Financial Report & Accounts – 2009

States of Jersey

States of Jersey Treasury and Resources Department

FINANCIAL REPORT AND ACCOUNTS 2009

Treasury and Resources Department

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Minister's Report

States of Jersey
Financial Report and Accounts 2009

I am pleased to present the 2009 Financial Report and Accounts of the States of Jersey.

2009 has been a challenging year and the results for the year reflect the challenges the island has faced. The full force of recession has been felt around the globe and, while Jersey has weathered the storm well, we too have felt the effects in our community.

General Revenue Income, at £674 million, is £20 million higher than forecast. Income Tax receipts, at £508 million, are higher than the forecast of £488 million. This reflects the strength of Jersey's economy even in a time of relative weakness. Conversely investment income has been significantly impacted by the fall in interest rates, dropping 54% in comparison to 2008.

Departments finished the year £7.6 million underspent against their approved budgets. Underlying expenditure is up 3% compared to 2008. However this rise excludes the effect of a number of additional funding approvals which were granted by the States to meet the urgent costs of the Historical Child Abuse Enquiry, the loss of the Reciprocal Health Agreement income, the cost of preparing for a flu epidemic and the additional funds approved for Income Support which were essential to ensure that the most vulnerable and those most affected by the downturn are supported. Overall we finished the year in surplus, with a surplus of £71 million.

Our reserves have remained healthy in the difficult economic circumstances with the Strategic Reserve up 8.5% on 2008 to £550 million. The Stabilisation Fund has also demonstrated the prudence and wisdom of previous years where money was put aside to deal with a downturn in the economic cycle. As a result we have been able to use £44 million for Fiscal Stimulus projects which, I firmly believe, are playing a key role in supporting our local economy through difficult times.

As we look ahead, 2010 is proving to be another testing year. The well publicised structural deficit we are facing in our public finances means that we must bring to a successful conclusion the Comprehensive Spending Review and the Fiscal Strategy Review, both of which will be debated in the second half of the year. If we can make the savings we must deliver, we will enable Jersey to go forward from this turbulent time, stronger and even better prepared to deal with the future.

All that remains is for me to thank all the staff in Treasury and Resources for their hard work again this year. In particular I want to thank Ian Black, the Treasurer, for his leadership of the department, the Deputy Treasurer Jason Turner for his continued support and the Interim Treasurer Hugh McGarel-Groves for his leadership of the department this year. I also extend my thanks to Malcolm Campbell, the Comptroller of Income and Mike Robinson, Head of Customs and Immigration. Finance staff across the States have also made a significant contribution to the management of the States finances this year, and as the finance function, and in particular the Treasury, presses forward with an ambitious plan for change, I am confident that we will go from strength to strength.

Together with my Assistant Ministers, Deputies Edward Noel and John Le Fondre, I face another exciting and demanding year. Working with them I intend to vigorously pursue successful conclusions to current reviews, and to ensure that the Treasury and Resources department leads the States in effective financial management. Together I am confident we can ensure a positive future for our island.

Philip Ozouf

Senator PFC Ozouf

States of Jersey
Annual Report and Accounts 2009

Treasurer's Introduction

The 2009 accounts report on a very challenging financial year, both for world economies and locally for the States of Jersey.

In the light of the changing and demanding world in which the States of Jersey operates it is increasingly important that the annual report and accounts presents an understandable picture of the financial results for the year. That is why the Treasury has devoted resources to the introduction of GAAP based accounting. The 2010 accounts will be the first accounts to be presented in line with the GAAP based standards adopted by the States. In preparation, the 2009 accounts explain the transition from the current accounting basis to GAAP based accounting.

Following on from the improvements introduced in the 2008 accounts, further enhancements have been included in these accounts. The 2009 report and accounts have been separated from the supporting Annex as planned, standard best practice formats have been adopted and applied in the Annex to the accounts, and the principles of International Public Sector Accounting Standard 24 (Presentation of Budget Information in Financial Statements) have been adopted to improve the reporting of out-turn against budget.

Finally, the format and content of this, my covering report, have been changed to improve the interpretation and explanation of the financial information contained in the accounts. The remainder of this report is presented in three sections:

1. Financial Performance – an analysis of the financial performance and position of the States of Jersey in 2009.

2. Structure, governance, aims and objectives – an overview of the bodies included in the States of Jersey accounts, decision making processes, principal activities and objectives.

3. An introduction to the States of Jersey Accounts 2009

1. Summary of Financial Performance 2009

At a Glance – Financial Results (Table 1)

Year Ended 31 December	Budget/ Business Plan 2009	Final Approved Budget/ Updated Forecast 2009	Actual 2009	Actual 2008
	£m			
States Net General Revenue Income	650	654	674	660
Net Revenue Expenditure	(586)	(616)	(603)	(561)
Budgeted surplus for the year	**64**		**71**	**99**
Trading fund surplus	6	13	11	10
Non-operating Income/(Expenditure)	-	-	(7)	(52)
Accounting surplus for the Year			**75**	**57**

Summary of Performance

States Net General Revenue Income is up by £14 million to £674 million, an increase of 2.1% on 2008 ...

The main changes in comparison to the previous year are:

- A full year of income from Goods and Services Tax (£47 million) compared to 8 months of income in 2008 (£32 million);
- A small increase of £8 million in taxation revenue compared to 2008;
- A fall in other general revenue income of £10 million principally due to the dramatic fall in interest rates in 2009 compared to 2008.

... however, Net Revenue Expenditure of non-trading Departments is up by £42 million to £603 million compared to 2008 ...

This increase includes transfers from capital budgets to revenue budgets of £12.06 million which does not increase overall States spending. The like-for-like increase on 2008 is 6.6%.

The main drivers for this increase are:

- Net expenditure in the three major spending departments has increased by £28 million - Health and Social Services has increased by 6.1%; Social Security has increased 9.6%; and, Education, Sport and Culture has increased 5%;
- One-off additional expenditure approvals of £12.7 million largely relating to the Historic Child Abuse Enquiry, Pandemic Flu and the cessation of the Reciprocal Health agreement.

In total non-trading Departments ended the year £7.6 million underspent against Net Revenue Expenditure budgets (excluding non-cash capital repayments).

... non-operating expenditure is down in comparison to 2008 ...

The increase in the liability relating to the PECRS pre-87 debt is much lower than the previous year. The increases in both years are mainly due to the impact of lower interest rates on the actuarial calculation.

... £44 million has been allocated for Fiscal Stimulus funding ...

In 2009 the States Assembly agreed to allocate £44 million from the Stabilisation Fund to fund Fiscal Stimulus projects aimed at supporting the economy through the downturn. Many of these projects are now underway.

... and there is an overall increase in the States' Reserves.

At the end of 2009 funds of £664 million were held in the Strategic Reserve and Stabilisation Fund, compared to £582 million in 2008. This is principally due to an improvement in investment market in 2009.

The summary financial results in table 1 can be reconciled to the States accounts as shown in the table below:

States of Jersey Income and Expenditure 2009 (Table 2)

All figures shown in £ milion	Departments	General Revenues	Trading Funds	Other	States of Jersey as a whole
Income	116	674	54	20	864
Operating Expenditure	(719)	-	(43)	(9)	(771)
Non-operating expenditure	-	-	-	(18)	(18)
Surplus	**(603)***	**674***	**11**	**(7)**	**75**

* These figures are further analysed and compared to the Business Plan and Budget in table 3 of this report.

A detailed analysis, showing a comparison of the results for the year against the Business Plan and Budget, is set out in the table below. This analysis complies with the recommendations of International Public Sector Accounting Standard 24 (Presentation of Budget Information in Financial Statements).

2009 Comparison Actual to Budget (Table 3)

Outturn compared to Budget Summary Table A – States Income 2009	**Budgeted Amounts**		**Actual Amounts**	**Difference: Final Budget and Actual**
	2009 Budget £'000	Updated Forecast £'000	£'000	£'000
Net Income Tax	478,000	488,000	507,785	19,785
Goods and Services Tax	50,000	50,000	47,142	(2,858)
Impots Duty	49,340	51,220	51,247	27
Stamp Duty	20,500	19,500	23,577	4,077
Island Rate	10,560	10,560	10,306	(254)
Other Income	41,260	34,250	34,209	(41)
Total States net General Revenue Income	**649,660**	**653,530**	**674,266**	**20,736**

Outturn compared to Business Plan Summary Table A – A Revenue Expenditure Allocations 2009	2009 Business Plan £'000	Final Approved Budget – note 1 £'000	£'000	£'000
Ministerial Departments				
Chief Minister	15,844	22,392	21,496	(896)
- Grant to the Overseas Aid Commission	7,731	7,756	7,679	(77)
Economic Development	16,422	18,401	17,506	(895)
Education, Sport and Culture	98,513	99,717	98,988	(729)
Health and Social Services	153,600	159,383	157,546	(1,837)
Home Affairs	45,587	49,490	49,490	0
Housing	(22,362)	(20,551)	(21,482)	(931)
Planning and Environment	7,141	8,149	7,752	(397)
Social Security	157,066	159,565	159,533	(32)
Transport and Technical Services	23,705	24,330	24,100	(230)
Treasury and Resources*	61,073	62,817	55,703	(7,114)
Non Ministerial States Funded Bodies				
- Bailiff's Chambers	1,253	1,527	1,527	0
- Law Officers' Department	5,912	6,174	6,119	(55)
- Judicial Greffe	3,968	6,370	6,370	0
- Viscount's Department	1,425	1,438	1,438	0
- Official Analyst	599	545	545	0
- Office of the Lieutenant Governor	743	753	745	(8)
- Office of the Dean of Jersey	22	24	24	0
- Data Protection Commission	224	230	230	0
- Probation Department	1,544	1,562	1,562	0
- Comptroller and Auditor General	729	903	791	(112)
- States Assembly and its services	5,203	5,170	5,021	(149)
Net Revenue Expenditure - States funded bodies	**585,942**	**616,145**	**602,683**	**(13,462)**
*Capital Repayments variance				5,857
Net Departmental Underspend 2009				**(7,605)**
2009 General Revenue Income less Net Expenditure carried forward			**71,583**	

	Actual Amounts £'000
2009 General Revenue Income less Net Expenditure brought forward	**71,583**

Outturn compared to Business Plan Summary Table B – States Trading Operations for 2009	2009 Business Plan £'000	Final Approved Budget £'000	Actual Amounts £'000	Difference: Final Budget and Actual £'000
Airport	2,535	10,125	7,493	(2,632)
Harbours	1,500	1,530	1,805	275
Jersey Car Parks	1,375	1,385	1,486	101
Jersey Fleet Management	149	160	345	185
Surplus for the year	**5,559**	**13,200**	**11,129**	**(2,071)**

Further details of Departmental, Non-Ministerial States Funded Bodies and States Trading Operations income and expenditure can be found in the Annex to the Financial Report and Accounts.

Other Expenditure	Actual Amounts £'000
Waterfront Enterprise Board (surplus) / deficit	1,489
Separately Constituted Funds and Reserves (surplus) / deficit	(5,143)
Accounting adjustments:	
- Foreign exchange	556
- Movement in pension liability	23,682
- Gain on disposal of assets	(10,362)
- Other	(3,031)
Total	**7,191**
Surplus for the year as per Aggregated Operating Cost Statement	**75,521**

Note 1 – Reconciliation of Original to Final Net Revenue Expenditure Budgets

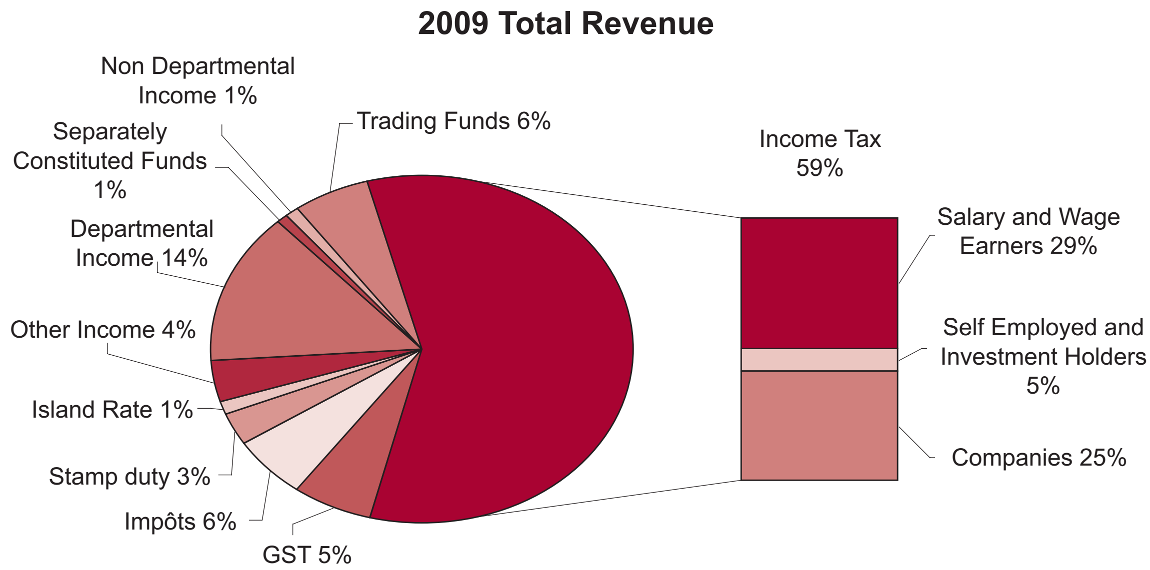
	£'000
Original Budget Total (as Per Business Plan)	**585,942**
Additional amounts voted by the States of Jersey	12,697
2008 approvals carried forward to 2009	5,449
Capital to Revenue Transfers	12,057
Final Approved Budget	**616,145**

Details of these transfers are shown in the Annex to the accounts.

Detailed Financial Analysis 2009

Total income as shown in the States Aggregated Operating Cost Statement is £864 million. This includes all States income as shown in the graph below.

States Income 2009 (Graph 1)



General Revenue Income

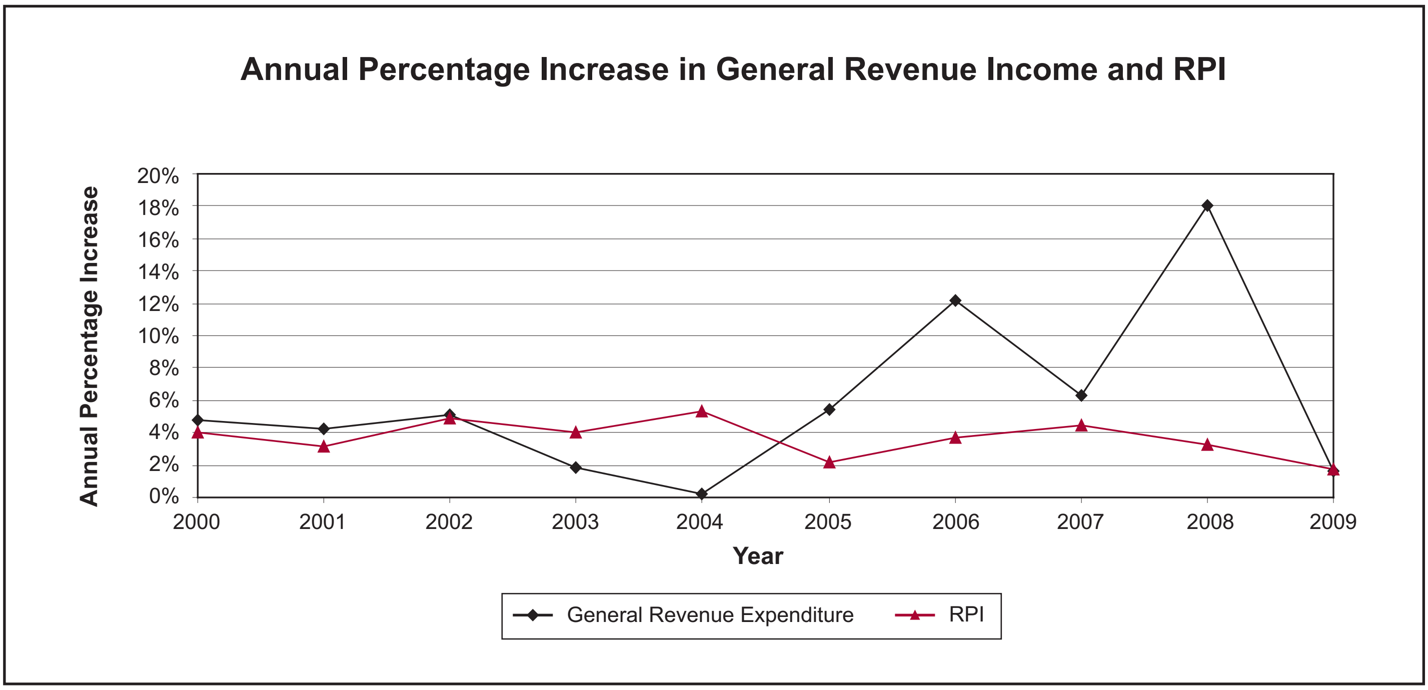
General revenue income was £674 million in 2009, representing a small increase over 2008 and the original budget. The following table shows the main types of income.

General Revenue Income (Table 4)

2009 Budget £' million		2009 Actual £' million	2008 Actual £' million	Increase/ (Decrease) %
478	Net Income tax	507	499	1.6%
50	Goods and Services Tax (GST)	47	32	47%
49	Impôts	51	50	2%
21	Stamp Duty	24	24	-
11	Island Rate	10	10	-
41	Other General Revenue income	35	45	(22%)
650	**Total General Revenue Income**	**674**	**660**	**2.1%**

The increase in General Revenue Income in 2009 was broadly in line with RPI as shown in the graph below. The 2009 income includes a full year of GST receipts compared to 8 months in 2008. Therefore on a like-for-like basis General Revenue Income has decreased compared to 2008.

(Graph 2)



Income Tax

Total income tax revenues were in line with 2008 and slightly ahead of the original budget as shown in the table below:

Income Tax Revenues (Table 5)

2009 Budget £' million		2009 Actual £' million	2008 Actual £' million	Increase/ (Decrease) %
235	Salary and Wage Earners	250	229	9%
36	Self Employed and Investment Holders	43	41	5%
207	Companies	218	233	(6)%
	Provision for bad and doubtful debts	(4)	(4)	-
478	**Net Income Tax [1]**	**507**	**499**	**1.6%**

[1] Gross Income tax receipts before provision for bad and doubtful debts amount to £503 million

The standard rate of Income Tax remained at 20 pence in the pound in 2009 (2008 year of assessment). International business companies are charged at lower rates than this on income and profits arising from international activities.

Tax raised in 2009 arises from averaged trading profits of the 2007 and 2008 financial periods. The 9% increase in personal tax reflects the introduction of proportional personal tax allowances and high levels of income for a small number of individuals which is not expected to be repeated. The tax raised from self employed and investment holders was significantly higher than budget due to a one-off peak in income from partnerships. Tax raised from companies has fallen due to the early impact of the zero/ten changes.

Goods and Services Tax

The Goods and Services Tax (GST) was introduced at 3% with effect from 6 May 2008. Income from GST during 2009 was £47 million, broadly in line with the original forecast in the 2009 budget.

Impôts and Customs Duties

Impôts and customs duties yielded £51 million in 2009, £1.5 million higher than 2008 and £2 million higher than originally budgeted. Vehicle Registration Duty ceased from 6 May 2008 and therefore none was collected in 2009.

