

**Guernsey Banking Deposit Compensation Scheme**

Annual Report and Financial Statements

Year Ended

31 December 2019

# Guernsey Banking Deposit Compensation Scheme

## Scheme Information

---

**Board Members**

Rick Denton (Chairman)  
Steve Hogg  
William Simpson  
Diane Colton

**Registered office**

PO Box 33  
Dorey Court  
Admiral Park  
St Peter Port  
Guernsey  
GY1 4AT

# Guernsey Banking Deposit Compensation Scheme

## Contents

---

	Page
<b>Chairman's Annual Report</b>	1-4
<b>Board Report</b>	5-6
<b>Independent Auditor's Report</b>	7-8
<b>Statement of Comprehensive Income</b>	9
<b>Statement of Financial Position</b>	10
<b>Statement of Changes in Equity</b>	11
<b>Statement of Cash Flows</b>	12
<b>Notes to the Financial Statements</b>	13-16
<b>Unaudited Detailed Profit and Loss Account</b>	17-18

The detailed profit and loss account is not audited and does not form part of the audited financial statements of the Scheme.

# Guernsey Banking Deposit Compensation Scheme

## Chairman's Annual Report For the Year Ended 31 December 2019

---

### **Chairman's Annual Report 2019**

During the course of last year the Board<sup>1</sup> remained as it had been at the end of 2018 with the following Members: -

Diane Colton	
Rick Denton	Chair
Steve Hogg	
William Simpson	Deputy Chair

### **Financial Statements for the Year-Ended 31 December 2019**

The Financial Statements for the year ended 31 December 2019 show an erosion of the Scheme's reserves of £12,263 compared with £10,821 for the year ended 31 December 2018. This is considered reasonable due to the continued investment in improvement projects during the period and the Board considers the Scheme's remaining reserves a satisfactory position for its continuing operation.

### **Banking Industry in Guernsey**

The Board considers it important to inform its stakeholders of key features of the current banking industry in Guernsey to provide the context in which the Scheme operates, before outlining its plans for the future.

The number of licences issued to banks continues to fall, from 23 at the start of 2019 to 22 as at 31 December 2019. Indeed, since the inception of the Scheme, the number of licensed banks in the Bailiwick has fallen from 45.

These reductions have been led from the banks' overseas headquarters and reflects the trends of increasing consolidation and streamlining by multinational institutions. Changes to the regulatory requirements have also led banks to critically review their infrastructure and jurisdictional coverage.

However, total deposits have increased over the last decade, demonstrating that investors continue to recognise Guernsey as a safe and leading International Financial Centre.

The emergence and spread of the new Coronavirus has caused volatility across financial markets and significant disruption to the economy, resulting in an increase in non-performing loans and pressure on capital adequacy/liquidity. As a result, the Scheme and international DCS bodies remain in a state of heightened alert and a need to ensure readiness to support their local communities. The Scheme has worked closely with the Association of Guernsey Banks ("AGB") during this time and remains vigilant should an event occur.

### **International Standards**

The Board have identified two sets of Global Standards by which Deposit Compensation Schemes can benchmark themselves.

---

<sup>1</sup> As before, this report uses the abbreviations 'Scheme', 'Board' and 'Commission' for the Guernsey Banking Deposit Compensation Scheme, its Board and the Guernsey Financial Services Commission.

# Guernsey Banking Deposit Compensation Scheme

Chairman's Annual Report (continued)  
For the Year Ended 31 December 2019

---

## International Standards (continued)

The first is the International Association of Deposit Insurers' ("IADI") Core Principles for Effective Deposit Compensation Systems (the "Core Principles"). First published in November 2014, the Scheme reviewed its previous analysis of its compliance with these principles during 2017, noting a number of specific areas of interest and development. These have been key drivers for the continued improvement of the Scheme during the year, informing the development of workstreams for the Board and Scheme Administrator, Aon Services (Guernsey) Limited, which are further outlined below. Mrs Colton will be performing another review against the Core Principles during 2020 and the Scheme will continue to work to meet the IADI standards.

In liaison with the other Crown Dependencies, a decision has been made to work more closely with the second key Deposit Compensation Scheme guiding body, the European Forum of Deposit Insurers ("EFDI") with their more proactive stance to assist and the greater availability of guidance/support they offer. The UK, Jersey, Gibraltar and all European Union countries maintain EFDI membership.

Although the Bailiwick and the Scheme fall outside the European Union ("EU"), the EU's Deposit Compensation Scheme Directive is also considered an important influence as it provides guidance on the standards of Deposit Compensation Schemes throughout Europe.

