

ALDERNEY COMMISSION FOR RENEWABLE ENERGY

FINANCIAL STATEMENTS 2012

FOR INFORMATION PURPOSES

PLEASE NOTE THAT THESE STATEMENTS ARE SUBJECT TO FINAL APPROVAL

CHAIRMAN'S STATEMENT

The Alderney Commission for Renewable Energy (ACRE) is the statutory body responsible for licensing and regulating the development, use and management of all forms of renewable energy in Alderney and its territorial waters. The Commission was established in November 2008 and on the same date signed a 65 year License with Alderney Renewable Energy Limited (ARE) to commence development of the tidal resource surrounding the Island.

Whilst renewable energy from offshore and onshore wind is a well established source of power there is increasing demand for electricity produced from marine renewable energy. However this is an evolving industry, still in its early stages, with individual turbines installed on a few sites. An ongoing issue for Alderney is that currently no subsidies are available to the Channel Islands; the Commission supports current discussions with the UK and France to allow such subsidies.

The renewable sector continues to be fast moving with a mixture of political influence, entrepreneurial technological advances and economic pressure on development funding for projects. A significant part of the Commission's work is ensuring that 'it is up to speed' with these changes, a process which involves a combination of actively monitoring and collecting relevant current information on the renewable sector and the regular assessment of the implications for Alderney. In this context the Commissioners attend relevant conferences and briefings which provide opportunities to increase the profile of Alderney and ACRE as well as ensuring that the Commission is operating according to current best practice.

Significant amounts of Commission time has been devoted to the activities of the current sole marine development license holder, Alderney Renewable Energy Limited. These activities were focused on the Business Plan and Development Schedule, due on the third anniversary of granting the license, which was submitted by ARE and was subject to review during the year and ARE's progress with the establishment of an interconnector linking France and the UK via Alderney (FAB).

The Commission has employed external consultants to provide expert advice to enable ACRE to carry out its regulatory functions. This advice relates to anticipating issues which may become relevant once any tidal turbines are employed in Alderney waters. During the year Alderney Wildlife Trust continued to collect baseline data at Longis Bay and along the south coast of the island.

Southampton University continue with their two year programme developing models to anticipate any impact of turbine deployment on the sandbank in the Alderney Race. Data to develop this model was provided by previous survey work carried out by the Commission and, during this year, some Acoustic Doppler Current Profiler (ADCP) measurement on selected blocks has allowed the model to be validated. All of this work will enable the Commission to review the baseline information and decide the extent to which the Developer will be required to continue data collection to ensure that any environmental impact is carefully monitored. In addition the Commission has appointed consultants to advise, where required, on the environmental, engineering and specialist cable issues relating to any deployment.

In late 2012 the Commission agreed to appoint its nominated environmental consultants, ABPmer Limited, to carry out a Regional Environment Assessment (REA) for the Island and its surrounding

waters. This work, which will be completed during 2013, will provide a framework for the specific Environmental Assessments which have to be submitted by any developer wishing to carry out any renewable energy activity on the Island or in its territorial waters. This project and other specialist work by the Commission will ensure that ACRE is suitably positioned for any application from ARE for Consent to deploy tidal turbines.

During the last year the Commission has reviewed proposed tidal energy developments in France, including a scheme for an array of six turbines in the Raz Blanchard. The potential interaction between such a scheme and any developments in Alderney waters needs continual monitoring.

During 2012 progress has been made in developing the guidance notes that define the regulatory approach of the Commission. A Land Based Consents Guide, Shipping and Navigation guidance and a guideline covering Decommissioning were published during the year. Work is ongoing to address the following; legislation (including health and safety). Further guidance notes, where appropriate, will be developed during 2013. In consideration of its wider brief regarding all renewable energy sources the Commission reviewed the possibilities for any land based renewable generation on Alderney, a project which reported in late 2012.

The Commission structure remained unchanged during the year with the exception of the Project Assistant, Teo Van der Kammen, who completed his second six month contract and left the Commission at the end of September. Teo made a significant contribution to the Commission during his time with ACRE and proved a valuable and stimulating team member.

Financially the Commission continues to use its annual income carefully in order to maintain and build reserves. This will ensure that any sudden requirement for funds can be met. Such a requirement might be, for example, a significant amount of legal or other specialist advice. During 2012 the contract with Alderney Wildlife Trust continued, the base monitoring work is expected to be completed in 2013. The contract with Southampton University will also be completed in early 2013. As mentioned above during 2013 the contract for the REA will be carried out by ABPmer.

