
STATES OF JERSEY



CHANNEL ISLANDS COMPETITION AND REGULATORY AUTHORITIES: ANNUAL REPORT 2014

Presented to the States on 15th May 2015
by the Minister for Economic Development

STATES GREFFE



ANNUAL REPORT 2014

FOREWORD

This is the third annual report of the Channel Islands Competition and Regulatory Authorities (CICRA) and is presented to Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001. It also fulfils the requirements of the obligations on CICRA as set out in the Islands' competition laws and sector specific legislation.

What is CICRA?

The Channel Islands Competition and Regulatory Authorities (CICRA) is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). The JCRA was established under the Competition Regulatory Authority (Jersey) Law, 2001, and the GCRA was established under the Guernsey Competition and Regulatory Authority Ordinance, 2012.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure that consumers receive the best value, choice and access to high quality services, in addition to promoting competition and consumers' interests.

CICRA's functions

Competition

CICRA is responsible for administering and enforcing competition law in Jersey and Guernsey. The aim of this legislation is to prevent consumers being harmed by anti-competitive or exploitative behaviour in the market (such as price-fixing or abuse of market power).

Advisory

CICRA can be called on to advise Jersey's Economic Development Minister and Guernsey's Commerce and Employment Department on matters of economic regulation and competition. During 2014 we advised on ferries, marine fuel and the future regulation of the Ports of Jersey in Jersey, primary health care in Guernsey and aviation fuel on a pan-Channel Islands basis.

Economic regulation

In common with many other jurisdictions, Jersey and Guernsey have decided to structure particular previously States-run businesses as separate companies – which are, with the exception of Sure in Guernsey, wholly-owned by the States. In Jersey's case this decision was taken in respect of the telecommunications and postal businesses now run by JT and Jersey Post. In Guernsey's case this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Sure, Guernsey Post and Guernsey Electricity. CICRA is responsible for the economic regulation of these sectors.

Who we are

CICRA is led by a joint board. The board consists of a Chairman, three non-executive directors and two executive directors. In addition, at 31 December 2014 CICRA had eight staff and offices in Jersey and Guernsey.

How to find out more

More information on CICRA and its activities can be found on the website www.cicra.je or www.cicra.gg.

CHAIRMAN'S STATEMENT



The Channel Islands Competition and Regulatory Authorities (CICRA) is, by any standards, unusual. In effect it is the “trading name” of two legally separate bodies, the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). CICRA has a single board, staff and organisation but operates under two different, but broadly similar, laws and two different political-sponsoring departments. It is a prime example of pragmatic working together between Jersey and Guernsey, to the benefit of both islands, through sharing resources and thereby reducing costs. However such an arrangement is not without its challenges as, while the islands share many characteristics, there are, at any one time, differences in priorities and approaches accentuated by different political cycles.

In 2014 CICRA had the benefit of a fairly stable political environment in both islands and was able to concentrate on its mainstream regulatory and competition policy work. The elections in Jersey in November 2014 were followed by a re-alignment of ministerial responsibilities so the JCRA now comes within the remit of Senator Philip Ozouf as Assistant Chief Minister and Assistant Economic Development Minister. There is no reason to believe that this should present any difficulties for CICRA; indeed putting regulation and competition policy closer to the centre of government may well mean a better alignment with other policies.

Like any good regulator CICRA has to take changing market conditions into account. Electronic communication has provided increasing competition to postal services, demand has declined and the nature of the service has switched from “urgent mail” to parcel delivery. This requires a much lighter regulatory touch, which has been duly implemented by CICRA, with a resultant reduction in resources and lower regulatory fees. In Guernsey the political wish has been for a lighter regulatory touch on electricity (which is not a regulated activity in Jersey) and again CICRA has responded.

Telecommunication services play a vital role in people’s lives and in business. The mobile phone has become indispensable and fast broadband is almost regarded as a human right. Expenditure on business and residential telecommunications services has soared. Providing modern telecommunications services in two relatively small islands is challenging as there are limited economies of scale and a reduced incentive for a significant number of competitors compared with larger communities. Quite properly telecommunications now accounts for the major part of CICRA’s work – 60% in 2014.

The Chief Executive’s report documents the work in 2014 in detail. In particular, significant progress has been made on leased lines, bringing 4G services to the islands and introducing competition in the provision of landline services; the benefits of these developments will reach customers in 2015. A key innovation by CICRA was conducting opinion surveys on telecommunications customer satisfaction. The first results were published in September and showed that there was significant scope for improvement in a number of areas. Customer satisfaction in respect of some operators fell well short of acceptable levels. The impact of the first set of results demonstrated their efficacy so CICRA has committed to conducting the surveys every six months for as long as they are considered valuable.

CICRA has continued its programme of work on competition issues, handling mergers that require approval, investigating ferries, marine fuel and the future regulation of the Ports of Jersey in Jersey, primary healthcare in Guernsey and aviation fuel on a pan-Channel Island basis.

CICRA is a tiny organisation and is dependent on its non-executive board members being more directly involved in some projects than would be normal and on its staff team to operate across a wide range of areas. Recruiting suitable staff is difficult in both islands and, increasingly, CICRA is using outside consultants albeit with extensive executive input.

Early in 2014 Peter Neville resigned as a board member. Hannah Nixon, then with Ofgem but subsequently appointed Managing Director of the new UK payments regulator, was appointed to replace him. Hannah Nixon, Regina Finn and Philip Marsden all are highly qualified in regulatory and competition issues and their expertise is invaluable to CICRA. In February CICRA's Chief Executive Andrew Riseley resigned as he wished to return to his native Australia. The previous Deputy Chief Executive Michael Byrne, was appointed to replace him and the other Executive Director, Louise Read, took on a wider role across the whole organisation. A number of other appointments were made and the new staff team quickly became an effective unit.

I am grateful to my fellow board members and the executive team for a good year's work in challenging circumstances.

