



**XII
2005**

BILLET D'ÉTAT

WEDNESDAY, 27th JULY, 2005

**ACCOUNTS OF THE STATES
FOR 2004**

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BILLET D'ÉTAT

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Special Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 27th JULY, 2005,** immediately after the meeting already convened for that day, for the purpose of considering the States Accounts for 2004.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House,
Guernsey.
8th July, 2005

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

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

12 May 2005

Dear Sir,

I enclose a copy of the accounts of the States of Guernsey for the year ended 31 December 2004 together with the Auditors' report thereon.

Yours faithfully,

L. S. TROTT

Minister
Treasury and Resources Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF ANNUAL ACCOUNTS

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

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

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

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

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

The States internal financial controls and monitoring procedures include:

- An annual budget and planning process to allocate, control and monitor the use of resources.
- Review and appraisal of the soundness, adequacy and application of internal controls by States Internal Audit.
- The requirement for all audit reports to be tabled at a meeting of the relevant States Departments to ensure that all Department members are aware of their financial affairs.
- Regular review of the performance and security of the States' financial assets.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE TREASURY AND RESOURCES DEPARTMENT

We have audited the accounts on pages 12 to 63, 84 and 87 to 92 which have been prepared under the accounting policies set out on page 6.

Respective duties of the Treasury and Resources Department and the auditors

As described in the statement of responsibilities for the preparation of annual accounts, the Treasury and Resources Department is responsible for the preparation of accounts for each financial year which fairly summarise the transactions made during that year and for selecting suitable accounting policies. Our responsibilities, as independent auditors, are established by the UK Auditing Practices Board and by our profession's ethical guidance.

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

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

Basis of opinion

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

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

Opinion

In our opinion the accounts fairly summarise the transactions of the States of Guernsey made during the year ended 31 December 2004 and have been properly prepared in accordance with the accounting policies set out on page 6.

KPMG Channel Islands Limited

CHARTERED ACCOUNTANTS

Guernsey
12 May 2005

STATES OF GUERNSEY ACCOUNTING POLICIES

1. The accounts of the States of Guernsey comprising those Departments set out on pages 12 to 63, 84 and 87 to 92 are prepared under the historical cost convention with the exception of the Consolidated Superannuation Fund accounts, the Contingency Reserve Fund accounts and other financial investments which have been adjusted by the revaluation of investments.
2. Investments in States Trading Entities in respect of Guernsey Post Ltd. and Guernsey Electricity Ltd. reflect the basis of valuation attributed to the net undertaking transferred from the States Trading Boards to the commercialised entities in accordance with The States Trading Companies (Bailiwick of Guernsey) Law, 2001. The values of other shareholdings are carried at cost.
3. Income and expenditure is dealt with on an accruals basis.
4. Capital expenditure from General Revenue Account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.
5. Stock is valued at the lower of cost and net realisable value.
6. Investments in the Consolidated Superannuation Fund, Contingency Reserve Fund and other financial investments are included at market prices ruling at the year end. For valuation purposes investments expressed in foreign currencies, if held, have been translated into sterling at the rate of exchange ruling at the year end.
7. In the Consolidated Superannuation Fund, realised and unrealised gains and losses on investments are adjusted on the members' capital accounts in proportion to their average balance during the year. Interest and dividends are similarly apportioned.
8. Interest receivable on the General Revenue Account is shown within the Treasury and Resources Department accounts. Other interest is shown in the respective funds and accounts to which it relates.

STATES TREASURER'S REPORT

For the Year Ended 31 December 2004

Introduction

The purpose of this report is to give a brief overview of the major financial highlights of the outturn of General Revenue for 2004. Following the review of the Machinery of Government, this is the first set of year end accounts based on the new States Departmental Structure.

The Operating Surplus for 2004 is substantially lower than previously predicted due to a £14m shortfall in income tax receipts. Combined with the ever increasing revenue and capital expenditure demands this has had a detrimental impact on the General Revenue Account Balance.

General Revenue Account Income and Expenditure

In summary, the outturn for 2004 compared to 2003 was as follows:

	2004	2003
	£m	£m
Income	284.9	288.0
Expenditure	<u>275.7</u>	<u>254.4</u>
Operating Surplus	<u>9.2</u>	<u>33.6</u>

The Operating Surplus for 2004 shows a marked decline compared to that of 2003 and previous years.

The main reasons for the fall in Operating Surplus are:

- Ongoing revenue expenditure increased by 8.4% in cash terms or 3.5% in real terms (2003: 3.0%). This is a continuation of the trend of year on year above inflation increases in expenditure.
- A shortfall of £14m in income tax receipts, against budget. Although the majority of this shortfall was due to non-recurring issues, income levels have levelled out in recent years.

The major increases in expenditure in 2004 compared to 2003 were due to increases in Health Services (£5.1m), Education (£6.7m), Home Department (£2.4m) and Social Insurance and Supplementary Benefits (£1.3m).

These increases in expenditure had been anticipated and departments were able to fund the extra expenditure from existing resources, i.e. all General Revenue departments were within their authorised budget.

During 2004 capital income was £5.2m (2003: £5.0m) of which the majority was in respect of the sale proceeds of Guernsey Telecoms Limited.

During 2004 capital expenditure was £44.3m (2003: £51.1m). Major areas of expenditure during the year included the following:

	£m
• Health & Social Services: Site Development Plan	7.3
• Health & Social Services: Premises, equipment etc.	3.9
• Education: Site Development Plan	12.0
• Home: Prison extension	0.9
• Public Services: Drainage infrastructure	3.9
• Treasury & Resources: Royal Court extension	5.1

STATES TREASURER'S REPORT

For the Year Ended 31 December 2004

General Revenue Account

The overall position of the General Revenue Account at 31 December 2004 was as follows:

	£m	£m
Operating surplus		9.2
Add: capital receipts and release of reserves		5.3
		<u>14.5</u>
Less: Appropriations		
Capital Fund	16.8	
Capital Reserve	7.0	
Contingency Fund	5.0	
		<u>28.8</u>
		(14.3)
Add: Balance Brought forward from 2003		<u>38.7</u>
Balance as at 31 December 2004		<u>24.4</u>

The £14m shortfall in 2004 income tax receipts means that the General Revenue account has been depleted to its lowest level for many years.

Capital Fund

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

	£m	£m
Balance of Fund as at 1.1.04		71.0
Appropriations for the year	16.8	
Transfers from Capital Reserve	17.6	
Expenditure in year	(44.3)	
		<u>(9.9)</u>
Balance of Fund as at 31.12.04		<u>61.1</u>

Capital Reserve

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

	£m	£m
Balance of Fund as at 1.1.04		55.5
Appropriation from Revenue Account	7.0	
Interest received	5.8	
Transfers to Capital Fund	(17.6)	
		<u>(4.8)</u>
Balance of Fund as at 31.12.04		<u>50.7</u>

STATES TREASURER'S REPORT

For the Year Ended 31 December 2004

Following the 2005 Budget debate in December 2004, the States approved a further transfer to the Capital Reserve at the beginning of 2005 of £10.0m.

Contingency Reserve Fund

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

	£m	£m
Balance of Fund as at 1.1.04		176.3
Appropriation from Revenue Account		5.0
Net appreciation of investments and interest received	8.7	
Investment management fees	(0.3)	
Net investment gain		8.4
Balance of Fund as at 31.12.04		<u>189.7</u>

The balance of the Fund as at 31.12.04 represents 69% of the equivalent of one year's revenue expenditure based on the actual expenditure for 2004 (2003: 69%).

Following the 2005 Budget debate in December 2004, the States approved a further transfer to the Fund at the beginning of 2005 of £5.0m.

Appointment of External Auditors

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

It is therefore recommended that the States appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December 2005.

D M Clark B.Sc, FCA
States Treasurer
12 May 2005

INCOME AND EXPENDITURE SUMMARY

	2004 £'000	2003 £'000	2002 £'000	2001 £'000
Income				
Income Tax	235,892	238,968	236,822	226,842
Other Taxes	46,614	43,224	36,649	35,641
Miscellaneous Revenue Income	2,373	5,777	14,849	16,009
	<u>284,879</u>	<u>287,969</u>	<u>288,320</u>	<u>278,492</u>
Revenue Expenditure	<u>(275,656)</u>	<u>(254,390)</u>	<u>(239,728)</u>	<u>(221,228)</u>
Operating Surplus	9,223	33,579	48,592	57,264
Capital Income	5,153	5,023	13,991	1,095
	<u>£14,376</u>	<u>£38,602</u>	<u>£62,583</u>	<u>£58,359</u>
Capital Expenditure				
Major Construction and Development Projects	29,730	23,205	19,099	8,947
Miscellaneous Capital Works	8,174	6,925	3,388	3,886
Transfers to States Housing Funds	-	9,789	3,000	12,590
Equipment, Machinery and Vehicles	2,985	5,869	2,479	2,970
ICT Projects	3,476	5,319	4,854	6,572
	<u>£44,365</u>	<u>£51,107</u>	<u>£32,820</u>	<u>£34,965</u>

GENERAL REVENUE APPROPRIATION ACCOUNT

	2004 £	2003 £	2002 £	2001 £
Operating Surplus	9,223,363	33,579,260	48,592,025	57,263,610
Capital Income	5,152,655	5,023,248	13,990,821	1,095,091
	<u>14,376,018</u>	<u>38,602,508</u>	<u>62,582,846</u>	<u>58,358,701</u>
Appropriated as follows				
Capital Fund - General	(16,000,000)	(17,600,000)	(21,475,000)	(31,600,305)
Capital Fund - Reserve	(7,000,000)	(15,000,000)	(23,000,000)	(19,000,000)
Contingency Reserve Fund	(5,000,000)	(23,800,000)	(5,000,000)	(6,200,000)
	<u>(£13,623,982)</u>	<u>(£17,797,492)</u>	<u>£13,107,846</u>	<u>£1,558,396</u>
Transfer to / (from) General Revenue Account Reserve	<u>(£13,623,982)</u>	<u>(£17,797,492)</u>	<u>£13,107,846</u>	<u>£1,558,396</u>

**GENERAL REVENUE
INCOME AND
EXPENDITURE**

REVENUE INCOME

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Income Tax		235,892,222		250,000,000		252,650,000		238,968,313
Other Taxes								
Customs and Immigration								
Excise duties, etc.								
Beer	1,906,716		1,920,000		1,800,000		1,896,286	
Cider	219,901		210,000		210,000		219,984	
Motor Spirit	1,861,155		2,040,000		2,040,000		1,993,779	
Spirits	1,812,674		1,720,000		1,720,000		1,811,276	
Tobacco	7,380,471		7,500,000		7,160,000		7,101,703	
Wine	2,241,914		2,100,000		2,100,000		2,108,454	
Less duties collected for Sark	(177,063)		(190,000)		(190,000)		(158,568)	
Import duties on foreign goods, etc.	587,673		500,000		460,000		357,299	
	15,833,441		15,800,000		15,300,000		15,330,213	
Document duty, etc	16,536,254		16,650,000		15,000,000		13,565,429	
Dwellings profit tax	-		-		-		18,930	
Exempt company fees	4,673,329		4,980,000		5,000,000		4,896,896	
Motor vehicle tax	5,526,256		5,520,000		5,250,000		5,428,025	
Tax on rateable values	4,044,851		4,050,000		4,000,000		3,974,011	
		46,614,131		47,000,000		44,550,000		43,213,504
Miscellaneous Income								
Interest receivable	12,246,058						11,074,443	
Less net amount due to third parties	(11,857,312)						(10,433,318)	
	388,746						641,125	
General Revenue Account interest receivable	(5,966)						(192,438)	
	382,780		500,000		750,000		448,687	
Fixed penalties and court fines	744,985		850,000		850,000		900,299	
Loan Funds Interest	20,102		20,000		20,000		21,289	
Sale of registration marks	25,501		30,000		50,000		35,373	
States Trading Companies dividends	238,271		280,000		750,000		193,133	
Surplus on Notes and Coins Account	944,608		800,000		760,000		681,912	
Television tender payments	16,699		20,000		20,000		18,967	
		2,372,946		2,500,000		3,200,000		2,299,660
Other Income Per 2003 Accounts		-		-		-		3,487,477
TOTAL REVENUE INCOME		284,879,299		299,500,000		300,400,000		287,968,954

REVENUE EXPENDITURE SUMMARY

	Accounts 2004	Total Authorised 2004	Budget 2004	Accounts 2003
	£	£	£	£
Policy Council	8,063,062	9,263,896	7,863,000	7,192,308
Treasury and Resources Department	19,524,257	20,647,030	18,165,000	16,272,810
Commerce and Employment Department	11,767,088	13,377,242	12,304,000	11,643,929
Culture and Leisure Department	2,850,896	3,226,088	2,768,000	2,962,748
Education Department	58,989,570	60,596,970	59,600,000	52,313,498
Environment Department	7,927,787	8,505,700	7,734,700	7,536,125
Health and Social Services Department	73,622,680	73,875,000	73,100,000	68,528,963
Home Department	22,677,289	24,692,650	24,046,000	20,312,892
Housing Department	2,684,602	2,693,000	2,650,000	2,637,055
Public Services Department	10,470,030	10,825,000	10,134,300	9,166,089
Social Security Department	57,078,675	57,206,000	58,270,000	55,823,277
TOTAL REVENUE EXPENDITURE	275,655,936	284,908,576	276,635,000	254,389,694

POLICY COUNCIL

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Archive Service								
Premises	5,134		5,000		5,000		5,178	
Staff	131,353		130,600		130,000		117,656	
Supplies and services	23,098		32,000		30,000		22,594	
	159,585		167,600		165,000		145,428	
Less operating income	(830)		(2,000)		-		-	
		158,755		165,600		165,000		145,428
External Affairs and Government Business								
Administration								
Staff	407,446		401,000		390,500		362,487	
Supplies and services	322,580		515,000		315,000		125,910	
Consultants fees	328,892		447,106		400,000		292,572	
Provision of hospitality to visitors	31,066		21,000		21,000		13,041	
	1,089,984		1,384,106		1,126,500		794,010	
Less recoveries	-		-		-		(1,000)	
	1,089,984		1,384,106		1,126,500		793,010	
Contributions to Aid Overseas								
Grants	1,349,398		1,350,000		1,350,000		1,199,058	
Emergency Disaster Relief								
Liberia Crisis Appeal	-		-		-		30,000	
Sudan Appeal	75,000		75,000		-		-	
Tsunami Earthquake Appeal	125,000		125,000		-		-	
	1,549,398		1,550,000		1,350,000		1,229,058	
Elections								
Staff	191		15,000		15,000		61,176	
Supplies and services	68,080		95,000		85,000		46,996	
Consultants fees	3,034		-		-		2,606	
	71,305		110,000		100,000		110,778	
Less recoveries	(12,613)		-		-		-	
	58,692		110,000		100,000		110,778	
Government Business								
Premises	150,253		140,500		150,000		141,830	
Staff	546,585		571,500		569,500		545,775	
Supplies and services	594,218		604,300		504,800		284,059	
Consultants fees	59,619		20,000		-		-	
	1,350,675		1,336,300		1,224,300		971,664	
Less recoveries	(3,700)		(4,800)		(4,800)		(3,852)	
	1,346,975		1,331,500		1,219,500		967,812	
Guernsey Financial Services Commission	300,000		300,000		300,000		300,000	
Guernsey Tax Tribunal Allowances	6,655		8,000		8,000		4,853	
States Tenancies Independent Review Tribunal Allowances	-	4,351,704	1,000	4,684,606	1,000	4,105,000	-	3,405,511

POLICY COUNCIL

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Human Resources								
Staff	829,986		801,700		793,000		796,612	
Supplies and services	481,816		625,000		593,000		491,085	
Consultants fees	32,367		32,000		17,000		96,083	
	<u>1,344,169</u>		<u>1,458,700</u>		<u>1,403,000</u>		<u>1,383,780</u>	
Less recoveries	(3,746)		(14,000)		(14,000)		(7,473)	
		<u>1,340,423</u>		<u>1,444,700</u>		<u>1,389,000</u>		<u>1,376,307</u>
Legal Aid Scheme								
Administration	109,107		150,000		130,000		104,004	
Civil Legal Aid	634,488		760,000		750,000		761,796	
Criminal Legal Aid	804,052		860,000		740,000		650,893	
	<u>1,547,647</u>		<u>1,770,000</u>		<u>1,620,000</u>		<u>1,516,693</u>	
Less recoveries	(22,162)		(70,000)		(70,000)		(37,440)	
		<u>1,525,485</u>		<u>1,700,000</u>		<u>1,550,000</u>		<u>1,479,253</u>
Policy and Research Unit								
Administration								
Staff	460,022		522,200		520,000		534,997	
Supplies and services	46,195		75,000		75,000		46,877	
Consultants fees	3,595		15,000		15,000		33,711	
	<u>509,812</u>		<u>612,200</u>		<u>610,000</u>		<u>615,585</u>	
Strategic and Corporate Initiatives								
Supplies and services	76,008		137,173		50,000		-	
Consultants fees and contracted-out work	34,599		351,475		222,000		170,224	
Grants	24,142		93,142		57,000		-	
	<u>134,749</u>		<u>581,790</u>		<u>329,000</u>		<u>170,224</u>	
		<u>644,561</u>		<u>1,193,990</u>		<u>939,000</u>		<u>785,809</u>
		<u>8,020,928</u>		<u>9,188,896</u>		<u>8,148,000</u>		<u>7,192,308</u>
Use of Accumulated Unspent Balances		-		-		(285,000)		-
		<u>8,020,928</u>		<u>9,188,896</u>		<u>7,863,000</u>		<u>7,192,308</u>
Scrutiny Committee								
Staff	33,969		40,000		-		-	
Supplies and services	7,505		10,000		-		-	
Consultants fees	660		25,000		-		-	
	<u>42,134</u>		<u>75,000</u>		<u>-</u>		<u>-</u>	
TOTAL REVENUE EXPENDITURE		<u>8,063,062</u>		<u>9,263,896</u>		<u>7,863,000</u>		<u>7,192,308</u>

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Income Tax								
Premises	67,611		70,000		70,000		60,279	
Staff	2,996,788		2,988,440		3,000,000		2,874,801	
Supplies and services	1,293,152		1,205,590		1,030,000		1,072,387	
Consultants fees	14,241		15,000		15,000		6,513	
		4,371,792		4,279,030		4,115,000		4,013,980
Information and Communications Technology								
Staff	529,123		537,000		535,000		477,499	
Supplies and services	338,165		480,000		480,000		364,416	
Consultants fees	44,794		20,000		20,000		3,948	
Contracted-out work	113,645		115,000		115,000		124,099	
		1,025,727		1,152,000		1,150,000		969,962
Insurance and Risk Management								
Premises	24,233		60,000		60,000		-	
Staff	40,244		45,000		45,000		41,667	
Supplies and services	54,257		50,000		50,000		14,982	
Consultants fees	46,926		55,000		55,000		61,186	
Contracted-out work	53,226		101,000		95,000		20,824	
Insurance premiums and transfers to Insurance Deductible Fund	3,091,486		3,340,000		3,340,000		2,158,515	
	3,310,372		3,651,000		3,645,000		2,297,174	
Less recoveries	(1,221,471)		(1,540,000)		(1,540,000)		(1,051,863)	
		2,088,901		2,111,000		2,105,000		1,245,311
Strategic Property Services								
Premises	855,452		723,000		690,000		689,353	
Staff	568,454		562,000		562,000		337,850	
Supplies and services	53,059		81,000		81,000		31,555	
Consultants fees	246,301		70,000		60,000		33,103	
Contracted-out work	517,344		484,000		474,000		538,469	
Rent	421,748		450,000		450,000		437,583	
	2,662,358		2,370,000		2,317,000		2,067,913	
Less operating income	(1,407,706)		(1,204,000)		(1,204,000)		(1,374,244)	
		1,254,652		1,166,000		1,113,000		693,669
Treasury								
Administration								
Staff	1,488,265		1,725,000		1,725,000		1,583,621	
Supplies and services	1,095,111		1,340,000		1,140,000		981,885	
Consultants fees	85,455		80,000		80,000		121,778	
Contracted-out work	32,493		45,000		45,000		17,451	
	2,701,324		3,190,000		2,990,000		2,704,735	
Less recoveries	(93,740)		(85,000)		(85,000)		(84,492)	
	2,607,584		3,105,000		2,905,000		2,620,243	
Audit								
Staff	243,533		250,000		250,000		213,364	
Supplies and services	20,208		25,000		25,000		19,769	
Contracted-out work	18,172		159,000		165,000		63,339	
External Audit fee	49,384		52,000		52,000		47,307	
	331,297		486,000		492,000		343,779	

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Treasury (continued)								
Cadastre								
Premises	13,279		12,000		12,000		4,447	
Staff	228,043		235,000		235,000		207,667	
Supplies and services	25,401		29,000		29,000		18,708	
	266,723		276,000		276,000		230,822	
<i>Less recoveries</i>	(13,351)		(10,000)		(10,000)		(22,908)	
	253,372		266,000		266,000		207,914	
		3,192,253		3,857,000		3,663,000		3,171,936
Commonwealth Parliamentary Association								
Annual contribution to General Council	23,728		24,000		24,000		23,070	
Supplies and services	23,062		31,000		31,000		20,813	
	46,790		55,000		55,000		43,883	
<i>Less operating income</i>	(3,519)		(5,000)		(5,000)		(2,101)	
		43,271		50,000		50,000		41,782
Courts								
Bailiff								
Staff	810,205		748,500		722,000		729,814	
Supplies and services	47,938		76,000		76,000		86,428	
Consultants fees	-		2,000		2,000		-	
Grant - Royal Court Fund	694		10,000		10,000		794	
	858,837		836,500		810,000		817,036	
Court of Appeal	104,156		80,000		80,000		117,917	
Court Buildings								
Premises	84,695		100,000		100,000		80,067	
Staff	42,596		42,500		42,500		33,025	
Supplies and services	5,466		7,500		7,500		10,433	
	132,757		150,000		150,000		123,525	
Grefte								
Premises	1,938		2,000		2,000		1,710	
Staff	889,205		894,000		870,000		796,707	
Supplies and services	151,540		185,000		185,000		156,516	
Consultants fees	-		3,000		3,000		-	
	1,042,683		1,084,000		1,060,000		954,933	
<i>Less operating income</i>	(553,371)		(620,000)		(620,000)		(596,420)	
	489,312		464,000		440,000		358,513	
H.E. Lieutenant Governor								
Establishment allowance and salary	563,856		586,500		580,000		537,351	

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Courts (continued)								
Interception of Communications	404		10,000		10,000		180	
Law Officers								
Premises	16,360		20,000		20,000		13,351	
Staff	1,765,758		1,877,000		1,850,000		1,578,423	
Supplies and services	231,282		232,000		225,000		266,936	
Consultants fees	71,842		126,250		120,000		(3,474)	
	2,085,242		2,255,250		2,215,000		1,855,236	
<i>Less operating income</i>	(71,212)		(25,000)		(25,000)		(61,442)	
	2,014,030		2,230,250		2,190,000		1,793,794	
Magistrates Court								
Staff	181,620		211,000		211,000		127,993	
Supplies and services	6,234		7,000		7,000		10,663	
	187,854		218,000		218,000		138,656	
<i>Less operating income</i>	(17,569)		(18,000)		(18,000)		(17,000)	
	170,285		200,000		200,000		121,656	
Sergeant and Sheriff								
Premises	2,013		5,000		5,000		2,632	
Staff	307,432		307,000		307,000		288,294	
Supplies and services	24,994		38,000		38,000		28,404	
	334,439		350,000		350,000		319,330	
<i>Less operating income</i>	(130,703)		(120,000)		(120,000)		(132,375)	
	203,736		230,000		230,000		186,955	
	4,537,373		4,787,250		4,690,000		4,056,927	
Payments to States Members								
Allowances	1,298,880		1,300,000		1,010,000		919,588	
Pensions and pension contributions	181,676		200,000		160,000		149,531	
	1,480,556		1,500,000		1,170,000		1,069,119	
	17,994,525		18,902,280		18,056,000		15,262,686	
Use of Accumulated Unspent Balances	-		-		(1,466,000)		-	
	17,994,525		18,902,280		16,590,000		15,262,686	
Public Accounts Committee								
Staff	53,024		-		-		-	
Supplies and services	7,011		-		-		-	
Contracted-out work	151,914		240,000		240,000		-	
	211,949		240,000		240,000		-	
Alderney - Domestic Account Net Revenue cash allocation								
Formula led headings	14,868		25,000		25,000		(385,304)	
Non-formula led headings	1,302,915		1,479,750		1,361,750		1,395,428	
	1,317,783		1,504,750		1,386,750		1,010,124	
Use of Accumulated Unspent Balances	-		-		(51,750)		-	
	1,317,783		1,504,750		1,335,000		1,010,124	
TOTAL REVENUE EXPENDITURE	19,524,257		20,647,030		18,165,000		16,272,810	

COMMERCE AND EMPLOYMENT DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration and Central Services								
Premises	252,011		207,000		103,000		113,846	
Staff	731,664		726,800		889,000		840,257	
Supplies and services	479,870		479,000		334,000		311,458	
Consultants fees	13,260		17,000		17,000		140,424	
	1,476,805		1,429,800		1,343,000		1,405,985	
<i>Less operating income</i>	(22,320)		(2,000)		(2,000)		-	
		1,454,485		1,427,800		1,341,000		1,405,985
Economic Development								
Economic Development Unit								
Staff	287,686		293,100		20,000		125,514	
Supplies and services	20,288		32,000		9,000		16,681	
Consultants fees	36,541		63,000		46,000		14,858	
Office of Public Trustee	9,375		25,000		-		-	
	353,890		413,100		75,000		157,053	
<i>Less operating income</i>	(8,573)		(2,000)		-		(15,570)	
	345,317		411,100		75,000		141,483	
Strategic Projects								
Supplies and services	1,396		5,000		5,000		3,685	
Consultants fees	91,555		544,138		450,000		44,265	
	92,951		549,138		455,000		47,950	
Transport Links Financial Concessions	717,211		800,000		800,000		767,020	
		1,155,479		1,760,238		1,330,000		956,453
Industry and Commerce								
Industry and Commerce Unit								
Premises	2,174		3,000		15,000		141	
Staff	587,375		603,800		604,000		541,020	
Supplies and services	91,728		144,000		177,000		112,676	
Contracted-out work	-		10,000		10,000		1,117	
	681,277		760,800		806,000		654,954	
<i>Less operating income</i>	(11,558)		(20,000)		(20,000)		(11,154)	
	669,719		740,800		786,000		643,800	
Promotion and Development								
Staff	129,029		151,100		240,000		282,941	
Supplies and services	133,610		389,000		464,000		432,080	
Consultants fees	118,987		128,000		135,000		104,306	
Exhibition Support Scheme	66,272		120,000		120,000		71,785	
Grant to Guernsey Enterprise Agency	25,000		25,000		25,000		25,000	
Grant to Guernsey Promotional Agency	220,000		220,000		200,000		169,425	
Grant to Guernsey Training Agency Trust	380,542		365,000		365,000		364,150	
	1,073,440		1,398,100		1,549,000		1,449,687	
<i>Less operating income</i>	(406)		(2,000)		(4,000)		(2,150)	
	1,073,034		1,396,100		1,545,000		1,447,537	

COMMERCE AND EMPLOYMENT DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Industry and Commerce (continued)								
Regulation of Utilities								
Consultants fees	70,000		70,000		-		-	
Utilities Appeals Tribunal	10,945		5,000		5,000		79,758	
	80,945		75,000		5,000		79,758	
<i>Less operating income</i>	(50,616)		-		-		-	
	30,329		75,000		5,000		79,758	
		1,773,082		2,211,900		2,336,000		2,171,095
Primary Industries								
Primary Industries Unit								
Premises	42,864		40,000		31,000		39,308	
Staff	633,264		610,800		658,000		614,977	
Supplies and services	380,512		395,000		370,000		348,918	
Consultants fees	43,653		107,294		76,000		82,306	
Contracted-out work	61,875		67,000		67,000		63,812	
	1,162,168		1,220,094		1,202,000		1,149,321	
<i>Less operating income</i>	(93,347)		(91,000)		(91,000)		(105,309)	
	1,068,821		1,129,094		1,111,000		1,044,012	
Promotion and Development								
Grants	94,229		125,000		170,000		134,878	
Bovine Spongiform Encephalopathy compensation payments	-		3,000		6,000		600	
Cull Cattle compensation payments	55,500		57,000		69,000		52,950	
Dairy Farm Management Payment Scheme	1,918,442		2,025,000		2,025,000		1,918,408	
Farm Waste Systems Grant Scheme	135,810		135,810		-		214,342	
Glasshouse Clearance Pilot Scheme	-		30,000		30,000		-	
Interest Subsidy Scheme	96,736		200,000		250,000		130,385	
Organic Milk Support Scheme	-		50,000		50,000		11,719	
	2,300,717		2,625,810		2,600,000		2,463,282	
		3,369,538		3,754,904		3,711,000		3,507,294
Visitor Economy								
Visitor Economy Unit								
Premises	14,222		12,000		12,000		12,587	
Staff	890,526		970,400		931,000		805,717	
Supplies and services	70,575		70,000		58,000		41,574	
Contracted-out work	36,203		37,000		37,000		34,300	
	1,011,526		1,089,400		1,038,000		894,178	
<i>Less operating income</i>	(75,752)		(81,000)		(81,000)		(83,095)	
	935,774		1,008,400		957,000		811,083	
Marketing and Product Development Activities								
Supplies and services	3,461,707		3,502,300		3,308,000		3,080,756	
<i>Less operating income</i>	(382,977)		(288,300)		(269,000)		(288,737)	
	3,078,730		3,214,000		3,039,000		2,792,019	
		4,014,504		4,222,400		3,996,000		3,603,102
Use of Accumulated Unspent Balances		11,767,088		13,377,242		12,714,000 (410,000)		11,643,929
TOTAL REVENUE EXPENDITURE		11,767,088		13,377,242		12,304,000		11,643,929

CULTURE AND LEISURE DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration and Policy Implementation								
Staff	271,193		239,100		238,000		214,294	
Supplies and services	19,338		43,000		43,000		18,651	
		290,531		282,100		281,000		232,945
Beau Sejour Centre								
Premises	521,224		757,000		547,000		374,284	
Staff	2,165,630		2,027,200		2,020,000		2,025,429	
Operating expenditure	1,017,832		783,000		833,000		973,279	
	3,704,686		3,567,200		3,400,000		3,372,992	
Less operating income	(2,734,978)		(2,425,000)		(2,425,000)		(2,106,795)	
	969,708		1,142,200		975,000		1,266,197	
Less funding from Channel Islands Lottery	(190,000)		(190,000)		(100,000)		(50,000)	
		779,708		952,200		875,000		1,216,197
Cultural Activities Inside the Island								
Supplies and services	3,071		1,000		1,000		1,147	
Grants - General	64,026		56,500		56,500		54,794	
Grant to Friends of St James	57,500		57,500		57,500		57,500	
Victor Hugo Promotion	40,000		40,000		40,000		-	
1204 Celebrations	41,124		48,866		-		1,134	
		205,721		203,866		155,000		114,575
Historic Sites								
Premises	24,673		31,000		31,000		19,692	
Staff	56,871		122,300		122,000		100,485	
Supplies and services	8,198		30,000		30,000		22,121	
Consultants fees	20,647		7,000		7,000		14,609	
Upkeep, repair and restoration	111,956		351,312		151,000		116,119	
	222,345		541,612		341,000		273,026	
Less operating income	(491)		(1,000)		(1,000)		(406)	
		221,854		540,612		340,000		272,620
Liberation Day								
Co-ordination and staging of celebrations	126,516		123,000		99,000		115,317	
Less recoveries	(40,650)		(35,000)		(35,000)		(42,795)	
		85,866		88,000		64,000		72,522
Museums and Galleries								
Premises	63,296		51,000		51,000		49,528	
Staff	782,706		735,100		728,000		705,828	
Supplies and services	237,447		271,686		230,000		203,190	
Consultants fees	2,975		33,000		33,000		8,177	
Contracted-out work	2,110		2,000		2,000		2,015	
	1,088,534		1,092,786		1,044,000		968,738	
Less admission charges	(167,832)		(188,000)		(188,000)		(163,205)	
Less operating income	10,897		(56,000)		(56,000)		(74,083)	
		931,599		848,786		800,000		731,450
Outdoor Sports Facilities								
Premises	157,389		109,000		109,000		192,397	
Staff	160,703		146,000		146,000		141,080	
	318,092		255,000		255,000		333,477	
Less operating income	(160,471)		(163,000)		(163,000)		(168,746)	
		157,621		92,000		92,000		164,731

CULTURE AND LEISURE DEPARTMENT

	Accounts 2004		Total Authorised 2004	Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£
Sports Commission funding		177,996	218,524		170,000		157,708
Use of Accumulated Unspent Balances		2,850,896	3,226,088		2,777,000		2,962,748
		-	-		(9,000)		-
TOTAL REVENUE EXPENDITURE		2,850,896	3,226,088		2,768,000		2,962,748

EDUCATION DEPARTMENT

	Accounts 2004		Total Authorised 2004	Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£
Administration and Central Services							
Premises	731,540		589,800	515,000		600,871	
Staff	5,829,483		5,578,000	5,629,000		5,273,067	
Supplies and services	7,157,061		8,844,760	8,745,000		3,267,468	
Consultants Fees	110,565		108,000	98,000		122,078	
Contracted-out work	128,554		5,952	-		-	
Grants	393,019		435,000	329,000		324,089	
Apprenticeship Scheme - grants to employers	459,333		716,000	716,000		763,575	
	14,809,555		16,277,512	16,032,000		10,351,148	
Less recoveries	(298,695)		(209,000)	(209,000)		(263,280)	
		14,510,860	16,068,512	15,823,000		10,087,868	
College of Further Education							
Premises	162,317		150,000	150,000		131,294	
Staff	4,571,960		4,801,500	4,778,000		4,426,175	
Supplies and services	585,104		712,000	712,000		659,258	
	5,319,381		5,663,500	5,640,000		5,216,727	
Less operating income	(594,870)		(650,000)	(650,000)		(634,524)	
		4,724,511	5,013,500	4,990,000		4,582,203	
Grants to Colleges							
Blanchelande College	447,037		446,500	424,000		418,334	
Elizabeth College	1,752,256		1,752,600	1,678,000		1,674,880	
Ladies College	1,431,243		1,427,600	1,395,000		1,311,838	
		3,630,536	3,626,700	3,497,000		3,405,052	
Schools							
Primary Sector							
Premises	651,604		595,000	693,000		885,775	
Staff	9,871,269		10,016,600	9,965,000		9,432,455	
Supplies and services	386,086		400,000	400,000		369,148	
	10,908,959		11,011,600	11,058,000		10,687,378	
Less recoveries	(27,203)		(10,000)	(10,000)		(38,152)	
	10,881,756		11,001,600	11,048,000		10,649,226	

EDUCATION DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Schools (continued)								
Secondary Sector								
Premises	725,451		713,000		855,000		681,506	
Staff	12,392,545		12,040,500		12,018,000		11,461,517	
Supplies and services	975,619		1,047,758		941,000		975,898	
	14,093,615		13,801,258		13,814,000		13,118,921	
<i>Less recoveries</i>	(17,121)		(28,000)		(28,000)		(22,761)	
	14,076,494		13,773,258		13,786,000		13,096,160	
Special Education								
Premises	99,195		115,000		115,000		110,393	
Staff	2,287,602		2,234,600		2,212,000		2,062,373	
Supplies and services	65,722		59,000		59,000		84,391	
	2,452,519		2,408,600		2,386,000		2,257,157	
<i>Less recoveries</i>	(607)		(1,000)		(1,000)		(1,338)	
	2,451,912		2,407,600		2,385,000		2,255,819	
Voluntary Sector								
Premises	48,795		43,000		43,000		43,296	
Staff	1,103,839		1,105,800		1,102,000		1,059,160	
Supplies and services	51,941		41,000		41,000		40,852	
	1,204,575		1,189,800		1,186,000		1,143,308	
	28,614,737		28,372,258		28,405,000		27,144,513	
	51,480,644		53,080,970		52,715,000		45,219,636	
Grants to Libraries								
Guille Alles Library	1,016,000		1,016,000		870,000		889,600	
Priaulx Library	240,000		240,000		240,000		191,000	
Schools Library Service	360,000		360,000		325,000		311,900	
	1,616,000		1,616,000		1,435,000		1,392,500	
Higher and Advanced Education	5,892,926		5,900,000		5,900,000		5,701,362	
Use of Accumulated Unspent Balances	-		-		(450,000)		-	
	5,892,926		5,900,000		5,450,000		5,701,362	
TOTAL REVENUE EXPENDITURE	58,989,570		60,596,970		59,600,000		52,313,498	

