

# **STATES OF ALDERNEY**

## **ACCOUNTS 2017**



## **STATES OF ALDERNEY**

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### **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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time that the financial statements comply with The Government of Alderney Law, 2004, as amended. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the States of Alderney and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE POLICY AND FINANCE COMMITTEE**

### ***Our opinion is unmodified***

We have audited the financial statements of The States of Alderney (the "States") which comprise the Summary of Income and Expenditure Account for the year ended 31 December 2017, Summary of Balances as at 31 December 2017 and the related notes. The Financial Statements have been prepared under the accounting policies set out therein.

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2017, have been prepared, in all material respects, in accordance with the accounting policies set out in note 1 and The Government of Alderney Law, 2004.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the States in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### ***Emphasis of Matter – Special Purpose Basis of Accounting***

We draw attention to Note 1 to the Financial Statements, which describes the basis of accounting. The financial statements are prepared to assist the States to comply with the provisions of The Government of Alderney Law, 2004. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### ***Respective responsibilities***

#### ***Policy and Finance Committee and States Treasurer responsibilities***

As explained more fully in their statement set out on page 1, the Policy and Finance Committee and the States Treasurer are responsible for: the preparation of the Financial Statements including being satisfied that they are prepared in accordance with the accounting policies set out in note 1; and such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

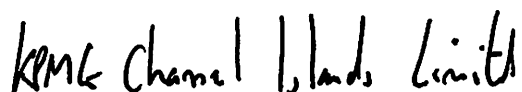
#### ***Auditor's responsibilities***

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**Independent Auditor's Report to the Policy and Finance Committee (continued)*****The purpose of this report and restrictions on its use by persons other than the States***

This report is made solely to the States, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the States those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the States for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "KPMG Channel Islands Limited". The letters are cursive and slightly slanted to the right.

**KPMG Channel Islands Limited**  
*Chartered Accountants, Guernsey*

**16 May 2018**

## **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.
- 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 2017. 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 2017	Valuation at 31 December 2016
Pensionable salary growth	3.1% pa	3.0% 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	2.5% pa	2.7% pa
Inflation assumption	3.1% pa	3.0% pa

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

	2017	2016
Fair value of plan assets	£5,894,000	£5,322,000
Present value of funded obligations	(£10,196,000)	(£9,221,000)
Deficit in the scheme	(£4,302,000)	(£3,899,000)
<b>Net pension liability</b>	<b>(£4,302,000)</b>	<b>(£3,899,000)</b>

The balance sheet position of the Scheme has deteriorated by £403,000 over the year. The Actuary has based the above calculations on slightly different early retirement assumptions from those used in previous year's disclosures. In particular, the 1 January 2017 valuation assumes that all deferred members who have the option to retire on an unreduced pension at age 60 will do so, (compared to 25% last year). The impact of this change has been to increase the present value of the liabilities by approximately £300,000.

Other factors in addition to this include the employer contributions being less than the cost of a years accruals of benefits. These factors have been partially offset by the return of assets being higher than the interest income, and pensionable salaries increasing at a lower rate than expected.

Over the year to 31 December 2017 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.

In 2017 Employer premiums amounted to £123,067 (2016: £139,893), and Employee premiums were £39,537 (2016: £45,465).

## **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 5 new entrants to the scheme during 2017. 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 2017 the Employer premium amounted to £38,530 (2016: £34,821), and the Employee contribution amounted to £31,463 (2016: £64,206).

In addition the Employees Death in Service policy amounted to £11,866 (2016: £9,810), relating to both Schemes. Of this amount £1,580 related to the 2013 Scheme members, and £10,286 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 2017 the States purchased goods and services from the Water Board to the value of £15,765 (2016: £16,807), and provided goods and services to the Board to the value of £69,852 (2016: £65,781).

The Royal Connaught Residential Home Limited is a States owned company. During 2017 the States provided goods and services to the company to the value of £56 (2016: £84,220). The new operating agreement became effective from 01.01.17 which removed the rental requirement.

The States has a majority share-holding in Alderney Electricity Ltd and purchases electricity, oil and specialist electrical services from the company. In 2017 the value of these purchases was £1,284,051 (2016: £167,837). This includes the capital payments in respect of the improvements to the distribution network. The States has provided goods and services to the company during 2017 to the value of £60,358 (2016: £57,672).

Mr Ian Tugby is a member of the States of Alderney, and is also the beneficial owner of Tugby Contractors Ltd. During 2017 the States of Alderney purchased goods and services from Tugby Contractors Ltd to the value of £3,635 (2016: £54,838).

Mr M. Dean is a member of the States of Alderney, and is also the beneficial owner of Auto-Motion. During 2017 the States of Alderney purchased goods and services from Auto-Motion to the value of £702.

#### **4. BUDGET APPROVALS**

The original budget for 2017 was approved by the States of Alderney at the meeting held on 19 October 2016, with the revised budget approved by the States of Alderney on 18 October 2017.

