

STATES OF ALDERNEY

WATER BOARD

FINANCIAL STATEMENTS 2014



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 2014 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 20 January 2015. 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.

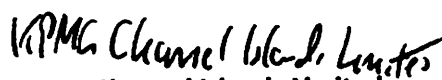
Opinion on financial statements

In our opinion the financial statements fairly summarise the transactions for the year ended 31 December 2014 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

25 March 2015

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014

REVENUE	Notes	2014		2013	
		£	£	£	£
	1				
Unmetered Supplies		524,539		511,590	
Metered Supplies		75,907		74,587	
Service Charges		7,840		3,050	
Contract Work		2,045		2,972	
Sale of Fixed Assets		<u>1,000</u>		-	
			611,331		592,559
EXPENSES	1				
OPERATING AND MAINTENANCE EXPENSES					
Salaries and Wages		171,897		216,536	
Water Treatment and Testing		30,552		31,226	
Fuel, Electricity and Telemetry		98,912		95,652	
Maintenance		72,809		42,514	
Maintenance Contracts		14,320		14,325	
Health & Safety expenses		4,273		2,000	
Pension Costs	2	33,505		31,839	
Depreciation	1 & 6	<u>101,307</u>		<u>94,008</u>	
		<u>527,575</u>		<u>528,100</u>	
ADMINISTRATION AND GENERAL EXPENSES					
Administration Charge		23,800		22,768	
Rents, Rates and Taxes		15,736		16,573	
Insurance		5,967		4,764	
Motor Vehicle Expenses		4,859		5,605	
Office Expenses and Equipment		5,712		5,638	
Accountancy and Audit		6,284		6,586	
Bank Charges		185		356	
Travelling and General Expenses		2,156		1,804	
Staff Training Costs		715		1,391	
Consultancy Fees and Expenses		3,367		500	
Bad Debts Written off		2,143		497	
Fixed Asset Written off		<u>0</u>		<u>7,098</u>	
		<u>70,924</u>		<u>73,580</u>	
OPERATING SURPLUS/(DEFICIT)			(598,499)		(601,680)
			12,832		(9,121)
OTHER INCOME					
Interest and other Receivable			0		0
Rents Receivable	5		<u>11,427</u>		<u>10,502</u>
SURPLUS/(DEFICIT) FOR THE YEAR			24,259		1,381
BALANCE BROUGHT FORWARD			511,306		511,306
BALANCE CARRIED FORWARD			<u>535,565</u>		<u>511,306</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.

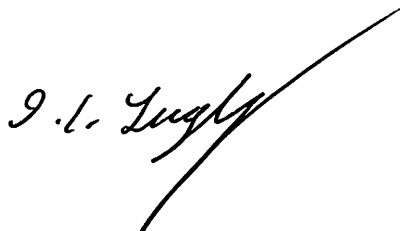
BALANCE SHEET AS AT 31 DECEMBER 2014

	Notes	2014		2013	
		£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS	1 & 6		2,067,318		1,896,334
CURRENT ASSETS					
Stock	1	72,465		55,939	
Debtors		86,103		119,251	
Bank balances - deposit		67		67	
Bank balances - current		649,240		522,822	
		<u>807,875</u>		<u>698,079</u>	
LIABILITIES FALLING DUE WITHIN ONE YEAR					
Creditors		93,842		76,521	
NET CURRENT ASSETS			<u>714,033</u>		<u>621,558</u>
NET ASSETS			<u>2,781,351</u>		<u>2,517,892</u>
FINANCED BY					
RESERVES					
General	3		86,286		86,286
Capital Contribution from States of Alderney	3		2,159,500		1,920,300
Revenue Account			535,565		511,306
			<u>2,781,351</u>		<u>2,517,892</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 23rd March 2015 and are signed on its behalf by:

Mr I Tugby
Chairman



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 new Defined Contributions Scheme, administered by BWC1 came into effect on 1st January 2013 "the 2013 Scheme". During 2014 there were no new entrants to the 2013 Scheme from the Water Board.

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 2014 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.

The pension charge to the Water Board for the year was £33,505 (2013: £31,839).

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 £2,159,500 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 4c), was approved in 2014 at £239,200. As at 31 December 2014 this amount had been received in full.

4 RELATED PARTY TRANSACTIONS

In 2014 Mr C Rowley 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 22nd April 2014 and then by Mr M Birmingham until 31st December 2014.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2014 the value of these purchases was £94,213 (2013 £94,810)

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

During 2014 the Water Board purchased goods and services from the States of Alderney to the value of £61,932 and supplied goods and services to the States of Alderney to the value of £13,670.

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

5 RENTS RECEIVABLE

During 2014 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 2014	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2014
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,004,879	-	28,213	1,033,092
Buildings	206,696	-	232	206,928
Storage Tanks	102,850	-	1,599	104,449
Machinery	779,088	-	36,673	815,761
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	24,645	1,017	-	25,662
Motor Vehicles	0	18,450	-	18,450
Consumer Meters	3,059	1,410	-	4,469
Assets in course of construction (Phase 3)*	54,911	11,806	(66,717)	0
Assets in course of construction (Phase 4b)*	84,102	134,094	-	218,196
Assets in course of construction (Phase 4c)*	0	105,513	-	105,513
	2,328,967	272,290	0	2,601,257
DEPRECIATION				
Mains and Services	194,047	25,710	-	219,757
Buildings	19,870	5,096	-	24,966
Storage Tanks	5,143	4,167	-	9,310
Machinery	183,314	53,920	-	237,234
Tools and Equipment	5,708	2,500	-	8,208
Motor Vehicles	0	308	-	308
Consumer Meters	555	318	-	873
Filter Membranes	23,996	9,288	-	33,284
	432,633	101,306	0	533,939
NET BOOK VALUE	1,896,334	170,984	0	2,067,318

*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 2014, assets in the course of construction relate to Phase 4c and Phase 4b of the potable water projects. Phase 3 was completed and the remaining balance capitalised in March 2014.