States of Jersey

FINANCIAL REPORT AND ACCOUNTS 2012

TREASURY
& RESOURCES

Contents

Please note that the structure of the Accounts has changed due to the move to International Financial Reporting Standards (IFRS), and this is explained in Section 6: Introduction to the Accounts.

1. Minister's Report

This has been a busy year for the States, a year in which, as a new Council of Ministers, we have been grappling with major issues for the Island. The publication of White Papers on the future direction of Health and Social Care services and Housing demonstrate our preparedness to tackle difficult issues which will make a positive difference to the long term health and well being of Islanders in the future. In so doing we have been balancing competing priorities, managing a growing demand for services whilst at the same time responding to these demands within constrained resources.

During the year Treasury has been supporting the delivery of the Council of Ministers' service priorities in the areas of health, housing and job creation. In some cases we have been able to meet several priorities in one initiative. For example, providing funding for new social and affordable housing will improve housing provision and at the same time provide a fiscal stimulus to the local economy. Protecting and retaining jobs in the construction industry has been a particular focus for us this year. We are also working with Jersey Finance and Jersey Financial Services Commission on major pieces of research work that will help shape the future direction of our finance industry. Continuing with the theme of developing new business for the Island during the year I have visited Abu Dhabi, Dubai and Tokyo, visits which promoted new business for the Island and helped build productive relationships.

All our services have to be paid for and local people and businesses do not want to see increases in taxation. We have continued with our approach to tax policy: low taxes, broadly based and certain for the future. This means we have also been very busy in 2012 making savings and delivering against our savings targets in the Comprehensive Spending Review. Ongoing savings of £20 million were delivered in 2012 alone, and £31 million to date. This way we can keep taxes low and target available resources at our priority service areas where need is greatest.

These accounts present an Island which has a robust financial position against a backdrop of significant global turbulence. Our balance sheet represents value net assets exceeding 100% of GVA together with plans for balanced budgets. Jersey is ahead of most other jurisdictions in many ways, including in economic fundamentals. The job of Treasury continues to be focused on maximising this commonwealth and securing a positive, fair and optimistic Island for the future.

Managing the Budget

The States' finances performed well in 2012, despite a challenging economic climate. Income of £628 million exceeded the Budget by more than £15 million. Departments underspent by almost £28 million, most of which will be carried forward to ease funding pressures in 2013 and beyond.

On top of this over £28 million of contingency and restructuring expenditure remained at the end of the year. This will also be carried forward into 2013. Almost £2 million was made available from contingencies to Health and Social Services to accelerate much needed improvements in services. Over £3 million was spent in Social Security and Education to assist unemployed people to obtain work.

Managing the Balance Sheet

The States' Property, Plant and Equipment assets were fully revalued in 2012 for the first time since 2009 and are now worth nearly £3.2 billion. The revaluation increased the book value of assets by £277 million. The value of our Strategic Investments (JT, Jersey Water, Jersey Post and Jersey Electricity) decreased by £38 million in the year to £289 million. The value of the Common Investment Fund (CIF) increased by £133 million in 2012. The CIF manages investments for States funds, including those outside of these Accounts such as the Social Security Funds, and the portion relating to funds in the Accounts (like the Strategic Reserve) saw returns of £63 million during the year, now standing at £922 million for all funds. The Strategic Reserve itself stood at £651 million at the end of 2012. Pension fund past service liabilities reduced during the year, due to the application of a surplus in Jersey Teachers Superannuation Fund (JTSF). I am pleased that the Public Accounts Committee in their report on the 2011 Accounts recognised the difference in emphasis between the valuation used in the Accounts and the Actuarial valuation, which provides the most appropriate assessment of the long term sustainability of the scheme, and paints a healthier and more realistic picture. Notwithstanding that, we must make changes to the States Pension Schemes to ensure that they are sustainable for the future.

We are underspending, and the value of our assets is rising. This does not happen by accident and I am grateful to the Treasurer, her staff and my fellow Ministers and their departments. We must not be complacent. If we continue to manage our finances carefully we can continue to direct taxpayers' money to where it is most needed and where it will benefit most Islanders, particularly those who are in need of support in challenging times.

Managing the Budget: Income

I will now turn in more detail to some of the above matters, beginning with States income.

The forecast for general revenue income set out in the 2012 Budget was £612 million. Actual receipts were £628 million. The main reason for the improvement was an increase in income tax receipts above forecast, mostly personal income tax. This may seem unusual when the economy is going through a difficult time, but perhaps reflects the fact that whilst the number of Islanders unemployed is at its highest known level, the number in work is also at its highest level. We will continue to investigate the reasons for the buoyant receipts so that we can continue to understand the economy better and forecast more accurately.

Income Tax receipts in 2012 were £431 million. Our healthy income tax receipts show that our zero/ten approach, confirmed as acceptable to the EU Code Group in 2011, combined with the introduction of GST, was the right one. Whilst general revenue income is still not back to 2008 levels we have managed the transition and are returning to balanced budgets – indeed we showed a surplus of £27 million in 2012, compared with a forecast deficit of £3.5 million.

The tax collection rate achieved by the Taxes Office is enviable, being at an all time high and exceeding that achieved by the UK government. GST (£80 million) and Impôts, such as duties on cigarettes and alcohol (£54 million), brought in receipts very close to those forecast in the 2012 Budget. Stamp Duty was almost £3 million below the Budget forecast of £24 million, reflecting the economic situation and the sluggish housing market. Other income (largely dividends from the States-owned utilities and returns on cash balances) was over £4 million higher than forecast at almost £31 million due to an additional dividend of over £4 million from Jersey Post. I will continue to work with the Boards of the utilities to deliver the best returns possible to the States to supplement our income, whilst at the same time allowing them to retain sufficient working capital to be able to grow their businesses.

Managing the Budget: Revenue Expenditure

Turning now to revenue expenditure, Departments spent just under £601 million in 2012. This was almost £28 million less than the amount available to them once unspent funds from 2011 had been added to their budgets, as approved in the 2012 Annual Business Plan. Most of the underspend will be carried forward to 2013 including over £22 million within Departments and £5.5 million to boost contingencies.

At the same time as spending less than their available budgets, Departments have achieved over £20 million of CSR savings in 2012, year two of the three-year programme targeted to achieve £65 million savings. Whilst the time frame to achieve the savings has now been extended to 2016, and there is currently a projected £3.6 million shortfall due to the States' decision not to agree a reduction in subsidies to fee paying schools. This is a tremendous achievement and I would like to thank all Departments for their efforts. A £20 million reduction, which permanently comes out of budgets, is the equivalent of, for example, a 1% rise in GST.

Contingency and restructuring funding of £28 million were carried forward into 2013. Much of it is already earmarked for specific purposes. I have said previously that I would not expect contingency funding to be spent each year that it is available, but that it should be carefully managed. It is pleasing that so much funding remains at the end of 2012 and it is sensible that we retain the balance as a buffer against unforeseen circumstances without needing to go back to the States for additional funding.

Managing the Budget: Capital Expenditure

Capital expenditure is essential in order to maintain and improve our asset base. It is also one of the key tools at our disposal to support and stimulate the economy at this time. For this reason I took a proposition to the States which was approved in May 2012 to allocate an additional £27 million to the Housing Department to fund or bring forward six social housing schemes. This was welcomed by the construction industry.

In 2012 Departments spent £33 million on capital projects. The three biggest spenders were Transport and Technical Services (almost £11 million) Jersey Property Holdings (within Treasury and Resources – over £9 million) and Housing (over £9 million). Significant projects during the year included:

- refurbishment projects at Clos Gosset, Jardin Des Carreaux, Pomme D'Or Farm and Le Squez;
- the Phillips Street shaft, which will alleviate the flooding risk to the North of Town; and
- the creation of new visitor and staff facilities at the Prison.

In addition to this £33 million, Jersey Harbours spent almost £2 million on various capital schemes.

One of the seven priorities in the Strategic Plan is sustainable long term planning. A significant piece of work was started in 2012 to look at the Island's longer term requirements for capital expenditure. High value issues under consideration include replacing the General Hospital, improving the Island's housing stock and financing a new Liquid Waste Strategy. The cost of these significant projects is likely to be beyond that which can be financed from tax income and the other usual sources. The Treasury is currently researching alternative funding mechanisms so that we can plan ahead in good time.

Managing the Balance Sheet

2012 has seen a continued focus on managing the States' balance sheet. This is an area that has, perhaps, been overshadowed in the past by the emphasis on controlling expenditure and raising enough income to pay for it. Management of our assets and liabilities provides another means of safeguarding us against future economic shocks and providing sources of significant levels of funding

The value of the States' Property, Plant and Equipment increased by £263 million in 2012 to nearly £3.2 billion. This is almost entirely due to the full revaluation exercise which is required to be carried out by external valuers every 5 years. The revaluation increased the book value of property by £254 million and the Social Housing stock by £70 million offset by a decrease in the value of infrastructure of £45.6 million. This does not, of course, mean that our assets can simply be sold off to provide additional funding. They are needed to provide essential services to Islanders. We can, however, look at managing those assets better. This approach has the potential tp release assets for disposal or alternative use. For example relocation of the Police Headquarters to Green Street will free the Summerland site for Social Housing, and Jersey Property Holdings is shortly to begin the first step towards rationalising and modernising office accommodation by relocating its staff from three different sites into one at Maritime House.

The value of the States' Strategic Investments decreased by £38 million in 2012. These are:

- Jersey Water – increased in value by over £5 million.
- JT – which fell in value by £27 million - although the States now also has a £10 million infrastructure investment in the company.
- Jersey Electricity – which decreased in value by £14 million – largely due to its falling share price at the year end, which has recovered in subsequent months.
- Jersey Post – which stayed broadly the same.

The Treasury operates as an active shareholder of these investments, with regular meetings throughout the year. Together, the four utilities contributed £18 million in dividends to the States in 2012, which obviates the need for that funding to be raised by taxes.

I must make particular mention of the Gigabit project, which started in 2012 and has been attracting much attention. Jersey's investment in optical fibre infrastructure is one that I am confident will prove in the future to have been far-sighted and pivotal to Jersey's economic recovery and resilience. We should not let short-term timing issues overshadow what an innovative and exciting decision this investment is.

The balance on the Strategic Reserve (the "rainy day fund") amounts to £651 million at the end of 2012. This increased by £57 million during the year through sound investment management contributing to the strong performance of the Common Investment Fund (CIF). The CIF was established in 2010 and pools investments, from both the States and other participants such as the Social Security Funds, to achieve better returns.

In 2012 the value of the CIF increased by £133 million, with £63 million of this attributable to the States, and £68 million to the Social Security Funds. This increase in value is not income to the States in the same way as taxes or dividends: the increases in value remain within the Funds.

Pension liabilities reduced by £39 million in 2012. This was mostly due to a reduction of £37 million in the provision for the Jersey Teachers' Superannuation Fund pre-2007 liability. This was based on a Management Board proposal to the States on the treatment of the pension increase debt, based on the 2010 Actuarial valuation of the scheme. A Technical Working Group was established comprising the Chair of the Public Employees' Contributory Retirement Scheme (PECRS) Committee of Management, the Treasurer of the States and other colleagues and PECRS committee members. The Working Group spent considerable time in 2012 leading a project to review and propose revisions to the PECRS to ensure that it is sustainable, affordable and fair. The proposals were launched on 21st March and are available on the States website.

Particular emphasis has been placed in 2012 on building on our relationships with the Corporate Services Scrutiny Panel and the Public Accounts Committee. I hope that this approach continues in 2013: an effective and informed scrutiny and review function can only add value to our work.

In summary, 2012 has seen bold and progressive steps forward in the health of the States' finances:

- Income exceeded Budget by over £15 million.
- Departments underspent by almost £28 million.
- Ongoing savings of over £20 million were achieved in the second year of the Comprehensive Spending Review, and proposals for total CSR savings of £56.5 million have been delivered in the 2013 budget.
- £28 million of contingency and restructuring funding carried forward to 2013 to protect against the unexpected and deliver more savings.

The first Medium Term Financial Plan was approved by the States.

- There has been significant investment in health, housing and jobs.
- The value of the States' Property, Plant and Equipment increased by £262 million in 2012 to nearly £3.2 billion.
- The value of the States' Strategic Investments in Utility Companies decreased by £38 million to £289 million.
- The value of the Strategic Reserve increased by £57 million to £651 million.
- The value of the CIF increased by £133 million to £1.5 billion.
- A major review of PECRS is nearing completion.

I am fortunate, as Minister for Treasury and Resources, to have the benefit of inheriting wise and far sighted decisions by my predecessors as well as to have an innovative and bold Treasurer and staff, who are delivering real change without ever losing sight of the prudence needed when dealing with taxpayers' money. Together they have provided me with the tools I need to make decisions, some of which are difficult, some of which are unpopular, but which are necessary if Jersey's economy is to survive and prosper. I have described how Jersey States' finances are the envy of much of the world. This has been achieved through vigilance, decisiveness, and by not squandering taxes when times are better. I am proud to present the Financial Report and Accounts for 2012 and look forward to continuing to prepare Jersey to take advantage of economic recovery.

All that remains is for me to thank all the staff in the Treasury and Resources Department and across the States for their hard work this year. In particular I want to thank Laura Rowley, the Treasurer, for her leadership of the department. I also extend my thanks to David Le Cuirot, the Acting Comptroller of Taxes, Mike Robinson, Head of Customs and Immigration, and my Assistant Minster, Eddie Noel, for his help and support.

Philip Ozouf

Senator Philip Ozouf

2. The Treasurer's Report

2.1 Introduction

2.1.1 Summary of Performance

The original Budget for 2012 was set to end the year with a net operating deficit of £3.5 million. We have in fact ended the year with a net operating surplus of £27.1 million.

States Net General Revenue Income was £15.4 million better than originally budgeted, at £627.7 million

- Net Income Tax was £14.5 million (3.5%) higher than the 2012 budget, primarily due to an increased tax yield relating to individuals.
- Other Income was £4.3 million (16.3%) higher than budgeted, primarily as a result of an additional Jersey Post dividend of £4.2 million, agreed after the Budget Statement.
- Stamp Duty was £2.8 million less than budgeted, due mostly to a slower than expected economic recovery, leading to fewer, lower value, transactions.
- Other lines of General Revenue saw smaller shortfalls in income totalling £0.6 million.

Departmental Near Cash Net Revenue Expenditure (the amount spent on day-to-day activities) was £15.2 million less than the Business Plan, and £27.6 million less than the approved amount after carry forwards and other allocations, at £600.6 million

- Social Security was £6.9 million less than approval due to lower than expected Social Benefit payments.
- Education was £3.6 million under budget as a result of the delegated financial management scheme which allows underspent schools' budgets to be carried forward.
- £6.3 million relates to funding for projects that extend over more than one year within the Chief Minster's and Treasury and Resources departments.
- Other departments had smaller underspends.
- Departments will be carrying forward nearly £23 million of these approvals into 2013 for projects and other spending pressures. The balance will help fund Capital Projects in future years (as identified in the MTFP).

In addition £28.4 million of Central Contingency was not needed in 2012, and this will be carried forward into 2013

After adjusting for Trading Operations, Special Funds and other accounting adjustments there was an accounting surplus of £70.0 million for the year – however, much of this relates to non-cash movements and amounts held in Special Funds and so is not available for everyday expenditure.

- Trading Operations incurred more expenditure than expected, but this is due to non-cash decreases in asset values as a result of the 2012 Valuation (£22 million), offset by other smaller variances.
- Depreciation and charges relating to the use of Property, Plant and Equipment by the States for Ministerial and Non-Ministerial departments were broadly in line with budget.
- Special Funds saw Net Income of nearly £60.0 million. The CIF generated significant income for the States of Jersey during 2012, earning net income of £132.5 million in total, representing a return on capital of around 9.8%. Whilst much of this gain was attributable to rallies in the markets in which the CIF invested, the CIF's investment managers also exceeded their combined benchmarks by 2% (equivalent to £14.8 million).
- Other Funds saw smaller amounts of income.
- The most significant Accounting Adjustment was associated with Pension liabilities (£41.6 million), due mostly to a revised estimate for the amount required to settle the JTSF pre-2007 debt, based on information in the latest Actuarial Valuation.

The States also spent £36.8 million on Capital projects in the year, including improvements to Social Housing and the Prison.

The States Balance Sheet remains strong.

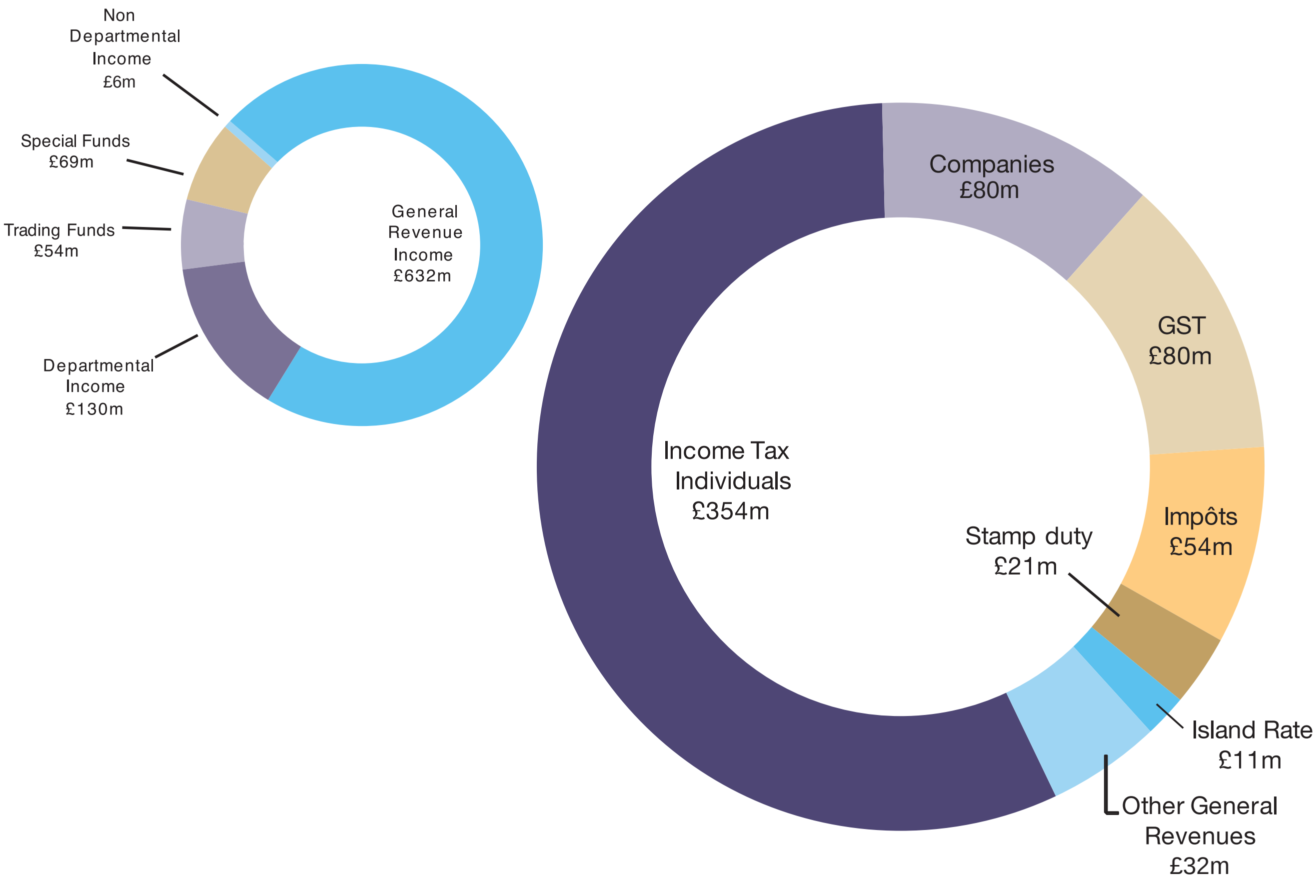
- Property, Plant and Equipment was revalued in the year, and now totals £3.2 billion
- Strategic Investments in utility companies decreased by £37.6 million.
- Pensions liabilities relating to past service liabilities have reduced by £39 million - mostly due to a reduction of £37 million in the provision for the JTSF pre-2007 liability.

2.1.2 At a Glance – Financial Results (Table 1)

£m Actual 2011		£m Budget / Business Plan 2012	£m Final Approved Budget / Updated Forecast 2012	£m Actual 2012
586.9	States Net General Revenue Income	612.3	624.6	627.7
(598.6)	Departmental Net Revenue Expenditure - Near Cash	(615.8)	(656.6)	(600.6)
(11.7)	**Operating (Deficit)/Surplus for the Year**	**(3.5)**	**(32.0)**	**27.1**
0.9	Trading Operations Net Revenue Expenditure	(1.6)	(3.8)	(20.7)
(10.8)	**(Deficit)/Surplus adjusted for Trading Operations**	**(5.1)**	**(35.8)**	**6.4**
(40.6)	Depreciation and other Non-Cash Expenditure	(40.1)	(40.1)	(38.8)
15.6	Net Revenue Income of Special Funds and SOJDC	-	-	60.0
0.2	Other Income/(Expenditure) and Accounting Adjustments	-	-	42.4
(35.6)	**Net Accounting (deficit)/surplus for the Year**	**(45.2)**	**(75.9)**	**70.0**

2.2 General Revenue Income

Figure 1 - Breakdown of States Income



Net General Revenue Income		
Budget 2012 **£612.3** million	Actual 2012 **£627.7 million**	**2.5%** better than the 2012 Budget

The States receives income from a variety of sources, including taxes, investment returns and charges raised by departments. Total gross income (before consolidation adjustments – see Note 4) for the States of Jersey in 2012 was £891 million, compared to £820 million in 2011.

The largest element of income is "General Revenue Income", which is made up of income to the Consolidated Fund covered by the Annual Budget Statement. This represented 71% of Income in 2012, totalling £632 million (2011 – 72%, £589 million). In the Budget Statement, General Revenue Income is voted net of directly related expenditure such as Irrecoverable Debts or Investment Management fees, to represent the amount that is available to be spent on providing services. These expenses totalled £4.7 million in 2012 (2011 - £2.4m), giving Net General Revenue Income of £628 million. This is the number used for comparison to approvals.

2.2.1 Net Income Tax

Budget 2012 **£416.0** million	Actual 2012 **£430.5 million**	**3.5%** more than the 2012 Budget

Income Tax comprises two main elements, Personal Income Tax and Company Income Tax.

Personal Income Tax

Personal Income Tax is a standard 20% rate of tax with a limited number of allowances/reliefs. To protect the lower to middle income earners, a separate calculation is also performed using exemption thresholds and a greater number and value of reliefs, but with a higher tax rate (27%). The lowest of the two tax calculations is then used to determine the tax charge. Therefore individuals will be charged no more than 20% tax on their income. This is explained in a video available on the States' website:

http://www.gov.je/TaxesMoney/IncomeTax/Individuals/AllowancesReliefs/Pages/MarginalCalculation.aspx

Company Income Tax

Companies pay tax under the zero/ten Regime. Three tax rates are possible:

- 0% - all non-financial service entities (except those at 20% below).
- 10% - Financial Services Companies (a company registered, or holding a permit, by virtue of various Laws administered by the Jersey Financial Services Commission).
- 20% - Utility Companies, Rental and Property Development Companies.

Until the 2011 year of assessment, companies could pay tax under the International Business Company (IBC) regime. IBC status was only available to companies owned by non-residents. Under this regime, tax was charged at 30% on Jersey-source income and at rates between 0.5% and 20% on international income. Typically, IBCs were banks, group service companies and other businesses which had a presence in Jersey but whose work was "international" in nature; i.e. derived from clients based outside the Island.

Net Income Tax was £14.5 million (3.5%) higher than the 2012 budget and £0.5 million higher than the most recent forecast included in the 2013 Budget Statement. This was primarily due to an increased tax yield relating to individuals, arising from a larger than expected impact of the 20 means 20 regime, and lower mortgage interest relief due to continuing low interest rates. A revised forecasting model with more detailed yield is now being use, which is expected to improve the quality of forecasting going forward. Other factors affecting the variance are an increase in tax from the finance sector, and lower than predicted write-offs.

2.2.2 Goods and Services Tax

Budget 2012 **£80.0** million	Actual 2012 **£79.6 million**	**0.6%** less than the 2012 Budget

Goods and Services Tax is a consumption tax of 5% on imports and supplies made in Jersey. The underlying principles are that the tax is low, broad and simple. As a result there are a limited number of reliefs. Businesses within the financial services industry who generally have the majority of their activity outside Jersey may apply to be approved as an International Services Entity (ISE) for GST purposes.They pay a flat rate annual fee instead of accounting for GST.

2.2.3 Impôts Duty

Budget 2012	Actual 2012	
£54.5 million	**£54.2 million**	**0.5%** less than the 2012 Budget

Impôts duties are duties charged on goods as they are imported to the Island. The duties apply to a range of commodities including alcohol, tobacco and fuel.

2.2.5 Island Rate

Budget 2012	Actual 2012	
£11.2 million	**£11.4 million**	**1.7%** more than the 2012 Budget

The 12 Parishes in Jersey levy rates to pay for parish services. In addition the Parishes collect an Island Wide Rate levied by the States. The Island Wide Rate was introduced in 2006 to provide a contribution to parish welfare costs which were incorporated into the Island's new Income Support system.

2.2.4 Stamp Duty

Budget 2012	Actual 2012	
£24.0 million	**£21.2 million**	**11.9%** less than the 2012 Budget

Stamp duty is charged on property, equity and share transfer transactions according to the value of the transactions. Jersey operates a discount scheme for first time property buyers. Duty is also collected on Wills, Probate and Obligations.

A slower than expected economic recovery resulted in significantly lower volume and value of Stamp Duty transactions than forecast, culminating in £2.9 million less Stamp Duty than budgeted. Stamp Duty income is particularly sensitive to small volume but high value property transactions and these have been less frequent during 2012 than in previous years. The fall in Stamp Duty on property transactions has been partially offset by Probate duty where a small number of high value estates have been subject to Probate in 2012. 2012 is the last year where large estates will yield significant duty as the States agreed a cap of £100,000 on probate in the 2013 Budget to attract greater investment in the Island in the future.

2.2.6 Other Income

Budget 2012	Actual 2012	
£26.6 million	**£30.9 million**	**16.3%** more than the 2012 Budget

"Other Income" includes returns on States strategic investments in utility companies, returns on cash balances and various fees and charges.

Other Income is £4.3 million (16.3%) higher than budgeted primarily as a result of an additional Jersey Post dividend of £4.2 million. This was agreed with Jersey Post after the budget was agreed but was included in the latest forecast in the 2013 Budget Statement.

Summary Table 2 – Net General Revenue Income – Outcome compared to Budget Summary Table B

2011 Actual £'000		2012 Budget £'000	MTFP Forecast Jul 2012 £'000	2012 Actual £'000	Difference from Budget £'000
409,317	Net Income Tax	416,000	430,000	430,460	14,460
66,297	Goods and Services Tax	80,047	77,700	79,559	(488)
51,165	Impôts Duty	54,500	51,117	54,236	(264)
22,567	Stamp Duty	24,029	22,869	21,172	(2,857)
10,915	Island Rate	11,185	11,330	11,380	195
26,658	Other Income	26,582	31,585	30,926	4,344
586,919	**Net General Revenue Income**	**612,343**	**624,601**	**627,733**	**15,390**

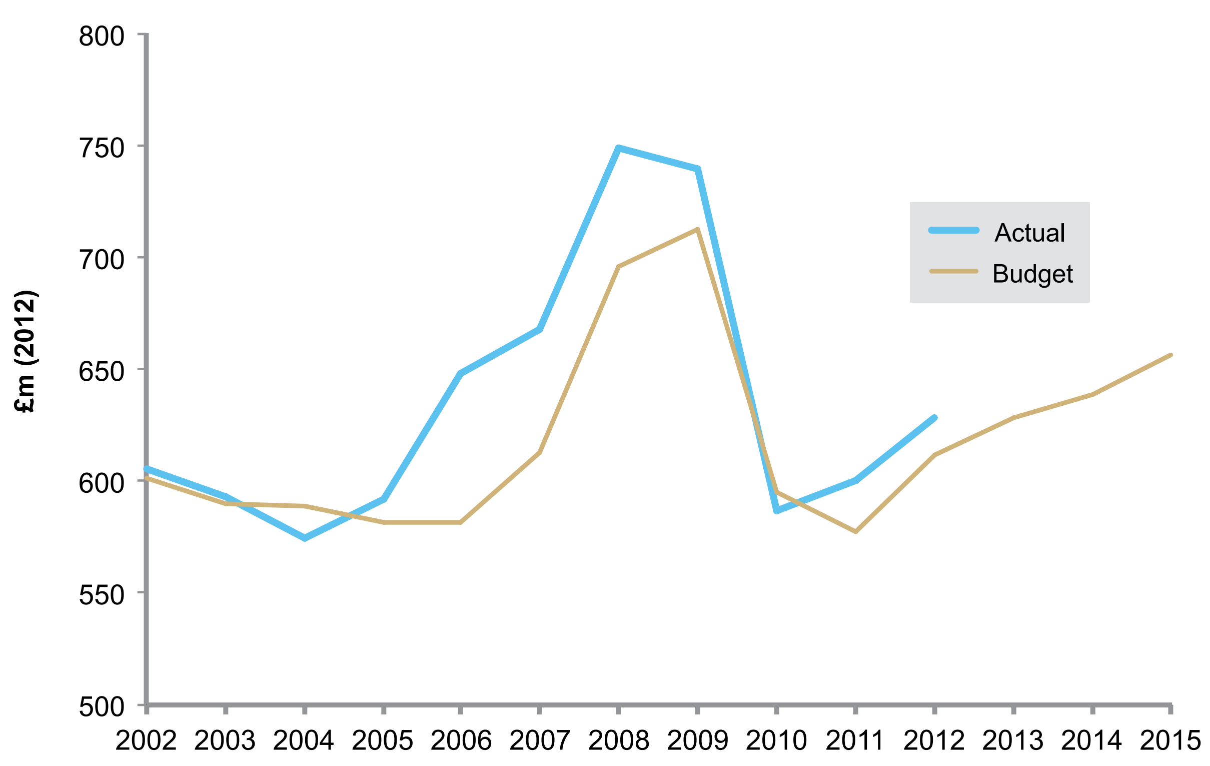
2.2.7 Changes in Net General Revenue Income

Figure 2 shows how Net General Revenue Income has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2012 prices using the RPI(X), to take into account the effects of inflation. Budgets for 2002 – 2005 have been adjusted for accounting restatements made in the 2006 Accounts to improve comparability.

Where can I read more?

Further details on the individual streams of General Revenue Income are included in the Annex to the Accounts. Individual Departments and Trading Operations also include an analysis of their income as part of the departmental pages in the Annex to the accounts.

Figure 2 - General Revenue Income at 2012 Prices



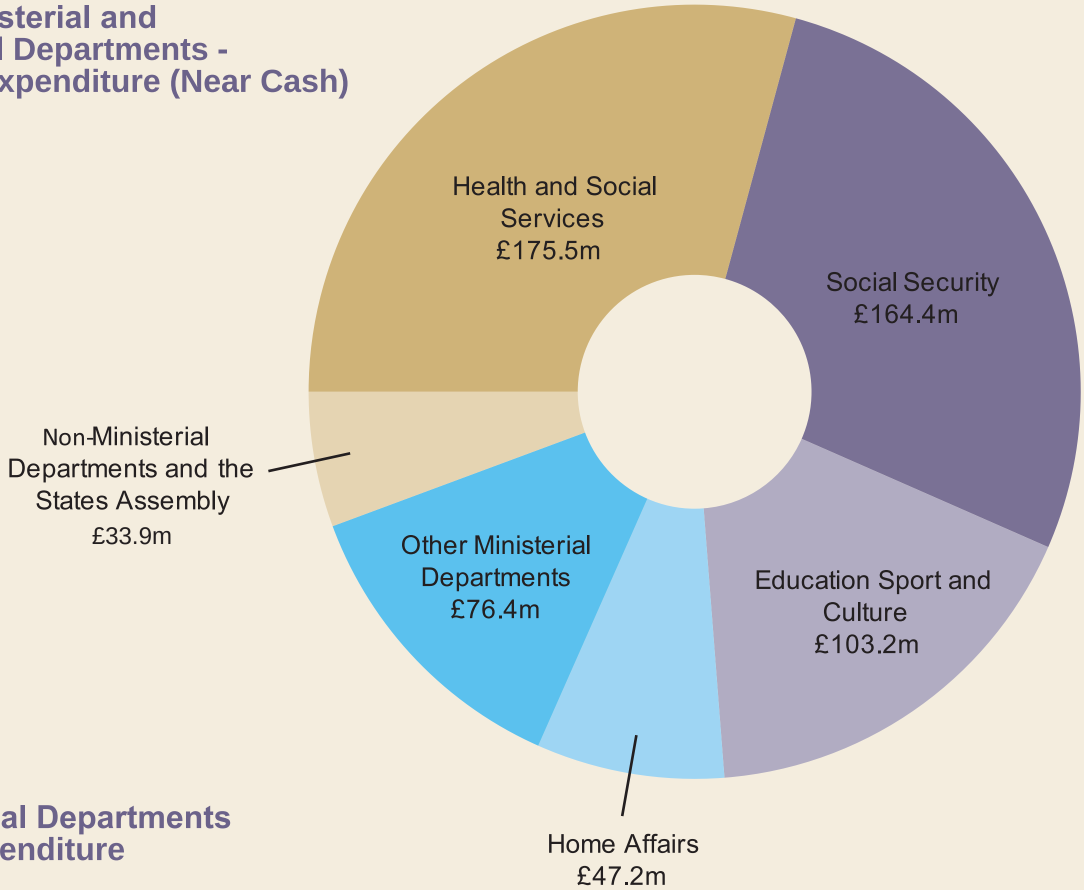
2.3 Ministerial and Non-Ministerial Departments Revenue Expenditure

Ministerial and Non-ministerial Departments Near Cash Net Revenue Expenditure		
Business Plan 2012 Approval £ 615.8 million	Actual 2012 **£600.6 million**	2.5% Less than the Final Approved Budget
Budget Carried forward from 2011 £ 41.4 million		

Total gross expenditure (before consolidation adjustments – see Note 4) for the States of Jersey in 2012 was £820 million, compared to £855 million for 2011. The majority of expenditure by the States is incurred by Ministerial and Non-Ministerial departments through the consolidated fund. In 2012 near cash expenditure by these departments made up 73% of total expenditure (2011 – 70%). There were also non-cash amounts totalling £39 million (2011 £41 million), which represent the use of resources such as Property, Plant and Equipment, even though no cash is spent. Departments raise charges for some of the services that they provide, and may also receive other income.

The Business Plan and MTFP therefore approve Net Revenue Expenditure (NRE) limits for departments, which take into account this income, and so represent the amount that needs to be funded from taxes. Departmental income totalled £130 million in 2012 (2011: £126 million), giving Net Revenue Expenditure of £601 million, (2011: £599 million) on a near cash basis. Figure 3 shows how this is made up.

Figure 3 – Ministerial and Non-Ministerial Departments - Net Revenue Expenditure (Near Cash)



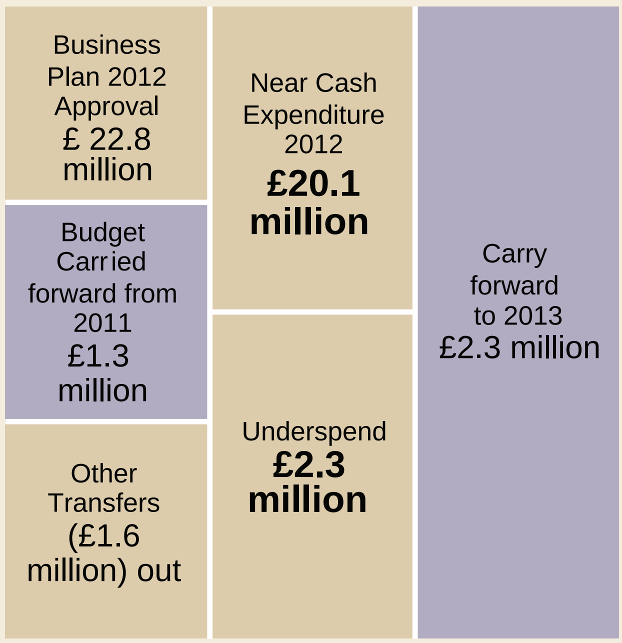
2.3.1 Ministerial Departments Near Cash Expenditure

Near Cash Expenditure represents amounts that transacted in cash during the year, or shortly after (e.g. income charged that will be collected after the year end). It excludes amounts relating to the use of Property, Plant and Equipment, such as depreciation and impairments, which are covered in section 2.3.4. Accounting Officers are held accountable for Near-Cash amounts.

Chief Minister's

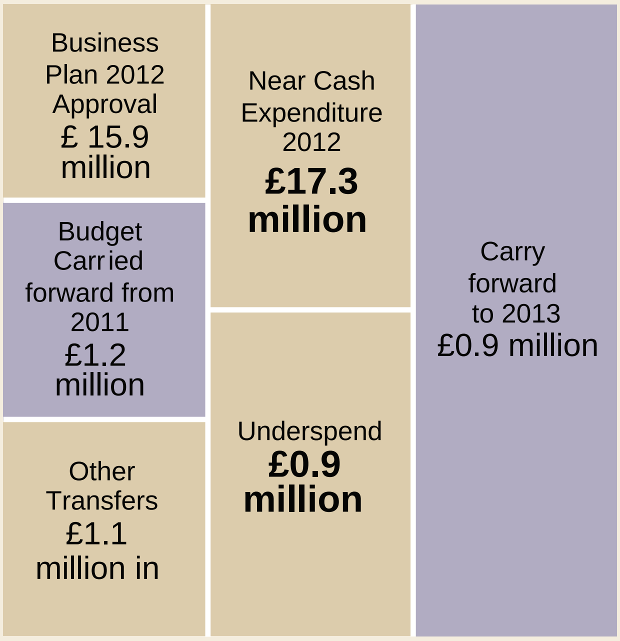
The Chief Minster's Department provides support and advice to the Chief Minister and Council of Ministers, and co-ordinates policies and strategies across the States. It is also responsible for a range of services, including international relations, constitutional issues, States staffing and IT, statistics, and the Law Draftsman's Office.

The underspend of £2.3 million is mostly due to the upfront funding for Chief Minister's projects spanning multiple years and delayed projects.



Economic Development

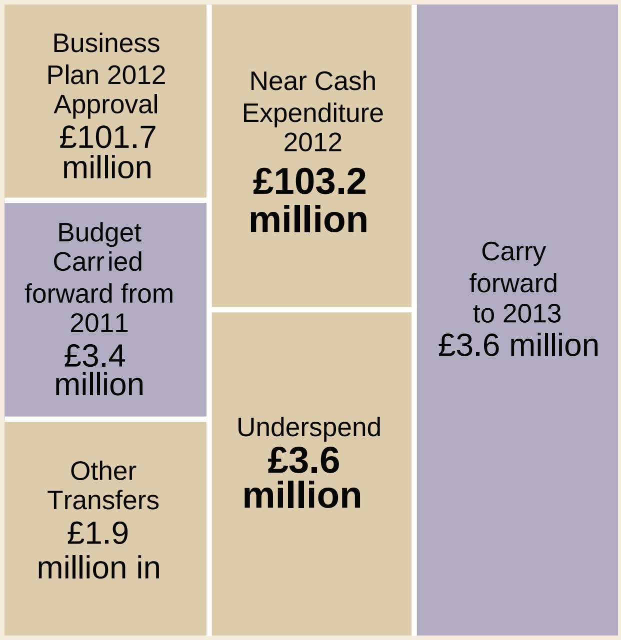
The Economic Development Department is responsible for all areas of economic policy and development in Jersey, including support for the agriculture, fisheries, tourism, and finance industries. It also maintains an overview of policies that may affect the harbours, airport, postal and telecommunications services. It oversees consumer and regulatory services too.



Education, Sport and Culture

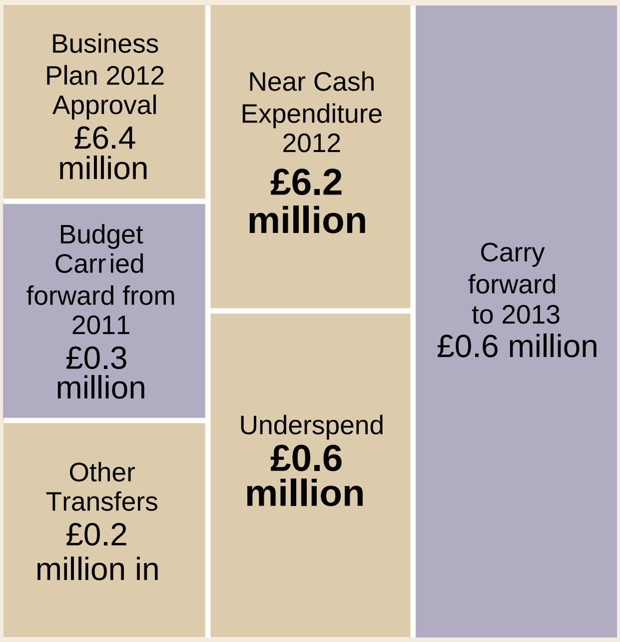
The Education, Sport and Culture Department provides educational, sporting and cultural opportunities for the people of Jersey, supporting Jersey's commitment to encourage lifelong learning and enabling everyone to realise their potential.

The majority of the underspend is due to the system of delegated financial management and delays in UK university fee increases.



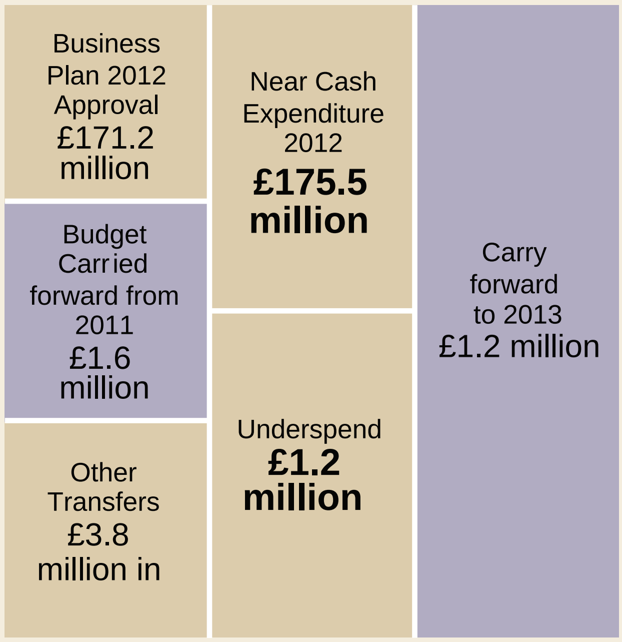
Department of the Environment

The Department of the Environment is 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.



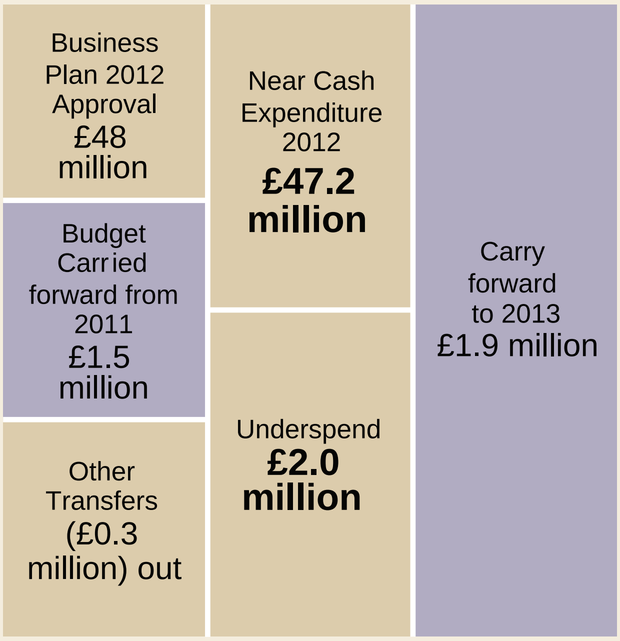
Health and Social Services

The Health and Social Services Department promotes health and social wellbeing for the whole community, providing prompt services to all and protecting the interests of the frail and the vulnerable.



