

STATES OF ALDERNEY

WATER BOARD

FINANCIAL STATEMENTS 2018



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.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the website, and for the preparation and dissemination of financial statements.

Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2018, have been prepared, in all material respects, in accordance with the provisions of The Government of Alderney Law, 2004 and 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)) including ISA (UK) 800 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 Water Board 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.

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 section 61 of The Government of Alderney Law 2004. 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

15 May 2019

REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
REVENUE		£	£
	1		
Unmetered Supplies		565,720	551,185
Metered Supplies		96,819	97,305
Service Charges		7,422	3,808
Contract Work		2,017	2,077
Sale of Fixed Assets		-	150
		671,978	654,525
EXPENSES	1		
OPERATING AND MAINTENANCE EXPENSES			
Salaries and Wages		183,822	180,894
Water Treatment and Testing		25,595	29,504
Fuel, Electricity and Telemetry		121,615	119,382
Maintenance		46,044	35,875
Maintenance Contracts		20,983	26,876
Health & Safety expenses		2,461	2,494
Pension Costs	2	30,793	30,784
Depreciation	1 & 6	125,481	127,591
		556,794	553,400
ADMINISTRATION AND GENERAL EXPENSES			
Administration Charge		48,000	41,860
Rents, Rates and Taxes		21,083	20,091
Insurance		7,275	5,955
Motor Vehicle Expenses		6,611	6,983
Office Expenses and Equipment		4,358	7,587
Accountancy and Audit		6,935	6,825
Bank Charges		2,036	1,799
Travelling and General Expenses		1,288	2,301
Staff Training Costs		956	-
Consultancy Fees and Expenses		550	1,893
Bad Debts Written off		1,294	58
Fixed Assets Written Off		3,028	3,712
		103,414	99,064
		(660,208)	(652,465)
OPERATING SURPLUS		11,770	2,060
OTHER INCOME			
Interest and other Receivable		351	63
Rents Receivable	5	9,321	12,120
SURPLUS FOR THE YEAR		21,442	14,243
BALANCE BROUGHT FORWARD		694,321	680,078
BALANCE CARRIED FORWARD		715,763	694,321

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

The Notes on pages 6 to 8 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2018

	Notes	2018	2017
		£	£
ASSETS EMPLOYED			
FIXED ASSETS	1 & 6	2,228,949	2,245,402
CURRENT ASSETS			
Stock	1	73,366	73,908
Debtors		70,163	77,806
Bank balances - deposit		400,864	400,513
Bank balances - current		755,616	602,640
		1,300,009	1,154,867
LIABILITIES FALLING DUE WITHIN ONE YEAR			
Creditors		100,208	87,960
NET CURRENT ASSETS		1,199,801	1,066,907
NET ASSETS		3,428,750	3,312,309
FINANCED BY			
RESERVES			
General	3	86,286	86,286
Capital Contribution from States of Alderney	3	2,626,700	2,531,700
Revenue Account		715,763	694,321
		3,428,749	3,312,309

The Notes on pages 6 to 8 form part of these financial statements.

The financial statements on pages 4 to 8 were approved by the States of Alderney Water Board on 14 May 2019 and are signed on its behalf by:

Mr. S. D. G. McKinley OBE
Chairman, General Services Committee

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018, 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.

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 was one member of this Scheme from the Water Board during 2018 however they left the scheme in September 2018. Since 1st January, 2018 until their date of leaving service the employer contributed 8.5% of pensionable salary, with the employee contribution of 6.5% of pensionable salary.

Pensions costs are paid by the States of Alderney and recharged to the Water Board. The total pension charge to the Water Board for the year was £26,202 (2017: £25,959) for the 1982 Scheme, and £1,756 (2017: £2,273) for the 2013 Scheme. The Employees Death in Service policy costs were £2,678 (2017: £2,456) for the 1982 Scheme and £157 (2017: £95) for the 2013 Scheme.

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.

4 RELATED PARTY TRANSACTIONS

In 2018 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 2018.

The Water Board purchases electricity, oil and specialist electrical services from Alderney Electricity Ltd. In 2018 the value of these purchases was £114,005 (2017: £109,973).

Mr I Tugby was a States Member in 2018, and is also the beneficial owner of Tugby Contractors Ltd. In 2018 the Board purchased goods and services from Tugby Contractors Ltd to the value of £28,308 (2017: £117,892).

During 2018 the Water Board purchased goods and services from the States of Alderney to the value of £82,666 (2017 £69,852) and supplied goods and services to the States of Alderney to the value of £17,029 (2017 £15,765).

Since 2008 capital contributions amounting to £2,626,700, 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 12 & 13), were approved in 2018 to the total of £95,000 (2017: £166,000). As at 31 December 2018 these amounts had been received in full.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

5 RENTS RECEIVABLE

During 2018 the Board received rent from two mobile telephone companies, that utilise the Mouriaux water tower as a base station for their equipment and aerals. One of these companies relinquished their lease with effect from 15 June 2018 therefore only part year was received in 2018. Rent was also received from the lease of Corblets Quarry for fishing rights.

6 FIXED ASSETS

	At 1 January 2018	Additions/ Charge	Disposals / Written off & Transfers	At 31 December 2018
	£	£	£	£
COST				
Land	3,737	-	-	3,737
Mains and Services	1,691,686	90,378	-	1,782,064
Buildings	211,604	-	-	211,604
Storage Tanks	104,449	-	-	104,449
Machinery	925,418	6,675	(4,289)	927,804
Filter Membranes	65,000	-	-	65,000
Tools and Equipment	33,187	1,102	-	34,289
Motor Vehicles	31,245	-	-	31,245
Consumer Meters	7,536	-	-	7,536
Assets in course of construction (Phase 9)*	11,921	785	(419)	12,287
Assets in course of construction (Phase 11)*	27,462	26,599	(54,061)	-
Assets in course of construction (Phase 12)*	1,746	40,996	-	42,742
Assets in course of construction (Phase 13)*	-	25,209	(25,209)	-
	3,114,991	191,744	(83,978)	3,222,757
DEPRECIATION				
Mains and Services	320,051	42,684	-	362,735
Buildings	39,804	4,953	-	44,757
Storage Tanks	21,844	4,178	-	26,022
Machinery	395,558	59,716	(1,262)	454,012
Filter Membranes	61,149	3,851	-	65,000
Tools and Equipment	16,464	3,222	-	19,686
Motor Vehicles	12,199	6,154	-	18,353
Consumer Meters	2,522	723	-	3,245
	869,589	125,481	(1,262)	993,810
NET BOOK VALUE	2,245,402	66,263	(82,716)	2,228,949

*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 2018, assets in the course of construction relate to Phases 9, 11, 12 & 13. Phases 11 & 13 were completed and capitalised during 2018.