JERSEY FINANCIAL SERVICES COMMISSION

BUSINESS PLAN 2005

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Contents

This published Business Plan is an abridged version of the more detailed internal plan used by the Commission's staff for comprehensive planning and monitoring purposes.

Section One: Introduction

The 2005-2007 Business Plan sets out the Commission's objectives together with an explanation of how they will be met. The Plan has been formulated taking account of the Commission's Key Purpose, Aims and Values. These are set out below.

Key Purpose

The Commission's key purpose is to maintain the Island's position as an international finance centre with high regulatory standards by:

- reducing risk to the public of financial loss due to dishonesty, incompetence, malpractice or the financial unsoundness of financial service providers;

- protecting and enhancing the Island's reputation and integrity in commercial and financial matters;

- safeguarding the Island's best economic interests;

  and, in pursuit of the above,

- contributing to the fight against financial crime.

Aims

In support of our key purpose, the Commission aims to:

- ensure that all entities we authorise meet fit and proper criteria;

- ensure that all entities we regulate are operating within accepted standards of good regulatory practice;

- match international standards in respect of banking, securities, trust company business, insurance regulation, and anti-money laundering and terrorist financing defences;

- identify and deter abuses and breaches of regulatory standards; and
- ensure the Commission operates effectively and efficiently and is properly accountable to the Economic Development Committee.

Values

In support of our key purpose and aims we expect all our employees to act in a manner consistent with the following values:

Excellence: We are committed to achieving quality in the exercise of our allocated tasks and assigned responsibilities and undertake to strive for continuous improvement by identifying ways to increase efficiency and effectiveness within ourselves and the Commission.

Professionalism: We will conduct ourselves in accordance with the principles of professionalism by demonstrating a clear sense of commitment, objectivity and consistency.

Integrity: We will be honest, fair and open in our dealings with one another and with the industry we regulate.

Teamwork: We welcome the opportunity to work with one another and to share ideas, information and decisions by offering our support and assistance, and to solve problems in partnership with our colleagues, the industry we regulate and with the international community.

Our employees: We recognise that our people are our future and will encourage everyone to acquire professional skills, knowledge and experience to contribute effectively to the work of the Commission.

Respect for each other:	We recognise the equal worth of each individual and will support one another's need to balance their personal lives with their professional lives.
Respect for others	We will aspire to meet the needs of all those we deal with by listening, understanding and responding promptly to their requests, and we will treat all those whom we regulate with courtesy and respect.

Section Two: Achievements in 2004

Introduction

2004 was another busy year for the Commission and substantial progress was made in achieving our objectives. As usual, much of our work was outward facing. But a key preoccupation during the year was to focus on the internal structure and processes of the Commission with a view to improving our efficiency and effectiveness.

Financial issues

The Business Plan for 2004 drew attention to the financial constraints facing the Commission. The 2004 budget anticipated a deficit for the year, partly reflecting the continued heavy spend on investigations and litigation. The overhang of a potential liability to help meet the deficit in the Public Employees Contributory Pension Scheme ("**PECRS**") was also a cause for concern.

The question of the PECRS deficit continues to be an issue. However, in general, the financial position of the Commission improved during the year, with a surplus expected at the time of writing. This was due in part to tight control on operating expenses as well as higher than budgeted fee income. Banking fees benefited from the new licences taken out for disaster recovery purposes following the hurricane in the Cayman Islands. The Banking Division's speed of response in handling these applications was one of the highlights of the year.

The major imponderable in the Commission's budget remains investigation and litigation costs, which were included in the 2004 budget at £1.1 million. But progress on the major cases was slower than expected, with a corresponding slower rate of expenditure.

The question of how these costs should be financed remains a topic for debate. They are currently financed out of the Commission's budget, with recourse to its reserve if necessary. One option would be for the Commission to be given fining powers, which might allow more of the costs of investigations and litigation to be recovered from those who have given rise to them. It is intended to address this issue in 2005.

