



**XVII
2009**

BILLET D'ÉTAT

WEDNESDAY, 24th JUNE, 2009

**ACCOUNTS OF THE STATES
FOR 2008**

B I L L E T D ' É T A T

TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY

I have the honour to inform you that a Special Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 24th JUNE, 2009,** immediately after the meetings of the States of Election and the States of Deliberation already convened for that day, for the purpose of considering the States Accounts for 2008.

G. R. ROWLAND
Bailiff and Presiding Officer

The Royal Court House
Guernsey
5 June 2009

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

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

29 May 2009

Dear Sir,

I enclose a copy of the Accounts of the States of Guernsey for the year ended 31 December 2008 together with the Auditors' report thereon.

Yours faithfully,

C. N. K. PARKINSON

Minister
Treasury and Resources Department

(NB The Accounts of the States of Guernsey, which are attached to this Report, are published separately.)

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The States are asked to decide:-

Whether they are of the opinion to approve:-

- (1) The Accounts of the States of Guernsey for the year 2008.
- (2) The following Accounts for the year 2008:-
 1. Ports
 2. Guernsey Water
 3. States Dairy
 4. States Works
 5. Company Registry
- (3) To appoint the firm of Deloitte LLP as auditors of all States accounts for the year ending 31 December, 2009.

(NB The Public Accounts Committee supports the proposition to appoint Deloitte LLP as auditors).

States of Guernsey Public Services Department

Ports

Statement of activities and performance

Year ended 31 December 2008

Principal activities

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

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

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

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

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

Financial highlights

The turnover for the Airport for the year was £9.2m, an increase by £0.3m from 2007, being an increase of 3.2%. Turnover at Guernsey Harbours for the year was £7.2m, an increase of £0.1m over 2007, being an increase of 1.2% on 2007.

In terms of expenditure, the Airport had budgeted to spend £8.8m in 2008 (2007: £8.5m) and it had been forecast that the Airport would return a net surplus for the year of £293k (2007: £259k). The Airport actually incurred costs of £8.8m (2007: £8.5m) and has managed to achieve a surplus of £359k (2007: £423k). Guernsey Harbours had budgeted to spend £6.7m during the year (2007: £6.7m) with a forecast surplus of £445k (2007: £454k). The Harbours actually incurred costs of £6.1m (2007: 5.9m) and achieved a surplus of £1.0m (2007: £1.2m).

Operational performance

Total passenger movements for the year ended 31 December 2008 were 1,361,803 (Guernsey Airport 918,978, Guernsey Harbours 442,825), which were down 0.1% on the previous year. The movements attributable to Guernsey Airport were 3% higher and those for Guernsey Harbours 8.2% lower than the previous year.

There were a total of 10 full emergencies declared at Guernsey Airport during 2008 (2007: 5).

The Ports employed 190 full time equivalents at the end of 2008 (2007: 191).

States of Guernsey Public Services Department Ports

Statement of activities and performance - continued
Year ended 31 December 2008

Board members and principal officers

The Ports are the responsibility of the Public Services Department.

Board Members are:

Deputy B F Flouquet, Minister
Deputy S J Ogier, Deputy Minister
Deputy T M Le Pelley
Deputy A Spruce
Deputy W Walden

Principal officers were:

Mr A R Lewis, Chief Officer, Public Services Department
Mr J S N Menhenitt, Finance Director, Public Services Department
Mr C J Le Ray, Airport Director, Guernsey Airport
Capt. P Gill, Harbour Master
Mr S Langlois, Finance and Administration Manager, Guernsey Airport
Mr R Pinchemain, Commercial Manager, Guernsey Harbours

Auditors

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

States of Guernsey Public Services Department

Ports

Statement of responsibilities for the preparation of financial statements

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

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

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

Statement of internal financial controls

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

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

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

The Ports’ internal financial controls and monitoring procedures include:

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

States of Guernsey Public Services Department Ports

Statement of internal financial controls - continued

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

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

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

Going concern

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

INDEPENDENT AUDITORS' REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT – PORTS

We have audited the financial statements of the States of Guernsey Public Services Department – Ports (“the Ports”) for the year ended 31 December 2008 which comprise the revenue account, the balance sheet, the cash flow statement and related notes 1 to 15 and supplemental information. These financial statements have been prepared under the accounting policies set out in note 1.

This report is made solely to the States of Guernsey Public Services Department (“the Department”), as a body, in accordance with the terms of our engagement letter dated 26 November 2007 as appended to on 26 May 2009. Our audit work has been undertaken so that we might state to the Department those matters we are required to state to it in an auditors’ 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 duties of the Department and auditors

The Department’s responsibilities for preparing the financial statements are set out in the Statement of Responsibilities for the Preparation of Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Ports has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department’s statement on internal control over all risks and controls or form part of the effectiveness of the Ports’ risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements for the year ended 31 December 2008 have been properly prepared in accordance with the accounting policies set out in note 1.

Deloitte LLP
Chartered Accountants
Guernsey
27 May 2009

States of Guernsey Public Services Department Ports

Revenue account

for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Income			
Airport Fees, Charges & Other Income	<i>1</i>	9,203,894	8,919,310
Harbour Dues, Charges & Other Income	<i>1</i>	<u>7,224,425</u>	<u>7,141,911</u>
		16,428,319	16,061,221
Expenses			
Airport		7,313,663	6,799,000
Harbours		5,173,957	4,994,228
Loss on disposal of fixed assets	<i>2</i>	123,000	231,200
Depreciation	<i>2</i>	<u>2,413,722</u>	<u>2,423,296</u>
		<u>15,024,342</u>	<u>14,447,724</u>
Operating surplus on ordinary activities		1,403,977	1,613,497
Interest received from States Treasury		<u>313,060</u>	<u>344,368</u>
Surplus for the financial year		<u><u>1,717,037</u></u>	<u><u>1,957,865</u></u>

All material activities derive from continuing operations.

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

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

States of Guernsey Public Services Department Ports

Balance sheet at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Fixed Assets			
Tangible fixed assets - Airport	2	43,327,003	43,587,818
Tangible fixed assets - Harbours	2	133,192,325	127,447,538
Assets under construction	3	<u>86,327</u>	<u>86,327</u>
		<u>176,605,655</u>	<u>171,121,683</u>
Current assets			
Stock	4	527,459	504,458
Debtors and prepayments	5	2,308,872	2,232,369
Balances with States Treasury		<u>3,922,880</u>	<u>8,088,651</u>
		<u>6,759,211</u>	<u>10,825,478</u>
Creditors: amounts falling due within one year	6	(648,937)	(948,269)
Net current assets		<u>6,110,274</u>	<u>9,877,209</u>
Total net assets		<u>182,715,929</u>	<u>180,998,892</u>
Reserves	7	<u>182,715,929</u>	<u>180,998,892</u>

These financial statements were approved by the Public Services Department on 27 May 2009.

Signed on behalf of the Board

B M Flouquet

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

States of Guernsey Public Services Department Ports

Cash flow statement

for the year ended 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Net cash inflow from operating activities	8	<u>3,541,863</u>	<u>3,597,478</u>
Returns on investments and servicing of finance			
Interest received		<u>313,060</u>	<u>344,368</u>
Capital expenditure			
Payment to acquire tangible fixed assets		<u>(8,020,694)</u>	<u>(2,304,175)</u>
Management of liquid resources			
Decrease/(increase) in amounts held with States Treasury	9, 10	<u>4,165,771</u>	<u>(1,637,671)</u>
Movement in cash		<u>=====</u> -	<u>=====</u> -

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

States of Guernsey Public Services Department Ports

Notes to the financial statements for the year ended 31 December 2008

1. Principal accounting policies

The accounting policies adopted are described below.

Accounting convention

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

Revenue

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

Tangible fixed assets

Tangible fixed assets are subject to annual depreciation over their useful economic life.

Assets under construction are capitalised and are transferred to tangible fixed assets and depreciated once brought into use. All costs associated with capital projects, including professional fees are capitalised.

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
Land	-	-
Buildings	60	1.67
Plant and machinery	15	6.67
Equipment, fixtures and fittings	10	10.00
Motor vehicles and electrical equipment	5	20.00
Computers and ICT	3	33.33

Stock and work in progress

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

Pension costs

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

States of Guernsey Public Services Department Ports

Notes to the financial statements - continued

2. Tangible fixed assets - Airport

	1 January 2008 £	Additions £	Written off/ Disposals £	31 December 2008 £
<i>Cost</i>				
Land	2,158,575	138,003	-	2,296,578
Buildings	38,361,478	989,962	-	39,351,440
Plant and machinery	4,492,291	96,188	(128,000)	4,460,479
Equipment, fixtures and fittings	4,278,884	31,597	-	4,310,481
Motor vehicles and electrical equipment	1,788,668	14,444	-	1,803,112
Computers and ICT	<u>200,765</u>	<u>-</u>	<u>-</u>	<u>200,765</u>
	<u>51,280,661</u>	<u>1,270,194</u>	<u>(128,000)</u>	<u>52,422,855</u>
	1 January 2008 £	Charge for the year £	Written off/ Disposals £	31 December 2008 £
<i>Depreciation</i>				
Land	-	-	-	-
Buildings	2,455,658	638,938	-	3,094,596
Plant and machinery	1,714,292	321,606	(5,000)	2,030,898
Equipment, fixtures and fittings	1,687,446	397,693	-	2,085,139
Motor vehicles and electrical equipment	1,646,475	43,951	-	1,690,426
Computers and ICT	<u>188,972</u>	<u>5,821</u>	<u>-</u>	<u>194,793</u>
	<u>7,692,843</u>	<u>1,408,009</u>	<u>(5,000)</u>	<u>9,095,852</u>
Net book value	<u>43,587,818</u>			<u>43,327,003</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

Tangible fixed assets - Harbours

<i>Cost</i>	1 January 2008 £	Additions £	Written off/ Disposals £	31 December 2008 £
Land	87,415,051	100,323	-	87,515,374
Buildings	41,200,002	6,293,660	-	47,493,662
Plant and machinery	2,294,403	3,772	-	2,298,175
Equipment, fixtures and fittings	1,369,123	336,052	-	1,705,175
Motor vehicles and electrical equipment	422,783	16,693	-	439,476
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>132,765,220</u>	<u>6,750,500</u>	<u>-</u>	<u>139,515,720</u>

<i>Depreciation</i>	1 January 2008 £	Charge for the year £	Written off/ Disposals £	31 December 2008 £
Land	-	-	-	-
Buildings	3,386,826	686,780	-	4,073,606
Plant and machinery	817,846	152,960	-	970,806
Equipment, fixtures and fittings	723,838	140,640	-	864,478
Motor vehicles and electrical equipment	325,314	25,333	-	350,647
Computers and ICT	<u>63,858</u>	<u>-</u>	<u>-</u>	<u>63,858</u>
	<u>5,317,682</u>	<u>1,005,713</u>	<u>-</u>	<u>6,323,395</u>
Net book value	<u>127,447,538</u>			<u>133,192,325</u>

3. Assets under construction

	2008 £	2007 £
Airport		
Runway Extension Feasibility Study	<u>86,327</u>	<u>86,327</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

4. Stock

	2008 £	2007 £
Airport	64,774	64,774
Harbours	<u>462,685</u>	<u>439,684</u>
	<u>527,459</u>	<u>504,458</u>

5. Debtors and prepayments

	2008 £	2007 £
Trade debtors	2,203,797	2,034,612
Prepayments	77,303	74,759
Other debtors	<u>27,772</u>	<u>122,998</u>
	<u>2,308,872</u>	<u>2,232,369</u>

6. Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	406,019	577,348
Accruals	132,061	362,470
Deferred income	109,457	7,051
Other creditors: Harbour Operational licence deposits	<u>1,400</u>	<u>1,400</u>
	<u>648,937</u>	<u>948,269</u>

7. Reserves

	2008 £	2007 £
Balance 1 January	180,998,892	179,041,027
Surplus for financial year	<u>1,717,037</u>	<u>1,957,865</u>
Balance 31 December	<u>182,715,929</u>	<u>180,998,892</u>

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

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

	2008 £	2007 £
Operating surplus	1,403,977	1,613,497
Depreciation charges and loss on sale of tangible fixed assets	2,536,722	2,654,496
Increase in stocks	(23,001)	(46,602)
(Increase)/decrease in debtors	(76,503)	177,281
Decrease in creditors	<u>(299,332)</u>	<u>(801,194)</u>
Net cash inflow from operating activities	<u>3,541,863</u>	<u>3,597,478</u>

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

	2008 £	2007 £
Movement in cash	-	-
(Decrease)/increase in liquid resources	<u>(4,165,771)</u>	<u>1,637,671</u>
	(4,165,771)	1,637,671
Net funds at 1 January	<u>8,088,651</u>	<u>6,450,980</u>
Net funds at 31 December	<u>3,922,880</u>	<u>8,088,651</u>

10. Analysis of changes in net funds

	At 1 January 2008 £	Cash Flows £	At 31 December 2008 £
Balance held with States Treasury	<u>8,088,651</u>	<u>(4,165,771)</u>	<u>3,922,880</u>

States of Guernsey Public Services Department

Ports

Notes to the financial statements – continued

11. Contingent Liabilities/ Overspends

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

Significant but as yet unquantifiable expenditure is being claimed on the St Sampson's Marina and New Jetty Refurbishment projects.

The New Jetty project is now complete. The original estimate for this work was £3.3 million. As at 31 December 2008, amounts totalling £9.0 million had been paid to the contractor as full and final settlement. Total costs incurred in defending a claim of £27.3 million brought by the contractor amounted to £3.8 million.

The St Sampson's Marina project has been completed and the final certificate issued by the Contract Engineer (the "Engineer"). The project had a contract value of £3.4 million. The amount certified by the Engineer and contractual payments made to date are £4.0 million. The contractor made a claim for a further £3.1 million which has been rejected by the Engineer. On 29 April 2009 a notice to refer the matter to arbitration was received from the contractor.

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

12. Pension 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. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 7.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The Ports have applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £613,436 (2007: £607,428).

States of Guernsey Public Services Department Ports

Notes to the financial statements – continued

13. Related party transactions

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

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

14. Statement of control

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

15. Subsequent events

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

16. Additional Information

The additional information has been prepared from 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

REVENUE ACCOUNT

Year Ended 31 December 2008

	2008		2007	
	£	£	£	£
INCOME				
Advertising, picketing, etc.	376,772		322,530	
Airport development charge	811,055		793,971	
Car parking fees	510,872		470,483	
Rents	1,663,190		1,573,458	
Traffic receipts	5,842,005		5,758,868	
TOTAL INCOME		9,203,894		8,919,310
EXPENDITURE				
Administration				
Premises	24,829		51,999	
Staff	322,734		302,810	
Supplies and services	1,219,501		1,157,568	
Consultants fees	2,798		2,698	
Contracted-out work	187,647		176,578	
Less recoveries	(1,040,751)		(983,339)	
	716,758		708,314	
Aerodrome Fire Service				
Staff	1,561,353		1,446,037	
Supplies and services	151,675		114,417	
	1,713,028		1,560,454	
Airport Infrastructure				
Premises	577,899		492,187	
Staff	844,522		828,046	
Supplies and services	131,338		133,791	
Consultants fees	13,673		7,000	
Contracted-out work	36,168		2,929	
Maintenance of property	281,659		166,473	
Less recoveries	(42,966)		(1,482)	
	1,842,293		1,628,944	
Navigational Services				
Premises	-		35	
Staff	2,804,694		2,648,274	
Supplies and services	478,550		494,580	
Less recoveries	(101,380)		(106,101)	
	3,181,864		3,036,788	
Recovery from Alderney Airport				
	(140,280)		(135,500)	
TOTAL EXPENDITURE		7,313,663		6,799,000
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION, LOSS ON DISPOSAL OF FIXED ASSETS		1,890,231		2,120,310
DEPRECIATION		1,408,009		1,466,027
LOSS ON DISPOSAL OF FIXED ASSETS		123,000		231,200
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£359,222		£423,083

GUERNSEY AIRPORT

CAPITAL ACCOUNT Year Ended 31 December 2008

	2008		2007	
	£	£	£	£
EXPENDITURE				
Airport Infrastructure				
Apron, Taxiway and runway rehabilitation consultants - £390,000	832,559		60,000	
Griptester replacement - £31,000	30,393		-	
Manholes replacement - £100,000	84,248		-	
Purchase of Land	138,003		-	
Terminal building redevelopment - £19,529,393	73,155		31,444	
Vehicle replacement - £15,000	14,444		-	
	<hr/>	1,172,802	<hr/>	91,444
Navigational Services				
Direction finding equipment replacement - £130,500	61,726		12,561	
Flight data handling system replacement - £925,000	27,521		85,693	
Meteorological system replacement - £92,000	6,941		17,380	
Voice communication and control System replacement - £276,000	1,203		216,158	
	<hr/>	97,391	<hr/>	331,792
Other Capital Expenditure per 2007 accounts		-		234,259
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PORTS HOLDING ACCOUNT		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
		£1,270,193		£657,495

HARBOUR OF ST. PETER PORT

REVENUE ACCOUNT

Year Ended 31 December 2008

	2008		2007
	£	£	£
INCOME			
Facilities charges	2,952,541		2,921,700
Marina and Moorings fees: local	1,391,909		1,260,348
visitors	398,795		422,157
Pilotage dues	428,672		504,348
<i>Less</i> payments to pilots	(425,473)		(498,447)
Rents, etc	644,249		638,807
Shipping dues	861,975		899,840
Sundries	103,058		101,900
	<hr/>		<hr/>
TOTAL INCOME		6,355,726	6,250,653
EXPENDITURE			
Administration			
Premises	16,930		28,916
Staff	1,908,160		1,771,062
Supplies and services	415,742		466,738
Contracted-out work	30,584		30,954
<i>Less</i> recoveries	(59,829)		(34,805)
	<hr/>		<hr/>
	2,311,587		2,262,865
Harbour Infrastructure			
Premises	623,452		567,091
Staff	234,925		207,818
Supplies and services	39,006		136,270
<i>Less</i> recoveries	(61,506)		(56,367)
	<hr/>		<hr/>
	835,877		854,812
Marina and Moorings			
Premises	63,795		92,474
Staff	449,485		412,010
Supplies and services	383,926		351,307
<i>Less</i> recoveries	(12,119)		(20,895)
	<hr/>		<hr/>
	885,087		834,896
Navigational Services			
Staff	398,887		393,473
Supplies and services	36,040		65,267
	<hr/>		<hr/>
	434,927		458,740
	<hr/>		<hr/>
TOTAL EXPENDITURE		4,467,478	4,411,313
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION		<hr/>	<hr/>
		1,888,248	1,839,340
DEPRECIATION		885,759	849,423
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		<hr/> <hr/>	<hr/> <hr/>
		£1,002,489	£989,917

HARBOUR OF ST. PETER PORT

CAPITAL ACCOUNT Year Ended 31 December 2008

	2008		2007
	£	£	£
EXPENDITURE			
Harbour Infrastructure			
Crane Strategy consultants - £60,000	3,772		59,750
Direction finding equipment replacement - £130,500	61,726		12,560
Fork Lift replacement - £16,700	16,693		-
Inter Island Quay Cruise Liner facility - £30,000	63,792		-
New Jetty cladding replacement	6,290,061		1,385,616
Pontoons replacement - £215,000	210,534		-
Queen Elizabeth II Marina dredging - £120,000	100,323		-
	<hr/>		<hr/>
		6,746,901	1,457,926
Other Capital Expenditure per 2007 accounts		-	49,924
		<hr/>	<hr/>
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PORTS HOLDING ACCOUNT		£6,746,901	£1,507,850
		<hr/> <hr/>	<hr/> <hr/>

HARBOUR OF ST. SAMPSON

REVENUE ACCOUNT

Year Ended 31 December 2008

	2008		2007	
	£	£	£	£
INCOME				
Facilities charges	514,075		546,857	
Marina and Moorings fees	305,356		293,574	
Rents, etc	35,126		36,733	
Sundries	14,141		14,094	
	<hr/>		<hr/>	
TOTAL INCOME		868,698		891,258
EXPENDITURE				
Administration				
Premises	4,857		2,768	
Staff	197,017		187,578	
Supplies and services	24,093		23,914	
	<hr/>		<hr/>	
	225,967		214,260	
Harbour Infrastructure				
Premises	275,604		200,265	
Staff	108,104		106,004	
Supplies and services	23,304		26,195	
Less recoveries	(623)		(718)	
	<hr/>		<hr/>	
	406,389		331,746	
Marina and Moorings				
Supplies and services	72,299		35,886	
Less recoveries	(1,576)		(3,114)	
	<hr/>		<hr/>	
	70,723		32,772	
Navigational Services				
Supplies and services	3,399		4,137	
	<hr/>		<hr/>	
TOTAL EXPENDITURE		706,478		582,915
		<hr/>		<hr/>
OPERATING SURPLUS FOR THE FINANCIAL YEAR BEFORE DEPRECIATION		162,220		308,343
DEPRECIATION		119,954		107,846
		<hr/>		<hr/>
OPERATING SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO THE PORTS HOLDING ACCOUNT		£42,266		£200,497
		<hr/> <hr/>		<hr/> <hr/>

CAPITAL ACCOUNT

Year Ended 31 December 2008

	2008	2007
	£	£
EXPENDITURE		
Marina and Moorings		
Marina development - £3,442,000	3,600	37,798
Other Capital Expenditure per 2007 accounts	-	101,032
	<hr/>	<hr/>
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE PORTS HOLDING ACCOUNT	£3,600	£138,830
	<hr/> <hr/>	<hr/> <hr/>

PORTS HOLDING ACCOUNT

	2008		2007	
	£	£	£	£
Balance at 1 January		9,877,209		7,569,023
Revenue Account - Operating Surplus				
Airport	359,222		423,083	
Harbour of St. Peter Port	1,002,489		989,917	
Harbour of St. Sampson	42,266		200,497	
		<u>1,403,977</u>	<u>1,613,497</u>	
Depreciation and Loss on Disposal of Fixed Assets		2,536,722		2,654,496
Investment Interest received		313,060		344,368
Capital Expenditure				
Airport	(1,270,193)		(657,495)	
Harbour of St. Peter Port	(6,746,901)		(1,507,850)	
Harbour of St. Sampson	(3,600)		(138,830)	
		<u>(8,020,694)</u>	<u>(2,304,175)</u>	
Balance at 31 December		<u>£6,110,274</u>		<u>£9,877,209</u>

Guernsey Water

Statement of activities and performance

Year ended 31 December 2008

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.

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

Financial summary

	2008	2007	Change
	£'000	£'000	%
Income			
Unmeasured	3,589	3,580	+ 0.3
Measured	5,026	4,705	+ 6.8
Other trading (net)	<u>288</u>	<u>343</u>	- 16.0
Total operating income	<u>8,903</u>	<u>8,628</u>	+ 3.2
Expenditure			
Operating	2,322	2,288	+ 1.5
Management	<u>1,918</u> *	<u>1,753</u>	+ 9.4
Total expenditure	<u>4,240</u>	<u>4,041</u>	+ 4.9
Operating surplus before depreciation	<u>4,663</u>	<u>4,587</u>	+ 1.7
Surplus on sale of fixed assets	11	618	
Net interest received	228	270	
Depreciation	(1,419)	(1,103)	
Surplus for the year	<u>3,483</u>	<u>4,372</u>	
Fixed Asset Additions	<u>5,180</u>	<u>3,860</u>	

*Note: *This figure includes increased property tax due to the introduction of TRP.*

The main focus of capital expenditure was the completion of both the new water treatment plant at Longue Hougue Reservoir and the replacement of part of the Northern Ring Main. Other work included the renewal and replacement of water mains and improvements at Vale Pond raw water pumping station and Frie Plaidy reservoir.

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

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2008

Operational performance

	2008	2007	Change %
Number of supplies			
Paying by rateable value	10,600	11,124	- 4.7
Paying by measure	<u>13,872</u>	<u>13,129</u>	+ 5.7
Total	<u>24,472</u>	<u>24,253</u>	+ 0.9
Volume supplied in million litres			
Delivered to customers paying by measure	2,540 ML	2,509 ML	+ 1.2
Delivered to other customers	1,521 ML	1,586 ML	- 4.1
Operational use, fire fighting and losses	<u>398 ML</u>	<u>415 ML</u>	- 4.1
Total put into supply	<u>4,459 ML</u>	<u>4,510 ML</u>	- 1.1
Service			
Restrictions on supply	None	None	
Burst mains	35	38	- 7.9
Discolouration – claims paid	£ <u>700</u>	£ <u>166</u>	+ 321.7
Unit costs (partially weather related)			
Water production	£ 360 / ML	£ 351 / ML	+ 2.6
Water distribution	£ 23 / supply	£ 25 / supply	- 8.0

Other matters

2008 saw the second year of increases to water charges limited to the annual rate of inflation as at the previous September and, once again, Guernsey Water was able to supply water to the population of Guernsey without any restrictions.

Work has been on-going during the year in preparation for the change over, in January 2009, to billing non-metered customers by TRP.

Substantial capital investment, as identified in the Business Plan, is continuing to show benefits in the form of reduced leakage and, bursts.

Further operational and other details can be found in Guernsey Water's 2008 Annual Report.

Guernsey Water

Statement of activities and performance - continued

Year ended 31 December 2008

Board members and principal officers

Until April 2008 Public Services Department Board Members were:

Deputy WM Bell, Minister
Deputy TM Le Pelley, Deputy Minister
Deputy RJ Le Moignan
Deputy AH Brouard
Deputy SJ Ogier
Advocate PJG Atkinson

From May 2008 Public Services Department Board Members were:

Deputy BM Flouquet, Minister
Deputy SJ Ogier, Deputy Minister
Deputy TM Le Pelley
Deputy A Spruce
Mr W Walden

During 2008 Principal Officers were:

A Lewis, Chief Officer, Public Services Department
J. Menhenitt, Finance Director, Public Services Department
AA Redhead, Director of Water Services, Guernsey Water
K Carter, Chief Accounting Officer, Guernsey Water

Auditors

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

Guernsey Water

Statement of responsibilities for the preparation of financial statements

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

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

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

Statement of internal financial controls

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

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

Guernsey Water’s internal financial procedures include:

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

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

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

The board members and principle officers have reviewed the cashflow 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 auditors appointed by the States of Guernsey.

INDEPENDENT AUDITORS' REPORT TO GUERNSEY WATER

We have audited the financial statements of Guernsey Water for the year ended 31 December 2008 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 therein.

This report is made solely to Guernsey Water's board, as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Board of Guernsey Water those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not except or assume responsibility to anyone other than the Board of Guernsey Water, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The Board's responsibilities, for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Board's statement of responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the Statement of Activities and Performance is not consistent with the Financial Statements, if Guernsey Water has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Board's statement on internal control covers all risks and controls or form an opinion on the effectiveness of Guernsey Water's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Guernsey Water's affairs as at 31 December 2008 and of its surplus for the year then ended.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
9 April 2009

Guernsey Water

Revenue account

for the year ended 31 December 2008

Income	<i>Notes</i>	2008 £	2007 £
Water supplies	<i>1</i>		
Unmeasured		3,588,985	3,580,430
Measured		<u>5,025,950</u>	<u>4,704,925</u>
		8,614,935	8,285,355
Surplus on other trading activities before management expenses and depreciation:			
		Gross Income	1,396,121
		Gross Expense	<u>(1,053,137)</u>
	<i>2</i>	<u>287,594</u>	<u>342,984</u>
Total operating income		£ <u>8,902,529</u>	£ <u>8,628,339</u>
Operating expenses			
Water production		1,603,815	1,581,695
Water distribution		566,952	596,745
Property maintenance		<u>151,189</u>	<u>109,706</u>
		<u>2,321,956</u>	<u>2,288,146</u>
Management expenses			
General and financial management	<i>14</i>	511,303	394,588
Income collection		498,523	517,585
Technical services		198,530	154,152
Support services		<u>709,322</u>	<u>687,195</u>
		<u>1,917,678</u>	<u>1,753,520</u>
Total expenditure		£ <u>4,239,634</u>	£ <u>4,041,666</u>
Operating surplus before depreciation and surplus on sale of fixed assets		4,662,895	4,586,673
Depreciation	<i>4 & 5</i>	(1,419,401)	(1,102,624)
Surplus on disposal of fixed assets	<i>4</i>	<u>11,055</u>	<u>1,127</u>
Operating surplus for the year	<i>9</i>	3,254,549	3,485,176
Net interest receivable	<i>3</i>	228,029	269,680
Surplus on sale of properties		<u>-</u>	<u>617,078</u>
Surplus for the year	<i>8</i>	<u>3,482,578</u>	<u>4,371,934</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 16 form an integral part of these financial statements.

