

Alderney Commission for Renewable Energy
Commissioners' report and financial statements
For the year ended 31 December 2015

Alderney Commission for Renewable Energy

Commissioners' report and financial statements

For the year ended 31 December 2015

Contents

Commission information..... 1

Chairman's statement..... 2

Statement of Commission's responsibilities 4

Independent Auditor's report..... 5

Statement of comprehensive income..... 7

Statement of financial position..... 8

Notes to the financial statements..... 9 - 15

Alderney Commission for Renewable Energy

Commission information

Commissioners

Mr. M. Wordsworth
Captain R. P. Barton
Professor J. V. Sharp

Chairman
Commissioner
Commissioner

Secretary

Mrs. R Gaudion

Operations manager

Mrs. R Gaudion

Auditor

KPMG Channel Islands Limited
Chartered Accountants
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WR

Banker

HSBC
53a Victoria Street
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GY9 3TA

Office

A6 Ollivier Court
Ollivier Street
Alderney
GY9 3TD

Alderney Commission for Renewable Energy

Chairman's Statement

For the year ended 31 December 2015

The Renewable Energy (Alderney) Law, 2007 established the Alderney Commission For Renewable Energy ('the Commission') with powers to license and regulate the operation, deployment, use or management of all forms of renewable energy on the island of Alderney and in its territorial waters.

The Commission is an independent statutory body that is separate from the States of Alderney ('the States'). Since its establishment the Commission has been primarily focused on the generation of tidal power.

In 2008 Alderney Renewable Energy Limited ('ARE') was granted a 65 year licence from the States and the Commission over 48 square miles, or approximately 50%, of Alderney's waters in order to begin to plan for the development of a large scale tidal power operation. ARE is a private commercial company funded by its shareholders and is unconnected to the States or the Commission.

The UK renewable energy sector has been challenged of late by new Government policy and changes to subsidies in 2015. It was a tough year for marine energy following the failure of three high-profile companies in 2014, however a global total of 52 tidal energy projects remain scheduled by 2019. The MeyGen Project in Scotland is leading the way with construction of the world's first multi-turbine tidal stream energy commercial array underway this year and due for installation in 2016.

France continues as a leader in the tidal energy market. In particular, and local to Alderney, two partnerships – EDF with DCNS and Alstom with Engie (formerly GDF Suez), are working on tidal test farms in the Raz Blanchard both of which are due to complete in 2018. ACRE have carried out groundwork to ensure that Alderney is consulted on these projects.

ARE's licence as signed in 2008 continues to be monitored by ACRE. ARE continue to focus on FAB Link, the interconnector project that will connect France to Britain via Alderney and provide an export market for tidal stream energy generated in Alderney. FAB Link Ltd. have carried out extensive survey work for the interconnector in 2015. FAB Link completion is scheduled for 2020-2022. ACRE have no regulatory responsibility for the interconnector but have a prime interest in the project as significant advances in ARE's joint venture with Open Hydro and any other major renewable energy projects are dependent upon the success of the FAB Link to provide the export route to either the French or UK markets.

As a result of the very significant level of expenditure on the FAB Link surveys during 2015 the Commission has agreed to draw up and accept a loan note agreement for the 2015 Block Fees which must be repaid before a consent application from ARE for a Tidal Energy development can be made. An application for consent from ARE is anticipated in 2017-2018.

ACRE continues to promote and support working with other developers on island supply projects and larger commercial tidal projects in Alderney's waters.

ACRE represents Alderney in the Channel Islands Renewable Energy Group (CIMREG). This Group deals with Renewable Energy policy on a Channel Islands wide basis and is particularly useful forum for discussions with UK and French Government Officials.

