

States of Guernsey

Miscellaneous Accounts 2014

CONTENTS

Public Services Department – Ports	1
Public Services Department – Guernsey Water	22
Commerce & Employment Department – Dairy Trading Account	39
Public Services Department – States Works	55
Social Security Department – Consolidated Contributory Funds	71
Elizabeth College	100
Ladies’ College	113
States of Alderney	121

States of Guernsey Public Services Department

Ports

Statement of activities and performance

Year ended 31 December 2014

Principal activities

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

The Airport also looks to ensure 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 Civil Aviation Authority.

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

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

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

Financial highlights

The turnover for the Airport for the year was £11.8m, an increase of £90k (0.8%) from 2013.

Turnover for Guernsey Harbours for the year was £9.1m, an increase of £861k (10.5%) from 2013.

In terms of expenditure, the Airport had budgeted to spend £12.4m in 2014 (2013: £12.3m) and it had been forecast that the Airport would make a deficit of £0.7m (2013: breakeven). The Airport actually incurred costs of £12.9m (2013: £13.1m), which resulted in an operating deficit after depreciation of £1.1m (2013: deficit of £1.3m). Guernsey Harbours had budgeted to spend £8.1m during the year (2013: £9.1m) with a forecast surplus of £0.6m (2013: surplus £0.43m). The Harbours actually incurred costs of £6.9m (2013: £7.0m) and achieved a surplus after depreciation

Operational performance

Total passenger movements for the year ended 31 December 2014 were 1,359,702 (Guernsey Airport 863,379, Guernsey Harbours 496,323), which were 0.75% higher on the previous year. The movements attributable to Guernsey Airport were 0.44% higher and those for Guernsey Harbours 1.29% higher than the previous year.

There were five full emergencies declared at Guernsey Airport during 2014 (2013: 2) and one aircraft accident (2013: 0).

The Airport employed 105 full time equivalents at the end of 2014 (2013: 112*). The Harbour employed 81 full time equivalents at the end of 2014 (2013: 86*).

** These have been adjusted to reflect consistency in reporting methodology.*

States of Guernsey Public Services Department Ports

Statement of activities and performance -continued

Year ended 31 December 2014

Board Members and Principal Officers

During 2014 Board Members were:

Deputy P. Luxon, Minister (stood down from Board 29/10/14)

Deputy S. Ogier, Deputy Minister (elected Minister 26/11/14)

Deputy Y. Burford (stood down from Board 25/06/14)

Deputy D. Duquemin (elected Deputy Minister 18/12/14)

Deputy R. Jones

Deputy P. Harwood (elected to Board 25/06/14)

Deputy M. Dorey (elected to Board 10/12/14)

Board Members are the elected political representatives of the Public Services Department.

During 2014 Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department

Mr S. Gardiner, Finance Business Partner, Public Services Department (appointed 27/10/14)

Mrs H. Savage, Senior Finance Officer, Public Services Department

Mrs S. McGreevy, Harbour Director

Mr C. Le Ray, Airport Director

Mrs J. Scales, Finance Manager, Guernsey Airport

Miss A. Tough, Finance Manager, Guernsey Harbours

Auditors

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

States of Guernsey Public Services Department Ports

Statement of responsibilities for the preparation of financial statements

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

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

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

Statement of internal financial controls

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

The Public Services Department is responsible for the economic, efficient and effective operations and management of the Ports and has a duty to ensure that they fulfil their obligations despite financial and manpower restrictions.

The Ports' internal financial controls and monitoring procedures include:

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

States of Guernsey Public Services Department Ports

Statement of internal financial controls - continued

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

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

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

Going concern

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENTS - PORTS

We have audited the financial statements of States of Guernsey Public Services Department – Ports (the “Ports”) for the year ended 31 December 2014 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out in note 1.

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

Respective responsibilities of the Department and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

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

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
Guernsey

13 May 2015

States of Guernsey Public Services Department Ports

Revenue Account

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Income			
Airport Fees, Charges & Other Income	1	11,808,278	11,718,408
Harbour Dues, Charges & Other Income	1	9,063,837	8,202,572
		20,872,115	19,920,980
Expenses			
Airport		11,672,294	11,793,336
Harbours		5,857,856	5,890,000
		17,530,150	17,683,336
Operating surplus before depreciation and surplus on sale of fixed assets		3,341,965	2,237,644
Depreciation	2	(5,211,458)	(3,110,823)
Operating deficit for the year		(1,869,493)	(873,179)
Amortisation of asset specific contributions	1	2,902,103	779,540
Interest received from States Treasury		71,193	42,310
Surplus/(Deficit) for the financial year		1,103,803	(51,329)

All material activities derive from continuing operations.

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

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

States of Guernsey Public Services Department Ports

Balance Sheet

at 31 December 2014

	Notes	2,014 £	2013 £
Fixed Assets			
Tangible fixed assets - Airport	2	107,001,382	104,559,439
Tangible fixed assets - Harbours	2	133,860,447	134,922,837
Assets under construction	3	5,337,988	4,512,026
		<u>246,199,817</u>	<u>243,994,302</u>
Current assets			
Stock	4	400,029	501,006
Debtors and prepayments	5	2,602,736	2,617,468
Bank and cash	10	5,838	2,909
Balances with States Treasury	10	5,785,340	4,864,199
		<u>8,793,943</u>	<u>7,985,582</u>
Creditors: amounts falling due within one year	6	(3,137,619)	(5,487,618)
Net current assets		5,656,324	2,497,964
Total net assets		<u>251,856,141</u>	<u>246,492,266</u>
Reserves	7	<u>251,856,141</u>	<u>246,492,266</u>

These financial statements were approved by the Public Services Department on 7th May 2015.

Signed on behalf of the Department

Deputy S. Ogier
Minister

13th May 2015

Deputy D. Duquemin
Deputy Minister

13th May 2015

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

States of Guernsey Public Services Department Ports

Cash flow statement

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	9	<u>1,120,500</u>	<u>4,016,253</u>
Returns on investments and servicing of finance			
Interest received		<u>71,193</u>	<u>42,310</u>
Capital expenditure			
Payments related to assets under construction	3	(7,429,797)	(30,734,198)
Payment to acquire tangible fixed assets		-	(159,842)
		<u>(7,429,797)</u>	<u>(30,894,040)</u>
Management of liquid resources			
Contribution From States Capital Reserve	7	7,162,175	30,354,039
Contribution To States Capital Reserve	7	-	(2,279,954)
Increase in amounts held with States Treasury	10, 11	<u>(921,141)</u>	<u>(1,235,699)</u>
Movement in cash		<u>2,930</u>	<u>2,909</u>

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

States of Guernsey Public Services Department Ports

Notes to the financial statements

1. Principal accounting policies

The accounting policies adopted are described below.

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

Accounting convention

The financial statements are prepared in accordance with the stated accounting policies and under the historical cost convention.

Income and expenditure

Income and expenditure are accounted for on an accruals basis.

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

Tangible fixed assets

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

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

Depreciation

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

	Estimated life in years	Depreciation % per annum
Land	-	-
Infrastructure	15 - 60	6.67 - 1.67
Buildings	25 - 60	4.00 - 1.67
Plant and Equipment	5 - 25	20.00 - 4.00
Motor vehicles	5	20.00
Computers and ICT	3	33.33

Amortisation of asset specific contributions

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

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

1. Principal accounting policies - continued

Stock and work in progress

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

2. Tangible fixed assets

Airport

<i>Cost</i>	1 January 2014 £	Additions £	Write offs / Disposals £	31 December 2014 £
Land	2,687,151	-	-	2,687,152
Infrastructure	63,354,270	1,316,456	-	64,670,726
Buildings	32,776,625	747,929	-	33,524,554
Plant and equipment	21,333,194	4,343,099	(3,112,816)	22,563,477
Motor vehicles	1,239,495	-	(35,800)	1,203,695
Computers and ICT	229,082	-	(33,375)	195,707
	<u>121,619,817</u>	<u>6,407,484</u>	<u>(3,181,991)</u>	<u>124,845,311</u>
<i>Depreciation</i>	1 January 2014 £	Charge for the year £	Write offs / Disposals £	31 December 2014 £
Land	-	-	-	-
Infrastructure	3,017,901	1,851,967	-	4,869,868
Buildings	4,015,672	549,862	-	4,565,534
Plant and equipment	9,176,179	1,447,454	(3,099,989)	7,523,644
Motor vehicles	629,101	99,489	(35,800)	692,790
Computers and ICT	221,525	3,943	(33,375)	192,093
	<u>17,060,378</u>	<u>3,952,715</u>	<u>(3,169,164)</u>	<u>17,843,929</u>
Net book value	<u>104,559,439</u>			<u>107,001,382</u>

Plant and Machinery, Equipment, Fixtures and Fittings, and Motor Vehicles and Electrical Equipment have been reclassified on 1 January 2014 into two categories, 'Plant and Equipment' and 'Motor Vehicles'. This provides greater clarity around assets and is more in line with the business.

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

2. Tangible fixed assets (continued)

Harbours

<i>Cost</i>	1 January 2014 £	Reclassifi- cations £	Additions £	Write offs / Disposals £	31 December 2014 £
Land	87,515,374	-	-	-	87,515,374
Buildings	49,468,866	(652,828)	-	-	48,816,038
Infrastructure	-	1,751,087	196,351	-	1,947,438
Plant and equipment	9,487,313	(783,832)	-	-	8,703,481
Motor vehicles	449,663	(268,769)	-	-	180,894
Computers and ICT	63,858	(45,658)	-	-	18,200
	<u>146,985,074</u>	<u>-</u>	<u>196,351</u>	<u>-</u>	<u>147,181,425</u>
<i>Depreciation</i>	1 January 2014 £	Reclassifi- cations £	Charge for the year £	Write offs / Disposals £	31 December 2014 £
Land	-	-	-	-	-
Buildings	8,112,134	(19,655)	808,502	-	8,900,981
Infrastructure	-	70,043	70,861	-	140,904
Plant and equipment	3,438,530	264,039	377,430	-	4,079,999
Motor vehicles	447,715	(268,769)	1,948	-	180,894
Computers and ICT	63,858	(45,658)	-	-	18,200
	<u>12,062,237</u>	<u>-</u>	<u>1,258,741</u>	<u>-</u>	<u>13,320,978</u>
Net book value	<u><u>134,922,837</u></u>				<u><u>133,860,447</u></u>

Assets have been reclassified from Buildings, Plant and Equipment and Motor Vehicles on 1 January 2014 into a new category, 'Infrastructure'. This provides greater clarity around assets and is more in line with the business.

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

3. Assets under construction

	Airports	Harbours	2014 Total	2013 Total
	£	£	£	£
As at 1 January	2,645,580	1,866,446	4,512,026	44,800,136
Expenditure in the year	3,814,760	3,615,037	7,429,797	30,734,198
Transfers to fixed assets	(6,407,484)	(196,351)	(6,603,835)	(71,022,308)
As at 31 December	<u>52,857</u>	<u>5,285,132</u>	<u>5,337,988</u>	<u>4,512,026</u>

Assets under construction completed in 2014 and transferred to fixed assets include, additional runway project expenditure, the new Radar, hangar rewiring, VHF radio replacements at the Airport and Castle breakwater repairs at the Harbour.

Assets under construction as at 31 December 2014 relate principally to on-going Administration Block refurbishment and Frost coil replacement at the Airport, and at Harbours the on-going upgrade to the underlying infrastructure of Berths 4 and 6.

4. Stock

	2014 £	2013 £
Airport	64,774	64,774
Harbours	<u>335,255</u>	<u>436,232</u>
	<u>400,029</u>	<u>501,006</u>

5. Debtors and prepayments

	2014 £	2013 £
Trade debtors	2,574,573	2,594,487
Prepayments	<u>28,163</u>	<u>22,981</u>
	<u>2,602,736</u>	<u>2,617,468</u>

6. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	527,906	1,304,200
Accruals	2,181,274	4,064,020
Deferred income	427,040	117,998
Other creditors:		
Harbour operational license deposits	<u>1,400</u>	<u>1,400</u>
	<u>3,137,620</u>	<u>5,487,618</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

7. Reserves

	2014 £	2013 £
Balance 1 January	246,492,266	219,249,050
(Deficit) / surplus for financial year	1,103,803	(51,329)
Amortisation of asset specific contributions	(2,902,103)	(779,540)
Contribution from States Capital Reserve	7,162,175	30,354,039
Contribution to States Capital Reserve	-	(2,279,954)
	<u>251,856,141</u>	<u>246,492,266</u>
Balance 31 December	<u>251,856,141</u>	<u>246,492,266</u>

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

8. Asset specific contributions

	2014 £	2013 £
As at 1 January	74,754,794	44,800,136
Contributions receivable	7,429,797	30,734,198
	<u>82,184,591</u>	<u>75,534,334</u>
Released to Revenue account during the year	(2,902,103)	(779,540)
As at 31 December	<u>79,282,488</u>	<u>74,754,794</u>

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

	2014 £	2013 £
Surplus/(deficit)	1,032,610	(93,639)
Depreciation charges and loss on sale of tangible assets	5,224,285	3,110,823
Amortisation of asset specific contributions	(2,902,103)	(779,540)
Decrease in stocks	100,977	72,892
Decrease in debtors	14,732	400,692
(Decrease)/increase in creditors	(2,350,001)	1,305,025
Net cash inflow from operating activities	<u>1,120,500</u>	<u>4,016,253</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

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

	2014 £	2013 £
Increase in cash	2,929	2,909
Increase in liquid resources	921,141	1,235,699
	<u>924,070</u>	<u>1,238,608</u>
Net funds at 1 January	<u>3,628,500</u>	<u>3,628,500</u>
Net funds at 31 December	<u>4,552,570</u>	<u>4,867,108</u>

11. Analysis of changes in net funds

	At 1 January 2014 £	Cash Flows £	At 31 December 2014 £
Cash at bank and in hand	2,909	2,929	5,838
Balance held with States Treasury	4,864,199	921,141	5,785,340
	<u>4,867,108</u>	<u>924,070</u>	<u>5,791,178</u>

12. Contingent Liabilities / Overspends

The Accounts include the amounts already paid and agreed in respect of contract claims for the St Sampson Marina project which are considered to be properly due and payable by the States. However, the contractor has made a claim for a further £3.1 million, a claim that was rejected by the Engineer under the Contract. The contractor has now commenced formal arbitration. However, the contractor has made a claim for a further £3.1 million, a claim that was rejected by proceedings. This amount has not been provided for.

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

13. Superannuation Fund

The employees of the Ports are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. In March 2015 the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2013 which indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

13. Superannuation Fund (continued)

The Ports have applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2014 were £1,118,272 (2013: £1,136,164).

14. Related party transactions

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

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

15. Statement of control

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

16. Subsequent Events

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

Supplemental Information

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

GUERNSEY AIRPORT

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
		<u>Net Expenditure by Category</u>		
		Income		
11,729	11,804	Operating Income	11,808	11,718
		Expenditure		
(6,820)	(6,729)	Pay Costs	(6,924)	(6,937)
		Non-Pay costs		
(181)	(153)	Staff Non-Pay costs	(134)	(150)
(784)	(797)	Support Services	(1,608)	(986)
(1,375)	(1,570)	Premises	(1,145)	(1,618)
(61)	(45)	Transport	(22)	(54)
(1,916)	(1,881)	Supplies & Services	(1,840)	(2,047)
(4,317)	(4,446)		(4,749)	(4,855)
592	629	Operating (Deficit) / Surplus for the financial year	135	(75)
(1,330)	(1,320)	Depreciation (net of amortisation of asset specific contributions)	(1,278)	(1,299)
(738)	(691)	Operating Deficit transferred to the Ports Holding Account	(1,143)	(1,374)

GUERNSEY AIRPORT

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
		<u>Net Expenditure by Service Area</u>		
		Income		
532	504	Advertising, picketing etc	404	522
695	695	Airport Development Charge	766	754
734	674	Car Parking Fees	685	658
1,997	2,250	Rents	2,146	1,925
7,481	7,516	Traffic Receipts	7,848	7,800
<u>11,439</u>	<u>11,639</u>		<u>11,849</u>	<u>11,659</u>
		<u>Operational Expenditure</u>		
(1,060)	(1,085)	Administration	(1,133)	(1,268)
(2,061)	(1,942)	Aerodrome Fire Service	(2,099)	(2,068)
(2,377)	(2,551)	Airport Infrastructure	(3,190)	(2,952)
(1,655)	(1,655)	Airport Security	(1,613)	(1,647)
(3,864)	(3,942)	Navigational Services	(3,849)	(3,964)
<u>(11,017)</u>	<u>(11,175)</u>		<u>(11,884)</u>	<u>(11,899)</u>
170	165	<i>Recovery from Alderney Airport</i>	170	165
<u>592</u>	<u>629</u>	Operating (Deficit)/Surplus for the financial year	<u>135</u>	<u>(75)</u>
(1,330)	(1,320)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,278)	(1,299)
<u>(738)</u>	<u>(691)</u>	Operating Deficit transferred to the Ports Holding Account	<u>(1,143)</u>	<u>(1,374)</u>

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
		<u>Routine Capital Expenditure</u>		
(240)	(120)	<i>Miscellaneous Capital Works</i>	-	-
-	-	<i>IT Projects and Equipment</i>	-	-
(2,307)	(1,410)	<i>Equipment, Machinery and Vehicles</i>	(70)	(62)
<u>(2,547)</u>	<u>(1,530)</u>	Routine Capital Expenditure	<u>(70)</u>	<u>(62)</u>
(2,000)	(2,000)	Airports Pavements Project	(3,369)	(24,716)
(300)	(300)	Airport Radar	(374)	(637)
2,300	2,300	Less Transfer from Capital Reserve	3,743	25,353
<u>(2,547)</u>	<u>(1,530)</u>	Net Capital Expenditure	<u>(70)</u>	<u>(62)</u>

GUERNSEY HARBOURS

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
		<u>Net Expenditure by Category</u>		
		Income		
8,751	8,684	Operating Income	9,064	8,203
		Expenditure		
(3,652)	(3,586)	Pay Costs	(3,482)	(3,463)
		Non-Pay costs		
(153)	(146)	Staff Non-Pay costs	(142)	(87)
	(41)	Peripheral Activities	264	
(438)	(687)	Support Services	(803)	(436)
(2,117)	(1,836)	Premises	(1,335)	(1,590)
(319)	(89)	Transport	(96)	(63)
(193)	(231)	Supplies & Services	(264)	(251)
(3,220)	(3,030)		(2,376)	(2,427)
1,879	2,068	Operating Surplus for the financial year	3,206	2,313
(1,235)	(1,027)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,032)	(1,033)
644	1,041	Operating Surplus transferred to the Ports Holding Account	2,174	1,280

GUERNSEY HARBOURS

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
Net Income / Expenditure by Service Area				
		<i>Commercial Operations</i>		
4,144	4,160	Shipping dues - cargo	3,980	3,808
1,043	1,182	Passenger Fees	1,192	1,182
7	7	Pilotage Dues	(62)	8
(85)	(144)	Premises	210	(201)
(517)	(370)	Cranes	(309)	(461)
(887)	(950)	Quays	(255)	(798)
(53)	(43)	Beacons & Buoys	(18)	(12)
3,652	3,842		4,738	3,526
1,245	1,340	<i>Leisure moorings</i>	1,793	1,301
		<i>Other Operations</i>		
(3,001)	(3,091)	Central Administration	(3,307)	(2,498)
(17)	(22)	Ships Registry	(18)	(16)
(3,018)	(3,113)		(3,325)	(2,514)
1,879	2,069	Operating (Deficit)/Surplus for the financial year	3,206	2,313
(1,235)	(1,027)	<i>Depreciation (net of amortisation of asset specific contributions)</i>	(1,032)	(1,033)
644	1,042	Operating Deficit transferred to the Ports Holding Account	2,174	1,280

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
Routine Capital Expenditure				
(545)	(17)	<i>Miscellaneous Capital Works</i>	(196)	-
(60)	(30)	<i>Equipment, Machinery and Vehicles</i>	-	(98)
(605)	(47)	Routine Capital Expenditure	(196)	(98)
(6,750)	(6,000)	Crane Strategy	(3,287)	(5,381)
(250)	-	Pontoons	-	-
(1,500)	-	Sarnia Work Boats	-	-
8,500	6,000	Less Transfer from Capital Reserve	3,287	5,381
(605)	(47)	Net Capital Expenditure	(196)	(98)

PORTS HOLDING ACCOUNT

2014 Original Budget £'000s	2014 Probable Outturn £'000s		2014 Actual £'000s	2013 Actual £'000s
		Revenue Account -		
		<i>Operating (Deficit)/Surplus before depreciation</i>		
592	629	Guernsey Airport	135	(75)
1,879	2,068	Guernsey Harbour	3,206	2,313
<u>2,471</u>	<u>2,697</u>		<u>3,341</u>	<u>2,238</u>
50	40	<i>Investment Interest Receivable</i>	71	42
		<i>Capital Expenditure</i>		
(2,547)	(1,530)	Guernsey Airport	(70)	(62)
(1,355)	(1,290)	Guernsey Harbour	(196)	(98)
<u>(3,902)</u>	<u>(2,820)</u>		<u>(266)</u>	<u>(160)</u>
<u>(1,381)</u>	<u>(83)</u>	Surplus before depreciation	<u>3,146</u>	<u>2,120</u>
(2,565)	(2,347)	Depreciation (net of amortisation of asset specific contributions)	(2,310)	(2,332)
<u>(3,946)</u>	<u>(2,430)</u>	(Deficit)/Surplus after depreciation	<u>836</u>	<u>(212)</u>
2,699	2,877	<i>Balance at 1st January</i>	2,877	3,037
(1,381)	(83)	<i>Surplus before depreciation for the year</i>	3,146	2,120
-	-	<i>Transfer to Capital Reserve</i>	-	(2,280)
<u>1,318</u>	<u>2,794</u>	Balance at 31st December	<u>6,023</u>	<u>2,877</u>

Guernsey Water

Statement of activities and performance

Year ended 31 December 2014

Principal purpose

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

- A reliable supply of high quality drinking water in sufficient quantity that satisfies normal daily demand at lowest cost consistent with meeting a high level of customer service and confidence.
- A reliable wastewater collection service which treats and returns flow to the environment sustainably and efficiently.