Impôts and Customs Duties (Table 6)

2009 Budget £' million		2009 Actual £' million	2008 Actual £' million	Increase/ (Decrease) %	Duty Increase applied in 2009 Budget %
3.7	Spirits	4.2	4.0	5%	5.5%
6.0	Wines	6.3	5.9	7%	5.7%
0.8	Cider	0.9	0.7	29%	5.0%
5.2	Beer	5.3	5.1	4%	4.5%
12.8	Tobacco	13.8	12.7	9%	6.1%
20.7	Fuel	20.7	20.5	1%	-
0.0	Vehicle Registration Duty	0.0	0.7	(100%)	-
0.1	Customs Duty	0.1	0.2	(50)%	-
49.3	**Total Impôts and Customs duties**	**51.3**	**49.8**	**3%**	**-**

Stamp Duty and Island Rate

The yield from Stamp Duty was the same as 2008 at £24 million. The Island Rate was in line with budget and prior year at £10 million.

Stamp Duty and Island Rate (Table 7)

2009 Budget £' million		2009 Actual £' million	2008 Actual £' million	Increase %
21	Stamp Duty	24	24	-
11	Island Rate	10	10	-
32	**Total**	**34**	**34**	**-**

Other Income

Other income of £34.5 million is analysed in the table below.

2009 Other Income (Table 8)

2009 Budget £' million		2009 Actual £' million	2008 Actual £' million	Increase / (Decrease) %
8.2	Interest Income	4.9	10.6	(54%)
3.5	Jersey Currency Surplus	0.3	4.3	(93%)
15.5	Dividends and Internal Returns	15.2	13.8	10%
3.7	Returns from Jersey Financial Services Commission	3.7	4.4	(16%)
9.0	European Union Savings Tax Directive Administration Income	9.5	9.6	(4%)
1.4	Fines and Other Income	0.9	2.5	(64%)
41.3	**Total Other General Revenue Income**	**34.5**	**45.2**	**(24%)**

The main reason for the fall in other income compared to budget and prior year is the dramatic fall in interest rates at the end of 2008 and early 2009, after the budget was set.

Non-Trading Departments Net Revenue Expenditure

The vast majority of expenditure from the consolidated fund relates to Ministerial and Non-Ministerial Departments providing core public services to the island. This expenditure is offset by departmental income earned through operations. The following table summarises net revenue expenditure comprising both departmental income and expenditure.

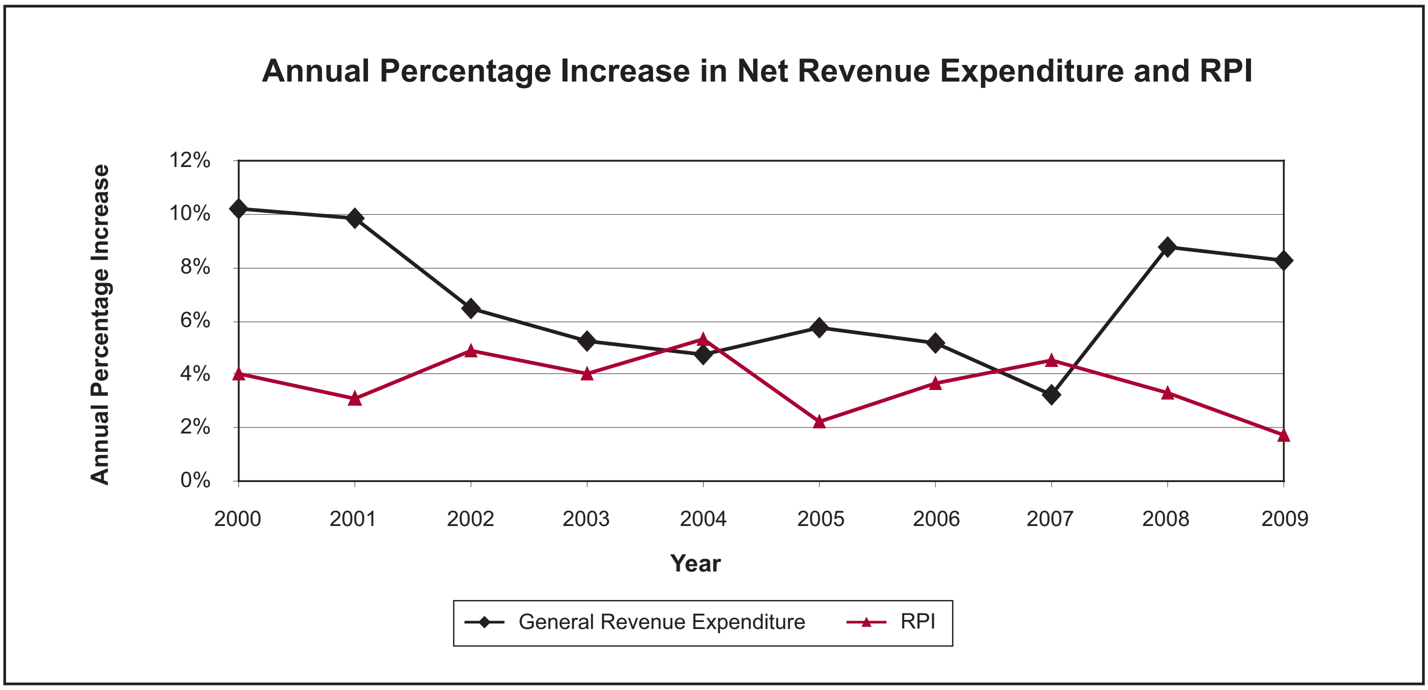
Departmental Net Revenue Expenditure (Table 9)

2009 Business Plan £' million		2009 Actual £' million	2008 Actual £' million
684	Gross Departmental Expenditure	719	675
(98)	Departmental Income	(116)	(109)
586	**Total Net Revenue Expenditure**	**603***	**566**

* These figures have been analysed and compared to the Business Plan and Budget in table 3 of this report.

The increase in net revenue expenditure compared to RPI is shown in the graph below. The growth in net revenue expenditure is above RPI. This reflects capital budgets being transferred to revenue and one-off expenditure relating to matters such as the Historic Child Abuse Enquiry and Pandemic Flu. Allowing for these one-off impacts, the like-for-like increase in net revenue expenditure is still significantly above RPI, which reflects the expenditure approved in the 2009 Business Plan and subsequent propositions.

Net Revenue Expenditure and RPI (Graph 3)

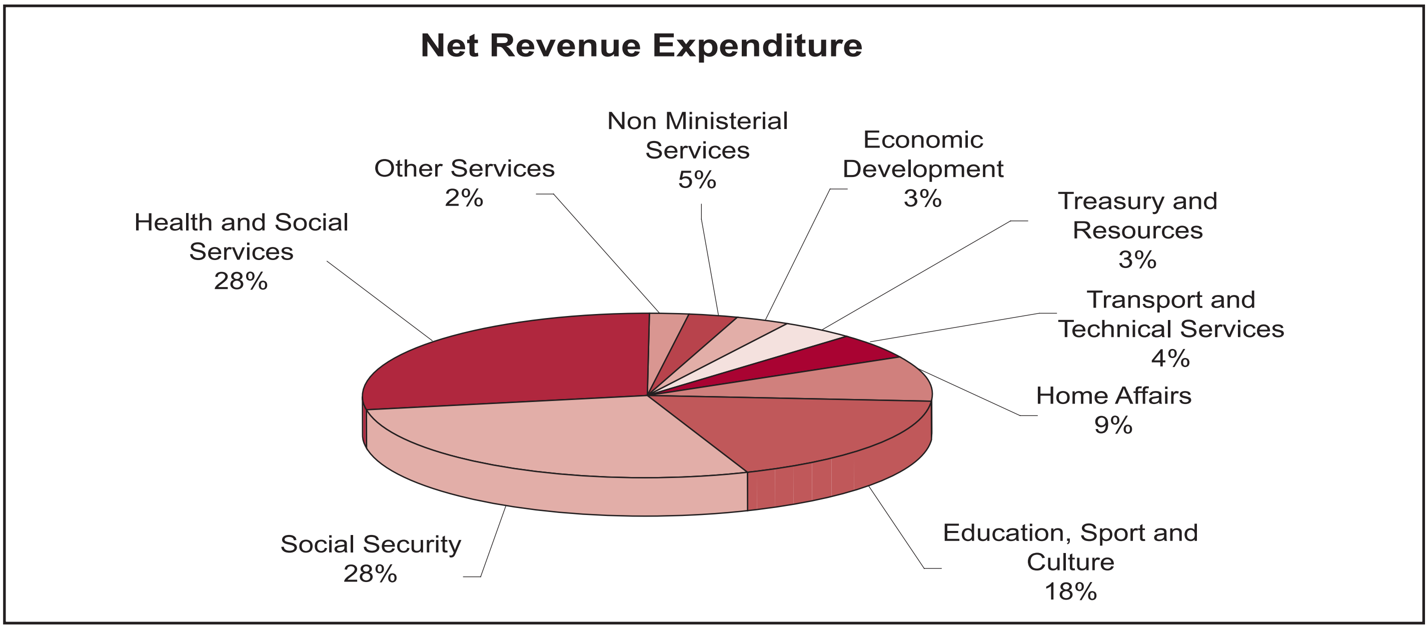


Departments' performance against budget is assessed on the basis of net revenue expenditure. The total net revenue expenditure (including capital repayments) of Departments totalled £603 million (£566 million in 2008), 74% of which related to expenditure on Health and Social Services, Education, Sport and Culture, and Social Security.

During 2009 the Council of Ministers reallocated some budgets to meet urgent cost pressures such as court and case costs. In addition there were a number of transfers between capital budgets and revenue budgets totalling £12.06 million in order to comply with the requirements of accounting standards. Whilst these transfers changed departmental expenditure approvals, they did not change the overall total of expenditure approvals including capital. After all such transfers departments ended the year underspent or in line with their final budgets.

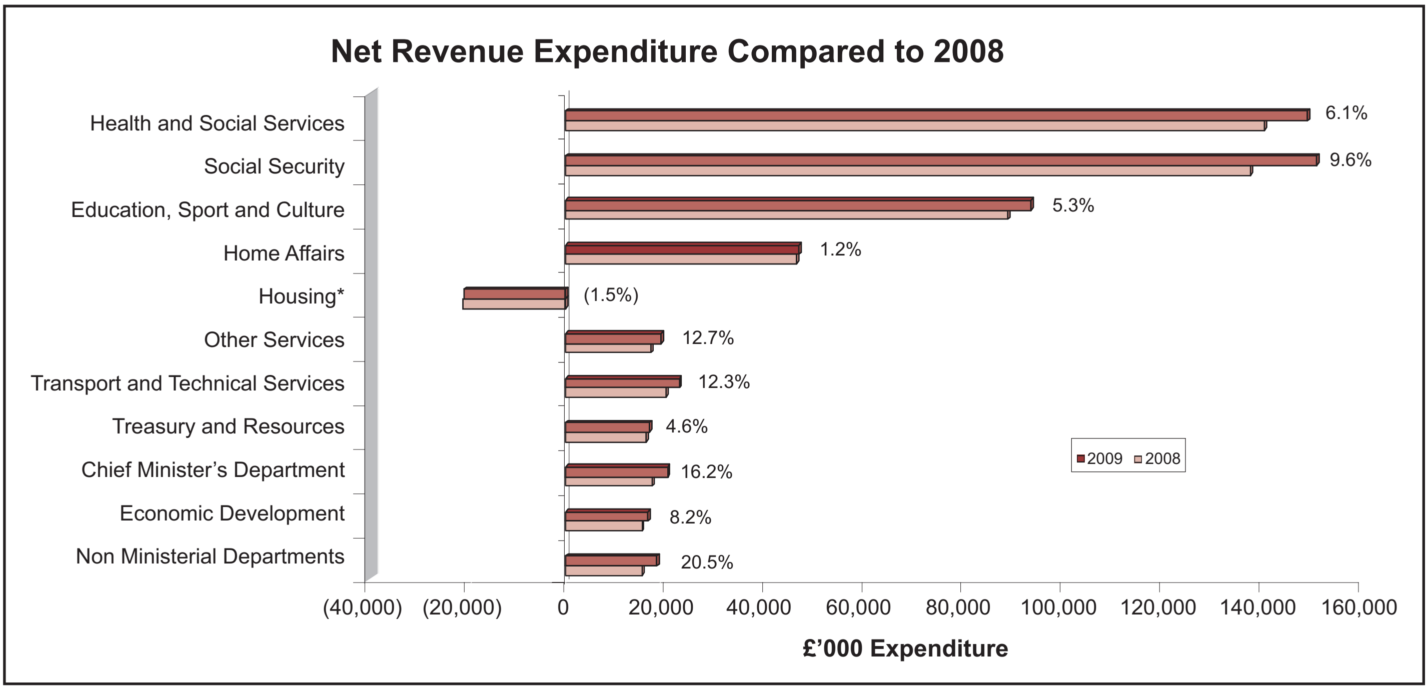
The following graph shows the distribution of net expenditure across the key public services, further details can be found in the annex to the accounts.

Distribution of Net Revenue Expenditure (Graph 4)



The following graph shows how expenditure on these key public services has changed compared to 2008. Percentages show the increase, or decrease, in spend by department compared to 2008.

Net Revenue Expenditure Changes Compared to 2008 (Graph 5)



In 2008 the Housing department ceased paying Rental Subsidies as these became part of the new Income Support system. As a result, the department now has a net revenue income budget and outturn (as shown above).

The following paragraphs consider the most significant of these changes; further detailed analysis is contained in the annex to the accounts.

Health and Social Services Department

Net revenue expenditure increased by £9 million (6.1%) in 2009 compared with 2008. The 2009 budget and spend reflects an additional allocation of £5.8 million to cover issues such as the cessation of the Reciprocal Health Agreement, the Historic Child Abuse Enquiry and Pandemic Flu, offset by the effect of the pay freeze. The underlying increase excepting these items was 2%.

Social Security Department

Net revenue expenditure increased over that of 2008 by £14 million (9.6%) to £159.5 million. This increase was predominantly due to an increase in the costs of Income Support as a result of increasing numbers receiving benefit and the low level of income increments in 2009.

Education, Sport and Culture Department

Net revenue expenditure increased over that of 2008 by £4.9 million (5.3%) to £99 million. The above inflation increase is due to provision of Early Years education, and additional allocation to Mont a L'Abbe school and the transfer to the department of administrative responsibility for the Aquasplash Leisure Pool contract.

Home Affairs Department

Net revenue expenditure increased over that of 2008 by £0.6 million (1.2%) to £49.5 million. Both 2008 and 2009 include additional budget provision related to the Historical Child Abuse Enquiry and a number of high profile court cases.

Transport and Technical Services Department

Net revenue expenditure increased over that of 2008 by £2.6 million (12.3%) to £24.1 million. In order to comply with UK GAAP, transfers of £1.1 million were made from capital heads of expenditure to revenue. This is not additional spend but just reclassification of the amounts voted in the 2009 Business Plan. £0.5 million was voted as additional budget for bus services and the ëSafe Route to Schools' initiative.

Economic Development Department

Net revenue expenditure increased by £1.3 million (8%) compared to 2008. The majority of this is due to transfer of budget from capital to revenue in line with UK GAAP which does not increase overall expenditure. In addition the department has received £0.5 million additional budget which was spent on investor compensation claims and a grant of £250,000 from the Tourism Development Fund which has been spent on supporting Tourism during the economic downturn.

Treasury and Resources Department

Net revenue expenditure increased by £781,000 (4.6%) compared to 2008. These increases were largely non-recurring in nature and relate to work on fiscal policy, along with investment management and improving financial management across the States.

Chief Minister's Department

Net revenue expenditure increased by £3 million (16.2%) compared to 2008. The majority of the increase relates to transfers between capital and revenue budgets which do not increase overall expenditure, initiatives funded by budgets carried forward from 2008 and new posts granted in the amendment to the Business Plan.

Further, more detailed, narrative of each department's performance can be found in the Annex accompanying these accounts.

States Trading Operations

Use of Trading Funds is governed by the Public Finances (Jersey) Law 2005. Trading Funds are designated by the States as a distinct or disparate trading operation of the States. Planning for income and expenditure of Trading Operations is governed through the States Annual Business Plan. The following table summarises the outturn for each trading operation.

Trading Outturn 2009 (Table 10)

2009 Business Plan £' million		2009 Actual £' million	2008 Actual £' million
2.5	Airport	7.5	6.6
1.5	Harbours	1.8	2.2
1.4	Jersey Car Parks	1.5	0.7
0.2	Jersey Fleet Management	0.3	-
5.6	**Surplus for the year**	**11.1**	**9.5**

Financial statements for each fund can be found in the annex to these accounts.

Other income / expenditure for the year 2009

This represents non-departmental expenditure / income and technical accounting charges included in the States accounts.

In summary other income / expenditure is as follows:

Other income / expenditure (Table 11)

	Actual 2009 £' million	Actual 2008 £' million
Waterfront Enterprise Board Limited (surplus) / deficit †	1.5	(4.5)
Separately Constituted Funds and Reserves (surplus) / deficit	(5.1)	(33.4)
Accounting adjustments	10.8	89.9
	7.2	**52.0**

† The Waterfront Enterprise Board produces separate accounts which explain their results for the year.

Separately Constituted Funds and Reserves

The Public Finances (Jersey) Law 2005 allows the States to establish special funds. These are funds with a specific purpose and are usually established by legislation or a States decision. The governance arrangements are therefore specific to each individual fund. Accounts for each fund are shown in detail in the annex to these accounts.