ENVIRONMENT DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration and Central Services								
Staff	92,066		105,800		62,500		-	
Supplies and services	28,478		31,000		11,000		-	
		120,544		136,800		73,500		-
Environment Policy and Management								
Beaches								
Staff	18,768		16,000		16,000		21,848	
Supplies and services	29,094		30,000		30,000		23,818	
Contracted-out work	90,347		104,000		104,000		93,409	
Upkeep and repair	67,482		67,000		67,000		56,490	
	205,691		217,000		217,000		195,565	
<i>Less operating income</i>	-		-		-		(290)	
	205,691		217,000		217,000		195,275	
Cliff Paths								
Contracted-out work	132,241		131,000		131,000		109,607	
Coastal Management								
Contracted-out work	75,696		80,000		80,000		76,239	
Upkeep and repairs	73,347		90,000		90,000		74,981	
	149,043		170,000		170,000		151,220	
Energy Efficiency								
Consultants fees	19,317		26,000		20,000		16,323	
<i>Less operating income</i>	-		(5,000)		(5,000)		(1,000)	
	19,317		21,000		15,000		15,323	
Environment Services								
Premises	952		1,000		1,000		3,045	
Staff	215,993		214,400		254,500		112,542	
Supplies and services	49,189		73,000		94,000		39,215	
Consultants fees	-		1,000		1,000		-	
Contracted-out work	104,215		102,000		81,000		78,051	
L'Anresse Commons Council Grant	30,000		30,000		30,000		30,000	
Environmental enhancement	40,532		51,000		51,000		48,454	
Tree planting scheme	91,907		100,000		100,000		143,625	
	532,788		572,400		612,500		454,932	
<i>Less operating income</i>	(901)		(6,000)		(6,000)		(235)	
	531,887		566,400		606,500		454,697	
Herm								
Upkeep and repairs	6,718		15,000		15,000		12,482	
Lihou Island								
Premises, upkeep and repairs	1,108		1,000		1,000		1,890	
Supplies and services	140		2,000		2,000		235	
	1,248		3,000		3,000		2,125	
<i>Less operating income</i>	-		(1,000)		(1,000)		(1,000)	
	1,248		2,000		2,000		1,125	

ENVIRONMENT DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Environment Policy and Management (continued)								
Parks, Gardens and Plantations								
Premises	31,870		40,000		40,000		28,543	
Contracted-out work	601,864		596,000		596,000		580,817	
	633,734		636,000		636,000		609,360	
		1,679,879		1,758,400		1,792,500		1,549,089
Land Use Planning and Development Regulation								
Staff	1,787,734		1,824,000		1,790,000		1,690,551	
Supplies and services	197,054		323,000		323,000		256,970	
Consultants fees	79,874		150,000		100,000		21,833	
	2,064,662		2,297,000		2,213,000		1,969,354	
Less operating income	(1,633)		(3,000)		(3,000)		(6,458)	
		2,063,029		2,294,000		2,210,000		1,962,896
Traffic Policy and Traffic Management								
Premises	14,062		21,000		21,000		13,385	
Staff	851,739		915,800		912,000		770,877	
Supplies and services	314,562		448,000		448,000		306,689	
Consultants fees	51,778		31,000		31,000		54,240	
Contracted-out work	441,600		400,000		400,000		461,368	
	1,673,741		1,815,800		1,812,000		1,606,559	
Less operating income	(444,699)		(453,000)		(453,000)		(417,818)	
	1,229,042		1,362,800		1,359,000		1,188,741	
Scheduled Bus Service Support								
Contract payments, etc.	2,022,144		2,040,000		2,040,000		1,853,620	
Leasing charges	(348,432)		(350,000)		(350,000)		(278,069)	
	1,673,712		1,690,000		1,690,000		1,575,551	
School Bus Service Support	225,530		251,000		251,000		199,158	
		3,128,284		3,303,800		3,300,000		2,963,450
Waste Services								
Bulk Refuse								
Staff	-		-		-		11,500	
Supplies and services	210,916		256,000		262,000		220,786	
	210,916		256,000		262,000		232,286	
Less operating income	(20)		(1,000)		(1,000)		-	
	210,896		255,000		261,000		232,286	
Paper Savers Scheme								
Collection Points	22,493		26,000		26,000		20,027	
Baling and export	116,457		106,000		106,000		111,904	
	138,950		132,000		132,000		131,931	

ENVIRONMENT DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Waste Services (continued)								
Recycling of Waste								
Premises	35,829		35,000		35,000		36,568	
Staff	104,781		109,000		109,000		112,236	
Supplies and services	210,120		156,000		121,000		198,020	
Contracted-out work	-		50,000		-		-	
	350,730		350,000		265,000		346,824	
<i>Less operating income</i>	(66,730)		(50,000)		(50,000)		(63,136)	
	284,000		300,000		215,000		283,688	
Waste Segregation Site								
Premises	3,271		30,000		30,000		44,494	
Supplies and services	30,066		5,000		5,000		22,850	
Contracted-out work	365,383		420,000		420,000		345,441	
	398,720		455,000		455,000		412,785	
<i>Less operating income</i>	(96,515)		(129,300)		(129,300)		-	
	302,205		325,700		325,700		412,785	
		936,051		1,012,700		933,700		1,060,690
Use of Accumulated Unspent Balances		7,927,787		8,505,700		8,309,700 (575,000)		7,536,125
		-		-				-
TOTAL REVENUE EXPENDITURE		7,927,787		8,505,700		7,734,700		7,536,125

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration and Corporate Services								
Premises	2,429,651		2,761,500		2,761,500		1,952,869	
Staff	9,127,587		9,220,600		9,130,200		7,995,645	
Supplies and services	5,345,090		5,160,600		5,407,600		4,801,188	
Consultants fees	38,156		78,000		78,000		64,507	
Contracted-out work	355,129		197,800		197,800		365,487	
Grants	57,694		58,300		58,300		55,726	
	17,353,307		17,476,800		17,633,400		15,235,422	
<i>Less recoveries</i>	(882,174)		(1,244,700)		(1,244,700)		(812,936)	
	16,471,133		16,232,100		16,388,700		14,422,486	
<i>Less operating income</i>	(591,075)		(574,000)		(574,000)		(523,293)	
		15,880,058		15,658,100		15,814,700		13,899,193

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Adult Acute Services								
Staff	15,878,102		14,859,700		14,722,100		15,649,954	
Supplies and services	6,065,259		6,039,100		6,064,600		6,109,731	
Consultants fees	40,338		47,500		47,500		2,410	
Contracted-out work	629,696		757,000		769,000		153,381	
	22,613,395		21,703,300		21,603,200		21,915,476	
Less recoveries	(25,658)		(10,500)		(10,500)		(41,012)	
	22,587,737		21,692,800		21,592,700		21,874,464	
Less operating income	(2,676,715)		(2,553,000)		(2,553,000)		(1,795,365)	
		19,911,022		19,139,800		19,039,700		20,079,099
Children and Young People Services								
Premises	65,094		66,800		66,800		135,130	
Staff	7,463,690		7,154,300		7,115,200		5,976,974	
Supplies and services	1,567,049		1,638,700		1,574,700		1,334,117	
Consultants fees	84,018		140,500		140,500		144,414	
Contracted-out work	203,447		184,600		146,600		187,105	
	9,383,298		9,184,900		9,043,800		7,777,740	
Less recoveries	(7,129)		(10,000)		(10,000)		(5,385)	
	9,376,169		9,174,900		9,033,800		7,772,355	
Less operating income	(3,681)		-		-		(3,837)	
		9,372,488		9,174,900		9,033,800		7,768,518
Continuing and Community Care Services								
Premises	146,367		168,460		259,100		295,853	
Staff	15,495,146		16,733,540		16,734,100		15,011,540	
Supplies and services	1,954,498		1,920,300		2,012,200		1,701,287	
Consultants fees	1,020		2,000		2,000		743	
Contracted-out work	118,459		91,400		91,400		51,820	
Grants	95,990		92,700		92,700		89,148	
	17,811,480		19,008,400		19,191,500		17,150,391	
Less recoveries	(140,914)		(25,700)		(25,700)		(66,826)	
	17,670,566		18,982,700		19,165,800		17,083,565	
Less operating income	(602,925)		(460,800)		(460,800)		(246,117)	
		17,067,641		18,521,900		18,705,000		16,837,448
Out of Island Placements		3,234,800		3,155,000		3,155,000		3,440,216
Public Health and Strategy								
Staff	1,689,116		1,642,700		1,569,200		1,518,390	
Supplies and services	579,301		639,200		619,200		666,035	
Consultants fees	16,184		55,000		55,000		4,736	
Contracted-out work	9,543		17,600		17,600		17,380	
Grants	304,556		215,000		203,000		195,591	
	2,598,700		2,569,500		2,464,000		2,402,132	
Less recoveries	(10,339)		(15,200)		(15,200)		(35,141)	
	2,588,361		2,554,300		2,448,800		2,366,991	
Less operating income	(298,928)		(220,400)		(220,400)		(279,839)	
		2,289,433		2,333,900		2,228,400		2,087,152
Reciprocal Health Agreements		4,237,238		3,534,400		3,564,400		2,908,037
Service Development		-		727,000		-		-
		71,992,680		72,245,000		71,541,000		67,019,663
Use of Accumulated Unspent Balances		-		-		(71,000)		-
		71,992,680		72,245,000		71,470,000		67,019,663
St John Ambulance and Rescue Service Grant		1,630,000		1,630,000		1,630,000		1,509,300
TOTAL REVENUE EXPENDITURE		73,622,680		73,875,000		73,100,000		68,528,963

HOME DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration								
Staff	448,260		425,500		108,000		78,896	
Supplies and services	88,453		110,625		-		-	
		536,713		536,125		108,000		78,896
Broadcasting								
Supplies and services	487		2,000		2,000		733	
Contribution to local television subtitling	44,848		45,000		45,000		44,824	
		45,335		47,000		47,000		45,557
Customs and Immigration								
Premises	248,221		238,000		238,000		256,271	
Staff	3,108,185		3,200,700		3,310,000		3,112,085	
Supplies and services	629,060		687,125		678,900		704,621	
	3,985,466		4,125,825		4,226,900		4,072,977	
Less recoveries	(19,904)		(28,000)		(28,000)		(23,211)	
	3,965,562		4,097,825		4,198,900		4,049,766	
Less operating income	(8,387)		(12,000)		(12,000)		-	
	3,957,175		4,085,825		4,186,900		4,049,766	
Passport Fees	(260,153)		(260,000)		(260,000)		(216,201)	
Payments to HM Government	260,153		260,000		260,000		216,201	
		3,957,175		4,085,825		4,186,900		4,049,766
Customs and Immigration - Drug Strategy								
Premises	5,520		5,000		5,000		-	
Staff	99,613		100,000		99,000		43,624	
Supplies and services	114,046		193,000		193,000		75,879	
Consultants fees	1,127		5,000		5,000		23,217	
Grants	219,016		218,000		218,000		65,417	
		439,322		521,000		520,000		208,137
Data Protection								
Premises	20,580		22,000		22,000		20,891	
Staff	129,783		132,200		132,000		114,988	
Supplies and services	26,553		37,000		37,000		57,244	
	176,916		191,200		191,000		193,123	
Less operating income	(37,622)		(31,000)		(31,000)		(23,925)	
		139,294		160,200		160,000		169,198
Emergency Planning								
Premises	8,947		17,000		32,000		9,513	
Staff	55,388		42,000		42,000		43,199	
Supplies and services	38,519		55,000		40,000		33,529	
	102,854		114,000		114,000		86,241	
Less recoveries	(871)		(1,000)		(1,000)		(841)	
		101,983		113,000		113,000		85,400
Financial Intelligence Service								
Supplies and services		95,037		232,200		232,200		-
Fire Brigade								
Premises	65,618		77,000		77,000		66,375	
Staff	2,605,995		2,599,775		2,470,000		2,392,810	
Supplies and services	361,777		427,600		375,000		334,646	
	3,033,390		3,104,375		2,922,000		2,793,831	
Less operating income	(10,701)		(2,000)		(2,000)		(1,571)	
		3,022,689		3,102,375		2,920,000		2,792,260

HOME DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Gambling Control								
Staff	986		3,000		3,000		2,780	
Supplies and services	429		1,000		1,000		204	
	1,415		4,000		4,000		2,984	
<i>Less operating income</i>	(43,790)		(30,000)		(30,000)		-	
		(42,375)		(26,000)		(26,000)		2,984
Parole Review								
Supplies and services	5,284		7,000		7,000		2,151	
Allowances to members	11,045		7,000		7,000		7,052	
		16,329		14,000		14,000		9,203
Police Force								
Premises	125,434		158,000		178,000		123,572	
Staff	8,100,821		8,516,175		8,575,000		7,563,061	
Supplies and services	2,064,015		2,670,900		2,330,900		1,667,314	
Grants	38,000		38,000		38,000		38,000	
	10,328,270		11,383,075		11,121,900		9,391,947	
<i>Less recoveries</i>	(36,755)		(44,000)		(44,000)		(54,420)	
	10,291,515		11,339,075		11,077,900		9,337,527	
<i>Less operating income</i>	(31,029)		(7,000)		(7,000)		(24,468)	
		10,260,486		11,332,075		11,070,900		9,313,059
States Prison								
Premises	312,207		379,000		379,000		199,306	
Staff	2,441,071		2,491,150		2,518,000		2,126,179	
Supplies and services	768,992		953,000		953,000		568,140	
Maintenance of prisoners in the United Kingdom	167,096		300,000		400,000		316,334	
	3,689,366		4,123,150		4,250,000		3,209,959	
<i>Less recoveries</i>	(21,851)		-		-		(14,352)	
		3,667,515		4,123,150		4,250,000		3,195,607
States Probation								
Premises	8,503		10,000		10,000		8,651	
Staff	378,132		380,700		379,000		310,938	
Supplies and services	51,151		61,000		61,000		43,236	
		437,786		451,700		450,000		362,825
		22,677,289		24,692,650		24,046,000		20,312,892
TOTAL REVENUE EXPENDITURE		22,677,289		24,692,650		24,046,000		20,312,892

HOUSING DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration								
Staff	446,997		468,900		467,000		770,281	
Supplies and services	70,389		90,000		90,000		197,858	
Consultants fees	12,569		20,000		20,000		4,454	
		529,955		578,900		577,000		972,593
Document Duty Grant Scheme		-		-		-		138,169
Residential Homes								
Premises	166,240		152,000		152,000		106,601	
Staff	1,384,282		1,314,100		1,273,000		1,199,096	
Supplies and services	156,582		172,000		172,000		150,505	
	1,707,104		1,638,100		1,597,000		1,456,202	
<i>Less recoveries</i>	(5,146)		(4,000)		(4,000)		(4,909)	
	1,701,958		1,634,100		1,593,000		1,451,293	
<i>Less operating income</i>	(647,311)		(620,000)		(620,000)		-	
		1,054,647		1,014,100		973,000		1,451,293
Transfer to Corporate Housing Programme Fund		1,100,000		1,100,000		1,100,000		-
Youth Housing Project		-		-		-		75,000
		2,684,602		2,693,000		2,650,000		2,637,055
TOTAL REVENUE EXPENDITURE		2,684,602		2,693,000		2,650,000		2,637,055

NOTE:

With effect from 2004, expenditure relating to progressing the Corporate Housing Programme including Administration costs, the Document Duty Grant Scheme and the Youth Housing Project is charged to the Corporate Housing Programme Fund.

PUBLIC SERVICES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration								
Premises	4,000		4,000		4,000		5,399	
Staff	429,666		431,100		430,000		312,768	
Supplies and services	98,571		109,700		37,000		342,348	
Consultants fees	5,407		-		-		-	
	537,644		544,800		471,000		660,515	
Alderney Airport Trading Loss	497,441		569,000		565,000		483,705	
Alderney Breakwater								
Premises	15,121		24,000		24,000		8,200	
Staff	73,826		161,100		161,000		98,243	
Supplies and services	22,536		28,000		28,000		16,438	
Contracted-out work	226,754		249,000		249,000		265,124	
	338,237		462,100		462,000		388,005	
<i>Less</i> Contribution from States of Alderney	(15,000)		(16,000)		(16,000)		(15,000)	
	323,237		446,100		446,000		373,005	
Emergency Services								
Supplies and services	8,143		10,000		10,000		5,513	
Contracted-out work	48,869		44,000		44,000		38,848	
	57,012		54,000		54,000		44,361	
<i>Less</i> recoveries	(5,000)		(4,000)		(4,000)		-	
	52,012		50,000		50,000		44,361	
		1,410,334		1,609,900		1,532,000		1,561,586
Guernsey Technical Services								
Premises	24,893		19,500		10,000		5,938	
Staff	1,936,435		2,134,700		2,125,000		1,895,678	
Supplies and services	263,344		280,500		275,000		242,499	
Consultants fees	10,185		21,000		21,000		14,475	
Contracted-out work	73,877		80,000		80,000		60,225	
	2,308,734		2,535,700		2,511,000		2,218,815	
<i>Less</i> operating income	(310,754)		(311,000)		(311,000)		(305,018)	
		1,997,980		2,224,700		2,200,000		1,913,797
Service Delivery								
Administration								
Staff	274,452		265,400		263,300		270,107	
Supplies and services	18,839		20,500		20,500		17,940	
	293,291		285,900		283,800		288,047	
Pumping Stations								
Supplies and services	150,234		275,000		205,000		159,034	
Upkeep and repairs	597,191		466,000		466,000		491,425	
	747,425		741,000		671,000		650,459	

PUBLIC SERVICES DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Service Delivery (continued)								
Refuse Disposal and Land Reclamation								
Premises	31,032		56,000		56,000		42,245	
Staff	452,355		401,000		401,000		450,844	
Supplies and services	430,563		460,000		460,000		604,369	
Consultants fees	13,616		25,000		25,000		30,979	
Contracted-out work	47,905		37,000		37,000		6,739	
Preparation and completion of sites	82,659		181,000		181,000		121,201	
	1,058,130		1,160,000		1,160,000		1,256,377	
<i>Less operating income</i>	(2,653,447)		(2,770,700)		(2,770,700)		(3,120,418)	
	(1,595,317)		(1,610,700)		(1,610,700)		(1,864,041)	
Roads Infrastructure								
Resurfacing and reconstruction	3,255,085		3,200,500		3,206,000		2,897,731	
Road cleaning	1,121,792		1,008,000		1,008,000		1,031,150	
Upkeep and repairs	277,013		288,000		288,000		327,606	
	4,653,890		4,496,500		4,502,000		4,256,487	
Sewage Tankers								
Staff	1,066,975		1,099,700		1,099,700		1,032,368	
Contracted out work	453,560		500,000		500,000		468,452	
	1,520,535		1,599,700		1,599,700		1,500,820	
<i>Less operating income</i>	(1,410,779)		(1,200,000)		(1,200,000)		(1,279,603)	
	109,756		399,700		399,700		221,217	
Sewers and Outfalls								
Consultants fees	110,349		150,000		150,000		124,856	
Sewer descaling	105,000		80,000		80,000		90,900	
Sewer rehabilitation	1,365,727		1,515,000		1,000,000		995,758	
Upkeep and repairs	310,274		206,500		200,000		175,335	
	1,891,350		1,951,500		1,430,000		1,386,849	
Surface Water Outfalls and Streams								
Supplies and services	1,132		1,500		1,500		1,046	
Rehabilitation and separation	541,752		500,000		500,000		375,236	
Upkeep and repairs	418,437		225,000		225,000		375,406	
	961,321		726,500		726,500		751,688	
		7,061,716		6,990,400		6,402,300		5,690,706
TOTAL REVENUE EXPENDITURE		10,470,030		10,825,000		10,134,300		9,166,089

SOCIAL SECURITY DEPARTMENT

	Accounts 2004		Total Authorised 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Non Contributory Services								
Premises	22,893		30,000		33,000		21,704	
Staff	914,076		903,000		875,000		848,281	
Supplies and services	696,854		683,000		585,000		360,846	
Attendance and invalid care allowance	1,877,165		1,940,000		1,955,000		1,726,490	
Community and environment projects	102,494		190,000		190,000		108,386	
Concessionary TV licences for the elderly	425,983		430,000		415,000		402,370	
Family allowance	7,407,343		7,560,000		7,575,000		7,111,995	
Grants to Charities	173,890		175,000		170,000		161,745	
Grants to Parochial Outdoor Assistance Boards	532,307		525,000		400,000		362,158	
Medical expenses assistance scheme	120,448		110,000		100,000		89,175	
Supplementary benefit scheme	9,805,093		9,450,000		9,245,000		9,043,443	
		22,078,546		21,996,000		21,543,000		20,236,593
States Grants								
Health Service Scheme	8,347,292		8,660,000		8,700,000		7,891,332	
Long-Term Care Insurance Scheme	1,327,311		1,350,000		1,380,000		1,224,473	
Social Insurance Scheme	25,325,526		25,200,000		26,700,000		26,470,879	
		35,000,129		35,210,000		36,780,000		35,586,684
		57,078,675		57,206,000		58,323,000		55,823,277
Use of Accumulated Unspent Balances		-		-		(53,000)		-
TOTAL REVENUE EXPENDITURE		57,078,675		57,206,000		58,270,000		55,823,277

CAPITAL INCOME AND EXPENDITURE

CAPITAL INCOME

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Fisheries Loans Fund capital repayments	-	-	6,000	21,773
Sale of Guernsey Telecoms Limited	5,000,000	5,000,000	5,000,000	5,000,000
Sale of property / land	152,655	150,000	-	1,475
TOTAL CAPITAL INCOME	5,152,655	5,150,000	5,006,000	5,023,248

CAPITAL EXPENDITURE SUMMARY

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Treasury and Resources Department	7,737,803	8,241,229	15,377,370	5,966,377
Commerce and Employment Department	373,172	449,400	555,000	184,366
Culture and Leisure Department	899,147	946,350	1,362,000	4,205,204
Education Department	15,105,402	18,373,936	14,818,500	7,557,591
Environment Department	1,431,348	1,540,631	1,876,800	3,700,226
Health and Social Services Department	11,219,069	14,267,866	13,417,300	8,238,819
Home Department	3,152,881	4,058,635	4,702,250	7,664,983
Housing Department	375,112	412,000	755,000	9,958,423
Public Services Department	4,070,848	5,267,500	6,277,000	3,630,682
TOTAL CAPITAL EXPENDITURE	44,364,782	53,557,547	59,141,220	51,106,671

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Income Tax								
Electronic Document Management System Phases I and II - £438,000		41,268		41,268		252,000		355,909
Information and Communication Technology								
Corporate IT projects		410,988		600,000		750,000		566,392
Strategic Property Services								
Belvedere Road resurfacing - £80,700		74,048		75,000		-		-
Consultants fees and site investigations net expenditure / (recovery)		340,650		250,000		200,000		(95,116)
Fermain Bay kiosk refurbishment - £112,000		104,399		112,000		150,000		-
Markets reconstruction consultants - £239,000		58,823		65,000		-		70,719
North plantation redevelopment - £50,000		15,000		50,000		50,000		-
Office furniture and cabinets - £35,000		26,110		35,000		-		-
Plotter - £10,000		9,780		9,780		-		-
Property conditions surveys phase I - £120,000		27,200		9,300		-		110,685
Public Conveniences upgrade								
Icart - £31,000		26,127		31,000		40,000		-
Sablon D'or - £80,000		67,591		80,000		75,000		-
St Julian's Avenue - £40,000		43,481		43,500		-		-
St Barnabas renovation and conversion - £2,850,000		446,842		300,000		1,250,000		71,488
St James external conservation works - £770,000		1,352		-		-		708,427
St Peter Port car parking and quay enhancement - £800,000		12,500		12,000		-		9,455
Sir Charles Frossard House meeting rooms - £100,000		99,879		100,000		-		-
Town Arsenal flats refurbishment - £579,007		-		15,000		-		130,191
Women's Refuge minor works - £35,000		25,200		35,000		-		-
Treasury								
Corporate finance and purchasing system - £5,200,000		462,860		120,000		825,000		221,077
Internet payments - £45,000		44,485		45,000		45,000		-
Loans system replacement - £60,000		27,404		23,600		30,000		36,321
Courts								
Courts extension and refurbishment - £17,500,000		5,134,017		5,150,000		7,650,000		2,446,048
Courts IT equipment replacement - £85,000		26,441		45,900		-		39,040
Greffe IT equipment replacement - £85,000		25,120		60,000		85,000		-
Law Officers								
Citrix system - £27,500		21,242		27,500		30,000		-
IT equipment replacement - £50,000		2,130		2,130		-		38,816
Government House external decoration - £32,000		29,995		32,000		50,000		-

TREASURY AND RESOURCES DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
States of Alderney net Capital Expenditure		132,871		871,251		3,455,370		957,064
Other Capital Expenditure Per 2003 Accounts		-		-		-		299,861
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		-		400,000		-	
ICT Projects	-		-		40,000		-	
		-		-		440,000		-
TOTAL CAPITAL EXPENDITURE		7,737,803		8,241,229		15,377,370		5,966,377

COMMERCE AND EMPLOYMENT DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Fisheries patrol vessel rib replacement - £33,500		10,881		16,900		-		16,481
Raymond Falla House extension and alterations - £476,000		362,291		384,000		233,000		91,934
Other Capital Expenditure Per 2003 Accounts		-		-		-		75,951
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		36,000		280,000		-	
Equipment, Machinery and Vehicles	-		12,500		16,000		-	
ICT Projects	-		-		26,000		-	
		-		48,500		322,000		-
TOTAL CAPITAL EXPENDITURE		373,172		449,400		555,000		184,366

CULTURE AND LEISURE DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration and Policy Implementation								
Transfers to Sports Loans Fund - £92,250		92,250	92,250		-		-	
Beau Sejour Centre								
Asbestos removal - £85,118		64,395	5,000		30,000		40,376	
Mechanical hoist - £20,000		19,986	20,000		-		-	
Pool filtration plant replacement - £40,000		40,000	40,000		-		-	
Pool plant replacement - £46,000		-	2,400		-		25,139	
Redevelopment - £9,000,000		397,602	424,000		125,000		3,164,031	
Telephone and emergency PA systems replacement - £40,000		4,030	3,600		-		24,359	
Museums and Galleries								
Asterix, Gallo-roman wreck preservation treatment work - £159,520		20,000	30,200		-		-	
Guernsey Museum and Art Gallery								
Heating ventilation system replacement / new art gallery - £263,299		2,350	3,100		-		3,790	
Roof repairs - £30,000		4,954	30,000		220,000		-	
Outdoor Sports Facilities								
La Vallette bathing pools remedial works - £100,000		97,500	100,000		100,000		-	
Osmond Priaulx Memorial Playing Field								
Changing rooms / clubhouse facilities (with hockey club) - £545,184		90,635	71,800		-		168,387	
Grandstand - £600,000		20,252	44,600		15,000		119,929	
Landscaping and general site enhancement - £491,000		14,627	(28,600)		-		326,975	
Port Soif Cricket wicket contribution - £45,000		30,566	45,000		45,000		-	
Other Capital Expenditure Per 2003 Accounts		-	-		-		332,218	
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		47,000		827,000		-	
Equipment, Machinery and Vehicles	-		16,000		-		-	
		-	63,000		827,000		-	
TOTAL CAPITAL EXPENDITURE		899,147	946,350		1,362,000		4,205,204	

EDUCATION DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Education Development Plan								
Essential Maintenance Programme - £2,637,000		1,520,968		2,115,000		1,250,000		454,768
College of Further Education - Phase A - £8,130,000		548,056		1,055,000		-		322,594
Le Rondin Special Needs School - £13,900,000		6,877,997		8,665,000		7,200,000		1,003,640
Les Beaucamps land purchase - £45,000		45,000		45,000		-		-
Les Nicolles site preparation / land purchase - £1,135,000		555,399		395,000		1,600,000		-
Project execution plan - £6,000,000		2,033,677		1,820,000		1,300,000		1,679,431
Sixth Form Centre - £5,580,000		1,904,586		2,510,000		2,200,000		272,622
Other projects								
Asbestos testing and removal								
Consultants fees - £100,000		20,145		11,500		-		28,816
Various small contracts under £20,000 - £215,000		745		300		-		4,820
Fire detection and prevention system consultant fees - £85,535		16,060		53,200		-		22,447
Forest School land purchase - £25,000		25,000		25,000		-		-
Information and Communication Technology Strategy - phases II and III		727,961		653,000		363,500		3,260,369
La Couperderie modifications - £225,000		3,852		10,000		-		189,871
La Mare de Carteret School temporary classrooms - £190,500		97,915		112,000		-		73,498
Minibus replacement - £25,000		25,936		25,936		20,000		-
Oakvale School temporary classrooms - £66,000		218		300		-		67,709
St Sampsons hard play area - £180,000		956		180,000		-		-
School telephone switchboard replacements - £54,300		437		(3,300)		-		55,193
Vauvert School boiler replacement - £14,045		494		1,000		-		19,262
Transfer to Higher Education Loans Fund - £700,000		700,000		700,000		-		-
Other Capital Expenditure Per 2003 Accounts		-		-		-		102,551
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works		-		-		885,000		-
		-		-		885,000		-
TOTAL CAPITAL EXPENDITURE		15,105,402		18,373,936		14,818,500		7,557,591

ENVIRONMENT DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Environment Policy and Management								
Bordeaux access road resurfacing - £35,000		28,246		28,300		-		-
Demolition of 1, Vrangue Hill - £47,000		545		-		-		-
Saumarez Park Folk Museum courtyard resurfacing - £93,500		54,933		60,000		-		29,015
Land Use Planning and Development Regulation								
Application processing system replacement - £98,950		10,160		9,800		-		21,340
IT equipment replacement - £15,000		1,155		-		-		13,720
Traffic Policy and Traffic Management								
Bus shelters additional - £30,000		1,500		7,100		-		22,801
Co-ordination of roadworks CAMS system - £200,000		13,099		13,099		-		72,518
New buses - £3,150,000		395		395		-		2,663,584
Traffic improvement schemes								
Admiral Park traffic signals - £76,000		70,535		-		-		-
Bosq Lane road widening scheme - £60,000		21,435		29,000		-		21,002
Halfway Junction traffic signals - £96,800		-		-		96,800		-
Le Val des Terres roundabout - £9,500		8,782		1,300		-		-
St George's Esplanade cycle path - £107,000		99,137		99,137		95,000		-
St Julian's Avenue road widening scheme - £45,000		34,294		50,000		45,000		-
St Martins traffic management scheme - £58,000		29,309		32,000		-		3,074
Traffic signal replacement programme - £1,725,000		360,712		580,000		575,000		106,611
Vehicle Registration and Licensing Department IT System upgrades - £80,000		9,610		19,500		-		-
Waste Services								
Energy from waste facility - preparatory works - £2,450,000		661,162		400,000		400,000		633,232
Recycling can baler replacement - £26,000		25,819		26,000		-		-
Recycling Eurobins replacement - £20,000		520		-		-		17,392
Other Capital Expenditure Per 2003 Accounts		-		-		-		95,937
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		123,000		305,000		-	
Equipment, Machinery and Vehicles	-		37,000		295,000		-	
ICT Projects	-		25,000		65,000		-	
		-		185,000		665,000		-
TOTAL CAPITAL EXPENDITURE		1,431,348		1,540,631		1,876,800		3,700,226

HEALTH AND SOCIAL SERVICES DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Site Development Plan								
Fourth Theatre / Critical care facility - £3,466,000		1,432,803		2,780,000		-		427,810
Headquarters accommodation replacement - £195,000		4,843		7,300		-		187,688
La Corbinerie car parking - £800,000		709,311		700,000		-		-
La Corbinerie continuing care wards - £6,318,928		1,379,435		1,000,000		600,000		3,728,524
Mignot Memorial Hospital extension and redevelopment - £3,820,000		157,119		-		1,500,000		42,795
St Martins Community Centre - £1,350,000		16,916		200,000		1,200,000		-
Site Development Planning costs - £4,872,700		1,903,517		1,650,000		2,500,000		330,944
States Analysts Laboratory / Environmental Health relocation - £3,350,000		1,691,946		2,770,000		2,200,000		230,882
Other Current Capital Projects								
Child care computer system - £28,000		-		300		-		-
Clinical Waste incinerator - £1,576,817		151,793		137,000		-		86,478
Community Action Programme								
Les Genats Family Centre - £249,950		-		1,700		-		212,113
Perruque House / Le Carrefour refurbishment- £468,299		-		40,800		-		-
Computerised radiology equipment - £1,297,000		1,114,968		1,155,000		697,000		77,199
Equipment additional		91,559		227,000		167,000		202,037
Equipment replacement		794,420		706,000		597,000		808,785
IT Equipment replacement / additional		171,513		120,366		122,000		99,760
Management information system - personnel - £89,250		2,975		7,500		-		24,575
Personnel Services - Premises								
Arlington Court conversion and extension - £1,075,558		7,061		23,000		-		27,825
Longacre, Les Baissieres, St Peter Port - purchase - £700,000		700,000		700,000		-		-
Valderie, Rue Maze, St Martins - purchase - £430,000		430,000		430,000		-		-
Premises minor works		129,169		325,000		-		652,283
Secure Unit refurbishment - £240,000		193,442		201,000		-		38,687
Vehicles - replacement		136,279		138,000		137,000		89,849
Women's Refuge refurbishment - £153,670		-		2,900		-		-
Other Capital Expenditure Per 2003 Accounts		-		-		-		970,585
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		255,000		1,996,000		-	
Equipment, Machinery and Vehicles	-		600,000		1,305,300		-	
ICT Projects	-		90,000		396,000		-	
		-		945,000		3,697,300		-
TOTAL CAPITAL EXPENDITURE		11,219,069		14,267,866		13,417,300		8,238,819

HOME DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Customs and Immigration								
Customs								
Equipment (replacement)								
Covert equipment - £60,000		54,800		40,000		44,000		-
Customs / Police airport offices equipment - £104,500		71,404		80,000		80,000		-
Drug / explosive detection equipment replacement - £33,395		1,088		1,088		-		1,469
Surveillance equipment - £60,000		56,641		60,000		40,000		-
Surveillance equipment - £40,000		32,334		25,000		-		-
Xray equipment - £90,000		87,479		90,000		85,000		-
Vehicles -£45,000		45,894		36,500		48,000		-
Information Technology								
Freight Accounting and Immigration database - £207,000		135,099		78,000		-		61,760
Intelligence database - £133,000		-		34,600		-		98,321
Number Plate recognition system - £14,000		13,419		7,000		55,000		-
Server replacement - £110,000		59,725		45,900		20,000		64,100
Premises								
Airport CCTV system replacement - £526,000		215,313		200,000		495,000		200,514
Custody Facilities upgrade - £55,000		41,000		35,000		50,000		-
Office refurbishment - £27,000		9,854		27,000		-		-
Financial Intelligence Service								
IT system - £231,000		73,993		170,000		170,000		-
Fire Brigade								
Equipment (replacement)								
Breathing apparatus upgrade - £19,000		16,061		19,000		10,000		-
CCBRN equipment - £214,000		169,030		214,000		-		-
Fire Brigade / Police Force radio system replacement - £1,625,000		225,238		483,000		290,000		918,796
Incident support unit - £110,000		109,333		110,000		30,000		-
Personal protective equipment - £42,000		39,289		42,000		8,000		-
Wireless / Staff car - £11,000		(1,375)		(1,375)		-		10,453
Wireless / Staff car - £10,000		10,531		10,000		13,250		-