Guernsey Water

Balance sheet

at 31 December 2008

	Notes	£	2008 £	£	2007 £
Tangible fixed assets	5		37,367,069		33,657,720
Current assets					
Stocks		616,281		621,666	
Debtors and prepayments	6	1,324,543		1,552,937	
Funds held with States Treasury	11	4,466,780		4,486,601	
Cash at bank and in hand	11	<u>173,011</u>		<u>164,079</u>	
		<u>6,580,615</u>		<u>6,825,283</u>	
Current liabilities					
Creditors falling due within one year	7	<u>793,310</u>		<u>811,207</u>	
Net current assets			<u>5,787,305</u>		<u>6,014,076</u>
Total assets less current liabilities			£ <u>43,154,374</u>		£ <u>39,671,796</u>
Reserves					
General reserve			10,180,736		8,589,082
Property development fund			5,874,156		5,114,435
Revenue account			<u>27,099,482</u>		<u>25,968,279</u>
Total Reserves	8		£ <u>43,154,374</u>		£ <u>39,671,796</u>

These financial statements were approved by the States of Guernsey Public Services Department on 9 April 2009.

Signed on behalf of the Department

Bernard M Flouquet
Minister

Scott J Ogier
Deputy Minister

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

Guernsey Water

Cash flow statement

for the year ended 31 December 2008

	Notes	£	2008 £	£	2007 £
Net cash inflow from operating activities	9		4,878,777		4,595,340
Returns on investments and servicing of finance					
Net interest received	3	228,029		269,680	
Net cash inflow from returns on investments and servicing of finance			228,029		269,680
Capital expenditure					
Payments to acquire tangible fixed assets		(5,179,745)		(3,859,850)	
Less: customer contributions to mains		<u>50,995</u>		<u>107,931</u>	
Additions to fixed assets		(5,128,750)		(3,751,919)	
Receipts from sale of fixed assets		<u>11,055</u>		<u>630,805</u>	
Net cash outflow from capital expenditure			(5,117,695)		(3,121,114)
Management of liquid resources					
Decrease / (increase) in amounts held with States Treasury	10 & 11	<u>19,821</u>		<u>(1,748,357)</u>	
Net cash inflow / (outflow) from management of liquid resources			<u>19,821</u>		<u>(1,748,357)</u>
Increase / (decrease) in cash	10 & 11		£ <u>8,932</u>		£ <u>(4,451)</u>

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

Guernsey Water

Notes to the financial statements

1. Principal accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

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

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

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

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

Depreciation

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

	Estimated life in years	Depreciation % per annum
Dam	50	2
Mains	50 – 10	2 – 10
Land and quarries	N/A	Nil
Structures and buildings	50 – 10	2 – 10
Fixed plant	20 – 10	5 – 10
Distribution meters	12	8.3
Office furniture, fittings and equipment	10 – 5	10 – 20
Mobile plant and equipment	5	20
Motor vehicles	5	20
Computer equipment	3	33.3

Guernsey Water

Notes to the financial statements - continued

1. Principal accounting policies - continued

Depreciation - continued

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

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

Revenue

Operating revenue is accounted for on an accruals basis and also includes the estimated value of unbilled supplies which, as at 31 December 2008, amounted to £612,494 (2007: £591,959) calculated by reference to the value at which supplies will be invoiced. This total estimated value of unbilled supplies is included in debtors.

Deferred income

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

Pension costs

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

Guernsey Water

Notes to the financial statements - continued

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

	2008		2007	
	£	£	£	£
Mains and service laying trading account (a):				
Charges for capital works (b)	294,123		303,124	
Charges for maintenance works	129,376		147,777	
Charges for other works	<u>124,153</u>		<u>96,504</u>	
	547,652		547,405	
Expenditure	<u>(395,202)</u>		<u>(319,056)</u>	
Contribution to management expenses and depreciation		152,450		228,349
Miscellaneous income:				
Standard charges for service laying	181,764		164,034	
Charges for work at ascertained cost	100,263		35,991	
Property rental income	96,173		52,017	
Stores issues	<u>366,006</u>		<u>596,674</u>	
	744,206		848,716	
Expenditure	<u>(609,062)</u>		<u>(734,081)</u>	
Contribution to management expenses and depreciation		<u>135,144</u>		<u>114,635</u>
Net surplus on other trading activities before management expenses and depreciation		£ <u>287,594</u>		£ <u>342,984</u>

(a) Guernsey Water operated a trading account for the provision of fully inclusive mains and services laying teams. This enabled Guernsey Water to manage the costs of direct labour by charging a standard hourly rate irrespective of whether the work related to a department within Guernsey Water or to an external customer.

(b) Charges for capital works include some works partly or wholly financed by customer contributions as stated in the additional information to the financial statements.

3. Net interest receivable

	2008		2007	
	£	£	£	£
Interest received:				
Deposit & business accounts	228,400		269,680	
Interest paid:				
Current account	<u>(371)</u>		-	
		£ <u>228,029</u>		£ <u>269,680</u>

Guernsey Water

Notes to the financial statements - continued

4. Depreciation

	2008		2007	
	£	£	£	£
Depreciation charge for the year (note 5)	1,419,401		1,102,624	
Surplus on disposal of moveable fixed assets	<u>(11,055)</u>		<u>(1,127)</u>	
Charge in revenue account		1,408,346		1,101,497
Transfer to general reserve (note 8)		<u>1,591,654</u>		<u>398,503</u>
		£ 3,000,000		£ <u>1,500,000</u>

The transfer to the general reserve is required because the provision for depreciation under the historic cost convention is inadequate to meet the future replacement cost of assets. The total annual depreciation provision from 2008 onwards has been increased, from £1,500,000 to £3,000,000.

5. Tangible fixed assets

	1 January 2008	Additions	Disposals	31 December 2008
	£	£	£	£
<i>Cost</i>				
Dam	309,360	-	-	309,360
Mains	25,388,686	995,372	-	26,384,058
Land and quarries	2,946,893	88,053	-	3,034,946
Structures and buildings	6,908,738	3,351,594	-	10,260,332
Fixed plant	8,296,297	459,369	-	8,755,666
Distribution meters	1,490,464	52,756	-	1,543,220
Office furniture, fittings and equipment	922,295	39,457	-	961,752
Mobile plant and equipment	473,423	67,332	15,313	525,442
Motor vehicles	<u>602,698</u>	<u>74,817</u>	<u>64,236</u>	<u>613,279</u>
	<u>47,338,854</u>	<u>5,128,750</u>	<u>79,549</u>	<u>52,388,055</u>
	1 January 2008	Charge for the year	Disposals	31 December 2008
	£	£	£	£
<i>Depreciation</i>				
Dam	168,949	3,343	-	172,292
Mains	5,482,965	448,182	-	5,931,147
Structures and buildings	1,196,659	104,313	-	1,300,972
Fixed plant	4,090,026	606,880	-	4,696,906
Distribution meters	1,142,792	67,957	-	1,210,749
Office furniture, fittings and equipment	765,446	93,173	-	858,619
Mobile plant and equipment	404,222	23,906	(15,313)	412,815
Motor vehicles	<u>430,075</u>	<u>71,647</u>	<u>(64,236)</u>	<u>437,486</u>
	<u>13,681,134</u>	<u>1,419,401</u>	<u>(79,549)</u>	<u>15,020,986</u>
Net book value	<u>£33,657,720</u>			£ <u>37,367,069</u>

Guernsey Water

Notes to the financial statements - continued

6. Debtors and prepayments

	2008 £	2007 £
Estimated value of unbilled supplies	612,494	591,959
Consumers' accounts outstanding	657,121	873,341
Other debtors and prepayments	<u>54,928</u>	<u>87,637</u>
	£ 1,324,543	£ 1,552,937

7. Creditors: amounts falling due within one year

	2008 £	2007 £
General creditors	657,957	651,836
Deferred income	<u>135,353</u>	<u>159,371</u>
	£ 793,310	£ 811,207

8. Reserves

	Property Development Fund £	General Reserve £	Revenue Account £	Total £
Balance 1 January 2008	5,114,435	8,589,082	25,968,279	39,671,796
Surplus for the year	-	-	3,482,578	3,482,578
Transfer to Property Development Fund	759,721	-	(759,721)	-
Provision for future replacement of assets (note 4)	<u>-</u>	<u>1,591,654</u>	<u>(1,591,654)</u>	<u>-</u>
Balance 31 December 2008	£ 5,874,156	10,180,736	27,099,482	43,154,374

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

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

Both reserves are distributable.

Guernsey Water

Notes to the financial statements - continued

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

	2008 £	2007 £
Operating surplus for the year	3,254,549	3,485,176
Depreciation charges and surplus on disposal of moveable fixed assets (notes 4 and 5)	1,408,346	1,101,497
Decrease in stock	5,385	18,924
Decrease / (increase) in debtors and prepayments	228,394	(320,099)
(Decrease) / increase in creditors due within one year	<u>(17,897)</u>	<u>309,842</u>
Net cash inflow from operating activities	£ <u>4,878,777</u>	£ <u>4,595,340</u>

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

	2008 £	2007 £
Increase (decrease) in cash in the year	8,932	(4,451)
Decrease (increase) in balances with States Treasury	<u>(19,821)</u>	<u>1,748,357</u>
Change in net funds	(10,889)	1,743,906
Net funds at 1 January	<u>4,650,680</u>	<u>2,906,774</u>
Net funds at 31 December	£ <u>4,639,791</u>	£ <u>4,650,680</u>

11. Analysis of changes in net funds

	At 1 January 2008 £	Cash flows £	At 31 December 2008 £
Cash at bank and in hand	164,079	8,932	173,011
Balance with States Treasury	<u>4,486,601</u>	<u>(19,821)</u>	4,466,780
	£ <u>4,650,680</u>	£ <u>(10,889)</u>	£ <u>4,639,791</u>

12. Commitments

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

	2008 £	2007 £
Revenue contracted	49,906	102,527
Capital contracted	<u>130,630</u>	<u>3,382,901</u>
	£ <u>180,536</u>	£ <u>3,485,428</u>

Guernsey Water

Notes to the financial statements - continued

13. Pension Fund

The employees of Guernsey Water are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

Guernsey Water has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £179,847 (2007: £174,434).

14. Audit fees

The audit fees for Guernsey Water's 2008's accounts are £16,675 (2007: £15,805).

15. 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.

16. 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.

Guernsey Water

Additional information

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

This information is unaudited

Fixed asset additions during 2008

<u>Water distribution</u>	£	£
Renewal and replacement of mains		
Renewal of raw water mains		
Northern Ring Main	608,599	
Renewal of mains		
Bruce Lane, St. Peter Port	53,879	
Rue des Clercs, St. Peters	52,891	
Maisin de Bas Road, Vale	16,327	
Highfield Estate, St. Peters	13,785	
Petit Bouet, St. Peter Port	10,677	
Les Buttes, St. Peters	9,580	
Rue de la Quivillette, St. Martin	5,766	
Other renewals	14,476	
Replacement of mains by insertion of structural lining		
Rue du Bordage, St. Peters	14,801	
Rue du Closel, Vale	14,365	
Rue de la Saline, Castel	14,361	
Rue Godfrey, Vale	13,489	
Rue de la Monnaie, St. Andrew	11,937	
Barras Lane, Vale	11,014	
Grand Fort Lane, St. Sampson	10,690	
Duveaux Park Estate, St. Sampson	9,501	
Private lane off Les Rouvets, Vale	9,090	
Saline Lane, St. Sampson	8,118	
La Rue du Garis, St. Peters	7,081	
Rue Belvedere, Fort George, St. Peter Port	6,725	
Other replacements	<u>37,192</u>	
Total renewal and replacement of mains	<u>954,344</u>	
Extension of Mains and General Distribution		
Mains requisitioned by customers	55,545	
Purchase and installation of meters	52,756	
Common supply separation	<u>2,126</u>	
Total Extension of Mains and General Distribution	<u>110,427</u>	
<u>Total Water Distribution</u>		1,064,771
<u>Water Resources</u>		
Raw water pumping improvements – Vale Pond	184,857	
Stream flow monitoring	83,241	
Site security fencing	60,728	
Proposed raw water pumping station – Douit du Moulin	59,446	
4 variable speed drives	11,082	
Sundry renewals and replacements	<u>117</u>	
<u>Total Water Resources</u>		<u>399,471</u>
Carried forward		1,464,242

Guernsey Water

Additional information - continued

	£	£
Brought forward		1,464,242
<u>Water Treatment</u>		
Treatment works at Longue Hougue Reservoir	3,176,747	
Frie Plaidy reservoir – water quality improvements	142,450	
SCADA – ADSL implementation	32,848	
Longue Hougue – SCADA integration	16,599	
Wash water recovery access platform – St. Saviour water treatment works	8,936	
Enlarge waste recovery overflow pipe – St. Saviour water treatment works	5,006	
Sundry renewals and other schemes in progress	<u>6,103</u>	
<u>Total water treatment</u>		3,388,689
<u>Capital expenditure for general purposes</u>		
Motor vehicles	74,817	
Mobile plant and equipment	67,332	
Minor building and property work	62,204	
Decoration & re-roofing – St. Saviour water treatment works	44,750	
St. Andrew’s Reservoir site development	26,354	
Computer projects	22,509	
Office furniture, equipment and refurbishment	16,948	
Security camera system	<u>11,900</u>	
<u>Total General</u>		<u>326,814</u>
Gross Total Capital Expenditure		5,179,745
Less: Customers’ contributions to capital mains		(50,995)
Fixed Asset Additions		5,128,750
Sale of properties, vehicles and equipment – net proceeds		<u>(11,055)</u>
Net Fixed Asset Additions		£ <u>5,117,695</u>

States of Guernsey Commerce and Employment Department Dairy Trading Account

Statement of activities and performance

Year ended 31 December 2008

Principal purpose

To operate the Guernsey Dairy in order to:

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

Financial Summary

Summary

The Guernsey Dairy made an overall profit of £443,073 against a loss of £220,906 in 2007. This was more than the £215,000 profit forecast in the probable outturn published in Billet D'Etat XIV 2008. The Dairy 2009 finances are expected to be in line with the 2009 budgeted profit of £220,000.

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

Sales

While the overall sales volumes have not changed significantly during 2008 the overall sales turnover has increased due to the increase in gate prices of December 2007 and December 2008.

Liquid Milk

The main influence on turnover is liquid milk sales. The increase in both retail and gate price of milk has resulted in an increase in liquid milk sales revenue of £901,586 (24.5%) compared to 2007. The current volume of milk sales has remained largely the same over the last two years.

By-products

By-product sales turnover increased by £40,191 (4.2%) over 2007. Butter continues to remain a strong performer as in previous years in both the local and export markets although the latter saw slightly lower sales in 2008 compared to 2007 due primarily to Waitrose reducing the amount of stores stocking retail butter. The product also benefited from a gate price increase in December 2007. Total ice cream sales saw a marginal increase in 2008 against 2007, with catering sales performing much better than retail sales which saw a slight reduction in sales volume. Total cream sales in 2008 saw a slight decrease compared to 2007 with cheese sales showing a growth of 7%.

Sundry Income

An increase of £31,530 income over 2007 is in relation, in the main, to income received from a telecom operator for rent due relating to the mobile aerials mounted on Dairy property.

States of Guernsey Commerce and Employment Department Dairy Trading Account

Statement of activities and performance *Year ended 31 December 2008*

Cost of Sales

The cost of sales increased by £293,532 (8.3%) compared to the 2007 figure.

Milk intake

Milk Purchases

The cost of milk purchases rose by £493,279 (24%) during 2008. This is in keeping with the rise in the retail and gate prices (24.5%) during the same period.

Milk Wastage

Milk wastage costs have decreased significantly throughout 2008, a reduction in waste of 230,000 litres against 2007 has contributed towards a saving of £39,989 (22.4%). The reduction in the level of waste is mainly due to the introduction of more efficient working practices.

Carriage inwards

Costs decreased by £14,417 in 2008 compared to 2007, which is a fall of 62.3%. During 2008 there was a move to use a stock system more inclined to Just-in-Time and hence packaging purchases were lower in the year as the stock holding was reduced. There was also the large cost of freight relating to milk imports in 2007.

Gross Surplus

The gross surplus for 2008 increased by £679,786 (62.5%) on 2007 figures.

Expenses

Advertising and Promotion

Advertising and promotion costs were curtailed again as they were in 2007. Overall there was a fall in advertising expenditure of 59% compared to 2007.

Depreciation

The depreciation charge continued to show a reduction of £23,124 (12.1%) on the previous year due to delays in initiating the capital expenditure programme. However, this trend is due to be reversed during 2009 as previously delayed capital projects are commenced.

Fuel, Light, Power and Water

Large rises in fuel costs during part of 2008 has attributed to the increase shown on 2007 £28,424 (13%). These costs are relatively un-controllable.

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2008

General Administration, Laboratory, Motor Vehicle and Other Expenses

All areas show an increase in costs over the previous year due to high inflation and rising costs during most of 2008. Although inflation dropped during the latter part of 2008 some suppliers raised costs significantly throughout the year.

Provision for Doubtful Debts

A general provision of 0.5% of the debtors balance has been included in keeping with Guernsey Dairy's accounting policy. A specific provision has also been included amounting to £25,067.

Salaries and Wages

Costs have reduced overall by £57,562 (11%) due in the main to positions remaining vacant during 2008. The overall cost reduction has offset the 2008 increase from salaries and wages pay awards.

Cash

The cash position greatly improved during 2008 due mainly to the delays in commencing the capital expenditure program, the cost saving with regard to staff vacancies remaining unfilled, reduction in the purchase of packaging materials and a major reduction in waste all resulting in significant cash savings during 2008.

Capital Expenditure

Following the comprehensive capital expenditure programme drawn up in 2007, the capital expenditure program was subject to further delays in 2008 resulting in expenditure in total of £24,359 against £123,097 in 2007. Indications for 2009 are that the program will commence.

Capital expenditure	2008	2007
	£	£
Motor Vehicles		
Alfa Laval Pump	-	3,793
Lab Equipment		
Sartorius MA35 Infrared Moisture Analyser	1,475	-
Charm Noval Luminometer	2,196	-
Other Office Equipment		
HP Computer and TFT Monitor	546	-
HP Computer and TFT Monitor	546	-
HP Computer and TFT Monitor	546	-
Digital Video Recording Unit	1,340	-
Additions to Milk payment software	-	630
Plant & Machinery		
Upper Store Shelving	2,657	-
Crate De-stacker (refurbished)	13,922	-
Brie Trough	1,131	-
'Cleaning In Place' Upgrades	-	117,344
Puma Pump (milk packaging)	-	1,330
Total Capital expenditure	<u>£24,359</u>	<u>£123,097</u>

States of Guernsey

Commerce and Employment Department

Dairy Trading Account

Statement of activities and performance - continued

Year ended 31 December 2008

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:

Deputy C McNulty Bauer - Minister
 Deputy R Sillars - Deputy Minister
 Deputy P Gillson - Member
 Deputy M Laine - Member
 Deputy M Storey - Member

Dairy Management Board members

Mr A Child - Chairman
 Deputy C McNulty Bauer - Member
 Deputy R Sillars - Member
 Ms B Haines - Member
 Mr S Keys - Member
 Mr R Nash - Member
 Mr A Tabel - Member

Principal officers:

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

Auditors:

On 1 December 2008, Deloitte& Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

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 subject to any material departures disclosed and explained in the financial statements.

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 cashflow 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 AUDITORS' REPORT TO THE STATES OF GUERNSEY COMMERCE AND EMPLOYMENT DEPARTMENT

We have audited the financial statements of States of Guernsey Commerce and Employment Department – Dairy Trading Account (“the Dairy”) for the year ended 31 December 2008, which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the Commerce and Employment Department (“the Department”) as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors’ 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 auditors

It is the Department’s responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the Dairy has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department’s statements on internal control cover all risks and controls or form part of the effectiveness of the Dairy’s risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Dairy’s affairs as at 31 December 2008 and of its profit for the year then ended.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
7 April 2009

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Revenue account

for the year ended 31 December 2008

	Notes	2008		2007	
		£	£	£	£
Sales	<i>1</i>				
Liquid milk			4,582,735		3,681,149
By-products			979,769		939,577
Sundry sales			<u>38,124</u>		<u>6,594</u>
Total sales			5,600,630		4,627,320
Cost of sales					
Opening product stock	<i>4</i>	112,383		181,754	
Opening packaging stock	<i>4</i>	<u>202,317</u>	314,700	<u>253,631</u>	435,385
Production wages		721,808		664,179	
Milk		2,547,955		2,054,675	
Milk wastage		138,490		178,479	
By-product ingredients		24,839		31,819	
Packaging materials		396,587		441,130	
Carriage inwards		8,707		23,124	
Offshore processing and freight		23,302		26,265	
Sundries		<u>32</u>	3,861,720	<u>32</u>	3,419,703
Closing product stock	<i>4</i>	(197,209)		(112,383)	
Closing packaging stock	<i>4</i>	<u>(145,299)</u>	(342,508)	<u>(202,317)</u>	(314,700)
Total cost of sales			3,833,912		3,540,388
Gross surplus			1,766,718		1,086,932
Other operating income			-		-
Administration expenses	<i>2</i>		<u>(1,337,368)</u>		<u>(1,317,831)</u>
Operating surplus/(deficit) for the year			429,350		(230,899)
Net interest receivable	<i>1</i>		<u>13,723</u>		<u>9,993</u>
Retained surplus/(deficit) for the year	<i>7</i>		<u>£ 443,073</u>		<u>£ (220,906)</u>

All material activities derive from continuing operations.

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

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Balance sheet
at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Tangible fixed assets	3	1,425,145	1,567,409
Current assets			
Stocks	4	403,551	389,564
Debtors and prepayments	5	787,381	657,743
Balances due from States Treasury		72,301	-
Bank deposits		530,241	226,847
Cash in hand		<u>120</u>	<u>81</u>
		1,793,594	1,274,235
Creditors: amounts falling due within one year	6	<u>(398,855)</u>	<u>(464,833)</u>
Net current assets		<u>1,394,739</u>	<u>809,402</u>
Total net assets		<u>£2,819,884</u>	<u>£2,376,811</u>
Reserves	7	<u>£2,819,884</u>	<u>£2,376,811</u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 7 April 2009.

Signed on behalf of the Department

C McNulty Bauer
Minister

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

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Cash flow statement
for the year ended 31 December 2008

	<i>Notes</i>	2008		2007	
		£	£	£	£
Net cash inflow / (outflow) from operating activities	8		484,824		(27,599)
Returns on investments and servicing of finance					
Interest received			13,723		9,993
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets	3	(24,359)		(123,097)	
Increase / (Decrease) in cash	10		<u>£ 474,188</u>		<u>£ (140,703)</u>

Notes 1 to 15 form an integral 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 UK accounting standards. The particular accounting policies adopted are described below.

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Debtors

Trade debtors are stated less a general provision of 0.5% of the trade debtors 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
Roads	10	10
Buildings	20 – 50	2 – 5
Plant, machinery and laboratory equipment	5 – 20	5 – 20
Office furniture and fittings	5 – 8	12.5 – 20
Other office equipment	3 – 8	12.5 – 33.3
Motor vehicles (except forklifts)	5	20
Forklift trucks	15– 20	5 – 6.7
Computer hardware	3	33.3
Computer software	3 – 5	20-33.3

Income

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

Expenses

Expenses are accounted for on an accruals basis.

Pension costs

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

Going concern statement

The board members and principle 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

	2008 £	2007 £
Opening non-product stock	74,864	68,511
Advertising and promotion	2,263	5,526
Carriage outwards	7,472	7,007
Cleaning materials	54,197	60,299
Depreciation	166,623	189,747
Fuel, light, power and water	242,112	213,688
General administration costs	53,797	30,799
Laboratory expenses	75,147	69,098
Motor vehicle expenses	29,138	25,534
Other expenses	66,352	41,307
Product research and development	-	-
Professional fees	31,991	33,208
Provision for doubtful debts	25,423	1,791
Repairs, Maintenance and insurance (plant and machinery)	78,448	94,034
Repairs, Maintenance and insurance (site and buildings)	21,117	21,289
Rates	493	2,713
Salaries and wages	464,992	522,554
Staff training and recruitment	3,982	5,590
Closing non production stock	<u>(61,043)</u>	<u>(74,864)</u>
	<u>1,337,368</u>	<u>1,317,831</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

3. Tangible fixed assets

	1 January 2008	Additions	Disposals	31 December 2008
	£	£	£	£
<i>Cost</i>				
Site and roads	966	-	-	966
Buildings	1,510,823	-	-	1,510,823
Plant and machinery	2,725,887	17,710	-	2,743,597
Motor vehicles	171,543	-	-	171,543
Laboratory equipment	119,111	3,671	-	122,782
Furniture and fittings	<u>131,375</u>	<u>2,978</u>	-	<u>134,353</u>
	<u>4,659,705</u>	<u>24,359</u>	-	<u>4,684,064</u>
	1 January 2008	Charge for the year	Disposals	31 December 2008
	£	£	£	£
<i>Depreciation</i>				
Site and roads	965	-	-	965
Buildings	574,838	36,670	-	611,508
Plant and machinery	2,147,700	112,059	-	2,259,759
Motor vehicles	155,013	4,630	-	159,643
Laboratory equipment	110,235	4,962	-	115,197
Furniture and fittings	<u>103,545</u>	<u>8,302</u>	-	<u>111,847</u>
	<u>3,092,296</u>	<u>166,623</u>	-	<u>3,258,919</u>
Net book value 2008	<u>£1,567,409</u>			<u>£1,425,145</u>
Net book value 2007	<u>£1,634,059</u>			<u>£1,567,409</u>

4. Stocks

	2008	2007
	£	£
Milk and milk by-products	197,209	112,383
Packaging materials	145,299	202,317
Other stock	<u>61,043</u>	<u>74,864</u>
	<u>£403,551</u>	<u>£389,564</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

5. Debtors and prepayments

	2008 £	2007 £
Trade debtors	719,487	626,999
Prepayments	2,838	4,036
Accrued income	<u>65,056</u>	<u>26,708</u>
	<u>£787,381</u>	<u>£657,743</u>

6. Creditors: amounts falling due within one year

	2008 £	2007 £
Bank overdraft	-	5,108
States Treasury overdraft	-	93,346
Trade creditors	338,011	321,955
Accruals	<u>60,844</u>	<u>44,424</u>
	<u>£398,855</u>	<u>£464,833</u>

7. Reserves

	General Reserve £	Revenue Account £	Total £
Balance 1 January 2008	3,002,491	(625,680)	2,376,811
Surplus for the financial year	<u>-</u>	<u>443,073</u>	<u>443,073</u>
Balance 31 December 2008	<u>3,002,491</u>	<u>(182,607)</u>	<u>£2,819,884</u>

8. Reconciliation of operating deficit
to net cash outflow from operating activities

	2008 £	2007 £
Operating surplus/(deficit) for the year	429,350	(230,899)
Depreciation	166,623	189,747
(Increase) in debtors and prepayments	(129,638)	(105,473)
(Increase) / Decrease in stocks	(13,987)	114,333
Increase in creditors and accruals	<u>32,476</u>	<u>4,693</u>
Net cash inflow / (outflow) from operating activities	<u>£ 484,824</u>	<u>£ (27,599)</u>

States of Guernsey
Commerce and Employment Department
Dairy Trading Account

Notes to the financial statements - continued

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

	2008 £	2007 £
Balance at 1 January	128,474	269,177
Net cash inflow / (outflow) during the year	<u>474,188</u>	<u>(140,703)</u>
Balance at 31 December	<u>£ 602,662</u>	<u>£ 128,474</u>

10. Analysis of the changes in net funds

	At 1 January 2008 £	Cash flows £	At 31 December 2008 £
Bank balances - current	(5,108)	11,402	6,294
- deposit	226,847	297,100	523,947
Cash in hand	81	39	120
Balances due from States Treasury	<u>(93,346)</u>	<u>165,647</u>	<u>72,301</u>
	<u>128,474</u>	<u>474,188</u>	<u>602,662</u>

11. Pension fund

The employees of 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. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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 division 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 2008 were £75,749 (2007: £90,238).