## **STATES OF ALDERNEY**

### **NOTES TO THE ACCOUNTS – continued**

#### **5. ALDERNEY GAMBLING CONTROL COMMISSION**

During the year the States of Alderney received a total of £4,432,500 (2016: £4,365,500) 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 2017 the surplus received from the Commission amounted to £1,972,649 (2016: £1,803,268). An extract from the Alderney Gambling Control Commission's financial statements for 2017 will be available to the States in June 2018.

#### **6. ALDERNEY eGAMBLING LIMITED**

During 2017 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 2016, 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 2017 will be available to the States in June 2018.

#### **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. Due to the non-payment of block fees, ACRE required a subsidy in 2017 of £54,000, with a further subsidy budgeted for 2018. A report on the Commission's activities and accounts for 2017 will be available to the States later in 2018.

#### **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 2017 will be available to the States later in 2018.

#### **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 9. The balance of the fund as at year end amounted to £272,155.



# States of Alderney Summary Income and Expenditure Account 2017

Accounts			Revenue Income and Expenditure		
Exp.	2016 Inc.	Net		Accounts	2017
£	£	£		Exp.	Inc.
				£	£
200,357	15,740	184,617	<b>Operational activities</b>		
			<b>Building and development control services</b>	368,864	33,340
			<b>General Services</b>		
1,203,613	26,597	1,177,016	States Works	1,270,691	22,770
33,664	20,628	13,036	Recreation	26,789	20,817
38,384	-	38,384	Fire Brigade	47,476	-
22,235	-	22,235	Civil Emergency	22,300	-
28,459	-	28,459	Grants	28,999	-
374,231	300,783	73,448	Alderney Harbour	353,245	315,732
			<b>Policy and Finance</b>		
790,946	42,791	748,155	Corporate and democratic services	1,002,974	40,938
163,310	72,032	91,278	Court	170,269	86,824
224,256	17,416	206,840	Tourism and marketing	216,183	11,734
32,741	-	32,741	Education and health	32,010	-
125,722	113,780	11,942	Social and welfare services	77,245	60,795
90,899	-	90,899	Grants	118,692	-
<b>3,328,817</b>	<b>609,767</b>	<b>2,719,050</b>	<b>Cost of services</b>	<b>3,735,737</b>	<b>592,949</b>
			<b>Other operating income</b>		
		233,603	Property and land rents-GSC		156,412
		41,729	Rents - PFC		42,574
		(17,967)	Interest receivable		22,365
		51,166	Vehicle import licence fees		46,893
		79,459	Numismatic and philatelic profits		135,572
			<b>Property and other taxation/grant income</b>		
		1,884,500	Grant from States of Guernsey (Net)		1,847,400
		466,915	Occupiers Rates		498,916
		-	Property Transfer Duty		277,307
		28,857	Duty free concession		25,000
		<b>49,212</b>	<b>Surplus/(Deficit) on provision of services</b>		<b>(90,351)</b>
		49,499	Transfer to coin reserve		5,504
		(287)	<b>Surplus/(Deficit) for the year</b>		<b>(95,855)</b>
		-	Transfer from AGCC Reserves		95,855
		<b>(287)</b>	<b>Balance Year End</b>		<b>0</b>

Accounts			Capital Income and Expenditure		
Exp.	2016 Inc.	Net		Accounts	2017
£	£	£		Exp.	Inc.
				£	£
769,297	-		General Services Committee	1,027,004	-
291,935	-		Policy and Finance Committee	1,153,346	-
300,000	-		Transfer to Economic Development Fund	300,000	-
-	-		Transfer to Revenue Account (from AGCC Reserves)	95,855	-
<b>1,361,232</b>	<b>-</b>	<b>1,361,232</b>	<b>Total capital expenditure</b>	<b>2,576,205</b>	<b>-</b>
			<b>Sources of Funding</b>		
-	1,803,268		AGCC profit transfer	-	1,972,649
-	232,732		Property transfer duties	-	-
-	-		Exceptional income	-	-
-	34,505		Asset sales	-	5,000
-	-		Other	-	1,000
<b>-</b>	<b>2,070,505</b>	<b>2,070,505</b>	<b>Total capital income</b>	<b>-</b>	<b>1,978,649</b>
		709,273	<b>Surplus/(Deficit)</b>		<b>(597,556)</b>

The summary of the accounts were approved by the Policy and Finance Committee on 15<sup>th</sup> May 2018 and are signed on its behalf by:

Mr J Dent  
Chairman, Policy and Finance Committee

# STATES OF ALDERNEY

## Summary of Balances at 31 December 2017

		£	
<b>COINS IN CIRCULATION</b>			
Value of coins in circulation at 01.01.17		4,006,977	
Value of coins issued in 2017		98,318	
		4,105,295	
Less: Value of coins withdrawn from circulation		0	
Value of coins in circulation at 31.12.17		4,105,295	
<b>CURRENCY RESERVE FUND</b>			
Balance at 01.01.17		571,020	
Reserve for base metal coins issued in 2017		5,504	
		576,524	
Less: Value of coins redeemed		0	
Balance at 31.12.17		576,524	
<b>INSURANCE DEDUCTABLE RESERVE ACCOUNT</b>			
Balance at 01.01.17		256,698	
Transfer to Reserve 2017		47,736	
Balance at 31.12.17		304,434	
<b>ECONOMIC DEVELOPMENT RESERVE FUND</b>			
Income	AGCC funding - (accumulation of 2014-2016 balance)	212,256	
	AGCC funding 2017	300,000	
Expenditure	Administration/Consultancy	27,371	
	Small Business Start Up Grants	2,500	
	Blockchain Technology Research	37,377	
	Review of Company Law	26,188	
	Development of Niche Tourism	25,013	
	Review of Financial Relationship with Guernsey	5,240	
	Aviation Fuel Subsidy (Avgas)	37,825	
	Review of Governance	15,350	
	Transport Strategy Advice	16,953	
	Marine Management Plan	8,071	
	Ferry Subsidy	31,805	
	Airport Rehabilitation Project - York Aviation Feasibility Study	6,408	
Total expenditure 2017		240,101	
Balance carried forward at 31.12.17		272,155	
<b>INVESTMENTS</b>			
<b>2016</b>		<b>2017</b>	
SHARES	£	SHARES	£
		<u>Alderney Electricity Ltd.</u>	
		Ordinary Shares at £1 each fully paid at cost	
1,146,090	39,860	Balance at 01.01.17 and 31.12.17	1,146,090 39,860
<b>2016</b>		<b>2017</b>	
SHARES	£	SHARES	£
		<u>Alderney Electricity Ltd.</u>	
		7% Cumulative Preference Shares at £1 each fully paid at cost	
11,150	5,659	Balance at 01.01.17 and 31.12.17	11,150 5,659
<b>2016</b>		<b>2017</b>	
SHARES	£	SHARES	£
		<u>Alderney eGambling Ltd</u>	
		Ordinary Shares at £1 each fully paid at cost	
1	1	Balance at 01.01.17 and 31.12.17	1 1
<b>2016</b>		<b>2017</b>	
SHARES	£	SHARES	£
		<u>Alderney Golf Club</u>	
		Shares at £1 each fully paid at cost	
650	650	Balance at 01.01.17 and 31.12.17	650 650
<b>2016</b>		<b>2017</b>	
SHARES	£	SHARES	£
		<u>Royal Connaught Residential Home Ltd</u>	
		Shares at £1 each fully paid at cost	
2	2	Balance at 01.01.17 and 31.12.17	2 2

**Summary of Balances at 31 December 2017 (continued)**

2016	Bank accounts	2017
£	<u>Daisy Hansen St Anne's School Trust</u>	£
949	Balance at 01.01.17	914
0	Interest received	0
949		914
(35)	Audit report	(35)
914	Balance at 31.12.17	879
	<u>The Anne French Hospital Annexe Fund</u>	
12,694	Balance at 01.01.17	12,850
156	Interest received	104
12,850		12,955
0	Audit report	(40)
12,850	Balance at 31.12.17	12,915
	<u>States of Alderney Interest on Investments Account</u>	
	<u>(Educational Bequests)</u>	
3,678	Balance at 01.01.17	978
0	Interest received	0
3,678		978
(2,700)	Grants	0
0	Audit Reports	0
978	Balance at 31.12.17	978
	<u>The Packe History Trust</u>	
1,479	Balance at 01.01.17	1,479
0	Interest received	0
1,479		1,479
0	School History Prize	(20)
1,479	Balance at 31.12.17	1,459
	<u>Alderney Pilotage Board</u>	
500	Balance at 01.01.17 and 31.12.17	500
	<u>The Mary Roylance Mignot Memorial Hospital Fund</u>	
16,574	Balance at 01.01.17	15,705
421	Interest received (2016 underestimated adjustment & estimated Q4 2017)	1,728
16,995		17,433
(1,291)	Grants	0
15,705	Balance at 31.12.17	17,433
	<u>St Anne's Trust</u>	
32,780	Balance at 01.01.17	33,108
328	Interest received	269
33,108		33,376
0	Grants	0
33,108	Balance at 31.12.17	33,376
	<u>The New Parsonage House Trust</u>	
76,859	Balance at 01.01.17	74,897
1,954	Interest received (2016 underestimated adjustment & estimated Q4 2017)	6,986
78,813		81,883
(3,916)	Maintenance costs	(6,444)
74,897	Balance at 31.12.17	75,439
	<u>Charitable Trust Fund</u>	
192,561	Balance at 01.01.17	182,165
2,078	Interest received	1,424
194,639		183,589
(12,314)	Grants issued in year	(11,529)
(160)	Bank and general administration costs	(208)
182,165	Balance at 31.12.17	171,853