

STATES OF ALDERNEY

ACCOUNTS 2016



STATES OF ALDERNEY

STATEMENT OF RESPONSIBILITIES OF THE POLICY AND FINANCE COMMITTEE AND THE STATES TREASURER

The States Treasurer is responsible for preparing accounts for each financial year which fairly summarise, in all material respects, the transactions of the States of Alderney for that period and are in accordance with the applicable law. In preparing those accounts she is required to:

- select suitable accounting policies and apply them consistently; and
- make judgements and estimates that are reasonable and prudent.

The Policy and Finance Committee acknowledges that it is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the States of Alderney and to enable them to ensure that the accounts comply with The Government of Alderney Law, 2004, as amended. They are also responsible for safeguarding the assets of the States of Alderney and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the Policy and Finance Committee

We have audited the financial statements of The States of Alderney (the "States") for the year ended 31 December 2016 which comprise the Revenue Income and Expenditure Account, Capital Income and Expenditure Account, Summary of Balances and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Policy and Finance Committee, as a body, in accordance with the terms of our engagement letter dated 16 March 2016. Our audit work has been undertaken so that we might state to the Policy and Finance Committee those matters we have been engaged 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 States and the Policy and Finance Committee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Policy and Finance Committee and the States Treasurer and auditor

As explained more fully in the Statement of responsibilities of the Policy and Finance Committee and the States Treasurer set out on page 1, the States Treasurer is responsible for the preparation of the financial statements in accordance with the accounting policies set out in note 1. Our responsibility is to audit and express an opinion on the financial statements having regard to International Standards on Auditing (UK and Ireland). Those standards require compliance 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 States circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the States Treasurer; and the overall presentation of the financial statements. In view of the purpose for which these financial statements have been prepared, however, we did not assess the overall presentation of the financial statements which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Opinion on financial statements

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2016, have been prepared, in all material aspects, in accordance with the accounting policies set out in note 1.

Matters on which we report by exception

We have nothing to report in respect of the following matters where the terms of our engagement letter require us to report to you if, in our opinion:

- the States has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

KPMG Channel Islands Limited

*Chartered Accountants
Guernsey*

19 May 2017

STATES OF ALDERNEY**NOTES TO THE ACCOUNTS****1. PRINCIPAL ACCOUNTING POLICIES**

- a. Revenue income and expenditure account receipts and payments arising during the year and in the month following the year end are brought into account in the accounting year to which they relate. Rental income, numismatic revenue and Harbour account revenues are accounted for on an accruals basis.
- b. Capital expenditure is written off in the year in which it is incurred. Depreciation is therefore not provided.
- c. The States of Alderney 1982 pension scheme has been presented as far as practicable having regard to FRS102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102"). Pension costs charged to the Summary Income and Expenditure Account are the contributions paid in line with the latest actuarial valuations, see note 2 for further details; other movements in the net pension liability are not reflected in the Summary Income and Expenditure account.

2. PENSION COSTS**The States of Alderney 1982 Pension Scheme**

The States provides pension arrangements for the majority of employees through a defined benefit scheme (the "1982 Scheme") and the related costs are assessed in accordance with the advice of the Scheme Actuary. As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

The assets of this scheme are held separately from those of the States in an independently administered fund which up until 2013 were invested with Aviva.

Since January 2014 an amended investment strategy commenced, using several alternative fund managers to take on the Aviva role. In 2015 the investment management services were further improved to ensure that the portfolio and underlying funds are continually monitored by specialist and portfolio managers. In September, 2016 Aviva were appointed as Scheme Actuary with Gower Financial Services Limited continuing to provide administrative and investment support.

In preparing the disclosures for the States of Alderney (the "States") accounts, the States have noted the disclosure requirements of FRS 102, section 28. The States has used actuarial calculations provided by the actuary to identify the implications of any surplus/(deficit) to the States as at 1 January 2015, the date of the last actuarial valuation.

The calculations have been carried out by a qualified independent actuary based on the results of the last full actuarial valuation, updated to 31 December 2016. The pensionable salary growth has been directly linked to the inflation assumption, as the scheme is now closed to new entrants, those remaining in the scheme have no further known increments due, and pay awards have been, and are expected to be, lower than UK inflation assumption figure in the foreseeable future.