With the Bailiwick's status as an International Financial Centre, the Board considers it important to ensure the Scheme's response to a default scenario to be in line with our international counterparts.

## Co-operation with external parties

We have continued to hold discussions with important stakeholders and have enjoyed a constructive dialogue with:

- Association of Guernsey Banks
- Deposit Guarantee and Investment Compensation Foundation PCC (EAS Liechtenstein)
- Gibraltar Deposit Guarantee Scheme
- Guernsey Financial Services Commission
- Isle of Man Depositors Compensation Scheme
- Jersey Banking Deposit Compensation Scheme
- UK Financial Services Compensation Scheme ("FSCS")
- The Guernsey public

In addition, the Scheme has continued its active participation in EFDI, attending conferences to develop relationships and enhance our understanding of both the Core Principles and developments in the deposit compensation environment globally. The Scheme joined the EFDI Fintech Project initiative during 2019 and participated in a Business Continuity Readiness Project.

The Scheme has resigned from being a Member of IADI with effect from 1 April 2020 due to an increase in the membership fees resulting in the Board no longer believing that IADI membership was a cost-effective proposition. It will, however, continue to measure performance against the Core Principles.

Within EFDI we have played a leading role in the development of a new working subgroup, the Association of Micro European States ("AMES"). This body, which initially was composed of the other Crown Dependencies, Gibraltar and Liechtenstein, is designed to facilitate the sharing of resources, exchanges of information and to allow the jurisdictions to progress projects of mutual interest in a uniform manner, recognising that many banks operate across multiple locations and would benefit from a consistent approach by the various compensation schemes. During 2020 the organisation has grown to include Iceland and San Marino.

In 2019 the Scheme started discussions with the GFSC to review the MOU in order to strengthen co-operation. This is ongoing.

The Scheme continues to ensure that its website [www.dcs.gg](http://www.dcs.gg) is up to date and that all local banks are correctly distributing the latest edition of the Scheme's information leaflet (last amended in December 2017).

# Guernsey Banking Deposit Compensation Scheme

Chairman's Annual Report (continued)  
For the Year Ended 31 December 2019

---

## Co-operation with external parties (continued)

Given the importance of the Scheme's website to our communication with the public, the Board updated the website, including changing the infrastructure, during 2019 to ensure the website continues to be secure whilst facilitating changes that should increase the efficiency of data collection in a default scenario.

The Scheme Administrator continues to receive enquires from both the general public and local corporates and these are referred to the Board as appropriate. The Administrator has also enabled the Scheme to be compliant with the General Data Protection Regulations in respect to any personal data held.

## Funding of the Scheme

The reduction in the number of licensed banks in the Bailiwick reduces the base from which it can charge administrative levies and, in the event of a default, compensation levies. The implications in respect of this reduction have been reviewed by the Board and the Scheme has begun to develop plans to mitigate the impact to the Scheme.

To ensure the Scheme has funds available in the event of a bank default and any time delay in receiving funds levied from other Guernsey based banks, the Scheme has arranged for a stand-by liquidity facility of £15m with the States of Guernsey. This facility was formalised during 2019.

The administrative levy for the year ending 31 December 2020 remained consistent with 2019 at £10,000 per annum. The budgeted administrative income remains in line with that proposed in the 2008 Policy Paper before inflation and allows for some continued spending on improvement projects.

Key development projects:

### Ordinance amendments

The current Ordinance, upon which the Scheme was founded, was reviewed during 2017 and 2018 in a process instigated by the review of findings of the Scheme's alignment with the Core Principles. The review identified that, due to movements in the global deposit compensation scheme environment, the Ordinance was too restrictive operationally and did not address several issues identified in deposit compensation since its initial drafting. In response to this assessment, the Board began a project to redraft the statute and improve legal protection for depositors. Progress has been made during 2019 on the new Ordinance with a number of key improvements being made.

Over a similar time period, there have been parallel developments in Preferred Creditor Protection and the creation of a Resolution Body on which we have been co-operating and liaising with the States Finance Sector Development team ("FSD"). We thank the FSD for their work in this regard and much appreciate their assistance in the drafting of an improved local Deposit Compensation Scheme Ordinance.