Among other steps taken to put the Commission's finances on a more stable basis was the proposed introduction of an amendment to the Financial Services Commission (Jersey) Law to enable the Commission to set its own fees and to split the Registry-related fees into two parts. This proposal attracted support from the industry during consultation conducted by the Economic Development Committee ("**EDC**"), subject to the need for an arbitration mechanism in the event that the Commission and industry fail to reach consensus on a proposed fee increase. Such a mechanism has been devised and will be presented to the EDC with the results of the consultation in the near future.

The banking fees were renegotiated with the agreement of the industry to recognise the consolidation that was reducing the number of bank licences, and the fee structure was amended to reflect the industry's preference for a sliding scale of fees.

Finally, as a long-term efficiency measure, the Commission undertook a project to review the various processes in the Supervisory Divisions to see to what extent these could be streamlined and improved. All the relevant processes and procedures have been documented electronically in a central repository, which will facilitate standardisation and efficiency improvements as we move forward. As part of this exercise, a streamlined process for handling complaints against regulated entities has been introduced.

Corporate governance

The Commission has reviewed its standards of governance against those set by the United Kingdom Combined Code and the Turnbull guidance on risk management, and published a statement on how it meets these standards in its Annual Report for 2003. This will be an ongoing feature of the Annual Report, updated as necessary.

New structure

One of the Commission's objectives for 2004 was to review its organisational structure. This was done in the first half of the year and the new structure was introduced in July. Under the new structure, there are four Supervisory Divisions, replacing the former Compliance Division and incorporating the former Authorisation Division. Extensive work by the Operations Division on recruitment and premises changes and by the Finance Division on the structure of the Commission's accounting system has been necessary to give effect to the new structure, which has been working well since it was introduced.

External relations

A good working relationship has been established with the EDC, which maintains oversight of the Commission. A programme of regular meetings with the EDC or its representatives has been put in place at annual, quarterly and monthly intervals in order to ensure proper accountability by the Commission and to provide the opportunity for exchange of views. A particular issue has been to try to define more precisely the circumstances and manner in which the Committee might wish to exercise its power of direction under Article 11 of the Financial Services Commission (Jersey) Law. A memorandum of understanding on this has been drafted by the Commission and will be the subject of discussion with the Committee in early 2005.

The opportunity was taken in the industry seminar held by the Commission in February and at other events during the year to get across the message that the Commission is aiming to provide balanced and pragmatic regulation, and to work in partnership with the industry where this is feasible. In general, there is now a more constructive relationship with the industry and in particular with Jersey Finance Limited, which represents the industry as a whole.

The Commission also maintained contact with other regulatory authorities on both a bilateral and multilateral basis, the latter through attendance at international meetings such as the

International Conference of Banking Supervisors, the Offshore Group of Banking Supervisors, the International Organisation of Securities Commissions and the International Association of Insurance Supervisors. On a bilateral basis, we are close to signing Memoranda of Understanding with the Spanish securities' regulator and with the Irish regulator.

The Commission has maintained its approach of cooperating to the fullest extent possible with overseas regulatory authorities in investigating cases of suspected market abuse and unauthorised financial business that may have a Jersey connection. A total of six requests for assistance from overseas regulators were received during 2004, all of which were acted upon.

Policy and legal framework

One of the key events of the year was the introduction of the regime for expert funds and non-domiciled funds. The response to these has been encouraging with a total of 35 funds authorised by early December 2004, the vast majority Jersey-based. This is part of a more general upsurge in funds business, including two new recognized umbrella funds with twelve sub-funds and a property fund which is probably the largest yet seen on the Island. The funds team within the Securities Division has coped speedily and efficiently with this flow of applications.

With the main focus on handling these applications quickly, and on developing the Codes of Practice for funds functionaries (now under discussion with the industry), the long-term review of the funds authorisation process has been postponed into 2005.

A further major piece of work, carried out under severe time pressure, has been to put in place the framework for regulation of general insurance brokers. The enabling law has been passed through the States and has received Privy Council approval. The associated Orders that set out the details of the regime have been discussed with the industry and should be finalised in early 2005. The licensing process will take place in the first four months of 2005.

The Insurance Codes of Practice were due to be published early in 2005, while the Deposit-taking Codes were due to be sent out for consultation with the industry around the same time, continuing the action plan to implement the recommendations of the International Monetary Fund in its report published in October 2003.