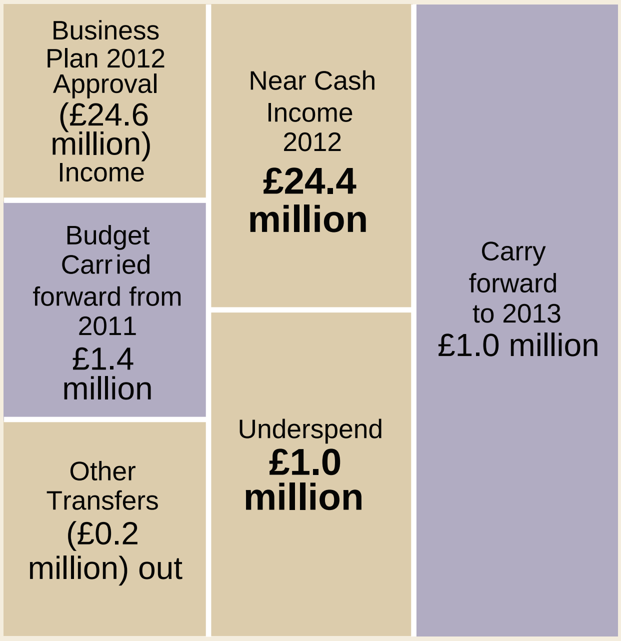
Home Affairs

The Home Affairs Department is responsible for the States of Jersey Police, the Fire and Rescue Service, the Prison Service, Customs and Immigration, criminal justice policy, and the registration of births, deaths and marriages.



Housing

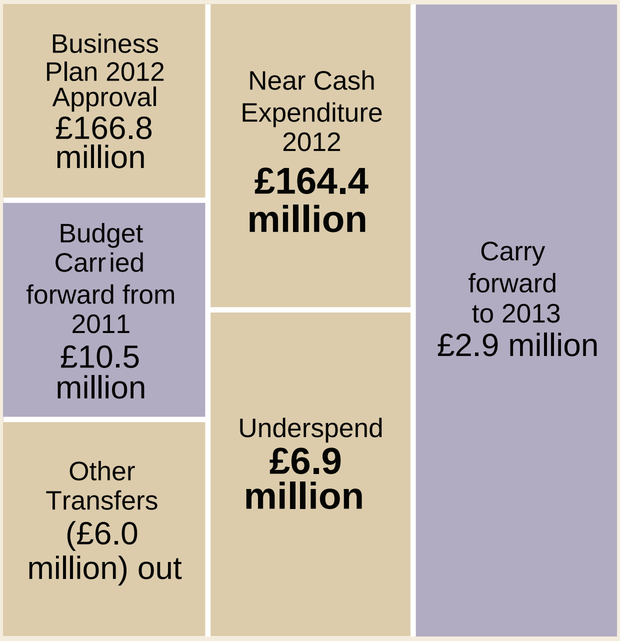
The Housing Department is responsible for the provision of social housing and estates management.



Social Security

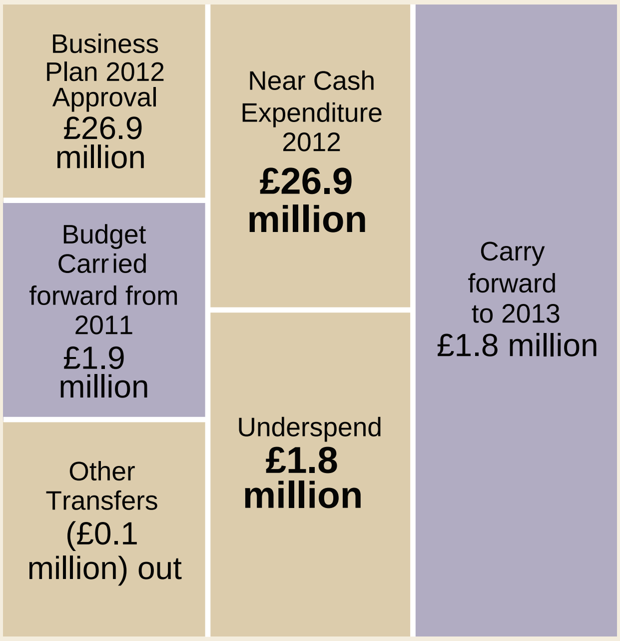
The Social Security Department is responsible for the administration of contributions and benefits, the Health and Safety Inspectorate, and a number of employment services, including the Work Zone.

The underspend is a result of lower Social Security benefits costs due to fewer claimants and slower uptake of employment grants. It also includes a one-off £2.4 million accounting adjustment for Medical Benefits.



Transport and Technical Services

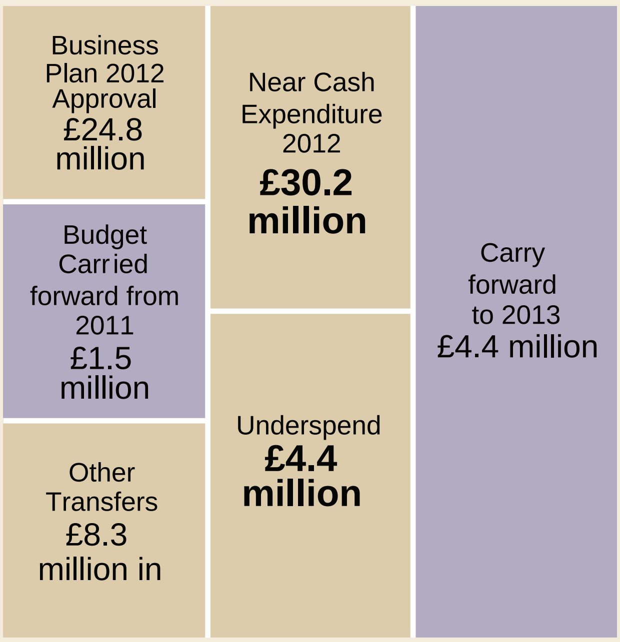
The Transport and Technical Services department manages the highway, public transport and traffic management network, and has the responsibility for all transport policy in Jersey. It also ensures vehicles are roadworthy, manages the disposal of the Island's waste and provides cleaning and parks and gardening services.



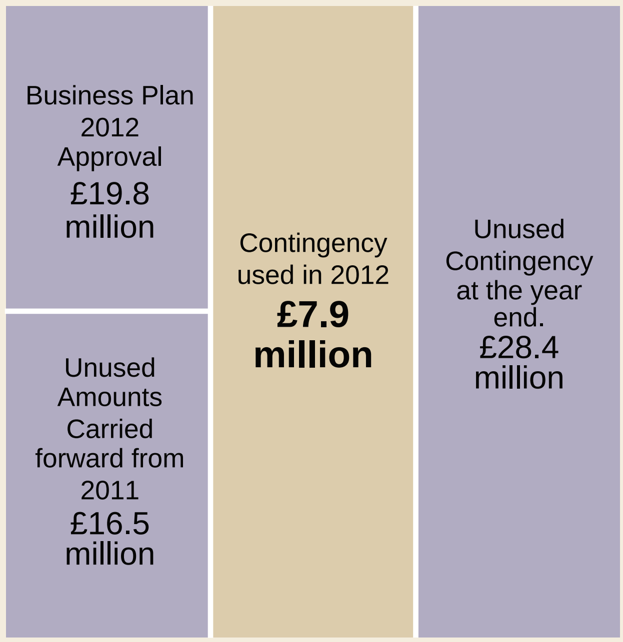
Treasury and Resources

The Treasury and Resources department manages the Island's finances and assets, ensuring the protection and good use of public funds. It is responsible for the collection of tax and tax policy, States budgets and financial policies, pension fund investment and administration, treasury management, investment management and procurement policy. It also manages States property and represents the States shareholder interests in publicly-owned companies.

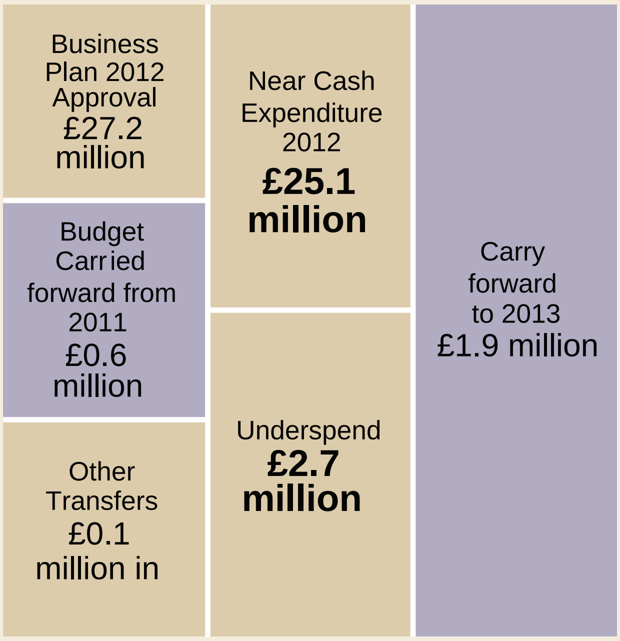
£2.4 million of the underspend is a result of the upfront funding for Treasury projects spanning multiple years including Procure to Pay and the Taxes Transformation Programme. A further £1.6 million is due to delays in backlog maintenance in Jersey Property Holdings.



Allocations for Contingency



2.3.2 Non Ministerial Departments and the States Assembly Near Cash Net Revenue Expenditure



Non Ministerial Departments do not come under direct Ministerial control, due to the nature of the work they perform.

The States Assembly is the highest decision-making authority of the Island. More information about its operation is given in section 2.11.1.

The Bailiff's Chambers provides support to the Bailiff who is head of the judiciary, president of the States and civic head of Jersey. The Law Officers' Department provides legal advice to the Crown and the States, including States Departments and other Departments. The Judicial Greffe provides administrative and secretarial support to ensure the effective operation of Jersey's courts, and the Viscount's Department is responsible for ensuring the decisions of Jersey's Courts and States Assembly are carried out. The Probation and After-care Service work with the judicial system, the courts, victims of crime and the community to help reduce criminal activity and its impact in Jersey.

The Official Analyst carries out authoritative and impartial scientific analysis to support the work of other States departments, local businesses and individuals.

The Lieutenant Governor of Jersey is the representative of Her Majesty the Queen in the Bailiwick of Jersey, and the Dean of Jersey is the leader of the Church of England in Jersey.

The 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, individuals and businesses.

The 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.

Summary Table 3 - Net Revenue Expenditure – Outcome compared to Business Plan Summary Table A

2011 Actual £'000		2012 Business Plan £'000	Final Approved Budget £'000	2012 Actual £'000	Difference from Final Approved Budget £'000
	Ministerial Departments				
25,332	Chief Minister	22,784	22,442	20,148	2,294
8,459	- Grant to the Overseas Aid Commission	8,881	8,886	8,878	8
18,253	Economic Development	15,898	18,213	17,299	914
103,434	Education, Sport and Culture	101,655	106,862	103,229	3,633
6,640	Department of the Environment	6,439	6,880	6,249	631
170,137	Health and Social Services	171,212	176,690	175,472	1,218
47,688	Home Affairs	47,991	49,144	47,163	1,981
(21,475)	Housing	(24,558)	(23,335)	(24,375)	1,040
164,433	Social Security	166,835	171,323	164,406	6,917
25,985	Transport and Technical Services	26,938	28,701	26,868	1,833
	Treasury and Resources				
26,115	- Department allocation	24,772	34,596	30,203	4,393
	- Provision for Central Reserves	12,485	26,246	-	26,246
	- Provision for Restructuring costs	10,000	2,137	-	2,137
	- Corporate Procurement Savings Target	(3,000)	-	-	-
	- Central Pay Provision	7,326	-	-	-
	- Terms and Conditions Savings Target	(7,000)	-	-	-
	Non Ministerial States Funded Bodies				
1,489	- Bailiff's Chambers	1,589	1,866	1,813	53
5,793	- Law Officers' Department	7,817	7,727	6,851	876
6,475	- Judicial Greffe	6,789	6,653	6,635	18
1,278	- Viscount's Department	1,455	1,486	956	530
544	- Official Analyst	606	582	573	9
739	- Office of the Lieutenant Governor	688	774	712	62
24	- Office of the Dean of Jersey	26	26	25	1
246	- Data Protection Commission	223	200	141	59
1,539	- Probation Department	1,961	2,220	2,043	177
693	- Comptroller and Auditor General	753	1,009	560	449
4,787	**States Assembly and its services**	5,280	5,294	4,795	499
598,608	**Net Revenue Expenditure - Near Cash**	**615,845**	**656,622**	**600,644**	**55,978**

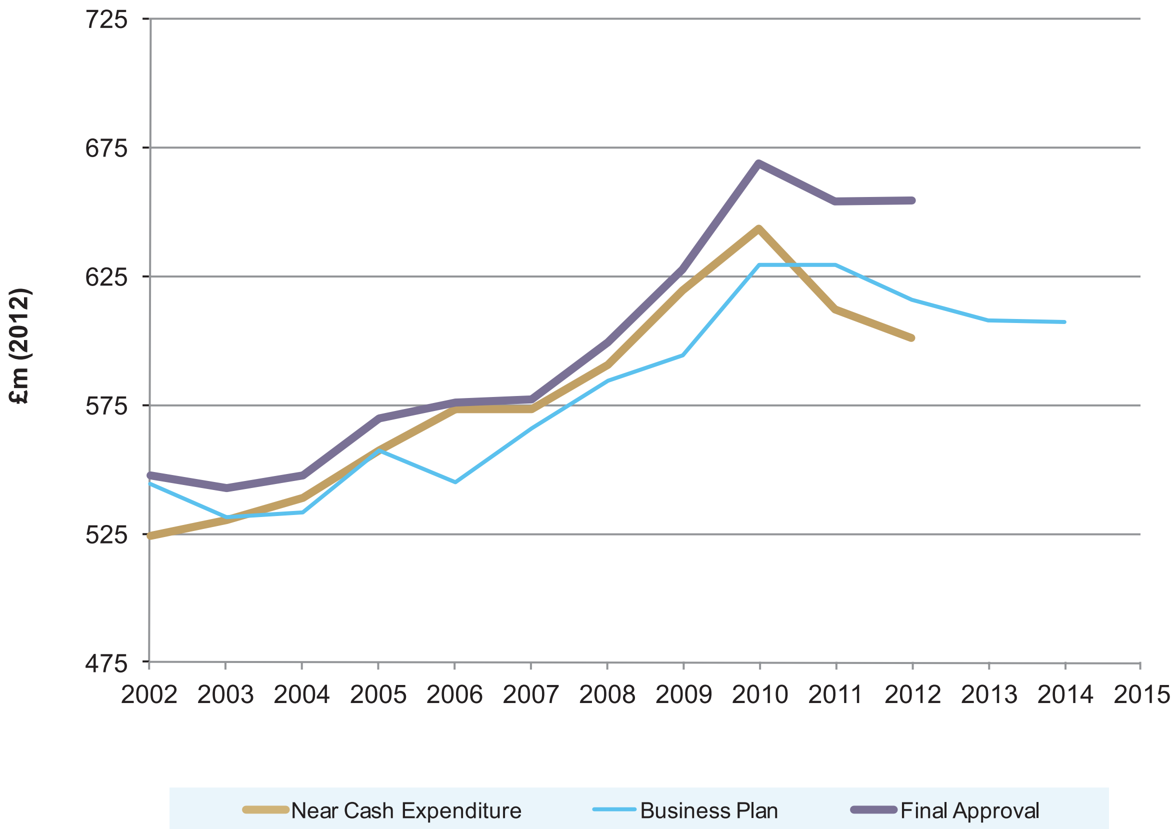
Where can I read more?

Each department gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Annex to the Accounts. They also give further information on variances from 2011.

2.3.3 Changes in Departments' Near Cash Net Revenue Expenditure

Figure 4 shows how Near Cash Net Revenue Expenditure has changed since 2002, and how it is projected to change in the coming years. Amounts have been restated to 2012 prices using the RPI(X) to take into account the effects of inflation. GAAP compliant figures have been included since 2009, but are not available from previous years, meaning that figures are not perfectly comparable (as explained below). Budget figures have been adjusted for previously reported accounting restatements to allow comparability. Prior to the move to GAAP some expenditure which would not now qualify as capital under accounting standards was approved (and recorded) as capital expenditure. It is difficult to assess the magnitude of these amounts, and so these have not been reflected in the graph.

Figure 4 - Net Revenue Expenditure at 2012 Prices (excluding impairments)



Net Revenue Expenditure on a Business Plan basis increased by less than 1% from 2011, and taking inflation at 2.2% equates to a £11 million decrease in real terms.

The 2012 Business Plan identified £19 million of CSR savings and a reduction in Social Security supplementation of £7 million due to changes to contributions over the earnings ceiling. There were also £7 million of capital to revenue transfers in 2012 to comply with accounting classification.

Offsetting these reductions are provisions for Social Security benefits of £4 million, adjustments for one off savings in 2011 of £10 million and essential growth of £4 million.

2.3.4 Departments
Non Cash Expenditure

The 2012 Business Plan approved a total of £40,075,000 for depreciation as part of individual departments approved expenditure limits, and actual depreciation was slightly lower than this.

Impairments are recognised where required by the Jersey Financial Reporting Manual (JFReM), and further details are given in Note 14 – Property, Plant and Equipment.

Gains or losses on disposal of assets are also not included in the Business Plan, as these should be rare. An estimate of proceeds from the sale of property assets is included as part of the Capital Programme, but this is not comparable to gain or loss on disposal.

Summary Table 4 - Non-Cash Amounts

2011 Actual £'000		2012 Business Plan £'000	Final Approved Budget £'000	2012 Actual £'000	Difference from Final Approved Budget £'000
	Non-Cash Amounts				
34,067	Depreciation and Amortisation	40,075	40,075	39,437	638
8,245	Impairments	-	-	(534)	534
(1,674)	(Gain)/Loss on Disposal of Assets	-	-	(103)	103
(20)	Other Non-Cash adjustments	-	-	(43)	43
40,618	**Total Non-Cash Amounts**	**40,075**	**40,075**	**38,757**	**1,318**

2.4 States Trading Operations – Net Revenue Expenditure

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.

Jersey Airport provides a wide range of facilities and services for passengers over an extensive network of scheduled and charter flight services across the UK and Europe. Jersey Harbours is responsible for the operation of Jersey's commercial port of St Helier and outlying ports.

Jersey Car Parking is responsible for administration, management, financing, development and maintenance of public parking places. Jersey Fleet Management is responsible for the acquisition, maintenance, servicing, fuelling, garaging and disposal of vehicles and mobile plant on behalf of the States.

Due to their commercial nature, Net Revenue Expenditure for the Trading Operations includes Non-Cash amounts relating to the use of Assets such as depreciation and impairments. The valuation of assets in 2012 resulted in £19.7 million of impairments in Jersey Airport and £2.3 million in Jersey Harbours. These movements are very difficult to predict, and so the Net Revenue expenditure position for both operations was higher than budgeted. However, Jersey Airport received more income than budgeted (£1.0 million) and both Jersey Airport and Jersey Harbours achieved savings associated with their integration.

Summary Table 5 - Net Revenue Expenditure – Outcome compared to Business Plan Summary Table B

2011 Actual £'000		2012 Business Plan £'000	Final Approved Budget £'000	2012 Actual £'000	Difference from Final Approved Budget £'000
	Trading Operations				
(94)	Jersey Airport	716	2,229	18,493	(16,264)
(959)	Jersey Harbours	270	920	1,691	(771)
539	Jersey Car Parking	890	890	639	251
(367)	Jersey Fleet Management	(272)	(272)	(137)	(135)
(881)	**Net Revenue (Income)/Expenditure – Trading Operations**	**1,604**	**3,767**	**20,686**	**(16,919)**

Where can I read more?

Each Trading Operation gives an explanation of differences between actual amounts and approvals as part of their departmental pages in the Annex to the Accounts.

2.5 Other Income and Expenditure and Accounting Adjustments

2.5.1 Special Funds and the States of Jersey Development Company

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names three Special Funds – the Strategic Reserve, the Stabilisation Fund and the Currency Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds (also known as Separately Constituted Funds) for specific purposes. These are usually established by legislation or a States decision. A summary of the purpose of the various funds is given in Table 7.

During 2012 Special Funds saw Net Revenue Income (NRI) of £59.9 million. The majority of this figure was income in the Strategic Reserve which saw returns on its investments of £56.9 million (9.6% on opening investment value). Income/expenditure approvals for Special Funds are not included in the Business Plan, and so results for these entities cannot be compared to budget.

States of Jersey Development Company

The States of Jersey Development Company (SOJDC) is a wholly owned subsidiary company of the States. It was originally incorporated in 1996 as the Waterfront Enterprise Development Board (WEB), 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. In 2010, the States approved proposition P73/2010, which set out proposals for the restructure of WEB into the SOJDC, clarifying the role of the company and widening the company's remit to cover all designated "Regeneration Zones".

The SOJDC is outside of the Budgeting Boundary, but for 2012 the SOJDC showed a small profit.

Summary Table 6 – Net Revenue Income of Special Funds and SOJDC

2011 Actual £'000		2012 Actual £'000
	Net Revenue Income of Special Funds and SOJDC	
14,825	Special Funds Net Revenue Income	59,864
816	States of Jersey Development Company Limited Net Revenue Income	149
15,641	**Net Revenue Income of Special Funds and SOJDC**	**60,013**

Table 7 – Purpose of Special Funds

Special Fund	Function
Strategic Reserve Fund	Established under the Public Finances (Jersey) Law 2005, this is a permanent reserve. The policy for the Reserve was agreed by the States under P133/2006, stating that it is 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. The States have subsequently approved P84/2009 which proposed that this policy is varied to enable the Strategic Reserve to be used, if necessary, for the purposes of providing funding of to £100 million for a Bank Depositors' Compensation Scheme.
Stabilisation Fund	Established under the Public Finances (Jersey) Law 2005, the purpose of this Fund is to provide a reserve which can be used to make Jersey's fiscal policy more countercyclical in order to create a more stable economic environment. The Fund receives cash allocations in more buoyant economic conditions and makes payments at times of anticipated economic downturn.
Currency Fund	Established under the Public Finances (Jersey) Law 2005, the Currency Notes (Jersey) Law 1959, and the Decimal Currency (Jersey) Law 1971, the fund holds assets that match the value of Jersey currency notes and coinage in circulation, such that the holder of Jersey currency could be repaid on request. It also produces and issues currency notes and coins, and administers the currency in issue.
Dwelling Houses Loans Fund	Established under the Building Loans (Jersey) Law 1950, to establish a building loans scheme to enable residentially qualified first-time buyers, who have never owned residential freehold property in Jersey, to purchase their first home.
Assisted House Purchase Scheme	Established in 1977, the purpose of this fund was to aid 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.
99 Year Leaseholders Fund	Established by the former Housing Committee under the general powers of the Building Loans (Jersey) Law 1950, this fund allowed the 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.
Agricultural Loans Fund	Established under the Agriculture (Loans and Guarantees) (Jersey) Regulations 1974, the 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.
Tourism Development Fund	Established under P170/2001 to replace the Tourism Investment Fund, this fund makes grants to stimulate investment in the tourism industry and infrastructure in order to improve Jersey's competitiveness and to sustain the industry as an important pillar of the economy.
Channel Islands Lottery (Jersey) Fund	Established by the Gambling (Channel Islands Lottery) (Jersey) Regulations 1975, the fund promotes and conducts public lotteries, the draws for which may be held in Jersey or Guernsey.
Housing Development Fund	Established under P74/99 and P84/99, the fund assists in meeting the requirements for the development of social rented and first-time buyer homes by providing development and interest subsidies.
Criminal Offences Confiscation Fund	These funds are established under the Proceeds of Crime (Jersey) Law 1999, Drug Trafficking Offences (Jersey) Law 1988, and Civil Asset Recovery (International Co-operation) (Jersey) Law 2007 respectively. These funds hold amounts confiscated under law. Funds are then distributed in accordance with the relevant legislation.
Drug Trafficking Confiscation Fund	
Civil Asset Recovery Fund	

2.5.2 Other Income/(Expenditure) and Accounting Adjustments

There are some items of expenditure that are outside the scope of the budgeting boundary but don't form part of a Special Fund. One example is actuarial movements in pension liabilities, which is a non-cash accounting adjustment. In 2012 the value of Pension Liabilities reduced, mostly due to the change in the provision for the JTSF past service liability. This is explained more fully in Note 30.

Accounting Standards also require that all transactions and balances between entities within the States of Jersey are eliminated in the consolidated accounts. As well as eliminations between income and expenditure, the figure above also includes an elimination of amounts released from Capital Grants received from other States Funds in previous years. More details of consolidation adjustments are given in Note 4 (the segmental analysis).

Summary Table 8 – Other (Income)/Expenditure and Accounting Adjustments

2011 Actual £'000		2012 Actual £'000
	Other (Income)/Expenditure and Accounting Adjustments	
4,384	Movements in Pension Liabilities	(41,588)
(5,448)	Other (Income)/Expenditure	(1,432)
883	Consolidation Adjustments	654
(181)	**Other (Income)/Expenditure and Accounting Adjustments**	**(42,366)**

2.6 Capital Expenditure

2.6.1 Consolidated Fund – the Capital Programme

The 2012 Business Plan included a capital expenditure allocation from the Consolidated Fund of £37.6 million, with £16.3 million funded from expected proceeds from property and social housing disposals. During the year £3.2 million was transferred from Revenue to Capital and £27.1 million was approved for the P40/2012 Social Housing Schemes, giving an effective capital approval of up to £67.9 million. There were also £71.6 million of unspent approvals from previous years.

During 2012 actual capital expenditure from the Consolidated Fund amounted to a total of £33.3 million (including amounts funded through Fiscal Stimulus). The table below gives details of this expenditure against approvals; projects with a total allocated budget of greater than £1 million are shown separately.

Table 9 - Consolidated Fund Capital Programme

	2012 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Chief Minister's Department				
Computer Development Vote	-	377	2,200	1,823
Other projects	894	1,927	3,831	1,904
Chief Minister's Department Total	**894**	**2,304**	**6,031**	**3,727**
Education, Sport & Culture				
Other projects	203	561	1,579	1,018
Education, Sport & Culture Total	**203**	**561**	**1,579**	**1,018**
Department of the Environment				
Other projects	119	677	1,297	620
Department of the Environment Total	**119**	**677**	**1,297**	**620**
Health & Social Services				
Equipment, Maintenance & Minor Capital	1,635	2,207	3,476	1,269
Other projects	119	139	984	845
Health & Social Services Total	**1,754**	**2,346**	**4,460**	**2,114**

Table 9 - Consolidated Fund Capital Programme (continued)

	2012 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Home Affairs				
Tetra Radio Replacement	7	1,800	2,534	734
Prison Control Room	41	1,606	1,839	233
Minor Capital	199	582	1,748	1,166
Other projects	81	2,105	3,368	1,263
Home Affairs Total	**328**	**6,093**	**9,489**	**3,396**
Housing				
Housing Rolling Vote	9,311	22,969	59,950	36,981
Other projects	76	1,733	1,915	182
Housing Total	**9,387**	**24,702**	**61,865**	**37,163**
Transport and Technical Services				
In-Vessel Composting	918	1,660	1,691	31
EFW Plant La Collette	233	108,466	109,097	631
Fire Fighting System	651	3,576	3,904	328
Town park	842	10,843	10,958	115
Sludge Thickener Project	1,147	3,461	8,067	4,606
Phillips Street Shaft	917	1,077	5,600	4,523
Infrastructure	4,433	8,726	13,824	5,098
Other projects	1,680	31,457	33,280	1,823
Transport and Technical Services Total	**10,821**	**169,266**	**186,421**	**17,155**
Treasury and Resources				
On behalf of Education, Sport and Culture				
Highlands (A Block)	(114)	5,668	5,768	100
Mont-a-l'Abbe Phase II	13	3,745	4,290	545
Grainville Phase 4a	718	4,452	4,728	276
Victoria College Capital Project	60	220	1,299	1,079
Other projects	376	2,197	3,048	851
On behalf of Health and Social Services				
A&E/Radiology Extension (Phase 2)	3	1,951	1,982	31
Clinique Pinel Upgrade	287	305	2,868	2,563
Intensive Care Unit Upgrade	1,611	1,617	2,500	883
Main Theatre Upgrade	59	60	1,302	1,242
New Maternity Theatre	7	10	1,494	1,484
Oncology Extension & Refurbishment	1,217	1,389	3,332	1,943
Rosewood House Refurbishment	66	1,797	1,936	139
Other projects	35	736	910	174
On behalf of Home Affairs				
Police Relocation (Phase 1)	355	1,315	19,788	18,473
Prison Improvement Phase 4	3,749	8,187	9,834	1,647
	-	-	-	-
Public Markets Maintenance	19	66	1,465	1,399
HD Farm Building and Incinerator	457	1,612	1,617	5
Repurchase of Land at Mont Mado	-	1,337	1,337	-
Other projects	617	1,347	2,076	729
Treasury and Resources Total	**9,535**	**38,011**	**71,574**	**33,563**
Non Ministerial States Funded				
Magistrates Court	-	9,154	9,289	135
Other projects	211	263	289	26
Non Ministerial States Funded Total	**211**	**9,417**	**9,578**	**161**
Total	**33,252**	**253,377**	**352,294**	**98,917**

The most significant projects incurring expenditure in 2012 were:

Housing Rolling Vote: The main areas of expenditure in the Housing Rolling Vote were the refurbishment projects at Clos Gosset, Jardin Des Carreaux, Pomme D'Or Farm and Le Squez Phase 2. These projects are expected to complete in early 2013. In addition to this, planning and design work for refurbishment projects at Le Sqeuz Phase 2c, La Collette Phase 1 and Journeaux Street took place in 2012 with the building phases beginning over the winter of 2012 / 2013.

Sludge Thickener Project: The sludge thickener project begun in 2011 to replace the existing sludge thickener plant at Bellozanne which had reached the end of its useful life. The enabling works were completed during 2012 and phase 2 of the project began on schedule. However, due to the current economic climate the main contractor experienced financial difficulties and went into administration. Transport and Technical Services are currently in the process of appointing a new contractor to complete this project.

Phillips Street Shaft: This project has been designed to alleviate the flooding risk to the North of Town. The project involves digging a 30 metre hole in Anne Court Car Park and then tunnelling under Phillips Street to allow access for the surface and foul drain network. Then the North of Town is to be connected to the Cavern. The project began enabling works in December 2012 and is planned to be completed in 2014.

Prison Improvement Phase 4: This phase of the prison improvement is the creation of new visitor and staff facilities, required as a consequence of cumulative increases in the prison population over recent years. The project was completed in December 2012 significantly under budget. As a result the remaining budget will be used to build an additional storage facility within the prison in 2013.

2.6.2 Trading Operations Capital Expenditure

During 2012 actual capital expenditure from Trading Funds amounted to a total of £3.6 million. Table 10 gives details of this expenditure against approvals, projects with a total allocated budget of greater than £1 million being shown separately.

Table 10 - Trading Operations Capital Expenditure

	2012 Expenditure £'000	Total Project Expenditure £'000	Total Allocated Budget £'000	Remaining Unspent Budget £'000
Jersey Airport				
Engineering/ARFFS Building	(127)	-	4,084	4,084
DVOR/Doppler DME	-	-	1,070	1,070
Arrivals/Pier/Forecourt	(173)	538	4,764	4,226
Primary Radar Les Platons	279	2,637	3,464	827
Regulatory Compliance 2010	30	480	2,990	2,510
Secondary Radar Les Platons	(265)	619	1,500	881
Telebag System	(159)	2,492	2,492	-
Other projects	328	590	3,455	2,865
Jersey Airport Total	**(87)**	**7,356**	**23,819**	**16,463**
Jersey Harbours				
St Helier Marina	-	-	1,810	1,810
Gorey Pierhead	174	174	3,000	2,826
Port Crane	74	138	1,900	1,762
Elizabeth Harbour EB/WB Walkways	241	550	2,975	2,425
Elizabeth Harbour Trailer Park	207	487	1,100	613
Other projects	1,276	2,133	5,175	3,042
Jersey Harbours Total	**1,972**	**3,482**	**15,960**	**12,478**
Jersey Car Parking				
Anne Court Car Park	-	34	9,000	8,966
Automated Charging System	129	129	1,000	871
Concrete Repairs	-	1,297	2,519	1,222
Jersey Car Parking Total	**129**	**1,460**	**12,519**	**11,059**
Jersey Fleet Management				
Vehicle & Plant Replacement	1,578	1,649	3,124	1,475
Jersey Fleet Management Total	**1,578**	**1,649**	**3,124**	**1,475**
Total	**3,592**	**13,947**	**55,422**	**41,475**

The most significant projects incurring expenditure in 2012 were:

Primary Radar Les Platons / Secondary Radar Les Platons: The Primary and Secondary Radars servicing Jersey Airport from Les Platons have been replaced. The project was undertaken in order to comply with Single European Skies directives. The construction phase was completed in January 2012 and the commissioning phase was undertaken throughout the year. The negative spend for the year relates to adjustments to expenditure which occurred in previous years.

Gorey Pierhead: The design phase for this project commenced in 2012 and tenders have been issued to the market. Work is expected to begin towards the middle of 2013.

Vehicle and Plant Replacement: From the beginning of 2012, all States vehicle purchases, servicing and repairs should be made through Jersey Fleet Management. To facilitate this, additional funding of £5 million will be injected into the Jersey Fleet Management Trading Fund from the Consolidated Fund between 2012 and 2015.

Automated Charging System: The trial phase of this project was undertaken over the winter of 2012/13 in Sand Street Car Park. The trial is expected to complete in March 2013. The results of this will allow for a roll out of the project into all multi storey car parks.

2.7 The States Balance Sheet

2.7.1 Key Movements in Assets and Liabilities

During the year the value of Property, Plant and Equipment held by the States increased by £262.8 million to nearly £3.2 billion. This was primarily due to the revaluation exercises that were carried out in the year which lead to an overall increase in values of £276.8 million. This included increases in the Property portfolio (Land, Buildings and Other structures) of £253.6 million and the Social Housing portfolio of £70.2 million, and a decrease in the value of networked assets of £45.6 million. More details of movements in the value of Property are set out in Note 14.

Overall the value of Strategic Investments' decreased by £37.6 million. There was a decrease in the Strategic Investment in JT of £27 million. The value of equity shares increased by £2.2 million, and the preference shares (valued at £29.5 million in 2011) were redeemed. There was also the issue of an infrastructure investment of £10 million which is accounted for separately from the Strategic Investment. The value of the States' investment in Jersey Water increased (£5.1 million), and there was a decrease in the value of the States' holdings in Jersey Electricity (£14.3 million). Further details on the valuations are given in Note 18.

The States held less cash at the end of 2012 than at the end of 2011, due to variations in the cash requirements of the organisation between the two years. The total value of non-strategic investments increased by £92 million. This was due to the increase in the value of investments in the Strategic Reserve, and also a higher level of investments held in the Consolidated Fund at the year end.

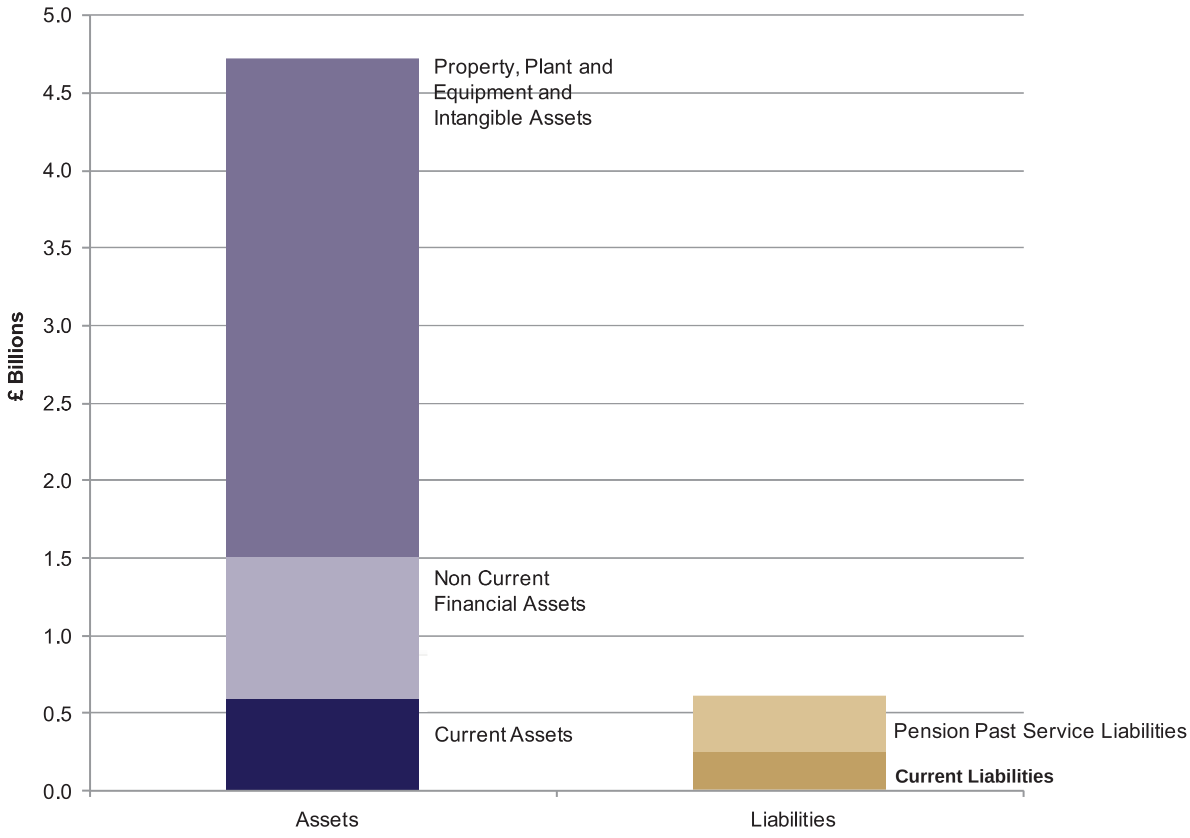
Provisions were lower in 2012, due to the settlement of the £22 million provision recognised in the Criminal Offences Confiscation Fund during 2011, associated with an asset sharing agreement regarding a confiscation.

Pensions liabilities relating to past service liabilities have reduced by £39 million, as set out in Note 29. This was mostly due to a reduction of £37 million in the provision for the Jersey Teachers' Superannuation Fund pre-2007 liability. This was based on a Management Board proposal to the States on the treatment of the pension increase debt, based on the 2010 Actuarial valuation of the scheme. There was also a small movement in the value of the Public Employees Contributory Retirement Scheme Past Service Liability.

Where can I read more?

The Notes to the Accounts give more details of the States Assets and Liabilities.

Figure 5 - States' Assets and Liabilities



2.7.2 Financial Position of States Funds

The key results relating to the position of significant funds are highlighted below.

Consolidated Fund

As at the end of 2012, the unallocated Consolidated Fund Balance was £31.2 million. The 2012 Budget forecasted an unallocated balance in the Consolidated Fund of £7.4 million. This was revised in the 2013 budget to £32.7 million, mostly due to a better than expected opening balance (£47.2 million compared to £24.8 million). There were also several additional items incorporated into the forecast, such as the allocation of £27 million for Housing Schemes and the repayment of £20 million of preference shares by JT. More details can be found in the 2013 Budget Statement and the Medium Term Financial Plan.

The actual balance was £1.5 million less than expected. The MTFP forecast included a £5 million contribution to the Innovation Fund which has not yet been made, and adjusting for the effect of this item results in the balance being £6.5 million less than forecast. This difference is primarily as a result of a shortfall in Property receipts (which were £5 million less than forecast), and other, smaller variances.

Trading Operations

The Trading Fund balance increased for each of the Trading Operations during 2012. However, a significant amount of these balances has been earmarked for future projects, as detailed in the relevant pages in the Annex to the accounts.

Special Funds

The balance in the Strategic Reserve increased by £56.9 million during the year, and now holds over £651.2 million. This increase was due to returns on its investments held in the Common Investment Fund. Other Funds saw smaller movements in their fund balances, and details are given in their individual pages in the Annex to the Accounts.

Where can I read more?

The relevant pages in the Annex gives more information about the performance and position of the funds.

2.7.3 Assessment of Liquidity

The States of Jersey's fiscal policy is to operate budget surpluses during periods of economic growth with the objective of transferring surpluses to the Stabilisation Fund in order to help fund any deficits that arise in periods of economic decline. In their fifth annual report published in October 2012, the Fiscal Policy Panel (FPP), the States' independent fiscal experts, made an assessment of the economic outlook for Jersey and recommended that the States should act to give discretionary fiscal support to the economy in 2012 and 2013. The FPP recommended that the extent of stimulus should not be limited by the balances on the Consolidated or Stabilisation Funds.

The Stabilisation Fund was used in the 2009-2011 period to provide fiscal stimulus funding and the current balance is just over £1 million. The FPP does not recommend transfers into the Stabilisation Fund in 2012 or 2013. It is intended that this Fund will be rebuilt once the economy begins to recover.

The Strategic Reserve is maintained as a permanent reserve, where the capital value can be used in exceptional circumstances to insulate the Island's economy from severe structural decline. The Strategic Reserve Balance is £651 million. The FPP did not recommend a transfer in or out of the Strategic Reserve in its October report.

The unallocated Consolidated Fund balance at the end of 2012 was £31 million and this is broadly in line with the forecast in the MTFP. Historically, the FPP has recommended that a working balance of £20 million be maintained where possible on the Consolidated Fund. The MTFP shows that this will not be achieved in 2014 and 2015 with respective balances of £12 million and £9 million forecast. The next MTFP will consider the forecast consolidated fund balance from 2016.

2.7.4 Financing, Treasury and other policies

Financing

States expenditure is substantially funded through accumulated and current year revenues rather than borrowing. Only comparatively small amounts of borrowings exist for specific assets in the form of Finance Leases.

Significant Treasury Policies

The States of Jersey regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the States of Jersey.

The States of Jersey acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. The Treasurer of the States is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

Estate management Strategy

The States aims to provide safe and affordable accommodation for all States departments whilst striving to maximise asset values and minimise property operating costs. The States' estate management policy has four main aspects.

Maintaining a legally compliant Estate

A fundamental requirement of the Estates Management function is to implement the policy of maintaining a legally compliant estate for staff, users of facilities and the general public. Jersey Property Holdings undertakes an ongoing assessment of the statutory compliance levels for buildings under its management. In 2012 a compliance approaching 90% was achieved as an average throughout the year, which compares favourably with industry standards. Each test or inspection is certified as complete by competent contractors and is not confirmed as compliant until certification has been received by Jersey Property Holdings.

Office rationalisation process

A phased review of offices in the States of Jersey is currently underway, which aims to consolidate the office estate, reduce its size and provide a modern working environment.
The relocation of the Police Headquarters and Station facilities represents phase one of the programme.
The MTFP (Appendix 5) includes proposals for the future phases of the office rationalisation programme.

These objectives are mutually supportive, as rationalisation of the estate will result in the release of disposal proceeds, deliver surplus sites with the potential for affordable housing developments and, by reducing the size of the gross built area maintained, reduce property operating costs.