Financial summary

	2014	2013	Change
	£'000	£'000	%
Income			
Unmeasured water	3,664	3,604	+1.7
Measured water	6,823	6,856	-0.5
Unmeasured waste water	1,175	1,122	+4.7
Measured waste water	2,091	2,075	+0.8
Cesspit emptying income	1,115	1,040	+7.2
Other trading (net)	318	149	+113.4
Grant received	<u>289</u>	<u>38</u>	+660.5
Total operating income	<u>15,475</u>	<u>14,884</u>	<u>+4.0</u>
Expenditure			
Operating	7,557	7,652	-1.2
Management	<u>3,137</u>	<u>2,906</u>	+7.9
Total expenditure	<u>10,694</u>	<u>10,558</u>	<u>+1.3</u>
Operating surplus before depreciation	<u>4,781</u>	<u>4,326</u>	+10.5
Depreciation	(3,499)	(3,172)	+10.3
Loss on disposal of fixed assets	(510)	-	-
Net interest receivable	388	639	-39.3
Surplus on sale of properties	<u>44</u>	<u>604</u>	-92.7
Surplus for the year	<u>1,204</u>	<u>2,397</u>	-49.8
Gross total capital expenditure*	<u>5,760</u>	<u>9,529</u>	-39.6

*Comprises total capital additions £5,701,931 (2013: £9,473,735) (See note 5) plus customer contributions of £58,288 (2013: £55,132) totalling £5,760,219 (£2013: £9,528,861)

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2014

The main capital projects of 2014 were the completion and commissioning of the Wastewater Treatment Centre at the Belle Greve works on the east coast, the raw water capture and pumping facility of the Marais stream, the enhanced pump capacity for Barkers Quarry, the commencement of the network extension project at St Andrews, the replacement or refurbishment of mains and sewers, the completion of refurbishment works at King's Mills water treatment works to provide contingency to supplement the other two water treatment works and improvement/replacement of Les Landes foul water pumping station.

Operational performance

	2014	2013	Change %
Number of supplies:			
Paying by tax on real property	8,828	9,000	-1.9
Paying by measure	<u>16,627</u>	<u>16,219</u>	+2.5
Total	<u>25,455</u>	<u>25,219</u>	+0.9

Volume supplied in million litres (ML):

Delivered to customers paying by measure	2,681 ML	2,762 ML	-2.9
Delivered to other customers	1,338 ML	1,364 ML	-1.9
Operational use, firefighting and losses	<u>441 ML</u>	<u>515 ML</u>	-14.4
Total put into supply	<u>4,460ML</u>	<u>4,641 ML</u>	-3.9

Service:

Restrictions on supply	None	None	None
Burst mains	28	24	+16.7
Discolouration - claims paid	5 at £10	2 at £10	+150.0

Unit costs (partially weather related):

Water production	£ 476/ML	£ 413 / ML	+15.3
Water distribution	£19 /supply	£ 23 /supply	-17.4

Guernsey Water employed 79 full time equivalent employees at the end of 2014. (2013: 82)

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2014

Other matters

2014 has been a year of continued consolidation of operations following the merger of the water and wastewater businesses that the States of Deliberation formally agreed in February 2012. This has included careful examination of the capital requirements for the two elements of the newly combined business which has resulted from the investigations into wastewater assets and their condition. Flooding due to extreme weather during early part of the year stretched resources and required unplanned expenditure.

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

Finally, once again, due to the careful collection of water resources and the storage capacity of the reservoirs on the Island, Guernsey Water was able to supply water to the population of Guernsey without any restrictions.

Further operational and other details can be found in Guernsey Water's 2014 Annual Report.

Board Members and Principal Officers

Deputy P. Luxon, Minister (stood down from Board 29/10/14)

Deputy S. Ogier, Deputy Minister (elected Minister 26/11/14)

Deputy Y. Burford (stood down from Board 25/06/14)

Deputy D. Duquemin (elected Deputy Minister 18/12/14)

Deputy R. Jones

Deputy P. Harwood (elected to Board 25/06/14)

Deputy M. Dorey (elected to Board 10/12/14)

Board Members are the elected political representatives of the Public Services Department.

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department

Mr S. Gardiner, Finance Business Partner, Public Services Department (appointed 27/10/14)

Mrs H. Savage, Senior Finance Officer, Public Services Department

Mr A. Redhead, Director of Water Services, Guernsey Water (retired 28/2/14)

Mr S. Langlois, Director of Water Services (appointed 14/7/14)

Mr C. Hall, Customer Service Manager, Guernsey Water

Mrs R. Webber, Management Accounting Executive, Guernsey Water

Auditors

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

Guernsey Water

Statement of responsibilities for the preparation of financial statements

The Public Services Department is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of Guernsey Water at the end of the financial period, and of the surplus or deficit for that period that are in accordance with applicable laws and regulations. In preparing those financial statements, The Public Services 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; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

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

Statement of internal financial controls

It is the responsibility of The Public Services 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 in their care and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Guernsey Water's internal financial procedures include:

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

The Public Services 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.

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

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

From a review of the above it is therefore deemed that Guernsey Water is a going concern. In addition the financial statements are subject to independent external audit by the auditor appointed by the States of Guernsey.

Independent Auditor's Report to the States of Guernsey Public Services Department

We have audited the financial statements of Guernsey Water for the year ended 31 December 2014 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of The Public Services Department and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of Guernsey Water's affairs as at 31 December 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
Guernsey

13 May 2015

Guernsey Water

Revenue account

for the year ended 31 December 2014

		2014	2013
		£	£
Income	Notes		
Water supplies	1		
Unmeasured		3,663,936	3,604,055
Measured		<u>6,822,750</u>	<u>6,855,872</u>
		10,486,686	10,459,927
Waste Water supplies			
Unmeasured		1,175,454	1,122,108
Measured		<u>2,091,260</u>	<u>2,074,744</u>
		3,266,714	3,196,852
Cesspit emptying income		1,114,757	1,039,731
Net surplus on other trading activities	2	318,191	148,831
Grant received	9	<u>288,670</u>	<u>38,612</u>
Total operating income		<u>15,475,018</u>	<u>14,883,953</u>
Operating expenses			
Water production		2,122,555	1,914,502
Water distribution		487,067	580,640
Asset management		346,101	449,781
Pumping		1,223,846	1,076,094
Sewers		<u>3,377,184</u>	<u>3,630,520</u>
		7,556,753	7,651,537
Management expenses			
Management & general		634,790	616,531
Compliance		670,198	559,018
Customer services		808,976	826,366
Finance & Support services		<u>1,023,297</u>	<u>904,356</u>
		3,137,261	2,906,271
Total expenditure		<u>10,694,014</u>	<u>10,557,808</u>
Operating surplus before depreciation and loss/surplus on sale of fixed assets		4,781,004	4,326,145
Depreciation	4 & 6	(3,499,161)	(3,171,986)
Loss on Disposals of Fixed Assets	4 & 6	<u>(510,031)</u>	<u>-</u>
Operating surplus for the year		771,812	1,154,159
Net interest receivable	3	388,350	638,648
Surplus on sale of properties	6	<u>44,036</u>	<u>604,180</u>
Surplus for the year	10	<u>1,204,198</u>	<u>2,396,987</u>

All material activities derive from continuing operations.

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

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

Guernsey Water

Balance sheet at 31 December 2014

		2014		2013	
	Notes	£	£	£	£
Tangible fixed assets	6		134,299,118		132,695,379
Current assets					
Stocks	5	1,240,820		1,173,374	
Debtors and prepayments	7	2,139,725		2,021,573	
Funds held with States Treasury	13	13,280,716		13,706,928	
Cash at bank and in hand	13	56,776		577,882	
		<u>16,718,037</u>		<u>17,479,757</u>	
Current liabilities					
Creditors falling due within one year	8	1,193,438		1,517,450	
		<u>1,193,438</u>		<u>1,517,450</u>	
Net current assets			15,524,599		15,962,307
Total assets less current liabilities			149,823,717		148,657,686
Creditors falling due after more than one year					
Accruals and deferred income	1 & 9		<u>12,260,881</u>		<u>12,299,048</u>
Net assets			<u>137,562,836</u>		<u>136,358,638</u>
Reserves					
General reserve	10	16,102,073		16,111,265	
Property development fund	10	4,852,546		4,168,737	
Revenue account	10	41,430,082		40,900,501	
Funding from the States of Guernsey Merger reserve	10	75,178,135		75,178,135	
Total reserves	10		<u>137,562,836</u>		<u>136,358,638</u>

These financial statements were approved by the Public Services Department on 7th May 2015.

Signed on behalf of the Department

Deputy S. Ogier
Minister

13th May 2015

Deputy D. Duquemin
Deputy Minister

13th May 2015

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

Guernsey Water

Cash flow statement

for the year ended 31 December 2014

		2014		2013	
	Notes	£	£	£	£
Net cash inflow from operating activities	11		3,982,724		4,889,485
Returns on investments and servicing of finance					
Net interest received	3	<u>388,350</u>		<u>638,648</u>	
Net cash inflow from returns on investments and servicing of finance			388,350		638,648
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(5,760,219)		(9,528,867)	
Less: customer contributions to mains		<u>58,288</u>		<u>55,132</u>	
Additions to fixed assets	6	(5,701,931)		(9,473,735)	
Receipts from sale of fixed assets	6	133,036		607,664	
Government grants received	9	<u>250,503</u>		<u>4,758,550</u>	
Net cash outflow from capital expenditure and financial investment			(5,318,392)		(4,107,521)
Management of liquid resources					
Increase/(decrease) in amounts held with States Treasury	12 & 13	<u>426,212</u>		<u>(1,407,934)</u>	
Net cash outflow from management of liquid resources			426,212		(1,407,934)
(Decrease)/increase in cash	12 & 13		<u>(521,106)</u>		<u>12,678</u>

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

Guernsey Water

Notes to the financial statements

1. Principal accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

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

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

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled water and waste water supplies and cesspit emptying income which, as at 31 December 2014, amounted to £1,121,534 (2013: £1,167,741) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Deferred income

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

Grants

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

Commitments

At 31 December 2014, Guernsey Water's contracted total commitment was £23,384,185 (2013:£3,107,381)

The above includes a capital commitment at 31 December 2014 relating to the Belle Greve Wastewater Outfalls project totalling £19,708,170; this includes a £1,728,000 contingency.

Guernsey Water

Notes to the financial statements

1. Principal accounting policies - continued

Depreciation

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

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

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

Assets under construction are not subject to depreciation.

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

Stock

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

Superannuation costs

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

Guernsey Water

Notes to the financial statements - continued

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

	2014	2013
£	£	£
Miscellaneous income:		
Standard charges for service laying	202,564	173,928
Charges for work at ascertained cost	81,983	21,070
Property rental income	126,885	118,304
Stores issues	<u>582,171</u>	<u>680,413</u>
	993,603	993,715
Expenditure	<u>(675,412)</u>	<u>(844,884)</u>
Net surplus on other trading activities before management expenses and depreciation	<u>318,191</u>	<u>148,831</u>

3. Net interest receivable

	2014	2013
£	£	£
Interest received:		
States Treasury Deposit & business accounts	387,773	638,425
Interest received:		
Current account	<u>577</u>	<u>223</u>
	<u>388,350</u>	<u>638,648</u>

4. Depreciation

	2014	2013
£	£	£
Depreciation charge for the year (note 6)	3,499,161	<u>3,171,986</u>
Loss on disposal of Fixed Assets	<u>510,031</u>	-
Charge in revenue account	4,009,192	3,171,986
Transfer to general reserve (note 10)	<u>(9,192)</u>	<u>828,014</u>
	<u>4,000,000</u>	<u>4,000,000</u>

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

5. Stock

	2014	2013
	£	£
Water production	432,080	431,266
Water distribution	487,178	544,898
Waste water	<u>321,562</u>	<u>197,210</u>
	<u>1,240,820</u>	<u>1,173,374</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Guernsey Water

Notes to the financial statements – continued

6. Tangible fixed assets

	1 January 2014	Additions	Reclassification	Obsolescence/ Disposals	31 December 2014
<i>Cost</i>	£	£	£	£	£
Dam	310,316	20,920	-	-	331,236
Mains	28,097,221	610,405	-	-	28,707,626
Land and quarries	3,758,344	-	(1,273,971)	(366,997)	2,117,376
Land and quarries improvements	-	-	1,215,504	-	1,215,504
Structures and buildings	19,613,285	517,625	(4,253,029)	(306,772)	15,571,109
Fixed plant (Machinery)	12,498,732	1,001,368	4,249,903	(4,027,713)	13,722,290
Distribution meters	1,693,733	22,660	-	-	1,716,393
Office furniture, fittings and equipment	1,563,754	26,631	30,000	(886,080)	734,305
Mobile plant & tools	608,477	18,860	-	(384,413)	242,924
Motor vehicles	703,781	39,401	-	17,124	760,306
Asset under construction	-	-	37,337	-	37,337
Sewers	80,563,076	2,838,836	182,556	-	83,584,468
Rising mains	9,854,880	127,447	-	-	9,982,327
Pumping stations	23,874,965	477,779	(188,300)	(133,257)	24,031,187
	<u>183,140,564</u>	<u>5,701,932</u>	<u>-</u>	<u>(6,088,108)</u>	<u>182,754,388</u>
	1 January 2014	Charge for the year	Reclassification	Obsolescence/ Disposals	31 December 2014
<i>Depreciation</i>	£	£	£	£	£
Dam	189,007	3,362	-	-	192,369
Mains	8,524,664	264,905	-	-	8,789,569
Land and quarries	-	-	-	-	-
Land and quarries improvements	-	23,083	1,649	-	24,732
Structures and buildings	2,566,518	377,810	(485,203)	(285,417)	2,173,708
Fixed plant (Machinery)	7,738,319	975,835	481,154	(3,869,241)	5,326,067
Distribution meters	1,490,374	51,118	-	-	1,541,492
Office furniture, fittings and equipment	1,323,886	73,062	2,400	(883,431)	515,917
Mobile plant & tools	525,748	30,215	-	(384,413)	171,550
Motor vehicles	592,158	27,394	-	17,124	636,676
Assets under construction	-	-	-	-	-
Sewers	19,898,376	870,623	3,766	-	20,772,765
Rising mains	2,608,621	197,098	-	-	2,805,719
Pumping stations	4,987,514	604,656	(3,766)	(83,698)	5,504,706
	<u>50,445,185</u>	<u>3,499,161</u>	<u>-</u>	<u>(5,489,076)</u>	<u>48,455,270</u>
Net book value	<u>132,695,379</u>	<u>2,202,771</u>	<u>-</u>	<u>(599,032)</u>	<u>134,299,118</u>

The sale of a parcel of land at the Brickfield House site for £130,000 resulting in a gain of £41,000 after disposal costs. Historical cost for the land was deemed to be £89,000. Five vehicles were sold during 2014 for £3,036 these had been fully depreciated. Historic cost for three vehicles was £17,124; two vehicles had been acquired during the merger for nil value.

Guernsey Water

Notes to the financial statements - continued

6. Tangible fixed assets (Continued)

A review of the Fixed Assets was undertaken relating to the asset values held as at 31 December 2014.

As a result of this review the capital assets held were assessed as follows:

- To ensure that the assets continued to exist
- To ensure assets were held under the correct category
- To review and ensure asset lives are appropriate

As a result of this review the following was ascertained:

- A new category for land improvements. Land that has stabilisation costs will have an estimated life between 10 and 50 years.
- A new category under Sewage Pumping Stations for control and equipment. These costs will be depreciated over 10 years.
- Meters – in previous years Guernsey Water only capitalised meters from new supplies. A prospective change in policy to reflect replacement every 12 years was implemented and those over 12 years will be disposed of. From 2015, capitalisation of all meters installed will be applied.

Following the review, and the disposal of assets, the effect on the revenue account was as follows:

	<u>Obsolescence</u>	<u>Disposal</u>	<u>Total</u>
Land and Quarries	(277,997)	(89,000)	(366,997)
Structures and Buildings	(21,355)	-	(21,355)
Fixed plant (Machinery)	(158,472)	-	(158,472)
Office furniture, Fittings and Tools	(2,649)	-	(2,649)
Pumping Stations	(49,558)	-	(49,558)
Disposal proceeds Land and Quarries	-	130,000	130,000
Disposal proceeds Motor Vehicles (fully depreciated)	-		
		<u>3,036</u>	<u>3,036</u>
Net Gain/(Loss) on Disposal	<u>(510,031)</u>	<u>44,036</u>	<u>(465,995)</u>

7. Debtors and prepayments

	2014	2013
	£	£
Unbilled water supplies	719,947	766,908
Unbilled waste water	223,563	231,460
Customers' billed accounts outstanding	793,858	767,611
Cesspit emptying income receivable	30,375	30,491
Unbilled cesspit income	178,024	169,373
Other debtors and prepayments	193,329	55,101
Grants receivable	629	629
	<u>2,139,725</u>	<u>2,021,573</u>

Guernsey Water

Notes to the financial statements - continued

8. Creditors: amounts falling due within one year

	2014 £	2013 £
General creditors	926,259	1,283,650
Deferred income	<u>267,179</u>	<u>233,800</u>
	<u>1,193,438</u>	<u>1,517,450</u>

9. Accruals and deferred income Capital Grants

	2014 £	2013 £
At beginning of year	12,299,048	7,579,110
Grants receivable	<u>250,503</u>	<u>4,758,550</u>
	12,549,551	12,337,660
Released to revenue account during the year	<u>(288,670)</u>	<u>(38,612)</u>
At end of year	<u>12,260,881</u>	<u>12,299,048</u>

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

An amount of £288,670 was released to the revenue account in 2014. (2013: £38,612)

Guernsey Water

Notes to the financial statements - continued

10. Reserves

	Property Development Fund £	General Reserve £	Funding from the States of Guernsey - Merger Reserve £	Revenue Account £	Total £
Balance 1 January 2014	4,168,737	16,111,265	75,178,135	40,900,501	136,358,638
Surplus for the year	-	-	-	1,204,198	1,204,198
Transfer to Property Development Fund	683,809	-	-	(683,809)	-
Provision for future replacement of assets (note 4)	-	(9,192)	-	9,192	-
Balance 31 December 2014	<u>4,852,546</u>	<u>16,102,073</u>	<u>75,178,135</u>	<u>41,430,082</u>	<u>137,562,836</u>

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

The general reserve is required to fund the asset base of Guernsey Water (see note 4) and is being developed to assist in the eventual refurbishment or replacement of the St Saviour's Dam and the other treatments works. All reserves are distributable.

Funding from the States of Guernsey – Merger Reserve represents the net book value of the assets transferred by the States of Guernsey Public Services Department ("PSD") to Guernsey Water on the amalgamation of Guernsey Water and Guernsey Waste Water effective 1 January 2012.

Guernsey Water

Notes to the financial statements - continued

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

	2014 £	2013 £
Operating surplus for the year	771,812	1,154,159
Depreciation charges and surplus on disposal of moveable fixed assets (notes 4 and 6)	4,009,192	3,171,986
Government grants released (note 9)	(288,670)	(38,612)
(Increase)/decrease in stock	(67,446)	62,372
(Increase)/decrease in debtors and prepayments	(118,152)	971,269
(Decrease)/increase in creditors due within one year	<u>(324,012)</u>	<u>(431,689)</u>
Net cash inflow from operating activities	<u>3,982,724</u>	<u>4,889,485</u>

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

	2014 £	2013 £
(Decrease)/increase in cash in the year	(521,106)	12,678
(Decrease)/increase in balances with States Treasury	<u>(426,212)</u>	<u>1,407,934</u>
Change in net funds	<u>(947,318)</u>	<u>1,420,612</u>
Net funds at 1 January	<u>14,284,810</u>	<u>12,864,198</u>
Net funds at 31 December	<u>13,337,492</u>	<u>14,284,810</u>

13. Analysis of changes in net funds

	At 1 January 2014 £	Cash Flows £	At 31 December 2014 £
Cash at bank and in hand	577,882	(521,106)	56,776
Balance with States Treasury	<u>13,706,928</u>	<u>(426,212)</u>	<u>13,280,716</u>
	<u>14,284,810</u>	<u>(947,318)</u>	<u>13,337,492</u>

14. Commitments

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

	2014 £	2013 £
Revenue contracted	62,234	151,127
Capital contracted	<u>23,321,951</u>	<u>2,956,254</u>
	<u>23,384,185</u>	<u>3,107,381</u>

Capital commitment at 31 December 2014 relating to the Belle Greve Wastewater Outfalls project was £19,708,170.

