
STATES OF JERSEY



JERSEY BANK DEPOSITORS COMPENSATION BOARD: ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST JANUARY 2014

**Presented to the States on 23rd January 2015
by the Chief Minister**

STATES GREFFE



Jersey Bank Depositors
Compensation Scheme

The Jersey Bank Depositors Compensation Board

Annual Report and Audited Financial Statements

For the Period Ended 31 January 2014



BRACKEN | ROTHWELL

The Jersey Bank Depositors Compensation Board

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The Jersey Bank Depositors Compensation Board

Information

Board members	Roger Bignell, Chairman Frank Dearie Simon Howard George Dunbar Kean Paul Leary Mark Wildman
Principal office	5th Floor, Cyril Le Marquand House The Parade St. Helier Jersey JE4 8UL
Accountants	Bracken Rothwell Limited 8th Floor, Union House Union Street St. Helier Jersey JE2 3RF
Independent auditors	BDO Limited Windward House La Route de la Liberation St Helier Jersey JE1 1BG
Bankers	HSBC Bank Plc PO BOX 14 27 Halkett Street St. Helier Jersey JE4 8NJ

The Jersey Bank Depositors Compensation Board

Board's Report For the Period Ended 31 January 2014

The Jersey Bank Depositors Compensation Board ("the Board") presents its annual report together with the audited financial statements for the period ended 31 January 2014.

Principal activities

The Board was established on 6 November 2009 and created by the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law"). The Board commenced receiving monies from 7 July 2012. The Board has not yet assumed its responsibilities which in the prior year were assumed by the Minister for Economic Development. In the current period the responsibilities were assumed by the Chief Minister ("the Minister"). It is the intention that the Board will assume its full responsibilities following the notice in writing by the Minister to the Board that it should assume its functions.

The functions of the Board are generally to administer the Bank Depositors Compensation Scheme ("DCS"), including in particular establishing and maintaining arrangements in readiness for the possibility of a default of a banking group operating in Jersey and administering compensations for any such default. Its function also includes arranging for the publication of information for the public on the operation of the DCS.

An administration levy fee continued to be raised in the current period in accordance with the Law and was received from the majority of relevant banking groups in Jersey. No compensation levy fee was raised as there was no bank default in Jersey in the current period.

In the current period the Board continued to enhance the systems in place for dealing with a default. Further work took place in order to replace the outsourcing contract (set up in order to provide administrative support in the event of a default) with a more substantial 5 year contract including a regime for service level credits to incentivise the outsourcer to provide services quickly and efficiently. Further tests took place on the IT tool commissioned in order to administer a default. These tests were both physical with persons operating the tool at the chosen operations location as well as load testing by computer simulation to discover the maximum capacity of the IT tool. Both tests were successful and resulted in enhancements being made to the IT tool. International co-operation continued with representation at the European Federation of Deposit Insurers and International Association of Deposit Insurance, meetings with the other Crown Dependencies, with the UK's Financial Services Compensation Scheme, and other members of the safety net in Jersey including the Jersey Financial Services Commission.

On 18 March 2014 by way of Ministerial Decision, the Board changed its year end from 31 March to 31 January in order to align the financial year with the period that applies for the administration levy.

Board Members

The Board members were appointed by the States of Jersey on the nomination of the Minister for Economic Development. During the period the Board's responsibilities were transferred from the Minister for Economic Development to the Chief Minister.

Results

The surplus of income over expenditure of the Board for the period are set out in detail on page 7.

The Jersey Bank Depositors Compensation Board

**Board's Report (continued)
For the Period Ended 31 January 2014**

Auditors

The auditors, BDO Limited, were appointed on 22 May 2013 and have expressed their willingness to continue in office. The Board will propose a motion re-appointing the auditors.

This report was approved and signed by the Chief Minister acting in his capacity carrying out the functions of the Board:



Chief Minister

29th April 2014.

Date:

The Jersey Bank Depositors Compensation Board

Board's Responsibility Statement For the Period Ended 31 January 2014

The Board is responsible for preparing the report and the financial statements in accordance with applicable Jersey law and regulations and generally accepted accounting principles.

The Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law") requires the Board to prepare financial statements for each financial year. Under that Law the Board has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. Under the Law, as applied to the Board, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the the Board and the surplus or deficit of the Board for that period. In preparing these financial statements, the Board should:

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

The Board is responsible for keeping adequate accounting records which are sufficient to show and explain the Board's transactions and are such as to disclose with reasonable accuracy at any time the financial position of the the Board and enable the Board to ensure that the financial statements comply with the Law. The Board is also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board acknowledges the auditor's right of access at all times to the Board's records and acknowledges that it is under an obligation not to recklessly or knowingly supply information to the auditors that is false or misleading and to fail to promptly provide information requested.

The Board has taken all steps they ought to have taken to make themselves aware of any information needed by the Board's auditors for the purpose of their audit. The Board is not aware of any relevant audit information of which the auditors are unaware.



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE JERSEY BANK DEPOSITORS COMPENSATION BOARD

We have audited the financial statements of The Jersey Bank Depositors Compensation Board (the 'board') for the Period ended 31 January 2014 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 board's members, as a body, in accordance with Banking Business (Depositors Compensation) (Jersey) Regulations 2009. Our audit work has been undertaken so that we might state to the board's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the board and the board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditor

As explained more fully in the Statement of Board's Responsibilities, the 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board'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.

In addition, we read all the financial and non-financial information in the Board's Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implication for our report.



Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the board's affairs as at 31 January 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Banking Business (Depositors Compensation) (Jersey) Regulations 2009.

