranes, Plant and Vehicles								
Staff	35,371		34,268		33,200		35,732	
Supplies and services	78,294		72,500		67,200		105,994	
	113,665		106,768		100,400		141,725	
Less: Recoveries	(4,908)		(3,965)		(4,000)		(4,957)	
	108,757		102,803		96,400		136,768	
Moorings and Navigation								
Supplies and services	50,978		48,000		55,000		47,075	
Wrecks and salvage	2,120		3,000		3,000		2,120	
	53,098		51,000		58,000		49,195	
Quays and Buildings								
Buildings	6,630		5,000		10,500		9,762	
Quay maintenance	10,735		10,296		17,000		20,786	
Pontoon maintenance	8,731		5,000		2,000		207	
Consultancy/Survey fees	481		1,000		4,000		55,208	
	26,577		21,296		33,500		85,963	
Fisheries								
Staff	17,600		17,600		17,600		17,600	
Supplies and services	1,571		2,500		3,000		2,522	
	19,171		20,100		20,600		20,122	
TOTAL EXPENDITURE		463,465		461,748		470,100		532,603
TRADING (DEFICIT) FOR THE FINANCIAL YEAR		(£80,347)		(£91,769)		(£31,900)		(£98,276)
FUNDED BY THE GENERAL SERVICES COMMITTEE								

STATES OF ALDERNEY CAPITAL ACCOUNT SUMMARY

for the year ended 31 December 2013

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
INCOME ON CAPITAL ACCOUNT				
General Services Committee	233,999	237,599	207,000	8,085
Policy and Finance Committee	228,527	200,000	1,200,000	236,685
TOTAL INCOME ON CAPITAL ACCOUNT	462,526	437,599	1,407,000	244,770
Transfer of funds from AGCC reserves	2,331,863	2,250,000	2,250,000	2,337,593
Surplus/(Deficit) for the year	(135,154)	(714,077)	(783,000)	1,310,839
	2,929,543	3,401,676	4,440,000	1,271,523

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
EXPENDITURE ON CAPITAL ACCOUNT				
General Services Committee	2,721,677	2,964,676	3,004,000	1,271,523
Policy and Finance Committee	207,866	437,000	1,436,000	-
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	2,929,543	3,401,676	4,440,000	1,271,523

STATES OF ALDERNEY
GENERAL SERVICES COMMITTEE
for the year ended 31 December 2013

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
INCOME				
Sewerage Law contributions	1,000	1,000	3,000	2,500
Transfer from Housing Loans fund (re Social Housing)	199,099	199,099	199,000	-
Sale of Capital Assets	33,900	37,500	5,000	5,585
TOTAL CAPITAL INCOME	233,999	237,599	207,000	8,085

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
EXPENDITURE				
Alderney Harbour Account	1,981,440	1,766,777	1,353,000	344,541
Alderney Water Board - Capital Grants:				
Distribution Network - Phase 4b (£241k)	241,000	241,000	250,000	-
Public Services				
Coastal Protection (£20k)	18,539	40,000	120,000	3,932
Sewerage Projects (£51k)	46,307	290,000	430,000	8,088
Waste Disposal Improvements	-	-	25,000	-
Fire Brigade				
Cliff Rescue Equipment (£16k)	1,001	1,000	1,000	15,038
Fire Fighting Equipment-Pump (£23k)	22,870	23,000	23,000	-
Land and Property				
New Connaught Care Home (£2.5m)	-	36,500	-	40,048
Acquisition of land for Runway Safety Area (£50k)	125	5,000	-	4,082
Camp Site - Improved facilities (£218k)	32,778	65,000	65,000	164,724
St Anne's Church Refurbishment (£317k)	114,117	150,000	150,000	7,433
Transfer of Loans Fund to AHA (£299k)	199,099	199,099	199,000	-
SWD & Harbour Vehicle/Plant Storage	-	-	150,000	-
Corporation Quarry Improvements	-	-	70,000	-
Asbestos Surveys	-	30,000	-	-
New Toilet facility Longy Bay (£24k)	23,262	24,000	-	-
Dust Extraction Unit - SWD Workshops	-	12,000	-	-
IT Improvements - UPS/Server (£15k)	10,889	15,000	-	-
Museum Building Improvements (£12k)	-	10,000	-	-
Works Department Vehicles and Plant				
Vehicles (£10.5k)	10,797	20,300	56,000	43,352
Plant (£19.8k)	19,453	36,000	112,000	14,091
Per published accounts 2012	-	-	-	626,194
TOTAL CAPITAL EXPENDITURE	2,721,677	2,964,676	3,004,000	1,271,523

