

**ALDERNEY COMMISSION FOR RENEWABLE ENERGY**

**FINANCIAL STATEMENTS 2013**

**FOR INFORMATION PURPOSES**

**PLEASE NOTE THESE FINANCIAL STATEMENTS HAVE RECEIVED AUDIT CLEARANCE AND ARE SUBJECT TO APPROVAL BY THE COMMISSION AT ITS NEXT SCHEDULED MEETING**

## **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 Limited) 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. In addition the lack of an export route from Alderney is a negative factor to tidal development and the Commission is keen to support the France-Alderney-Britain interconnector (FAB Link) project being developed by ARE Limited.

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.

The Commission continues to support ARE Limited in its efforts to develop the tidal resource for the benefit of Alderney's economy and inhabitants. During the last year the original Business Plan submitted at the three year anniversary of the Contract has had several iterations to reflect the changes in both the business strategy of ARE Limited and the development of the Tidal Industry. On each submission the Commission has reviewed the plans and continued to seek clarification from ARE regarding details, where required. Regular project update meetings have also been held throughout the year. The FAB Link project referred to above is also making progress and the Commission is being kept fully informed about this.

During this twelve month period the Commission has further developed its guidance notes for developers and ensured that the regulatory regime for Alderney reflects the best practice in the Tidal Industry worldwide, thus ensuring Alderney's continuing reputation as an effective and professional regulatory regime.

The potential tidal developments in the Raz Blanchard, and the willingness of the French authorities to engage in mutually beneficial conversations regarding regulatory matters, have ensured that significant time has been spent by Commissioners in information exchange with France. The proposed test site is likely to go ahead in 2014/2015 and will provide an opportunity for the demonstration of current tidal technology in the challenging conditions of the Race.

This year has seen the production of a Regional Environment Assessment (REA) covering the Island and its territorial seas by the Commission's nominated environmental consultants, ABPmer Limited. This work provides 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 assessment provides an essential framework for any application for consent by a developer. Until recently such a consent application for two 2MW machines for deployment in Alderney waters was expected during late 2013/early 2014. However the Commission was finally informed in November 2013 that this deployment is no longer planned and the first application for Consent will be 2016/17. Both the REA and Guidance Notes produced by the Commission will continue to be updated to ensure that they are current and available to any developer.

The consequent likely lapse of the Power Purchase Agreement (PPA) in early 2014 will allow development of other renewable energy sources of electricity, particularly on Island. The PPA had blocked these developments and the Commission supports the opportunities that its expected termination will provide.

At the beginning of 2013 Melanie Broadhurst was appointed as a Project Assistant. During 2013 Melanie was awarded her PhD which is in the ecological impacts of tidal energy and has provided excellent technical advice and assistance during the year. In October Mark Wordsworth was appointed as a new Commissioner. Mark, who has a business background, was involved in the early years of the Commission before it was set up as a statutory body and is an Alderney resident.

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.

2013 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. In addition to our new members I continue to be 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

Chairman

*To be signed at the Commission meeting scheduled on 2<sup>nd</sup> April 2014*

### **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

Mark Wordsworth was appointed as a Commissioner in October 2013.

## **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 2013 which comprise the Balance Sheet, the Income Statement 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 our engagement letter dated 19 March 2013. 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 the 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 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.

### **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 2013 and of its surplus for the year then ended; and
- are in accordance with United Kingdom Accounting Standards

### **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 not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

## BALANCE SHEET AS AT 31 DECEMBER 2013

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Computer equipment		556	999
Office Furniture		242	683
Office Refitting		0	1,021
	2	<u>798</u>	<u>2,703</u>
<b>Current assets</b>			
Current Bank Account	3	94,680	28,693
States of Guernsey Treasury Investment Account	3	255,318	293,536
Prepayments and accrued Income	4	8,379	9,020
		<u>358,377</u>	<u>331,249</u>
<b>Creditors: amounts falling due within one year</b>	5	<u>-10,694</u>	<u>-8,356</u>
<b>Net current assets</b>		<u>347,683</u>	<u>322,893</u>
<b>Net assets</b>		<u>348,481</u>	<u>325,596</u>
<b>Represented by:</b>		<b>2013</b>	<b>2012</b>
		<b>£</b>	<b>£</b>
<b>General Reserves:</b>			
Balance as at 1 January		325,596	273,373
Surplus for the year		22,885	52,223
<b>Total Reserves</b>		<u>348,481</u>	<u>325,596</u>