Alderney Commission for Renewable Energy

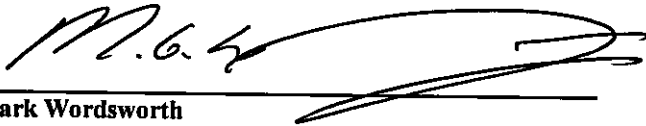
Chairman's Statement (continued)

For the year ended 31 December 2015

In May 2015 the States passed a resolution that the Commission for Renewable Energy be conferred the following functions under section 7(1)(c) of the Renewable Energy (Alderney) Law, 2007 (in addition to the functions conferred upon it under that Law or by any other enactment)

1. a. To make formal contributions to Alderney Electricity Limited as the Commission considers appropriate in order to subsidise the cost of electricity to residents of the Island of Alderney, and
b. To make formal contributions to the States of Alderney as the Commission considers appropriate; and
2. That resolution 1 above is for the removal of any doubt and is not to be construed as impliedly invalidating anything done in conformity with any enactment or rule of law, either before or after these resolutions are approved by the States of Alderney.

ACRE has not commissioned any new research studies or surveys during 2015 and has sought to minimise outgoings wherever possible to conserve funds for future expenses e.g. to process applications for consent from ARE. There have been no changes in the structure of the Commission or its responsibilities during 2015.



Mark Wordsworth
Chairman

Date: 19th July 2016

Alderney Commission for Renewable Energy

Statement of the Commission's responsibility

For the year ended 31 December 2015

The Alderney Commission for Renewable Energy ('the Commission') acknowledges that it is responsible for preparing financial statements for each financial year. The Commission has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Section 1A of Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Commission and of the profit or loss of the Commission for that year.

In preparing those financial statements the Commission is required to:

- select suitable accounting policies and then 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 Commission will continue in business.

The Commission is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Commission. The Commission also has a general responsibility for taking such steps as are reasonably open to it, to safeguard the assets of the Commission, and to prevent and detect fraud and other irregularities.

Disclosure of information to the auditor

The Commissioners who held office at the date of approval of this Commission's report confirm that, so far as they are each aware, there is no relevant audit information of which the Commission auditor is unaware; and each Commissioner has taken all the steps that they ought to have taken as a Commissioner to make themselves aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

Auditor

KPMG Channel Islands Limited were reappointed as auditor of the Commission during the period.

Independent auditor's report to the Commissioners of Alderney Commission for Renewable Energy

For the year ended 31 December 2015

We have audited the financial statements of Alderney Commission for Renewable Energy (the "Commission") for the year ended 31 December 2015 which comprise the Statement of comprehensive income, the Statement of financial position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Section 1A of FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Commissioners, as a body, in accordance with section 79 of the Companies (Alderney) Law, 1994. Our audit work has been undertaken so that we might state to the Commissioners 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 Commission and the Commissioners as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Commissioners and auditor

As explained more fully in the Statement of Commission's Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply 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 Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commissioners; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Commissioners' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the financial statements

In respect of the 1 January 2015 and 1 July 2015 block fees, with an outstanding trade debtor balance at 31 December 2015 of £345,000, we were unable to obtain sufficient audit evidence to evaluate the Commissioners' assessment of recoverability of this balance. We were unable to perform alternative audit procedures to obtain sufficient appropriate evidence to support the carrying value of the trade debtor balance.

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion on the financial statements paragraph, the financial statements give a true and fair view of the state of the Commissioners' affairs as at 31 December 2015 and of its return for the year then ended in accordance with United Kingdom Accounting Standards.

Independent auditor's report to the Commissioners of Alderney Commission for Renewable Energy (continued)

For the year ended 31 December 2015

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, in our opinion:

- the Commission has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all access, information and explanations necessary for the audit.

KPMG Channel Islands Limited

**KPMG Channel Islands Limited
Chartered Accountants
Gategny Court
Gategny Esplanade
St Peter Port
Guernsey
GY1 1WR**

20 July 2016

Alderney Commission for Renewable Energy

Statement of comprehensive income

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Income			
Income	2	545,000	545,000
Less: administrative expenses	2	<u>(361,624)</u>	<u>(374,276)</u>
Operating surplus		183,376	170,724
Other interest receivable and similar income			
Interest receivable		<u>4,180</u>	<u>29,535</u>
		187,556	200,259
Interest payable and similar expenses			
Bank charges		<u>(158)</u>	<u>(305)</u>
Surplus on ordinary activities before taxation		187,398	199,954
Total comprehensive income for the year		<u><u>187,398</u></u>	<u><u>199,954</u></u>

All activities are derived from continuing activities

The Commission has no components of 'other comprehensive income'

The notes on pages 9 to 15 form an integral part of these financial statements.