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. No member of either Board is a 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 2008 which would affect these financial statements (2007: None).

STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT

STATES WORKS

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

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 2008 £'000	Budget 2008 £'000	Actual 2007 £'000
Income	10,729	10,652	9,962
Surplus	122	175	227
Capital expenditure	822	1,350	1,208

Operating turnover for the year ended 31 December 2008 exceeded the revised budget estimate by 0.7% and the equivalent 2007 turnover by 7.7%. This was the result of successfully implementing a policy of seeking new income streams, and was achieved despite the increasing challenge of finding these to replace former sources of income.

The surplus before bank interest is down from 2007 by £42,541 to £64,906. This means that the 2008 surplus before bank interest is now 0.6% of turnover (2007 1.1%). This is as tight a margin as it is possible to operate under, and any significant reduction in a contract value would lead to operating losses.

2008 proved to be a difficult year, with volatile fuel prices, rapidly rising material costs and a higher than anticipated pay rise for PSE staff being settled nine months into the year. Prudent pricing and strong cost controls enabled the small surplus to be achieved, but only after significant extra work was found by competitive tender. This will have to be expanded further if a surplus is to be maintained in 2009. The challenge is that resources are already effectively deployed.

In the fourth quarter of 2008 there was an indication that economic conditions were affecting the volume of work available in the private sector, and this could affect the attitude of competing businesses.

The division has performed very successfully in 2008, and has a growing reputation for providing a quality service. It has also emerged that States Works is seen as an unofficial regulator in several key industries on the Island, in that its presence and keen market pricing prevents monopolies and excessive profiteering, creating a benchmark in performance standards and pricing.

Operational Performance

Staffing Statistics

	2008	2007
Ratio of Support staff to Operational staff	12%	11%
Staff members at year end	231	228
Income generated per Employee	£46,443	£43,127

Emergency Call-Out

	2008	2007
Number of calls	373	389
Man hours worked	1,353	1,331

Developments in 2008

2008 saw the continuation of the capital purchase initiative that ensures States Works has a modern and effective fleet, and also has specialist vehicles that can be leased to States departments, reducing their current hire charges. This has fully utilised the bank surplus in order to produce future income and has proved to be fortuitous in the light of reduced interest rates.

STATES OF GUERNSEY PUBLIC SERVICES DEPARTMENT

STATES WORKS

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

Developments in 2008 (continued)

During the course of 2008, States Works was called upon to deal with several Island emergencies that required the re-allocation of resources from routine work. This caused significant disruption to schedules, but with careful management all service level contracts were fully completed by the year end and many standards exceeded.

States Works has continued to lead the way in recycling and other environmental issues, and is innovative in finding commercially viable solutions. In 2008, the purchase of a shredder has enabled vegetation including trees to be converted into organic compost, which is made available to businesses and private individuals. The Civic Amenity (CA) site at Longue Hougue was set up, successfully attracting 42,000 vehicles in the year. In addition, research into polystyrene recycling and water recapture systems was carried out with a view to implementation in 2009.

Board Members and Principal Officers

Deputy B Flouquet, Minister
Deputy S Ogier, Deputy Minister
Deputy T M le Pelley
Deputy A Spruce
Deputy W Walden

Principal Officers were:

Mr A Lewis, Chief Officer, Public Services Department
Mr J S N Menhenitt, Finance Director
Mr N J Dorey, General Manager, States Works
Mr K J Stevens, Senior Manager, Finance and Support Services

Auditors

On 1st December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed 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 States Works will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time its financial position. It 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 ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

Statement of internal financial controls

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

The States Works internal financial controls and monitoring procedures include:

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

The Board strives to ensure that all staff with financial responsibility in States Works have the necessary integrity, skills and motivation to discharge their duties with the proficiency which the community has the right to expect. States Works' internal controls and accounting policies have been, and are subject to, continuous review and improvement.

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

Going Concern

The board members and principal officers have reviewed the cashflows and projected income and expenses over the next twelve months, prepared by management, and deem that the Division has adequate financial resources to meet its obligations as they fall due. The board therefore believe that the Division is a going concern for at least twelve months from the date of approval of the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE STATES OF GUERNSEY PUBLIC SERVICES
DEPARTMENT – STATES WORKS**

We have audited the financial statements of States of Guernsey Public Services Department – States Works (“the Division”) for the year ended 31 December 2008, which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the Public Services Department (“the Department”) as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors’ 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 auditors

The Department’s responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the Division has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department’s statements on internal control cover all risks and controls or form part of the effectiveness of the Division’s risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Division’s affairs as at 31 December 2008 and of its surplus for the year then ended.

Deloitte LLP
Chartered Accountants
St Peter Port, Guernsey
28 April 2009

States of Guernsey Public Services Department
States Works

Revenue account

for the year ending 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Income	2	<u>10,728,559</u>	<u>9,962,389</u>
Expenses			
Labour and direct materials	3	8,208,903	7,554,570
Transport, plant and equipment maintenance	4	848,278	723,563
Building maintenance and charges	5	379,691	353,638
Administration and general	6	<u>1,226,807</u>	<u>1,223,171</u>
		<u>10,663,679</u>	<u>9,854,942</u>
Operating surplus		64,880	107,447
Interest received from States Treasury		57,511	119,389
Surplus for the financial year	11	<u>122,391</u>	<u>226,836</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 19 form an integral part of these financial statements

States of Guernsey Public Services Department
States Works

Balance sheet

at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Tangible fixed assets	7	4,903,673	4,480,368
Current Assets			
Stock and work in progress	8	291,754	299,017
Debtors	9	1,759,688	1,326,719
Balances with States Treasury		1,199,673	2,023,381
		<u>3,251,115</u>	<u>3,649,117</u>
Creditors: amounts falling due within one year	10	323,217	(420,305)
Net current assets		<u>2,927,898</u>	<u>3,228,812</u>
Total net assets		<u>7,831,571</u>	<u>7,709,180</u>
Reserves	11	<u>7,831,571</u>	<u>7,709,180</u>

These financial statements were approved by the Public Services Department on 16 April 2009
Signed on behalf of the Board

B Flouquet

S Ogier

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 2008

	<i>Notes</i>	2008 £	2007 £
Net cash (outflow) / inflow from operating activities	12	<u>(60,166)</u>	<u>141,056</u>
Returns on investments and servicing of finance			
Interest received		57,511	119,389
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	7	(822,178)	(1,207,707)
Receipts from sales of tangible fixed assets		1,125	7,622
Net cash outflow from investing activities		<u>(821,053)</u>	<u>(1,200,085)</u>
Management of liquid resources			
Decrease in amounts held with States Treasury	13	823,708	939,640
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.

Revenue

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

Trade Debtors

Trade debtors is stated less a general provision of £10,000 (2007: £10,000), which is management's best estimate of average possible bad debt.

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 costs and net realisable value.

Pension costs

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

Interest Income

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

States of Guernsey Public Services Department
States Works

Notes to the financial statements - continued

2 Income	2008	2007
	£	£
Maintenance -building and properties	2,384,857	2,194,946
-highways	2,465,151	2,489,152
-management services	1,624,053	1,454,479
-sewers and pump stations	1,022,478	919,813
-vehicles and plant	679,047	554,823
-land areas	1,897,242	1,817,484
Transport services	110,381	39,384
Island wide emergencies & call outs	121,403	108,892
Administrative services	423,947	383,416
	<u>10,728,559</u>	<u>9,962,389</u>
3 Labour and direct materials	2008	2007
	£	£
Labour charges:		
Wages and employer's superannuation	5,347,680	4,972,569
Direct materials:		
Materials and services	1,929,448	1,907,521
Stores	706,202	510,403
Sub contractors	236,339	174,499
Less: discounts received	(10,766)	(10,422)
	<u>2,861,223</u>	<u>2,582,001</u>
	<u>8,208,903</u>	<u>7,554,570</u>
4 Transport, plant and equipment maintenance	2008	2007
	£	£
Vehicles -fuel and maintenance	318,189	277,251
-depreciation	224,571	186,159
Plant & Tools -maintenance	124,302	115,328
-replacements	61,806	51,192
-depreciation	90,909	65,604
Contractor charges	-	846
Garage expenses	17,462	16,800
Other costs	11,039	10,383
	<u>848,278</u>	<u>723,563</u>

States of Guernsey Public Services Department
States Works

Notes to the financial statements - continued

5 Building maintenance and charges	2008	2007
	£	£
La Hure Mare	230,998	220,369
Burnt Lane Depot	64,617	64,278
Saumarez Park Depot	1,210	1,416
Other sites	-	303
Buildings and fittings depreciation	82,866	67,272
	<u>379,691</u>	<u>353,638</u>

6 Administration and general	2008	2007
	£	£
Salaries, wages and employer's superannuation	944,128	979,343
Travel & training charges	32,764	35,031
Post, stationery & telephone	37,444	37,691
Computer charges	65,515	46,130
Insurance	111,399	96,558
Audit fee	13,432	12,805
Sundry office expenses	22,723	16,466
Office and equipment depreciation	499	3,790
Profit on disposal of fixed assets	(1,097)	(4,643)
Bad debts provided for and written off	-	-
	<u>1,226,807</u>	<u>1,223,171</u>

7 Tangible fixed assets

<i>Cost</i>	1 January 2008	Additions	Written off/ Disposals	31 December 2008
Plant, tools & equipment	865,252	381,108	31,368	1,214,992
Motor vehicles	2,366,897	406,482	79,660	2,693,719
Office equipment	174,842	-	45,705	129,137
Buildings and fittings	3,608,771	34,588	-	3,643,359
Land	1,274,220	-	-	1,274,220
	<u>8,289,982</u>	822,178	156,733	<u>8,955,427</u>

<i>Depreciation</i>	1 January 2008	Charge for the year	Written off/ Disposals	31 December 2008
Plant, tools & equipment	737,396	90,909	31,361	796,944
Motor vehicles	1,722,632	224,571	79,653	1,867,550
Office equipment	172,252	499	45,691	127,060
Buildings and fittings	1,177,334	82,866	-	1,260,200
Land	-	-	-	-
	<u>3,809,614</u>	398,845	156,705	<u>4,051,754</u>

Net Book Value	<u>4,480,368</u>			<u>4,903,673</u>
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States of Guernsey Public Services Department
States Works

Notes to the financial statements - continued

8 Stock and work in progress	2008	2007
	£	£
Stock	152,009	154,077
Work in progress	139,745	144,940
	<u>291,754</u>	<u>299,017</u>
	2008	2007
9 Debtors	£	£
Trade debtors (Note 1)	1,734,478	1,231,041
Prepayments and other debtors	25,210	95,678
	<u>1,759,688</u>	<u>1,326,719</u>
	2008	2007
10 Creditors: amounts falling due within one year	£	£
Trade creditors	143	207,744
Accruals	323,074	212,561
	<u>323,217</u>	<u>420,305</u>
	2008	2007
11 Reserves	£	£
<i>Revenue account</i>		
Balance 1 January	7,709,180	7,482,344
Surplus for financial year	122,391	226,836
Balance 31 December	<u>7,831,571</u>	<u>7,709,180</u>
	2008	2007
12 Reconciliation of operating surplus to net cash inflow from operating activities	£	£
Operating surplus	64,880	107,447
Depreciation charges and surplus on sale of tangible fixed assets	397,748	318,182
Decrease/(increase) in stocks and work in progress	7,263	(106,479)
Increase in debtors	(432,969)	(324,367)
(Decrease)/increase in creditors	(97,088)	146,273
Net cash (out)/inflow from operating activities	<u>(60,166)</u>	<u>141,056</u>

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

13 Reconciliation of net cash flow to movements in net funds	2008	2007
	£	£
Movement in cash	-	-
Decrease in liquid resources	<u>(823,708)</u>	<u>(939,640)</u>
	(823,708)	(939,640)
Net funds at 1 January	2,023,381	2,963,021
Net funds at 31 December	<u>1,199,673</u>	<u>2,023,381</u>

14 Analysis of changes in net funds

	1 January	Cash Flow	31 December
	2008		2008
	£	£	£
Cash held with States Treasury	<u>2,023,381</u>	<u>(823,708)</u>	<u>1,199,673</u>

15 Capital commitments

	2008	2007
	£	£
Contracted for but not provided	<u>177,545</u>	<u>416,371</u>

16 Pension Fund

The employees of the States of Guernsey Works Division are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected costs of benefits payable to employees over the period of those employees expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 7.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

States Works has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme can not 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 end 31 December 2008 was £336,465 (2007: £303,305) which were all paid during the year.

States of Guernsey Public Services Department States Works

Notes to the financial statements - continued

17 Related party transactions

Income

The States of Guernsey Public Services Department - Works Division are of the opinion that there have been no related party transactions in the current or preceding financial years other than as described in these financial statements. All transactions are conducted as normal business arrangements carried out at "arms length". There has been no change in the proportion of business between States (90%) and private (10%) 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-Works Division is wholly owned and ultimately controlled by the States of Guernsey. Responsibility for the operations of the States of Guernsey Public Services - Works Division has been delegated to the members of the Board who have been appointed by the States of Guernsey.

19 Subsequent events

Management know of no events, subsequent to the year end, that would materially affect the Financial Statements.

States of Guernsey Commerce and Employment Department - Company Registry Account

Statement of activities and performance

Year ended 31 December 2008

Principal purpose

To operate the Company Registry in order to:

- Provide an efficient and effective means for incorporation and administration of the processes involved in Company Registration,
- Facilitate the incorporation of companies using an administrative process. With the introduction in July 2008 of the new Companies (Guernsey) Law 2008, the Royal Court has been removed from the process of incorporating a company in Guernsey. Incorporation is no longer a judicial process, but an administrative one conducted by, and through, a new Registrar of Companies,
- Allow the company formation process to function without the involvement of the Guernsey Financial Services Commission in the incorporation process, with the exception of Incorporated Cell Companies and Protected Cell Companies; and
- To ensure the registry system operates using the latest technology to enable electronic company formation, processing and searching.

Financial Summary

Summary

The States of Guernsey Commerce and Employment Department - Company Registry Account ("the Registry") was formed with effect from 1 January 2008 in preparation for the new Companies (Guernsey) Law 2008, which came into effect from 1 July 2008. This coincided with the go-live date of the Registry's online system. These financial statements relate to the first year of trading from 1 January 2008 to 31 December 2008 and therefore comparatives for the previous year will not be reported until the next financial year end.

Income

Annual return fees

The 2008 fees raised by both the Greffe and the Company Registry are included within the Registry's 2008 fees. Under the Company Registry's annual validation fee structure, qualifying companies operating in financial and legal services will pay a one off transitional fee due on 1 January 2009 to supplement the 2008 minimum annual return fee of £250. This fee, although receivable in 2009, has been recognised as income during 2008 as the one off fee was designed to supplement the 2008 minimum annual return fee.

Expenses

The costs include all costs for the year for both the period 1 January 2008 to 30 June 2008 when the Greffe was still operating and the period 1 July 2008 to 31 December 2008 when the Company Registry took over all the administrative processes.

A breakdown of expenses is reported in the notes.

Operating Surplus

The Company Registry made an overall surplus of £5,397,635. The annual surplus is transferred to General Revenue.

States of Guernsey Commerce and Employment Department - Company Registry Account

Statement of activities and performance - continued

Year ended 31 December 2008

Capital Expenditure

The capital expenditure relates to the initial set up costs, both Information and Communications Technology (“ICT”) costs and office fit out costs for the transfer of the operations from the Greffe premises to the Markets building. All costs are funded by internal loans from the Treasury and Resources Department.

Capital Expenditure	2008
	£
Furniture and Equipment	
Office furniture & equipment	205,511
ICT	
Computer Hardware	84,635
Computer Software	<u>357,269</u>
Total Capital Expenditure	<u>£647,415</u>

Department members and principal officers

Department members:

Deputy C McNulty Bauer	-	Minister
Deputy R Sillars	-	Deputy Minister
Deputy P Gillson	-	Member
Deputy M Laine	-	Member
Deputy M Storey	-	Member

Principal officers:

Mr J Buckland	-	Chief Officer
Mr M Whiteley	-	Registrar of Companies

Auditors:

During the year, Deloitte LLP were appointed as auditors and have expressed their willingness to continue in office as auditors.

States of Guernsey

Commerce and Employment Department - Company Registry 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 – Company Registry Account (“the Registry”) and of the surplus or deficit of the Registry 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 subject to any material departures disclosed and explained in the financial statements.

The Department is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Registry. It is also responsible for safeguarding the assets of the Registry 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 Registry 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 cashflow and projected income and expenses over the next twelve months and deem that the Registry has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Registry is a going concern for at least 12 months from the date of approval of these financial statements.

INDEPENDENT AUDITORS' REPORT TO THE STATES OF GUERNSEY COMMERCE AND EMPLOYMENT DEPARTMENT

We have audited the financial statements of States of Guernsey Commerce and Employment Department – Company Registry Account (“the Registry”) for the year ended 31 December 2008, which comprise the revenue account, balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

The report is made solely to the Commerce and Employment Department (“the Department”) as a body, in accordance with the terms of our engagement letter dated 26 November 2007 and appended to 6 May 2009. Our audit has been undertaken so that we might state to the Department those matters we are required to state to them in an auditors' 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 auditors

The Department's responsibilities for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the Registry has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Registry's statements on internal control cover all risks and controls or form part of the effectiveness of the Registry's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Registry's affairs as at 31 December 2008 and of its surplus for the year then ended.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
29 May 2009

States of Guernsey
 Commerce and Employment Department -
 Company Registry Account

Revenue account

for the year ended 31 December 2008

	<i>Notes</i>	2008 £
Operating Income	<i>1</i>	
Annual return fees		4,974,101
Incorporation fees		204,070
Penalty fees		256,140
All other fees		<u>704,711</u>
		6,139,022
Operating Expenses		
Operational expenses	<i>2</i>	741,387
		<hr/>
Operating surplus for the year		5,397,635
Transfer to General Revenue		<u>(5,397,635)</u>
		<hr/>
Retained surplus for the year	<i>7</i>	<u>£ -</u>

All material activities derive from continuing operations.

Notes 1 to 12 form an integral part of these financial statements.

States of Guernsey
Commerce and Employment Department -
Company Registry Account

Balance sheet
at 31 December 2008

	<i>Notes</i>	2008 £
Tangible fixed assets	3	647,415
Current assets		
Debtors and prepayments	4	949,915
Cash at bank and in hand		<u>25,230</u>
		975,145
Creditors: amounts falling due within one year	5	<u>(1,071,636)</u>
Net current assets		<u>-</u>
Creditors: amounts falling due after more than one year	6	<u>(550,924)</u>
Total net assets		<u><u>£ -</u></u>
Reserves	7	<u><u>£ -</u></u>

The financial statements were approved by the States of Guernsey Commerce and Employment Department on 29 May 2009.

Signed on behalf of the Department

C McNulty Bauer
Minister

Notes 1 to 12 form an integral part of these financial statements.

States of Guernsey Commerce and Employment Department - Company Registry Account

Notes to the financial statements for the year ended 31 December 2008

1. Accounting policies

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

Tangible fixed assets

Tangible fixed assets are stated at cost in the year of acquisition thereafter at cost less depreciation.

Depreciation

Depreciation is calculated at the following annual rates so as to write off tangible fixed assets over their anticipated useful lives using the straight line method. There is no depreciation charged in the year of acquisition.

	Estimated life in years	Depreciation % per annum
Office furniture and equipment	5 – 8	12.5 – 20
Computer hardware	3	33.3
Computer software	3 – 5	20-33.3

Income

Income is accounted for on an accruals basis. Interest is recognised on an accruals basis.

Expenses

Expenses are accounted for on an accruals basis.

Pension costs

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

Cashflow statement

Under the provisions of Financial Reporting Standard No. 1 the Registry is exempt from the requirements to prepare a cash flow statement on the basis that it qualifies as a small entity.

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 Registry has adequate financial resources to meet its obligations as they fall due. The Board therefore believe that the Registry 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 -
Company Registry Account

Notes to the financial statements for the year ended 31 December 2008 - continued

2. Operating expenses

	2008 £
Depreciation	-
Finance charges	18,595
IT operational costs	10,263
Marketing	25,752
Operations	49,746
Audit fee	8,000
Premises	133,751
Staff	<u>495,280</u>
	<u>£ 741,387</u>

3. Tangible fixed assets

	1 January 2008 £	Additions £	Disposals £	31 December 2008 £
<i>Cost</i>				
Office furniture & equipment	-	205,511	-	205,511
Computer hardware	-	84,635	-	84,635
Computer software	<u>-</u>	<u>357,269</u>	<u>-</u>	<u>357,269</u>
	<u>-</u>	<u>647,415</u>	<u>-</u>	<u>647,415</u>
	1 January 2008 £	Charge for the year £	Disposals £	31 December 2008 £
<i>Depreciation</i>				
Office furniture & equipment	-	-	-	-
Computer hardware	-	-	-	-
Computer software	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value	<u>£ -</u>			<u>£647,415</u>

4. Debtors and prepayments

	2008 £
Debtors	77,496
Prepayments	25,169
Accrued income	<u>847,250</u>
	<u>£949,915</u>

States of Guernsey
Commerce and Employment Department -
Company Registry Account

Notes to the financial statements for the year ended 31 December 2008 - continued

5. Creditors: amounts falling due within one year

	2008 £
Trade creditors	38,726
Accruals	24,197
Treasury & Resources Department – trading operations	912,222
Treasury & Resources Department – internal loans	<u>96,491</u>
	<u>£1,071,636</u>

The amounts due to Treasury and Resources Department for trading operations are unsecured and interest free. The internal loans terms are as disclosed in note 6.

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

	2008 £
Treasury and Resources Department – internal loans	
Furniture and equipment loan - payable over 10 years	189,115
ICT equipment loan - payable over 5 years	<u>361,809</u>
	<u>£550,924</u>

The loans are repayable at the variable States Treasury rate and capital repayments will commence 1 January 2009.

7. Reserves

	Revenue Account £	Total £
Balance 1 January 2008	-	-
Surplus for the financial year	5,397,635	5,397,635
Transfer to General Revenue	<u>(5,397,635)</u>	<u>(5,397,635)</u>
Balance 31 December 2008	<u>-</u>	<u>£ -</u>

States of Guernsey Commerce and Employment Department - Company Registry Account

Notes to the financial statements for the year ended 31 December 2008 - continued

8. Pension fund

The employees of the Registry are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 7.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010. 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 division 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 2008 were £32,895.

9. Related party transactions

Since the formation of the Registry in 2008, no other material related party transactions have taken place apart from those disclosed in notes 5 and 6. No member of Board is a supplier or customer of the Registry other than when transacting with the Registry as required by law when acting in a capacity of director or shareholder of an incorporated entity.

10. Statement of control

The States of Guernsey Commerce and Employment Department – Company Registry 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.

11. Subsequent Events

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

12. Commitments and Contingent Liabilities

There are no commitments or contingent liabilities relating to 2008 which would affect these financial statements.

MISCELLANEOUS ACCOUNTS

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE
Year ended 31 December 2008

Financial highlights

Overview

The States of Guernsey - Guernsey Insurance Fund's ("the Fund") operating surplus decreased to £0.72m (2007: £3.23m) and although income from invested funds added a further £15.0m, unrealised losses of £111m, as a result of the global economic downturn, reduced reserves significantly. At the year-end total reserves decreased by £101.31m to £485.57m (2007: £586.88m) with expenditure cover down from 6.9 years to 5.3 years.

Contribution income & states grant

In 2006 the States resolved as part of its future economic and taxation strategy to increase substantially the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds, including the Guernsey Insurance Fund. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007.

As a result of the strategy adopted in 2006, 2008 saw overall contribution income for the contributory funds, which include that of the Fund, increase significantly by 21.3% to £129.32m (2007:£106.59m). Approximately £17m of the increase was attributable to the increases in the upper earnings limits together with a 1% increase in employers' full percentage rate contributions in order to compensate for the reductions in the general revenue grants.

Contribution income allocated to the Guernsey Health Service Fund increased by 19.4% to £32.30m (2007:£27.04m) although there was a compensating reduction in its general revenue grant; the Long-term Care Insurance Fund's allocation increased by 13.0% to £16.20m (2007: £14.34m).

After allocations to the Guernsey Health Service Fund and the Long-term Care Insurance Fund, the Guernsey Insurance Fund contribution income increased by 24% to £80.91m (2007: 16.3% to £65.25m). This was offset, however, by the reduction in the States' grant, which is based on a fixed percentage of contributions. The grant was reduced from 36% to 15% of contribution receipts; resulting in a 48.4% reduction in the grant to £12.12m (2007: £23.47m). The overall result was therefore more modest with contributions income combined with the States grant increasing by just 4.9% to £93.03m (2007:£88.72m).

The overall number of contributors, at week 36, increased to 37,968 (2007: 37,702).

The number of employed contributors at week 36 reduced slightly to 29,501 (2007: 29,540) with the male employed decreasing by 0.5% from 15,414 to 15,338 and the female employed increasing from 14,126 to 14,163, a 0.3% increase. Self-employed contributors at week 36 decreased by 1.3% to 3,460 (2007: 3,506) while non-employed contributors increased by 3.8% to 4,831 (2007: 4,656).

The largest economic sector remained the financial sector, which accounted for nearly a quarter of the employed population and represented approximately a third of the total income received from employers and employees.

Benefits

Overall benefit expenditure increased by 8.3% to £87.61m (2007:£80.88m) which included around a 6% increase in benefit rates generally. At the year-end there were 16,600 benefit claims in payment (2007: 15,952), of which 86.6% (2007: 86.8%) were to people in receipt of old age pension.

Pension expenditure in 2008 increased by 8.2% to £72.02m (2007: £66.57m) with the single rate of old age pension and the addition in pension in respect of a dependant wife both increasing by 6%.

During 2008 the levels of incapacity were high. Invalidity benefit increased by 9.7 % to £6.0m (2007: £5.47m) with 790 customers claiming benefit at year-end (2007: 787) while sickness benefit increased by 8.7% to £3.01m (2007: £2.77m) with 518 customers claiming benefit at year-end (2007: 425).

Unemployment benefit increased by 30% to £0.63m (2007: to £0.49m) and as at 31 December 2008 there were 182 individuals claiming benefit (2007: 118).

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Financial highlights (continued)

Administration

Overall administration expenditure, excluding depreciation, increased by only 1.1% to £5.59m (2007: 5.53m).

Staffing costs, which account for 69% of total administration expenditure, increased by only 1.4%, to £3.81m (2007: £3.76m) as a result of a number of staff vacancies during the year. There was 112.17 full-time-equivalent (f.t.e) establishment posts at the year-end of which 10.56 f.t.e establishment posts were vacant.

Computer expenditure increased by 5.0% to £0.88m (2007: £0.84m) with recoveries similar to the previous year at £2.08m. The deprecation charge stood at £1.18m (2007: £1.15m) of which £0.95m is in respect of the charge on computer development costs associated with the technological migration project

Investments

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. At 31 December 2007 the Common Investment Fund was valued at £518m (2007: £631m), a decrease of 18%.

The Guernsey Insurance Fund's allocation of the Common Investment Fund at the year-end was valued at £462m (2007: £564m) which included £14.6m from investment income reinvested. No new monies were added to the Fund during the year (2007: £2.0m).

