

STATES OF ALDERNEY

WATER BOARD

FINANCIAL STATEMENTS 2013



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 Water Board") for the year ended 31 December 2013 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.

Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2013 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

26 March 2014

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

REVENUE	Notes	2013		2012	
		£	£	£	£
	1				
Unmetered Supplies		511,950		483,816	
Metered Supplies		74,587		64,250	
Service Charges		3,050		3,114	
Contract Work		<u>2,972</u>		<u>2,463</u>	
			592,559		553,642
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		216,536		198,538	
Water Treatment and Testing		31,226		39,146	
Fuel, Electricity and Telemetry		95,652		106,482	
Maintenance		42,514		52,380	
Maintenance Contracts		14,325		13,905	
Health & Safety expenses		2,000		3,518	
Pension Costs	2	31,839		29,632	
Depreciation	1 & 6	<u>94,008</u>		<u>82,664</u>	
		<u>528,100</u>		<u>526,266</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		22,768		22,768	
Rents, Rates and Taxes		16,573		14,786	
Insurance		4,764		7,787	
Motor Vehicle Expenses		5,605		4,933	
Office Expenses and Equipment		5,638		4,997	
Accountancy and Audit		6,586		6,135	
Bank Charges		356		477	
Travelling and General Expenses		1,804		1,835	
Staff Training Costs		1,391		4,366	
Consultancy Fees and Expenses		500		0	
Bad Debts Written off		497		133	
Fixed Asset Written off		<u>7,098</u>		<u>0</u>	
		<u>73,580</u>		<u>68,217</u>	
			(601,680)		(594,483)
OPERATING (DEFICIT)			(9,121)		(40,841)
OTHER INCOME					
Interest and other Receivable			0		6,800
Rents Receivable	5		<u>10,502</u>		<u>10,493</u>
SURPLUS/(DEFICIT) FOR THE YEAR			1,381		(23,548)
BALANCE BROUGHT FORWARD			508,175		531,723
POST YEAR END 2012 ADJUSTMENT			<u>1,750</u>		<u>-</u>
BALANCE CARRIED FORWARD			<u>511,306</u>		<u>508,175</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 2013

	Notes	2013		2012	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		1,896,334		1,813,179
CURRENT ASSETS					
Stock	1	55,939		51,699	
Debtors		119,251		75,063	
Bank balances - deposit		67		102	
Bank balances - current		<u>522,822</u>		<u>419,079</u>	
		698,079		545,943	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		<u>76,521</u>		<u>85,360</u>	
NET CURRENT ASSETS			<u>621,558</u>		<u>460,583</u>
NET ASSETS			<u><u>2,517,892</u></u>		<u><u>2,273,762</u></u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		1,920,300		1,679,300
Revenue Account			<u>511,306</u>		<u>508,175</u>
			<u>2,517,892</u>		<u>2,273,761</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 2014 and are signed on its behalf by:

[Original Signed]

Mr C Rowley
Chairman

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

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 (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. The assets of this scheme are held separately from those of the States in an independently administered fund and are invested in a Unitised With-Profits Policy with Aviva (until 31 December 2013). As previously reported the final salary scheme has been closed to new entrants from 31 December 2011.

As approved by the States in April 2013, the structured withdrawal from Aviva was completed during the year, and an amended investment strategy commenced in 2014, using several alternative fund managers to take on the Aviva role.

Over the year to 31 December 2013 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.

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 £31,839 (2012: £29,632).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2013**

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.

Since 2008 capital contributions amounting to £1,920,300 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 4b), was approved in 2013 at £241,000. As at 31 December 2013 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2013 Mr L Jean 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 R McDowall until 31 December 2013

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2013 the value of these purchases was £94,810 (2012 £118,723)

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2013 the Board purchased goods and services from Tugby Contractors Ltd to the value of £14,576

During 2013 the Water Board purchased goods and services from the States of Alderney to the value of £49,036 and supplied goods and services to the States of Alderney to the value of £13,817

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

5 RENTS RECEIVABLE

During 2013 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 2013	Additions/ Charge	Disposals and amounts written off	At 31 December 2013
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	884,889	119,990	-	1,004,879
Buildings	188,702	17,994	-	206,696
Storage Tanks	102,850	-	-	102,850
Machinery	726,740	62,518	(10,170)	779,088
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	24,689	3,175	(3,219)	24,645
Motor Vehicles	9,498	-	(9,498)	0
Consumer Meters	3,985	-	(926)	3,059
Assets in course of construction (Phase 3)*	34,775	20,136	-	54,911
Assets in course of construction (Phase 4a)	123,652	(123,652)	-	0
Assets in course of construction (Phase 4b)*	0	84,102	-	84,102
	2,168,517	184,263	(23,813)	2,328,967
DEPRECIATION				
Mains and Services	171,187	22,861	-	194,047
Buildings	15,040	4,830	-	19,870
Storage Tanks	1,028	4,114	-	5,143
Machinery	137,342	49,044	(3,072)	183,314
Tools and Equipment	6,629	2,298	(3,219)	5,708
Motor Vehicles	8,232	1,266	(9,498)	0
Consumer Meters	1,175	306	(926)	555
Filter Membranes	14,707	9,289	-	23,996
	355,340	94,008	(16,715)	432,633
NET BOOK VALUE	1,813,177	90,255	(7,098)	1,896,334

*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 2013, assets in the course of construction relate to Phase 3 and Phase 4b of the potable water projects.