Review of operational property

The States is also committed to reviewing the appropriateness of its operational properties. A review of the operational portfolios of the Education estates was completed in 2011 from which an action plan has been developed and is being delivered.

A similar review has commenced in respect of the Health estate. This is more complex as it involves harmonisation with the requirements of the Health modernisation process, key to which is the provision of a new General and Acute Hospital.

These reviews are likely to lead to a rationalisation of these portfolios through better utilisation of buildings, with opportunities to dispose of buildings with alternative use value.

Disposals of surplus assets

The States has a policy of disposing of assets which are surplus to requirements, reducing the States' property portfolio to a size which is more affordable and efficient, and releasing capital proceeds to fund the States capital investment programme within the MTFP. Larger sites will be transferred to the States of Jersey Development Company for development, subject to the necessary approvals, with Jersey Property Holdings disposing of surplus small sites and parcels of land directly to the market.

2.7.5 Review of the Pension Schemes

The States two main public sector pension schemes are extremely important to the Island, with over 1 in 3 Jersey households relying on a public sector pension scheme. The pension schemes are an important tool in attracting key public sector workers, and funded public sector schemes reduce the reliance on social security benefits.

Life expectancy has improved greatly in recent years which is impacting on the affordability of public service pensions. In addition, expectations of how much money will be earned over the long term from the investments have been reducing and are now significantly lower than when the schemes were established. The long term sustainability of public sector pension schemes has been the subject of the Hutton report in the UK, and the States of Jersey has recognised the need to consider its own schemes.

A Technical Working Group (TWG) was formed in August 2011, with terms of reference to "Develop and prepare a report on possible options for changes to Public Employees Contributory Retirement Scheme (PECRS) to ensure its viability and sustainability for the future." The key principles are that the scheme must be Sustainable, Affordable and Fair for the long term.

The TWG report was published in March 2013 with the aim of introducing changes to PECRS in 2015. The high level proposals include:

- Career Average Revalued Earnings (CARE) Scheme
- Normal retirement age linked to Jersey state pension age
- Higher employee contribution rate (average increase in the UK public sector schemes is 3% of pay)
- Equity and fairness – treat all employees fairly
- Risk sharing between employer and employees
- Contribution cap for employees, employers and tax-payers

A consultation process on this proposals was begun in early 2013. It is anticipated that the Jersey Teachers Superannuation Scheme (JTSF) will be considered at a later stage.

2.7.6 Retirement Benefit Schemes not recognised on the Statement of Financial Position

In addition to the defined benefit schemes outlined in Note 30, the States of Jersey operates two further pension schemes: the Public Employees Contributory Retirement Scheme (PECRS) and the Jersey Teachers' Superannuation Fund (JTSF).

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 deficency in the scheme. Due to that limitation on the States' responsibility as employer, the scheme deficit in each case is disclosed below but not recognised in the States Accounts. The figures below are prepared using the methodolgy set out in IAS 19, which differ from those used to assess the long-term sustainability of the funds.

Financial Assumptions

The main financial assumptions made by the actuary where applicable were:

	2010 % p.a.	2011 % p.a.	2012 % p.a.
Jersey Price Inflation	3.9	3.3	3.2
Rate of general long-term increase in salaries	5.2	4.0	3.9
Discount rate for scheme liabilities	5.3	4.6	4.3
Rate of increase to pensions in payment payable by PECRS	3.6	3.0	3.05
Rate of increase to pensions in payment payable by JTSF	3.9	3.3	3.9

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.

The Public Employees Contributory Retirement Scheme (PECRS)

The PECRS is open to all public sector employees (excluding teachers) over 20 years of age, and membership is obligatory for all employees on a permanent contract. The Scheme is managed by a Committee of Management and five sub-committees.

The figures include the admitted bodies of the PECRS other than JT Group Limited and Jersey Post International Limited.

The market value of the Scheme's assets as at 31 December 2012 was £1,314 million (2011: £1,182 million).

The results of the most recent actuarial valuation of the PECRS indicated that the Scheme has an actuarial surplus of £ 40.6 million. This surplus will be treated in accordance with the terms of the Scheme's Regulations.

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. More details of the agreement are set out in Note 1, Accounting Policy 17. This liability amounted to £250.5 million at 31 December 2012 (2011: £252.0 million), and more details are given in Note 29. 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 relating to this liability made in 2012 was £4.1 million (2011: £4.0 million).

Demographic Assumptions

The principal demographic assumptions made by the actuary to calculate the liabilities under IAS 19 were:

Post retirement mortality assumptions	2011	2012
Males		
Future lifetime from aged 62 (currently aged 62)	25 years	25 years
Future lifetime from aged 62 (currently aged 45)	27 years	27 years
Females		
Future lifetime from aged 62 (currently aged 62)	27 years	28 years
Future lifetime from aged 62 (currently aged 45)	29 years	29 years
Commutation	Each member assumed to exchange 17.5% of their pension entitlements	

Assets of the scheme and the weighted average expected rate of return on assets

	2011		2012	
	Long-term rate of return expected % p.a.	Value £'000	Long-term rate of return expected % p.a.	Value £'000
Equities	8.00	878,047	8.00	1,052,727
Property	7.50	-	7.50	88,056
Fixed Interest Gilts	2.80	6	2.70	-
Index-Linked Gilts	2.60	-	2.50	-
Corporate Bonds	3.90	279,941	3.10	140,627
Other	1.80	24,420	1.00	32,857
Total market value of assets		**1,182,414**		**1,314,267**
Present value of scheme liabilities		(1,880,420)		(2,081,084)
Net pension liability		**(698,006)**		**(766,817)**

Note: Values shown are at bid value.

Changes to the present value of the scheme liabilities during the year

	2011 £'000	2012 £'000
1 January	**1,791,829**	**1,880,420**
Current service cost	54,067	52,883
Past service cost	311	46,271
Interest cost	95,389	87,055
Actuarial (gains)/loss on scheme liabilities *	(23,464)	53,378
Contributions by scheme participants	12,253	12,411
Net benefits paid out	(49,965)	(51,334)
31 December	**1,880,420**	**2,081,084**

* Includes changes to the actuarial assumptions.

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

	2011 £'000	2012 £'000
1 January	**1,265,584**	**1,182,414**
Expected return on scheme assets	90,990	79,855
Actuarial gains/(loss) on scheme assets	(171,956)	55,022
Contributions paid by the employer	35,508	35,899
Contributions by scheme participants	12,253	12,411
Net benefits paid out	(49,965)	(51,334)
31 December	**1,182,414**	**1,314,267**

The scheme assets generated a gain of £135 million in the year (2011: loss of £81 million).

Amounts for current period and previous four periods

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Scheme assets	924,254	1,110,963	1,265,584	1,182,414	1,314,267
Defined benefit obligation	(1,306,089)	(1,680,165)	(1,791,829)	(1,880,420)	(2,081,084)
Deficit	(381,835)	(569,202)	(526,245)	(698,006)	(766,817)
Experience (losses)/gains on scheme assets	(260,192)	133,596	63,342	(171,956)	55,022
Experience (losses)/gains on scheme liabilities *	(23,258)	27,835	47,676	13,731	14,283

* 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.

The valuation at 31 December 2012 showed an increase in the scheme deficit from £698 million to £767 million.

The Jersey Teachers Superannuation Fund (JTSF)

Membership of the JTSF is compulsory for all teachers in full-time employment and optional for those in part-time employment. The Fund is managed by a Board of Management which has established sub-committees to investigate and report on complex and technical issues.

The figures include Non-Provided Schools that qualify as Accepted Schools under the law.

The market value of the Fund's Assets as at 31 December 2012 was £327 million (2011: £302 million).

The results of the actuarial valuation as at 31 December 2010 concluded that there was no surplus or deficit in the scheme after taking account of the States of Jersey's expected future payments to cover the pension increase debt. The details and timing of these expected future payments are currently being developed.

The JTSF was restructured with effect from 1 April 2007 and now generally mirrors the PECRS. A provision for the 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. The employer's contribution rate rose to 16.4% and the actuary has confirmed that this will repay the past service liability over 80 years (from 2007).

Demographic Assumptions

The principal demographic assumptions made by the actuary to calculate the liabilities under IAS 19 were:

Post retirement mortality assumptions	2011	2012
Males		
Future lifetime from aged 60 (currently aged 60)	28 years	27 years
Future lifetime from aged 60 (currently aged 45)	30 years	28 years
Females		
Future lifetime from aged 60 (currently aged 60)	31 years	30 years
Future lifetime from aged 60 (currently aged 45)	33 years	31 years
Commutation	Members who joined the Scheme after 31 March 2007 assumed to exchange 16.67 of their pension entitlements. Nil for other members.	

Assets of the scheme and the weighted average expected rate of return on assets

	2011 Long-term rate of return expected % p.a.	2011 Value £'000	2012 Long-term rate of return expected % p.a.	2012 Value £'000
Equities	8.00	255,265	8.00	275,863
Property	7.50	14,699	7.50	23,533
Fixed Interest Gilts	2.80	-	2.70	25,168
Index-Linked Gilts	2.60	25,148	2.50	-
Corporate Bonds	3.90	-	3.10	-
Other	1.80	6,738	1.00	2,288
Total market value of assets		**301,850**		**326,852**
Present value of scheme liabilities		(569,772)		(624,842)
Net pension asset/(liability) on the balance sheet		**(267,922)**		**(297,990)**

Note: Values shown are at bid value.

Changes to the present value of the scheme liabilities during the year

	2011 £'000	2012 £'000
1 January	**561,106**	**569,772**
Current service cost	13,969	13,504
Interest cost	29,792	26,208
Actuarial (gains)/loss on scheme liabilities *	(23,203)	28,902
Contributions by scheme participants	3,102	2,994
Net benefits paid out	(14,994)	(16,538)
31 December	**569,772**	**624,842**

* Includes changes to the actuarial assumptions.

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

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

	2011 £'000	2012 £'000
1 January	**319,362**	**301,850**
Expected return on scheme assets	22,842	21,300
Actuarial gains/(loss) on scheme assets	(36,989)	8,798
Contributions paid by the employer	8,527	8,448
Contributions by scheme participants	3,102	2,994
Net benefits paid out	(14,994)	(16,538)
31 December	**301,850**	**326,852**

The scheme assets generated a gain of £30.1 million in the year (2011: loss of £14.1 million).

Amounts for current period and previous four periods

	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000
Scheme assets	220,646	274,001	319,362	301,850	326,852
Defined benefit obligation	(403,047)	(512,961)	(561,106)	(569,772)	(624,842)
Surplus/(deficit)	(182,401)	(238,960)	(241,744)	(267,922)	(297,990)
Experience gains/(losses) on scheme assets	(72,156)	39,847	27,765	(36,989)	8,798
Experience gains/(losses) on scheme liabilities *	(10,034)	(302)	14,643	14,253	(31,453)

* 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.

The valuation at 31 December 2012 showed an increase in the scheme deficit from £268 million to £298 million.

2.8 Explanation of the Structure of the States of Jersey

2.8.1 Principal Activities of the States of Jersey

The States Assembly raises taxes and other levies to fund the provision of a wide range of public services including Health Care, Education, Social Security and the administration of Justice. These functions are primarily carried out by Departments, both Ministerial and Non-Ministerial.

2.8.2 The States of Jersey Accounting Boundary

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

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.

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.

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

Special Funds

In addition to the Consolidated Fund, the Public Finances (Jersey) Law 2005 names three Special Funds – the Strategic Reserve, the Stabilisation Fund and the Currency Fund. These relate to the operation of the States of Jersey in general. The Public Finances (Jersey) Law 2005 also allows the States to establish special funds (also known as Separately Constituted Funds) for specific purposes. These are usually established by legislation or a States decision.

States of Jersey Group

CONSOLIDATED FUND	TRADING OPERATIONS	STATES OF JERSEY GROUP SPECIAL FUNDS NAMED IN THE PFL	SPECIAL FUNDS FOR SPECIFIC PURPOSES	WHOLLY OWNED COMPANY
Ministerial Departments	Harbours	Strategic Reserve	Loans Funds	States of Jersey Development Company Ltd
Non-Ministerial Departments	Airport	Stabilisation Fund	Tourism Development Fund	[Formerly Water-front Enterprise Board Ltd]
General Revenue Income	Fleet Management	Currency Fund	CI Lottery Fund	
	Car Parking		Housing Development Fund	
			Confiscation Funds	

2.8.3 Public Sector Bodies Outside of the Accounting Boundary

Major Public Sector Bodies that are outside of the Accounting Boundary (and so not included in these accounts) include:

Parishes

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

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

Trust and Bequest Funds

The States administers a number of Trust and Bequest Funds. These funds commonly set defined purposes for the use of their assets, and so are not controlled by the States directly

Social Security Funds

Fund	Purpose
Social Security 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.
Health Insurance Fund	
Social Security (Reserve) Fund	

Strategic Investments

Fund	Purpose
Jersey Electricity plc	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. More information about the valuation of these companies is given in Note 11.
Jersey New Waterworks Company	
JT Group Limited	
Jersey Post International Limited	

Independent Bodies

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

2.8.4 Common Investment Fund

The States of Jersey – Common Investment Fund (CIF) is only open to States Funds (including Reserves, Separately Constituted (Special) Funds, Trust Funds and Bequest Funds), and allows them to benefit from greater investment opportunities and economies of scale. Investments in the CIF and associated transactions are included in these Accounts to the extent that they relate to entities within the Accounting Boundary. More details on the operation of the CIF are given in Note 35.

2.9 Outline of Key Objectives, Strategies, Challenges and Opportunities

Jersey is facing a range of issues, including difficult economic conditions and an ageing and growing population. The States Strategic Plan considers these issues, and sets out how the States will address them. The Strategic Plan sets out in detail the States Objectives and Strategies and is available on the States Website:

http://www.gov.je/Government/PlanningPerformance/StrategicPlanning/Pages/StrategicPlan.aspx

The Strategic Plan 2012 sets the main aim of the States as 'Inspiring confidence in Jersey's future'.

Specifically, by working openly and inclusively with all sectors of our community the States will:

- Get people into work
- Manage Population growth and immigration
- House our community
- Promote family and community values
- Reform Health and Social Services
- Reform government and the public service
- Develop sustainable long term planning.

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

The financial implications of these matters are covered more fully in the States of Jersey Medium Term Financial Plan and Budget.

2.10 The States of Jersey Business and Financial Planning Cycle

The States approved changes to the Public Finances (Jersey) Law 2005 in July 2011 to introduce longer term financial planning and the approval of a three-year Medium Term Financial Plan from 2013.

Current Process

The 2012 Annual Business Plan, debated in September 2011, is the last in the current format and approved revenue and capital expenditure for 2012 and indicative expenditure totals for a further two years. The 2012 Budget Statement proposed taxation changes and other revenue raising measures for 2012.

Departments have prepared their individual Business Plans for 2012 which set out their objectives for the year, and how these help deliver the strategic priorities agreed in the Strategic Plan. The States two main controls on expenditure are through Net Revenue Expenditure limits, and Capital Project budgets voted by the States to departments.

New Medium Term Financial Planning Process

Under the new process a Medium Term Financial Plan (MTFP) is approved in the place of an Annual Business Plan. The MTFP extends the States budgeting period from one to three years, and fits with the existing political cycle, where each Council of Ministers is elected for a three-year term.

The key changes are:

- States spending limits will be set for the length of a Council of Ministers' term of office;

- Minimum department spending limits will be set for the same time period; and

- There will be central allocations created for growth and contingency spend.

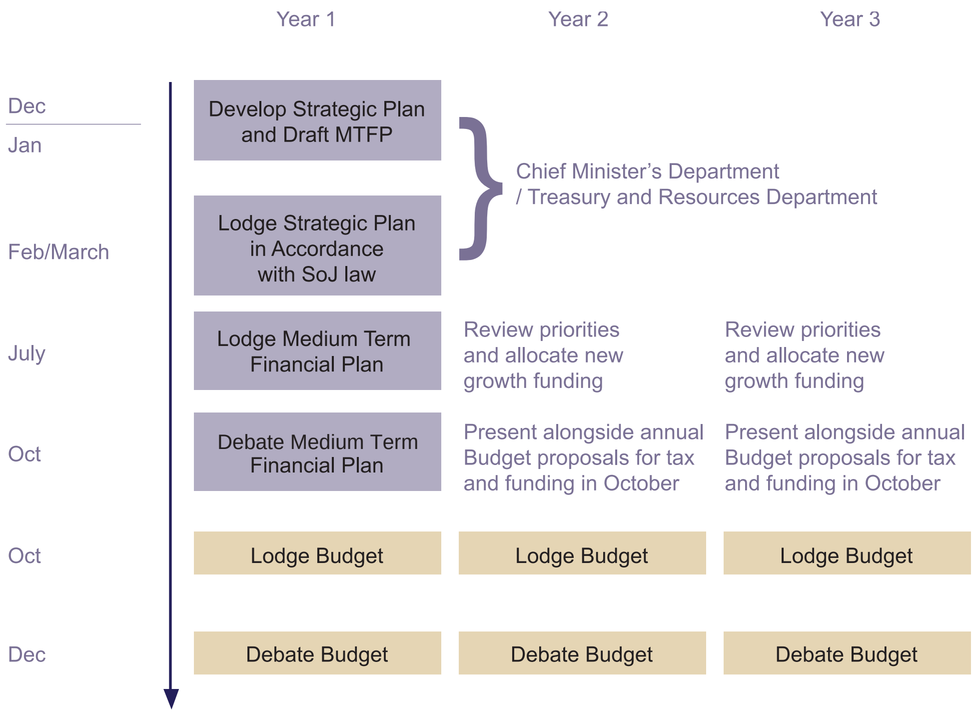
Criticisms of the previous annual process have been that it focuses decision making on the short term and makes no provision for unforeseen expenditure, which has led to urgent calls for additional funding and the perception that the States is overspending.

The MTFP will encourage longer term planning horizons, give greater certainty and flexibility for departments to plan ahead and deliver improved value for money within an overall States spending limit.

An allocation for growth will allow the States to be responsive to changing needs without exceeding the agreed limits, and allocations for contingency funding will provide confidence that unforeseen events can be dealt with without additional unplanned calls on the public purse.

Annual Budgets will continue to propose tax and funding measures as well as the detailed allocations to heads of expenditure from the amounts set aside for Growth and Capital expenditure. All the annual Budget expenditure allocations will be variations within the agreed overall limits.

Figure 5 - Summary of Medium Term Financial Planning Process



The 2012 Annual Business Plan authorised Near-Cash Net Revenue Expenditure of £615,845,000.

Changes to Approvals

During the year, budgets can be varied for limited reasons and these revised amounts will be used for monitoring purposes:

• Carry forward of unspent revenue expenditure budgets voted in the previous year, approved by the Minister for Treasury and Resources.

• Amounts transferred between capital and revenue budgets, approved by the Minister for Treasury and Resources.

• Service transfers within a Department, although the overall total will not vary.

• Additional amounts voted by the States Assembly during the year.

• Amounts allocated from the central contingency.

As well as carry forwards from 2011, additional amounts of £2.6 million were allocated to departments during the year (including £1.4 million of fiscal stimulus funding allocated to Education to support careers and high educations). This amount is lower than in previous years, as the States have managed unforeseen events either within departmental limits or from the Contingency Allocations approved in the Business Plan for that reason.

Table 11 reconciles approvals in the Business Plan to the Final Approved Budget, which includes amounts carried forward from previous years' approvals (as set out in MD-TR-2012-0019), additional approvals by the States, and Revenue to Capital transfers.

Table 11 - Reconciliation of Final Approved Budget to the Business Plan Near-Cash Approval

	£'000
Business Plan Approval (Near-Cash)	**615,845**
2011 departmental approvals carried forward to 2012	27,822
2011 contingency approvals carried forward to 2012	13,624
Additional amounts voted by the States of Jersey	2,571
Transfers between Capital and Revenue	(3,240)
Final Approved Budget	**656,622**

In Year Monitoring

During 2012, reports on performance for Revenue and Capital expenditure were prepared on a monthly and quarterly basis for consideration by the Corporate Management Board. Quarterly reports were presented to the Council of Ministers as part of the overall financial monitoring and planning process.

Actual results were monitored against approved budget amounts as well as updated Departmental forecasts. These took account of any projected changes in income and expenditure and timing of capital expenditure.

2.11 Governance Structures

2.11.1 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 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 (PAC) 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.

Thus the States Assembly exhibits all the usual characteristics of a parliament - legislature and debating chamber - while at the same time taking executive decisions on a wide range of issues.

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

- 10 Senators (Reduced from 12 in 2011)
- 12 Connétables
- 29 Deputies

Non-Elected Members

- the Bailiff
- the Lieutenant-Governor
- the Dean of Jersey
- the Attorney General and
- 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 May 2012 the States established an Electoral Commission to review the number and categories of elected members and the Commission's recommendations were published in January 2013. The recommendations will be considered by the States in 2013 and put to the electorate in a referendum before being implemented, if approved, for the next elections that will be held in October 2014.

The Ministerial System of Government

In 2005 Jersey adopted a Ministerial system of government. A Council of Ministers works alongside Scrutiny Panels. Of the 51 States members with voting rights, a maximum of 22 members are in ministerial positions either as Ministers (ten members) or Assistant Ministers (up to 12 members). States members who are not Ministers or Assistant Ministers can sit on the Scrutiny Panels and the PAC.

Ministerial Government

The States Assembly

Executive		Scrutiny
Council Of Ministers	Privileges and Procedures Committee	Scrutiny Chairmen's Committee
Individual Ministers	Comité des Connétables	Public Accounts Committee
Ten States departments	Planning Applications Panel	Five Scrutiny Panels
	Overseas Aid Commission	

2.11.2 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 legally and politically accountable for their area of government, whilst the responsibility for taking general policy decisions (e.g. those affecting more than one ministry), and for the overall policy aim of departments, rests with the Council of Ministers. The ten Ministers leading the ten States departments during 2012 were:

Department	Minister	Appointment Date
Chief Minister's	Senator Ian Gorst	18/11/2011
Economic Development	Senator Alan Maclean	12/12/2008
Education, Sport and Culture	Deputy Patrick Ryan	18/11/2011
Department of the Environment	Deputy Robert Duhamel	12/07/2011
Home Affairs	Senator Ian Le Marquand	12/12/2008
Health and Social Services	Deputy Anne Pryke	28/04/2009
Housing	Deputy Andrew Green	18/11/2011
Social Security	Senator Francis Le Gresley	18/11/2011
Transport and Technical Services	Deputy Kevin Lewis	18/11/2011
Treasury and Resources	Senator Philip Ozouf	12/12/2008

There are up to 12 Assistant Ministers, each with an area of political responsibility.

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.

Under this system, a team of politicians operates as the 'Executive' branch of government. The Council of Ministers is supported by the Chief Executive who is the head of the public service and a Corporate Management Board that is made up of the chief officers of the main departments.

2.11.3 Scrutiny

Scrutiny reviews and comments on the policies and proposed policies of Ministers. It is an integral part of the States system and ensures democratic accountability and rigorous questioning of proposals at an early stage. In short, the Executive makes decisions about and on behalf of Jersey. Scrutiny works to ensure that the decisions taken are the best of the possible options.

Scrutiny is made up of the following elements:

- **Chairmen's Committee** - a body that co-ordinates Scrutiny and ensures that it is effective and well run. It maintains regular contact with the Council of Ministers and acts as the link between Scrutiny and the Executive. The Committee is formed by the Chairmen of the Scrutiny Panels, and the Public Accounts Committee chairman.

- **Public Accounts Committee** - reviews all public expenditure. Works with the Comptroller and Auditor General. The Committee looks for value for money and elimination of waste. Membership includes non-States members.

- **Five Scrutiny Panels**

  - 'Corporate Services' panel looks at corporate services, corporate policies, external relations and property holdings.

  - 'Environment' looks at Planning and Environment and Transport and Technical Services, including waste, public transport and infrastructure.

  - 'Economic affairs' looks at economic affairs and development.

  - 'Education & Home Affairs' looks at Education, Sport and Culture including the Youth Service, and Home Affairs which includes Fire and Police services, Customs and Immigration and Registrar.

  - 'Health, Social Security and Housing' looks at Health and Social Services, Social Security and Housing.

The Panels are able to scrutinise new laws, existing and proposed new policies, international agreements that might be extended to Jersey and the Medium Term Financial Plan and the Budget. Each Scrutiny Panel is free to choose which issues it works on and may also accept suggestions from the public.

The Public Accounts Committee and the five Scrutiny Panels have extensive powers to require witnesses to give evidence or to supply relevant documents. These powers ensure that Scrutiny can operate effectively.

2.11.4 Accounting Officers

Accounting Officers are appointed for each States funded body under the Public Finances (Jersey) Law 2005. The Accounting Officer of a States funded body is personally accountable for the proper financial management of the resources of the body in accordance with the Law. Some specific requirements are set out in the Law, and also in Financial Directions issued in accordance with it.

The following individuals held the post of Accounting Officers for all or part of 2012:

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[1]
Ministerial Departments			
Chief Minister's Department[2] (to include Legislation Advisory Board, Human Resources and Information Services, but exclude International Affairs)	Chief Executive	John Richardson	18/05/2011
Chief Minister's Department (International Affairs)	Director International Affairs	Tom Walker	20/05/2011
Economic Development (to include La Collette Reclamation Scheme)	Chief Officer	Michael King	01/01/2006
Education, Sport and Culture	Chief Officer	Mario Lundy	01/01/2008
Department of the Environment	Chief Officer	Andrew Scate	26/08/2008
Health and Social Services	Chief Officer	Julie Garbutt	01/06/2010
Home Affairs (excluding States of Jersey Police)	Chief Officer	Steven Austin-Vautier	01/01/2006
States of Jersey Police	Chief Officer	Michael Bowron	01/01/2012
Housing	Chief Officer	Ian Gallichan	01/01/2006
Social Security (including Health Insurance Fund and Social Security Fund)	Chief Officer	Richard Bell	01/06/2006

1. Where more than one individual is included, the initial Accounting Officer's appointment ceased on the appointment of the new Accounting Officer, unless otherwise noted.

2. Human Resources and Information Services were previously part of the Resources Directorate, for which John Richardson was appointed Accounting Officer from 01/11/2009.

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[1]
Transport and Technical Services	Chief Officer	John Rogers	17/04/2009
Treasury Department[3] (including Treasury, Taxes Office, Property Holdings and Procurement)	Treasurer of the States	Laura Rowley	01/01/2011
Non Ministerial Departments			
Bailiff's Chambers	Chief Officer	David Filipponi	02/10/2006
Law Officers' Department	Chief Clerk	Timothy Allen	10/07/2006
Judicial Greffe	Judicial Greffier	Michael Wilkins	01/01/2006
Viscount's Department	Viscount	Michael Wilkins	01/01/2006
Official Analyst	Official Analyst	Nick Hubbard	01/01/2006
Office of the Lieutenant Governor	Secretary and Aide de Camp	Charles Woodrow	01/01/2006
Data Protection Commission	Data Protection Registrar	Emma Martins	01/01/2006
Probation and After-care Services	Chief Probation Officer	Brian Heath	01/01/2006
Comptroller and Auditor General[4]	Comptroller and Auditor General	Christopher Swinson, OBE	01/01/2006
States Assembly (including States Greffe, Scrutiny panels and Public Accounts Committee)	Greffier of the States	Michael De La Haye	01/01/2006
Overseas Aid Commission	Treasurer of the States	Laura Rowley	01/01/2011
Trading Operations			
Jersey Airport	Group Chief Executive Officer- Airport and Harbours	Douglas Bannister	01/07/2011
Jersey Harbours	Group Chief Executive Officer- Airport and Harbours	Douglas Bannister	01/07/2011
Jersey Car Parking	Chief Officer - TTS	John Rogers	17/04/2009
Jersey Fleet Management	Chief Officer- TTS	John Rogers	17/04/2009

States Funded Body/Fund	Position	Accounting Officer	Appointment Date[1]
Special Funds Named in the Public Finances (Jersey) Law 2005			
Strategic Reserve	Treasurer of the States	Laura Rowley	01/01/2011
Stabilisation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Special Funds for Specific Purposes			
Tourism Development Fund	Chief Officer - EDD	Mike King	01/01/2006
Channel Islands Lottery (Jersey) Fund	Chief Officer - EDD	Mike King	01/01/2006
Agricultural Loans Fund	Treasurer of the States	Laura Rowley	01/01/2011
Dwelling House Loan Fund	Treasurer of the States	Laura Rowley	01/01/2011
Assisted House Purchase Scheme	Treasurer of the States	Laura Rowley	01/01/2011
Housing Development Fund	Treasurer of the States	Laura Rowley	01/01/2011
Jersey Currency Notes	Treasurer of the States	Laura Rowley	01/01/2011
Jersey Coinage	Treasurer of the States	Laura Rowley	01/01/2011
99 Year Leaseholders Fund	Treasurer of the States	Laura Rowley	01/01/2011
Criminal Offences Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Drug Trafficking Confiscation Fund	Treasurer of the States	Laura Rowley	01/01/2011
Civil Asset Recovery Fund	Treasurer of the States	Laura Rowley	01/01/2011

3. During 2011, responsibility transferred to the Treasury department, under the Treasurer of the States, for the Procurement (01/07/2011) and Property Holdings (10/11/2011) sections of the Resources department.

4. Christopher Swinson resigned as Comptroller and Auditor General on 29/06/2012, and ceased to be Accounting Officer from this date.

2.11.5 Interests of Senior Management

Under the Standing Orders of the States of Jersey, States Members are required to complete a return of their interests, and a register of these returns is publicly available at the offices of the States Greffe during normal working hours. Details of significant interests of members of the Council of Ministers are therefore available publicly as part of this register.

No Accounting Officers hold any interests significant to their roles.

2.11.6 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.

Audit fees and Non-audit fess paid to the external auditor are disclosed in Note 7 of the accounts.

The accounts have been properly prepared under the Public Finances (Jersey) Law 2005, in accordance with IFRS as interpreted for the States of Jersey by the Jersey Financial Reporting Manual. The accounting policies are outlined in the accounts and have been fairly and consistently applied. Proper and up-to-date accounting records are kept and all reasonable steps to prevent and detect fraud and other irregularities taken.

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.

The Audit Committee terms of reference and membership were reviewed and strengthened in 2011. The beneficial effects of this change have been felt in 2012, and the independent chair and two other independent members, operated effectively throughout the year.

2.12 Corporate Social Responsibility

2.12.1 Environmental Responsibility

The States of Jersey recognises its environmental responsibilities and the effect of its many and varied operations upon the environment. The Eco-Active States (EAS) programme has been developed to assist the States of Jersey in managing its environmental performance and resource management with consequent efficiency savings. The programme was endorsed by Corporate Management Board in February 2011 and a renewed commitment was made in October 2012.

Achievements for the ECO-ACTIVE States Programme:

- 32 separate service areas have completed Eco-Active States dossiers; an over achievement on the target of 20.
- 5 departments are fully accredited - Chief Minister's, Housing, Environment, Social Security and Treasury and Resources.
- 32 Schools are now working on a sustainable school plan. 15 schools have achieved the required 'Eco Schools' Bronze level or above. The target is to have all schools at this standard by 2015.
- 25 pollution prevention plans have been undertaken to achieve compliance with environmental legislation. Two training sessions have been held for site managers.
- 8 CPD sessions have been run, including: Energy from Waste plant; Jersey Electricity power station; Jersey Water treatment works (Handois); States of Jersey – cavern.
- 8 Back to Bike sessions have been run for nervous cyclists working with Jersey Police Road Safety Unit.
- 300 employees attended energy saving roadshow.
- New States of Jersey policies agreed on Fairtrade and recycled paper and Eco-Active specifications included in procurement PQQ.

By the end of Q2 2013, the target is for 4 additional States Departments to have completed an Eco-Active States dossier, with the Health and Social Services Department completing one by end of 2013 (due to size and complexity of Department).

2.12.2 Social Responsibility

Employee Engagement

The States of Jersey consults with its staff on matters that affect their working lives and seeks to maintain an appropriate environment for the delivery of high quality public services. In doing so, the States of Jersey recognises a number of trade unions and staff associations for negotiation and consultation across the workforce for the purposes of collective bargaining. Formal meetings take place with the Manual Workers' Joint Council four times a year, or as required, and the Civil Service Forum meets twice a year, or as required. Departments also maintain local arrangements for meeting their accredited representatives to discuss matters of local interest. The States actively uses the talents of its workforce to develop and implement new working practices which contribute to the improvement of services throughout the island. The contribution of our staff is both recognised and appreciated.

Employment of Disabled People

The States of Jersey adopts a flexible and equitable approach to the employment of people who have a special employment need and encourages applications for all public sector vacancies. At all times there are people with special employment needs undertaking a wide variety of paid, therapeutic and unpaid roles across the range of departments and occupational groups

Payment of Suppliers

The States has a policy of paying suppliers 30 days after invoice date. However, Jersey based companies are paid as soon as possible after the receipt of invoices. During the year the average payment period was 33 days (2011: 32 days).

Personal Data Related Incidents

During 2012 there were 14 incidents of unauthorised disclosure of personal data information, and one incident where an inadequately protected piece of electronic storage was lost. Each incident has been reported and investigated in line with States policy.

2.13 Conclusions

The economic climate has made 2012 another challenging year for the States, but as these accounts show the States' finances have performed well, including a strong balance sheet position at the end of the year. One aspect of introducing a Medium Term Financial Plan is to encourage longer term thinking by departments, by giving them certainty over their approvals for future years and flexibility in carrying forward unspent amounts to match the exact timing of expenditure. Departments ended 2012 underspent against their Near Cash budgets by £27.6 million, and will again be carrying forward some of these unspent amounts to deliver essential projects and meet other emerging spending pressures in 2013. £28.4 million of Central Allocations for Contingency were also not fully required in 2012, and this will therefore be available in 2013.

For 2012 the States of Jersey has followed the UK government in adopting International Finance Reporting Standards. The use of internationally recognised standards helps ensure that the accounts are comparable to other organisations (such as Local Government in the UK), and presented in a widely recognised format. The impact of this change is explained more fully in Section 6 of this report, and Note 3 to the Accounts.

The Treasury is also committed to making the Accounts more accessible to non-accountants, and so will again be publishing a summary document that collects the main points from the Accounts. The format of this report has also been adapted to try to highlight the key figures from the year for the reader.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 29 May 2013

3. Statement of Responsibilities for the Financial Report and Accounts

The Treasurer of the States is required by the Public Finances (Jersey) Law 2005 to prepare the annual Accounts and financial statements of the States of Jersey. The annual financial statements must be prepared in accordance with Generally Accepted Accounting Principles, and accounting standards prescribed by an Order issued by the Minister for Treasury and Resources.

Under the Public Finances (Jersey) Law 2005, Accounting Officers are responsible for ensuring that proper financial records are kept which disclose with reasonable accuracy the financial position of the States of Jersey, and to provide those records when required by the Treasurer for the production of the annual financial statements. The statutory responsibilities of Accounting Officers are set out in full in the States of Jersey Statement on Internal Control.

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.

Laura Rowley MBA CPFA
Treasurer of the States

Date: 29 May 2013

4. Remuneration Report

4.1 Remuneration Policy

Pay for all States of Jersey Employees is determined by the States Employment Board (SEB). On behalf of the SEB, the Employment Relations Section negotiates with the main pay group Trade Unions and Associations. There are 23 such groups. As part of these negotiations, the economic environment (on and off Island), States of Jersey budget affordability and the pay claims made from individual pay groups are considered.

In December 2012, following 10 months of active negotiations, it was not possible to reach an agreement for the majority of pay groups. With the exception of the Police Service, who reached an agreement, and three pay groups where discussions are continuing, the SEB implemented the following award without agreement with its recognised Trade Unions:

- 2012, 1% non-consolidated award paid as one-off lump sum, with effect from 1st January 2012;
- 2013, 1% consolidated pay award plus 1% non-consolidated award paid as a one-off lump sum, with effect from 1st January 2013;
- 2014, 4% consolidated pay award with effect from 1st January 2014 in return for a modernisation agreement; and
- a guarantee of no compulsory redundancies until the end of 2014.

A non-consolidated amount is a one-off payment that is not incorporated into basic pay

4.2 Council of Ministers

As elected members of the States of Jersey, members of the Council of Ministers are entitled to remuneration in line with recommendations of the States Members' Remuneration Review Body. For 2012 States Members were entitled to remuneration of £45,182, which includes a sum of £4,000 for expenses (2011: £44,832 with £3,650 expenses). Although States members are treated as being self-employed for Social Security purposes the States also pays a sum in relation to members which is equivalent to the amount of an employer's liability for persons who are employed.

4.3 Accounting Officers

Salaries and allowances

The table below gives details of Accounting Officers' salaries and allowances.

	2011 Salary £'000	2012 Salary £'000
Chief Executive/Acting Chief Executive		
Mr W Ogley (to 31 May 2011)	**90 – 95**	**-**
Full year equivalent salary	*215 – 220*	-
Mr J Richardson (from 18 May 2011)	**110 – 115**	**190-195**
Full year equivalent salary	*175 – 180*	-
Deputy Chief Executive (Resources Department)		
Mr J Richardson (to 17 May 2011)	**55 – 60**	**-**
Full year equivalent salary	*145 – 150*	-
Chief Officer – Economic Development		
Mr M King	**130 – 135**	**135-140**
Chief Officer – Education, Sport and Culture		
Mr M Lundy	**130 – 135**	**130-135**
Chief Officer – Department of the Environment		
Mr A Scate	**120 – 125**	**120-125**
Chief Officer – Health and Social Services		
Mrs J Garbutt	**170 – 175**	**175-180**
Chief Officer – Home Affairs		
Mr S Austin-Vautier	**115 – 120**	**115-120**
Chief Officer - Housing		
Mr I Gallichan	**110 – 115**	**110-115**
Chief Officer – Social Security		
Mr R Bell	**115 – 120**	**115-120**
Chief Officer – States of Jersey Police		
Mr M Bowron (Accounting Officer from 1 January 2012)	**-**	**130-135**
Chief Officer – Transport and Technical Services		
Mr J Rogers	**125 – 130**	**130-135**
Treasurer of the States		
Ms L Rowley	**140 – 145**	**145-150**
Chief Officer – Bailiff's Chambers		
Mr D Filipponi	**75 – 80**	**75-80**
Chief Clerk – Law Officers' Department		
Mr T Allen	**80 – 85**	**80-85**

	2011 Salary £'000	2012 Salary £'000
Judicial Greffier and Viscount Mr M Wilkins	**135 –140**	**140-145**
Chief Probation Officer Mr B Heath	**90 – 95**	**90-95**
Greffier of the States Mr M De La Haye	**110 – 115**	**110-115**
Airport Director Mr J Green (to 30 June 2011) *Full year equivalent salary*	**60 – 65** *125 – 130*	**-** **-**
Chief Officer – Jersey Harbours Mr H Le Cornu (to 30 June 2011) *Full year equivalent salary*	**50 – 55** *105 – 110*	**-** **-**
Group Chief Executive Officer- Airport and Harbours Mr D Bannister (from 1 July 2011) *Full year equivalent salary*	**60 – 65** *125 – 130*	**130-135** -

No taxable benefits-in-kind were received by the Officers above during 2012.

Pension benefits

	Total Accrued Pension at Retirement as at 31 Dec 2012[1] £'000	CETV at 31-Dec-11[2] £'000	CETV at 31-Dec-12 £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr J Richardson[4]	Pension 90-95 *Increase of 25-27.5*	1.348	1.996	635
Mr M King	Pension 10-15 *Increase of 0-2.5*	171	251	74
Mr M Lundy	Pension 60-65 *Increase of 0-2.5* Lump Sum 190-195 *Increase of 5-7.5*	1,276	1,334	50
Mr A Scate	Pension 5-10 *Increase of* 0-2.5	40	80	34
Mrs J Garbutt	Pension 85-90 *Increase of 0-2.5*	1.263	1.381	109
Mr S Austin-Vautier	Pension 25-30 *Increase of 0-2.5*	555	646	85
Mr I Gallichan	Pension 25-30 *Increase of 0-2.5*	465	580	109
Mr R Bell	Pension 15-20 *Increase of* 0-2.5	269	329	54
Mr M Bowron	Pension 0-5 *Increase of* 2.5-5	46	93	40
Mr J Rogers	Pension 10-15 *Increase of* 0-2.5	195	261	59
Ms L Rowley	Pension 0-5 *Increase of 0-2.5*	28	61	26

	Total Accrued Pension at Retirement as at 31 Dec 2012[1] £'000	CETV at 31-Dec-11[2] £'000	CETV at 31-Dec-12 £'000	Real Increase or (Decrease) in CETV[3] £'000
Mr D Filipponi	Pension 10-15 *Increase of* 0-2.5	204	248	40
Mr T Allen	Pension 40-45 *Increase of 0-2.5*	900	975	71
Mr M Wilkins[5]	Pension 80-85 *Increase of 0-2.5*	1.581	1.572	(18)
Mr B Heath	Pension 40-45 *Increase of 0-2.5*	841	940	94
Mr M De La Haye	Pension 45-50 *Increase of 0-2.5*	918	1.034	109
Mr D Bannister (from 1 July 2011)	Pension 0-5 *Increase of 0-2.5*	14	33	12

Notes

1. Members of PECRS can choose to exchange up to 25% of their pension for a lump sum upon retirement. For every £1 of annual pension given up members will receive a cash sum of £13.50. As each individual may choose to exchange a different proportion, individual lump sums are not shown. Members of the JTSF (that joined the scheme prior to 1 April 2007) receive an automatic lump sum on retirement and this is included in the table.

2. The Cash Equivalent Transfer Value (CETV) represents the value of rights accrued in the scheme, and is calculated based on a transfer to a private pension scheme. This includes benefits accrued based on both employee and employer contributions, and also amounts transferred into the relevant scheme from other schemes such as a UK public sector scheme. 2011 figures have been restated to use the same market factors as the 2012 figure, to allow proper comparison between the two figures.

3. This increase is shown after deducting contributions by the individual, including any transfers into the scheme. It therefore reflects the increase in the CETV that is not paid for by employee, representative of the benefit that they have received in the year relating to pensions. This may differ from the contribution made by the States (normally 13.6% of salary), but the States has no further liability under the scheme rules.

4. The main reason for the rise in CETV between 2011 and 2012 has been the increase in Mr Richardson's accrued pension rights, which is primarily as a result of the rise in his annual salary on which his accrued benefits are based.

5. The reason for the fall in CETV is that Mr Wilkins is over normal retirement age and as a result one years' fewer pension payments are valued.

Transfer values payable from PECRS are subject to a market adjustment factor which is derived from the yield on government bonds. The general increases in transfer values shown above are due to an additional year of service increasing accrued benefits within the scheme.

Compensation Payments

Compensation payments made to former senior managers are disclosed in the accounts, unless publication would:

- Prejudice the rights, freedom of legitimate interests of the individual; or
- Cause or be likely to cause substantial damage or substantial distress to the individual or another, and that damage or distress would be unwarranted.

There were no compensation payments made to former senior managers during 2012.

4.4 Segmental Analysis of Staff

The table below gives details of the numbers of staff whose remuneration exceeds £100,000. Remuneration includes salaries and wages, benefits and pension contributions paid by the States.