HOME DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Fire Brigade (continued)								
Information Technology								
Computer development programme phase II - £13,000		7,252		8,200		13,000		4,732
IT equipment upgrade - £12,500		800		800		2,500		11,666
Management information system - £74,800		4,000		4,300		-		-
Premises								
Control Room refitting - £110,000		-		2,800		-		42,795
Training complex upgrade - £250,000		215,340		150,000		91,000		-
Police Force								
Equipment (additional)								
Speed detection radar units - £20,000		-		-		20,000		19,791
Equipment (replacement)								
Audio / visual radio alarms - £15,000		7,155		6,000		2,900		-
Diving Section trailer - £9,000		542		-		-		-
Major Incident Unit - £18,000		17,353		18,000		-		-
Radio test equipment - £23,000		-		5,000		-		-
Technical support equipment - £28,500		2,595		3,300		13,500		25,155
Vehicles - £51,000		38,815		45,000		48,000		-
Vehicle weigh pads - £15,000		290		-		-		13,821
Video and technical support equipment - £35,000		21,245		20,000		10,000		-
Information Technology								
Citrix system - £35,000		19,504		35,000		40,000		-
Computer development programme (phase 9) - £82,000		4,396		8,100		500		1,463
Computer development programme (phase 11) - £150,000		3,263		35,000		50,000		71,493
Computers replacement / upgrade - £60,000		223		3,000		10,300		31,473
Computers replacement / upgrade - £25,000		20,865		15,000		40,000		-
Fixed penalty tickets automation - £30,000		-		7,000		-		330
Intelligence database - phase II - £50,000		3,950		20,000		24,500		15,320
Intelligence database - phase III - £100,000		424		-		25,000		90,579
Premises								
CCTV - Alderney office - £47,000		1,859		-		7,500		37,372
CCTV - Headquarters replacement - £161,000		14,034		-		-		-
CCTV - Headquarters replacement, (reception) - £31,500		-		20,000		11,500		-
CCTV - Microwave link replacement - £41,780		6,234		6,500		8,800		5,125
Police Force / Customs - Access control systems - £165,000		1,200		-		-		-

HOME DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
States Prison								
Equipment (additional)								
Security searching equipment - £10,000		205		10,000		-		-
Equipment (replacement)								
CCTV replacement programme - £10,000		10,000		10,000		5,000		-
Internal CCTV system upgrade - £40,000		26,277		26,277		18,600		12,416
Multi Cellular vehicle - £65,000		(63,735)		1,200		15,000		63,735
Workshop equipment - £10,000		-		-		2,000		9,994
Information Technology								
Database phase II - £16,000		7,845		7,845		4,000		8,155
Database phase III - £10,000		7,763		10,000		10,000		-
Premises								
Additional Prisoner accommodation and new visitor facilities - £6,500,000		947,693		1,000,000		1,500,000		5,298,416
Emergency lighting replacement - £10,000		-		1,000		-		1,000
Fencing replacement - £335,000		330,366		332,000		335,000		2,415
Flooring replacement - £25,000		6,750		6,700		-		10,885
Foreign Nationals facilities - £15,000		4,588		14,900		7,400		-
Segregation Unit cell doors - £18,000		17,640		-		-		-
Other Capital Expenditure Per 2003 Accounts		-		-		-		531,439
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		96,000		702,000		-	
Equipment, Machinery and Vehicles	-		144,000		96,000		-	
ICT Projects	-		179,000		150,000		-	
		-		419,000		948,000		-
TOTAL CAPITAL EXPENDITURE		3,152,881		4,058,635		4,702,250		7,664,983

HOUSING DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Courtil Jacques refurbishment Phase II - £660,549		-		20,000		-		7,773
Guernsey Youth Housing Project - £455,000		364,106		365,000		255,000		100,309
La Guelle flats six dwellings - £479,731		6,365		7,000		-		416
Residential Homes lifts upgrade and Boiler replacement - £70,000		-		20,000		-		42,887
Route de Carteret five dwellings Phase II - £426,964		4,641		-		-		6,164
Transfer to Corporate Housing Programme Fund		-		-		-		9,789,019
Other Capital Expenditure Per 2003 Accounts		-		-		-		11,855
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works		-		-		500,000		-
TOTAL CAPITAL EXPENDITURE		375,112		412,000		755,000		9,958,423

PUBLIC SERVICES DEPARTMENT

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Alderney Airport net Capital Expenditure		83,747		308,200		291,000		8,094
Drainage Infrastructure								
Foul water network extension plan		3,618,607		4,300,000		3,750,000		2,976,580
Kimberley Estate foul water pumping station - £52,778		-		(7,500)		-		-
Red Lion pumping station upgrade - £50,000		-		-		8,500		-
St. Sampsons Harbour pumping station / North Side firemain extension - £2,146,664		8,158		8,100		-		440,946
Sewage tankers replacement - £200,000		199,933		197,000		275,000		-
Sewer connection grant scheme		117,555		-		60,000		97,731
Waste Service								
Dyson's Quarry gas extraction system - £90,900		1,436		-		-		-
Landfill loader replacement - £34,000		33,680		34,000		-		-
Mont Cuet Quarry preparation for waste disposal - £4,608,679		7,732		7,700		-		101,959
Other Capital Expenditure Per 2003 Accounts		-		-		-		5,372
Proposed New Projects Per Capital Programme								
Miscellaneous Capital Works	-		20,000		1,730,000		-	
Equipment, Machinery and Vehicles	-		400,000		162,500		-	
		-		420,000		1,892,500		-
TOTAL CAPITAL EXPENDITURE		4,070,848		5,267,500		6,277,000		3,630,682

MISCELLANEOUS ACCOUNTS

SUMMARY OF

	2004 £	2003 £
GENERAL REVENUE BALANCES		
Capital Fund - General	61,052,230	71,036,012
Capital Fund - Reserve	50,725,795	55,479,077
Contingency Reserve Fund	189,730,178	176,298,433
General Revenue Account Reserve	24,434,548	38,723,720
Net Working Capital Reserve	39,528,838	39,528,838
States Trading Entities Reserve	131,598,267	131,598,267
NOTES AND COINS ISSUE		
Notes and coins in circulation	30,747,390	30,915,116
<i>Less</i> face value of precious metal coins	(1,622,226)	(1,508,059)
NOTES AND COINS WITHDRAWN FROM CIRCULATION		
Awaiting re-issue	776,282	887,205
Awaiting destruction	227,916	841,324
STATES ENTITIES AND OTHER THIRD PARTY DEPOSITS	94,905,533	85,669,094
VARIOUS CAPITAL ACCOUNTS		
Corporate Housing Programme	37,781,801	51,352,005
Farm Loans Fund	701,066	836,876
Higher Education Loans Fund	718,296	-
Sewers Connection Loans Fund	230,000	230,000
Sports Loans Fund	319,001	226,751
Wilfred Carey Purchase Fund	2,681,880	2,634,606
	<hr/>	<hr/>
	£664,536,795	£684,749,265
	<hr/>	<hr/>

BALANCES

	2004 £	2003 £
CASH AND FINANCIAL INVESTMENTS		
Bank Deposits and other Financial Investments	253,486,288	289,040,307
Cash in hand	1,099,307	1,800,305
Contingency Reserve Fund - Investments	189,730,178	176,298,433
INVESTMENT IN STATES TRADING ENTITIES		
Alderney Electricity Ltd.	3,165	3,165
Cabernet Ltd.	5,060,288	5,060,288
Guernsey Electricity Ltd.	109,208,844	109,208,844
Guernsey Post Ltd.	22,386,258	22,386,258
LOANS OUTSTANDING		
Asset Purchase Fund	-	33,758
Energy from Waste Facility	3,864,983	569,775
Farm Loans Fund	319,717	284,597
Guernsey Gambling Control Commission	87,253	73,736
Guernsey Water	1,670,152	-
Higher Education Loans Fund	636,602	638,636
Housing Development and Loan Fund	31,803,648	35,204,034
Sewers Connection Loans Fund	91,611	87,462
Sports Loans Fund	274,250	183,500
NET CURRENT ASSETS		
Debtors and prepayments	73,405,710	68,275,515
Stocks	3,445,917	2,922,072
Creditors and Accruals	(21,425,862)	(18,332,192)
Housing Development and Loan Fund - Private Sector Borrowing	(5,000,000)	(5,000,000)
	<hr/>	<hr/>
	670,148,309	688,738,493
<i>Less</i> Net Assets held in a fiduciary capacity	(5,611,514)	(3,989,228)
	<hr/>	<hr/>
	£664,536,795	£684,749,265

CAPITAL FUND - GENERAL

	2004 £	2003 £
Balance at 1 January	71,036,012	41,293,139
Appropriation from Revenue Account	16,000,000	17,600,000
Transfers from Capital Fund - Reserve	17,580,000	63,183,700
Miscellaneous transfers from General Revenue Account Reserve	801,000	220,094
	<hr/>	<hr/>
	105,417,012	122,296,933
<i>Less</i>		
Department capital expenditure	(44,364,782)	(51,106,671)
Transfer balance of Economic Development Fund to Capital Reserve	-	(154,250)
	<hr/>	<hr/>
Balance at 31 December	£61,052,230	£71,036,012
	<hr/>	<hr/>

CAPITAL FUND - RESERVE

	2004 £	2003 £
Balance at 1 January	55,479,077	98,139,392
Appropriations from Revenue Account	7,000,000	15,000,000
Interest received	5,826,718	5,369,135
Transfer from Economic Development Fund	-	154,250
<i>Less</i>		
Transfers to Capital Fund - General	(17,580,000)	(63,183,700)
	<hr/>	<hr/>
Balance at 31 December	£50,725,795	£55,479,077
	<hr/>	<hr/>

CONTINGENCY RESERVE FUND

CAPITAL ACCOUNT

	2004 £	2003 £
Balance at 1 January	176,298,433	147,784,406
Interest	10,799,621	7,875,219
Investment Management Fees	(286,971)	(302,010)
Net (depreciation) of investments - realised and unrealised profits and losses on investments and foreign exchange contracts	(2,080,905)	(2,859,182)
Transfers from General Revenue	5,000,000	23,800,000
Balance at 31 December	<u>£189,730,178</u>	<u>£176,298,433</u>

At 31 December, the Reserve was held as follows:

	2004 £	2003 £
Government Securities	32,401,712	147,154,312
Other Securities	146,005,359	22,652,519
	<u>178,407,071</u>	<u>169,806,831</u>
Cash Deposits including accrued interest and Investment Management Fees due	11,323,107	6,491,602
	<u>£189,730,178</u>	<u>£176,298,433</u>

GENERAL REVENUE ACCOUNT RESERVE

	2004 £	2003 £
Balance at 1 January	38,723,720	55,664,911
Appropriation for the year	(13,623,982)	(17,797,492)
Transfer from Farm Loans Fund	135,810	76,395
Transfer from Notes and Coins Account	-	1,000,000
Miscellaneous transfers to Capital Fund - General	(801,000)	(220,094)
Balance at 31 December	<u>£24,434,548</u>	<u>£38,723,720</u>

NET WORKING CAPITAL RESERVE

	2004 £	2003 £
Balance at 1 January and balance at 31 December	<u>£39,528,838</u>	<u>£39,528,838</u>

STATES TRADING ENTITIES RESERVE

	2004 £	2003 £
Balance at 1 January and balance at 31 December	<u>£131,598,267</u>	<u>£131,598,267</u>
Represented by:	2004 £	2003 £
Investment in:		
Alderney Electricity Ltd.	3,165	3,165
Guernsey Electricity Ltd.	109,208,844	109,208,844
Guernsey Post Ltd.	22,386,258	22,386,258
	<u>£131,598,267</u>	<u>£131,598,267</u>

ASSET PURCHASE FUND

	2004 £	2003 £
Balance at 1 January	(33,758)	(51,929)
Repayments	33,758	18,171
Balance at 31 December	£ -	(£33,758)

CHANNEL ISLANDS LOTTERY (GUERNSEY) FUND

	2004 £	2003 £
FORFEITED PRIZES ACCOUNT		
Balance at 1 January	110,906	69,967
Share of forfeited prizes	48,562	87,812
Transfer to Operating Account	(25,725)	(46,873)
Balance at 31 December	£133,743	£110,906

OPERATING ACCOUNT

Forfeited prizes	25,725	46,873
Sale of tickets	1,328,402	917,900
	1,354,127	964,773
Agents' commission	(129,227)	(122,961)
Contribution to prize fund including forfeited prizes	(810,603)	(591,539)
Printing and stationery	(88,221)	(66,387)
Promotion	(14,496)	(20,117)
Staff costs	(14,211)	(20,655)
States of Jersey administration charges	(20,063)	(13,768)
Other expenses	(12)	(2,661)
Surplus	277,294	126,685
Chief Pleas of Sark - share of surplus	(1,087)	(856)
States of Alderney - share of surplus	(4,078)	(1,573)
States of Guernsey - share of surplus transferred to Appropriation Account	(272,129)	(124,256)
	£ -	£ -

APPROPRIATION ACCOUNT

Balance at 1 January	4,940	9,315
Share of surplus transferred from Operating Account	272,129	124,256
	277,069	133,571
Donation to Association of Guernsey Charities	(81,803)	(78,631)
Transfers to Beau Sejour Centre	(190,000)	(50,000)
Balance at 31 December	£5,266	£4,940

Notes :

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

CORPORATE HOUSING PROGRAMME

	2004 £	2003 £
SUMMARY OF BALANCES AT 31 DECEMBER		
Corporate Housing Programme Fund	289,628	-
Housing Development and Loan Fund	9,044,126	4,467,765
States Houses Fund	3,878,543	7,028,420
States Housing Association Fund	(2,234,144)	9,651,786
	<hr/>	<hr/>
	10,978,153	21,147,971
<i>Less</i> Private Sector Borrowing	(5,000,000)	(5,000,000)
	<hr/>	<hr/>
	£5,978,153	£16,147,971

CORPORATE HOUSING PROGRAMME FUND

	2004 £	2003 £
Interest	6,570	-
Transfer from Housing Department revenue budget	1,100,000	-
Administration Costs		
Staff	(257,374)	-
Supplies and Services	(169,389)	-
Consultants fees	(19,517)	-
Document Duty Grant Scheme	(70,662)	-
Youth Housing Project	(300,000)	-
	<hr/>	<hr/>
Balance at 31 December	£289,628	£ -

Note :

Prior to 2004, expenditure relating to progressing the Corporate Housing Programme including Administration costs, the Document Duty Grant Scheme and the Youth Housing Project were charged to the Housing Department revenue budget.

HOUSING DEVELOPMENT AND LOAN FUND

	2004 £	2003 £
REVENUE ACCOUNT		
Interest receivable		
Borrowers	1,188,580	1,449,495
States of Guernsey	274,748	25,156
Administration Costs		
Staff	(52,198)	-
Consultants fees	(1,824)	(9,451)
Interest payable on borrowing and other fees		
Private Sector	(233,331)	(230,987)
States of Guernsey	-	(39,232)
Surplus on Revenue Account for the year transferred to Capital Account	<hr/>	<hr/>
	£1,175,975	£1,194,981
CAPITAL ACCOUNT		
Balance at 1 January	34,671,799	33,476,818
Surplus for year on Revenue Account	<hr/>	<hr/>
	1,175,975	1,194,981
	<hr/>	<hr/>
Balance at 31 December	£35,847,774	£34,671,799

HOUSING DEVELOPMENT AND LOAN FUND (continued)

	2004 £	2003 £
BORROWERS ACCOUNT		
Balance at 1 January	35,204,034	44,235,336
Advances to borrowers	5,358,272	6,596,214
Repayments receivable from borrowers	(8,758,658)	(15,627,516)
Balance at 31 December	£31,803,648	£35,204,034
SUMMARY OF BALANCES AT 31 DECEMBER		
Capital Account	35,847,774	34,671,799
Borrowers Account	(31,803,648)	(35,204,034)
	£4,044,126	(£532,235)
Represented by:		
Cash balance with States of Guernsey	9,044,126	4,467,765
Private Sector borrowing	(5,000,000)	(5,000,000)
	£4,044,126	(£532,235)

Note :

As envisaged when the Housing Development and Loan Fund was established (Billet d'Etat XIII, 1990), there is a £25million private sector borrowing facility. As at 31 December 2004, the Fund borrowed £5 million (2003: £5 million) from this source.

STATES HOUSES FUND

	2004 £	2003 £
Balance at 1 January	7,028,420	5,146,276
Income		
Interest	230,014	213,598
Other Income	101,127	-
Rents	7,910,926	7,810,558
Less Rent rebates	(2,201,551)	(2,214,893)
Sale of La Planque Farm	-	273,525
Transfer from Capital Allocation	-	2,089,019
	13,068,936	13,318,083
Expenditure		
Administration Costs		
Staff	(649,605)	(624,572)
Supplies and Services	(77,429)	(94,821)
Contracted out work	(39,605)	(29,453)
Consultants fees	992	(20,081)
States Houses		
Repairs, maintenance, refurbishment and enhancements	(7,672,608)	(4,905,133)
Insurance, rates and taxes	(695,597)	(548,745)
Other expenditure	(56,541)	(66,858)
Balance at 31 December	£3,878,543	£7,028,420

Note :

The Housing Department has responsibility for approximately 2,100 dwellings with an estimated re-instatement value at 2004 prices of £377.5million.

STATES HOUSING ASSOCIATION FUND

	2004 £	2003 £
Balance at 1 January	9,651,786	8,813,543
Income		
Interest	188,627	385,713
Transfer from Capital Allocation	-	7,700,000
	<hr/>	<hr/>
	9,840,413	16,899,256
Expenditure		
Administration Costs		
Staff	(34,779)	-
Consultants fees	(35,929)	(55,177)
Grants to Guernsey Housing Association	(11,951,688)	(7,192,293)
Interest on borrowing	(17,492)	-
Rent Rebates	(34,669)	-
	<hr/>	<hr/>
Balance at 31 December	(£2,234,144)	£9,651,786

FARM LOANS FUND

	2004 £	2003 £
CAPITAL ACCOUNT		
Balance at 1 January	836,876	913,271
Transfer to General Revenue Account	(135,810)	(76,395)
	<hr/>	<hr/>
Balance at 31 December	£701,066	£836,876
BORROWERS ACCOUNT		
Balance at 1 January	284,597	275,549
Advances to borrowers	73,352	84,200
Repayments receivable from borrowers	(38,232)	(75,152)
	<hr/>	<hr/>
Balance at 31 December	£319,717	£284,597

NOTES AND COINS ISSUE

	2004 £ Notes	2004 £ Coins	2003 £ Notes	2003 £ Coins
NOTES AND COINS IN CIRCULATION				
In circulation at 1 January	25,635,017	7,280,099	22,942,502	6,965,835
Issued during the year	99,445,181	642,441	96,173,835	391,697
Withdrawn during the year	(100,041,097)	(28,698)	(93,481,320)	(77,433)
In circulation at 31 December	<u>£25,039,101</u>	<u>£7,893,842</u>	<u>£25,635,017</u>	<u>£7,280,099</u>
NOTES AND COINS RESERVE				
In circulation at 31 December	25,039,101	7,893,842	25,635,017	7,280,099
Less release from Reserve	(340,000)	(3,467,779)	(340,000)	(3,168,059)
Balance at 31 December	<u>£24,699,101</u>	<u>£4,426,063</u>	<u>£25,295,017</u>	<u>£4,112,040</u>
NOTES AND COINS WITHDRAWN FROM CIRCULATION AWAITING RE-ISSUE				
Awaiting re-issue at 1 January	812,700	74,505	1,645,700	32,334
Withdrawn during the year	91,134,350	27,854	83,479,310	76,007
Re-issued during the year	(91,245,650)	(27,477)	(84,312,310)	(33,836)
Awaiting re-issue at 31 December	<u>£701,400</u>	<u>£74,882</u>	<u>£812,700</u>	<u>£74,505</u>
NOTES AND COINS WITHDRAWN FROM CIRCULATION AWAITING DESTRUCTION				
Awaiting destruction at 1 January	810,501	30,823	1,892,002	29,397
Withdrawn during the year	8,906,747	845	10,002,010	1,426
Destroyed during the year	(9,521,000)	-	(11,083,511)	-
Awaiting destruction at 31 December	<u>£196,248</u>	<u>£31,668</u>	<u>£810,501</u>	<u>£30,823</u>
NOTES AND COINS TRADING ACCOUNT				
		2004 £		2003 £
Interest on balance in circulation		1,097,934		905,754
Royalties on sale of coins				
Royalties receivable	307,392		131,492	
Less transfer to Notes and Coins Reserve	(185,354)		(35,251)	
Sundry income		<u>122,038</u> 395		<u>96,241</u> 322
		1,220,367		1,002,317
Administration				
Premises	(2,200)		(2,200)	
Staff	(48,469)		(50,120)	
Supplies and services	(26,019)		(31,262)	
Note screening	(97,003)		(90,918)	
Recoveries	586		715	
		(173,105)		(173,785)
Purchase of new notes and coins issued				
Stock at 1 January	(372,476)		(469,398)	
Purchases	(41,787)		(49,698)	
Stock at 31 December	<u>311,609</u>		<u>372,476</u>	
		(102,654)		(146,620)
Surplus for year transferred to General Revenue		<u>£944,608</u>		<u>£681,912</u>

SEWERS CONNECTION LOANS FUND

	2004 £	2003 £
CAPITAL ACCOUNT		
Balance at 1 January and balance at 31 December	<u>£230,000</u>	<u>£230,000</u>
BORROWERS ACCOUNT		
Balance at 1 January	87,462	94,260
Advances to borrowers	18,499	18,792
Repayments receivable from borrowers	<u>(14,350)</u>	<u>(25,590)</u>
Balance at 31 December	<u>£91,611</u>	<u>£87,462</u>

SPORTS LOANS FUND

	2004 £	2003 £
CAPITAL ACCOUNT		
Balance at 1 January	226,751	226,751
Transfers from General Revenue Account	<u>92,250</u>	<u>-</u>
Balance at 31 December	<u>£319,001</u>	<u>£226,751</u>
BORROWERS ACCOUNT		
Balance at 1 January	183,500	216,750
Advances to borrowers	110,000	-
Repayments receivable from borrowers	<u>(19,250)</u>	<u>(33,250)</u>
Balance at 31 December	<u>£274,250</u>	<u>£183,500</u>

WILFRED CAREY PURCHASE FUND

	2004 £	2003 £
CAPITAL ACCOUNT		
Balance at 1 January and balance at 31 December	<u>£1,773,000</u>	<u>£1,773,000</u>
REVENUE ACCOUNT		
Balance at 1 January	829,922	816,665
Interest	115,429	94,094
Transferred to Purchase of Exhibits Account	<u>(83,990)</u>	<u>(80,837)</u>
Balance at 31 December	<u>£861,361</u>	<u>£829,922</u>
PURCHASE OF EXHIBITS ACCOUNT		
Balance at 1 January	31,684	17,630
Sundry purchases	(68,155)	(66,783)
Transferred from Revenue Account	<u>83,990</u>	<u>80,837</u>
Balance at 31 December	<u>£47,519</u>	<u>£31,684</u>

SUMMARY OF BALANCES

	2004 £	2003 £
Consolidated Superannuation Fund	656,671,276	607,666,591
H M Receiver General	1,026,037	1,060,040
Various charity, amenity and other fund Capital Accounts etc.	493,925	554,610
Various charity, amenity and other fund Revenue Accounts etc.	2,637,052	2,657,878
	<hr/>	<hr/>
	£660,828,290	£611,939,119
	<hr/>	<hr/>

HELD IN A FIDUCIARY CAPACITY

	2004 £	2003 £
Consolidated Superannuation Fund - Investments	655,072,955	607,886,268
Various charity, amenity and other funds etc.		
Investments and bank deposit accounts	143,821	63,623
Net Assets held by the States of Guernsey	5,611,514	3,989,228
	<hr/>	<hr/>
	£660,828,290	£611,939,119
	<hr/>	<hr/>

SUPERANNUATION FUND

	2004 £	2003 £
TEACHERS		
Employers' contributions	3,436,166	3,301,429
Teachers' contributions	1,612,145	1,542,379
Transfer values received from Non-members of the Fund	963,993	1,927,416
	<hr/> 6,012,304	<hr/> 6,771,224
Pensions	(5,088,740)	(4,797,930)
Lump sum payments	(1,211,621)	(1,079,363)
Contributions refunded to teachers	(18,047)	(9,765)
Transfer values paid to Non-members of the Fund	(893,772)	(709,605)
	<hr/> (7,212,180)	<hr/> (6,596,663)
Net additions / (reductions)	(1,199,876)	174,561
Returns on Investments:		
Investment management and other fees	(648,918)	(574,732)
Interest, dividends and commission	4,614,592	4,355,703
Net appreciation of investments - realised and unrealised profits and losses	8,776,986	22,185,837
	<hr/> 12,742,660	<hr/> 25,966,808
Balance at 1 January	157,435,086	131,293,717
Balance at 31 December	<hr/> £168,977,870	<hr/> £157,435,086
COMBINED POOL		
Employers' contributions	9,200,012	8,456,037
Employees' contributions	6,525,513	6,072,052
Medical and hospital staff - receipts from F.S.S.N. in respect of 'frozen' benefits	15,649	7,424
Post Office employees' contributions - widows and childrens scheme	620	860
Refunds of contributions repaid	37,693	4,753
Transfer values received from Non-members of the Fund	1,663,084	2,632,439
	<hr/> 17,442,571	<hr/> 17,173,565
Pensions	(12,893,934)	(11,944,141)
Lump sum payments	(2,186,377)	(2,427,694)
Contributions refunded to employees	(781,220)	(737,758)
Transfer values paid to Non-members of the Fund	(829,008)	(1,013,390)
	<hr/> (16,690,539)	<hr/> (16,122,983)
Net additions / (reductions)	752,032	1,050,582
Returns on Investments:		
Investment management and other fees	(1,858,362)	(1,636,133)
Interest, dividends and commission	13,215,202	12,399,701
Net appreciation of investments - realised and unrealised profits and losses	25,135,411	63,158,049
	<hr/> 36,492,251	<hr/> 73,921,617
Balance at 1 January	448,617,104	373,644,905
Balance at 31 December	<hr/> £485,861,387	<hr/> £448,617,104

SUPERANNUATION FUND

	2004 £	2003 £
STATES MEMBERS PENSION FUND		
States contribution	115,368	82,305
Members' contributions	36,389	21,562
Capital payment	35,000	35,000
	<hr/>	<hr/>
	186,757	138,867
Pensions	(95,614)	(82,287)
	<hr/>	<hr/>
	(95,614)	(82,287)
Net additions	91,143	56,580
Returns on Investments:		
Investment management and other fees	(16,041)	(5,858)
Interest, dividends and commission	49,109	44,396
Net appreciation of investments - realised and unrealised profits and losses	93,407	226,134
	<hr/>	<hr/>
	126,475	264,672
Balance at 1 January	1,614,401	1,293,149
	<hr/>	<hr/>
Balance at 31 December	£1,832,019	£1,614,401
	<hr/>	<hr/>
CONSOLIDATED SUPERANNUATION FUND		
Employers' contributions	12,751,546	11,839,771
Teachers' and other employees' contributions	8,174,047	7,635,993
Capital payment	35,000	35,000
Post Office employees' contributions - widows and childrens scheme	620	860
Refunds of contributions repaid	37,693	4,753
Medical and hospital staff - receipts from F.S.S.N. in respect of 'frozen' benefits	15,649	7,424
Transfer values received from Non-members of the Fund	2,627,077	4,559,855
	<hr/>	<hr/>
	23,641,632	24,083,656
Pensions	(18,078,288)	(16,824,358)
Lump sum payments	(3,397,998)	(3,507,057)
Contributions refunded	(799,267)	(747,523)
Transfer values paid to Non-members of the Fund	(1,722,780)	(1,722,995)
	<hr/>	<hr/>
	(23,998,333)	(22,801,933)
Net additions / (reductions)	(356,701)	1,281,723
Returns on Investments:		
Investment management and other fees	(2,523,321)	(2,216,723)
Interest, dividends and commission	17,878,903	16,799,800
Net appreciation of investments - realised and unrealised profits and losses	34,005,804	85,570,020
	<hr/>	<hr/>
	49,361,386	100,153,097
Balance at 1 January	607,666,591	506,231,771
	<hr/>	<hr/>
Balance at 31 December	£656,671,276	£607,666,591
	<hr/>	<hr/>

SUPERANNUATION FUND

Notes :

- a) The employees of the States of Guernsey are members of the States of Guernsey Superannuation Fund. This is a defined benefit pension scheme funded by contributions from both employer and employee. The employer rates which are determined on the basis of independent actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employee's expected service lives.

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

Contributions to the defined benefit pension scheme are charged to staffing costs so as to spread the cost of pensions over employees' working lives with the States. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 31 December 2001. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. Contributions to the scheme increased with effect from 1 January 2003 based on actuarial recommendations. Details of the increases and assumptions are included in an appendix to Billet d'Etat XXXIII for 27 November 2002.

- b) Whilst the States continue to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs'; under Financial Reporting Standard 17 'Retirement Benefits', the following transitional disclosures are required:

(i) The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2004.

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

	31 December 2004 % p.a.	31 December 2003 % p.a.	31 December 2002 % p.a.
Discount rate	5.30%	5.40%	5.50%
Inflation	2.90%	2.80%	2.30%
Increases to deferred benefits during deferment	3.00%	2.90%	2.50%
Increases to pensions in payment	3.00%	2.90%	2.50%
Increases to salaries	4.40%	4.30%	3.80%

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

(iii) Market Value of Scheme assets

	Market value at 31 December 2004 £'000	Assumed expected return on assets % p.a.	Market value at 31 December 2003 £'000	Assumed expected return on assets % p.a.	Market value at 31 December 2002 £'000	Assumed expected return on assets % p.a.
Equities	503,428	7.50%	464,853	7.75%	367,150	7.50%
Bonds	134,269	4.70%	132,342	4.90%	123,705	5.50%
Cash	18,974	4.75%	10,472	3.75%	15,377	4.00%
	<u>656,671</u>		<u>607,667</u>		<u>506,232</u>	
Present value of the schemes liabilities	(819,533)		(737,948)		(599,176)	
Resulting (deficit) and Net pension (liability)	<u>(162,862)</u>		<u>(130,281)</u>		<u>(92,944)</u>	

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

- (iv) A valuation of the funds' investments was made at 31 December 2004. The resulting appreciation together with net realised profits and losses for the year was credited to the accounts of the participating groups in proportion to their average daily balance during 2004. Interest, dividends and commission for the period were credited on the same basis.

The net appreciation in investments for the year including realised and unrealised profits and losses was equal to 5.596% of the balance of the fund at 1 January 2004 (2003, 16.903%) or 5.606% of the average daily balance of the fund during the year before crediting such net appreciation or interest, etc. (2003, 16.911%).

Interest, dividends and commissions were equal to 2.942% of the balance of the fund at 1 January 2004 (2003, 3.318%) or 2.947% of the average daily balance of the fund during the year before crediting or debiting such interest etc. or net appreciation (2003, 3.320%).

SUPERANNUATION FUND

Notes : (continued)

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

	2004		2003	
	£'000	£'000	£'000	£'000
(Deficit) in scheme at 1 January		(130,281)		(92,944)
Movement in the year:				
Cost attributable to current service of staff		(26,673)		(19,969)
Contributions paid in the year		12,802		11,875
Expected return on pension scheme assets		43,137		34,870
Interest on pension scheme liabilities		(39,357)		(32,444)
Actuarial loss:				
Actual return less expected return on pension scheme assets	8,748		67,542	
Experience gains and losses arising on the scheme liabilities	(10,336)		(14,757)	
Change in assumptions underlying the present value of the scheme liabilities	(20,902)		(84,454)	
		<u>(22,490)</u>		<u>(31,669)</u>
(Deficit) in scheme at 31 December		<u>(162,862)</u>		<u>(130,281)</u>

c) A full actuarial valuation of the Fund as at 31 December 2004 is in the process of being carried out. The results of this valuation, including any proposed changes to the rates of employers contributions will, in the normal way, be reported to the States in due course.

CASH FLOW STATEMENT

	Note	2004 £	2003 £
Net cash inflow from operating activities	1	6,274,247	23,264,637
Returns on investments and servicing of finance			
Returns on Investments and Interest received		20,677,803	15,788,470
Interest paid		(6,030,594)	(5,064,183)
Net cash inflow from returns on investments and servicing of finance		14,647,209	10,724,287
Investing activities			
Payments to acquire capital assets		(44,364,782)	(56,166,959)
Payments (net) to acquire financial investments		-	(1,862,880)
Receipts (net) from sales of financial investments		14,581,473	-
Receipts from sales of capital assets and capital repayments		5,152,655	5,023,248
Net cash outflow from investing activities		(24,630,654)	(53,006,591)
Net movement in balances on loans and miscellaneous funds, etc.		(4,532,601)	7,464,803
(Decrease) / Increase in cash	2 & 3	(£8,241,799)	(11,552,864)

Notes :

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

	2004 £	2003 £
Operating Surplus	9,223,363	33,579,260
Interest received	(12,246,058)	(11,074,443)
Interest paid	11,857,312	10,433,318
Decrease / (Increase) in stocks	(523,845)	104,296
Decrease / (Increase) in debtors	(5,130,195)	9,043,076
Increase / (Decrease) in creditors	3,093,670	(18,820,870)
Net cash inflow from operating activities	£6,274,247	£23,264,637

2 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004 £	2003 £
Change in net funds - increase in cash in the year	(8,241,799)	(11,552,862)
Net funds at 1 January	23,865,654	35,418,516
Net funds at 31 December	£15,623,855	£23,865,654

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2004 £	Movement in net funds £	At 31 December 2004 £
Cash at banks	22,065,349	(7,540,801)	14,524,548
Cash in hand	1,800,305	(700,998)	1,099,307
Total	£23,865,654	(£8,241,799)	£15,623,855

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

NOTES TO ACCOUNTS

1 Related Party Transactions

Commerce and Employment Department

Mr J Watts (a Non-States Member of the Agriculture and Countryside Board until 30 April 2004) is a Director of Meadow Court Farm Ltd which received £204,564 in respect of the Dairy Farm management payment scheme and cull cattle compensation during 2004 (2003 : £197,935)

2 Non Audit Services

The 2004 revenue expenditure of the following departments include non-audit services provided by KPMG.

Policy Council - £73,550

Treasury and Resources Department - £4,815

Commerce and Employment Department - £1,145

Education Department - £2,625

- 3 On 14 May 2003 (Billet d'Etat XI, 2003), the States approved the acquisition of Cabernet Ltd. (the holding company of Aurigny Air Services Ltd. and Anglo Normandy Engineering Ltd.) and authorised the Advisory and Finance Committee, on behalf of the States, to "provide loans or enter into any commercial arrangements as it may deem and consider appropriate, in order to secure the operation of the additional services to Gatwick." . In July 2003, Cabernet Ltd. obtained a £2 million loan facility from a local financial institution at normal commercial rates and terms. The Advisory and Finance Committee and now the Treasury and Resources Department, acting on behalf of the States in accordance with the above Resolution, is the Guarantor of the Facility.

TRADING UNDERTAKINGS

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2004

Principal purpose

To operate the Guernsey Dairy in order to:

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

Financial Summary

Summary

An operating surplus of £1,721 for 2004 is the Dairy's first since 1997, and achieves the objective set out in last year's accounts. This is further enhanced by the Dairy's careful use of its cash resources resulting in a receipt of £15,232 bank interest. This gives a total surplus of £16,953 for the year, and represents a £68,934 improvement from 2003. This has been achieved with investment in research and development into improving product lines such as "Moo To You" ice cream.

Improved credit control means the Dairy currently has no bad debts.

A most significant improvement has been made in the cash balances of the Dairy. These now stand £92,000 above their level at the end of 2003. This has reversed the trend of £172,000 and £290,000 decreases from the previous two years and indicates a major strengthening of the Dairy's business performance.

Sales

Sales turnover increased by 3.3%, however, this was offset by a similar increase in direct costs. The gross surplus was down by £8,733. Control of administration costs led to a significant reduction of £73,283 in this expense area.

Liquid milk sales remained steady. There was no extra profit associated with the mid-year 1p per litre increase, as this was paid directly to the farmers. Organic milk remained around 1% of liquid milk sales. Whilst supply meets demand for some of the year, at other times supply exceeds or fails to meet demand. Due to the low level of sales, this product remains loss making.

Milk intake

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

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2004

Guernsey farmers produced 7,886,914 litres in 2004. Their target quota was 8,100,000 litres, but they could have produced up to 9,097,667 litres under the contract and received the producer "A" price. Thus if the farmers had produced their total target the Dairy could have had an extra 1.2 million litres of milk from which to generate sales (15.4% of actual production).

By-product sales

By-product sales fell slightly (£8,000), but this was more than compensated for by the increased sales of cream to make Channel Islands Cream Liquor (up by £11,000 or 29%). However, it should be noted that manufacture of this product was due to be re-located to the UK in October 2004, and an extension has only been agreed to the end of 2005.

Cream sales generally are excellent.

Retail butter sales are also improving, but catering butter has been hit by cheap foreign imports. Price structures have been altered for 2005 to win back sales.