The (surplus) / deficit for each of the Separately Constituted Funds and Reserves is shown in the table below:

(Table 12)

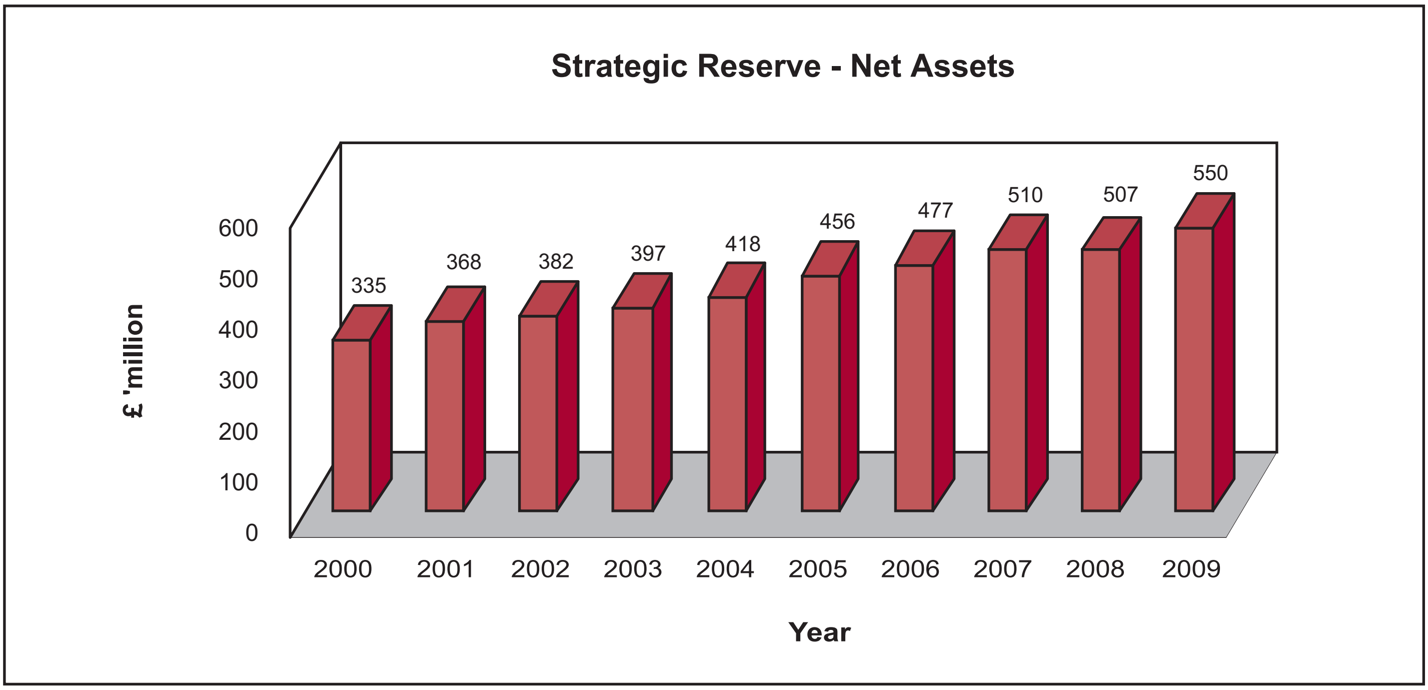
	Actual 2009 £' million	Actual 2008 £' million
Tourism Development Fund	0.4	0.6
Channel Islands Lottery (Jersey) Fund	-	(0.1)
Agricultural Loans Fund	(0.1)	1.9
Dwelling House Loan Fund	(1.2)	(1.9)
Assisted House Purchase Scheme	(0.1)	(0.2)
Housing Development Fund	(1.6)	(3.0)
Jersey Currency Notes	-	-
Jersey Coinage	-	-
Stabilisation Fund	(1.9)	(3)
Strategic Reserve	(0.6)	(27.7)
(Surplus) / Deficit for the year	**(5.1)**	**(33.4)**

Strategic Reserve

The Strategic Reserve is the States long-term reserve, set up in the mid 1980s to safeguard against a major downturn in the economy. The purpose of the reserve was clarified by the States in December 2006 when they agreed that the Strategic Reserve should be a permanent reserve, where the capital value is only to be used in exceptional circumstances to insulate the Island's economy from severe structural decline such as the sudden collapse of a major island industry or from major natural disaster. The total value of the reserve at year end was £550 million (£507 million in 2008). This reflects a recognition of realised losses on disposal of investments resulting in a relatively low surplus of £0.6 million for the year, offset by a £42 million unrealised gain on revaluation of investments reflecting the improvement in capital markets in the second half of 2009. Overall the Reserve has weathered recent turmoil in the financial markets well.

The following graph shows the market value of the Strategic Reserve over recent years.

Strategic Reserve Net Assets (Graph 6)



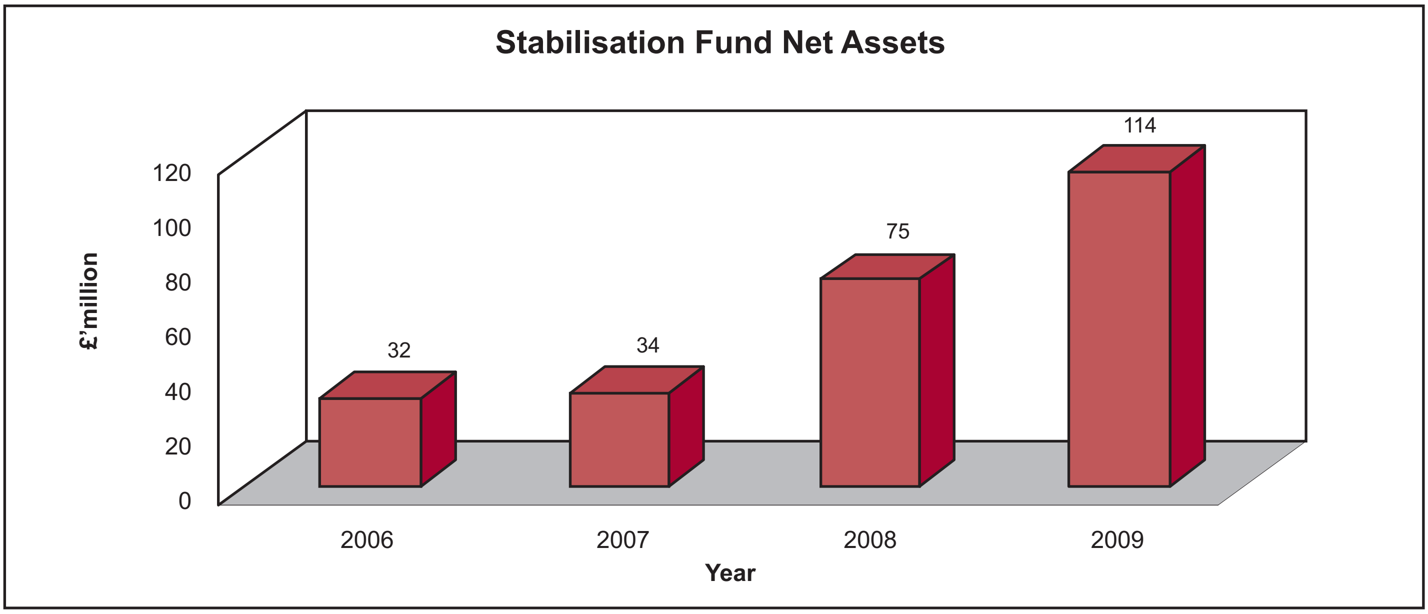
Stabilisation Fund

In December 2006 the States agreed to establish a Stabilisation Fund, the purpose of the fund being to make fiscal policy more countercyclical, providing some protection from the adverse impact of economic cycles, and creating a more stable economic environment in the Island with low inflation. This will involve taking money out of the economy and paying it into the Fund when the economy is strong and drawing money down from the Fund to support the economy when it is weaker.

Following the agreement of the States, the fund was established with a transfer of £32 million of surplus funds previously held in the Dwelling House Loans Fund. An additional transfer of £38 million was made in 2008. In 2009 a further £81 million was transferred to the Stabilisation Fund, £63 million from the Consolidated Fund and £18 million from the Dwelling House Loans Fund, and £44 million was transferred out of the Stabilisation Fund for the Fiscal Stimulus programme. The following graph shows the Net Assets of the Stabilisation Fund since inception.

The assets of the Stabilisation Fund are cash instruments. The income generated in 2009 (£1.9 million) is therefore considerably lower than in 2008 (£3.0 million) despite the increase in net assets. This is as a direct result of the significant fall in interest rates at the end of 2008 and early 2009.

Stabilisation Fund Net Assets (Graph 7)



The Minister for Treasury and Resources is responsible for proposing to the States transfers between the Consolidated Fund and Stabilisation Fund having regard to the advice of the independent Fiscal Policy Panel (FPP).

Accounting adjustments

The main items under this heading are the movement in pension liability and gains on disposal of fixed assets. Total accounting adjustments in 2009 are £10.8 million (2008: £89.9 million).

Movement in Pension Liability

The States of Jersey pension liabilities including the past service liabilities are accounted for in accordance with Financial Reporting Standard 17 and Financial Reporting Standard 12. The movement in the pension liability is broken down as follows. This is also shown in note 4 of the accounts.

Movement in pension liability (Table 13)

	Actual 2009 £' million	Actual 2008 £' million
Movement in PECRS pre-87 liability	24.5	103.2
Movement in provision for JTSF past service liability		(6.9)
Movement on the Discretionary Pension Scheme	0.2	-
Movement on the JPOPF scheme	(1.0)	(0.6)
Total movement	**23.7**	**95.7**

The actuarial valuation of the PECRS pre-87 liability is particularly sensitive to underlying assumptions such as discount rates and inflation rates. The recent increases in this actuarial valuation reflect the movement in a number of underlying assumptions, with the change in value largely driven by a fall in interest rates. A small change in these assumptions could have a significant effect on the value of the liability and the surplus/deficit for the year.

The payments in relation to this liability are made annually in accordance with an agreement adopted by the States in 2005 and are unaffected by the annual accounting valuation. The basis of the amount payable by the States to the PECRS by the States each year remains the same.

Gains on disposal of fixed assets

Gains on disposal of fixed assets arise principally from the sale of assets in line with the capital programme as set out in the Annual Business Plan. In the year Property Holdings made sales of property worth £5 million and Housing made sales worth £6 million.

The Capital Programme 2009

The States capital expenditure allocation from the Consolidated Fund for 2009 was £42 million. This was reduced in the year to £30 million as a result of capital to revenue transfers in order to meet the requirements of accounting standards. During 2009, capital expenditure from the Consolidated Fund amounted to £104 million (£45.4 million in 2008), the increase largely relating to the Energy from Waste Plant. This spend in the year includes capital expenditure from allocations made in previous years.

The major projects funded from the Consolidated Fund with a spend of more than £1 million in 2009 are listed below.

Spend on Major Capital Projects (Table 14)

	Spend in 2009 £' million	Spend to date £' million
Salisbury Crescent	1.0	1.3
Le Marais	1.1	6.9
The Cedars	2.4	5.9
ICR project - Health	2.6	4.0
Energy from Waste Plant	66.6	69.2
Infrastructure maintenance	1.0	3.8
Highlands College	3.2	4.8
A&E / Radiology extension	1.8	2.3
Prison Cell Block Reconstruction	3.7	10.8

At 31 December 2008 £176.5 million of capital funding allocated in 2009 and previous years had yet to be incurred. The significant approved but unspent funds included £35 million on the Energy from Waste Plant, £21 million for other Transport and Technical Services projects, £17 million for the relocation of the Police Station Headquarters, £11 million for other building projects, £10 million for Housing renovation projects and £4 million for the Health Integrated Care Record Programme.

The aggregated accounts also include capital expenditure from other States funds; total States capital expenditure in 2009 is summarised in the table below.

Capital Expenditure Summary (Table 15)

Capital Expenditure Financed from:	2009 £' million	2008 £' million
Consolidated Fund	104.0	45.4
Trading Funds	19.5	25.0
Housing Development Fund	-	0.2
Waterfront Enterprise Board Limited	-	2.3
Total Capital Expenditure	**123.5**	**72.9**

2. Structure, Governance, Aims and Objectives

Structure:

Principal Activities of the States of Jersey

The States of Jersey raises Taxes and other levies, and use these to fund the provision of a wide range of government and public services. These include the provision of the key public services of Health Care, Education and Social Security. These functions are primarily carried out by Departments, both Ministerial and Non-Ministerial.

The States of Jersey Accounting Boundary

The entities included within the States of Jersey Accounting Boundary is shown in the following diagram. More information on specific entities is given in the next section.

STATES OF JERSEY AGGREGATED ACCOUNTS				
CONSOLIDATED FUND	**WHOLLY OWNED COMPANY**	**TRADING OPERATIONS**	**RESERVES**	**SPECIAL FUNDS**
MINISTERIAL DEPARTMENTS	WATERFRONT ENTERPRISE BOARD LTD	AIRPORT	STRATEGIC RESERVE	LOANS FUNDS
NON-MINISTERIAL DEPARTMENTS		HARBOURS	STABILISATION FUND	CI LOTTERY FUND
GENERAL REVENUE INCOME		CAR PARKS		CURRENCY FUNDS
		FLEET MANAGEMENT		TOURISM FUND
				HOUSING DEVELOPMENT FUND

Some functions of Government are carried out by entities outside of the accounting boundary including some social benefits met by the Social Security Fund and Health Insurance Fund.

Description of Entities and their Functions

Consolidated Fund

The Consolidated Fund is governed by the Public Finances (Jersey) Law 2005 and is the fund through which the majority of the States income and expenditure is managed, including General Revenue Income and Departmental income and expenditure.

Planning for income to the Consolidated Fund is governed through the States Annual Budget which sets out the taxation measures and the expected level of income. Further details of this process can be found in the States Annual Budget.

Through the Annual Business Plan debate, the States Assembly allocates funding to Departments Net Expenditure Cash Limits (budgets) from the Consolidated Fund. Departmental Cash Limits may change during the year, subject to the approval of the Minister for Treasury and Resources or the States. Cash Limits may be changed for one of the following reasons; all such changes are reported to the States.

- Unspent Cash Limit voted by the States in one year approved for carry forward to the following year;
- Amounts may be transferred between approved capital projects and revenue budgets; or
- Additional amounts may be approved by the States during the year.

The component parts of the Consolidated Fund are shown below.

Ministerial Departments

These are departments that come under the control of a member of the Council of Ministers.

Department	Function
Chief Minister's Department	Provides support and advice to the Chief Minister and Council of Ministers, and co-ordinates policies and strategies across the States. Also responsible for a range of services including international relations, constitutional issues, States staffing and IT, statistics, and the Law Draftsman's Office.
Economic Development	Responsible for all areas of economic policy and development in Jersey, including support for the agriculture, fisheries, tourism, and finance industries. It also maintains an overview of policies that may affect the harbours, airport, postal and telecommunications services. It also oversees consumer and regulatory services.
Education, Sport and Culture	Provides educational, sporting and cultural opportunities for the people of Jersey supporting Jersey's commitment to encourage lifelong learning and enabling everyone to realise their potential.
Health and Social Services	Promotes health and social wellbeing for the whole community, providing prompt services to all and protecting the interests of the frail and the vulnerable.
Home Affairs	Responsible for the States of Jersey Police, the Fire and Rescue Service, the Prison Service, Customs and Immigration, criminal justice policy, the registration of births, deaths and marriages, and the Building a Safer Society Strategy.
Housing	Responsible for the provision of social housing and estates management.
Planning and Environment	Responsible for all planning and building control matters. It is also responsible for Jersey's environment in its widest sense, including environmental policy and regulation, and water resources and waste management regulation.
Social Security	Responsible for the administration of contributions and benefits, the Health and Safety Inspectorate, and a number of employment services.
Transport and Technical Services	Manages the highway, public transport and traffic management network, and has the responsibility for all transport policy in Jersey. Also ensures drivers and vehicles are roadworthy, manages the disposal of the Island's waste and provides cleaning and parks and gardening services.
Treasury and Resources	Manages the Island's finances and assets, ensuring the protection and good use of public funds. It is responsible for all taxation, States budgets and financial policies. It also manages States buildings and represents the States interests in publicly-owned companies.

Non-Ministerial Departments

Some States Departments do not come under direct Ministerial control, due to the nature of the work they perform. Also included in this section are the Overseas Aid Commission, who report directly to the States, and the States Assembly itself.

Department	Function
Bailiff's Chambers	Provides support to the Bailiff who is head of the judiciary, President of the States and civic head of Jersey.
Law Officers' Department	Provides legal advice to the Crown and the States, including States Ministries and other Departments.
Judicial Greffe	Provides administrative and secretarial support to ensure the effective operation of Jersey's courts.
Viscount's Department	Responsible for ensuring the decisions of Jersey's Courts and States Assembly are carried out.
Official Analyst	Carries out authoritative and impartial scientific analysis to support the work of other States departments, local businesses and individuals.
Office of the Lieutenant Governor	The Lieutenant Governor of Jersey is the representative of the British monarch in the Bailiwick of Jersey.
Office of the Dean of Jersey	The Dean of Jersey is the leader of the Church of England in Jersey.
Data Protection Commission	Promotes respect for the private lives of individuals through ensuring privacy of their personal information. The Commissioner also provides advice on data protection issues to the States, individual and businesses.
Probation and After-care Service	Works with the judicial system, the courts, victims of crime and the community to help reduce criminal activity in Jersey.
Comptroller and Auditor General	Examines how public bodies spend money, and looks at how best they can achieve value for money, by managing their finances to the highest standards.
Overseas Aid	Manages and administers the monies voted by the States of Jersey for overseas aid.
States Assembly	The highest decision-making authority of the Island. See Governance section "The States Assembly" for details.

General Revenue Income

General Revenue Income policy is set via the States Annual Budget, as explained further in the Governance section under "The States of Jersey Business and Financial Planning Cycle".

The main income streams are: Taxation, Impôts (e.g. on alcohol, tobacco and fuel), Stamp Duty, Investment Income and Island Rates.

Reserves

The States operates two reserves with specific purposes.

Reserve	Function
Strategic Reserve	A permanent reserve, to be used only in exceptional circumstances to insulate the Island's economy from severe structural decline (such as the sudden collapse of a major island industry) or from major natural disaster.
Stabilisation Fund	Provides some protection from the adverse impact of economic cycles (by taking money out of the economy when it is strong, and releasing it when it is weaker), creating a more stable economic environment with low inflation.

States Trading Operations

Under the Public Finances (Jersey) Law 2005, the States can designate any distinct area of operation as a States Trading Operation. Estimates for Trading Operations are approved in the Annual Business Plan. At present, four such operations have been designated:

Trading Operation	Function
Jersey Airport	Provides a wide range of facilities and services for passengers over an extensive network of schedule and charter flight services across the UK and Europe.
Jersey Harbours	Responsible for the operation of Jersey's commercial port of St Helier and outlying ports.
Jersey Car Parking	Responsible for administration, management, financing, development and maintenance of public parking places.
Jersey Fleet Management	Responsible for the acquisition, maintenance, servicing, fuelling, garaging and disposal of vehicles and mobile plant on behalf of the States.

States Special Funds

The Public Finances (Jersey) Law 2005 allows the States to establish special funds (also know as Separately Constituted Funds). These are funds with a specific purpose and are usually established by legislation or a States decision. A summary of the purpose of the various funds is given below.

Special Fund	Purpose
Tourism Development Fund	Makes grants to stimulate investment in the tourism industry and infrastructure in order to improve Jersey's competitiveness and sustain the industry as a second pillar of the economy.
Channel Islands Lottery (Jersey) Fund	Promotes and conducts public lotteries, the draws of which may be held in Jersey or Guernsey.
Agricultural Loans Fund	Makes loans to individuals engaged in work of an agricultural nature in Jersey for the purpose of furthering their agricultural business. Approval of new loans to farmers has been suspended.
Dwelling House Loan Fund	Lends money to individuals for the acquisition or improvement of housing.
Assisted House Purchase Scheme	Aided the recruitment of staff from the UK, by facilitating the purchase of suitable properties by the States on behalf of the employee. It is no longer making new loans.
Housing Development Fund	Assists in meeting the requirements for the development of social rented and first-time buyer homes by providing development and interest subsidies.
Jersey Currency Notes	Produces and issues currency notes, and administers notes in issue.
Jersey Coinage	Produces and issues currency coins, and administers coins in issue.
99 Year Leaseholders Fund	Allowed the former Housing Committee to lend to individuals offering leasehold property as security (at a time when there was no share transfer or flying freehold legislation). It is no longer making new loans.

Wholly Owned Company

The Waterfront Enterprise Development Board Limited (WEB) is a wholly owned company of the States. This was incorporated in 1996 and vested with responsibility for the co-ordination and promotion of development in the St Helier Waterfront Area on behalf of the States of Jersey.

Public Sector Bodies Outside of the Accounting Boundary

Major Public Sector Bodies that are outside of the Accounting Boundary include:

Parishes

The Parishes perform various Government Functions, including Refuse Collection, Provision of Parks and Gardens and issue of Driving Licenses. Details of the functions of individual parishes can be found on the Parishes Websites.

http://www.parish.gov.je/

Social Security Funds

Fund	Purpose
Social Security Fund Health Insurance Fund Social Security (Reserve) Fund	These funds collect Social Security Contributions, and pay related benefits and any associated expenses. The Reserve fund provides a buffer for these payments in the future.

