

ALDERNEY COMMISSION FOR RENEWABLE ENERGY

FINANCIAL STATEMENTS 2014

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 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 strategy to harness tidal power has continued to evolve both in Alderney and in other locations around the world. This is unsurprising in a nascent industry with an as yet unproven technology. Strategies have changed as a better understanding of the issues around developing commercial scale sub-surface marine turbines and also the technologies required to connect them to the electricity grid have become better understood.

In June 2014 ARE and OpenHydro ('OH') announced that it is their intention to apply to the Commission in June 2017 for consent for a 300MW tidal project in the Alderney Race. To put this scheme into context, the maximum peak load on Alderney is believed to be around 1.6MW. Consenting is expected to be completed in 2018 and turbine installation is expected to follow the completion of the FAB interconnector link in 2020. The FAB Link is an electricity transmission cable that would be laid in future and which would run from France to Alderney and then onto the UK. It should be noted that any slippage in the FAB Link timetable has a direct impact on the turbine installation schedule. The Commission does not expect electricity to be generated from this project until 2021 at the earliest.

One of the hurdles for all tidal power schemes is the development of commercial scale turbines. In this regard the French government is sponsoring a pilot scheme in 2016 and 2017 to test three different commercial turbines on the French side of the Race. This project is being funded by a European Union grant of €120 million. OpenHydro, ARE's partner, are participating in the pilot scheme which should give a very good insight into what will be possible in the long term in Alderney's waters.

Following the publicity that arose over ARE's announcement of a 300MW tidal project, two further parties have approached the Commission with a view to enquire about licences in the 50% of Alderney waters that are not licensed to ARE. Both these parties are focusing on much smaller scale tidal arrays that would feed directly into the Alderney grid with the intention of supplying the needs of the island in the first instance. The Commission will be taking forward discussions with these parties in 2015 in conjunction with Alderney Electricity Limited ('AEL').

The timelines for some of these projects are very long and are dependent on factors that equally affect all tidal schemes around the world. However, in the meantime, ARE continues to pay £545,000 per annum in fees to the Commission and the Commission pays £200,000 per annum to AEL which it uses directly to subsidise electricity bills on Alderney. In addition, the Commission also pays a management fee of £35,000 per annum to the States of Alderney. With regard to the balance of the fees, the Commission continues to run at a surplus of income over expenditure and the financial reserves are invested via the States of Guernsey treasury department.

Mark Wordsworth
Chairman
17 March 2015

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:

Mark Wordsworth

Pamela A Dixon (retired 30 April 2014)

Captain Robert P Barton

Dr John V Sharp

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014 £	2013 £
Fixed assets			
Computer equipment		551	556
Office Furniture		<u>0</u>	<u>242</u>
	2	<u>551</u>	<u>798</u>
Current assets			
Current Bank Account	3	42,266	94,680
States of Guernsey Treasury Investment Account	3	497,717	255,318
Prepayments and accrued Income	4	<u>17,947</u>	<u>8,379</u>
		<u>557,930</u>	<u>358,377</u>
Creditors: amounts falling due within one year	5	<u>(10,046)</u>	<u>(10,694)</u>
Net current assets		<u>547,884</u>	<u>347,683</u>
Net assets		<u>548,435</u>	<u>348,481</u>
Represented by:		2014	2013
		£	£
General Reserves:			
Balance as at 1 January		348,481	325,596
Surplus for the year		<u>199,954</u>	<u>22,885</u>
Total Reserves		<u>548,435</u>	<u>348,481</u>

The financial statements on pages 5-9 were approved by the Alderney Commission for Renewable Energy on 30 April 2015 and signed on its behalf by:

Mark Wordsworth
Chairman

REVENUE ACCOUNT FOR THE YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

	Note	2014 £	2013 £
Income			
Block fees		345,000	345,000
Received from ARE re: electricity subsidy	7	200,000	200,000
Investment income		<u>29,535</u>	<u>1,782</u>
		<u>574,535</u>	<u>546,782</u>
Expenditure			
Commissioners Fees	8	50,040	68,321
Staff costs		23,570	42,105
Premises		5,446	6,010
Rent		15,630	28,999
I.T. costs		9,906	2,031
Consultancy		7,748	72,242
Hydrology Research Contract		-	18,466
Conferences and general travel		10,659	26,090
Postage, stationery and telephone		1,921	2,828
Insurance		1,943	2,777
Audit and Accountancy fees		2,550	5,125
Legal fees		743	10,500
Bank charges		305	356
Seabird Study Liverpool University PhD		4,750	8,500
Publications and subscriptions		2,254	1,939
Depreciation	2	896	2,261
Sundry		1,220	347
States Management Fee		35,000	25,000
Subsidy payment to AEL	7	<u>200,000</u>	<u>200,000</u>
		<u>374,581</u>	<u>523,897</u>
Surplus for the year		<u><u>199,954</u></u>	<u><u>22,885</u></u>
Allocation to Reserves:			
General		<u><u>199,954</u></u>	<u><u>22,885</u></u>

Notes to the Financial Statements for the year 1 January 2014 to 31 December 2014

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 January 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 term of the lease agreement.

Revenue Account

The Revenue Account reflects the surplus for the year from 1 January 2014 to 31 December 2014.

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 2014 to 31 December 2014
(continued)**

2. Tangible Fixed Assets

	Computer Equipment £	Office Furniture £	Office Refitting £	Total £
Cost				
Brought Forward 1 January 2014	7,022	8,785	5,097	20,904
Additions	649	-	-	649
As at 31 December 2014	<u>7,671</u>	<u>8,785</u>	<u>5,097</u>	<u>21,553</u>
Depreciation				
Brought forward 1 January 2014	6,466	8,543	5,097	20,106
Charge for the period	654	242	-	896
As at 31 December 2014	<u>7,120</u>	<u>8,785</u>	<u>5,097</u>	<u>21,002</u>
Net book value				
As at 31 December 2014	<u>551</u>	<u>-</u>	<u>-</u>	<u>551</u>
As at 31 December 2013	<u>556</u>	<u>242</u>	<u>-</u>	<u>798</u>

3. Cash at bank and in hand

	2014 £	2013 £
Cash in Investment account	497,717	255,318
Cash in Current account	42,166	94,580
Petty cash	100	100
	<u>539,983</u>	<u>349,998</u>

4. Prepayments and accrued income

	2014 £	2013 £
Prepayments	5,810	8,379
Accrued investment income	12,137	0
	<u>17,947</u>	<u>8,379</u>

Included in the above prepayment is the sum of £2,500 which comprises a rent deposit on the premises in Ollivier Court.

**Notes to the Financial Statements for the year 1 January 2014 to 31 December 2014
(continued)**

5. Creditors: amount falling due within one year

	2014	2013
	£	£
Creditors and accruals	<u>10,045</u>	<u>10,694</u>
	<u>10,045</u>	<u>10,694</u>

6. Lease

	2014	2013
	£	£
	<u>15,630</u>	<u>28,999</u>
	<u>15,630</u>	<u>28,999</u>

A new lease agreement for premises at Ollivier Court was entered into on 1 March 2014 for one year whereby the Commission shall be committed to make payments of £8,333 during 2014. In addition a £2,500 deposit was paid at commencement of the lease. The rent payment of £7,296 is the final charge for the former premises to the expiry of the lease on 31 March 2014.

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 the Commission. The £200,000 Upfront Payment is made by ARE to the Commission who remit it to Alderney Electricity Ltd. who in turn subsidise the fuel cost component on all electricity bills for residents and businesses on Alderney.

8. Commissioners Fees

Commissioners' fees of £50,040 relate to the year 1 January 2014 to 31 December 2014 and were paid during this period to two Commissioners plus former Chairman Pamela Dixon 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).

9. Guernsey Income Tax

The Commission is not subject to Guernsey Income Tax.

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