Cheese sales remained low, but the new machinery purchased at the end of 2004 will improve the efficiency of the packaging operation, lowering production costs and enabling a higher quality packaging.

Ice cream sales improved when the new two litre (Moo to You) range was introduced in September. This has been well established with an effective distribution network in time for the 2005 season. A drive to improve catering sales is planned for 2005, which it is hoped will also generate crossover sales for other by-products.

Expenses

Advertising and promotion costs were more than halved in 2004 (£27,000 less). This was due to a more product focussed approach building on the investment in brand awareness made in 2003. The advertising has been on point of purchase advertising for specific products in retail outlets, rather than the more general advertising done in previous years.

Fuel, light, power and water costs were reduced by over £5,000.

Repairs, maintenance and insurance costs were down by 12% overall despite the States' insurance premium being doubled. The fall was due largely to the high renovation costs of 2003. Indeed costs were very similar to 2002 levels (£100,000).

Salaries and wages rose by 5.9% in 2004. Pay rises and increments accounted for this increase. This is over the RPI and will be addressed in 2005, the aim being to keep any increase below inflation.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued
Year ended 31 December 2004

Capital expenditure

Capital expenditure fell dramatically from £339,000 to £134,000 in 2004 after the heavy investments of previous years. The capital budget was not spent as improved production operations meant that the budgeted expenditure was not required. There are no plans for further product changes, as a strong and balanced product range has now been achieved, furnished with up to date machinery.

The fall in capital expenditure is one of the major contributing factors to the improved cash position of the Dairy. The following summary shows the cash gain and the effect of the non-cash items such as depreciation and stock movements on the Dairy's performance for 2004.

Financial summary

	£
Sales	4,526,205
Cost of sales	(2,954,730)
Gross surplus	1,571,475
Other income	<u>30,433</u>
Total gross income	1,601,908
Cash expenses	(1,392,636)
Surplus before non-cash items	209,272
Non-cash items	<u>(192,319)</u>
Net surplus	£ <u>16,953</u>

Capital expenditure for 2004

Plant and machinery

Two inkjet coders	13,549
CIP heater – spiraflo	4,362
Cheese cutter	26,990
Cheese packer (deposit only)	15,254
Cream packer	3,500
Milk separator accessories	7,985
Puma pump	1,550
Freezers	5,339
Aging vat accessories	2,488
Butter maker cladding	2,149

Motor vehicles

Forklift truck	13,049
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States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued
Year ended 31 December 2004

Capital expenditure for 2004 - continued

Laboratory equipment

Fluorophos machine	6,366
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Office equipment

Phone system	7,189
Computer hardware	21,953
Computer software	<u>2,280</u>

Total capital expenditure	£ <u>134,003</u>
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Operational performance

Plans are in place to re-structure the way in which management receives accounting information to improve strategic decision-making. This may involve a new accounts package as the current one is no longer suitable.

Channel Island Cream Liqueur production has been extended for a further year, but the Dairy is actively developing alternative sources of revenue. In particular, niche export markets for its quality cheese, cream, butter and ice cream products are being explored.

Attention has been given to developing a successful range of ice cream products. This will be further refined in 2005 and expansion of sales into the catering market is being actively pursued.

Other matters

Many of the points in the action plan that was developed in 2003 for implementation in 2004 have been implemented, which has contributed to the improved business performance reflected in these accounts.

When the change in Government in May 2004 occurred, the newly constituted Department of Commerce & Employment took the view that a more independent and commercially minded body should take over from the Dairy Executive.

The Dairy Management Board was constituted and has had its Terms of Reference agreed by the Department of Commerce & Employment.

Overall purpose of the Dairy Management Board

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

The Dairy Management Board has yet to report to the Department of Commerce & Employment on its findings, although it expects to do so in the first half of 2005.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2004

Department members and principal officers

A new system of government was implemented in 2004 following the General Election of 21 April 2004. Under the new Machinery of Government, existing committees were dissolved and the Policy Council, ten departments and five committees were established in their place. Until the 30 April, the Dairy was responsible to the Agriculture and Countryside Board. Until this board was dissolved, the board members and principal officers were (each of the board members resigned on 30 April 2004):

Board members:

Deputy PJ Roffey	-	President
Deputy TM Le Pelley	-	Vice President
Deputy FW Quin	-	Member
Deputy BJ Gabriel	-	Member
Mr MJ Blampied	-	Member
Mr JJ Cleal	-	Member
Mr JM Watts	-	Member

Principal officers:

Mr ND Lewis	-	Chief Executive
Mr R Nash	-	Deputy Chief Executive
Mr CJ Hall	-	General Manager

With the implementation of the new-style government, the Dairy became responsible to the Commerce and Employment Department.

Department members and officers since 1 May 2004 have been:

Department members:

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

Principal officers:

Mr ND Lewis	-	Chief Officer
Mr R Nash	-	Deputy Chief Officer
Mr CJ Hall	-	General Manager

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; 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 Dairy. It is also responsible for safeguarding the assets of the Dairy and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

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

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

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

The Department’s internal financial procedures include:

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to 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 for the year ended 31 December 2004 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 13.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities on the previous page the Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the Dairy's financial position as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

27 May 2005

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Revenue account
for the year ended 31 December 2004

	Notes	£	2004 £	£	2003 £
Sales	<i>1</i>				
Liquid milk			3,607,156		3,464,266
By-products			869,260		877,517
Channel Islands Cream Liquor (labour and overheads)			49,195		38,129
Sundry sales			<u>594</u>		<u>1,730</u>
Total sales			4,526,205		4,381,642
Cost of sales					
Opening product stock		134,357		105,888	
Opening packaging stock		<u>148,150</u>	282,507	<u>126,608</u>	232,496
Production wages		242,929		232,283	
Milk		2,054,867		1,963,744	
Milk wastage		127,499		120,883	
By-product ingredients		25,019		28,635	
Packaging materials		492,666		477,676	
Carriage inwards		6,767		9,735	
Imported products		-		8,100	
Offshore processing and freight		7,045		9,301	
Sundries		<u>33</u>	2,956,845	<u>1,088</u>	2,851,445
Closing product stock		(108,582)		(134,357)	
Closing packaging stock		<u>(176,040)</u>	<u>(284,622)</u>	<u>(148,150)</u>	<u>(282,507)</u>
Total cost of sales			2,954,730		2,801,434
Gross surplus			1,571,475		1,580,208
Other operating income			15,201		10,328
Administration expenses	<i>2</i>		<u>(1,584,955)</u>		<u>(1,658,238)</u>
Operating surplus for the year			1,721		(67,702)
Net interest receivable	<i>1</i>		<u>15,232</u>		<u>15,721</u>
Retained surplus for the year	<i>7</i>		£ <u>16,953</u>		£ <u>(51,981)</u>

All material activities derive from continuing operations.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Balance sheet

at 31 December 2004

	Notes	2004 £	2003 £
Tangible fixed assets	3	1,901,863	1,965,962
Current assets			
Stocks	4	348,481	347,319
Debtors and prepayments	5	441,788	457,983
Balances due from States Treasury		247,336	236,836
Bank balances - current		49,500	-
- deposit		325,794	299,055
Cash in hand		<u>97</u>	<u>75</u>
		1,412,996	1,341,268
Creditors: amounts falling due within one year	6	<u>368,887</u>	<u>378,211</u>
Net current assets		<u>1,044,109</u>	<u>963,057</u>
Total net assets		£ 2,945,972	£ 2,929,019
Reserves	7	£ 2,945,972	£ 2,929,019

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 17 May 2005.

Signed on behalf of the Department

S Falla
Minister

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Cash flow statement
for the year ended 31 December 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	8	200,844	147,100
Returns on investments and servicing of finance			
Interest received		15,232	15,721
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(134,003)	(339,128)
Receipts from sales of tangible fixed assets		<u>9,750</u>	<u>3,850</u>
Net cash outflow from investing activities		<u>(124,253)</u>	<u>(335,278)</u>
Increase in cash	10	£ <u>91,823</u>	£ <u>(172,457)</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements

1. Accounting policies

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

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

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

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

Income

Sales are accounted for on an accruals basis.

Interest is recognised on an accruals basis.

Pension costs

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

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

2. Administration expenses

	2004 £	2003 £
Opening non product stock	64,811	63,131
Advertising and promotion	25,182	51,991
Carriage outwards	(74)	1,341
Cleaning materials	44,189	40,486
Depreciation	198,031	263,624
Discount allowed	4,708	3,996
Fuel, light, power and water	148,229	153,637
General administration costs	59,582	46,390
Laboratory expenses	53,501	50,230
Loss on disposal of fixed assets	73	3,428
Motor vehicle expenses	20,807	17,157
Other expenses	45,137	44,169
Product research and development	2,393	11,705
Professional fees	9,403	26,495
Provision for doubtful debts	(6,736)	(64)
R & M and insurance (plant and machinery)	82,561	61,685
R & M and insurance (site and buildings)	17,444	51,438
Rates	2,784	2,802
Salaries and wages	872,722	823,959
Staff training and recruitment	4,067	5,449
Closing non production stock	<u>(63,859)</u>	<u>(64,811)</u>
	£ 1,584,955	£ 1,658,238

States of Guernsey Commerce and Employment Department Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2004 £	Additions £	Disposals £	31 December 2004 £
<i>Cost</i>				
Site and roads	966	-	-	966
Buildings	1,484,283	-	-	1,484,283
Plant and machinery	2,520,526	83,166	50,000	2,553,692
Motor vehicles	203,666	13,049	7,025	209,690
Laboratory equipment	115,164	6,366	-	121,530
Furniture and fittings	110,028	31,422	3,495	137,955
Refrigerated bulk tanks – farms	<u>53,837</u>	<u>-</u>	<u>-</u>	<u>53,837</u>
	<u>4,488,470</u>	<u>134,003</u>	<u>60,520</u>	<u>4,561,953</u>
		Charge for the year	Disposals	31 December 2004
	1 January 2004 £	£	£	£
<i>Depreciation</i>				
Site and roads	965	-	-	965
Buildings	430,465	35,341	-	465,806
Plant and machinery	1,739,441	114,082	50,000	1,803,523
Motor vehicles	115,077	27,436	7,025	135,488
Laboratory equipment	92,872	5,942	-	98,814
Furniture and fittings	89,851	15,230	3,424	101,657
Refrigerated bulk tanks – farms	<u>53,837</u>	<u>-</u>	<u>-</u>	<u>53,837</u>
	<u>2,522,508</u>	<u>198,031</u>	<u>60,449</u>	<u>2,660,090</u>
Net book value	£ 1,965,962			£ 1,901,863

The Dairy had capital commitments at the year end of £49,181 (2003: £Nil), being the balance payment on the Cheese Packer which had been approved and ordered, but not yet received.

4. Stocks

	2004 £	2003 £
Milk and milk by-products	108,582	134,357
Packaging materials	176,040	134,335
Other stock	<u>63,859</u>	<u>78,627</u>
	£ 348,481	£ 347,319

States of Guernsey Commerce and Employment Department Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2004 £	2003 £
Trade debtors	345,548	396,718
Prepayments	16,567	14,603
Accrued income	<u>79,673</u>	<u>46,662</u>
	£ 441,788	£ 457,983

6. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	-	5,062
Trade creditors	285,158	230,955
Accruals	<u>83,729</u>	<u>142,194</u>
	£ 368,887	£ 378,211

7. Reserves

	General Reserve £	Revenue Account £	Total £
Balance 1 January 2004	3,002,491	(73,472)	2,929,019
Surplus for the financial year	<u>-</u>	<u>16,953</u>	<u>16,953</u>
Balance 31 December 2004	£ 3,002,491	(56,519)	2,945,972

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

	2004 £	2003 £
Operating surplus for the year	1,721	(67,702)
Depreciation	198,031	263,624
Profit on sale of fixed assets	(9,750)	(640)
Loss on sale of fixed assets	73	3,428
Decrease in debtors	16,195	24,052
Increase in stocks	(1,162)	(51,692)
Decrease in creditors	<u>(4,264)</u>	<u>(23,970)</u>
Net cash inflow from operating activities	£ 200,844	£ 147,100

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

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

	2004 £	2003 £
Balance at 1 January	530,904	703,361
Net cash inflow/ (outflows)	<u>91,823</u>	<u>(172,457)</u>
	£ 622,727	£ 530,904

10. Analysis of the changes in net funds

	At 1 January 2004 £	Cashflows £	At 31 December 2004 £
Bank balances - current	(5,062)	54,562	49,500
- deposit	299,055	26,739	325,794
Cash in hand	75	22	97
Balances due from States Treasury	<u>236,836</u>	<u>10,500</u>	<u>247,336</u>
	£ 530,904	91,823	622,727

11. Pension fund

The employees of the States of Guernsey Commerce and Employment Department – Dairy Trading Account are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2001 indicated that a surplus existed. The employer contribution rate to the Fund was 8.85% (2003: 8.35%). Employees contribute at a rate of 6% (2003: 6%). The surplus is being amortised over the expected service lives of all the employees within the scheme.

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 total amount of Superannuation contributions for the period ended 31 December 2004 was £76,476 (2003: £70,318), which were all paid during the year.

Whilst the States of Guernsey Commerce and Employment Department – Dairy Trading Account continues to account for its defined benefit pension obligations under Statement of Standard Accounting Practice 24 "Accounting for Pension Costs", the following additional information has been provided to satisfy the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits". As the scheme is a multi employer arrangement, the Authority is unable to identify its share of underlying assets and liabilities of the scheme or the implication of the surplus on the Department, as required by Financial Reporting Standard 17.

States of Guernsey Commerce and Employment Department Dairy Trading Account

Notes to the financial statements - continued

12. Related party transactions

Of the States of Guernsey Commerce and Employment Department – Dairy Trading Account’s annual income and expenditure, less than 20% of their respective value is due to transactions with other entities.

	Income/ (expenditure) 2004 £	Income/ (expenditure) 2003 £	Debtor/ (creditor) 2004 £	Debtor/ (creditor) 2003 £
Committee President – P Roffey (to 30 April 2004) (Director of CI Co-op – supplies of milk for retail)	187,765	544,033	-	33,098
Committee member – J Watts (to 30 April 2004) (Liquid milk supplies purchased by the Dairy)	67,135	205,209	-	14,552
Dairy Executive sub-committee member – J Ogier (to 30 April 2004) (Liquid milk supplies purchased by the Dairy)	20,951	75,536	-	4,253
Dairy Executive sub-committee member – G Le Tissier (to 30 April 2004) (Supplies of milk for retail)	37,475	108,032	-	7,177

13. Statement of control

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

ALDERNEY AIRPORT

REVENUE ACCOUNT

Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
INCOME				
Traffic receipts, rents, etc.		399,386		375,060
EXPENDITURE				
Administration				
Staff	14,588		15,010	
Supplies and services	274,171		271,994	
Less recoveries	(116,513)		(95,842)	
	<u>172,246</u>		<u>191,162</u>	
Aerodrome Fire Service				
Staff	412,473		387,677	
Supplies and services	37,311		32,592	
	<u>449,784</u>		<u>420,269</u>	
Airport Infrastructure				
Premises	65,270		51,254	
Supplies and services	5,826		4,302	
	<u>71,096</u>		<u>55,556</u>	
Navigational Services				
Staff	172,359		160,313	
Supplies and services	31,342		31,465	
	<u>203,701</u>		<u>191,778</u>	
TOTAL EXPENDITURE		896,827		858,765
OPERATING DEFICIT FOR THE FINANCIAL YEAR FUNDED BY THE PUBLIC SERVICES DEPARTMENT		<u>(£497,441)</u>		<u>(£483,705)</u>

CAPITAL ACCOUNT

Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
EXPENDITURE				
Aerodrome Fire Service				
Thermal imaging camera - £6,500	6,250		-	
Navigational Services				
Communication equipment replacement - £118,000	15,717		-	
Control Tower refurbishment - £50,000	39,214		-	
LITAS / APAPI units - replacement - £39,300	1,689		4,692	
Non-Directional Beacon - £87,000	<u>20,877</u>		<u>-</u>	
		83,747		4,692
Other Capital Expenditure per 2003 accounts		-		3,402
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PUBLIC SERVICES DEPARTMENT		<u>£83,747</u>		<u>£8,094</u>

PUBLIC SERVICES DEPARTMENT – PORTS

FINANCIAL COMMENTARY

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 sea passenger and freight handling facilities for the commercial operators, including the provision of berthing and/or marina facilities for local and visiting boat-owners, together with berthing and handling facilities for the local fishing fleet. The Harbours also provide essential services to ensure adequate facilities and handling 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 form since 1962 on the basis that “the three Ports exist for the common purpose of facilitating the entry into 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 each of the Ports is identified but the assets and liabilities are consolidated and presented as the “Ports Holding Account”.

Financial Highlights

The combined turnover for the Ports for the year was £ 14.6 m (up on 2003 by £1.1m). Revenue expenditure of £10.3m (excluding loan charges and exceptional expenditure) was up on 2003 by £0.9m.

Exceptional expenditure for the year of £0.02m related to the realignment of public roads to the north of the Airport boundary.

Progressing the Ports' Capital Programme cost £11.2m in 2004 (£16.9m in 2003), which included £6.2m for the Airport Terminal development scheme, £2.2m for the St Sampson's Marina development and £1.6m in respect of repairs to the New Jetty at St Peter Port Harbour.

Before capital expenditure the Ports achieved a combined operating trading surplus of £0.5m. The final position, after taking into account interest receipts and capital was a net reduction of the balance on the Ports Holding Account of £6.7m.

The Ports Holding Account Reserve had been built up over the years to fund a 5-year Ports Capital Programme. As at December 2001, this Reserve had a balance of £25.8m, enabling the major projects outlined above to be commenced without the requirement for any external funding. At the end of 2004, the Reserve had a balance of £5.3m.

Operational Performance

Passenger movements through Guernsey Airport reached a new record high of 905,986 in 2004 representing an upturn of 40,877 (4.7%) on the preceding year. Total commercial aircraft movements for the same period were 40,738 representing an increase of 14.4% on 2003.

Phase 2 of the Guernsey Airport Terminal Redevelopment was completed on 15 November 2004, when the building was formally handed over by the contractor to the States of Guernsey. This led to an immediate improvement in passenger comfort.

Passenger figures for the Harbours decreased by 11% from 2003 to 2004, and long haul passengers were down by 11.5%, however, the statistics are comparable with the levels experienced in the nineties. Cargo movements were down at St Peter Port by 3.23% and St Sampson's by 10.2%.

The expectation is that the level of Ports activity in 2005 will be broadly similar to 2004.

Other Matters

Over the year the Public Services Department continued the work, in conjunction with the Treasury and Resources Department, to revise the presentational format of the annual accounts to increase clarity and understanding. A major part of the exercise was the independent valuation of all plant equipment and buildings, which was commenced in 2002 and completed in 2003. In 2005, the final changes will be introduced to ensure that the financial statements are presented as for a commercial trading entity.

Board Members

Deputy W M Bell, Minister
Deputy M E W Burbridge, Deputy Minister
Deputy T M Le Pelley
Deputy R J Le Moignan
Deputy A H Brouard

Principal Officers

Mr R T Kirkpatrick, Chief Officer – Public Services Department
Mr A R Lewis, Deputy Chief Officer – Public Services Department
Captain R P Barton, Harbour Master
Mr C Le Ray, Airport Director

GUERNSEY AIRPORT

REVENUE ACCOUNT

Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
INCOME				
Advertising, picketing, etc.	147,538		127,773	
Airport development charge	811,318		773,170	
Car parking fees	325,344		279,029	
Rents	1,566,525		1,158,497	
Traffic receipts	5,326,942		4,707,691	
TOTAL INCOME		8,177,667		7,046,160
EXPENDITURE				
Administration				
Premises	32,012		29,862	
Staff	263,345		290,111	
Supplies and services	1,042,817		824,687	
Insurance, rates and taxes	317,615		264,482	
Less recoveries	(952,212)		(715,950)	
	703,577		693,192	
Aerodrome Fire Service				
Staff	1,263,555		1,197,679	
Supplies and services	125,954		182,483	
	1,389,509		1,380,162	
Airport Infrastructure				
Premises	274,222		180,347	
Staff	681,028		627,738	
Supplies and services	91,099		109,739	
Maintenance of property	512,042		284,672	
	1,558,391		1,202,496	
Navigational Services				
Staff	2,129,759		1,972,851	
Supplies and services	322,933		328,295	
	2,452,692		2,301,146	
Recovery from Alderney Airport	(121,500)		(116,760)	
TOTAL EXPENDITURE		5,982,669		5,460,236
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE CAPITAL CHARGES AND EXCEPTIONAL EXPENDITURE		2,194,998		1,585,924
CAPITAL CHARGES		2,077,977		1,595,807
EXCEPTIONAL EXPENDITURE				
Civil Aviation Authority Compliance				
Revised airport safety zone				
Property acquisition and demolition	-		15,234	
Roadways rerouteing	23,110		171,649	
	23,110		186,883	
OPERATING SURPLUS / (DEFICIT) FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£93,911		(£196,766)

GUERNSEY AIRPORT

CAPITAL ACCOUNT

Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
EXPENDITURE				
Administration				
NT Server - £10,000	8,797		-	
		8,797		-
Aerodrome Fire Service				
Training area drainage - £40,000	40,869		-	
		40,869		-
Airport Infrastructure				
Apron lighting system replacement - £250,000	250,000		-	
CCTV system replacement - £71,000	65,000		5,332	
East walkway realignment - £50,000	50,000		-	
Flight information display systems - £100,000	82,024		17,976	
Freight shed reception block - £75,000	27,039		-	
Freight shed refurbishment - £173,000	163,199		-	
Land purchases	5,000		-	
Mower replacement - £10,000	9,795		-	
Runway resurfacing consultants - £25,000	25,200		-	
Standby generator replacement - £176,000	76,794		91,087	
Stockpiling of inert material - £18,000	1,800		-	
Technical block alteration - £134,000	12,129		-	
Technical building air conditioning replacement - £53,000	1,385		22,711	
Telephone replacement system - £110,000	97,426		-	
Terminal building redevelopment - £19,529,393	6,187,872		11,462,057	
West grass parking area - £118,875	13,191		103,985	
		7,067,854		11,703,148
Navigational Services				
DVOR / DME replacement - £567,892	323		40	
Instrument landing system replacement - £527,870	18,630		201,550	
Non directional beacon replacement - £87,000	22,744		-	
Radio communications equipment replacement - £53,000	20,205		-	
		61,902		201,590
Other Capital Expenditure per 2003 accounts		-		489,082
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR		£7,179,422		£12,393,820
FUNDED BY LOAN FROM THE PORTS HOLDING ACCOUNT				

HARBOUR OF ST. PETER PORT

REVENUE ACCOUNT

Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
INCOME				
Facilities charges	2,790,641		2,772,993	
Marina and Moorings fees: local	1,174,643		1,135,464	
visitors	378,393		383,473	
Pilotage dues	352,831		366,317	
Less payments to pilots	(348,421)		(361,427)	
Rents, etc	526,661		438,331	
Shipping dues	839,070		916,234	
Sundries	125,572		125,403	
TOTAL INCOME		5,839,390		5,776,788
EXPENDITURE				
Administration				
Premises	21,667		4,268	
Staff	1,604,602		1,561,447	
Supplies and services	275,365		205,742	
Contracted-out work	27,498		33,813	
Consultants fees	2,100		-	
Insurance, rates and taxes	74,638		62,392	
Less recoveries	(46,287)		(44,592)	
	1,959,583		1,823,070	
Harbour Infrastructure				
Premises	607,276		349,133	
Staff	232,844		209,963	
Supplies and services	96,613		108,873	
Less recoveries	(33,217)		(45,320)	
	903,516		622,649	
Marina and Moorings				
Premises	73,038		58,701	
Staff	365,453		327,011	
Supplies and services	119,914		252,586	
Less recoveries	(42,424)		(35,927)	
	515,981		602,371	
Navigational Services				
Staff	355,369		355,350	
Supplies and services	57,482		59,665	
	412,851		415,015	
TOTAL EXPENDITURE		3,791,931		3,463,105
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE CAPITAL CHARGES		2,047,459		2,313,683
CAPITAL CHARGES		1,230,142		1,030,953
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£817,317		£1,282,730

HARBOUR OF ST. PETER PORT**CAPITAL ACCOUNT****Year Ended 31 December 2004**

	2004		2003	
	£	£	£	£
EXPENDITURE				
Harbour Infrastructure				
New jetty cladding replacement	1,603,587		2,315,897	
New jetty sewer main replacement - £370,000	177,136		-	
		1,780,723		2,315,897
Other Capital Expenditure per 2003 accounts		-		325,719
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR		£1,780,723		£2,641,616
FUNDED BY LOAN FROM THE PORTS HOLDING ACCOUNT				

HARBOUR OF ST. SAMPSON

REVENUE ACCOUNT Year Ended 31 December 2004

	2004		2003	
	£	£	£	£
INCOME				
Facilities charges	527,863		578,813	
Marina and Moorings fees	14,971		11,515	
Rents, etc	27,224		33,560	
Sundries	12,505		13,660	
TOTAL INCOME		582,563		637,548
EXPENDITURE				
Administration				
Premises	1,764		1,886	
Staff	164,064		165,083	
Supplies and services	1,315		2,176	
Insurance, rates and taxes	27,588		4,758	
	194,731		173,903	
Harbour Infrastructure				
Premises	86,804		57,122	
Staff	100,791		95,805	
Supplies and services	61,154		94,049	
Less recoveries	(1,232)		(759)	
	247,517		246,217	
Marina and Moorings				
Supplies and services	84,591		60,359	
Navigational Services				
Supplies and services	4,566		4,176	
TOTAL EXPENDITURE		531,405		484,655
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE CAPITAL CHARGES AND EXCEPTIONAL EXPENDITURE		51,158		152,893
CAPITAL CHARGES		433,367		287,433
EXCEPTIONAL EXPENDITURE				
Deepwater berths and land reclamation studies		-		300
OPERATING (DEFICIT) FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		(£382,209)		(£134,840)

CAPITAL ACCOUNT Year Ended 31 December 2004

	2004	2003
	£	£
EXPENDITURE		
Marina and Moorings		
Marina development - £3,442,000	2,211,742	1,847,767
Other Capital Expenditure Per 2003 Accounts	-	(6,811)
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY LOAN FROM THE PORTS HOLDING ACCOUNT	£2,211,742	£1,840,956

PORTS HOLDING ACCOUNT

	2004	2003
	£	£
Balance at 1 January	11,985,774	24,355,554
Revenue Account - Operating Surplus / (Deficit)		
Airport	93,911	(196,766)
Harbour of St. Peter Port	817,317	1,282,730
Harbour of St. Sampson	(382,209)	(134,840)
	<u>529,019</u>	<u>951,124</u>
Investment Interest received	228,792	641,295
Capital Charges	3,741,486	2,914,193
Capital Expenditure		
Airport	(7,179,422)	(12,393,820)
Harbour of St. Peter Port	(1,780,723)	(2,641,616)
Harbour of St. Sampson	(2,211,742)	(1,840,956)
	<u>(11,171,887)</u>	<u>(16,876,392)</u>
Balance at 31 December	<u><u>£5,313,184</u></u>	<u><u>£11,985,774</u></u>

Notes:

- a) The total of outstanding loans made by the Ports Holding Account to the Ports was as follows:

	2004	2003
	£	£
Airport	29,817,173	24,160,672
Harbour of St. Peter Port	9,404,126	8,333,839
Harbour of St. Sampson	5,021,856	2,961,042
	<u><u>£44,243,155</u></u>	<u><u>£35,455,553</u></u>

- b) An independent valuation of the Ports assets has been carried out by the firms of King Sturge (property values) and Edward Ruston Son & Kenyon Limited (plant and machinery values). The main basis of valuation is Depreciated Replacement Cost. Following is a consolidated Balance Sheet which is included for illustrative purposes only and does not constitute a part of the States Accounts and should not be treated as such.

PUBLIC SERVICES DEPARTMENT - PORTS

CONSOLIDATED REVENUE ACCOUNT At 31 December 2004

	2004 £	2003 £
Income		
Airport Fees, Charges & Other Income	8,299,167	7,162,920
Harbour Dues, Charges & Other Income	6,421,953	6,414,336
	<hr/> 14,721,120	<hr/> 13,577,256
Expenses		
Premises	1,096,783	681,319
Staff	7,160,810	6,803,038
Supplies and Services	1,208,431	1,390,282
Insurance, Rates & Taxes	419,841	331,632
Maintenance of Property	512,042	284,672
Contracted-Out Work	27,498	33,813
Consultants	2,100	-
Disposal of Fixed Assets	492,359	-
Depreciation	2,096,824	1,994,689
	<hr/> 13,016,688	<hr/> 11,519,445
Operating Surplus On Ordinary Activities	1,704,432	2,057,811
Interest Received from States Treasury	228,792	641,295
Exceptional Expenditure	(23,110)	(187,183)
Surplus for the Financial Year	1,910,114	2,511,923
Balance Brought Forward	173,476,704	170,964,781
Balance Carried Forward	<hr/> <hr/> £175,386,818	<hr/> <hr/> £173,476,704

This statement does not constitute a part of the States Accounts and should not be treated as such.

PUBLIC SERVICES DEPARTMENT - PORTS

CONSOLIDATED BALANCE SHEET

At 31 December 2004

	2004 £	2003 £
FIXED ASSETS		
Tangible Fixed Assets (see Note)		
Airport	43,525,188	22,976,164
Harbours	122,221,502	121,485,524
	<hr/>	<hr/>
	165,746,690	144,461,688
Assets Under Construction		
Airport	4,240,617	15,177,503
Harbours	86,327	1,851,739
	<hr/>	<hr/>
	170,073,634	161,490,930
CURRENT ASSETS		
Stock	418,211	354,930
Debtors and prepayments	2,457,477	1,878,141
Cash at Bank and in hand	3,269,288	10,324,252
	<hr/>	<hr/>
	6,144,976	12,557,323
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	362,386	214,863
Accruals	458,814	226,976
Other Creditors	2,000	2,000
Deferred Income	8,592	127,710
	<hr/>	<hr/>
	831,792	571,549
NET CURRENT ASSETS	5,313,184	11,985,774
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>£175,386,818</u>	<u>£173,476,704</u>
	<hr/>	<hr/>
RESERVES	<u>£175,386,818</u>	<u>£173,476,704</u>

Note :

An independent valuation of the Ports assets has been carried out by the firms of King Sturge (property values) and Edward Ruston Son & Kenyon Limited (plant and machinery values). The main basis of valuation is Depreciated Replacement Cost. Depreciation is calculated at the following annual rates so as to write off the value 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.

	Depreciation % per annum	Book Value 1 January 2004 £	Net Additions £	Depreciation Charge for the Year £	Book Value 31 December 2004 £
Land	-	89,565,826	6,800	-	89,572,626
Buildings	1.67	44,273,647	22,746,862	(761,278)	66,259,231
Plant and machinery	6.67	5,439,371	76,794	(417,401)	5,098,764
Equipment, Fixtures and Fittings	10.00	3,930,944	349,087	(477,225)	3,802,806
Motor Vehicles and Electrical Equipment	20.00	1,161,414	123,446	(382,149)	902,711
Computers and ICT	33.33	90,486	78,837	(58,771)	110,552
		<hr/>	<hr/>	<hr/>	<hr/>
		£144,461,688	£23,381,826	(£2,096,824)	£165,746,690
		<hr/>	<hr/>	<hr/>	<hr/>

This statement does not constitute a part of the States Accounts and should not be treated as such.

Guernsey Water

Statement of activities and performance

Year ended 31 December 2004

Machinery of Government

As a result of the Machinery of Government changes, on 1st May 2004 the “States of Guernsey Water Board” became a division within the new “Public Services Department” and was renamed “Guernsey Water”.

Principal purpose

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

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

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

Financial summary

	2004 £’000	2003 £’000	Change %
Income			
Unmeasured	3,006	2,798	+ 7.4
Measured	3,299	2,936	+ 12.4
Other trading (net)	<u>337</u>	<u>385</u>	- 12.5
Total operating income	<u>6,642</u>	<u>6,119</u>	+ 8.5
Expenditure			
Operating	2,457	2,300	+ 6.8
Management	<u>1,382</u>	<u>1,254</u>	+ 10.2
Total expenditure	<u>3,839</u>	<u>3,554</u>	+ 8.0
Operating surplus before depreciation	<u>2,803</u>	<u>2,565</u>	+ 9.3
Surplus on sale of fixed assets	398	16	
Net interest received	(46)	36	
Depreciation, transfers and provisions	<u>(1,501)</u>	<u>(1,488)</u>	
Retained surplus for the year	<u>1,654</u>	<u>1,129</u>	
Capital expenditure (gross)	<u>5,007</u>	<u>3,402</u>	

The main focus of capital expenditure was the upgrading of St Saviour’s water treatment works by the introduction of membrane technology and the final year of the rehabilitation of the distribution pipe network to improve the performance of mains and reduce discolouration of water supplies.

The Navision computer system for billing was completed during the year and further modules leading towards a complete integrated accountancy system were commenced. A more detailed summary of capital expenditure during the year is appended to the financial statements.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2004

Operational performance

	2004	2003	Change %
Number of supplies			
Paying by rateable value	12,749	13,078	- 2.5
Paying by measure	<u>11,013</u>	<u>10,383</u>	+ 6.1
Total	<u>23,762</u>	<u>23,461</u>	+ 1.3
Volume supplied in million litres (partially weather related)			
Delivered to customers paying by measure	2,424 ML	2,401 ML	+ 1.0
Delivered to other customers	1,874 ML	1,975 ML	- 5.1
Operational use, firefighting and losses	<u>761 ML</u>	<u>1,020 ML</u>	- 25.4
Total put into supply	<u>5,059 ML</u>	<u>5,396 ML</u>	- 6.2
Service (partially weather related)			
Restrictions on supply	None	None	
Burst mains - trunk mains	19	9	
- smaller mains	<u>47</u>	<u>90</u>	
- total	<u>66</u>	<u>99</u>	
Discolouration – claims paid	£ <u>127</u>	£ <u>760</u>	
Unit costs (partially weather related)			
Water production	£ 258/ML	£ 209/ML	
Water distribution	£26 / supply	£26 / supply	

Other matters

2004 saw the first year of three of increases to water charges of 10% above the rate of inflation to fund Guernsey Water's, formerly States Water Board's, capital development programme contained within the ten year Business Plan. The above inflation increases in water charges were approved by the States of Deliberation in the summer of 2003.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2004

Board members and principal officers

Until 30 April 2004 States Water Board Members were:

Deputy MEW Burbridge, President
Deputy PN Bougourd, Vice-President
Deputy J Le Sauvage
Deputy R Bisson
Deputy T Le Pelley
Mr H Turian
Mr G Wherry

From May 2004 Public Services Department Board Members were:

Deputy WM Bell, Minister
Deputy MEW Burbridge, Deputy Minister
Deputy T Le Pelley
Deputy R Le Moignan
Deputy A Brouard
R. Kirkpatrick, Chief Officer

During 2004 Principal Officers for both States Water Board and Guernsey Water were:

AA Redhead, Director of Water Services, previously Acting Chief Executive
P Lickley, Operations Manager, previously Technical Services Controller
K Carter, Chief Accounting Officer
C Guilbert, Administration Manager
G Johns, Water Production Director
M Wadley, Water Distribution Director

Guernsey Water

Statement of responsibilities for the preparation of financial statements

Guernsey Water is required to prepare financial statements for each financial year which give a true and fair view of the state of its affairs and of the surplus or deficit for that period. In preparing those financial statements, Guernsey Water 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.

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

Statement of internal financial controls

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

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

Guernsey Water's internal financial procedures include:

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to Guernsey Water

We have audited the financial statements of Guernsey Water for the year ended 31 December 2004 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 16.

