

**GUERNSEY BANKING DEPOSIT
COMPENSATION SCHEME**

FINANCIAL STATEMENTS

31 DECEMBER 2012

GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME

FINANCIAL STATEMENTS

CONTENTS

Report of the Board	1
Auditor's report	3
Income and expenditure account	5
Balance sheet	6
Notes to the financial statements	7
Detailed income and expenditure account	9

REPORT OF THE BOARD

The Board submits its report and the audited financial statements of the Guernsey Banking Deposit Compensation Scheme ("the Scheme") for the year ended 31 December 2012.

BOARD'S RESPONSIBILITIES

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

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Scheme and to enable it to ensure that the financial statements have been properly prepared in accordance with The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008. The Board is also responsible for safeguarding the assets of the Scheme and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the Board members are aware, there is no relevant audit information of which the Scheme's auditor is unaware, having taken all the steps the Board members ought to have taken to make themselves aware of any relevant audit information and to establish that the Scheme's auditor is aware of that information.

PRINCIPAL ACTIVITY

The principal activity of the Board is the administration of the Scheme which was established by the States of Guernsey on 26 November 2008.

RESULTS AND DIVIDENDS

The results of the Scheme for the year are set out in detail on page 5.

REPORT OF THE BOARD

BOARD

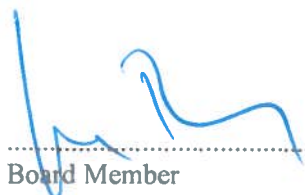
The members of the Board who served during the year were:-

Charles Tracy - Chairman
John Lee - Deputy Chairman
Steve Butterworth
Nigel Carey

AUDITOR

BDO were re-appointed as auditor at a meeting on 13 March 2013.

APPROVED BY THE MEMBERS OF THE BOARD



Board Member



Board Member

**INDEPENDENT AUDITOR'S REPORT TO THE
BOARD OF THE GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME**

We have audited the financial statements of the Guernsey Banking Deposit Compensation Scheme for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Balance Sheet and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Scheme Board, in accordance with The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008. Our audit work is undertaken so that we might state to the Board those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme Board as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Scheme Board and auditor

As explained more fully in the Board's Responsibilities Statement within the Report of the Board, the Scheme Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Scheme's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements.

We read the Report of the Board and consider the implications for our report if we become aware of any apparent misstatements within it.

INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF THE GUERNSEY BANKING DEPOSIT COMPENSATION SCHEME
(continued)

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 December 2012 and of its loss for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- have been properly prepared in accordance with The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008.

BDO Limited

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 17 April 2013

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note		2011
INCOME	3	162,060	195,140
Administrative expenses		(179,009)	(148,397)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT	3	(16,949)	46,743
Interest receivable		1,556	1,346
		<hr/>	<hr/>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	7	£ (15,393)	£ 48,089
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

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

The notes on pages 7 to 8 form an integral part of these financial statements.

BALANCE SHEET

31 DECEMBER 2012

	Note		2011
CURRENT ASSETS			
Debtors	5	83	110
Cash at bank and in hand		283,126	282,522
		283,209	282,632
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
	6	(185,220)	(169,250)
		£ 97,989	£ 113,382
NET CURRENT ASSETS			
CAPITAL AND RESERVES			
INCOME AND EXPENDITURE ACCOUNT	7	97,989	113,382
		£ 97,989	£ 113,382
RESERVES			

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



 Board Member



 Board Member

17 April 2013

 Date

The notes on pages 7 to 8 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

1. ACCOUNTING POLICIES

(a) CONVENTION

These financial statements have been prepared under the historical cost convention. The principal accounting policies which the scheme has adopted within that convention are set out below.

(b) FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in currencies other than sterling have been translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions during the year have been translated at the rates of exchange ruling at the date of the transaction.

(c) GOING CONCERN

The Board has prepared the financial statements on a going concern basis.

The Board has the power to levy the Participants of the Scheme on an annual basis to cover the expected costs of the forthcoming year.

(d) INCOME RECOGNITION

Bank interest receivable is accounted for on an accruals basis.

Turnover comprises fees receivable which are accounted for on an accruals basis.

2. APB ETHICAL STANDARD - PROVISIONS AVAILABLE FOR SMALL ENTITIES

In common with many other entities of its size and nature the scheme uses its auditors to assist with the preparation of the financial statements.