Guernsey Water

Notes to the financial statements - continued

15. Superannuation 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. In March 2015, the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2013 which indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

Guernsey Water has applied the provisions of FRS 17 for multi-employer arrangements. As the share of the underlying assets and liabilities of the States of Guernsey Superannuation Scheme attributable to Guernsey Water cannot be identified on a reasonable or consistent basis, contributions payable are treated as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2014 was £390,776 (2013: £402,220).

16. Audit fees

Audit fees in respect of the 2014 financial statements for Guernsey Water are £38,535 (2013: £32,630).

17. Related party transactions

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

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

18. Statement of control

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

19. Subsequent events

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

States of Guernsey Commerce and Employment Department Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2014

Overall purpose and responsibilities of the Dairy Management Board

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

Department members and principal officers

Department members as at 31 December 2014

Deputy K A Stewart	-	Minister
Deputy A Brouard	-	Deputy Minister
Deputy G Collins	-	Member
Deputy D G De Lisle	-	Member
Deputy L Trott	-	Member

Dairy Management Board members

Mr A Child	-	Chairman
Deputy D De Lisle	-	Member
Mr S Hogg	-	Non-States Member
Mr S Keys	-	Non-States Member
Mr R Nash	-	Member – <i>Ex officio</i>
Mr A Tabel	-	Member – <i>Ex officio</i>

Non States members as at 31 December 2014

Advocate Thomas M. Carey

Deputy H Soulsby resigned from the Commerce and Employment Board as resolved in Billet d'État No XXVIII dated 10th November 2014 and as a consequence from the Dairy Management Board at that date.

Principal officers:

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

Address:

Bailiff's Cross Road
St Andrew
Guernsey
GY6 8RJ

States of Guernsey Commerce and Employment Department Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2014

Principal purpose

To operate the Guernsey Dairy in order to:

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

Financial Summary

Summary

The Guernsey Dairy made an overall net surplus of £572,391 against a net surplus of £435,939 in 2013.

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

Sales

Overall sales turnover increased by £193,477 (2.7%) in 2014 compared to 2013.

Liquid Milk

Sales revenue increased by £106,433 (1.9%) in 2014 compared to 2013 due to an increase in the price paid for milk.

Dairy Products

Overall sales of dairy products showed an increase of £74,282 (5.1%) in 2014 compared to the overall product sales in 2013. Butter rose by £63,981 (7.2%) due to an increase in exports. However, cheese sales were down by £15,379 (7.5%) compared to 2013 due to less cheese being produced as raw milk supplied to the Dairy was down compared to 2013. Sales of cream were slightly up in comparison to 2013 by £3,057 (1.1%). Sales of ice cream were down on the previous year by £15,406 (9.3%) due to the base recipe mix being de-listed as the business concentrated on its branded retail and catering flavoured varieties.

Sundry Income

Sundry income increased by £12,762 (95%) mainly due to an increase in milk carton advertisement income in 2014 compared to 2013.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2014

Cost of Sales

The cost of sales increased by £84,076 (1.7%) in 2014 compared to 2013.

Milk Purchases

Although there was a continued fall in volumes of raw liquid milk during 2014 in comparison to 2013 the actual cost of purchasing raw milk increased by £83,443 (2.5%). The seasonality payment trial introduced in October 2013 to help even out the supply of milk to the dairy from the producers has continued successfully throughout 2014 and into 2015. This is a long term scheme with the full effects being realised over a number of years and will result in a more even supply over the whole of the year rather than an excess supply in some quarters with a shortage in the winter months.

Milk – working losses

Milk – working losses decreased by £13,241 (12.3%) in 2014 compared to 2013. The Dairy continues to make improvements to capital equipment and working efficiencies with regards to reducing milk working losses to a minimum.

Package materials

Costs of packaging materials decreased by £28,841 (5.2%) in 2014 compared to 2013 this being due to more favourable market conditions i.e. falling oil prices, and improved procurement practices.

Freight

Freight costs decreased by £4,916 (5.8%) during 2014, lower fuel costs during the year in comparison to the previous year helped to keep transportation costs down.

Gross Surplus

The gross surplus for 2014 increased by £109,401 (5.2%) on 2013 figures.

Expenses

Advertising and promotion

Advertising and promotion costs increased by £10,892 (14.9%) in 2014 when compared to 2013 as a result of increased brand promotion awareness during the year.

Depreciation

Depreciation costs increased slightly during 2014 by £1,240 (0.5%) with the continuing capital investment programme.

Fuel, Light, Power and Water

Fuel, light, power, water and rates costs decreased in 2014 by £37,866 (10.9%) compared to 2013 due in the main to a welcome reduction in fuel prices during 2014.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2014

Professional Fees

Professional fees increased by £4,386 (3.7%), which was due to inflationary rises.

Provision for bad and doubtful debts

A general provision of 0.5% of the debtors balance has been included in these financial statements, which forms part of Guernsey Dairy's accounting policy; a prior year specific provision, which did not materialise into a bad debt resulted in a reduction in the provision allowed previously.

Salaries and Wages

Salaries decreased by £23,335 (3.9%) in 2014 compared to 2013. However, this was due to the substantial amount of overtime paid to key members of staff for the additional hours spent on the implementation of the new SAP computer system during the previous year and which did not reoccur in 2014.

Capital Expenditure

A comprehensive capital expenditure program continued in 2014 resulting in total expenditure of £184,936 against £119,948 in 2013.

Capital expenditure	2014	2013
	£	£
Plant & Equipment		
Foss Milkoscan FT120	-	27,030
Cream Metering Pump (Butter)	-	4,161
S/S Centrifugal Pump (raw milk to break tank)	-	3,445
Butter Maker Control Panel	-	1,242
FOODLAB Analysis Equipment	-	5,981
Replacement Water Baths for Laboratory	-	1,753
UPS & Switch for File Servers	-	5,320
Danfoss replacement Inverter for Separator	-	5,197
Separate Motor & Adapters	-	8,657
Miscellaneous shelving/Racking	-	677
Replacement Dated Butter Coder	-	2,229
Genlab Hot Air Steriliser	-	1,621
Overhead Steam Supply to Tray Washer	33,842	-
4250 Cryoscope Fluorophos Testing System	12,445	-
Syrup Injector Pump	7,820	-
Office Furniture	4,324	-
Air Conditioning Unit	2,270	-
Peripherals to CCTV System	2,000	-
Dairy Branded Ice Cream Freezer Display Units	2,355	-
Plate Heat Exchanger	2,618	-
Grant 12 Litre Water Bath and Thermostat	1,753	-
Shredder	1,003	-
Steel Racking (Ice Cream Storage)	3,193	-
Freezer Unit	43,573	-

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2014

	2014 £	2013 £
Capital expenditure <i>continued</i>		
Buildings & Structures		
Insulation to Warm Carton Store	-	22,264
Upper Store Refurbishment	-	24,628
Concrete Pad for Road Tanker	7,476	-
External Door to Cold Store 5	5,875	-
Seal and Paint Cream Platform Steelwork	10,763	-
Civil Works to Coldstore 5 Threshold	3,027	-
Motor Vehicles		
Forklift Truck	17,710	-
Information Technology		
Dairy File Server	-	4,850
Two PC's & Monitors	-	893
Lone Worker Alarm System	1,500	-
Upgrade to DS4 (1)	2,900	-
Upgrade PC's	903	-
Upgrade CCTV System	9,255	-
Upgrade DS4 (2)	5,950	-
PC's and Monitors	2,381	-
Total Capital expenditure	<u>£184,936</u>	<u>£119,948</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of responsibilities for the preparation of financial statements

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

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

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

Statement of internal financial controls

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

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

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

The Department's internal financial procedures include:

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

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

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

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

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

We have audited the financial statements of the States of Guernsey Commerce and Employment Department - Dairy Trading Account ("the Dairy") for the year ended 31 December 2014, which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Department and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Dairy's affairs as at 31 December 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
St. Peter Port, Guernsey
21 May 2015

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Revenue account

For the year ended 31 December 2014

	Notes	£	2014 £	£	2013 £
Sales	1				
Liquid milk			5,664,069		5,557,636
Dairy products			1,531,581		1,457,299
Sundry income			<u>26,238</u>		<u>13,476</u>
Total sales			7,221,888		7,028,411
Cost of sales					
Opening product stock	4	230,837		198,317	
Opening packaging stock	4	<u>173,412</u>	404,249	<u>152,561</u>	350,878
Production wages		842,660		852,673	
Milk		3,405,473		3,322,030	
Milk – working losses		94,402		107,643	
Dairy product ingredients		38,441		43,017	
Packaging materials		525,032		553,873	
Freight		<u>79,192</u>	4,985,200	<u>84,108</u>	4,963,344
Closing product stock	4	(216,832)		(230,837)	
Closing packaging stock	4	<u>(178,568)</u>	(395,400)	<u>(173,412)</u>	(404,249)
Total cost of sales			4,994,049		4,909,973
Gross surplus			2,227,839		2,118,438
Administration expenses	2		<u>(1,712,873)</u>		<u>(1,748,144)</u>
Operating surplus for the year			514,966		370,294
Interest receivable	1		62,483		70,989
Loss on sale of fixed assets			<u>(5,058)</u>		<u>(5,344)</u>
Retained surplus for the year	7		<u>£572,391</u>		<u>£435,939</u>

All material activities derive from continuing operations.

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

Notes 1 to 15 form part of these financial statements.

States of Guernsey Commerce and Employment Department Dairy Trading Account

Balance sheet

At 31 December 2014

	Notes	2014 £	2013 £
Tangible fixed assets	3	1,999,467	2,049,480
Current assets			
Stocks	4	455,715	463,581
Debtors and prepayments	5	836,340	1,205,791
Balances held with the States Treasury		2,781,152	1,854,734
Cash at bank and in hand		<u>64,153</u>	<u>59,273</u>
		4,137,360	3,583,379
Creditors: amounts falling due within one year	6	<u>(413,824)</u>	<u>(482,247)</u>
Net current assets		<u>3,723,536</u>	<u>3,101,132</u>
Total net assets		<u>£5,723,003</u>	<u>£5,150,612</u>
Reserves	7	<u>£5,723,003</u>	<u>£5,150,612</u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 21 May 2015.

Signed on behalf of the Department

A Brouard
Deputy Minister

Notes 1 to 15 form part of these financial statements.

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Cash flow statement

For the year ended 31 December 2014

	Notes	£	2014 £	£	2013 £
Net cash inflow from operating activities	8		1,052,995		554,075
Returns on investments and servicing of finance					
Interest received			62,483		70,989
Capital expenditure					
Payments to acquire tangible fixed assets	3	(184,936)		(119,948)	
Receipts from sales of tangible fixed assets		756		-	
Net cash outflow from capital expenditure			(184,181)		(119,948)
Management of liquid resources					
Increase in assets held with States Treasury	9,10		(926,418)		(813,374)
Increase/(decrease) in cash	9,10		<u>£4,880</u>		(£308,259)

Notes 1 to 15 form part of these financial statements.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements

1. Accounting policies

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

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Debtors

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

Depreciation

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

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

Income

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

Expenses

Expenses are accounted for on an accruals basis.

Pension costs

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

Going concern statement

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

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

2. Administration expenses

	2014 £	2013 £
Opening non-product stock (note 4)	59,332	64,337
Advertising and promotion	83,779	72,887
Cleaning materials	65,844	67,527
Depreciation	229,135	227,895
Fuel, light, power, water and rates	311,100	348,966
General administration costs	42,021	26,930
Laboratory expenses	92,304	77,915
Motor vehicle expenses	30,070	27,781
Other expenses	42,614	38,269
Professional fees	122,208	117,822
Movement in bad and doubtful debt provision	(8,333)	636
Repairs, maintenance, insurance	130,988	141,050
Salaries and wages	572,126	595,461
Closing non production stock (note 4)	<u>(60,315)</u>	<u>(59,332)</u>
	<u>£ 1,712,873</u>	<u>£ 1,748,144</u>

Professional fees include £44,882 (2012: £44,219) in respect of services provided by the States of Guernsey Hub, and £25,800 (2012: £24,900) in respect of the fee charged by the Commerce & Employment Department in respect of the provision of accounting services to the Dairy.

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2014 £	Additions £	Disposals £	31 December 2014 £
<i>Cost</i>				
Buildings & Structures	1,613,191	27,141	-	1,640,332
Plant and Machinery	3,766,484	117,196	107,794	3,775,886
Motor Vehicles	301,350	17,710	35,202	283,858
Information Technology	<u>5,743</u>	<u>22,889</u>	<u>-</u>	<u>28,632</u>
	<u>5,686,768</u>	<u>184,936</u>	<u>142,996</u>	<u>5,728,708</u>
	1 January 2014 £	Charge for the year £	Disposals £	31 December 2014 £
<i>Depreciation</i>				
Buildings & Structures	805,052	40,227	-	845,279
Plant and Machinery	2,615,288	139,405	106,632	2,648,061
Motor Vehicles	215,980	42,596	30,550	228,026
Information Technology	<u>968</u>	<u>6,907</u>	<u>-</u>	<u>7,875</u>
	<u>3,637,288</u>	<u>229,135</u>	<u>137,182</u>	<u>3,729,241</u>
Net book value	<u>£2,049,480</u>			<u>£1,999,467</u>

4. Stocks

	2014 £	2013 £
Milk and Dairy products	216,832	230,837
Packaging materials	178,568	173,412
Other stock	<u>60,315</u>	<u>59,332</u>
	<u>£455,715</u>	<u>£463,581</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2014 £	2013 £
Trade and other debtors	805,884	1,181,113
Prepayments	<u>30,456</u>	<u>24,678</u>
	<u>£836,340</u>	<u>£1,205,791</u>

6. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	374,692	432,746
Accruals	<u>39,132</u>	<u>49,501</u>
	<u>£413,824</u>	<u>£482,247</u>

7. Reserves

	2014 Revenue Account £	2013 Revenue Account £
Balance at 1 January	5,150,612	4,714,673
Surplus for the financial year	<u>572,391</u>	<u>435,939</u>
Balance at 31 December	<u>£5,723,003</u>	<u>£5,150,612</u>

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

	2014 £	2013 £
Operating surplus for the year	514,966	370,294
Depreciation	229,135	227,895
Decrease/(increase) in debtors and prepayments	369,451	(67,041)
Decrease/(increase) in stocks	7,866	(48,366)
Decrease/(increase) in creditors and accruals	<u>(68,423)</u>	<u>71,293</u>
Net cash inflow from operating activities	<u>£ 1,052,995</u>	<u>£ 554,075</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Notes to the financial statements - continued

9. Reconciliation of net cash flow movement in net funds

	2014 £	2013 £
Increase/(decrease) in cash in the year	4,880	(308,259)
Increase in balances held with States Treasury	926,418	813,374
Change in net funds	931,298	505,115
Net funds at 1 January	1,914,007	1,408,892
Net funds at 31 December	<u>£ 2,845,305</u>	<u>£ 1,914,007</u>

10. Analysis of the changes in net funds

	At 1 January 2014 £	Cash flows £	At 31 December 2014 £
Cash at Bank and in hand	59,273	4,880	64,153
Balances held with States Treasury	<u>1,854,734</u>	<u>926,418</u>	<u>2,781,152</u>
	<u>£ 1,914,007</u>	<u>£ 931,298</u>	<u>£ 2,845,305</u>

11. Superannuation fund

The employees of the States of Guernsey – Dairy are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. In March 2015, the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2013 which indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

The States of Guernsey – Dairy has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2014 were £143,894 (2013: £140,593).

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

12. Related party transactions

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

13. Statement of control

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

14. Subsequent events

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

15. Commitments and contingent liabilities

There are no commitments or contingent liabilities relating to 2014 which would affect these financial statements (2013: None).

States of Guernsey Public Services Department

States Works

Statement of activities and performance

year ended 31 December 2014

Principal activities

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

Financial Highlights

	Actual 2014	Budget 2014	Actual 2013
	£'000	£'000	£'000
Income	15,343	14,929	14,886
Surplus	1,276	982	1,324
Capital expenditure	519	1,136	621

There was an increase in turnover in 2014 compared to prior year of £457k. There are a number of reasons for this increase which are detailed below:

- Building Section were contracted to carry out the refurbishment of an office space for a private customer;
- Cleansing Section has a new service level agreement for the kerbside recycling round in St Peter Port which commenced in March 2014; and
- Electrical & Mechanical Section income rose due to an increase in the supply and installation of Flygt pumps.

The expenditure in the year for labour and direct materials has increased from prior year which is to be expected with the rise in income during the year. The public service employees received a pay increase of £9 per week which took effect from 1 January 2014.

The capital expenditure is lower than 2013 and 2014 budget as a number of vehicles had not been delivered and invoiced at year end. In addition to this, the planned purchase of a number of vehicles was deferred following a review of the Division's vehicle replacement programme.

Developments in 2014

The corporate five year Land Management Service Level Agreement was implemented on 1 January 2014. This has been running successfully and all departments are part of this agreement with the exception of Guernsey Airport which has been delayed due to remedial works required at the Airport. The Division is continuing to develop its implementation strategy for the corporate provision of fleet management through States Works as preferred provider.

The vehicle tracking system was formally introduced on 20 January 2014 and tracking devices have been installed in all commercial vehicles at States Works. The initiative is expected to produce cost savings through improved driving, fuel efficiency and reduction of accidents.

The Division commenced the kerbside collection of dry recyclables within the Parish of St Peter Port in March 2014. In addition to this a kerbside glass collection trial on behalf of Guernsey Waste was started in November 2014 within St Peter Port for an initial period of 6 months.

The Division is developing a tender bid for the Guernsey Waste Management Project in conjunction with Guernsey Recycling, Geomarine and Amec Ltd. This bid is for the delivery of lots 1 and 2 of the project which is the 'design, build and operate' contracts for the in-vessel composting, waste transfer station & material recovery facility.

States of Guernsey Public Services Department

States Works

Statement of activities and performance

year ended 31 December 2014

Principal activities

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

Financial Highlights

	Actual 2014	Budget 2014	Actual 2013
	£'000	£'000	£'000
Income	15,343	14,929	14,886
Surplus	1,276	982	1,324
Capital expenditure	519	1,136	621

There was an increase in turnover in 2014 compared to prior year of £457k. There are a number of reasons for this increase which are detailed below:

- Building Section were contracted to carry out the refurbishment of an office space for a private customer;
- Cleansing Section has a new service level agreement for the kerbside recycling round in St Peter Port which commenced in March 2014; and
- Electrical & Mechanical Section income rose due to an increase in the supply and installation of Flygt pumps.

The expenditure in the year for labour and direct materials has increased from prior year which is to be expected with the rise in income during the year. The public service employees received a pay increase of £9 per week which took effect from 1 January 2014.

The capital expenditure is lower than 2013 and 2014 budget as a number of vehicles had not been delivered and invoiced at year end. In addition to this, the planned purchase of a number of vehicles was deferred following a review of the Division's vehicle replacement programme.

Developments in 2014

The corporate five year Land Management Service Level Agreement was implemented on 1 January 2014. This has been running successfully and all departments are part of this agreement with the exception of Guernsey Airport which has been delayed due to remedial works required at the Airport. The Division is continuing to develop its implementation strategy for the corporate provision of fleet management through States Works as preferred provider.

The vehicle tracking system was formally introduced on 20 January 2014 and tracking devices have been installed in all commercial vehicles at States Works. The initiative is expected to produce cost savings through improved driving, fuel efficiency and reduction of accidents.

The Division commenced the kerbside collection of dry recyclables within the Parish of St Peter Port in March 2014. In addition to this a kerbside glass collection trial on behalf of Guernsey Waste was started in November 2014 within St Peter Port for an initial period of 6 months.

The Division is developing a tender bid for the Guernsey Waste Management Project in conjunction with Guernsey Recycling, Geomarine and Amec Ltd. This bid is for the delivery of lots 1 and 2 of the project which is the 'design, build and operate' contracts for the in-vessel composting, waste transfer station & material recovery facility.

States of Guernsey Public Services Department

States Works

Statement of activities and performance (continued)

year ended 31 December 2014

On 1 January 2015, it was agreed by the Public Services Department Board to make a transfer of £1.0 million from States Works retained surpluses to the States General Revenue Account.

Operational Performance

Staffing Statistics

	2014	2013
Ratio of Support staff to Operational staff	14%	13%
Staff members at year end	236	232
Income generated per Employee	£65,012	£64,163
FTE	249	247

Emergency Call-Out

Number of calls	110	101
Man hours worked	1,451	664

Board Members and Principal Officers

Deputy P. Luxon, Minister (stood down from Board 29/10/14)
Deputy S. Ogier, Deputy Minister (elected Minister 26/11/14)
Deputy Y. Burford (stood down from Board 25/06/14)
Deputy D. Duquemin (elected Deputy Minister 18/12/14)
Deputy R. Jones
Deputy P. Harwood (elected to Board 25/06/14)
Deputy M. Dorey (elected to Board 10/12/14)

Board Members are the elected political representatives of the Public Services Department

Principal Officers were:

Mr A. Lewis, Chief Officer, Public Services Department
Mr S Gardiner, Finance Business Partner, Public Services Department (appointed 27/10/14)
Mrs H. Savage, Senior Finance Officer, Public Services Department
Mr P. Lickley, General Manager, States Works
Mrs N. Nicholson, Senior Manager, Finance and Support Services, States Works

States of Guernsey Public Services Department

States Works

Statement of responsibilities for the preparation of financial statements

The Public Services Department is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of States Works as at the end of the financial year and of the surplus or deficit of States Works for that period. In preparing those financial statements, the Public Services 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; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume States Works will continue in business.