Mark Boleat

CHIEF EXECUTIVE'S REPORT



CICRA's achievements during 2014 reflect our broad and challenging remit.

We place the interests of consumers at the heart of what we do to make markets in the Channel Islands work better and deliver good outcomes that benefit the islands.

We have delivered a great deal for islanders during 2014 despite our relatively small size and I am grateful to my team and the support of my board in delivering an extensive work programme over 2014.

Telecoms

Over 2014 CICRA worked closely with telecoms operators before reaching a decision to require JT in Jersey and Sure in Guernsey to open up access to their networks. This will allow other operators, for the first time, to offer the full range of landline services. This is a significant development for all consumers. From mid 2015 it will improve choice and remove a long-standing obstacle to fairer competition in the marketplace. We expect consumers to see the benefits of this decision by CICRA, with telecoms operators able to offer full bundled packages, i.e. landline, mobile, broadband and multimedia services to their customers. Through the exercise of that choice available to consumers we anticipate a market that is more responsive and delivers better value to islanders.

During 2015 consumers will see a significant step change in the functionality of mobile devices through 4G mobile services in the Channel Islands. We recognised that to deliver the best outcome for islanders this major project would involve designing and implementing a small island solution aimed at choosing the telecoms operators who would best utilise the spectrum needed to support this technology. The successful completion of that process is testimony to the synergies that can be achieved by operating on a pan Channel Island basis between Guernsey and Jersey that benefit consumers across the islands and reduce the costs of

providing services across two jurisdictions. The outcome of CICRA's work will be a healthier, more competitive mobile market, with world-class services supporting a range of needs of businesses and households as our reliance on portability of telecoms services grows.

CICRA is mindful of the issues faced by consumers and where it has powers to do so will intervene on their behalf. A particular area that has affected mobile users is exposure to data charges when they roam outside the Channel Islands. This can leave them facing 'bill shock', i.e. receiving an unusually large bill for using their mobile device. CICRA took the opportunity, as part of the introduction of 4G to place significant obligations on mobile providers providing these services. JT, Sure and Airtel are now required to provide the same level of protection to Channel Islanders using 4G services that is available to European mobile users roaming within Europe. This includes limits on roaming charges and caps on per unit data charges accompanied by appropriate information and advice.

Until CICRA's intervention during 2014, consumers with fixed term mobile telephone contracts had little protection when operators varied the price of their contract in that they did not have the ability to walk away from the agreement. This was clearly unfair. Our decision in 2014 that allowed consumers to take their business elsewhere in situations where their operator altered that contract to their detriment affords consumers important additional protection. The high profile publication of telecom customer satisfaction statistics over 2014, as measured by our survey of their customers, demonstrates how CICRA can give consumers a voice. Through publishing customer views of their telecom providers we sought to encourage providers to raise their standards but to also give recognition of positive customer experience. CICRA is confident that operators will take account of the views of their customers with improvements seen over 2015.

The way businesses connect internally, and with the wider world using telecoms is critical to the success of the Channel Islands' ability to deliver sustainable economic growth. Having listened to concerns expressed by businesses and government we were concerned that the market was not delivering the best value outcomes for consumers. In 2014 we carried out a comprehensive review of the extent of competition in business connectivity markets. The review sought to ensure consumers were appropriately protected either through competition or by regulation. As a result of the review we determined that further regulatory action is required and so during 2015 we will be implementing price controls on various services to ensure the interests of business customers are safeguarded

Post

CICRA believes in reducing the regulatory burden when it is appropriate to do so. Light-touch regulation continues to be appropriate in the postal sector across the Channel Islands in the context of rapid technology substitution and given the low average expenditure by households on postal services. We will continue to monitor the quality of service in postal provision in both Jersey and Guernsey and, to this end, have set targets and published performance by Jersey Post and Guernsey Post against those targets.

Electricity

CICRA has contributed to the ongoing review of the form of regulation appropriate to the electricity sector in Guernsey and has provided evidence to scrutiny committees on security of supply issues.

Ports incorporation in Jersey

Over 2014 preparation for the proposed incorporation of Ports of Jersey was ongoing. CICRA has supported the States of Jersey to develop this workstream and we anticipate this will continue as key legislation is placed before the States of Jersey in 2015.

Competition Law

As the competition authority across the Channel Islands one of our areas of focus is to review markets that don't seem to be delivering the best outcomes for consumers. During 2014 a number of fuel markets were reviewed, including marine fuel, aviation fuel and heating oil. A significant transaction relevant to the Jersey fuel market also received CICRA's approval in 2014, subject to a series of stringent conditions, which we consider puts users of the La Collette Terminal facilities in an improved position compared to what was in place prior to the transaction.

We also completed a review of the primary healthcare sector in Guernsey at the request of the Commerce and Employment Department board. This initial review covered what is a complex and wide range of issues many of which go beyond pure market considerations. The review provides a perspective on some of the issues which we hope will support consideration by the States of a subject that touches on a key aspect of the lives of all Guernsey people.

CICRA considered ten formal merger applications and four exemption applications over 2014. Much of our work on competition law matters is advising and providing informal guidance to individual businesses and institutions. Waste recycling in Guernsey, the ferry service in Jersey, the cap on general practitioner numbers in Guernsey and reporting on margins of heating oil providers in Jersey are all areas where the expertise of CICRA's staff was called on under our competition law remit. We have worked closely with other local consumer bodies such as the Jersey Consumer Council and Trading Standards in both islands to help resolve consumer issues, raise consumer awareness and to provide consumers with the information they need to make informed choices.

CICRA itself

The commitment and expertise of a small team of eight people working across the Channel Islands has been a key foundation on which the work programme for 2014 has been delivered and I am fortunate to have a team of dedicated, professional colleagues working for the benefit of islanders.