### Operational improvements

The Scheme is continuing to review deposit data of the Bailiwick's licensed banks to ensure it has the necessary information to enable it to react efficiently in any default scenario, supported by appropriate operating procedures and systems. The importance of collection of accurate and readily accessible data on potential Scheme claimants has been highlighted as a development area through our increased participation with EFDI where the standardisation of information from licensed banks has been proven to have a hugely positive impact on a scheme's ability to respond efficiently to default scenarios. With this in mind, with assistance from the Gibraltar Deposit Guarantee Scheme, the Board began a project to develop a standard, Single Customer View ("SCV") format for the jurisdiction during 2019, working in conjunction with the Schemes in other Crown Dependencies to create a standard approach. The Board, recognising the difficulty institutions may have implementing such requirements in their existing systems, communicated its proposals to the AGB and will undertake full consultation with the AGB Members and other stakeholders.

# Guernsey Banking Deposit Compensation Scheme

Chairman's Annual Report (continued)  
For the Year Ended 31 December 2019

---

## Funding of the Scheme (continued)

### Operational improvements (continued)

To ensure Scheme compensation is as efficient as possible, the Board continue to review its processes and procedures locally and in discussion with other jurisdictions. To this end, the Scheme has identified a number of areas which it could improve and reduce costs. We hope to make progress in this respect in 2020 though, with the volume of work required and the short-term focus on the improvement integration of SCV data, it is anticipated that improvement projects will continue over the medium term.

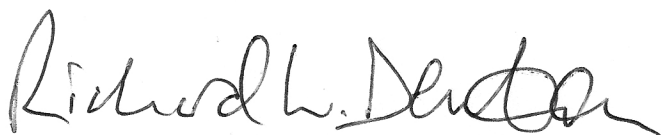
A key step to ensure operational efficiency will be to test elements of the Scheme. The Scheme has worked closely the Administrator to provide improved cyber security and assess the impact of Covid-19. In February 2020, this work included testing a method of secure remote working and the efficiency of Scheme stakeholder communications.

### Cross Border Co-operation

A further area of development is in respect of cross border issues. This is a critical item identified in the Core Principles, and something the Board also recognises as being of importance with the multinational nature of the Bailiwick's banks. It is anticipated a default scenario of any bank would require international co-operation and to this end the Scheme is working to improve dialogue and understanding of the cross-border issues through increased participation in international bodies. The establishment of the AMES subgroup in EFDI demonstrates the Board's commitment to international co-operation and will enable further benefits through resource sharing.

### A Personal Note

Personally, I am proud of the work being achieved by our Board and their commitment to continual improvements to the Guernsey Banking Deposit Compensation Scheme in line with international standards. This work will continue to enhance the reputation of the Guernsey banking industry and the wider reputation of the jurisdiction for its financial stability.



**Richard L. Denton**  
Chairman of the Board,  
Guernsey Banking Deposit Compensation Scheme

# Guernsey Banking Deposit Compensation Scheme

## Board Report For the Year Ended 31 December 2019

---

The Board presents its report and the financial statements for the year ended 31 December 2019.

### **Board's responsibilities statement**

The Board is responsible for preparing the Scheme's financial statements in accordance with applicable law and generally accepted accounting practice.

The Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 (the "Ordinance") requires the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Scheme and of the profit or loss of the Scheme for that period.

In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- 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 adequate accounting records that are sufficient to show and explain the Scheme's transactions and disclose with reasonable accuracy at any time the financial position of the Scheme and which enable it to ensure that the financial statements comply with the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008. It 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.

### **Principal activity**

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

### **Results**

The Statement of Comprehensive Income for the year is set out on page 9.

### **Board**

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

Rick Denton (Chairman)  
Steve Hogg  
William Simpson  
Diane Colton



# Guernsey Banking Deposit Compensation Scheme

Board Report (continued)  
For the Year Ended 31 December 2019

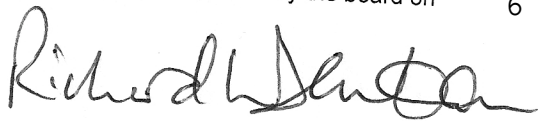
---

## Independent auditor

The auditor, BDO Limited, is deemed to be reappointed in accordance with the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance 2008 by virtue of an elective resolution passed by the members on 21 January 2015.

This report was approved by the board on 6 July 2020

and signed on its behalf.



Chairman

# Guernsey Banking Deposit Compensation Scheme

## Independent Auditor's Report to the Board of the Guernsey Banking Deposit Compensation Scheme

---

### Opinion

We have audited the financial statements of the Guernsey Banking Deposit Compensation Scheme (the "Scheme") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("United Kingdom Generally Accepted Accounting Practice").