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

States of Guernsey Public Services Department

States Works

Statement of internal financial controls

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

The States Works internal financial controls and monitoring procedures include:

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

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

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

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

Going Concern

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

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

We have audited the financial statements of States Works for the year ended 31 December 2014 which comprise the Revenue Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the Public Services Department and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the States Works' affairs as at 31 December 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
Guernsey
13 May 2015

States of Guernsey Public Services Department

States Works

Revenue Account

for the year ended 31 December 2014

	Notes	2014 £	2013 £
Income	2	<u>15,342,736</u>	<u>14,885,734</u>
Expenses			
Labour and direct materials	3	10,906,788	10,305,220
Transport, plant and equipment maintenance	4	1,190,528	1,155,395
Building maintenance and charges	5	303,172	352,441
Administration and general	6	<u>1,739,187</u>	<u>1,761,710</u>
		<u>14,139,675</u>	<u>13,574,766</u>
Operating surplus		1,203,061	1,310,968
Interest received from States Treasury		<u>72,933</u>	<u>12,806</u>
Surplus for the financial year	11	<u>1,275,994</u>	<u>1,323,774</u>

All material activities derive from continuing operations.

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

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

States of Guernsey Public Services Department

States Works

Balance Sheet at 31 December 2014

	Notes	2014 £	2013 £
Tangible fixed assets	7	5,693,147	6,028,597
Current Assets			
Stock and work in progress	8	456,852	423,549
Debtors	9	1,364,876	1,575,741
Balances with States Treasury	14	<u>3,599,549</u>	<u>1,866,639</u>
		<u>5,421,277</u>	<u>3,865,929</u>
Creditors: amounts falling due within one year	10	<u>575,043</u>	<u>585,809</u>
Net current assets		<u>4,846,234</u>	<u>3,280,120</u>
Total net assets		<u>10,539,381</u>	<u>9,308,717</u>
Reserves	11	<u>10,539,381</u>	<u>9,308,717</u>

These financial statements were approved by the Public Services Department on 7th May 2015.

Signed on behalf of the Department

Deputy S.Ogier **Deputy D.Duquemin**
Minister *Deputy Minister*

13th May 2015 13th May 2015

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

States of Guernsey Public Services Department

States Works

Cash Flow Statement

for the year ending 31 December 2014

	Notes	2014 £	2013 £
Net cash inflow from operating activities	12	<u>2,173,247</u>	<u>1,665,470</u>
Returns on investments and servicing of finance			
Interest received		72,933	12,806
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(519,270)	(621,482)
Receipts from sales of tangible fixed assets		<u>6,000</u>	<u>11,440</u>
Net cash outflow from investing activities		<u>(513,270)</u>	<u>(610,042)</u>
Management of liquid resources			
(Increase) / decrease in amounts held with States Treasury	13	<u>(1,732,910)</u>	<u>(1,068,234)</u>
Movement in cash		<u>-</u>	<u>-</u>

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

States of Guernsey Public Services Department

States Works

Notes to the financial statements

1. Principal accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going Concern

The financial statements have been prepared on a going concern basis. As explained in the Statement of Internal Financial Controls the Public Services Department consider that the going concern basis is appropriate and that States Works is able to meet its liabilities as they fall due.

Revenue

Income comprises amounts in respect of services provided and goods supplied in the year, recorded on an accruals basis.

Trade Debtors

Trade debtors are stated less a general provision of £10,000 (2013: £10,000) and a specific provision of £12,674 (2013: £12,674).

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

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

Stock and work in progress

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

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

1. Principal accounting policies (continued)

Pension costs

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

Interest Income

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

Leases

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

2. Income	2014	2013
	£	£
Building maintenance	431,325	184,532
Cleansing services	1,999,027	1,847,360
Drainage work	310,250	51,228
Electrical & mechanical work	1,081,681	900,661
Emergency services	152,898	185,051
Fleet hire	104,048	94,105
Fleet maintenance	690,879	666,188
Grounds maintenance	2,237,525	2,197,399
Highway repairs	1,671,936	1,746,701
Landfill & recycling	3,170,718	3,106,443
Management services	169,468	209,274
Sewage collection	2,387,261	2,366,685
Signs & lines	404,218	400,793
Administration & stores	529,783	617,874
Profit on disposal of fixed assets	1,719	11,440
	<u>15,342,736</u>	<u>14,885,734</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

3. Labour and direct materials	2014	2013
	£	£
Labour charges:		
Wages and employer's superannuation	6,911,936	6,710,527
Direct materials:		
Materials and services	2,907,351	2,672,689
Stores	665,552	574,128
Sub contractors	439,363	360,553
Less: discounts received	<u>(17,414)</u>	<u>(12,677)</u>
	<u>3,994,852</u>	<u>3,594,693</u>
	<u>10,906,788</u>	<u>10,305,220</u>
 4. Transport, plant and equipment maintenance	 2014	 2013
	£	£
Vehicles		
- fuel and maintenance	339,695	366,648
- depreciation	572,157	559,722
Plant & Tools		
- maintenance & replacements	168,219	135,321
- depreciation	110,457	93,704
	1,190,528	1,155,395
 5. Building maintenance and charges	 2014	 2013
	£	£
La Hure Mare	169,043	196,836
Burnt Lane & Saumarez Lane Depot	41,576	63,265
Buildings and fittings depreciation	<u>92,553</u>	<u>92,340</u>
	<u>303,172</u>	<u>352,441</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

6. Administration and general	2014	2013
	£	£
Salaries, wages and employer's superannuation	1,339,704	1,418,735
Travel & training charges	74,466	77,683
Post, stationery & telephone	29,734	24,330
Computer charges	86,693	86,423
Insurance	104,441	100,814
Audit fee	11,420	11,200
Sundry office expenses	62,011	16,417
Debt write off	775	12,674
Office and equipment depreciation	<u>29,943</u>	<u>13,434</u>
	<u>1,739,187</u>	<u>1,761,710</u>

7. Tangible fixed assets

Cost	1 January 2014	Additions	Write down of transferred asset	Disposals	31 December 201'
	£	£	£	£	£
Plant, tools & equipment	1,342,469	128,738	-	(5,891)	1,465,316
Motor vehicles	5,014,649	370,136	(45,330)	(54,956)	5,284,499
Office equipment	215,772	20,396	-	-	236,168
Buildings and fittings	3,826,129	-	-	-	3,826,129
Land	<u>1,274,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,274,220</u>
	11,673,239	519,270	(45,330)	(60,847)	12,086,332
Depreciation	1 January 2014	Charge for the year		Disposals	31 December 201'
	£	£		£	£
Plant, tools & equipment	1,041,160	110,457		(1,611)	1,150,006
Motor vehicles	2,746,010	572,157		(54,956)	3,263,211
Office equipment	148,520	29,943		-	178,463
Buildings and fittings	1,708,952	92,553		-	1,801,505
Land	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
	<u>5,644,642</u>	<u>805,110</u>		<u>(56,567)</u>	<u>6,393,185</u>
Net Book Value	<u>6,028,597</u>				<u>5,693,147</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

8. Stock and work in progress	2014	2013
	£	£
Stock	232,492	255,301
Work in progress	<u>224,360</u>	<u>168,248</u>
	<u>456,852</u>	<u>423,549</u>

9. Debtors	2014	2013
	£	£
Trade debtors (Note 1)	1,333,375	1,550,290
Prepayments and other debtors	<u>31,501</u>	<u>25,451</u>
	<u>1,364,876</u>	<u>1,575,741</u>

10. Creditors: amounts falling due within one year	2014	2013
	£	£
Trade creditors	348,018	415,093
Accruals	<u>227,025</u>	<u>170,716</u>
	<u>575,043</u>	<u>585,809</u>

11. Reserves	Revenue Reserve	Asset Transfer Reserve	Total
	£	£	£
Balance 1 January 2014	9,192,962	115,755	9,308,717
Asset write down (note 7)	-	(45,330)	(45,330)
Surplus for financial year	<u>1,275,994</u>	<u>-</u>	<u>1,275,994</u>
Balance 31 December 2014	<u>10,468,956</u>	<u>70,425</u>	<u>10,539,381</u>

12. Reconciliation of operating surplus to net cash inflow from operating activities	2014	2013
	£	£
Operating surplus	1,203,061	1,310,968
Depreciation charges and profit on sale of tangible fixed assets	803,390	747,760
Increase in stocks and work in progress	(33,303)	(13,516)
Decrease / (increase) in debtors	210,865	(648,513)
(Decrease) / increase in creditors	<u>(10,766)</u>	<u>268,771</u>
Net cash inflow from operating activities	<u>2,173,247</u>	<u>1,665,470</u>

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

13. Reconciliation of net cash flow to movement in net funds	2014	2013
	£	£
Movement in cash	-	-
Increase in liquid resources	<u>1,732,910</u>	<u>1,068,234</u>
	1,732,910	1,068,234
Net funds at 1 January	<u>1,866,639</u>	<u>798,405</u>
Net funds at 31 December	<u>3,599,549</u>	<u>1,866,639</u>

14. Analysis of changes in net funds

	1 January	Cash Flow	31 December
	2014		2014
	£	£	£
Cash held with States Treasury	<u>1,866,639</u>	<u>1,732,910</u>	<u>3,599,549</u>

15. Capital Commitments	2014	2013
	£	£
Contracted for but not provided	<u>333,181</u>	<u>328,256</u>

16. Superannuation Fund

The employees of States Works are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. In March 2015, the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2013 which indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

States of Guernsey Public Services Department

States Works

Notes to the financial statements - continued

16. Superannuation Fund - continued

States Works has applied the provisions of FRS 17 for multi-employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2014 were £801,931 (2013: £802,007).

17. Related party transactions

Income

The States of Guernsey Public Services Department – States Works are of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at “arm’s length”. There has been no change in the proportion of business between States 84% (2013: 84%) and private 16% (2013: 16%) clients.

Expenditure

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

18 Statement of control

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

19 Subsequent events

On 1 January 2015, it was agreed by the Public Services Department Board to make a transfer of £1.0 million from States Works retained surpluses to the States General Revenue Account.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

PRINCIPAL OFFICERS **Year ended 31 December 2014**

Social Security Department

Minister	Deputy A H Langlois	
Deputy Minister	Deputy S A James MBE	
Members	Deputy J A B Gollop Deputy M K Le Clerc Deputy D A Inglis	
Non-Voting Members	Mrs S M Crowder Mr M J Brown	Resigned 28 January 2015
Administrator	Mr M Nutley	

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF ACTIVITIES **Year ended 31 December 2014**

ACTIVITIES DURING THE YEAR

From 1 January 2014, following completion of a 5-year phasing in period, the upper earnings limits for employed, self-employed and non-employed people aligned with the upper earnings limit for employers.

Throughout 2014, in co-operation with the Treasury and Resources Department, the Department continued to be engaged in a comprehensive review of Guernsey's Personal Tax, Social Insurance, old age pension and benefits systems (the Personal Tax, Pensions and Benefits Review). In advance of the conclusions and recommendations that would emerge during 2015 from this Review, and in view of the increasing operating deficit in the Guernsey Insurance Fund, in November 2014 the States noted the Department's intention to propose an increase in the employers' contribution rate of 0.5%, from 6.5% to 7% from 1 January 2016, unless in its opinion the measures approved by the States, following consideration of the proposals arising from the Personal Tax, Pensions and Benefits Review were adequate to secure the long-term financial sustainability of the Guernsey Insurance Fund. As a result of one of the work-streams emerging from the recommendations within the Personal Tax, Pensions and Benefits Review, the Department has started to look at the feasibility of introducing a second pillar (secondary) pension scheme. It is intended that a secondary pension scheme would target people who could save, but do not do so. It would be intended to provide a cost effective and transparent way of saving, taking advantage of economies of scale, and with a view to reducing the number of people who would otherwise have to fall back on the state for means-tested support in retirement.

In November 2014, the States of Deliberation approved the continuation of the Primary Care Mental Health and Wellbeing Service on a permanent basis to be provided as a specialist medical benefit funded from the Guernsey Health Service Fund, with effect from 1 January 2015. The Service is funded by the Department and provided by the Health and Social Services Department.

The Department completed the transition to the strategic asset allocation of the Common Investment Fund and continues to monitor the performance of the constituent fund managers against their individual investment objectives.

The Department has remained active, through the Prescribing Support Unit in keeping pharmaceutical costs under control, in particular through the gatekeeping role of the Pharmaceutical Benefit Advisory Committee, which recommends to the Department which drugs and medicines should be added to the prescribing whitelist. However, at the end of 2014, the Department discovered a high level of fraud or error in the claiming of prescription charge exemptions from people under 65. Immediate steps were taken to tighten procedures while a detailed investigation got under way.

The Department continues to work with the Health and Social Services Department on its healthcare system review. The priority issue for the Departments and the States in this area is to decide on the arrangements to succeed the current contract between the States and the Medical Specialist Group, when the current contract expires at the end of 2017.

The Department has continued to contribute to the development of a Supported Living and Ageing Well Strategy. Together with the Health and Social Services Department, Housing Department and Treasury and Resources Department, Department representatives are members of a working party led by the Policy Council in order to bring forward the Strategy. The review will incorporate the financing models for long-term care services that are currently outside the scope of long-term care insurance, including home care and extra-care housing.

The Department continued its Financial Transformation Programme (FTP) work-streams including; amendments to existing supplementary benefit legislation in order to implement the package of work incentivisation measures approved by the States in 2012, investing in performance improvement within supplementary benefit, improving debt recovery in supplementary benefit and managing incapacity benefit claims. Through these programmes, the Department achieved FTP savings of £1,071,000 in 2014.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

Two Members represent the Department on the Social Welfare Benefits Investigation Committee. The Special Committee was constituted by States Resolution in 2013 to develop a single, comprehensive social welfare benefits model to replace the supplementary benefit scheme, operated by the Department, and the rent rebate scheme operated by the Housing Department. The Committee will report to the States on progress in 2015.

The Department has been working on developing a project plan for the implementation of an enhanced package of maternity and paternity benefits in accordance with the resolutions resulting from the States' consideration of the Policy Council's report on the Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) in 2012.

The Department reviewed and published its 2014 Business Plan in order to inform stakeholders of the Department's development priorities.

The Department continues to be awarded Investors in People (IiP) status and by the end of 2014 was approaching the periodic re-accreditation.

FUTURE ACTIVITIES

Together with the Treasury and Resources Department, the Department will report to the States on the Personal Tax, Pensions and Benefits Review. Among other things, the review contains proposals for measures necessary for the long-term sustainability of the Contributory Funds. The Department will, in 2015, progress any resolutions of the States concerning the review which are to commence or conclude in the year. In advance of the States debate, the Department has already undertaken work on examining the feasibility of second pillar (secondary) pensions.

The Department will continue, through the Prescribing Support Unit, to keep pharmaceutical costs as well controlled and cost effective as possible. The Department will conclude its investigation into the unacceptable level of fraud or error in the claiming of exemption from prescription charges and will implement such further measures as are considered necessary.

The Department will continue to monitor investment performance and strategy for the Common Investment Fund.

The Department will continue to work in partnership with HSSD on the review of healthcare, in particular the secondary healthcare project which is a top priority in 2015.

It is intended that the travelling allowance grant (TAG), which is essentially a health benefit, be transferred from the Guernsey Insurance Fund to the Guernsey Health Service Fund, although not before 2016.

The Department will continue to contribute to the development of the Supported Living and Ageing Well Strategy, in cooperation with the Policy Council, Health and Social Services Department, Housing Department and Treasury and Resources Department.

The Department will continue to contribute to the work of the Social Welfare Benefits Investigation Committee, which is expected to report to the States on progress in 2015.

It is intended that the new package of maternity and paternity provisions arising from CEDAW will go live from 1 January 2017 and the Department will continue to prepare for implementation of these benefits.

Although the FTP closes at the end of 2014, ongoing projects will be handed over to Department staff to progress. The Department will continue to look for opportunities to make business efficiency savings at both a Departmental and States-wide level working collaboratively with other States Departments.

The Department will continue to use its Business Plan to further develop effective key performance indicators and a performance reporting system. This will include further strengthening Risk Management, developing its in-house staff survey and seeking the Department's continued accreditation as an Investors in People (IiP) employer when it undergoes its IiP reaccreditation assessment in January 2015.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE

Year ended 31 December 2014

Overview

The Consolidated Contributory Funds comprising the Guernsey Insurance Fund (GIF), Guernsey Health Service Fund (GHSF) and Long-term Care Insurance Fund (LTCIF) recorded an operating deficit of £11.5m (2013: £9.0m deficit). The 2014 budgeted deficit was £11.7m. A breakdown of the operating results is as follows:

- GIF: operating deficit of £15.6m (2013: £14.5m). The budgeted deficit was £16.3m;
- GHSF: operating surplus of £3.8m (2013: £4.9m). The budgeted surplus was £3.8m; and
- LTCIF: operating surplus of £0.3m (2013: £0.7m). The budgeted surplus was £0.8m.

Total Reserves for the year increased by £19.4m (2013: £57.4m). This increase comprised the operating deficit of £11.5m (2013: 9.0m) and an increase from investing activities of £30.9m (2013: £66.3m). The increase in Reserves is allocated as follows:

- GIF: +£9.7m (2013: £40.1m) and comprised the operating deficit of £15.6m and increase from investing activities of £25.3m (2013: £54.7m increase);
- GHSF: +£7.4m (2013: £12.3m) and comprised the operating surplus of £3.8m and increase from investing activities of £3.6m (2013: £7.4m increase); and
- LTCIF: +£2.3m (2013: £4.9m) and comprised the operating surplus of £0.3m and increase from investing activities of £2.0m (2013: £4.2m increase).

At the year-end total reserves stood at £860.2m (2013: £840.8m) and allocated as follows:

- GIF: £702.1m (2013: £692.4m) with expenditure cover 5.4 years (2013: 5.5 years);
- GHSF: £102.6m (2013: £95.2m) with expenditure cover 2.7 years (2013: 2.6 years); and
- LTCIF: £55.6m (2013: £53.2m) with expenditure cover 3.1 years (2013: 3.1 years).

Contribution income and states grant

Total contribution income increased by 2.8% to £155.3m (2013: +1.9% £151.1m) and above the budget of £154.8m. The increase is mainly attributable to a significant increase in contribution income from self-employed persons, which largely represents higher receipts for previous years than forecast. Contribution growth in respect of employed persons increased by 1.7% (2013: +1.5%). Total States' grants, which are based on a fixed percentage of contributions, increased to £19.4m (2013: £18.8m).

The overall number of contributors, at week 48, increased by 0.4% to 37,596 (2013: +0.5% to 37,431). The number of employed and self-employed decreased by 0.2% and 0.9% respectively while non-employed contributors increased by 4.7%. The largest economic sector remained the financial sector, which accounted for 22% of the employed population and represented 32% of the total income received from employers and employees.

Numbers of Contributors as at week 48	2014	2013	5-Year average
Employers	2,435	2,432	2,422
Employed	28,771	28,827	29,002
Self-Employed	3,251	3,280	3,316
Non-Employed	5,574	5,324	5,193
Total	37,596	37,431	37,511

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Contribution income and states grant (continued)

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

- GIF: +2.7% to £99.1m (2013: +1.7% to £96.5m) and above the budget of £98.8m. The grant received from the States of Guernsey, being a fixed percentage of contributions (15%), increased to £14.9m (2013: £14.4m);
- GHSE: +3.0% to £37.6m (2013: +2.0% to £36.5m) and above the budget of £37.5m. The grant received from the States of Guernsey, being a fixed percentage of contributions (12%), increased to £4.5m (2012: £4.3m); and
- LTCIF: +2.8% to £18.6m (2013: +2.8% to £18.1m) and above the budget of £18.5m.

Benefit expenditure

Overall benefit expenditure increased by 4.4% to £180.2m (2013: +4.5% to £172.5m) and marginally above the budget of £180.0m. The general rate of benefit was increased by 2.1%. The allocation between the Funds is as follows:

- GIF: +4.1% to £125.1m (2013: +5.8% to £120.2m) and below the budget of £125.4m;
- GHSE: +5.9% to £37.1m (2013: +0.6% to £35.1m) and below the budget of £37.2m; and
- LTCIF: +4.1% to £17.9m (2013: +3.6% to £17.2m) and above the budget of £17.4m.

Details of major areas of benefit expenditure follow:

GIF: Pension

	2014	2013	5-Year Average
Number of claimants at the year-end	17,072	16,575	16,114
Number of approved claims during the year	1,110	1,070	1,097

Pension expenditure increased by 5.1% to £106.1m (2013: +6.6% to £101m) and above the budget of £105.7m.

The single rate of old age pension and the addition in pension in respect of a dependant wife both increased by 2.1%. With an ageing population, the number of approved new claims during the year increased by 3.7% with the number of claims in payment at the year-end increasing by 3.0%.

GIF: Invalidity benefit

	2014	2013	5-Year Average
Number of claimants at the year-end	872	865	883
Number of approved claims during the year	271	284	307

Invalidity benefit increased by 3.5% to £7.92m (2013: +1.5% £7.65m) and above the budget of £7.65m. The Department is working on a number of back-to-work initiatives to move more people off benefit into work, including the long-term sick and although the number of active claims for the year increased marginally, it is below the 5-year average.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Benefit expenditure (continued)

GIF: Unemployment benefit

	2014	2013	5-Year Average
Number of claimants at the year-end	179	217	230
Number of approved claims during the year	1,088	1,175	1,183

Unemployment benefit decreased by 5.4% to £1.44m (2013: -6.7% to £1.52m) and below the budget of £1.75m. The Department continues to work on a number of back-to-work initiatives to move more people off benefit into work, including the unemployed.