Michael Byrne

THE BOARD



Mark Boleat
Chairman

Mark has extensive experience in regulatory policy and practice and the handling of complex public policy issues. He holds, or has held, numerous board level appointments in commercial, public and charitable organisations including Chairman of the States of Jersey Development Company and Chairman of the City of London Policy and Resources Committee. He has strong ties to Jersey having been born and educated in the island. He has written extensively on Jersey and has undertaken three significant reviews for the States of Jersey including one on consumer policy.



Philip Marsden
Non-Executive Director

Philip is a competition lawyer with a particular interest in abuse of dominance, consumer welfare, innovation incentives and international competition issues.

He is a Deputy Chair of the UK Competition and Markets Authority, Professor of Law and Economics at the College of Europe, Bruges and is co-founder and general editor of the European Competition Journal and the Oxford Competition Law case reporter series. Philip is also a member of the Legal Services Consumer Panel.



Regina Finn
Non-Executive Director

Regina has extensive experience in competition and regulatory regimes, including in the telecommunications post, electricity and gas sectors.

She set up and ran the Channel Islands' first economic regulator, the Office of Utility Regulation in Guernsey, from 2001 to 2005, which has since merged with the JCRA to form CICRA.

Regina is also a non-executive Director of Mutual Energy Holdings Ltd, a Belfast based energy company and a Director of Lucerna Partners, a consultancy partnership specialising in regulation and public policy.



Hannah Nixon
Non-Executive Director

Appointed in March 2014, Hannah has extensive experience in economic regulation and competition issues, working across a range of industries in the public and private sectors.

She is currently the Managing Director of the newly established Payment Systems Regulator. Hannah was previously a Senior Partner at Ofgem, the GB gas and electricity regulator, she was also Ofgem's Head of Profession for Economics.

THE BOARD (CONTINUED)



Michael Byrne
Chief Executive

Michael has extensive experience applying regulation and competition law in the UK energy, media and telecoms sectors.

Michael holds a diploma in Company Direction from the IoD, an MBA, a post graduate qualification in European Competition Law, and a BSc Honours degree in Mathematical Statistics.



Louise Read
Director

Louise is a chartered accountant, with extensive experience of managing finance, personnel and operational aspects of business. She is the Board and Audit and Risk Committee secretary.

Louise was previously the Group Financial Accountant at Jersey Post, and has worked with many of Jersey's businesses during her time at PwC.

Louise holds a diploma in Company Direction from the IoD, is a fellow of the Institute of Chartered Accountants in England and Wales and holds a BSc in Accounting and Management Sciences from the University of Southampton.



Andrew Riseley
Former Chief Executive

Andrew is a competition and regulatory lawyer, who has worked at large law firms in both the UK and Australia, at one of the UK's competition regulators, and in-house at a major UK utility. He has extensive experience in utility regulation, competition law and public procurement.

Andrew's resignation from the board became effective on 5 June 2014.



Peter Neville
Non-Executive Director

Peter is the former director general of the Guernsey Financial Services Commission having headed the financial watchdog for over eight years. He is currently chairman of Kleinwort Benson (Channel Islands) Limited.

Peter's resignation from the board became effective on 23 February 2014.

MEETINGS OF THE AUTHORITIES, MEMBER FEES AND EXPENSES

Since 1 August 2012, CICRA has been led by a joint board. The Chairman is appointed concurrently as Chair of the GCRA by the States of Deliberation in Guernsey and Chair of the JCRA by the States of Jersey. Members are appointed to the boards of the GCRA and JCRA by the Commerce and Employment Board and the Minister for Economic Development Department respectively.

Meetings

During 2014, attendance at meeting of the Boards and their Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Mark Boleat	10/10	2/2	11/11	2/2
Philip Marsden	10/10	2/2	11/11	2/2
Peter Neville	0/1	0/0	0/1	0/0
Regina Finn	10/10	2/2	11/11	2/2
Hannah Nixon	9/9	2/2	10/10	2/2
Andrew Riseley	4/4	1/1	4/4	1/1
Michael Byrne	9/10	2/2	10/11	2/2
Louise Read	10/10	2/2	11/11	2/2

Member fees and expenses

The Chairman's and Member's fees are approved by the Minister for Economic Development in Jersey and the Commerce and Employment Board in Guernsey. Each member's fees are split equally between the GCRA and JCRA. There has been no increase in fees since the inception of the Authority in 2012. The following table shows the actual fees paid to each member by the two Authorities.

Member	GCRA		JCRA		Shared expenses	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Mark Boleat	26,406	26,406	26,406	26,406	3,588	2,901
Philip Marsden	12,000	12,000	12,000	12,000	2,382	1,507
Peter Neville*	1,692	12,000	1,692	12,000	-	2,842
Regina Finn	12,000	7,000	12,000	7,000	2,043	1,846
Hannah Nixon*	9,619	-	9,619	-	1,232	-
Richard Povey*	-	4,277	-	4,277	-	211
Total	61,717	61,683	61,717	61,683	9,245	9,307

*Part year only

Michael Byrne and Louise Read are executive directors, i.e. members of each authority and employees of the GCRA and JCRA respectively (as was Andrew Riseley until his resignation). They continue to receive no fees as members of the authorities but do receive remuneration, which is split between the JCRA and GCRA as follows:

	GCRA		JCRA		Notes
	2014 £	2013 £	2014 £	2013 £	
Andrew Riseley	45,000*	67,500*	45,000*	67,500	Resigned
Michael Byrne	79,301	69,022	79,301	69,022	Appointed Chief Executive mid-2014
Louise Read	53,739*	48,993*	53,739*	48,993*	Changed role mid-2014
Total	178,040	185,515	178,040	185,515	

* Excludes employer's pension contribution of 13.6%



FINANCIAL STATEMENTS 2014

Consistent with 2013, the Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2014, effectively breakeven. The GCRA accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the areas that it covers – competition law administration and enforcement, and regulation of the telecoms, postal and electricity sectors - to fund them separately, given that cross-subsidisation is not permitted. A working balance and an appropriate level of reserves are maintained at all times, but for the purpose of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2014 were £661k, slightly lower than 2013 (£674k). Expenditure continues to be closely controlled by the GCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate corporate governance in line with best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

In line with the service level agreement between the GCRA and the Commerce and Employment Department (C&E), grant funding for work under The Competition (Guernsey) Ordinance, 2012 continued to be received quarterly in advance. During 2014 a grant of £140k (2013: £140k) was received. In the event that the cost of work undertaken in respect of Guernsey's competition law exceeds the grant the GCRA must inform C&E and 'make good' the deficit from future grant funding. As at 31 December 2014 the deficit was £15k (2013: £14k).