Respective responsibilities of the Board and auditors

As described in the statement of responsibilities for the preparation of financial statements, Guernsey Water are responsible for the preparation of the financial statements in accordance with applicable Guernsey law and United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of Guernsey Water's financial position as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

21 June 2005

Guernsey Water

Revenue account *for the year ended 31 December 2004*

		2004 £	2003 £
Income	<i>Notes</i>		
Water supplies	<i>1</i>		
Unmeasured		3,005,781	2,797,898
Measured		<u>3,298,838</u>	<u>2,936,052</u>
		6,304,619	5,733,950
Net surplus on other trading activities before management expenses and depreciation	<i>2</i>	<u>337,010</u>	<u>384,621</u>
Total operating income		<u>6,641,629</u>	<u>6,118,571</u>
Operating expenses			
Water production		1,307,304	1,129,743
Water distribution		610,474	608,599
Water quality control		445,300	450,547
Property maintenance		<u>93,326</u>	<u>110,696</u>
		<u>2,456,404</u>	<u>2,299,585</u>
Management expenses			
General and financial management	<i>14</i>	394,253	366,251
Income collection		299,245	278,180
Technical and customer services		377,486	321,881
Administration, information technology, public relations and office expenses		<u>310,995</u>	<u>287,396</u>
		<u>1,381,979</u>	<u>1,253,708</u>
Total expenditure		<u>3,838,383</u>	<u>3,553,293</u>
Operating surplus before depreciation and surplus on sale of fixed assets		2,803,246	2,565,278
Depreciation	<i>4 & 5</i>	(1,049,922)	(1,022,364)
Net surplus on sale or scrap of fixed assets	<i>4</i>	1,429	15,952
Net appreciation in value of sinking fund investment		<u>-</u>	<u>27,213</u>
Operating surplus for the year		1,754,753	1,586,079
Net interest (payable)/receivable	<i>3</i>	(45,814)	36,375
Surplus on sale of properties		<u>396,220</u>	<u>-</u>
Surplus for the year		2,105,159	1,622,454
Transfer to general reserve	<i>4 & 8</i>	<u>(451,507)</u>	<u>(493,588)</u>
Retained surplus for the year, transferred to revenue account reserve		<u>1,653,652</u>	<u>1,128,866</u>

All material activities derive from continuing operations.

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

Guernsey Water

Balance sheet at 31 December 2004

	Notes	£	2004 £	£	2003 £
Tangible fixed assets	5		30,052,176		26,257,691
Current assets					
Stocks		545,559		515,296	
Debtors and prepayments	6	979,937		871,030	
Balances due from States Treasury		-		374,068	
Cash at bank and in hand	11	<u>101,683</u>		<u>250,998</u>	
		<u>1,627,179</u>		<u>2,011,392</u>	
Creditors: amounts falling due within one year	7	<u>2,077,384</u>		<u>772,271</u>	
		<u>2,077,384</u>		<u>772,271</u>	
Net current (liabilities)/assets			<u>(450,205)</u>		<u>1,239,121</u>
Total assets less current liabilities			<u>29,601,971</u>		<u>27,496,812</u>
Reserves					
General reserve			7,687,244		7,235,737
Property development fund			1,723,346		-
Revenue account			<u>20,191,381</u>		<u>20,261,075</u>
Total Reserves	8		<u>29,601,971</u>		<u>27,496,812</u>

These financial statements were approved by the States of Guernsey Public Services Department on 10 March 2005.

Signed on behalf of the Department

William M Bell
Minister

Michael E W Burbridge
Deputy Minister

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

Guernsey Water

Cash flow statement for the year ended 31 December 2004

	Notes	£	2004 £	£	2003 £
Net cash inflow from operating activities	9		2,299,032		2,905,696
Returns on investments and servicing of finance					
Interest received	3	5,493		36,380	
Interest paid	3	<u>(51,307)</u>		<u>(5)</u>	
Net cash (outflow)/inflow from returns on investments and servicing of finance			(45,814)		36,375
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(5,006,702)		(3,401,842)	
Less: customer contributions to Mains		<u>155,037</u>		<u>20,649</u>	
Additions to fixed assets		(4,851,665)		(3,381,193)	
Receipts from sale of fixed assets		<u>404,907</u>		<u>19,602</u>	
Net cash outflow from investing activities			(4,446,758)		(3,361,591)
Management of liquid resources					
Decrease in amounts held with States Treasury	10 & 11	<u>2,044,225</u>		<u>458,741</u>	
Net cash inflow from management of liquid resources			2,044,225		458,741
Financing					
Amounts received (excluding interest and adjustments) from consolidated sinking fund		-		253,722	
Loans redeemed		<u>-</u>		<u>(243,200)</u>	
Net cash inflow from financing			-		10,522
(Decrease)/increase in cash	10 & 11		<u>(149,315)</u>		<u>49,743</u>

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

Guernsey Water

Notes to the financial statements

1. Principal accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

Depreciation

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

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

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

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

Guernsey Water

Notes to the financial statements - continued

1. Principal accounting policies - continued

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled supplies which, as at 31 December 2004, amounted to £460,669 (2003: £430,830) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Deferred income

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

Pension costs

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

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

	2004		2003	
	£	£	£	£
Mains and service laying trading account (a):				
Charges for capital works (b)	373,733		279,388	
Charges for maintenance works	116,569		164,118	
Charges for other works	<u>94,327</u>		<u>141,786</u>	
	584,629		585,292	
Expenditure	<u>(417,546)</u>		<u>(421,028)</u>	
Contribution to management expenses and depreciation		167,083		164,264
Miscellaneous income:				
Standard charges for service laying	225,715		299,280	
Charges for work at ascertained cost	43,375		54,323	
Property rental income	60,467		63,798	
Stores issues	<u>530,361</u>		<u>525,393</u>	
	859,918		942,794	
Expenditure	<u>(689,991)</u>		<u>(722,437)</u>	
Contribution to management expenses and depreciation		<u>169,927</u>		<u>220,357</u>
Net surplus on other trading activities before management expenses and depreciation		<u>337,010</u>		<u>384,621</u>

Guernsey Water

Notes to the financial statements - continued

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

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

3. Net interest receivable

	2004		2003	
	£	£	£	£
Interest income:				
Consolidated sinking fund	-		9,277	
Deposit & business accounts	<u>5,493</u>		<u>27,103</u>	
		5,493		36,380
Interest expense:				
Loans	-		(5)	
Overdraft account	<u>(51,307)</u>	<u>(51,307)</u>	<u>-</u>	<u>(5)</u>
		<u>(45,814)</u>		<u>36,375</u>

4. Depreciation

	2004		2003	
	£	£	£	£
Depreciation charge for the year (note 5)	1,049,922		1,022,364	
Net surplus on sale or scrap of moveable fixed assets	<u>(1,429)</u>		<u>(15,952)</u>	
		1,048,493		1,006,412
Transfer to general reserve (note 8)		<u>451,507</u>		<u>493,588</u>
		<u>1,500,000</u>		<u>1,500,000</u>

The transfer to the general reserve is required because the provision for depreciation under the historic cost convention is inadequate to meet the future replacement cost of assets.

Guernsey Water

Notes to the financial statements - continued

5. Tangible fixed assets

	1 January 2004 £	Additions £	Disposals £	31 December 2004 £
<i>Cost</i>				
Dam	309,360	-	-	309,360
Mains	21,346,426	1,916,458	-	23,262,884
Land and quarries	2,673,488	106,650	7,258	2,772,880
Structures and buildings	3,320,317	260,728	2,169	3,578,876
Fixed plant	4,999,646	2,290,680	-	7,290,326
Distribution meters	1,227,661	130,978	-	1,358,639
Office furniture, fittings and equipment	660,926	115,671	-	776,597
Mobile plant and equipment	410,194	19,317	539	428,972
Motor vehicles	<u>614,718</u>	<u>11,183</u>	<u>12,258</u>	<u>613,643</u>
	<u>35,562,736</u>	<u>4,851,665</u>	<u>22,224</u>	<u>40,392,177</u>
<i>Depreciation</i>				
Dam	155,577	3,343	-	158,920
Mains	3,874,757	362,541	-	4,237,298
Structures and buildings	897,742	64,770	2,169	960,343
Fixed plant	2,334,990	280,158	-	2,615,148
Distribution meters	990,617	122,766	-	1,113,383
Office furniture, fittings and equipment	415,496	78,055	-	493,551
Mobile plant and equipment	290,831	38,320	539	328,612
Motor vehicles	<u>345,035</u>	<u>99,969</u>	<u>12,258</u>	<u>432,746</u>
	<u>9,305,045</u>	<u>1,049,922</u>	<u>14,966</u>	<u>10,340,001</u>
Net book value	<u>26,257,691</u>			<u>30,052,176</u>

6. Debtors and prepayments

	2004 £	2003 £
Estimated value of unbilled supplies	460,669	430,830
Consumers' accounts outstanding	446,768	352,355
Other debtors and prepayments	<u>72,500</u>	<u>87,845</u>
	<u>979,937</u>	<u>871,030</u>

7. Creditors: amounts falling due within one year

	2004 £	2003 £
General creditors	266,744	425,668
Overdraft with States Treasury	1,670,157	-
Deferred income	<u>140,483</u>	<u>346,603</u>
	<u>2,077,384</u>	<u>772,271</u>

Guernsey Water

Notes to the financial statements - continued

8. Reserves

	Property Development Fund £	General Reserve £	Revenue Account £	Total £
Balance 1 January 2004	-	7,235,737	20,261,075	27,496,812
Surplus for the year	-	-	2,105,159	2,105,159
Transfer to Property Development Fund	1,723,346	-	(1,723,346)	-
Provision for future replacement of assets (note 4)	-	451,507	(451,507)	-
Balance 31 December 2004	<u>1,723,346</u>	<u>7,687,244</u>	<u>20,191,381</u>	<u>29,601,971</u>

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

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

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

	2004 £	2003 £
Operating surplus for the year	1,754,753	1,586,079
Net appreciation in value of sinking fund investment	-	(27,213)
Depreciation charges and surplus on sale or scrap of moveable fixed assets (notes 4 and 5)	1,048,493	1,006,412
(Increase)/decrease in stock	(30,263)	53,043
Increase in debtors and prepayments	(108,907)	(15,181)
(Decrease)/increase in creditors due within one year	<u>(365,044)</u>	<u>302,556</u>
Net cash inflow from operating activities	<u>2,299,032</u>	<u>2,905,696</u>

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

	2004 £
Decrease in cash in the year	(149,315)
Net decrease in balances with States Treasury	<u>(2,044,225)</u>
Change in net funds	(2,193,540)
Net funds at 1 January 2004	<u>625,066</u>
Net funds at 31 December 2004	<u>(1,568,474)</u>

Guernsey Water

Notes to the financial statements - continued

11. Analysis of changes in net funds

	At 1 January 2004 £	Cash flows £	At 31 December 2004 £
Cash at bank and in hand	250,998	(149,315)	101,683
Cash held with States Treasury	<u>374,068</u>	<u>(2,044,225)</u>	<u>(1,670,157)</u>
	<u>625,066</u>	<u>(2,193,540)</u>	<u>1,568,474</u>

12. Pension Fund

The employees of Guernsey Water are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2001 indicated that a surplus existed. However, the contribution rate to the Fund was increased with effect from 1 January 2003 from 8.25% to 8.35%. Employees contribute at a rate of 6%. The surplus is being amortised over the expected service lives of all the employees within the scheme.

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 total amount of superannuation contributions for the year ended 31 December 2004 was £160,160 (2003: £148,461) which were all paid during the year.

Whilst Guernsey Water continues to account for its defined benefit pension obligations under Statement of Standard Accounting Practice 24 "Accounting for Pension Costs", the following additional information has been provided to satisfy the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits". As the scheme is a multi employer arrangement, Guernsey Water is unable to identify its share of underlying assets and liabilities of the scheme or the implications of the surplus on Guernsey Water, as required by Financial Reporting Standard 17.

13. Commitments

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

	2004 £	2003 £
Revenue contracted	59,667	119,461
Capital contracted	<u>406,720</u>	<u>3,096,908</u>
	<u>466,387</u>	<u>3,216,369</u>

Guernsey Water

Notes to the financial statements - continued

14. General and Financial Management

Included in the General and Financial Management is an amount paid for audit fees of £5,130.

15. Related party transactions

Guernsey Water are of the opinion that there have been no related party transactions in the current or preceding financial years.

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

16. Statement of control

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

Guernsey Water

Additional information

The additional information has been prepared from the accounting records of the Board. While it does not form part of the financial statements, it should be read in conjunction with them and the auditors' report thereon.

Fixed asset additions during 2004

Water distribution	£	£
Rehabilitation of mains		
2004 mains rehabilitation programme	<u>1,787,399</u>	
Total rehabilitation of mains	<u>1,787,399</u>	
Renewal of mains		
Replacement of mains by insertion of structural lining:		
La Rue Du Dehus, Vale	30,146	
Le Villocq Estate, Castel	24,069	
George Street, St Peter Port	20,470	
The Strand, St Peter Port	15,900	
Les Moulipieds, St Martins	15,616	
Rue Des Francais, Vale	11,914	
Le Pollet, St Peter Port	10,483	
Plichons Lane, Vale	8,125	
Courtill St Jacques Estate, St Peter Port	6,242	
Other minor replacements and renewals	<u>11,194</u>	
Total renewal of mains	<u>154,159</u>	
Extension of Mains and General Distribution		
Mains requisitioned by customers	77,837	
Purchase and installation of Meters	78,978	
Boundary box installation	<u>52,000</u>	
Total Extension of Mains and General Distribution	<u>208,815</u>	
Total Water Distribution		2,150,373
Water Resources		
Side slope stabilisation etc, St Andrew Quarry	108,347	
Strengthen quarry sides and alter gantry pipework, Marais Quarry, Vale	60,526	
Reservoir security fencing	55,000	
New pump and pipework, Marais Stream, Vale	17,692	
Gantry and safety fencing, Juas Reservoir	12,378	
Sundry renewals and other schemes in progress	<u>13,450</u>	
Total Water Resources		267,393
Water Treatment		
Upgrading, St Saviour Water Treatment Works	2,135,068	
Pipework, Forest Road Water Tower	80,616	
Sundry renewals and other schemes in progress	<u>23,690</u>	
Total Water Treatment		<u>2,239,374</u>
Carried Forward		4,657,140

Guernsey Water

Fixed asset additions during 2004

	£	£
Brought forward		4,657,140
Capital expenditure for general purposes		
Main site development, St Andrew Reservoir	137,968	
Computer projects	94,801	
Renovating let properties	39,565	
Communication Tower, St Andrew Reservoir	27,043	
Office furniture and equipment	19,685	
Mobile plant and equipment	19,317	
Motor vehicles	<u>11,183</u>	
Total General		<u>349,562</u>
Gross Total Capital Expenditure		5,006,702
Less: Consumers' contributions to capital mains		<u>(155,037)</u>
Fixed Asset Additions		4,851,665
Sale of properties, vehicles and equipment – net proceeds		<u>(404,907)</u>
Net Fixed Asset Additions		<u>4,446,758</u>

The States are asked to decide:-

Whether they are of the opinion to approve:-

(1) The following Accounts for the year 2004:-

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

(2) To appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December, 2005.

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

APPENDICES

AUDITORS' REPORT TO THE BOARD OF ELIZABETH COLLEGE - GUERNSEY

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

Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditors

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

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

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

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

Basis of opinion

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

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the grant-aided sector of the College as at 31 August 2004 and of its revenue surplus for the year then ended.

BDO GUERNSEY LIMITED

CHARTERED ACCOUNTANTS

Elizabeth House
Guernsey

10 MARCH 2005

.....

ELIZABETH COLLEGE - GUERNSEY

REVENUE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2004

	Note		2003
INCOME	2		
States Block Grant			
- relating to the current academic year		1,676,895	1,672,954
- relating to the previous academic year		63,628	7,425
Fees receivable		1,474,740	1,442,951
Sundry income		97,633	100,213
		<hr/>	<hr/>
		3,312,896	3,223,543
 EXPENDITURE			
School and departmental expenses	2,406,039	2,268,497	
Youth training expenses	9,228	10,790	
Administrative expenses	540,344	554,124	
Maintenance of buildings and grounds	279,154	356,231	
		<hr/>	<hr/>
		(3,234,765)	(3,189,642)
 OPERATING SURPLUS	2	78,131	33,901
Interest receivable		17,042	11,796
Interest payable		(4,667)	(5,000)
 REVENUE SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT	7	<hr/> £ 90,506 <hr/>	<hr/> £ 40,697 <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

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

ELIZABETH COLLEGE – GUERNSEY**BALANCE SHEET****31 AUGUST 2004**

	Note		2003
FIXED ASSETS			
Tangible assets	3	2,383,291	2,383,291
CURRENT ASSETS			
Stock		1,527	5,444
Debtors	4	564,594	560,906
Cash at bank and in hand		234,183	117,989
		<hr/>	<hr/>
		800,304	684,339
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	5	(343,533)	(308,074)
		<hr/>	<hr/>
NET CURRENT ASSETS		456,771	376,265
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,840,062	2,759,556
CREDITOR – AMOUNT FALLING DUE AFTER MORE THAN ONE YEAR	6	(80,000)	(90,000)
		<hr/>	<hr/>
		£ 2,760,062	£ 2,669,556
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES	7		
Capital account		2,585,062	2,494,556
Maintenance reserve		175,000	175,000
		<hr/>	<hr/>
		£ 2,760,062	£ 2,669,556
		<hr/>	<hr/>

APPROVED BY THE BOARD OF DIRECTORS

K. PAUL MELLOR

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Chairman

10 MARCH 2005

.....
Date

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

ELIZABETH COLLEGE – GUERNSEY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2004

	Note		2003
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	8	41,226	(33,919)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		14,008	6,639
Interest paid		(1,834)	(4,500)
		<hr/>	<hr/>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		12,174	2,139
INVESTING ACTIVITIES			
Amounts repaid by non grant-aided sector		72,794	72,453
		<hr/>	<hr/>
NET CASH INFLOW FROM INVESTING ACTIVITIES		72,794	72,453
		<hr/>	<hr/>
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		126,194	40,673
FINANCING			
Repayment of loan from States Culture and Leisure Department		(10,000)	-
		<hr/>	<hr/>
INCREASE IN CASH FOR THE YEAR		£ 116,194	£ 40,673
		<hr/>	<hr/>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash for the year		116,194	40,673
Cash at bank and in hand at 1 September 2003		117,989	77,316
		<hr/>	<hr/>
Cash at bank and in hand at 31 August 2004		£ 234,183	£ 117,989
		<hr/>	<hr/>

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2004

1. ACCOUNTING POLICIES

(a) CONVENTION

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

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

(c) PRIZE FUNDS AND BEQUESTS

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

(d) REVENUE RECOGNITION

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

2. INCOME AND OPERATING SURPLUS

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

3. TANGIBLE FIXED ASSETS

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

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

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2004

3. TANGIBLE FIXED ASSETS (continued)

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

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their current insurance values, updated from January 1998 when the properties were last valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

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

4. DEBTORS

2003

Amounts due within one year

Fee debtors	16,409	11,125
Accrued income	76,261	9,599
Current account – College non-grant aided sector	374,887	447,681
Other debtors and prepayments	43,977	39,441
	<hr/>	<hr/>

511,534 507,846

Amounts due after more than one year

Loan account – College non-grant aided sector	53,060	53,060
	<hr/>	<hr/>
	£ 564,594	£ 560,906
	<hr/>	<hr/>

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

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

ELIZABETH COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2004

**5. CREDITORS – AMOUNTS FALLING
DUE WITHIN ONE YEAR**

2003

Trade creditors	199,726	178,112
Loan – States of Guernsey Recreation Committee (note 6)	10,000	10,000
Other creditors and accruals	133,807	119,962
	<hr/>	<hr/>
	£ 343,533	£ 308,074
	<hr/>	<hr/>

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

Loan – States of Guernsey Recreation Committee

Repayable by instalments:

- Due within five years	40,000	40,000
- Due after more than five years	40,000	50,000
	<hr/>	<hr/>
	£ 80,000	£ 90,000
	<hr/>	<hr/>

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

7. RESERVES

	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2003	2,494,556	175,000	2,669,556
Transfer from revenue account	90,506	-	90,506
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2004	£ 2,585,062	£ 175,000	£ 2,760,062
	<hr/>	<hr/>	<hr/>

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

2003

Operating surplus	78,131	33,901
Decrease in stock	3,917	1,811
(Increase)/decrease in operating debtors	(73,448)	77,296
Increase/(decrease) in operating creditors	32,626	(146,927)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	£ 41,226	£ (33,919)
	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2004

9. PENSION COSTS

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

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

The total amount of superannuation contributions payable for the year ended 31 August 2004 was £349,321 (2003 : £339,600). At 31 August 2004 the amount of outstanding contributions not paid over to the Scheme was £61,919 (2003 : £62,485).

The last actuarial valuation of the Scheme was conducted at 31 December 2001. At that date the actuarial value of the assets relating to the “Teachers pool” within the overall Scheme represented 102.6% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer’s contributions in respect of teachers is 13.5% of pensionable salary.

At 31 December 2001 the actuarial value of the assets relating to the “Public servants pool” within the overall Scheme, to which the College’s administration and teaching ancillary staff belong, represented 115.7% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer’s contributions in respect of administration and teaching ancillary staff is 7.35% of pensionable salary.

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

10. CONTROLLING PARTY

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

11. RELATED PARTY TRANSACTIONS

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

During the year ended 31 August 2004 an amount of £27,142 (2003: £26,250) has been charged from the grant aided sector of the College to the non grant-aided sector in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate solely to the non grant-aided sector of the College’s activities.

ELIZABETH COLLEGE – GUERNSEY**DETAILED REVENUE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2004****INCOME****2003**

States Block Grant

- relating to the current academic year

1,676,895

1,672,954

- relating to the previous academic year

63,628

7,425

Fees receivable

1,474,740

1,442,951

Hire of facilities

86,151

90,185

Other income

11,482

10,028

3,312,896

3,223,543**EXPENDITURE****SCHOOL AND DEPARTMENTAL EXPENSES**

Teachers' salaries

1,807,406

1,713,645

Teachers' superannuation

209,054

206,768

Teaching ancillary salaries and superannuation

122,362

98,116

Departmental expenses

221,168

200,203

Other school expenses

15,708

20,128

Examination fees

30,341

29,637

2,406,039

2,268,497**YOUTH TRAINING EXPENSES**

9,228

10,790

ADMINISTRATIVE EXPENSES

Services

172,305

173,899

Administration salaries and superannuation

187,864

186,473

School administration

44,999

37,831

General expenses

58,976

81,590

Rates, insurance and taxes

52,073

61,107

Discounts given

41,498

33,427

Audit and accountancy

7,000

5,970

Bad debts

2,771

77

Recharge to non grant-aided sector

(27,142)

(26,250)

540,344

554,124**MAINTENANCE OF BUILDINGS AND GROUNDS**

Maintenance of playing fields

63,289

72,558

Maintenance of other areas

215,865

182,899

Replacement of artificial sports surface
at Memorial Field

-

172,924

Less: donations received

-

(72,150)

100,774

279,154

356,231**OPERATING SURPLUS**

£ 78,131

£ 33,901

States of Guernsey – Guernsey Insurance Fund

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

Statement of activities and performance Year ended 31 December 2004

Financial highlights

The Guernsey Insurance Fund had an operating surplus of £5.99m (2003: £9.44m). In addition to the operating surplus, net income from investments increased by 9.19% to £10.57m (2003: £9.68m).

During the year, contribution income grew by 8.99% to £50.68m (2003: £46.47m) assisted by gender equality reforms which abolished the reduced percentage rate contributions available to married women, all contributors paying at the full percentage rate applicable to their classification from 1 January 2004.

Although the economy remains buoyant with the number of people working in Guernsey and Alderney marginally up on the previous year, the overall growth in contribution income appears to be slowing compared with recent years.

The largest economic sector remains the financial sector, which accounts for a quarter of the employed population and represents 30% of the total income received from employers and employees.

Following an actuarial review, the States approved legislation to reduce the level of the States Grant to the Fund from general revenue from 57% of contribution income to 50% from 1 January 2004. This had the impact of reducing income in 2004 by £3.5m, which was reflected in the reduced operating surplus.

Benefit expenditure increased by 10.67% to £67.12m, which includes the annual uprating of benefit rates, which was around 5% for most benefits but 7.4% for the single rate of old age pension. The number of new claims processed by the staff during the year increased to 24,197 (2003: 22,471). At the year-end there were 15,030 (2003: 14,522) benefit claims in payment, of which 86.74% were to people in receipt of old age pension.

The Department pursued for the third year in succession the strategy of strengthening the single rate of old age pension relative to the increase of pension in respect of a dependant wife. This strategy is supported by the States as an active measure in combating single pensioner poverty. The effect on the Fund is, however, material. With a 2.76% increase in the number of pensioners in 2004, combined with the higher benefit rates, old age pension expenditure increased by 9.49% to £54.84m.

The impact of gender equality reforms will slowly increase benefit expenditure as the extra contributions and credits give rise to entitlements.

Net assets increased by 11.20% to £405.49m (2003: £364.64m) with expenditure cover up from 5.7 years to 5.8 years, but still lower than that recorded in the late 1990s, when it was over 7 years cover. The increase was mainly attributable to a positive movement in world markets during the year, with the Fund's investment portfolio (including cash invested but excluding investment property) valued at £370.30m (2003: £329.49m), a 12.39% increase.

States of Guernsey – Guernsey Insurance Fund

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

Statement of activities and performance - continued
Year ended 31 December 2004

Activities during 2004

In consequence of the review of the machinery of government in Guernsey, from 6 May 2004 all functions of the Guernsey Social Security Authority were transferred to the Social Security Department. The Social Security Department is constituted of a Minister and four ordinary members.

For the Guernsey Insurance Fund, the Department's focus in 2004 was the consolidation of the gender equality reforms and working through some of the short-term transitional provisions.

Work on the technological migration of the computer systems from mainframe to server platforms continued throughout 2004 and called upon considerable in-house resources for detailed systems analysis and acceptance testing. In addition to this, after a period of systems design and analysis, the Department introduced a new Purchase Order system mid-year.

Future developments

Work on the technological migration of the computer systems from mainframe to server platforms continues with a view to going live in 2005.

An amendment to the Social Insurance Law, which came into force towards the end of 2004 enables the Department to introduce a range of back-to-work initiatives. The Department has been keen to move into this area of prevention. Scarce resources mean that activity will start from a very low level, but is expected to grow as various initiatives prove their worth and in-house expertise builds.

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

Statement of activities and performance - continued
Year ended 31 December 2004

Statistics

Benefits	No of claimants as at:		No of new cases during the year	
	31/12/04	31/12/03	2004	2003
Old Age Pension	13,037	12,687	1,119	1,132
Widows Benefits	466	490	228	109
Invalidity Benefit	642	605	331	314
Sickness Benefit	330	236	11,961	11,272
Unemployment Benefit	145	109	1,504	1,186
Travel Allowance Grant	N/A	N/A	6,134	5,500
Limited Medical Benefit	N/A	N/A	1	5
Industrial Medical Benefit	N/A	N/A	1,663	1,627
Industrial Injury Benefit	31	27	195	206
Industrial Disablement Benefit	269	269	10	19
Maternity Allowance	109	98	411	417
Maternity Grant	N/A	N/A	117	203
Death Grant	N/A	N/A	463	481
Guardian's Allowance	0	0	0	0
Child's Special Allowance	1	1	0	0
Total	15,030	14,522	24,137	22,471

Number of contributors (as at week 36)

	2004	2003	2002	2001	2000
Employers	2,513	2,503	2,490	2,537	2,612
Employed					
Male	15,249	15,283	15,283	14,984	14,836
Female	13,931	13,783	13,671	13,360	13,560
	29,180	29,066	28,954	28,344	28,396
Self-employed	3,493	3,470	3,425	3,454	3,458
Non-employed	4,151	3,982	5,024	5,116	5,199
Total	36,824	36,518	37,403	36,914	37,053

From the beginning of 2001, the Earnings Threshold was removed and Non-reckonable contributions were no longer collected from contributors' earnings between the Earnings Threshold and the Lower Earnings Limit.

States of Guernsey – Guernsey Insurance Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2004

Contribution rates

	2004	2003	2002	2001	2000
Employers	4.1%	4.1%	4.1%	4.1%	4.1%
Employed					
Full rate	3.2%	3.2%	3.2%	3.2%	3.2%
Reduced rate	-	0.5%	0.5%	0.5%	0.5%
Self-employed	6.3%	6.3%	6.3%	6.3%	6.3%
Non-employed	5.7%	5.7%	5.7%	5.7%	5.7%

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

These rates are additional to the contribution rates applicable to the Guernsey Health Service Fund and Long-term Care Insurance Fund which are specified in the accounts of those funds.

Five-year performance

	2004 £	2003 £	2002 £	2001 £	2000 £
Income	76,009,640	72,936,378	68,670,165	63,737,145	58,784,596
Expenditure	70,019,166	63,498,363	59,134,342	55,554,292	52,849,823
Operating surplus	5,990,474	9,438,015	9,535,823	8,182,853	5,934,773
Investments					
Property	7,150,000	7,550,000	7,950,000	7,540,000	8,070,000
Cash invested	23,794,810	18,261,034	18,042,113	19,646,987	21,608,092
Listed investments and accrued income	346,502,042	311,229,231	252,613,156	299,695,028	331,243,418
	377,446,852	337,040,265	278,605,269	326,882,015	360,921,510
Investment performance					
Investment income	10,568,231	9,681,023	8,980,282	10,039,381	10,041,816
Realised gains/(losses)	11,005,263	151,693	(14,284,583)	1,855,151	12,558,096
Unrealised gains/(losses)	13,692,396	44,393,336	(51,739,802)	(42,321,955)	(20,489,353)
Impairment of investments	-	-	-	(5,467,793)	-
Total return on investments	35,265,890	54,226,052	(57,044,103)	(35,895,216)	(2,110,559)
Expenditure cover					
Reserves	405,491,566	364,635,202	301,371,135	348,469,415	376,711,778
Expenditure	70,019,166	63,498,363	59,134,342	55,554,292	52,849,823
Number of years cover	5.8	5.7	5.1	6.3	7.1

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

Statement of activities and performance - continued
Year ended 31 December 2004

Principal officers

Social Security Department	(Elected May 2004)
Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley
Guernsey Social Security Authority	(ceased office May 2004)
President	Deputy Owen Le Tissier
Vice President	Deputy Andrew Sauvarin
Members	Deputy Daniel Le Cheminant Deputy Mary Lowe Deputy Pat Robilliard John Guilbert Roy Le Prevost
Administrator	Malcolm Nutley

States of Guernsey – Guernsey Insurance Fund

Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Guernsey Insurance Fund at the end of the financial year and of the income and expenditure of the Guernsey Insurance Fund for that period. In preparing those financial statements, the Department is required to:

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

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

Statement of internal financial controls

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

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

The Department’s internal financial procedures include:

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the Social Security Department

We have audited the financial statements of States of Guernsey – Guernsey Insurance Fund for the year ended 31 December 2004 which comprise the fund account, the balance sheet and the related notes 1 to 13.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities, the Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the disposition of the net assets of the Guernsey Insurance Fund as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

20 April 2005

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

Fund account

for the year ended 31 December 2004

	Notes	£	2004 £	£	2003 £
Income					
Contributions from insured persons and employers	1	50,684,114		46,465,499	
States grant	1	<u>25,325,526</u>		<u>26,470,879</u>	
			76,009,640		72,936,378
Expenditure					
Benefits payable	2	67,119,167		60,653,016	
Administration	3	5,129,801		4,680,375	
Recoveries	4	<u>(2,229,802)</u>		<u>(1,835,028)</u>	
			<u>70,019,166</u>		<u>63,498,363</u>
Operating surplus for the year			5,990,474		9,438,015
Investing activities					
Income from invested funds	5	11,057,111		10,138,676	
Investment management expenses	5	<u>(488,880)</u>		<u>(457,653)</u>	
		10,568,231		9,681,023	
Realised profit on disposal		11,005,263		151,693	
Movement in unrealised gain on investment		13,692,396		44,393,336	
Movement in unrealised loss on investment property		<u>(400,000)</u>		<u>(400,000)</u>	
			<u>34,865,890</u>		<u>53,826,052</u>
Net surplus in the fund during the year			40,856,364		63,264,067
Net assets of the fund at 1 January			<u>364,635,202</u>		<u>301,371,135</u>
Net assets of the fund At 31 December			£ <u>405,491,566</u>		£ <u>364,635,202</u>

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

**Balance sheet
at 31 December 2004**

			2004		2003
	Note	£	£	£	£
Fixed assets					
Tangible assets	6	8,007,557		7,027,810	
Investment property	7	7,150,000		7,550,000	
Investment portfolio	8	<u>370,296,852</u>		<u>329,490,265</u>	
			385,454,409		344,068,075
Current assets					
Debtors and prepayments	9	21,192,049		16,718,408	
Balances with States Treasury		8,095,300		12,387,223	
Cash at bank and in hand		<u>569,776</u>		<u>334,736</u>	
		29,857,125		29,440,367	
Creditors: amounts falling due within one year	10	<u>(9,819,968)</u>		<u>(8,873,240)</u>	
Net current assets			<u>20,037,157</u>		<u>20,567,127</u>
Total net assets			£ <u>405,491,566</u>		£ <u>364,635,202</u>
Reserves			£ <u>405,491,566</u>		£ <u>364,635,202</u>

The financial statements were approved by the Social Security Department on 20 April 2005.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

States of Guernsey – Guernsey Insurance Fund

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

Notes to the financial statements

1. Accounting policies

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

Accounting convention

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

Contributions

Contributions represent the amount of cash received before 1 February of the following year in respect of the financial year ended 31 December 2004 and amounts received relating to prior financial periods not accounted for in those periods.

States grant

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period. Following an actuarial review, the rate was reduced from 57% to 50% from 1 January 2004.

Benefits payable

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

Guernsey Insurance Fund

No account is taken of future benefit entitlements.

The adequacy of the Guernsey Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five-year period to 31 December 2003 took place in 2004.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. The costs of computer development projects are capitalised as and when they are considered to be material on an individual project basis.

Depreciation is provided on cost at the following annual rates so as to write off the assets over their anticipated useful lives:

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

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

Notes to the financial statements - continued

1. Accounting policies – continued

Investments

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

Investment property

The investment property is stated at open market value.

Investment income

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

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

Pension costs

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

2. Benefits payable

	2004 £	2003 £
Old age pension	54,843,980	50,091,422
Invalidity	4,265,727	3,562,484
Widows	2,258,344	2,142,866
Sickness	1,977,205	1,677,993
Travel allowance grant	1,454,923	1,172,206
Maternity benefit	683,064	637,896
Industrial disablement	572,231	555,379
Unemployment	376,506	303,627
Industrial injury	232,003	203,961
Death grant	160,179	160,889
Industrial medical	148,738	103,812
Bereavement payment	145,546	38,680
Child's special allowance	428	535
Limited medical	293	978
Guardians' allowance	-	288
	<u>£ 67,119,167</u>	<u>£ 60,653,016</u>

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

Notes to the financial statements - continued

3. Administration expenses

	2004 £	2003 £
Salaries and pension costs	3,389,326	3,188,849
Computer expenses	568,558	443,398
Administration expenses	499,455	439,629
Depreciation	362,603	364,858
Property expenses	185,998	197,662
Legal and professional expenses	53,184	22,879
Actuarial expenses	51,027	8,100
Auditors' fees for other services	13,150	9,500
Audit fee	<u>6,500</u>	<u>5,500</u>
	£ 5,129,801	£ 4,680,375

4. Recoveries

	2004 £	2003 £
Amounts received from:		
Non Contributory Services	1,591,410	1,200,099
Guernsey Health Service Fund	396,914	338,715
Other States of Guernsey entities	141,980	207,373
Long-term Care Insurance Fund	<u>99,498</u>	<u>88,841</u>
	£ 2,229,802	£ 1,835,028

5. Net income from invested funds

	2004 £	2003 £
Income		
UK dividends from equities	6,110,509	5,142,174
UK interest from fixed interest securities	781,543	1,431,941
Overseas dividends from equities	2,398,116	1,722,451
Overseas interest from fixed interest securities	-	389,634
Less: withholding tax suffered	(284,244)	(174,618)
Interest on short term deposits	1,493,835	1,011,660
Property rental	542,300	534,500
Underwriting commission	15,052	20,949
Miscellaneous income	<u>-</u>	<u>59,985</u>
	11,057,111	10,138,676
Expenditure		
Investment manager's fees	448,017	425,742
Property expenses	<u>40,863</u>	<u>31,911</u>
	(488,880)	(457,653)
Net income	£ 10,568,231	£ 9,681,023

States of Guernsey – Guernsey Insurance Fund

Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

6. Tangible assets

	1 January 2004 £	Additions £	31 December 2004 £
<i>Cost</i>			
Freehold land and buildings	3,618,534	9,430	3,627,964
Furniture, fittings and office equipment	768,287	3,513	771,800
Computer equipment and software	1,851,342	77,888	1,929,230
Computer development	<u>6,146,099</u>	<u>1,251,519</u>	<u>7,397,618</u>
	<u>12,384,262</u>	<u>1,342,350</u>	<u>13,726,612</u>
	1 January 2004 £	Charge for the year £	31 December 2004 £
<i>Depreciation</i>			
Freehold land and buildings	758,388	45,600	803,988
Furniture, fittings and office equipment	532,667	56,127	588,794
Computer equipment and software	1,625,002	218,199	1,925,558
Computer development	<u>2,440,395</u>	<u>42,677</u>	<u>2,400,715</u>
	<u>5,356,452</u>	<u>362,603</u>	<u>5,719,055</u>
Net book value	£ <u>7,027,810</u>		£ <u>8,007,557</u>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2002 by Lovell & Partners Limited, a firm of estate agents and valuers, at an open market value of £10,180,000.