GIF: Travelling Allowance Grant

	2014	2013	5-Year Average
Standard travel – Number of approved claims	1,026	983	1,026
Emergency travel – Number of emergency flights	251	252	n/a

Overall expenditure decreased by 13.1% to £1.94m (2013: +9.4 to £2.23m) and below the budget of £2.02m. A significant part of total expenditure is in respect of emergency flights which decreased to £0.75m (2013: £0.91m). As a result of a joint Guernsey and Jersey Air Ambulance arrangement, since August 2013 the average cost of emergency flights has fallen although the high number of emergency flights remains a concern with 251 flights in 2014 (2013: 252) of which 54% relate to cardiology emergencies.

GHSF: Specialist Health Insurance Scheme

	2014	2013	5-Year Average
Medical specialist Group - full-time equivalent consultants (average)	40.9	40.0	39.8
Guernsey Physiotherapy Group - full-time equivalent physiotherapists & assistants (average)	32.3	31.4	30.7

Medical specialist expenditure increased by 7.2% to £15.60m (2013: +3.2% to £14.56m) and above the budget of £15.4m. The contract price increased by 2.7% based on the September 2013 RPI and an additional locum cardiologist was employed from February 2014. The variance to budget is partially attributable to the reimbursement of medical defence union subscriptions. The Department also agreed to finance locum Obstetricians and Gynaecologists in November and December 2014. This was to provide the necessary resources for a resident Obstetrician at the Princess Elizabeth Hospital, while also maintaining an adequate outpatient service for Gynaecology.

Physiotherapy expenditure increased by 2.8% to £2.043m (2013: +4.5% to £1.99m) and marginally above the budget of £2.01m. The contract price increased by 1%, based on the September 2013 RPIX less 1%.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Benefit expenditure (continued)

GHSF: Drugs and medicines

	2014	2013	5-Year Average
Total prescriptions	1,529,291	1,482,519	1,4747,860
Average basic cost	£8.19	£8.40	£8.84

Overall drugs & medicine expenditure for the year increased by 1.5% to £14.88m (2013: -1.5% to 14.66m) but below the budget of £15.15m. The below inflation increase is attributable to: a continued reduction in the net ingredient cost of drugs with more expensive products coming off patent; an increase of 3.2% in the number of items dispensed in 2014 (2013: -0.3%). The continuation of initiatives introduced by the prescribing support unit including the strict control of new entries to the white-list, generic prescribing, and reduced wastage have also helped to contain costs.

LTCIF: Residential Home Care grant

Number of claimants at the year-end	2014	2013	5-Year Average
Permanent	266	277	n/a
Permanent with EMI	100	95	n/a
Total	366	372	364

Residential Home Care benefit expenditure (excluding Respite Care) increased by 4.6% to £8.81m (2013: +1.2% to £8.42m) and above the budget of £8.53m. Although the overall number of claims decreased, the number of claims which included an EMI supplement increased thus giving rise to increased costs. The general rate of benefit increased by 2.1%.

LTCIF: Nursing Home Care grant

	2014	2013	5-Year Average
Number of claimants at the year-end	220	210	218

Nursing Home Care benefit expenditure (excluding Respite Care) increased by 5.4% to £8.83m (2013: +4.2% to £8.38m) and above the budget of £8.43m. The increase is due mainly to increased demand with the general rate of benefit increasing by 2.1%.

Administration

Total administration expenditure increased by 5.7% to £7.96m (2013: +2.8% to £7.52m) with the recharge of administrative expenditure to Non Contributory Services (NCS) increasing by 6.3% to £2.16m (2013: +6% to 2.03m). Overall staffing costs increased by 6.5% to £5.52m (2013: +3.3% to 5.18m) which is mainly attributable to increased staffing levels associated with FTP projects. The allocation of administration costs between the Funds is as follows:

- GIF: -2.2% to £4.26m (2013: -0.2% to £4.29m) and below the budget of £4.38m;
- GHSF: +27.8% to £1.24m (2013: +5.4% to 0.97m) but below the budget of £1.31m; and
- LTCIF: +79.0% to £0.30m (2013: 0% to 0.17m) and in line with the budget of £0.30m.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Administration (continued)

In 2014, the allocation of the Department's contribution section's staffing costs of £1.3m was revised so that the apportionment of costs between the three contributory funds was more equitable. This resulted in significant increases in administration costs allocated to GHSF and LTCIF.

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

Pay Groups — Full-Time Equivalents (Contributory Funds & NCS)	2014	2013
Established & temporary staff	124.1	120.3

Investment Funds

The investment portfolios of the Guernsey Insurance Fund, Guernsey Health Service Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund which at 31 December 2014 had a market value of £822.9m (2013: £802.7m).

As the Guernsey Insurance Fund is currently running an operating deficit, £6.0m (2013: £15.0m) was withdrawn from the Common Investment Fund in December 2014 for cash flow to meet obligations. The allocation between the three contributory funds at the year-end is as follows:

Common Investment Fund allocation At Year-end	2014		2013	
	£m	%	£m	%
Guernsey Insurance Fund	672	81.6%	662	82.5%
Guernsey Health Service Fund	98	11.9%	89	11.1%
Long-term Care Insurance Fund	53	6.5%	52	6.4%
Total	823	100.0%	803	100.0%

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

Common Investment Fund (CIF) Investment Performance	% CIF return per annum	% Benchmark return per annum *	% RPI Guernsey Average Annual Change
1-Year	3.46%	6.32%	1.2%
3-Year	7.04%	6.94%	2.8%
5-Year	5.97%	6.06%	2.7%

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

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

KEY STATISTICS

	Contribution Rates - Annual Earnings/Income limits	2014 £	2013 £	2012 £	2011 £	2010 £
Class 1	<i>Employed</i>					
	Upper earnings limit - employer	132,444	129,792	125,268	120,900	117,468
	Upper earnings limit - employee	132,444	119,340	105,144	91,884	79,872
	Lower earnings limit	6,656	6,500	6,292	6,084	5,928
Class 2	<i>Self-employed</i>					
	Maximum earnings	132,444	119,340	105,144	91,884	79,872
	Minimum earnings	6,656	6,500	6,292	6,084	5,928
Class 3	<i>Non-employed</i>					
	Maximum income	132,444	119,340	105,144	91,884	79,872
	Minimum income	16,640	16,250	15,730	15,210	14,820
	Allowance	7,059	6,895	6,675	6,451	6,290

	Contribution Rates – Contributory Funds	2014 £	2013 £	2012 £	2011 £	2010 £
Class 1	<i>Employer</i>					
	Guernsey Insurance Fund	4.9	4.9	4.9	4.9	4.9
	Guernsey Health Service Fund	1.6	1.6	1.6	1.6	1.6
	Long-term Care Insurance Fund	-	-	-	-	-
		6.5	6.5	6.5	6.5	6.5
	<i>Employee</i>					
	Guernsey Insurance Fund	3.4	3.4	3.4	3.4	3.4
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
		6.0	6.0	6.0	6.0	6.0
	<i>Combined</i>					
	Guernsey Insurance Fund	8.3	8.3	8.3	8.3	8.3
	Guernsey Health Service Fund	2.9	2.9	2.9	2.9	2.9
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
		12.5	12.5	12.5	12.5	12.5
Class 2	<i>Self-employed</i>					
	Guernsey Insurance Fund	6.5	6.5	6.5	6.5	6.5
	Guernsey Health Service Fund	2.7	2.7	2.7	2.7	2.7
	Long-term Care Insurance Fund	1.3	1.3	1.3	1.3	1.3
		10.5	10.5	10.5	10.5	10.5
Class 3	<i>Non-employed (under 65)</i>					
	Guernsey Insurance Fund	5.7	5.7	5.7	5.7	5.7
	Guernsey Health Service Fund	2.8	2.8	2.8	2.8	2.8
	Long-term Care Insurance Fund	1.4	1.4	1.4	1.4	1.4
		9.9	9.9	9.9	9.9	9.9
	<i>Non-employed (over 65)</i>					
	Guernsey Insurance Fund	-	-	-	-	-
	Guernsey Health Service Fund	1.3	1.3	1.3	1.3	1.3
	Long-term Care Insurance Fund	1.6	1.6	1.6	1.6	1.6
		2.9	2.9	2.9	2.9	2.9

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Key Statistics (continued)

Number of contributors (as at week 48)	2014	2013	2012	2011	2010
Employers	2,435	2,432	2,430	2,393	2,419
Employed	28,771	28,827	28,947	29,254	29,209
Self-employed	3,251	3,280	3,302	3,339	3,409
Non-employed	5,574	5,324	5,014	4,942	5,113
Total	37,596	37,431	37,263	37,535	37,731

Contributory Funds - General Revenue Grants - % of contributions	2014 %	2013 %	2012 %	2011 %	2010 %
Guernsey Insurance Fund	15%	15%	15%	15%	15%
Guernsey Health Service Fund	12%	12%	12%	12%	12%
	£m	£m	£m	£m	£m
Guernsey Insurance Fund	14.9	14.4	14.2	13.8	13.3
Guernsey Health Service Fund	4.5	4.4	4.3	4.2	4.0
Total	19.4	18.8	18.5	18.0	17.3

Guernsey Insurance Fund

Number of claimants at the year-end	2014	2013	2012	2011	2010
Pension	17,072	16,575	16,188	15,690	15,047
Invalidity Benefit	872	865	856	885	937
Sickness Benefit	440	320	372	405	498
Bereavement Benefits	205	227	239	255	276
Unemployment Benefit	179	217	288	243	222
Industrial Disablement Benefit	192	204	209	216	238
Industrial Injury Benefit	15	14	14	5	15
Maternity Allowance	125	142	135	123	140
Total	19,100	18,564	18,301	17,822	17,373

Number of approved claims during the year	2014	2013	2012	2011	2010
Sickness Benefit	10,042	10,533	11,082	11,020	11,047
Pension	1,110	1,070	1,166	1,304	835
Unemployment Benefit	1,088	1,175	1,331	1,133	1,189
Industrial Medical Benefit	1,124	957	1,068	935	1,053
Travel Allowance Grant	1,026	983	1,091	997	1,032
Maternity Allowance	521	557	534	563	516
Death Grant	510	514	541	485	457
Industrial Injury Benefit	603	557	546	520	578
Bereavement Benefits	280	311	304	292	294
Invalidity Benefit	271	284	275	299	405
Maternity Grant	61	83	92	98	80
Industrial Disablement Benefit	3	9	6	3	9
Total	16,639	17,033	18,036	17,649	17,495

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

Key Statistics (continued)

Guernsey Health Services Fund

Drugs & medicines	2014	2013	2012	2011	2010
Ordinary prescriptions	571,524	555,296	574,724	590,243	580,955
% change	+2.92%	-3.38%	-2.63%	+1.59%	+2.54%
Exempt prescriptions	957,767	927,223	912,119	873,384	830,693
% change	+3.29%	+1.66%	+4.44%	+5.14%	+5.80%
Total prescriptions	1,529,291	1,482,519	1,486,843	1,463,627	1,411,648
% change	+3.15%	-0.29%	+1.59%	+3.68%	+4.44%
Average basic cost	£8.19	£8.40	£8.60	£9.38	£9.61
% change	-2.50%	-2.33%	-8.32%	-2.39%	+0.63%
Ordinary prescriptions as a % of total	37.4%	37.5%	38.7%	40.3%	41.2%
Exempt prescriptions as a % of total	62.6%	62.5%	61.3%	59.7%	58.8%

Consultation grants	2014	2013	2012	2011	2010
Doctors	254,747	250,998	263,568	259,711	254,349
Nurses	81,531	79,527	80,649	81,309	75,667
Total	336,278	330,525	344,217	341,020	330,016
% change	+1.74%	-3.98%	0.94%	+3.33%	-1.30%

Long-term Care Insurance Fund

Number of claimants at year-end	2014	2013	2012	2011	2010
Residential grant-permanent	366	372	357	365	357
Nursing grant-permanent	220	210	210	216	234
TOTAL	586	582	567	581	591

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF PERFORMANCE (CONTINUED)

Year ended 31 December 2014

5-Year Financial Performance

Guernsey Insurance Fund	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income	113.9	110.9	109.1	106.2	101.8
Expenditure	(129.5)	(125.5)	(119.1)	(110.1)	(105.4)
Operating deficit	(15.6)	(14.6)	(10.0)	(3.9)	(3.6)
Investing activities	25.4	54.7	50.8	(19.6)	67.2
Net surplus/(deficit) in the Fund during the year	9.8	40.1	40.8	(23.5)	63.6
Net assets of the Fund at 1 January	692.3	652.2	611.4	634.9	571.3
Net assets of the Fund at 31 December	702.1	692.3	652.2	611.4	634.9
Expenditure cover in number of years	5.4	5.5	5.5	5.6	6.0

Guernsey Health Service Fund	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income	42.2	40.9	40.1	38.9	37.4
Expenditure	(38.4)	(36.0)	(35.8)	(35.6)	(34.8)
Operating Surplus	3.8	4.9	4.3	3.3	2.6
Investing activities	3.6	7.3	6.5	(2.0)	7.3
Net surplus in the Fund during the year	7.4	12.2	10.8	1.3	9.9
Net assets of the Fund at 1 January	95.2	83.0	72.2	70.9	61.0
Net assets of the Fund at 31 December	102.6	95.2	83.0	72.2	70.9
Expenditure cover in number of years	2.7	2.6	2.3	2.0	2.0

Long-term Care Insurance Fund	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Income	18.5	18.1	17.6	17.0	16.4
Expenditure	(18.2)	(17.4)	(16.8)	(16.4)	(15.3)
Operating Surplus	0.3	0.7	0.8	0.6	1.1
Investing activities	2.0	4.2	3.9	(1.3)	4.5
Net surplus/(deficit) in the Fund during the year	2.3	4.9	4.7	(0.7)	5.6
Net assets of the Fund at 1 January	53.3	48.4	43.7	44.4	38.8
Net assets of the Fund at 31 December	55.6	53.3	48.4	43.7	44.4
Expenditure cover in number of years	3.1	3.1	2.9	2.7	2.9

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS **Year ended 31 December 2014**

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

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

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

Going Concern

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

Statement of internal financial controls

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

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

The Department’s internal financial procedures include:

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
Social Security Department
As controller and manager of**

THE STATES OF GUERNSEY – CONSOLIDATED CONTRIBUTORY FUNDS

We have audited the financial statements of the States of Guernsey – Consolidated Contributory Funds ("the Fund") for the year ended 31 December 2014 which comprise the consolidated fund account, the consolidated balance sheet, consolidated cash flow statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of the States of Guernsey Social Security Department ("the Department") as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Department, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Department and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2014, and of the amount and disposition at this date of the assets and liabilities, other than the liabilities to pay benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Section 100(3) of the Social Insurance (Guernsey) Law, 1978, Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

Matters on which we are required to report by exception

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

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

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
Date: 19 May 2015

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

CONSOLIDATED FUND ACCOUNT

At 31 December 2014

	Note	Consolidated Contributory Funds 2014 £'000s	Consolidated Contributory Funds 2013 £'000s
Income			
Contributions	1(b),2	155,258	151,086
States grant	1(b)	19,376	18,825
		<u>174,634</u>	<u>169,911</u>
Expenditure			
Benefits payable	1(c),3	180,205	172,529
Administration	7	5,793	5,490
		<u>185,998</u>	<u>178,019</u>
Operating deficit before depreciation charge		(11,364)	(8,108)
Depreciation charge	9	(135)	(863)
Operating deficit		<u>(11,499)</u>	<u>(8,971)</u>
Investing activities	1(f),8	30,912	66,341
Net surplus in the Fund during the year		<u>19,413</u>	<u>57,370</u>
Net assets of the Fund at 1 January		<u>840,826</u>	<u>783,456</u>
Net assets of the Fund at 31 December		<u><u>860,239</u></u>	<u><u>840,826</u></u>

All activities are derived from continuing operations.

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

Notes 1 to 17 form part of these financial statements.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

CONSOLIDATED BALANCE SHEET

At 31 December 2014

	Note	2014 £'000s	2013 £'000s
Fixed assets			
Tangible assets	9	2,826	2,860
Common investment fund	10	822,896	802,671
		<u>825,722</u>	<u>805,531</u>
Current assets			
Debtors due after one year	12	169	152
Debtors due within one year	11	32,018	28,634
Balances with States Treasury		6,692	13,185
Cash at bank and in hand		232	171
		<u>39,111</u>	<u>42,142</u>
Current liabilities			
Creditors: Amounts falling due within one year	13	4,248	2,694
Bank overdraft		346	4,153
		<u>4,594</u>	<u>6,847</u>
Net current assets		<u>34,517</u>	<u>35,295</u>
Total net assets		<u>860,239</u>	<u>840,826</u>
Reserves			
Guernsey Insurance Fund		702,100	692,360
Guernsey Health Service Fund		102,575	95,221
Long-term Care Insurance Fund		55,564	53,245
		<u>860,239</u>	<u>840,826</u>

The financial statements were approved by the Social Security Department on 19 May 2015.

Signed on behalf of the Department

A H Langlois
Minister

M Nutley
Administrator

Notes 1 to 17 form part of these financial statements.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2014

	Note	2014 £'000s	2013 £'000s
Operating deficit for the year		(11,499)	(8,971)
Depreciation		135	863
Increase in debtors		(3,401)	(4,358)
Increase in creditors		1,554	235
Net cash outflow from operating activities		(13,211)	(12,231)
Management of liquid resources			
Tangible asset acquisitions during the year	9	(101)	(43)
Increase in cash equivalent in Common Investment Fund	8	30,912	66,341
Net cash inflow from investing activities		30,811	66,298
Increase in cash and cash equivalents (including investments)		17,600	54,067
Opening common investment funds, treasury, cash balances and overdraft		811,874	757,807
Closing common investment funds, treasury, cash balances and overdraft		829,474	811,874

ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 January 2014 £'000s	(Increase)/ decrease in year £'000s	At 31 December 2014 £'000s
Cash at bank and in hand	171	61	232
Overdraft	(4,153)	3,807	(346)
Balances with States Treasury	13,185	(6,493)	6,692
	9,203	(2,625)	6,576
Common Investment Fund	802,671	20,225	822,896
	811,874	17,600	829,474

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

Notes 1 to 17 form part of these financial statements.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2014

1. ACCOUNTING POLICIES

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

a) Accounting convention

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

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

Going Concern

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

b) Contributions & States grant

Contributions represent the amount of cash received before 1 February 2015 in respect of the financial year ended 31 December 2014 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grants received from the States of Guernsey are based on a fixed percentage of contributions, accounted for in the relevant period and for 2014 was 15% (2013: 15%) in respect of the Guernsey Insurance Fund and 12% (2013: 12%) in respect of the Guernsey Health Service Fund.

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) Actuarial Review

The financial statements summarise the transactions of the Contributory Funds and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay benefits which fall due after the end of the financial year. The adequacy of the Contributory Funds is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five year period 2010 to 2014 will be undertaken and reported in 2015.

e) Tangible fixed assets

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

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

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

ACCOUNTING POLICIES (continued)

f) Common Investment Fund

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

g) Investments

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

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

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

Investment income

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

h) Pension costs

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

i) Security lending

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

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

j) Derivatives

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

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

2. CONTRIBUTIONS

	2014	2013
	£'000s	£'000s
Employer contributions	68,109	67,110
Employee contributions	62,499	61,296
	<u>130,608</u>	<u>128,406</u>
Self-employed contributions	16,032	14,527
Non-employed contributions	8,685	7,941
Employer surcharge and penalty	28	30
Movement in contributions unallocated	(95)	182
	<u>155,258</u>	<u>151,086</u>
Contribution income allocated to:		
Guernsey Insurance Fund	99,065	96,474
Guernsey Health Service Fund	37,635	36,546
Long-term Care Insurance Fund	18,558	18,066
	<u>155,258</u>	<u>151,086</u>

3. BENEFITS PAYABLE

	Note	2014	2013
		£'000s	£'000s
Guernsey Insurance Fund	4	125,137	120,245
Guernsey Health Service Fund	5	37,141	35,070
Long-term Care Insurance Fund	6	17,927	17,214
		<u>180,205</u>	<u>172,529</u>

4. BENEFITS PAYABLE – GUERNSEY INSURANCE FUND

	Note	2014	2013
		£'000s	£'000s
Pension		106,149	100,989
Invalidity		7,918	7,648
Sickness		3,604	3,535
Bereavement		1,629	1,835
Travelling allowance grant		1,938	2,229
Unemployment		1,437	1,519
Maternity benefit		1,184	1,224
Industrial disablement		552	593
Industrial injury		300	238
Death grant		271	273
Industrial medical		135	112
		<u>125,117</u>	<u>120,195</u>
Benefit debt written-off		3	9
Doubtful debt provision - movement		17	41
	3	<u>125,137</u>	<u>120,245</u>

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

5. BENEFITS PAYABLE – GUERNSEY HEALTH SERVICE FUND

	Note	2014 £'000s	2013 £'000s
Drugs and medicines	5(a)	14,880	14,657
Specialist Health Insurance Scheme	5(b)	17,721	16,621
Consultation grants	5(c)	3,546	3,488
Visiting medical consultants		690	-
Primary Care Mental Health and Wellbeing		304	304
	3	<u>37,141</u>	<u>35,070</u>

In 2014 the cost of visiting medical consultants from the United Kingdom was transferred from the Health and Social Services Department to the Social Security Department (SSD). This is consistent with the general principle of on-island specialist care being funded from the Guernsey Health Service Fund which is controlled and administered by SSD.