A preferred approach towards the development of the new Basel II Capital Accord was developed and consulted upon during the year, gaining the widespread support of the Island's deposit-takers. It will be further elaborated during 2005.

The Commission considered the industry response to its proposals to amend the Companies (Jersey) Law to provide for the introduction of a register of directors, the creation of a record of foreign incorporated companies and the notification of changes in beneficial owners to the Commission. The Commission is now reviewing these proposals with a view to the reduction of administrative burden on industry.

Draft legislation was prepared for the regulation of money services businesses and to deal with market abuse. Both of these will be carried forward in 2005.

Certain proposals were not progressed during 2004 due to a lack of resources or other priorities. It is intended that the proposals for a depositor compensation scheme, an Advertising Order and integration of the Collective Investment Funds (Jersey) Law and the Banking Business (Jersey) Law into the Financial Services Jersey (Law) will figure in the business plan for 2005.

Further work on a Financial Ombudsman Scheme was suspended due to a failure to obtain sufficient States support for funding this initiative because of other higher priorities for States expenditure.

The Commission reviewed and reaffirmed its policy of only licensing the 'Top 500' banks in the world, as measured by Tier One capital. It was accepted that this policy precludes the authorisation as deposit-takers of many building societies, which do not meet the size criteria. The Commission recognises that there has been some concern expressed at the absence of building societies in the Island. However, the Commission believes that a decision as to whether or not to allow building societies to operate as deposit-takers is a political one. As such, it should be taken by the States or a relevant committee thereof. If the decision was taken that the Island should allow building societies to operate as deposit-takers, the Commission would provide advice on the appropriate regulatory structure and the resources that would be needed to supervise building societies.

Countering money laundering and the financing of terrorism

Considerable progress was made during the year in drafting the successor to the Anti-money Laundering Guidance Notes for the Finance Sector. This will take the form of a Handbook for the Prevention of Money Laundering and Terrorist Financing. The Money Laundering (Jersey) Order will be revised to accommodate the Handbook, a draft of which is due to go out for industry-wide consultation in early 2005.

Major effort was also devoted to ensuring that Jersey's use of the UK payment system (in particular BACS) was not prejudiced by the introduction of a European Union Regulation to implement Financial Action Task Force Special Recommendation VII on wire transfers. It appears that a satisfactory solution has been reached. This will, however, require Jersey (and the other Crown Dependencies) to mirror the Regulation in its domestic legislation.

Supervision

The restructuring of the Commission and the review of processes were major events for the supervisory function during the year. While these have provided a sounder platform on which to move forward in the future, there was some inevitable short-term disruption that impeded progress with on-site visits and other supervisory tasks.

Notwithstanding this, the Compliance Division and its successor Divisions were able to undertake a total of 55 on-site visits during the year, about the same as in 2003 (59). This included the resumption of visits to Guernsey and the Isle of Man both to conduct home regulator discovery examinations and discuss issues of common interest with the Guernsey Financial Services Commission and the Isle of Man Financial Supervision Commission.

Good momentum was maintained in completing the risk model for each of the regulated entities, which is used to focus the Commission's attention on those entities that carry the highest risk. All four supervisory Divisions exceeded the target of 75% completion of risk models for regulated entities by the year end with all but one Division achieving 100%. In this, the supervisory teams were assisted by the automation of both the risk-model process and the review of annual reports and accounts.

As part of the new structure and the supervisory process review, detailed performance targets have been set for the various supervisory tasks and incorporated into the business plan for 2005.

The process of licensing the trust companies still under transitional arrangements continued during the year and is now almost complete.

Enforcement

The Enforcement Division has continued to oversee a number of complex enforcement cases, chief amongst these being the investigation into Jersey-based split capital investment trusts. A settlement was reached in respect of these at the end of the year.

Distribution of the monies arising from the settlement with two of the respondents in the A.P. Black case was made in the first half of the year. Action was continued against the other respondents in the second half of the year.

Registry

The Registry continued to operate smoothly, meeting all its performance targets. During the year, it embarked on major new IT projects (managed by the Operations Division) to replace the current document imaging system and to allow on-line filing and searches of documents. This is part of a broader e-commerce initiative that will eventually be extended to the Commission as a whole. To help achieve this, the Commission is also engaged in a project to integrate its information databases (including that of the Registry) into a single database over time.

