

**STATES OF ALDERNEY**

**WATER BOARD**

**FINANCIAL STATEMENTS 2017**



## **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 fairly summarise in all material respects, the transactions of the Board for that period and are in accordance with the applicable law.

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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 States of Alderney Water Board**

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

We have audited the financial statements of The States of Alderney Water Board (the "Water Board") which comprise the Revenue Account, Balance sheet 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.

### ***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 Water Board 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 Water Board 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.

### ***We have nothing to report on going concern***

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

### ***Respective responsibilities***

#### ***The Water Board's responsibilities***

As explained more fully in their statement set out on page 1, the Water Board is 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; 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; assessing the Water Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### ***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.

## **Independent Auditor's Report to the States of Alderney Water Board (continued)**

### ***Auditor's responsibilities (continued)***

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).

### ***The purpose of this report and restrictions on its use by persons other than the Water Board***

This report is made solely to the Water Board, in accordance with the terms of our engagement letter. Our audit work has been undertaken so that we might state to the Water Board 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 Water Board for our audit work, for this report, or for the opinions we have formed.

*KPMG Channel Islands Limited*

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

16 May 2018

## REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

REVENUE	Notes	2017		2016	
		£	£	£	£
	1				
Unmetered Supplies		551,185		545,530	
Metered Supplies		97,305		91,030	
Service Charges		3,808		5,739	
Contract Work		2,077		6,486	
Sale of Fixed Assets		<u>150</u>		<u>(211)</u>	
			654,525		648,574
<b>EXPENSES</b>	1				
<b>OPERATING AND MAINTENANCE EXPENSES</b>					
Salaries and Wages		180,894		160,227	
Water Treatment and Testing		29,504		25,193	
Fuel, Electricity and Telemetry		119,382		86,422	
Maintenance		35,875		57,257	
Maintenance Contracts		26,876		23,490	
Health & Safety expenses		2,494		3,172	
Pension Costs	2	30,784		29,396	
Depreciation	1 & 6	<u>127,591</u>		<u>119,967</u>	
		<u>553,400</u>		<u>505,124</u>	
<b>ADMINISTRATION AND GENERAL EXPENSES</b>					
Administration Charge		41,860		36,522	
Rents, Rates and Taxes		20,091		17,076	
Insurance		5,955		5,561	
Motor Vehicle Expenses		6,983		5,751	
Office Expenses and Equipment		7,587		5,848	
Accountancy and Audit		6,825		6,532	
Bank Charges		1,799		1,943	
Travelling and General Expenses		2,301		1,642	
Staff Training Costs		-		527	
Consultancy Fees and Expenses		1,893		1,994	
PFOS Related Expenses		-		12,489	
Bad Debts Written off		58		896	
Fixed Assets Written Off		3,712		-	
		<u>99,064</u>		<u>96,781</u>	
			(652,465)		(601,905)
<b>OPERATING SURPLUS</b>			2,060		46,669
<b>OTHER INCOME</b>					
Interest and other Receivable			63		417
Rents Receivable	5		<u>12,120</u>		<u>11,315</u>
<b>SURPLUS FOR THE YEAR</b>			14,243		58,401
<b>BALANCE BROUGHT FORWARD</b>			680,078		621,677
<b>BALANCE CARRIED FORWARD</b>			<u>694,321</u>		<u>680,078</u>

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

The Notes on pages 6 and 7 form part of these financial statements.

## BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017		2016	
		£	£	£	£
<b>ASSETS EMPLOYED</b>					
<b>FIXED ASSETS</b>	1 & 6		2,245,402		2,197,320
<b>CURRENT ASSETS</b>					
Stock	1	73,908		71,951	
Debtors		77,806		55,535	
Bank balances - deposit		400,513		400,485	
Bank balances - current		602,640		523,869	
		<u>1,154,867</u>		<u>1,051,840</u>	
<b>LIABILITIES FALLING DUE WITHIN ONE YEAR</b>					
Creditors		87,960		117,096	
<b>NET CURRENT ASSETS</b>			<u>1,066,907</u>		<u>934,744</u>
<b>NET ASSETS</b>			<u>3,312,309</u>		<u>3,132,064</u>
<b>FINANCED BY</b>					
<b>RESERVES</b>					
General	3		86,286		86,286
Capital Contribution from States of	3		2,531,700		2,365,700
Revenue Account			694,321		680,078
			<u>3,312,309</u>		<u>3,132,064</u>

The Notes on pages 6 and 7 form part of these financial statements.

The financial statements on pages 4 to 7 were approved by the States of Alderney Water Board on 15th May 2018 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 2017**

**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 2017, 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 their 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). As the scheme is a multi employer arrangement the Board is unable to identify its share of the scheme assets and liabilities.

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

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, 2017 until 31st December, 2017 the employer contributed 8% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

The total pension charge to the Water Board for the year was £30,784 (2016: £29,396).

**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 £2,531,700 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 8, 10 & 11), were approved in 2017 to the total of £166,000 (Phase 8 £93,000, Phase 10 £33,000 & Phase 11 £40,000). As at 31 December 2017 this amount had been received in full.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

**4 RELATED PARTY TRANSACTIONS**

In 2017 Mrs N Paris 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 2017.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2017 the value of these purchases was £109,973 (2016: £77,430).

Mr I Tugby is a States Member, and is also the beneficial owner of Tugby Contractors Ltd. In 2017 the Board purchased goods and services from Tugby Contractors Ltd to the value of £117,892 (2016: £109,215).

Mr M Dean is a member of the Water Board, and is also the beneficial owner of Auto-Motion. In 2017 the Board purchased goods and services from Auto-Motion to the value of £78.

During 2017 the Water Board purchased goods and services from the States of Alderney to the value of £69,852 (2016 £65,781) and supplied goods and services to the States of Alderney to the value of £15,765 (2016 £16,807).

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

**5 RENTS RECEIVABLE**

During 2017 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 2017	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2017
	£	£	£	£
<b>COST</b>				
Land	3,737	-	-	3,737
Mains and Services	1,452,032	239,654	-	1,691,686
Buildings	211,604	-	-	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	936,588	2,745	(13,915)	925,418
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	28,531	4,656	-	33,187
Motor Vehicles	18,450	12,795	-	31,245
Consumer Meters	6,158	1,378	-	7,536
Assets in course of construction (Phase 6)*	102,513	14,193	(116,706)	-
Assets in course of construction (Phase 8)*	10,639	77,859	(88,498)	-
Assets in course of construction (Phase 9)*	9,821	3,204	(1,104)	11,921
Assets in course of construction (Phase 10)*	-	33,573	(33,573)	-
Assets in course of construction (Phase 11)*	-	27,462	-	27,462
Assets in course of construction (Phase 12)*	-	1,746	-	1,746
	<b>2,949,521</b>	<b>419,265</b>	<b>(253,796)</b>	<b>3,114,991</b>
<b>DEPRECIATION</b>				
Mains and Services	280,906	39,145	-	320,051
Buildings	34,850	4,954	-	39,804
Storage Tanks	17,666	4,178	-	21,844
Machinery	343,892	61,868	(10,203)	395,558
Filter Membranes	51,861	9,288	-	61,149
Tools and Equipment	13,440	3,024	-	16,464
Motor Vehicles	7,687	4,511	-	12,199
Consumer Meters	1,899	623	-	2,522
	<b>752,201</b>	<b>127,591</b>	<b>(10,203)</b>	<b>869,589</b>
<b>NET BOOK VALUE</b>	<b>2,197,320</b>	<b>291,674</b>	<b>(243,593)</b>	<b>2,245,402</b>

\*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 2017, assets in the course of construction relate to Phases 6, 8, 9, 10, 11 & 12. Phases 6, 8 & 10 were completed and capitalised during 2017.