STATES OF ALDERNEY**NOTES TO THE ACCOUNTS - continued****2. PENSION COSTS (continued)**

The major assumptions used by the actuary were (in nominal terms):

	Valuation at 31 December 2016	Valuation at 31 December 2015
Pensionable salary growth	3.0% pa	3.25% pa
Pension escalation in payment		
– to 31.12.2009	4.0% pa	4.0% pa
– from 01.01.2010	3.0% pa	3.0% pa
Discount rate	2.7% pa	3.8% pa
Inflation assumption	3.0% pa	3.25 pa

The assets in the scheme and the expected rate of return were:

	2016	2015
Fair value of plan assets	£5,322,000	£4,610,000
Present value of funded obligations	(£9,221,000)	(£7,077,000)
Deficit in the scheme	(£3,899,000)	(£2,467,000)
Net pension liability	(£3,899,000)	(£2,467,000)

The balance sheet position of the Scheme has deteriorated by £1,432,000 over the year which mainly reflects a reduction in the discount rate assumption from 3.8% to 2.7%. This assumption is included in the actuarial valuation to 'discount' future benefit payments in accordance with parameters prescribed by FRS102. It is based on market expectations and FRS102 requires recognition of losses at the end of the accounting period rather than offsetting over a longer period. The actuarial loss for the year and included in the above deficit is £1,840,000.

Over the year to 31 December 2016 the employer contributed at the rate of 20% of pensionable salaries, subject to review at future actuarial valuations. The employee's contribution was 6.5% of pensionable salaries. Employee's Death in Service benefits are secured under a separate policy. The Actuary has based the above calculations on the assumption that 25% of scheme members will retire at age 60 and 75% at age 65.

In 2016 Employer premiums amounted to £139,893 (2015: £152,610) with no additional premium payments, and Employee premiums were £45,465 (2015: £49,598).

STATES OF ALDERNEY

NOTES TO THE ACCOUNTS – continued

2. PENSION COSTS (continued)

The States of Alderney 2013 Pension Scheme

As approved by the States of Alderney, the new Defined Contributions Scheme, came into effect from 1 January 2013, and is administered by BWCI. There were 7 new entrants to the scheme during 2016. The employee contribution is set at 6.5% (as per the existing scheme), and the employers contribution rate at 7.5%, increasing annually by 0.5% up to a maximum of 12.5%.

In 2016 the Employer premium amounted to £34,821 (2015:£18,178), and the Employee contribution amounted to £64,206 (2015: £29,345).

In addition the Employees Death in Service policy amounted to £9,810 (2015: £9,129), relating to both Schemes. Of this amount £1,764 related to the 2013 Scheme members, and £8,046 related to the 1982 Scheme members.

3. RELATED PARTY TRANSACTIONS

The States of Alderney is responsible for the functions of the Water Board, which is a separate trading entity. During 2016 the States purchased goods and services from the Water Board to the value of £16,807 (2015: £19,915), and provided goods and services to the Board to the value of £65,781 (2015: £51,595).

The Royal Connaught Residential Home Limited is a States owned company. During 2016 the States provided goods and services to the company to the value of £84,220 (2015: £83,457).

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the company. In 2016 the value of these purchases was £167,837 (2015: £114,160). The States has provided goods and services to the company during 2016 to the value of £57,672 (2015: £62,423).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2016 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £54,838 (2015: £50,870).

4. BUDGET APPROVALS

The original budget for 2016 was approved by the States of Alderney at the meeting held on 21 October 2015, with the revised budget approved by the States of Alderney on 19 October 2016.

5. ALDERNEY GAMBLING CONTROL COMMISSION

During the year the States of Alderney received a total of £4,365,500 (2015: £4,370,500) in respect of licences issued by the Commission under the Gambling (Alderney) Law 1999. This sum was transferred in total to the Commission to defray expenses with surpluses payable to the States on a quarterly basis. In 2016 the surplus received from the Commission amounted to £1,803,268 (2015: £2,048,530). An extract from the Alderney Gambling Control Commission's financial statements for 2016 will be available to the States in June 2017.