5(a). DRUGS AND MEDICINES

	Note	2014 £'000s	2013 £'000s
Drugs and medicines		15,808	15,551
Appliances		722	689
Oxygen Service		263	267
		<u>16,793</u>	<u>16,507</u>
Prescription charges receivable		(1,913)	(1,850)
	5	<u>14,880</u>	<u>14,657</u>

5(b). SPECIALIST HEALTH INSURANCE SCHEME

	Note	2014 £'000s	2013 £'000s
Specialist medical benefit		15,600	14,558
Physiotherapy benefit		2,043	1,987
Alderney hospital benefit		78	76
	5	<u>17,721</u>	<u>16,621</u>

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

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

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

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

States of Guernsey – Consolidated Contributory Funds
Controlled and managed by the Social Security Department
For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 December 2014

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

Following a re-tender exercise in 2014, the contract for Supply of Medical Care Services in the Mignot Memorial Hospital was awarded to The Island Medical Centre for five years commencing 1 January 2015.

5(c). CONSULTATION GRANTS

	Note	2014 £'000s	2013 £'000s
Doctors consultation grants		3,057	3,011
Nurses consultation grants		489	477
	5	<u>3,546</u>	<u>3,488</u>

6. BENEFITS PAYABLE – LONG-TERM CARE INSURANCE FUND

	Note	2014 £'000s	2013 £'000s
Residential home care benefit			
Permanent		6,056	5,568
Permanent with EMI supplement		2,749	2,852
Respite care		139	207
Respite care with EMI supplement		16	35
		<u>8,960</u>	<u>8,662</u>
Nursing home care benefit			
Permanent		8,834	8,381
Respite care		133	171
		<u>8,967</u>	<u>8,552</u>
	3	<u>17,927</u>	<u>17,214</u>

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

7. ADMINISTRATION

	2014	2013
	£'000s	£'000s
Salaries and pension costs	5,519	5,182
Other staff costs	57	30
IT and communication	922	976
Consultancy and contracted out work	605	432
Administration	303	354
Premises	217	250
Health and Social Services Department charges	178	172
Supplies and Services	132	98
Audit fee	22	30
	<hr/> 7,955	<hr/> 7,524
Amounts received from:		
Non Contributory Services	(2,162)	(2,034)
	<hr/> 5,793	<hr/> 5,490
Administration expenses allocated to:		
Guernsey Insurance Fund	4,258	4,356
Guernsey Health Service Fund	1,236	967
Long-term Care Insurance Fund	299	167
	<hr/> 5,793	<hr/> 5,490

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

8. INVESTING ACTIVITIES

	Note	2014 £'000	2013 £'000
Income			
Interest from fixed interest securities		11,713	8,743
Dividends from equities		183	1,621
Distributions from property funds		354	548
Interest on short term deposits		51	47
Securities lending (less expenses)		7	83
Bank interest		84	275
Less: Withholding tax suffered		(53)	(106)
		<u>12,339</u>	<u>11,211</u>
Tax reclaim receivable (see below)	11	5,719	-
		<u>18,058</u>	<u>11,211</u>
Expenditure			
Investment managers' fees		3,535	3,576
Less: Fees charged directly on pooled funds		(2,186)	(2,372)
		<u>1,349</u>	<u>1,204</u>
Investment advisor's fees		210	112
Custody fees		26	44
Performance monitoring fees		20	24
		<u>1,605</u>	<u>1,384</u>
Net investment income		16,453	9,827
Realised profit on disposal		59,621	25,575
Movement on unrealised profit		(45,162)	30,939
Total surplus on investing activities for the year		<u><u>30,912</u></u>	<u><u>66,341</u></u>
Investing activities allocated to:			
Guernsey Insurance Fund		25,345	54,731
Guernsey Health Service Fund		3,580	7,364
Long-term Care Insurance Fund		1,987	4,246
		<u><u>30,912</u></u>	<u><u>66,341</u></u>

In 2014 UK HM Revenue and Customs confirmed that the Common Investment Fund qualified for Crown Immunity from direct taxation relating to income tax, corporation tax and capital gains tax. During the year the Fund received tax reclaims of £829k and has provided for a further £5.7m of tax reclaims which have yet to be received.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

9. TANGIBLE ASSETS

	1 January 2014 £'000s	Additions £'000s	31 December 2014 £'000s
Cost			
Freehold land and buildings	3,774	-	3,774
Plant and equipment	973	31	1,004
Information technology	9,278	70	9,348
	<u>14,025</u>	<u>101</u>	<u>14,126</u>
	1 January 2014 £'000s	Depreciation for the year £'000s	31 December 2014 £'000s
Accumulated Depreciation			
Freehold land and buildings	1,217	47	1,264
Plant and equipment	746	68	814
Information technology	9,202	20	9,222
	<u>11,165</u>	<u>135</u>	<u>11,300</u>
Net book value	<u>2,860</u>		<u>2,826</u>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by a firm of estate agents and valuers, at an open market value of £11.02m.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

10. COMMON INVESTMENT FUND

	2014 £'000s	2013 £'000s
Equities and derivatives	443,811	471,383
Fixed income and derivatives	289,324	239,887
Alternative investments and hedge funds	56,201	41,006
Cash and cash equivalents	9,868	32,827
Commodities	8,442	9,161
Property funds	6,099	7,245
Venture Capital & Partnerships	9,151	1,162
	<u>822,896</u>	<u>802,671</u>
Investments allocated to:		
Guernsey Insurance Fund	671,622	662,203
Guernsey Health Service Fund	98,123	89,097
Long-term Care Insurance Fund	53,151	51,371
	<u>822,896</u>	<u>802,671</u>

At the year-end the Common Investment Fund value comprised of £790.6m of listed and exchange traded investments (2013: £768.7) and unlisted investments of £32.3m (2013: £34.0m).

	2014 £'000s	2013 £'000s
Common Investment Fund movements during the year		
Market value 1 January	802,671	750,376
Investment income reinvested	11,766	10,781
Realised profit on disposal reinvested	59,621	25,575
Movement on unrealised loss on investments	(45,162)	30,939
Withdrawal of monies invested	(6,000)	(15,000)
Market value 31 December	<u>822,896</u>	<u>802,671</u>

During 2014, the Common Investment Fund was managed by six investment managers, namely: Blackrock Investment Management (UK) Limited; Barings Asset Management (to August 2014); Legg Mason (trading name Western Asset Management); Skagen Funds; Morgan Stanley Investment Management Limited; and GMO UK Limited (from September 2014).

The governance of the Fund is supported by the Fund custodian, Northern Trust Global Services Limited and a professional investment adviser, P-Solve Asset Solutions.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

11. DEBTORS DUE WITHIN ONE YEAR

	Note	2014 £'000s	2013 £'000s
Contributions receivable		22,750	23,902
Tax reclaim receivable (see below)	8	5,719	-
Benefits and allowances prepaid		3,321	3,446
Other debtors and prepayments		-	55
Administration expenses prepaid		181	130
Trade debtors		47	79
States of Guernsey Intercompany debtors		-	1,022
		<u>32,018</u>	<u>28,634</u>

In 2014 UK HM Revenue and Customs confirmed that the Common Investment Fund qualified for Crown Immunity from direct taxation relating to income tax, corporation tax and capital gains tax. A provision of £5.7m has been provided in respect of tax reclaims yet to be received.

12. DEBTORS DUE AFTER ONE YEAR

	2014 £'000s	2013 £'000s
Benefit debt	311	277
Provision for doubtful debts	(142)	(125)
	<u>169</u>	<u>152</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000s	2013 £'000s
Benefits and allowance payable	2,117	2,049
States of Guernsey Intercompany creditors	1,259	-
Other creditors and accruals	574	279
Trade creditors	298	366
	<u>4,248</u>	<u>2,694</u>

14. SUPERANNUATION FUND

The employees of 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. In March 2015, the States considered a report by the actuaries on the valuation of the Superannuation Fund at 31 December 2013 which indicated that although the value of the Scheme's assets slightly exceeded the funding target it was in deficit. Therefore, the States agreed that the employer's contribution rate to the Fund would remain at 14.1%.

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

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2014

14. SUPERANNUATION FUND (CONTINUED)

The Department has applied the provisions of FRS 17 for multi-employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2014 was £0.56m (2013: £0.50m).

15. RELATED PARTY TRANSACTIONS

The Department members confirm that there have been no related party transactions to disclose with members and senior management in this financial year (2013: Nil). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2014 and 2013 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11. Balances with the States Treasury at the year-end amounted to £6.7m (2013: £13.2m).

16. STATEMENT OF CONTROL

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

17. SUBSEQUENT EVENTS

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

The additional information included on page 99 has been prepared from the accounting records of the Contributory Funds. While it does not form part of the financial statements, it should be read in conjunction with them.

States of Guernsey – Consolidated Contributory Funds

Controlled and managed by the Social Security Department

For the Year ended 31 December 2014

DETAILED FUND ACCOUNTS

Year ended 31 December 2014

	Note	Guernsey Insurance Fund	Guernsey Health Service Fund	Long-term Care Insurance Fund	Consolidated Contributory Funds	Consolidated Contributory Funds
		2014 £'000s	2014 £'000s	2014 £'000s	2014 £'000s	2013 £'000s
Income						
Contributions	1(b),2	99,065	37,635	18,558	155,258	151,086
States grant	1(b)	14,860	4,516	-	19,376	18,825
		<u>113,925</u>	<u>42,151</u>	<u>18,558</u>	<u>174,634</u>	<u>169,911</u>
Expenditure						
Benefits payable	1(c),3,4,5,6	125,137	37,141	17,927	180,205	172,529
Administration	7	4,258	1,236	299	5,793	5,490
		<u>129,395</u>	<u>38,377</u>	<u>18,226</u>	<u>185,998</u>	<u>178,019</u>
Operating (deficit)/surplus before depreciation charge		(15,470)	3,774	332	(11,364)	(8,108)
Depreciation charge	9	(135)	-	-	(135)	(863)
Operating (deficit)/surplus		<u>(15,605)</u>	<u>3,774</u>	<u>332</u>	<u>(11,499)</u>	<u>(8,971)</u>
Investing activities	1(f),8	25,345	3,580	1,987	30,912	66,341
Net surplus in the fund during the year		<u>9,740</u>	<u>7,354</u>	<u>2,319</u>	<u>19,413</u>	<u>57,370</u>
Net assets of the fund at 1 January		<u>692,360</u>	<u>95,221</u>	<u>53,245</u>	<u>840,826</u>	<u>783,456</u>
Net assets of the fund at 31 December		<u><u>702,100</u></u>	<u><u>102,575</u></u>	<u><u>55,564</u></u>	<u><u>860,239</u></u>	<u><u>840,826</u></u>

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

We have audited the financial statements of Elizabeth College - Guernsey (the "College") for the year ended 31 August 2014 which comprise the revenue account, the balance sheet, the cash flow statement, the related notes 1 to 16 and the Detailed Revenue Account. The financial statements have been prepared by management using the accounting policies set out in Note 1.

This report is made solely to the Board of Directors, as a body, in accordance with the terms of engagement dated 7 January 2015. Our audit work has been undertaken so that we might state to the Board of Directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the College and the College's Board of Directors as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors responsibilities for the financial statements

The Board of Directors is responsible for the preparation of these financial statements in accordance with the accounting policies set out in Note 1 and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Elizabeth College - Guernsey for the year ended 31 August 2014 are prepared, in all material respects, in accordance with the accounting policies set out in Note 1.

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

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared to assist the Board of Directors of Elizabeth College - Guernsey to fulfil its stewardship duties in respect of the College. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Directors of Elizabeth College – Guernsey except a copy may be provided, for information purposes only, to The States of Guernsey to whom we have no liability and owe no duty of care.

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

Date: 26 March 2015

ELIZABETH COLLEGE - GUERNSEY

REVENUE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2014

	Note		2013
INCOME	2		
States' Block Grant	1 (e)	925,795	1,058,093
Fees receivable		4,784,907	4,510,118
Sundry income		99,996	91,429
		<hr/>	<hr/>
		5,810,698	5,659,640
EXPENDITURE			
School and departmental expenses		4,130,136	4,115,503
Youth training expenses		26,089	26,945
Administrative expenses		996,757	1,060,671
Maintenance of buildings and grounds	4	<u>495,286</u>	<u>671,516</u>
		(5,648,268)	(5,874,635)
		<hr/>	<hr/>
OPERATING SURPLUS / (DEFICIT) FOR THE YEAR BEFORE INTEREST AND OTHER INCOME		162,430	(214,995)
Interest receivable from fixed asset investments		5,814	9,638
Interest receivable from cash at Bank		17,381	2,799
Interest payable		-	(250)
OPERATING SURPLUS / (DEFICIT) FOR THE YEAR	2	<hr/> 185,625	<hr/> (202,808)
<i>Restricted Income</i>	16		
Capital Grant from Elizabeth College Foundation		358,829	1,350,506
Transfer to Capital Reserve (restricted)		(358,829)	(1,154,591)
Maintenance costs related to capital projects		-	(195,915)
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>
		185,625	(202,808)
<i>Elizabeth College Foundation costs</i>	16		
Amortisation of establishment costs		-	(2,006)
Annual running costs		(98,123)	(65,820)
		<hr/>	<hr/>
		(98,123)	(67,826)
RETAINED SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT	10	<hr/> £ 87,502	<hr/> £ (270,634)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the surplus for the financial year.
A statement of movements on reserves is included in note 10 to the financial statements.

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

ELIZABETH COLLEGE – GUERNSEY

BALANCE SHEET

31 AUGUST 2014

	Note		2013
FIXED ASSETS			
Tangible assets	4	5,176,500	4,722,650
Investments	5	137,259	137,259
		<hr/>	<hr/>
		5,313,759	4,859,909
CURRENT ASSETS			
Stock		118	6,141
Debtors	6	264,414	606,343
Cash at bank and in hand	7	1,884,620	1,539,963
		<hr/>	<hr/>
		2,149,152	2,152,447
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(708,565)	(704,341)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,440,587	1,448,106
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		6,754,346	6,308,015
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(145,000)	(145,000)
		<hr/>	<hr/>
TOTAL NET ASSETS		£ 6,609,346	£ 6,163,015
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES	10	£ 6,609,346	£ 6,163,015
		<hr/>	<hr/>

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

.....
Chairman

Date approved by the Board

24 March 2015

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

ELIZABETH COLLEGE –GUERNSEY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2014

	Note		2013
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	11	239,472	(928)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received from fixed asset investments	5,814		8,240
Interest received from banks	17,381		2,799
Interest paid	-		(250)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		23,195	10,789
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Amounts received from/(paid to) to non grant-aided sector	51,132		(51,810)
Elizabeth College Foundation costs	(98,123)		(65,820)
Fixed asset additions	(453,850)		(1,154,591)
Decrease/(increase) in cash held by brokers	224,002		(214,530)
Sale of fixed asset investments	-		207,258
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(276,839)	(1,279,493)
MANAGEMENT OF LIQUID RESOURCES			
Increase in fixed deposit accounts		(211,056)	(150,011)
NET CASH OUTFLOW BEFORE FINANCING		(225,228)	(1,419,643)
FINANCING			
Repayment of loan from States Culture and Leisure Department	-		(10,000)
Restricted grant received from Elizabeth College Foundation	358,829		1,350,506
NET CASH INFLOW FROM FINANCING		358,829	1,340,506
INCREASE/(DECREASE) IN CASH FOR THE YEAR		£ 133,601	£ (79,137)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash for the year		133,601	(79,137)
Cash used to increase liquid resources		211,056	150,011
Cash outflow from loan repayment		-	10,000
Net funds at 1 September		1,394,963	1,314,089
Net funds at 31 August	12	£ 1,739,620	£ 1,394,963

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

1. ACCOUNTING POLICIES

(a) CONVENTION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards except that certain capital items have been written off to the Revenue Account as incurred as explained in note 1b. The historical cost convention has been adopted. The principal accounting policies which the Board of Directors has adopted within that convention are set out below.

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

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

(c) STOCK

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

(d) PRIZE FUNDS AND BEQUESTS

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

(e) REVENUE RECOGNITION

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled. The States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. The General Grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution of 28 September 2011. All other income is recognised on an accruals basis.

(f) FIXED ASSET INVESTMENTS

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

(g) PENSION COSTS

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

2. INCOME AND OPERATING SURPLUS

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

3. TAXATION

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

4. TANGIBLE FIXED ASSETS

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

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

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

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

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their estimated insurance values, updated from April 2013 when the properties were valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

4. TANGIBLE FIXED ASSETS (CONTINUED)

	Cost At 31.8.13	Additions	Cost At 31.8.14	Insurance Valuation
Main College site				
- Historic buildings	-	-	-	21,074,547
- Modern buildings	3,473,042	453,850	3,926,892	26,108,190
- Sixth Form Centre	388,470	-	388,470	466,040
College playing fields				
- CF - Old pavilion	-	-	-	623,776
- CF - Modern buildings	64,840	-	64,840	807,802
- MF Pavilion	796,298	-	796,298	879,083
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 4,722,650	£ 453,850	£ 5,176,500	£ 49,959,438
	<hr/>	<hr/>	<hr/>	<hr/>

The addition to tangible fixed assets is related to the maths building project. The capital cost was financed by a restricted capital grant from the Elizabeth College Foundation, disclosed as restricted non-operating income in the Revenue Account for the year. Subsequent to the year end the Elizabeth College Foundation will make a final reimbursement in respect of the project of £116,171. Details about the Elizabeth College Foundation are given in note 16.

5. INVESTMENTS 2013

COST		
As at 1 September 2013	137,259	344,517
Disposals during the year	-	(207,258)
	<hr/>	<hr/>
As at 31 August 2014	£ 137,259	£ 137,259
	<hr/>	<hr/>
AT MARKET VALUE		
Sterling fixed income securities	£ 141,194	£ 145,436
	<hr/>	<hr/>

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

6. DEBTORS 2013

DUE WITHIN ONE YEAR		
Fee debtors	95,941	116,330
Accrued income	2,009	8,212
Amounts due from brokers	57	224,059
Other debtors and prepayments	66,073	106,276
Current account – College non grant-aided sector	100,334	151,466
	<hr/>	<hr/>
	£ 264,414	£ 606,343
	<hr/>	<hr/>

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

ELIZABETH COLLEGE - GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

7. CASH AT BANK AND IN HAND **2013**

Cash at bank and in hand	1,421,545	1,287,944
Cash on fixed term deposit	463,075	252,019
	<hr/>	<hr/>
	£ 1,884,620	£ 1,539,963
	<hr/>	<hr/>

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

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR **2013**

Trade creditors	193,647	355,479
Fees received in advance	140,035	107,465
Other creditors and accruals	338,803	180,241
Accruals for trips and other school activities	36,080	61,156
	<hr/>	<hr/>
	£ 708,565	£ 704,341
	<hr/>	<hr/>

9. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR **2013**

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

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

10. RESERVES	<u>Restricted Capital Reserve</u>	<u>Capital Account</u>	<u>Maintenance Reserve</u>	<u>Total</u>
Balance at 1 September 2013	-	5,563,015	600,000	6,163,015
Transfer from Revenue Account	358,829	-	-	358,829
Surplus for the financial year	-	87,502	-	87,502
Capital expenditure	(358,829)	358,829	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 August 2014	£ -	£ 6,009,346	£ 600,000	£ 6,609,346
	<hr/>	<hr/>	<hr/>	<hr/>

11. RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES 2013

Operating surplus/(deficit) for the year before interest and other income	162,430	(214,995)
Decrease/(increase) in stock	6,023	(1,589)
Decrease in operating debtors	66,795	216,265
Increase/(decrease) in operating creditors	4,224	(609)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	£ 239,472	£ (928)
	<hr/>	<hr/>

12. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 September 2013	Cash Flows	At 31 August 2014
Cash at bank and in hand (note 7)	1,287,944	133,601	1,421,545
Cash on fixed term deposit (note 7)	252,019	211,056	463,075
Debt due after one year	(145,000)	-	(145,000)
	<hr/>	<hr/>	<hr/>
	£ 1,394,963	£ 344,657	£ 1,739,620
	<hr/>	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

13. PENSION COSTS

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

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

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

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2014 was £346,865 (2013: £336,477). At 31 August 2014 the amount of outstanding contributions not paid over to the Scheme was £110,079 (2013: £275,319).

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

14. CONTROLLING PARTY

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

15. RELATED PARTY TRANSACTIONS

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

During the year ended 31 August 2014 an amount of £14,000 (2013: £14,000) has been charged from the grant-aided sector of the College to the non grant-aided sector in relation to the employment expenses of administrative and accounting staff, a proportion of whose duties relate to the non grant-aided sector of the College's activities.