Activities during the Year

The policy focus in 2008 remained the long-term financial sustainability of the Fund. The Department had been required by Resolution of the States (Billet d'Etat XX of 2007) to undertake a comprehensive review of the long-term funding of the contributory schemes, in conjunction with the Treasury and Resources Department, and to report the findings to the States in the September 2008 benefit and contributions uprating report. The Department was unable to meet that deadline while undertaking widespread consultation with individuals and employers. The Department reported to the States in December 2008 (Billet d'Etat XVII of 2008) in the form of a consultation document on the options for ensuring financial sustainability. The States approved the proposal for the Department to return to the States during 2009 with firm proposals.

The Department made changes in the management of the funds under its control. Whereas, in 2007, the entire investment portfolio was managed by Schroders Investment management, in February 2008 part of the funds were moved to a Legal and General tracker fund and from July 2008 further funds were moved from Schroders to BlackRock Investment Management.

Future activities

In 2009, the Department will report to the States with detailed proposals for ensuring the financial sustainability of the Guernsey Insurance Fund.

The Department, in conjunction with the Treasury and Resources Department, has submitted a request in the prioritisation of capital projects programme for the development of new software systems to replace the Department's Contribution collection and recording systems and all of the Income Tax Office systems. If approved, the project will be aiming to rationalise as far as reasonably possible, the overlapping and similar functions undertaken by the two Departments. This will be a very significant project.

The Department will be working with a new team of investment advisers in 2009. This will involve re-examination of the Department's investment objectives in respect of the funds under management, the associated risk and the implementation of the investment mandates by the various fund managers.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Statistics

Number of claimants at the year-end	31.12.08	31.12.07	31.12.06	31.12.05	31.12.04
Pension	14,369	13,845	13,656	13,415	13,037
Bereavement Benefits	346	377	410	432	466
Invalidity Benefit	790	787	762	673	642
Sickness Benefit	518	425	381	431	330
Unemployment Benefit	182	118	152	150	145
Industrial Injury Benefit	19	17	18	19	31
Industrial Disablement Benefit	255	257	260	260	269
Maternity Allowance	121	126	104	133	109
Total	16,600	15,952	15,743	15,513	15,029

Number of contributors (as at week 36)	2008 £	2007 £	2006 £	2005 £	2004 £
Employers	2,494	2,466	2,425	2,490	2,513
Employed - Male	15,338	15,414	15,062	15,152	15,249
Employed - Female	14,163	14,126	13,887	14,040	13,931
	29,501	29,540	28,949	29,192	29,180
Self-employed	3,460	3,506	3,483	3,466	3,493
Non-employed	4,831	4,656	4,340	4,196	4,151
Total	37,792	37,702	36,772	36,854	36,824

Contribution rates as at week 36	2008 £	2007 £	2006 £	2005 £	2004 £
Employers	4.9%	4.1%	4.1%	4.1%	4.1%
Employed – Full rate	3.2%	3.2%	3.2%	3.2%	3.2%
Employed – Reduced rate	-	-	-	-	0.5%
Self-employed	6.3%	6.3%	6.3%	6.3%	6.3%
Non-employed	5.7%	5.7%	5.7%	5.7%	5.7%

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

From 2008, as a result of the States' economic and taxation strategy, employers full percentage rate contributions increased by 0.8%.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Five year performance	2008 £	2007 £	2006 £	2005 £	2004 £
Financial performance					
Income	93,028,813	88,719,811	84,021,392	80,338,337	76,009,640
Expenditure	(92,309,733)	(85,486,325)	(81,172,876)	(75,503,131)	(70,019,166)
Operating surplus	719,080	3,233,486	2,848,516	4,835,206	5,990,474
Investments					
Property	-	-	10,550,000	7,900,000	7,150,000
Investment portfolio	-	-	-	455,557,854	370,296,852
Common Investment Fund allocation	462,448,211	563,963,613	514,589,931	-	-
Total Investments	462,448,211	563,963,613	525,139,931	463,457,854	377,446,852
Investment performance					
Investment income	14,994,907	15,856,980	16,365,773	12,617,785	10,568,231
Realised (losses)/gains	(5,872,667)	31,837,712	28,013,104	30,379,317	11,005,263
Unrealised (losses)/gains	(111,145,735)	(11,278,566)	10,102,135	35,823,172	13,692,396
Total return on investments	(102,023,495)	36,416,126	54,481,012	78,820,274	35,265,890
Expenditure cover					
Reserves	485,570,807	586,876,186	547,226,574	489,897,046	405,491,566
Expenditure	92,309,733	85,486,325	81,172,876	75,503,131	70,019,166
Number of years cover	5.3	6.9	6.7	6.5	5.8

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Principal officers during 2008

Social Security Department

Membership post General Election

Deputy M H Dorey	Minister	Elected Minister 6 May 2008
Deputy A H Brouard	Deputy Minister	Elected as Member 8 May 2008 and as Deputy Minister 14 May 2008
Deputy S J Ogier	Member	
Deputy M W Collins	Member	Elected 8 May 2008
Deputy A R Le Lièvre	Member	Elected 8 May 2008
M Nutley	Administrator	

Membership prior to General Election

Deputy D E Lewis	Minister	Ceased office 30 April 2008
Deputy D P Le Cheminant	Deputy Minister	Ceased office 30 April 2008
Deputy S J Ogier	Member	
Deputy B M Flouquet	Member	Ceased office 8 May 2008
Deputy M H Dorey	Member	
M Nutley	Administrator	

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP and accordingly the audit report is signed under the new name.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS

Year ended 31 December 2008

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

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

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

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is 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 Guernsey Insurance Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual 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 Guernsey Insurance Fund 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 auditors appointed by the States of Guernsey.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT-GUERNSEY INSURANCE FUND

We have audited the financial statements of The States of Guernsey Social Security Department-Guernsey Insurance Fund ("the Fund") for the year ended **Error! No sequence specified.** which comprise the fund account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100 (3) of the Social Insurance (Guernsey) Law, 1978. 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 auditors' 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 auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice and with Section 100(3) of the Social Insurance (Guernsey) Law, 1978. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2008 and of its deficit for the year then ended and are prepared in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
22 April 2009

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

FUND ACCOUNT

Year ended 31 December 2008

	Note	2008 £	2007 £
Income			
Contributions	1(b),2	80,906,406	65,246,833
States grant	1(b)	12,122,407	23,472,978
		<u>93,028,813</u>	<u>88,719,811</u>
Expenditure			
Benefits payable	1(c),3	87,607,460	80,881,075
Administration	4	5,595,354	5,533,858
Recoveries	5	(2,077,609)	(2,083,164)
		<u>91,125,205</u>	<u>84,331,769</u>
Operating surplus before depreciation charge		1,903,608	4,388,042
Depreciation charge	7	(1,184,528)	(1,154,556)
Operating surplus		719,080	3,233,486
Investing activities			
Income from invested funds	1(f),6	14,994,907	15,856,980
Realised (loss)/profit on disposal	8	(5,872,667)	31,837,712
Movement in unrealised loss on investment	8	(111,146,699)	(11,278,566)
		<u>(102,024,459)</u>	<u>36,416,126</u>
Net (deficit)/surplus in the fund during the year		(101,305,379)	39,649,612
Net assets of the fund at 1 January		<u>586,876,186</u>	<u>547,226,574</u>
Net assets of the fund at 31 December		<u><u>485,570,807</u></u>	<u><u>586,876,186</u></u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
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BALANCE SHEET
At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	7	7,552,033	8,560,653
Common investment fund	8	462,448,211	563,963,613
		<u>470,000,244</u>	<u>572,524,266</u>
Current assets			
Debtors due within one year	9	23,769,641	18,747,895
Balances with States Treasury		4,495,774	3,397,221
Cash at bank and in hand		1,377,370	1,877,038
		<u>29,642,785</u>	<u>24,022,154</u>
Creditors: amounts falling due within one year	10	<u>(14,072,222)</u>	<u>(9,670,234)</u>
Net current assets		<u>15,570,563</u>	<u>14,351,920</u>
Total net assets		<u>485,570,807</u>	<u>586,876,186</u>
Reserves		<u>485,570,807</u>	<u>586,876,186</u>

The financial statements were approved by the Social Security Department on 22 April 2009.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

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 listed investments and in accordance with United Kingdom accounting standards, except as noted below:

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

No cash flow Statement has been prepared as such a statement would not provide material additional information than that already available from the fund account.

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

b) Contributions & States grant

Contributions represent the amount of cash received before 1 February 2009 in respect of the financial year ended 31 December 2008 and amounts received relating to prior financial periods not accounted for in those prior periods.

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2008 was reduced to 15% (2007: 36%).

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) Guernsey Insurance Fund

No account is taken of future benefit entitlements. The adequacy of the Guernsey Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. A review for the five-year period to 31 December 2008 will take place in 2009.

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

f) Common Investment Fund

The investment portfolio of the Guernsey Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES (continued)

g) Investments

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

h) 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.

i) Pension costs

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

j) Security lending

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

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

2. CONTRIBUTIONS

	2008	2007
	£	£
Employer contributions	59,814,554	43,432,207
Employee contributions	52,197,720	47,333,321
	<u>112,012,274</u>	<u>90,765,528</u>
Self-employed contributions	11,163,713	10,480,433
Non-employed contributions	6,142,392	5,341,595
	<u>129,318,379</u>	<u>106,587,556</u>
Contributions allocated to:		
Guernsey Health Service Fund	(32,299,301)	(27,040,234)
Long-term Care Insurance Fund	(16,203,032)	(14,344,604)
	<u>80,816,046</u>	<u>65,202,718</u>
Employer surcharge and penalty	52,444	54,776
Movement in contributions unallocated	37,916	(10,661)
	<u>80,906,406</u>	<u>65,246,833</u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

3. BENEFITS PAYABLE

	2008	2007
	£	£
Pension	72,015,950	66,570,497
Invalidity	5,999,128	5,469,994
Sickness	3,010,457	2,768,893
Bereavement	2,141,836	2,134,430
Travel allowance grant	1,588,307	1,453,146
Maternity benefit	948,146	809,394
Industrial disablement	642,355	589,894
Unemployment	634,589	488,700
Industrial injury	274,592	253,794
Death grant	197,380	179,299
Industrial medical	154,720	163,034
	<u>87,607,460</u>	<u>80,881,075</u>

4. ADMINISTRATION

	2008	2007
	£	£
Salaries and pension costs	3,809,723	3,758,673
Computer expenses	882,677	840,515
Administration expenses	596,410	589,301
Property expenses	189,001	239,058
Legal and professional expenses	89,606	73,493
Actuarial expenses	16,933	19,791
Audit fee	11,004	13,027
	<u>5,595,354</u>	<u>5,533,858</u>

5. RECOVERIES

	2008	2007
	£	£
Amounts received from:		
Non Contributory Services	1,550,524	1,517,870
Guernsey Health Service Fund	410,320	444,258
Long-term Care Insurance Fund	112,389	118,269
Other States of Guernsey entities	4,376	2,767
	<u>2,077,609</u>	<u>2,083,164</u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

6. INCOME FROM INVESTED FUNDS

	2008	2007
	£	£
Income		
UK dividends from equities	9,124,625	10,223,158
Overseas dividends from equities	3,539,818	4,735,423
Interest on short term deposits	3,220,621	2,047,575
Interest from fixed interest securities	1,500,966	1,902,418
Less: withholding tax suffered	(382,445)	(1,003,062)
Securities lending fees net of expenses	399,402	359,328
Brokers' commission recaptured	98	633
	<u>17,403,085</u>	<u>18,265,473</u>
Expenditure		
Investment manager's fees	(974,841)	(910,974)
Custody fees	(77,625)	(78,258)
	<u>16,350,619</u>	<u>17,276,241</u>
Net income of the Common Investment Fund	16,350,619	17,276,241
Net income allocated to:		
Guernsey Health Services Fund	(1,128,193)	(1,151,652)
Long-term Care Insurance Fund	(618,053)	(594,607)
	<u>14,604,373</u>	<u>15,529,982</u>
Net income of the Common Investment Fund allocated to the Guernsey Insurance Fund	14,604,373	15,529,982
Other income		
Interest on call and treasury deposits	390,534	387,871
Property rental	-	27,650
Property expenses	-	(88,523)
	<u>14,994,907</u>	<u>15,856,980</u>

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

7. TANGIBLE ASSETS

	1 January 2008	Additions	Write off	31 December 2008
	£	£	£	£
Cost				
Freehold land and buildings	3,633,979	-	-	3,633,979
Furniture, fittings and office equipment	934,996	119,955	-	1,054,951
Computer equipment and software	2,398,526	9,822	-	2,408,348
Computer development – Technological migration	6,525,301	46,131	-	6,571,432
Computer development	2,827,003	-	(597,734)	2,229,269
	<u>16,319,805</u>	<u>175,908</u>	<u>(597,734)</u>	<u>15,897,979</u>
	1 January 2008	Charge for the year	Write off	31 December 2008
	£	£	£	£
Accumulated Depreciation				
Freehold land and buildings	940,206	45,426	-	985,632
Furniture, fittings and office equipment	771,848	38,335	-	810,183
Computer equipment and software	2,308,032	85,048	-	2,393,080
Computer development – Technological migration	1,125,280	954,819	-	2,080,099
Computer development	2,613,786	60,900	(597,734)	2,076,952
	<u>7,759,152</u>	<u>1,184,528</u>	<u>(597,734)</u>	<u>8,345,946</u>
Net book value	<u>8,560,653</u>			<u>7,552,033</u>

Freehold land and buildings comprises Edward T Wheadon House, which was valued at 31 December 2008 by Lovell & Partners Limited, a firm of estate agents and valuers, at an open market value of £11,020,000 (2007: £10,600,000) is carried at cost.

Depreciation commenced being charged on computer development costs associated with the technological migration project from the end of September 2006, when the new benefit system became operational.

The previous benefit system which was run on an ICL mainframe was decommissioned and written-off in 2008. As the system was fully depreciated the net book value on write-off was nil.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

8. COMMON INVESTMENT FUND

	2008	2007
	£	£
United Kingdom equities	222,149,171	274,642,168
Overseas equities	132,518,294	238,960,907
Commodities	2,019,649	-
Fixed income securities	39,740,745	44,478,422
Cash and cash equivalents	100,829,683	35,447,515
Alternative investments and hedge funds	10,848,017	25,312,569
Property funds	9,906,473	12,622,889
	<u>518,012,032</u>	<u>631,464,470</u>
Reinvested collateral	40,472,941	67,149,080
Collateral returnable	(40,741,790)	(67,149,080)
	<u>(268,849)</u>	<u>-</u>
Collateral deficiency	(268,849)	-
	<u>517,743,183</u>	<u>631,464,470</u>
Investments allocated to:		
Guernsey Health Service Fund	(35,724,280)	(43,600,707)
Long-term Care Insurance Fund	(19,570,692)	(23,900,150)
	<u>462,448,211</u>	<u>563,963,613</u>

At the year-end securities lending stood at £38,672,795 (2007:£64,865,804) secured by cash collateral of £40,741,790 (2007:£67,149,080) being 105.35% (2007:103.52%) of the value of the securities on loan.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £268,849 (2007: £Nil) with the market-to-book ratio down to 0.976 (2007:1.000).

Common Investment Fund movements during the year	2008	2007
	£	£
Market value 1 January	631,464,470	571,238,496
Investment income reinvested	17,289,015	18,180,600
Realised (loss)/profit on disposal	(6,574,862)	42,772,785
Movement on unrealised loss on investments	(124,435,440)	(19,998,286)
Proceeds of property sale invested - Guernsey Insurance Fund	-	10,470,875
New monies invested - Guernsey Insurance Fund	-	2,000,000
New monies invested - Guernsey Health Service Fund	-	3,000,000
New monies invested - Long-term Care Insurance Fund	-	3,800,000
	<u>517,743,183</u>	<u>631,464,470</u>

The realised loss allocated to the Guernsey Insurance Fund for the year is £5,872,667 (2007: gain £31,837,712) with an unrealised loss of £111,146,699 (2007: loss £11,278,566).

During 2008 the common investment fund was managed by Schroder Investment Management Limited and also by BlackRock Investment Management (UK) Limited from 1 July.

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
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NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

9. DEBTORS DUE WITHIN ONE YEAR

	2008	2007
	£	£
Contributions receivable	19,713,762	16,300,025
Recoveries due from Non Contributory Services	286,385	196,889
Benefits prepaid	2,248,480	1,091,847
Benefits and allowances recoverable	420,674	394,032
Trade debtors	621,886	488,658
Administration expenses prepaid	212,069	112,466
States grant	266,385	163,978
	<u>23,769,641</u>	<u>18,747,895</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Recoveries and contributions due to Guernsey Health Service Fund	5,149,733	4,029,888
Recoveries and contributions due to Long-term Care Insurance Fund	3,588,212	2,434,492
Bank overdraft	2,693,539	996,176
Trade creditors	1,986,088	1,928,348
Other creditors and accruals	654,650	281,330
	<u>14,072,222</u>	<u>9,670,234</u>

11. SUPERANNUATION FUND

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £234,073 (2007: £236,251) of which the Guernsey Insurance Fund contributed £147,410 (2007: £146,414).

STATES OF GUERNSEY - GUERNSEY INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

12. RELATED PARTY TRANSACTIONS

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2007: none). Of the Department's annual income and expenditure, less than 20% of their respective value for both 2008 and 2007 is due to transactions with other States entities, except as disclosed in notes 1, 2, 5, 6, 8, 9, 10 and 11.

13. STATEMENT OF CONTROL

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

14. SUBSEQUENT EVENTS

Subsequent to the end of the financial year covered by data and comments in the Reports and Financial Statements, the common investment fund allocation to the Guernsey Insurance Fund has experienced an increased level of volatility. As a result of the increased volatility which has been reflected in the investment prices, there has been a substantial movement in the value of any one or more classes of the investments held by the fund. The unaudited value of the common investment fund as at 21 April 2009 was £502,918,100 compared to £517,741,183 as at 31 December 2008. In accordance with generally accepted accounting standards, this is regarded as a non-adjusting post balance sheet event, and as such is now mentioned in this Report and Financial Statements.

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

Controlled and managed by the Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

Financial highlights

Overview

The overall grant from the States of Guernsey increased by 6.3% to £27.66m (2007: £26.04m). Benefit expenditure increased by 6.7% to £26.04m (2007:£24.41m) which included a 4.9% rise in the general rate of benefit. Administration costs decreased by 0.1% to £1.62m (2007:£1.63m).

Benefit

Overall supplementary benefit expenditure increased by 8.2% to £14.02m (2007:£12.97m) being mainly attributable to the rising benefit costs associated with single parents, the incapacitated, handicapped persons and, with increasing unemployment, more persons seeking work. These increases are marginally offset by a reduction in expenditure relating to individuals over pensionable age.

Special grants expenditure increased by 6.5% to £2.02m (2007:£1.90m). The rise in expenditure is mainly attributable to an increase in medical treatment costs which rose by 5.4% to £1.0m (2007:£0.96m) and which account for 50% of the expenditure of special grants in total. There was also a significant increase in expenditure relating to handicapped persons rising by 16.7% to £0.39m (2007: £0.28m) and dental treatment increasing by 15.1% to £0.25m (2007:£0.22m).

In 2008, family allowance expenditure increased by 4.4% to £8.60m (2007:£8.23m) with the allowance increasing by 4.9% to £13.85 per child per week, the number of children for whom the benefit is paid being marginally down during the year.

Combined expenditure of attendance allowance and invalid care allowance increased by 7.7% to £2.36m (2007:£2.19m). The rise was mainly attributable to the increase in attendance allowance expenditure which increased by 8.4% to £1.61m (2007:£1.48m) with the number of claimants at the year-end at 382 (2007:373). Invalid care allowance expenditure increased by 6.2% to £0.75m (2007:£0.71m) with the number of claimants at the end of December 2008 at 227 (2007:225).

The Department makes annual grants to eight local charities to support their provision of social welfare, the charities being specified by resolution of the States. In 2008 the Guernsey Citizens Advice Bureau's grant was increased significantly to £36,450 (2007:£25,000) in order for it to remain financially viable. The remaining charities had more modest increases with one charity having no increase in its grant.

Expenditure relating to the Community and Environmental Projects Scheme decreased to £0.19m (2007: £0.20m) and is attributable to a fall in the average number of participants on the scheme each week during the year.

Activities during 2008

Protecting the welfare of individuals and, in particular, families on low income is an integral part of the future economic and taxation strategy and, consequently, is included in the Government Business Plan.

During 2008, the Department has been working with the Treasury and Resources Department on a review of the benefits provided under the supplementary benefits law with an emphasis on rewarding work. The review has started with an examination of the UK tax credit system and the recently-introduced Jersey income support law. It is unlikely, however, that the Department will pursue a tax credit system similar to that which applies in the United Kingdom.

As directed by the States, the Department introduced a non-statutory scheme of assistance for people who will have real difficulty in paying the Tax on Real Property; the new system of property taxes was introduced at the start of the year. In the 2008 budget of the States, however, there was no increase in the overall amount of property taxes levied on domestic properties, although some property owners saw their taxes rise and others saw their taxes fall through the revised system of assessment. This meant, for 2008 at least, the Department did not receive many claims for assistance and expenditure was minimal.

The increased levels of unemployment, and the associated increase in the number of job seekers requiring supplementary benefit, placed a heavy additional workload on the Department's staff. Staffing levels had previously been at the minimum level to cope with low levels of unemployment and the extra volumes required additional staff to be drafted in on temporary contracts. In addition to the financial overhead there has been, and continues to be, a significant overhead in training new staff in one of the most complex areas of the Department's undertakings.

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES

Controlled and managed by the Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

Future developments

The Department will continue to work with other States Departments, in particular the Treasury and Resources Department, the Health and Social Services Department and the Housing Department on policies under priority 4 of the Government Business Plan, which is to '*redistribute wealth wisely in the community*'. This will include investigating a more integrated tax and benefits system, which targets those who are vulnerable to relative poverty. It will also include ensuring that residents are not denied healthcare or social services through lack of financial resources.

The Department will be reviewing the adequacy of the attendance and invalid care allowances, with particular reference to the rules governing the payment of the carer's allowance which may be too restrictive.

Statistics

Number of claimants at year-end	31.12.08	31.12.07	31.12.06
Family Allowances	6,791	6,720	6,822
Supplementary Benefit	2,112	2,034	2,062
Attendance Allowance	382	373	363
Invalid Care Allowance	227	225	221

Five-year performance	2008 £	2007 £	2006 £	2005 £	2004 £
Benefits expenditure - Formula Led					
Supplementary Benefit	14,024,153	12,966,023	12,108,032	10,614,263	9,756,652
Family Allowance	8,598,024	8,232,609	8,055,230	7,753,729	7,407,343
Attendance Allowance	1,610,421	1,486,307	1,375,705	1,296,960	1,266,670
Invalid Care Allowance	750,997	707,063	674,546	619,956	610,495
Concessionary television licences	504,728	463,788	482,912	453,060	425,983
Travel expenses assistance scheme	25,565	41,505	34,053	46,319	48,391
Benefits expenditure - Non-Formula Led					
Charitable grants	211,910	193,000	185,935	182,288	173,890
Community & Environmental Projects	190,947	200,626	218,494	162,275	102,695
Medical expenses assistance scheme	123,062	119,225	111,232	107,501	120,448

STATES OF GUERNSEY – NON CONTRIBUTORY SERVICES**Controlled and managed by the
Social Security Department****STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)****Year ended 31 December 2008****Principal officers****Social Security Department****Membership post General Election**

Deputy M H Dorey	Minister	Elected Minister 6 May 2008
Deputy A H Brouard	Deputy Minister	Elected as Member 8 May 2008 and as Deputy Minister 14 May 2008
Deputy S J Ogier	Member	
Deputy M W Collins	Member	Elected 8 May 2008
Deputy A R Le Lièvre	Member	Elected 8 May 2008
M Nutley	Administrator	

Membership prior to General Election

Deputy D E Lewis	Minister	Ceased office 30 April 2008
Deputy D P Le Cheminant	Deputy Minister	Ceased office 30 April 2008
Deputy S J Ogier	Member	
Deputy B M Flouquet	Member	Ceased office 8 May 2008
Deputy M H Dorey	Member	
M Nutley	Administrator	

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP and accordingly the audit report is signed under the new name.

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

**STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS
Year ended 31 December 2008**

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

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

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

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that Non Contributory Services has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is 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 Non Contributory Services and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual business plan; and
 - the quarterly management accounts;
- 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 auditors appointed by the States of Guernsey.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT - NON CONTRIBUTORY SERVICES

We have audited the financial statements of The States of Guernsey Social Security Department- Non Contributory Services ("the Fund") for the year ended 31 December 2008 which comprise the income and expenditure account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with the terms of our engagement letter dated 26 November 2007. 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 auditors' 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 auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Non Contributory Scheme as at 31 December 2008 and of its result for the year then ended.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
22 April 2009

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

**INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 December 2008**

	Note	2008 £	2007 £
Income			
States of Guernsey Grant	1(b) & 2	27,663,275	26,035,190
Expenditure			
Supplementary benefit	3	14,024,153	12,966,023
Family allowance		8,598,024	8,232,609
Attendance & invalid care allowance		2,361,418	2,193,370
Concessionary television licences		504,728	463,788
Community & environmental projects		190,947	200,626
Charitable grants	6	211,910	193,000
Medical expenses assistance scheme		123,062	119,225
Travel expenses assistance scheme		25,565	41,505
		<u>26,039,807</u>	<u>24,410,146</u>
Administration	7	1,735,215	1,736,791
Recoveries	8	(111,747)	(111,747)
		<u>1,623,468</u>	<u>1,625,044</u>
Total expenditure		<u>27,663,275</u>	<u>26,035,190</u>
Operating result for the financial year		<u><u>-</u></u>	<u><u>-</u></u>

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

**BALANCE SHEET
31 December 2008**

	Note	2008 £	2007 £
Current assets			
Debtors and prepayments	9	863,786	508,247
Creditors: amounts falling due within one year	10	(863,786)	(508,247)
Net current assets		-	-
Revenue account		-	-

These financial statements were approved by the Social Security Department on 22 April 2009.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES**
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2008

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 and in accordance with United Kingdom accounting standards, except as noted below:

No cash flow Statement has been prepared as such a statement would not provide material additional information than that already available from the income and expenditure account.

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Non Contributory Services has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Insurance Fund is a going concern.

b) Grant – States of Guernsey

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

c) Benefits payable

Benefits are accounted for on an accruals basis.

d) Pension costs

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

e) Assets held in fiduciary capacity

Assets held in a fiduciary capacity for charitable settlements are not included in the balance sheet. These assets amounted to £37,612 at 31 December 2008 (2007: £35,589).