STATES OF ALDERNEY**NOTES TO THE ACCOUNTS - continued****6. ALDERNEY eGAMBLING LIMITED**

During 2016 Alderney eGambling Ltd (AeGL), a wholly States owned company, continues to handle the promotion and development of the on-line gambling industry in Alderney. As reported in 2015, it was agreed that the advisory and consultancy services to regulators, previously undertaken by Alderney eGambling Advisors Limited, would be transferred to the responsibility of the AeGL and this alteration to duties continues to work well. A report on the company's activity and accounts for 2016 will be available to the States in June 2017.

7. ALDERNEY COMMISSION FOR RENEWABLE ENERGY

With effect from 10 November 2008 the Alderney Commission for Renewable Energy (ACRE), was appointed by the States of Alderney as a statutory body operating under the provisions of the Renewable Energy (Alderney), Law 2007. ACRE has been recharged by the States of Alderney for the cost of services incurred in connection with the renewable energy industry in the sum of £200,750. At the end of 2016 this amount remained unpaid, however arrangements are in place in order for the amount to be recovered in 2017. A report on the Commission's activities and accounts for 2016 will be available to the States at some stage during 2017.

8. ROYAL CONNAUGHT RESIDENTIAL HOME LIMITED

The Royal Connaught Residential Home Limited is a States owned company managed by the Board of Directors, with responsibility for the administration of the Jubilee & Sydney Herival House and the Royal Connaught Residential Care Home. A report on the Board's activities and accounts for 2016 will be available to the States in June 2017.

9. ECONOMIC DEVELOPMENT RESERVE FUND

The Economic Development Reserve Fund has been approved as being funded by Alderney Gambling Control Commission reserves at £300k per annum. As this is a fund, any unspent balances are carried forward into the following year, and as such is now being shown as a separate fund on page 8. The balance of the fund as at year end amounted to £212,256.

Accounts 2015			Revenue Income and Expenditure			Accounts 2016		
Exp.	Inc.	Net	Exp.	Inc.	Net	Exp.	Inc.	Net
£	£	£	£	£	£	£	£	£
182,851	11,493	171,358	Operational activities			200,357	15,740	184,617
			Building and Development Control Services					
			General Services					
1,186,642	25,786	1,160,856	States Works			1,203,613	26,597	1,177,016
29,976	23,426	6,550	Recreation			33,664	20,628	13,036
43,385	-	43,385	Fire Brigade			38,384	-	38,384
20,434	-	20,434	Civil Emergency			22,235	-	22,235
28,178	-	28,178	Grants			28,459	-	28,459
363,186	333,340	29,846	Alderney Harbour			374,231	300,783	73,448
			Policy and Finance					
861,110	37,785	823,325	Corporate and democratic services			790,946	42,791	748,155
188,622	77,315	111,307	Court			163,310	72,032	91,278
172,528	16,314	156,214	Tourism and marketing			224,256	17,416	206,840
33,327	-	33,327	Education and health			32,741	-	32,741
108,428	94,499	13,929	Social and welfare services			125,722	113,780	11,942
88,383	-	88,383	Grants			90,899	-	90,899
3,307,050	619,958	2,687,092	Cost of services			3,328,817	609,767	2,719,050
			Other operating income					
-	222,856	222,856	Property and land rents - General Services			-	233,603	233,603
-	41,729	41,729	Rents - Policy & Finance			-	41,729	41,729
-	15,794	15,794	Interest receivable			-	(17,967)	(17,967)
-	48,119	48,119	Vehicle import licence fees			-	51,166	51,166
-	70,145	70,145	Numismatic and philatelic profits			-	79,459	79,459
			Property and other taxation/grant income					
-	1,895,868	1,895,868	Grant from States of Guernsey (Net)			-	1,884,500	1,884,500
-	463,130	463,130	Occupiers Rates			-	466,915	466,915
-	25,000	25,000	Duty free concession			-	28,857	28,857
		95,549	Surplus/ (Deficit) on provision of services					49,212
		49,650	Transfer to/(from) Retained Surplus					(287)
		45,899	Transfer to Currency Reserve					49,499
		0	Surplus/ (Deficit)					0
Capital Income and Expenditure			Capital Income and Expenditure			Capital Income and Expenditure		
Accounts	2015		Accounts	2016		Accounts	2016	
Exp.	Inc.	Net	Exp.	Inc.	Net	Exp.	Inc.	Net
£	£	£	£	£	£	£	£	£
318,795	-	318,795	General Services Committee			769,297	-	769,297
47,600	-	47,600	Policy and Finance Committee			291,935	-	291,935
447,793	-	447,793	Transfer to Economic Development Fund			300,000	-	300,000
		814,188	Total capital expenditure					1,361,232
			Sources of Funding					
-	2,048,530	2,048,530	AGCC profit transfer			-	1,803,268	1,803,268
-	238,093	238,093	Property transfer duties			-	232,732	232,732
-	947,776	947,776	Exceptional income			-	-	-
-	57,381	57,381	Asset sales			-	34,505	34,505
-	27,489	27,489	Other			-	-	-
		3,319,269	Total capital income					2,070,505
		2,505,081	Surplus/ (Deficit)					709,273