Confiscation Funds

Fund	Purpose
Criminal Offences Confiscation Fund Drug Trafficking Confiscation Fund Civil Asset Recovery Fund	These funds hold any amounts confiscated under the law and pay these funds out in accordance with the relevant legislation. These funds will be consolidated as part of the move to GAAP.

Strategic Investments

Fund	Purpose
Jersey Electricity Company Limited Jersey New Waterworks Company Limited Jersey Telecom Group Limited Jersey Post International Limited	The States owns controlling investments in these utility companies, but as it does not exert direct control these are accounted for as Strategic Investments in the Accounts.

Independent Bodies

Fund	Purpose
Including, for example - Jersey Competition Regulation Authority - Jersey Financial Services Commission	These bodies mainly provide supervisory and regulatory functions, and are established by legislation to be independent from the States of Jersey.

Governance, Aims and Objectives:

The States Assembly

The States Assembly is the highest decision-making authority of the Island and makes decisions about new laws or major policy changes. The principal functions of the States are -

a) to pass Laws (which require the sanction of Her Majesty in Council) and Regulations on all domestic matters;
b) to approve annual estimates of public expenditure (revenue and capital);
c) to appoint a Council of Ministers charged with responsibility for the different aspects of public business;
d) to appoint a Public Accounts Committee and scrutiny panels to hold the Executive to account;
e) to determine policy on propositions presented by Ministers, scrutiny panels and other bodies or individual members, and executive matters such as compulsory purchases;
f) to debate and decide issues of public importance;
g) to consider petitions for the redress of grievances; and
h) to represent the people of Jersey.

The constitution of the States and all general provisions governing procedure, are set out in the States of Jersey Law 2005, and in the Standing Orders of the States of Jersey made under the Law.

The Public Finances (Jersey) Law 2005 sets out the procedures that govern the administration of the States' finances. The present composition of the States, as determined by the States of Jersey Law 2005, is:

Elected Members

- 12 Senators
- 12 Connétables
- 29 Deputies

Non-Elected Members

- the Bailiff
- the Lieutenant-Governor
- the Dean of Jersey
- the Attorney General
- the Solicitor General

Officers

- the Greffier of the States, who is clerk of the States
- the Deputy Greffier of the States, who is the clerk-assistant of the States
- the Viscount, who is the executive officer of the States

Only the elected members have voting rights.

In 2005 Jersey adopted a Ministerial system of government. A Council of Ministers works alongside Scrutiny Panels. Of the 53 States members with voting rights, a maximum of 23 members are in ministerial positions either as Ministers (ten members) or Assistant Ministers (up to 13 members). Up to 20 other States members sit on the Scrutiny Panels. The following diagram shows this structure.

Ministerial Government

The States Assembly

Executive	Scrutiny
Council of Ministers	Scrutinity Chairmen's Committee
Individual Ministers	Public Accounts Committee
Ten States departments	Scrutinity Panels

The Council of Ministers

The Council of Ministers is made up of a Chief Minister and nine other Ministers, who are chosen individually on a vote by all States members. Each Minister is accountable for their area of government. The ten Ministers together comprise the Council of Ministers. The current Ministers are:

Department	Minister
Chief Minister's	Senator Terry Le Sueur
Economic Development	Senator Alan Maclean
Education, Sport and Culture	Deputy James Reed
Home Affairs	Senator Ian Le Marquand
Health and Social Services	Deputy Anne Pryke
Housing	Senator Terry Le Main
Planning and Environment	Senator Freddie Cohen
Social Security	Deputy Ian Gorst
Transport and Technical Services	Connétable Mike Jackson
Treasury and Resources	Senator Philip Ozouf

The Council of Ministers is responsible for producing Jersey's Strategic Plan. Once the Plan is approved by the States Assembly, the Council will make sure the Strategic Plan is properly carried out throughout the public service.

The Council of Ministers is supported by a Chief Executive who is the head of the public service. The Chief Executive leads a Corporate Management Board that is made up of the chief officers of the main departments and heads of the principle support functions.

Scrutiny

Scrutiny is made up of the following elements:

- **Chairmen's Committee**
- **Public Accounts Committee**
- **Individual Scrutiny Panels**

Auditor

The financial statements for the States of Jersey are audited by PricewaterhouseCoopers LLP, who are appointed by the Comptroller and Auditor General under the Public Finances (Jersey) Law 2005. The Report of the auditor on the accounts is included with the accounts.

The audit fee is disclosed in Note 5 of the accounts.

The accounts are a true and fair reflection of the financial position of the States of Jersey for the financial year ended 31 December 2009. Our accounting policies are outlined in the accounts and have been fairly and consistently applied. We keep proper and up to date accounting records and take all reasonable steps to prevent and detect fraud and other irregularities.

There is no relevant audit information of which the States of Jersey's auditors are unaware, and all steps have been taken to identify any relevant audit information and to establish that the States of Jersey's auditors are aware of that information.

An Audit Committee, with an independent chair, operates throughout the year, considering internal control issues.

The States of Jersey Business and Financial Planning Cycle

The States Strategic Plan sets out the States vision for a next five year period including the broad financial framework.

A Strategic Plan was published in 2009, which aims to address the issues facing Jersey.

The States Objectives and Strategies are set out in detail in the States Strategic Plan, which is available on the States Website. The strategic aims outlined in the plan are:

- Enable people to reach their full potential;
- Meet our health, housing and education challenges;
- Prepare for the ageing society;
- Protect the countryside and our environment;
- Create a responsive and efficient government.

To achieve this, we [the States] must also:

- Support and maintain our economy

The Strategic Plan goes on to outline sixteen Priorities that support these aims, and Key Performance Indicators that can be used to measure progress against these priorities.

The Annual Business Plan provides the detail behind that framework and proposes financial allocations to both individual departments and capital projects in order to provide resources to departments to enable the achievement of Jersey's Strategic Aims, thus ensuring that funding is allocated in accordance with agreed strategic priorities. The Assembly debates the draft Annual Business Plan in September, which approves expenditure for the following year, and also approves indicative expenditure totals for a further four years.

Following approval of the Business Plan, the States then considers the annual Budget report that proposes the measures through which the approved expenditure limits can be funded, including taxation changes.

Departments then prepare their individual Business Plans which set out in detail the Objectives of the department for the year, and how these help deliver the strategic priorities agreed in the Strategic Plan. The plans also keep Islanders informed about how political decisions are carried out day-to-day. The States two main controls on expenditure are through Net Revenue Expenditure cash limit, and Capital Project budgets voted by the States to departments.

There is a clear link between the high-level priorities set in the Strategic Plan and the detailed departmental business plans that are published annually. Within the year in question, regular reporting occurred on performance against financial budgets, including quarterly reporting to the Council of Ministers. These processes are part of a year round financial planning and monitoring cycle that informs future resource allocation.

3. Introduction to the States of Jersey Accounts 2009

The main statements included in the accounts are explained below along with an explanation of their purpose.

Operating Cost Statement

This statement provides an informative analysis of the States income and expenditure, highlighting income raised by the States of Jersey, such as taxation, other income, and States expenditure on social benefits, staff costs, grants and subsidies and other expenditure. It encompasses all the entities that comprise the States of Jersey; a segmental analysis is included in the notes to the accounts providing further analysis of the States income and expenditure.

Statement of Total Recognised Gains and Losses

The Statement of Total Recognised Gains and Losses provides a summary of the States financial gains and losses regardless of whether or not they were shown in the Operating Cost Statement or the Balance Sheet. This includes the surplus for the year, from the Operating Cost Statement as well as other unrealised gains and losses.

Balance Sheet

The balance sheet provides a snapshot of our financial position as at 31 December. It sets out what we own, what we owe and what is owed to us at that point in time.

Cash Flow Statement

This statement summarises the total cash movements during the year for both capital and revenue purposes.

Notes

The accounts also include a set of notes that provide further analysis of the figures contained within the main statements.

Annex

The annex to the accounts provides financial statements and reports for the entities included within the States of Jersey Accounts. A glossary is included at the end of the annex to the accounts providing an explanation of the terminology used in this report and accounts.

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MINISTER FOR TREASURY AND RESOURCES OF THE STATES OF JERSEY AND THE COMPTROLLER AND AUDITOR GENERAL OF THE STATES OF JERSEY

We have audited the Financial Report and Accounts of the States of Jersey for the year ended 31 December 2009 in accordance with the Public Finances (Jersey) Law 2005. They comprise the Aggregated Operating Cost Statement, the Aggregated Balance Sheet, the Aggregated Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. The Financial Report and Accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of the Treasurer of the States, the Comptroller and Auditor General of the States and auditors

The Treasurer's responsibilities for preparing the annual Financial Report and Accounts are set out in the Public Finances (Jersey) Law 2005 and summarised in the Statement of Responsibilities for the Statement of Accounts.

The Comptroller and Auditor General's responsibilities are to ensure that the Financial Report and Accounts is audited within 5 months of the end of the financial year.

We have been appointed by the Comptroller and Auditor General to audit the Financial Report and Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Minister for Treasury and Resources of the States of Jersey and the Comptroller and Auditor General of the States of Jersey in accordance with the Public Finances (Jersey) Law 2005 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Report and Accounts give a true and fair view in accordance with the Public Finances (Jersey) Law 2005. We also report to you whether in our opinion the information given in the Minister's Report and Treasurer's Report are consistent with the Financial Report and Accounts.

In addition we report to you if, in our opinion, the States has not kept adequate accounting records, if the States' Financial Report and Accounts are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by the Public Finances (Jersey) Law is not disclosed.

We review whether the Statement on Internal Control reflects the States of Jersey's compliance with the relevant guidance issued by the Financial Advisory Board of the States of Jersey on 14 November 2006 and we report to you if it does not. We are not required to consider whether the statement covers all risks and controls. We are also not required to form an opinion on the effectiveness of the States' corporate governance procedures or its risk and control procedures.

We read the other information presented with the Financial Report and Accounts, and consider whether it is consistent with the audited Financial Report and Accounts. This other information comprises only the Annex to the Financial Report and Accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Report and Accounts. Our responsibilities do not extend to any other information.

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 Report and Accounts. It also includes an assessment of the significant estimates and judgments made by the Treasurer in the preparation of the Financial Report and Accounts, and of whether the accounting policies are appropriate to the organisation'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 Report and 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 Financial Report and Accounts.

Opinions

In our opinion:

- the Financial Report and Accounts give a true and fair view, in accordance with the Public Finances (Jersey) Law 2005, of the state of the States of Jersey's affairs as at 31 December 2009 and of the income and expenditure and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Public Finances (Jersey) Law 2005; and
- the information given in the Minister's Report and the Treasurer's Report is consistent with the Financial Report and Accounts.

Pricewaterhouse Coopers LLP

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

26th May 2010

Statement of Accounting Policies

i. Basis of Accounts

The Financial Report and Accounts are prepared to meet the requirements of the Public Finances (Jersey) Law, 2005. The following paragraphs outline the accounting basis on which the 2009 accounts have been prepared.

ii. Aggregation and Consolidation

The accounts reflect the aggregated Operating Cost Statement and the Balance Sheet of the States of Jersey including the results of separately constituted funds but not Jersey Telecom Group Limited, Jersey Post International Limited, Jersey Electricity Company Limited and Jersey New Waterworks Company Limited.

As the Waterfront Enterprise Board Limited, a wholly-owned company, is a developer and agent of the States of Jersey, its results and financial position are aggregated within the States of Jersey accounts.

The accounts do not include certain funds, such as legacies and bequests, which are administered by the States of Jersey. The Social Security Fund, Social Security (Reserve) Fund, and Health Insurance Fund accounts will be published separately to the States accounts. The Criminal Offences Confiscation Fund, Drug Trafficking Confiscation Fund and Civil Assets Recovery Fund are not aggregated into the States accounts; however these will be included in the 2010 accounts.

iii. Inter-Department Transactions

Transactions and balances between entities whose results are included in these accounts, are not eliminated.

iv. Related Party Transactions

The accounts do not contain any disclosures with respect to related party transactions.

v. Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated to sterling at rates current at the balance sheet date. Transactions are translated into sterling at the rate current at the date of the transaction. All realised foreign exchange differences are included in the operating cost statement. Unrealised foreign exchange differences are included in the Statement of Total Recognised Gains and Losses.

vi. Income and Expenditure

Income and expenditure are accounted for using the accruals concept, i.e. income and expenditure are accounted for when goods and services are provided and received, unless specified otherwise.

vii. Income Tax, Goods and Services Tax and Impôts

Income Tax is recognised when an assessment is raised with provisions made for doubtful debts and adjustments following appeals. In addition, an adjustment is made for estimated repayments due under the Income Tax Instalment Scheme. Tax collected in the year under the Income Tax Instalment System which is due for assessment in the following year (tax collected on a current year basis) is recognised as receipts in advance.

Statement of Accounting Policies

Goods and Services Tax (GST) is recognised on an accruals basis. GST is deemed to be receivable by the States of Jersey at the point of sale of goods or services which are liable to GST. GST is deemed to be payable by the States of Jersey at the point of payment by a registered business for goods or services which are liable to GST. Fees payable by International Services Entities are recognised on an accruals basis and are included in total GST receipts in the Operating Cost Statement.

Impôts duties are recognised when the goods are landed in Jersey.

viii. Provisions for Liabilities and Charges

A provision is made in the accounts in respect of obligations arising from past events where the predicted outcome of the event is considered probable and there is a reliable estimate of the amount of the liability.

ix. Fixed Assets

Fixed Assets are categorised according to their source of funding as opposed to being classified according to their nature, function or use in business.

A capital repayment charge is made as an approximation to any depreciation charge that would be applicable under UK GAAP, including an element in respect of land, which would not be depreciated under UK GAAP. The capital repayment charge is calculated as cost at the end of the year divided by the estimated remaining life of the asset. Assets in the course of construction are held at cost. Completed fixed assets are held at cost less capital repayments.

Useful economic lives (by category) over which assets are depreciated or over which capital servicing is allocated are as follows:

Buildings	50 years
Infrastructure	10-30 years
Plant and Equipment	5-10 years
Fixtures and Fittings	5-10 years
Vehicles	5 years
Computer hardware and software	3-5 years

For expenditure where the source of funding has been designated as capital, but where the whole or majority of the spend is deemed to be revenue in nature, a capital repayment charge equivalent to the whole cost incurred in the year is made.

x. Leased assets

Assets held under finance leases or sale and lease-back arrangements are capitalised as fixed assets and depreciated over the shorter of the lease term or their estimated useful economic lives. Rentals paid are apportioned between reductions in the capital obligations included in creditors, and finance charges charged to the Operating Cost Statement. Expenditure under operating leases is charged to the Operating Cost Statement in equal instalments over the period of the lease.

Statement of Accounting Policies

xi. Capital Grants

Capital grants received in respect of the construction of tangible fixed assets are carried forward in the balance sheet until such time as the related asset is constructed and are then deducted from the construction costs.

xii. Strategic Investments

Although the States of Jersey holds the majority of the ordinary voting shares in Jersey Telecom Group Limited, Jersey Post International Limited, Jersey Electricity Company Limited and Jersey New Waterworks Company Limited, the accounts of these entities are not consolidated as these are strategic investments and information on these companies is better provided by reference to the separate accounts. These investments are stated at cost less provision for any permanent diminution in value.

xiii. Other Investments

Investments held other than for strategic purposes, principally for investment returns, are carried at market value.

Profits or losses on disposal or redemption of investments are included in the Operating Cost Statement when realised.

Unrealised gains and losses on investments are included in the Statement of Total Recognised Gains and Losses.

Income on interest-bearing investments is recognised on an accruals basis. Income on other investments is recognised when receivable.

xiv. Stock and Work in Progress

Stock and work in progress includes site developments held for resale by the Waterfront Enterprise Board Limited and other general stocks.

All stocks are held at the lower of cost and net realisable value.

xv. Debtors, Prepayments and Advances

Debtors are recognised on an accruals basis reflecting goods and services provided for which income is due as at 31 December 2009.

Prepayments are recognised on an accruals basis reflecting goods and services that have been paid for but no benefit received as at 31 December 2009.

Advances are recognised on an accruals basis reflecting the amounts advanced less any capital repayments received.

Statement of Accounting Policies

Debtors, prepayments and advances are recognised at amortised cost less provision for any permanent diminution in value

xvi. Creditors

Revenue creditors are recognised on an accruals basis reflecting goods and services received in the year ending 31 December 2009, which have not been paid for as at 31 December 2009.

Capital creditors include the cost of all work certified as complete up to the 31 December 2009.

Creditors are recognised at amortised cost less provision for any permanent diminution in value

xvii. Cash and Liquid Resources

Cash and Liquid Resources are cash in hand and deposits repayable on demand. Cash includes cash in hand and deposits denominated in foreign currencies.

xviii. Contingent Liabilities

A contingent liability will be disclosed where:

- a possible obligation arises from a past event, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within the States of Jersey's control; or

- a present obligation arises from past events but has not been recognised because:
    - it is not probable that a transfer economic benefits will be required to settle the obligation; or
    - the amount of the obligation cannot be measured with sufficient reliability

xix. Pension Schemes

The States of Jersey operates two principal pension schemes for certain of its employees (Public Employees' Contributory Retirement Scheme and Teachers' Superannuation Fund). In addition two further pension schemes exist, the Jersey Post Office Pension Fund and the Discretionary Pension Scheme. These schemes are closed to new members. The assets of each scheme are held in separate funds.

The Jersey Post Office Pension Fund and the Discretionary Pension Scheme are accounted for as conventional defined benefit schemes in accordance with Financial Reporting Standards (FRS) 17.

The Public Employees' Contributory Retirement Scheme and Teachers' Superannuation Fund, whilst final salary schemes, are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the schemes.

Employer contributions to the schemes are charged to revenue expenditure in the year they are incurred.

Statement of Accounting Policies

In agreeing P190/2005 the States confirmed responsibility for the past service liability which arose from restructuring of the PECRS arrangements with effect from 1 January 1988. This liability is recognised in the accounts.

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme mirrors the Public Employees' Contributory Retirement Scheme. A provision for past service liability, similar to the PECRS pre-87 past service liability, has been recognised, although this has not yet been agreed with the Fund's board of management.

Apart from the liabilities detailed above, the employer is not responsible for meeting any ongoing deficiency in the schemes.

Information on the schemes is presented in the accounts reflecting the cost of the schemes. In particular, information specified in FRS 17 is disclosed in note 4 to the accounts.

Actuarial gains and losses arising in the year from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Statement of Total Recognised Gains and Losses for the Jersey Post Office Pension Fund and the Discretionary Pension Scheme.