2. GRANT - STATES OF GUERNSEY

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

3. SUPPLEMENTARY BENEFIT

	2008	2007
	£	£
Benefit and fuel allowance (note 4)	12,052,841	11,121,683
Special grants (note 5)	2,020,279	1,897,769
Concessionary TV licenses for 65 to 74 year olds	21,554	16,498
Emergency payments under Public Assistance Law	250	989
Maintenance recoveries	(70,771)	(70,916)
	<u>14,024,153</u>	<u>12,966,023</u>

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2008

4. BENEFIT AND FUEL ALLOWANCE

	2008	2007
	£	£
Single parents	4,441,833	4,137,007
Incapacitated	2,552,276	2,289,029
Over pensionable age	2,137,045	2,220,407
Handicapped persons	1,228,153	1,091,309
Persons seeking work	1,149,043	900,285
Incapable of self support	378,513	350,501
Persons caring for spouse	82,580	63,961
Pregnant women	60,071	52,919
Prisoners Spouses	21,939	15,487
Persons caring for children	1,388	778
	<u>12,052,841</u>	<u>11,121,683</u>

5. SPECIAL GRANTS

	2008	2007
	£	£
Medical - Medical treatment	1,009,887	957,904
- Dental	248,912	216,171
- Chiropody	74,214	75,232
- Medical sundries	65,737	59,188
- Ophthalmic	60,874	75,852
- Physiotherapy	47,817	52,884
- Hearing aids	40,809	40,863
	<u>1,548,250</u>	<u>1,478,094</u>
Handicapped persons	328,561	281,649
Funeral	53,099	56,851
Surgical and medical requisites	45,287	59,735
Exceptional needs	37,036	9,612
Sundries (not medical)	2,157	7,014
Travelling expenses	5,889	4,814
	<u>2,020,279</u>	<u>1,897,769</u>

6. CHARITABLE GRANTS

	2008	2007
	£	£
Guernsey Welfare Service Limited (Playgroup)	50,707	48,385
Guernsey Citizens Advice Bureau	36,450	25,000
The Methodist Church (Wesley playgroup)	30,165	28,783
Women's Royal Voluntary Service	29,378	28,032
Relate	20,618	20,214
Guernsey Women's Refuge Limited	20,461	19,339
The Salvation Army (Clifton Community Centre)	19,300	18,416
The Samaritans	4,831	4,831
	<u>211,910</u>	<u>193,000</u>

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2008

7. ADMINISTRATION

	2008	2007
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	1,063,688	1,022,089
Computer expenses	245,530	248,552
Property expenses and sundries	154,241	162,446
Bank charges	87,065	84,783
	<u>1,550,524</u>	<u>1,517,870</u>
Management and training costs – Community & environmental projects	127,646	156,321
Administration expenses	27,165	40,159
Medical reports	20,797	14,477
Audit fee	6,800	6,500
Repatriation	1,215	1,347
Legal and professional fees	1,068	117
	<u>1,735,215</u>	<u>1,736,791</u>

The Guernsey Insurance Fund charged rental on office space of £111,747 (2007: £111,747) to Non Contributory Services, the expenditure being included in property expenses. This rental is paid by the States Property Services, Treasury and Resources Department as detailed in note 8.

8. RECOVERIES

	2008	2007
	£	£
Rent received from the States Property Services, Treasury and Resources Department	111,747	111,747
	<u>111,747</u>	<u>111,747</u>

9. DEBTORS AND PREPAYMENTS

	2008	2007
	£	£
Benefits and allowances paid in advance	863,786	508,247
	<u>863,786</u>	<u>508,247</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
States grant	414,536	284,806
Guernsey Insurance Fund recharges payable	286,385	196,889
Benefits and allowances payable	149,353	-
Other creditors and accruals	13,512	26,552
	<u>863,786</u>	<u>508,247</u>

**STATES OF GUERNSEY –
NON CONTRIBUTORY SERVICES
Controlled and managed by the
Social Security Department**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31 December 2008

11. RELATED PARTY TRANSACTIONS

The Department is of the opinion that there have been no related party transactions with members or senior management in this financial year (2007: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2008 and 2007 is due to transactions with other States entities, except as disclosed in notes 1, 2, 6, 7, 8 and 9.

12. SUPERANNUATION FUND

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £234,073 (2007: £236,251) of which Non-Contributory Services contributed £66,428 (2007: £67,520).

13. STATEMENT OF CONTROL

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

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE
Year ended 31 December 2008

Financial Highlights

Overview

The Guernsey Health Service Fund's (the Fund) operating surplus of £4.21m (2007: £4.43m) was negated by investing activities which recorded unrealised losses of £8.6m, as a result of the global economic downturn. At the year-end total reserves decreased by £3.6m (2007: increase £7.1m) to £44.09m (2007: £47.71m) with expenditure cover down from 1.6 years to 1.4 years.

Contribution income & states grant

In 2006 the States resolved as part of its future economic and taxation strategy to increase substantially the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds, including the Guernsey Health Service Fund. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007.

As a result of the strategy adopted in 2006, contribution income during 2008 increased significantly by 19.4% to £32.30m (2007: £27.04m) but was offset by a decrease in the states' grant, which is based on a fixed percentage of contributions, reducing from 27% to 12% resulting in a 46.9% reduction in the grant to £3.88m (2007: £7.30m). The overall result was to see contributions income including the states grant increase by 5.3% to £36.18m (2007:£34.34m).

Benefits

Overall benefit expenditure increased by 7.1% to £ 31.12m (2007: £29.05m).

Consultation Grant expenditure increased by 2.2% to £3.47m (2007: £3.40m) with the doctor and nurse consultation grant rates having been fixed at £12 and £6 respectively since 2004.

Following a 5-year review, the Specialist Health Insurance Scheme saw expenditure rise by 14.3% to £13.54m (2007:£11.84m). Medical specialist costs rose by 14.5% to £12.06m (2007: £10.53m) inclusive of a 4.9% RPI increase. The average number of whole-time-equivalent consultants employed over the year remained at 37 apart from when additional part-time locums were employed towards the end of the year. Physiotherapy expenditure increased by 12.5% 1.52m (2007:£1.35m) inclusive of a 4.9% RPI increase. The Alderney contract increased by 19.3% to £65,443 (2007:£54,873). The new contract with the Island Medical Centre in Alderney is set at £67,000 per annum and commenced on 1 March 2008.

Total drug and medicine expenditure increased by 2.1% to £14.11m (2007:£13.81m). The number of items prescribed during the year only increased by 3.6% to 1.30m (2007: 1.25m). A fall in the average net ingredient cost of drugs during the year also helped to contain costs as did the continuation of initiatives introduced by the prescribing support unit, including the strict control of new entries to the white-list, increased generic prescribing and reduced wastage.

Administration

Overall administration expenditure decreased by 1.0% to £0.85m (2007:£0.86m).

Investments

The investment portfolios of the Guernsey Health Service Fund, Guernsey Insurance Fund and Long-term Care Insurance Fund are combined to form the Common Investment Fund.

The Guernsey Health Service Fund's allocation of the Common Investment Fund at the year-end was valued at £35.72m (2007: £43.60m) which included £1.13m of investment income reinvested. No new monies were added to the Fund during the year (2007:£3.0m). Subsequent to the year-end, £3.5m of new monies was reinvested.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Financial highlights (continued)

Activities during the Year

For a one year trial period starting in February 2008, the Department introduced a medicine use review, with some of the island's pharmacies offering free consultations to patients specifically to discuss their medicines. This new service is an important step in modernising pharmacy services and making better use of the expertise of pharmacists and their staff.

The medicine use review aims, with the patient's agreement, to improve their knowledge and use of drugs by establishing their actual use, understanding and experience of taking medicines. The community pharmacists will identify and resolve poor or ineffective use of medicines and also identify side effects that may affect the patient's concordance with treatment. By improving the clinical and cost effectiveness of drugs prescribed to patients this is expected to reduce wastage.

Future Activities

In respect of specialist health insurance scheme, the Department will focus on normal maintenance of the contracts and performance monitoring. The Department will also continue to review the performance of the contract for Alderney Hospital Benefit under the new arrangements with a single medical practice supplier of services.

The Department is working with the Health and Social Services Department to increase the provision of mental health services appropriate for delivery in the primary care setting. It is envisaged that this will be financed through the introduction of a new benefit provided from the Fund.

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

Statistics

Drugs and medicines

	Ordinary Prescriptions	Exempt prescriptions	Total prescriptions	Average Basic cost (£)
Drugs & Medicines				
2008	557,665	737,389	1,295,054	9.71
2007	559,939	690,105	1,250,044	10.00
% Change	-0.41%	6.85%	3.60%	-2.90%
Appliances				
2008	1,576	4,863	6,439	61.82
2007	1,493	4,726	6,219	62.04
% Change	5.56%	2.90%	3.54%	-0.35%

Specialist Health Insurance Scheme

Medical Specialist Group	Inpatient & Day Case episodes	Outpatient Appointments		
		New	Follow-up	Total
2008	11,894	15,322	28,895	44,217
2007	11,381	15,372	23,304	38,676
% increase/(decrease)	4.51%	-0.33%	23.99%	14.33%

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Statistics (continued)

Consultation grants

	Guernsey	Alderney	Total
2008			
Doctor	239,921	11,109	251,030
Nurse	73,584	2,687	76,271
Total	313,505	13,796	327,301
2007			
Doctor	234,477	11,338	245,815
Nurse	71,602	2,568	74,170
Total	306,079	13,906	319,985
% increase/(decrease)	2.4%	-0.8%	2.3%

Contribution rates

	2008 £	2007 £	2006 £	2005 £	2004 £
Employers	1.6%	1.4%	1.4%	1.4%	1.4%
Employed					
Full rate	1.4%	1.4%	1.4%	1.4%	1.4%
Reduced rate	-	-	-	-	1.4%
Self-employed	2.8%	2.8%	2.8%	2.8%	2.8%
Non-employed					
Full rate	2.8%	2.8%	2.8%	2.8%	2.8%
Over 65s	1.2%	1.2%	1.2%	1.2%	1.2%

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

From 2008, as a result of the States' economic and taxation strategy, employers full percentage rate contributions increased by 0.2%.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Five-year performance	2008 £	2007 £	2006 £	2005 £	2004 £
Benefits					
Drugs and medicines	14,107,499	13,812,514	13,418,056	13,154,360	13,599,307
% annual increase/(decrease)	2.1%	2.94%	2.00%	2.0%	-3.27%
Income & Expenditure					
Income	36,175,217	34,341,097	32,180,259	30,738,191	29,215,520
Expenditure	31,965,271	29,906,321	29,012,807	28,041,806	27,431,214
Operating surplus	4,209,946	4,434,776	3,167,452	2,696,385	1,784,306
Investment performance					
Investment income	1,219,044	1,166,186	1,123,751	928,165	779,065
Realised (losses)/gains	(453,665)	(855,765)	1,966,512	649,817	-
Unrealised (losses)/gains	(8,586,045)	2,340,792	442,063	2,399,124	784,129
Total return on investments	(7,820,666)	2,651,213	3,532,326	3,977,106	1,563,194
Common Investment Fund					
Allocation at market value	35,724,280	43,600,707	37,903,511	28,880,933	20,189,824
Expenditure cover					
Reserves	44,096,412	47,707,132	40,621,143	33,921,365	27,247,874
Expenditure	31,965,271	29,906,321	29,012,807	28,041,806	27,431,214
Number of years cover	1.4	1.6	1.4	1.2	1.0

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Principal officers during 2008

Social Security Department

Membership post General Election

Deputy M H Dorey	Minister	Elected Minister 6 May 2008
Deputy A H Brouard	Deputy Minister	Elected as Member 8 May 2008 and as Deputy Minister 14 May 2008
Deputy S J Ogier	Member	
Deputy M W Collins	Member	Elected 8 May 2008
Deputy A R Le Lièvre	Member	Elected 8 May 2008
M Nutley	Administrator	

Membership prior to General Election

Deputy D E Lewis	Minister	Ceased office 30 April 2008
Deputy D P Le Cheminant	Deputy Minister	Ceased office 30 April 2008
Deputy S J Ogier	Member	
Deputy B M Flouquet	Member	Ceased office 8 May 2008
Deputy M H Dorey	Member	
M Nutley	Administrator	

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP and accordingly the audit report is signed under the new name.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the
Social Security Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS Year ended 31 December 2008

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

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

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

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the 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 Guernsey Health Service Fund by the Department and Combined Actuarial Performance Services Limited;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit 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 auditors appointed by the States of Guernsey.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT-GUERNSEY HEALTH SERVICE FUND

We have audited the financial statements of The States of Guernsey Social Security Department- Guernsey Health Service Fund ("the Fund") for the year ended 31 December 2008 which comprise the fund account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990. 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 auditors' 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 auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2008 and of its deficit for the year then ended and are prepared in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Health Service (Benefit) (Guernsey) Law, 1990.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
22 April 2009

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

FUND ACCOUNT
Year ended 31 December 2008

	Note	2008 £	2007 £
Income			
Contributions allocated	1(b), 2	32,299,301	27,040,234
States grant	1(b)	3,875,916	7,300,863
		<u>36,175,217</u>	<u>34,341,097</u>
Expenditure			
Drugs and medicines	3	14,107,499	13,812,514
Specialist Health Insurance Scheme	4	13,541,217	11,842,604
Consultation grants		3,469,987	3,396,270
Administration	5	846,568	854,933
		<u>31,965,271</u>	<u>29,906,321</u>
Operating surplus for the year		4,209,946	4,434,776
Investing activities			
Income from invested funds	1(f), 6	1,219,044	1,166,186
Realised (loss)/profit on disposal	7	(453,665)	2,340,792
Movement in unrealised loss on investment	7	(8,586,045)	(855,765)
		<u>(7,820,666)</u>	<u>2,651,213</u>
Net (deficit)/surplus in the Fund during the year		(3,610,720)	7,085,989
Net assets of the Fund at 1 January		<u>47,707,132</u>	<u>40,621,143</u>
Net assets of the Fund at 31 December		<u><u>44,096,412</u></u>	<u><u>47,707,132</u></u>

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

BALANCE SHEET
At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Common Investment Fund allocation	1(d), 7	35,724,280	43,600,707
Current assets			
Debtors and prepayments	8	5,270,987	4,105,226
Balances with States Treasury		3,131,370	52,299
		8,402,357	4,157,525
Creditors: amounts falling due within one year			
	9	30,225	51,100
Net current assets		8,372,132	4,106,425
Total net assets		44,096,412	47,707,132
Reserves		44,096,412	47,707,132

The financial statements were approved by the Social Security Department on 22 April 2009.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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 listed investments and in accordance with United Kingdom accounting standards, except as noted below:.

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

No cash flow Statement has been prepared as such a statement would not provide material additional information than that already available from the fund account.

Going Concern

The Department members and principal officers have reviewed the cash flow and projected income and expenses over the next twelve months and deem that the Guernsey Health Service Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Guernsey Health Service Fund is a going concern.

b) Contributions allocated & States grant

Income to the Guernsey Health Service Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February 2009 in respect of the financial year ended 31 December 2008 and amounts received relating to prior financial periods

The grant received from the States of Guernsey is based on a fixed percentage of contributions, accounted for in the relevant period and for 2008 was reduced to 12% (2007: 27%).

c) Guernsey Health Service Fund

No account is taken of future benefit entitlements.

The adequacy of the Guernsey Health Service Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The last review was made as at 31 December 2005 and was published in the Billet D'État VI, 2007.

d) Common Investment Fund

The investment portfolio of the Guernsey Health Service Fund is amalgamated with the other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based upon the percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

e) Investments

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

f) Investment income

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

Other investment income is accounted for on a receivable basis.

g) Benefits payable

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

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

1. ACCOUNTING POLICIES (CONTINUED)

h) Pension costs

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

i) Security lending

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

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

2. CONTRIBUTIONS

	2008	2007
	£	£
Employer contributions	59,814,554	43,432,207
Employee contributions	52,197,720	47,333,321
	<u>112,012,274</u>	<u>90,765,528</u>
Self-employed contributions	11,163,713	10,480,433
Non-employed contributions	6,142,392	5,341,595
	<u>129,318,379</u>	<u>106,587,556</u>
Contributions allocated to:		
Guernsey Insurance Fund	(80,816,046)	(65,202,718)
Long-term Care Insurance Fund	(16,203,032)	(14,344,604)
	<u>32,299,301</u>	<u>27,040,234</u>

3. DRUGS AND MEDICINES

	2008	2007
	£	£
Drugs and medicines	14,898,749	14,515,814
Appliances	480,366	477,659
Oxygen service	276,435	246,092
	<u>15,655,550</u>	<u>15,239,565</u>
Prescription charges receivable	(1,539,015)	(1,418,780)
Health and Social Services Department - reciprocal treatment	(9,036)	(8,271)
	<u>14,107,499</u>	<u>13,812,514</u>

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

4. SPECIALIST HEALTH INSURANCE SCHEME

	2008 £	2007 £
Specialist medical benefit	12,057,814	10,534,318
Physiotherapy benefit	1,521,816	1,352,417
Alderney hospital benefit	65,443	54,873
Health and Social Services Department recoveries	(103,856)	(99,004)
	<u>13,541,217</u>	<u>11,842,604</u>

The States of Guernsey entered into new contracts with the Medical Specialist Group and the Guernsey Physiotherapy Group from 1 January 2003. These contracts are for 15 year terms with major reviews after each 5 year period. The two sets of fee reviews took place in 2007 and negotiations successfully concluded prior to 2008 when the renegotiated contracts came into effect.

The contract with the Medical Specialist Group, which includes ophthalmology, 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. Following the 5-year review, the contract price for 2008, including a 4.9% RPI increase, was enhanced by 14.2% to £325,162 per consultant.

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. Following the 5-year review, the contract price for 2008, including a 4.9% RPI increase, was enhanced by approximately 12.5%.

The new contract with the Island Medical Centre for services in the Mignot Memorial Hospital in Alderney commenced on 1 March 2008. The contract is based on a price of £67,000 per annum adjusted annually on 1 January each year taking account of any increase or decrease in the Guernsey RPI.

5. ADMINISTRATION

	2008 £	2007 £
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	223,013	246,006
Computer expenses	145,158	156,303
Property expenses and sundries	42,149	41,949
	<u>410,320</u>	<u>444,258</u>
Health and Social Services Department charges	192,048	182,895
Prescription pricing fees	183,520	177,175
Administration expenses	52,506	44,505
Audit fee	6,400	6,100
Professional fees	1,774	-
	<u>846,568</u>	<u>854,933</u>

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND

Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

6. INCOME FROM INVESTED FUNDS

	2008 £	2007 £
Income		
UK dividends from equities	9,124,625	10,223,158
Overseas dividends from equities	3,539,818	4,735,423
Interest on short term deposits	3,220,621	2,047,575
Interest from fixed interest securities	1,500,966	1,902,418
Less: withholding tax suffered	(382,445)	(1,003,062)
Securities lending fees net of expenses	399,402	359,328
Brokers' commission recaptured	98	633
	<u>17,403,085</u>	<u>18,265,473</u>
Expenditure		
Investment manager's fees	(974,841)	(910,974)
Custody fees	(77,625)	(78,258)
	<u>16,350,619</u>	<u>17,276,241</u>
Net income of the Common Investment Fund		
	16,350,619	17,276,241
Net income allocated to:		
Guernsey Insurance Fund	(14,604,373)	(15,529,982)
Long-term Care Insurance Fund	(618,053)	(594,607)
	<u>1,128,193</u>	<u>1,151,652</u>
Net income of the Common Investment Fund allocated to the Guernsey Health Service Fund		
	1,128,193	1,151,652
Interest on treasury deposits	90,851	14,534
	<u>1,219,044</u>	<u>1,166,186</u>

7. COMMON INVESTMENT FUND

	2008 £	2007 £
United Kingdom equities	222,149,171	274,642,168
Overseas equities	132,518,294	238,960,907
Commodities	2,019,649	-
Fixed income securities	39,740,745	44,478,422
Cash and cash equivalents	100,829,683	35,447,515
Alternative investments and hedge funds	10,848,017	25,312,569
Property funds	9,906,473	12,622,889
	<u>518,012,032</u>	<u>631,464,470</u>
Reinvested collateral	40,472,941	67,149,080
Collateral returnable	(40,741,790)	(67,149,080)
	<u>(268,849)</u>	<u>-</u>
	517,743,183	631,464,470
Investments allocated to:		
Guernsey Insurance Fund	(462,448,211)	(563,963,613)
Long-term Care Insurance Fund	(19,570,692)	(23,900,150)
	<u>35,724,280</u>	<u>43,600,707</u>

At the year-end securities lending stood at £38,672,795 (2007:£64,865,804) secured by cash collateral of £40,741,790 (2007:£67,149,080) being 105.35% (2007:103.52%) of the value of the securities on loan.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

7. COMMON INVESTMENT FUND (CONTINUED)

The cash collateral is invested in a pooled fund comprising of short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £268,849 (2007: £Nil) with the market-to-book ratio down to 0.976 (2007:1.000).

	2008	2007
	£	£
Common Investment Fund movements during the year		
Market value 1 January	631,464,470	571,238,496
Investment income reinvested	17,289,015	18,180,600
Realised (loss)/profit on disposals	(6,574,862)	42,772,785
Movement on unrealised (loss) on investments	(124,435,440)	(19,998,286)
Proceeds of property sale invested - Guernsey Insurance Fund	-	10,470,875
New monies invested - Guernsey Insurance Fund	-	2,000,000
New monies invested - Guernsey Health Service Fund	-	3,000,000
New monies invested - Long-term Care Insurance Fund	-	3,800,000
	<u>517,743,183</u>	<u>631,464,470</u>
Market value 31 December	<u>517,743,183</u>	<u>631,464,470</u>

The realised loss allocated to the Guernsey Health Service Fund for the year is £453,665 (2007: profit £2,340,792) and an unrealised loss of £8,586,045 (2007: loss £855,765).

During 2008 the common investment fund was managed by Schroder Investment Management Limited and also by BlackRock Investment Management (UK) Limited from 1 July.

8. DEBTORS AND PREPAYMENTS

	2008	2007
	£	£
Common Investment Fund movements during the year		
Recharge due from the Guernsey Insurance Fund	5,149,733	4,029,888
States grant	116,779	70,863
Other debtors and prepayments	4,475	4,475
	<u>5,270,987</u>	<u>4,105,226</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Other creditors and accruals	<u>30,225</u>	<u>51,100</u>

10. RELATED PARTY TRANSACTIONS

The Department is of the opinion that there have been no disclosable related party transactions with members and senior management in this financial year (2007: none).

Of the Department's annual income and expenditure, less than 20% of their respective value for both 2008 and 2007 is due to transactions with other States entities, except as disclosed in notes 1, 2, 3, 4, 5, 6 and 7.

11. STATEMENT OF CONTROL

The Guernsey Health Service Fund is controlled and managed by the Social Security Department, as required by Section 21 of the Health Service (Benefit) (Guernsey) Law, 1990. The members of the Social Security Department have been appointed by the States of Guernsey.

STATES OF GUERNSEY - GUERNSEY HEALTH SERVICE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

12. SUPERANNUATION FUND

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £234,073 (2007: £236,251) of which the Guernsey Health Service Fund contributed £13,979 (2007: £15,158).

13. SUBSEQUENT EVENTS

Subsequent to the end of the financial year covered by data and comments in the Reports and Financial Statements, the common investment fund allocation to the Guernsey Insurance Fund has experienced an increased level of volatility. As a result of the increased volatility which has been reflected in the investment prices, there has been a substantial movement in the value of any one or more classes of the investments held by the fund. The unaudited value of the common investment fund as at 21 April 2009 was £502,918,100 compared to £517,741,183 as at 31 December 2008. In accordance with generally accepted accounting standards, this is regarded as a non-adjusting post balance sheet event, and as such is now mentioned in this Report and Financial Statements.

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE
Year ended 31 December 2008

FINANCIAL HIGHLIGHTS

Overview

The Long-term Care Insurance Fund (“the Fund”) recorded an operating surplus of £3.89m (2007: £3.25m) negated by investing activities which recorded unrealised losses of £4.7m, as a result of the global economic downturn. At the year-end total reserves decreased by £0.37m to £25.95m (2007: £26.32m) with expenditure cover down from 2.4 years to 2.1 years.

Contribution income & states grant

In 2006 the States resolved as part of its future economic and taxation strategy to substantially increase the upper earnings limits for all classes of contributors and employers, with compensating reductions in the grants from general revenue that apply to the contributory funds, including the Long-term Care Insurance Fund. The States further resolved that, although the revised financing of the contributory funds was to take full effect from 1 January 2008, there should be a substantial move in that direction with effect from 1 January 2007 part of which was to withdraw the states’ grant to the Long-term Care Insurance Fund.

As a result of this strategy, contribution income during 2008 increased significantly by 13.0% to £16.20m (2007: £14.34m).

Benefits

Overall benefit expenditure increased by 11.2% to £12.19m (2007:£10.97m).

Increased numbers of nursing care beds mainly contributed to the overall increase in benefit expenditure, with a 16.0% increase in costs to £6.63m (2007: £5.71m). The extra beds were partly a result of new provision and partly a result of a change of status from residential to nursing in respect of some of the existing provisions. Residential care benefit increased by 7.51 % to £5.37m (2007: £5.00m)

Administration

Overall administration expenditure decreased slightly to £0.123m (2007: £0.124m).

Investments

The investment portfolios of the Long-term Care Insurance Fund, Guernsey Insurance Fund and Guernsey Health Service Fund are combined to form the Common Investment Fund.

The Long-term Care Insurance Fund’s allocation of the Common Investment Fund was valued at the year-end at £19.57m (2007: £23.90m) which included £0.65m of investment income reinvested. No new monies were added to the Fund during the year (2007:£3.8m). Subsequent to the year-end, £3.5m of new monies was reinvested.

Activities during 2008

Contributions and benefits for the Long-term Care Insurance Scheme were routinely administered, with nothing exceptional to report.

Future Developments

The Department is assisting the Health and Social Services Department, the Housing Department and the Treasury and Resources Department with the research and development of a revised older person's strategy for Guernsey and Alderney. The aims of the strategy, when finalised, will inevitably impact on the finances of the Long-term Care Insurance Fund and may call for amendment or extension of the benefits paid from the Fund.

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND

Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE

Year ended 31 December 2008

Statistics

Number of Claimants at year-end	31.12.08	31.12.07	31.12.06	31.12.05	31.12.04
Residential grant-permanent	308	296	297	300	301
Nursing grant-permanent	212	185	176	138	126
TOTAL	520	481	473	438	427

Contribution rates	2008	2007	2006	2005	2004
Employed - Full rate	1.4%	1.4%	1.4%	1.4%	1.4%
Self-employed	1.4%	1.4%	1.4%	1.4%	1.4%
Non-employed	1.4%	1.4%	1.4%	1.4%	1.4%

Five-year performance	2008 £	2007 £	2006 £	2005 £	2004 £
Benefits (permanent care)					
Residential home	5,372,130	4,996,742	4,840,833	4,719,150	4,496,722
Nursing home	6,631,392	5,713,650	4,849,826	3,938,414	3,525,821
Benefits (respite care)					
Residential home	89,026	85,076	134,924	136,533	95,180
Nursing home	97,859	171,331	92,810	80,338	120,633
Income & Expenditure					
Income	16,203,032	14,344,604	13,575,910	12,912,536	12,388,232
Expenditure	(12,312,829)	(11,091,168)	(10,044,592)	(8,984,263)	(8,346,657)
Operating surplus	3,890,203	3,253,436	3,531,318	3,928,273	4,041,575
Investment performance					
Investment income	695,203	599,733	549,660	314,263	142,637
Realised (losses)/gains	(248,530)	1,190,316	905,546	397,153	-
Unrealised (losses)/gains	(4,703,659)	(461,087)	153,099	1,079,485	612,227
Total return on investments	(4,256,986)	1,328,962	1,608,305	1,790,901	754,864
Common Investment Fund					
Allocation at market value	19,570,692	23,900,150	18,745,054	10,184,635	5,610,481
Expenditure cover					
Reserves	25,952,403	26,319,186	21,736,788	16,597,165	10,877,991
Expenditure	12,312,829	11,091,168	10,044,592	8,984,263	8,346,657
Number of years cover	2.1	2.4	2.2	1.9	1.3

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF ACTIVITIES AND PERFORMANCE (CONTINUED)
Year ended 31 December 2008

Principal officers during 2008

Social Security Department

Membership post General Election

Deputy M H Dorey	Minister	Elected Minister 6 May 2008
Deputy A H Brouard	Deputy Minister	Elected as Member 8 May 2008 and as Deputy Minister 14 May 2008
Deputy S J Ogier	Member	
Deputy M W Collins	Member	Elected 8 May 2008
Deputy A R Le Lièvre	Member	Elected 8 May 2008
M Nutley	Administrator	

Membership prior to General Election

Deputy D E Lewis	Minister	Ceased office 30 April 2008
Deputy D P Le Cheminant	Deputy Minister	Ceased office 30 April 2008
Deputy S J Ogier	Member	
Deputy B M Flouquet	Member	Ceased office 8 May 2008
Deputy M H Dorey	Member	
M Nutley	Administrator	

Auditors

On 1 December 2008, Deloitte & Touche LLP changed its name to Deloitte LLP and accordingly the audit report is signed under the new name.