		2011		2012	
2012 Example Staff Groups	**Remuneration**	**Non-Traders**	**Traders**	**Non-Traders**	**Traders**
Head Teachers, Police and other uniformed officers, medical staff, legal staff, Chief Officers and Civil Servants	100,000 - 109,999	34	5	41	8
	110,000 - 119,999	22		19	2
	120,000 - 129,999	33	2	30	
	130,000 - 139,999	17		29	
	140,000 - 149,999	9	1	18	1
Senior Medical Staff, Senior Legal Staff and Chief Officers	150,000 - 159,999	12		18	
	160,000 - 169,999	10		12	
	170,000 - 179,999	6		8	
	180,000 - 189,999	6		3	
	190,000 - 199,999	3		4	
	200,000 - 209,999	1			
Senior Medical Staff, the Chief Executive and the Attorney General	210,000 - 219,999	1		1	
	220,000 - 229,999			1	
	230,000 - 239,999	1		1	
	240,000 - 249,999				
	250,000 - 259,999				
	260,000 - 269,999				
The Bailiff and Deputy Bailiff	270,000 - 279,999	1		1	
	280,000 - 289,999				
	290,000 - 299,999	1			
	300,000 - 309,999			1	

Laura Rowley MBA CPFA
Treasurer of the States

Date: 29 May 2013

5. Statement on Internal Control for the year ended 31 December 2012

5.1. Scope of responsibility

Under the Public Finances (Jersey) Law 2005 (hereafter referred to as "the Law"), all States funded bodies have been designated an Accounting Officer. The Accounting Officer usually holds the post of Chief Officer of a department. The Law permits the appointment of an additional Accounting Officer for a States funded body.

Each Accounting Officer is personally accountable for the proper financial management of the resources under their control in accordance with the Law, any sub-ordinate legislation and Financial Directions. In particular, an Accounting Officer must ensure that the following principles are adhered to:

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

The same financial responsibility extends to the financial resources of the special funds for which an Accounting Officer is also responsible.

In discharging these statutory duties, an Accounting Officer is responsible for ensuring that there is a sound system of internal control and corporate governance which includes arrangements for the management of risk.

Each Accounting Officer has formally recorded in a Statement on Internal Control (SIC) the basis upon which they believe their duties have been properly discharged during 2012 for their area(s) of responsibility. These documents are a key element of the States of Jersey internal control framework and outline the arrangements in place and the improvements being made in internal control procedures across the organisation.

The States of Jersey SIC summarises the high level arrangements, and considers controls, risks and action plans from a States wide perspective.

5.2. The purpose of the system of internal control

The system of internal control is designed to manage the risk of failure to appropriately manage and control the resources for which an Accounting Officer is responsible. The system is intended to support the achievement of departmental and strategic objectives; it cannot eliminate all risk of failure and therefore only provides a reasonable and not absolute assurance of effectiveness.

A key element of the internal control system is the framework of Financial Directions. The Minister for Treasury for Resources has delegated power to the Treasurer of the States to issue Financial Directions and considerable progress continues to be made.

The system of internal control has been in place in the States of Jersey for the year ended 31 December 2012 and up to the date of approval of the 2012 Financial Report and Accounts.

5.3. Capacity to handle risk

The Corporate Management Board (CMB) Risk and Governance sub-group supports the Board in their responsibilities for monitoring and reviewing risk management, processes and good governance within the States funded bodies and advise them on the adequacy and effectiveness of risk management arrangements. The sub-group members include the Treasurer of the States and several other Accounting Officers.

During 2012, the sub-group's Terms of Reference were updated to better reflect the group's responsibility to coordinate and update CMB on the different groups across the organisation with expertise in risk management, such as the Insurance Risk Forum and the Emergency Planning Board.

The States of Jersey approach to risk management is set out in a Financial Direction. The requirements of the Direction cover identifying, evaluating and assessing risks, identifying responses to risk, and monitoring and reviewing progress.

5.4. The risk and control framework

Risk management

The CMB needs to be confident that their governance arrangements are operating effectively. They have to know that they will identify, manage and minimise the risks inherent in the provision of public services and that they will be able to achieve their strategic objectives.

A proposed assurance framework as endorsed by the Audit Committee will be taken to the CMB Risk and Governance sub-group for them to facilitate its early adoption across the States of Jersey via the CMB. This assurance framework provides the organisation with a simple but comprehensive method for effectively managing the principal risks to meeting its objectives. It also provides a structure for acquiring and examining the evidence to support this SIC. By contributing to more pertinent reporting and the prioritisation of action plans, the framework will, in turn, allow for more effective performance management.

The obligation for Accounting Officers to sign an annual SIC heightens the need for the CMB to be able to demonstrate that they have been properly informed about the totality of their risks, whether in the provision of public services or public safety or in organisational matters. To do this they need to be able to show – to give "assurance" – that they have systematically identified their objectives, managed the principal risks to achieving them and identified any significant weaknesses that need to be overcome.

Departments continue to maintain and improve their departmental risk management strategies and control framework. These pieces of work will be used to feed into the overarching Risk Register. Further work has started on the States of Jersey Risk Register, which includes looking at other existing risk registers such as the Community Risk Register, to ensure there is no duplication of effort.

Marsh Risk Consulting has been appointed to work with departments to conduct an external evaluation of the current business continuity management arrangements across a range of States departments. The States of Jersey is committed to ensuring arrangements are in place to support an appropriate, effective response to any serious incident that may impact its ability to deliver critical services and support the community it serves, and this initiative will identify gaps in the current programme and help develop a realistic action plan to improve its organisational resilience where appropriate.

In 2012, staff from every States department, the emergency services, religious leaders and voluntary organisations attended a three-day course training for scenarios involving mass fatalities. Bringing these groups together is vital for the authorities to be prepared and for Islanders to be reassured that should an awful situation occur we are in a position to deal with it professionally and competently.

A great deal of work has also been done to improve emergency planning relationships between Jersey, Guernsey, the United Kingdom and France, with increased collaboration on testing our planning and response to any emergency, as well as exchanging good practice and new ideas.

Emergency planning in Jersey is managed collaboratively by the States of Jersey Emergencies Council, the Emergency Planning Board and the Emergency Planning Officer. Each of the aforementioned has a key role to play in planning for, and responding to, any major emergency or disaster in Jersey, or one elsewhere that will have a direct impact on the Island. In 2010 a major incident exercise was carried out to test the strengths and weaknesses of emergency plans in place. The plans were tested in a real life situation in 2012 (and were still found to be adequate) when the gas works fire and gas leak was declared a major incident. The Fire and Rescue Service and all of the other emergency services along with community groups played a key role in bringing the incident to a safe conclusion, despite thousands of people needing to be evacuated from their homes.

Governance

The Law was amended in 2011 to align with the move by the States of Jersey to medium term financial planning. A second tranche of amendments to the Law are planned to be debated by the States Assembly in 2013. The majority of the proposed amendments aim to improve corporate governance arrangements across the organisation and include, for example, the remit and authority of the Treasurer of the States, the extension of the role of Accounting Officers and the formal establishment of the Fiscal Policy Panel within the Law.

The States of Jersey administers a variety of special funds which consist of funds entrusted to the States of Jersey, or given for a specific purpose. The Treasury, with the help of the Bailiff, is in the process of setting up an oversight board and drafting a Financial Direction on Charitable Funds and Bequests which will include governance arrangements, acceptance of funds and the day-to-day administration of those funds.

Financial Directions

Financial Directions help ensure the proper stewardship and administration of the Law and of the public finances of Jersey. Accounting Officers are required to comply with the Financial Directions and other key controls, including departmental risk management measures, and resource management policies issued by Corporate Human Resources and, where appropriate, the Information Services Department.

Work on ensuring that the framework of Financial Directions is fit for purpose continues in consultation with key stakeholders. The process for the revision of existing Directions and for the writing of new requirements not already covered by the framework begins with the drafting of an initial version by the Treasury for technical review by officers with relevant expertise. Revisions are made where necessary and the updated draft is then issued for consultation. Post consultation, all stakeholder comments are collated and addressed, with further changes made to the draft where appropriate. The Final draft of the Direction is then presented to the Treasurer for her approval and subsequent issue.

During 2012, a total of 10 Financial Directions went out to consultation and a further 8 were issued by the Treasurer, providing requirements on matters as diverse as contingency allocations and balance sheet reconciliations. At the end of the year, 3 Directions were at the final drafting stage of completion and 6 were pending issue.

Work on the framework will continue during 2013, and it is envisaged that Directions covering the key areas of financial management will have been updated where necessary and issued by the end of the year. Additional planned work on the framework in 2013 includes a review of exemptions permitted under existing Directions.

Objective setting

The States' strategic and financial planning process is used to set priorities and objectives and then allocate resources. The States Strategic Plan proposes the strategic priorities of each new Council of Ministers (CoM) which are then approved in the States. In 2012, the first Medium Term Financial Plan (MTFP) 2013-2015 was approved, and for the first time provides the resources identified to deliver the States strategic priorities over a period of three years, equivalent to the current electoral cycle. The 2012 Business Plan was the last under the previous process of one year budgeting and objective setting.

Each department has established its own management structure and processes to set key objectives. These objectives, which are now for three years and are linked to the States of Jersey strategic priorities, are set out in the Annex to the MTFP 2013-15 and are used to manage performance. A structured process is in place to measure progress against these objectives and the States Strategic Plan and this is used to inform the planning and decision making processes. An annual Performance Report is produced in addition to the Financial Report and Accounts.

The Treasury have developed a draft Long Term Capital Plan, in conjunction with all States departments, identifying the priorities for capital allocations over the next 20 years, on which the detailed 3 year programme for the MTFP was based. Extending planning horizons is a recurrent theme within the States with work underway with Accounting Officers on sustainable long term planning and the development of a Long Term Revenue Plan to cover a period of 7 to 8 years and two MTFPs.

The current MTFP approves the savings proposals for all departments from the Comprehensive Spending Review (CSR) which will have delivered over £60 million of recurring savings from 2011 to 2015.

Ministerial decision-making

Each department is required to comply with the Guidelines for Recording Ministerial Decisions issued by the Chief Minister's Department so as to ensure that all Ministerial Decisions are properly and accurately recorded.

Financial Management

There continues to be considerable effort made to continue to improve financial management across the States of Jersey by means of training and development offered to both finance staff and budget holders, including Managing Finance workshops for primary and lower level budget holders. Budget holders have access to the financial reporting system which provides them with reports on actuals, budgets and variances in order for them to effectively manage their area(s). Regular meetings are held between departments and Treasury which allows departmental financial positions to be understood in-year and gives the Treasury the overall position for the States which is reported to CMB and CoM.

The States of Jersey manages the cost of insurance by operating a level of self-insurance. The current process for doing this, while robust, is not formalised. Part of the second tranche of Law amendments proposes the formal inclusion of the Insurance Fund into the Law. This Fund will continue to manage insurance claims up to agreed limits and allow for receipts and payments for insurance matters within a formalised structure but outside of the normal financial allocation process.

Corporate Reporting

Reports that cover both revenue and capital are taken to the CoM on a quarterly basis. 2012 was also the first year that a mid-year report was published to the States, based on the second quarter position, to further improve accessibility to States of Jersey financial performance information. The increase in information provided has been well received by the Council and allows Ministers an opportunity to ask questions that they may have around key service pressures. The same information is also presented to the CMB on a monthly basis. In addition to this a report is taken to the States Assembly every six months to inform them of any budget movements approved in accordance with the Law and Ministerial Scheme of Delegation.

Financial Reporting

From 2010 the Financial Report and Accounts have been prepared fully in line with Generally Accepted Accounting Principles (GAAP), as interpreted for the States of Jersey by the Financial Reporting Manual (JFReM). The JFReM is based on the UK version of the same document, which is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board. Accounting Standards are not static, and the JFReM is updated on an annual basis.

For 2010 and 2011, the States of Jersey adopted the standards implemented by the UK central government with a two year delay. In 2010 the UK moved to reporting under International Financial Reporting Standards (IFRS). This was used as an opportunity to reduce the delay in adoption of standards by the States of Jersey to a single year, and so the JFReM for 2012 adopts IFRS in line with the UK FReM for the year ending March 2011.

The move to IFRS involves considerable revision to the Accounts and an increase in the depth of disclosures required in the notes, and in recognition of this the States began preparation for the transition in 2010. As part of this work, the UK version of the IFRS compliant manual was reviewed in detail at an early stage, and the impact of adopting the relevant standards assessed. This gave sufficient time for the States to take appropriate action, including the delivery of training to members of the finance function on key matters relating to the conversion by an external tuition provider in 2011 and by the Treasury in 2012. In addition, the finance function, via the forums of the Finance Advisory Board and of the Financial Management and Reporting Group, has been receiving regular progress reports on the implementation of IFRS. This includes highlighting areas of work required before the 31 December 2012 that departments needed to be aware of.

5.5. Review of effectiveness of the system of internal control

Accounting Officers have responsibility for maintaining a system of internal control and for monitoring its effectiveness. Their review is informed by:

- The Audit Committee;
- The plans and work of both internal and external auditors and management's action in response to their recommendations;
- The Comptroller and Auditor General (C&AG);
- The Public Accounts Committee (PAC);
- Scrutiny Panels; and
- Departmental processes including specific reviews commissioned by management.

Audit Committee

The Audit Committee met four times in 2012 and includes three independent members. The Committee has taken the opportunity to modify its Terms of Reference, with 2012 being the first full year with its current membership. A minimum of two independent members need to be present for the meeting to be deemed quorate, and the following States officers are also required to attend: the Chief Executive, the Treasurer of the States and the Chief Internal Auditor.

The Audit Committee continues to make progress in terms of discharging its responsibilities to provide constructive challenge to assist Accounting Officers in their assurance on the adequacy of control and governance processes in place.

During its meeting held on the 26th November 2012, the Audit Committee decided that it would change its annual cycle to find a better fit to the work it performs. To this end, the Audit Committee will effectively meet its annual objectives once the States of Jersey Financial Report and Accounts have been completed and an opinion issued by the external auditors. The Audit Committee annual cycle has therefore moved from January to December, to July to June.

Internal Audit

The previous States of Jersey Chief Internal Auditor resigned in January 2012. The subsequent appointment of a new Chief Internal Auditor afforded the opportunity to look at the processes and practices that were in place, and ways in which they could be improved to create a more efficient and effective Internal Audit service. Whilst that review is on-going, several improvements have already been implemented, such as a new Audit Charter, which has been approved by the Corporate Management Board on the advice of the States of Jersey Audit Committee and that clearly sets out the framework for the conduct of the Internal Audit function.

An Audit and Risk Management IT system has been purchased and is currently being implemented. This will provide many benefits such as a structured filing management process, more consistent reporting, with clearer agreed action plans and greatly enhanced reporting analysis across the Internal Audit remit.

In 2007 a decision was made to provide Internal Audit services by means of a co-sourced service, led by the Chief Internal Auditor. The internal resource is being enhanced from 2013, and now consists of the Chief Internal Auditor, a Project Director, 2 Audit Managers, a Senior Auditor and an Administrator. This structure will lead to a reduced requirement from the external provider. However, their services remain key to the successful delivery of the Internal Audit function to the States of Jersey.

A tender process was held at the end of 2012, to appoint our external provider, which resulted in BDO being awarded the contract for a further 3 years.

Internal Audit provides an independent and objective review and advisory service to:

1. Provide assurance to the CMB that the States of Jersey's financial and operational controls designed to manage the organisation's risks and achieve the organisation's objectives are operating in an efficient, effective and ethical manner; and

2. Assist management in improving the organisation's business performance.

The Chief Internal Auditor has a duty to prepare an Audit Strategic Business Plan which will outline the strategic direction of the States of Jersey's Internal Audit function over the same period as the MTFP and details the specific audit activity that will be undertaken in the first year.

The Chief Internal Auditor prepares, for the Audit Committee's consideration, an Internal Audit Annual Audit Work Plan in a form agreed with the Committee. In accordance with article 36 (2) of the Law, the times and frequency of those audits shall be determined by the Chief Internal Auditor with the agreement of the Treasurer.

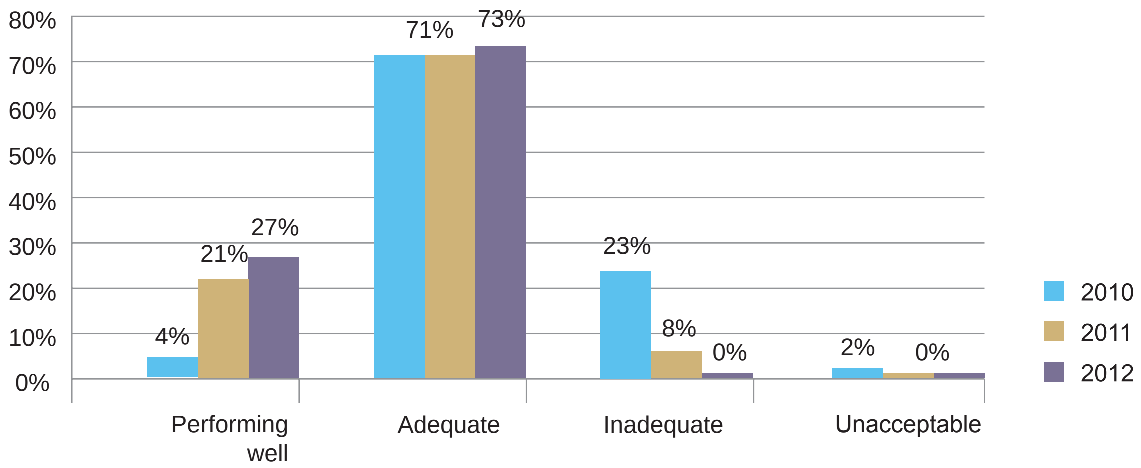
Internal Audit reviews cover all programmes and activities of the States of Jersey over a period of time, together with associated entities as provided for in relevant business agreements, memoranda of understanding or contracts. Internal Audit activity encompasses the review of all financial and non-financial policies and operations.

Seven of the 33 reviews from the 2012 and 2011 Audit Plans, which have been completed, formally approved by the relevant Accounting Officer and subsequently formally issued, were not rated for adequacy of the control environment. A rating or grading of the control environment may not be applicable where the review is advisory or investigatory.

The remaining 26 reports provided ratings of the control environment operating in the areas and scope reviewed. The grades attached to those reports are summarised in the chart below together with a comparison to 2010 and 2011.

Management is responsible for implementing Internal Audit recommendations within agreed timescales and in a number of departments this is achieved by senior management teams monitoring and considering outstanding recommendations at their monthly/quarterly meetings. From 2013 Internal Audit will become more active in confirming the implementation of Audit recommendations and declarations of implementation will be sampled and tested.

Accounting Officers are asked to confirm any outstanding Internal Audit recommendations in their 2012 Statement on Internal Control.



Each Audit report rates the area of review on a four point scale, with 4 being the highest. A number of Internal Audit reports were finalised after 31 December 2012 and are excluded from the summary of results in Table 1 below.

Table 1 – Summary of Internal Audit Reports finalised during 2012

	Assurance Rating		Number of Internal Audits
4	*Performing Well*	*Management can place reliance on the adequacy of the internal control environment to manage inherent risk*	*7*
3	*Adequate*	*Reasonable reliance can be placed on the adequacy of the internal control environment to manage inherent risk.*	*19*
2	*Inadequate*	*There is limited assurance on the adequacy of the internal control environment to manage inherent risk.*	*0*
1	*Unacceptable*	*Management cannot place any reliance on the adequacy of the internal control environment to manage inherent risk.*	*0*

External Audit

The external auditors, PricewaterhouseCoopers LLP, make recommendations for improvement based on their annual audit of the States of Jersey Financial Report and Accounts. The agreed actions are then reported in communication to the Minister for Treasury and Resources. Progress against implementation is monitored and routinely reported to the Audit Committee. Any outstanding recommendations are picked up by the external auditors as part of the audit for the following year. Reference can be made to the Auditors' Report in the 2012 Financial Report and Accounts for further information on the responsibilities of the external auditors.

The Comptroller and Auditor General (C&AG)

The C&AG examines how public money is spent, and looks at how best value for money can be achieved by managing finances to the highest standards. Specifically, the C&AG 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.

In each case, the Comptroller makes recommendations to bring about any necessary improvement.

Reports published by the C&AG during 2012 include 'Utilisation of Compromise Agreements' (March 2012) and 'The proposed acquisition of Lime Grove House - Report' (May 2012).

The C&AG resigned unexpectedly on 29 June 2012. This followed a lengthy investigation and subsequent reports into the proposed acquisition of Lime Grove House for use as a replacement Police Station. This matter had become the subject of press and public comment. In his resignation letter the C&AG said:

"In recent weeks, discussion of a Report that I published concerning the failed transaction to acquire Lime Grove House has centred on issues of process which has obscured the issues raised by the Report itself.

It is unacceptable for my discharge of my responsibilities to become a public issue in this way. Consequently, I have decided that it is in the best interests of the Office that I should resign with immediate effect."

The resignation highlighted a lack of resilience in the current structure of the C&AG's office. It left a regrettable gap in cover for a period of some months. For practical purposes the external auditors remained in place uninterrupted and therefore the States were able to conduct business with the auditors in the normal way.

The appointment of a new C&AG with effect from 1 February 2013 was approved by the States in January 2013.

The new C&AG gave some initial feedback after having met with her key stakeholders during her first visit in her new role. She is currently considering how best to develop a framework that provides clarity both for the C&AG post holder and their stakeholders.

Public Accounts Committee (PAC)

The role of the PAC is to receive reports from the C&AG and to report to the States on any significant issues arising. It also examines the States of Jersey Financial Report and Accounts to assess whether public funds have been applied economically, efficiently and effectively. The PAC also reports directly to the States Assembly. Departments have continued to build productive working relationships with the PAC during 2012, and a number of hearings and briefings took place during the year which included:

- Monthly meetings of the Treasurer with a PAC Officer
- Hearing on Compromise Agreements (April 2012)
- Briefing on Tax Policy (June 2012)
- Briefing on the 2011 Accounts process (Sept 2012)
- Hearing on Treasury and Resources matters (October 2012)

Reviews undertaken by the PAC during 2012 include 'Compromise Agreements - Following up the investigations of the Comptroller and Auditor General – Report' (July 2012) and 'Management of Bus Contracts: Following up the investigations of the Comptroller and Auditor General – Report' (August 2012).

Scrutiny Panels

The role of the Scrutiny Panels is to protect the public interest by examining policy decisions. Scrutiny reports acknowledge good practice and, where necessary, recommend change and improvement to services or government policies. A summary of 2012 Scrutiny reviews are shown in Table 2 below. Scrutiny reports are followed up by the relevant panel to establish whether recommendations have been implemented.

Table 2 – Scrutiny Panel reviews during 2012

Scrutiny Panel	Review date and title
Corporate Services	• Population and Migration - Report (April 2012) • Social Housing Schemes Funding – Comments (May 2012) • Tourism Development Fund – Assistance to the Private Sector – Report (July 2012) • Medium Term Financial Plan - Panel Reports – (October 2012) • Medium Term Financial Plan – Report (October 2012) • Medium Term Financial Plan – Appendix 3 – Advisors Report (October 2012) • Medium Term Financial Plan – Appendix 4 – Advisors Report (October 2012) • Draft Budget Statement 2013: Comments – (December 2012)
Education and Home Affairs	• Introduction of Tasers in Jersey – Report (July 2012) • Relocation of Police Head Quarters to Green Street Car Park – Report (November 2012)
Health, Social Security and Housing	• Draft Strategic Plan 2012 (P.28/2012): Amendment (April 2012)Housing • Transformation Programme Review – Interim Report (August 2012) • Health White Paper Review – Report (October 2012)
Economic Affairs	• Aircraft Registry (September 2012) • Incorporation of Ports of Jersey – Comments (October 2012)
Environment	• Ash Disposal Report (December 2012) • Ash Disposal – Technical Report (December 2012)

Departments have also continued to build productive working relationships with the Scrutiny Panels during 2012. A number of hearings and briefings took place between the Corporate Services Scrutiny Panel (CSSP) and Treasury and Resources during the year, the details of which are summarised in Table 3.

Table 3 – CSSP hearings and briefings with Treasury and Resources during 2012

	Top Areas Covered
Visit to Treasury and Resources – Treasury and Resources (January 2012)	The work of the Minister for Treasury and Resources (T&R) and of the T&R Department, and how they assist the CSSP in the achievement of its aims and objectives. Members of the T&R SMT provided a briefing to the Panel on their service areas.
CSSP Quarterly Hearing with the Minister for Treasury and Resources Quarterly Hearing (February 2012)	A number of areas were covered, for example, the Strategic Plan, the MTFP, the CSR, developments in tax policy, property matters and proposed changes to the Law.
Briefing on the MTFP (March 2012)	The Resources Statement for the Strategic Plan, the early work on the Long Term Capital Plan and the timetable for the MTFP process and how Scrutiny would be involved.
Briefing on Pensions (April 2012)	The States employees' pension schemes (PECRS and JTSF), the main drivers for change, the Technical Working Group Report and the options for the way forward. There was also discussion regarding repayment of the PECRS pre-1987 debt.
Visit to Treasury and Resources – Gigabit Jersey (April 2012)	Confidential meeting on the Gigabit Jersey proposals.
Meeting with the Minister for Treasury and Resources - C&AG's Reports (April 2012)	The C&AG's recommendations in respect of compromise agreements.
CSSP Quarterly Hearing with the Minister for Treasury and Resources (May 2012)	A number of topics were covered, for example, progress on the MTFP, monitoring financial performance against budget, the impact on the MTFP of the Health White Paper and funding arrangements, proposed changes to the Law, developments in tax policy.
Briefing on the MTFP (May 2012)	The 1st Draft (or working) version of the MTFP document. A supporting presentation was given to the Panel.
Briefing on the MTFP (June 2012)	Identification and assessment by the CSSP of the impact of the MTFP on the T&R Department.
Briefing on the MTFP (July 2012)	The updated MTFP pack, which contained a revised presentation on the state of the Island's finances, a near final draft of the MTFP Report and Appendices, a copy of all departmental objectives approved by the CoM for inclusion in the Department Annex, and a sample of the format of a Department Annex using EDD as an example.
Hearing on the MTFP (August 2012)	A number of areas were covered, for example, progress towards the achievement of corporate procurement savings and property matters.
Corporate Services (MTFP) Sub-Panel MTFP Review (Sept 2012)	A number of topics were covered, for example, the Island's economic circumstances and how they will develop during the course of the MTFP, development of anti-avoidance mechanisms, and departmental base budgets and growth bids.
Hearing on the 2013 Budget (November 2012)	A number of areas were covered, for example Budget amendments, income tax thresholds impots duties, and stamp duty and land transaction tax proposals.

Departmental processes

Accounting Officers also rely on mechanisms implemented at departmental level to gain comfort over the effectiveness of internal control with their department, for example compliance/sample testing, internal reviews by senior management teams, external reviews, dedicated compliance teams, and the completion of Assurance Statements by key budget holders.

5.6. Significant internal control issues

The Treasurer of the States has determined the most significant internal control issues to include in this Statement on Internal Control, based on her awareness of the major issues facing the organisation. The significant issues that have arisen in 2012 are shown in Table 4 below.

Table 4 – 2012 Significant internal control issues

Issue	Potential Risk	Action(s)
Legal action by Harcourt Developments: Legal action is being taken against the States of Jersey Development Company by Harcourt Developments in relation to their claim that terms within a Development Agreement were not negotiated in good faith and with due diligence. Unexpectedly, the Minister for Treasury and Resources from 2008 was joined in to the action at a late stage. The Solicitor General sought to get the first Order of Justice struck out but an adjournment was granted which resulted in a further Order of Justice being presented. The latest draft, the third involving the Minister, is currently out for comment.	That the plaintiffs are successful in their actions against the Minister for Treasury and Resources.	The Solicitor General is representing the Minister for Treasury and Resources in defending the case being made against the States of Jersey.

Issue	Potential Risk	Action(s)
Office of the Comptroller and Auditor General: The C&AG resigned unexpectedly on 29 June 2012. This followed a lengthy investigation and subsequent reports into the proposed acquisition of Lime Grove House for use as a replacement Police Station. This matter had become the subject of press and public comment. In his resignation letter the C&AG said: "In recent weeks, discussion of a Report that I published concerning the failed transaction to acquire Lime Grove House has centred on issues of process which has obscured the issues raised by the Report itself. It is unacceptable for my discharge of my responsibilities to become a public issue in this way. Consequently, I have decided that it is in the best interests of the Office that I should resign with immediate effect." The resignation highlighted a lack of resilience in the current structure of the C&AG's office. It left a regrettable gap in cover for a period of some months. For practical purposes the external auditors remained in place uninterrupted and therefore the States were able to conduct business with the auditors in the normal way. As a result, the 2011 Social Security Funds' accounts have not yet been certified.	There was a reduced level of testing of internal controls in the second half of 2012. There may be errors in and/or omissions from the 2011 Social Security Funds' Accounts.	On 29 January 2013, the States approved the appointment of Ms. Karen McConnell as C&AG with effect from 1 February 2013. Ms. McConnell has been a full member of the Chartered Institute of Public Finance and Accountancy (CIPFA) since 1986. She joined the Audit Commission in 1985, and over her 28 year career with the Commission has held several senior positions, mostly recently Senior Director and Acting Managing Director, Audit Practice. The new C&AG gave some initial feedback after having met her key stakeholders during her first visit in her new role. She is currently considering how best to develop a framework that provides clarity both for the C&AG post holder and their stakeholders.

Issue	Potential Risk	Action(s)
Incorrect accounting: Inappropriate journal transfers between the Health Insurance Fund (HIF) and the Social Security Department originating in 2008 and amounting to £2.5 million have been discovered. The HIF is a special fund which falls outside of the States of Jersey group boundary.	Incorrect accounting.	The accounting has been corrected and the Treasury and external auditors informed. The HIF accounts are to be restated. Satisfactory controls are now in place, with improved business knowledge in the Finance Team and much enhanced variance analysis processes. An additional quarterly review process is planned which will further mitigate any risks.
The recruitment and retention of Health and Social Services (H&SS) staff: The current terms and conditions for medical staff are not attractive enough to recruit and retain necessary staff, particularly middle grade doctors and specialist nurses.	An inability to recruit and retain the correct levels of staff.	All recruitment avenues are being explored such as developing proposed new salary structures. Where possible bank, locum and agency staff are being employed to maintain essential services.
The current General Hospital: The current General Hospital is no longer fit for purpose or capable of sustaining the general and acute care requirements for the population and one that is embedded in the proposed new system for health and social care. Proposition P82 / 2012, as approved by the States, makes clear that a new hospital will be required within 10 years.	The General Hospital may fail to provide sufficient and appropriate bed capacity resulting in compromises to patient health care.	WS Atkins International Limited (a highly experienced hospital planning consultant) was appointed in May 2012 to undertake a Pre-feasibility Spatial Assessment Project to identify the most appropriate location for the General and Acute Hospital, taking into consideration its needs and requirements both now and in the future.
Social Services infrastructure: A number of areas within the Social Services infrastructure have suffered as a result of insufficient maintenance funding, particularly in Mental Health.	A poorly maintained portfolio of estates may result in compromised patient safety and care.	Funds have been allocated to provide sufficient investment in these areas and Health and Social Services have worked with Jersey Property Holdings to make sure that the maintenance programme is robust and appropriate moving forward.
The use of compromise agreements and the position of the States Human Resources function: The key issues identified by the PAC during the follow up review on compromise agreements include a lack of a recognised and structured succession planning strategy for all senior positions, a need to act on all serious concerns relating to behaviour promptly, a deficiency in the Code of Conduct for Ministers which offers no sanctions for transgressions. In addition, the current States HR function is not fit for purpose in terms of delivering modern day HR	Value for money may not be achieved and improvement in the delivery of services may be compromised.	A succession plan for senior positions is currently under development, and the policy on Reporting Serious Concerns is being updated as part of the States wide Policies Review. The Code of Conduct for Ministers is in the final stages of being redrafted, and will embody an independent oversight to facilitate greater understanding of what is not acceptable behaviour and prevent past situations from reoccurring. Funding for the HR Fit for Purpose programme has been included in the MTFP to ensure that the HR

Progress against the significant issues identified in the 2011 Statement on Internal Control that are still ongoing in 2012 are shown in Table 5 below.

Table 5 – Progress on 2011 significant issues

Issue	Action(s)
Court and Case Costs – budgeting: Court and Case Costs can be demand-led and exceptionally volatile in a way that is difficult for an individual department to control. In addition, the expenditure can be so large that departments cannot absorb the effects of volatility in their 'base line' budgets.	In 2011 the Council of Ministers reviewed and agreed a proposal to deal with the volatility of Court and Case Costs on a more permanent basis. A Smoothing Reserve which will provide a mechanism for the States of Jersey to fund the peaks and troughs in costs has been agreed and implemented. To date, there has been no requirement to call on this Reserve, which is presently held within Central Reserves and continues to be available for exceptional Court and Case Costs.
Comprehensive Spending Review (CSR) – achievement of savings: A Proposition to the States in June 2011 (P72/2011) has restricted the areas in which the Education, Sport and Culture (ESC) Department can make savings	The MTFP has approved States spending limits with agreed savings targets which all departments are required to deliver. This approval includes a reduced level of ESC savings, reflecting P72/2011. The ESC Department are committed to deliver savings of £4.801 million by 2013, increasing to £6.486 million by 2015 and £7.554 million by 2016, or to identify equivalent alternative savings.
Individual actions of Ministers – Uplands: The negotiation and agreement of a Planning Obligation Agreement by the Minister for Planning and Environment with a private development company in respect of Uplands has led to the Minister for Treasury and Resources accepting a series of Housing Bonds on behalf of the public of Jersey.	The development scheme at Uplands was revised through the formal process of a planning application and formal review of the associated planning obligation agreement. This is a normal planning process under the remit of the Minister for Planning and Environment and in this case, the Treasury were only asked to receive the planning gain, negotiated via the planning process. There was a clear reason for the developer to revise his planning approval and planning legal agreement, as the original permit required him to undertake a Homebuy scheme, which the States had subsequently agreed not to pursue. It was therefore appropriate to revise the planning requirement. The Public Accounts Committee, in their review of the 2011 Accounts, have examined accountability and responsibility matters arising from the corporation sole status of Ministers. The Committee has commented favourably on the role of the Chief Executive in addressing Jersey's "confederated" model.

Issue	Action(s)
Ministerial Decision process - Lime Grove: Ministerial Decisions for Jersey Property Holdings (JPH) followed a separate process to that adopted by the rest of the Treasury and Resources Department, with decisions signed by the Assistant Minister.	In early 2011 changes were made to the process whereby any significant decisions were approved by the Accounting Officer prior to presentation to the Assistant Minister. All Ministerial Decisions for JPH are now reviewed by the Treasurer and other senior Treasury officers. The Assistant Minister then signs the decisions. All property-related decisions above a delegation of £5 million are also brought to the attention of the Minister for Treasury and Resources. Lime Grove was the subject of reports in 2012 by the former C&AG. It had also previously been subject to a review and report by the Corporate Services Scrutiny Panel. However, the procedural issues highlighted by the reviews, examples of which are detailed above, have now been in place for some time and are working well. The aim of the new C&AG is to avoid duplication of consideration of matters (such as Lime Grove) by more than one body.
Jersey Teachers' Superannuation Fund (JTSF) – administration process: The JTSF is currently administered on an Access Database with calculations performed using Excel spreadsheets.	The JTSF Management Board has agreed the need to implement an industry standard pensions' administration system and the inherent controls and processes that such a system would provide. A detailed specification and a plan are in place to deliver the new system. The system has been developed and is undergoing user acceptance testing. During 2012, the existing data held within the Access database has been cleansed following analysis of the data by the new system provider. This will aid the migration process and reduce the level of manual data creation required on implementation.
Staff payments - receipt of documentation: The appropriate documentation in respect of new starters and leavers is not always provided by HR and line management to the Central Payroll Unit in time for processing.	All HR Managers receive a monthly communication reminding them of the timeframe for submission of appropriate documentation to the central Human Resources Business Support Team and Payroll for that particular month, which they then cascade to operational Line Managers within their department. Procedures in relation to under and over payments have been developed and are documented in a HR Policy. A Human Resources Information System Programme Board has been established to consider options for the delivery of a HR system that meets the business need for the future and supports the efficient processing of data.

Issue	Action(s)
Grants issued by Jersey Enterprise (within the Economic Development Department) – management of: The management of grants awarded by Jersey Enterprise has not always been effective.	A number of policies, procedures and controls have been revised with a view to clarifying and strengthening the process. This includes improvements to the Financial Direction on the management of grants, which was re-issued in April 2012. The finance function within EDD has supported a programme of work to promote awareness of the re-issued Financial Direction and to put some additional tools in place to assist service directors, e.g. a new way of formulating business cases is being developed to improve decision-making and to help minimise the risks associated with awarding grants, including better value and outcomes. The PAC is currently reviewing the details of the grant of £200,000 to Canbedone Productions. The decision to invest in this new industry is documented in a Ministerial Decision, and the Accounting Officer and directors have not raised any concerns in terms of difficulty in complying with its provisions. The States are due to debate the establishment of a Jersey Innovation Fund and approve the basis on which the Fund will operate and be managed. This will include procedures in relation to awarding grants. EDD have identified that there may be failures which may result in objectives not being met. This runs counter to the inherent 'risk averse' nature of public finance accountability, and therefore a level of 'failure' will need to be accepted by the States and be balanced against the positive benefits that the Fund is seeking to achieve.

5.7. Closing statement

To the best of my knowledge, the internal control environment as summarised above has been effectively operated during the year, with the exception of the internal control matters identified above and in the individual departmental 2012 Statements on Internal Control.

John Richardson
Chief Executive Officer

Date: 22 May 2013

Laura Rowley
Treasurer of the States

Date: 22 May 2013

6. Introduction to the Accounts

6.1 Changes in Accounting Standards: The Adoption of International Financial Reporting Standards.

The States has a strategic aim to deliver public services that are recognised as efficiently and effectively meeting people's needs. A key objective in order to achieve this is the implementation of GAAP (Generally Accepted Accounting Principles) compliant accounts. 2010 was the first year in which the States produced accounts in accordance with UK GAAP as interpreted for the public sector in Jersey by the Jersey Financial Reporting Manual (JFReM).

Accounting Standards evolve over time, and the Minister for Treasury and Resources therefore decided to update the accounting standards adopted by the States on an annual basis. The JFReM is based on the UK version of the same document, which is prepared by HM Treasury and is subject to scrutiny by an independent board, the Financial Reporting and Advisory Board. In previous years the JFReM has followed standards adopted by the UK Government with a two year delay.

In 2010 the UK moved to reporting under International Financial Reporting Standards (IFRS), and following the two year delay principle means that IFRS has been adopted by the States for 2012. However, this change has also been used as an opportunity to reduce the delay in adoption of standards to a single year. The Jersey FReM therefore adopts IFRS in line with the UK FReM for the year ending March 2011.

Note 3 of the Accounts gives details of the accounting differences between UK GAAP and IFRS, and restates in detail the previous years' statements. One of the most noticeable changes is that IFRS introduces several changes to the classification and terminology used in the Accounts, including the renaming of the Primary Statements. The table below highlights the most significant of these changes. IFRS also requires that where there has been a change in accounting policy, an opening Statement of Financial Position in addition to the current year and comparative. These accounts therefore also restate the 2010 SoFP as well as for 2011 and 2012.

Disclosures in the Accounts have also been enhanced in line with the new standards.

2011 Accounts (UK GAAP)	2012 Accounts (IFRS)
Operating Cost Statement (OCS)	**Statement of Comprehensive Net Expenditure (SoCNE)**
Deficit/Surplus for the year	Net Revenue Expenditure/Income
Statement of Total Recognised Gains and Losses (STRGL)	**Statement of Comprehensive Net Expenditure (Other Comprehensive Income)**
Balance Sheet	**Statement of Financial Position (SoFP)**
Fixed Assets	Property, Plant and Equipment
	Intangible Assets
	Non-Current Assets held for Sale
Investments held at Fair Value through OCS	Investments held at Fair Value through Profit or Loss
Cash at hand and at Bank	Cash and Cash Equivalents
Stock	Inventories
Debtors	Receivables
Creditors	Payables
Reserves Note	**Statement of Changes in Taxpayers' Equity (SoCiTE)**
Cash Flow Statement	**Statement of Cash Flows (SoCF)**

6.1.1 Future Developments

Following the Minister's new policy of following the standards adopted by the UK Government with a one-year delay, the 2013 JFReM will be based on UK FReM for the year ending 31 March 2012. Estimates of effects of the changes in the 2013 JFReM are given in Note 1 – Accounting Policies, but would not have a significant impact on these Accounts.

6.2 Explanation of the contents of the Accounts

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

Consolidated Statement of Comprehensive Net Expenditure (previously the Operating Cost Statement (OCS) and Statement of Total Recognised Gains and Losses (STRGL))

The SoCNE provides an informative analysis of the States income and expenditure, highlighting income raised by the States of Jersey, such as taxation 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, and income and expenditure are shown net of amounts resulting from charges within the States of Jersey.

This statement also provides a summary of financial gains and losses which are not recorded in Income and Expenditure under the heading "Other Comprehensive Income". These are generally unrealised gains and losses, such as those resulting from the revaluation of Property, Plant and Equipment, Investments or Pension Liabilities.

Consolidated Statement of Financial Position (previously the Balance Sheet)

The SoFP provides a snapshot of the States of Jersey's financial position as at 31 December. It sets out what the States owns, what the States owes and what is owed to the States at that point in time. The figures shown exclude any amounts due between entities included in the States of Jersey.

Consolidated Statement of Cash Flows

Both the SoCNE and SoFP are prepared in accordance with the Jersey Financial Reporting Manual (which interprets IFRS for the States of Jersey), and are therefore prepared on an "accruals" basis, whereby income and expenditure are matched to the period to which they relate, not the period in which a movement of cash occurs.

In contrast the SoCF summarises the actual movements in cash balances that have occurred in the year.

Consolidated Statement of Changes in Taxpayers' Equity (previously the Reserves Note)

The SoCiTE gives details of the movements in "Taxpayers' Equity", which represents the taxpayers' interest in the States of Jersey, and equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years.

Notes to the Accounts

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

Note 1 sets out the Accounting Policy used by the States when preparing the Accounts, and Note 2 details any key assumptions made when making estimates and the effect of uncertainty in these estimates.

Note 3 is a detailed restatement of previous years statements, showing the changes resulting from the move to IFRS.

Note 4 gives a Segmental Analysis of both the SoCNE and SoFP, giving further details of how these numbers are made up.

Notes 5 to 13 give further information about the figures included in the SoCNE; and Notes 14 to 30, the SoFP.

The remaining notes give additional disclosures and information about various items included in the Accounts.

Annex to the Accounts

The Annex to the accounts primarily gives further information about the entities included within the States of Jersey Accounts. This includes a SoCNE, a SoFP and other information about the performance of Departments, Trading Operations, Reserves and Special Funds. Additional information about General Revenue Income received is also included.

It also provides further information about the changes from the Original Business Plan which were agreed by the States or by Ministerial Decision, and gives details of all grants paid to organisations (other than those included in Note 12). A Glossary is also included which provides an explanation of the terminology used in this report and accounts.

7. Auditors' report

Independent Auditors' Report to the Minister for Treasury and Resources of the States of Jersey

We have audited the annual financial statement on the Accounts of the States of Jersey ("the Accounts") for the year ended 31 December 2012 in accordance with the Public Finances (Jersey) Law 2005. The Accounts comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Taxpayers' Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as interpreted for the States of Jersey by the Jersey Financial Reporting Manual.

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

As explained more fully in the Statement of Responsibilities for the Financial Report and Accounts, the Treasurer is responsible for the preparation of the Accounts in accordance with the Public Finances (Jersey) Law 2005 and for being satisfied that they give a true and fair view in accordance with the Jersey Financial Reporting Manual.

The Comptroller and Auditor General's responsibilities are to ensure that the Accounts are audited within 5 months of the end of the financial year. We have been appointed by the Comptroller and Auditor General to audit and express an opinion on the Accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Minister for Treasury and Resources 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.

The maintenance and integrity of the States of Jersey's website is the responsibility of the States of Jersey; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Scope of the audit of the Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Accounts sufficient to give reasonable assurance that the Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the States of Jersey's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Treasurer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the Accounts properly represented the activities of the States.