States of Jersey

Aggregated Operating Cost Statement
for the Year ended 31 December 2009

	Notes	2009 £' 000	2008 £' 000
Revenue	1		
Levied by the States of Jersey			
Taxation Revenue		558,474	534,960
Island Rates, Duties, Fees, Fines and Penalties		92,844	91,297
Total Revenue Levied by the States of Jersey		**651,318**	**626,257**
Earned through Operations			
Sales of Goods and Services		153,212	145,801
Investment Income		27,882	68,358
Other Revenue		32,130	31,659
Total Revenue Earned through Operations		**213,224**	**245,818**
Total Revenue		**864,542**	**872,075**
Operating Expenditure	2		
Social Benefit Payments		162,600	149,576
Staff Costs	3	327,149	312,079
Other Operating Expenses		193,609	185,270
Grants and Subsidies Payments		39,425	37,827
Capital Charge/Depreciation		45,689	51,426
Finance Costs		6,673	6,250
Total Operating Expenditure		**775,145**	**742,428**
Non-Operating expenditure			
Net Foreign-Exchange (Gains)/Losses		556	(1,357)
Movement in Pension Liability	4	23,682	95,684
Gains on disposal of assets		(10,362)	(22,065)
Total Non-Operating Expenditure		**13,876**	**72,262**
Total Expenditure		**789,021**	**814,690**
Surplus for the Year		**75,521**	**57,385**

Statement of Total Recognised Gains and Losses
for the Year ended 31 December 2009

	2009 £' 000	2008 £' 000
Surplus for the Year	75,521	57,385
Unrealised Gain/(Loss) on Revaluation of Investments	41,997	(30,197)
Unrealised Loss on Foreign Exchange	(184)	-
Actuarial Gain/(Losses) in respect of Defined Benefit Pension Schemes	(1,153)	467
Total Recognised Gain Relating to the Year	**116,181**	**27,655**

States of Jersey

Aggregated Balance Sheet as at 31 December 2009

	Notes	2009 £' 000	2009 £' 000	2008 £' 000	2008 £' 000
Tangible Fixed Assets	7		905,073		828,609
Financial Assets					
Advances	8	18,549		25,312	
Strategic Investments	9	88,563		88,563	
Other investments	10	982,469		852,642	
Debtors: amounts falling due after more than one year	12	13,986		4,492	
Total Fixed Assets			2,008,640		1,799,618
Current Assets					
Stock and Work in Progress	11	8,056		6,748	
Debtors	12	114,818		146,736	
Cash at Bank and in Hand	13	62,573		79,842	
Total Current Assets			185,447		233,326
Current Liabilities					
Bank Overdrafts	14	(33,242)		(20,364)	
Creditors	14	(89,217)		(90,557)	
Currency in Circulation	15	(90,664)		(91,549)	
Total Current Liabilities			(213,123)		(202,470)
Net Current Assets / (Liabilities)			(27,676)		30,856
Total Assets Less Current Liabilities			1,980,964		1,830,474
Long Term Liabilities					
Finance Lease Obligations	22	(16,924)		(19,608)	
PECRS Pre-1987 Past Service Liability		(246,643)		(222,288)	
Provision for JTSF Past Service Liability		(103,100)		(103,100)	
Defined Benefit Pension Schemes Net Liability	16	(1,542)		795	
Provisions for Liabilities and Charges	18	(4,090)		(2,140)	
Other Long Term Liabilities	12	(8,351)		-	
Total Long Term Liabilities			(380,650)		(346,341)
Net Assets			**1,600,314**		**1,484,133**
Reserves:					
Accumulated Revenue and Reserve Balances	17		**1,600,314**		**1,484,133**

Signed: Jason Turner Date: 24/05/2010
(Deputy Treasurer of the States
on behalf of the Treasurer of the States)

Signed: Philip Ozouf Date: 24/05/2010
(Minister for Treasury and Resources)

States of Jersey

Aggregated Cash Flow Statement
for the Year ended 31 December 2009

	2009 £' 000	2009 £' 000	2008 £' 000	2008 £' 000
Operating Activities				
Net Cash Inflow from Operating Activities (Note a)		**131,358**		**86,061**
Returns on Investment and Servicing of Finance				
Investment Income Received	52,358		65,533	
Interest Paid	(1,493)		(6,250)	
Interest element of Finance Lease Payments	(1,388)		(1,548)	
Net Cash Inflow from Returns on Investments and Servicing of Finance		**49,477**		**57,735**
Capital Expenditure and Financial Investments				
Payments to acquire Tangible Fixed Assets	(123,061)		(68,402)	
Receipts from Sale of Plant, Property and Equipment	213		49	
Proceeds from Disposal of Property	11,523		24,461	
Loans Advanced	-		(500)	
Loans Repaid	6,763		8,910	
Net Cash Outflow from Capital Expenditure and Financial Investments		**(104,562)**		**(35,482)**
Additions/Disposals				
Purchase of Investments	(2,620,148)		(2,112,937)	
Proceeds from Disposal of Investments	2,516,598		2,029,825	
Net Cash Outflow from Additions/Disposals		**(103,550)**		**(83,112)**
Management of Liquid Resources				
Increase in Short Term Deposits	(34,082)		(51,882)	
Purchase of current asset investments	51,882		38,233	
Net Cash Inflow/(Outflow) from Management of Liquid Resources		**17,800**		**(13,649)**
Financing				
Capital Element of Finance Lease Rental Payments	(2,685)		(2,456)	
Net Cash Outflow from Financing		**(2,685)**		**(2,456)**
Increase/(Decrease) in Cash		**(12,162)**		**9,097**

States of Jersey

Reconciliation of Net Cash Flow to Movement in Net Funds

	2009 £' 000	2008 £' 000
Increase/(Decrease) in Cash in the Year	(12,162)	9,097
Movement in Liquid Resources	(17,800)	13,649
Net Cash Inflow from Lease Financing	2,454	2,535
Unrealised Foreign Exchange Movement	(184)	-
Change In Net Funds	**(27,692)**	**25,281**
Net Funds at 1 January	37,415	12,134
Net Funds at 31 December	**9,723**	**37,415**

Notes to the Cash Flow Statement

a. Reconciliation of Surplus for the Year to Net Cash Flow from Operating Activities

	2009 £' 000	2008 £' 000
Surplus for the Year	75,521	57,385
Capital Servicing/Depreciation	45,689	48,256
Net Book Value of Assets Written Off	-	3,110
Interest Paid	1,493	6,250
Gain on Disposal of Assets	(10,362)	(22,065)
Investment Income	(43,927)	(62,860)
Interest Element of Finance Leases	1,388	1,548
Gain/(Loss) on Realisation of Investments	15,713	(5,498)
(increase)/Decrease in Stock	(1,308)	2,552
Transfer to Fixed Assets (from)/to Stock	-	(27)
Decrease/(Increase) in Debtors	23,488	(22,761)
Increase in Long term Debtors	(9,494)	(2,818)
Increase/(Decrease) in Creditors	169	(20,086)
Increase in Long Term Creditors	8,351	-
Increase in Pensions Liabilities	23,572	95,390
Increase/(Decrease) in Provisions	1,950	(1,556)
Increase/(Decrease) in Currency in Circulation	(885)	9,241
	131,358	**86,061**

b. Analysis of Net Funds

	At 1 January 2009 £' 000	Cash Flows £' 000	Exchange Movement £'000	At 31 December 2009 £' 000
Cash in Hand and at Bank	7,596	(12,162)	(184)	(4,750)
Bank Deposit Accounts	51,882	(17,800)	-	34,082
Total Cash	**59,478**	**(29,962)**	**(184)**	**29,332**
Finance Leases	(22,063)	2,454	-	(19,609)
Net Funds	**37,415**	**(27,508)**	**(184)**	**9,723**

Notes to the Accounts

1. Revenue

	2009 £' 000		2008 £' 000	
Levied through Sovereign Power:				
Taxation Revenue				
Salary and Wage Earners	250,357		229,227	
Self Employed and Investment Holders	43,300		40,500	
Companies	217,675		232,820	
GST	47,142		32,413	
		558,474		**534,960**
Island rates, duties, fees, fines and penalties				
Impôts Duty - Spirits	4,172		4,008	
Impôts Duty - Wines	6,340		5,863	
Impôts Duty - Beer	6,194		5,836	
Impôts Duty - Tobacco	13,856		12,715	
Impôts Duty - Fuel	20,685		20,470	
Impôts Duty - Other	125		235	
Vehicle Reg & Customs Duty	-		674	
Stamp Duty	23,576		23,998	
Island Rates	10,306		10,183	
Other Fees and Fines	7,590		7,315	
		92,844		**91,297**
Earned through Operations				
Sales of goods and services		**153,212**		**145,801**
Investment Income				
Investment Income	40,159		57,552	
Realised gains / losses on investments	(16,045)		5,498	
Loan, Bank & Notional Interest	3,768		5,308	
		27,882		**68,358**
Other Revenue				
Returns	4,548		4,852	
Other Income *	27,582		26,807	
		32,130		**31,659**
Total Revenue		**864,542**		**872,075**

*Other income includes: European Union Savings Tax Directive Income; Criminal Offences Confiscation Fund, grants, recharges and transfers between departments.

Notes to the Accounts

2. Expenditure

	2009 £' 000		2008 £' 000	
Operating Expenditure:				
Social Benefit Payments				
Social Security Benefits	97,605		87,734	
States Contributions to Social Security Fund and Health Insurance Fund	64,995		61,842	
		162,600		**149,576**
Staff costs				
States Members' Remuneration	2,435		2,344	
States Staff Salaries and Wages	265,315		260,193	
States Staff Pension Costs	34,017		32,474	
States Staff Social Security	14,614		14,041	
Non-States Staff Costs*	9,407		1,494	
Other Staff Costs	1,361		1,533	
		327,149		**312,079**
Other Operating expenses		**193,609**		**185,270**
Grants and Subsidies payments		**39,425**		**37,827**
Capital Repayment Charge/Depreciation		**45,689**		**51,426**
Finance costs		**6,673**		**6,250**
Non-operating expenditure:				
Net foreign-exchange (gains)/losses	556		(1,357)	
Movement in pension liability	23,682		95,684	
(Gains)/Losses on disposal of assets	(10,362)		(22,065)	
		13,876		**72,262**
Total Expenditure		**789,021**		**814,690**

*Non-States Staff are persons not employed under a direct employment contract with the States of Jersey, but who are carrying out the duties of an employee of the States of Jersey.

Notes to the Accounts

3. Employees and States' Members

(a) Staff costs by Department

Department	Total £	Salaries and Wages £	Pension £	Social Security £	FTE
Chief Minister's Department	11,199,180	9,487,667	1,243,294	468,219	188
Economic Development	3,827,189	3,274,027	386,837	166,325	73
Education, Sport and Culture	77,398,100	64,452,396	9,290,038	3,655,666	1,534
Health and Social Services	110,061,578	93,785,667	11,068,698	5,207,213	2,289
Home Affairs	37,148,255	31,550,901	3,907,712	1,689,642	674
Housing	2,020,471	1,673,206	254,112	93,153	36
Planning and Environment	6,772,927	5,724,941	756,283	291,703	113
Social Security	5,595,518	4,628,626	689,051	277,841	129
Transport and Technical Services*	21,712,025	18,438,473	2,183,901	1,089,651	529
Treasury and Resources	12,529,001	10,594,385	1,369,119	565,497	240
States Assembly (excluding States Members)	1,537,303	1,289,902	174,388	73,013	32
Non Ministerial States Funded Bodies	10,565,611	8,896,854	1,260,775	407,982	171
Jersey Airport	10,357,242	8,825,231	1,081,970	450,041	190
Jersey Harbours	3,735,327	3,207,086	350,342	177,899	67
Other**	830,248	830,248			
Staff costs charged to capital	(1,344,350)	(1,344,350)			
Total	**313,945,625**	**265,315,260**	**34,016,520**	**14,613,845**	**6,265**
Non-States staff costs	9,406,754				
Other staff costs***	1,361,692				
States Members remuneration	2,435,321				
Total Staff costs	**327,149,392**	**265,315,260**	**34,016,520**	**14,613,845**	

Figures exclude costs associated with the PECRS pre-87 liability.

* Jersey Car Parking and Jersey Fleet Management FTE figures are included in the Transport and Technical Services figures

** Other includes the costs of Waterfront Enterprise Board (WEB) employees. Further details can be found in the separately published WEB accounts

*** Other staff costs includes Redundancy, Voluntary Redundancy, Allowances and Severance payments

Notes to the Accounts

(b) Senior Employees

Remuneration	2009 Non - Traders	2009 Traders	2008 Non - Traders	2008 Traders
£70,000 - £89,999	306	19	317	23
£90,000 - £109,999	96	17	81	13
£110,000 - £129,999	51	5	44	2
£130,000 - £149,999	23	1	24	1
£150,000 - £169,999	23		20	
£170,000 - £189,999	9		6	
£190,000 - £209,999	2		1	
£210,000 - £229,999	0		1	
£230,000 - £249,999	2		5	
£250,000 - £269,999	2			
	514	**42**	**499**	**39**

Notes to the Accounts

4. Pension Schemes

a) Public Employees Contributory Retirement Scheme (PECRS)

The Scheme is open to all public sector employees (excluding teachers) over 20 years of age. Membership is obligatory for all employees on a permanent contract.

The Scheme is managed by a Committee of Management and five sub committees which together are responsible for managing the scheme.

The market value of the Scheme's assets as at 31 December 2009 was £1,111 million.

The last published Actuarial Valuation of the Scheme as at 31 December 2007, dated 02 July 2009 indicated that the Scheme had an actuarial deficit of £63.2 million.

The Actuary has concluded that this deficiency will need to be dealt with in accordance with the terms of the Scheme's Regulations.

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States' responsibility as employer, the scheme deficit is disclosed below but not recognised in the States' accounts.

The States in agreeing P190/2005 on September 2005 confirmed responsibility for the past service liability which arose from the restructuring of the PECRS arrangements with effect from 1 January 1988. This liability amounted to £250.6 million at 31 December 2009.

The past service liability will be repaid over 82 years (from 2002), after which the employers' contribution rate will revert to 15.16% of members' salaries.
The payment made in 2009 was £3.8 million (2008: £3.3 million).

b) Jersey Teachers' Superannuation Fund (JTSF)

Membership of this defined benefit scheme is compulsory for all teachers in full time employment and optional for those in part time employment. Benefits are based on final pensionable pay. The Fund is managed by a Board of Management which has established sub committees to investigate and report on complex and technical issues.

The market value of the Fund's Assets as at 31 December 2009 was £274 million.

The results of an actuarial valuation as at 31 December 2006 concluded that there was a surplus of £50 million. However, after allowing for future pension increases, including those already granted to that date, to be financed from the Fund and, further, for reducing the qualifying period for the benefits to two years and the introduction of

Notes to the Accounts

widowers' benefits and death in service lump sum provisions equal to two times salary, a deficiency of £60 million was revealed.

Following discussions with regard to the future structure and funding of the Fund, an enabling law was passed during 2006 so that the Education, Sport and Culture department could introduce a new scheme with benefits aligned to those available to new members of the PECRS. The new scheme came into effect from 1 April 2007, after which entry to the previous scheme was no longer possible for new members.

Widowers' benefits were introduced into the Fund during 2005 and the other benefit changes listed above will be available to members of the two schemes from 1 April 2007. In addition, pension increases in respect of Fund membership were, from 1 April 2007, paid from the Fund instead of the Education, Sport and Culture department's revenue budget. The employer's contribution rate rose to 16.4% and the actuary has confirmed that this will repay the deficit over the period of 80 years. Members' contributions to the new scheme will be 5% of salary, with existing members continuing to pay 6% of salary to the Fund.

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme generally mirrors the Public Employees' Contributory Retirement Scheme. A provision for past service liability, similar to the PECRS Pre-1987 past service liability has been recognised although this has not yet been agreed with the Scheme's Board of Management.

c) Jersey Post Office Pension Fund (JPOPF)

Jersey Post operates the Jersey Post Office Pension Fund (JPOPF) which is an occupational defined benefit scheme providing benefits based on final pensionable pay. The JPOPF is closed to new members. As this is a closed scheme, under the projected unit method, the current service cost will increase as the members of the Fund approach retirement.

On 1st July 2006 the Postal Services (Transfer) (Jersey) Regulations 2006 transferred postal services from the States of Jersey to Jersey Post International Limited. Although contributions to the Fund are made by Jersey Post International Limited, risks associated with the Fund remain the responsibility of the States of Jersey and the Fund is therefore included within these accounts.

d) Additional Information required by FRS17 – Retirement Benefits

The PECRS and JTSF are both final salary schemes, but are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States' responsibility as employer, the scheme deficit in each case is disclosed below but not recognised in the States' accounts.

Actuarial Valuations of the PECRS and JTSF were carried out at 31 December 2007 and 31 December 2006 respectively. These valuations have been updated by Actuaries to 31 December 2009 in accordance with FRS17, based on the current obligations.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the respective Actuaries of PECRS and JTSF in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

The results of up to date Actuarial Valuations, rather than the results of the FRS17 disclosures below, will be used to determine the quantum of any adjustments that may be needed to the benefits and contributions of the respective Funds.

The JPOPF is a traditional defined benefit scheme and is accounted for as such in these Accounts.

The most recent full Actuarial Valuation of the JPOPF was carried out as at 31 December 2002 and has been updated by an Actuary to 31 December 2008 in accordance with FRS17. Full allowance has been made for the cost of pension increases.

The assumptions and methodology required under FRS17 differ considerably from the approach that has been used by the JPOPF Actuaries in providing Actuarial Valuations, used for funding purposes. These differences in methodology combined with the time which has elapsed since the latest Actuarial Valuations mean that the FRS17 results are different to the position revealed in the latest formal published Actuarial Valuations.

e) Discretionary Pension Scheme (DPS)

In addition to the schemes explained above the States of Jersey has an arrangement which provides for post-retirement benefits for one individual. The total assets in this scheme as at 31 December 2009 were valued at £303,000. The approximate liability is £635,000. As this is a traditional defined benefit scheme it is accounted for as such in these Accounts. The scheme is funded on an ongoing basis from an existing revenue budget.

Notes to the Accounts

PECRS

The scheme, whilst a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Because of that limitation on the States responsibility as employer, the scheme deficit is disclosed below but not recognised in the States accounts.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2009 % p.a.	31 December 2008 % p.a.	31 December 2007 % p.a.
Inflation	4.0	3.1	3.4
Rate of general long-term increase in salaries	5.2	4.4	4.7
Rate of increase to pensions in payment (weighed average over all elements)	4.0	3.1	3.4
Discount rate for scheme liabilities	5.7	6.0	5.8

Main demographic assumptions for PECRS

Post retirement mortality assumptions	31 December 2009	31 December 2008
Males		
Future lifetime from aged 63 (currently aged 63)	24 years	23 years
Future lifetime from aged 63 (currently aged 43)	26 years	25 years
Females		
Future lifetime from aged 63 (currently aged 63)	26 years	25 years
Future lifetime from aged 63 (currently aged 43)	28 years	27 years

	31 December 2009	31 December 2008
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

Notes to the Accounts

Expected return on assets

	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)	Long-term rate of return expected at 31 December 2007 (% p.a.)*	Value at 31 December 2007 (£'000)
Equities	8.3	688,287	7.6	548,082	7.6	764,892
Property	8.8	10,497	6.6	17,561	6.6	14,370
Fixed Interest Gilts	4.5	-	3.8	-	4.7	-
Index-Linked Gilts	4.3	-	3.6	-	4.3	-
Corporate bonds	5.5	316,260	5.5	268,034	4.7	-
Other	0.7	95,919	2.5	90,577	5.9	326,074
Combined	6.9[1]	1,110,963	6.5[1]	924,254	7.1[1]	1,105,336

Note: Values shown are at bid value.
* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

The States of Jersey employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening defined benefit obligation	1,306,089	1,252,981
Current service cost	33,174	37,482
Interest cost	78,301	72,927
Contributions by scheme participants	11,981	11,261
Actuarial (gains)/losses on scheme liabilities*	297,099	(29,422)
Net benefits paid out	(46,733)	(39,434)
Past service cost	254	294
Net service increase in liabilities from disposals/acquisitions	-	-
Closing defined benefit obligation	1,680,165	1,306,089

*Includes changes to the actuarial assumptions.