The summary of accounts were approved by the Policy and Finance Committee on 16th May 2017 and are signed on its behalf by:

Mr J Dent
Chairman, Policy and Finance Committee

As previously announced the format and presentation of the States of Alderney Accounts for 2016 has been revised from the format and presentation used in previous accounting periods. Certain comparative figures have been reclassified, where appropriate, to confirm with the revised presentation adopted in these accounts.

Within the States of Alderney Accounts for 2016, the 2015 Alderney Harbour Income of £333,340 and 2015 Social and welfare services income of £94,499 have been presented on a gross basis. Within the States of Alderney Accounts for 2015 these amounts were netted against their respective expenses.

Further the transfer of £447,793 for 2015 to the Economic Development Fund is presented as a separate expenditure item in the 2016 accounts.

This was previously presented as a reduction in income on the Capital Account within the States of Alderney Accounts for 2015.

The above changes have no impact on the surplus / (Deficit) of the Revenue Income and Expenditure and Capital Income and Expenditure accounts.

STATES OF ALDERNEY

8

Summary of Balances at 31 December 2016

		£
COINS IN CIRCULATION		
Value of coins in circulation at 01.01.16		3,838,308
Value of coins issued in 2016		<u>168,669</u>
		4,006,977
Less: Value of coins withdrawn from circulation		0
Value of coins in circulation at 31.12.16		<u>4,006,977</u>
CURRENCY RESERVE FUND		
Balance at 01.01.16		521,521
Reserve for base metal coins issued in 2016		<u>49,499</u>
		571,020
Less: Value of coins redeemed.		0
Transfer of funds to SoA Revenue Account		0
Balance at 31.12.16		<u>571,020</u>
INSURANCE DEDUCTIBLE RESERVE ACCOUNT		
Balance at 01.01.16		256,698
2016 Reserve Allocation		0
Payments/Claims		0
Balance at 31.12.16		<u>256,698</u>
ECONOMIC DEVELOPMENT RESERVE FUND		
Income	AGCC funding - (accumulation of 2014-2016 balance)	264,615
	AGCC funding 2016	300,000
Expenditure 2016	Air Links Study (£22k)	6,738
	Small Business Start Up Grants (Ex Young Entrepreneur Scheme) (£10k)	1,000
	Anti Money Laundering/Know Your Client (PWC) (£13k)	2,051
	Administration/Consultancy (£45k)	30,804
	Marina Investigations (£65k)	5,681
	Review of Company Law (£110k)	78,513
	Development of Niche Tourism (£10k)	10,330
	Housing Strategy (ARUP) (£19k)	18,625
	Review of Financial Relationship with Guernsey (£50k)	29,822
	Aviation Fuel Subsidy (Avgas) (£41k)	26,052
	Review of Governance (£25k)	68,725
	Transport Strategy Consultation (£35k)	12,045
	Marine Management Plan (£25k)	12,913
	Ferry Subsidy (£36k)	37,167
	Airport Rehabilitation Project - York Aviation Feasibility Study (£35k)	11,893
Total expenditure 2016		<u>352,359</u>
Balance carried forward at 31.12.16		<u>212,256</u>
<i>Amounts in brackets are the total amount voted to year end</i>		