Alderney Commission for Renewable Energy

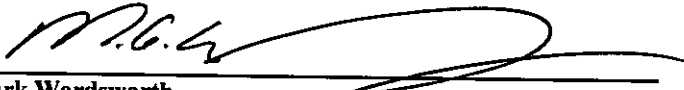
Statement of financial position

As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	5	<u>778</u>	<u>551</u>
Total fixed assets		<u>778</u>	<u>551</u>
Current assets			
Debtors: amounts falling due within one year and prepayments	7	349,155	17,947
Cash and cash equivalents	6	<u>429,654</u>	<u>539,983</u>
Total current assets		<u>778,809</u>	<u>557,930</u>
Current liabilities			
Creditors: amounts falling due within one year	8	<u>43,754</u>	<u>10,046</u>
Total current liabilities		<u>43,754</u>	<u>10,046</u>
Net assets		<u>735,833</u>	<u>548,435</u>
General reserves:			
Surplus	9	<u>735,833</u>	<u>548,435</u>
Shareholders' funds		<u>735,833</u>	<u>548,435</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

The financial statements on pages 7 to 15 were approved by the Alderney Commission for Renewable Energy on ~~19th~~ July 2016 and are signed on their behalf by:



Mark Wordsworth
Chairman

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies

Basis of preparation

The Alderney Commission for Renewable Energy ("the Commission") was established by the Renewable Energy (Alderney) Law, 2007. The Commission has offices at A6 Ollivier Court, Alderney, GY9 3TD.

The Commission's financial statements have been prepared in compliance with United Kingdom Accounting Standards including FRS 102 (Section 1A), the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The Financial statements were prepared on a historical cost basis.

The financial statements are prepared in sterling which is the functional currency of the Commission. The Commissioners consider sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The Commission transitioned from previously extant UK GAAP to FRS 102 (Section 1A) as at 1 January 2014. An explanation of how transition to FRS 102 (Section 1A) has affected the reported financial position and financial performance is given in note 13.

Going concern

The Commissioners have a reasonable expectation that the Commission has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Computer equipment and related equipment	33% per annum
Office furniture	25% per annum
Office refitting	20% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the Commission has the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty.

Income: block fees

The Commission receives income in the form of block fees. These are paid six monthly in advance on 1 January and 1 July. This is paid under the terms of the licence granted on 13 November 2008 to Alderney Renewable Energy Limited ("ARE"). The fees are non-refundable and are recognised in the Income account on an accrual basis.

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

1 Accounting policies (continued)

Income: electricity subsidy

Under the terms of its licence dated 13 November 2008, Alderney Renewable Energy Limited ("ARE") have agreed to pay an annual sum of £200,000 to the Commission. The £200,000 payment is made by ARE to the Commission, who subsequently remit it to Alderney Electricity Limited (see note 14), where its used to subsidise the fuel cost component on electricity bills for residents and businesses on Alderney.

Interest receivable

Interest receivable is recognised as interest accrues using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position, comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Short term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price less attributable costs. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Expenses

Expenses, including administration and other expenses are accounted for on an accruals basis and are recognised in the Statement of Comprehensive Income on the transaction date.

Included within expenses, is a management fee payable to the States of Alderney. This covers costs incurred by the States of Alderney for items such as sponsoring visits to other jurisdictions by the President, Chief Executive and other States members, and processing of appropriate legislation via the Law Offices as necessary with onward submission to the full States of Alderney, in support of renewable energy developments initiatives.

Lease commitments

Rentals payable under operating leases are charged recognised in the Statement of Comprehensive Income on a straight line basis over the lease term.

Taxation

The Commission is not liable to Guernsey income tax.