Income of £1k (2013: £26k) was received in the form of mergers and acquisitions fees. Merger and acquisitions applications and costs are by their nature unpredictable. The fees received are lower than the costs incurred in dealing with matters relating to merger and acquisition. This shortfall of £5k has to be funded from competition law grant funding which is a contributory factor to the continuing funding deficit in that area.

During 2014 £519k (2013: £490k) in fees was received from telecoms licensees and at the year end telecoms licence fees exceeded costs by £51k (2013: £62k), this balance was accounted for as deferred telecommunications licence fee income. Based on budgeted costs the licence fees for 2014 were set at 0.75% (2013:0.5%) of licensable turnover.

Postal licence fees from Guernsey Post continued to be received on a monthly basis. During 2014 £40k (2013: £90k) of licence fees were received and at the year end postal licence fees exceeded costs by £22k. (2013: £60k). This balance was accounted for as deferred postal licence fee income which will be returned to Guernsey Post in 2015.

Electricity licence fees from Guernsey Electricity continued to be received on a monthly basis. During 2014 £40k (2013: £110k) of licence fees were received and at the year end electricity licence fees exceeded costs by £20k (2013: £58k). This balance was accounted for as deferred electricity licence fee income which will be returned to Guernsey Electricity in 2015.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

(Incorporated in Guernsey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat	Chairman	
Philip Marsden		
Regina Finn		
Hannah Nixon	appointed 13 March 2014	
Peter Neville	resigned effective 23 February 2014	

EXECUTIVE MEMBERS

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Chief Executive	
Louise Read	Director	

SECRETARY

Louise Read

INDEPENDENT AUDITOR

BDO Limited
P O Box 180
Place Du Pre
Rue Du Pre
St Peter Port
Guernsey
GY1 3LL

BANKERS

Barclays Private Clients International Limited
Jersey International Banking Centre
PO Box 8
St Helier
Jersey
JE4 8NE

REGISTERED OFFICE

Suites B1 & B2
Hirzel Court
St Peter Port
Guernsey
GY1 2NH

GUERNSEY COMPETITION AND REGULATORY AUTHORITY MEMBERS' REPORT

The Members of the Guernsey Competition and Regulatory Authority (GCRA) present their report and financial statements for the year ended 31 December 2014.

ACTIVITIES

The principal activities of the GCRA during the year were the regulation of the telecommunications, electricity and postal sectors and the administration and enforcement of The Competition (Guernsey) Ordinance, 2012.

RESULTS

There was a surplus for the year of £1 (2013: surplus £1).

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 11.

INDEPENDENT AUDITOR

The auditor, BDO Limited, who was appointed in accordance with Section 13(4)(a) of The Guernsey Competition and Regulatory Authority Ordinance, 2012, has indicated its willingness to continue in office.

By order of the Members

Louise Read
Secretary

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL
STATEMENTS**

The Guernsey Competition and Regulatory Authority Ordinance, 2012, (the "Ordinance") requires Members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the GCRA for the year and of the state of the GCRA's affairs at the end of the year.

In preparing the financial statements the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the GCRA will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Members are responsible for keeping accounting records which are sufficient to show and explain the GCRA's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the GCRA at that time and to enable them to ensure that the financial statements comply with the Ordinance. They are also responsible for safeguarding the assets of the GCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Ordinance also requires the GCRA's financial statements to be audited annually by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee and the financial statements to be submitted, together with the auditor's report, to the Commerce and Employment Department. The Commerce and Employment Department, in turn, must submit the financial statements and the auditor's report thereon to the States of Guernsey.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE GUERNSEY COMPETITION AND REGULATORY AUTHORITY

We have audited the financial statements of the Guernsey Competition and Regulatory Authority for the year ended 31 December 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Authority's members, as a body, in accordance with Section 13 of The Guernsey Competition and Regulatory Authority Ordinance, 2012. Our audit work is undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditor

As explained more fully in the Statement of Members' Responsibilities on page 13, the members 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 Financial Reporting Council's (FRC'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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 25 March 2015

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Notes</i>	<i>2014</i>	<i>2013</i>
		£	£
INCOME			
Telecommunications licence fees		468,586	427,998
Electricity licence fees		19,873	52,200
Postal licence fees		18,049	29,644
Competition law grant		140,736	131,355
Mergers and acquisitions fees		1,250	25,750
Bank interest received		12,031	7,297
		<u>660,525</u>	<u>674,244</u>
EXPENDITURE			
Salaries and staff costs		373,550	485,889
Consultancy fees		118,670	49,510
Operating lease rentals		37,164	36,206
Travel and entertainment		25,281	15,265
Conference and course fees		9,297	7,544
Depreciation		2,040	3,591
Administration expenses		13,035	13,235
Legal and professional fees		21,236	-
Audit and accountancy fee		7,575	9,923
Advertising and publicity		14,833	12,987
Repairs and maintenance		23,136	23,650
Heat, light and water		2,807	3,303
Recruitment		5,782	4,493
General expenses		6,118	8,647
		<u>660,524</u>	<u>674,243</u>
SURPLUS FOR THE YEAR	5	<u><u>1</u></u>	<u><u>1</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<i>2014</i>	<i>2013</i>
	£	£
Surplus for the year	1	1
Repayment from the Public Utilities Regulation Fund (PURF)	-	(90,451)
Release from PURF to finance current year activities	-	(159,549)
Amounts previously provided for in the PURF	-	184,649
	<u>1</u>	<u>(65,350)</u>
Total gains and losses recognised since last annual report 6	<u><u>1</u></u>	<u><u>(65,350)</u></u>

Historical cost equivalent

There is no difference between the surplus for the year stated above and its historical cost equivalent.