Operations

The Operations Division continued to provide essential support to the Commission's staff in a number of the areas mentioned above: the project to review supervisory processes, the restructure and the management of the various IT initiatives in the Registry and elsewhere. In addition, it was necessary to manage the complex migration of the JFSC Staff Pension Scheme to a new administrator and suite of funds. Full simulation testing of the Commission's Business Continuity Plan was also carried out.

The Division also implemented fully the latest module of the Central Index Database covering banking and insurance entities, as part of the ongoing programme of database integration and improvement.

The introduction of flexible benefits for staff was deferred due to the need for further staff consultation on the benefits options to be introduced.

The Commission was awarded a National Training Award for the first time in 2004.

Section Three: Priorities for 2005

Introduction

To a large extent, the Commission's key tasks in 2005 will be to implement many of the initiatives that have been worked on in 2004. This is in keeping with the need to match resource needs to those that are available as well to avoid regulatory overload for the industry. Nonetheless, meeting the objectives set for 2005 will be a challenging task and many of the initiatives will extend beyond 2005 as part of the three-year plan.

As in 2004, much of our work will be governed by the agenda set by the International Monetary Fund ("**IMF**") action plan, and, since the IMF is expected to be paying a return visit to the Island in late 2006/early 2007, we should aim to make substantial inroads into the remaining areas of the plan during 2005.

We will look, wherever possible, for ways in which the legal and regulatory framework can be streamlined to eliminate duplication and unnecessary or burdensome requirements.

A major effort will be made to increase significantly our supervisory contacts with regulated entities through on-site visits and other means.

A key strategic decision facing the Commission in 2005 will be whether to stay in its existing premises beyond the expiry of the current lease in 2007 or to make plans to move to new premises which would allow scope for necessary expansion in the longer-term. A full review of the options will be carried out, with a view to reaching a decision by the middle of the year.

The Commission will continue to exercise tight budgetary control. The forecast for 2005 is for a small surplus, although as always this will be heavily dependent on the outcome for the year in investigation and litigation expenses. The revised Order to enable the Commission to set its own fees should be implemented during the year. The Commission's current policy on its reserve is that it should equate to six month's income. We intend to review whether this is still appropriate.

As noted in the previous section, the Commission has made major efforts during 2004 to enhance its operating efficiency and effectiveness. It would seem appropriate that these efforts should be independently assessed during 2005 through some form of "value for money" audit. We intend to discuss with the Economic Development Committee ("**EDC**") how best this should be conducted.

Corporate governance and accountability

The Commission will continue to review its corporate governance to ensure that it meets, so far as these are applicable, the standards that are applicable to commercial organisations. The Handbook for Commissioners will be updated, with a particular focus on review of the conflicts of interest policy.

The risk model currently used by the Commission to monitor and control its risks in accordance with the Turnbull guidance is to be reviewed and simplified. There will also be a review of the Commission's financial controls. Adherence to the Commission's risk model and to its policies, procedures and controls will be monitored by the Risk Unit established as part of the restructure.

External relations

Much of the Directorate's focus during 2004 was on internal issues. It is planned during 2005 to devise and implement a programme for contact with key overseas regulatory authorities, including particularly those from jurisdictions that may have an unfavourable view of Jersey. We shall continue our efforts to sign memoranda of understanding with relevant jurisdictions and to cooperate in the investigation of cases of market abuse or unauthorised financial business.

Discussions will be taken forward in the early part of the year on the proposed memorandum of understanding with the EDC on the use of Article 11 (Power of Direction) of the Financial Services Commission (Jersey) Law.

We also intend to discuss with the EDC the question of whether an independent mechanism should be established to investigate complaints made against the Commission or its staff.

Countering money laundering and the financing of terrorism

An effective anti-money laundering regime is essential to guard against involvement in financial crime and to maintain the reputation and integrity of the Island. At the same time, it is important to ensure that the regime does not impose an undue burden on financial service businesses and their customers.