Notes to the Accounts

Changes to the fair value of the scheme assets during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening fair value of scheme assets	924,254	1,105,336
Expected return on scheme assets	54,238	74,793
Actuarial gains/(losses) on scheme assets	133,596	(260,192)
Contributions by the employer	33,627	32,490
Contributions by scheme participants	11,981	11,261
Net benefits paid out	(46,733)	(39,434)
Closing fair value of scheme assets	1,110,963	924,254

Actual return on scheme assets

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Expected return on scheme assets	54,238	74,793
Actuarial gain/(loss) on scheme assets	133,596	(260,192)
Actual return on scheme assets	187,834	(185,399)

History of asset values, DBO and surplus/deficit in scheme

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Fair value of scheme assets	1,110,963	924,254	1,105,336	1,040,843	983,341
Defined benefit obligation	(1,680,165)	(1,306,089)	(1,252,981)	(1,223,932)	(1,264,935)
Surplus/(deficit) in scheme	(569,202)	(381,835)	(147,645)	(183,089)	(281,593)

Note: Asset value for 2005 is shown at mid value.

History of experience gains and losses

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Experience gains/(losses) on scheme assets	133,596	(260,192)	(14,050)	-	-
Experience gains/(losses) on scheme liabilities[1]	27,835	(23,258)	2,833	-	-

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Notes to the Accounts

JTSF

The Jersey Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme generally mirrors the Public Employees' Contribution Retirement Scheme.

The scheme, whilst a final salary scheme, is not a correctional defined benefit scheme as the employer is not responsible for meeting and ongoing deficiency in the scheme. Because of that limitation on the States responsibility as employer, the scheme deficit is disclosed below but not recognised in the States accounts.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2009 % p.a.	31 December 2008 % p.a.	31 December 2007 % p.a.
Inflation	4.0	3.1	3.4
Rate of general long-term increase in salaries	5.2	4.4	4.7
Rate of increase to pensions in payment (weighed average over all elements)	4.0	3.1	3.4
Discount rate for scheme liabilities	5.7	6.0	5.8

Main demographic assumptions for JTSF

Post retirement mortality assumptions	31 December 2009	31 December 2008
Males		
Future lifetime from aged 60 (currently aged 60)	28 years	28 years
Future lifetime from aged 60 (currently aged 40)	30 years	30 years
Females		
Future lifetime from aged 60 (currently aged 60)	30 years	31 years
Future lifetime from aged 60 (currently aged 40)	30 years	32 years

	31 December 2009	31 December 2008
Commutation	Members who joined the scheme after 31 March 2007 assumed to exchange 16.67% of their pension entitlements. Nil for other members	Members who joined the scheme after 31 March 2007 assumed to exchange 16.67% of their pension entitlements. Nil for other members

Notes to the Accounts

Expected return on assets

	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)	Long-term rate of return expected at 31 December 2007 (% p.a.)*	Value at 31 December 2007 (£'000)
Equities	8.3	226,210	7.6	180,510	7.6	224,285
Property	8.8	5,247	6.6	5,683	6.6	7,708
Fixed interest Gilts	4.5	-	3.8	16,560	4.7	14,456
Index-Linked Gilts	4.3	19,553	3.6	17,438	4.3	27,479
Corporate bonds	5.5	20,151	5.5	-	4.7	-
Other	0.7	2,840	2.5	455	5.9	2,291
Combined	7.7[1]	274,001	7.1[1]	220,646	7.1[1]	276,219

Note: Values shown are at bid value.
* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

The States of Jersey employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening defined benefit obligation	403,047	396,480
Current service cost	8,875	8,946
Interest cost	24,168	22,974
Contributions by scheme participants	2,952	2,607
Actuarial (gains)/losses on scheme liabilities*	86,242	(15,637)
Net benefits paid out	(12,323)	(12,323)
Past service cost	-	-
Net service increase in liabilities from disposals/acquisitions	-	-
Closing defined benefit obligation	512,961	403,047

*Includes changes to the actuarial assumptions.

Notes to the Accounts

Changes to the fair value of the scheme assets during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening fair value of scheme assets	220,646	276,219
Expected return on scheme assets	14,710	19,129
Actuarial gains/(losses) on scheme assets	39,852	(72,156)
Contributions by the employer	8,169	7,170
Contributions by scheme participants	2,952	2,607
Net benefits paid out	(12,328)	(12,323)
Closing fair value of scheme assets	274,001	220,646

Actual return on scheme assets

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Expected return on scheme assets	14,710	19,129
Actuarial gain/(loss) on scheme assets	39,847	(72,156)
Actual return on scheme assets	54,557	(53,027)

History of asset values, DBO and surplus/deficit in scheme

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Fair value of scheme assets	274,001	220,646	276,219	251,884	236,171
Defined benefit obligation	(512,961)	(403,047)	(396,480)	(380,209)	(352,598)
Surplus/(deficit) in scheme	(238,960)	(182,401)	(120,261)	(128,325)	(116,427)

Note: Asset value for 2005 is shown at mid value.

History of experience gains and losses

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Experience gains/(losses) on scheme assets	39,852	(72,156)	5,120	5,169	32,402
Experience gains/(losses) on scheme liabilities[1]	(302)	(10,034)	(607)	913	338

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Notes to the Accounts

JPOPF

The scheme is a funded scheme of the defined benefit type, providing retirement benefits based on final salary.

The latest actuarial valuation of the JPOPF took place on 31 December 2002. The last remaining active member left service during 2009, therefore regular employer contributions to the JPOPF in 2010 are expected to be nil.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the operating cost statement), through the Statement of Recognised Gains and Losses (STRGL)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2009 % p.a.	31 December 2008 % p.a.	31 December 2007 % p.a.
Inflation	4.0	3.1	3.4
Rate of general long-term increase in salaries	5.2	4.4	4.7
Rate of increase to pensions in payment (weighed average over all elements)	4.0	3.1	3.4
Discount rate for scheme liabilities	5.7	6.0	5.8

Main demographic assumptions for JPOPF

Post retirement mortality assumptions	31 December 2009	31 December 2008
Males		
Future lifetime from aged 60 (currently aged 60)	26 years	26 years
Future lifetime from aged 60 (currently aged 40)	28 years	28 years
Females		
Future lifetime from aged 60 (currently aged 60)	28 years	28 years
Future lifetime from aged 60 (currently aged 40)	31 years	30 years

	31 December 2009	31 December 2008
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	Each member assumed to exchange 17.5% of their pension entitlements

Notes to the Accounts

Expected return on assets

	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)	Long-term rate of return expected at 31 December 2007 (% p.a.)*	Value at 31 December 2007 (£'000)
Equities	8.3	-	7.6	-	7.6	-
Property	8.8	-	6.6	-	6.6	-
Fixed interest Gilts	4.5	653	3.8	673	4.7	649
Index-Linked Gilts	4.3	8,041	3.6	8,335	4.3	8,832
Corporate bonds	5.5	-	5.5	-	4.7	-
Other	0.7	439	2.5	928	5.9	155
Combined	4.1[1]	9,133	3.5[1]	9,936	4.4[1]	9,637

Note: Values shown are at bid value.
* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

The States of Jersey employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Reconciliation of funded status to balance sheet

	Value at 31 December 2009 (£'000)	Value at 31 December 2008 (£'000)	Value at 31 December 2007 (£'000)
Fair value of scheme asset	9,133	9,936	9,637
Present value of funded defined benefit obligations	(10,343)	(9,141)	(9,921)
	(1,210)	795	(284)
Unrecognised asset due to limit in para 41	-	(765)	-
Asset/(liability) recognised on the balance sheet	(1,210)	30	(284)

Analysis of profit and loss charge

	Value at 31 December 2009 (£'000)	Value at 31 December 2008 (£'000)
Current service cost	-	13
Past service cost	-	-
Interest cost	527	555
Expected return on scheme assets	(336)	(402)
Curtailment cost	-	-
Settlement cost	-	-
Unrecognised asset due to limit in para 41	765	-
Expense recognised in profit and loss	956	166

Notes to the Accounts

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening defined benefit obligation	9,141	9,921
Current service cost	5	13
Interest cost	527	555
Contributions by scheme participants	0	1
Actuarial (gains)/losses on scheme liabilities*	1,388	(638)
Net benefits paid out	(718)	(711)
Past service cost	-	-
Net service increase in liabilities from disposals/acquisitions	-	-
Closing defined benefit obligation	10,343	9,141

*Includes changes to the actuarial assumptions.

Changes to the fair value of the scheme assets during the year

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Opening fair value of scheme assets	9,936	9,637
Expected return on scheme assets	336	402
Actuarial gains/(losses) on scheme assets	(426)	594
Contributions by the employer	5	13
Contributions by scheme participants	-	1
Net benefits paid out	(718)	(711)
Closing fair value of scheme assets	9,133	9,936

Actual return on scheme assets

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Expected return on scheme assets	336	402
Actuarial gain/(loss) on scheme assets	(426)	594
Actual return on scheme assets	(90)	996

Notes to the Accounts

Analysis of amounts recognised in STRGL

	Year ending 31 December 2009 (£'000)	Year ending 31 December 2008 (£'000)
Total actuarial gains/(losses)	(1,814)	1232
Change in irrecoverable surplus, effect of limit in para 41	765	(765)
Total gain/(losses) in STRGL	(1,049)	467

History of asset values, DBO and surplus/deficit in scheme

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Fair value of scheme assets	9,133	9,936	9,637	9,710	10,166
Defined benefit obligation	(10,343)	(9,141)	(9,921)	(10,366)	(11,139)
Surplus/(deficit) in scheme	(1,210)	795	(284)	(656)	(973)

Note: Asset value for 2005 is shown at mid value.

History of experience gains and losses

	31 December 2009 (£'000)	31 December 2008 (£'000)	31 December 2007 (£'000)	31 December 2006 (£'000)	31 December 2005 (£'000)
Experience gains/(losses) on scheme assets	(426)	594	227	(85)	348
Experience gains/(losses) on scheme liabilities[1]	22	(1)	(63)	76	284

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

Notes to the Accounts

DPS

The scheme is a funded scheme of the defined benefit type, providing retirement benefits based on final salary.

There has been a full valuation carried out of the liabilities of the one DPS member as at 31 December 2009. Assuming contributions continue to be paid at the same amount as 2009, regular employer contributions to the DPS in 2010 are expected to be £5K.

Actuarial gains and losses have been recognised in the period in which they occur, (but outside the profit and loss account), through the Statement of Recognised Gains and Losses (STRGL).

The principle assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

Main financial assumptions

	31 December 2009 % p.a.	31 December 2008 % p.a.
Inflation	4.0	3.1
Rate of general long-term increase in salaries	5.2	4.4
Rate of increase to pensions in payment (weighed average over all elements)	4.0	3.1
Discount rate for scheme liabilities	5.7	6.0

Main demographic assumptions for DPS

Post retirement mortality assumptions	31 December 2009	31 December 2008
Males		
Future lifetime from aged 63 (currently aged 63)	24 years	23 years
Future lifetime from aged 63 (currently aged 43)	26 years	25 years
Females		
Future lifetime from aged 63 (currently aged 66)	26 years	25 years
Future lifetime from aged 63 (currently aged 43)	28 years	27 years

	31 December 2009	31 December 2008
Commutation	Nil	Nil

Notes to the Accounts

Expected return on assets

	Long-term rate of return expected at 31 December 2009 (% p.a.)*	Value at 31 December 2009 (£'000)	Long-term rate of return expected at 31 December 2008 (% p.a.)*	Value at 31 December 2008 (£'000)
Equities	8.3	126	7.6	123
Property	8.8	58	6.6	56
Fixed interest Gilts	4.5	35	3.8	35
Index-Linked Gilts	4.3	-	3.6	
Corporate bonds	5.5	67	5.5	65
Other	0.7	17	2.5	17
Combined	6.9	303	6.2[1]	296

Note: Values shown are at bid value.
* The expected returns on assets by asset category is not a required FRS 17 (Amended December 2006) disclosure item (only the total rate needs to be disclosed).

[1] The overall expected rate of return on scheme assets is weighted average of the individual expected rates of return on each asset class.

The States of Jersey employs a building block approach in determining the long-term rate of return on scheme assets. Historical markets are studied and assets with higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

Reconciliation of funded status to balance sheet

	Value at 31 December 2009 (£'000)	Value at 31 December 2008 (£'000)
Fair value of scheme asset	303	296
Present value of funded defined benefit obligations	(635)	(508)
Asset/(liability) recognised on the balance sheet	(332)	(212)

Analysis of profit and loss charge

	Value at 31 December 2009 (£'000)
Current service cost	4
Past service cost	-
Interest cost	31
Expected return on scheme assets	(19)
Curtailment cost	-
Settlement cost	-
Prior Year Adjustment	212
Expense recognised in profit and loss	228

Notes to the Accounts

Changes to the present value of the defined benefit obligation during the year

	Year ending 31 December 2009 (£'000)
Opening defined benefit obligation	508
Current service cost	9
Interest cost	31
Contributions by scheme participants	5
Actuarial (gains)/losses on scheme liabilities*	82
Net benefits paid out	-
Past service cost	-
Net service increase in liabilities from disposals/acquisitions	-
Closing defined benefit obligation	635

* Includes changes to the actuarial assumptions.

Changes to the fair value of the scheme assets during the year

	Year ending 31 December 2009 (£'000)
Opening fair value of scheme assets	296
Expected return on scheme assets	19
Actuarial gains/(losses) on scheme assets	(22)
Contributions by the employer	5
Contributions by scheme participants	5
Net benefits paid out	-
Closing fair value of scheme assets	303

Actual return on scheme assets

	Year ending 31 December 2009 (£'000)
Expected return on scheme assets	19
Actuarial gain/(loss) on scheme assets	(22)
Actual return on scheme assets	(3)

Analysis of amounts recognised in STRGL

	Year ending 31 December 2009 (£'000)
Total actuarial gains/(losses)	(104)
Total gain/(losses) in STRGL	(104)

Notes to the Accounts

History of asset values, DBO and surplus/deficit in scheme

	31 December 2009 (£'000)	31 December 2008 (£'000)
Fair value of scheme assets	303	296
Defined benefit obligation	(635)	(508)
Surplus/(deficit) in scheme	(332)	(212)

History of experience gains and losses

	31 December 2009 (£'000)
Experience gains/(losses) on scheme assets	(22)
Experience gains/(losses) on scheme liabilities[1]	22

[1] This item consists of gains/(losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

	2009 £'000	2008 £'000
Movement in pension liability		
Movement in PECRS pre-87 liability	24,465	103,196
Movement in provision for JTSF past service liability	-	(6,900)
Movement on DPS scheme*	228	-
Movement on JPOPF scheme**	(1,011)	(612)
	23,682	**95,684**

* The Discretionary Pension Scheme (DPS) was disclosed in the accounts in 2008 but has not previously been recognised

** The actuarial gain on the JPOPF and the movement in the JPOPF scheme have been combined to show the overall impact on the Operating Cost Statement

5. Surplus for the Year

	2009 £'000	2008 £'000
The surplus for the year is stated after charging / (crediting):		
Capital Servicing	45,689	51,426
Pension Costs	37,808	35,762
Finance Lease Charges	1,388	1,548
Profit on Disposal of Fixed Assets	(10,363)	(22,065)
Audit Fees	490	396
Voluntary Redundancy / Early Retirement	292	467
(Gain)/ Loss on Foreign Exchange	556	(1,357)

Notes to the Accounts

6. Segmental Analysis

2009	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Depts £'000	Non Ministerial Depts £'000	Trading Funds £'000	Other £'000	Total £'000
OPERATING COST STATEMENT								
Revenue								
Taxation revenue	-	-	-	-	-	-	558,474	558,474
Island rates, duties, fees, fines and penalties	5	-	23	4,552	610	597	87,057	92,844
Sales of goods and services	14,968	3,154	16,492	64,667	712	47,608	5,611	153,212
Investment income	-	-	-	2	20	673	27,187	27,882
Other revenue	1,500	1	621	2,829	4,193	5,245	17,741	32,130
Total Revenues	**16,473**	**3,155**	**17,136**	**72,050**	**5,535**	**54,123**	**696,070**	**864,542**
Expenses								
Social Benefit Payments	1,112	153,412	8,077	(1)	-	-	-	162,600
Staff costs	113,381	6,328	77,563	97,916	14,830	16,235	896	327,149
Other Operating expenses	50,266	1,380	18,872	78,888	14,869	19,141	10,193	193,609
Grants and Subsidies payments	9,208	1,567	11,591	8,497	200	36	8,326	39,425
Capital Charge / Depreciation	-	-	-	37,863	-	6,739	1,087	45,689
Finance costs	70	-	24	117	8	710	5,744	6,673
Net foreign-exchange (gains)/losses	-	-	-	-	-	-	556	556
Movement in pension liability	-	-	-	-	-	-	23,682	23,682
Gains/Losses on disposal of assets	(19)	-	(3)	(32)	-	(148)	(10,160)	(10,362)
Total Expenditure	**174,018**	**162,687**	**116,124**	**223,248**	**29,907**	**42,713**	**40,324**	**789,021**
Net Income/(Expenditure) for the year	**(157,545)**	**(159,532)**	**(98,988)**	**(151,198)**	**(24,372)**	**11,410**	**655,746**	**75,521**

Notes to the Accounts

6. Segmental Analysis

2008	Health and Social Services £'000	Social Security £'000	Education, Sport and Culture £'000	Other Ministerial Depts £'000	Non Ministerial Depts £'000	Trading Funds £'000	Other £'000	Total £'000
OPERATING COST STATEMENT								
Revenue								
Taxation revenue	-	-	-	-	-	-	534,960	534,960
Island rates, duties, fees, fines and penalties	5	-	15	4,346	532	517	85,886	91,301
Sales of goods and services	17,021	6	15,016	62,161	911	46,938	3,743	145,796
Investment income	-	-	-	280	31	3,450	64,597	68,358
Other revenue	1,286	1	1,173	2,756	3,859	3,167	19,418	31,660
Total Revenues	**18,312**	**7**	**16,204**	**69,543**	**5,333**	**54,072**	**708,604**	**872,075**
Expenses								
Social Benefit Payments	1,163	140,270	8,154	(10)	-	-	-	149,577
Staff costs	109,353	2,800	75,863	92,937	14,086	16,984	56	312,079
Other Operating expenses	47,231	1,077	16,802	72,594	11,835	19,551	16,179	185,269
Grants and Subsidies payments	8,866	1,358	9,357	14,338	192	36	3,680	37,827
Capital Charge / Depreciation	-	-	-	39,024	-	10,197	2,205	51,426
Finance costs	215	-	22	3,428	-	1,396	1,189	6,250
Net foreign-exchange (gains)/losses	-	-	-	-	-	-	(1,357)	(1,357)
Movement in pension liability	-	-	-	-	-	-	95,684	95,684
Gains/Losses on disposal of assets	-	-	-	-	-	(8,187)	(13,878)	(22,065)
Total Expenditure	**166,828**	**145,505**	**110,198**	**222,311**	**26,113**	**39,977**	**103,758**	**814,690**
Net Income/(Expenditure) for the year	**(148,516)**	**(145,498)**	**(93,994)**	**(152,768)**	**(20,780)**	**14,095**	**604,846**	**57,385**

Notes to the Accounts

7. Tangible fixed assets and capital vote expenditure

	Consolidated Fund £'000	Trading Funds £'000	ICT Fund £'000	WEB £'000	Total £'000
Cost					
Balance at 1 January 2009	1,285,820	173,545	8,503	20,350	1,488,218
Additions	104,037	19,494	-	-	123,531
Disposals	(1,998)	(983)	-	-	(2,981)
Assets Written Down	-	-	-	-	
Balance at 31 December 2009	**1,387,859**	**192,056**	**8,503**	**20,350**	**1,608,768**
Capital Servicing/Depreciation					
Balance at 1 January 2009	564,387	80,900	8,503	5,819	659,609
Charge for year	37,863	6,739	-	1,087	45,689
Disposals	(627)	(976)	-	-	(1,603)
Assets Written Down	-	-	-	-	
Balance at 31 December 2009	**601,623**	**86,663**	**8,503**	**6,906**	**703,695**
Net Book Value					
31 December 2008	721,433	92,645	-	14,531	828,609
31 December 2009	**786,236**	**105,393**	**-**	**13,444**	**905,073**

Analysis of Additions by Entity

	Consolidated Fund £'000	Trading Funds £'000	ICT Fund £'000	WEB £'000	Total £'000
Chief Minister's	626	-		-	626
Economic Development	5,012	-		-	5,012
Education, Sport & Culture	248	-		-	248
Health and Social Services	3,328	-		-	3,328
Home Affairs	490	-		-	490
Housing	8,161	-		-	8,161
Planning & Environment	346	-		-	346
Transport & Technical Services	73,526	-		-	73,526
Treasury & Resources	12,056	-		-	12,056
Non-Ministerial	244	-		-	244
Harbours	-	1,026		-	1,026
Airport	-	17,024		-	17,024
Jersey Fleet Management	-	1,382		-	1,382
Jersey Car Parks	-	62		-	62
	104,037	**19,494**		**-**	**123,531**

Assets acquired before 1967 are excluded from the above analysis. The net book value is the total cost of all assets acquired after 1967 less depreciation and capital servicing costs where appropriate and will therefore not reflect the total current value of the States of Jersey assets.