Continuing operations

All the items dealt with in arriving at the surplus in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
BALANCE SHEET
AS AT 31 DECEMBER 2014**

	<i>Notes</i>	<i>2014</i> £	<i>2013</i> £
FIXED ASSETS			
Tangible fixed assets	2	2,096	4,136
CURRENT ASSETS			
Debtors and prepayments	3	37,401	16,915
Cash at bank		291,092	408,921
		<u>328,493</u>	<u>425,836</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	4	130,591	229,975
NET CURRENT ASSETS		<u>197,902</u>	<u>195,861</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>199,998</u>	<u>199,997</u>
RETAINED SURPLUS			
	5	<u>199,998</u>	<u>199,997</u>

The financial statements on pages 15 to 22 were approved and authorised for issue by the members and signed on their behalf by:

Mark Boleat

The notes form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	<i>2014</i> £	<i>2013</i> £
Net Cash Outflow from Operating Activities	7	(129,860)	(311,786)
Returns on Investment and Servicing of Finance			
Interest received		12,031	7,297
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		-	(1,796)
Management of Liquid Resources			
Movement in one month fixed term deposit account		150,000	(250,000)
		—————	—————
Increase / (Decrease) in Cash		<u>32,171</u>	<u>(556,285)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2014</i> £	<i>2013</i> £
Increase / (Decrease) in cash in year	32,171	(556,285)
(Decrease) / Increase in liquid resources	(150,000)	250,000
	—————	—————
Change in net funds	(117,829)	(306,285)
Net funds at 1 January	408,921	715,206
	—————	—————
Net funds at 31 December	<u>291,092</u>	<u>408,921</u>

ANALYSIS OF NET FUNDS

	<i>1 Jan 2014</i> £	<i>Cash flows</i> £	<i>31 Dec 2014</i> £
Cash at bank	158,921	32,171	191,092
Fixed term deposit account	250,000	(150,000)	100,000
	—————	—————	—————
Total	<u>408,921</u>	<u>(117,829)</u>	<u>291,092</u>

The notes form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Guernsey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies that the Members have applied is set out below.

a) Interest received

Interest received on deposits held with Guernsey's Treasury and Resources Department was accounted for on a cash received basis. Interest on other bank deposits is accrued on a daily basis.

b) Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Office equipment	- 20% per annum
Fixtures and fittings	- 20% per annum
Computer equipment	- 20% per annum
Website costs	- 33% per annum

c) Leasing commitments

All leases entered into by the GCRA are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

d) Grants

Grants received from the Commerce and Employment Department are accounted for in the period to which they relate. The grant received for 2014 was £140,000 (2013:£140,000). £140,736 is reflected in the income and expenditure account in order to match the expenditure on competition law matters during 2014. Any unused funds at the financial year end are either deferred or repaid to the Department. Deferred grant income as at 31 December amounted to (£14,957) (2013: (£14,171)).

e) Telecoms licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Telecommunications (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2014 was 0.75% (2013: 0.5%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. Deferred licence fee income as at 31 December 2014 amounted to £54,411 (2013: £46,271).

f) Postal licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Post Office (Bailiwick of Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis and these are recovered through charging an annual fee.

The fee for 2014 was set at £40,000 (2013: £90,000).

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2014

1. ACCOUNTING POLICIES (CONTINUED)

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. Deferred licence fee income as at 31 December 2014 amounted to £21,951 (2013: £60,356).

g) Electricity licence fees

Licence fees are set on the basis of cost recovery in accordance with section 6 of The Electricity (Guernsey) Law, 2001. The GCRA's costs are determined on an annual basis, and these are recovered through charging an annual fee.

The fee for 2014 was set at £40,000 (2013: £110,000).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is transferred to deferred income. Deferred licence fee income as at 31 December 2014 amounted to £20,127 (2013: £57,804).

h) Taxation

Under section 12 of The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 the GCRA is exempt from Guernsey income tax.

i) Expenditure

Expenditure is accounted for on an accruals basis.

2. TANGIBLE FIXED ASSETS

	<i>Office equipment</i>	<i>Fixtures and Fittings</i>	<i>Computer equipment</i>	<i>Website costs</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 January 2014	31,108	2,365	22,312	4,125	59,910
Disposals	(9,459)	-	(7,041)	-	(16,500)
At 31 December 2014	<u>21,649</u>	<u>2,365</u>	<u>15,271</u>	<u>4,125</u>	<u>43,410</u>
Depreciation					
At 1 January 2014	31,084	2,148	19,348	3,194	55,774
Charge in the year	14	58	1,037	931	2,040
On disposals	(9,459)	-	(7,041)	-	(16,500)
At 31 December 2014	<u>21,639</u>	<u>2,206</u>	<u>13,344</u>	<u>4,125</u>	<u>41,314</u>
Net book value:					
At 31 December 2014	<u>10</u>	<u>159</u>	<u>1,927</u>	<u>-</u>	<u>2,096</u>
At 31 December 2013	<u>24</u>	<u>217</u>	<u>2,964</u>	<u>931</u>	<u>4,136</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 31 DECEMBER 2014**

3. DEBTORS AND PREPAYMENTS

	<i>2014</i>	<i>2013</i>
	£	£
Prepayments	15,076	16,090
Trade debtors	9,251	825
Other debtors	13,074	-
	<u>37,401</u>	<u>16,915</u>

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2014</i>	<i>2013</i>
	£	£
Accruals	20,246	44,084
Deferred licence fee income	104,398	173,326
Trade creditors	5,947	12,565
	<u>130,591</u>	<u>229,975</u>

5. MOVEMENT ON RETAINED SURPLUS

	<i>2014</i>	<i>2013</i>
	£	£
Income and Expenditure Account		
At 1 January	199,997	265,347
Surplus for the year	1	1
Other recognised gains and losses (note 6)	-	(65,351)
At 31 December	<u>199,998</u>	<u>199,997</u>

6. STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The amounts contained with the Statement of Total Recognised Gains and Losses in 2013 reflected a decision taken during the year by the Members to reduce the surplus held within the GCRA by returning amounts to licensees. No similar decision was taken in respect of 2014.