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

16. ELIZABETH COLLEGE FOUNDATION

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

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

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

ELIZABETH COLLEGE – GUERNSEY

DETAILED REVENUE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2014

		2013
INCOME		
States' Block Grant	925,795	1,058,093
Fees receivable	4,784,907	4,510,118
Hire of facilities	74,850	78,902
Other income	25,146	12,527
	<hr/>	<hr/>
	5,810,698	5,659,640
	<hr/>	<hr/>
EXPENDITURE		
SCHOOL AND DEPARTMENTAL EXPENSES		
Teachers' salaries	2,829,019	2,693,510
Teachers' superannuation	346,865	336,477
Teaching ancillary salaries and superannuation	305,897	281,667
Departmental expenses	499,410	655,175
Other school expenses	106,534	107,920
Examination fees	42,411	40,754
	<hr/>	<hr/>
	4,130,136	4,115,503
	<hr/>	<hr/>
YOUTH TRAINING EXPENSES	26,089	26,945
	<hr/>	<hr/>
ADMINISTRATIVE EXPENSES		
Services	309,136	324,017
Administration salaries and superannuation	394,616	401,478
School administration	58,699	91,691
General expenses	126,021	154,322
Rates, insurance and taxes	54,663	48,365
Discounts given	48,038	42,919
Audit and accountancy	11,450	12,185
Bad debts written off/(recovered)	8,134	(306)
Recharge to non grant-aided sector	(14,000)	(14,000)
	<hr/>	<hr/>
	996,757	1,060,671
	<hr/>	<hr/>
MAINTENANCE OF BUILDINGS AND GROUNDS		
Maintenance of playing fields	104,268	122,344
Maintenance of other areas	391,018	549,172
	<hr/>	<hr/>
	495,286	671,516
	<hr/>	<hr/>
OPERATING SURPLUS/(DEFICIT) FOR THE YEAR BEFORE INTEREST AND OTHER INCOME	£ 162,430	£ (214,995)
	<hr/>	<hr/>

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

We have audited the financial statements of The Ladies' College - Guernsey ("the College") for the year ended 31 August 2014 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

Respective responsibilities of the Board of Governors and auditors

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

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

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

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the College's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any misstatements or inconsistencies we consider the implications for our report.

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

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the College's affairs as at 31 August 2014 and of its surplus for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;

Emphasis of matter

We draw particular attention to note 1(b) to the financial statements. Note 1(b) to the financial statements explains that the costs of furniture and equipment and of minor improvements and maintenance to all buildings and grounds are written off through the Income and Expenditure Account when incurred; and that the costs of major improvement works are met by transfers from the Maintenance and Improvements Reserve to the Income and Expenditure Account. As such expenditure on capital improvements is not capitalised.

This accounting policy is not in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities). However, it is of the opinion of the Board of Governors that this departure is necessary to give a true and fair view of the College's surplus for the year. Our opinion is not qualified in respect of this matter.

BDO LIMITED

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

Date: 17th December 2014

THE LADIES' COLLEGE - GUERNSEY

INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2014

	Note		2013
INCOME	3		
States grant		744,162	831,491
Fees receivable		3,153,403	2,873,540
Bank interest received		14,077	13,945
Student registration fees		10,460	4,100
Miscellaneous income		23,039	31,176
		<hr/>	<hr/>
		3,945,141	3,754,252
EXPENDITURE			
School expenditure		(3,570,530)	(3,368,332)
OPERATING SURPLUS FOR THE YEAR	3/9	<hr/>	<hr/>
		374,611	385,920
Capital improvements expenditure		(321,309)	(872,119)
Transfer from Maintenance and Improvements reserve	1b	321,309	872,119
		<hr/>	<hr/>
SURPLUS FOR THE YEAR		<hr/>	<hr/>
		£ 374,611	£ 385,920

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

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

THE LADIES' COLLEGE - GUERNSEY

BALANCE SHEET

31 AUGUST 2014

	Note		2013
FIXED ASSET			
Tangible asset	6	1	1
CURRENT ASSETS			
Fee debtors		14,640	3,035
Other debtors and prepayments	7	53,533	87,178
Accrued bank interest		4,644	2,609
Cash at bank and in hand		757,624	931,227
		<hr/>	<hr/>
		830,441	1,024,049
CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(411,338)	(658,248)
NET CURRENT ASSETS		<hr/>	<hr/>
		419,103	365,801
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		£ 419,104	£ 365,802
		<hr/>	<hr/>
REPRESENTED BY:-			
Reserves	9	£ 419,104	£ 365,802
		<hr/>	<hr/>

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

Mr P Gilson

.....
Chairman, the Board of Governors

Date 16th December 2014

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

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

1. ACCOUNTING POLICIES

(a) CONVENTION

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

(b) CAPITAL EXPENDITURE

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

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

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

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

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

If the transfer was not made the Income and Expenditure Account would show a surplus for the current year of £53,302 (2013:£486,199 deficit) but net assets as shown in the balance sheet would remain unchanged.

Capital expenditure on fixtures and fittings is written off in the year in which it is incurred, thus the Balance Sheet of the College does not disclose fixtures and fittings.

(c) INCOME RECOGNITION

Fee income is recognised as receivable on the first day of each term for which pupils are enrolled. The States' Block Grant relating to the General (Non Special Place Holder) Grant is recognised termly on receipt. The General Grant is being reduced over a 7 year period with effect from 1 September 2012, in accordance with a States Resolution on 28 September 2011. Student registration fees and miscellaneous income are recognised on receipt. All other income is recognised on an accruals basis. Fee income received in advance of the term is deferred and released on the first day of the applicable term.

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

1. ACCOUNTING POLICIES (continued)

(d) SCHOOL EXPENDITURE RECOGNITION

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

(e) TANGIBLE FIXED ASSET

Land is recognised at cost. The College acquired the land at a nominal sum from The Ladies' College Guild. Given the inherent difficulties in obtaining an accurate valuation of this land, The Board of Governors have elected to carry its land at the nominal value.

(f) PENSION COSTS

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

(g) PRIZE FUNDS AND BEQUESTS

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

2. FRC ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES

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

3. INCOME AND OPERATING SURPLUS FOR THE YEAR

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

4. TAXATION

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

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

5. MAINTENANCE & IMPROVEMENTS RESERVE

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

- i) maintenance expenditure to which the College is committed at 31 August 2014;
- ii) maintenance needs which have been deferred;
- iii) anticipated future maintenance needs; and
- iv) anticipated expenditure in respect of future improvements to the College premises.

6. TANGIBLE ASSET

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

7. OTHER DEBTORS AND PREPAYMENTS

	2014	2013
Prepayments	42,287	87,178
Other debtors	11,246	-
	<hr/>	<hr/>
	£ 53,533	£ 87,178
	<hr/>	<hr/>

8. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014	2013
School and administrative expenses	244,898	216,063
Accounts payable on building contracts	-	248,998
Fees for autumn term received in advance	166,440	193,187
	<hr/>	<hr/>
	£ 411,338	£ 658,248
	<hr/>	<hr/>

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2014

9. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2013	105,987	259,815	365,802
Surplus for the year	374,611	-	374,611
Transfer to Income and Expenditure Account to cover capital improvements expenditure	-	(321,309)	(321,309)
Transfer from Income & Expenditure Account to Maintenance & Improvements reserve	(61,494)	61,494	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2014	£ 419,104	£ -	£ 419,104
	<hr/>	<hr/>	<hr/>

10. PENSION COSTS

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

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

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

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2014 was £308,163 (2013: £294,218). At 31 August 2014 the amount of outstanding contributions not paid over to the Scheme was £50,607 (2013: £57,813).

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.

11. CONTROLLING PARTIES

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

STATES OF ALDERNEY

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

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

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

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

Independent auditor's report to the Policy and Finance Committee

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2014 which comprise the Revenue Income and Expenditure Accounts, Capital Account, Economic Development Reserve, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement letter dated 20 January 2015. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on page 121, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2014 in accordance with the accounting policies set out in note 1.

Matters on which we report by exception

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

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

KPMG Channel Islands Limited

Chartered Accountants

Guernsey

25 March 2015

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1. PRINCIPAL ACCOUNTING POLICIES

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

2. PENSION COSTS

The States of Alderney 1982 Pension Scheme

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

The assets of this scheme are held separately from those of the States in an independently administered fund which up until 2013 were invested with Aviva.

Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role. The initial investment structure was agreed as 30% Long Term Equities growth, 30% High income funds, 20% Special situations and 20% Alternative investments.

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

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2014.

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

	Valuation at 31 December 2014	Valuation at 31 December 2013
Pensionable salary growth	4.15% pa	4.5% pa
Pension escalation in payment – to 31.12.2009 – from 01.01.2010	4.0% pa 3.0% pa	4.0% pa 3.0% pa
Discount rate	3.6% pa	4.4% pa
Inflation assumption	3.15% pa	3.7% pa

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS - continued

PENSION COSTS (Continued)

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

	Value at 31 December 2014	Expected return for 2015	Value at 31 December 2013	Expected return for 2014
Fair value of plan assets	£4,364,000	N/A	£3,943,000	1.5%

	2014	2013
Fair value of plan assets	£4,364,000	£3,943,000
Present value of funded obligations	(£7,448,000)	(£7,066,000)
Deficit in the scheme	(£3,084,000)	(£3,123,000)
Net pension liability	(£3,084,000)	(£3,123,000)

The balance sheet position of the Scheme has improved by £39,000 over the year. This is due to a combination of investment returns being greater than expected, favourable scheme experience over 2014, and the changes to the demographic assumptions which has reduced the value placed on liabilities. However this has been largely offset by a significant decrease in the net discount rates used to value the Schemes liabilities as at 31st December 2014.

Over the year to 31 December 2014 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2014 Employer premiums amounted to £220,426 (2013: £256,627) with no additional premium payments (2013: £25,000), and Employee premiums were £71,638 (2013: £83,404). In addition the Employees Death in Service policy amounted to £11,978 (2013: £15,888), relating to both Schemes.

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS – continued

PENSION COSTS (Continued)

The States of Alderney 2013 Pension Scheme

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. There were 4 new entrants to the scheme during 2014. The employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

In 2014 the Employer premium amounted to £7,426.92 (2013: £nil), and the Employee contribution amounted to £6,430.97 (2013: £nil).

As mentioned above, in addition the Employees Death in Service policy amounted to £11,978 (2013: £15,888), relating to both Schemes.

3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2014 the States purchased goods and services from the Water Board to the value of £13,670 (2013: £13,817), and provided goods and services to the Board to the value of £61,933 (2013: £49,036).

The Royal Connaught Residential Home Limited is a States owned Company. During 2014 the States provided goods and services to the Company to the value of £82,186 (2013: £42,516).

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2014 the value of these purchases was £136,174 (2013: £136,189). The States has provided goods and services to the Company during 2014 to the value of £66,699 (2013: £62,898).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2014 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £52,925 (2013: £13,869).

4. BUDGET APPROVALS

The original budget for 2014 was approved by the States of Alderney at the meeting held on 23 October 2013, with the revised budget approved by the States of Alderney on 22 October 2014.

5. ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £4,650,000 (2013: £4,710,650) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis. In 2014 the surplus received from the Commission amounted to £1,935,381 (2013: £2,331,863). An extract from the Alderney Gambling Control Commission's financial statements for 2014 will be available to the States in April 2015.

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS - continued

6. ALDERNEY eGAMBLING LIMITED

During 2014 Alderney eGambling Ltd, a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. A report on the company's activity and accounts for 2014 will be available to the States in April 2015.

7. ALDERNEY eGAMBLING ADVISERS LIMITED

In July 2013 a new wholly States owned Company, Alderney eGambling Advisors Limited was established, in order to provide advice and assistance on the creation of online gambling regimes, and consultancy services to regulators. A report on the Company's activities and accounts will be available to the States in April 2015.

8. ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts for 2014 will be available to the States in April 2015.

9. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED

The Royal Connaught is a States owned Company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2014 will be available to the States in April 2015.

10. ALDERNEY HARBOUR ACCOUNT

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

STATES OF ALDERNEY

SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
INCOME ON REVENUE ACCOUNT				
Building and Development Control Committee	16,237	14,800	12,000	23,432
General Services Committee	302,917	265,294	215,776	227,345
Policy and Finance Committee	739,632	728,370	731,300	735,442
Timing Differences 2012	-	-	-	10,500
Transfer from Coin Reserve	-	71,122	-	21,150
INCOME ON REVENUE ACCOUNT	1,058,786	1,079,586	959,076	1,017,869
Net revenue cash allocation from States of Guernsey	1,960,450	1,958,900	1,960,000	1,976,200
VES Funding	510,500	510,500	-	-
Strategic Development Funding/Budget Reserve	-	-	50,000	-
TOTAL INCOME	3,529,736	3,548,986	2,969,076	2,994,069

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
EXPENDITURE ON REVENUE ACCOUNT				
Building and Development Control Committee	77,031	71,818	79,174	99,835
General Services Committee	1,917,585	1,992,858	1,552,099	1,503,101
Policy and Finance Committee	1,521,938	1,484,310	1,337,803	1,391,133
EXPENDITURE ON REVENUE ACCOUNT	3,516,554	3,548,986	2,969,076	2,994,069
Surplus/(Deficit) for the year	13,182	-	-	-
TOTAL EXPENDITURE	3,529,736	3,548,986	2,969,076	2,994,069

ECONOMIC DEVELOPMENT RESERVE (EDR)

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
INCOME ON EDR				
AGCC Reserves	152,207	250,000	-	-
ACRE Reserves	-	20,000	-	-
TOTAL INCOME ON EDR	152,207	270,000	-	-

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
EXPENDITURE ON EDR				
Economic Development Initiatives	152,207	270,000	-	-
TOTAL EXPENDITURE ON EDR	152,207	270,000	-	-

K A HATCHER-GAUDION
STATES TREASURER

STATES OF ALDERNEY

BUILDING AND DEVELOPMENT CONTROL COMMITTEE

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
INCOME	£	£	£	£
Planning and Building fees	16,237	14,800	12,000	23,432
Land Use Plan Inquiries - recoveries	-	-	-	-
TOTAL REVENUE INCOME	16,237	14,800	12,000	23,432

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
EXPENDITURE	£	£	£	£
Administration				
Staff	67,560	61,818	64,374	72,942
Supplies and services	6,413	6,500	8,300	7,305
Consultants Fees	240	-	3,000	300
Review of Planning - ARUP	-	-	-	15,730
Planning records system	2,818	3,000	3,000	3,090
External Planning Advice	-	500	500	468
TOTAL REVENUE EXPENDITURE	77,031	71,818	79,174	99,835

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
INCOME								
Agriculture								
Fees and charges	2,866		2,400		1,400		1,548	
Land rents	6,866		6,950		6,480		6,720	
Abattoir fees	9,042		8,500		8,500		10,318	
		18,774		17,850		16,380		18,586
Public Services								
Administration								
Hire vehicle fees	3,053		3,000		2,300		2,403	
Vehicle import licence fees	44,126		33,000		33,000		47,653	
		47,179		36,000		35,300		50,056
Properties - General								
Commercial rent	204,670		207,130		167,780		158,625	
Housing rent	25,166		25,190		30,550		26,035	
		229,836		232,320		198,330		184,660
Refuse Collection and Disposal								
Refuse charges - now included in cash allocation	-		-		21,000		21,000	
						21,000		21,000
Sewage and Sanitation								
Cesspit emptying fees	13,024		12,500		12,500		13,605	
		13,024		12,500		12,500		13,605
Recreation								
Campsite fees (net) & rent	-		2,500		200		3,073	
Butes Recreation Park	41,231		30,000		-		-	
Island Hall fees	18,711		15,000		15,000		16,712	
		59,942		47,500		15,200		19,785
Alderney Harbour Trading Loss		(65,838)		(80,876)		(82,934)		(80,347)
TOTAL REVENUE INCOME		302,917		265,294		215,776		227,345

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued)

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
EXPENDITURE								
Agriculture								
Staff	243,596		248,132		165,196		163,748	
Supplies and services	32,347		36,480		23,750		19,952	
Bovine Spongiform Encephalopathy - Compensation	-		1,500		1,500		-	
Disposal costs	-		600		600		900	
Dairy and land management compensation	53,837		65,000		65,000		55,913	
Abattoir costs	5,177		5,300		8,000		6,168	
Veterinary services	5,646		5,000		5,000		3,111	
	340,603		362,012		269,046		249,792	
Less: Recoveries	(6,491)		(4,750)		(4,200)		(4,978)	
		334,112		357,262		264,846		244,814
Public Services								
Recreation								
Camp Site expenses	5,003		10,000		10,000		7,147	
Butes Recreation Park	52,330		40,000		3,700		4,228	
Island Hall Staff	10,874		10,225		10,118		8,328	
Premises	7,195		9,000		10,000		9,252	
Supplies and services	8,266		9,000		13,500		910	
		83,668		78,225		47,318		29,865
Emergency Services & Environmental Trusts								
Fire Brigade and Cliff Rescue								
Staff & Retained Crew	29,041		31,000		28,845		27,865	
Less: Recoveries	(1,730)		(2,180)		-		-	
	27,311		28,820		28,845		27,865	
Supplies and services	27,913		29,800		31,500		28,767	
Administration of Law	11,368		12,100		10,300		10,000	
		66,592		70,720		70,645		66,632
Civil Emergency								
Premises	582		700		1,000		604	
Supplies and services	1,418		2,500		2,500		768	
Environmental monitoring	21,369		22,500		21,500		19,579	
		23,369		25,700		25,000		20,951
Alderney Wildlife Trust								
Annual allocation	16,000		16,000		16,000		16,000	
Ramsar	11,070		11,070		10,840		14,419	
Woodland Project	1,000		1,000		1,000		1,000	
		28,070		28,070		27,840		31,419

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued)

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
EXPENDITURE (continued)								
Public Services								
Administration								
Staff	185,665		182,213		116,544		123,827	
Supplies and services	10,175		8,700		7,800		5,634	
SWD Organisation Review	765		765		-		44,194	
Training & Equipment - Health and Safety	7,846		9,200		11,700		24,616	
Insurance	8,798		14,000		14,000		13,805	
		213,249		214,878		150,044		212,076
Apprenticeship Scheme								
Staff	53,194		53,775		52,736		45,346	
Associated Costs	409		400		1,000		560	
	53,603		54,175		53,736		45,906	
Less: Grant Recoveries	(2,655)		(1,650)		(1,500)		(1,995)	
		50,948		52,525		52,236		43,911
Minor Projects								
Staff	117,559		165,914		144,412		95,146	
Supplies and services	5,861		30,500		50,000		28,000	
	123,420		196,414		194,412		123,146	
Less: Recoveries	(26,011)		(41,000)		(91,500)		(99,635)	
		97,409		155,414		102,912		23,511
Properties - General & Housing								
Staff	100,044		102,258		81,259		82,588	
Supplies and services	99,454		104,135		86,110		63,694	
	199,498		206,393		167,369		146,282	
Less: Recoveries	(3,842)		(2,500)		(1,500)		(4,071)	
		195,656		203,893		165,869		142,211
Refuse Collection, Separation & Disposal:-								
Household Collection and Impôt								
Staff	186,438		173,372		133,038		135,830	
Supplies and services:-								
Vehicles & Plant maintenance	25,593		25,000		20,000		34,521	
Household & general waste - disposal	177,953		160,000		160,000		158,489	
Vehicles & white goods etc - disposal	1,722		2,200		4,000		1,460	
		391,706		360,572		317,038		330,300
Recycling Centre - Glacis								
Staff	128,712		120,763		84,000		111,249	
Supplies and services- separation & recycling	18,060		20,000		15,000		13,788	
	146,772		140,763		99,000		125,037	
Less: Recoveries	-		-		-		(304)	
		146,772		140,763		99,000		124,733
Roads, Coasts and Beaches								
Staff	42,839		39,456		34,816		52,679	
Supplies and services	48,526		33,000		41,000		31,751	
	91,365		72,456		75,816		84,430	
Less: Recoveries	(962)		(1,000)		(1,000)		(9,250)	
		90,403		71,456		74,816		75,180
Sewage and Sanitation								
Staff	106,759		122,290		71,699		75,027	
Supplies and services	45,967		44,000		30,500		27,103	
	152,726		166,290		102,199		102,130	
Less: Recoveries	(8,869)		(4,500)		(3,500)		(5,087)	
		143,857		161,790		98,699		97,043
Vehicle Fleet								
Staff	41,452		47,350		28,096		28,372	
Supplies and services	39,745		49,240		57,940		65,933	
	81,197		96,590		86,036		94,305	
Less: Recoveries	(29,422)		(25,000)		(30,200)		(33,850)	
		51,775		71,590		55,836		60,455
TOTAL REVENUE EXPENDITURE		1,917,585		1,992,858		1,552,099		1,503,101

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
Income on Revenue Account								
Administration								
Harbour Dues and Fees	134,714		124,460		135,234		145,273	
Sundries	4,149		4,500		5,500		14,175	
	138,863		128,960		140,734		159,448	
L Concessions on charges	(2,664)		(2,000)		(2,000)		(606)	
		136,199		126,960		138,734		158,842
Crane dues and boat lifts	55,731		50,000		50,000		51,326	
		55,731		50,000		50,000		51,326
Moorings and Navigation								
Fees	117,686		116,000		104,250		119,629	
Pilotage fees	50,502		39,559		39,750		70,614	
	168,188		155,559		144,000		190,243	
L Pilots remuneration	(15,821)		(13,186)		(13,238)		(26,340)	
Concessions on charges	(4,291)		(2,000)		(4,000)		(2,177)	
		148,076		140,373		126,762		161,726
Quays and Buildings rent	12,885		12,775		13,000		11,224	
		12,885		12,775		13,000		11,224
TOTAL REVENUE INCOME		352,891		330,108		328,496		383,118
Expenditure on Harbour Account								
Administration								
Staff	269,873		263,982		271,865		266,467	
Supplies and services	17,797		21,900		22,900		20,895	
Training costs	5,492		6,000		6,000		1,538	
Insurance	4,066		5,000		5,000		4,117	
Port security/Health & Safety	589		1,000		3,000		13,539	
	297,817		297,882		308,765		306,556	
L Recoveries	(45,401)		(48,000)		(48,000)		(50,694)	
		252,416		249,882		260,765		255,862
Cranes, Plant and Vehicles								
Staff	34,823		34,102		34,365		35,371	
Supplies and services	39,857		32,400		18,700		78,294	
	74,680		66,502		53,065		113,665	
Less: Recoveries	(2,583)		(3,000)		(4,500)		(4,908)	
		72,097		63,502		48,565		108,757
Moorings and Navigation								
Supplies and services	49,821		52,000		52,000		50,978	
Wrecks and salvage	2,120		3,000		3,000		2,120	
		51,941		55,000		55,000		53,098
Quays and Buildings								
Buildings/quay maintenance	13,249		11,000		15,500		17,365	
Pontoon maintenance	3,960		5,000		5,000		8,731	
Consultancy/survey fees	6,001		6,500		6,500		481	
		23,210		22,500		27,000		26,577
Fisheries								
Staff Costs	17,600		17,600		17,600		17,600	
Supplies and services	1,465		2,500		2,500		1,571	
		19,065		20,100		20,100		19,171
TOTAL REVENUE EXPENDITURE		418,729		410,984		411,430		463,465
TRADING (DEFICIT) FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE		(65,838)		(80,876)		(82,934)		(80,347)