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

STATEMENT OF RESPONSIBILITIES FOR THE PREPARATION OF FINANCIAL STATEMENTS
Year ended 31 December 2008

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

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

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

Going Concern

The Department members and principal officers have reviewed the budgeted income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

STATEMENT OF INTERNAL FINANCIAL CONTROLS

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

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

The Department’s internal financial procedures include:

- an annual budget and planning process to allocate, control and monitor the use of resources;
- a requirement to table at a meeting of the Department;
 - the annual audit report together with the audited financial statements;
 - the annual report of observations and recommendations produced by the external auditors;
 - the annual policy and resource plan; 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 Long-term Care Insurance Fund by the Department;
- a review and appraisal of the soundness, adequacy and application of internal controls by the States Internal Audit 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 auditors appointed by the States of Guernsey.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE STATES OF GUERNSEY SOCIAL SECURITY DEPARTMENT-LONG-TERM CARE INSURANCE FUND

We have audited the financial statements of The States of Guernsey Social Security Department- Long-term Care Insurance Fund ("the Fund") for the year ended 31 December 2008 which comprise the fund account, the balance sheet and the related notes 1 to 12. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Department as a body, in accordance with Section 100(3) of the Social Insurance (Guernsey) Law, 1978 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 auditors' 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 auditors

The Department's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Department's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant Guernsey legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and section 1(4) of the Long Term Care Insurance (Guernsey) Law, 2002. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Fund has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Department's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Fund's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the disposition of the net assets of the Fund as at 31 December 2008 and of its deficit for the year then ended and Section 100(3) of the Social Insurance (Guernsey) Law, 1978 and Section 1(4) of the Long-term Care Insurance (Guernsey) Law, 2002.

Deloitte LLP

Chartered Accountants
St Peter Port, Guernsey
22 April 2009

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

FUND ACCOUNT
Year ended 31 December 2008

	Note	2008 £	2007 £
Income			
Contributions allocated	1(b), 2	16,203,032	14,344,604
Expenditure			
Benefits payable	1(d), 3	12,190,407	10,966,799
Administration expenses	4	122,422	124,369
		<u>12,312,829</u>	<u>11,091,168</u>
Operating surplus for the year		3,890,203	3,253,436
Investing activities			
Income from invested funds	1(h), 5	695,203	599,733
Realised (loss)/profit on disposal	6	(248,530)	1,190,316
Movement in unrealised loss on investments	6	(4,703,659)	(461,087)
		<u>(4,256,986)</u>	<u>1,328,962</u>
Net (deficit)/surplus in the Fund during the year		(366,783)	4,582,398
Net assets of the Fund at 1 January		<u>26,319,186</u>	<u>21,736,788</u>
Net assets of the Fund at 31 December		<u><u>25,952,403</u></u>	<u><u>26,319,186</u></u>

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

BALANCE SHEET
At 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Common Investment Fund allocation	1(g), 6	19,570,692	23,900,150
Current assets			
Debtors and prepayments	7	3,588,212	2,434,492
Balances with States Treasury		2,901,229	24,987
		6,489,441	2,459,479
Creditors: amounts falling due within one year	8	(107,730)	(40,443)
Net current assets		6,381,711	2,419,036
Total net assets		25,952,403	26,319,186
Reserves		25,952,403	26,319,186

The financial statements were approved by the Social Security Department on 22 April 2009.

Signed on behalf of the Department

M H Dorey
Minister

M Nutley
Administrator

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

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 listed investments and in accordance with applicable United Kingdom accounting standards, except as noted below:

The Fund has decided not to adopt Financial Reporting Standard ("FRS") 23 "The Effects of Changes in Foreign Exchange Rates", FRS 25 "Financial Instruments: Disclosure and Presentation" FRS 26 "Financial Instruments: Measurement and Recognition" and FRS 29 "Financial Instruments: Disclosures" other than the mandatory presentational requirements of FRS 25.

No cash flow Statement has been prepared as such a statement would not provide material additional information than that already available from the fund account.

Going Concern

The Department members and principal officers have reviewed the budgeted income and expenses over the next twelve months and deem that the Long-term Care Insurance Fund has adequate financial resources to meet its obligations. From a review of the above it is therefore deemed that the Long-term Care Insurance Fund is a going concern.

b) Contributions allocated & States grant

Income to the Long-term Care Insurance Fund represents an allocation to that Fund of specific proportions of contribution income. The contribution income represents the amount of cash received before 1 February 2009 in respect of the financial year ended 31 December 2008 and amounts received relating to prior financial periods not accounted for in those prior periods.

Prior to 2007, the grant received from the States of Guernsey was based on a fixed percentage of contributions, accounted for in the relevant period, the rate being set at 12%. The grant was withdrawn in 2007.

c) Long-term Care Insurance Fund

No account is taken of future benefit entitlements.

The adequacy of the Long-term Care Insurance Fund is, however, subject to actuarial review at least once every five years to determine the adequacy of contribution rates. The inaugural review was for three years to 31 December 2005 and was published in the Billet D'État VI, 2007.

d) Benefits payable

Benefits payable are included on an accruals basis.

e) Pension costs

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

f) Investments

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

g) Common Investment Fund

The investment portfolio of the Long-term Care Insurance Fund is combined with other Funds of the Department to form the Common Investment Fund. The allocation of the investment portfolio to the Fund is based on a percentage of amounts contributed by the Fund into the Common Investment Fund, as determined by the Department.

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

h) Investment income

Dividends are recognised in the financial statements when the underlying investments become ex-dividend.
Other investment income is accounted for on a receivable basis.

i) Security lending

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

2. CONTRIBUTIONS

	2008	2007
	£	£
Employer contributions	59,814,554	43,432,207
Employee contributions	52,197,720	47,333,321
	<u>112,012,274</u>	<u>90,765,528</u>
Self-employed contributions	11,163,713	10,480,433
Non-employed contributions	6,142,392	5,341,595
	<u>129,318,378</u>	<u>106,587,556</u>
Contributions allocated to:		
Guernsey Insurance Fund	(80,816,046)	(65,202,718)
Guernsey Health Service Fund	(32,299,301)	(27,040,234)
	<u>16,203,032</u>	<u>14,344,604</u>

3. BENEFITS PAYABLE

	2008	2007
	£	£
Residential home care benefit		
Permanent	5,372,130	4,996,742
Respite care	89,026	85,076
	<u>5,461,156</u>	<u>5,081,818</u>
Nursing home care benefit		
Permanent	6,631,392	5,713,650
Respite care	97,859	171,331
	<u>12,190,407</u>	<u>10,966,799</u>

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

4. ADMINISTRATION EXPENSES

	2008	2007
	£	£
Recharged from Guernsey Insurance Fund:		
Salaries and pension costs	94,909	99,232
Computer expenses	9,677	12,497
Property expenses and sundries	7,803	6,540
	<u>112,389</u>	<u>118,269</u>
Audit fee	6,400	6,100
Printing expenses	2,625	-
Professional fees	1,008	-
	<u>122,422</u>	<u>124,369</u>

5. INCOME FROM INVESTED FUNDS

	2008	2007
	£	£
Income		
UK dividends from equities	9,124,625	10,223,158
Overseas dividends from equities	3,539,818	4,735,423
Interest on short term deposits	3,220,621	2,047,575
Interest from fixed interest securities	1,500,966	1,902,418
Less: withholding tax suffered	(382,445)	(1,003,062)
Securities lending fees net of expenses	399,402	359,328
Brokers' commission recaptured	98	633
	<u>17,403,085</u>	<u>18,265,473</u>
Expenditure		
Investment manager's fees	(974,841)	(910,974)
Custody fees	(77,625)	(78,258)
	<u>16,350,619</u>	<u>17,276,241</u>
Net income of the Common Investment Fund		
	16,350,619	17,276,241
Net income allocated to:		
Guernsey Insurance Fund	(14,604,373)	(15,529,982)
Guernsey Health Insurance Fund	(1,128,193)	(1,151,652)
	<u>618,053</u>	<u>594,607</u>
Net income of the Common Investment Fund allocated to the Long-term Care Insurance Fund		
	618,053	594,607
Other income		
Interest on treasury deposits	77,150	5,126
	<u>695,203</u>	<u>599,733</u>

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2008

6. COMMON INVESTMENT FUND

	2008	2007
	£	£
United Kingdom equities	222,149,171	274,642,168
Overseas equities	132,518,294	238,960,907
Commodities	2,019,649	-
Fixed income securities	39,740,745	44,478,422
Cash and cash equivalents	100,829,683	35,447,515
Alternative investments and hedge funds	10,848,017	25,312,569
Property funds	9,906,473	12,622,889
	<u>518,012,032</u>	<u>631,464,470</u>
Reinvested collateral	40,472,941	67,149,080
Collateral returnable	(40,741,790)	(67,149,080)
	<u>(268,849)</u>	<u>-</u>
Collateral deficiency	(268,849)	-
	<u>517,743,183</u>	<u>631,464,470</u>
Investments allocated to:		
Guernsey Insurance Fund	(462,448,211)	(563,963,613)
Guernsey Health Service Fund	(35,724,280)	(43,600,707)
	<u>19,570,692</u>	<u>23,900,150</u>

At the year-end securities lending stood at £38,672,795 (2007:£64,865,804) secured by cash collateral of £40,741,790 (2007:£67,149,080) being 105.35% (2007:103.52%) of the value of the securities on loan.

The cash collateral is invested by the custodian in a pooled fund comprising short-term cash instruments. In September 2008 the custodian informed its clients of a collateral deficiency in the pooled fund and a cash collateral deficiency was charged against all investment portfolios in order to reinstate the market-to-book ratio to 1.00. At the year-end the Common Investment Fund's share of the unrealised cash collateral deficiency stood at £268,849 (2007: £Nil) with the market-to-book ratio down to 0.976 (2007:1.000).

Common Investment Fund movements during the year	2008	2007
	£	£
Market value 1 January	631,464,470	571,238,496
Investment income reinvested	17,289,015	18,180,600
Realised (loss)/profit on disposals	(6,574,862)	42,772,785
Movement on unrealised loss on investments	(124,435,440)	(19,998,286)
Proceeds of property sale invested - Guernsey Insurance Fund	-	10,470,875
New monies invested - Guernsey Insurance Fund	-	2,000,000
New monies invested - Guernsey Health Service Fund	-	3,000,000
New monies invested - Long-term Care Insurance Fund	-	3,800,000
	<u>517,743,183</u>	<u>631,464,470</u>

The realised loss allocated to the Long-term Care Insurance Fund for the year was £248,530 (2007: profit £1,190,316) with an unrealised loss of £4,703,659 (2007: loss £461,087).

During 2008 the common investment fund was managed by Schroder Investment Management Limited and also by BlackRock Investment Management (UK) Limited from 1 July.

7. DEBTORS AND PREPAYMENTS

	2008	2007
	£	£
Recharge due from Guernsey Insurance Fund	3,588,212	2,434,492

STATES OF GUERNSEY - LONG-TERM CARE INSURANCE FUND
Controlled and managed by the
Social Security Department

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2008

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Other creditors and accruals	107,730	40,443

9. RELATED PARTY TRANSACTIONS

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

Of the Department's annual income and expenditure, less than 20% of their respective value for 2007 and 2006 is due to transactions with other States entities, except as disclosed in notes 1, 3, 4 and 5.

10. SUPERANNUATION FUND

The employees of the Social Security Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 8.35% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The Department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £234,073 (2007: £236,251) of which the Long-term Care Insurance Fund contributed £6,256 (2007: £7,159).

11. STATEMENT OF CONTROL

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

12. SUBSEQUENT EVENTS

Subsequent to the end of the financial year covered by data and comments in the Reports and Financial Statements, the common investment fund allocation to the Guernsey Insurance Fund has experienced an increased level of volatility. As a result of the increased volatility which has been reflected in the investment prices, there has been a substantial movement in the value of any one or more classes of the investments held by the fund. The unaudited value of the common investment fund as at 21 April 2009 was £502,918,100 compared to £517,741,183 as at 31 December 2008. In accordance with generally accepted accounting standards, this is regarded as a non-adjusting post balance sheet event, and as such is now mentioned in this Report and Financial Statements.

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Statement of activities and performance

Year ended 31 December 2008

Principal purpose

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

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

Financial summary

	2008 £'000	2007 £'000
Operating income		
Sports	936	882
Health and Fitness	1,147	1,051
Entertainment	531	485
Trading areas	<u>493</u>	<u>442</u>
Total operating income	<u>3,107</u>	<u>2,860</u>
Total operating expenditure (excluding depreciation)	<u>3,835</u>	<u>3,732</u>
Operating deficit on ordinary activities (excluding depreciation)	<u>(728)</u>	<u>(872)</u>

Operational performance

The operating deficit for 2008 decreased by £144,000 to £728,000. Operating income increased by £247,000 (8.6%) compared with an increase in expenditure of £103,000 (2.8%).

Significant increases in operating income were recorded in all four main categories. Percentage increases ranged from 6.1% for Sports to 11.6% for Trading Areas. Income from memberships, which is apportioned between Sports and Health and Fitness for the purpose of these financial statements, increased by £63,000 (6.4%) in 2008. These figures demonstrate the ongoing hard work of the Centre’s management team to generate additional income streams in order to keep the Centre’s operating deficit as low as possible.

The number of Freedom (the most popular membership that offers free gym use and swimming as its main features) members at the end of 2008 was 2,871, an increase of 20 on the figure reported at the end of 2007.

Direct costs increased by £177,000 (7.8%) in 2008. The additional income generated had a knock-on effect of an increase in direct costs. The 2008 pay award of 4.8% also contributed to the overall higher-than-RPI increase.

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Statement of activities and performance - continued

Year ended 31 December 2008

Operational performance (continued)

Central Services expenses fell by £74,000 (5.1%) in 2008. Increases were recorded in some areas but the main reasons for the reduction were deliberate underspending on the ring-fenced maintenance budget to carry over funds for major works in 2009, a reduction in marketing staff cost allocation and expenditure and a reduction in rates (following the introduction of the new Tax on Real Property system).

In the period 2004-2008, i.e. the first five full years following completion of the Centre's redevelopment in June 2003, the operating deficit (excluding depreciation) achieved ranged between £751,000 and £872,000, 2007's figure. The 2008 figure of £728,000 was thus a considerable reduction against 2007 and was also lower than any figure reported in the 2004-2008 period. This statistic indicates the ongoing drive to keep the Centre running as efficiently and economically as possible.

Other matters

Beau Sejour remains committed to the Quest Facility Management Scheme ("Quest"). Quest is supported by Sport England, with over 1,000 sites in the UK accredited out of a total of around 3,000. The Quest maintenance assessment took place in July and was conducted by one of Quest's senior inspectors. The assessment is not scored and so the Centre retains "Highly Commended" status, but the visit did provide management and staff with the opportunity to discuss key areas with the assessor. The next bi-annual assessment is due to take place in April 2009.

The Centre continues to host a diverse range of events and 2008 saw a new "lifestyle" show held in the spring while a local church hosted services in the theatre through the year. Two major musical events were held: one a concert production of Les Miserables and the second a production of Evita staged by a local company.

The Health and Social Services Department continues to benefit from the Healthy Lifestyle Centre's ("HLC") situation within Beau Sejour. The HLC works as part of the rehabilitation process for people (many of them elderly) who have suffered serious health problems.

The Health & Safety partnership with DC Leisure Management Limited has been retained, with the Centre continuing to benefit from DC Leisure's experience in this field.

Board members and principal officers

Board Members as at 31st December 2008 were:

Deputy M O'Hara – Minister

Deputy M Garrett – Deputy Minister

Deputy G Dudley-Owen

Deputy J Gollop

Deputy F Quin

Mr J Vidamour – Non-States Member

Mrs H Beacom – Non-States Member

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Statement of activities and performance - continued
Year ended 31 December 2008

Board members and principal officers (continued)

Principal officers as at 31st December 2008 were:

D Chilton – Chief Officer, Culture & Leisure Department
K Gallienne – Director of Leisure Services
M Bourgaize – Centre Manager
A Baudains – Technical Services Manager
P Weaver – Events Manager
G King – Health & Fitness Manager
N Dicker – Trading Areas Manager
D Le Noury – Swim School Manager
L Whittaker – Sales Manager
P Gallienne, E Darling & C Loveridge – Duty Managers

Auditors

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors.

These financial statements were approved by the Culture and Leisure Department on 8th April 2009.

Signed on behalf of the Department.

M O'Hara
Minister

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Statement of responsibilities for the preparation of financial statements

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Centre 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 Centre. It is also responsible for safeguarding the assets of the Centre and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of internal financial controls

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

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

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

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

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

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

The board members and principal officers are aware of the current net liabilities position, however they have reviewed the cashflow, the funding commitments from the States of Guernsey (note 14) and projected income and expenses over the next twelve months and deem that The States of Guernsey Culture and Leisure Department - Beau Sejour Centre has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that The States of Guernsey Culture and Leisure Department - Beau Sejour Centre is a going concern.

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

**INDEPENDENT AUDITORS' REPORT TO THE BOARD OF THE STATES OF GUERNSEY
CULTURE AND LEISURE DEPARTMENT – BEAU SEJOUR CENTRE**

We have audited the financial statements of The States of Guernsey Culture and Leisure Department - Beau Sejour Centre ("the Centre") for the year ended 31 December 2008 which comprise the revenue account, the balance sheet, the cash flow statement and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board as a body, in accordance with the terms of our engagement letter dated 26 November 2007. Our audit work has been undertaken so that we might state to the Board those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do accept or assume responsibility to anyone other than the Board for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

The Board's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the board's Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice. We also report to you if, in our opinion, the information given in the statement of activities and performance is not consistent with the financial statements, if the Centre has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the statement of activities and performance and consider the implications for our report if we become aware of any apparent misstatements within it. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion of the effectiveness of the Centre's risk and control procedures.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Centre's affairs as at 31 December 2008 and of its deficit for the year then ended.

Deloitte LLP

Chartered Accountants and Registered Auditors

St Peter Port, Guernsey

8 April 2009

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Revenue account for the year ended 31 December 2008

		2008		2007	
		£	£	£	£
	Note				
Operating income	2		3,107,697		2,860,286
Operating expenses					
Direct costs	3	(2,455,357)		(2,277,924)	
Central services expenses	4	(1,379,811)		(1,454,536)	
Depreciation	1 & 5	<u>(642,489)</u>		<u>(662,598)</u>	
			<u>(4,477,657)</u>		<u>(4,395,058)</u>
Operating deficit on ordinary activities			(1,369,960)		(1,534,772)
Other income / (expense)					
Advertising and rentals			7,933		5,689
Net deficit on disposal of fixed assets			<u>(40,722)</u>		<u>(9,495)</u>
Deficit for the year	9		£ <u>(1,402,749)</u>		£ <u>(1,538,578)</u>

All material activities derive from continuing operations.

Statement of total recognised gains and losses for the year ended 31 December 2008

	2008	2007
Deficit for the financial year	(1,402,749)	(1,538,578)
Receipt of Capital funding	83,234	58,397
Receipt of Revenue funding	<u>720,940</u>	<u>980,821</u>
Total recognised loss for the financial year	£ <u>(598,575)</u>	£ <u>(499,360)</u>

The notes 1 to 14 form an integral part of these financial statements.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Balance sheet at 31 December 2008

	<i>Notes</i>	2008 £	2007 £
Tangible fixed assets	<i>1 & 5</i>	<u>10,095,137</u>	<u>10,649,886</u>
Current assets			
Stocks	<i>1 & 6</i>	34,624	41,465
Debtors and prepayments	<i>7</i>	96,771	122,779
Cash at bank and in hand		<u>7,570</u>	<u>7,560</u>
		<u>138,965</u>	<u>171,804</u>
Creditors: amounts falling due within one year	<i>8</i>	<u>(301,562)</u>	<u>(290,575)</u>
Net current liabilities		<u>(162,597)</u>	<u>(118,771)</u>
Total net assets		£ <u>9,932,540</u>	£ <u>10,531,115</u>
Reserves	<i>9</i>	£ <u>9,932,540</u>	£ <u>10,531,115</u>

These financial statements were approved by the Culture and Leisure Department on 8th April 2009.

Signed on behalf of the Department

M O'Hara
Minister

The notes 1 to 14 form an integral part of these financial statements.

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Cash flow statement

for the year ended 31 December 2008

	Notes	2008	2007
		£	£
Net cash outflow from operating activities	10	(675,702)	(923,791)
Capital expenditure			
Purchase of tangible fixed assets		(128,462)	(115,417)
Disposal of tangible fixed assets		<u>-</u>	<u>-</u>
Net cash outflow from investing activities		<u>(128,462)</u>	<u>(115,417)</u>
Net cash outflow before financing		(804,164)	(1,039,208)
Financing			
Capital funding		83,234	58,397
Revenue funding	10	<u>720,940</u>	<u>980,821</u>
Net cash inflow from financing		<u>804,174</u>	<u>1,039,218</u>
Increase in cash at bank and in hand		<u>10</u>	<u>10</u>
Cash at bank and in hand brought forward		<u>7,560</u>	<u>7,550</u>
Cash at bank and in hand carried forward		<u><u>7,570</u></u>	<u><u>7,560</u></u>

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements

year ended 31 December 2008

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The board members and principal officers are aware of the current net liabilities position, however they have reviewed the cashflow, the funding commitments from the States of Guernsey (note 14) and projected income and expenses over the next twelve months and deem that The States of Guernsey Culture and Leisure Department - Beau Sejour Centre has adequate financial resources to meet its obligations.

From a review of the above it is therefore deemed that The States of Guernsey Culture and Leisure Department - Beau Sejour Centre is a going concern.

Stock

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation

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

	Estimated life In years	Depreciation % per annum
Freehold land and buildings	35	2.86
Plant, equipment, furniture, fixtures and fittings and catering equipment	10 - 5	10 - 20
Office equipment	5 - 3	20 - 33.33
Motor vehicles	5	20
Weight Training	5 - 3	20 - 33.33
Water flumes	20	5
Soft play equipment	3	33.33
Outdoor facilities	25	4
Sports equipment	5 - 3	20 - 33.33
Vehicles	5	20
Maintenance equipment	10 - 5	10 - 20

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2008

1. Accounting policies - continued

Pension costs

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

2. Operating income

	2008 £	2007 £
Sports	935,989	882,277
Health and Fitness	1,147,129	1,051,386
Entertainment	531,289	484,639
Trading areas	<u>493,290</u>	<u>441,984</u>
	£ <u>3,107,697</u>	£ <u>2,860,286</u>

3. Direct costs

	2008 £	2007 £
Sports		
Salaries, wages and superannuation	1,010,318	953,786
Maintenance and general expenses	<u>78,109</u>	<u>74,496</u>
	<u>1,088,426</u>	<u>1,028,282</u>
Health and fitness		
Salaries, wages and superannuation	330,370	306,194
Maintenance and general expenses	<u>36,845</u>	<u>26,133</u>
	<u>367,215</u>	<u>332,327</u>
Entertainment		
Salaries, wages and superannuation	282,838	264,817
Theatre and concert costs	253,894	187,897
Maintenance and general expenses	<u>8,788</u>	<u>11,403</u>
	<u>545,520</u>	<u>464,117</u>
Trading areas		
Cost of sales – bar, catering and shop	245,448	249,262
Salaries, wages and superannuation	187,642	180,512
Maintenance and general expenses	<u>21,106</u>	<u>23,424</u>
	<u>454,196</u>	<u>453,198</u>
	£ <u>2,455,357</u>	£ <u>2,277,924</u>

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2008

4. Central services expenses

	2008 £	2007 £
Business development		
Salaries, wages and superannuation	135,153	157,213
Advertising and general expenses	<u>14,899</u>	<u>17,512</u>
	<u>150,052</u>	<u>174,725</u>
Repairs and maintenance		
Salaries, wages and superannuation	369,608	363,691
Fuel, light and power	307,022	278,972
General expenses	<u>201,445</u>	<u>279,355</u>
	<u>878,075</u>	<u>922,018</u>
Finance, administration and information technology		
Salaries, wages and superannuation	182,911	164,632
Insurance	48,952	52,484
Rates	4,145	18,518
Postage, printing, telephone and stationery	32,484	44,545
Training, travel and entertainment	13,194	15,709
Computer charges	30,364	36,222
Consultancy charges	7,251	9,658
Audit fee	17,915	8,400
General expenses	<u>14,468</u>	<u>7,625</u>
	<u>351,684</u>	<u>357,793</u>
	<u>£ 1,379,811</u>	<u>£ 1,454,536</u>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2008

5. Tangible fixed assets

	1 January 2008 £	Additions £	Disposals £	31 December 2008 £
<i>Cost</i>				
Freehold land and buildings	13,366,040	12,758	13,160	13,365,638
Plant and equipment	1,568,134	19,255	208,494	1,378,895
Furniture, fixtures and fittings	787,649	53,858	89,036	752,471
Office equipment	398,635	5,656	9,293	394,998
Catering equipment	128,714	-	-	128,714
Weight training equipment	265,671	22,442	27,889	260,224
Outdoor facilities	2,502	-	84	2,418
Water flumes	359,068	-	-	359,068
Soft play equipment	19,421	-	3,977	15,444
Sports equipment	31,394	958	495	31,857
Vehicles	-	10,500	-	10,500
Maintenance equipment	<u>43,766</u>	<u>3,035</u>	<u>-</u>	<u>46,801</u>
	<u>16,970,994</u>	<u>128,462</u>	<u>352,428</u>	<u>16,747,028</u>
	1 January 2008 £	Charge for the year £	Disposals £	31 December 2008 £
<i>Depreciation</i>				
Freehold land and buildings	3,139,274	491,543	1,917	3,628,900
Plant and equipment	1,419,462	31,812	200,309	1,250,965
Furniture, fixtures and fittings	666,690	32,272	67,742	631,220
Office equipment	395,340	2,514	9,293	388,561
Catering equipment	115,125	3,901	-	119,026
Weight training equipment	219,693	41,301	27,889	233,105
Outdoor facilities	2,501	-	84	2,417
Water flumes	293,288	32,128	-	325,416
Soft play equipment	19,421	-	3,977	15,444
Sports equipment	31,394	192	495	31,091
Vehicles	-	2,100	-	2,100
Maintenance equipment	<u>18,920</u>	<u>4,726</u>	<u>-</u>	<u>23,646</u>
	<u>6,321,108</u>	<u>642,489</u>	<u>311,706</u>	<u>6,651,891</u>
Net book value	<u>10,649,886</u>			<u>10,095,137</u>

States of Guernsey Culture and Leisure Department

- Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2008

6. Stocks

	2008 £	2007 £
Consumables	24,636	24,552
Goods for resale	<u>9,988</u>	<u>16,913</u>
	£ <u>34,624</u>	£ <u>41,465</u>

7. Debtors and prepayments

	2008 £	2007 £
Trade debtors	70,942	85,063
Other debtors and prepayments	<u>25,829</u>	<u>37,716</u>
	£ <u>96,771</u>	£ <u>122,779</u>

8. Creditors: amounts falling due within one year

	2008 £	2007 £
Accruals	39,242	38,788
Deferred income	<u>262,320</u>	<u>251,787</u>
	£ <u>301,562</u>	£ <u>290,575</u>

9. Reserves

	General reserve £	Revenue Account £	Total £
Balance 1 January 2008	15,547,619	(5,016,504)	10,531,115
Capital funding	83,234	-	83,234
Deficit for year	-	(1,402,749)	(1,402,749)
Revenue funding	<u>-</u>	<u>720,940</u>	<u>720,940</u>
Balance 31 December 2008	<u>15,630,853</u>	<u>(5,698,313)</u>	<u>9,932,540</u>

The general reserve is a separate reserve which was established to fund the asset base of the Centre.

The capital and revenue funds were provided by the States of Guernsey on a non-recourse basis.