A key priority for 2005 will therefore be to finalise the Commission's Handbook and to promulgate this. This will be accompanied by revisions to the Money Laundering (Jersey) Order. Legislation will also be brought forward to mirror the European Union Regulation on wire transfers to ensure that use of the United Kingdom payment system is not prejudiced, and to provide for regulatory oversight (via a "light touch" regime) of money service providers.

Consideration will also be given to oversight arrangements for designated non-financial businesses and professions, such as lawyers and accountants, and non-profit organisations.

Policy and legal framework

The lack of a depositor compensation scheme is an area of potential risk for the reputation of the Island at present. While the risk is remote, the impact of it materialising would be high. Competing priorities meant that the scheme made limited progress in 2004, but it is intended to take forward a proposed scheme in 2005. This will be done in close consultation with the industry, with a view to reaching agreement on the structure of the scheme and the associated draft legislation by the end of the year. In the same vein, it is important that there should be a formal contingency plan for dealing with the failure of a bank (or other intermediary), and we intend to complete this during the year.

Capital requirements are designed to reduce the chances of a bank failure occurring in the first place. The Commission will continue with the arrangements to adopt Basel II in Jersey, including the relevant elements of Pillars 2 and 3. A close dialogue will be maintained with the industry and the regulators in the other Crown Dependencies. In parallel with this work, it is intended to consider the introduction of a capital requirement for market risk (one of the elements of the IMF action plan).

The Codes of Practice for Deposit-takers will be finalised during the year, as will those for funds functionaries.

Work will be undertaken on the integration of the Banking Business (Jersey) Law and the Collective Investment Funds (Jersey) Law with the Financial Services (Jersey) Law, although implementation of this will probably extend into 2006.

Integration of the Collective Investment Funds (Jersey) Law is part of the longer-term review of the regulation of funds businesses, the main focus of which will be to concentrate to a greater extent on the functionaries rather than the fund (except in the case of retail funds). In keeping with the objective of avoiding unnecessary or burdensome regulation we also intend to review the use that we currently make of our present power to grant consents under the Control of Borrowing Order and whether a lighter touch can be applied to the regulation of SPVs.

A similar motivation underlies the intention to review and integrate the subordinate legislation for Investment Business and Trust Company Business to eliminate duplication.

The Commission intends to introduce Advertising Orders under the provisions of the relevant regulatory laws.

The new regime for general insurance brokers will be implemented, including the production of finalised Codes of Practice. The results of the self-assessment of compliance with the

International Association of Insurance Supervisors' extended Core Principles will be reviewed to identify any necessary changes to the legal and regulatory framework.

Consultation will be held on the proposed legislation on market abuse and money service providers. It is expected that both pieces of legislation will be enacted during 2005 and it is intended that Codes of Practice in relation to money service business will be published also.

We will need to ensure that our laws, policies and procedures in all areas where the Commission operates are considered to be compliant with the new human rights and data protection legislation in Jersey.

The Commission will continue to monitor regulatory and related developments in the European Union which may have an impact on the finance industry in Jersey.

We will continue to review the options in relation to complaint handling, including possible variants of an ombudsman service.

Supervision

The new structure of the Supervision Divisions was fully effective by the end of 2004. In addition, the Divisions will be able to enjoy the benefits of the review of supervisory processes that was conducted during the year. Both of these will provide a platform to launch an intensified on-site visit programme during the course of 2005, aimed at broadening and increasing our supervisory contacts with regulated entities. Particular objects of attention will be the Trust Company and Investment Businesses where standards of corporate governance, internal control and administration are still uneven. The Banking Division will conduct a themed treasury examination programme in the first half of the year.

Overall it is intended to undertake a total of around 140 supervisory visits during the year compared with 55 in 2004. Of the 2005 visits, approximately 60% will be "discovery" visits which are on-site visits to ensure that the Commission holds sufficient information to keep its entity risk assessments up to date.

This effort across the Divisions will be assisted by the implementation of automated visit and risk management software in collaboration with the Operations Division.