BDO Limited

BDO Limited
Chartered Accountants
Jersey
30 April 2014

The Jersey Bank Depositors Compensation Board

**Income and Expenditure Account
For the Period Ended 31 January 2014**

	Note	period ended 31 January 2014 £	year ended 31 March 2013 £
Administration levy income			
Fees received	1	88,027	59,306
Administrative expenses			
Staff training		-	480
Telephone charges		512	470
Computer costs		22,534	-
General office expenses		17	-
Membership fees		7,352	10,904
Auditors' fees		3,060	3,000
Professional fees		20,243	-
Accountancy fees		1,500	1,500
		<u>(55,218)</u>	<u>(16,354)</u>
Travel expenses			
Hotels, travel, subsistence and entertainment		-	(2,418)
Finance expenses			
Bank charges		(109)	(22)
Surplus for the period/ year		<u><u>32,700</u></u>	<u><u>40,512</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Income and Expenditure Account.

There is no material difference between the retained surplus for the financial period stated above and its historical cost equivalent.

The notes on pages 9 to 11 form part of these financial statements.

The Jersey Bank Depositors Compensation Board

Balance Sheet
As at 31 January 2014

	Notes	£	31 January 2014 £	£	31 March 2013 £
Current assets					
Debtors	3	6,641		16,973	
Cash at bank		92,288		31,733	
			98,929		48,706
Total assets less current liabilities					
			98,929		48,706
Creditors: amounts falling due within one year	4		(25,717)		(8,194)
Net assets			73,212		40,512
Represented by:					
Retained surplus			73,212		40,512
			73,212		40,512
Total administration fund reserve			73,212		40,512

The financial statements were approved and authorised by the Chief Minister acting in his capacity carrying out the functions of the Board:


 Chief Minister
 Date: 29th April 2014

The notes on pages 9 to 11 form part of these financial statements.

Notes to the Financial Statements
For the Period Ended 31 January 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements of the Jersey Bank Depositors Compensation Board ("the Board") have been prepared under the historical cost convention, on a going concern basis and in accordance with United Kingdom Accounting Standards.

On 18 March 2014 by way of Ministerial Decision, the Board changed its year end from 31 March to 31 January in order to align the financial year with the period that applies for the administration levy.

The financial statements of the Board are presented in Great British Pounds ("£"), being the functional currency of the Board. The Board has determined its functional currency based on its primary economic environment.

1.2 Statement of compliance

The financial statements for the period ended 31 January 2014 on pages 7 to 11 have been prepared in accordance with United Kingdom Accounting Standards and are in conformity with Banking Business (Depositors Compensation) (Jersey) Regulations 2009.

1.3 Legal framework

The Board was established under the Banking Business (Depositors Compensation) (Jersey) Regulations 2009 ("the Law"). The Law came into force on 6 November 2009 and has been subsequently amended on 2 October 2012 by the Banking Business (Depositors Compensation) (Amendment and Miscellaneous Provision) (Jersey) Regulations 2012.

1.4 Going concern

The Board has prepared the financial statements on a going concern basis. The Board considers this to be appropriate as they are in position to raise administration levies on banking groups in Jersey according to the finance needs of the Board and in particular its recurring administrative costs in a particular period. The Board prepares a budget on an annual basis to project its future finance needs and is satisfied that there are sufficient funds to continue as a going concern.

1.5 Cash flow

The Board has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds of its size.

1.6 Administration levy income

Administration levy income is recognised by the Board in respect of the annual administration levy declared and is raised by the Board on annual basis to enable it to meet operating expenses. The income is recognised on an accrual basis in relation to the period the administration levy relates to. The administration levy year runs from 1 February to 31 January annually.

1.7 Creditors and accruals

Trade creditors are recorded on an accrual basis, are not interest bearing and are stated at their nominal value.

The Jersey Bank Depositors Compensation Board

Notes to the Financial Statements
For the Period Ended 31 January 2014

1. Accounting Policies (continued)

1.8 Cash at Bank

Cash comprises current and deposit accounts with maturities of less than 3 months.

2. Auditor's remuneration

	period ended 31 January 2014 £	year ended 31 March 2013 £
Fees payable to the the Board's auditor	<u>3,060</u>	<u>3,000</u>

3. Debtors

	period ended 31 January 2014 £	year ended 31 March 2013 £
Administration levy income accrued for	-	16,973
Administration levy receivable	5,000	-
Membership prepaid	1,376	-
Other prepayments	265	-
	<u>6,641</u>	<u>16,973</u>

4. Creditors:
Amounts falling due within one year

	period ended 31 January 2014 £	year ended 31 March 2013 £
Accruals	<u>25,717</u>	<u>8,194</u>

5. Reconciliation of administration fund reserve

	2014 £
Opening balance as at 1 April 2013	40,512
Retained surplus for the period	32,700
	<u>73,212</u>
Administration fund reserve carried forward	<u>73,212</u>

**Notes to the Financial Statements
For the Period Ended 31 January 2014**

6. Taxation

The Board is exempt from tax. Provision has therefore not been made in these financial statements for Jersey income tax.

7. Post balance sheet events

In the opinion of the Board, there are no adjusting or non-adjusting events after the balance sheet date necessitating the revision of the financial statements or additional disclosure, other than as follows. On 18th March 2014 the Chief Minister, acting on behalf of the Board, made the decision to enter into an outsourcing contract with Deloitte for the provision of claims handling services in the event of activation of the Depositors Compensation Scheme for five years at a cost of £10,000 per annum plus any annual testing of the system costs exceeding the base level.

8. Controlling party

The Chief Minister (formerly the Minister for Economic Development), carries out the functions of the Board, until such time as he determines by notice in writing to the Board that it should assume its function. In the opinion of the Board, there is no ultimate controlling party or beneficial owner meeting the definitions as prescribed by the United Kingdom Accounting Standards.