INVESTMENTS

2015				2016	
SHARES	£		<u>Alderney Electricity Ltd.</u>	SHARES	£
			Ordinary Shares at £1 each fully paid at cost		
1,146,090	39,860		Balance at 01.01.16 and 31.12.16	1,146,090	39,860
2015				2016	
SHARES	£		<u>Alderney Electricity Ltd.</u>	SHARES	£
			7% Cumulative Preference Shares		
			at £1 each fully paid at cost		
11,150	5,659		Balance at 01.01.16 and 31.12.16	11,150	5,659
2015				2016	
SHARES	£		<u>Alderney eGambling Ltd</u>	SHARES	£
			Ordinary Shares at £1 each fully paid at cost		
1	1		Balance at 01.01.16 and 31.12.16	1	1
2015				2016	
SHARES	£		<u>Alderney eGambling Advisers Ltd</u>	SHARES	£
			Ordinary Shares at £1 each fully paid at cost		
			Company dissolved during 2015		
1	1		Balance at 31.12.16	0	0
2015				2016	
SHARES	£		<u>Aldemay Golf Club</u>	SHARES	£
			Shares at £1 each fully paid at cost		
650	650		Balance at 01.01.16 and 31.12.16	650	650
2015				2016	
SHARES	£		<u>Royal Connaught Residential Home Ltd</u>	SHARES	£
			Shares at £1 each fully paid at cost		
2	2		Balance at 01.01.16 and 31.12.16	2	2

Summary of Balances at 31 December 2016 (continued)

<u>2015</u>		<u>2016</u>
	Bank accounts	
	<u>Daisy Hansen St Anne's School Trust</u>	
£		£
984	Balance at 01.01.16	949
0	Interest received	0
<u>984</u>		<u>949</u>
(35)	Audit report	(35)
<u>949</u>	Balance at 31.12.16	<u>914</u>
	<u>The Anne French Hospital Annexe Fund</u>	
12,577	Balance at 01.01.16	12,694
<u>157</u>	Interest received	<u>156</u>
<u>12,734</u>		<u>12,850</u>
(40)	Audit report	0
<u>12,694</u>	Balance at 31.12.16	<u>12,850</u>
	<u>States of Alderney Interest on Investments Account</u>	
	<u>(Educational Bequests)</u>	
6,378	Balance at 01.01.16	3,678
<u>0</u>	Interest received	<u>0</u>
<u>6,378</u>		<u>3,678</u>
(2,700)	Grants	(2,700)
<u>0</u>	Audit Reports	<u>0</u>
<u>3,678</u>	Balance at 31.12.16	<u>978</u>
	<u>The Packe History Trust</u>	
1,479	Balance at 01.01.16	1,479
<u>0</u>	Interest received	<u>0</u>
<u>1,479</u>		<u>1,479</u>
0	School History Prize	0
<u>1,479</u>	Balance at 31.12.16	<u>1,479</u>
	<u>Alderney Pilotage Board</u>	
<u>200</u>	Balance at 01.01.16 and 31.12.16	<u>500</u>
	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
15,872	Balance at 01.01.16	16,574
<u>702</u>	Interest received (2015 overestimated adjustment & estimated 2016)	<u>421</u>
<u>16,574</u>		<u>16,995</u>
0	Grants	(1,291)
<u>16,574</u>	Balance at 31.12.16	<u>15,705</u>
	<u>St Anne's Trust</u>	
32,455	Balance at 01.01.16	32,780
<u>325</u>	Interest received	<u>328</u>
<u>32,780</u>		<u>33,108</u>
0	Grants	0
<u>32,780</u>	Balance at 31.12.16	<u>33,108</u>
	<u>The New Parsonage House Trust</u>	
74,913	Balance at 01.01.16	76,859
<u>2,205</u>	Interest received (2015 adjustment of overestimation)	<u>1,954</u>
<u>77,118</u>		<u>78,813</u>
(259)	Maintenance costs	(3,916)
<u>76,859</u>	Balance at 31.12.16	<u>74,897</u>
	<u>Charitable Trust Fund</u>	
203,425	Balance at 01.01.16	192,561
<u>1,707</u>	Interest received	<u>2,078</u>
<u>50</u>	Returned grant	<u>0</u>
<u>205,182</u>		<u>194,639</u>
(12,462)	Grants issued in year	(12,314)
<u>(159)</u>	Bank and general administration costs	<u>(160)</u>
<u>192,561</u>	Balance at 31.12.16	<u>182,165</u>