7. CASH FLOW STATEMENT

Reconciliation of surplus for the year to net cash outflow from operating activities:

	<i>2014</i>	<i>2013</i>
	£	£
Operating surplus	1	1
Depreciation	2,040	3,591
Bank interest	(12,031)	(7,297)
(Increase) / Decrease in debtors	(20,486)	45,938
Decrease in creditors	(99,384)	(288,668)
Release of amounts held in Public Utilities Regulation Fund	-	(65,351)
Net cash outflow from operating activities	<u>(129,860)</u>	<u>(311,786)</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. RELATED PARTIES

a) Transacting parties

The transacting parties are the Commerce and Employment Department and the GCRA.

Relationship

The GCRA acts independently of the States, but is accountable to the Commerce and Employment Department in respect of its funding for the administration and enforcement of The Competition (Guernsey) Ordinance, 2012, which is also covered by a Service Level Agreement. The Commerce and Employment Department acts as a conduit for requests from other States departments who may request the GCRA to carry out projects. The GCRA reports formally to the Commerce and Employment Board on an annual basis.

Transactions

In 2014, the Commerce and Employment Department provided funds to the GCRA to finance the administration and enforcement of The Competition (Guernsey) Ordinance, 2012.

Amounts involved

- £140,000 received during the year under the provisions of The Guernsey Competition and Regulatory Authority Ordinance, 2012.

There were no amounts due to the Commerce and Employment Department at the balance sheet date. The accumulated funding deficit at 31 December 2014, which has been notified to the Commerce and Employment Department as required under the service level agreement, amounted to £14,957 (2013: deficit £14,171).

b) Transacting parties are:

The transacting parties are the GCRA and the Jersey Competition Regulatory Authority (JCRA).

Relationship

The GCRA and the JCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities.

Transactions

The GCRA and JCRA share resources and expertise and recharge each other for expenses incurred (including staff costs) on a no gain no loss basis.

Amounts involved

- £246,975 invoiced during 2014 by the GCRA to the JCRA
- £122,445 invoiced during 2014 by the JCRA to the GCRA

Amounts due to and from the Jersey Competition Regulatory Authority at the balance sheet date

	<i>2014</i>	<i>2013</i>
	£	£
Amounts due to the JCRA from the GCRA (included within trade creditors)	5,124	8,435
	<u> </u>	<u> </u>
Amounts due by the JCRA to the GCRA (included within trade debtors)	19,259	825
	<u> </u>	<u> </u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

9. FINANCIAL COMMITMENTS

At 31 December 2014 the GCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2014</i>	<i>2013</i>
	£	£
Operating leases which expire:		
Not later than one year	17,758	-
In more than one year but less than five years	-	35,516
Later than five years	-	-
	<u>17,758</u>	<u>35,516</u>
	<u>17,758</u>	<u>35,516</u>

The operating lease held by the Guernsey Competition and Regulatory Authority in respect of Suites B1 & B2 of Hirzel Court, St Peter Port, Guernsey expires in June 2015 and the landlord has requested vacant possession. In December 2014, the GCRA signed non-binding heads of terms to lease office accommodation at La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey. In accordance with the provisions contained within the service level agreement in place between the GCRA and the Commerce and Employment Department the GCRA sought and obtained the Department's consent to enter in a six and a half year lease, at a cost of £54,000 per annum, including service charge and parking. This was duly signed in February 2015.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The GCRA is an autonomous body and independent in its decision making from the States of Guernsey. But under powers in section 3 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 (The “Ordinance”), the Commerce and Employment Department “may, if it considers it desirable in the public interest to do so, and after consulting the GCRA, give to the GCRA written guidance on matters relating to corporate governance, that is to say, matters relating to the system and arrangements by and under which the GCRA is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Department and the GCRA.

What is Corporate Governance?

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

Constitution of the GCRA

The GCRA is a statutory body corporate established under Section 1 of the Ordinance. The governing body is a Board of Members which directs regulatory, licensing, financial, operational and strategic policies of the GCRA.

Functions of the GCRA

The functions of the GCRA are as set out in Section 4 of the Ordinance and may be summarised as follows:

- a) To advise the Department generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
- b) To advise the Department generally in relation to competition matters, and in particular:
 - The abuse of or suspected abuse of a dominant position by undertakings
 - Anti-competitive practices or suspected anti-competitive practices of undertakings
 - Mergers or Acquisitions of undertakings.
- c) Subject to the provisions of The Competition (Guernsey) Ordinance, 2012, to investigate:
 - Any abuse or suspected abuse of a dominant position by an undertaking
 - Any anti-competitive practice or suspected anti-competitive practice of an undertaking
 - Any merger or acquisition of undertakings.
- d) To administer its office and undertaking.
- e) To determine the fees payable and costs and expenses recoverable in respect of the exercise of its functions, including interest and penalties payable in the event of default.
- f) Any other functions assigned or transferred to the GCRA by legislation or Resolution of the States.

Constitution of the Board

Paragraph 1(1) of Schedule 1 to the Ordinance requires that the GCRA shall consist of a minimum of three members, one of whom shall be the Chairman.

Members of the Board are appointed by the Department after consultation with the Chairman. Vacancies which arise on the Board are filled through the use of an open and transparent process. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Department.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

Under the provisions of the Ordinance, the appointment of the Chairman is a matter reserved for decision by the States of Guernsey on the recommendation of the Department.