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued year ended 31 December 2008

10. Cash flow statement

*Reconciliation of operating deficit to net cash
outflow from operating activities*

	2008	2007
	£	£
Operating deficit	(1,402,749)	(1,538,578)
Depreciation charge	642,489	662,598
Net deficit on disposal of fixed assets	40,722	9,495
Increase in stocks	6,841	2,096
Decrease/(increase) in debtors	26,008	(50,779)
Increase/(decrease) in creditors	<u>10,987</u>	<u>(8,623)</u>
Net cash outflow from operating activities	£ <u>(675,702)</u>	£ <u>(923,791)</u>

11. Pension Fund

The employees of the States of Guernsey Culture and Leisure Department are members of the States of Guernsey Superannuation Scheme. This is a defined benefits pension scheme, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives. The report by the actuaries on the valuation of the Superannuation Fund at 31 December 2004 indicated that a deficit existed. However, the States decided to maintain the current employer's contribution rate to the Fund at 7.85% which came into effect at 1 January 2003. The arrangements for providing pensions for public sector employees were reviewed during 2007 and it was agreed the employees contribution rate would be increased to 6.5% with effect from 1 January 2008.

During 2008 the States considered a report by the actuaries on the valuation of the Fund at 31 December 2007 which indicated that a deficit still existed. The States agreed to increase the current employer's contribution rate to the Fund to 14.1% with effect from 1 January 2010.

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

The department has applied the provisions of FRS 17 for multi employer arrangements. In such circumstances, where the share of the underlying assets and liabilities of the scheme cannot be identified on a reasonable or consistent basis, the employer is only required to account for the contributions made for the current period as an expense in the revenue account. The total amount of superannuation contributions for the year ended 31 December 2008 were £112,871 (2007: £104,656).

States of Guernsey Culture and Leisure Department - Beau Sejour Centre

Notes to the financial statements - continued
year ended 31 December 2008

12. Related party transactions

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

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

13. Statement of control

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

14. Funding

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

AUDITORS' REPORT TO THE BOARD OF ELIZABETH COLLEGE - GUERNSEY

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

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

Respective responsibilities of the Board of Directors and auditors

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

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

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

It is our responsibility to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the company 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.

Basis of opinion

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

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

**AUDITORS' REPORT TO THE BOARD OF
ELIZABETH COLLEGE - GUERNSEY**
(continued)

Basis of opinion (continued)

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the College's affairs as at 31 August 2008 and of its result for the year then ended; and
- have been properly prepared in accordance with the applicable laws.

BDO NOVUS LIMITED

CHARTERED ACCOUNTANTS
Elizabeth House
St Peter Port
Guernsey

3 December 2008

ELIZABETH COLLEGE - GUERNSEY**REVENUE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2008**

	Note		2007
INCOME	2		
States Block Grant		2,003,104	1,932,573
Fees receivable		1,950,192	1,796,853
Sundry income		121,025	112,247
		<hr/>	<hr/>
		4,074,321	3,841,673
EXPENDITURE			
School and departmental expenses		2,844,250	2,701,682
Youth training expenses		18,703	8,716
Administrative expenses		656,601	590,237
Maintenance of buildings and grounds		365,825	348,662
		<hr/>	<hr/>
		(3,885,379)	(3,649,297)
OPERATING SURPLUS FOR THE YEAR BEFORE INTEREST		<hr/>	<hr/>
		188,942	192,376
Interest receivable		62,081	50,414
Interest payable		(5,640)	(3,195)
		<hr/>	<hr/>
OPERATING SURPLUS FOR THE YEAR	2	245,383	239,595
<i>Restricted income</i>			
Capital grant from Elizabeth College Foundation	3	388,470	-
Exceptional income from sale of legacy asset		-	78,504
		<hr/>	<hr/>
		388,470	78,504
Transfer to Capital Reserve - Restricted	8	(388,470)	-
<i>Elizabeth College Foundation costs</i>	13		
Amortisation of establishment costs		(2,006)	-
Annual running costs		(60,134)	-
		<hr/>	<hr/>
		(62,140)	-
Transfer to Maintenance Reserve	8	-	(155,000)
RETAINED SURPLUS FOR THE FINANCIAL YEAR TRANSFERRED TO CAPITAL ACCOUNT	8	<hr/>	<hr/>
		£ 183,243	£ 163,099
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

The notes 1 to 13 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY**BALANCE SHEET****31 AUGUST 2008**

	Note		2007
FIXED ASSETS			
Tangible assets	3	2,771,761	2,383,291
CURRENT ASSETS			
Stock		859	3,660
Debtors	4	444,805	641,590
Cash at bank and in hand		1,061,735	563,776
		<hr/>	<hr/>
		1,507,399	1,209,026
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Sundry creditors	5	(444,366)	(311,836)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,063,033	897,190
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,834,794	3,280,481
CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	6	(49,206)	(66,606)
		<hr/>	<hr/>
		£ 3,785,588	£ 3,213,875
		<hr/>	<hr/>
REPRESENTED BY:-			
RESERVES			
Capital account	8	3,335,588	2,763,875
Maintenance reserve		450,000	450,000
		<hr/>	<hr/>
		£ 3,785,588	£ 3,213,875
		<hr/>	<hr/>

APPROVED BY THE BOARD OF DIRECTORS*K. Paul Mellor*

Chairman

3 December 2008

The notes 1 to 13 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 AUGUST 2008**

	Note		2007 As restated
NET CASH INFLOW FROM OPERATING ACTIVITIES	9	255,146	148,120
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		49,099	39,665
Interest paid		(5,805)	(5,030)
		-----	-----
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		43,294	34,635
		-----	-----
INVESTING ACTIVITIES			
Amounts repaid by non grant-aided sector		185,253	21,494
EC Foundation costs		(69,809)	(102,364)
Purchase of fixed assets		(388,470)	-
		-----	-----
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(273,026)	(80,870)
		-----	-----
NET CASH INFLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING		25,414	101,885
FINANCING			
Repayment of loan from States Culture and Leisure Department	(10,000)		(10,000)
Bank loan received	-		21,056
Bank loan repaid	(5,925)		-
Old Elizabethan Association contribution to E C Foundation costs	100,000		-
Restricted grant received from E C Foundation	388,470		-
		-----	-----
NET CASH INFLOW FROM FINANCING		472,545	11,056
		-----	-----
INCREASE IN CASH FOR THE YEAR		£ 497,959	£ 112,941
		-----	-----
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase in cash for the year		497,959	112,941
Cash at bank and in hand at 1 September 2007		563,776	450,835
		-----	-----
Cash at bank and in hand at 31 August 2008		£ 1,061,735	£ 563,776
		-----	-----

The notes on pages 1 to 13 form an integral part of these financial statements.

ELIZABETH COLLEGE – GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2008****1. ACCOUNTING POLICIES****(a) CONVENTION**

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

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

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

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

(c) 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 sold at selling price, in a manner consistent with that used in previous years.

(d) PRIZE FUNDS AND BEQUESTS

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

(e) REVENUE RECOGNITION

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

2. INCOME AND OPERATING SURPLUS

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

3. TANGIBLE FIXED ASSETS

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

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2008

3. TANGIBLE FIXED ASSETS (continued)

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.

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

As an indication of the relative value of the College's freehold property assets, and the values at which they are included within the financial statements, the following table sets out (a) the cost values at which the properties are included within the accounts and (b) their estimated current insurance values, updated from May 2005 when the properties were last valued for insurance purposes by a qualified Quantity Surveyor. All figures exclude land.

	<i>Cost</i>		<i>Cost</i>	<i>Insurance</i>
	<i>At 1.9.07</i>	<i>Additions</i>	<i>At 31.8.08</i>	<i>Valuation</i>
Main College site				
- Historic buildings	-	-	-	17,636,000
- Modern buildings	2,318,451	-	2,318,451	22,584,000
- Sixth Form Centre	-	388,470	388,470	390,000
College Playing Fields				
- Old pavilion	-	-	-	522,000
- Modern buildings	64,840	-	64,840	676,000
	<hr/>	<hr/>	<hr/>	<hr/>
	£ 2,383,291	£ 388,470	£ 2,771,761	£ 41,808,000
	<hr/>	<hr/>	<hr/>	<hr/>

The addition to tangible fixed assets in the year was financed by a capital grant from the Elizabeth College Foundation, shown as restricted non-operating income in the Revenue Account for the year. Details about the Elizabeth College Foundation are given in note 13.

ELIZABETH COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2008

4. DEBTORS		2007
<i>Amounts due within one year</i>		
Fee debtors	21,489	22,381
Accrued income	38,339	25,357
Current account – College non-grant aided sector	75,901	238,094
Unamortised establishment costs – Elizabeth College Foundation (note 13)	93,366	102,364
Other debtors and prepayments	215,710	230,334
	<hr/>	<hr/>
	444,805	618,530
<i>Amounts due after more than one year</i>		
Loan account – College non-grant aided sector	-	23,060
	<hr/>	<hr/>
	£ 444,805	£ 641,590
	<hr/>	<hr/>

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

The loan account was interest free and unsecured. The loan related to financial assistance provided by the grant-aided sector of the College in connection with the conversion of the non-grant aided sector's property at King's Road for use as staff accommodation to be occupied by teaching staff employed by the grant-aided sector. The loan was repaid out of the rental income arising from the use of the property as teaching staff accommodation.

5. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR		2007
Trade creditors	165,880	153,917
Loan – States Culture and Leisure Department (note 6)	10,000	10,000
Bank loan (note 7)	5,925	4,450
Old Elizabethan Association contribution to Elizabeth College Foundation costs (note 13)	83,333	-
Other creditors and accruals	179,228	143,469
	<hr/>	<hr/>
	£ 444,366	£ 311,836
	<hr/>	<hr/>
6. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		2007
<i>Loan – States Culture and Leisure Department</i>		
Repayable by instalments:		
- Due within five years	40,000	40,000
- Due after more than five years	-	10,000
Bank loan (note 7)	9,206	16,606
	<hr/>	<hr/>
	£ 49,206	£ 66,606
	<hr/>	<hr/>

ELIZABETH COLLEGE – GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2008

6. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

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

7. BANK LOAN	2007	
Wholly repayable within five years	£ 15,131	£ 21,056
	_____	_____
Aggregate amounts repayable :		
Within one year	5,925	4,450
Between one and two years	5,925	4,450
Between two and five years	3,281	12,156
	_____	_____
	£ 15,131	£ 21,056
	_____	_____

The bank loan, which was taken out to fund the cost of a replacement school minibus, bears interest at 2% above The Royal Bank of Scotland International Limited base rate and is repayable by monthly instalments until 30 April 2012.

8. RESERVES	Restricted Capital <u>Reserve</u>	Capital <u>Account</u>	Maintenance <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2007	-	2,763,875	450,000	3,213,875
Transfer from Revenue Account	388,470	-	-	388,470
Retained surplus for the year	-	183,243	-	183,243
Capital expenditure - Sixth Form Centre	(388,470)	388,470	-	-
	_____	_____	_____	_____
Balance at 31 August 2008	£ -	£ 3,335,588	£ 450,000	£ 3,785,588
	_____	_____	_____	_____

ELIZABETH COLLEGE – GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2008**

9. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES		2007 As restated
Operating surplus for the year before interest	188,942	192,376
Decrease in stock	2,801	1,242
Decrease/(increase) in operating debtors	15,516	(88,286)
Increase in operating creditors	47,887	42,788
	<hr/>	<hr/>
Net cash inflow from operating activities	£ 255,146	£ 148,120
	<hr/>	<hr/>

10. PENSION COSTS

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

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

Following the States approval, in July 2005, of the Public Sector Remuneration Committee's proposal to close the Teachers Scheme to new entrants and to allow current Members to opt to transfer to the Public Servants' Pension Scheme (Combined Pool), a transfer was made from the Teachers Scheme to the Combined Pool on 1 November 2005.

The last actuarial valuation of the Scheme was conducted at 31 December 2006. 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 84.0% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer's contributions in respect of administration and teaching ancillary staff is 7.35% of pensionable salary. The current rate of the employer's contributions in respect of teachers is 13.5% of pensionable salary.

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2008 was £444,907 (2007 : £405,906). At 31 August 2008 the amount of outstanding contributions not paid over to the Scheme was £77,808 (2007 : £70,980).

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.

ELIZABETH COLLEGE – GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2008****11. CONTROLLING PARTY**

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

12. RELATED PARTY TRANSACTIONS

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

During the year ended 31 August 2008 an amount of £30,000 (2007: £30,000) 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.

13. ELIZABETH COLLEGE FOUNDATION

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

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

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

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

ELIZABETH COLLEGE – GUERNSEY**DETAILED REVENUE ACCOUNT****FOR THE YEAR ENDED 31 AUGUST 2008****2007****INCOME**

States Block Grant	2,003,104	1,932,573
Fees receivable	1,950,192	1,796,853
Hire of facilities	95,319	96,429
Other income	25,706	15,818
	<hr/>	<hr/>
	4,074,321	3,841,673

EXPENDITURE**SCHOOL AND DEPARTMENTAL EXPENSES**

Teachers' salaries	2,153,526	2,045,692
Teachers' superannuation	265,662	245,168
Teaching ancillary salaries and superannuation	150,926	137,793
Departmental expenses	226,754	201,380
Other school expenses	9,703	33,118
Examination fees	37,678	38,531
	<hr/>	<hr/>
	2,844,250	2,701,682

YOUTH TRAINING EXPENSES

	18,703	8,716
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ADMINISTRATIVE EXPENSES

Services	219,643	204,157
Administration salaries and superannuation	230,271	222,813
School administration	58,422	52,256
General expenses	51,582	43,068
Rates, insurance and taxes	55,677	49,163
Discounts given	47,973	34,549
Audit and accountancy	11,500	7,400
Bad debts	11,533	6,831
Recharge to non grant-aided sector	(30,000)	(30,000)
	<hr/>	<hr/>
	656,601	590,237

MAINTENANCE OF BUILDINGS AND GROUNDS

Maintenance of playing fields	80,529	72,809
Maintenance of other areas	285,296	275,853
	<hr/>	<hr/>
	365,825	348,662

OPERATING SURPLUS BEFORE INTEREST

	£ 188,942	£ 192,376
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INDEPENDENT AUDITORS' REPORT TO THE BOARD OF GOVERNORS OF THE LADIES' COLLEGE - GUERNSEY

We have audited the financial statement of The Ladies' College for the year ended 31 August 2008. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out in note 1 and the requirements of The Financial Reporting Standard for Smaller Entities (effective January 2007).

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

Respective responsibilities of the Board of Governors and auditors

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

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

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

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

Basis of opinion

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

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

We have undertaken the audit in accordance with the requirements of APB Ethical Standards including APB Ethical Standard – Provisions Available for Small Entities, in the circumstances set out in note 2 to the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the College's affairs as at 31 August 2008 and of its surplus for the year then ended.

BDO NOVUS LIMITED

CHARTERED ACCOUNTANTS

Place du Pré

Rue du Pré

St Peter Port

Guernsey

13 JANUARY 2009

THE LADIES' COLLEGE - GUERNSEY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2008

	Note		2007
INCOME	3		
States grant		858,951	858,572
Fees receivable:			
- special place holders	821,100		748,650
- fee payers	1,296,987		1,192,107
		<hr/>	<hr/>
		2,118,087	1,940,757
Bank interest received		77,272	56,418
Student registration fees		6,480	4,825
Miscellaneous income		18,634	20,723
		<hr/>	<hr/>
		3,079,424	2,881,295
EXPENDITURE			
School expenditure		(2,553,480)	(2,457,261)
OPERATING SURPLUS FOR THE YEAR	3	525,944	424,034
TRANSFER TO MAINTENANCE & IMPROVEMENTS RESERVE	4/6	(400,000)	(400,000)
		<hr/>	<hr/>
RETAINED SURPLUS FOR THE YEAR	6	£ 125,944	£ 24,034
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

A statement of movement on reserves is included in note 6 to the financial statements.

The notes 1 to 9 form an integral part of these financial statements.

THE LADIES' COLLEGE - GUERNSEY**BALANCE SHEET****31 AUGUST 2008**

	Note		2007
CURRENT ASSETS			
Stock of uniforms and student equipment		3,316	15,641
Bank balances		1,441,249	1,059,634
Cash in hand		69	372
		-----	-----
		1,444,634	1,075,647
CURRENT LIABILITIES			
Creditors	5	122,745	269,367
Fees re Autumn Term received in advance		156,664	166,999
		-----	-----
		(279,409)	(436,366)
		-----	-----
NET CURRENT ASSETS		£ 1,165,225	£ 639,281
		-----	-----
REPRESENTED BY:-			
Reserves	6	£ 1,165,225	£ 639,281
		-----	-----

APPROVED ON BEHALF OF THE BOARD OF GOVERNORS***K M N RICHARDS***

Governor

13 JANUARY 2009

The notes 1 to 9 form an integral part of these financial statements.

**THE LADIES' COLLEGE - GUERNSEY
NOTES TO THE FINANCIAL STATEMENTS**

31 AUGUST 2008

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 January 2007). The principal accounting policies which the Board of Governors have adopted within that convention are set out below.

(b) CAPITAL EXPENDITURE

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

(c) STOCK

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

(d) INCOME RECOGNITION

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

2. APB ETHICAL STANDARD – PROVISIONS AVAILABLE FOR SMALL ENTITIES

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

3. INCOME AND OPERATING SURPLUS FOR THE YEAR

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

4. 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 2008;
- 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.

THE LADIES' COLLEGE - GUERNSEY

NOTES TO THE FINANCIAL STATEMENTS

31 AUGUST 2008

5. CREDITORS

		2007
School and administrative expenses	£ 122,745	£ 269,367
	<hr/>	<hr/>

6. RESERVES

	Income & Expenditure <u>Account</u>	Maintenance & Improvements <u>Reserve</u>	<u>Total</u>
Balance at 1 September 2007	24,034	615,247	639,281
Retained surplus for the year	525,944	-	525,944
Transfer from income & expenditure account to maintenance & improvements reserve	(400,000)	400,000	-
	<hr/>	<hr/>	<hr/>
Balance at 31 August 2008	£ 149,978	£ 1,015,247	£ 1,165,225
	<hr/>	<hr/>	<hr/>

7. PENSION COSTS

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

The States of Guernsey Superannuation Scheme is a multi-employer scheme and the level of contributions made to the scheme by each employer will be affected by actuarial risks relating to the employees of other employers. It is also not possible for the underlying pension assets and liabilities within the Scheme relating to the employees of The Ladies' College to be determined on a reasonable and consistent basis, as required by The Financial Reporting Standard for Smaller Entities (effective January 2007). In addition, the Board of Governors considers that the additional cost 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 2007. 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 94.9% of the actuarial valuation of the liabilities relating to that group. The current rate of the employer's contributions in respect of administration and teaching ancillary staff is 7.85% of pensionable salary. The current rate of the employer's contributions in respect of teachers is 13.5% of pensionable salary.

THE LADIES' COLLEGE - GUERNSEY**NOTES TO THE FINANCIAL STATEMENTS****31 AUGUST 2008****7. PENSION COSTS (continued)**

The total amount of superannuation contributions payable by the College to the Scheme for the year ended 31 August 2008 was £207,409 (2007:£201,187). At 31 August 2008 the amount of outstanding contributions not paid over to the Scheme was £51,706 (2007:£201,187).

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.

8. 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 January 2007) 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.

9. RELATED PARTY TRANSACTIONS

There were no material related party transactions.

THE LADIES' COLLEGE - GUERNSEY
DETAILED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2008

2007

INCOME

States grant	858,951	858,572
Fees receivable	2,118,087	1,940,757
Student registration fees	6,480	4,825
Bank interest received	77,272	56,418
Miscellaneous income	18,634	20,723
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	3,079,424	2,881,295

EXPENDITURE

Teachers' salaries	1,930,336	1,851,267
Staff training	6,494	7,487
Staff recruitment and relocation	12,909	8,426
Office and administration salaries	107,658	97,832
Maintenance salaries	108,136	104,299
Books, stationery and other teaching materials	70,661	72,931
Laboratory and design and technology	20,411	18,347
Sports and expedition	18,154	24,922
Examination fees	42,251	41,951
Electricity, oil, gas, water and telephone	36,873	32,682
Rates, taxes and insurance	10,090	13,868
Routine maintenance of buildings, grounds and equipment	106,788	123,022
Fixed asset acquisition costs	53,477	42,661
General administrative expenses	23,392	13,816
Audit fee	5,850	3,750
	<hr/>	<hr/>
	2,553,480	2,457,261

OPERATING SURPLUS
FOR THE YEAR

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	£ 525,944	£ 424,034
	<hr/>	<hr/>

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. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the Policy and Finance Committee

We have audited the accounts (the "accounts") of The States of Alderney for the year ended 31 December 2008 which comprise Revenue Income and Expenditure accounts, Capital Account, Summary of Balances and the related notes 1 to 6. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the States Treasurer and auditors

The States Treasurer is responsible for preparing the accounts which fairly summarise the transactions made during that year and for selecting suitable accounting policies.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts fairly summarise and are properly prepared in accordance with the accounting policies set out in note 1. We also report to you if, in our opinion, the Treasurer has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Statement of Responsibilities of the Policy and Finance Committee and the States Treasurer and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the accounts:

- fairly summarise the transactions made during the year ended 31 December 2008; and
- have been properly prepared in accordance with the accounting policies set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

26 March 2009

STATES OF ALDERNEY**SUMMARY OF GENERAL REVENUE INCOME AND EXPENDITURE**

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
INCOME ON REVENUE ACCOUNT				
Building and Development Control Committee	33,599	16,000	15,000	14,173
General Services Committee	483,245	504,900	505,800	432,771
Policy and Finance Committee	772,925	800,200	813,000	781,323
TOTAL INCOME ON REVENUE ACCOUNT	1,289,769	1,321,100	1,333,800	1,228,267
Net revenue cash allocation from States of Guernsey	1,520,301	1,613,800	1,500,000	1,610,263
	2,810,070	2,934,900	2,833,800	2,838,530

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
EXPENDITURE ON REVENUE ACCOUNT				
Building and Development Control Committee	36,897	48,500	47,300	33,949
General Services Committee	1,689,209	1,787,300	1,832,900	1,768,856
Policy and Finance Committee	1,083,964	1,099,100	1,059,900	1,035,725
TOTAL EXPENDITURE ON REVENUE ACCOUNT	2,810,070	2,934,900	2,940,100	2,838,530
Use of Accumulated Unspent Balances	-	-	(106,300)	-
	2,810,070	2,934,900	2,833,800	2,838,530

BUILDING AND DEVELOPMENT CONTROL COMMITTEE

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Planning fees	33,599	16,000	15,000	14,173
TOTAL REVENUE INCOME	33,599	16,000	15,000	14,173

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Administration				
Staff, supplies and services	34,471	46,000	44,800	31,652
Planning records system	2,426	2,500	2,500	2,297
TOTAL REVENUE EXPENDITURE	36,897	48,500	47,300	33,949

GENERAL SERVICES COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Agriculture								
Fees and charges	2,374		3,200		4,200		2,992	
Rents	6,428		4,400		4,200		3,314	
Slaughterhouse fees	2,634		4,500		4,200		4,467	
		11,436		12,100		12,600		10,773
Gardens, Cemetery and Church								
Burial plots		1,280		1,100		1,000		1,037
Public Services								
Administration								
Hire vehicle fees	2,968		2,500		3,000		2,067	
Vehicle import licence fees	35,076		35,000		35,000		33,170	
		38,044		37,500		38,000		35,237
Properties - General								
Rent	109,883		127,000		127,000		82,557	
Properties - Housing								
Rent	272,112		280,000		280,000		268,370	
Sewage, Sanitation and Refuse								
Cesspit emptying fees	9,376		8,000		8,000		7,643	
Refuse charges	21,000		21,000		21,000		11,555	
		30,376		29,000		29,000		19,198
		450,415		473,500		474,000		405,362
Recreation								
Campsite								
Campsite fees (net)	5,369		6,000		6,000		5,811	
Rent of showers/shop	200		200		200		200	
		5,569		6,200		6,200		6,011
Island Hall								
Island Hall charges	14,545		12,000		12,000		9,588	
		20,114		18,200		18,200		15,599
TOTAL REVENUE INCOME		483,245		504,900		505,800		432,771

GENERAL SERVICES COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Alderney Harbour trading loss		79,149		74,500		75,500		131,891
Agriculture								
Staff	114,580		116,000		115,000		110,710	
Supplies and services	20,420		18,000		18,000		16,391	
Bovine Spongiform Encephalopathy - Compensation	600		1,500		1,500		1,800	
Disposal costs	-		600		600		-	
Burhou & Ramsar site expenses	6,003		6,000		6,000		6,388	
Dairy and land management compensation	62,198		65,000		65,000		65,000	
Foot and mouth insurance	1,380		1,400		1,300		1,154	
Slaughterhouse	4,277		5,000		5,000		5,547	
Veterinary services	3,112		6,000		5,000		6,749	
		212,570		219,500		217,400		213,739
Civil Emergency								
Premises	2,267		2,500		2,000		2,738	
Supplies and services	2,352		3,500		4,000		2,803	
Environmental monitoring	17,628		18,000		18,000		17,082	
Responses to major incidents	2,198		2,500		2,500		-	
		24,445		26,500		26,500		22,623
Fieldwork Scheme								
Staff	7,391		8,000		8,000		2,625	
Supplies and services	-		500		500		8	
		7,391		8,500		8,500		2,633
Gardens, Cemetery and Church								
Staff	25,997		25,900		25,700		25,107	
Supplies and services	2,467		3,500		4,000		2,594	
	28,464		29,400		29,700		27,701	
<i>Less recoveries</i>	(2,711)		(2,200)		(2,300)		(1,744)	
		25,753		27,200		27,400		25,957
Health and Welfare								
Administration								
Supplies and services	749		800		500		545	
Education and Health								
Grant to Alderney playschools	350		-		500		350	
School bus subsidy	16,929		15,800		16,600		14,122	
Youth employment scheme	91		3,000		3,000		1,755	
	17,370		18,800		20,100		16,227	
Home Carers Service								
Staff	440		1,000		1,000		660	
<i>Less recoveries</i>	-		(500)		(500)		-	
	440		500		500		660	
Welfare Services								
Out-relief and welfare support	1,887		1,500		1,500		1,067	
<i>Less recoveries</i>	-		(200)		(200)		-	
	1,887		1,300		1,300		1,067	
		20,446		21,400		22,400		18,499

GENERAL SERVICES COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Public Services								
Administration								
Staff	83,696		80,600		110,600		93,346	
Supplies and services	12,740		15,000		15,000		14,588	
Training - Health and Safety	4,082		10,000		-		10,640	
	<u>100,518</u>		<u>105,600</u>		<u>125,600</u>		<u>118,574</u>	
Fire Brigade and Cliff Rescue								
Staff	13,583		22,000		24,000		12,714	
Supplies and services	6,558		10,000		10,000		9,736	
Administration of Law	-		1,000		1,000		-	
	<u>20,141</u>		<u>33,000</u>		<u>35,000</u>		<u>22,450</u>	
Properties - General								
Staff	137,012		110,600		143,400		153,248	
Supplies and services	109,170		90,000		90,000		190,598	
	<u>246,182</u>		<u>200,600</u>		<u>233,400</u>		<u>343,846</u>	
<i>Less recoveries</i>	(63,808)		(30,000)		(35,000)		(108,063)	
	<u>182,374</u>		<u>170,600</u>		<u>198,400</u>		<u>235,783</u>	
Properties - Housing								
Staff	50,774		92,200		93,100		51,554	
Supplies and services	72,172		65,000		55,000		35,108	
Survey of States Houses	23,000		25,000		-		-	
	<u>145,946</u>		<u>182,200</u>		<u>148,100</u>		<u>86,662</u>	
Refuse Collection and Disposal								
Staff	125,954		125,100		122,600		128,870	
Supplies and services	187,829		189,500		236,600		192,389	
Refuse separation / recycling - staff	110,174		115,800		106,800		107,463	
Refuse separation / recycling - supplies and services	81,946		80,000		78,800		78,475	
	<u>505,903</u>		<u>510,400</u>		<u>544,800</u>		<u>507,197</u>	
<i>Less recoveries</i>	(7,863)		(9,000)		(8,000)		(8,862)	
	<u>498,040</u>		<u>501,400</u>		<u>536,800</u>		<u>498,335</u>	
Roads, Coasts and Beaches								
Staff	46,817		65,600		68,600		43,972	
Supplies and services	145,614		130,000		130,000		186,854	
Pavement renovations	1,823		-		-		107,296	
	<u>194,254</u>		<u>195,600</u>		<u>198,600</u>		<u>338,122</u>	
<i>Less recoveries</i>	(36,558)		(5,000)		(5,000)		(10,217)	
<i>Less Transfer from AGCC re pavements</i>	-		-		-		(140,000)	
	<u>157,696</u>		<u>190,600</u>		<u>193,600</u>		<u>187,905</u>	
Sewage and Sanitation								
Staff	81,794		90,700		87,000		69,713	
Supplies and services	33,226		37,000		37,000		39,107	
	<u>115,020</u>		<u>127,700</u>		<u>124,000</u>		<u>108,820</u>	
<i>Less recoveries</i>	(9,048)		(5,000)		(5,000)		(4,706)	
	<u>105,972</u>		<u>122,700</u>		<u>119,000</u>		<u>104,114</u>	
Vehicle Fleet								
Staff	26,759		20,000		16,800		19,727	
Supplies and services	32,723		30,000		27,000		33,649	
	<u>59,482</u>		<u>50,000</u>		<u>43,800</u>		<u>53,376</u>	
<i>Less recoveries</i>	(6,956)		(6,000)		(6,000)		(4,342)	
	<u>52,526</u>		<u>44,000</u>		<u>37,800</u>		<u>49,034</u>	
	1,263,213		1,350,100		1,394,300		1,302,857	