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
INCOME								
Administration								
Company registrations	50,362		43,000		45,000		47,807	
Court receipts	39,009		29,000		28,000		49,106	
Duty free concession	25,000		25,000		25,000		25,000	
Interest receivable	43,118		39,000		11,650		19,120	
Numismatic and philatelic profits	89,577		51,000		79,250		47,948	
Occupiers rates	461,778		465,200		463,700		470,195	
Permits and licences	13,812		15,550		16,550		16,358	
Rents	41,729		41,730		41,700		41,729	
Royalties and fees	3,138		3,300		3,500		3,415	
Sundry sales and charges	20,870		18,790		19,650		18,852	
	788,393		731,570		734,000		739,530	
Less: Transfer to Currency Reserve	(65,679)		(23,000)		(21,000)		(22,594)	
		722,714		708,570		713,000		716,936
Promotion and Marketing								
Accommodation permits	4,512		5,000		5,500		5,239	
Sale of advertising space	12,406		13,300		13,300		13,267	
		16,918		18,300		18,800		18,506
TOTAL REVENUE INCOME		739,632		726,870		731,800		735,442

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE (continued)

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
EXPENDITURE								
Administration								
Staff	485,127		507,787		480,545		489,343	
Premises	20,117		21,000		20,000		20,963	
Supplies and services	194,557		192,500		96,825		83,590	
Audit fees and expenses	30,302		31,000		31,000		30,793	
Legal Fees - Fablink	24,860		-		-		-	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	2,868		3,000		3,000		2,248	
Insurance and reserves	114,767		46,500		46,500		41,339	
States Member's allowances	93,908		100,000		100,860		94,905	
Supplementary & retirement pensions	17,493		17,500		17,500		16,820	
Unforeseen expenditure: -	13,183		15,000		36,400		37,500	
	1,012,182		949,287		847,630		832,501	
Less: Recoveries	(94,173)		(93,800)		(73,000)		(73,159)	
		918,009		855,487		774,630		759,342
Court								
Staff	158,663		158,100		155,115		160,814	
Premises	5,588		5,000		5,000		6,833	
Supplies and services	13,774		19,000		18,000		12,631	
Insurance	2,003		2,100		2,100		2,041	
		180,028		184,200		180,215		182,319
Education and Health								
Supplies and services	-		200		500		87	
Grant for IT Education	500		500		1,500		1,500	
Grant to Alderney playschools	5,500		5,500		5,500		5,000	
School bus subsidy	22,871		23,000		22,522		22,403	
Youth Services grant	5,000		5,000		5,000		5,000	
		33,871		34,200		35,022		33,990
Social and Welfare Services								
Social Services and welfare support	76,473		77,000		79,500		67,054	
Less: Recoveries	(61,825)		(59,000)		(59,000)		(50,020)	
		14,648		18,000		20,500		17,034
Grants								
Alderney Island Games Association	-		-		-		2,000	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week (now in Marketing Events)	-		-		-		4,000	
Minor grants	7,119		7,000		7,000		12,404	
Living Islands	25,000		25,000		25,000		-	
St. John Ambulance Brigade	42,000		42,000		42,000		42,000	
		77,619		77,500		77,500		63,904
Marketing								
Administration & Promotion								
Staff	48,367		45,623		44,936		34,601	
Premises	15,830		16,000		9,000		6,826	
Supplies and services	3,564		2,800		3,000		4,385	
Promotion of Tourism	119,138		110,500		113,000		104,216	
Marketing Support	110,865		140,000		80,000		184,516	
		297,764		314,923		249,936		334,544
TOTAL REVENUE EXPENDITURE		1,521,938		1,484,310		1,317,303		1,374,099

STATES OF ALDERNEY

ECONOMIC DEVELOPMENT RESERVE

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
INCOME	£	£	£	£
AGCC Reserves	152,207	250,000	-	-
ACRE Reserves	-	20,000	-	-
TOTAL INCOME	152,207	270,000	-	-

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
EXPENDITURE	£	£	£	£
Economic Development Initiatives 2014:-				
Review of Planning - ARUP	26,944	27,000	-	-
Alderney Air Links Study -				
Aviation Economics	11,730	20,000	-	-
Business Development - Be A Tiger	7,467	100,000	-	-
Economic Development Planning -				
Dr A Sloane	29,132	30,000	-	-
Waste to Energy - IPA	49,743	50,000	-	-
Young Entrepreneur Scheme	3,500	10,000	-	-
Anti Money Laundering /KYC - PWC	1,083	13,000	-	-
Administration/Consultancy	7,348	20,000	-	-
Marina Investigation	15,260	-	-	-
TOTAL EXPENDITURE	152,207	270,000	-	-

STATES OF ALDERNEY

CAPITAL ACCOUNT SUMMARY

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
INCOME ON CAPITAL ACCOUNT				
General Services Committee	25,965	1,815	6,000	233,999
Policy and Finance Committee	278,862	248,000	250,000	228,527
TOTAL INCOME ON CAPITAL ACCOUNT	304,827	249,815	256,000	462,526
Funds from AGCC reserves	1,935,381	2,000,000	2,000,000	2,331,863
less Transfer to Economic Development	(152,207)	(250,000)	-	-
Surplus/(Deficit) for the year	613,261	42,515	(856,000)	(135,154)
	1,474,740	1,957,300	3,112,000	2,929,543

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
EXPENDITURE ON CAPITAL ACCOUNT				
General Services Committee	1,125,340	1,457,800	2,469,000	2,721,677
Policy and Finance Committee	349,400	499,500	643,000	207,866
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	1,474,740	1,957,300	3,112,000	2,929,543

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
INCOME	£	£	£	£
Sewerage Law contributions	1,000	1,000	-	1,000
Transfer from Social Housing Loans Fund	-	-	-	199,099
Sale of Capital Assets	24,965	815	6,000	33,900
TOTAL CAPITAL INCOME	25,965	1,815	6,000	233,999

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
EXPENDITURE	£	£	£	£
Alderney Harbour Account	132,049	153,000	205,000	1,981,440
Alderney Water Board - Capital Grants:				
Distribution Network-Phase 4b (£241K) & 4c (£239k)	239,200	239,200	250,000	241,000
Public Services				
Road Resurfacing Contract (£250k)	259,253	262,000	250,000	-
Surfacing of Unmade Roads (£15k)	15,149	15,000	15,000	-
Coastal Protection (£43k)	12,940	70,000	100,000	18,539
Replacement Cobbles/Drainage/Repairs	-	-	300,000	-
Sewerage Projects (£102k)	49,078	92,600	440,000	46,307
Waste Disposal Improvements (£19.5k)	19,230	80,000	80,000	-
Improved Disabled Access - Town Area	-	5,000	30,000	-
Fire Brigade				
Tanker Replacement (£25k)	609	25,000	25,000	-
Land and Property				
New Connaught Care Home (£2.5m)	38,339	40,000	-	-
Acquisition of land for Runway Safety Area (£50k)	-	-	-	125
States Properties Refurbishment Programme	-	20,000	50,000	-
Camp Site - Laundry facilities (£41k)	39,399	41,000	-	-
St Anne's Church Roof Phase 1-4 (£436k)	167,716	210,000	259,000	114,117
SWD & Harbour Vehicle/Plant Storage	-	-	300,000	-
Recreational Facilities (£50k)	1,578	50,000	70,000	-
Asbestos Surveys (£22k)	19,115	22,000	-	-
IT Improvements - UPS/Server (£15k)	3,548	5,000	-	10,889
Quay FM Grant for Building (£15k)	15,000	10,000	-	-
Museum Building Improvements (£12k)	6,151	12,000	-	-
Works Department Vehicles and Plant				
Vehicles & Plant (£93k)	106,986	106,000	95,000	-
<i>Per published accounts 2013</i>	-	-	-	309,260
TOTAL CAPITAL EXPENDITURE	1,125,340	1,457,800	2,469,000	2,721,677

STATES OF ALDERNEY

POLICY AND FINANCE COMMITTEE

for the year ended 31 December 2014

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
INCOME								
Property Transfer Duties								
Congé	232,585		218,000		230,000		204,038	
Leasehold Duty	21,512		17,000		17,000		19,481	
Transfer Duty	14,315		3,000		3,000		5,008	
		268,412		238,000		250,000		228,527
Sale of States Land and Properties		10,450		10,000		-		-
TOTAL CAPITAL INCOME		278,862		248,000		250,000		228,527

	Accounts 2014		Revised Budget 2014		Budget 2014		Accounts 2013	
	£	£	£	£	£	£	£	£
EXPENDITURE								
2013 Census (£30k)		-		-		-		30,966
IT Systems		-		-		20,000		-
Allocation of Funds/Grants								
Social Housing Projects - Grand Site (£296k)		119,000		119,100		373,000		176,900
Social Housing Projects - Sable D'Or (£238k)		190,400		190,400		-		-
Social Housing Projects - Alexandra Court (£40k)		40,000		40,000		-		-
Sports Centre Trust - Matched Funding (£250k)		-		150,000		250,000		-
TOTAL CAPITAL EXPENDITURE		349,400		499,500		643,000		207,866

STATES OF ALDERNEY

GENERAL SERVICES COMMITTEE (continued) - ALDERNEY HARBOUR

for the year ended 31 December 2014

	Accounts 2014	Revised Budget 2014	Budget 2014	Accounts 2013
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Commercial Quay Revetment (£700k)	65,458	50,000	50,000	876,508
Harbour Area Redevelopment				
Replacement Harbour Office (£642k)	39,150	50,000	95,000	543,172
Boat Park (£15k prelims)	-	-	-	3,948
Improvements to Visitor Facilities	-	20,000	-	-
Pontoon Improvements (£8k prelims)	7,441	8,000	15,000	-
Inner Harbour Improvements:-				
Quay Face Pointing (£3.5k Prelims)	-	5,000	25,000	-
Road Resurfacing (£20k)	20,000	20,000	20,000	-
Per published accounts 2013	-	-	-	557,812
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	132,049	153,000	205,000	1,981,440

STATES OF ALDERNEY

Summary of Balances at 31 December 2014

	£
<u>COINS IN CIRCULATION ACCOUNT</u>	
Value of coins in circulation at 01.01.14	3,512,858
Value of coins issued in 2014	163,826
	<u>3,676,684</u>
Less: Value of coins withdrawn from circulation	0
Value of coins in circulation at 31.12.14	<u>3,676,684</u>

<u>CURRENCY RESERVE FUND</u>	
Balance at 01.01.14	409,943
Reserve for base metal coins issued in 2014	44,529
Transfer of 2013 funds back to reserve	21,150
	<u>475,622</u>
Less: Value of coins redeemed.	0
Transfer of funds to SoA Revenue Account	0
Balance at 31.12.14	<u>475,622</u>

<u>INSURANCE DEDUCTIBLE RESERVE ACCOUNT</u>	
Balance at 01.01.14	53,173
2014 Reserve Allocation	108,586
Payments/Claims	(18,196)
Balance at 31.12.14	<u>143,563</u>

INVESTMENTS

<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
1,146,090	39,860		1,146,090	39,860	
<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
11,150	5,659		11,150	5,659	
<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
1	1		1	1	
<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
1	1		1	1	
<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
650	650		650	650	
<u>2013</u>			<u>2014</u>		
SHARES	£		SHARES	£	
2	2		2	2	

STATES OF ALDERNEY

Summary of Balances at 31 December 2014 (continued)

2013	Bank accounts	2014
£	<u>Daisy Hansen St Anne's School Trust</u>	£
984	Balance at 01.01.14	984
0	Interest received	0
<u>984</u>	Balance at 31.12.14	<u>984</u>
	<u>The Anne French Hospital Annexe Fund</u>	
12,176	Balance at 01.01.14	12,394
218	Interest received	183
<u>12,394</u>	Balance at 31.12.14	<u>12,577</u>
	<u>States of Alderney Interest on Investments Account</u>	
	<u>(Educational Bequests)</u>	
10,328	Balance at 01.01.14	8,472
174	Interest received	96
10,502		8,568
(1,950)	Grants	(2,150)
(80)	Audit Reports	(40)
<u>8,472</u>	Balance at 31.12.14	<u>6,378</u>
	<u>The Packe History Trust</u>	
1,504	Balance at 01.01.14	1,504
0	Interest received	0
1,504		1,504
0	School History Prize	(25)
<u>1,504</u>	Balance at 31.12.14	<u>1,479</u>
	<u>Alderney Pilotage Board</u> Balance at	
200	01.01.14 and 31.12.14	<u>200</u>
	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
14,894	Balance at 01.01.14	15,294
400	Interest received (2013 actual & 2014 estimated)	578
15,294		15,872
0	Grants	0
<u>15,294</u>	Balance at 31.12.14	<u>15,872</u>
	<u>St Anne's Trust</u>	
31,486	Balance at 01.01.14	32,018
532	Interest received	437
32,018		32,455
0	Grants	0
<u>32,018</u>	Balance at 31.12.14	<u>32,455</u>
	<u>The New Parsonage House Trust</u>	
73,029	Balance at 01.01.14	73,900
1,880	Interest received (2013 actual & 2014 estimated)	3,019
74,909		76,919
(1,009)	Maintenance costs	(2,006)
<u>73,900</u>	Balance at 31.12.14	<u>74,913</u>
	<u>Charitable Trust Fund</u>	
215,077	Balance at 01.01.14	207,887
2,687	Interest received	2,291
0	Returned grant	100
217,764		210,278
(9,806)	Grants issued in year	(6,748)
(71)	Bank and general administration costs	(105)
<u>207,887</u>		<u>203,425</u>

Outstanding Commitments on major projects at 31.12.2014

	Vote	Spend to 31.12.2014	Balance outstanding
	£	£	£
New Connaught Care Home	2,500,000	3,117,162	(617,162)
Harbour Office Replacement	642,000	627,289	14,711
Revetment Rebuild	700,000	952,145	(252,145)

Commercial Quay:

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

STATES OF ALDERNEY WATER BOARD

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year.

In preparing those financial statements the Board is required to:

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

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

Independent auditor's report to the members of the States of Alderney Water Board

We have audited the financial statements of the States of Alderney Water Board ("the Water Board") for the year ended 31 December 2014 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with the terms of our engagement letter dated 20 January 2015. Our audit work has been undertaken so that we might state to the members those matters we have been engaged to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Water Board and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 142, the Board is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2014 in accordance with the accounting policies set out in note 1.

Matters on which we report by exception

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

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

KPMG Channel Islands Limited
Chartered Accountants
Guernsey

25 March 2015

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014		2013
REVENUE		£	£	£
	1			
Unmetered Supplies		524,539		511,590
Metered Supplies		75,907		74,587
Service Charges		7,840		3,050
Contract Work		2,045		2,972
Sale of Fixed Assets		1,000		-
			611,331	592,559
EXPENSES	1			
OPERATING AND MAINTENANCE EXPENSES				
Salaries and Wages		171,897		216,536
Water Treatment and Testing		30,552		31,226
Fuel, Electricity and Telemetry		98,912		95,652
Maintenance		72,809		42,514
Maintenance Contracts		14,320		14,325
Health & Safety expenses		4,273		2,000
Pension Costs	2	33,505		31,839
Depreciation	1 & 6	101,307		94,008
		<u>527,575</u>		<u>528,100</u>
ADMINISTRATION AND GENERAL EXPENSES				
Administration Charge		23,800		22,768
Rents, Rates and Taxes		15,736		16,573
Insurance		5,967		4,764
Motor Vehicle Expenses		4,859		5,605
Office Expenses and Equipment		5,712		5,638
Accountancy and Audit		6,284		6,586
Bank Charges		185		356
Travelling and General Expenses		2,156		1,804
Staff Training Costs		715		1,391
Consultancy Fees and Expenses		3,367		500
Bad Debts Written off		2,143		497
Fixed Asset Written off		0		7,098
		<u>70,924</u>		<u>73,580</u>
			(598,499)	(601,680)
OPERATING SURPLUS/(DEFICIT)			12,832	(9,121)
OTHER INCOME				
Interest and other Receivable			0	0
Rents Receivable	5		<u>11,427</u>	10,502
SURPLUS/(DEFICIT) FOR THE YEAR			24,259	1,381
BALANCE BROUGHT FORWARD			511,306	511,306
BALANCE CARRIED FORWARD			<u>535,565</u>	<u>511,306</u>

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

Notes 1 to 6 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	2014	2013
		£	£
ASSETS EMPLOYED			
FIXED ASSETS	1 & 6	2,067,318	1,896,334
CURRENT ASSETS			
Stock	1	72,465	55,939
Debtors		86,103	119,251
Bank balances - deposit		67	67
Bank balances - current		649,240	522,822
		807,875	698,079
LIABILITIES FALLING DUE WITHIN ONE YEAR			
Creditors		93,842	76,521
NET CURRENT ASSETS		714,033	621,558
NET ASSETS		2,781,351	2,517,892
FINANCED BY			
RESERVES			
General	3	86,286	86,286
Capital Contribution from States of Alderney	3	2,159,500	1,920,300
Revenue Account		535,565	511,306
		2,781,351	2,517,892

Notes 1 to 6 form part of these financial statements.

The financial statements were approved by the States of Alderney Water Board on 23rd March 2015 and are signed on its behalf by:

Mr I Tugby
Chairman

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

1 PRINCIPAL ACCOUNTING POLICIES

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

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting policies.

Revenue and Expenses

Revenue and Expenditure is recognised on an accruals basis.

Fixed Assets

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

Depreciation

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

	%
Mains and services	2.50
Buildings	2.50
High Level Storage Tanks	4.00
Machinery and Filtration Plant	6.66
Tools and equipment	10.00
Consumers' meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

Stock

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

2 PENSION COSTS

The employees of the States of Alderney Water Board (the "Board") are members of the States of Alderney (the "States") Pension Scheme. The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011. The new Defined Contributions Scheme, administered by BWCi came into effect on 1st January 2013 "the 2013 Scheme". During 2014 there were no new entrants to the 2013 Scheme from the Water Board.

The assets of the 1982 Scheme are held separately from those of the States of Alderney in an independently administered fund which up until 2013 were invested with Aviva. Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2014 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities.

The pension charge to the Water Board for the year was £33,505 (2013: £31,839).

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2014

3 RESERVES

General Reserve

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

Capital Contribution from States of Alderney.

Since 2008 capital contributions amounting to £2,159,500 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution network (Phase 4c), was approved in 2014 at £239,200. As at 31 December 2014 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2014 Mr C Rowley was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr R McDowall until 22nd April 2014 and then by Mr M Birmingham until 31st December 2014.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2014 the value of these purchases was £94,213 (2013 £94,810)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2014 the Board purchased goods and services from Tugby Contractors Ltd to the value of £105,537

During 2014 the Water Board purchased goods and services from the States of Alderney to the value of £61,932 and supplied goods and services to the States of Alderney to the value of £13,670.

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

5 RENTS RECEIVABLE

During 2014 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

6 FIXED ASSETS

	At 1 January 2014	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2014
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,004,879	-	28,213	1,033,092
Buildings	206,696	-	232	206,928
Storage Tanks	102,850	-	1,599	104,449
Machinery	779,088	-	36,673	815,761
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	24,645	1,017	-	25,662
Motor Vehicles	0	18,450	-	18,450
Consumer Meters	3,059	1,410	-	4,469
Assets in course of construction (Phase 3)*	54,911	11,806	(66,717)	0
Assets in course of construction (Phase 4b)*	84,102	134,094	-	218,196
Assets in course of construction (Phase 4c)*	0	105,513	-	105,513
	2,328,967	272,290	0	2,601,257
DEPRECIATION				
Mains and Services	194,047	25,710	-	219,757
Buildings	19,870	5,096	-	24,966
Storage Tanks	5,143	4,167	-	9,310
Machinery	183,314	53,920	-	237,234
Tools and Equipment	5,708	2,500	-	8,208
Motor Vehicles	0	308	-	308
Consumer Meters	555	318	-	873
Filter Membranes	23,996	9,288	-	33,284
	432,633	101,306	0	533,939
NET BOOK VALUE	1,896,334	170,984	0	2,067,318

*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2014, assets in the course of construction relate to Phase 4c and Phase 4b of the potable water projects. Phase 3 was completed and the remaining balance capitalised in March 2014.