On appointment, a member will receive an induction to the work of the Board and the GCRA. This includes an opportunity to meet all members of staff.

Under the provisions of Paragraph 2(2) of Schedule 1 to the Ordinance, members are appointed for a period not exceeding five years and upon expiry of such a period are eligible for reappointment.

Operations of the Board

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board has eight scheduled meetings a year and holds additional meetings when circumstances require it. Under the provisions of paragraph 6 of Schedule 1 to the Ordinance, the quorate number of members to hold a Board meeting is the nearest whole number above one half of the number of members. Currently, therefore, the quorate number is four. The Chairman or person presiding over the meeting has no vote unless there is an equality of votes, in which case he or she has a casting vote.

In advance of each meeting, members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board.

Paragraph 13 of Schedule 1 to the Ordinance empowers the Board to delegate by an instrument in writing any of its functions to any of its members, officers or employees named or described in the instrument, including to a committee of members, officers and/or employees. However, the Board is not authorised to delegate this power of delegation, nor the function of considering representations concerning a proposed decision against which there is a right of appeal, any obligation to submit a report to the Department, nor to determine the Chief Executive's minimum term of office.

The GCRA publishes an annual work programme detailing a number of annual objectives and prepares annual budgets. These are finalised in the last quarter of each year and may incorporate, amongst other things, any strategic issues raised by the Board, and comments received during consultation with key stakeholders including the Department. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the GCRA against the annual objectives and budget through reports at its regular Board meetings.

The Chairman makes recommendations to the Department in respect of fees paid to members.

Committees of the Board

Paragraph 5 of Schedule 1 to the Ordinance enables the GCRA to establish committees.

During 2014, the Board established one committee, an Audit and Risk Committee. The members of this committee comprise the non-executive members and are appointed by the Board.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

The key duties of the Audit and Risk Committee are:-

- To review annually the GCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the GCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the GCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

The members of the Audit and Risk Committee at the balance sheet date of 31 December 2014 were Philip Marsden (Chairman), Regina Finn, Hannah Nixon and Mark Boleat. The Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

Openness, Integrity and Accountability

The GCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the GCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the GCRA's activities, and in the Board members and staff of the GCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The GCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds with which it is entrusted and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The GCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Audit and Accounts

While the GCRA is an independent body, it is accountable for its overall performance to the States of Guernsey through the Department.

Section 13(3) of the Ordinance requires that the GCRA shall keep proper accounts and proper records in relation to those accounts and prepare in respect of each year, and submit to the Department, a statement of account giving a true and fair view of the state of affairs of the GCRA. These accounts shall be audited annually by an auditor appointed by the States on the recommendation of the Public Accounts Committee and submitted, together with the auditor's report to the Department.

The Department will in turn submit the accounts to the States in the form of an Annual Report which also details the work that the GCRA has undertaken during the relevant year.

General Conditions regarding States Grant Funding

The GCRA complies with the general conditions set out by the Department which apply to external bodies in receipt of grant funding.



FINANCIAL STATEMENTS 2014

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2014, effectively breaking even. The JCRA accounts for income only in order to meet its actual costs during the year. It must also ensure that it receives enough income during the year in each of the areas that it covers – competition law administration and enforcement, and the regulation of the telecoms and postal sectors – to fund them separately, given that cross-subsidisation is not permitted. A working balance is maintained at all times but, for the purpose of the financial statements, deferred income adjustments are made to match income with costs.

Overall costs in 2014 were £1,092k, £112k lower than 2013 (£1,204k).

Expenditure continues to be closely controlled by the JCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate corporate governance in line with best practice, helps to ensure that it is run as an effective and efficient organisation. An audit of policies and procedures is undertaken each year, by independent internal auditors, to ensure that high standards are maintained and that appropriate processes and procedures are in place.

In line with the service level agreement between the JCRA and the Economic Development Department (EDD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received quarterly in advance. During 2014, a total of £380k was received in cash. In addition the JCRA obtained approval from EDD to release £80k of deferred grant income during the year. There was deferred grant income carried forward at the year end of £95k (2013: £133k) of which £94k related to competition law funding and £1k related to ports incorporation funding (2013: £132k related to competition law funding and £1k related to ports incorporation funding).

Income of £86k (2013: £68k) was received in the form of mergers and acquisitions fees. There was no deferred income relating to applications for approval of mergers and acquisitions that were on-going at the year end (2013: £2k).

During 2014 £644k (2013: £854k) of telecoms licence fees were received. At the year end telecoms licence fees exceeded costs by £80k (2013: £28k), this balance was therefore accounted for as deferred telecommunications licence fee income. Based on budgeted costs, the Class III and Class II licence fees for 2014 were set at 0.75% (2013: 0.95%) of regulated turnover.

During 2014, £45k (2013: £96k) of postal licence fees were received. At the year end there was deferred postal licence fee income of £21k (2013: £61k).

JERSEY COMPETITION REGULATORY AUTHORITY

(Incorporated in Jersey, Channel Islands)

NON EXECUTIVE MEMBERS

Mark Boleat	Chairman	
Philip Marsden		
Regina Finn		
Hannah Nixon	appointed 13 March 2014	
Peter Neville	resigned effective 23 February 2014	

EXECUTIVE MEMBERS

Andrew Riseley	Chief Executive	resigned effective 5 June 2014
Michael Byrne	Chief Executive	
Louise Read	Director	

SECRETARY

Louise Read

INDEPENDENT AUDITORS

BDO Limited
P O Box 180
Place Du Pre
Rue Du Pre
St Peter Port
Guernsey
GY1 3LL

BANKERS

Barclays Private Clients International Limited
Jersey International Banking Centre
PO Box 8
St Helier
Jersey
JE4 8NE

REGISTERED OFFICE

2nd Floor Salisbury House
1-9 Union Street
St Helier
Jersey
JE2 3RF

JERSEY COMPETITION REGULATORY AUTHORITY MEMBERS' REPORT

The Members of the Jersey Competition Regulatory Authority (JCRA) present their report and financial statements for the year ended 31 December 2014.

