

**STATES OF ALDERNEY**

**WATER BOARD**

**FINANCIAL STATEMENTS 2012**



## **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 are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and the detection of 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 "the Water Board") for the year ended 31 December 2012 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 6 February 2012. 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 fairly summarise the transactions for the year ended 31 December 2012 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.

*(original signed)*

**KPMG Channel Islands Limited**

*Chartered Accountants*

Guernsey

27th March 2013

## REVENUE ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2012

REVENUE	Notes	2012		2011	
		£	£	£	£
	1				
Unmetered Supplies		483,816		475,290	
Metered Supplies		64,250		72,192	
Service Charges		3,114		1,040	
Contract Work		<u>2,463</u>		<u>3,064</u>	
			553,642		551,586
<b>EXPENSES</b>	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		198,538		170,264	
Water Treatment and Testing		39,146		43,820	
Fuel, Electricity and Telemetry		106,482		97,321	
Maintenance		52,380		44,853	
Maintenance Contracts		13,905		13,500	
Health & Safety expenses		3,518		2,597	
Pension Costs	2	29,632		22,614	
Depreciation	1 & 6	<u>82,664</u>		<u>61,387</u>	
		<u>526,266</u>		<u>456,357</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		22,768		15,534	
Rents, Rates and Taxes		14,786		7,623	
Insurance		7,787		6,948	
Motor Vehicle Expenses		4,933		7,789	
Office Expenses and Equipment		4,997		6,279	
Accountancy and Audit		6,135		6,070	
Bank Charges		477		797	
Travelling and General Expenses		1,835		1,465	
Staff Training Costs		4,366		6,283	
Consultancy Fees and Expenses		0		88	
Bad Debts Written off		133		533	
Fixed Asset Written off		<u>0</u>		<u>3,191</u>	
		<u>68,217</u>		<u>62,600</u>	
			(594,483)		(518,957)
OPERATING (DEFICIT)/SURPLUS			(40,841)		32,629
OTHER INCOME					
Interest and other Receivable			6,800		0
Rents Receivable	5		<u>10,493</u>		<u>10,481</u>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>			(23,547)		43,110
BALANCE BROUGHT FORWARD			531,723		488,613
BALANCE CARRIED FORWARD		£	<u>508,175</u>	£	<u>531,723</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 31ST DECEMBER 2012

	Notes	2012		2011	
		£	£	£	£
<b>ASSETS EMPLOYED</b>					
FIXED ASSETS	1 & 6		1,813,179		1,565,086
<b>CURRENT ASSETS</b>					
Stock	1	51,699		50,145	
Debtors		75,063		115,771	
Bank balances - deposit		102		102	
Bank balances - current		<u>419,078</u>		<u>299,801</u>	
		545,942		465,819	
<b>LIABILITIES FALLING DUE WITHIN ONE YEAR</b>					
Creditors		<u>85,360</u>		<u>83,896</u>	
NET CURRENT ASSETS			<u>460,582</u>		<u>381,923</u>
NET ASSETS		£	<u><u>2,273,761</u></u>	£	<u><u>1,947,009</u></u>
<b>FINANCED BY</b>					
<b>RESERVES</b>					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		1,679,300		1,329,000
Revenue Account			<u>508,175</u>		<u>531,723</u>
		£	<u><u>2,273,761</u></u>	£	<u><u>1,947,009</u></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 25th March 2013 and are signed on its behalf by:

L. Jean  
Chairman

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012****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.

**Cash Flow Statement**

Under Financial Reporting Standard No 1 the States of Alderney Water Board is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

**2 PENSION COSTS**

The employees of the States of Alderney Water Board are members of the States of Alderney Pension Scheme. This is a defined benefit scheme, providing benefits based on final pensionable pay, funded by contributions from both employer and employee at rates which are determined periodically on the basis of actuarial advice and which are calculated to spread the expected cost over the period of those employees' expected service lives. The report by the actuary on the valuation of the pension fund as at 1st January 2012 indicated that the fund was in deficit. The next triannual report is due as at 1st January 2015. Over the year to 31st December 2012 the employer contributed at the rate of 20% of pensionable salaries, the employees contribution was 6.5% of pensionable salaries, subject to review at future actuarial valuations.

As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities on a consistent basis, as required by Financial Reporting Standard FRS17.

The pension charge to the Water Board for the year was £29,632 (2011: £22,614).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**3 RESERVES**

**General Reserve**

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

**Capital Contribution from States of Alderney.**

A capital contribution of £420,000 approved by the States of Alderney on 20th July 2011 to fund the installation of new water storage tanks (Phase 3) and a further £210,300 granted for Phase 4a of the upgrade of the water distribution network.

As at 31.12.12 £630,300 had been received

**4 RELATED PARTY TRANSACTIONS**

In 2012 Mr W Walden 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 B Kelly until 31st December 2012.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2012 the value of these purchases was £118,723. (2011 £96,813)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2012 the Board purchased goods and services from Tugby Contractors Ltd to the value of £33,881

During 2012 the Water Board purchased goods and services from the States of Alderney to the value of £52,268 and supplied goods and services to the States of Alderney to the value of £13,050.

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

**5 RENTS RECEIVABLE**

During 2012 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 1st January 2012	Additions/ Charge	Disposals and amounts written off	At 31st December 2012
	£	£	£	£
<b>COST</b>				
Land	10	3,727	-	3,737
Mains and Services	802,956	81,933	-	884,889
Buildings	85,132	103,570	-	188,702
Storage Tanks	0	102,850	-	102,850
Machinery	634,106	92,634	-	726,740
Filter Membranes	65,000	0	-	65,000
Tools and Equipment	25,066	6,227	(6,604)	24,689
Motor Vehicles	9,498	0	-	9,498
Consumer Meters	1,107	2,878	-	3,985
Assets in course of construction (Phase 2)*	(263)	263	-	0
Assets in course of construction (Phase 3)*	219,686	(184,911)	-	34,775
Assets in course of construction (Phase 4a)*	2,065	121,587	-	123,652
	1,844,364	330,759	(6,604)	2,168,519
<b>DEPRECIATION</b>				
Mains and Services	150,601	20,586	-	171,187
Buildings	12,264	2,776	-	15,040
Storage Tanks	0	1,028	-	1,028
Machinery	92,491	44,851	0	137,342
Tools and Equipment	11,213	2,020	(6,604)	6,629
Motor Vehicles	6,332	1,900	0	8,232
Consumer Meters	960	215	0	1,175
Filter Membranes	5,418	9,289	-	14,707
	279,280	82,664	(6,604)	355,339
<b>NET BOOK VALUE</b>	1,565,084	248,095	0	1,813,179

\*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 31st December 2012, assets in the course of construction relate to Phase 3 and Phase 4a of the potable water projects.