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2013

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
INCOME	£	£	£	£	£	£	£	£
Property Transfer Duties								
Congé	204,038		175,000		190,000		226,344	
Leasehold Duty	19,481		20,000		10,000		10,340	
Transfer Duty	5,008		5,000		-		-	
		228,527		200,000		200,000		236,685
Sale of States Properties		-		-		1,000,000		-
TOTAL CAPITAL INCOME		228,527		200,000		1,200,000		236,685

	Accounts 2013		Revised Budget 2013		Budget 2013		Accounts 2012	
EXPENDITURE	£	£	£	£	£	£	£	£
2013 Census (£30k)		30,966		30,000		-		-
Allocation of Funds/Grants								
Social Housing Projects - Phase 1 (£296k)		176,900		407,000		636,000		-
Sports Centre Trust		-		-		400,000		-
Airport Improvements		-		-		400,000		-
TOTAL CAPITAL EXPENDITURE		207,866		437,000		1,436,000		-

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR

for the year ended 31 December 2013

	Accounts 2013	Revised Budget 2013	Budget 2013	Accounts 2012
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Commercial Quay Revetment (£770k)	876,508	639,821	400,000	1,711
Harbour Area Redevelopment				
Replacement Harbour Office (£642k)	543,172	497,966	430,000	25,040
Boat Park (£15k prelims)	3,948	42,000	33,000	7,868
Improvements to Shower Facilities		-	20,000	-
Inner Harbour Improvements:-				
Ladders (£26k)	25,582	25,582	40,000	-
Handrails	-	18,000	-	-
Marine Fuelling Facility	-	10,000	-	-
Building Refurbishments (£12.1k)	11,587	12,100	-	-
Harbour Vehicles/Plant/Vessels				
Crane Replacement (£730k)	513,643	514,308	430,000	265,692
Replacement Engines for Pilot Boat (£52k)	7,000	7,000	-	44,230
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	1,981,440	1,766,777	1,353,000	344,541

STATES OF ALDERNEY

Summary of Balances at 31 December 2013

LE BANQUAGE HOUSING LOANS SCHEME

CAPITAL ACCOUNT

Balance of Funds at 01.01.13	£	199,099
Transfer to Alderney Housing Association		(199,099)
Balance of Funds at 31.12.13		<u>0</u>

COINS IN CIRCULATION ACCOUNT

Value of coins in circulation at 01.01.13	3,410,906
Value of coins issued in 2013	102,600
	<u>3,513,506</u>
Less: Value of coins withdrawn from circulation	(648)
Value of coins in circulation at 31.12.13	<u>3,512,858</u>

CURRENCY RESERVE FUND

Balance at 01.01.13	409,147
Reserve for base metal coins issued in 2013	22,594
	<u>431,741</u>
Less: Value of coins redeemed.	(648)
Transfer of funds to SoA Revenue Account	(21,150)
Balance at 31.12.13	<u>409,943</u>

INVESTMENTS

<u>2012</u>				<u>2013</u>			
SHARES	£			SHARES	£		
<u>1,146,090</u>	<u>39,860</u>			<u>1,146,090</u>	<u>39,860</u>		
<u>2012</u>				<u>2013</u>			
SHARES	£			SHARES	£		
<u>11,150</u>	<u>5,659</u>			<u>11,150</u>	<u>5,659</u>		
<u>2012</u>				<u>2013</u>			
SHARES	£			SHARES	£		
<u>1</u>	<u>1</u>			<u>1</u>	<u>1</u>		
<u>2012</u>				<u>2013</u>			
SHARES	£			SHARES	£		
<u>650</u>	<u>650</u>			<u>650</u>	<u>650</u>		
<u>2012</u>				<u>2013</u>			
SHARES	£			SHARES	£		
<u>2</u>	<u>2</u>			<u>2</u>	<u>2</u>		