Costs of £4,588,305 (2003: £3,406,842) associated with the technological migration project are included within computer development costs. No depreciation will be charged on these costs until the new system is available for use.

7. Investment property

	2004 £	2003 £
At valuation	£ <u>7,150,000</u>	£ <u>7,550,000</u>
At historic cost	£ <u>3,146,034</u>	£ <u>3,146,034</u>

The freehold property “Arnold House” was valued by Lovell & Partners Limited, a firm of estate agents and valuers, in January 2005. The property is currently let on a 42 year lease from 14 June 1989 on a full repairing and insuring basis, subject to the tenant’s 21-year lease extension option.

The annual rental is currently £534,000 and rent reviews are to open market value every 3 years. A rent review is currently in progress and any increase in the annual rental will be back-dated to June 2004. A provision for the increase has been incorporated in these financial statements (note 9).

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

Notes to the financial statements - continued

8. Investment portfolio

	2004	2003
	£	£
United Kingdom Equities	182,349,824	169,863,002
United Kingdom Fixed interest	17,312,408	16,912,110
Overseas Equities	137,307,371	123,889,991
Alternative investments & hedge funds	8,291,300	-
Cash instruments	<u>585,894</u>	<u>-</u>
	345,846,797	310,665,103
Cash balances with States Treasury	22,859,481	17,257,658
Cash balances	<u>935,329</u>	<u>1,003,376</u>
	23,794,810	18,261,034
Accrued income	<u>655,245</u>	<u>564,128</u>
	£ 370,296,852	£ 329,490,265

9. Debtors and prepayments

	2004	2003
	£	£
Contributions receivable	13,515,068	12,839,778
Recoveries due from Long-term Care Insurance Fund	3,088,275	101,456
Recoveries due from Guernsey Health Service Fund	1,525,699	1,216,246
Recoveries due from Non Contributory Services	1,134,850	538,072
Benefits prepaid	1,485,766	1,510,203
Trade debtors	358,443	458,583
Administration expenses prepaid	76,148	54,070
Rental income (note 7)	<u>7,800</u>	<u>-</u>
	£ 21,192,049	£ 16,718,408

10. Creditors: amounts falling due within one year

	2004	2003
	£	£
Contribution payable to Guernsey Health Service Fund	4,476,978	4,428,330
Contributions payable to Long-term Care Insurance Fund	2,514,671	2,103,944
Trade creditors	2,000,554	1,720,727
Bank overdraft	465,146	318,282
Other creditors and accruals	188,145	147,836
States grant	<u>174,474</u>	<u>154,121</u>
	£ 9,819,968	£ 8,873,240

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

Notes to the financial statements - continued

11. Pension Fund

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2001 indicated that a surplus existed. However, the contribution rate to the Fund was increased with effect from 1 January 2003 from 8.25% for 2002 to 8.35% for 2003. Employees contribute at a rate of 6%. The surplus is being amortised over the expected service lives of all the employees within the scheme.

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 total amount of Superannuation contributions for the year ended 31 December 2004 was £213,985 (2003: £200,768) of which Guernsey Insurance Fund contributed £132,158 (2003: £131,560), which were all paid during the year.

Whilst the Social Security Department continues to account for its defined benefit pension obligations under Statement of Standard Accounting Practice 24 "Accounting for Pension Costs", the following additional information has been provided to satisfy the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits". As the scheme is a multi employer arrangement, the Department is unable to identify its share of underlying assets and liabilities of the scheme or the implication of the surplus on the Department, as required by Financial Reporting Standard 17.

12. Related party transactions

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2003: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2004 and 2003 is due to transactions with other States entities, except as disclosed in notes 1, 4, 8, 9, 10 and 11.

13. Statement of control

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

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

Statement of activities and performance Year ended 31 December 2004

Financial highlights

Overall, benefit expenditure increased by over 10% during the year to £20.44m (2003: £18.52m). Over 3% of the increase is attributable to the commencement of the Community & Environmental Projects and also the transfer from the Public Assistance Authority of the Grants to Parochial Outdoor Assistance Boards following machinery of government changes.

Overall, supplementary benefit expenditure increased by 8.6% to £9.76m (2003: £8.99m) with an increase in the general benefit rate of 5%. The special grants increase of 19.66% to £1.58m (2003: £1.32m) was mainly attributable to a sharp rise in medical treatment charges following an independent review of medical consultation fees (see activities during year below). Following the introduction of the long-term care insurance scheme from the second quarter of 2003, with expenditure moving from the supplementary benefit residential and nursing homes account to the new scheme, expenditure continued to fall in 2004 to £0.53m from £0.85m.

In 2004, family allowance expenditure increased by 4.2% to £7.41m (2003: £7.11m). The allowance was increased by 4.4% to £11.75 per child per week with the number of children for whom the benefit was paid fractionally down on 2003.

Expenditure relating to attendance allowance increased by 9.5% to £1.27m (2003: £1.16m) with a 5% increase in the benefit rate; the number of claimants at the year end was up 16 on 2003. Invalid care allowance expenditure increased by 8.6% to approximately £610,000.

Concessionary television licence expenditure increased to just under £426,000, with the annual licence fee increasing by 4.3% to £121 from April 2004. The number of individuals over the age of 75 issued with a free licence increased by 1.9% to 3,630 (2003: 3,562).

The Department makes annual grants to a number of local charities to support their provision of social welfare, the charities being specified by resolution of the States. In response to the findings of the Townsend Centre for International Poverty Research, the Department continues to improve its support to charities by increasing the overall grant in 2004 by 7.5% to just over £174,000, focusing on pre-school playgroups which provide facilities for underprivileged children.

Following the machinery of government review, in 2004 the Department took over from the Public Assistance Authority the grants to the Parochial Outdoor Assistance Boards. The grants have risen significantly over the last 5 years from £125,000 to £532,000, especially during the last twelve months which has seen costs increase by nearly 50%.

From January 2004, the Board of Industry transferred its fieldwork scheme to the Department and it was renamed the Community & Environmental Projects. With the assistance of the States Works Department in providing the necessary supervision of work teams, the scheme continues to provide short-term employment opportunities for unemployed people. Benefit expenditure for the year stood at £103,000.

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

Statement of activities and performance - continued
Year ended 31 December 2004

Activities during 2004

In consequence of the review of the machinery of government in Guernsey, from 6 May 2004 all functions of the Guernsey Social Security Authority were transferred to the Social Security Department. The Social Security Department is constituted of a Minister and four ordinary members.

For the Non-Contributory Services Scheme, the Department's focus in 2004 was to continue to be one of the lead Departments in formulating policy to address relative poverty in Guernsey. In particular, the Department is charged, together with the Treasury and Resources Department, with leading Action Area A of the States Corporate Anti-poverty Plan.

Work on the technological migration of the computer systems from mainframe to server platforms continued throughout 2004 and called upon considerable in-house resources for detailed system analysis and acceptance testing. In addition to this, after a period of systems design and analysis, the Department introduced a new Purchase Order system mid-year.

Future Developments

The Department will be taking proposals to the April 2005 meeting of the States to extend the supplementary benefit scheme to include the persons who are currently covered by public assistance. This proposal would see the administration of benefit by Overseers and Procureurs of the Poor coming to an end, to be replaced with administration by officers of the Social Security Department. This will require the appointment of an additional 3 members of staff at an annual revenue cost of £82,000. The Department views this as an investment in the better control of benefit claims and improved opportunities for young beneficiaries needing to find work for the first time or needing support and training to re-enter the workforce.

Work on the technological migration of the computer systems from mainframe to server platforms continues in preparation for going live in 2005.

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

Statement of activities and performance - continued
Year ended 31 December 2004

Statistics

	No. of claimants as at:		No. of new cases	
	31.12.04	31.12.03	2004	2003
Supplementary Benefit	1,933	1,818	2,140	1,958
Family Allowances	6,848	6,804	554	567
Attendance Allowance	362	346	138	149
Invalid Care Allowance	210	212	96	98

Five-year performance

	2004 £	2003 £	2002 £	2001 £	2000 £
Supplementary Benefit	9,756,652	8,998,630	9,534,565	9,212,757	8,540,094
Family Allowance	7,407,343	7,111,995	6,831,848	6,717,691	6,474,717
Attendance Allowance	1,266,670	1,164,446	1,194,888	1,135,182	1,090,864
Invalid Care Allowance	610,495	562,044	539,357	535,790	528,808
Concessionary television licences	425,983	402,370	397,483	237,570	
Travel expenses assistance scheme	48,391	44,738	59,181	60,596	42,238
Medical expenses assistance scheme	120,448	77,112	56,199	48,863	39,533
Charitable grants	173,890	161,745	150,000	135,388	130,928
Community & Environmental Projects	102,695	-	-	-	-
Public assistance	532,307	-	-	-	-

States of Guernsey – Non Contributory Services

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

Statement of activities and performance - continued
Year ended 31 December 2004

Principal officers

Social Security Department	(Elected May 2004)
Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

Guernsey Social Security Authority (ceased office May 2004)

President	Deputy Owen Le Tissier
Vice President	Deputy Andrew Sauvarin
Members	Deputy Daniel Le Cheminant Deputy Mary Lowe Deputy Pat Robilliard John Guilbert Roy Le Prevost
Administrator	Malcolm Nutley

States of Guernsey – Non Contributory Services

Controlled and managed by the Social Security Department

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of Non Contributory Services and of the income and expenditure of Non Contributory Services for that period. In preparing those financial statements, the Department is required to:

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

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

Statement of internal financial controls

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

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan;
 - the quarterly management accounts;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit; and
- a requirement for internal audit reports to be tabled at a meeting of the Department.

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the Social Security Department

We have audited the financial statements of Non Contributory Services for the year ended 31 December 2004 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 13.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities, the Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the disposition of the net assets of the Non Contributory Services as at 31 December 2004 and of its income and expenditure for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

20 April 2005

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

Income and expenditure account
for the year ended 31 December 2004

			2004	2003
	Note	£	£	£
Income				
Grant – States of Guernsey	1 & 2	22,078,748	19,678,760	
Bank interest receivable		<u>5,952</u>	<u>4,693</u>	
Total income			22,084,700	19,683,453
Expenditure				
Supplementary benefit	3	9,756,652	8,998,630	
Family allowance		7,407,343	7,111,995	
Attendance & invalid care allowance		1,877,165	1,726,490	
Public assistance	4	<u>532,307</u>	-	
Concessionary television licences		425,983	402,370	
Charitable grants	6	173,890	161,745	
Medical expenses assistance scheme		120,448	77,112	
Community & environmental projects		102,695	-	
Travel expenses assistance scheme		48,391	44,738	
Special Christmas payment		<u>50</u>	<u>75</u>	
		20,444,924	18,523,115	
Administration	7	1,758,196	1,266,658	
Recoveries	8	<u>(118,420)</u>	<u>(106,360)</u>	
		1,639,776	1,160,298	
Total expenditure			22,084,700	19,683,453
Operating result for the financial year			£ -	£ -

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

Balance sheet
at 31 December 2004

			2004			2003
	<i>Note</i>	£	£	£	£	£
Current assets						
Debtors and prepayments	9	513,071		493,438		
Cash at bank and in hand	10	<u>1,455,138</u>		<u>447,943</u>		
			1,968,209			941,381
Creditors: amounts falling due within one year	11		<u>1,968,209</u>			<u>941,381</u>
Net current assets			£ <u> -</u>			£ <u> -</u>
Revenue account			£ <u> -</u>			£ <u> -</u>

These financial statements were approved by the Social Security Department on 20 April 2005.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

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

Notes to the financial statements

1. Accounting policies

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

Accounting convention

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

Grant – States of Guernsey

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

Benefits payable

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

Pension costs

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

Assets held in fiduciary capacity

Assets held in a fiduciary capacity for charitable settlements are not included in the balance sheet. These assets amounted to £30,644 at 31 December 2004 (2003: £10,386).

2. Grant - States of Guernsey

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

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

Notes to the financial statements - continued

3. Supplementary Benefit

	2004 £	2003 £
Benefit and fuel allowance	7,010,127	6,210,121
UK rehabilitation centres	698,616	662,015
Residential and nursing homes	527,889	851,962
Special grants (note 5)	1,583,682	1,322,024
Maintenance recoveries	<u>(63,662)</u>	<u>(47,492)</u>
	£ 9,756,652	£ 8,998,630

4. Public Assistance

	2004 £	2003 £
Castel	52,228	-
Forest	11,732	-
St Andrew's	16,409	-
St Martin's	36,783	-
St Peter Port	277,363	-
St Peter's	7,650	-
St Sampson's	64,407	-
St Saviour's	12,711	-
Torteval	2,580	-
Vale	<u>50,444</u>	-
	£ 532,307	-

Following machinery of government changes the responsibility for the grants to the Parochial Outdoor Assistance Boards transferred from the Public Assistance Authority to the Social Security Department. The grants paid in 2003 totalled £362,158.

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

Notes to the financial statements - continued

5. Special Grants

	2004 £	2003 £
Exceptional needs	8,054	4,710
Funeral	51,681	44,269
Handicapped persons	255,931	272,264
Medical - Chiropody	61,658	59,492
- Dental	218,351	168,916
- Hearing aids	26,566	21,428
- Medical treatment	713,878	495,528
- Medical sundries	49,115	40,867
- Ophthalmic	55,492	62,354
- Physiotherapy	68,033	73,382
Surgical and medical requisites	66,850	74,162
Sundries (not medical)	6,080	4,445
Travelling expenses	<u>1,993</u>	<u>207</u>
	£ 1,583,682	£ 1,322,024

6. Charitable grants

	2004 £	2003 £
Guernsey Citizens Advice Bureau	23,785	22,650
Relate	18,955	18,050
The Salvation Army (Clifton Community Centre)	16,970	16,160
The Samaritans	4,530	4,315
Guernsey Welfare Service Limited (Playgroup)	43,000	39,000
The Methodist Church (Wesley playgroup)	23,000	20,000
Women's Royal Voluntary Service	25,830	24,600
Guernsey Women's Refuge Limited	<u>17,820</u>	<u>16,970</u>
	£ 173,890	£ 161,745

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

Notes to the financial statements - continued

7. Administration

	2004 £	2003 £
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	914,076	784,963
Computer expenses	452,210	221,983
Property expenses and sundries	165,468	138,499
Bank charges	<u>59,656</u>	<u>54,654</u>
	1,591,410	1,200,099
Management and training costs – Community & environmental projects	113,427	-
Legal and professional fees	998	10,322
Administration expenses	35,122	35,247
Medical reports	14,139	17,490
Audit fee	<u>3,100</u>	<u>3,500</u>
	£ 1,758,196	£ 1,266,658

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

8. Recoveries

	2004 £	2003 £
Rent received from the Strategic Property Unit, Treasury and Resources Department	£ 118,420	£ 106,360

9. Debtors and Prepayments

	2004 £	2003 £
Allowances paid in advance	£ 513,071	£ 493,438

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

Notes to the financial statements - continued

10. Cash at bank and in hand

	2004 £	2003 £
Current account	953,492	26,727
Call account	<u>501,646</u>	<u>421,216</u>
	£ <u>1,455,138</u>	£ <u>447,943</u>

11. Creditors: amounts falling due within one year

	2004 £	2003 £
Bank overdraft	113,545	-
Benefits and allowances payable	258,036	97,568
Other creditors and accruals	2,649	3,151
States grant	459,129	302,590
Guernsey Insurance Fund recharges payable	<u>1,134,850</u>	<u>538,072</u>
	£ <u>1,968,209</u>	£ <u>941,381</u>

12. Related party transactions

The Department is of the opinion that there have been no related party transactions with members or senior management in this financial year (2003: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2004 and 2003 is due to transactions with other States entities, except as disclosed in notes 1, 2, 6, 7 and 10.

13. Statement of control

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

States of Guernsey – Guernsey Health Service Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance Year ended 31 December 2004

Financial highlights

The Guernsey Health Service Fund had an operating surplus of £1.78m for the year (2003: £2.65m). In addition, net income from investments stood at £0.78m (2003: £0.67m).

Total contribution income was enhanced with the introduction of gender equality reforms at the start of 2004. The reforms abolished the reduced percentage rate contributions available to married women, all contributors paying at the full percentage rate applicable to their classification.

With the gender equality reforms, contribution income relating to the Fund still only grew by 5.8% to £20.87m (2003: £19.73m), less than the previous year. Although the economy remains buoyant with the number of people working in Guernsey and Alderney marginally up on the previous year, the overall growth in contribution income appears to be slowing down compared with recent years.

Overall benefit expenditure increased by 9.8% to £26.68m (2003: £24.29m).

Increases in the medical consultation grants, from £8 to £12 for a doctor consultation and from £4 to £6 for a nurse consultation (see activities during year, below) saw expenditure on consultation grants increase by 40.7% to £3.04m (2003: £2.16m).

Specialist medical costs rose by 6.7% to £8.95m (2003: £8.39m) with an additional 2 whole-time-equivalent consultants being employed in 2004. At the year-end the number of whole-time-equivalent consultants stood at 37, the maximum permitted under the scheme. The contract is also subject to an annual increase based on the Guernsey RPI.

The Physiotherapy costs increased by 7.7% to £1.12m (2003: £1.04m) with 21.68 whole-time-equivalents (2003: 22.12). The number of physiotherapists and assistants employed at the year-end is still well below the maximum of 31.48 whole-time-equivalents permissible under the contract. The contract is also subject to an annual increase based on the Guernsey RPI.

The continuing high levels of expenditure incurred on drugs and medicines are still a concern despite increased scrutiny on prescribing practices by the Prescribing Support Unit. The Department, however, remains firmly committed to ensuring value for money from the pharmaceutical service and to that end fully supports and encourages the operations of the Prescribing Support Unit.

Following approval by the States, from 1 January 2004, the Department introduced a limited prescribing list, which limits the range of preparations that doctors may prescribe at the expense of the Fund and is considered a major step forward in ensuring the cost-effectiveness of the pharmaceutical scheme.

The year saw drugs expenditure increase by 6.8% (2003: 7.3%). The number of items prescribed during the year increased by 4.3% to 1.10m, a substantial increase albeit less pronounced than the previous year.

States of Guernsey – Guernsey Health Service Fund

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

Statement of activities and performance - continued Year ended 31 December 2004

Financial highlights - continued

Expenditure cover increased from 11.5 months to 11.9 months, with net assets of £27.25m (2003: £23.90m). With a reduced operating surplus resulting from a significant increase in benefit expenditure and a muted rise in contribution income, the strengthening of reserves is mainly attributable to an increase in unrealised capital profits of £0.78m due to the continuing recovery of world markets during the year.

Activities during 2004

In consequence of the review of the machinery of government in Guernsey, from 6 May 2004 all functions of the Guernsey Social Security Authority were transferred to the Social Security Department. The Social Security Department is constituted of a Minister and four ordinary members.

By agreement between the Guernsey Social Security Authority and the Primary Care Medical Practices, an independent review of medical consultation fees was commissioned and the findings were received in February 2004. The review recommended that the standard consultation fee of £33.50 (2003) should be increased to £35.50 from 1 March 2004 and increased by RPI for the calendar years 2005 and 2006.

In return for the doctors agreeing to the review being undertaken and also agreeing to apply the recommendations, the States approved an increase in the medical consultation grants from £8 to £12 for a consultation with a doctor and from £4 to £6 for a consultation with a nurse. It was also a condition of the review that the fee scale applied to patients covered by supplementary benefit and other schemes administered by the Social Security Department would be priced at the same level as recommended by the review team for the whole community.

The Department was pleased that the review resulted in a three year period of stability on medical costs, which it believed to be in the interests of all parties, not least the patients.

2004 was the second full year of the new long-term contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group, for the provision of services under the specialist health insurance scheme. In accordance with the terms of the contract, the second year was the time by which all waiting times had to comply with the 8 week maximum. By early 2004 this was achieved.

Future activities

A new Prescribing Adviser was appointed in 2004, with the previous post-holder returning to the UK on expiry of his housing licence. The new postholder, having worked in local community pharmacies and in the hospital pharmacy, already has good contacts with most of the prescribing doctors and pharmacists. Future activity in the largest area of expenditure under the Health Service Fund, namely pharmaceuticals, will focus on reducing wastage. Initiatives will include a trial with repeat dispensing, so that patients try new prescriptions in small quantities. The Prescribing Advisor will also, with agreed co-operation with the doctors, undertake medicines review of individual patients to advise on the appropriateness of prescriptions and identify opportunities for more cost-effective prescribing.

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

Statement of activities and performance - continued
Year ended 31 December 2004

Future activities – continued

The number of specialists paid for under the contract with the Medical Specialist Group has reached the maximum number of 37, which cannot be exceeded without States Report and appropriate resolution of the States of Guernsey. As the Medical Specialist Group is known to be wishing to appoint more specialists, it is expected that service reviews will be undertaken in some, if not all specialties, in order to determine the adequacy and best apportionment of resources.

Statistics

Drugs and medicines

	Ordinary Prescriptions	Exempt prescriptions	Total prescriptions	Average basic cost (£)
Drugs and Medicines				
2004	515,965	577,427	1,093,392	11.49
2003	513,610	534,040	1,047,650	11.29
% Change	0.46%	8.12%	4.37%	1.77%
Appliances				
2004	892	3,662	4,554	54.30
2003	1,025	3,590	4,615	51.26
% Change	(12.98)%	2.01%	(1.32)%	5.93%

Specialist Health Insurance Scheme

	MSG	
	Inpatient and day case episodes	Outpatient consultations
2004	12,804	44,183
2003	13,144	40,958
% increase	(2.59)%	7.87%

States of Guernsey – Guernsey Health Service Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2004

Statistics - continued

Consultation grants

	L'Aumone	Queens Road	Healthcare	Island Sports Medicine and Rehabilitation Centre	Miscellaneous Guernsey	Alderney	TOTAL
2004							
Doctor	70,558	71,200	78,662	21	2	12,088	232,531
Nurse	20,882	20,082	28,119	-	31	704	69,818
Total 2004	91,440	91,282	106,781	21	33	12,792	302,349
2003							
Doctor	71,538	72,191	78,699	141	76	12,121	234,766
Nurse	20,501	20,220	27,914	-	-	184	68,819
Total 2003	92,039	92,411	106,613	141	76	12,305	303,585
% (decrease)/ increase	(0.65)%	(1.22)%	0.16%	(85.11)%	(56.58)%	3.96%	(0.41)%

Contribution rates

	2004	2003	2002	2001	2000
Employers	1.4%	1.4%	1.3%	1.3%	1.3%
Employed					
Full rate	1.4%	1.4%	1.3%	1.3%	1.3%
Reduced rate	-	1.4%	1.3%	1.3%	1.3%

Self-employed	2.8%	2.8%	2.6%	2.6%	2.6%
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Non-employed					
Full rate	2.8%	2.8%	2.6%	2.6%	2.6%
Over 65s	1.2%	1.2%	1.0%	1.0%	1.0%

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

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

Statement of activities and performance – continued
Year ended 31 December 2004

Statistics - continued

Five-year performance

	2004 £	2003 £	2002 £	2001 £	2000 £
Drugs and medicines	13,599,307	12,725,944	11,858,910	11,159,940	10,290,216
% annual increase	6.9%	7.3%	6.3%	8.5%	4.3%
Income	29,215,520	27,619,661	23,782,886	22,229,015	20,522,209
Expenditure	27,431,214	24,971,938	21,549,288	20,736,658	19,521,991
Operating surplus	1,784,306	2,647,723	2,233,598	1,492,357	1,000,218
Investment income	779,065	673,286	603,603	595,650	592,242
Investments					
Cash invested	6,551,162	5,510,530	4,985,206	4,814,338	3,430,907
Listed investments and accrued income	13,638,662	9,635,591	8,441,388	7,151,275	7,940,328
	20,189,824	15,146,121	13,426,594	11,965,613	11,371,235
Expenditure cover					
Reserves	27,247,874	23,900,374	20,042,605	17,909,412	16,398,943
Expenditure	27,431,214	24,971,938	21,549,288	20,736,658	19,521,991
Number of months cover	11.9	11.5	11.2	10.4	10.1

States of Guernsey – Guernsey Health Service Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2004

Principal officers

Social Security Department	(Elected May 2004)
Minister	Deputy Mary Lowe
Deputy Minister	Deputy Daniel Le Cheminant
Members	Deputy Diane Lewis Deputy Geoff Mahy Deputy Scott Ogier
Administrator	Malcolm Nutley

Guernsey Social Security Authority (ceased office May 2004)

President	Deputy Owen Le Tissier
Vice President	Deputy Andrew Sauvarin
Members	Deputy Daniel Le Cheminant Deputy Mary Lowe Deputy Pat Robilliard John Guilbert Roy Le Prevost
Administrator	Malcolm Nutley

States of Guernsey – Guernsey Health Service Fund

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

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Guernsey Health Service Fund and of the income and expenditure of the Guernsey Health Service Fund for that period. In preparing those financial statements, the Department is required to:

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

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

Statement of internal financial controls

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

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

The Department’s internal financial procedures include:

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the Social Security Department

We have audited the financial statements of Guernsey Health Service Fund for the year ended 31 December 2004 which comprise the fund account, the balance sheet and the related notes 1 to 10.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities, the Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the disposition of the net assets of the Guernsey Health Service Fund as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

20 April 2005

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

Fund account

for the year ended 31 December 2004

			2004		2003
	Note	£	£	£	£
Income					
Contributions allocated	1	20,868,228		19,728,329	
States grant	1	<u>8,347,292</u>		<u>7,891,332</u>	
			29,215,520		27,619,661
Expenditure					
Drugs and medicines	2	13,599,307		12,725,944	
Specialist Health Insurance Scheme	3	10,035,798		9,407,240	
Consultation grants		3,041,414		2,156,429	
Administration	4	<u>754,695</u>		<u>682,325</u>	
			<u>27,431,214</u>		<u>24,971,938</u>
Operating surplus for the year			1,784,306		2,647,723
Investing activities					
Income from invested funds		770,246		667,047	
Investment management expenses and rebates		<u>8,819</u>		<u>6,239</u>	
		779,065		673,286	
Unrealised profit on investment portfolio		<u>784,129</u>		<u>536,760</u>	
			<u>1,563,194</u>		<u>1,210,046</u>
Net surplus in the fund during the year			3,347,500		3,857,769
Net assets of the fund at 1 January			<u>23,900,374</u>		<u>20,042,605</u>
Net assets of the fund at 31 December			£ <u>27,247,874</u>		£ <u>23,900,374</u>

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

Balance sheet
at 31 December 2004

	<i>Note</i>	2004	2003
		£	£
Fixed assets			
Investment portfolio	1 & 5	20,189,824	15,146,121
Current assets			
Debtors and prepayments	6	4,476,978	4,429,830
Balances with States Treasury		3,977,960	5,241,884
Cash at bank and in hand	7	<u>527,350</u>	<u>514,144</u>
		8,982,288	10,185,858
Creditors: amounts falling due within one year	8	<u>1,924,238</u>	<u>1,431,605</u>
Net current assets		<u>7,058,050</u>	<u>8,754,253</u>
Total net assets		£ <u>27,247,874</u>	£ <u>23,900,374</u>
Reserves		£ <u>27,247,874</u>	£ <u>23,900,374</u>

The financial statements were approved by the Social Security Department on 20 April 2005.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

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

Notes to the financial statements

1. Accounting policies

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

Accounting convention

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

Contributions allocated

Income to the Guernsey Health Service Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February in the following year in respect of the financial year ended 31 December 2004 and amounts received relating to prior financial periods not accounted for in those periods.

States grant

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

Guernsey Health Service Fund

No account is taken of future benefit entitlements.

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

Investment portfolio

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

Investment income

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

Other investment income is accounted for on a receivable basis.

States of Guernsey – Guernsey Health Service Fund

Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

1. Accounting policies - continued

Benefits payable

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

Pension costs

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

2. Drugs and medicines

	2004 £	2003 £
Drugs and medicines	14,285,853	13,369,878
Appliances	305,576	288,768
Oxygen service	<u>181,135</u>	<u>187,146</u>
	14,772,564	13,845,792
Prescription charges receivable	(1,160,957)	(1,109,300)
Health and Social Security Department- reciprocal Treatment	<u>(12,300)</u>	<u>(10,548)</u>
	£ 13,599,307	£ 12,725,944

3. Specialist Health Insurance Scheme

	2004 £	2003 £
Specialist medical benefit	8,952,982	8,390,486
Physiotherapy benefit	1,121,781	1,038,986
Alderney hospital benefit	48,551	47,000
Health and Social Security Department recoveries	<u>(87,516)</u>	<u>(69,232)</u>
	£ 10,035,798	£ 9,407,240

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

Notes to the financial statements - continued

3. Specialist Health Insurance Scheme - continued

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

The contract with the Medical Specialist Group, which includes ophthalmology, is based on a per-Consultant contracted price basis of £231,818. This fee is adjusted annually commencing on 1 January 2003 and on 1 January of each successive year to take account of any increase or decrease in the Guernsey RPI. The contract price for 2004 is £248,807 (2003: £240,859).

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

The contract for Alderney hospital benefit is based on a contract price of £47,000. This fee is adjusted annually commencing on 1 January 2004 and on 1 January of each successive year to take account of any increase or decrease in the Guernsey RPI. The contract price for 2004 is £48,551.

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

4. Administration

	2004 £	2003 £
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	223,442	211,420
Computer expenses	131,040	92,347
Property expenses and sundries	<u>42,432</u>	<u>34,948</u>
	396,914	338,715
Health and Social Security Department charges	121,254	141,107
Prescription pricing fees	154,664	148,655
Administration expenses	60,640	50,348
Legal and professional fees	15,623	-
Audit fee	3,100	3,500
Auditors' fees for other services	<u>2,500</u>	<u>-</u>
	£ 754,695	£ 682,325

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

Notes to the financial statements – continued

5. Investment portfolio

	2004		2003	
	£	£	£	£
United Kingdom fixed interest	7,113,532		5,046,111	
United Kingdom equities	<u>6,524,954</u>	13,638,486	<u>4,580,337</u>	9,626,448
Cash balances with States Treasury	6,507,247		5,470,133	
Cash balances	<u>43,915</u>	6,551,162	<u>40,397</u>	5,510,530
Accrued income		<u>176</u>		<u>9,143</u>
		£ 20,189,824		£ 15,146,121

6. Debtors and prepayments

	2004	2003
	£	£
Contributions due from Guernsey Insurance Fund	4,476,978	4,428,330
Benefits prepaid	<u>-</u>	<u>1,500</u>
	£ 4,476,978	£ 4,429,830

7. Cash at bank and in hand

	2004	2003
	£	£
Current account	22,947	10,881
Call account	<u>504,403</u>	<u>503,263</u>
	£ 527,350	£ 514,144

8. Creditors: amounts falling due within one year

	2004	2003
	£	£
States grant	382,709	163,668
Other creditors and accruals	15,830	51,691
Guernsey Insurance Fund recharges payable	<u>1,525,699</u>	<u>1,216,246</u>
	£ 1,924,238	£ 1,431,605

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

Notes to the financial statements - continued

9. Related party transactions

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2003: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2004 and 2003 is due to transactions with other States entities, except as disclosed in notes 1, 4, 5, 6 and 8.

10. Statement of control

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

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

**Statement of activities and performance
Year ended 31 December 2004**

Financial highlights

In the first full year of operations the Long-term Care Insurance Fund recorded an operating surplus of £4.04m (2003: £6.00m) with additional income from invested funds of £0.14m (2003: £0.09m).

Contribution income increased by 8.4% to £11.06m (2003: £10.20m), enhanced by the introduction of gender quality reforms at the start of 2004. The reforms abolished the reduced percentage rate contributions available to married women, all contributors paying at the full percentage rate applicable to their classification.

Overall benefit expenditure increased by 54.6% to £8.24m (2003: £5.33m). The significant rise was due to the fact that, in 2003, benefits were not paid until 7 April using the first quarter contribution returns as working capital.

Expenditure cover stands at 1.3 years with net assets of £10.88m (2003: £6.08m). The strengthening of reserves is attributable to the strong operating surplus for the year, together with an increase in unrealised capital profits of £0.61m due to the continuing recovery of world markets during the year.

Activities during 2004

In consequence of the review of the machinery of government in Guernsey, from 6 May 2004 all functions of the Guernsey Social Security Authority were transferred to the Social Security Department. The Social Security Department is constituted of a Minister and four ordinary members.

Future developments

The Department will determine an investment strategy for the Long-term Care Insurance Fund in the first half of 2005.

The administration of the Long-term Care Insurance Scheme is currently centred on a stand-alone system as it was needed at a stage when work on migrating all other systems from the mainframe had commenced. Long-term Care will be integrated with all other benefits in the new client-server based platform, due for completion in 2005.

States of Guernsey – Long-term Care Insurance Fund

Controlled and managed by the
Social Security Department

Statement of activities and performance - continued
Year ended 31 December 2004

Statistics

Benefits	No. of claimants as at 31.12.04	No. of claimants as at 31.12.03
Residential grant – permanent	301	305
Residential grant – respite care	2	1
Nursing grant – permanent	126	111
Nursing grant – respite care	1	1
Total	430	418

Contribution rates

	2004	2003
Employers	-	-
Employed		
Full rate	1.4%	1.4%
Reduced rate	-	1.4%
Self-employed	1.4%	1.4%
Non-employed	1.4%	1.4%

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

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

Statement of activities and performance - continued
Year ended 31 December 2004

Principal officers

Social Security Department (Elected May 2004)

Minister Deputy Mary Lowe

Deputy Minister Deputy Daniel Le Cheminant

Members Deputy Diane Lewis
Deputy Geoff Mahy
Deputy Scott Ogier

Administrator Malcolm Nutley

Guernsey Social Security Authority (ceased office May 2004)

President Deputy Owen Le Tissier

Vice President Deputy Andrew Sauvarin

Members Deputy Daniel Le Cheminant
Deputy Mary Lowe
Deputy Pat Robilliard
John Guilbert
Roy Le Prevost

Administrator Malcolm Nutley

States of Guernsey – Long-term Care Insurance Fund

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

Statement of responsibilities for the preparation of financial statements

The Social Security Department (“the Department”) is required to prepare financial statements for each financial year which give a true and fair view of the disposition of the net assets of the Long-term Care Insurance Fund and of the income and expenditure of the Long-term Care Insurance Fund for that period. In preparing those financial statements, the Department is required to:

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

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

Statement of internal financial controls

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

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

The Department’s internal financial procedures include:

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the Social Security Department

We have audited the financial statements of the Long-term Care Insurance Fund for the year ended 31 December 2004 which comprise the fund account, the balance sheet and the related notes 1 to 8.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities, the Department is responsible for preparing the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibilities, as independent auditors, are established in Guernsey by law, the UK Auditing Practices Board and by our profession's ethical guidelines.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the disposition of the net assets of the Long-term Care Insurance Fund as at 31 December 2004 and of its surplus for the year then ended and have been properly prepared in accordance with its accounting policies.