Opinion on the Accounts

In our opinion the 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 2012 and of the income and expenditure and cash flows for the year then ended;
- properly represent the activities of the States;
- have been properly prepared in accordance with IFRSs as adopted by the European Union as interpreted for the States of Jersey by the Jersey Financial Reporting Manual; and
- have been prepared in accordance with the requirements of the Public Finances (Jersey) Law 2005.

Opinion on other matters

In our opinion, the information given in the Minister's Report, the Treasurer's Report, the Remuneration Report, the Statement on Internal Control and the Annex is consistent with the Accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Comptroller and Auditor General requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from States' funded bodies not visited by us; or
- the States' Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position are not in agreement with the accounting records and returns; or
- we have identified any evidence in the course of our normal audit work that suggests that proper practice and the requirements of the 2005 Law may not have been followed by any of the Accounting Officers; or
- we have not received all the information and explanations we require for our audit.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside, London, SE1 2RT

Date: 30 May 2013

Report of the Comptroller and Auditor General to the States Assembly

In accordance with Article 47(3) of the Public Finances (Jersey) Law 2005, I report the following matters that should receive the attention of the States.

Accounting boundary

Financial statements record what an entity owns and what it owes, what it raised and earnt and what it spent. Defining the entity is therefore crucial to what the financial statements contain. Where an entity 'controls' another entity, alongside the 'single entity' accounts 'group accounts' are prepared that include the transactions of the controlled entity. The preparation of such group accounts provides a more comprehensive view of the financial performance of the entity.

In the commercial sector the 'accounting boundary' and the identification of entities for inclusion in group accounts are determined by accounting standards. For the States, these matters are determined by the Jersey Financial Reporting Manual. The assets, liabilities and transactions of the Health Insurance Fund, Social Security Fund and Social Security (Reserve) Fund are not included in the financial statements of the States and, in my view, this makes it more difficult for the reader of the financial statements to gain a full understanding of the financial position and financial performance of the States.

In my view the States should reconsider the accounting boundary and whether or not to prepare group accounts so as to provide more meaningful and comprehensive financial information. Presenting the results of the Health Insurance Fund, Social Security Fund and Social Security (Reserve) Fund within the financial statements of the States would of course in no way change the status of those funds or the controls over the application of the funds.

I have started discussions with the Treasurer and the external auditors with a view to changes being introduced to the 2013 financial statements.

Reporting of financial performance of individual services and against budget

The financial statements by their nature provide information about the States as a whole. They are an essential tool of accountability but do not on their own provide all the information that is necessary to demonstrate effective stewardship of funds raised by compulsory taxation. There is a strong interest, including on the part of the States Assembly, in information about financial performance at a disaggregated level over time and against budget.

The financial statements are accompanied by a very detailed annex providing disaggregated information. This annex is not subject to audit.

In my view the usefulness of the information could be enhanced by:

- Considering whether greater value could be secured by presenting less information more targeted at the needs of users; and
- Adopting clear definitions for coding of expenditure within both estimates and the annex to enhance the ability to scrutinize performance across time and against budget.

I will be discussing these issues with the Treasurer with a view to establishing a timetable for changes to be introduced.

Karen McConnell
Comptroller and Auditor General

Morier House, St Helier, Jersey, JE1 1DD

30 May 2013

8. Primary Statements

States of Jersey Consolidated Statement of Comprehensive Net Expenditure (Operating Cost Statement) for the year ended 31 December 2012

	Notes	2011 £'000	2012 £'000
Revenue			
Levied by the States of Jersey			
Taxation revenue	5	477,056	513,542
Island rates, duties, fees, fines and penalties	5	93,124	95,779
Total Revenue Levied by the States of Jersey		**570,180**	**609,321**
Earned through Operations			
Sales of goods and services	5	142,134	147,340
Investment income	5, 8	29,993	86,968
Other revenue	5	50,709	18,735
Total Revenue Earned through Operations		**222,836**	**253,043**
Total Revenue		**793,016**	**862,364**
Expenditure			
Social Benefit Payments	6, 10	166,256	164,793
Staff costs	6, 11	348,827	351,540
Other Operating expenses	6	212,414	198,774
Grants and Subsidies payments	6, 12	37,960	35,463
Depreciation and Amortisation	6	46,426	51,934
Impairments	6	9,858	26,066
Gains on disposal of non-current assets		(2,718)	(492)
Finance costs	6, 13	15,465	15,048
Net foreign-exchange losses		438	168
Movement in pension liability		(5,911)	(50,956)
Total Expenditure		**829,015**	**792,338**
Net Revenue Expenditure/(Income)		**35,999**	**(70,026)**
Other Comprehensive (Income)/Expenditure			
Revaluation of Property, Plant and Equipment		(137,374)	(304,500)
(Gain)/Loss on Revaluation of Strategic Investments during the period		(72,400)	8,100
Reclassification adjustments for gains/losses included in Net Revenue Expenditure		-	9,500
Loss/(Gain) on Revaluation of Other Available for Sale Investments during the period		458	(73)
Reclassification adjustments for gains/losses included in Net Revenue Expenditure		-	-
Actuarial Loss in respect of Defined Benefit Pension Schemes		92	452
Total Other Comprehensive Income		**(209,224)**	**(286,521)**
Total Comprehensive Income		**(173,225)**	**(356,547)**

States of Jersey Consolidated Statement of Financial Position (Balance Sheet) as at 31 December 2012

	Notes	1 Jan 2011 £'000	31 Dec 2011 £'000	31 Dec 2012 £'000
Non-Current Assets				
Property, Plant and Equipment	14	2,752,125	2,908,734	3,171,573
Intangible Assets	15	10,319	10,163	9,823
Loans & Advances	17	15,848	12,600	10,083
Strategic Investments	18	254,000	326,400	288,800
Other Available for Sale Investments	18	14,397	14,335	14,589
Infrastructure Investments	19	-	-	10,000
Investments held at Fair Value through Profit or Loss	20	513,019	557,104	577,623
Derivative Financial Instruments expiring after more than one year	28	-	201	230
Trade and Other Receivables	22	11	9	7
Total Non-Current Assets		3,559,719	3,829,546	4,082,728
Current Assets				
Non-Current Assets classified as held for sale	16	6,094	3,264	538
Inventories	21	29,767	32,195	33,113
Loans & Advances	17	2,049	2,446	1,739
Derivative Financial Instruments expiring within one year	28	-	98	263
Investments held at Fair Value through Profit or Loss	20	272,050	241,090	312,756
Trade and Other receivables	22	110,518	117,982	114,735
Cash and Cash Equivalents	23	207,916	163,228	143,137
Total Current Assets		628,394	560,303	606,281
Total Assets		**4,188,113**	**4,389,849**	**4,689,009**
Current Liabilities				
Trade and Other Payables	24	117,339	125,713	138,830
Currency in Circulation	25	92,779	90,596	90,470
Finance Lease Obligations	26	2,862	3,076	1,964
Provisions for liabilities and charges	27	4,448	22,660	1,327
Total Current Liabilities		217,428	242,045	232,591
Total Assets Less Current Liabilities		**3,970,685**	**4,147,804**	**4,456,418**
Non-Current Liabilities				
Trade and Other Payables	24	-	-	-
Finance Lease Obligations	26	14,062	10,986	9,022
Provisions for liabilities and charges	27	6,263	8,180	6,861
Derivative Financial Instruments expiring after more than one year	28	2	2	4
PECRS Pre-1987 Past Service Liability	29	265,435	247,852	246,127
Provision for JTSF Past Service Liability	29	114,000	135,100	97,747
Defined Benefit Pension Schemes Net Liability	30	11,152	11,493	9,282
Total Non-Current Liabilities		**410,914**	**413,613**	**369,043**
Assets Less Liabilities		**3,559,771**	**3,734,191**	**4,087,375**
Taxpayers' Equity				
Accumulated Revenue and Other Reserves		3,125,745	3,093,384	3,168,355
Revaluation Reserve		230,005	364,875	664,110
Donated Asset Reserve		39,084	39,053	35,558
Capital Grant Reserve		-	-	-
Investment Reserve		164,937	236,879	219,352
Total Taxpayers' Equity		**3,559,771**	**3,734,191**	**4,087,375**

Philip Ozouf

Senator Philip Ozouf

Date: 29 May 2013

Laura Rowley MBA CPFA
Treasurer of the States

Date: 29 May 2013

States of Jersey Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 December 2012

	Accumulated and Other Reserves	Revaluation Reserve	Donated Asset Reserve	Investment reserve	Total
	£'000	£'000	£'000	£'000	£'000
Balance 1 January 2011	**3,125,745**	**230,005**	**39,084**	**164,937**	**3,559,771**
Net Revenue Expenditure	(35,999)	-	-	-	**(35,999)**
Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	-	137,374	-	-	**137,374**
Gain on Revaluation of Strategic Investments during the period	-	-	-	72,400	**72,400**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	-	-	-	-	**-**
Loss on Revaluation of Other AFS Investments during the period	-	-	-	(458)	**(458)**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	-	-	-	-	**-**
Actuarial Loss in respect of Defined Benefit Pension Schemes	(92)	-	-	-	**(92)**
Donated Asset Reserve Additions	-	-	70	-	**70**
Amortisation of Donated Asset Reserve	-	-	(101)	-	**(101)**
Release of Revaluation/Donated Asset Reserve on Disposal	2,504	(2,504)	-	-	**-**
Other Movements	1,226	-	-	-	**1,226**
Balance 31 December 2011	**3,093,384**	**364,875**	**39,053**	**236,879**	**3,734,191**
Net Revenue Income	70,026	-	-	-	70,026
Total Other Comprehensive Income					
Revaluation of Property, Plant and Equipment	-	301,798	2,702	-	**304,500**
Loss on Revaluation of Strategic Investments during the period	-	-	-	(8,100)	**(8,100)**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	-	-	-	(9,500)	**(9,500)**
Gain on Revaluation of Other AFS Investments during the period	-	-	-	73	**73**
Reclassification adjustments for gains/losses included in Net Revenue Expenditure	-	-	-	-	**-**
Actuarial Loss in respect of Defined Benefit Pension Schemes	(452)	-	-	-	**(452)**
			-		
Donated Asset Reserve Additions	-	-	130	-	**130**
Amortisation of Donated Asset Reserve	-	-	(6,327)	-	**(6,327)**
Release of Revaluation/Donated Asset Reserve on Disposal	2,563	(2,563)	-	-	**-**
Other Movements	2,834	-	-	-	**2,834**
Balance 31 December 2012	**3,168,355**	**664,110**	**35,558**	**219,352**	**4,087,375**

Adjustments to opening reserves are disclosed in Note 3

States of Jersey Consolidated Statement of Cash Flows for the year ended 31 December 2012

	2011 £'000	2012 £'000
Cash Flows from Operating Actvities		
Net Revenue (Expenditure)/Income	(35,999)	70,026
Adjustments for non-operating activities		
Investment Income	(40,203)	(45,926)
Losses/(Gains) on Financial Assets	10,210	(41,042)
Interest Expense	15,336	14,901
Adjustments for non-cash transactions		
Depreciation of Property, Plant and Equipment	44,004	49,899
Amortisation of Intangible Assets	2,422	2,035
Impairments of Non-Current Assets	7,793	21,515
Gain on disposal of Non-Current Assets	(2,718)	(492)
Impairments of Available for Sale Financial Assets	31	(31)
Movement in Pension Liabilities	3,895	(41,584)
Interest on Past Service Liaiblities	(14,256)	(13,979)
Increase/(Decrease) in Provisions	20,129	(22,652)
Decrease in Currency in Circulation	(2,183)	(126)
Operating Cash Flows before movements in working Capital	8,461	(7,456)
Adjsutments for movements in Working Capital		
Increase in Inventories	(2,428)	(918)
(Increase)/Decrease in Trade and Other Receivables	(7,437)	3,122
Increase in Trade and Other Payables	6,002	14,327
Net cash generated from Operating Activities	**4,598**	**9,075**
Cash flows from Investing Activities		
Purchase of Property, Plant and Equipment	(69,344)	(36,626)
Purchase of Intangible assets	(2,266)	(1,695)
Proceeds on disposal of Property, Plant and Equipment	796	476
Proceeds on disposal of Intangible Assets	-	-
Proceeds on assets held for sale	6,052	4,705
Interest received	18,862	19,779
Dividends received	21,263	26,274
Loans and Advances made	-	-
Loans and Advances repaid	2,862	3,224
Proceeds on available for sale financial assets	40	40
Proceeds on settlement of Derivatives	-	190
Proceeds on redemption of Strategic Investment	-	20,000
Issue of Infrastructure Investment	-	(10,000)
Purchases of Financial Assets held at Fair Value through Profit or Loss	(1,056,373)	(667,118)
Proceeds on disposal of Financial Assets held at Fair Value through Profit or Loss	1,032,785	615,504
Net Cash used in from Investing Activities	**(45,323)**	**(25,247)**
Cash Flows from Financing Activities		
Capital Element of Finance Lease Rental Payments	(2,862)	(3,076)
Interest element of Finance Lease payments	(1,036)	(843)
Other Interest Paid	(44)	(79)
Net Cash used in Financing Activities	**(3,942)**	**(3,998)**
Net Decrease in Cash and Cash Equivalents	**(44,667)**	**(20,170)**
Cash and Cash Equivalents at the beginning of the period	207,916	163,228
(Losses)/Gains on Cash and Cash Equivalents	(21)	79
Cash and Cash Equivalents at the end of the period	**163,228**	**143,137**

Contents: Notes to the Accounts

Note 1 – Statement of Significant Accounting Policies

1. Introduction

1.1 These accounts have been prepared in accordance with the States of Jersey Financial Reporting Manual (JFReM) issued by the Treasurer of the States in order to meet the requirements of the Public Finances (Jersey) Law 2005. The accounting policies contained in the JFReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the Public Sector in Jersey. These Accounts are prepared on a going concern basis.

1.2 The JFReM applicable to the 2012 financial year (including comparators) is based on the UK Financial Reporting Manual for the UK financial year ending March 2011.

1.3 Where the JFReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the States of Jersey for the purpose of giving a true and fair view has been selected. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.4 This is the first time that accounts have been prepared under IFRS. Note 3 reconciles the previously reported figures for 2011 (including opening balances) to the IFRS compliant figures reported in these accounts.

2. IFRS in issue but not yet effective

2.1 A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below.

2.2 IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

2.3 IAS 19, 'Employee benefits', was amended in June 2011. Under the amended standard: all past service costs would be immediately recognised; and interest cost and expected return on plan assets replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

2.4 IFRS 9 'Financial instruments' was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost, i.e. the available-for-sale and held-to-maturity categories currently allowed under IAS 39 are not included in IFRS 9.

2.5 The impact of these new and amended standards will be considered as part of the implementation of the version of the JFReM that adopts them.

2.6 There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Other Planned Amendments to the JFReM

Donated Assets

2.6 Under the proposed 2013 JFReM (based on the UK FReM 2011-12) the donation of assets, or funding of assets through grants, is recognised as income rather than in the Donated Asset or Capital Grant Reserves.

2.7 In previous periods, Donations of Assets will be recognised as income, and the Donated Asset Reserve will be reclassified into the Accumulated Reserve (for donations in previous periods) and Revaluation Reserve (for revaluations).

2.8 Amounts released from the Donated Asset Reserve to the Statement of Net Comprehensive Expenditure will also be removed (as income would have been recognised on receipt).

2.9 Other amendments to the JFReM due to come in to effect in 2013 are considered to have no material impact on the Accounts.

3. Accounting Convention

3.1 These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and available for sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. A summary of the more important accounting policies is set out below.

4. Basis of Consolidation

4.1 These accounts comprise the consolidation of all entities within the States of Jersey consolidation boundary (the 'accounting boundary') as set out in the JFReM. The accounting boundary is defined with reference to applicable accounting standards except that the inclusion or exclusion of an entity is based on direct control rather than strategic control.

Impact of changes proposed in the 2013 JFReM

	2011 £'000	2012 £'000
Statement of Financial Position		
Accumulated Reserves	24,726	18,529
Revaluation Reserve	14,327	17,029
Donated Asset Reserve	(39,053)	(35,558)
Reserves	**-**	**-**
Statement of Comprehensive Net Expenditure		
Other Revenue	70	130
Depreciation	99	111
Impairments	2	6,216
Net Revenue Expenditure/(Income)	**31**	**6,197**

4.2 Direct control is normally evidenced by the States, the Council of Ministers or a Minister exercising in-year control over operating practices, income, expenditure, assets or liabilities of the entity. Therefore the principles of IAS 27, IAS 28 and IAS 31 for the determination of whether entities are subsidiary undertakings, associated undertakings or joint ventures are restricted to the first principle of direct control. Where this principle is not met and an entity within the group boundary has an investment in an entity outside the group boundary, this holding is treated as an investment in the group accounts.

4.3 For clarity, the relationships with JT Group Limited, Jersey Post Limited, Jersey Electricity plc and Jersey New Waterworks Company Limited do not meet the first principle of direct control and therefore these are accounted for as strategic investments in these accounts.

4.4 The Social Security Fund, the Social Security (Reserve) Fund and the Health Insurance Fund are outside the accounting boundary.

4.5 Entities that fall within the group boundary, but which are immaterial to the accounts as a whole, have not been consolidated where to do so would result in excessive time or cost to the States. Entities that fall within the accounting boundary but which have not been consolidated are listed in Note 41.

4.6 Material transactions and balances between entities that fall within the group boundary have been eliminated as part of the consolidation process.

5 Non-Current Assets: Property, Plant and Equipment

5.1 Property, Plant and Equipment are initially recognised at cost. The States of Jersey capitalisation threshold is £10,000 for an initial purchase. There is no threshold for the capitalisation of subsequent expenditure on an asset. On completion, Assets Under Course of Construction are transferred into the appropriate asset category.

5.2 Property, Plant and Equipment are subsequently measured at fair value, as interpreted by the JFReM. More details of the basis for valuation are given in Accounting Policy 7.

5.3 Finance costs incurred during the construction of tangible fixed assets are not capitalised.

Components of Assets

5.4 Components of an asset are separated where their value is significant in relation to the total value of the asset (at least 20%) and where those components have different useful lives to the remainder of the asset. Assets with a gross book value over £750k are reviewed to identify whether they comprise of significant components with different useful lives.

5.5 Land and Buildings are always identified as separate components.

5.6 Where a component is replaced or restored, the carrying amount of the old component is derecognised and the new component added.

Networked Assets

5.7 Networked assets represent the road network, the foul and surface water network and the Island's sea defence network.

The road network consists of carriageways, including earthworks; tunnelling and road pavements; roadside communications and land within the perimeter of highways. Non-network assets include bridges and other structures.
The foul and surface water network consists of foul sewers, surface water sewers, combined sewers and rising mains. Non-network assets include pumping stations and associated land and plant/machinery, and the Bellozanne and Bonne Nuit Sewage Treatment Works.
The Sea Defences network consists of walls, slipways and outfalls. Non-network assets include harbours and quays.

5.8 Non-network assets are accounted for under their respective asset categories.

5.9 Subsequent expenditure on networked assets is capitalised where it enhances or replaces the service potential. Spending that does not replace or enhance service potential is expensed.

IT Software

5.10 Operating software, without which the related hardware cannot be operated, is capitalised, with the value of the related hardware, as Property, Plant and Equipment. Application software, which is not an integral part of the related hardware, is capitalised separately as an intangible asset (see Accounting Policy 6).

Heritage Assets

5.11 Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Non-operational assets are those held primarily for this purpose. Operational heritage assets are those that are also used for other activities or to provide other services.

5.12 Operational Heritage Assets are accounted for within the principle asset category to which they relate.

5.13 Non-operational assets (including for example works of art and antiques), have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts. In these cases, no value is reported for these assets in the Statement of Financial Position.

5.14 Information about the Non-operational Heritage Assets held by the States is included in Note 14.

Donated Assets

5.15 Donated assets are capitalised at their current valuation on receipt and are revalued/depreciated on the same basis as purchased assets. The amount capitalised is credited to the Donated Assets Reserve.

5.16 The Donated Assets Reserve represents the value of the original donation and any subsequent revaluation.

Amounts equal to the donated asset depreciation charge, impairment costs and any in-year gain/loss on disposal are released from this reserve to Net Revenue Expenditure/Income.

Disposal

5.17 On disposal of an item of Property, Plant and Equipment, the surplus or deficit of proceeds over carrying value is included in Net Revenue Expenditure/Income

6. Non-Current Assets: Intangible Assets

6.1 Purchased computer application software licences are capitalised as intangible assets.

6.2 Internally produced intangible assets, such as application software or databases, are capitalised if it meets the criteria specified in IAS 38. The criteria are that completion is technically feasible; that there is an intention to complete and then use or sell the asset; that the States is able to use or sell the asset; that the asset will generate future probable benefits; that there are sufficient resources to complete the development and to use or sell the asset, and that it is possible to measure the expenditure attributable to the asset during the development phase reliably. Expenditure on research is not capitalised. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

7. Valuation of Non-current assets other than Financial Instruments

7.1 Property, Plant and Equipment and Intangible assets are expressed at their current value through the application of the Modified Historical Cost Accounting Convention (MHCA). In accordance with the JFReM, historical cost carrying amounts are not disclosed. The valuation of all Property, Plant and Equipment should be current value, which is the lower of replacement cost and recoverable amount, which is the higher of net realisable value and value in use. Where value in use cannot be measured in terms of income it is assumed to be at least equal to the cost of replacing the service potential provided by the asset. In certain circumstances depreciated historical cost is used as a proxy for current value.

7.2 Property assets are valued in accordance with IAS 16. An external valuation is performed by a RICS qualified valuer every 5 years. Interim valuations are performed after 3 years.

7.3 Assets under course of construction are valued at cost and are not revalued until completion and transfer into the appropriate asset category.

7.4 Networked assets, which are intended to be maintained at a specific level of service potential by continuing replacement and refurbishment, are valued at depreciated replacement cost. Annual valuations of networked assets are performed by professional valuers.

7.5 Operational heritage assets are valued in the same way as other assets of that general type. Non-operational heritage assets are valued as follows:

- Where purchased within the accounting period, at cost;
- Where there is a market in assets of that type, at the lower of depreciated replacement cost and net realisable value; or

- Where there is no market, at depreciated replacement cost, unless the asset could not or would not be physically reconstructed or replaced, in which case at nil.

7.6 There are some instances where valuation of non-operational heritage assets may not be practicable. In these cases the asset is carried at a value of nil.

7.7 Other non-current assets are carried at historical cost less accumulated depreciation or amortisation. This is a suitable proxy for fair value and is allowable per the JFReM for those assets with short useful lives or low values. This includes assets held as fixtures and fittings, IT equipment and intangible non-current assets.

7.8 Revaluation gains are recorded in the revaluation reserve and presented in Other Comprehensive Income. Downward revaluations are recorded in the revaluation reserve to the extent that they reverse previous upward revaluations. Downward revaluations below the original carrying value of the asset are recorded in Net Revenue Expenditure/Income.

8. Depreciation and Amortisation

8.1 Depreciation for Property, Plant and Equipment, other than networked assets is provided on a straight line basis over the anticipated useful lives of the assets. The principle asset categories and their range of useful economic lives are outlined below:

Asset Category	Life
Land	Not depreciated
Buildings	Up to 75 years
Social Housing	Up to 75 years
Other Structures	Up to 250 years
Plant, Machinery, Furniture & Fixtures	3 to 50 years
Transport Equipment	2 to 20 years
Information Technology Equipment	3 to 10 years

8.2 Residual Values and Useful Economic Lives of Property Plant and Equipment assets are reviewed and, if appropriate, amended at the end of each reporting period.

8.3 The annual depreciation charge for networked assets is the value of the service potential replaced through the maintenance programme, adjusted for any change in condition as identified by a condition survey. The value of the maintenance work undertaken is used as an indication of the value of the replaced part.

8.4 Intangible assets are amortised over their useful lives, which are typically between three to ten years, on a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period.

9. Impairments of non-current assets

9.1 Impairments are permanent diminutions in the service potential of non-current assets. All assets are assessed annually for indications of impairment, and where indications exist an impairment test is carried out by comparing their carrying value with their recoverable amount, this being the higher of the value in use and the fair value less costs to sell.

9.2 Impairment losses due to a loss in economic value or service potential are recognised in Net Revenue Expenditure. Other impairments (for example due to movements in market conditions) are recognised in Net Revenue Expenditure to the extent that it cannot be offset against the Revaluation Reserve. Any reversal of an impairment changes is recognised in Net Revenue Expenditure to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised in the Net Revenue Expenditure. The remaining amount is recognised in the revaluation reserve.

10. Non-Current Assets: Assets held for Sale

10.1 Assets held for sale are items of Property, Plant and Equipment, which are available for immediate sale in their present condition and are being actively marketed for sale, are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

11. Investment Properties

11.1 The States of Jersey does not, in general, hold assets only for the purpose of earning rentals or for capital appreciation or both. As such no assets have been classified as Investment Properties, and will instead be accounted for as Property, Plant and Equipment.

12. Investments and other Financial Instruments

12.1 The States recognises, measures and discloses financial instruments following the guidance in the JFReM and Accounting Standards

Definitions

12.2 Financial Instruments are contracts that give rise to a financial asset in one entity and a financial liability or equity instrument in another.

12.3 A financial asset is any asset that is; cash; an equity instrument of another entity; a contractual right to receive cash or another financial asset from another entity; or a contractual right to exchange financial instruments with another entity under conditions that are potentially favourable.

12.4 A financial liability is any liability that is; a contractual obligation to deliver cash or another financial asset to another entity; or a contractual obligation to exchange financial instruments with another entity under conditions that are potentially unfavourable.

12.5 An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Categories of financial instruments

12.6 The States' financial instruments have been classified into the following categories:

- Loans and Receivables
- Strategic Investments
- Other Available for Sale Investments
- Infrastructure Investments
- Investments held at Fair Value through Profit or Loss
- Derivative Financial Instruments
- Other Financial Liabilities

Loans and Receivables

12.7 Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the entity intends to sell immediately or in the short term, which are classified as Held-For-Trading, and those that the entity upon initial recognition designates as at Fair value through profit or loss;
- Those that the entity upon initial recognition designates as Available-For-Sale; or
- Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

12.8 For the States of Jersey, these include:

- Loans issued by Housing Funds
- Loans issued through the Agricultural Loans Fund
- Miscellaneous Loans made through the Consolidated fund
- Debtors arising within the normal course of operations

Strategic Investments

12.9 Strategic Investments are companies outside the accounting boundary in which the States of Jersey has a controlling interest.

12.10 Strategic Investments are accounted for as "Available-For-Sale" financial assets, although it should be noted that this does not indicate an intention to dispose of the States' interest.

12.11 Specifically, the States of Jersey recognised its investments in the following companies as Strategic Investments:

- JT Group Limited
- Jersey Post Limited
- Jersey Electricity plc
- Jersey New Waterworks Company Limited

Other Available For Sale Investments

12.12 Available-For-Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time (but may in some cases be sold in response to policy decisions).

12.13 For the States of Jersey, other Available For Sale Investments include:
- Housing Property Bonds issued under either P7 or the Homebuyer scheme.
- Infrastructure Investments

12.14 Infrastructure Investments involve taking an ownership interest in an infrastructure business (commonly defined as providing an essential service to the community.) Most infrastructure assets are either bought from a government, a private equity firm, or are part of a listed company that is sold off. This is a long term investment option providing higher returns than Cash investments while generating positive externalities for the Island. Infrastructure investments can be split into two main categories, Economic (e.g. Transport, Communications or other Utilities) or Social (e.g. Schools, Hospitals, Housing etc).

Investments held at Fair Value through Profit or Loss

12.15 This category has two sub-categories:
- Financial assets Held-For-Trading; and
- Those designated at fair value through profit or loss at inception.

12.16 A financial asset or liability is classified as Held-For-Trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as Held-For-Trading unless they are designated as hedging instruments.

12.17 Financial assets and financial liabilities are designated at fair value through profit or loss when:
- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as Held-For-Trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;
- A group of financial assets, financial liabilities or both is managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy;
- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, are designated at Fair Value through profit or loss.

12.18 Investments held in the Common Investment Fund or with the States' Cash Manager are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair value through profit or loss. Individual Participants' investments in units in the Common Investment Fund are also designated as at Fair Value through profit or loss for the same reasons.

Derivative Financial Instruments

12.19 A derivative is a financial instrument or other contract within the scope of IAS 32 with all three of the following characteristics:
a) its value changes in response to the change in an underlying variable (e.g., interest rates, equity share prices, exchange rates etc.);
b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
c) it is settled at a future date.

12.20 Derivative instruments held as part of a managed portfolio held at Fair Value through Profit or Loss are included in the relevant investment line, unless they are material.

12.21 Other Derivative instruments held by the States of Jersey include:
- Letters of Comfort issued by the Housing Development Fund to various housing associations, which are in effect interest rate caps.
- Forward contracts in foreign currency to mitigate the risk of fluctuations in FX rates.

12.22 The States does not designate any derivatives as part of hedging arrangements.

Other Financial Liabilities

12.23 Other Financial Liabilities include Financial guarantee contracts. These are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified receivable fails to make payments when due, in accordance with the terms of a debt instrument.

Initial measurement of financial instruments

12.24 Financial assets carried at Fair Value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the OCS.

12.25 Financial assets and liabilities not carried at Fair Value through profit or loss are initially recognised at Fair Value plus transaction costs.

Subsequent measurement of financial instruments

12.26 Loans and Receivables are subsequently measured at amortised cost using the effective interest method.

12.27 Strategic Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.28 Other Available For Sale Investments are subsequently measured at Fair Value, with movements taken to equity through Other Comprehensive Income.

12.29 Infrastructure Investments can take a range of legal forms, and are accounted for using the measurement rules for the most relevant category of Financial Instrument as set out in IAS 39. Details of measurement bases for individual assets are given in Note 19.

12.30 Investments held at Fair Value through Profit or Loss are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.31 Derivative Financial Instruments are subsequently measured at Fair Value, with movements taken to Net Revenue Expenditure.

12.32 Other Financial Liabilities are measured at the higher of:

- the initial measurement, less amortisation calculated to recognise in Net Revenue Expenditure the fee income earned as the service is provided; and
- the best estimate of the probable expenditure required to settle any financial obligation arising at the reporting date, in line with the definitions of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets.
  Any increase in the liability is taken to Net Revenue Expenditure. Where cash flows significantly differ from those used in the initial fair value calculation a revised calculation will be performed, and any movement taken to Net Revenue Expenditure.

Fair Value Estimation

12.33 The Fair Value of loans, receivables and non-derivative financial liabilities with a maturity of less than one year is judged to be approximate to their book values.

12.34 The Fair Value of loans, receivables and non-derivative financial liabilities with a maturity of greater than one year are estimated by discounting the future determinable cash flows at the higher of the discount rate set by the Treasurer and the intrinsic rate in the underlying financial instrument in accordance with the JFReM.

12.35 The Fair Value of investments designated at Fair Value through profit or loss, Strategic Investments, Other Available For Sale Investments and derivatives is estimated using observable market data. Where no observable market exists, the Fair Value has been determined using valuation techniques.

Impairment of financial Assets

12.36 At each reporting date an assessment of whether there is objective evidence that a financial asset is impaired is carried out.

Assets carried at Amortised Cost

12.37 A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

12.38 The criteria that the States uses to determine that there is objective evidence of an impairment loss include:

- delinquency in contractual payments of principal or interest;
- cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- breach of loan covenants or conditions; and
- deterioration in the value of collateral.

12.39 The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account in the Statement of Financial Position and the amount of the loss is recognised in Net Revenue Expenditure. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

12.40 When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

12.41 If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account in the Statement of Financial Position and the amount of the reversal is recognised in Net Revenue Expenditure.

Assets classified as Available-For-Sale

12.42 In the case of equity investments classified as Available-For-Sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

12.43 If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in Net Revenue Expenditure – is removed from equity and recognised in the Net Revenue Expenditure. Impairment losses recognised in Net Revenue Expenditure on equity instruments are not reversed through Net Revenue Expenditure.

12.44 If, in a subsequent period, the fair value of a debt instrument classified as Available-For-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Net Revenue Expenditure, the impairment loss is reversed through Net Revenue Expenditure.

De-recognition of Financial Instruments

12.45 Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or where the States has transferred substantially all risks and rewards of ownership.

12.46 Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

13. Accounting for investments held in the Common Investment Fund

13.1 Investments held in the Common Investment Fund (CIF) and associated transactions and balances are consolidated to the extent that they relate to members of the States of Jersey group, based on relative holdings in each investment pool.

13.2 Individual Participants in the CIF account for their holding in the CIF as an investment in CIF units.

14. Inventory

14.1 Inventory is held at the lower of cost and net realisable value (NRV).

14.2 Inventory held for distribution at no/nominal charge and inventory held for consumption in the production process of goods to be distributed at no/nominal charge are valued at the lower of cost and current replacement cost.

14.3 Where a reduction in the carrying value of inventory held is identified, the value of the inventory is written down and the cost charged to Net Revenue Expenditure/ Income.

14.4 Currency not issued is accounted for as inventory at the lower of cost and net realisable value.

15. Cash and Cash Equivalents

15.1 Cash comprises cash in hand, current balances with banks and similar institutions and amounts on deposits that are immediately available without penalty.

15.2 Overdrafts are shown separately in the accounts except where there exists a formal right of offset, and the States intends to settle on a net basis.

15.3 Cash Equivalents are short-term, highly liquid investments that are:

- readily convertible to known amounts of cash;
- subject to an insignificant risk of changes in value; and
- are held for the purpose of meeting short term cash commitments rather than for investment or other purposes.

For the States, this includes amounts held by the States Cash Manager.

15.4 Investments held in the Common Investment Fund may have short maturity, but are held in line with the individual funds' Investment Strategies rather than to meet cash requirements, and so are not accounted for as cash equivalents.

16. Currency in Circulation

16.1 Currency in circulation is accounted for at face value.

17. Pensions

17.1 The States of Jersey operates two principal pension schemes for certain of its employees: Public Employees' Contributory Retirement Scheme (PECRS) and Teachers' Superannuation Fund (JTSF).

17.2 In addition three further pension schemes exist, the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS).

PECRS and JTSF

17.3 The PECRS and JTSF, whilst final salary schemes, are not conventional defined benefit schemes as the employer is not responsible for meeting any ongoing deficiency in the schemes. These schemes are therefore accounted for as defined contribution schemes.

17.4 Employer contributions to the schemes are charged to Net Revenue Expenditure in the year they are incurred. As both these schemes limit the liability of the States as the employer, scheme surpluses or deficits are only recorded within the States' accounts to the extent that they belong to States.

17.5 Whilst the PECRS and JTSF are not included as defined benefit schemes in the States Accounts, additional disclosures required under IAS 19 for defined benefit schemes are included for the information of the users of the accounts.

Pensions Increases Liability

17.6 During 2010, the PECRS committee of management made the decision to reducing future annual increases (from 2011) to 0.3% below the Retail Price Index to address a deficit in the scheme. During 2012, this was modified to 0.15% below the Retail Price Index. Under the 1967 PECRS regulations and the Federated Health Scheme (FHS), pensioners are guaranteed an increase in line with RPI, and as a result the balance of 0.15% will be funded by the States for States Employees. This liability is accounted for as an unfunded defined benefit scheme, referred to as the Pensions Increase Liability (PIL).

17.7 Liabilities relating to the PIL are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

Other Schemes

17.8 The JPOPF is a funded scheme which relates to Jersey Post International Limited (a wholly owned strategic investment), and is closed to new members. The last active member left service during 2009.

17.9 The DPS has only one member and is not open to new members.

17.10 The JPOPF and the DPS are accounted for as conventional defined benefit schemes in accordance with IAS 19, and scheme assets are held in separate funds.

17.11 The CSS relates to a non-contributory scheme that existed before the formation of PECRS in 1967, and as such is closed to new members. This is a non-funded scheme, and is accounted for as conventional defined benefit schemes in accordance with IAS 19. There are no active members remaining in service.

17.12 For the JPOPF and DPS pension scheme assets are measured using market values.

17.13 For the JPOPF, DPS and CSS scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality bond of equivalent term and currency to the liability.

17.14 Where appropriate, as detailed in the preceding paragraphs, 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 Comprehensive Net Expenditure only in so far as they belong to the States.

Other Liabilities relating to Pensions

17.15 In agreeing P190/2005 the States agreed a 10-point agreement, the text of which is reproduced below:

1. The States confirms responsibility for the Pre-1987 Debt of £192.1 million as at 31 December 2001 and for its servicing and repayment with effect from that date on the basis that neither the existence of any part of the outstanding Debt nor the agreed method of servicing and repayment shall adversely affect the benefits or contribution rates of any person who has at any time become a member of the Scheme.
2. At the start of the servicing and repayment period, calculated to be 82 years with effect from 1st January 2002, the Employers' Contribution rate will be increased by 0.44% to the equivalent of 15.6%. These contributions will be split into 2 parts, namely a contribution rate of 13.6% of annual pensionable salary and an annual debt repayment. The Employer's Contribution rate will revert to 15.16% after repayment in full of the Debt.
3. During the repayment period the annual Debt repayment will comprise a sum initially equivalent to 2% of the Employers' total pensionable payroll, re expressed as a cash amount and increasing each year in line with the average pay increase of Scheme members.
4. A statement of the outstanding debt as certified by the Actuary to the Scheme is to be included each year as a note in the States Accounts.
5. In the event of any proposed discontinuance of the Scheme, repayment and servicing of the outstanding Debt shall first be rescheduled by the parties on the advice of the Actuary to ensure that paragraph (1) above ("Point 1") continues to be fulfilled.
6. For each valuation the States Auditor shall confirm the ability of the States to pay off the Debt outstanding at that date.
7. If any decision or event causes the Actuary at the time of a valuation to be unable to continue acceptance of such servicing and repayment of the Debt as an asset of the Scheme, there shall be renegotiation in order to restore such acceptability.
8. In the event of a surplus being revealed by an Actuarial Valuation, negotiations for its disposal shall include consideration of using the employers' share to reduce or pay off the Debt.
9. As and when the financial position of the States improves there shall be consideration of accelerating or completing repayment of the Debt.
10. The recent capital payment by JTL of £14.3m (plus interest) reduced the £192.1m total referred to in (1) by £14.3m and if any other capital payments are similarly made by other Admitted Bodies these shall similarly be taken into account.

17.16 This liability is recognised in the accounts based on the present value of future cash payments made under the agreement, with details given in Note 29.

17.17 The Teachers' Superannuation Fund was restructured in April 2007. The restructured scheme mirrors PECRS. 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 Scheme's board of management.

18. Leases

18.1 Leases are agreements whereby the lessor conveys the right to use an asset for an agreed period in return for payments. At their inception, leases are classified as operating or finance leases, except in the case of leases pre-existing the transition to IFRS, when the assessment is made as at that date.

18.2 Leases in which substantially all of the risks and rewards of ownership are transferred to the lessor are classified as finance leases, other leases are classified as operating leases. Where a lease covers the right to use both land and buildings, the risks and rewards of the land and the buildings are considered separately. Land is generally assumed to be held under an operating lease unless the title transfers to the Department at the end of the lease.

18.3 Arrangements whose fulfilment is dependent on the use of a specific asset or which convey a right to use an asset, are assessed at their inception to determine if they contain a lease. If an arrangement is found to contain a lease, that lease is then classified as an operating or finance lease. Transactions involving the legal form of a lease, such as sale and leaseback arrangements, are accounted for according to their economic substance.

The States as Lessee

18.4 Assets held under finance leases are capitalised in the appropriate category of non-current assets and depreciated over the shorter of the lease term or their estimated useful economic lives.

18.5 Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to Net Revenue Expenditure/Income over the period of the lease at a constant periodic rate in relation to the balance outstanding

18.6 Operating leases are charged to Net Revenue Expenditure/Income on a straight-line basis over the term of the lease. Where the arrangement includes incentives, such as rent-free periods, the value is recognised on a straight-line basis over the lease term.

The States as Lessor

18.7 Where the States of Jersey is the lessor under an operating lease, leased assets are recorded as assets and depreciated over their useful economic lives in accordance with the relevant accounting policy. Rental income from operating leases is recognised on a straight line basis over the period of the lease.

19. Provisions

19.1 A provision is recognised when the following three criteria are met, in line with the requirements in IAS 37 Provisions, Contingent Liabilities and Contingent Assets:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

19.2 The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

19.3 No discounts are applied to provisions unless the impact of the time value of money is material. Where a discount is applied this is stated in the notes to the accounts together with the discount rate applied. The discount rate is set by the Treasurer of the States.

20. Contingent Liabilities and Contingent Assets

20.1 Contingent liabilities and contingent assets are not recognised as liabilities or assets in the statement of financial position, but are disclosed in the notes to the accounts.

20.2 A contingent liability is a possible obligation arising from past events whose existence will be confirmed only by uncertain future events or it is a present obligation arising from past events that are not recognised because either an outflow of economic benefit is not probable or the amount of the obligation cannot be reliably estimated.

20.3 A contingent asset is a possible asset whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the States.

20.4 Where the time value of money is material, the contingent liabilities and assets are stated at discounted amounts.

21. Taxpayers' Equity

21.1 Taxpayers' Equity represents the taxpayers' interest in the States of Jersey, which equates to both the total value of Net Assets held by the States, and an accumulation of net income and other gains and losses over the years. Reserves are split based on how the interest has arisen (as explained below).

Accumulated Revenue and Other Reserves

21.2 The Accumulated Revenue and Other Reserves represent the cumulative balances of surpluses and deficits recorded by the States of Jersey.

Revaluation Reserve

21.3 The revaluation reserve reflects the unrealised balance of cumulative revaluation adjustments to Property, Plant and Equipment and Intangible Non-Current Assets other than donated assets. Details of the basis of valuation are set out in Accounting Policy 7. When an asset is disposed any balance in the revaluation reserve is transferred to the Accumulated Reserve.

Donated Asset Reserve

21.4 The donated asset reserve represents the net book value of assets donated to the States. A reserve balance equal to the value of the asset is created upon donation, and then adjusted for its revaluation, impairment and depreciation (as set out in Accounting Policy 5).

Investment Reserve

21.5 The investment reserve reflects the unrealised balance of cumulative revaluation adjustments to the States' Strategic Investments, Housing Bonds, and other Financial Assets for which gains and losses are not recognised in Net Revenue Expenditure during the year.

22. Revenue Recognition

22.1 Revenue is divided into two main categories – revenue levied by the States of Jersey (non-exchange income) and revenue earned through operations.

Revenue earned through operations

22.2 Revenue earned through operations is accounted for in line with IAS 18, which requires specifically that:

- income from the sale of goods should be recognised on transfer of the risks and rewards of ownership in those goods;
- income from the performance of services should be recognised on the degree of performance;
- interest income should be recognised using the effective interest method;
- dividends receivable should be recognised when the Department becomes entitled to them; and
- income from permitting others to use the Department's assets should be recognised on an accruals basis in accordance with the terms of the contract.

Revenue levied by the States of Jersey

22.3 Revenue levied by the States of Jersey (non-exchange income) is measured at the value of the consideration received or receivable net of:

- Repayments; and
- Adjustments following appeals (in the case of Income Tax).

22.4 Revenue is recognised when: a taxable or other relevant event has occurred, the revenue can be measured reliably and it is probable that the economic benefits from the taxable or other event will flow to the States of Jersey.