2012 has continued the pattern of being a challenging and interesting year for the Commission. The renewable energy sector continues to be fast moving and keeping up to date with all new initiatives and regulatory developments has kept the whole team busy. I am extremely grateful to both Robert Barton and John Sharp for the commitment and professionalism they have demonstrated this year. I would also like to pay tribute to Ruth Riley, our Operations Manager, who has provided an excellent anchor for all our activities.

Pamela A Dixon 28 March 2013

Chairman

Statement of the Commission's responsibilities

The Alderney Commission for Renewable Energy ('the Commission') 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 Commission and of the profit and loss of the Commission for that period. In preparing those financial statements the Commission 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 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 is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and the detection of fraud and other irregularities.

The following persons served on the Commission during the period under review:

Ms P A Dixon (Chairman)

Captain R P Barton

Dr J V Sharp

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

We have audited the financial statements of Alderney Commission for Renewable Energy (the "Commission") for the year ended 31 December 2012 which comprise the revenue account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

This report is made solely to the Commissioners, as a body, in accordance with the terms of our engagement letter dated 19 March 2013. Our audit work has been undertaken so that we might state to the Commission 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 the commission and auditor

As explained more fully in the Statement of Commission's Responsibilities set out on page 3, the Commissioners 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 Chairman's Statement 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:

- give a true and fair view of the state of the Commission's affairs as at 31 December 2012 and of its surplus for the year then ended;
- are in accordance with United Kingdom Accounting Standards

KPMG Channel Islands Limited
Chartered Accountants

March 2013

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012	2011
		£	£
Fixed assets			
Computer equipment		999	773
Office Furniture		683	2,879
Office Refitting		<u>1,021</u>	<u>2,040</u>
	2	2,703	5,692
Current assets			
Current Bank Account	3	28,693	58,040
States of Guernsey Treasury Investment Account		293,536	189,389
Prepayments and accrued Income	4	<u>9,020</u>	<u>28,377</u>
		331,249	275,806
Creditors: amounts falling due within one year	5	<u>-8,356</u>	<u>-8,125</u>
Net current assets		<u>322,893</u>	<u>267,681</u>
Net assets		<u><u>325,596</u></u>	<u><u>273,373</u></u>
Represented by:			
		31-Dec-12	31-Dec-11
		£	£
Specific Reserve:			
Balance as at 1 January		62,061	180,281
Transfer/Release for the year	8	<u>21,021</u>	<u>- 118,220</u>
		<u><u>83,082</u></u>	<u><u>62,061</u></u>
General Reserves:			
Balance as at 1 January		211,312	153,967
Transfer/Release for the year		<u>31,202</u>	<u>57,345</u>
		<u><u>242,514</u></u>	<u><u>211,312</u></u>
Total Reserves		<u><u>325,596</u></u>	<u><u>273,373</u></u>

The financial statements on pages 5 to 9 were approved by the Alderney Commission for Renewable Energy on 28 March 2013 and signed on its behalf by:

Pamela A Dixon
Chairman

REVENUE ACCOUNT FOR THE YEAR FROM 1 JANUARY 2012 TO 31 DECEMBER 2012

	Note	2012	2011
		£	£
Income			
Block fees		345,000	345,000
Received from ARE re: electricity subsidy	7	200,000	200,000
Bank interest		<u>9,147</u>	<u>2,839</u>
		<u>554,147</u>	<u>547,839</u>
Expenditure			
Commissioners Fees	9	66,428	65,003
Staff costs		50,004	47,931
Premises		4,617	7,130
Rent		28,195	27,266
I.T. costs		1,923	1,746
Consultancy		50,999	101,492
Hydrology Research Contract		20,775	45,397
Conferences and general travel		26,982	27,785
Postage, stationery and telephone		2,954	3,066
Insurance		2,700	2,708
Audit and Accountancy fees		4,975	4,800
Legal fees		9,686	20,000
Bank charges		346	384
Publications and subscriptions		1,275	1,214
Sponsorship		1,000	-
Depreciation	2	3,927	5,105
Sundry		138	2,687
States Management Fee		25,000	25,000
Subsidy payment to AEL	7	200,000	220,000
		<u>501,924</u>	<u>608,714</u>
Surplus/ (Deficit) for the year		<u>52,223</u>	- <u>60,875</u>
Allocation to/transfer from Reserves:			
General		31,202	57,345
Specific		<u>21,021</u>	- <u>118,220</u>
		<u>52,223</u>	- <u>60,875</u>

Notes to the Financial Statements for the period 1 January 2012 to 31 December 2012

1. Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Depreciation

Depreciation is calculated using the straight line method at the following rate:

Computers and related equipment	33%
Office Furniture	25%
Office refitting	20%

The accounting policy is to charge 12 months depreciation in the year of acquisition and none in the year of disposal.