KPMG Channel Islands Limited

Chartered Accountants

20 April 2005

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

Fund account

for the year ended 31 December 2004

	Note	£	2004 £	£	2003 £
Income					
Contributions allocated	1	11,060,921		10,203,944	
States grant	1	<u>1,327,311</u>		<u>1,224,473</u>	
			12,388,232		11,428,417
Expenditure					
Benefits payable	1,2	8,238,356		5,327,110	
Administration expenses	3	<u>108,301</u>		<u>105,805</u>	
			<u>8,346,657</u>		<u>5,432,915</u>
Operating surplus for the year			4,041,575		5,995,502
Investing activities					
Income from invested funds		142,637		87,797	
Movement in unrealised gain/(loss) on investment		<u>612,227</u>		<u>(1,747)</u>	
			<u>754,864</u>		<u>86,050</u>
Net surplus in the fund during the year			4,796,439		6,081,552
Net assets of the fund at 1 January			<u>6,081,552</u>		-
Net assets of the fund at 31 December			£ <u>10,877,991</u>		£ <u>6,081,552</u>

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

Balance sheet
at 31 December 2004

			2004		2003
	<i>Note</i>	£	£	£	£
Fixed assets					
Investment portfolio	4		5,610,481		1,748,253
Current assets					
Debtors and prepayments	5	2,514,671		2,103,944	
Balances with States Treasury		<u>5,875,398</u>		<u>2,397,838</u>	
		8,390,069		4,501,782	
Creditors: amounts falling due within one year	6	<u>(3,122,559)</u>		<u>(168,483)</u>	
Net current assets			<u>5,267,510</u>		<u>4,333,299</u>
Total net assets			£ <u>10,877,991</u>		£ <u>6,081,552</u>
Reserves			£ <u>10,877,991</u>		£ <u>6,081,552</u>

The financial statements were approved by the Social Security Department on 20 April 2005.

Signed on behalf of the Department

Mary Lowe
Minister

M Nutley
Administrator

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

Notes to the financial statements

1. Accounting policies

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

Accounting convention

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

Contributions allocated

Income to the Long-term Care Insurance Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February in the following year in respect of the financial year ended 31 December 2004. The collection of contributions relating to the Long-term Care Insurance Fund commenced 1 January 2003.

States grant

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

Long-term Care Insurance Fund

No account is taken of future benefit entitlements.

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

Benefits payable

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

Pension costs

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

Investments

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

Investment income

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

Other investment income is accounted for on a receivable basis.

States of Guernsey – Long-term Care Insurance Fund

Controlled and managed by the
Social Security Department

Notes to the financial statements - continued

2. Benefits payable

	2004		2003	
	£	£	£	£
Residential home care benefit				
Permanent	4,496,722		2,958,814	
Respite care	<u>95,180</u>		<u>62,455</u>	
		4,591,902		3,021,269
Nursing home care benefit				
Permanent	3,525,821		2,247,309	
Respite care	<u>120,633</u>		<u>58,532</u>	
		<u>3,646,454</u>		<u>2,305,841</u>
		<u>£ 8,238,356</u>		<u>£ 5,327,110</u>

During 2003, benefit was only paid for three quarters of the year commencing on 4 April 2003.

3. Administration expenses

	2004	2003
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	83,948	79,570
Computer expenses	8,736	5,920
Property expenses and sundries	<u>6,814</u>	<u>3,351</u>
	99,498	88,841
Administration expenses	5,703	13,464
Audit fee	<u>3,100</u>	<u>3,500</u>
	<u>£ 108,301</u>	<u>£ 105,805</u>

4. Investment portfolio

	2004	2003
	£	£
UK Unit Trusts – Legal & General UK Index Trust – Accumulation Units	<u>£ 5,610,481</u>	<u>£ 1,748,253</u>

5. Debtors and prepayments

	2004	2003
	£	£
Share of contributions due from Guernsey Insurance Fund	<u>£ 2,514,671</u>	<u>£ 2,103,944</u>

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

Notes to the financial statements - continued

6. Creditors: amounts falling due within one year

	2004 £	2003 £
Other creditors and accruals	1,595	3,500
Guernsey Insurance Fund recharges payable	3,088,275	101,456
States grant	<u>32,689</u>	<u>63,527</u>
	£ <u>3,122,559</u>	£ <u>168,483</u>

7. Related party transactions

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

Of the Department's annual income and expenditure, less than 20% of their respective value for 2004 and 2003 is due to transactions with other States entities, except as disclosed in notes 1, 3, 5 and 6.

8. Statement of control

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

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

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

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

Respective responsibilities of the Board of Governors and auditors

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

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

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

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the College's affairs as at 31 August 2004, and of its results for the year then ended.

BDO Guernsey Limited

CHARTERED ACCOUNTANTS
Elizabeth House
Guernsey

14 December 2004

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THE LADIES' COLLEGE - GUERNSEY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2004

	Note		2003
INCOME	2		
States grant		659,000	627,334
States contribution to staff superannuation		196,991	198,451
Fees receivable :			
- special place holders	512,560		477,300
- fee payers	1,414,636		1,292,892
		<hr/>	<hr/>
		1,927,196	1,770,192
Lunchtime supervision		8,307	8,182
Bank interest received		7,145	5,701
Student registration fees		6,625	(1,125)
Miscellaneous income		17,904	14,406
		<hr/>	<hr/>
		2,823,168	2,623,141
EXPENDITURE			
School expenditure		(2,789,310)	(2,629,732)
OPERATING SURPLUS/(DEFICIT)		<hr/>	<hr/>
FOR THE YEAR	2	£ 33,858	£ (6,591)
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

THE LADIES' COLLEGE - GUERNSEY

BALANCE SHEET

31 AUGUST 2004

	Note		2003
CURRENT ASSETS			
Stock of uniforms and student equipment		21,008	21,086
Debtors	3	13,698	23,425
Bank balances		443,367	290,980
Cash in hand		80	4
		<hr/>	<hr/>
		478,153	335,495
CURRENT LIABILITIES			
Creditors	4	68,947	59,143
Fees re Autumn Term received in advance		98,996	-
		<hr/>	<hr/>
		(167,943)	(59,143)
		<hr/>	<hr/>
NET CURRENT ASSETS		£ 310,210	£ 276,352
		<hr/>	<hr/>
REPRESENTED BY:-			
CAPITAL ACCOUNT			
At 1 September 2003		276,352	282,943
Operating surplus/(deficit) for the year		33,858	(6,591)
		<hr/>	<hr/>
At 31 August 2004		£ 310,210	£ 276,352
		<hr/>	<hr/>

WILLIAM M BELL

Chairman of the Board of Governors

14 DECEMBER 2004

Date

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

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2004

1. ACCOUNTING POLICIES

(a) CONVENTION

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

(b) CAPITAL EXPENDITURE

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

(c) BANK INTEREST AND INVESTMENT INCOME

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

(d) STOCK

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

2. INCOME AND OPERATING SURPLUS FOR THE YEAR

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

3. DEBTORS

2003

Fees receivable	9,195	3,038
Other debtors	4,503	4,467
Prepayment – building works	-	15,920
	<hr/>	<hr/>
	£ 13,698	£ 23,425
	<hr/>	<hr/>

4. CREDITORS

School and administrative expenses	£ 68,947	£ 59,143
	<hr/>	<hr/>

5. CONTROLLING PARTIES

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

6. RELATED PARTY TRANSACTIONS

There were no material related party transactions.

THE LADIES' COLLEGE – GUERNSEY**DETAILED INCOME AND EXPENDITURE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2004**

	Upper <u>School</u>	Lower <u>School</u>	<u>Total</u>	2003 <u>Total</u>
INCOME				
States grant	659,000	-	659,000	627,334
States contribution to staff superannuation	160,190	36,801	196,991	198,451
Fees receivable	1,398,046	529,150	1,927,196	1,770,192
Lunchtime supervision	-	8,307	8,307	8,182
Student registration fees	6,625	-	6,625	(1,125)
Bank interest received	4,764	2,381	7,145	5,701
Miscellaneous income	17,904	-	17,904	14,406
	<hr/>	<hr/>	<hr/>	<hr/>
	2,246,529	576,639	2,823,168	2,623,141
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURE				
Teachers' salaries	1,415,673	329,955	1,745,628	1,639,542
Maintenance wages	91,370	34,003	125,373	122,941
Office and administration salaries	73,941	36,970	110,911	103,183
Staff superannuation	160,190	36,801	196,991	198,451
Books, stationery and other teaching materials	81,035	25,870	106,905	101,313
Laboratory expenditure	19,834	-	19,834	16,950
Examination fees	36,665	-	36,665	25,423
Sport and expedition expenditure	40,445	-	40,445	27,505
Staff training	5,849	-	5,849	11,236
Electricity, oil, gas, water and telephone	30,634	11,812	42,446	36,050
Rates, taxes and insurance	15,613	7,807	23,420	19,644
Routine maintenance of buildings and grounds	137,733	44,554	182,287	82,224
Routine maintenance of equipment	19,557	9,884	29,441	33,283
Fixed asset acquisition costs	63,336	6,855	70,191	159,046
General administrative expenses	22,419	11,209	33,628	29,367
Staff recruitment and relocation	16,646	-	16,646	20,489
Audit fee	2,650	-	2,650	2,550
Bad debt	-	-	-	535
	<hr/>	<hr/>	<hr/>	<hr/>
	2,233,590	555,720	2,789,310	2,629,732
	<hr/>	<hr/>	<hr/>	<hr/>
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR	£ 12,939	£ 20,919	£ 33,858	£(6,591)
	<hr/>	<hr/>	<hr/>	<hr/>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Statement of activities and performance

Year ended 31 December 2004

Principal purpose

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

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

Financial summary

	2004 £'000	2003 £'000
Operating income		
Admission	-	39
Sports	753	638
Health and fitness	991	657
Entertainment	483	308
Trading areas	<u>476</u>	<u>371</u>
Total operating income	<u>2,703</u>	<u>2,013</u>
Total operating expenditure (excluding depreciation)	<u>3,553</u>	<u>3,171</u>
Operating deficit on ordinary activities (excluding depreciation)	<u>(850)</u>	<u>(1,158)</u>

Operational performance

In its first full calendar year since the completion of the redevelopment, the Centre improved its operating deficit by £308,000 (27%) compared with 2003. An increase in income of £690,000 was the key factor in this improvement.

Income from memberships accounted for most of the income rise, although Entertainment and Trading Areas also enjoyed large income increases in comparison with the previous two years, where operations had been disrupted by the redevelopment. Admission charges are no longer levied.

The number of Freedom and Choice members increased by 7% from 3,733 at the end of 2003 to 3,981 at the end of 2004.

Total expenditure increased by £382,000 (12%) in 2004. Much of this increase was directly attributable to the extra income generated in the year. Staff costs increased to a figure of £2,162,000 in 2004, an increase of £244,000 (12.7%). A combination of long-term sickness cover and improved staffing levels to cope with increased demand and increased opening times compared with the reduced operations of 2003 accounted for this increase.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Statement of activities and performance - continued

Year ended 31 December 2004

Other matters

The Health & Safety partnership with DC Leisure Management Limited has continued, with the Centre benefiting from DC Leisure's experience in this field.

The Centre did not experience any significant levels of staff turnover during the year and the reported sickness levels were of an acceptable level. There were however, as mentioned above, major cases of long-term sickness absence during the year.

Board members and principal officers

Board Members as at 31st December 2004 were:

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

Principal officers as at 31st December 2004 were:

D Chilton – Chief Officer
K Gallienne – Director of Leisure Services
P Le Sauvage – Director of Finance, Information Technology and Human Resources
C Thorburn – Estates Manager
S Herridge – Business Development Manager
A Collenette – Operations Manager
A Baudains – Technical Services Manager
P Weaver – Events Manager
G Merrien – Health & Fitness Manager
A Wilson – Trading Areas Manager
A Frankland – Swim School Manager
L Whittaker – Sales Manager
P Gallienne, E Darling & R Whitford – Duty Managers

In March 2005, the Centre was awarded Quest Accreditation for the third time running, achieving its best score yet of 78% and a high commendation, ranking the Centre equal fourth in the whole of the United Kingdom. Quest is a quality scheme supported by Sport England, with only around 500 facilities in the UK accredited out of a total of around 3,000.

The redeveloped Centre also received a commendation at the 2004 Civic Trust Awards.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Statement of responsibilities for the preparation of financial statements

The Culture and Leisure Department (“the 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 Centre and of the surplus or deficit of the Centre for that period. In preparing those financial statements, the Department is required to:

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

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

Statement of internal financial controls

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

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

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

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

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

We have audited the financial statements of the Centre for the year ended 31 December 2004 which comprise the revenue account, balance sheet, cash flow statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Department and auditors

As described in the statement of responsibilities for the preparation of the financial statements, the Department is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and UK auditing standards.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Centre's affairs as at 31 December 2004 and of its deficit for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

17 June 2005

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Revenue account
for the year ended 31 December 2004

		2004		2003	
		£	£	£	£
	Note				
Operating income	2		2,702,547		2,013,263
Operating expenses					
Direct costs	3	(2,100,643)		(1,906,690)	
Central services expenses	4	(1,451,693)		(1,264,843)	
Depreciation	1 & 5	<u>(494,498)</u>		<u>(443,814)</u>	
			<u>(4,046,834)</u>		<u>(3,615,347)</u>
Operating deficit on ordinary activities			<u>(1,344,287)</u>		<u>(1,602,084)</u>
Other income					
Net surplus on sale of fixed assets			-		3,830
Advertising and rentals			<u>16,251</u>		<u>-</u>
Deficit for the year	9		£ <u>(1,328,036)</u>		£ <u>(1,598,254)</u>

All material activities derive from continuing operations.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Balance sheet at 31 December 2004

	Notes	2004 £	2003 £
Tangible fixed assets	<i>1 & 5</i>	<u>12,772,081</u>	<u>12,604,745</u>
Current assets			
Stocks	<i>1 & 6</i>	30,912	25,506
Debtors and prepayments	<i>7</i>	126,476	146,311
Cash at bank and in hand		<u>6,578</u>	<u>6,578</u>
		<u>163,966</u>	<u>178,395</u>
Creditors: amounts falling due within one year	<i>8</i>	<u>(226,379)</u>	<u>(647,954)</u>
Net current liabilities		<u>(62,413)</u>	<u>(469,559)</u>
Total net assets		£ <u>12,709,668</u>	£ <u>12,135,186</u>
Reserves	<i>9</i>	£ <u>12,709,668</u>	£ <u>12,135,186</u>

These financial statements were approved by the Culture and Leisure Department on 8 June 2005.

Signed on behalf of the Members

P Sirett
Minister

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Cash flow statement for the year ended 31 December 2004

	Notes	£	2004 £	£	2003 £
Net cash outflow from operating activities	10		(1,240,684)		(758,584)
Capital expenditure					
Purchase of tangible fixed assets		(661,834)		(3,570,872)	
Disposal of tangible fixed assets		<u>-</u>		<u>2,193</u>	
Net cash outflow from investing activities			<u>(661,834)</u>		<u>(3,568,679)</u>
Net cash outflow before financing			(1,902,518)		(4,327,263)
Financing					
Capital funding			526,013		3,460,565
Revenue funding			<u>969,708</u>		<u>1,266,197</u>
Movement in reserves			£ <u>406,797</u>		£ <u>399,499</u>

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements *year ended 31 December 2004*

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

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

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

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

Sports equipment

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

Funding

On 30 November 2000 (Billet d’Etat XXIII) the States resolved that funding for the Beau Sejour Centre should be included within a single overall General Revenue budget heading for the Recreation Committee, (now the Culture and Leisure Department) with effect from 2001. The effect of the revision to the funding arrangements is shown in note 9 of the financial statements.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2004

1. Accounting policies - continued

Pension costs

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

2. Operating income

	2004 £	2003 £
Admission charges	-	39,103
Sports	752,973	637,667
Health and fitness	990,888	657,080
Entertainment	482,999	308,400
Trading areas	<u>475,687</u>	<u>371,013</u>
	£ 2,702,547	£ 2,013,263

3. Direct costs

	2004 £	2003 £
Sports		
Salaries, wages and superannuation	792,726	720,857
Maintenance and general expenses	<u>60,414</u>	<u>126,765</u>
	<u>853,140</u>	<u>847,622</u>
Health and fitness		
Salaries, wages and superannuation	254,357	235,231
Maintenance and general expenses	<u>75,561</u>	<u>43,846</u>
	<u>329,918</u>	<u>279,077</u>
Entertainment		
Salaries, wages and superannuation	219,625	230,645
Theatre and concerts	217,871	118,669
Maintenance and general expenses	<u>21,157</u>	<u>22,309</u>
	<u>458,653</u>	<u>371,623</u>
Trading areas		
Cost of sales – bar, catering and shop	235,661	196,337
Salaries, wages and superannuation	186,378	159,290
Maintenance and general expenses	<u>36,893</u>	<u>52,741</u>
	<u>458,932</u>	<u>408,368</u>
	£ 2,100,643	£ 1,906,690

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2004

4. Central services expenses

	2004 £	2003 £
Business development		
Salaries, wages and superannuation	105,013	84,663
Advertising and general expenses	<u>66,807</u>	<u>74,362</u>
	<u>171,820</u>	<u>159,025</u>
Repairs and maintenance		
Salaries, wages and superannuation	394,803	365,972
Reapportioned wages	-	(83,607)
Fuel, light and power	233,371	209,303
General expenses	<u>178,226</u>	<u>203,792</u>
	<u>806,400</u>	<u>695,460</u>
Finance, administration and information technology		
Salaries, wages and superannuation	209,404	205,042
Insurance	48,189	48,361
Rates	21,140	22,711
Postage, printing, telephone and stationery	46,931	36,596
Training, travel and entertainment	10,583	13,722
Computer charges	45,438	36,392
Consultancy charges	150	7,522
Audit fee	5,908	18,979
General expenses	37,490	21,033
Bad debts	<u>48,240</u>	<u>-</u>
	<u>473,473</u>	<u>410,358</u>
	£ 1,451,693	£ 1,264,843

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2004

5. Tangible fixed assets

	1 January 2004 £	Additions £	Disposals £	31 December 2004 £
<i>Cost</i>				
Freehold land and buildings	13,462,240	471,346	-	13,933,586
Plant and equipment	1,802,728	32,693	-	1,835,421
Furniture, fixtures and fittings	1,219,086	47,068	-	1,266,154
Office equipment	467,566	8,638	-	476,204
Catering equipment	173,459	7,831	-	181,290
Weight training equipment	294,601	-	-	294,601
Outdoor facilities	2,502	-	-	2,502
Water flumes	359,068	-	-	359,068
Soft play equipment	26,976	-	-	26,976
Sports equipment	131,642	-	-	131,642
Maintenance equipment	<u>42,512</u>	<u>94,258</u>	<u>-</u>	<u>136,770</u>
	£ <u>17,982,380</u>	£ <u>661,834</u>	£ <u>-</u>	£ <u>18,644,214</u>
<i>Depreciation</i>				
Freehold land and buildings	1,817,153	255,918	-	2,073,071
Plant and equipment	1,629,571	39,357	-	1,668,928
Furniture, fixtures and fittings	1,003,169	37,424	-	1,040,593
Office equipment	339,974	40,325	-	380,299
Catering equipment	143,174	6,707	-	149,881
Weight training equipment	126,811	70,453	-	197,264
Outdoor facilities	2,501	-	-	2,501
Water flumes	200,306	14,363	-	214,669
Soft play equipment	26,976	-	-	26,976
Sports equipment	84,258	25,800	-	110,058
Maintenance equipment	<u>3,742</u>	<u>4,151</u>	<u>-</u>	<u>7,893</u>
	<u>5,377,635</u>	<u>494,498</u>	<u>-</u>	<u>5,872,133</u>
Net book value	£ <u>12,604,745</u>			£ <u>12,772,081</u>

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2004

6. Stocks

	2004 £	2003 £
Consumables	26,872	18,719
Goods for resale	<u>4,040</u>	<u>6,787</u>
	£ 30,912	£ 25,506

7. Debtors and prepayments

	2004 £	2003 £
Trade debtors	116,624	123,336
Other debtors and prepayments	<u>9,852</u>	<u>22,975</u>
	£ 126,476	£ 146,311

8. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	2,170	-
Accruals	59,172	499,373
Deferred income	<u>165,037</u>	<u>148,581</u>
	£ 226,379	£ 647,954

9. Reserves

	General reserve £	Revenue Account £	Total £
Balance 1 January 2004	14,805,640	(2,670,454)	12,135,186
Capital funding	526,013	-	526,013
Deficit for year	-	(1,328,036)	(1,328,036)
Revenue funding	-	969,708	969,708
Non-cash movements	<u>-</u>	<u>406,797</u>	<u>406,797</u>
Balance 31 December 2004	<u>15,331,653</u>	<u>(2,621,985)</u>	<u>12,709,668</u>

The general reserve is required to fund the asset base of the Centre.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2004

10. Cash flow statement

*Reconciliation of operating deficit to net cash
Inflow/(outflow) from operating activities*

	2004 £	2003 £
Operating deficit	(1,328,036)	(1,602,084)
Depreciation charge	494,498	443,814
(Increase)/decrease in stocks	(5,406)	25,742
Decrease/(increase) in debtors	19,835	(2,866)
(Decrease)/increase in creditors	<u>(421,575)</u>	<u>376,810</u>
Net cash outflow from operating activities	£ <u>(1,240,684)</u>	£ <u>(758,584)</u>

11. Pension Fund

The employees of Beau Sejour Centre are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employers and employees at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected costs of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2001 indicated that a surplus existed. On 1 January 2003 the contribution rate to the Fund was increased from 6.25% to 7.35%. Employees contribute at a rate of 6%. The surplus is being amortised over the expected service lives of all the employees within the scheme.

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 total amount of the Committee's superannuation contributions for the year ended 31 December 2004 was £82,558 (2003: £83,077), which were all paid during the year. At 31 December 2004, there were no outstanding contributions due (2003: £nil).

Whilst the States of Guernsey Culture and Leisure Department continues to account for its defined benefit pension obligations under Statement of Standard Accounting Practice 24 "Accounting for Pension Costs", the following additional information has been provided to satisfy the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits". As the scheme is a multi employer arrangement, the Authority is unable to identify its share of underlying assets and liabilities of the scheme or the implication of the surplus on the Board, as required by Financial Reporting Standard 17.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued

year ended 31 December 2004

12. Related party transactions

The Department are of the opinion that there have been no related party transactions in the current or preceding financial years.

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

13. Statement of control

The Beau Sejour Centre is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the Beau Sejour Centre has been delegated to the members of the Culture and Leisure Department, who have been appointed by the States of Guernsey.

14. Funding

The States of Guernsey, through the budgetary arrangements agreed with the Culture and Leisure Department, have undertaken to provide sufficient financial support to enable the Centre to operate on a going concern basis for the foreseeable future.

Royal Court Fund

Statement of responsibilities for the preparation of financial statements

The States Treasurer is responsible for the preparation of an income and expenditure account for each financial year which fairly summarise the transactions made during the year and for selecting suitable accounting policies. In preparing that account the States Treasurer is expected to:

- apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent; and
- prepare the income and expenditure account on a going concern basis, unless it is inappropriate to do so.

The States Treasurer acknowledges responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Royal Court Fund.

It is the responsibility of the Royal Court Fund to identify and install a system of internal controls, including financial control, which is adequate for its own purposes. Thus the Royal Court Fund is responsible for safeguarding the assets in its care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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Independent auditors' report to the Bailiff and Jurats of the Royal Court- Royal Court Fund

We have audited the income and expenditure account and related note 1 which have been prepared under the accounting policies set out therein.

Respective responsibilities of the States Treasurer and auditors

As described in the statement of responsibilities for the annual accounts, the States Treasurer is responsible for the preparation of accounts for each financial year which fairly summarise the transactions made during that year and for selecting suitable accounting policies. Our responsibility, as independent auditors, are established the UK Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts fairly summarise the transactions made during that year and are prepared in accordance with the accounting policies set out in note 1. We also report if, in our opinion, the Royal Court Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts fairly summarise the transactions of the Royal Court Fund for the year ended 31 December 2004 and have been properly prepared in accordance with the accounting policies set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

20 June 2005

Royal Court Fund

Income and expenditure account for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Income			
Grant from States General Revenue Account		<u>10,000</u>	<u>10,000</u>
Expenditure			
Grants - Remembrance Day service		149	195
- Wreaths		80	130
Swearing in - Chief Pleas		-	79
Induction of new Dean		-	132
Court Attire		233	-
Sundries		374	258
Less surplus on sale of "The Charters of Guernsey" publication		<u>(142)</u>	<u>-</u>
		<u>694</u>	<u>794</u>
Surplus for the financial year, transferred to the States General Revenue Account		£ <u>9,306</u>	£ <u>9,206</u>

The income and expenditure account was approved on 20 June 2005 by:

DM Clark
States Treasurer

Royal Court Fund

Notes to the income and expenditure account *year ended 31 December 2004*

1. Accounting policy

Income and expenditure account

Income and expenditure are included on a cash basis.

STATES OF ALDERNEY

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

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

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

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 1987. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS REPORT TO THE POLICY AND FINANCE COMMITTEE

We have audited the financial statements of the States of Alderney for the year ended 31 December 2004 which comprise the revenue account, the capital account, the summary of balances and the related notes 1 to 5.

Respective responsibilities of the States Treasurer and the auditors

As described in the statement of responsibilities, the States Treasurer is responsible for the preparation of accounts for each financial year which fairly summarise the transactions made during that year and for selecting suitable accounting policies. Our responsibilities, as independent auditors, are established by the UK Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Treasurer has not kept proper accounting records, or if we have not yet received all the information and explanations we require for our audit.

Basis of Audit Opinion

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

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

Opinion

In our opinion the accounts fairly summarise the transactions made during the year ended 31 December 2004 and have been properly prepared in accordance with the accounting policies set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

31st March 2005

STATES OF ALDERNEY

SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
INCOME ON REVENUE ACCOUNT	£	£	£	£
Building and Development Control Committee	18,541	20,000	15,000	19,482
General Services Committee	321,967	315,400	313,950	273,908
Policy and Finance Committee	604,523	583,900	559,800	815,139
TOTAL INCOME ON REVENUE ACCOUNT	945,031	919,300	888,750	1,108,529
Net revenue cash allocation from States of Guernsey	1,317,783	1,438,000	1,335,000	1,010,124
	2,262,814	2,357,300	2,223,750	2,118,653

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
EXPENDITURE ON REVENUE ACCOUNT	£	£	£	£
Building and Development Control Committee	27,188	21,500	35,200	20,047
General Services Committee	1,414,782	1,480,200	1,454,300	1,350,829
Policy and Finance Committee	820,844	855,600	786,000	747,777
TOTAL EXPENDITURE ON REVENUE ACCOUNT	2,262,814	2,357,300	2,275,500	2,118,653
Use of Accumulated Unspent Balances	-	-	(51,750)	-
	2,262,814	2,357,300	2,223,750	2,118,653

BUILDING AND DEVELOPMENT CONTROL COMMITTEE

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Planning fees	18,541	20,000	15,000	19,482
TOTAL REVENUE INCOME	18,541	20,000	15,000	19,482

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Administration				
Staff, supplies and services	12,864	16,500	30,200	16,713
Planning inquiry	12,289	1,000	-	-
Planning records system	2,035	4,000	5,000	3,334
TOTAL REVENUE EXPENDITURE	27,188	21,500	35,200	20,047

GENERAL SERVICES COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Agriculture								
Fees and charges	1,932		1,500		1,100		1,630	
Rents	3,683		4,000		4,000		3,078	
Slaughterhouse fees	3,262		3,000		1,500		3,903	
		8,877		8,500		6,600		8,611
Gardens, Cemeteries and Church								
Burial plots		921		800		800		551
Public Services								
Administration								
Hire vehicle fees	2,640		2,800		2,850		2,707	
Vehicle Import Licence Fees	25,925		25,000		-		-	
		28,565		27,800		2,850		2,707
Properties - General								
Rent	29,791		20,000		30,000		17,793	
Properties - Housing								
Rent	242,253		240,000		240,000		227,727	
Sewage, Sanitation and Refuse								
Cesspit emptying fees	6,687		7,000		8,500		6,229	
Refuse charges	-		7,000		20,000		-	
		6,687		14,000		28,500		6,229
		307,296		301,800		301,350		254,456
Recreation								
Campsite								
Campsite fees (net)	4,565		4,000		3,000		3,848	
Rent of showers/shop	100		100		200		100	
		4,665		4,100		3,200		3,948
Island Hall								
Island Hall rents	208		200		2,000		6,342	
		4,873		4,300		5,200		10,290
TOTAL REVENUE INCOME		321,967		315,400		313,950		273,908

GENERAL SERVICES COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Alderney Harbour trading loss (Note 5)		51,937		51,600		33,200		56,931
Agriculture								
Staff	96,009		95,300		85,500		67,111	
Supplies and services	18,774		16,000		16,000		23,626	
Bovine Spongiform Encephalopathy - Compensation	900		3,000		3,000		2,400	
Disposal costs	-		1,000		1,500		575	
Dairy and land management compensation	59,058		65,000		65,000		62,443	
Foot and mouth insurance	967		1,000		850		804	
Slaughterhouse	7,677		8,000		3,000		791	
Veterinary services	3,050		3,500		1,200		2,489	
		186,435		192,800		176,050		160,239
Civil Emergency								
Premises	1,343		2,000		3,200		1,130	
Supplies and services	8,153		3,000		4,200		2,045	
Environmental monitoring	17,676		15,000		14,750		15,149	
Responses to major incidences	(21,500)		2,500		2,500		978	
		5,672		22,500		24,650		19,302
Fieldwork Scheme								
Staff	7,536		7,500		10,000		5,158	
Supplies and services	397		500		1,000		72	
		7,933		8,000		11,000		5,230
Gardens, Cemeteries and Church								
Staff	23,330		25,900		19,000		19,425	
Supplies and services	4,709		2,500		2,000		2,959	
	28,039		28,400		21,000		22,384	
<i>Less recoveries</i>	<i>(2,147)</i>		<i>(1,200)</i>		<i>(1,200)</i>		<i>(946)</i>	
		25,892		27,200		19,800		21,438
Health and Welfare								
Administration								
Supplies and services	200		500		500		102	
Education and Health								
Grant to Alderney playschools	350		500		500		350	
Mignot Memorial Hospital - Insurance of buildings	-		-		1,300		1,234	
School bus subsidy	11,952		12,000		10,000		10,000	
Youth employment scheme	887		3,000		3,000		2,742	
	13,189		15,500		14,800		14,326	
Home Carers Service								
Staff	1,591		2,000		3,000		2,105	
<i>Less recoveries</i>	<i>(950)</i>		<i>(800)</i>		<i>(1,500)</i>		<i>(1,266)</i>	
	641		1,200		1,500		839	
Welfare Services								
Out-relief and welfare support	14,168		24,000		24,000		19,936	
	14,168		24,000		24,000		19,936	
<i>Less recoveries</i>	<i>(200)</i>		<i>(2,000)</i>		<i>(2,000)</i>		<i>(4,075)</i>	
	13,968		22,000		22,000		15,861	
		27,998		39,200		38,800		31,128

GENERAL SERVICES COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Public Services								
Administration								
Staff	91,964		93,700		83,000		79,415	
Supplies and services	17,014		13,000		15,400		11,287	
	108,978		106,700		98,400		90,702	
Fire Brigade and Cliff Rescue								
Staff	19,562		22,000		25,000		19,790	
Supplies and services	13,848		12,000		15,000		7,931	
Administration of Law	1,323		5,000		8,000		3,267	
	34,733		39,000		48,000		30,988	
Properties - General								
Staff	158,330		141,300		105,400		135,238	
Supplies and services	100,782		75,000		70,000		95,955	
	259,112		216,300		175,400		231,193	
Less recoveries	(49,841)		(15,000)		(15,000)		(37,995)	
	209,271		201,300		160,400		193,198	
Properties - Housing								
Staff	63,044		97,400		85,000		63,185	
Supplies and services	38,174		30,000		35,000		43,928	
	101,218		127,400		120,000		107,113	
Roads, Coasts and Beaches								
Staff	56,085		75,700		115,500		64,389	
Supplies and services	162,836		165,000		165,000		176,182	
	218,921		240,700		280,500		240,571	
Less recoveries	(379)		(5,000)		(6,500)		(561)	
	218,542		235,700		274,000		240,010	
Refuse Collection and Disposal								
Staff	128,360		107,900		132,500		103,103	
Supplies and services	27,888		72,000		24,600		40,460	
Refuse separation / recycling - staff	33,495		44,500		15,000		35,000	
Refuse separation / recycling - supplies and services	64,519		60,000		40,000		50,621	
BOS plant - leasing costs	-		-		67,000		-	
BOS plant - operating costs	-		-		48,000		-	
	254,262		284,400		327,100		229,184	
Less recoveries	(193)		(5,000)		(9,000)		-	
	254,069		279,400		318,100		229,184	
Sewage and Sanitation								
Staff	74,844		59,900		32,500		43,884	
Supplies and services	38,526		26,000		17,000		23,448	
	113,370		85,900		49,500		67,332	
Less recoveries	(1,892)		(4,000)		(1,000)		(4,025)	
	111,478		81,900		48,500		63,307	
Vehicle Fleet								
Staff	15,967		11,800		16,000		18,731	
Supplies and services	19,432		22,000		25,000		22,823	
	35,399		33,800		41,000		41,554	
Less recoveries	(2,880)		(3,500)		(3,500)		(3,911)	
	32,519		30,300		37,500		37,643	
	1,070,808		1,101,700		1,104,900		992,145	

GENERAL SERVICES COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Recreation								
Administration								
Grants - sporting and cultural activities	849		3,100		3,100		1,383	
Official entertainments and presentations	8,324		7,500		5,500		8,884	
	<u>9,173</u>		<u>10,600</u>		<u>8,600</u>		<u>10,267</u>	
Camp Site								
Camp site expenses	4,581		3,500		3,000		9,165	
	<u>4,581</u>		<u>3,500</u>		<u>3,000</u>		<u>9,165</u>	
Children's Playground								
Supplies and services	2,161		2,000		2,000		1,718	
	<u>2,161</u>		<u>2,000</u>		<u>2,000</u>		<u>1,718</u>	
Island Hall								
Premises	1,055		1,000		5,000		6,183	
Staff	971		1,300		6,500		16,892	
Supplies and services	2,930		1,000		3,000		2,577	
	<u>4,956</u>		<u>3,300</u>		<u>14,500</u>		<u>25,652</u>	
		20,871		19,400		28,100		46,802
Sea Fisheries								
Staff	14,700		14,700		14,700		14,200	
Supplies and services	2,536		3,100		3,100		3,414	
	<u>17,236</u>		<u>17,800</u>		<u>17,800</u>		<u>17,614</u>	
TOTAL REVENUE EXPENDITURE		1,414,782		1,480,200		1,454,300		1,350,829

POLICY AND FINANCE COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration								
Company registrations	19,750		15,000		15,500		13,357	
Court receipts	41,110		40,000		30,000		41,563	
Duty free concession	33,969		34,800		27,000		32,978	
Housing loan interest	800		1,000		1,500		1,009	
Interest receivable	29,404		25,000		18,000		24,752	
Numismatic revenues	158,301		125,000		80,000		115,611	
Occupiers rates	250,812		252,500		310,000		197,327	
Permits and licences	8,128		10,000		9,500		9,603	
Post Office - share of dividend	28,674		50,000		40,000		3,744	
Rents	28,795		28,800		28,800		28,795	
Royalties and fees	3,431		3,500		3,500		3,049	
Sundry sales and charges	10,212		8,000		8,000		7,547	
Television tender payments	891		1,000		1,000		1,072	
	614,277		594,600		572,800		480,407	
Less transfer to currency reserve	(28,651)		(30,000)		(30,000)		(83,135)	
		585,626		564,600		542,800		397,272
Grants								
Lottery profits		1,573		1,600		1,500		1,706
Promotion and Marketing								
Accommodation permits	2,808		2,700		2,500		2,262	
Sale of advertising space	14,516		15,000		13,000		11,406	
		17,324		17,700		15,500		13,668
Property Transfer Duties								
Conge	-		-		-		365,156	
Leasehold duty	-		-		-		37,337	
								402,493
TOTAL REVENUE INCOME		604,523		583,900		559,800		815,139