Reserves

As the Commission is wholly reliant upon a six monthly income it is considered prudent to hold a minimum of six months operational costs in a General Reserve on an ongoing basis. In addition it is the Commission's policy to ensure that any contracts entered into where the time span exceeds the current year be provided in their entirety by means of creation of a Specific Reserve.

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

2 Income and operating surplus

The income and operating surplus is derived wholly from continuing activities.

	2015	2014
	£	£
Income		
Income from block fees	345,000	345,000
Income electricity subsidy	200,000	200,000
	<u>545,000</u>	<u>545,000</u>
	2015	2014
	£	£
Administrative expenses		
Commissioners Fees	41,924	50,040
Staff salaries	21,399	23,570
Premises	1,260	5,446
Rent	10,208	15,630
I.T. costs	424	9,906
Consultancy	9,190	7,748
Conferences and general travel	4,320	10,659
Postage, stationery and telephone	2,129	1,921
Insurance	1,516	1,943
Audit and Accountancy fees	11,750	2,550
Legal fees	15,000	743
Seabird Study Liverpool University PhD	4,750	4,750
Publications and subscriptions	2,140	2,254
Depreciation	614	896
Sundry	-	1,220
States of Alderney management fee	35,000	35,000
Subsidy payment to Alderney Electricity Limited	200,000	200,000
	<u>361,624</u>	<u>374,276</u>

3 Auditor's remuneration

The remuneration of the auditor's is further analysed as follows:

	2015	2014
	£	£
Audit		
Audit of financial statements	<u>11,000</u>	<u>2,550</u>

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

4 Staff costs	2015	2014
(a)	£	£
Salaries	20,093	22,137
Social security costs	1,306	1,433
	<u>21,399</u>	<u>23,570</u>

The average monthly number of employees during the year was as follows:

	2015	2014
	No.	No.
Employees	<u>1</u>	<u>1</u>
	2015	2014
(b)	£	£
Commissioners fees	<u>41,924</u>	<u>50,040</u>

During the course of the year, Commissioners' fees of £41,924 (2014: £50,040) were paid to two Commissioners (three Commissioners for the period 1 January 2014 to 30 April 2014 only). Commissioner Mark Wordsworth, appointed Chairman in April 2014 provides his services to the Commission without charge and is therefore not paid Commissioner Fees (except for incidental expenses).

5 Fixed assets	Computer equipment	Office furniture	Office refitting	Total
Cost or valuation	£	£	£	£
As at 1 January 2015	7,671	8,785	5,097	21,553
Additions	841	-	-	841
Disposals	-	-	(5,097)	(5,097)
As at 31 December 2015	<u>8,512</u>	<u>8,785</u>	<u>-</u>	<u>17,297</u>
Depreciation				
As at 1 January 2015	7,120	8,785	5,097	21,002
Charge for the year	614	-	-	614
Disposals	-	-	(5,097)	(5,097)
As at 31 December 2015	<u>7,734</u>	<u>8,785</u>	<u>-</u>	<u>16,519</u>
Net book value				
As at 31 December 2015	<u>778</u>	<u>-</u>	<u>-</u>	<u>778</u>
Net book value				
As at 31 December 2014	<u>551</u>	<u>-</u>	<u>-</u>	<u>551</u>

During the course of the year, the office refitting costs relating to the former offices at the Inchalla, Alderney were written off from the fixed asset register.

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

6 Cash and cash equivalents	2015	2014
	£	£
Cash at bank	65,520	42,166
Petty cash	100	100
States of Guernsey Treasury Investment Account	364,034	497,717
	<u>429,654</u>	<u>539,983</u>

The Commission holds a Treasury Investment Account with the States of Guernsey. On 16 February 2016, the Commission requested the States of Guernsey close the account and transfer the balance of the funds held to its account with HSBC.