Enforcement

The Enforcement Division will continue to deal with the A.P.Black court case and the finalisation of issues relating to the split capital investment funds settlement. As with Supervision, there will be an increased focus on Investment Business, and in particular on cases of alleged "mis-selling" of financial products. In serious cases, the integrity or competence of the firms and their principals may be called into question, requiring action that goes beyond supervisory efforts to bring the persons concerned back into compliance.

A decision needs to be taken in 2005 on how to progress the recovery of costs of major investigations, the issue of fining powers and the related question of how decisions or appeals on fines (and other enforcement measures) should be taken. These issues will be considered during the year in collaboration with the Research and Development Unit. If the decision is taken to proceed, it is likely that implementation will extend into 2006.

Registry

As always, the key priority of the Registry is to ensure that it offers a high quality of service to its users, by managing its work flow as efficiently as possible. Underlying this is the need to ensure that the office's information technology platform is updated and enhanced. It will be necessary therefore to continue the various major projects for integration of the Commission's databases and for on-line filing, optical image system replacement and on-line searches, and to ensure that the Registry needs in respect of these are met. While aspects of these projects will extend beyond 2005, it is intended that on-line filing should be available to users in 2005.

These e-commerce initiatives will require an enabling Order to amend the Electronic Communications (Jersey) Law.

The Commission will continue its work on the possible introduction of corporate directors of Jersey companies, which should open the way to introduce a register of directors. The proposed amendment to the Registration of Business Names (Jersey) Law will also be enacted, taking account of the results of the consultation held in 2004.

The Registry (and other parts of the Commission) will need to respond to the Government initiatives to introduce foundations and protected cell companies (as part of Companies (Amendment no. 8) (Jersey) Law). As well as commenting on the proposals as part of the consultation process, the Registry will have to identify the requirements and implement processes for the registers of the proposed new entities.

Operations

The Operations Division will continue to carry the responsibility for managing the Commission's various information technology projects in 2005. This includes the major Registry projects, the automated visit and risk management software in the Supervision Divisions, continued database integration and the extension of the process management software (Control-ES), used to conduct the review of supervisory processes in 2004, to the rest of the Commission. The Division will also be responsible for coordinating any value for money audit agreed with the EDC.

On the human resources side, further efforts will be made to automate processes and a structured system for career and succession planning will be introduced. New contracts of employment will be issued to be consistent with the requirements of the new Jersey Employment Law. Flexible benefits will be introduced after further consultation with staff. Preparations will be made for the likely introduction of Income Tax Instalment System (**"ITIS"**) in 2006.

Section Four : Budget 2005

Introduction

The budget has been prepared on the basis of the following assumptions:

- That costs of investigations and litigation will remain at the same level as the outturn for 2004; and

- That additional staff to fill current vacancies will be recruited during 2005 on a "straight line" basis, achieving a full staff complement by the end of the year.

In addition, no account has been taken in the figures for any payment relating to the Commission's share of the deficit in the reserves of the Public Employees Contributory Retirement Scheme.

The projection for 2004 has been based on the Commission's un-audited management accounts as at 30 November. Full audited accounts as at 31 December 2004 will be produced in the first half of 2005.

Policy

The Commission's policy with respect to the budget is to:

- Set fees at such a level as to cover the costs of regulating the finance industry and administering the Companies Registry, and to make an appropriate contribution to reserves;

- Keep regulatory fees to a minimum by maintaining strict control of costs; and

- Build up a reserve over a number of years equivalent to six months' regulatory and registry fee income.

Income

Fee income in 2004 is anticipated to be £11.982 million, £322,000 above budget. There has been a higher number of company incorporations and increased income from banks and funds. Fees from insurance and investment business are below budget because of mergers and withdrawals of licences, while trust company income is in line with expectations.

In the 2005 budget, fee income is £12.028 million. There is likely to be a reduction in company incorporations, but insurance and banking fees are expected to rise because of increases in fee scales effective from October 2004 and January 2005 respectively. New funds are not anticipated to continue to be established at the same rate as in 2004, while income from investment businesses and trust companies is likely to remain broadly at present levels. Income from the introduction of regulation of general insurance mediation should contribute to income for the first time.