GENERAL SERVICES COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Recreation								
Administration								
Grants - sporting and cultural activities	-		-		3,200		1,066	
Official entertainments and presentations	7,185		6,000		6,000		3,676	
	<u>7,185</u>		<u>6,000</u>		<u>9,200</u>		<u>4,742</u>	
Camp Site								
Camp site expenses	8,634		8,000		8,000		5,681	
	<u>8,634</u>		<u>8,000</u>		<u>8,000</u>		<u>5,681</u>	
Children's Playground								
Supplies and services	5,438		5,000		3,600		4,296	
	<u>5,438</u>		<u>5,000</u>		<u>3,600</u>		<u>4,296</u>	
Island Hall								
Premises	5,988		6,500		6,000		4,175	
Staff	8,232		10,300		10,300		9,876	
Supplies and services	1,674		3,500		3,500		2,339	
	<u>15,894</u>		<u>20,300</u>		<u>19,800</u>		<u>16,390</u>	
		37,151		39,300		40,600		31,109
Sea Fisheries								
Staff	17,000		17,000		17,000		16,500	
Supplies and services	2,091		3,300		3,300		3,048	
	<u>19,091</u>		<u>20,300</u>		<u>20,300</u>		<u>19,548</u>	
		19,091		20,300		20,300		19,548
TOTAL REVENUE EXPENDITURE		1,689,209		1,787,300		1,832,900		1,768,856

POLICY AND FINANCE COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Administration								
Company registrations	46,524		44,000		10,000		13,653	
Court receipts	52,754		50,000		50,000		54,885	
Duty free concession	27,490		30,000		35,000		28,146	
Interest receivable	43,974		42,000		34,000		42,051	
Numismatic revenues	98,179		110,000		160,000		146,868	
Occupiers rates	397,899		400,000		400,000		380,009	
Permits and licences	14,830		17,000		17,000		14,781	
Post Office - share of philatelic profits	22,860		35,000		35,000		42,060	
Rents	35,274		35,300		35,000		28,795	
Royalties and fees	3,756		5,000		5,000		4,785	
Sundry sales and charges	13,886		16,000		16,000		12,887	
Television tender payments	249		500		500		167	
	<u>757,675</u>		<u>784,800</u>		<u>797,500</u>		<u>769,087</u>	
<i>Less</i> transfer to currency reserve	(8,374)		(10,000)		(10,000)		(11,950)	
		749,301		774,800		787,500		757,137
Grants								
Lottery profits	2,926		2,900		4,000		2,909	
<i>Less</i> Distribution of Christmas Draw profits	(1,473)		-		-		-	
		1,453		2,900		4,000		2,909
Promotion and Marketing								
Accommodation permits	4,930		5,000		4,500		4,280	
Sale of advertising space	17,241		17,500		17,000		16,997	
		22,171		22,500		21,500		21,277
TOTAL REVENUE INCOME		772,925		800,200		813,000		781,323

POLICY AND FINANCE COMMITTEE

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
Administration								
Premises	15,739		18,000		18,000		19,765	
Staff	529,489		529,300		537,700		529,030	
Supplies and services	85,140		85,000		80,000		88,516	
Alderney Commission for Renewable Energy	58,754		60,000		50,000		49,570	
Audit fees and expenses	21,712		16,500		16,000		16,384	
Breakwater maintenance contribution	15,000		15,000		15,000		15,000	
Health and safety regulation	4,407		6,000		5,000		6,234	
Insurance	30,488		30,000		17,000		16,294	
Meteorological station	2,552		300		300		24	
States Members allowances	60,228		60,000		48,500		54,319	
Supplementary pensions	894		800		800		800	
Unforeseen expenditure :-	-		6,900		20,000		-	
Housing Needs Survey	3,093		3,100		-		8,000	
Maritime Trust - promotion	4,363		5,000		-		-	
Marina investigation	1,406		5,000		-		-	
Review and Report on Alderney Electricity Ltd	12,296		-		-		-	
	845,561		840,900		808,300		803,936	
Less recoveries	(14,534)		(15,000)		(15,500)		(15,094)	
		831,027		825,900		792,800		788,842
Administration of Justice								
Supplies and services		25,314		30,000		30,000		13,505
Grants								
Alderney Island Games Association	-		-		-		7,000	
Alderney Library	3,500		3,500		3,500		3,500	
Alderney Week	4,000		4,000		4,000		4,000	
Alderney Wildlife Trust	15,000		15,000		15,000		15,000	
Minor grants	7,101		9,700		6,000		5,221	
St. John Ambulance Brigade	30,000		30,000		30,000		31,125	
		59,601		62,200		58,500		65,846
Promotion and Marketing								
Administration								
Premises	6,848		7,000		7,000		5,361	
Staff	44,634		45,000		42,600		39,130	
Supplies and services	11,712		15,000		15,000		13,977	
	63,194		67,000		64,600		58,468	
Promotions								
Promotion of tourism	111,745		114,000		114,000		102,909	
Promotion of gambling industry	101,808		136,000		136,000		78,499	
	213,553		250,000		250,000		181,408	
Less Contribution from AGCC	(108,725)		(136,000)		(136,000)		(72,344)	
	104,828		114,000		114,000		109,064	
		168,022		181,000		178,600		167,532
TOTAL REVENUE EXPENDITURE		1,083,964		1,099,100		1,059,900		1,035,725

STATES OF ALDERNEY CAPITAL ACCOUNT SUMMARY

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
INCOME ON CAPITAL ACCOUNT				
General Services Committee	6,677	5,000	6,000	506,636
Policy and Finance Committee	251,217	348,320	505,320	731,070
TOTAL INCOME ON CAPITAL ACCOUNT	257,894	353,320	511,320	1,237,706
Excess of Expenditure over Income on Capital Account recovered from the States of Guernsey	6,892,699	7,023,748	4,165,485	(514,570)
	7,150,593	7,377,068	4,676,805	723,136

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
EXPENDITURE ON CAPITAL ACCOUNT				
General Services Committee	7,150,411	7,375,068	4,676,805	718,332
Policy and Finance Committee	182	2,000	-	4,804
TOTAL EXPENDITURE ON CAPITAL ACCOUNT	7,150,593	7,377,068	4,676,805	723,136

GENERAL SERVICES COMMITTEE

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Sale of Vehicles	6,677	5,000	-	-
Sewerage Law contributions	-	-	6,000	6,636
Transfer from AGCC Reserve (re La Vallee Sewer)	-	-	-	500,000
TOTAL CAPITAL INCOME	6,677	5,000	6,000	506,636

GENERAL SERVICES COMMITTEE

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Alderney Harbour capital expenditure	5,653,397	5,186,816	2,558,000	74,773
Alderney Water Board - capital grants				
Potable Water Project - £349,000	109,000	349,000	-	-
Health and Welfare				
Royal Connaught Residential Home				
Provision of additional accommodation	27,226	250,000	500,000	-
Public Services				
Land and Property				
Airport				
Acquisition of land for runway safety area - £50,000	189	28,983	-	-
Camp site - improved facilities	-	-	120,000	-
Coastguards Houses - re-roofing	-	-	120,000	-
Courthouse renovations - £539,678	363,173	410,594	100,000	129,084
Court Digital Audio Recording System - £30,000	25,148	30,000	-	-
Crusher site infrastructure - £89,590	-	25,383	-	-
Island Hall Annexe - reconstruction	-	-	650,000	6,791
St Anne's Church roof repairs	-	13,250	200,000	6,750
Val Field - purchase and car park construction - £125,000	20,750	17,375	-	21,075
Whitegates - repairs and renovation	1,964	13,157	-	9,756
Sewage, Sanitation and Refuse				
Banquage sewer pump replacement - £14,000	12,486	14,000	-	-
Longis sewer treatment plant replacement (1st phase)	-	-	50,000	-
Sewerage projects Phase 1 - £40,000	31,677	40,000	-	-
Upgrade foul water sewer - La Vallee - £1,258,805	747,473	789,510	358,805	469,295
Vehicles and Plant				
Dustcart replacement - £70,000	69,541	70,000	-	-
Fire Brigade Water Tanker - replacement	-	20,000	20,000	-
Forklift Truck - £5,600	5,689	-	-	-
Hooklift Truck - replacement - £50,000	43,437	42,000	-	-
Sewer Cart replacement	-	35,000	-	-
Tractor/mower - replacement - £19,000	18,662	19,000	-	-
Vehicles - replacements - £21,000	20,599	21,000	-	-
Per published accounts 2007	-	-	-	808
TOTAL CAPITAL EXPENDITURE	7,150,411	7,375,068	4,676,805	718,332

POLICY AND FINANCE COMMITTEE

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Loan repayments -				
Alderney Football Association	-	-	-	22
Alderney Snooker Club	3,321	3,320	3,320	3,322
Property Transfer Duties				
Congé	191,900	255,000	420,000	526,297
Leasehold Duty	55,994	44,000	30,000	41,564
Transfer Duty	2	1,000	2,000	37,365
	<u>247,896</u>	<u>300,000</u>	<u>452,000</u>	<u>605,226</u>
Sale of States Properties	-	45,000	50,000	122,500
TOTAL CAPITAL INCOME	251,217	348,320	505,320	731,070

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
Fort Tourgis - consultancy and marketing costs - £58,000	182	2,000	-	4,804
TOTAL CAPITAL EXPENDITURE	182	2,000	-	4,804

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR

	Accounts 2008		Probable Outturn 2008		Budget 2008		Accounts 2007	
	£	£	£	£	£	£	£	£
REVENUE ACCOUNT								
INCOME								
Administration								
Harbour dues and fees	66,267		65,000		50,000		39,079	
Sundries	4,161		7,000		7,000		5,537	
	70,428		72,000		57,000		44,616	
<i>Less</i> concessions on charges	(1,514)		(1,500)		(1,500)		(899)	
	68,914		70,500		55,500		43,717	
Crane dues and boat lifts	65,225		65,000		58,000		48,134	
Moorings and Navigation								
Fees	113,075		110,000		122,000		95,824	
Pilotage fees	34,221		35,000		32,000		24,402	
	147,296		145,000		154,000		120,226	
<i>Less</i> pilots remuneration	(9,933)		(11,700)		(10,000)		(6,656)	
concessions on charges	(2,697)		(3,000)		(3,000)		(1,593)	
	134,666		130,300		141,000		111,977	
Quays and Buildings rent	8,165		12,000		17,000		15,571	
TOTAL INCOME		276,970		277,800		271,500		219,399
EXPENDITURE								
Administration								
Staff	231,036		240,800		246,800		216,753	
Supplies and services	26,775		20,000		20,000		23,263	
Training costs	(428)		15,000		10,000		11,513	
Insurance	5,008		5,000		7,200		6,522	
Port security expenses	960		2,000		2,000		1,152	
	263,351		282,800		286,000		259,203	
<i>Less</i> recoveries	(39,276)		(45,000)		(39,000)		(38,393)	
	224,075		237,800		247,000		220,810	
Cranes								
Staff	33,014		29,500		32,000		28,861	
Supplies and services	40,563		30,000		20,000		45,205	
	73,577		59,500		52,000		74,066	
<i>Less</i> recoveries	(4,879)		(3,000)		(5,000)		(756)	
	68,698		56,500		47,000		73,310	
Moorings and Navigation								
Supplies & services	43,524		35,000		30,000		20,330	
Wrecks and salvage	2,120		3,000		3,000		2,120	
	45,644		38,000		33,000		22,450	
Quays and Buildings								
Premises	17,702		20,000		20,000		34,720	
TOTAL EXPENDITURE		356,119		352,300		347,000		351,290
TRADING (LOSS) FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE		(£79,149)		(£74,500)		(£75,500)		(£131,891)

GENERAL SERVICES COMMITTEE - ALDERNEY HARBOUR

	Accounts 2008	Probable Outturn 2008	Budget 2008	Accounts 2007
	£	£	£	£
CAPITAL ACCOUNT - EXPENDITURE				
Commercial Quay renovation and survey costs -	5,650,109	5,150,000	2,000,000	71,589
Crawler Crane replacement	-	-	240,000	-
Fuelling pontoon	-	-	18,000	-
Harbour Office reconstruction - Preliminaries £15,000	3,288	11,816	300,000	3,184
Tractor replacement	-	25,000	-	-
TOTAL CAPITAL EXPENDITURE FOR THE FINANCIAL YEAR FUNDED BY THE GENERAL SERVICES COMMITTEE	£5,653,397	£5,186,816	£2,558,000	£74,773

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

- a. General revenue account receipts and payments arising in the month following the year end are brought into account in the accounting year to which they relate.
- b. Capital expenditure from general revenue account votes is written off in the year in which it is incurred. Depreciation is therefore not provided.

2 PENSION COSTS

The States provides pension arrangements for the majority of employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of actuaries. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Norwich Union.

In preparing the disclosures for the States of Alderney accounts, the States have noted the disclosure requirements of Financial Reporting Standard 17, "Retirement Benefits" (FRS 17). The States have used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 31 December 2008.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31st December 2008.

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

	Valuation at 31 December 2008	Valuation at 31 December 2007
Pensionable salary growth	4.20% pa	4.90% pa
Pension escalation in payment	4.00% pa	4.00% pa
Discount rate	6.50% pa	5.90% pa
Inflation assumption	2.95% pa	3.65% pa

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

	Value at 31 December 2008 (£)	Expected return for 2009 (%)	Value at 31 December 2007 (£)	Expected return for 2008 (%)
Fair value of plan assets	£2,318,000	5.75 %	£3,009,000	5.75%

STATES OF ALDERNEY

PENSION COSTS (Continued)

	2008	2007
Fair value of plan assets	£2,318,000	£3,009,000
Present value of funded obligations	(£2,686,000)	(£3,181,000)
Deficit in the scheme	(£368,000)	(£172,000)
Net pension liability	(£368,000)	(£172,000)

Over the year to 31st December 2008 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6% of pensionable salaries. Employee's Death in Service benefits were secured under a separate policy. The Actuary has based the above calculations on the assumption that 50% of scheme members will retire at age 60 and 50% at age 65. If this basis were to change to 25% retiring at 60 and the remainder at 65 the net pension liability would reduce to £209,000.

In 2008 Employer premiums amounted to £245,000 and Employee premiums were £69,000. At the end of the year the total annual value of pensions paid to 31 pensioners and spouses was £163,182.

3 RELATED PARTY TRANSACTIONS

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the Company. In 2008 the value of these purchases was £104,030 (2007: £104,441). The States has provided goods and services to the Company during 2008 to the value of £51,321 (2007: £5,509).

4 ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £3,258,050 (2007: £2,545,650) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses and for the investment of the surplus.

An amount of £3,500,000 has been segregated by Alderney Gambling Control Commission at the request of the States of Alderney from the Commission's other bank accounts and committed as collateral to finance a States capital project. The Commission will continue to receive payments in relation to interest on this distribution until the collateral is called.

Costs relating to the promotion of the Gambling Industry are financed out of the Gambling licence fee reserves which are held by the Commission and ultimately payable to the States of Alderney.

5 ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10th November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. A report on the Commission's activities and accounts November 2008 to December 2009 will be available to the States in 2010.

6 ALDERNEY HARBOUR ACCOUNT

The trading loss and capital expenditure is funded by the General Services Committee.

SUMMARY OF BALANCES AT 31 DECEMBER 2008

<u>Loans made and not repaid</u>	Balance of Loans 01.01.08	Repayments 2008	Balance 31.12.08
	£	£	£
New Alderney Snooker Club (vote 16.07.01)	<u>11,625</u>	<u>(3,322)</u>	<u>8,303</u>

LE BANQUAGE HOUSING LOANS SCHEME

CAPITAL ACCOUNT

Balance of funds at 01.01.08 and at 31.12.08

2008

£

299,099

299,099

COINS IN CIRCULATION ACCOUNT

Value of coins in circulation at 01.01.08

2,178,485

Value of coins issued in 2008

149,548

2,328,033

Less: Value of coins withdrawn from circulation

(2,847)

Value of coins in circulation at 31.12.08

2,325,186

CURRENCY RESERVE FUND

Balance at 01.01.08

238,557

Reserve for base metal coins issued in 2008

8,430

246,987

Less: Value of coins redeemed

(2,847)

Balance at 31.12.08

244,140

INVESTMENTS

2007			2008	
SHARES	£		SHARES	£
34,730	39,860	<u>Alderney Electricity Ltd.</u>	34,730	39,860
-	-	Ordinary Shares at £1 each fully paid at cost	1,111,360	-
<u>34,730</u>	<u>39,860</u>	Balance at 01.01.08	<u>1,146,090</u>	<u>39,860</u>
		Additional Shares Issued		
		Balance at 31.12.08		

2007			2008	
SHARES	£		SHARES	£
11,150	5,659	<u>Alderney Electricity Ltd.</u>	11,150	5,659
		7% Cumulative Preference shares		
		at £1 each fully paid at cost		
		Balance at 1.1.08 and 31.12.08		

2007			2008	
SHARES	£		SHARES	£
650	650	<u>Alderney Golf Club</u>	650	650
		Shares at £1 each fully paid at cost		
		Balance at 01.01.08 and 31.12.08		

2007			2008	
SHARES	£		SHARES	£
2	2	<u>Royal Connaught Residential Home Ltd</u>	2	2
		Shares at £1 each fully paid at cost		
		Balance at 01.01.08 and 31.12.08		

SUMMARY OF BALANCES AT 31 DECEMBER 2008 (continued)

<u>2007</u>	BANK ACCOUNTS	<u>2008</u>
£		£
	<u>Daisy Hansen St Anne's School Trust</u>	
967	Balance at 01.01.08	972
5	Interest received	5
<u>972</u>	Balance at 31.12.08	<u>977</u>
	 <u>The Anne French Hospital Annexe Fund</u>	
11,453	Balance at 01.01.08	11,703
250	Interest received	179
<u>11,703</u>	Balance at 31.12.08	<u>11,882</u>
	 <u>States of Alderney Education Committee</u> <u>(ex - Tostevin Trust)</u>	
3,281	Balance at 01.01.08	2,030
13	Interest received	6
3,294		2,036
(1,764)	Educational grants	(1,590)
500	Educational grants repaid	50
<u>2,030</u>	Balance at 31.12.08	<u>496</u>
	 <u>States of Alderney Interest on Investments Account (Educational Bequests)</u>	
13,009	Balance at 01.01.08	12,908
499	Interest received	374
13,508		13,282
(600)	Grants	(1,400)
<u>12,908</u>	Balance at 31.12.08	<u>11,882</u>
	 <u>The Packe History Trust</u>	
1,564	Balance at 01.01.08	1,567
28	Interest received	29
1,592		1,596
(25)	School History Prize	(25)
<u>1,567</u>	Balance at 31.12.08	<u>1,571</u>
	 <u>Alderney Pilotage Board</u>	
<u>200</u>	Balance at 01.01.08 and 31.12.08	<u>200</u>
	 <u>The Mary Roylance Jubilee Home Fund</u>	
16,253	Balance at 01.01.08	16,903
650	Interest received	496
16,903		17,399
-	Residents amenities	(112)
<u>16,903</u>	Balance at 31.12.08	<u>17,287</u>
	 <u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
19,210	Balance at 01.01.08	20,308
-	Purchase of patient's TVs for MMH	(6,233)
19,210		14,075
1,098	Interest received	976
<u>20,308</u>	Balance at 31.12.08	<u>15,051</u>
	 <u>St Anne's Trust</u>	
36,390	Balance at 01.01.08	38,350
1,960	Interest received	1,616
38,350		39,966
-	Grants	(3,500)
<u>38,350</u>	Balance at 31.12.08	<u>36,466</u>

<u>2007</u>		<u>2008</u>
£	<u>The New Parsonage House Trust</u>	£
62,183	Balance at 01.01.08	66,467
<u>5,320</u>	Interest received	<u>3,416</u>
67,503		69,883
<u>(1,036)</u>	Maintenance costs	<u>(494)</u>
<u>66,467</u>	Balance at 31.12.08	<u>69,389</u>
	 <u>The Commercial Quay Renovation Project</u>	
	Funds transferred from the Alderney Gambling Control Commission and held on deposit with the States of Guernsey Treasury	<u>3,500,000</u>
	Balance at 31.12.08	<u>3,500,000</u>

STATES OF ALDERNEY WATER BOARD

STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

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

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

Independent auditors' report to the members of the States of Alderney Water Board

We have audited the financial statements (the "financial statements") of the States of Alderney Water Board for the year ended 31 December 2008 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Board and auditors

The Board is responsible for preparing the Statement of the Board's responsibilities and the financial statements in accordance with applicable UK accounting standards as set out in the Statement of the Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and having regard to International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the accounting policies as set out in note 1. We also report to you if, in our opinion, the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Statement of the Board's Responsibilities and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the Board's affairs as at 31 December 2008 and of its deficit for the year then ended; and
- have been properly prepared in accordance with the accounting policies as set out in note 1.

KPMG Channel Islands Limited

Chartered Accountants

26 March 2009

STATES OF ALDERNEY WATER BOARD

REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2008

	Notes	2008		2007	
		£	£	£	£
REVENUE	1				
Unmetered Supplies		302,112		252,782	
Metered Supplies		46,841		39,770	
Service Charges		3,140		1,525	
Contract Work		1,216		-	
			353,309		294,077
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		145,609		163,903	
Water Treatment Charges		45,705		30,640	
Fuel and Electricity		72,169		51,834	
Maintenance		22,211		27,129	
Pension Costs	2	26,652		25,425	
Depreciation	1 and 6	25,890		20,721	
		338,236		319,652	
ADMINISTRATION AND GENERAL EXPENSES					
Wages and Administration Charge		13,605		13,127	
Rents, Rates and Taxes		7,007		3,848	
Insurance		5,709		4,031	
Motor Vehicle Expenses		7,201		4,428	
Postage and Telephone		2,845		2,250	
Printing and Stationery		317		621	
Accountancy and Audit		4,810		2,740	
Bank Charges		685		693	
Travelling and General Expenses		3,329		1,130	
Consultancy Fees and Expenses		1,678		14,824	
Bad Debts written off		13		162	
Fixed Asset written off		647		1,051	
		47,846		48,905	
			(386,082)		(368,557)
OPERATING DEFICIT			(32,773)		(74,480)
OTHER INCOME					
Interest Receivable			3,566		8,465
Rents Receivable			9,008		-
DEFICIT FOR THE YEAR			(20,199)		(66,015)
BALANCE BROUGHT FORWARD			443,671		509,686
BALANCE CARRIED FORWARD		£	423,472	£	443,671

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

Notes 1 to 6 form part of these financial statements.

STATES OF ALDERNEY WATER BOARD

BALANCE SHEET AS AT 31ST DECEMBER 2008

	Notes	2008		2007	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		529,628		340,648
CURRENT ASSETS					
Stock	1	54,459		26,863	
Debtors		72,883		63,077	
Bank balances - deposit		30,961		112,423	
Bank balances - current		55,044		23,462	
		<u>213,347</u>		<u>225,825</u>	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		124,217		36,516	
NET CURRENT ASSETS			<u>89,130</u>		<u>189,309</u>
NET ASSETS		£	<u>618,758</u>	£	<u>529,957</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		109,000		-
Revenue Account			423,472		443,671
		£	<u>618,758</u>	£	<u>529,957</u>

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 2009 and are signed on its behalf by:

W Walden
Chairman

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**1 PRINCIPAL ACCOUNTING POLICIES**

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

Basis of Preparation

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

Revenue and Expenses

Income 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
Machinery	6.66
Tools and equipment	10.00
Motor vehicle	20.00
Consumers' meters	10.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period. The Board decided that with effect from 2008 the depreciation rate on motor vehicles would be reduced from 33.3% to 20%, as a five year life was considered to be more appropriate and in keeping with the anticipated useful economic life of its

Stock

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

Cash Flow Statement

Under Financial Reporting Standard No 1 the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

2 PENSION COSTS

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2006 indicated that the fund was in deficit. The next triannual report is due as at 1st January 2009. Over the year to 31st December 2008 the employer contributed at the rate of 20% of pensionable salaries, including death in service premiums, subject to review at future actuarial valuations.

Employees contribute at a rate of 6%.

Because the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £26,652 (2007: £25,425).

STATES OF ALDERNEY WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2008**3 GENERAL RESERVE**

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

Capital Contribution from States of Alderney. A Capital Contribution of £349,000 was approved by the States of Alderney on 23rd July 2008 to fund the Board's Potable Water Project. At 31st December 2008 £109,000 had been received from the States of Alderney as part payment of this contribution.

4 RELATED PARTY TRANSACTIONS

In 2008 Mr W Walden was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr R Willmott during the year 2008

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2008 the value of these purchases was £87,967. (2007 £51,861)

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

5 RENTS RECEIVABLE

During 2008 the Board received rent from two mobile telephone companies that utilise the Mouriaux water tower as a base station for their equipment and aerials.

6 FIXED ASSETS

	At 1st January 2008	Additions/ Charge	Disposals and amounts written off	At 31st December 2008
	£	£	£	£
COST				
Land	10	-	-	10
Mains and Services	251,504	17,327	-	268,831
Buildings	19,863	-	-	19,863
Machinery	192,530	1,380	(647)	193,263
Tools and Equipment	11,092	515	-	11,607
Motor Vehicle	15,244	9,498	-	24,742
Consumer Meters	2,820	-	-	2,820
Assets in course of construction*	-	188,098	-	188,098
	493,063	216,818	(647)	709,234
DEPRECIATION				
Mains and Services	105,200	6,308	786	112,294
Buildings	9,337	497	-	9,834
Machinery	23,909	12,778	-	36,687
Tools and Equipment	5,903	1,161	515	7,579
Motor Vehicle	6,345	4,864	-	11,209
Consumer Meters	1,721	282	-	2,003
	152,415	25,890	1,301	179,606
NET BOOK AMOUNT	£ 340,648		£ 529,628	

*At 31st December 2008 £188,098 had been expended or accrued on the Potable Water Project and is shown as "Assets in course of construction". Upon completion these costs will be classified as Capital assets and depreciated accordingly.

**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 17th DAY OF JULY, 2009**

**The States resolved as follows concerning Billet d'État No XVII
dated 5th June 2009**

TREASURY AND RESOURCES DEPARTMENT

ACCOUNTS OF THE STATES FOR 2008

To approve: -

- (1) The Accounts of the States of Guernsey for the year 2008.
- (2) The following Accounts for the year 2008: -
 1. Ports
 2. Guernsey Water
 3. States Dairy
 4. States Works
 5. Company Registry
- (3) To appoint the firm of Deloitte LLP as auditors of all States accounts for the year ending 31 December, 2009.

**S M D ROSS
HER MAJESTY'S DEPUTY GREFFIER**