7 Debtors: amounts falling due within one year	2015	2014
	£	£
Trade debtors	345,000	-
Other debtors	-	12,137
Prepayments	4,155	5,810
	<u>349,155</u>	<u>17,947</u>

Trade debtors represents the amount due at 1 January 2015 and 1 July 2015 from ARE for block fees due to the Commission. On 21 December 2015, a meeting of the Commissioners agreed to roll up the outstanding fees due for 2015 in to a loan note, subject to formal approval of the arrangement being received from the States of Alderney (note 14). This arrangement will be reviewed on a six monthly basis by the Commission. After due consideration, the Commission have decided that no impairment is required on the debt due from ARE.

8 Creditors - amounts falling due within one year	2015	2014
	£	£
Trade creditors	35,000	10,046
Accruals	6,500	-
Social security and taxation	2,254	-
	<u>43,754</u>	<u>10,046</u>

No social security or taxation payments were outstanding at 31 December 2014.

9 Reconciliation of movements in general reserves	2015
	£
Balance as at 31 December 2014	548,435
Surplus for the year	187,398
Balance as at 31 December 2015	<u><u>735,833</u></u>

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

10 States of Alderney - additional powers conferred to the Commission

At a meeting of the States of Alderney held on the 20 May 2015, the States of Alderney conferred the following additional powers on the Commission by way of resolution. The resolution stated:

(1) That the Commission for Renewable Energy be conferred the following functions under section 7(1)(c) of the Renewable Energy (Alderney) Law, 2007 (in addition to the functions conferred upon it under that Law or by any other enactment):

- a. To make formal contributions to Alderney Electricity Limited as the Commission considers appropriate in order to subsidise the cost of electricity to residents of the Island of Alderney, and
- b. To make formal contributions to the States of Alderney as the Commission considers appropriate; and

(2) That resolution 1 above is for the removal of any doubt and is not to be construed as impliedly invalidating anything done in conformity with any enactment or rule of law, either before or after these resolutions are approved by the States of Alderney.

11 Related party transactions

During the year, the Commission paid contributions to the States of Alderney of £35,000 (2014: £35,000). There was a balance of £35,000 owing to the States of Alderney as at 31 December 2015.

During the year, the Commission collected a fee of £200,000 (2014: £200,000) from ARE on behalf of Alderney Electricity Limited ("AEL"). This fee was subsequently paid to AEL. There was no balance due to AEL as at 31 December 2015.

12 Tenancy agreement

On 18 February 2014, the Commission entered into a tenancy agreement for an office located at A6 Ollivier Court, Ollivier Street, Alderney commencing on 1 March 2014. The annual rental was £10,000. A deposit of £2,500 was paid on 1 March 2014 and this is included in debtors. The lease was renewed on 16 February 2015, for an additional year. The revised annual rental was £10,250. On 8 February 2016, the lease was renewed until 28 February 2017 at a new annual rental of £10,363.

Amounts falling due in less than 1 year	£ 10,344
Amounts falling due in more than 1 year	1,727

13 Transition to FRS 102 (Section 1A)

As stated in Note 1, these are the Commission's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of the opening FRS 102 statement of financial position at 1 January 2014 (the Commission's transition date).

The Commissioners have undertaken an assessment of the impact of the adoption of FRS 102 and have concluded that there is no significant impact with the regards to the recognition of measurement of assets, liabilities, income and expenses. Disclosure and presentation has been amended to conform with the requirements of FRS 102.

Alderney Commission for Renewable Energy

Notes to the financial statements

For the year ended 31 December 2015

14 Events after the reporting period

The Commissioners have agreed to roll up the block fees due for the period 1 January 2016 to 30 June 2016 in to a loan note, subject to formal approval of the arrangement being received from the States of Alderney.

The States of Alderney Policy and Finance Committee will discuss both the loan note in respect of the 2015 block fees and the block fees due for the period 1 January 2016 - 30 June 2016 at their meeting to be held on 19 July 2016.

At meeting held on 21 December 2015, it was noted that ARE would remit £16,666 per month direct to Alderney Electricity Limited. It was noted that the full amount due to Alderney Electricity Limited by the 30 June 2016, had now been received by them in two tranches of £50,000.

There are no other events of note after the end of reporting period and up to the date of the signing of these financial statements that require further disclosure.