

STATES OF ALDERNEY

WATER BOARD

FINANCIAL STATEMENTS 2015



STATES OF ALDERNEY WATER BOARD

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The States of Alderney Water Board ('the Board') acknowledges that it is responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that year.

In preparing those financial statements the Board is required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board. They also have a general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Board, and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of the States of Alderney Water Board

We have audited the financial statements of the States of Alderney Water Board ("the Water Board") for the year ended 31 December 2015 which comprise the Revenue Account, Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the members, 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 members 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 Water Board and the members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 1, the Board 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 (APB'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 Water Board circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements, which summarise the transactions for the year ended 31 December 2015, 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 Board 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

30 March 2016

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2015

REVENUE	Notes	2015		2014	
		£	£	£	£
	1				
Unmetered Supplies		536,954		524,539	
Metered Supplies		85,631		75,907	
Service Charges		13,031		7,840	
Contract Work		2,261		2,045	
Sale of Fixed Assets		<u>0</u>		<u>1,000</u>	
			637,877		611,331
EXPENSES					
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		170,083		171,897	
Water Treatment and Testing		24,187		30,552	
Fuel, Electricity and Telemetry		88,142		98,912	
Maintenance		39,460		72,809	
Maintenance Contracts		22,831		14,320	
Health & Safety expenses		2,974		4,273	
Pension Costs	2	27,449		33,505	
Depreciation	1 & 6	<u>109,207</u>		<u>101,307</u>	
		<u>484,333</u>		<u>527,575</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		30,473		23,800	
Rents, Rates and Taxes		16,571		15,736	
Insurance		5,191		5,967	
Motor Vehicle Expenses		3,770		4,859	
Office Expenses and Equipment		5,979		5,712	
Accountancy and Audit		6,478		6,284	
Bank Charges		1,972		185	
Travelling and General Expenses		1,787		2,156	
Staff Training Costs		2,210		715	
Consultancy Fees and Expenses		3,946		3,367	
Bad Debts Written off		391		2,143	
		<u>78,768</u>		<u>70,924</u>	
			(563,101)		(598,499)
OPERATING SURPLUS			74,776		12,832
OTHER INCOME					
Interest and other Receivable			0		0
Rents Receivable	5		<u>11,336</u>		<u>11,427</u>
SURPLUS FOR THE YEAR			86,112		24,259
BALANCE BROUGHT FORWARD			535,565		511,306
BALANCE CARRIED FORWARD			<u>621,677</u>		<u>535,565</u>

The Water Board has no recognised gains or losses other than the surplus for the year.

The Notes on pages 5 and 6 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2015

	Notes	2015		2014	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,084,384		2,067,318
CURRENT ASSETS					
Stock	1	81,922		72,465	
Debtors		53,613		86,103	
Bank balances - deposit		67		67	
Bank balances - current		<u>787,525</u>		<u>649,240</u>	
		923,127		807,875	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		90,047		93,842	
NET CURRENT ASSETS			<u>833,080</u>		<u>714,033</u>
NET ASSETS			<u>2,917,464</u>		<u>2,781,351</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		2,209,500		2,159,500
Revenue Account			621,678		535,565
			<u>2,917,464</u>		<u>2,781,351</u>

The Notes on pages 5 and 6 form part of these financial statements.

The financial statements on pages 3 to 6 were approved by the States of Alderney Water Board on 29th March 2016 and are signed on its behalf by:

J. C. Tugby
Mr I Tugby
Chairman

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the States of Alderney Water Board's financial statements:

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting policies.

Revenue and Expenses

Revenue and Expenditure is recognised on an accruals basis.

Fixed Assets

Fixed assets are stated at cost less depreciation. Staff time spent on capital projects is capitalised at cost.

Depreciation

Depreciation is calculated at the following annual rates so as to write off the cost of fixed assets over their anticipated useful lives using the straight line method:

	%
Mains and services	2.50
Buildings	2.50
High Level Storage Tanks	4.00
Machinery and Filtration Plant	6.66
Tools and equipment	10.00
Consumers' meters	10.00
Filtration Membranes	14.50
Motor vehicles	20.00

Calculation of depreciation is based on capital expenditure incurred at the commencement of the accounting period, and also on additions during the accounting period.