Alderney Electricity Ltd.
Ordinary Shares at £1 each fully paid at cost

Balance at 01.01.13 and 31.12.13

Alderney Electricity Ltd.
7% Cumulative Preference Shares
at £1 each fully paid at cost

Balance at 01.01.13 and 31.12.13

Alderney eGambling Ltd
Ordinary Shares at £1 each fully paid at cost

Balance at 01.01.13 and 31.12.13

Alderney Golf Club
Shares at £1 each fully paid at cost

Balance at 01.01.13 and 31.12.13

Royal Connaught Residential Home Ltd
Shares at £1 each fully paid at cost

Balance at 01.01.13 and 31.12.13

STATES OF ALDERNEY

Summary of Balances at 31 December 2013 (continued)

2012	Bank accounts	2013
£	<u>Daisy Hansen St Anne's School Trust</u>	£
984	Balance at 01.01.13	984
0	Interest received	0
<u>984</u>	Balance at 31.12.13	<u>984</u>
	<u>The Anne French Hospital Annexe Fund</u>	
11,974	Balance at 01.01.13	12,176
202	Interest received	218
<u>12,176</u>	Balance at 31.12.13	<u>12,394</u>
	<u>States of Alderney Interest on Investments Account (Educational Bequests)</u>	
10,165	Balance at 01.01.13	10,328
163	Interest received	174
10,328		10,502
0	Grants	(1,950)
0	Audit Reports	(80)
<u>10,328</u>	Balance at 31.12.13	<u>8,472</u>
	<u>The Packe History Trust</u>	
1,503	Balance at 01.01.13	1,504
1	Interest received	0
1,504		1,504
0	School History Prize	0
<u>1,504</u>	Balance at 31.12.13	<u>1,504</u>
	<u>Alderney Pilotage Board</u>	
200	Balance at 01.01.13 and 31.12.13	200
	<u>Insurance Deductable Fund Reserve Account</u>	
30,000	Balance at 01.01.13	30,000
0	2013 Reserve Allocation	35,000
0	Payments/Claims	(11,827)
<u>30,000</u>	Balance at 31.12.13	<u>53,173</u>
	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
15,623	Balance at 01.01.13	14,894
471	Interest received (estimated)	400
16,094		15,294
(1,200)	Grants	0
<u>14,894</u>	Balance at 31.12.13	<u>15,294</u>
	<u>St Anne's Trust</u>	
30,989	Balance at 01.01.13	31,486
497	Interest received	532
31,486		32,018
0	Grants	0
<u>31,486</u>	Balance at 31.12.13	<u>32,018</u>
	<u>The New Parsonage House Trust</u>	
70,801	Balance at 01.01.13	73,029
2,523	Interest received (estimated)	1,880
73,324		74,909
(295)	Maintenance costs	(1,009)
<u>73,029</u>	Balance at 31.12.13	<u>73,900</u>

Outstanding Commitments on major projects at 31.12.2013

	Vote	Spend to 31.12.2013	Balance outstanding
	£	£	£
New Connaught Care Home	2,500,000	3,078,823	(578,823)
Harbour Office Replacement	642,000	588,139	53,861
Revetment Rebuild	770,000	886,687	(116,687)

Commercial Quay:

Phase 1 Revetment Rebuild. The outstanding item in Phase 1 was the rock revetment. This has been rebuilt during 2013 and remains subject to litigation regarding the original design/construction.

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 Water Board") for the year ended 31 December 2013 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 139, 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.

Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2013 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

26 March 2014

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013		2012	
REVENUE		£	£	£	£
	1				
Unmetered Supplies		511,950		483,816	
Metered Supplies		74,587		64,250	
Service Charges		3,050		3,114	
Contract Work		2,972		2,463	
			592,559		553,642
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		216,536		198,538	
Water Treatment and Testing Fuel,		31,226		39,146	
Electricity and Telemetry		95,652		106,482	
Maintenance		42,514		52,380	
Maintenance Contracts Health &		14,325		13,905	
Safety expenses Pension Costs		2,000		3,518	
Depreciation	2	31,839		29,632	
	1 & 6	94,008		82,664	
		528,100		526,266	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		22,768		22,768	
Rents, Rates and Taxes Insurance		16,573		14,786	
Motor Vehicle Expenses Office		4,764		7,787	
Expenses and Equipment		5,605		4,933	
Accountancy and Audit		5,638		4,997	
Bank Charges		6,586		6,135	
Travelling and General Expenses		356		477	
Staff Training Costs Consultancy		1,804		1,835	
Fees and Expenses Bad Debts		1,391		4,366	
Written off		500		0	
Fixed Asset Written off		497		133	
		7,098		0	
		73,580		68,217	
			(601,680)		(594,483)
OPERATING (DEFICIT)			(9,121)		(40,841)
OTHER INCOME					
Interest and other Receivable			0		6,800
Rents Receivable	5		10,502		10,493
SURPLUS/(DEFICIT) FOR THE YEAR			1,381		(23,548)
BALANCE BROUGHT FORWARD POST			508,175		531,723
YEAR END 2012 ADJUSTMENT			1,750		-
BALANCE CARRIED FORWARD			511,306		508,175