The financial statements on pages 5-9 were approved by the Alderney Commission for Renewable Energy on 2nd April 2014 and signed on its behalf by:

**Pamela A Dixon**  
Chairman

## REVENUE ACCOUNT FOR THE YEAR FROM 1 JANUARY 2013 TO 31 DECEMBER 2013

	Note	2013 £	2012 £
<b>Income</b>			
Block fees		345,000	345,000
Received from ARE re: electricity subsidy	7	200,000	200,000
Bank Interest		<u>1,782</u>	<u>9,147</u>
		<u>546,782</u>	<u>554,147</u>
<b>Expenditure</b>			
Commissioners Fees	8	68,321	66,428
Staff costs		42,105	50,004
Premises		6,010	4,617
Rent		28,999	28,195
I.T. costs		2,031	1,923
Consultancy		72,242	50,999
Hydrology Research Contract		18,466	20,775
Conferences and general travel		26,090	26,982
Postage, stationery and telephone		2,828	2,954
Insurance		2,777	2,700
Audit and Accountancy fees		5,125	4,975
Legal fees		10,500	9,686
Bank charges		356	346
Seabird Study Liverpool University PhD		8,500	-
Publications and subscriptions		1,939	1,275
Sponsorship		-	1,000
Depreciation	2	2,261	3,927
Sundry		347	138
States Management Fee		25,000	25,000
Subsidy payment to AEL	7	<u>200,000</u>	<u>200,000</u>
		<u>523,897</u>	<u>501,924</u>
<b>Surplus for the year</b>		<u><b>22,885</b></u>	<u><b>52,223</b></u>
<b>Allocation to Reserves:</b>			
General		<u><b>22,885</b></u>	<u><b>52,223</b></u>

## **Notes to the Financial Statements for the year 1 January 2013 to 31 December 2013**

### **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.

#### **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 of Le Val Alderney.

#### **Revenue Account**

The Revenue Account reflects the surplus for the year from 1 January 2013 to 31 December 2013.

#### **Contracts**

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

#### **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.



**Notes to the Financial Statements for the year 1 January 2013 to 31 December 2013  
(continued)**

**2. Tangible Fixed Assets**

	Computer Equipment £	Office Furniture £	Office Refitting £	Total £
<b>Cost</b>				
Brought Forward 1 January 2013	6,666	8,785	5,097	20,548
Additions	356	-	-	356
As at 31 December 2013	<u>7,022</u>	<u>8,785</u>	<u>5,097</u>	<u>20,904</u>
<b>Depreciation</b>				
Brought forward 1 January 2013	5,667	8,102	4,076	17,845
Charge for the period	799	441	1,021	2,261
As at 31 December 2013	<u>6,466</u>	<u>8,543</u>	<u>5,097</u>	<u>20,106</u>
<b>Net book value</b>				
As at 31 December 2013	<u>556</u>	<u>242</u>	<u>-</u>	<u>798</u>
As at 31 December 2012	<u>999</u>	<u>683</u>	<u>1,021</u>	<u>2,703</u>

**3. Cash at bank and in hand**

	2013 £	2012 £
Cash in Investment account	255,318	293,536
Cash in Current account	94,580	28,653
Petty cash	100	40
	<u>349,998</u>	<u>322,229</u>

**4. Prepayments and accrued income**

	2013 £	2012 £
Prepayments	<u>8,379</u>	<u>9,020</u>
	<u>8,379</u>	<u>9,020</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 for the year 1 January 2013 to 31 December 2013  
(continued)**

**5. Creditors: amount falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Creditors and accruals	<u>10,694</u>	<u>8,356</u>
	<u>10,694</u>	<u>8,356</u>

**6. Lease**

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

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
	<u>28,999</u>	<u>28,195</u>
	<u>28,999</u>	<u>28,195</u>

With regards to the current lease commitments, the Commission is committed to make payments in the next financial year of £7296. A new lease agreement for premises at Ollivier Court will be entered into as of 1 March 2014 for one year whereby the Commission shall be committed to make payments of £8333 during 2014. In addition a £2500 deposit shall be paid at the commencement of the lease.

**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 January 2011. The £200,000 annual subsidy is paid by ARE to the Commission who remit it immediately to AEL.

**8. Commissioners Fees**

Commissioners' fees of £68,321 relate to the year 1 January 2013 to 31 December 2013 and were paid during this period to a Chairman and two Commissioners.

**9. Guernsey Income Tax**

The Commission is not subject to Guernsey Income Tax.