In our opinion, the financial statements:

- give a true and fair view of the state of the Scheme's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Scheme's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Guernsey Banking Deposit Compensation Scheme

## Independent Auditor's Report to the Board of the Guernsey Banking Deposit Compensation Scheme (continued)

---

### Responsibilities of the Board

As explained more fully in the Board's responsibilities statement within the Board Report, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Scheme's Board, as a body. Our audit work has been undertaken so that we might state to the Scheme's Board those matters we are required to state to it 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 Scheme's Board, as a body, for our audit work, for this report, or for the opinions we have formed.

*BDO limited*

Chartered Accountants  
Place du Pré  
Rue du Pré  
St Peter Port  
Guernsey

Date 8 July 2020

# Guernsey Banking Deposit Compensation Scheme

## Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Income	4	231,677	216,040
Administrative expenses		(244,447)	(226,861)
<b>OPERATING LOSS</b>		<b>(12,770)</b>	<b>(10,821)</b>
Interest receivable and similar income		507	-
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(12,263)</b>	<b>(10,821)</b>

There was no other comprehensive income for 2019 (2018: £NIL).

The notes on pages 13 to 16 form an integral part of these financial statements.

# Guernsey Banking Deposit Compensation Scheme

## Statement of Financial Position As at 31 December 2019

	Notes		2019 £	2018 £
<b>CURRENT ASSETS</b>				
Debtors: amounts falling due within one year	5	5,083	63,273	
Cash at bank and in hand		340,298	331,591	
		345,381	394,864	
Creditors: amounts falling due within one year	6	(253,621)	(290,841)	
<b>NET CURRENT ASSETS</b>			<b>91,760</b>	104,023
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>91,760</b>	104,023
<b>NET ASSETS</b>			<b>91,760</b>	104,023
<b>CAPITAL AND RESERVES</b>				
Profit and loss account			91,760	104,023
			<b>91,760</b>	104,023

The financial statements were approved and authorised for issue by the Members of the Board and were signed on its behalf by:



Director



Director

Date: 6 July 2020

The notes on pages 13 to 15 form part of these financial statements.

# Guernsey Banking Deposit Compensation Scheme

## Statement of Changes in Equity For the Year Ended 31 December 2019

---

	Profit and loss account	Total equity
	£	£
At 1 January 2019	104,023	104,023
Loss for the year	(12,263)	(12,263)
<b>AT 31 DECEMBER 2019</b>	<b><u>91,760</u></b>	<b><u>91,760</u></b>

## Statement of Changes in Equity For the Year Ended 31 December 2018

---

	Profit and loss account	Total equity
	£	£
At 1 January 2018	114,844	114,844
Loss for the year	(10,821)	(10,821)
<b>AT 31 DECEMBER 2018</b>	<b><u>104,023</u></b>	<b><u>104,023</u></b>

The notes on pages 13 to 16 form an integral part of these financial statements.

# Guernsey Banking Deposit Compensation Scheme

## Statement of Cash Flows For the Year Ended 31 December 2019

	2019 £	2018 £
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the financial year	<b>(12,263)</b>	(10,821)
<b>ADJUSTMENTS FOR:</b>		
Decrease in debtors	<b>58,190</b>	3,268
(Decrease)/increase in creditors	<b>(37,220)</b>	53,400
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>8,707</b>	45,847
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>8,707</b>	45,847
Cash and cash equivalents at beginning of year	<b>331,591</b>	285,744
Cash and cash equivalents at the end of the year	<b><u>340,298</u></b>	<b><u>331,591</u></b>

The notes on pages 13 to 16 form an integral part of these financial statements.

# Guernsey Banking Deposit Compensation Scheme

## Notes to the Financial Statements For the Year Ended 31 December 2019

---

### 1. Accounting policies

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102").

The Guernsey Banking Deposit Compensation Scheme (the "Scheme") was established in Guernsey on 26 November 2008 by the States of Guernsey. The Board acts as an administrator to the Scheme in order to collect levies from Guernsey banks. The Scheme's registered office can be seen on the Scheme Information page. The Board considers the Scheme to be a Public Benefit Entity.

The Scheme's functional and presentation currency is Sterling ("GBP"), being the primary currency of the economic environment in which it operates.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Scheme accounting policies.

The following principal accounting policies have been consistently applied:

#### 1.2 Going concern

The Board has prepared the financial statements on a going concern basis. The Board has considered the potential impact of the COVID-19 pandemic on the Scheme and its ability to continue as a going concern. The majority of the Scheme's assets are held in cash with banks of a rating of at least A- on S&P. There is not a significant amount owed in the case of debtors to the Scheme and the majority of the creditors are the levies for 2020 received in advance. The Board is satisfied that the Scheme is a going concern.

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.