3. INCOME AND OPERATING LOSS

Income and operating loss derive wholly from continuing activities. During the year the main source of income was obtained from 36 Participant Banks at £4,500 per Bank (2011: 39 at £5,000).

4. TAXATION

In accordance with The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 the Scheme is exempt from tax. Provision has therefore not been made in these financial statements for Guernsey Income Tax.

5. DEBTORS

		2011
Trade debtors	£ 83	£ 110
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2012

6. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

		2011
Deferred income	159,545	153,000
Other creditors	25,675	16,250
	<hr/>	<hr/>
	£ 185,220	£ 169,250
	<hr/>	<hr/>

7. INCOME AND EXPENDITURE ACCOUNT

Balance at 1 January 2012	113,382
Loss for the financial year	(15,393)
	<hr/>
Balance at 31 December 2012	£ 97,989
	<hr/>

8. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The Scheme is established under the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and is under the direction of the Board. The Board members are appointed by the States of Guernsey Commerce and Employment Department.

The Board members' fees for services rendered for the year were £85,000 (2011: £85,000).

The Scheme is administered, under an administration and management agreement, by Aon Services (Guernsey) Limited. Administration fees for the year paid to Aon Services (Guernsey) Limited were £52,500 (2011: £50,000). Administration fees of £13,125 (2011: £12,500) were due and payable at 31 December 2012.

**THE FOLLOWING PAGE DOES NOT FORM A PART OF THE
AUDITED FINANCIAL STATEMENTS OF THE SCHEME
AND IS PRESENTED FOR INFORMATION PURPOSES ONLY**

DETAILED INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		2011	
INCOME	162,060		195,140
ADMINISTRATIVE EXPENSES			
Board members' fees	85,000	85,000	
Administrator's fees	52,500	50,000	
Disaster recovery	18,126	-	
Consultancy fees	8,775	-	
Legal and professional fees	7,999	8,003	
Audit fee	3,685	3,750	
Travel and entertaining	1,321	-	
Website design and maintenance	700	1,131	
Plain English campaign	435	-	
Telephone and postage	218	308	
Advertising, printing and stationery	150	145	
Bank charges	100	60	
	<u>(179,009)</u>	<u>(148,397)</u>	
OPERATING (LOSS)/PROFIT	(16,949)		46,743
INTEREST RECEIVABLE			
Bank interest receivable	1,556		1,346
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	<u>£ (15,393)</u>		<u>£ 48,089</u>



**Guernsey Banking Deposit
Compensation Scheme**

P.O. Box 380, Maison Trinity
Trinity Square
St. Peter Port, Guernsey C.I.
GY1 3FY

Telephone +44 (0) 1481 722756
Email admin@dcs.gg

18 September 2013

Kevin Stewart, Minister
Commerce & Employment Department
Raymond Falla House
PO Box 459, Longue Rue
St. Martin's, Guernsey
GY1 6AF

Dear Minister,

Following our meeting earlier this month, I am now pleased to enclose a copy of the Board's Annual Report for your attention. You will see that I have made specific reference therein to the revisions to the Ordinance which we discussed at that meeting and which, I understand, are now being passed to the Legislation Committee for comment, before being presented to the States.

I also make reference to the state of flux in the banking industry, both here and in the UK, which will doubtless require further changes to the Scheme in due course. The Board looks forward to working closely with your Department on this topic.

It is now nearly five years since the Scheme was established and, in accordance with the Ordinance, the terms of office of the Board members therefore expire on 26th November, all members having been appointed from inception. I confirm that all members of the Board, including myself as Chairman, are eligible and willing to stand for re-appointment. While this is a matter for the Department to decide, I have been very well supported by the other Board Members throughout this period, and I have no hesitation in recommending that their terms of office be extended for a further five year period.

Finally, in the course of discussions on planning for a possible default, the Board has met with Rick Garrard, currently senior partner of Deloittes in Guernsey. Both Deloittes as a firm and Mr Garrard as an individual have extensive knowledge and experience of dealing with banks in default and the practical issues that arise. I understand that Mr Garrard is due to retire soon and the Board would appreciate your agreement to us approaching Mr Garrard with a view to his becoming an additional Board member.

Yours sincerely,



Charles Tracy
Chairman of the Board
Guernsey Banking Deposit Compensation Scheme