22.5 Taxable or other relevant events for the material income streams are as follows:

- Income Tax: when an assessment is raised by the Comptroller of Taxes. Tax collected in the year under the Income Tax Instalment Scheme which is due for assessment in the following year (tax collected on a current year basis) is recognised as receipts in advance;
- Goods and Services Tax (GST): when a taxable activity is undertaken during the taxation period by the taxpayer. Fees payable by International Service Entities are recognised on an accruals basis and are included in total GST receipts in Net Revenue Expenditure;

- Impôts Duties: when the goods are landed in Jersey;
- Stamp Duty: when the stamps are sold;
- Fees and Fines: when the fee or fine is imposed;
- Seizure of assets: when the court order is made; and
- Island rates: when the assessment is raised. Island Rates are charged on a calendar year basis and assessments are raised in the second half of the calendar year. Income is recognised in the period for which the rates are charged.

23. Staff

23.1 Staff Costs include expenditure relating to States Staff, Non-States staff and other expenditure relating to the employment of Staff.

23.2 States Staff are defined as: Persons employed under an employment contract directly with the States of Jersey, Persons holding an office or appointment in the States (by crown appointment or otherwise), and States Members.

23.3 Non-States Staff are defined as: Persons who do not qualify as States Staff (defined above), but are acting as employees of the States of Jersey.

24. Employee benefits

24.1 The States accrues for the cost of accumulated compensated absences. This is accounted for when an employee renders services that increase their entitlement to future compensated absences. It is calculated based on salary and allowances.

25. Grants

25.1 Revenue grants received and all grants made are recognised in Net Revenue Expenditure/Income so as to match the underlying event or activity that gives rise to a liability.

25.2 Where a grant is received as a contribution towards the cost of an asset the grant is credited to the capital grant reserve and released to Net Revenue Expenditure/Income as grant income over the useful economic life of the asset. On disposal of an asset financed by a grant the remaining balance on the capital grant reserve is recognised as grant income in the year of disposal.

26. Accounting for Goods and Services Tax

26.1 GST charged/paid is fully recoverable, and so income and expenditure is shown net of GST.

27. Foreign Exchange

27.1 Both the functional and presentation currency is Sterling.

27.2 Transactions that are denominated in a foreign currency are translated into Sterling at the rate ruling at the date of each transaction.

27.3 Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate applicable at the reporting date or on the date of settlement. Exchange differences are reported in the Net Revenue Expenditure.

28. Third Party Assets

28.1 The States of Jersey holds certain monies and other assets on behalf of third parties. These are not recognised in the accounts where the States of Jersey does not have a direct beneficial interest in them.

28.2 Where assets have been seized following a court order, these are held within the Criminal Offences Confiscation Fund, Civil Assets Recovery Fund or the Drug Trafficking Confiscation Fund which are consolidated into the group results of the States of Jersey.

29. Losses and Special Payments

29.1 Special Payments are those which fall outside the normal day-to-day business of the entity.

29.2 Losses are recognised when they occur. Special Payments are recognised when there is a legal or constructive obligation for them to be paid.

29.3 Losses and Special Payments are accounted for net of any directly recoverable amounts, but gross of insurance claims.

30. Related Party Transactions

30.1 For the purpose of disclosure of Related Party Transactions, Key Management Personnel are considered to be the Council of Ministers, Assistant Ministers and Accounting Officers subject to remuneration disclosures. These include short term employee benefits, post-employment benefits (pensions) and termination benefits.

Note 2 – Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the States' accounting policies, which are described in this note, it is necessary to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Valuation of Assets

In determining the value of property assets under IAS 16 'Property, Plant and Equipment', there is a degree of uncertainty and judgement involved. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for valuation of properties under IAS 16 are based on external professional valuations. The States use external professional valuers to determine the relevant amounts. With market conditions that currently prevail there is likely to be a greater than usual degree of uncertainty.

Investments, other than those held for strategic purposes, are accounted for at fair value. If a market value cannot be readily ascertained, the investment is valued in line with the applicable standards, using methods determined by the Treasurer of the States to be appropriate in the circumstances. Market value is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with quoted prices will have a lesser degree of judgement used in measuring fair value. Fair values determined through the use of models or other valuation methodologies will have a higher degree of judgement due to the assumptions used in the valuation.

Valuation of Pensions

The States provides various pension schemes for its employees (see Accounting Policy 17 for details) including some accounted for in accordance with IAS 19 'Employee Benefits'. The Statement of Comprehensive Net Expenditure, and Statement of Financial Position items relating to the States' accounting for pension schemes under IAS 19 are based on valuations by professional actuaries. Inherent in these valuations are key assumptions, including discount rates, earnings increases, mortality rates and inflation. These actuarial assumptions are reviewed annually in line with the requirements of IAS 19 and are based on prior experience, market conditions and the advice of the scheme actuaries.

The valuation of the PECRS past service liability is based on a discount rate that is derived, from a gilt yield of 3.07% and the expected returns from investments in the Fund itself (2.35%). The expected returns from investments in the Fund are relevant because the 10 point agreement and the scheme regulations allow for surpluses arising in the Fund to be used to extinguish or repay the past service liability.

The judgement of the independent external actuary is that it is more likely than not that surpluses in the Fund
a) will arise and
b) be used to extinguish or repay the past service liability.

The discount rate used in the valuation of the JTSF past service liability is based on that used for the Actuarial valuation of the Fund. While the mechanism for repaying the debt has not yet been formally agreed with the Scheme's board of management, the judgement of the independent external actuary is that any future agreement will allow for surpluses in the Fund to be used to extinguish or repay the past service liability

Strategic Investments

The States hold a number of strategic investments (see Accounting Policy 12 for details).

For Jersey Electricity plc the value has been determined by using the market value of the shares inflated by a controlling interest factor (20%) and with a marketability discount (10%) applied. The valuation methodology and adjusting factors are determined by the Treasurer taking into account industry guidelines on valuation, and have limited impact of the valuation which is most significantly influenced by the underlying share price at the year end. Variations in the share price (for example as a result of market and investor sentiment as a result of significant events/press releases) will directly affect the valuation of the States' Investment in the company.

A discounted cash flow valuation methodology has been used for the valuation of the equity share elements of the other Strategic investments, the projected earnings before interest, taxes, depreciation and amortisation (EBITDA) for five years, and the use of an appropriate terminal multiple . Projections are prepared based on forecasts provided by the entities (where available) and other publicly available information. The discount rate applied is based on the relevant entities' weighted average cost of capital (WACC) with appropriate adjustments for the risks associated with the investments. Estimates of EBITDA, terminal multiples and WACC involve a significant degree of judgement. The values for WACC's and Terminal Multiples used in the valuation are set out below:

	JT Group Ltd	Jersey New Waterworks Company Limited	Jersey Post International Limited
WACC	**9.41%**	**6.81%**	**8.67%**
Market Multiple	**6**	**7**	**8**

Although best judgement is used in determining the fair value of these investments, there are inherent limitations in any valuation technique. Therefore the values presented herein may not be indicative of the amount which the States could realise on sale of its holdings.

An analysis of the impact of a change in the key assumptions used is set out in the table

	JT Group Ltd	Jersey New Waterworks Company Limited	Jersey Post International Limited
WACC An increase/decrease of 1% in the WACC used would lead to an approximate decrease/increase in value of:	**£9m**	**£1m**	**£1m**
Terminal Multiple A increase/decrease of 1 in the terminal multiple used would lead to an approximate increase/decrease in value of:	**£30m**	**£4m**	**£2m**
EBITDA A increase/decrease in forecast EBITDA of 5% per annum would lead to an approximate increase/decrease in value of:	**£25m**	**£4m**	**£2m**

Preference Shares have been valued using a Dividend Valuation Model, which applies discounted cash flow methodologies to the dividends expected to be received in relation to the shares. The discount rate applied is the higher of the intrinsic rate of the instrument (based on market information on comparable instruments), and the discount rate set by the Treasurer of the States (currently 6.1%).

Note 3

First Time Adoption of IFRS, and Prior Period Amendments

Under IFRS 1 (First-time Adoption of International Financial Reporting Standards), there is a general requirment to apply IFRS retrospectively to all previous periods. This has meant that some restatement of the figures previously reported in the States of Jersey Financial Report and Accounts has been necessary, and this note explains what these adjustments are, and shows how they have affected the statements.

There are also several changes in terminology between UK GAAP and IFRS, and this note illustrates which lines in the financial statements under UK GAAP correspond to which under IFRS.

IAS 1 - Presentation of Financial Statements

Under IAS 1, any amount expected to be received or settled after no more than 12 months should be recognised as a current asset. The Common Investment Fund holds some assets with short maturities as part of the agree investment strategies, and these have been seperately identified on the Statement of Financial Position in accordance with the Standard. In practice, on maturity any proceeds will be reinvested in line with the investment strategy.

IAS 7 - Statement of Cash Flows

Under IAS 7, highly liquid investments that are held to meet short term cash commitments are classified as “Cash Equivalents”. For the States this includes amounts held by the States Cash Manager, which were previously reported as investments.

IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations

Under IFRS 5, Non-current assets may be classified as held for sale if certain conditions are met that indicate that its carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are shown as current assets on the Statement of Financial Position.

Previously Property held for Disposal (PhfD) have been classified as part of Tangible Fixed Assets, and so an adjustment has been required. All assets classified as PhfD on each Statement of Financial Position have also been assessed against the criteria in IFRS 5, and any assets not meeting these criteria have been included in Property, Plant and Equipment.

IAS 16 - Property, Plant and Equipment

Under IAS 16, Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The 2012 Property valaution was carried out in line to include componentisation. Using a componentised approach did not have a material effect on depreciation charges compared to a non-componentised approach, and it has not been necessary to restate previous years figures.

IAS 38 - Intangible Assets

Under UK GAAP all Fixed Assets were shown in a single line in the Accounts. Under IAS 38, any intangible assets (including purchased and internally produced software) are shown seperately on the Statement of Financial Position.

IAS 19 - Employee Benefits

Under IAS 19 there is a requirement to accrue for any short term employee benefits, including the cost of accumulating compensated absences. This was not common practice under UK GAAP, and so accruals for previous periods have been recognised.

IAS 32 - Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement

In the 2010 UK GAAP Accounts, Housing Bonds were included as Debtors: amounts falling due after more than one year. Under FRS 25 (adopted in 2011), and IAS 32, these are classified as Available for Sale Investments. Whilst there was no requirement to restate the 2010 figures, they have been reclassified in the IFRS Accounts to aid comparison.

In addition, some amounts previously included as Loans and Advances have been reclassified as Receivables.

Finally, the Finance charge recognised on Past Service Liabilities has been revised to reflect the discount rates used in the valuation calculation in line with the standards. As this does not affect the value of the liability, any increase in Finance Costs is offset by the movement in the liability.

Note 3a

Restated Consolidated Statement of Financial Position as at 31 December 2011

	UK GAAP £'000	IAS 1 £'000	IAS 7 £'000	IFRS 5 £'000
Tangible Fixed Assets	2,922,161	-	-	(3,264)
	-	-	-	-
	-	-	-	-
Financial Assets				
Loans & Advances	12,609	-	-	-
Strategic Investments	326,400	-	-	-
Other Available for Sale investments	14,335	-	-	-
Investments held at Fair Value through OCS	896,321	(241,090)	(98,127)	-
Derivative Financial Instruments expiring after more than one year	201	-	-	-
Debtors: amounts falling due after more than one year	-	-	-	-
Total Fixed Assets	**4,172,027**	**(241,090)**	**(98,127)**	**(3,264)**
Current Assets				
	-	-	-	3,264
Stock and Work in Progress	32,195	-	-	-
Loans & Advances	2,446	-	-	-
Derivative Financial Instruments expiring within one year	98	-	-	-
Investments held at Fair Value through OCS	-	241,090	-	-
Debtors	117,982	-	-	-
Cash at Bank and in Hand	65,101	-	98,127	-
Total Current Assets	**217,822**	**241,090**	**98,127**	**3,264**
	-	-	-	-
	-	-	-	-
	-	-	-	-
Current Liabilities				
Creditors	125,872	(3,076)	-	-
Currency in Circulation	90,596	-	-	-
	-	3,076	-	-
Provisions for liabilities and charges	22,660	-	-	-
Total Current Liabilities	**239,128**	**-**	**-**	**-**
Net Current Assets / (Liabilities)	(21,306)	-	-	-
Total Assets Less Current Liabilities	4,150,721	-	-	-
Long Term Liabilities				
	-	-	-	-
Finance Lease Obligations	10,986	-	-	-
Provisions for liabilities and charges	8,180	-	-	-
Derivative Financial Instruments expiring after more than one year	2	-	-	-
PECRS Pre-1987 Past Service Liability	247,852	-	-	-
Provision for JTSF Past Service Liability	135,100	-	-	-
Defined Benefit Pension Schemes Net Liability	11,493	-	-	-
Other Financial Liabilities	-	-	-	-
Total Long Term Liabilities	**413,613**	**-**	**-**	**-**
Net Assets	**3,737,108**	**-**	**-**	**-**
Reserves				
Accumulated Revenue and Other Reserves	3,096,301	-	-	-
Revaluation Reserve	364,875	-	-	-
Donated Asset Reserve	39,053	-	-	-
Capital Grant Reserve	-	-	-	-
Investment Reserve	236,879	-	-	-
Total Reserves	**3,737,108**	**-**	**-**	**-**

IAS 16 £'000	IAS 38 £'000	IAS 19 £'000	IAS 32/39 £'000	IFRS £'000	
(2,908,734)	(10,163)	-	-		Non-Current Assets
2,908,734		-	-	2,908,734	Property, Plant and Equipment
-	10,163	-	-	10,163	Intangible Assets
-	-	-	(9)	12,600	Loans & Advances
-	-	-	-	326,400	Strategic Investments
-	-	-	-	14,335	Other Available for Sale Investments
-	-	-	-	557,104	Investments held at Fair Value through Profit or Loss
-	-	-	-	201	Derivative Financial Instruments expiring after more than one year
-	-	-	9	9	Trade and Other Receivables
-	**-**	**-**	**-**	**3,829,546**	**Total Non-Current Assets**
					Current Assets
-	-	-	-	3,264	Non-Current Assets classifed as held for sale
-	-	-	-	32,195	Inventories
-	-	-	-	2,446	Loans & Advances
-	-	-	-	98	Derivative Financial Instruments expiring within one year
-	-	-	-	241,090	Investments held at Fair Value through Profit or Loss
-	-	-	-	117,982	Trade and Other Receivables
-	-	-	-	163,228	Cash and Cash Equivalents
-	**-**	**-**	**-**	**560,303**	**Total Current Assets**
-	-	-	-		
-	-	-	-	**4,389,849**	**Total Assets**
-	-	-	-		
					Current Liabilities
-	-	2,917	-	125,713	Trade and Other Payables
-	-	-	-	90,596	Currency in Circulation
-	-	-	-	3,076	Finance Lease Obligations
-	-	-	-	22,660	Provisions for liabilities and charges
-	**-**	**2,917**	**-**	**242,045**	**Total Current Liabilities**
-	-	-	-	-	
-	-	(2,917)	-	4,147,804	Total Assets Less Current Liabilities
					Non-Current Liabilities
-	-	-	-	-	Trade and Other Payables
-	-	-	-	10,986	Finance Lease Obligations
-	-	-	-	8,180	Provisions for liabilities and charges
-	-	-	-	2	Derivative Financial Instruments expiring after more than one year
-	-	-	-	247,852	PECRS Pre-1987 Past Service Liability
-	-	-	-	135,100	Provision for JTSF Past Service Liability
-	-	-	-	11,493	Defined Benefit Pension Schemes Net Liability
-	-	-	-	-	Other Financial Liabilities
-	**-**	**-**	**-**	**413,613**	**Total Non-Current Liabilities**
-	**-**	**(2,917)**	**-**	**3,734,191**	**Assets Less Liabilities**
					Taxpayers' Equity
-	-	(2,917)	-	3,093,384	Accumulated Revenue and Other Reserves
-	-	-	-	364,875	Revaluation Reserve
-	-	-	-	39,053	Donated Asset Reserve
-	-	-	-	-	Capital Grant Reserve
-	-	-	-	236,879	Investment Reserve
-	**-**	**(2,917)**	**-**	**3,734,191**	**Total Taxpayers' Equity**

Note 3b

Restated Consolidated Statement of Financial Position as at 1 January 2011

	UK GAAP £'000	IAS 1 £'000	IAS 7 £'000	IFRS 5 £'000
Tangible Fixed Assets	2,768,538	-	-	(6,094)
	-	-	-	-
	-	-	-	-
Financial Assets				
Loans & Advances	15,859	-	-	-
Strategic Investments	254,000	-	-	-
Other Available for Sale investments		-	-	-
Investments held at Fair Value through OCS	898,952	(272,050)	(113,883)	-
Derivative Financial Instruments expiring after more than one year		-	-	-
Debtors: amounts falling due after more than one year	14,457	-	-	-
Total Fixed Assets	**3,951,806**	**(272,050)**	**(113,883)**	**(6,094)**
Current Assets				
	-	-	-	6,094
Stock and Work in Progress	29,767	-	-	-
Loans & Advances	2,049	-	-	-
Derivative Financial Instruments expiring within one year	-	-	-	-
Investments held at Fair Value through OCS	-	272,050	-	-
Debtors	110,518	-	-	-
Cash at Bank and in Hand	94,033	-	113,883	-
Total Current Assets	**236,367**	**272,050**	**113,883**	**6,094**
Current Liabilities				
Creditors	117,679	(2,862)	-	-
Currency in Circulation	92,779	-	-	-
	-	2,862	-	-
Provisions for liabilities and charges	4,448	-	-	-
Total Current Liabilities	**214,906**	**-**	**-**	**-**
Net Current Assets / (Liabilities)	**21,461**	**-**	**-**	**-**
Total Assets Less Current Liabilities	**3,973,267**	**-**	**-**	**-**
Long Term Liabilities				
	-	-	-	-
Finance Lease Obligations	14,062	-	-	-
Provisions for liabilities and charges	6,263	-	-	-
Derivative Financial Instruments expiring after more than one year	-	-	-	-
Other Financial Liabilities	-	-	-	-
PECRS Pre-1987 Past Service Liability	265,435	-	-	-
Provision for JTSF Past Service Liability	114,000	-	-	-
Defined Benefit Pension Schemes Net Liability	11,152	-	-	-
Total Long Term Liabilities	**410,912**	**-**	**-**	**-**
Net Assets	**3,562,355**	**-**	**-**	**-**
Reserves				
Accumulated Revenue and Other Reserves	3,110,089	-	-	-
Revaluation Reserve	230,005	-	-	-
Donated Asset Reserve	39,084	-	-	-
Capital Grant Reserve	-	-	-	-
Investment Reserve	183,177	-	-	-
Total Reserves	**3,562,355**	**-**	**-**	**-**

IAS 16 £'000	IAS 38 £'000	IAS 19 £'000	IAS 32/39 £'000	IFRS £'000	
(2,752,125)	(10,319)	-	-		**Non-Current Assets**
2,752,125	-	-	-	2,752,125	Property, Plant and Equipment
-	10,319	-	-	10,319	Intangible Assets
-	-	-	(11)	15,848	Loans & Advances
-	-	-	-	254,000	Strategic Investments
-	-	-	14,397	14,397	Other Available for Sale Investments
-	-	-	-	513,019	Investments held at Fair Value through Profit or Loss
-	-	-	-	-	Derivative Financial Instruments expiring after more than one year
-	-	-	(14,446)	11	Trade and Other Receivables
-	**-**	**-**	**(60)**	**3,559,719**	**Total Non-Current Assets**
					Current Assets
-	-	-	-	6,094	Non-Current Assets classifed as held for sale
-	-	-	-	29,767	Inventories
-	-	-	-	2,049	Loans & Advances
-	-	-	-	-	Derivative Financial Instruments expiring within one year
-	-	-	-	272,050	Investments held at Fair Value through Profit or Loss
-	-	-	-	110,518	Trade and Other Receivables
-	-	-	-	207,916	Cash and Cash Equivalents
-	**-**	**-**	**-**	**628,394**	**Total Current Assets**
				4,188,113	**Total Assets**
					Current Liabilities
-	-	2,522	-	117,339	Trade and Other Payables
-	-	-	-	92,779	Currency in Circulation
-	-	-	-	2,862	Finance Lease Obligations
-	-	-	-	4,448	Provisions for liabilities and charges
-	**-**	**2,522**	**-**	**217,428**	**Total Current Liabilities**
-	**-**	**-**	**-**	**-**	
-	**-**	**(2,522)**	**(60)**	**3,970,685**	**Total Assets Less Current Liabilities**
					Non-Current Liabilities
-	-	-	-	-	Trade and Other Payables
-	-	-	-	14,062	Finance Lease Obligations
-	-	-	-	6,263	Provisions for liabilities and charges
-	-	-	2	2	Derivative Financial Instruments expiring after more than one year
-	-	-	-	-	Other Financial Liabilities
-	-	-	-	265,435	PECRS Pre-1987 Past Service Liability
-	-	-	-	114,000	Provision for JTSF Past Service Liability
-	-	-	-	11,152	Defined Benefit Pension Schemes Net Liability
-	**-**	**-**	**2**	**410,914**	**Total Non-Current Liabilities**
-	**-**	**(2,522)**	**(62)**	**3,559,771**	**Net Assets**
					Taxpayers' Equity
-	-	(2,522)	18,178	3,125,745	Accumulated Revenue and Other Reserves
-	-	-	-	230,005	Revaluation Reserve
-	-	-	-	39,084	Donated Asset Reserve
-	-	-	-	-	Capital Grant Reserve
-	-	-	(18,240)	164,937	Investment Reserve
-	**-**	**(2,522)**	**(62)**	**3,559,771**	**Total Taxpayers' Equity**

Note 3c

Restated Consolidated Statement of Comprehensive Net Expenditure for 2011

	UK GAAP £'000	IAS 1 £'000	IAS 7 £'000	IFRS 5 £'000
Revenue				
Levied by the States of Jersey				
Taxation revenue	477,056	-	-	-
Island rates, duties, fees, fines and penalties	93,124	-	-	-
Total Revenue Levied by the States of Jersey	**570,180**	**-**	**-**	**-**
Earned through Operations		-		
Sales of goods and services	142,134	-	-	-
Investment income	29,993	-	-	-
Other revenue	50,709	-	-	-
Total Revenue Earned through Operations	**222,836**	**-**	**-**	**-**
		-		
Total Revenue	**793,016**	**-**	**-**	**-**
Operating Expenditure				
Social Benefit Payments	166,256	-	-	-
Staff costs	348,432	-	-	-
Other Operating expenses	214,479	-	-	-
Grants and Subsidies payments	37,960	-	-	-
Depreciation	46,426		-	-
Impairments	7,793	-	-	-
Finance costs	5,170	-	-	-
Total Operating Expenditure	**826,516**	**-**	**-**	**-**
Non-Operating expenditure				
Net foreign-exchange losses	438	-	-	-
Movement in pension liability	4,384	-	-	-
Gains on disposal of assets	(2,718)	-	-	-
Total Non-Operating Expenditure	**2,104**	**-**	**-**	**-**
Total Expenditure	**828,620**	**-**	**-**	**-**
Deficit for the year	**35,604**	**-**	**-**	**-**
Statement of Total Recognised Gains and Losses				
Revaluation of Property, Plant and Equipment	(137,374)	-	-	-
Gain on Revaluation of Strategic Investments during the period	(72,400)	-	-	-
Reclassification adjustments for gains/losses included in Net operating costs	-	-	-	-
Loss on Revaluation of Other AFS Investments during the period	458	-	-	-
Reclassification adjustments for gains/losses included in Net operating costs	-	-	-	-
Actuarial Loss in respect of Defined Benefit Pension Schemes	92	-	-	-
Total Other Comprehensive Income	**(209,224)**	**-**	**-**	**-**
Total Comprehensive (Income)/Expenditure	**(173,620)**	**-**	**-**	**-**

IAS 16 £'000	IAS 38 £'000	IAS 19 £'000	IAS 32/39 £'000	IFRS £'000	
					Revenue
					Levied by the States of Jersey
-	-	-	-	477,056	Taxation revenue
-	-	-	-	93,124	Island rates, duties, fees, fines and penalties
-	**-**	**-**	**-**	**570,180**	**Total Revenue Levied by the States of Jersey**
					Earned through Operations
-	-	-	-	142,134	Sales of goods and services
-	-	-	-	29,993	Investment income
-	-	-	-	50,709	Other revenue
-	**-**	**-**	**-**	**222,836**	**Total Revenue Earned through Operations**
-	**-**	**-**	**-**	**793,016**	**Total Revenue**
					Expenditure
-	-	-	-	166,256	Social Benefit Payments
-	-	395	-	348,827	Staff costs
-	-	-	(2,065)	212,414	Other Operating expenses
-	-	-	-	37,960	Grants and Subsidies payments
-	-	-	-	46,426	Depreciation and Amortisation
-	-	-	2,065	9,858	Impairments
-	-	-	10,295	15,465	Finance costs
-	**-**	**-**	**-**		
-	-	-	-	438	Net foreign-exchange losses
-	-	-	(10,295)	(5,911)	Movement in pension liability
-	-	-	-	(2,718)	Gains on disposal of assets
-	**-**	**-**	**-**		
-	**-**	**395**	**-**	**829,015**	**Total Expenditure**
-	**-**	**395**	**-**	**35,999**	**Net Revenue Expenditure**
					Other Comprehensive (Income)/Expenditure
-	-	-	-	(137,374)	Revaluation of Property, Plant and Equipment
-	-	-	-	(72,400)	Gain on Revaluation of Strategic Investments during the period
-	-	-	-	-	Reclassification adjustments for gains/losses included in Net Revenue Expenditure
-	-	-	-	458	Loss on Revaluation of Other AFS Investments during the period
-	-	-	-	-	Reclassification adjustments for gains/losses included in Net Revenue Expenditure
-	-	-	-	92	Actuarial Loss in respect of Defined Benefit Pension Schemes
-	**-**	**-**	**-**	**(209,224)**	**Total Other Comprehensive Income**
-	**-**	**395**	**-**	**(173,225)**	**Total Comprehensive (Income)/Expenditure**

Note 4

Segmental Analysis

The Corporate Management Board receive financial reports quarterly that include information on General Revenue Income Streams, Ministerial Departments, Non-Ministerial Departments (in aggregate) and Trading Operations, and these are therefore considered to be the operating segments of the States of Jersey. This split is based on lines of accountability within the organisation. Amounts charged and paid to other entities within the Accounting Boundary are not eliminated in these reports.

The Accounts and accompanying Annex include a large amount of detailed information on these segments (and other entities in the Accounting Boundary, such as Special funds).

In particular, the Treasurer's Report includes tables showing Net Revenue Income/Expenditure for each income stream and department compared to prior years results.

Statements of Comprehensive Net Expenditure and Statements of Financial Position for individual departments are also included in the Annex to the Accounts. These pages also include information about the income streams comprising each departments revenue.

The tables below reconcile amounts included in these statements to that included in the Consolidated Statements.

Note 4a

Segmental Analysis - Statement of Comprehensive Net Expenditure for the year ended 31 December 2012

	General Revenue Income
	£'000
Gross Revenue	632,477
Less: Intra/Inter-Segment Revenue	(6,464)
Revenue	**626,013**
Gross Expenditure	4,744
Less: Intra/Inter-Segment Expenditure	(495)
Expenditure	**4,249**
Net Revenue Expenditure/(Income)	
Before Consolidation Adjustments	(627,733)
Less: Intra/Inter-Segment Income and Expenditure	5,969
Net Revenue Expenditure/(Income)	**(621,764)**
Other Comprehensive Expenditure/(Income)	17,600
Total Comprehensive Expenditure/(Income)	**(604,164)**

Note 4b

Segmental Analysis - Statement of Financial Position as at 31 December 2012

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund
	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	506,755	2,784,683	493	230	**3,292,161**
Current Assets	153,060	27,507	650	4,457	**185,674**
Interfund Balances	-	-	-	(60,846)	**(60,846)**
Current Liabilities	(69,962)	(53,132)	(1,740)	(8,818)	**(133,652)**
Non-Current Liabilities	-	(2,735)	-	(344,337)	**(347,072)**
Net Assets/(Liabilities)	**589,853**	**2,756,323**	**(597)**	**(409,314)**	**2,936,265**
Taxpayers' Equity	6,075,506	(3,263,754)	(298,466)	422,979	**2,936,265**
Intrafund Balances	(5,485,653)	6,020,077	297,869	(832,293)	**-**
Taxpayers' Equity	**589,853**	**2,756,323**	**(597)**	**(409,314)**	**2,936,265**

Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund	Trading Operations	Special Funds, and the CIF	SOJDC	Total SOJ
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
126,605	3,023	3,693	765,798	54,069	68,949	2,137	890,953
(18,267)	(833)	(2,438)	(28,002)	(6,310)	6,730	(1,007)	(28,589)
108,338	**2,190**	**1,255**	**737,796**	**47,759**	**75,679**	**1,130**	**862,364**
731,899	37,129	(39,210)	734,562	74,638	9,085	1,988	820,273
(19,305)	(1,418)	-	(21,218)	(7,855)	1,993	(855)	(27,935)
712,594	**35,711**	**(39,210)**	**713,344**	**66,783**	**11,078**	**1,133**	**792,338**
605,294	34,106	(42,903)	(31,236)	20,569	(59,864)	(149)	(70,680)
(1,038)	(585)	2,438	6,784	(1,545)	(4,737)	152	654
604,256	**33,521**	**(40,465)**	**(24,452)**	**19,024**	**(64,601)**	**3**	**(70,026)**
(151,491)	-	452	(133,439)	(152,007)	-	(1,075)	(286,521)
452,765	**33,521**	**(40,013)**	**(157,891)**	**(132,983)**	**(64,601)**	**(1,072)**	**(356,547)**

Trading Operations	Special Funds, and the CIF	SOJDC	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
£'000	£'000	£'000	£'000	£'000	£'000
399,660	744,141	11,149	4,447,111	(364,383)	4,082,728
4,592	38,334	32,807	261,407	344,874	606,281
53,014	7,832	-	-	-	-
(5,399)	(92,778)	(264)	(232,093)	(498)	(232,591)
(20,095)	(1,876)	-	(369,043)	-	(369,043)
431,772	**695,653**	**43,692**	**4,107,382**	**(20,007)**	**4,087,375**
431,772	695.653	43,692	4,107,382	(20,007)	4,087,375
-	-	-	-	-	-
431,772	**695,653**	**43,692**	**4,107,382**	**(20,007)**	**4,087,375**

Note 4c

Segmental Analysis - Statement of Comprehensive Net Expenditure for the year ended 31 December 2011

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund
	£'000	£'000	£'000	£'000	£'000
Gross Revenue	589,362	121,065	4,684	6,426	**721,537**
Less: Intra/Inter-Segment Revenue	(5,355)	(13,916)	(590)	(3,773)	**(23,634)**
Revenue	**584,007**	**107,149**	**4,094**	**2,654**	**697,904**
Gross Expenditure	2,443	728,093	36,881	7,016	**774,433**
Less: Intra/Inter-Segment Expenditure	(461)	(15,834)	(1,994)	-	**(18,289)**
Expenditure	**1,982**	**712,259**	**34,887**	**7,016**	**756,144**
Net Revenue Expenditure/(Income)					
Before Consolidation Adjustments	(586,919)	607,028	32,197	590	**52,896**
Less: Intra/Inter-Segment Income and Expenditure	4,894	(1,918)	(1,404)	3,773	**5,345**
Net Revenue Expenditure/(Income)	**(582,025)**	**605,110**	**30,793**	**4,363**	**58,241**
Other Comprehensive Income	(72,400)	(138,299)	-	92	**(210,607)**
Total Comprehensive Expenditure/(Income)	**(654,425)**	**466,811**	**30,793**	**4,455**	**(152,366)**

Note 4d

Segmental Analysis - Statement of Financial Position as at 31 December 2011

	General Revenue Income	Ministerial Depts	Non-Ministerial Depts and the States Assembly	Other Consolidated Fund	Total Consolidated Fund
	£'000	£'000	£'000	£'000	£'000
Non-Current Assets	488,053	2,644,166	405	201	**3,132,825**
Current Assets	167,092	30,296	615	6,791	**204,794**
Interfund Balances	-	-	-	(50,641)	**(50,641)**
Current Liabilities	(63,215)	(46,869)	(1,943)	(8,610)	**(120,637)**
Non-Current Liabilities	-	(4,800)	-	(385,627)	**(390,427)**
Net Assets/(Liabilities)	**591,930**	**2,622,793**	**(923)**	**(437,886)**	**2,775,914**
Taxpayers' Equity	6,073,097	(2,806,626)	(264,362)	(226,195)	**2,775,914**
Intrafund Balances	(5,481,167)	5,429,419	263,439	(211,691)	**-**
Taxpayers' Equity	**591,930**	**2,622,793**	**(923)**	**(437,886)**	**2,775,914**

Trading Operations	Reserves, Special Funds, and the CIF	SOJDC	Total SOJ
£'000	£'000	£'000	£'000
54,046	43,151	1,126	**819,860**
(6,662)	3,607	(155)	**(26,844)**
47,383	**46,758**	**971**	**793,016**
51,907	28,325	311	**854,976**
(8,510)	847	(9)	**(25,961)**
43,397	**29,172**	**302**	**829,015**
(2,139)	(14,826)	(815)	**35,116**
(1,848)	(2,760)	146	**883**
(3,987)	**(17,586)**	**(669)**	**35,999**
1,422	-	(39)	**(209,224)**
(2,565)	**(17,586)**	**(708)**	**(173,225)**

Trading Operations	Special Funds, and the CIF	SOJDC	Total before Consolidation Adjustments	Consolidation Adjustments	Total SOJ
£'000	£'000	£'000	£'000	£'000	£'000
278,644	443,384	9,995	**3,864,848**	(35,302)	**3,829,546**
4,118	302,968	32,991	**544,871**	15,432	**560,303**
45,075	5,566	-	**-**	-	**-**
(6,498)	(114,255)	(518)	**(241,908)**	(137)	**(242,045)**
(21,312)	(1,874)	-	**(413,613)**	-	**(413,613)**
300,027	**635,789**	**42,468**	**3,754,198**	**(20,007)**	**3,734,191**
300,027	635,789	42,468	**3,754,198**	(20,007)	**3,734,191**
-	-	-	**-**	-	**-**
300,027	**635,789**	**42,468**	**3,754,198**	**(20,007)**	**3,734,191**

Note 5

Revenue

	Note	2011 £'000	2012 £'000
Levied by the States of Jersey			
Taxation Revenue			
Personal		335,818	353,993
Companies		74,980	79,489
GST		66,258	80,060
Taxation Revenue		**477,056**	**513,542**
Island rates, duties, fees, fines and penalties			
Impôts Duty - Spirits		4,018	4,091
Impôts Duty - Wines		6,465	6,783
Impôts Duty - Beer and Cider		6,295	5,974
Impôts Duty - Tobacco		12,479	15,825
Impôts Duty - Fuel		20,866	20,396
Impôts Duty - Other		148	328
Impôts Duty - Environmental		894	839
Stamp Duty and Land Transfer Tax		22,567	21,172
Island Rates		10,915	11,480
Other Fees and Fines		8,477	8,891
Island rates, duties, fees, fines and penalties		**93,124**	**95,779**
Earned through Operations			
Sales of goods and services		**142,134**	**147,340**
Investment Income			
Investment Income	8	40,203	45,926
(Losses)/Gains on financial assets	9	(10,210)	41,042
Investment Income		**29,993**	**86,968**
Other Revenue			
Financial Returns		3,710	3,685
Other Income *		46,999	15,050
Other Revenue		**50,709**	**18,735**
Total Revenue		**793,016**	**862,364**

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

Note 6

Expenditure

	Note	2011 £'000	2012 £'000
Social Benefit Payments			
Social Benefits	10	100,908	103,643
States Contributions to Social Security Fund and Health Insurance Fund	10	65,348	61,150
Total Social Benefit Payments		**166,256**	**164,793**
Staff costs			
States Members Remuneration	11	2,515	2,369
States Staff Salaries and Wages	11	280,744	285,409
States Staff Pension Costs	11	35,804	36,306
States Staff Social Security	11	15,345	16,532
Non-States Staff Costs	11	12,451	10,214
Other Staff Costs	11	3,233	845
Charges of Staff to Capital Projects	11	(1,265)	(135)
Total Staff Costs		**348,827**	**351,540**
Other Operating expenses		**212,414**	**198,774**
Grants and Subsidies payments	12	**37,960**	**35,463**
Depreciation and Amortisation			
Property, Plant and Equipment	7	44,004	49,899
Intangible Assets	7	2,422	2,035
Total Depreciation and Amortisation		**46,426**	**51,934**
Impairments			
Property, Plant and Equipment	7	7,793	21,515
Intangible Assets		-	-
Trade Receivables	7	2,034	4,582
Available for Sale Financial Assets	7	31	(31)
Total Impairments		**9,858**	**26,066**
Gains on disposal of non-current assets			
Gains on disposal of Property, Plant and Equipment	7	(1,034)	(405)
Gains on disposal of assets classified as held for sale		(1,684)	(87)
Total Gains on disposal of non-current assets		**(2,718)**	**(492)**
Finance costs	13	**15,465**	**15,048**
Net foreign-exchange losses		**438**	**168**
Movement in pension liability	29, 30	**(5,911)**	**(50,956)**
Total Expenditure		**829,015**	**792,338**

Note 7

Non-Cash Items and other Significant Items included in the Net Revenue Expenditure

Net Revenue Expenditure/(Income) for the year is stated after charging / (crediting) the following Non-Cash items:	Note	2011 £'000	2012 £'000
Non Cash Items			
Depreciation of PPE[1]		44,004	49,899
Impairments of PPE and NCAhFS[2]		7,793	21,515
Amortisation of Intangible Assets		2,422	2,035
Unwinding of Discount on Deferred Consideration		(25)	(20)
Impairment loss recognised on Trade and Other Receivables		2,034	4,582
Impairment loss recognised on Available-for-Sale Investments		31	(31)
Impairment loss recognised on Loans and Advances		-	-
Increase/(Decrease) in Provisions		20,129	(22,652)

1. Depreciation includes £1,117,779 of depreciation relating to assets funded by Finance Leases (2011: £1,118,295). £111,160 was released from the Donated Asset Reserve to the SoCNE to offset depreciation on Donated Assets during 2012 (2011: £98,720)
2. £6,216,155 was released from the Donated Asset Reserve to the SoCNE to offset impairments on Donated Assets during 2012 (2011: £1,900)

	Note	2011 £'000	2012 £'000
Other Significant Items			
Gain on Disposal of PPE		(1,034)	(405)
Gain on Disposal of Intangible Assets		-	-
Gain on Disposal of Non Current Assets held for Sale		(1,684)	(87)
Loss/(Gain) on Investments	9	10,210	(41,042)
Auditors' Remuneration			
Audit Fees [1]		296	331

1. Other fees of £95,000 payable to the external auditor relate to the audit of the Social Security Funds' Accounts and agreed upon procedures in relation to Trust and Bequest Funds administered by the States (2011: 157,500).

Included in Sales of Goods and services are the following lease rentals:

	Note	2011 £'000	2012 £'000
Lease Rentals as Lessor			
Rentals Under Operating Leases		40,985	43,546

No rentals under Finance Leases were received in either 2012 or 2011.

During the year, the States recorded the following operating lease rentals as an expense:

	Note	2011 £'000	2012 £'000
Lease Rentals as Lessee			
Land and Buildings		1,169	1,220
Plant and machinery		8	3
Other		191	176
Total		**1,368**	**1,399**

Note 8

Investment income

	2011 £'000	2012 £'000
Interest Income		
Investments held at Fair Value through Profit or Loss	16,899	17,594
Infrastructure Investments	-	132
Loans and receivables	928	812
Cash and Cash Equivalents	1,088	1,094
Other	25	20
Total Interest Income	**18,940**	**19,652**
Dividends		
Strategic Investments	14,448	17,602
Investments held at Fair Value through Profit or Loss	6,815	8,672
Total Dividends	**21,263**	**26,274**
Total Investment Income	**40,203**	**45,926**

Investment revenue earned on financial assets analysed by category of asset is as follows:

	2011 £'000	2012 £'000
Strategic Investments	14,448	17,602
Investments held at Fair Value through Profit or Loss	23,714	26,266
Infrastructure Investments	-	132
Loans and receivables	928	812
Cash and Cash Equivalents	1,088	1,094
Other	25	20
Total Investment Income	**40,203**	**45,926**

Note 9

Gains and Losses on Financial Assets

	2011 £'000	2012 £'000
Gain on disposal of Other Available-For-Sale Investments	16	9
Change in Fair Value of Investments held at Fair Value through Profit or Loss	(10,515)	40,572
(Loss)/Gain on Cash Equivalents	(21)	79
Change in Fair Value of Derivative Financial Instruments	310	382
Total Gains and Losses	**(10,210)**	**41,042**

Changes in Fair Value of Financial Assets held at Fair Value through Proft or Loss include £0.2 million of realised losses (2011: £4.8 million of realised gains)

Changes in Fair Value of Derivative Assets include £190,266 of realised gains (2011: £11,671)

Note 10

Social Benefit Payments

	2011 £'000	2012 £'000
Social Benefits		
Social Security: Income Support		
Weekly Benefit[1]	66,940	68,995
Special Payments	1,430	1,530
Residential Care	16,613	16,694
Winter Fuel	345	562
Transitional Relief	2,004	1,060
Social Security: Other Benefits	4,601	5,417
Education, Sport and Culture: Student Grants	7,991	8,421
Health and Social Services: Allowances	984	964
Total Social Benefits	**100,908**	**103,643**
States Contributions to Social Security Fund and Health Insurance Fund	**65,348**	**61,150**
Total Social Benefit Payments	**166,256**	**164,793**

1. For 2012 the Weekly Benefit figure includes a correction of £2.3 million relating to previous years. Removing this correction gives a total of £71.3 million for weekly benefit payments in 2012.

Note 11

Staff Costs

Year End FTE	Department	Salaries and Wages £'000	Pension[1] £'000	Social Security £'000	Total £'000
200	Chief Minister's Department	10,322	1,308	562	12,192
56	Economic Development	3,053	383	173	3,609
1,531	Education, Sport and Culture	69,484	9,849	4,155	83,488
105	Department of the Enivronment	5,701	758	317	6,776
2,333	Health and Social Services	103,466	12,287	6,043	121,796
640	Home Affairs	31,884	4,023	1,841	37,748
39	Housing	2,082	266	119	2,467
184	Social Security	5,859	853	357	7,069
507	Transport and Technical Services[2]	18,633	2,066	1,065	21,764
235	Treasury and Resources	10,962	1,430	618	13,010
27	States Assembly (excluding States Members)	1,286	157	68	1,511
184	Non Ministerial States Funded Bodies	10,171	1,431	519	12,121
174	Jersey Airport	8,790	1,066	494	10,350
67	Jersey Harbours	3,157	358	180	3,695
	Other[3]	559	71	21	651
6,282	**Total**	**285,409**	**36,306**	**16,532**	**338,247**
	Staff costs charged to capital				(135)
	Non-States staff costs[4]				10,214
	Other staff costs[5]				845
	States Members remuneration				2,369
	Total Staff costs				**351,540**

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

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

3. Other includes the costs of States of Jersey Development Company (SOJDC) employees. Further details can be found in the separately published SOJDC accounts

4. Non-States staff costs includes the costs of individuals who are not, but who are acting as, States Employees.

5. Other staff costs includes redundancy, voluntary redundancy, allowances, severance payments and adjustments for the cost of accumulated compensated absences.

2011 Staff Figures are available in the 2011 Financial Report and Accounts.

Note 12

Grants

The note below summarises grants of £100,000 and over made by the States of Jersey in 2012.

Full details of Grants below £100,000 are given in Appendix A of the Annex to the Accounts.