Income

Income in the form of Block Fees is paid six monthly in advance on 1 Jan and 1 July. This is paid under the terms of the license granted on 13 November 2008 to Alderney Renewable Energy Limited. The fees are non-refundable and are recognised in the Revenue Account on an accruals basis.

Cash Flow Statement

Under Financial Reporting Standard no 1 the entity is exempt from the requirements to prepare a cash flow statement on the grounds of its size.

Expenses

Expenses are accounted for on an accruals basis.

Leasehold improvements

In April 2009 the Commission moved into new premises on Le Val Alderney and undertook some refitting costing £5,097. The premises are leased for a period of five years and the refitting costs will be amortised over this period.

Lease payments

In accordance with SSAP21 the rent due is charged to the accounts on a straight line basis over the five year term of the lease.

Revenue Account

The Revenue Account reflects the surplus for the period 1 January 2012 to 31 December 2012.

Contracts

All contracts entered into during the year have been accounted for on an accruals basis.

**Notes to the Financial Statements for the year ended 31 December 2012
(continued)**

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.

2. Tangible Fixed Assets

	Computer Equipment £	Office furniture £	Office refitting £	Total £
Cost:				
Brought Forward 1 Jan 2012	5,727	8,785	5,097	19,609
Additions	939	-	-	939
As at 31 December 2012	<u>6,666</u>	<u>8,785</u>	<u>5,097</u>	<u>20,548</u>
Depreciation:				
Brought forward 1 Jan 2012	4,954	5,907	3,057	13,918
Charge for the period	713	2,195	1,019	3,927
As at 31 December 2012	<u>5,667</u>	<u>8,102</u>	<u>4,076</u>	<u>17,845</u>
Net book value				
As at 31 December 2012	<u>999</u>	<u>683</u>	<u>1,021</u>	<u>2,703</u>
As at 31 December 2011	<u>773</u>	<u>2,879</u>	<u>2,040</u>	<u>5,692</u>

3. Cash at bank and in hand

	2012	2011
	£	£
Cash in Investment account	293,536	189,389
Cash in Current account	28,653	58,000
Petty cash	40	40
	<u>322,229</u>	<u>247,429</u>

4. Prepayments and accrued income

	2012	2011
	£	£
Prepayments	9,020	28,377
	<u>9,020</u>	<u>28,377</u>

Included in the above prepayment is the sum of £4,000 which comprises a three month rent deposit on the premises in Le Val.

**Notes to the Financial Statements year ended 31 December 2012
(continued)**

5. Creditors: amount falling due within one year

	2012	2011
Creditors and accruals	£ <u>8,356</u>	£ <u>8,125</u>

6. Lease

The Commission has entered into a lease on the property over a 5 year period, commencing in April 2009. During the year the amount charged to the Revenue Accounts and included in rent were:

	2012	2011
	£ <u>28,195</u>	£ <u>27,266</u>

With regards to lease commitments, the Commission is committed to make payments in the next financial year of £28,441. Following this the remaining payment on the lease is £7,110, this is the final payment on the lease which

7. Subsidy payment to Alderney Electricity Ltd.

Under the terms of its Licence dated 13 November 2008 Alderney Renewable Energy Ltd. (ARE) agreed to pay an annual sum of £200,000 to Alderney Electricity Ltd. (AEL) as a subsidy to reduce the cost of electricity on Alderney. This annual subsidy payment commenced 1 Jan 2011. The £200,000 annual subsidy is paid by ARE to ACRE who remit it immediately to AEL.

8. Planned expenditure

	31/12/2011	Spent	New	Net change	31/12/2012
Hydrology research	39,241	20,775	-	20,775	18,466
Rent	27,460	28,195	28,441	246	28,441
	<u>66,701</u>	<u>48,970</u>	<u>28,441</u>	<u>21,021</u>	<u>46,907</u>

9. Commissioners Fees

Commissioner's fees were for the period 1 January 2012 to 31 December 2012 and were paid during this period to a Chairman and two Commissioners.

10. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.