

STATES OF ALDERNEY

WATER BOARD

FINANCIAL STATEMENTS 2016



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 2016 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 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 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

KPMG Channel Islands Limited

Chartered Accountants

Guernsey

19 May 2017

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

REVENUE	Notes	2016		2015	
		£	£	£	£
Unmetered Supplies	1	545,530		536,954	
Metered Supplies		91,030		85,631	
Service Charges		5,739		13,031	
Contract Work		6,486		2,261	
Sale of Fixed Assets		(211)		0	
			648,574		637,877
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		160,227		170,083	
Water Treatment and Testing		25,193		24,187	
Fuel, Electricity and Telemetry		86,422		88,142	
Maintenance		57,257		39,460	
Maintenance Contracts		23,490		22,831	
Health & Safety expenses		3,172		2,974	
Pension Costs	2	29,396		27,449	
Depreciation	1 & 6	119,967		109,207	
		505,124		484,333	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		36,522		30,473	
Rents, Rates and Taxes		17,076		16,571	
Insurance		5,561		5,191	
PFOS Related Expenses		12,489		0	
Motor Vehicle Expenses		5,751		3,770	
Office Expenses and Equipment		5,848		5,979	
Accountancy and Audit		6,532		6,478	
Bank Charges		1,943		1,972	
Travelling and General Expenses		1,642		1,787	
Staff Training Costs		527		2,210	
Consultancy Fees and Expenses		1,994		3,946	
Bad Debts Written off		896		391	
		96,781		78,768	
OPERATING SURPLUS			(601,905)		(563,101)
			46,669		74,776
OTHER INCOME					
Interest and other Receivable			417		0
Rents Receivable	5		11,315		11,336
SURPLUS FOR THE YEAR			58,401		86,112
BALANCE BROUGHT FORWARD			621,677		535,565
BALANCE CARRIED FORWARD			680,078		621,677

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 2016

	Notes	2016		2015	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,197,320		2,084,384
CURRENT ASSETS					
Stock	1	71,951		81,922	
Debtors		55,535		53,613	
Bank balances - deposit		400,485		67	
Bank balances - current		<u>523,869</u>		<u>787,525</u>	
		1,051,840		923,127	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		<u>117,096</u>		<u>90,047</u>	
NET CURRENT ASSETS			<u>934,744</u>		<u>833,080</u>
NET ASSETS			<u>3,132,064</u>		<u>2,917,464</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		2,365,700		2,209,500
Revenue Account			<u>680,078</u>		<u>621,678</u>
			<u>3,132,064</u>		<u>2,917,464</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 16th May 2017 and are signed on its behalf by:



Mrs N. Paris
Chairman, General Services Committee

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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 2016, 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". There is currently one member of this Scheme from the Water Board. Since 1st January, 2016 until 31st December, 2016 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 £29,396 (2015: £27,449).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

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 £2,365,700 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 networks (Phases 6 & 7), both were approved in 2016 to the total of £156,200 (Phase 6 £94,200 & Phase 7 £62,000). As at 31 December 2016 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2016 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 2016.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2016 the value of these purchases was £77,430 (2015: £79,003).

Mr I Tugby is a member of the Water Board, and is also the beneficial owner of Tugby Contractors Ltd. In 2016 the Board purchased goods and services from Tugby Contractors Ltd to the value of £109,215 (2015: £54,792).

During 2016 the Water Board purchased goods and services from the States of Alderney to the value of 2016 £65,781 (2015 £51,595) and supplied goods and services to the States of Alderney to the value of 2016 £16,807 (2015 £19,915).

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

5 RENTS RECEIVABLE

During 2016 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 2016	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2016
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,316,046	-	135,986	1,452,032
Buildings	208,511	-	3,093	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	910,835	26,558	(805)	936,588
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	27,886	645	-	28,531
Motor Vehicles	18,450	-	-	18,450
Consumer Meters	4,917	1,241	-	6,158
Assets in course of construction (Phase 4 BMS)*	-	17,075	(17,075)	-
Assets in course of construction (Phase 5)*	41,516	24,807	(66,324)	-
Assets in course of construction (Phase 6)*	15,864	90,346	(3,697)	102,513
Assets in course of construction (Phase 7)*	-	64,023	(64,023)	-
Assets in course of construction (Phase 8)*	-	10,639	-	10,639
Assets in course of construction (Phase 9)*	-	9,821	-	9,821
	<u>2,717,211</u>	<u>245,155</u>	<u>(12,845)</u>	<u>2,949,521</u>
DEPRECIATION				
Mains and Services	247,732	33,173	-	280,906
Buildings	29,897	4,954	-	34,850
Storage Tanks	13,488	4,178	-	17,666
Machinery	283,142	61,345	(594)	343,892
Tools and Equipment	10,700	2,741	-	13,440
Motor Vehicles	3,997	3,690	-	7,687
Consumer Meters	1,301	598	-	1,899
Filter Membranes	42,572	9,288	-	51,861
	<u>632,829</u>	<u>119,966</u>	<u>(594)</u>	<u>752,201</u>
NET BOOK VALUE	<u>2,084,382</u>	<u>125,189</u>	<u>(12,251)</u>	<u>2,197,320</u>

*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 2016, assets in the course of construction relate to Phases 6 & 7. Phase 4 (BMS), Phase 5 & Phase 7 were completed and capitalised December 2016.