Grantee	2011 Grant £	2012 Grant £	Grantee	Reason for Grant
Overseas Aid Grants	8,366,780	8,779,362	JOAC[1]	Humanitarian aid provided in response to sustainable grant projects, disaster and emergency relief and community work project initiatives (n/a)
Jersey Finance Limited	2,302,500	3,784,048	EDD	Market and promote the Finance Industry and provide technical assistance to Government (1)
Jersey Heritage Trust	2,443,430	2,775,422	ESC	Support the operations of the Jersey Heritage Trust (4)
Beaulieu School	1,876,747	1,898,192	ESC	Support the operation of Beaulieu School (1, 4)
De La Salle College	1,975,990	1,895,612	ESC	Support the operation of De La Salle College (1, 4)
The Jersey Employment Trust	1,050,410	1,073,188	H&SS and SSD	Assist people with disabilities by providing sheltered work and additional training and development for the most severely disabled (1, 4, 5)
Non-provided schools	1,609,113	822,119	ESC	Support the operation of non-provided schools (1, 4)
Shelter Trust	681,020	681,010	H&SS	Deliver outreach, hostels, drunk and incapable unit, and resettlement services (3, 4, 5)
Jersey Arts Trust	-	571,956	ESC	To repay the Opera House refurbishment loan (4)
The Jersey Employment Trust	559,010	558,693	SSD	Provide employment opportunities for those with learning difficulties or on the Autistic spectrum (1)
Serco (Jersey) Ltd	476,822	483,822	ESC	Subsidy in respect of the operation of the Waterfront Pool (4)
The Jersey Opera House	1,038,910	469,000	ESC	Support the operations of the Jersey Opera House (4)
Jersey Arts Centre Association	453,061	454,447	ESC	Support the operations of the Jersey Arts Centre (4)
Association of Jersey Charities	419,572	401,709	CILF[2]	Grant aid to various registered Jersey Charities (4)
Channel Islands Brussels Office	-	401,474	CMD	Grant for the operation of the Channel Islands Brussels Office (1, 7)
Jersey Advisory and Conciliation Service	316,272	322,755	SSD	Provide a free employment relations service to help employers, employees and trade unions work together for the prosperity of Jersey business and the benefit of employees (1)
Jersey Business Ltd	-	304,000	EDD	Grant support to cover operating costs (1, 2)
Jersey Competition Regulatory Authority	300,000	300,000	EDD	Work with the JCRA to create a more competitive commercial environment through the application of the Competition (Jersey) Law (1)
The Jersey Royal Company	275,876	271,485	EDD	Area Payments support to underpin a base level of farming activity in the countryside (1, 7)
Jersey Financial Services Commission	248,965	248,965	EDD	Assist with the costs of the Anti Money Laundering Unit (1)
Royal Jersey Agricultural and Horticultural Society	239,000	245,156	EDD	Services to support the dairy industry, e.g. bull proving and artificial insemination (1, 7)
Citizen's Advice Bureau	238,630	223,130	H&SS	Provide information and advice to members of the public (4, 5)

Grantee	2011 Grant £	2012 Grant £	Grantee	Reason for Grant
Jersey Conference Bureau Limited	220,500	220,500	EDD	Support the operation of the Jersey Conference Bureau (1)
Jersey Women's Refuge	204,350	204,350	H&SS	Provide temporary safe accommodation for women and children, helpline, guidance, support and counselling services (4, 5)
Alcohol Advice Centre	190,810	190,810	H&SS	Provide accommodation and support, residential and rehab and client support (4, 5)
Jersey Childcare Trust	175,000	175,005	ESC	Support the operations of the Jersey Childcare Trust (1, 4)
Jersey Arts Trust	156,310	158,778	ESC	Support the operations of the Jersey Arts Trust (4)
Canbedone Productions Ltd	50,000	150,000	EDD	Funds to explore economic effects of the filming of a mainstream movie in Jersey (1)
Le Don Balleine Trust	140,930	140,097	ESC	Support the operation of Le Don Balleine (4)
Digital Jersey	-	134,168	EDD	Grant support to cover operating costs (1)
Foreshore Ltd	-	130,573	EDD	Grant support to cover operating costs (1)
Jersey Product Promotion Ltd	160,290	130,000	EDD	Support for promoting Jersey products e.g. Genuine Jersey (1, 7)
Battle of Flowers Association	130,000	130,000	EDD	Battle of Flowers 2012 - Event grant (1)
Jersey Focus on Mental Health	120,880	120,880	H&SS	Provide residential home, respite bed, wardened units and flats and advocacy service (4, 5)
Jersey Legal Information Board	100,000	120,000	Judicial Greffe	Assist with running costs (4)
Durrell Wildlife Conservation Trust	-	115,000	TDF[3]	Contribution towards a new accomodation offering in a niche market (1)
Bureau de Jersey	95,000	105,000	CMD & EDD	Grant for the operation of Bureau de Jersey in Caen (1, 7)
Jersey Consumer Council	100,000	103,695	EDD	Funding of all functions and activities (1)
Jersey Mencap Society	61,183	101,784	SSD	To provide employment opportunities for those with learning difficulties or on the Autistic Spectrum (1)
Total significant grants awarded in 2012		**29,396,185**		
Total other Grants and Subsidies - see Annex Appendix A		**6,066,772**		
Grand Total - Grants and Subsidies awarded in 2012		**35,462,957**		

Notes on Strategic Priorities

Information on which of the States of Jersey Strategic Priorities are supported in awarding each grant is provided in the table above.

1. Get People into work
2. Manage population growth and immigration
3. House our community
4. Promote family and community values
5. Reform Health and Social Services
6. Reform government and the public service
7. Develop sustainable long term planning

Initialisations:

1. JOAC - Jersey Overseas Aid Commission
2. CILF - Channel Island Lottery Fund
3. TDF - Tourism Development Fund

Note 13

Finance Costs

	2011 £'000	2012 £'000
Interest Expense		
PECRS Pre-1987 Debt Expense	14,256	13,979
Finance Lease Interest	1,036	843
Other Interest	44	79
Total Interest Expense	**15,336**	**14,901**
Finance Charges		
Bank and Other Charges	129	147
Total Finance Charges	**129**	**147**
Total Finance Costs	**15,465**	**15,048**

Note 14

Property, Plant and Equipment

	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant & Machinery, Furniture & Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 January 2012	372,160	611,089	550,275	1,177,644	201,908	15,095	183,157	3,078	673	49,141	3,164,220
Additions	2,299	646	-	-	-	25	81	-	24	35,149	38,224
Disposals	(2,432)	(21)	-	-	-	(1,256)	(675)	-	-	-	(4,384)
Transfers	(1,159)	17,139	14,430	4,272	4,872	2,123	7,914	120	-	(51,641)	(1,930)
Revaluations	21,069	128,237	45,333	-	119,796	-	-	-	-	-	314,435
Impairments	(12,684)	(13.950)	(706)	(45,528)	-	-	(131)	-	-	-	(72,999)
At 31 December 2012	**379,253**	**743,140**	**609,332**	**1,136,388**	**326,576**	**15,987**	**190,346**	**3,198**	**697**	**32,649**	**3,437,566**
Depreciation at 1 January 2012	(39,616)	(120,259)	(42,589)	(899)	(19,279)	(6,414)	(25,552)	(865)	(13)	-	(255,486)
Depreciation charge	-	(14,272)	(9,780)	(4,254)	(6,583)	(1,512)	(13,098)	(506)	(5)	-	(50,010)
Disposals	2,377	-	-	-	-	1,137	618	-	-	-	4,132
Transfers	-	(355)	420	-	1	-	(66)	-	-	-	-
Revaluations	5,631	27,132	21,026	-	9,224	-	-	-	-	-	63,013
Impairments	(35,357)	(23,587)	(4,623)	(52)	(27,257)	-	(1,277)	-	-	-	(92,153)
Impairment Reversal	(300)	55,613	9,197	-	1	-	-	-	-	-	64,511
At 31 December 2012	**(67,265)**	**(75,728)**	**(26,349)**	**(5,205)**	**(43,893)**	**(6,789)**	**(39,375)**	**(1,371)**	**(18)**	**-**	**(265,993)**
Net Book Value: 31 December 2012	**311,988**	**667,412**	**582,983**	**1,131,183**	**282,683**	**9,198**	**150,971**	**1,827**	**679**	**32,649**	**3,171,573**
Net Book Value: 1 January 2012	**332,544**	**490,830**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,605**	**2,213**	**660**	**49,141**	**2,908,734**
Asset Financing											
Owned	268,143	636,696	581,998	1,131,183	275,113	9,050	150,799	1,827	45	32,649	**3,087,503**
Donated	34,435	169	-	-	-	148	172	-	634	-	**35,558**
Leased	9,410	30,547	985	-	7,570	-	-	-	-	-	**48,512**
Net Book Value: 31 December 2012	**311,988**	**667,412**	**582,983**	**1,131,183**	**282,683**	**9,198**	**150,971**	**1,827**	**679**	**32,649**	**3,171,573**

Note 14 (continued)

Property, Plant and Equipment

	Land	Buildings	Social Housing (inc Land)	Networked Assets (inc Land)	Other Structures	Transport Equipment	Plant & Machinery, Furniture & Fittings	Information Technology Equipment	Antiques and Works of Art	Assets Under Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation at 1 January 2011	361,122	604,298	545,856	1,040,489	198,899	14,159	61,133	1,568	673	135,497	2,963,694
Additions	610	1,032	-	-	-	61	43	-	-	71,138	72,884
Disposals	(243)	(1,073)	(632)	(37)	-	(511)	(900)	(12)	-	-	(3,408)
Transfers	10,444	7,805	5,648	2,800	3,009	1,386	122,881	1,522	-	(156,917)	(1,422)
Revaluations	(41)	(1,383)	(597)	134,392	-	-	-	-	-	-	132,371
Impairments	268	410	-	-	-	-	-	-	-	(577)	101
At 31 December 2011	**372,160**	**611,089**	**550,275**	**1,177,644**	**201,908**	**15,095**	**183,157**	**3,078**	**673**	**49,141**	**3,164,220**
Depreciation at 1 January 2011	(38,719)	(106,381)	(27,262)	(2,954)	(12,935)	(5,366)	(17,456)	(488)	(8)	-	(211,569)
Depreciation charge	-	(14,782)	(10,187)	(2,655)	(6,344)	(1,497)	(8,245)	(388)	(5)	-	(44,103)
Disposals	212	1,073	632	-	-	449	817	11	-	-	3,194
Transfers	-	668	-	-	-	-	(668)	-	-	-	-
Revaluations	-	-	50	4,742	-	-	-	-	-	-	4,792
Impairments	(1,109)	(1,395)	(5,850)	(32)	-	-	-	-	-	-	(8,386)
Impairment Reversal	-	558	28	-	-	-	-	-	-	-	586
At 31 December 2011	**(39,616)**	**(120,259)**	**(42,589)**	**(899)**	**(19,279)**	**(6,414)**	**(25,552)**	**(865)**	**(13)**	**-**	**(255,486)**
Net Book Value: 31 December 2011	**332,544**	**490,830**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,605**	**2,213**	**660**	**49,141**	**2,908,734**
Net Book Value: 1 January 2011	**322,403**	**497,917**	**518,594**	**1,037,535**	**185,964**	**8,793**	**43,677**	**1,080**	**665**	**135,497**	**2,752,125**
Asset Financing											
Owned	284,065	463,922	506,780	1,176,745	178,176	8,522	157,443	2,213	50	49,141	**2,827,057**
Donated	37,929	193	-	-	-	159	162	-	-	-	**38,443**
Leased	10,550	26,715	906	-	4,453	-	-	-	610	-	**43,234**
Net Book Value: 31 December 2011	**332,544**	**490,830**	**507,686**	**1,176,745**	**182,629**	**8,681**	**157,605**	**2,213**	**660**	**49,141**	**2,908,734**

During the year ended 31 December 2012 the States of Jersey under took a full property valuation exercise. The impact of this valuation exercise on the value of the Property, Plant and Equipment held by the States was an increase of £276.8 million to the total portfolio. In addition there was a decrease in the asset base of £14.0 million (additions of £38.2 million less depreciation of £50.0 million, disposals and transfers of £2.2 million).

The results of the valuation included increases in the Property portfolio (Land, Buildings and Other structures) of £253.6 million and the Social Housing portfolio of £70.2 million, and decrease in the value of networked assets of £45.6 million.

An additional impact of the valuation process was a significant change in the useful economic lives of various assets. In particular Elizabeth Marina which increased by 38 years. Other assets which saw significant movements include the multi storey carparks which increased on average by 20 years and various buildings which increased on average by 5 years.

Impairments

During the year impairment reviews were carried out in line with the States accounting policies and the requirements of the Jersey Financial Reporting Manual (JFReM). This included the consideration of downwards movements in value assessed as part of the revaluation process. Impairments recognised relate primarily to Transport and Technical Services (£45.6 million), where the value of the infrastructure was written down due to a reduction in the location factor applied to all civil works commissioned in Jersey used in the 2012 valuation.

No material impairments of assets, except those due to changes in market value identified as part of the valaution process, occurred during the year.

Investment Properties

Whilst the States does not generally hold assets solely for investment purposes, assets valuing £2.4 million are now held primarily for income generation and are included within Property, Plant and Equipment.

Procedures for Revaluations

All Property Assets with the exception of Assets Under Construction, are subject to a quinquennial revaluation (QQR), with an Interim Valuation after 3 years. A full property valuation was under taken by District Valuer Service (part of the Valuation Office Agency) during the year. A seperate valuation of the Social Housing Portfolio was carried out by Jones Lang LaSalle.

Property Valuations are undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual and are completed on the basis of the existing use value to the Department. Where valuation is made on a “Value in Use” basis, there is no significant difference between Open Market Value and Value in Use.
Infrastructure Assets are revalued annually, with the valuation in 2012 being carried out by District Valuer Services (part of the Valuation Office Agency).

Other non-property assets are valued in accordance with IAS 16 as adapted by the JFReM. This may include valuations by employees of the States of Jersey.

Heritage Assets

The States of Jersey owns a number of assets which are held because of their cultural, environmental or historical associations, rather than for operational purposes. These assets have not been valued where the incomparable nature of the assets means a reliable valuation is not possible, or level of costs of valuation greatly exceed the additional benefits derived by users of the accounts, and in these cases, no value is reported for these assets in the Statement of Financial Position.

There were no significant acquisitions or disposals of States' heritage assets during 2012.

The principle advisor to the States in matters relating to public heritage assets is the Jersey Heritage Trust. The Trust is an independent body incorporated in 1983, and receives an annual grant from the States of Jersey to support its running costs.

Heritage Properties

The States owns a number of Heritage Properties, including Elizabeth Castle, Mont Orgueil Castle, 11 forts and towers, 6 ruins, the Opera House and St James Concert Hall.

The Jersey Heritage Trust has been granted by deed of gift the usufruct of both Castles, and as such has responsibility for these properties, although the States retains legal ownership, and as such they would not be recognised as an asset of the States.

Some of the towers and forts are occupied, either by the States or by external organisations, but any rental amounts received are not reflective of the value of the structure. As any such use is not the principle reason for retaining the properties, these are considered to be non-operational heritage assets. For example, St Aubin's Fort is retained due to its historic and cultural relevance, not as a residential facility. These properties are not valued due to the difficulty in obtaining a reliable estimate of value, and the costs that would be involved in valuation.

The Opera House and St James Concert Hall are both leased to the Jersey Arts Trust, although the States retains the responsibility for maintenance of these properties. These are both treated as operational heritage assets, and are valued and included within the Land and Building asset class on the Statement of Financial Position.

Paintings, sculptures, and other works of art

The States of Jersey owns a number of pieces of Art, including paintings, sculptures, statues, fountains, and other pieces of art in public places. Where a reliable valuation is available these assets have been included on the Statement of Financial Position under the Antiques and Works of Art asset class. However, in a number of cases no valuation is available, and the cost of obtaining one would exceed the benefits, and in these cases no asset is recognised. Thirty one pieces of art have been identified but not recognised on the Statement of Financial Position, including 6 paintings and 20 sculptures in public places.

Other Heritage Assets

Other heritage assets held by the States of Jersey include:
- Rare books at Jersey Library (with an estimated value of £265,000)
- Antique Cannon at Fort Regent (no reliable estimate of value available)
- Various organs[1] and pianos (recognised only where a reliable estimate exists)
- The Bailiff's Mace and the Royal Seal (no reliable estimate of value available)
- Honours Boards, Memorials, Clocks, etc (recognised only where a reliable estimate exists)

1. In particular, The Chapel Organ at Highlands has been awarded a certificate Grade I by The British Institute of Organ Studies in recognition of it being a rare example of instrument by Mutin/Cavaille-Coll 1913, in original condition. Whilst the value of the organ has been approximated at £600,000, the cost of obtaining a formal valuation is considered to outweigh the benefits that would be obtained."

Note 15

Intangible Assets

	Information Technology Software £'000	Assets Under Course of Construction £'000	Total £'000
Cost or Valuation at 1 January 2012	15,053	794	15,847
Additions	-	1,695	1,695
Transfers	1,212	(1,212)	-
At 31 December 2012	**16,265**	**1,277**	**17,542**
Amortisation at 1 January 2012	(5,684)	-	(5,684)
Amortisation charge	(2,035)	-	(2,035)
At 31 December 2012	**(7,719)**	**-**	**(7,719)**
Net Book Value: 31 December 2012	**8,546**	**1,277**	**9,823**
Net Book Value: 1 January 2012	**9,369**	**794**	**10,163**
Asset Financing			
Owned	8,546	1,277	**9,823**
Net Book Value: 31 December 2012	**8,546**	**1,277**	**9,823**

	Information Technology Software £'000	Assets Under Course of Construction £'000	Total £'000
Cost or Valuation at 1 January 2011	10,540	3,041	13,581
Additions	402	1,864	2,266
Transfers	4,111	(4,111)	-
At 31 December 2011	**15,053**	**794**	**15,847**
Amortisation at 1 January 2011	(3,262)	-	(3,262)
Amortisation charge	(2,422)	-	(2,422)
At 31 December 2011	**(5,684)**	**-**	**(5,684)**
Net Book Value: 31 December 2011	**9,369**	**794**	**10,163**
Net Book Value: 1 January 2011	**7,278**	**3,041**	**10,319**
Asset Financing			
Owned	9,369	794	**10,163**
Net Book Value: 31 December 2011	**9,369**	**794**	**10,163**

Note 16

Non-Current Assets Held for Sale

	Non Current Assets Held for Sale £'000
Cost or Valuation at 1 January 2012	3,362
Transfers	1,930
Disposals	(4,708)
Revaluations	136
Impairments	(88)
At 31 December 2012	**632**
Depreciation at 1 January 2012	(98)
Disposals	90
Revaluations	3
Impairments	(91)
Impairment Reversal	2
At 31 December 2012	**(94)**
Net Book Value: 31 December 2012	**538**
Net Book Value: 1 January 2012	**3,264**
Asset Financing	
Owned	538
Net Book Value: 31 December 2012	**538**

All Non-Current Assets held for Sale as at 31 December 2012 are residential properties, in the process of being disposed by the States.

	Non Current Assets Held for Sale £'000
Cost or Valuation at 1 January 2011	6,488
Transfers	1,421
Disposals	(4,758)
Revaluations	211
Impairments	-
At 31 December 2011	**3,362**
Depreciation at 1 January 2011	(394)
Disposals	390
Revaluations	-
Impairments	(94)
Impairment Reversal	-
At 31 December 2011	**(98)**
Net Book Value: 31 December 2011	**3,264**
Net Book Value: 1 January 2011	**6,094**
Asset Financing	
Owned	3,264
Net Book Value: 31 December 2011	**3,264**

Note 17

Loans and Advances

	2010 £'000	2011 £'000	2012 £'000
Analysed by Fund:			
Consolidated Fund	5,602	4,674	3,150
Dwelling Houses Loan Fund	6,025	5,413	4,689
99 Year Leaseholders Account	173	169	165
Assisted House Purchase Scheme	4,273	3,367	2,654
Agricultural Loans Fund	1,824	1,423	1,164
Total Loans and Advances	**17,897**	**15,046**	**11,822**
Maturity Analysis:			
Receivable within one year	2,049	2,446	1,739
Receivable between one and two years	2,457	1,874	1,331
Receivable between two and five years	4,559	3,579	3,008
Receivable in five years or more	8,832	7,147	5,744
Total Loans and Advances	**17,897**	**15,046**	**11,822**

	2010 £'000	2011 £'000	2012 £'000
Changes to Loans and Advances			
Opening Balance	21,118	17,897	15,046
Additional Advances made	103	-	
Repayments	(3,316)	(2,851)	(3,224)
Write Offs	(8)	-	
Closing Balance	**17,897**	**15,046**	**11,822**

No provisions for diminution of value have been required during the year.

Investments in Leases

The States of Jersey does not act as Lessor in any Finance Lease

Note 18

Available-For-Sale Financial Assets

Available-For-Sale investments are non-derivative financial assets that are either designated in this category or not classified in any other categories and are intended to be held for an indefinite period of time. At present the States has no plans to sell any of the assets below.

	2010 £'000	2011 £'000	2012 £'000
Strategic Investments: Equity Shares			
Jersey Electricity plc	71,700	67,600	53,300
Jersey New Waterworks Company Limited	20,200	20,200	25,300
JT Group Limited	106,700	180,800	183,000
Jersey Post International Limited	30,900	20,900	19,800
Total: Equity Shares	**229,500**	**289,500**	**281,400**
Strategic Investments: Irredeemable Preference Shares			
Jersey New Waterworks Company Limited	4,500	7,400	7,400
JT Group Limited	20,000	29,500	-
Total: Preference Shares	**24,500**	**36,900**	**7,400**
Total Strategic Investments	**254,000**	**326,400**	**288,800**
Other Available for Sale investments held at Fair Value			
Homebuyer Housing Property Bonds	8,638	8,190	8,229
P7 Housing Property Bonds	5,759	5,847	6,057
Other	-	298	303
Total Other Available for Sale Investments	**14,397**	**14,335**	**14,589**

Strategic Investment Holdings:

Jersey Electricity plc

The States of Jersey holds all the ordinary shares in Jersey Electricity plc which represents approximately 62% of the Company's total issued share capital as at 31 December 2012 (86.4% of the total voting rights). Jersey Electricity plc also has "A" shares in issue which are listed on the London Stock Exchange, and two classes of preference shares, which hold 3% of the voting rights.

Jersey New Waterworks Company Limited

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 2012.

In addition, Jersey New Waterworks Company Limted has 6 other classes of preference shares issued.

Each ordinary share carries one vote. Whilst 'A' ordinary shares are in the ownership of the States of Jersey, the total number of votes carried by these shares is twice the number of votes cast in respect of all other shares.

Every holder of a preference share holds one vote, irrespective of the number and class of such preference shares.

States of Jersey Investment Limited

The States of Jersey owns 100% of the share capital of States of Jersey Investments Limited (SOJIL), a company used to hold the investments in JT Group Limited and Jersey Post International Limited. Due to its nature as a holding company, SOJIL is consolidated in full and included inside the Consolidated Fund. This has the effect of treating the investments in JT and Jersey Post as part of the Consolidated Fund.

JT Group Limited

SOJIL holds all the Ordinary shares in the JT Group Limited. During the year, the 9% cumulative preference shares were redeemed by the company at their par value of £20 million.

Jersey Post International Limited

SOJIL holds all the Ordinary shares in Jersey Post International Limited.

States of Jersey Development Company Limited

The States of Jersey holds 100% of the issued share capital for the States of Jersey Development Company Limited. However, this is consolidated in full in the accounts and therefore not accounted for as a strategic investment.

Basis of Valuation of Strategic Investments

Strategic Investments are valued in line with the JFReM, IAS 39 and the Accounting Policies specified in Note 1.

Specifically, the following methodologies have been used to value Ordinary Share Capital:

Jersey Electricity plc	Market Value of "A" Shares, inflated by a controlling interest factor, and reduced by a marketability factor.
Jersey New Waterworks Company Limited	Discounted Cash Flow
JT Group Limited	Discounted Cash Flow
Jersey Post International Limited	Discounted Cash Flow

These valuations are intended to represent the accounting fair value in respect of these companies and are prepared solely for inclusion in the accounts. Such valuations do not indicate the value that might be sought or received from a full or partial sale of any holding. The States' investments in these companies are held on a long term basis; there is no intention to sell any of the States holdings at the present time.

Preference Shares are valued using the Dividend Valuation Model. Due to the method of valuation, increases in the value of preference shares will reduce the value of the equity shares. In 2010 Preference Shares were valued at par, and comparatives have not been restated.

Results of the 2012 Valuation

Overall the value of Strategic Investments decreased by £37.6 million. There was a decrease in the Strategic Investment in JT of £27 million. The value of equity shares increased by £2.2 million, and the preference shares (valued at £29.5 million in 2011) were redeemed. There was also the issue of an infrastructure investment of £10 million which is accounted for separately from the Strategic Investment (see Note 19). The investment in Jersey Water increased by £5.1 million, partly due to improved revenue forecasts and partly due to a lower Weighted Average Cost of Capital.

The investment in Jersey Electricity decreased in value (by £14.3 million), reflecting the drop in the traded share price at the year end. The valuation of Jersey Post was relatively stable.

Other Available for Sale investments held at Fair Value

These investments are bonds that arise from the sale of properties to States tenants as part of the Social Housing Property Plan 2007-2016 (SHPP), sales to first time buyers qualifying under the Homebuy scheme and other similar arrangments.

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. During the year new bonds with a value of £181,250 (2011: £451,250) were issued.

Upon the next sale and/or transfer of the property, the greater of the bond value and a proportion (as stated in the bond agreement) of the market value is paid to the States. During 2012, £31,430 of bonds were redeemed (2011: £23,500), with a gain of £8,570 being recognised.

Some variants of the bond scheme in the SHPP include an element where the percentage of the bond value reduces. It is not expected that these bonds will be redeemed before the amount has reduced to a minimum, and therefore the value of these bonds is calculated based on this assumption.

There is no history of default rates within the scheme. Where the likelihood of recovering the bond amount is in doubt, an impairment review is carried out, and the value of the bond adjusted accordingly. Where a mortgage exists the mortgagor will have first call upon that property.

The Bonds are valued to reflect:

- the increase, and expected future increases, in the market value of the relevant property (calculated with reference to the Jersey HPI)

- the time value of money (using the States nominal discount rate of 6.1%)

- any indication of impairment of the bonds.

	2011 £'000	2012 £'000
Movement in Fair Value		
Opening Fair Value	14,397	14,335
Issue of New Bonds	451	181
Redemption of bonds	(24)	(31)
Movement in Fair Value	(458)	73
Other Movements	(31)	31
Closing Fair Value	**14,335**	**14,589**

As bonds mature on the sale of the underlying property, which is outside of the States control, no Housing Bonds have been classified as Current Assets.

Note 19

Infrastructure Investments

	2010 £'000	2011 £'000	2012 £'000
Currency Fund: JT - Gigabit Jersey	-	-	10,000
Currency Fund: Parish of Trinity	-	-	-
Total Infrastructure Investments	**-**	**-**	**10,000**

JT - Gigabit Jersey

A £10 million investment was approved in 2011 to provide support to JT for the financing of the Gigabit Jersey project. The Currency Fund carried out an Infrastructure Investment in JT Group Limited (JT) in line with its current Investment Strategy. The Infrastructure investment has taken the form of a 2.5% Redeemable Preference Share instrument. During 2012 all of the £10 million 2.5% Redeemable Preference shares were issued (£4 million in April, £3 million in June and £3 million in September).

Parish of Trinity

A £6 million investment was approved in 2012 to provide financing to the Parish of Trinity for their phase one building project on Field No 578 to construct 25 first time buyer homes. The Currency fund will carry out an Infrastructure investment in the Parish for this specific purpose, in line with its current Investment Strategy. An Infrastructure Investment Agreement and a letter of support was signed by the Parish. During 2013 and 2014 these monies are expected to be drawn down. The Investment is expected to last for approximately 18 months and the investment returns will exceed the current level of returns the Currency Fund receives from its cash investments.

Note 20

Investments held at Fair Value through Profit or Loss

Investments held in the Common Investment Fund are managed as a portfolio reported at Fair Value, and so the States has designated these investments at Fair Value through Profit or Loss. More details of CIF investments are included in Note 35. Investments held with the States' Cash Manager are classified as Cash Equivalents, and included in Note 23.

	2010 £'000	2011 £'000	2012 £'000
Equities	213,970	295,330	340,997
Government bonds	235,465	206,283	207,273
Corporate Bonds	107,777	121,266	115,550
Certificates of Deposit	227,857	175,315	226,559
Other	-	-	-
Total Investments at FVTPL	**785,069**	**798,194**	**890,379**

Investments are carried at market value in the accounts, which is not materially different from fair value.

	£'000	£'000	£'000
Maturity Analysis			
Less than one year	272,050	241,090	312,756
Between one and two years	85,207	93,215	57,017
Between two and five years	158,549	111,301	115,396
More than five years	55,293	57,258	64,214
Equities	213,970	295,330	340,996
Total Investments at FVTPL	**785,069**	**798,194**	**890,379**

Note 21

Inventories

	2010 £'000	2011 £'000	2012 £'000
Analysed by Fund:			
Consolidated Fund	4,304	5,314	5,216
Jersey Currency Fund	2,129	1,829	1,987
Jersey Fleet Management	55	33	50
Jersey Airport	256	346	350
States of Jersey Development Company Limited.	23,023	24,673	25,510
Total Inventories	**29,767**	**32,195**	**33,113**
Analysed by Type:			
Raw Materials, Consumables, Work in Progress and Finished Goods	6,790	7,568	7,649
Development Property Inventories	22,977	24,627	25,464
Total Inventories	**29,767**	**32,195**	**33,113**

Note 22

Trade and Other Receivables

	2010 Total £'000	2011 Total £'000	2012 Receivables £'000	2012 Accrued Revenue £'000	2012 Total £'000
Amounts falling due within one year					
Taxation Receivables					
Income Tax Receivables and Accrued Income	59,198	52,748	54,154	1,174	55,328
GST Receivables and Accrued Income	13,941	21,368	4,904	18,731	23,635
Provision for taxation receivables	(9,599)	(9,311)	(11,084)	-	(11,084)
Total Taxation Receivables	**63,540**	**64,805**	**47,974**	**19,905**	**67,879**
Non-taxation Receivables					
Trade Receivables	28,750	35,945	-	-	29,233
Prepayments and accrued income	17,490	16,991	-	-	16,082
Other Receivables	2,175	1,566	-	-	3,732
Provision for non-taxation receivables	(1,437)	(1,325)	-	-	(2,191)
Total Non-taxation Receivables	**46,978**	**53,177**	**-**	**-**	**46,856**
Total Receivables due within one year	**110,518**	**117,982**	**-**	**-**	**114,735**
Amounts falling due after more than one year					
Trade and other Receivables	11	9	-	-	7
Total Receivables due after more than one year	**11**	**9**	**-**	**-**	**7**
Total Receivables	**110,529**	**117,991**	**-**	**-**	**114,742**

Taxation Receivables

The Taxes Office actively monitors taxation receivables, and provides for doubtful debts based on the whole portfolio of receivables.

The provision is established as follows: receivables in excess of a defined threshold are reviewed individually to identify cases where there is a significant risk of non-collection - a specific provision is then made for these receivables. The remainder of the receivables are stratified by age, based on the year of assessment, and a set percentage provision is applied to each age category. The percentage provision increases with the age of the receivable, and is based on past experience.

The balance of taxation receivables after the provision for doubtful debts is therefore representative of the amount that is expected to be recovered for taxation receivables as a whole, and takes into account the risks of non-collection.

Non-Taxation Receivables

Included in the non-taxation receivables balance are debtors with a carrying value of approximately £3.3 million (2011: £4.0 million) which are past due at the reporting date for which the States has not provided as there has not been a significant change in credit quality and amounts, and are still considered recoverable.

Ageing of past due but not impaired non-taxation receivables:	**2011 £'000**	**2012 £'000**
30-60 days	2,459	1,504
61-90 days	404	335
91- 120 days	249	121
more than 120 days	894	1,389
	4,006	**3,349**

Movement in the allowance for non-taxation receivables	**2011 £'000**	**2012 £'000**
Balance at 1 January	1,437	1,325
Impairment losses recognised	312	903
Amounts written off as uncollectible	(164)	(227)
Impairment losses reversed	(38)	(51)
Other Adjustments	(222)	241
Balance at 31 December	**1,325**	**2,191**

In determining the recoverability of a receivable any change in the credit quality of the debtor from the date credit was originally granted was considered.

The concentration of credit risk is limited due to the receivable base being large and unrelated.

Ageing of impaired non-taxation receivables:	**2011 £'000**	**2012 £'000**
30-60 days	2	99
61-90 days	14	70
91- 120 days	11	54
more than 120 days	1,298	1,968
	1,325	**2,191**

The States considers that the carrying amount of Trade and Other receivables is approximately equal to their fair value.

Note 23

Cash and Cash Equivalents

	2010 £'000	2011 £'000	2012 £'000
Bank deposit accounts	90,718	62,948	62,203
Bank current accounts	2,575	1,928	6,470
Cash in hand and in transit	740	225	290
Cash Equivalents[1]	113,883	98,127	74,174
Total Cash and Cash Equivalents	**207,916**	**163,228**	**143,137**

1. Cash Equivalents include highly liquid investments held by the States Cash Manager. These were previously accounted for as investments under UK GAAP.

Note 24

Trade and Other Payables

	2010 £'000	2011 £'000	2012 £'000
Amounts falling due within one year			
Trade Payables	36,834	35,154	39,027
Current Portion of PECRS Past Service Liability	4,038	4,167	4,324
Income Tax Payables and Receipts in Advance	55,917	62,897	69,275
Accruals and deferred income	11,964	14,281	16,486
Receipts in advance	8,586	9,214	9,718
Total Payables due within one year	**117,339**	**125,713**	**138,830**

The average credit period taken for purchases is 33 days (2011: 32 days).

The States considers that the carrying value of trade payables approximates to their fair value.

Note 25

Currency in Circulation

	2010 £'000	2011 £'000	2012 £'000
Jersey Notes issued	96,062	91,158	88,984
Less: Jersey Notes held	(10,835)	(8,451)	(6,703)
Total Jersey Notes in Circulation	**85,227**	**82,707**	**82,281**
Jersey Coinage issued	8,986	8,987	9,172
Less: Jersey Coinage held	(1,434)	(1,098)	(983)
Total Jersey Coinage in Circulation	**7,552**	**7,889**	**8,189**
Total Currency in Circulation	**92,779**	**90,596**	**90,470**

Under the Currency Notes (Jersey) Law 1959 the States produce and issue 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.

Note 26

Finance Lease Obligations

The States of Jersey have entered into finance lease and sale and lease back arrangements to finance the development of certain capital projects, Morier House, Maritime House and the airport alpha taxiway. At 31 December 2012, the States had commitments to make the following payments under these arrangements.

	Minimum Lease Payments		
	2010 £'000	2011 £'000	2012 £'000
Amounts payable under finance leases			
Within one year	3,936	3,962	2,692
In the second to fifth years inclusive	12,058	9,630	8,462
After five years	5,509	3,984	2,460
Gross Minimum Lease Payments	**21,503**	**17,576**	**13,614**
Less: future Finance charges	(4,579)	(3,514)	(2,628)
Total Finance Lease Obligations	**16,924**	**14,062**	**10,986**

	Present Value of Minimum Lease Payments		
	2010 £'000	2011 £'000	2012 £'000
Amounts payable under finance leases			
Within one year	2,862	3,076	1,964
In the second to fifth years inclusive	9,373	7,485	6,796
After five years	4,689	3,501	2,226
Total Finance Lease Obligations	**16,924**	**14,062**	**10,986**

Note 27

Provisions

	2010 £'000	2011 £'000	2012 £'000
Provisions as at 31 December made up of:			
Self insurance claims	1,205	1,508	2,254
Other provisions - to be used within one year	4,448	22,660	1,327
Other provisions - to be used after one year	5,058	6,672	4,607
Total Provisions	**10,711**	**30,840**	**8,188**

	2011 £'000	2012 £'000
Movement in Provisions		
Balance 1 January	10,711	30,840
Increase in Provisions	26,346	1,425
Use in Year	(6,047)	(24,048)
Other movements	(170)	(29)
Balance 31 December	**30,840**	**8,188**

Material amounts included in "Other Provisions" include:	2010 £'000	2011 £'000	2012 £'000	Note
Voluntary Redundancy	4,448	-	-	i
Asset Sharing Agreement - Nigeria	-	22,600	-	ii
Decommissioning - Old EfW	2,080	2,080	1,287	iii
Decommissioning - New EfW	-	2,080	2,080	iv
Asset Sharing Agreement - Other	1,871	1,871	1,871	v

i - Various provisions for voluntary redundancy payments, approved as part of the VR Scheme agreed by the States under P64/2010, but not paid by the end of the year.

ii - A significant confiscation was made in 2011 and a provision was made as a consequence of an asset sharing agreement entered into with Nigeria.

iii - A pre existing provision relating to the decommissiong of the existing Energy from Waste plant (in accordance with IAS 37). This decommissioning was agreed by the States as part of P73/2008, and was used in 2012.

iv - Provision for new Energy from Waste decommissioning in accordance with IAS 37. Approval for this expenditure will not be sought until closer to the end of the plant's useful life.

v - Relating to seizures of assets that may become payable to other jurisdictions depending on the outcome of Court decisions. The assets are included in the States accounts in full.

Note 28

Derivative Financial Instruments

	2010 £'000	2011 £'000	2012 £'000
Derivative Liabilities			
HDF Letters of Comfort	2	2	4
Total Derivative Liabilities	**2**	**2**	**4**
Derivative Assets			
Other Financial Derivatives	-	299	493
Total Derivative Assets	**-**	**299**	**493**

Housing Trusts Letters of Comfort

The Treasury and Resources Department have agreed to provide financial support to various Housing Trusts in respect of bank loans. To this end, the department has issued a total of 33 Letters of Comfort to 6 Housing Trusts, covering loans totalling £125.4 million as at 31 December 2012 (2011: £128.8 million). These loans do not consitute guarantees, but provide a cap on interest rates - if rates exceed an agreed threshold the States will provide a subsidy (through the Housing Development Fund) equal to the excess. Due to low interest rates, no subsidies have been paid since 2009. The letters cover a range of periods, with the last exposure currently expiring in 2034.

Valuation

The value of the liability that these letters represent has been determined using Discounted Cash Flow methods, using estimations of future interest rates to project subsidy payments.

Sensitivity

The values of interest rate caps are dependent on several factors, including year end loan balances, commercial expectations of future interest rates, and changes in the markets' expectations. Changes in these factors could lead to changes in the future value of the liability recognised, to reflect expected changes in the subsidies that are expected to be paid.

Whilst latest market indications are that interest rates are not expected to increase to levels that will trigger the payment of a subsidy for several years, the table below shows what the approximate level of subsidy payments would be in 2013 if rates were at various levels for the year.

Interest Rate (LIBOR)	Value of Subsidies (2013) £'000
3%	0
4%	685
5%	1,580
6%	2,752
7%	3,966
8%	5,179

Other Financial Derivatives

Year of Expiry	Nominal Amount Hedged £'000	Fair Value of Contract 2011 £'000	Fair Value of Contract 2012 £'000
2012	3,255	98	-
2013	5,056	114	263
2014	4,884	87	230
Total Derivative Assets		**299**	**493**

The States of Jersey receives some income in Euros, particularly with respect of the Channel Islands Air Control Zone (approximately £7 million per annum). The States has entered into a number of forward contracts to sell Euros in excess of operational requirements at a fixed rate between 2012 and 2014.

Whilst these instruments hedge foreign exchange risk, they have not been designated as hedging instruments and are accounted for at Fair Value through the Operating Cost Statement. More details on the management of Foreign Exchange risk is given in Note 34.

Details of Gains and Losses recognised on these instruments are given in Note 9.

Other derivatives may be held on a short term basis where this is appropriate for the management of the States investments. No such instruments were held at the year end. As gains and losses are small and relate directly to investments held at Fair Value through the Profit or Loss, any gains and losses on these derivatives are included within gains and losses on these investments.

Note 29

Past Service Liabilities

PECRS pre-1987 debt

The framework for dealing with the pre-87 debt is documented in the ten-point agreement. Under this agreed framework, annual repayments are due to be paid until 31 December 2083. The amount payable increases each year in line with the average pay increase of Scheme members who are States employees. This means that the repayment of the debt is weighted towards the end of the loan period. Due to the relative size of the annual payment the States does not consider that this liability leads to any significant liquidity risk.

The debt is valued as a salary-like bond and the long term nature of this arrangement means that the level of the debt is sensitive to changes in the market conditions that are used to value the debt. It is possible for the level of the debt to increase or decrease over the course of a financial year due to changes in market conditions. During 2012 the value of the pre-87 debt decreased by £1.6 million. Changes in these assumptions can affect the value of the liability included in the Accounts. For example, an increase of 0.1% in the Discount Rate, or a decrease of 0.1% in the staff increase assumption, would result in a decrease in the liability of approximately £8 million. Conversely, a decrease of 0.1% in the Discount Rate, or an increase of 0.1% in the staff increase assumption would lead to an increase of approximately £8 million. Such movements in the liability amount are recognised within the "Movement in Pension Liabilities" line in the SoCNE.

	2011 £'000	2012 £'000
Balance at 1 January	269,473	252,019
Finance Charge	14,256	13,979
Payment in Year	(3,961)	(4,111)
Movement in Liability amount	(27,749)	(11,436)
Balance at 31 December	**252,019**	**250,451**

	2011 £'000	2012 £'000
Amounts Falling due		
Within one year	4,167	4,324
After one year	247,852	246,127
Total	**252,019**	**250,451**

The calculation of the Closing Liability amount uses the following assumptions:

	2011 %	2012 %
Average future increase in Staff Expenditure	5.00	4.87
Discount Rate	5.45	5.42

JTSF Past Service Liability

The Teachers' Superannuation Scheme was restructured in April 2007 and as a result a provision for past service liability, similar to the PECRS pre-87 past service liability, was recognised. In 2012, as part of the process for completing the 2010 Actuarial Valuation, the Scheme's Management Board made a proposal to the States on the treatment of the pension increase debt.

On the basis of the Management Board proposal the Scheme Actuary has calculated the value of this past service debt at the actuarial valuation date and an updated value as at 31st December 2012. As a result the provision has decreased from £135.1 million to £97.7 million, with the movement being recognised within the "Movement in Pension Liabilities" line in the SoCNE.

This represents the expected amount that will be required to settle the liability, based on the latest information available in the 2010 Actuarial Valuation of the Scheme and the Management Board proposal. The reduced level of debt reflects the Management Board decision to set the level of the Pre-2007 debt at a level that ensures there is no actuarial surplus or deficit in the Scheme at the 2010 Actuarial Valuation.

The liability had not been formally agreed as at 31 December 2012, but a proposition will be taken to the States during 2013 to amend the relevant orders to formally recognise the liability, and determine how it will be repaid. In subsequent years the liability would then be likely to be valued in a similar way to the PECRS Pre-1987 Debt.

	2011 £'000	2012 £'000
Balance at 1 January	114,000	135,100
Movement in Liability amount	21,100	(37,353)
Balance at 31 December	**135,100**	**97,747**

Note 30

Defined Benefit Pension Schemes Recognised on the Statement of Financial Position

The States of Jersey operates three defined benefit pension schemes: the Jersey Post Office Pension Fund (JPOPF), the Discretionary Pension Scheme (DPS) and the Civil Service Scheme (CSS). In addition, the States also has responsibility for the unfunded Pensions Increase Liability (PIL). The States also operates a further two schemes which are not recognised on the Statement of Financial Position, details of which are given in the Treasurer's Report.