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

Notes 1 to 6 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013		2012	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		1,896,334		1,813,179
CURRENT ASSETS					
Stock	1	55,939		51,699	
Debtors		119,251		75,063	
Bank balances - deposit		67		102	
Bank balances - current		522,822		419,079	
		<u>698,079</u>		<u>545,943</u>	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		76,521		85,360	
NET CURRENT ASSETS			<u>621,558</u>		<u>460,583</u>
NET ASSETS			<u>2,517,892</u>		<u>2,273,762</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		1,920,300		1,679,300
Revenue Account			511,306		508,175
			<u>2,517,892</u>		<u>2,273,761</u>

Notes 1 to 6 form part of these financial statements.

These financial statements were approved by the States of Alderney Water Board on 25th March 2014 and are signed on its behalf by:

Mr C Rowley
Chairman

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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 Buildings	2.50
High Level Storage Tanks	2.50
Machinery and Filtration Plant	4.00
Tools and equipment Consumers' meters	6.66
Filtration Membranes	10.00
Motor vehicles	10.00
	14.50
	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 (the "Board") are members of the States of Alderney (the "States") Pension Scheme. The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. 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 (until 31 December 2013). As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

As approved by the States in April 2013, the structured withdrawal from Aviva was completed during the year, and an amended investment strategy commenced in 2014, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2013 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.

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 £31,839 (2012: £29,632).

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2013

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.

Since 2008 capital contributions amounting to £1,920,300 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution network (Phase 4b), was approved in 2013 at £241,000. As at 31 December 2013 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2013 Mr L Jean was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr R McDowall until 31 December 2013

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2013 the value of these purchases was £94,810 (2012 £118,723)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2013 the Board purchased goods and services from Tugby Contractors Ltd to the value of £14,576

During 2013 the Water Board purchased goods and services from the States of Alderney to the value of £49,036 and supplied goods and services to the States of Alderney to the value of £13,817

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

5 RENTS RECEIVABLE

During 2013 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

6 FIXED ASSETS

	At 1 January 2013	Additions/ Charge	Disposals and amounts written off	At 31 December 2013
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	884,889	119,990	-	1,004,879
Buildings	188,702	17,994	-	206,696
Storage Tanks	102,850	-	-	102,850
Machinery	726,740	62,518	(10,170)	779,088
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	24,689	3,175	(3,219)	24,645
Motor Vehicles	9,498	-	(9,498)	0
Consumer Meters	3,985	-	(926)	3,059
Assets in course of construction (Phase 3)*	34,775	20,136	-	54,911
Assets in course of construction (Phase 4a)	123,652	(123,652)	-	0
Assets in course of construction (Phase 4b)*	0	84,102	-	84,102
	2,168,517	184,263	(23,813)	2,328,967
DEPRECIATION				
Mains and Services	171,187	22,861	-	194,047
Buildings	15,040	4,830	-	19,870
Storage Tanks	1,028	4,114	-	5,143
Machinery	137,342	49,044	(3,072)	183,314
Tools and Equipment	6,629	2,298	(3,219)	5,708
Motor Vehicles	8,232	1,266	(9,498)	0
Consumer Meters	1,175	306	(926)	555
Filter Membranes	14,707	9,289	-	23,996
	355,340	94,008	(16,715)	432,633
NET BOOK VALUE	1,813,177	90,255	(7,098)	1,896,334

*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2013, assets in the course of construction relate to Phase 3 and Phase 4b of the potable water projects.