Bank deposit interest received is projected to be £315,000 in 2004, an increase against budget of £115,000. This is primarily due to rising interest rates. For 2005 this interest income is expected to be lower, reflecting the impact on deposit balances of the timing of receipts of fee income and the payment of expenses.

Expenditure

Operating expenditure in 2004 is forecast to be £7.951 million, as against a budget of £8.231 million. The reduction arises mainly from lower spends on premises, public relations, travel and training, and the deferral of some expenditure on computer systems. Costs relating to investigations and litigation are also below budget, because the main cases have progressed more slowly than expected, with associated expenditure therefore being incurred at a correspondingly slower rate. These savings have been partially offset by increased staff and recruitment costs, including higher than budgeted secondment costs, and by the expenditure associated with the internal restructure. The increase in depreciation charges against budget is due to the timing of the acquisition of assets or the completion of projects.

In 2005, the budget shows an increase in costs of £214,000 to £8.165 million. The main cause is staff costs, being the pay review and the anticipated recruitment to full headcount by the end of the year.

The computer systems projects that have been included in the budget for 2005 are only those that are considered essential, particularly the development of online facilities for the Companies Registry. Optional developments have been deferred.

Professional services costs contained in the 2005 budget have been reduced to £138,000 because it is hoped that the extent of such assistance can be limited to a lower level.

Travel and training costs will be higher in 2005 with increased staff numbers.

An amount of £50,000 has been included in other operating expenses for the premiums required to take out additional insurance, particularly directors' and officers' cover. Apart from this, other costs have been maintained at much the same levels, or at reduced rates.

The expected costs associated with investigations and litigation have been included in the 2005 budget at the same level as the actual anticipated spend in 2004.

Results for the years

2004 is expected to produce an excess of income over expenditure of £248,000, compared with an original budget deficit of £471,000. For 2005, the budget shows a surplus of £39,000.

INCOME AND EXPENDITURE FOR THE YEARS 2003 TO 2005

	2003 £ooo Actual	*2004* *£ooo* *Budget*	2004 £ooo Projection	**2005** **£ooo** **Budget**
Income				
Regulatory fees	5,715	*6,000*	6,225	**6,405**
Registry fees	5,788	*5,660*	5,757	**5,623**
	11,503	*11,660*	11,982	**12,028**
Profit on sale of fixed assets			2	
Bank deposit interest received	224	*200*	315	**276**
Total income	11,727	*11,860*	12,299	**12,304**
Less:				
Contribution to the States of Jersey	3,900	*4,100*	4,100	**4,100**
Net income	7,827	*7,760*	8,199	**8,204**
Operating expenses				
Staff salaries, social security and pensions	4,772	*4,921*	5,080	**5,237**
Operating lease expenditure	339	*339*	339	**339**
Other premises costs	170	*204*	170	**185**
Computer systems costs	201	*480*	322	**292**
Legal & professional services	160	*165*	159	**138**
Investigations and litigation	632	*1,100*	907	**900**
Public relations costs	139	*104*	84	**95**
Travel costs	141	*140*	110	**155**
Staff training	177	*200*	165	**185**
Other operating expenses	309	*272*	278	**304**
Auditors' remuneration	13	*15*	15	**18**
Depreciation of tangible fixed assets	306	*291*	322	**317**
Total operating expenses	7,359	*8,231*	7,951	**8,165**
Excess/(deficit) of income over expenditure	468	(471)	248	39
Accumulated reserve brought forward	3,700	*4,168*	4,168	**4,416**
Accumulated reserve carried forward	4,168	3,697	4,416	4,455

Note: 2004 Unaudited Projection prepared on 10 December 2004.

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PROJECTED BALANCE SHEET AS AT 31/12/2004 and 31/12/2005

		Projection 2004		Budget 2005
	£000	£000	£000	£000
Fixed Assets		530		475
Current Assets				
Sundry debtors	20		20	
Prepayments	125		130	
Bank balances	6,668		6,913	
		6,813		7,063
Total Assets		7,343		7,538
Current Liabilities				
Fee income received in advance	2,527		2,683	
Sundry creditors and provisions	400		400	
		2,927		3,083
Total Assets less Current Liabilities		4,416		4,455
Accumulated Reserve		4,416		4,455

Notes

Notes