In preparation for the move to GAAP based accounting the States' land and buildings have been valued. These values are disclosed in Note 24.

Notes to the Accounts

Assets held under finance leases, capitalised in the Consolidated and Trading Funds:

	2009 £'000	2008 £'000
Cost	38,498	38,498
Aggregate Depreciation	(20,751)	(18,590)
Net Book Value	**17,747**	**19,908**

8. Advances

	2009 £'000	2008 £'000
Analysed by Fund:		
Consolidated Fund	5,566	7,464
Dwelling Houses Loan Fund	6,305	8,358
99 Year Leaseholders Account	174	257
Assisted House Purchase Scheme	4,645	5,508
Agricultural Loans and Guarantees Fund	1,859	2,762
	18,549	**24,349**
Maturity Analysis:		
Payable between one and two years	2,411	109
Payable between two and five years	4,992	1,391
Payable in five years or more	11,146	22,849
	18,549	**24,349**

Advances receivable within one year have been disclosed in note 12 - Debtors. In 2008 these were included in Advances (total £963,000) but have been removed from the maturity analysis to aid comparison.

9. Strategic Investments

The holdings in the following companies are shown at cost less provision for any permanent diminution in value.

	2009 £'000	2008 £'000
Jersey Electricity Company Limited	1,055	1,055
Jersey New Waterworks Company Limited	5,666	5,666
Jersey Telecom Group Limited	75,737	75,737
Jersey Post International Limited	6,105	6,105
	88,563	**88,563**

The States of Jersey holds all the ordinary shares in the Jersey Electricity Company Limited which represents approximately 62% of the Company's total share capital as at 31 December 2009. (86.4% of the total voting rights)

The States of Jersey's shares in the Jersey Electricity Company Limited are not listed. As part of the move to GAAP these shares have been valued and the valuation is disclosed in note 24.

The States of Jersey hold 100% of the issued 'A' Ordinary shares, 50% of the issued Ordinary shares and 100% of the 7.5%-10% cumulative 5th Preference shares in the Jersey New Waterworks Company Limited as at 31 December 2009.

The States of Jersey ultimately hold all the Ordinary shares and all the 9% cumulative preference shares in the Jersey Telecom Group Limited.

The States of Jersey ultimately hold all the Ordinary shares in Jersey Post International Limited.

Notes to the Accounts

10. Other Investments

2009	Strategic Reserve		Stabilisation Fund		Consolidated Fund		Currency & Coinage		Total	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Equities	192,315	171,045							192,315	171,045
Government bonds	204,290	200,314					2,269	1,316	206,559	201,630
Corporate Bonds	42,133	41,080							42,133	41,080
Certificates of Deposit	127,080	127,028	112,593	112,550	230,417	230,398	47,584	47,600	517,674	517,576
Other					23,788	23,788			23,788	23,788
	565,818	**539,467**	**112,593**	**112,550**	**254,205**	**254,186**	**49,853**	**48,916**	**982,469**	**955,119**

2008	Strategic Reserve		Stabilisation Fund		Consolidated Fund		Currency & Coinage		Total	
	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000	Market Value £'000	Cost £'000
Equities	111,682	138,449							111,682	138,449
Government bonds *	191,869	180,804					2,253	1,316	194,122	182,120
Corporate Bonds *	61,252	62,282							61,252	62,282
Certificates of Deposit	141,328	141,479	73,017	73,000	225,905	224,802	45,336	45,156	485,586	484,437
	506,131	**523,014**	**73,017**	**73,000**	**225,905**	**224,802**	**47,589**	**46,472**	**852,642**	**867,288**

Maturity Analysis (market value)	Strategic Reserve		Stabilisation Fund		Consolidated Fund		Currency & Coinage		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Less than one year	143,156	161,621	95,830	73,017	254,205	225,905	40,504	45,336	533,695	505,879
Between one and two years	27,633	34,376	16,763				7,080		51,476	34,376
Between two and five years	153,983	147,353					1,424	1,454	155,407	148,807
More than five years	48,731	51,099					845	799	49,576	51,898
Equities	192,315	111,682							192,315	111,682
	565,818	**506,131**	**112,593**	**73,017**	**254,205**	**225,905**	**49,853**	**47,589**	**982,469**	**852,642**

* £16.904m of Investments classified as Corporate Bonds in the 2008 accounts have been reclassified as Government Bonds in 2009. The 2008 comparatives have been updated to provide a direct comparison.

Notes to the Accounts

11. Stock and Work in Progress

	2009 £'000	2008 £'000
Analysed by Fund:		
Consolidated Fund	4,758	4,837
Jersey Currency Notes	1,006	342
Jersey Coinage	282	188
Jersey Fleet Management	47	35
Jersey Airport	252	209
Waterfront Enterprise Board Limited	1,711	1,137
	8,056	**6,748**
Analysed by Type:		
Raw Materials, Consumables and Work in Progress	5,597	5,611
Finished Goods	2,459	1,137
	8,056	**6,748**

12. Debtors

	2009 £'000	2008 £'000
Debtors falling due within one year		
Income Tax Debtors	59,255	64,247
GST Debtors	14,973	13,805
Provision for taxation debtors	(7,962)	(7,479)
Total tax debtors	**66,266**	**70,573**
Trade debtors	21,982	40,115
Deposits and advances	2,580	963
Prepayments and accrued income	24,876	35,764
Provision for non-taxation debtors	(886)	(679)
Total non-taxation debtors	**48,552**	**76,163**
Total debtors falling due within one year	**114,818**	**146,736**

Notes to the Accounts

	2009 £'000	2008 £'000
Debtors falling due after more than one year		
Homebuyer Housing Property Bonds	8,351	-
Other Housing Property Bonds	5,635	4,492
Total debtors falling due after more than one year	**13,986**	**4,492**

* Note Deposits and advances due within one year was previously disclosed under Note 8

Debtors amounts falling due after more than one year reflect the value of certain bonds held by the States of Jersey. These bonds arise from the sale of properties to States tenants as part of the Social Housing Property Plan 2007-2016 (SHPP) and sales to first time buyers qualifying under the Homebuy scheme. The purchasers of properties under these two schemes are required to pay a proportion of the market value in cash on purchase and also enter into an agreement (bond) relating to the remaining value of the property.

Upon the next sale and/or transfer of the property, a proportion of the market value is paid to the States being a minimum of the bond value or otherwise a percentage of the value of the property as stated in the bond agreement. However, some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces and therefore the value of these bonds are amortised over a period of time in accordance with standard accounting practices.

The value of the bonds as stated in the financial statements is the amortised bond value which represents a percentage of the value of the properties when sold. There is no history of default rates within the scheme. Where a mortgage exists the mortgagor will have first call upon that property. The market value of the bonds is not materially different from the amortised cost figure as disclosed in the financial statements.

The revenue due on Homebuyer loans is recognised in Other Long Term Liabilities on the Balance Sheet as a receipt in advance.

13. Cash and Other Liquid Resources

	2009 £'000	2008 £'000
Bank deposit accounts	34,082	51,882
Bank current accounts	27,787	26,844
Cash in hand and in transit	704	1,116
	62,573	**79,842**

Bank overdrafts have been disclosed in note 14 Creditors falling due within one year

14. Creditors falling due within one year

	2009 £'000	2008 £'000
Trade creditors	28,854	35,398
Other creditors	3,968	3,857
Income Tax receipts in advance	39,470	31,096
Accruals and deferred income	7,297	11,043
Current element of finance leases	2,685	2,455
Receipts in advance	6,943	6,708
	89,217	**90,557**
Overdrafts	33,242	20,364
Total creditors	**122,459**	**110,921**

Notes to the Accounts

15. Currency

	2009 £'000	2008 £'000
Jersey Notes issued	97,324	101,977
Less: Jersey Notes held	(13,974)	(17,450)
	83,350	**84,527**
Jersey Coinage issued	8,923	8,262
Less: Jersey Coinage held	(1,609)	(1,240)
	7,314	**7,022**
Total Currency in Circulation	**90,664**	**91,549**

Under the Currency Notes (Jersey) Law 1959 the States produces and issues bank notes and coins. These are accounted for, at cost, as stock until they are formally issued by the Treasury and Resources Department. They are then accounted for as issued currency. At the end of their useful life they are removed from circulation and destroyed, at which time they are removed from the issued currency account. Issued currency is either held at the Treasury or in circulation. The creditor in the accounts reflects the value of currency in circulation.

16. Creditors - Defined Benefit Pension Schemes Net Liability

	2009 £'000	2008 £'000
Jersey Post Office Pension Fund Asset	(9,133)	(9,936)
Jersey Post Office Pension Fund Liability	10,343	9,141
Discretionary Benefit Scheme Asset*	(303)	-
Discretionary Benefit Scheme Liability*	635	-
Total Defined Benefit Pension Schemes Net (Asset)/Liability	**1,542**	**(795)**

*In 2008 the scheme was disclosed in the accounts but was not recognised on the balance sheet

Notes to the Accounts

17. Accumulated Reserves and Balances

	Total £'000	Consolidated Fund £'000	Trading Funds £'000	Strategic Reserve £'000	Stabilisation Fund £'000	WEB £'000	Other Separately Constituted Funds £'000
Balance 1 January 2009	1,484,133	776,847	81,047	507,648	74,744	5,036	38,811
Surplus/(Deficit) for the year	75,521	62,497	9,370	627	1,928	(1,489)	2,588
Unrealised Gain/(Loss) on Investments in the year	41,997	(1,084)	-	41,639	27	-	1,415
Unrealised Gain/(Loss) on Foreign Exchange	(184)	(184)	-	-	-	-	-
Actuarial Loss on Defined Benefit Scheme	(1,153)	(1,153)	-	-	-	-	-
Transfers between Funds	-	(38,927)	19,927		37,000		(18,000)
Balance 31 December 2009	**1,600,314**	**797,996**	**110,344**	**549,914**	**113,699**	**3,547**	**24,814**
			(a)				

(a) Reconciliation of the movement in trading fund balances to the trading fund surplus:

	£'000
Retained funds per Trading Fund balances	(4,400)
Add capital expenditure and capital lease charges	21,506
Less depreciation on Trading Fund assets	(5,977)
Less increase in Trading Fund pension liabilities	(1,759)
Trading Fund surplus for the year	**9,370**

Notes to the Accounts

18. Provisions and Contingent Liabilities

i. There are a number of situations which could give rise to costs which the States of Jersey may be obliged to finance. In instances where uncertainties exist over both the likely outcomes of these situations and the potential liabilities which could arise from them, no provision for these costs has been made in these accounts. These are considered to be contingent liabilities.

ii. There are also a number of other threatened and pending actions which would result in claims against the States of Jersey. Due to the uncertainties over both the likely outcomes of these actions and the potential liabilities which could arise if any of the actions were successful, no provision for these claims has been made in these accounts. These are considered to be contingent liabilities.

iii. In addition, there are a number of threatened and pending actions which are likely to give rise to costs which the States of Jersey will be obliged to finance. Further, there are some instances where accounting standards require the States of Jersey to recognise a cost in accordance with the requirements of FRS 12. Accordingly provisions totalling £4,090,000 (2008: £2,140,000) for these costs have been made in these accounts.

Details of each of the individual provisions and contingent liabilities are not disclosed as this could prejudice the outcome of the actions in question.

Movement on Provisions:	**2009 £'000**	**2008 £'000**
Balance 1 January	2,140	3,696
Add: Additional Provisions Made	2,672	29
Provision released	(722)	(571)
Provisions transferred	-	(1,014)
Balance 31 December	**4,090**	**2,140**

Provisions as at 31 December made up of:	**2009 £'000**	**2008 £'000**
Self-insurance claims	1,252	2,140
Other provisions	2,838	-
	4,090	**2,140**

Provisions for self-insurance claims relate to provisions advised by the States of Jersey insurer for incurred losses which are the liability of the States of Jersey. Such provisions are held until utilised or such time as further claims are considered unlikely under the respective insurance policies.

Notes to the Accounts

19. Guarantees and Commitments

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2008: £14.9 million) for amounts outstanding in respect of a loan to the Jersey New Waterworks Company Limited. As at the year end the amount guaranteed was £14.9 million.

In addition the States of Jersey has provided a guarantee to Barclays Bank Plc up to a maximum of £4.4 million (2008: £4.7 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House. The Housing and Treasury and Resources Departments have agreed to provide financial support to various Housing Trusts in respect of bank loans. The Treasury and Resources Department issues 'letters of comfort' to the banks in respect of such loans. These letters of comfort do not constitute guarantees. As at the year end letters of comfort, in respect of loans totalling £151.3 million (2008: £150.7 million), were in issue.

The Small Firms Loan Guarantee Scheme (SFLGS) commenced in January 2007. The Scheme approves lending by the Economic Development Department (by way of loan guarantees loans of up to £2 million), consisting of four separate £500,000 agreements with four banks. The underwriting of bank loans taken out by local businesses aims to encourage entrepreneurial activity in the Island. The main principle of the SFLGS is to provide security to lenders in the cases where would-be entrepreneurs or growing businesses do not have the necessary security to obtain a business loan. As at the year end the value of the total loans guaranteed amounted to £637,000, of which the States has exposure to 75% in accordance with the terms of the Scheme.

Faced with increasing tuition fees and increased numbers of local young people seeking entry to higher education, the Education Sport and Culture Department has worked with local banks to offer a loan facility valued at up to £1,500 per year to all students attending programmes of higher education in the UK. The introduction of this facility helps to spread the costs of tuition by enabling the student to take responsibility for part of the costs. The interest rate is set at 1% above base rate and young people taking up the offer commence repayments one year after graduation. The States of Jersey has given guarantees against these loans to the Banks. As at the year end the value of the loans amounted to £857,109.

20. Third Party Assets

The States of Jersey, in the course of its normal activities, has reason to hold assets on behalf of third parties. The Health & Social Services Department holds monies on behalf of patients which are deemed third party assets.

The States Viscount of the Royal Court undertakes a number of activities that give rise to holding assets on behalf of third parties. The majority of these are held as part of the anti money laundering regime. The main activities that give rise this to are:

- Desastres: assets relating to bankruptcy cases for onward payment to creditors
- Curatorship: funds held on behalf of those who cannot manage their own affairs
- Enforcement: judgements and compensation monies for onward payment to third parties.
- Criminal Injuries: funds held on behalf of minors until age of maturity
- Bail: monies held in respect of bail
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction court cases funds are either remitted to either Drug Trafficking Confiscation Fund or Criminal Offences Confiscation Fund or returned.

Notes to the Accounts

Monies held on behalf of third parties are set out below:

	2009 Total £'000	2008 Total £'000
Viscount's	65,925	46,400
Health and Social Services	523	489

In addition to the assets listed above the Viscount's department holds property and contents with an approximate total value of £8.7m

21. Capital Commitments

At the balance sheet date the States had authorised capital expenditure of £176.5 million (2008: £183.5 million) which had not yet been incurred.

22. Lease Commitments

The States of Jersey have entered into lease and lease back arrangements to finance the development of certain capital projects. At 31 December 2009, the States had commitments to make the following payments under these arrangements.

Finance leases:	**2009 £'000**	**2008 £'000**
Payable within one year	3,903	3,843
Payable after more than one year	20,978	24,881
	24,881	**28,724**
Less: future Finance charges	(5,273)	(6,660)
	19,608	**22,064**
Amounts falling due between one and two years	2,862	2,684
Amounts falling due between two and five years	7,126	7,902
Amounts falling due after more than five years	6,936	9,022
	16,924	**19,608**
Amounts falling due within one year	2,684	2,455
Total due under finance leases	**19,608**	**22,064**

Operating Leases expiring:	**2009 £'000**	**2008 £'000**
Within two years	448	375
Between three and five years	158	148
After more than five years	225	292
	831	**815**

Notes to the Accounts

23. Risk Profile and Financial Instruments

(a) **Objectives, policies and strategies**
It is considered useful to provide certain information relating to particular financial instruments which are material in the context of the accounts as a whole.

The Minister has published an investment strategy for each of the States Funds, and the investments are made in accordance with each strategy. The Minister has also published a policy on corporate governance and ethical investment, which also operates for each Fund.

(b) **Strategic Reserve**
The States of Jersey maintains a significant investment portfolio with three Strategic Reserve Fund Managers. The objective of the Fund is to obtain long-term gains through a low risk investment policy. The portfolio is actively managed, and invests 30% in equities and 70% in government bonds, corporate bonds and cash. Cash balances (including short-term cash deposits) are maintained at a level sufficient to finance investment transactions. Foreign exchange exposure is hedged in the bond portfolios through the use of non speculative financial instruments, and unhedged in the equity portfolio. Exchange profits or losses on sales of securities are included in the Operating Cost Statement for the year.

The following risks are reviewed at formal quarterly meetings, by written reports from the custodian each month and by the managers each quarter.

Credit Risks – The bond portfolios contain short dated securities which are dependent on the solvency of financial and corporate entities, as well as bank deposits within both the equity and bond portfolios. However most bond securities depend on the credit standing of the UK government.

Liquidity Risk – Most of the securities in the bond and equity portfolios are readily realisable as they are quoted on stock markets. Bank deposits cannot be realised until maturity and a limited number of short term credit securities depend on the liquidity of the short term credit markets. Overall the liquidity level is sufficient for the Fund's requirements.

Cash Flow Risks – There are no immediate cash flow requirements on the bond or equity portfolio and hence there are minimal risks in this category.