The Scheme has entered into a loan facility arrangement with the States of Guernsey for £15,000,000 which is available for drawdown in the event of a default by a licensed bank.

#### 1.3 Income and deferred income

Income is recognised in the Statement of Comprehensive Income on an accruals basis. Fees received in advance are deferred over the period to which they relate.

#### 1.4 Debtors

Short term debtors are measured at their transaction price, less any impairment.

#### 1.5 Cash at bank

Cash is represented by cash deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

#### 1.6 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



# Guernsey Banking Deposit Compensation Scheme

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2019

---

### 1. Accounting policies (continued)

#### 1.7 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

#### 1.8 Financial instruments

Financial assets and financial liabilities are recognised when the Scheme becomes party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangement entered into.

##### i. Initial recognition and subsequent measurement

All financial assets and financial liabilities are initially measured at transaction price (including transaction cost), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction cost), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

During the year no gain or loss was made on the financial assets and therefore no gain or loss has been recognised through profit or loss.

Financial assets and financial liabilities are offset in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognised amounts and the Scheme intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### ii. Derecognition of financial instruments

Financial assets are derecognised when and only when:

- a) the contractual right to the cash flows from the financial asset expire or are settled,
- b) the Scheme transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- c) the Scheme, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

##### iii. Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

# Guernsey Banking Deposit Compensation Scheme

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2019

---

### 1. Accounting policies (continued)

#### 1.8 Financial instruments (continued)

##### iv. Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have 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 or group of financial assets that can be reliably estimated.

The Board first assess whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Board determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, they include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, 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 been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

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 improved credit rating), the previously recognised impairment loss is reversed through the statement of comprehensive income.

#### 1.9 Profit and loss reserve

The Scheme's reserves comprise the cumulative profits (or losses) net of any adjustments.

### 2. Financial Reporting Council Ethical Standard - Provisions Available for Small Entities

In common with many other entities of its size and nature, the Scheme uses its auditor to assist with the preparation of the financial statements.

### 3. 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.

### 4. Income

During the year, the main source of income was obtained from 23 Participant banks of £10,000 per Bank (2018: 24 Participant Banks at £9,000).

# Guernsey Banking Deposit Compensation Scheme

## Notes to the Financial Statements (continued) For the Year Ended 31 December 2019

5. Debtors: amounts falling due within one year	2019 £	2018 £
Trade debtors	1,667	60,000
Prepayments and accrued income	3,416	3,273
	<u>5,083</u>	<u>63,273</u>
6. Creditors: amounts falling due within one year	2019 £	2018 £
Accruals	(63,621)	(50,841)
Deferred income	(190,000)	(240,000)
	<u>(253,621)</u>	<u>(290,841)</u>

### 7. Related party transactions

Key management personnel include all members of the Board who together have authority and responsibility for planning, directing and controlling the activities of the Scheme. The total compensation paid to key management personnel for services provided to the Scheme was £85,000 (2018: £72,500). At 31 December 2019, £21,250 (2018: £16,250) was outstanding and is included within accruals.

### 8. Events after the End of the Reporting Period

Subsequent to the reporting date, the coronavirus pandemic was declared. The Board considers the pandemic to be a non-adjusting disclosable subsequent event.

### 9. Controlling party

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 Committee for Economic Development. There is no ultimate controlling party.

# **Guernsey Banking Deposit Compensation Scheme**

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

# Guernsey Banking Deposit Compensation Scheme

## Unaudited detailed profit and loss account For the Year Ended 31 December 2019

	2019 £	2018 £
Income	231,677	216,040
Administration expenses	(244,447)	(226,861)
<b>Operating loss</b>	<b>(12,770)</b>	<b>(10,821)</b>
Interest receivable	507	-
<b>Loss for the year</b>	<b><u>(12,263)</u></b>	<b><u>(10,821)</u></b>
 <b>Turnover</b>		
Income - fees	<b><u>231,677</u></b>	<b><u>216,040</u></b>
 <b>Administration expenses</b>		
Directors' fees	85,000	72,500
Consultancy fees	12,000	12,000
Management fees	100,000	100,000
Sundry expenses	134	50
Disaster recovery costs	12,364	12,363
Legal and professional fees	13,524	13,361
Audit fees	5,250	5,250
Travel and meeting expenses	8,146	4,050
Printing and stationary	6,138	5,486
Website design and maintenance	1,145	1,065
Telephone and postage	-	150
Bank charges	746	586
	<b><u>244,447</u></b>	<b><u>226,861</u></b>
 <b>Interest receivable</b>		
Bank interest receivable	<b><u>507</u></b>	<b><u>-</u></b>