Stock

Stock is valued at the lower of cost and net realisable value.

2 PENSION COSTS

The employees of the States of Alderney Water Board (the "Board") are members of the States of Alderney (the "States") 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 the 1982 Scheme are held separately from those of the States of Alderney 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.

Over the year to 31 December 2015, under the 1982 Scheme, 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. 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.

Employee's Death in Service benefits are secured under a separate policy.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities.

The new Defined Contributions Scheme, administered by BWCI came into effect on 1st January 2013 "the 2013 Scheme". During 2015 there was one mid-year entrant to the Scheme from the Water Board. Since 1st July, 2015 until 31st December, 2015 the employer contributed 7.5% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

The pension charge to the Water Board for the year was £27,449 (2014: £33,505).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

3 RESERVES

General Reserve

This is a historic record of the States of Alderney investment into the Water Board in the early years of operation.

Capital Contribution from States of Alderney.

Since 2008 capital contributions amounting to £2,209,500 have been awarded by way of grants from the States of Alderney in order to upgrade the Water Board infrastructure. The latest of these, relating to the distribution network (Phase 5), was approved in 2015 at £50,000. As at 31 December 2015 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2015 Mr I Tugby was Chairman of the General Services Committee and the Water Board.

The States of Alderney has a majority shareholding in Alderney Electricity Ltd and appoints annually a director to the Board of the Company. This position was held by Mr M Birmingham during 2015.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2015 the value of these purchases was £79,003 (2014 £94,213)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2015 the Board purchased goods and services from Tugby Contractors Ltd to the value of £54,792 (2014 £105,537)

During 2015 the Water Board purchased goods and services from the States of Alderney to the value of 2015 £51,595 (2014 £61,932) and supplied goods and services to the States of Alderney to the value of 2015 £19,915 (2014 £13,670).

The General Services Committee is appointed by the States of Alderney to act as the Water Board.

5 RENTS RECEIVABLE

During 2015 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerials, and from the lease of Corblets Quarry for fishing rights.

6 FIXED ASSETS

	At 1 January 2015	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2015
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,033,092	-	282,954	1,316,046
Buildings	206,928	-	1,583	208,511
Storage Tanks	104,449	-	-	104,449
Machinery	815,761	7,299	87,775	910,835
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	25,662	2,009	215	27,886
Motor Vehicles	18,450	-	-	18,450
Consumer Meters	4,469	448	-	4,917
Assets in course of construction (Phase 4b)*	218,196	234	(218,430)	-
Assets in course of construction (Phase 4c)*	105,513	61,584	(167,097)	-
Assets in course of construction (Phase 5)*	-	41,516	-	41,516
Assets in course of construction (Phase 6)*	-	15,864	-	15,864
	2,601,257	128,954	(13,000)	2,717,212
DEPRECIATION				
Mains and Services	219,757	27,975	-	247,732
Buildings	24,966	4,931	-	29,897
Storage Tanks	9,310	4,178	-	13,488
Machinery	237,234	56,225	(10,318)	283,142
Tools and Equipment	8,208	2,492	-	10,700
Motor Vehicles	308	3,689	-	3,997
Consumer Meters	873	428	-	1,301
Filter Membranes	33,284	9,288	-	42,572
	533,939	109,206	(10,318)	632,827
NET BOOK VALUE	2,067,318	19,748	(2,682)	2,084,384

*Assets in the course of construction. No depreciation is charged on assets in the course of construction until they are brought into operational use in the business, at which point the assets are transferred into the relevant asset category on the fixed asset register and depreciated over their useful economic life. In the year ended 31 December 2015, assets in the course of construction relate to Phase 5, together with the initial expenditure relating to Phase 6, of the potable water projects. Phase 4(b) was completed July 2015 and Phase 4(c) in October 2015 and capitalised in 2015.