Assumptions

The main financial assumptions made by the actuary where applicable were:

Demographic Assumptions for each scheme are made by the Actuary, as are assumptions about the long term returns on various asset classes.

	2010 % p.a.	2011 % p.a.	2012 % p.a.
Jersey Price Inflation	3.9	3.3	3.2
Rate of general long-term increase in salaries	5.2	4.0	3.9
Rate of increase to pensions in payment	3.9	3.3	3.2
Rate of increase to pensions in payment payable by PECRS	3.6	3.0	3.05
Discount rate for scheme liabilities	5.3	4.6	4.3

Scheme Assets and Liabilities

The JPOPF holds assets in several classes, with the majority being Gilts. The DPS has a single asset, in the form of a Secured Pension.

The JPOPF had reported a small surplus for a number of years, but this is not recognised as an asset due to the restrictions of paragraph 58 of IAS 19, which only allows assets to be recognised to the extent that they are recoverable.

	2010 Net Liability £'000	2011 Net Liability £'000	2012 Asset £'000	2012 Liability £'000	2012 Net Liability £'000	
Jersey Post Office Pension Fund	-	-	(9,106)	9,694	588	1
Discretionary Pension Scheme	335	298	(238)	530	292	
Jersey Civil Service Scheme (pre-67)	6,153	6,167	-	5,973	5,973	
1972 Pensions Increase Act	4,664	5,028	-	2,429	2,429	
Total Defined Benefit Pension Schemes Net (Asset)/Liability	**11,152**	**11,493**	**(9,344)**	**18,626**	**9,282**	

Amounts recognised in Net Revenue Expenditure

The difference between expected returns on scheme assets and interest on scheme liabilities is recognised in Net Revenue Expenditure.

	2010 £'000	2011 £'000	2012 £'000
Jersey Post Office Pension Fund	210	137	161
Discretionary Pension Scheme	28	20	14
Jersey Civil Service Scheme (pre-67)	6,599	315	274
Pensions Increase Liability	4,664	266	(2,616)
Total Defined Benefit Pension Schemes Charges	**11,501**	**738**	**(2,167)**

Amounts recognised in Other Comprehensive Income

Actuarial Gains and Losses on both scheme assets and liabilities are recognised through Other Comprehensive Income.

The Jersey Civil Service Scheme (pre-1967) (CSS) was first recognised in 2010. The profit and loss charge for this scheme was combined with the amount recognised in the Statement of Total Recognised Gains and Losses for 2010.

	2010 £'000	2011 £'000	2012 £'000
Jersey Post Office Pension Fund	1,420	137	(427)
Discretionary Pension Scheme	25	31	12
Jersey Civil Service Scheme (pre-67)	-	(140)	22
Pensions Increase Liability	-	(120)	(59)
Total Gains/(Losses) recognised in Other Comprehensive Income	**1,445**	**(92)**	**(452)**

Note 31

Capital Commitments

At the reporting date the States had authorised capital expenditure of £98.9 million. (2011: £71.6 million) from the consolidated fund which had not yet been incurred. A further £41.5 million was authorised from the Trading Funds, but not incurred (2011: £40.7 million).

This amount includes the following amounts which are committed via a contractural arrangement, but not yet incurred/provided for.

	2011 £'000	2012 £'000
HSS: Equipment Replacement	-	558
Housing: Le Squez Phase 2	1,424	4,868
Housing: La Collette Phase 1	257	4,039
Housing: Salisbury Crescent	262	11
Housing: Clos Gosset 1 - 83 Refurbishment	2,565	600
Housing: Pomme D'Or Farm Refurbishment	4,896	1,548
Housing: Journeaux Street 2 & 4	-	1,327
Housing: Jardin Des Carreaux	-	169
Housing: Lesquende - Phase 1	-	368
Housing: Le Coin	-	179
TTS: Energy From Waste Project	1,514	70
TTS: In Vessel Composting	789	20
TTS: Fire Fighting System	-	254
TTS: Phillips Street Shaft	-	655
TTS: Town Park	-	141
T&R (JPH): Police Relocation (Phase 1)	144	1,044
T&R (JPH): Oncology Department	-	499
T&R (JPH): Intensive Care Unit	-	610
T&R (JPH): Grainville Phase 4a	637	-
T&R (JPH): Prison Improvement Phase 4	3,056	71
T&R (JPH): HD Farm Building and Incinerator	479	-
T&R (JPH): Highlands (A Block)	101	-
T&R (JPH): Rosewood House Refurbishment	285	17
T&R (ITAX): Itax Development Office	-	1,059
T&R (ITAX): Itax Development TTP	-	166
Jersey Airport: Runway Sweeper	-	112
Jersey Harbours: Port Crane	-	546
Total Capital Committments	**16,409**	**18,931**

Note 32

Commitments under Operating Leases: The States as Lessee

Total Minimum lease payments under operating leases are given below:

	2011 £'000	2012 £'000
Land and Buildings		
Within one year	757	682
In the second to fifth years inclusive	2,143	2,420
After five years	1,008	1,055
Total Land and Buildings	**3,908**	**4,157**
Plant and Machinery		
Within one year	3	3
In the second to fifth years inclusive	5	2
After five years	-	-
Total Plant and Machinery	**8**	**5**
Other Operating Leases		
Within one year	184	165
In the second to fifth years inclusive	7	-
After five years	-	-
Total Other Operating Leases	**191**	**165**
Total Operating Lease Commitments	**4,107**	**4,327**

Note 33

Commitments under Operating Leases: The States as Lessor

The States acts as lessor in a number of operating lease arrangements.

Included in Property, Plant and Equipment are assets held for use in operating leases:

	2011 £'000	2012 £'000
Cost	684,255	751,176
Accumulated Depreciation	(65,533)	(28,234)
Net book Value	**618,722**	**722,942**

The majority of this amount relates to Social Housing Assets, with a NBV of £582 million (2011: £508 million). At the reporting date, the States had contracted with tenants for the following minimum lease payments:

	2011 £'000	2012 £'000
Within one year	43,546	43,930
In the second to fifth years inclusive	181,109	184,782
After five years	47,603	48,549
Total	**272,258**	**277,261**

Note 34

Risk Profile and Financial Instruments

This note provides certain information relating to particular financial instruments which are material in the context of the accounts as a whole.

This year represents the second full year of operation of the Common Investment Fund (the “CIF”) following its establishment on 1st July 2010. The CIF was instigated as an arrangement to allow States Funds and other Funds managed by the States to pool their assets for investment purposes.

The Minister for Treasury and Resources presented his latest investment strategy on 1st October 2012 setting out the strategy for each Fund; including Strategic Aims and investment limits to mitigate risk. The Minister has also published a policy on corporate governance and ethical investment.

The identification, understanding and management of risk are, by necessity, a major part of the management activities.

a) Common Investment Fund

Market Risk

Equity Price Risk

The States of Jersey is exposed to equities price risk as it holds £341 million in equity instruments traded on a range of global stock exchanges. The price of units in the Investment Pools will therefore vary subject to market fluctuations.

Over long periods of time the Investment Pools are expected to produce positive total returns; in the short term the value of the Investment Pools will fluctuate according to market conditions, generating gains and losses on Pool values. Investment Strategies for Investment Pools are developed for generally long-term growth and it is possible that investment objectives may not be fully met over a short-term horizon.

The States of Jersey Investment Advisor has estimated equity growth in 2013 with a 3% range around a mean estimate to give an optimistic and pessimistic expected scenario. This range has been applied to give an estimate of the exposure to equity price risk at the reporting date.

The table below illustrates how a 3% variation in equity values in different currency denominations would have affected net revenue income for the year ended 31 December 2012. If there was a 3% rise or fall in global equity prices the total impact is estimated to be £10.2 million (methods and assumptions are consistent with the prior period).

Equity Denomination	Impact of a 3% fall in equity value £m	Impact of a 3% fall in equity value £m
Sterling	(2.9)	2.9
Euro €	(4.7)	4.7
US Dollar $	(1.0)	1.0
Other	(1.6)	1.6

Currency/Foreign Exchange Risk (Overseas & Global Pools)

The Global Equity Pools may invest in equities denominated in currencies other than sterling.
As a result, changes in the rates of exchange between currencies may cause the value the Pools to vary in line with the value of the investments held within them. This risk is managed through the asset selection of the underlying Investment Managers.

Exposure to currency risk through the buying and selling of investments is managed though permitting Investment Managers to utilise forward foreign exchange contracts for hedging purposes. Hedging is permitted into sterling, and cross hedging (hedging into a currency other than sterling) is not permitted unless the cross hedge is part of a set of deals which are designed to achieve in aggregate a hedged position back into sterling. The maximum amount of hedging permitted is 100% of the value of the securities in the relevant country.

The sensitivity analysis below has been determined based on the exposure to investments held in foreign currencies at the reporting date.

The table below illustrates how a 10% variation in equity values in different currency exchange rates would have affected net revenue income for the year ended 31 December 2012. If there was a 10% movement in the value of the pound against all currencies the total impact would be £24.5 million.

Investment Denomination	Impact of a 10% fall in equity value £m	Impact of a 10% fall in equity value £m
Euro €	(15.7)	(15.7)
US Dollar $	(3.4)	(3.4)
Other	(5.4)	(5.4)

Investment Manager Risk

An advantage in pooling funds for investment purposes is the ability to achieve greater economies of scale than would be available to each participant investing individually.

Investment Manager Risk has been addressed through placing limits on the amount which may be placed with each Manager therefore limiting the risk exposure of any single Investment Manager. Where the maximum limit on a Pool is reached, the Pool can be expected to be closed to new investments, but increases in market value above the maximum amount may still occur due to market movements and would not necessitate the closure of the Pool. Similarly a minimum amount is set for each Pool below which the Pool may not be viable as a separate entity.

The following table sets out the ranges each Investment Manager should be responsible for, for each different Pool type within the CIF:

Pool Asset Classes	Minimum Amount £m	Maximum Amount £m
Equities	75	250*
Bonds	100	500
Cash	0	100,000

An 'in principle' minimum and maximum value is set for the amount which may be invested per individual Investment Manager, dependent on respective class of Investment they manage.
Maximum values are set to limit to concentration risk with any single manager and is dependent on asset class; higher risk classes, such as equities, receive a lower investment 'ceiling'. Minimum values are set per manager in accordance with their fee scales in order to ensure asset allocations remain efficient.

*During the year money was withdrawn from the Global Equity Managers as high returns pushed asset values to in excess of their £250 million limit. As at the year end, further gains driven by rallies in the Equity Markets have pushed holdings in the Global Equity Pools to in excess of their prescribed limits. Arrangements are in place to expand the capacity in Global Equity Pools; this will decrease the concentration with any single manager back to within the preset limits.

Operational Risk

The Custodian and Investment Managers provide monthly reports confirming compliance with the agreed Investment Manager mandates and controls. The Investment Management Department investigates any breaches to determine the cause and any actions required.

As at 31st December 2012 there were no breaches outstanding.

Liquidity and Cash flow Risk

The Treasury forecasts cash flow for Funds to ensure that sufficient short-term cash is available to meet monthly cash requirements. Each Fund's asset strategy is prepared to take account of cash/liquidity requirements, and investments are held in accordance with these strategies. When required, units are sold from the CIF to provide the necessary liquidity.

Credit and Counterparty Risk

Equity investments

To mitigate against the risk that an investment defaults and to limit the exposure to a particular investment performing poorly the following restrictions are in place.

1. Only investments that are, at the time of acquisition, quoted on Regulated, Recognised or Designated Investment Exchanges as determined by the UK Financial Services Authority or new issues with a quotation after issue or traded on an Approved Stock Exchange and EEA Regulated Markets published by the Joint Money Laundering Steering Group on its website from time to time are allowed. Grey (unofficial) market or over the counter transactions are not permitted.
2. Each Investment Manager may hold up to 5.0% of the Fund in warrants, nil and partly paid securities, provided that it is reasonably foreseeable that the warrants could be exercised or the calls paid without breaching the investment restrictions in this Agreement.
3. No Investment Manager is permitted to acquire share holdings greater than 3% of the issued share capital in any one company.

Compliance with these limits has occurred throughout the year.

Bonds and gilts

Investments in bonds and gilts are dependent on the solvency of financial institutions which have issued instruments. To mitigate this risk a number of issuers are used to manage and diversify the risk. The following restrictions are placed on the Investment Manager to ensure there is no reliance on one issuer.

1. The maximum percentage of the total market value of the fixed income portfolio that may be directly invested in any single issue at the date of the purchase is as follows:

Bond Credit Ratings	Corporate Bonds Maximum %	Gilts Maximum %
AAA	5	5
AA	4	3
A	3	2
BBB	2	1½

2. The maximum proportion of the Corporate Bond Pools which can be directly invested in securities of an "A" credit rating and below is equal to that of the benchmark of the Pool plus 5%. In the case of the Short Term Corporate Bond this benchmark is the Merrill Lynch Corporate & Collateralized 1-5 Years index. For the Long Term Corporate Bond Pool this is the Merrill Lynch Corporate & Collateralized 5+ Years index.

3. The maximum proportion of the Corporate Bond Pools which can be directly invested in securities of credit rating BBB (or if applicable below) is again equal to their respective benchmark plus 5%.

4. The Gilt Pool must retain a minimum of 85% of the portfolio in UK government bonds, up to 10% of the portfolio may be invested in overseas government bonds; however these bonds must be of investment grade. Up to 5% of the portfolio may be held in cash.

Compliance with these limits has occurred throughout the year.

Cash

The same cash manager controls the CIF Cash Pools and the deposit accounts of the States of Jersey. The risks faced inside the CIF are similar to those faced by the cash assets held outside the CIF, detailed below.

b) Cash Management

The States Cash Manager is restricted in the asset classes that he/she may invest in and the proportion of funds that may be invested in each asset class. The main control is the restriction on the industry rating which limits which institutions deposits can be held with.

Deposit term	Minimum Industry Rating
Short term (up to 3 months)	Standards & Poor's A1 and Moody's P1
Long term (over 3 months)	Standards & Poor's AA- and Moody's Aa3

Assets are required to be sold when an Institution holding a deposit is downgraded to A3 or lower.

Compliance with these limits has occurred throughout the year.

Interest Rate Risk

Interest rate risk exists as unexpected changes in interest rates will lead to variations in the level of income received by the States of Jersey from investments that pay variable interest. Placement decisions are made based on expectation of future interest returns and the requirements to hold cash and are actively managed by the States of Jersey Cash Investment Manager.

During 2012 interest rates have remained relatively low when compared to historic averages. As detailed later in this note, the States of Jersey currently hold £48.3 million in variable rate instruments, and a sensitivity analysis has been performed over these accounts to estimate the impact of a rise or fall in 3m LIBOR of 0.4% (double the estimated range expected by the States of Jersey Investment Advisor).

The effect of such a movement on net revenue income if it is perfectly reflecting in the rates applied to the variable accounts will be £0.2 million.

Investment	Estimated impact of a 0.4% fall in LIBOR rates £m	Estimated impact of a 0.4% rise in LIBOR rates £m
Return from variable rate accounts	(0.2)	0.2

Foreign currency risk management

The States of Jersey may undertake certain transactions denominated in foreign currencies as part of its operations, and this leads to an exposure to exchange rates fluctuations. Exchange rate exposures are managed within approved policy parameters and reviewed by the Treasury Advisory Panel on a quarterly basis. When large future flows of foreign currency balances are known forward foreign exchange contracts are utilised to hedge against movements in rates. The States also holds some cash denominated in foreign currency to meet its cash flow needs.

The carrying amounts of the States of Jersey foreign currency denominated monetary assets at the reporting date are as follows:

Foreign currency denominated monetary assets:	2011 £m	2012 £m
US Dollar $	2.9	1.9
Euro €	1.6	6.4
Other	-	-

Note 34

Financial Instruments

c) Interest rate disclosures

	Fixed rate £'000	Variable rate £'000	No interest payable/ receivable £'000	Total £'000
Financial Assets				
Sterling £				
Advances	10,043	1,614	165	11,822
Investments	-	-	96,259	96,259
Bonds	321,495	1,328	-	322,823
Certificates of Deposit	226,559	-	-	226,559
Cash	95,698	38,837	291	134,826
US Dollars $				
Investments	-	-	157,086	157,086
Cash	1,789	96	-	1,885
Euros €				
Investments	-	-	33,677	33,677
Cash	-	6,425	-	6,425
Other				
Investments	-	-	53,975	53,975
Cash	-	1	-	1
Total Financial Assets	**655,584**	**48,301**	**341,453**	**1,045,338**
Financial Liabilities				
Finance Leases	10,986	-	-	10,986
Total Financial Liabilities	**10,986**	**-**	**-**	**10,986**

d) Maturity analyses

Maturity analyses are included for Advances and Investments held at Fair Value through Profit or Loss in notes 17 and 20 respectively, and for Finance Lease Obligations in Note 26.

	Weighted average rate	Weighted average period (months)
Fixed rate financial assets		
Advances	4.68%	130.7
Bonds	5.04%	70.9
Certificates of Deposit	1.39%	5.3

e) Fair Value Estimation

The Fair Value of financial instruments carried at Fair Value is determined using an appropriate valuation method. The different levels are

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2)
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

In these accounts, the following classes of financial instruments are valued using the following valuation methods:

Level 1
Investments held at Fair Value through Profit or Loss (see Note 20)
Cash Equivalents (see Note 23)

Level 2
Derivative Forward Contracts (see Note 28)

Level 3
Strategic Investments (see Note 18)
Other Available for Sale Financial Instruments (see Note 18)
Derivative Letters of Comfort (see Note 28)

Note 35

SOJ Common Investment Fund

a) Explanation of the CIF

The States of Jersey – Common Investment Fund ("the CIF") was established in 2010 by proposition P35/2010, lodged by the Minister for Treasury and Resources. The purpose of the proposition was to amend several existing regulations to enable the pooling of States Funds' assets for Investment Purposes and was approved by the States of Jersey on 12th May 2010.

The purpose of the CIF is to create an administrative arrangement which is open only to States Funds including, Special Funds and Trust and Bequest Funds to provide them with the opportunity to pool their resources and benefit from greater investment opportunities and economies of scale.

The CIF pools together the assets from a number of Funds and collectively invests the underlying assets, enabling them to invest in accordance with their own agreed asset allocations as published in their strategies.

The Minister for Treasury and Resources presented his latest investment strategy on 1st November 2011. Investing through a single investment vehicle allows economies of scale to be exploited increasing the potential return of the investments held and diversity of asset classes.

The CIF became operational on 1st July 2010 and as at 31 December 2012 contained 9 active pools holding a range of asset classes (including equity, bonds, gilts and cash).

The following are participants in the CIF that are not part of the States of Jersey Accounts:

- Health Insurance Fund
- Social Security (Reserve) Fund
- Le Don De Faye
- Rivington Travelling Scholarship Fund
- Greville Bathe Fund
- Ann Alice Rayner Fund
- A H Ferguson Bequest
- Estate of E J Bailhache

b) CIF - Statement of Comprehensive Net Expenditure for the year ended 31 December 2012

	2010 Included in the SOJ Accounts £'000	2011 Included in the SOJ Accounts £'000	2012 Total CIF £'000	2012 Attributable to Entities Outside the SOJ Accounts £'000	2012 Included in the SOJ Accounts £'000
Revenue					
Investment Income	11,183	23,416	42,621	16,213	26,408
Change in Fair Value of Financial Assets held at Fair Value through Profit or Loss	11,576	(10,515)	98,491	57,921	40,570
Total Revenue	**22,759**	**12,901**	**141,112**	**74,134**	**66,978**
Expenditure					
Supplies and Services	921	2,149	7,389	4,609	2,780
Other Operating Expenditure	45	294	1,124	4	1,120
Foreign Exchange Loss	169	154	59	54	5
Total Expenditure	**1,135**	**2,597**	**8,572**	**4,667**	**3,905**
Net Revenue Income	**(21,624)**	**(10,304)**	**(132,540)**	**(69,467)**	**(63,073)**

c) CIF - Statement of Financial Position as at 31 December 2012

	2010 Included in the SOJ Accounts £'000	2011 Included in the SOJ Accounts £'000	2012 Total CIF £'000	2012 Attributable to Entities Outside the SOJ Accounts £'000	2012 Included in the SOJ Accounts £'000
Non-Current Assets					
Investments held at Fair Value through Profit or Loss	513,018	557,104	1,174,173	596,550	577,623
Total Non-Current Assets	**513,018**	**557,104**	**1,174,173**	**596,550**	**577,623**
Current Assets					
Investments held at Fair Value through Profit or Loss	272,050	241,090	326,224	13,468	312,756
Trade and Other receivables	6,435	6,496	8,957	1,810	7,147
Cash and Cash Equivalents	27,730	9,005	41,892	16,897	24,995
Total Current Assets	**306,215**	**256,591**	**377,073**	**32,175**	**344,898**
Current Liabilities					
Trade and Other Payables	1,138	200	1,521	1,004	517
Total Current Liabilities	**1,138**	**200**	**1,521**	**1,004**	**517**
Assets Less Liabilities	**818,095**	**813,495**	**1,549,725**	**627,721**	**922,004**
Taxpayers' Equity					
Accumulated Revenue and Other Reserves	39,505	49,808	203,402	90,523	112,879
Net contributions	778,590	763,687	1,346,323	537,198	809,125
Total Taxpayers' Equity	**818,095**	**813,495**	**1,549,725**	**627,721**	**922,004**

d) CIF - Income and Expenditure by Pool

	2011 Net Income £'000	2012 Investment Income £'000	2012 Change in Fair Value £'000	2012 Operating Expenditure £'000	2012 Net Income £'000
UK Equities Pool*	(2)	-	-	-	-
Overseas Equities Pool*	(4)	-	-	-	-
Short Term Govt Bonds Pool	7,024	8,256	(6,847)	(208)	1,201
Long Term Govt Bonds Pool	(8)	-	-	-	-
Short Term Corporate Bonds Pool	1,437	3,683	1,643	(163)	5,163
Long Term Corporate Bonds Pool	4,158	4,212	6,659	(188)	10,683
Index Linked Bonds Pool	752	47	(50)	(10)	(13)
Short Term Cash & Cash Equivalents Pool	413	-	-	-	-
Long Term Cash & Cash Equivalents Pool	2,147	3,517	769	(219)	4,067
UK Equities II Pool *	2,154	7,803	23,522	(1,576)	29,749
Global Equities I Pool *	(5,125)	6,033	41,669	(3,807)	43,895
Global Equities II Pool *	(6,225)	5,408	30,170	(1,845)	33,733
Passive Global Equities Pool**	-	3,662	956	(556)	4,062
CIF Total	**6,721**	**42,621**	**98,491**	**(8,572)**	**132,540**
Less:amount attributable to Participants outside the Accounting boundary	(3,583)	16,213	57,921	(4,667)	69,467
Total - SOJ Accounts	**10,304**	**26,408**	**40,570**	**(3,905)**	**63,073**

*As of 1 October 2010, the UK Equities and Overseas Equities Pools were superceded by the UK Equities II, Global Equities I and Global Equities II Pools. All Investment assets held in the superceded Pools were transferred to the new Pools as at that date.

** The Passive Global Equities Pool was established in April 2012.

e) CIF - Changes in Market Value of Investments by Pool

	Market Value 01/01/12 £'000	Transfers £'000	Purchases £'000	Sales £'000	Unrealised Gains/ (Losses) £'000	Market Value 31/12/12 £'000
UK Equities Pool*	-	-	-	-	-	**-**
Overseas Equities Pool*	-	-	-	-	-	**-**
Short Term Govt Bonds Pool	204,969	-	80,661	(74,525)	(5,146)	**205,959**
Long Term Govt Bonds Pool	-	-	-	-	-	**-**
Short Term Corporate Bonds Pool	65,559	-	34,362	(31,772)	2,223	**70,372**
Long Term Corporate Bonds Pool	68,940	-	21,894	(17,401)	5,885	**79,318**
Index Linked Bonds Pool	4,066	-	203	(142)	(74)	**4,053**
Short Term Cash & Cash Equivalents Pool	-	-	-	-	-	**-**
Long Term Cash & Cash Equivalents Pool	204,378		508,438	(472,765)	756	**240,807**
UK Equities II Pool*	174,876		96,055	(83,233)	19,106	**206,804**
Global Equities I Pool*	257,328	(42,790)	40,328	(34,852)	38,883	**258,897**
Global Equities II Pool*	260,398	(37,827)	8,139	(4,151)	26,369	**252,928**
Passive Global Equities Pool**	-	97,646	139,845	(61,332)	5,100	**181,259**
CIF Total	**1,240,514**	**17,029**	**929,925**	**(780,173)**	**93,102**	**1,500,397**
Less:amount attributable to Participants outside the Accounting boundary	442,320	17,029	262,807	(164,392)	52,254	**610,018**
Total - SOJ Accounts	**798,194**	**-**	**667,118**	**(615,781)**	**40,848**	**890,379**

f) CIF - Income and Expenditure Attributable to Participant funds

Participants do not hold individual investments, rather a share of a pool of investments. The table below shows the income and expenditure in the CIF apportioned by the relevant holdings of participant funds.

	2011	2012			
	Net Income	Income	Expenditure	Gains/ (Losses)	Net Income
	£'000	£'000	£'000	£'000	£'000
Strategic Reserve	7,302	22,230	(3,530)	38,226	**56,926**
Stabilisation Fund	10	47	(2)	(1)	**44**
Jersey Currency Fund	1,133	1,422	(206)	1,921	**3,137**
Consolidated Fund	1,772	2,512	(157)	555	**2,910**
CI Lottery (Jersey) Fund	3	8	(1)	-	**7**
Dwelling House Loan Fund	84	189	(9)	(131)	**49**
Total - SOJ Group	**10,304**	**26,408**	**(3,905)**	**40,570**	**63,073**
Amounts attributable to Participants outside the Group boundary	(3,583)	16,213	(4,667)	57,921	**69,467**
Total CIF	**6,721**	**42,621**	**(8,572)**	**98,491**	**132,540**

Gains/(Losses) includes the following amounts whih had not yet been realised at the date of the Financial Statements.

	2011	2012
	Gains/ (Losses) not yet realised	Gains/ (Losses) not yet realised
	£'000	£'000
Strategic Reserve	(131)	38,484
Stabilisation Fund	(14,809)	(1)
Jersey Currency Fund	(319)	1,857
Consolidated Fund	(4)	544
CI Lottery (Jersey) Fund	-	2
Dwelling House Loan Fund	(16)	(100)
Total - SOJ Group	**(15,279)**	**40,786**
Amounts attributable to Participants outside the Group boundary	(18,301)	52,267
Total CIF	**(33,580)**	**93,053**

g) CIF - Analysis of Net Asset Value by Participant and Pool

	Strategic Reserve	Stabilisation Fund	Jersey Currency Fund	CI Lottery (Jersey) Fund	Dwelling House Loan Fund	Consolidated Fund	Total - SOJ Group	Outside Group	Total CIF
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
UK Equities Pool	-	-	-	-	-	-	**-**	-	**-**
Overseas Equities Pool	-	-	-	-	-	-	**-**	-	**-**
Short Term Govt Bonds Pool	198,241	-	6,191	-	4,236	-	**208,668**	14	**208,682**
Long Term Govt Bonds Pool	-	-	-	-	-	-	**-**	-	**-**
Short Term Corporate Bonds Pool	65,492	-	-	-	-	-	**65,492**	7,025	**72,517**
Long Term Corporate Bonds Pool	53,693	-	-	-	-	-	**53,693**	28,214	**81,907**
Index Linked Bonds Pool	-	-	1,332	-	-	-	**1,332**	2,733	**4,065**
Short Term Cash & Cash Equivalents Pool	-	-	-	-	-	-	**-**	-	**-**
Long Term Cash & Cash Equivalents Pool	1,227	1,049	43,111	539	1,410	195,798	**243,134**	15,289	**258,423**
UK Equities II Pool	73,289	-	5,436	-	-	-	**78,725**	133,322	**212,047**
Global Equities I Pool	112,595	-	5,043	-	-	-	**117,638**	146,272	**263,910**
Global Equities II Pool	110,108	-	4,924	-	-	-	**115,032**	144,852	**259,884**
Passive Global Equities Pool	36,650	-	1,640	-	-	-	**38,290**	150,000	**188,290**
Total	**651,295**	**1,049**	**67,677**	**539**	**5,646**	**195,798**	**922,004**	**627,721**	**1,549,725**

Note 36

Contingent Assets and Liabilities

Contingent Assets

There are no Contingent Assets as at 31 December 2012.

Guarantees not recognised as Financial Liabilities

Jersey New Waterworks Company

The States of Jersey have provided a guarantee to HSBC Plc up to a maximum of £16.2 million (2011: £16.2 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 (2011: £14.9 million). This guarantee was first provided in its current form in 1999, and historically no amounts have been drawn down in relation to it. Due to the stability of the company and the resulting low likelihood of default, the current value of total expected outflows under this guarantee will be very low and so no amount is recognised on the Statement of Financial Position.

Jersey Arts Trust

The States of Jersey has provided a guarantee to Barclays Bank Plc for £3.5 million (2011: £3.8 million) for amounts outstanding in respect of a loan to the Jersey Arts Trust in connection with the renovation of the Opera House (as approved by P167/98). In the same proposition the States increased the funding provided to the Trust to allow them to cover the loan repayments. Without this funding it is unlikely that the Trust could meet the repayments, and so the States would become liable under the guarantee. However, as there are no plans to reduce the funding at present, no amounts are recognised on the Statement of Financial Position.

Student Loan Guarantees

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 £1.9 million (2011: £1.7 million).

There is no experience of default in the Jersey Scheme, and the equivalent scheme in the UK experiences defaults on approximately 1% of the total balance each year. Using a simplified analysis of the guarantees this would suggest that the current value of total expected outflows under the scheme will be very low (less than £50,000) and so no amount is recognised on the Statement of Financial Position for these guarantees.

Small Firms Loan Guarantee Scheme

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 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 £354,345 (2011: £525,547), of which the States has exposure to 75% in accordance with the terms of the Scheme, giving a total exposure of £265,759 (2011: £365,160). During 2011 the States provided for £187,500 losses against these guarantees, leaving a remaining exposure of £78,259. No amount is recognised on the Statement of Financial Position for this exposure due to their relevant size and the uncertainties in the measurement of expected outflows.

Other Contingent Liabilities

There are several cases where a possible obligation may exist (as a result of past events), and where the existence of the liability will be confirmed only by future events outside of the States control.

Civil claims against the States of Jersey still continue to be a present obligation that arises from past events with regards to the Historic Child Abuse Enquiry. Although the quantum has been estimated within the banding set by a UK specialist counsel based on a sample of claims, there is a substantial process to be undergone before the matter can be finalised. A provision for this liability cannot be made in the Accounts because the amount of the obligation cannot be measured with sufficient accuracy.

A number of other potential liabilities may exist, but details are not included in these accounts as they may prejudice the outcome of the actions in question.

These include potential claims in the following areas:

- Health and Safety
- Employment issues
- Contract Terms
- Medical Claims
- Public Liability Claims

Note 37

Losses and Special Payments

	2011 £'000	2012 £'000
Losses		
Losses of cash:		
Overpayment of Social Benefits	309	131
Total losses of cash under £50k	-	36
Total loss of cash	**309**	**167**
Bad debts and claims abandoned		
Uncollectable Tax	1,553	2,041
Other Tax Debtors written off	324	139
Car parking fines written off	43	-
Other claims abandoned under £50k	233	107
Total bad debts and claims abandoned	**2,153**	**2,287**
Damage or loss of inventory		
Write off/(Write Back) of expired Flu Vaccine stock	(522)	681
Other inventory write offs	77	211
Total damage or loss of inventory	**(445)**	**892**
Impairments of Property, Plant and Equipment		
Impairment of Land at Mont Mado	577	-
Reversal of Impairments previously recognised	(452)	-
Total impairment of Property, Plant and Equipment	**125**	**-**
Other Losses		
Costs of repurchase of Mont Mado	277	-
Total Other Losses	109	71
Total Other Losses	**386**	**71**
Special Payments		
Compensation payments		
Total compensation payments	100	19
Total compensation payments	**100**	**19**
Ex gratia and extra contractual payments		
Total ex gratia and extra contractual payments	117	878
Total ex gratia and extra contractual payments	**117**	**878**
Severance payments		
Total Severance Payments	2,537	318
Total severance payments	**2,537**	**318**
Total Losses and Special payments	**5,282**	**4,632**

Note 38

Gifts

No Gifts were made in 2012 (2011: nil)

Note 39

Related Party Transactions

Transactions between entities within the States of Jersey Group have been eliminated on consolidation and are not disclosed in this note.

Transactions with utility companies and government departments that are a result of their role as such are excluded in line with accounting standards. This includes:

- Electricity provided by Jersey Electricity
- Water provided by Jersey Water
- Postage services provided by Jersey Post
- Telephone charges from JT
- Social Security Contributions to the Social Security Fund and Health Insurance Fund

All transactions are at arms length and undertaken in the ordinary course of business unless otherwise stated.

Where the party is related through a Minister or Assistant Minister, only transactions occurring whilst they were in office are included.

2012

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities - Strategic Investments					
Jersey Electricity	2,076	1,759	176	35	Expenditure includes grants of £45k
Jersey Post	495	90	25	8	Expenditure includes grants of £11k
JT	418	82	43	4	
Jersey Water	136	151	1		
Directly Controlled Entities - Minor Entities					
Bureau de Jersey Ltd		105			A Maclean and P Ryan are Board Members. Expenditure is a grant of £105k.
Jersey Dental Scheme		116			Expenditure is in support of the scheme
Jersey Legal Information Board		120			A Maclean, Economic Development Minister, is a Board Member. Expenditure is a grant of £120k
Directly Controlled Entities - Other					
Health Insurance Fund	11	602			
Social Security Fund		64,068	1,156		
Social Security (Reserve) Fund	17				
Haute Vallee School Fund		15			
Hautlieu School Fund		11			
Jersey College for Girls School Fund		21			
Victoria College School Fund		53			Expenditure includes grants of £35k
Victoria College Prep School Fund		7			
Indirectly Controlled or Influenced Entities - through Strategic Investments					
Jersey Deep Freeze Ltd		216		5	Subsidiary of JEC
Jersey Energy		26		2	Subsidiary of JEC. Expenditure includes grants of £8k
Foreshore Ltd		131			Joint Venture JEC. Expenditure is a grant of £131k
Retirement Schemes					
PECRS	546		444		Income related to services provided by the Treasury Department
JTSF	299		417		Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey		64			P Ozouf, Treasury and Resources Minister is Vice Chair. Expenditure includes grant of £12k
Augres Landscape	5	15			P Ryan, Education, Sport and Culture Minister, is the Owner.
Governing body of Institute of Law	4	92		30	P Bailhache, Chief Minister's Assistant Minister, is the Chairman. Expenditure includes grants of £32k.
Grafters Ltd		21			J Baker, Economic Development Assistant Minister, is a Shareholder.
Jersey Employment Trust	34	1,656		33	J Martin, P Ryan and S Pinel are Members of the Board. Expenditure includes grants of £1,632k.
Jersey Hospitality Association		67			L Farnham, Home Affairs Assistant Minister, is the President. Expenditure includes a grant of £66k.
Jersey Mencap	1	102			P Routier, Chief Minister's Assistant Minister is a Member. Expenditure is a grant of £102k
Jersey Table Tennis Association	4	4	102		P Routier, Chief Minister's Assistant Minister, is Vice-President. Expenditure includes a grant of £4k. Amounts due relate to a loan from the States.
Les Amis Incorporated	2	1,611		17	E Noel, Treasury and Resources Assistant Minister and P Routier, Chief Minister's Assistant Minister, are Trustees.
Les Vaux Housing Trust	101		183		J Le Fondré, Transport and Technical Services Assistant Minister, is the Honorary Secretary. This balance relates to loans from the States, and income to interest charged on these loans.
Trinity Youth Club	24	3			A Pryke, Health and Social Services Minister, is President.
Yacht Hotel Limited	3	15		2	L Farnham, Home Affairs Assistant Minister, is a Director.
Parish of St Peter	33	34			J Refault, Housing and Health and Social Services Assistant Minister, is the Connétable.

2011

Organisation	Income £'000	Expenditure £'000	Balances Due to the States £'000	Balances Due by the States £'000	Notes
Directly Controlled Entities - Strategic Investments					
Jersey Electricity	221	2,077	24		
Jersey Post	460	99	43	3	
JT	239	301	38	56	
Jersey Water	160	117	3		
Directly Controlled Entities - Minor Entities					
Bureau de Jersey Ltd		97			A Maclean, Economic Development Minister is a Director. Expenditure includes grant of £95k
Jersey Dental Scheme		129		28	Expenditure is in support of the scheme
Jersey Legal Information Board		100		100	A Maclean, Economic Development Minister is a Director. Expenditure and amounts due is a grant of £100k
Directly Controlled Entities - Other					
Hautlieu School Fund		13			
Health Insurance Fund	12	536	11		
Jersey College for Girls Fund	2	13			
Social Security (Reserve) Fund	20		20		
Social Security Fund		68,099			
Victoria College School Fund	2	42			Expenditure includes grants of £34k
Indirectly Controlled or Influenced Entities - through Strategic Investments					
Jersey Deep Freeze Ltd		63		1	Subsidiary of JEC
Jersey Energy		28		3	Subsidiary of JEC
Newtel Cable Limited	20	127			Associate of JEC, All shares sold in April 2011.
Retirement Schemes					
PECRS	519		505		Income related to services provided by the Treasury Department
JTSF	231		196		Income related to services provided by the Treasury Department
Controlled or influenced by Key Management Personnel or members of their close family					
Alliance Francaise de Jersey		57			P Ozouf, Treasury and Resources Minister is Vice Chair, Expenditure includes grant of £12k
Augres Landscape		24			P Ryan, Education, Sport and Culture Minister is the Owner.
Beaulieu Convent School Ltd	43	2,188		2	T Le Sueur, former Chief Minister is a Director. Expenditure includes a grant of £2,182k
Headway (Jersey) Ltd		30			A Green, Housing Minister is a Director. Expenditure Includes grants of £28k
Jersey Conference Bureau	11	227			A Maclean, Economic Development Minister is Chairman. Expenditure includes grant of £221k
Jersey Employment Trust	31	1,625	9		S Pinel, R Bryans and J Martin are members of the board as representitives of their respective departments. Expenditure includes a grant of £1,609k
Jersey Hospitality Association		17			L Farnham, Home Affairs Assistant Minister is President. Expenditure is a grant of £17k
Jersey Mencap		129			P Routier, Chief Minister's Assistant Minister was the President until May 2011. Expenditure is grants of £171k.
Jersey Table Tennis Association	11	16	102		P Routier, Chief Minister's Assistant Minister is Vice President. Expenditure is a grant of £16k. Amounts due relate to a loan from the States.
Les Vaux Housing Trust	130		1,829		J Le Fondré, Transport & Technical Services Assistant Minister is the Honorary Secretary. The balance relates to loans from the States, and income to interest charged on these loans.
Parish of St Brelade	2		25		M Jackson, former Transport & Technical Services Minister is the Connétable. Amounts due include a loan of £25k.
Parish of St Clement	6	60			L Norman, Former Economic Development Assistant Minister, is the Connétable
Parish of St Peter			7		J Refault, Housing and Health and Social Services Assistant Minister, is the Connétable.

Note 40

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 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 to this are:

- Désastres: 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 creditors and beneficiaries;
- Criminal injuries: funds held on behalf of minors until age of maturity;
- Bail: monies held on behalf of bailors;
- Saisies Judiciaires: assets seized pending investigation and court cases relating to drug trafficking and proceeds of crime. Following a conviction, property adjudged to represent the benefit or proceeds of crime is remitted to the Drug Trafficking Confiscations Fund or the Criminal Offences Confiscations Fund; if a third party is found not guilty, property is returned.

The Health & Social Services Department holds monies on behalf of patients, equipment on loan or trial and various consignment stocks.

In addition to the liquid assets listed the Viscount's Department holds real property and contents with an approximate total value of £13.6m (2011: £9.2 million).

In addition to monies listed the Health and Social Services Department holds equipment on trial and various consignment stocks, valued at £0.4 million (2011: £0.4 million)

The States arrangement to pool funds for investment purposes, is known as the 'Common Investment Fund'. The Common Investment Fund invests monies in respect of funds included within these accounts, such as the Strategic Reserve, as well as funds not included in these accounts but still under the responsibility of the Minister for Treasury and Resources and the Treasurer of the States, for example the Social Security Reserve Fund. Further details of the Common Investment Fund, including the value of investments falling into both these categories can be found in Note 35.

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

	2011 Total £'000	2012 Total £'000
Viscount's	32,702	30,745
Health and Social Services	386	332

Note 41

Entities within the Group Boundary

Consolidated Fund Entities

Ministerial Departments

Chief Minister's Department
Economic Development Department
Education, Sport & Culture Department
Department of the Environment
Health & Social Services Department
Home Affairs Department
Housing Department
Social Security Department
Transport and Technical Services Department
Treasury and Resources Department

Non-Ministerial Bodies

Overseas Aid Commission
Bailiff's Chambers
Law Officers' Department
Judicial Greffe
Viscount's Department
Official Analyst
Office of the Lieutenant Governor
Office of the Dean of Jersey
Data Protection Commission
Probation Department
Comptroller and Auditor General

The States Assembly and its Services

[Including Assemblée Parlementaire de la Francophonie - Jersey Branch and Commonwealth Parliamentary Association (Jersey Branch)]

Subsidiary Holding Company

States of Jersey Investments Limited

States Trading Operations

Jersey Airport
Jersey Harbours
Jersey Car Parking
Jersey Fleet Management

Special Funds

Strategic Reserve
Stabilisation Fund
Currency Fund (comprising Jersey Currency Notes and Jersey Coinage)
Dwelling Houses Loans Fund
Assisted House Purchase Scheme
99 Year Leaseholders Fund
Agricultural Loans Fund
Tourism Development Fund
Channel Islands Lottery (Jersey) Fund
Housing Development Fund
Criminal Offences Confiscation Fund
Drug Trafficking Confiscation Fund
Civil Asset Recovery Fund
Fishfarmer Loan Scheme (Dormant)
ICT Fund (Dormant)

Subsidiary Companies

States of Jersey Development Company Limited (previously theWaterfront Enterprise Board Limited), including subsidiary companies.

Minor Entities

There are a number of small entities funded by the States that meet the requirements to be part of the States of Jersey Group (i.e. they are directly controlled by the States) but are immaterial to the financial statements as a whole, and have not been consolidated (see Accounting Policy 4.4. These entities are referred to as "Minor Entitites" and are generally funded by a grant from a department, which will form part of the cash limit of the department making this grant.

An entity can be classified as a minor entity if they meet certain criteria, namely that:

- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and

- Level of Net Assets at year endare all below a designated threshold
- The threshold is calculated as 1% of the lowest of
- Gross annual expenditure during the year; and
- Net book value of Property, Plant and Equipment at year end; and

- Level of Net Current Assets at year end (excluding Non-Current Assets held for Sale, the current portion of Investments held at Fair Value through Profit or Loss and Currency in Circulation)

for the States of Jersey in the previous financial year.

For 2012, the threshold was therefore £1,645,000 (based on Net Current Assets for 2011).

In all cases the qualitative nature of the entities is also considered, to ensure that exclusion would not distort the true and fair view of the accounts.

Minor Entities are considered to be related parties, and transactions with them are included as part of Related Party Transactions Disclosures

For 2012, the following are considered to be Minor Entities:

- Bureau de Jersey
- Ecology Fund
- Jersey Dental Scheme
- Jersey Legal Information Board

Note 42

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 2012 have been approved by the Minister for Treasury and Resources and were presented to the States for publication and distribution.

Note 43

Events after the Reporting Date

There are no significant events after the reporting date requiring disclosure in these financial statements.

States of Jersey

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