Market Price Risk – Since the duration of the bond portfolios has been under 5 years during 2009, the market price risk due to interest rate changes is relatively small. The prices of foreign equities expressed in Sterling are impacted by exchange rate changes, but since the proportion invested in overseas securities during the year was approximately 15% of total assets, this did not have a large impact on overall asset values. The value of equities did vary considerably in 2009 but the overall volatility of the portfolio in 2009 was much less than many institutional portfolios.

(c) **Consolidated Fund, Stabilisation Fund and Other Separately Constituted Funds**
Significant balances are maintained within the Consolidated Fund and Other Separately Constituted Funds. Most of these assets have been invested in cash deposits and a limited range of liquid money market assets where the counterparty has an appropriate financial security rating. These assets include certificates of deposit, and where appropriate commercial paper and floating rate notes. In addition, sufficient cash balances are maintained to meet day-to-day liquidity requirements. A professional investment manager is employed for most of these Funds.

The risks identified for the Currency Notes portfolio apply equally here.

(d) **Currency Notes**
The States of Jersey maintains a portfolio of equities, corporate and government bonds, liquid money market assets and short-term cash deposits within the Currency Notes Fund. The objective of the portfolio is to obtain long-term gains through a low risk investment policy. The Portfolio is actively managed. Foreign exchange exposure on bonds held overseas is hedged through the use of non-speculative financial instruments, and unhedged on equities. Exchange profits or losses on sales of securities are included in the Operating Cost Statement for the year.

Since November 2006, the majority of the Currency Notes Fund cash balances have been invested using a professional investment manager in a limited range of liquid money market assets (certificates of deposit, commercial paper and floating rate notes) where the counterparty has an appropriate financial security rating. The remaining cash balances are held in short-term deposits.

The risks for this Fund are reviewed on a regular basis. They can be summarised as follows:

Credit Risk – The Fund is dependent on the solvency of financial institutions with which cash has been deposited or which issue securities. Most of the risks are with non government entities.

Liquidity Risk - Bank deposits cannot be realised until maturity and a limited number of short term credit securities are dependent on the liquidity of the money markets. However the overall risks in this category are considered reasonable and at an acceptable level

Cash Flow Risk – Since the size of the Fund changes as the volume of bank notes alters, investments need to be made and realised. These can be accommodated without difficulty, given the short term nature of most investments.

Market Price Risk - Market price risk is limited due to the short duration of the investments, but certain assets have been less marketable than prior to the start of the recession due to the credit market conditions.

(e) **Capital Projects**
The currency exposure for capital projects is kept under review, and is controlled, having regard to the future expected foreign currency inflows from all sources to the States.

Notes to the Accounts

(f) **Interest rate disclosures**

Financial assets by major currency group are split between fixed rate assets, variable rate assets and no interest payable assets below.

	Fixed rate £'000	Variable £'000	No interest payable £'000	Total £'000
Financial Assets				
Sterling £				
Advances *	16,127	4,213	789	21,129
Investments		97,982	-	97,982
Bonds	298,262	23,406	-	321,668
Certificates of Deposit	444,698		-	444,698
Cash	-	69,856	7,634	77,490
US Dollars $	-			
Investments	-	56,626	-	56,626
Cash	-	536	-	536
Euros €	-			
Investments	-	15,710	-	15,710
Cash	-	8,090	-	8,090
Other				
Investments	-	21,997	-	21,997
Cash	-	245	-	245
	759,087	**298,661**	**8,423**	**1,066,171**
Financial Liabilities				
Finance Leases	19,609	-	-	19,609
Bank Overdrafts	33,242	-	-	33,242
	52,851	**-**	**-**	**52,851**

* Note this includes advances with a maturity of less than one year classified as Debtors (Note 12) amounting to £2.580m

(g) **Maturity analyses**
Maturity analyses are included for Advances and Other investments in notes 8 and 10 respectively, and for Finance lease obligations in note 22. Other financial liabilities are bank overdrafts and are repayable on demand. No further maturity analyisis is required.

Fixed rate financial assets	Weighted average rate	Weighted average period (months)
Advances	4.63%	143
Bonds	5.31%	77
Certificates of Deposit	0.89%	4

Fair value disclosures
Other investments are carried at market value which is deemed to be equivalent to the fair value of the assets.

Advances and Bonds are carried at amortised cost.
The estimated difference between the carrying values and fair value is not material.

Notes to the Accounts

24a Transition to GAAP accounting

The States of Jersey is in the process of implementing Generally Accepted Accounting Principles (GAAP) accounting. The first set of financial statements prepared under GAAP principles will be produced next year, for the year ended 31 December 2010. In order to produce these accounts, comparative information (i.e. for the year ended 31 December 2009) must also be produced under GAAP principles. The States of Jersey has therefore been operating under two accounting bases in the 2009 transitional year (GAAP basis and existing basis).

There are seven main changes which have impacted the accounts. These are explained in Appendix 1 in the Annex to the Financial Report and Accounts. In summary, these changes are:

1. Asset Adjustments – on the existing basis assets are not separately identified. Any money spent as a result of a capital budget allocation was recorded as capital spend. Under GAAP assets are recorded separately, and only recorded as assets where the spend relates to asset acquisition or improvement, as required by GAAP.

2. Valuation of Strategic Investments – on the existing basis Strategic Investments (the utilities) are held at cost. Under GAAP these are recognised at fair value, although this does not necessarily represent the value at which the investments could be sold.

3. Eliminations - under the existing accounting policies, transactions between States entities, and within a Department, were not eliminated in the preparation of the accounts. GAAP requires that transactions between entities within the group boundary are eliminated.

4. Other – there are a number of other, smaller, adjustments which are required to align the States of Jersey with GAAP. Explanations of these are given in the appendix.

Although full GAAP accounts can only be published next year, the States is able to produce a Balance Sheet (with comparatives) and an Operating Cost Statement for 2009 in accordance with GAAP. These are disclosed on the following pages. Further details explaining the basis for these GAAP accounts, together with reconciliations from the existing basis to the GAAP basis, are provided in an Appendix to the Annex.

Notes to the Accounts

24b GAAP Operating Cost Statement and Balance Sheet

Consolidated Operating Cost Statement
for the year ended 31 December 2009

	2009 £'000
Revenue	
Levied by the States of Jersey	
Taxation revenue	558,474
Island rates, duties, fees, fines and penalties	92,874
Total Revenue Levied by the States of Jersey	**651,348**
Earned through Operations	
Sales of goods and services	132,750
Investment income	26,639
Other revenue	19,951
Total Revenue Earned through Operations	**179,340**
Total Revenue	**830,688**
Operating Expenditure	
Social Benefit Payments	162,598
Staff costs	326,925
Other Operating expenses	178,695
Grants and Subsidies payments	39,236
Capital Charge/Depreciation	49,483
Finance costs	5,340
Total Operating Expenditure	**762,277**
Non-Operating expenditure	
Net foreign-exchange (gains)/losses	556
Movement in pension liability	23,682
(Gains)/Losses on disposal of assets	(1,912)
Total Non-Operating Expenditure	**22,326**
Total Expenditure	**784,603**
Revenue less Expenditure	**46,085**

Notes to the Accounts

Consolidated Balance Sheet
as at 31 December 2009

	2009		2008	
	£'000	£'000	£'000	£'000
Tangible Fixed Assets		2,700,131		2,589,060
Financial Assets				
Advances	18,549		25,312	
Strategic Investments	257,500		256,998	
Other investments	982,469		852,642	
Debtors: amounts falling due after more than one year	13,986		4,492	
Total Fixed Assets		3,972,635		3,728,504
Current Assets				
Stock and Work in Progress	28,253		26,934	
Debtors	109,823		141,804	
Cash at Bank and in Hand	78,662		100,916	
Total Current Assets		216,738		269,654
Current Liabilities				
Bank overdrafts	(33,242)		(20,364)	
Creditors	(88,230)		(89,555)	
Currency in Circulation	(90,664)		(91,549)	
Total Current Liabilities		(212,136)		(201,468)
Net Current Assets / (Liabilities)		4,602		68,186
Total Assets Less Current Liabilities		3,977,237		3,796,690
Long Term Liabilities				
Finance Lease Obligations	(16,924)		(19,608)	
PECRS Pre-1987 Past Service Liability	(246,643)		(222,288)	
Provision for JTSF Past Service Liability	(103,100)		(103,100)	
Defined Benefit Pension Schemes Net Liability	(1,542)		795	
Provisions for liabilities and charges	(13,915)		(6,239)	
Total Long Term Liabilities		(382,124)		(350,440)
Net Assets		**3,595,113**		**3,446,250**
Reserves: Accumulated Revenue and Reserve Balances		**3,595,113**		**3,446,250**

Notes to the Accounts

25. Publication and Distribution of the Financial Report and Accounts

In accordance with the Public Finances (Jersey) Law 2005, the Financial Report and Accounts for the year ended 31 December 2009 have been approved by the Minister for Treasury and Resources and presented to the States for publication and distribution by the Greffier.

Statement of Responsibilities for the Statement of Accounts

The Treasurer of the States is required by the Public Finances (Jersey) Law 2005 to prepare annual financial statements in respect of the accounts of the States of Jersey. The annual financial statements must be prepared in accordance with Generally Accepted Accounting Principles, and Orders issued by the Minister for Treasury & Resources.

The Minister for Treasury & Resources has, in accordance with the Public Finances (Jersey) Law 2005, appointed Accounting Officers for States funded bodies. Accounting Officers have prepared Statements on Internal Control in respect of 2009. These documents are a key element of the States internal control Framework and outline the arrangements in place and the improvements being made in internal control procedures across the States of Jersey.

The States of Jersey Statement on Internal Control sets out the Accounting Officers' responsibilities and summarises the high level arrangements.

In preparing the accounts, detailed in the following pages, the Treasurer has:

- Applied the going-concern principle to all entities included within the accounts;
- Applied appropriate accounting policies in a consistent manner, and
- Made reasonable and prudent judgements and estimates.

The Treasurer and other appointed Accounting Officers have responsibility for ensuring that proper financial records are kept which disclose with reasonable accuracy the financial position of the States of Jersey and enable the Treasurer to ensure that the accounts comply with the requirements of the Public Finances (Jersey) Law 2005.

Jason Turner

Jason Turner, MSc, ACMA
Deputy Treasurer of the States
On behalf of the Treasurer of the States

States of Jersey Statement on Internal Control

1. Scope of Responsibility

The Public Finances (Jersey) Law 2005 ("the Law") designated each chief officer of a department as its accounting officer. Accounting officers are responsible for maintaining a sound system of internal control that supports the achievement of departmental policies, aims and objectives (as well as the wider strategic objectives of the States of Jersey), whilst safeguarding the public funds and assets for which they are responsible.

Each accounting officer is personally accountable for the proper financial management of the resources under his or her control in accordance with the Law (including Regulations approved under that Law and Financial Directions). In particular, each accounting officer must ensure that:-

- The expenditure of the department does not exceed the amount appropriated to it and that it is used for the purpose for which it was intended;
- In so far as practical, all money owed to the department is collected and paid into an appropriate bank account, and that all money owed by the department is duly paid;
- The department keeps records and proper accounts of all financial transactions;
- The records of the department are promptly provided when required for the production of the annual financial statement;
- The department is administered in a prudent and economical manner;
- The resources of the department are used efficiently and effectively; and
- The provisions of the Law in their application to the department are otherwise complied with.

In discharging these overall responsibilities, the accounting officer is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the functions of the accounting officer and which includes arrangements for the management of risk.

Each accounting officer has prepared a Statement on Internal Control for 2009 in accordance with a Financial Direction issued under the Law, which requires each accounting officer to formally record the basis upon which they believe their responsibilities have been properly discharged. This Statement summarises the main issues contained within them.

2. The purpose of the system of Internal Control

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve departmental policies, aims and objectives (as well as the wider strategic objectives of the States of Jersey); it can therefore only provide a reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the States of Jersey for the year ended 31 December 2009 and up to the date of approval of the annual report and accounts, and accords with the Law (including Regulations approved under that Law and Financial Directions).

3. The risk and control framework

Every department is required to establish a risk management strategy, which defines an appropriate framework for the structured consideration of risk. These strategies form an important element of departments' corporate governance and internal control arrangements and define the departments' approaches to risk management. The Corporate Management Board has reviewed departmental risks and prepared a corporate risk register.

A key element of the internal control system is the framework of Financial Directions issued by the Treasurer of the States, to provide guidance to States departments and other relevant bodies on the controls necessary to deliver the proper stewardship and administration of the public finances of Jersey. Accounting officers are required to comply with Financial Directions and other key controls, including Human Resource, Information Management and other resource management policies.

The States' business planning and budgeting process is used to set objectives and allocate resources. Each department has established its own management structure and processes to set key objectives, linked to the States of Jersey strategic priorities and manage performance. A structured process is also in place to measure progress against objectives and this is used to further inform the planning and decision making processes.

Each department is required to comply with the 'Guidelines for Ministerial Decisions' issued by the Chief Minister's Department.

Month end processes and procedures adopted by departmental finance teams include the provision of financial support to budget holders. This support includes the production of management reports, variance analysis and forecasting the year end position against budget.

The process of Financial Reporting on a quarterly basis to individual Ministers ensures that both the individual Ministers and, ultimately, the Council of Ministers are informed of financial results. Key financial indicators are included in departments' Balanced Scorecards along with summaries of serious risks to departments' achievement of their objectives. Monthly Financial Reporting to the Corporate Management Board was introduced in 2009.

At the beginning of 2010, the Council of Ministers agreed a major review of public expenditure in response to the projected structural deficit. The Comprehensive Spending Review is being undertaken to identify savings, establish spending priorities and implement a longer-term financial planning process.

4. Review of effectiveness

Accounting officers have responsibility for maintaining and reviewing the effectiveness of the system of internal control. Their review is informed by the work of the internal auditors, the Comptroller and Auditor General, the Public Accounts Committee, and comments made by the external auditors in their management letter, as well as their departmental processes and procedures.

In 2006, the Corporate Management Board established an Audit Committee to support them in their responsibilities for monitoring and reviewing the risk, control and governance processes within States funded bodies and the associated assurance that those processes are adequate. The Committee provides a process of constructive challenge to help accounting officers be assured that the most efficient, effective and economic processes are in place. The Committee meets quarterly and an independent Audit Committee Chair was appointed in 2009. The Chief Executive Officer, the Comptroller and Auditor General and external auditors attend the meetings.

The Chief Internal Auditor undertakes an annual audit programme agreed with the Treasurer. Each Audit report rates the area of review on a four point scale, with 4 being the highest. A total of 60 internal audit reports were produced in relation to 2009, of which 7 were not applicable for scoring, 1 received the highest rating, 28 were rated at 3, "Reasonable reliance can be placed on the adequacy of the internal control environment to manage inherent risk", and 22 received an assurance rating of 2, "There is limited assurance on the adequacy of the internal control environment to manage inherent risk." A further 2 reports received a 1 rating, "Management cannot place any reliance on the adequacy of the internal control environment to manage inherent risk." All recommendations or agreed actions for improvement have been fully accepted by managers, and over 90% of all recommendations were implemented within agreed timescales, with implementation of the remaining recommendations being in progress. A number of the reports were critical about departmental compliance with financial directions and this issue will be addressed in the improvement and change programme for the Treasury and financial management.

The Comptroller and Auditor General is required to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Law. The Comptroller and Auditor General considers and reports to the States on - (a) the effectiveness of the internal financial controls; (b) economical, effective and efficient use of resources; and (c) the corporate governance arrangements, and can make recommendations to bring about improvement.

The Public Accounts Committee examines the implementation of policy by accounting officers, often on the basis of a report by the Comptroller and Auditor General. The Public Accounts Committee and the Comptroller and Auditor General are both independent, reporting to the States Assembly.

5. Significant Control Issues

Each accounting officer has been required to detail any significant control issues which have arisen during the course of 2009 or any known areas of non-compliance with Financial Directions, together with their proposals to address these matters. Individual departmental Statements on Internal Control should be referred to for these detailed control issues.

The following significant corporate control issues have arisen in 2009:-

- **Financial Management in the States:** a detailed review was commissioned in 2009 and set out a programme of change and improvement for the States of Jersey finance function. Implementation of the plan is now under way.

- **Court and Case Costs:** Court and Case Costs are exceptionally volatile. The budgeting and accountability arrangements were not sufficient. As a consequence, significant expenditure has been incurred in the expectation that it would be met from the Criminal Offences Confiscation Fund. Expenditure is monitored and in 2009 projected underspends against departmental budgets were transferred to fund these costs. The Comprehensive Spending Review will be addressing all aspects of the Court and Case Costs in 2010, including value for money and the financial management framework. The Treasurer will be implementing interim revised financial management arrangement for 2010, and it is anticipated that a permanent solution will be in place by 2011.

- **Corporate Governance:** two issues have arisen during 2009 in respect of corporate governance:-

  - Health and Social Services: reviews undertaken in 2009 of the Health and Social Services Department identified a number of governance issues. The Health and Social Services Department has developed an action plan to implement recommendations and is committed to a more proactive approach to governance and risk management.

  - Jersey Heritage Trust: although not a States funded body the Trust receives significant funding from the States. In his report the Comptroller and Auditor General criticised the Trust for not fully implementing its detailed code of governance practice adopted in mid 2008. The Education, Sport and Culture Department is committed to carrying out a financial and business review of the Jersey Heritage Trust, developing a new partnership agreement, considering practical issues of accountability that are necessary between the Department and the Trust and ensuring that governance within the Trust supports any new arrangement.

- **Data Security:** a review by the Comptroller and Auditor General in 2009 of States-wide arrangements and practices around the security of data held in electronic media and the physical security of information held on paper highlighted a lack of consistency of policies and widespread variations with regard to States-wide arrangements and practices. A full-time Data Security Officer will oversee improvements in this area. Work to follow up individual departmental improvement initiatives is currently being scoped, as is the assessment of risks across the States' applications and data bases. The Security Policy Group has been reshaped with senior attendees such as the States HR Director and the Data Protection Commissioner joining it, and is now Chaired by the Director of Information Services.

Progress against significant issues identified in the 2008 Statement on Internal Control has been made as follows:-

- **Energy from Waste Plant - Management of foreign currency exchange risks:** the States approved a detailed proposal for the replacement of the incinerator and a contract was signed on 14 November 2008 for the procurement of the new plant. A substantial element of the contract was priced in euros which, contrary to the stated intention, was not hedged prior to the contract signing date. Based upon advice for managing the Euro exposure element of the contract, and to protect against further possible exchange rate risks, the Treasury has now purchased all required Euros to the end of the Contract. Forecasts are reviewed regularly to ensure that there are no significant deviations from the Treasury's hedging strategy for this project.

- **Household Medical Accounts (HMAs):** a breakdown in the control environment arose in respect of the facility within the Income Support Scheme. A comprehensive review of the operation of HMAs has been undertaken by the Social Security Department, and the Department has improved controls and processes to prevent any repetition. HMA was subject to Internal Audit in December 2009, resulting in a number of further actions to be taken and progress to be monitored in 2010.

- **Historic Child Abuse Enquiry (HCAE):** independent investigations are being conducted into the managerial and command and control aspects of the HCAE. The Chief Officer of Home Affairs and the Acting Chief Police Officer have developed improved arrangements to ensure good financial management and value for money. The Treasurer will review these arrangements in the light of the detailed report once it is published.

6. Closing Statement

To the best of my knowledge, the internal control environment as summarised above has been effectively operated during the year, subject to the control issues identified in the previous section and in the individual Statements on Internal Control.

Signed:

Bill Ogley (Chief Executive Officer) 24th May 2010

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