POLICY AND FINANCE COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Administration								
Premises	12,297		14,000		14,000		12,469	
Staff	424,437		449,300		401,700		378,578	
Supplies and services	83,044		90,000		90,000		72,849	
Audit fees and expenses	12,171		11,300		11,000		10,869	
Breakwater / harbour investigations	(1,280)		5,000		8,000		41,132	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	3,913		5,000		8,000		259	
Insurance	13,050		13,000		10,000		9,432	
Meteorological station	201		300		300		20	
States members expenses (Vote 2.10.96)	22,069		17,500		10,000		15,241	
Supplementary pensions	739		800		600		743	
Unforeseen expenditure	-		18,000		18,000		-	
	585,641		639,200		586,600		556,592	
Less recoveries	(13,209)		(13,000)		(13,000)		(12,538)	
		572,432		626,200		573,600		544,054
Administration of Justice								
Supplies and services		21,460		16,000		16,000		13,085
Grants								
Alderney Island Games Association	-		-		-		4,000	
Alderney Library (Vote 4.3.81)	3,000		3,000		1,000		1,000	
Alderney Week	3,990		4,000		2,400		3,895	
Alderney Wildlife Trust	12,000		12,000		12,000		15,000	
Minor grants	7,681		8,000		8,000		7,214	
St. John Ambulance Brigade (Vote 13.11.91)	23,000		23,000		10,000		10,000	
		49,671		50,000		33,400		41,109
Promotion and Marketing								
Administration								
Premises	6,877		6,000		5,500		3,685	
Staff	35,574		35,400		35,500		30,592	
Supplies and services	19,953		12,500		12,500		12,231	
	62,404		53,900		53,500		46,508	
Promotions								
Supplies and services	96,914		81,500		81,500		83,972	
Events services	5,588		10,000		10,000		3,574	
Promotion of local trade and industry	12,375		18,000		18,000		15,475	
	114,877		109,500		109,500		103,021	
		177,281		163,400		163,000		149,529
TOTAL REVENUE EXPENDITURE		820,844		855,600		786,000		747,777

STATES OF ALDERNEY CAPITAL ACCOUNT SUMMARY

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
INCOME ON CAPITAL ACCOUNT	£	£	£	£
General Services Committee	6,551	6,355	6,000	6,056
Policy and Finance Committee	821,746	367,470	273,630	16,034
TOTAL INCOME ON CAPITAL ACCOUNT	828,297	373,825	279,630	22,090
Excess of Expenditure over Income on Capital Account recovered from the States of Guernsey	132,871	871,251	3,455,370	957,064
	961,168	1,245,076	3,735,000	979,154

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
EXPENDITURE ON CAPITAL ACCOUNT	£	£	£	£
General Services Committee	942,743	1,227,574	3,735,000	967,382
Policy and Finance Committee	18,425	17,502	-	11,772
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	961,168	1,245,076	3,735,000	979,154

GENERAL SERVICES COMMITTEE

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Sale of vehicles	355	355	-	-
Sewerage Law contributions	6,196	6,000	6,000	6,056
TOTAL CAPITAL INCOME	6,551	6,355	6,000	6,056

GENERAL SERVICES COMMITTEE

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
Alderney Harbour capital expenditure	69,929	45,976	3,150,000	52,104
Health and Welfare				
Royal Connaught Nursing Home				
Lift - renovation (S of A 11.9.03, S of G 1.10.03)	21,818	30,280	-	9,720
Purchase and renovations (S of A 10.11.99, S of G 13.10.99)	8,783	8,784	-	-
Repairs and replacement windows (S of A 11.10.03, S of G 1.10.03)	60,407	61,901	-	99
Public Services				
Land and Property				
Airport - Acquisition and preparation of land (S of A 3.4.01, S of G 24.4.01)	250	4,440	-	-
Crusher site infrastructure (S of A 24.7.02, S of G 24.7.02)	2,580	9,289	-	40,257
Fire station relocation (S of A 23.4.03, S of G 25.3.03)	24,993	25,000	-	209,976
Island Hall repairs and conversion, Court repairs and sale of property (S of A 17.9.03, S of G 25.9.03)	601,306	650,000	470,000	186,982
Island Hall - Car park and railings etc (S of A 20.8.04, S of G 24.8.04)	-	50,000	-	-
St. Anne's Church roof - repairs	-	-	35,000	-
Court House tender documents (S of A 20.11.02, S of G 13.11.02)	1,928	3,000	-	9,000
Whitegates - repairs and renovation	-	125,000	-	-
Sewage, Sanitation and Refuse				
Impot Tip - Infrastructure Improvements (S of A 16.3.04, S of G 31.3.04)	29,568	40,000	-	-
Purchase of Air curtain Burner (S of A 19.12.03, S of G 17.12.03)	53,904	53,904	-	-
Sewer Investigations Mouriaux/Platte Saline	-	-	20,000	-
Waste Compacting and Transfer Equipment (S of A 15.9.04, S of G 20.7.04)	67,277	120,000	-	-
Vehicles and Plant				
Tractor/mower replacement	-	-	30,000	-
Vehicles - replacement	-	-	30,000	-
Per published accounts 2003	-	-	-	459,244
TOTAL CAPITAL EXPENDITURE	942,743	1,227,574	3,735,000	967,382

POLICY AND FINANCE COMMITTEE

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Transfer from Currency Reserve Fund		217,711		-		-		-
Loan repayments -								
Alderney Football Association		416		415		415		416
Alderney Snooker Club		3,321		3,215		3,215		2,143
Property Transfer Duties								
Congé	422,238		290,000		250,000		-	
Leasehold Duty	57,458		20,000		20,000		-	
Transfer Duty	3,840		3,840		-		-	
		483,536		313,840		270,000		-
Sale of freeholds - Le Banquage		116,762		50,000		-		13,475
TOTAL CAPITAL INCOME		821,746		367,470		273,630		16,034

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
Fort Tourgis - consultancy and marketing costs (S of A 17.4.02, S of G 25.6.02)		18,425		17,502		-		11,772
TOTAL CAPITAL EXPENDITURE		18,425		17,502		-		11,772

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR (Note 5)

	Accounts 2004		Probable Outturn 2004		Budget 2004		Accounts 2003	
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
INCOME								
Administration								
Facilities charges	41,958		38,500		35,000		33,900	
Sundries	6,225		6,000		6,000		5,811	
	48,183		44,500		41,000		39,711	
<i>Less concessions on charges</i>	(6,644)		(4,500)		(1,000)		(3,625)	
	41,539		40,000		40,000		36,086	
Crane dues	41,473		42,000		48,000		41,431	
Moorings and Navigation								
Fees	101,708		107,000		95,000		103,929	
Pilotage fees	25,929		27,000		25,000		27,383	
	127,637		134,000		120,000		131,312	
<i>Less pilots remuneration</i>	(7,446)		(7,500)		(7,500)		(7,353)	
<i>Less concessions on charges</i>	(3,938)		(5,000)		(5,000)		(5,325)	
	116,253		121,500		107,500		118,634	
Quays and Buildings rent	14,381		14,000		11,500		12,870	
TOTAL INCOME		213,646		217,500		207,000		209,021
EXPENDITURE								
Administration								
Staff	199,882		202,000		182,800		172,643	
Supplies and services	27,494		23,000		23,000		23,672	
Insurance	5,798		5,600		5,400		5,112	
Port Security expenses	378		2,000		-		-	
	233,552		232,600		211,200		201,427	
<i>Less recoveries</i>	(49,955)		(52,000)		(54,000)		(49,102)	
	183,597		180,600		157,200		152,325	
Cranes								
Staff	26,982		29,400		26,300		24,473	
Supplies and services	3,637		9,000		12,000		8,928	
	30,619		38,400		38,300		33,401	
<i>Less recoveries</i>	(4,198)		(3,900)		(3,500)		(3,846)	
	26,421		34,500		34,800		29,555	
Moorings and Navigation								
Supplies and services	33,414		30,000		25,000		30,842	
Wrecks and salvage	2,000		3,000		2,200		5,009	
	35,414		33,000		27,200		35,851	
Quays and Buildings								
Premises	20,151		21,000		21,000		48,221	
TOTAL EXPENDITURE		265,583		269,100		240,200		265,952
TRADING (LOSS) FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE		(£51,937)		(£51,600)		(£33,200)		(£56,931)

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR(Note 5)

	Accounts 2004	Probable Outturn 2004	Budget 2004	Accounts 2003
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Commercial Quay renovation	-	-	3,150,000	-
Commercial Quay renovation - survey costs (S of A 10.4.03, S of G 22.10.03)	46,884	18,087	-	31,913
Marine radio transceiver - upgrade (S of A 18.10.04, S of G 26.10.04)	5,451	5,000	-	-
Navigation lights (S of A 26.1.02, S of G 13.3.02)	2,462	2,209	-	1,548
New fisherman's shed (S of A 26.6.01, S of G 24.10.01)	-	680	-	643
Rigid Inflatable Boat - replacement (S of A 18.10.04, S of G 26.10.04)	6,544	-	-	-
Security Fencing (S of A 20.8.04, S of G 5.8.04)	8,588	20,000	-	-
Per published accounts 2003	-	-	-	18,000
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	£69,929	£45,976	£3,150,000	£52,104

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

- a. General revenue account receipts and payments arising in the month following the year end are brought into account in the accounting year to which they relate.
- b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

2 PENSION COSTS

The States provides pension arrangements for the majority of full time employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of actuaries. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Norwich Union. A full actuarial valuation of the scheme was carried out as at 1st January 2003.

In accordance with the transitional arrangements 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 31st December 2004. The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31st December 2004.

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

	Valuation at 31 December 2004	Valuation at 31 December 2003
Pensionable salary growth	4.5% pa	4.5% pa
Pension escalation in payment	4.0% pa	4.0% pa
Discount rate	5.2% pa	5.4% pa
Inflation assumption	4.0% pa	3.5% pa

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

	Value at 31 December 2004 (£)	Expected return for 2005 (%)	Value at 31 December 2003 (£)	Expected return for 2005 (%)
Unitised with-profits policy	£1,939,000	6.0%	£2,013,000	6.5%
Other	Nil	-%	Nil	-%

STATES OF ALDERNEY

PENSION COSTS (Continued)

	2004	2003
Total market value of assets	£1,939,000	£2,013,000
Present value of scheme liabilities	(£2,951,000)	(£2,815,000)
Surplus/(Deficit) in the scheme	(£1,012,000)	(£802,000)
Net pension asset/ (liability)	(£1,012,000)	(£802,000)

Over the year to 31st December 2004 the employer contributed at the rate of 20% of pensionable salaries, including death in service premiums, subject to review at future actuarial valuations. The employee's contribution was 6% of pensionable salaries.

3 RELATED PARTY TRANSACTIONS

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2004 the value of these purchases was £56,911. The States has provided goods and services to the Company during 2004 to the value of £11,966.

4 ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £1,200,650 in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses and for the investment of the surplus.

5 ALDERNEY HARBOUR ACCOUNT

With effect from 2003 the Income and Expenditure of the Harbour has been taken out of the General Services Committee account and is shown as a separate Harbour account. The trading loss and capital expenditure is funded by the General Services Committee.

SUMMARY OF BALANCES AT 31 DECEMBER 2004

<u>Loans made and not repaid</u>	Balance of Loans 01.01.04 £	Repayments 2004 £	Balance 31.12.04 £
Alderney Football Association (vote 05.06.91)	<u>1,270</u>	<u>416</u>	<u>854</u>

	Balance of Loans 01.01.04 £	Repayments 2004 £	Balance 31.12.04 £
New Alderney Snooker Club (vote 16.07.01)	<u>24,911</u>	<u>3,321</u>	<u>21,590</u>

LE BANQUAGE HOUSING LOANS SCHEME

	<u>2004</u> £
CAPITAL ACCOUNT	
Balance of Funds at 01.01.04 and at 31.12.04	<u>299,099</u> <u>299,099</u>

BORROWERS ACCOUNT

Balance with borrowers at 01.01.04	21,654
Instalment of loans repaid during 2004	<u>7,070</u>
Balance with borrowers at 31.12.04	<u>14,584</u>
Balance not lent at 31.12.04	<u>284,515</u> <u>299,099</u>

COINS IN CIRCULATION ACCOUNT

Value of coins in circulation at 01.01.04	1,162,353
Value of coins issued in 2004	<u>291,827</u>
Less: Value of coins withdrawn from circulation in 2004	<u>(6,159)</u>
Value of coins in circulation at 31.12.04	<u>1,448,021</u>

CURRENCY RESERVE FUND

Balance at 01.01.04	488,786
Transfer to Capital Account	<u>(217,711)</u>
Transfer from General Revenue of face value of base metal coins issued in 2004	<u>28,651</u>
Less: Value of coins redeemed in 2004	<u>(6,159)</u>
Balance at 31.12.04	<u>293,567</u>

INVESTMENTS

<u>2003</u>			<u>2004</u>	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		Ordinary Shares at £1 each fully paid at cost		
<u>34,730</u>	<u>39,860</u>	Balance at 01.01.04 and 31.12.04	<u>34,730</u>	<u>39,860</u>

<u>2003</u>			<u>2004</u>	
SHARES	£	<u>Alderney Electricity Ltd.</u>	SHARES	£
		7% Cumulative Preference Shares at £1 each fully paid at cost		
<u>10,950</u>	<u>5,499</u>	Balance at 01.01.04 and 31.12.04	<u>10,950</u>	<u>5,499</u>

<u>2003</u>			<u>2004</u>	
SHARES	£	<u>Alderney Golf Club</u>	SHARES	£
		Shares at £1 each fully paid at cost		
<u>650</u>	<u>650</u>	Balance at 01.01.04 and 31.12.04	<u>650</u>	<u>650</u>

<u>2003</u>			<u>2004</u>	
SHARES	£	<u>Royal Connaught Residential Home Ltd</u>	SHARES	£
		Shares at £1 each fully paid at cost		
<u>2</u>	<u>2</u>	Balance at 01.01.04 and 31.12.04	<u>2</u>	<u>2</u>

SUMMARY OF BALANCES AT 31 DECEMBER 2004

<u>2003</u> £	<u>Bank accounts</u>	<u>2004</u> £
1,034	<u>Daisy Hansen St Anne's School Trust</u>	
5	Balance at 01.01.04	953
1,039	Interest received	4
86		957
953	Purchase of merit board	-
	Balance at 31.12.04	957
	<u>States of Alderney Queens Silver Jubilee Fund</u>	
607	Balance at 01.01.04	607
-	Community project	124
607	Balance at 31.12.04	483
	<u>The Anne French Hospital Annexe Fund</u>	
10,734	Balance at 01.01.04	10,933
199	Interest received	169
10,933	Balance at 31.12.04	11,102
	<u>The Anne French Room Fund</u>	
1,117	Balance at 01.01.04	1,123
6	Interest received	5
1,123	Balance at 31.12.04	1,128
	<u>States of Alderney Education Committee</u> <u>(ex - Tostevin Trust)</u>	
11,846	Balance at 01.01.04	10,653
324	Interest received	255
12,170		10,908
1,517	Educational Grants	3,962
10,653	Balance at 31.12.04	6,946
	<u>Alderney Education Committee CAYOC Account</u>	
708	Balance at 01.01.04	782
6,000	Grant from Guernsey Education Council	-
24	Interest received	3
6,732		785
5,950	Grants	785
782	Balance at 31.12.04	-
	<u>States of Alderney Interest on Investments Account</u> <u>(Educational Bequests)</u>	
12,205	Balance at 01.01.04	12,548
343	Interest received	398
12,548		12,946
-	Grants	300
12,548	Balance at 31.12.04	12,646
	<u>The Packe History Trust</u>	
1,544	Balance at 01.01.04	1,546
2	Interest received	8
1,546	Balance at 31.12.04	1,554

SUMMARY OF BALANCES AT 31 DECEMBER 2004

<u>2003</u> £	Bank accounts	<u>2004</u> £
267	<u>Alderney Pilotage Board</u>	200
67	Balance at 01.01.04	-
<u>200</u>	Interest received	<u>200</u>
	Balance at 31.12.04	
14,769	<u>The Mary Roylance Jubilee Home Fund</u>	15,040
412	Balance at 01.01.04	484
<u>15,181</u>	Interest received	<u>15,524</u>
141	Residents' amenities	100
<u>15,040</u>	Balance at 31.12.04	<u>15,424</u>
16,170	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	16,764
594	Balance at 01.01.04	743
<u>16,764</u>	Interest received	<u>17,507</u>
	Balance at 31.12.04	
886	<u>Mignot Memorial Hospital Equipment Fund</u>	524
19	Balance at 01.01.04	20
<u>905</u>	Interest received	<u>544</u>
381	Transfer to Mignot Memorial Hospital Amenities Fund	544
<u>524</u>	Balance at 31.12.04	<u>-</u>
33,718	<u>St Anne's Trust</u>	34,766
1,048	Balance at 01.01.04	1,374
<u>34,766</u>	Interest received	<u>36,140</u>
-	Grant	700
<u>34,766</u>	Balance at 31.12.04	<u>35,440</u>
62,422	<u>The New Parsonage House Trust</u>	62,422
-	Balance at 01.01.04	2,640
<u>62,422</u>	Interest received	<u>65,062</u>
-	Maintenance costs	33
<u>62,422</u>	Balance at 31.12.04	<u>65,029</u>

STATES OF ALDERNEY WATER BOARD

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year. In preparing those financial statements the Board is required to:

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

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

INDEPENDENT AUDITORS' REPORT TO THE BOARD

We have audited the financial statements of the States of Alderney Water Board for the year ended 31 December 2004 which comprise the revenue account, the balance sheet and the related notes 1 to 5.

Respective duties of the Board and the auditors

As described above the Board is responsible for the preparation of financial statements for each financial year which fairly summarise the transactions made during that year and for selecting suitable accounting policies. Our responsibilities, as independent auditors, are established by the UK Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the States of Alderney Water Board's affairs at 31st December 2004 and of its surplus for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

31st March 2005

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2004

	Notes	2004 £	2003 £
REVENUE			
Unmetered supplies		217,204	199,716
Metered supplies		36,312	34,333
Service charges		<u>4,674</u>	<u>5,220</u>
		258,190	239,269
EXPENSES			
OPERATING AND MAINTENANCE EXPENSES			
Salaries and wages		137,622	123,964
Water treatment charges		9,692	17,617
Fuel and electricity		24,078	26,647
Maintenance		22,338	17,775
Superannuation	2	22,395	8,276
Depreciation	1 & 5	<u>17,111</u>	<u>15,812</u>
		233,236	210,091
ADMINISTRATION AND GENERAL EXPENSES			
Wages and administration charge		11,974	12,426
Rents, rates and taxes		2,976	2,559
Insurance		2,945	2,546
Motor vehicle expenses		3,032	2,761
Postage and telephone		1,405	1,740
Printing and stationery		1,088	1,217
Accountancy and audit		2,558	2,215
Bank charges		436	334
Travelling and general expenses		1,858	1,468
Consultancy fees and expenses		1,511	1,957
Bad Debts written off		<u>1,013</u>	<u>-</u>
		30,796	29,223
OPERATING (DEFICIT)		(264,032) (5,842)	(239,314) (45)
OTHER INCOME			
Interest receivable		<u>21,648</u>	<u>15,544</u>
SURPLUS FOR THE YEAR		15,806	15,499
BALANCE BROUGHT FORWARD		607,023	591,524
BALANCE CARRIED FORWARD		<u>£622,829</u>	<u>£607,023</u>

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

Notes 1 to 5 form part of these financial statements

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31ST DECEMBER 2004

	Notes	£	2004 £	£	2003 £
ASSETS EMPLOYED					
FIXED ASSETS	1 & 5		232,396		240,212
CURRENT ASSETS					
Stock	1	23,950		21,491	
Debtors		54,094		31,295	
Bank balances - deposit		242,753		394,221	
Bank balances - current		175,863		33,645	
		<u>496,660</u>		<u>480,652</u>	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		<u>19,941</u>		<u>27,555</u>	
			476,719		453,097
			<u>£709,115</u>		<u>£693,309</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Revenue Account			<u>622,829</u>		<u>607,023</u>
			<u>£709,115</u>		<u>£693,309</u>

Notes 1 to 5 form part of these financial statements

The financial statements were approved by the States of Alderney Water Board on 31 March 2004 and are signed on its behalf by:

B. Pengilley
Deputy Chairman

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

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

Basis of Preparation

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

Revenue

Revenue is recognised on an accruals basis.

Fixed Assets

Fixed assets are stated at cost less depreciation.

Depreciation

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

	%
Mains and services	2.50
Buildings	2.50
Machinery	6.66
Tools and equipment	10.00
Motor vehicle	33.33
Consumers' meters	10.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

Stock

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

Cash Flow Statement

Under Financial Reporting Standard No I the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

2 PENSION COSTS

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2003 indicated that the fund was in deficit. A contribution rate of 20% was agreed with the actuary for 2004. Employees contribute at a rate of 6%.

Because the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £22,395. (2003 £8,276)

3 GENERAL RESERVE

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

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 RELATED PARTY TRANSACTIONS

In 2004 Mr E W Sebire was Chairman of the General Services Committee and the Water Board until his death in April 2004.

Mr B Pengilly was appointed Chairman in his place in May 2004.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr J Postlethwaite during the year 2004.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2004 the value of these purchases was £24,073.

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

5 FIXED ASSETS

	At 1st January 2004	Additions	Disposals and amounts written off	At 31st December 2004
	£	£	£	£
COST				
Land	10	-	-	10
Mains and Services	240,690	-	-	240,690
Buildings	11,608	8,255	-	19,863
Machinery	65,381	-	-	65,381
Tools and Equipment	11,468	950	-	12,418
Motor Vehicle	12,981	-	-	12,981
Consumer Meters	11,806	90	-	11,896
	<u>353,944</u>	<u>9,295</u>	<u>-</u>	<u>363,239</u>
DEPRECIATION				
Mains and Services	81,053	6,037	-	87,090
Buildings	7,589	259	-	7,848
Machinery	8,990	4,227	-	13,217
Tools and Equipment	2,657	1,090	-	3,747
Motor Vehicle	5,047	4,327	-	9,374
Consumer Meters	8,396	1,171	-	9,567
	<u>113,732</u>	<u>17,111</u>	<u>-</u>	<u>130,843</u>
NET BOOK AMOUNT	<u>£ 240,212</u>			<u>£ 232,396</u>

States of Guernsey Public Services Department States Works

Statement of activities and performance

Year ended 31 December 2004

Principal activities

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

Financial highlights

	2004 £'000	2003 £'000
Income	8,591	7,538
Surplus	344	263
Capital expenditure	294	187

Income has increased by almost 14% during 2004 primarily due to the development of initiatives which were undertaken by States Works late in 2003. The results of these initiatives have been to increase income in several areas of States Works operations. The traffic light replacement programme and acquiring the local agency for Flygt pumps are two examples. In addition the formation of a new Business Unit to accommodate the newly gained Community Environmental Projects Scheme contract has also provided a valuable new source of income.

Over this same period, States Works overhead expenses have increased by a lower level than income and this has assisted in generating a satisfactory surplus. It has been the strategy of States Works for a number of years to increase income derived from new trading opportunities while maintaining overhead costs. To achieve this, the Division is very reliant on staff cooperation and effort, which we are fortunate in having.

Capital expenditure has increased on the previous year and reflects our strategic replacement programme for vehicles and plant and also our commitment to maintain and modernise our facilities. Over the next two years, we would expect to see a considerable rise in capital spent as the proposed development of our facilities at Burnt Lane are carried out.

2004 has been a good year for States Works, with all newly acquired contracts performing well, and the immediate future looking secure. However, this situation should not be taken for granted. Any changes to the islands current buoyant economy could have an almost immediate negative effect on States Works.

States of Guernsey Public Services Department

States Works

Statement of activities and performance - continued

Year ended 31 December 2004

Operational Performance – continued

Overheads

	2004	2003
Numeric ratio: Support staff/Operational Staff	14.3%	15.1%
Cost ratio: Support staff/Operational Staff	21.7%	22.5%

Effort

Income/Employee	£ <u>52,773</u>	£ <u>47,009</u>
-----------------	-----------------	-----------------

Emergency Call-Out

Number of calls	445	398
Man hours worked	1,667	1,367

Non Scheduled Work

New jobs raised	4,401	4,455
-----------------	-------	-------

Developments in 2004

States Works has entered into a contract with Guernsey Social Security Department and established the Community Environmental Projects Scheme (CEPS), which in effect replaces the outdated Field Service Works Scheme. The new scheme not only provides work opportunities for the unemployed, but also training in some of the key skills.

The Flygt Pump agency, which States Works secured in 2003, is going from strength to strength and we would envisage this continuing for the foreseeable future and running in parallel with the islands sewage network extension programme.

Changes to the Machinery of Government have had a very positive effect on States Works with many of our clients now coming under one department. This has lead to the streamlining of services and hopefully a more cost effective delivery.

States of Guernsey Public Services Department States Works

Statement of activities and performance - continued

Year ended 31 December 2004

Board members and principal officers

A new system of government was implemented in 2004 following the General Election of 21 April 2004. Under the new Machinery of Government, existing committees were dissolved and the Policy Council, ten departments and five committees were established in their place. Elections to these positions took place between the 1 and 6 May 2004. Until that date, the States Works Department was responsible to the Board of Administration. Until this committee was dissolved, the Board Members were (each of which resigned on 30 April 2004):

Deputy R C Berry OBE, President Board of Administration
Deputy M E Best, Vice President & Departmental Representative
Deputy P N Bougourd
Deputy M A Ozanne
Deputy Mrs P Robilliard
Deputy L S Trott
Advocate P J G Atkinson
Mr R H H Barneby
Mr G R Dorey

With the implementation of the new-style government, States Works became responsible to the Public Services Department and was re-titled 'States Works, a Division of the Public Services Department'.

Board members since 6 May 2004 have been:

Deputy W M Bell, Minister
Deputy M E Burbridge, Deputy Minister
Deputy A H Brouard
Deputy R J Le Moignan
Deputy T M Le Pelley

Principal officers were:

Mr R T Kirkpatrick, Chief Executive, Board of Administration and then Public Services Department
Mr S Smith, Deputy Chief Executive, Board of Administration (Resigned 30 April 2004)
Mr A Lewis, Deputy Chief Officer, Public Services Department (Appointed 1 May 2004)
Mr D R Parish, General Manager, States Works (Resigned 16 August 2004)
Mr N J Dorey, General Manager, States Works (Appointed 10 September 2004)
Mr B G Langlois, Financial Controller, States Works
Mr N J Dorey, Project Manager, States Works (Resigned 9 September 2004)
Mr N Le C Nicolle, Projects Manager, States Works (Appointed 2 November 2004)
Mr J D McEwan, Contract Manager, States Works

States of Guernsey Public Services Department States Works

Statement of responsibilities for the preparation of financial statements

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

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

Statement of internal financial controls

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

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

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

The States Works internal financial controls and monitoring procedures include:

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

States of Guernsey Public Services Department States Works

Statement of internal financial controls - continued

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

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

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

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



KPMG Channel Islands Limited
2 Grange Place
The Grange
Guernsey, Channel Islands
GY1 4LD

Independent auditors' report to the States of Guernsey Public Services Department – States Works

We have audited the financial statements of The States of Guernsey Public Services Department States Works for the year ended 31 December 2004 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

As described in the statement of responsibilities for the preparation of financial statements, the Board is responsible for the preparation of the financial statements in accordance with applicable Guernsey law and UK accounting standards. Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and UK auditing standards.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Board's affairs as at 31 December 2004 and of its surplus for the year then ended.

KPMG Channel Islands Limited

Chartered Accountants

19 April 2005

States of Guernsey Public Services Department States Works

Revenue account
for the year ended 31 December 2004

	Notes	2004 £	2003 £
Income	2	<u>8,551,266</u>	<u>7,523,385</u>
Expenses			
Labour and direct materials	3	6,033,946	5,193,419
Transport, plant and equipment maintenance	4	685,857	669,371
Building maintenance and charges	5	415,631	365,467
Administration and general	6	<u>1,111,701</u>	<u>1,046,067</u>
		<u>8,247,135</u>	<u>7,274,324</u>
Operating surplus		304,131	249,061
Interest received from States Treasury		<u>39,568</u>	<u>14,300</u>
Surplus for the financial year	11	<u>343,699</u>	<u>263,361</u>

All material activities derive from continuing operations.

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

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department States Works

Balance sheet *at 31 December 2004*

	<i>Notes</i>	2004 £	2003 £
Tangible fixed assets	7	<u>4,151,738</u>	<u>4,328,248</u>
Current assets			
Stocks and work in progress	8	148,374	215,515
Debtors and prepayments	9	963,500	1,056,158
Balances due from States Treasury		<u>1,761,199</u>	<u>1,011,268</u>
		<u>2,873,073</u>	<u>2,282,941</u>
Creditors: amounts falling due within one year	10	(291,008)	(221,085)
Net current assets		<u>2,582,065</u>	<u>2,061,856</u>
Total net assets		<u>6,733,803</u>	<u>6,390,104</u>
Reserves	11	<u>6,733,803</u>	<u>6,390,104</u>

The financial statements and related notes were approved by the Public Services Department on 14 April 2005.

WM Bell
Minister

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department States Works

Cash flow statement

for the year ended 31 December 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	12	<u>1,002,642</u>	<u>888,953</u>
Returns on investments and servicing of finance			
Interest received		<u>39,568</u>	<u>14,300</u>
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		(294,349)	(187,135)
Receipts from sales of tangible fixed assets		<u>2,070</u>	<u>2,250</u>
Net cash outflow from investing activities		<u>(292,279)</u>	<u>(184,885)</u>
Management of liquid resources			
Increase in amounts held with States Treasury		<u>(749,931)</u>	<u>(718,368)</u>
Movement in cash		<u>=</u>	<u>=</u>

Notes 1 to 18 form an integral part of these financial statements.

States of Guernsey Public Services Department States Works

Notes to the financial statements

1. Principal accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Revenue

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

	Estimated life in years	Depreciation % per annum
Plant, tools and equipment	20-3	5-33.33
Motor vehicles	10-3	10-33.33
Office equipment	5	20
Buildings and fittings	50-10	2-10
Land		0.00

Stock and work in progress

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

Pension costs

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

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

2. Income

	2004 £	2003 £
Maintenance - Building and properties	2,487,539	2,202,459
- Highways	2,271,937	2,039,371
- Sewers and pump stations	1,086,415	841,666
- Vehicles and plant	497,275	501,392
- Land areas	1,545,530	1,507,003
Transport services	37,533	52,487
Island wide emergencies and call outs	95,565	79,770
Administrative services	<u>529,472</u>	<u>299,237</u>
	<u>8,551,266</u>	<u>7,523,385</u>

3. Labour and direct materials

	2004 £	2003 £
Labour charges:		
Wages and employers superannuation	<u>3,902,694</u>	<u>3,415,700</u>
Direct materials:		
Materials and services	1,321,904	1,207,246
Stores	428,079	361,684
Sub contractors	392,265	223,127
Less: discounts received	<u>(10,996)</u>	<u>(14,338)</u>
	<u>2,131,252</u>	<u>1,777,719</u>
	<u>6,033,946</u>	<u>5,193,419</u>

4. Transport, plant and equipment maintenance

	2004 £	2003 £
Vehicles - Fuel and maintenance	218,261	211,392
- Depreciation	210,165	205,187
Plant and tools - Maintenance	113,216	90,427
- Replacements	57,688	72,890
- Depreciation	55,360	47,721
Contractors charges	3,491	10,688
Garage expenses	15,873	15,759
Other costs	<u>11,803</u>	<u>15,307</u>
	<u>685,857</u>	<u>669,371</u>

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

5. Building maintenance and charges

	2004 £	2003 £
La Hure Mare	175,038	154,425
Burnt Lane Depot	76,512	46,715
Stones Yard Depot	-	(236)
Saumarez Park Depot	1,404	1,343
Post Office Garage	-	384
Other sites	353	827
Buildings and fittings depreciation	<u>162,324</u>	<u>162,009</u>
	<u>415,631</u>	<u>365,467</u>

6. Administration and general

	2004 £	2003 £
Salaries, wages and employers superannuation	791,279	766,667
Travel and collection charges	40,749	46,836
Post, stationery and telephone	49,435	40,759
Computer charges	75,126	45,814
Insurance	77,616	66,776
Audit fee	7,765	8,552
Sundry office expenses	17,562	14,714
Office and equipment depreciation	41,240	40,886
Profit on disposal of fixed assets	(299)	(2,177)
Bad debts provided for and written off	<u>2,228</u>	<u>17,240</u>
	<u>1,111,701</u>	<u>1,046,067</u>

7. Tangible fixed assets

	1 January 2004 £	Additions £	Written off/ Disposals £	31 December 2004 £
<i>Cost</i>				
Plant, tools and equipment	606,004	185,374	4,500	786,878
Motor vehicles	1,788,536	108,975	73,696	1,823,815
Office equipment	219,658	-	5,017	214,641
Buildings and fittings	3,475,693	-	-	3,475,693
Land	<u>649,220</u>	<u>-</u>	<u>-</u>	<u>649,220</u>
	<u>6,739,111</u>	<u>294,349</u>	<u>83,213</u>	<u>6,950,247</u>

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

7. Tangible fixed assets - continued

	1 January 2004 £	Charge for the year £	Written off/ Disposals £	31 December 2004 £
<i>Depreciation</i>				
Plant, tools and equipment	518,097	55,360	4,499	568,958
Motor vehicles	1,230,140	210,164	73,687	1,366,617
Office equipment	104,247	41,240	3,256	142,231
Buildings and fittings	558,379	162,324	-	720,703
Land	-	-	-	-
	<u>2,410,863</u>	<u>469,088</u>	<u>81,442</u>	<u>2,798,509</u>
Net book value	<u>4,328,248</u>			<u>4,151,738</u>

8. Stock and work in progress

	2004 £	2003 £
Stock	137,051	121,145
Work in progress	<u>11,323</u>	<u>94,370</u>
	<u>148,374</u>	<u>215,515</u>

9. Debtors and prepayments

	2004 £	2003 £
Trade debtors	198,037	254,577
Balance due from States Departments	750,991	794,474
Prepayments and other debtors	<u>14,472</u>	<u>7,107</u>
	<u>963,500</u>	<u>1,056,158</u>

10. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	177,317	184,672
Accruals	<u>113,691</u>	<u>36,413</u>
	<u>291,008</u>	<u>221,085</u>

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

11. Reserves

	Revenue account £
Balance 1 January 2004	6,390,104
Surplus for financial year	<u>343,699</u>
Balance 31 December 2004	<u>6,733,803</u>

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

	2004 £	2003 £
Operating surplus	304,131	249,061
Depreciation charges and surplus on sale of tangible fixed assets	468,789	453,626
Decrease/(increase) in stocks and work in progress	67,141	(55,158)
Decrease in debtors	92,658	247,808
Increase/(decrease) in creditors due within one year	<u>69,923</u>	<u>(6,384)</u>
Net cash inflow from operating activities	<u>1,002,642</u>	<u>888,953</u>

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

	2004 £	2003 £
Movement in cash	-	-
Increase in liquid resources	<u>749,931</u>	<u>718,368</u>
	749,931	718,368
Net funds at 1 January	<u>1,011,268</u>	<u>292,900</u>
Net funds at 31 December	<u>1,761,199</u>	<u>1,011,268</u>

14. Analysis of changes in net funds

	At 1 January 2004 £	Cash Flows £	At 31 December 2004 £
Cash held with States Treasury	<u>1,011,268</u>	<u>749,931</u>	<u>1,761,199</u>

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

15. Capital commitments

	2004 £	2003 £
Contracted for but not provided	<u>2,750</u>	<u>14,125</u>

16. Pension Fund

The employees of the States of Guernsey Works Division are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2001 indicated that a surplus existed. However, the contribution rate to the Fund was increased with effect from 1 January 2003 from 7.25% for 2002 to 7.85% for 2003. Employees contribute at a rate of 6%. The surplus is being amortised over the expected service lives of all the employees within the scheme.

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 total amount of superannuation contributions for the year ended 31 December 2004 was £275,194 (2003: £257,711) which were all paid during the year.

Whilst the Board continues to account for its defined benefit pension obligations under Statement of Standard Accounting Practice 24 "Accounting for Pension Costs", the following additional information has been provided to satisfy the transitional arrangements of Financial Reporting Standard 17 "Retirement Benefits". As the scheme is a multi employer arrangement, the Board is unable to identify its share of underlying assets and liabilities of the scheme or the implications of the surplus on the Board, as required by Financial Reporting Standard 17.

17. Related party transactions

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

Of the States of Guernsey Public Services – Works Division annual income, 87% (2003: 89%) of the value is due to transactions with other States entities. This includes aggregate value of transactions with the Public Services – Central Services Division totalling 33% (2003: 33%) of the Division's annual income.

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

18. Statement of control

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

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 28th DAY OF JULY 2005

The States resolved as follows concerning Billet d'État No XII
dated 8th July, 2005

TREASURY AND RESOURCES DEPARTMENT

ACCOUNTS OF THE STATES FOR 2004

To approve:-

(1) The following Accounts for the year 2004:-

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

(2) To appoint the firm of KPMG Channel Islands Limited as auditors of all States accounts for the year ending 31 December, 2005.

S. M. D. ROSS
HER MAJESTY'S DEPUTY GREFFIER