ACTIVITIES

The principal activities of the JCRA during the year were the regulation of the telecommunications and postal sectors and the administration and enforcement of the Competition (Jersey) Law 2005.

RESULTS

There was a surplus for the year of £1 (2013: surplus £1).

MEMBERS

The Members in office during the year and when these financial statements were approved are shown on page 27.

INDEPENDENT AUDITOR

The auditor, BDO Limited, who was appointed in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001, has indicated its willingness to continue in office.

By order of the Members

Louise Read
Secretary

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL
STATEMENTS**

The Competition Regulatory Authority (Jersey) Law 2001 (the "Law") requires Members to prepare financial statements in accordance with generally accepted accounting principles which show a true and fair view of the surplus or deficit of the JCRA for the year and of the state of the JCRA's affairs at the end of the year.

In preparing financial statements the Members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the JCRA will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Members are responsible for keeping accounting records which are sufficient to show and explain the JCRA's transactions and are such as to disclose with reasonable accuracy, at any time, the financial position of the JCRA at that time and to enable them to ensure that the financial statements comply with the Law. They are also responsible for safeguarding the assets of the JCRA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Members confirm that these financial statements comply with these requirements.

The Law also requires the JCRA's financial statements to be audited annually by auditors appointed by the Minister for Treasury and Resources and the financial statements to be submitted, together with the auditor's report to the Economic Development Department. The Economic Development Department, in turn, must submit the financial statements and auditor's report thereon to the States of Jersey.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY COMPETITION REGULATORY AUTHORITY

We have audited the financial statements of the Jersey Competition Regulatory Authority for the year ended 31 December 2014 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 10. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice').

This report is made solely to the Authority's members, as a body, in accordance with Article 17 of the Competition Regulatory Authority (Jersey) Law 2001. Our audit work is undertaken so that we might state to the Authority's members 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the members and auditor

As explained more fully in the Statement of Members' Responsibilities on page 29, the members 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 Financial Reporting Council's (FRC'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 Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual 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 misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Authority's affairs as at 31 December 2014 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Competition Regulatory Authority (Jersey) Law 2001.

CHARTERED ACCOUNTANTS

Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date: 25 March 2015

**JERSEY COMPETITION REGULATORY AUTHORITY
INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	<i>2014</i> £	<i>2013</i> £
INCOME			
Telecommunications licence fees		564,384	825,673
Postal licence fees		23,851	34,914
Ports of Jersey incorporation grant		42,710	11,589
Competition law grant and other income from EDD		374,859	263,059
Mergers and acquisitions fees		85,638	68,000
Bank interest		591	985
Sundry income		191	-
		<u>1,092,224</u>	<u>1,204,220</u>
EXPENDITURE			
Salaries and staff costs		601,776	636,277
Consultancy fees		227,133	98,837
Operating lease rentals		54,126	55,377
Travel and entertainment		23,613	15,632
Conference and course fees		10,357	9,897
Depreciation		8,336	7,970
Administration expenses		13,221	15,448
Legal and professional fees		80,031	246,325
Audit and accountancy fee		9,083	9,004
Advertising and publicity		17,029	14,979
Repairs and maintenance		19,200	20,575
Heat, light and water		3,478	3,556
Recruitment		5,849	40,140
General expenses		18,991	30,202
		<u>1,092,223</u>	<u>1,204,219</u>
SURPLUS FOR THE YEAR	6	<u><u>1</u></u>	<u><u>1</u></u>

Recognised gains and losses

There are no recognised gains and losses other than the surplus of the JCRA of £1 in the years ended 31 December 2014 and 31 December 2013.

Historical cost equivalent

There is no difference between the net surplus for the year stated above and its historical cost equivalent.

Continuing operations

All the items dealt with in arriving at the surplus in the income and expenditure account relate to continuing operations.

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
BALANCE SHEET
AS AT 31 DECEMBER 2014**

	<i>Notes</i>	<i>2014</i> £	<i>2013</i> £
FIXED ASSETS			
Tangible assets	2	11,700	19,525
CURRENT ASSETS			
Debtors and prepayments	3	96,800	345,192
Cash at bank	4	1,441,335	104,478
		<u>1,538,135</u>	<u>449,670</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	1,424,382	343,743
NET CURRENT ASSETS		<u>113,753</u>	<u>105,927</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>125,453</u>	<u>125,452</u>
RETAINED SURPLUS		<u>125,453</u>	<u>125,452</u>

The financial statements on pages 31 to 38 were approved and authorised for issue by the members and signed on their behalf by:

Mark Boleat
Chairman

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014**

	<i>Note</i>	<i>2014</i> £	<i>2013</i> £
Net Cash Inflow / (Outflow) from Operating Activities	7	1,336,586	(357,822)
Returns on Investment and Servicing of Finance			
Interest received		782	985
Capital Expenditure and Financial Investment			
Payments to acquire tangible fixed assets		(511)	(5,210)
Management of Liquid Resources			
Movement in one month fixed term deposit account		(300,000)	300,000
		—————	—————
Increase / (Decrease) in Cash		1,036,857	(62,047)
		=====	=====

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<i>2014</i> £	<i>2013</i> £
Increase / (Decrease) in cash in year	1,036,857	(62,047)
Increase / (Decrease) in liquid resources	300,000	(300,000)
	—————	—————
Change in net funds	1,336,857	(362,047)
Net funds at 1 January	104,478	466,525
	—————	—————
Net funds at 31 December	1,441,335	104,478
	=====	=====

ANALYSIS OF NET FUNDS

	<i>1 Jan 2014</i> £	<i>Cash flows</i> £	<i>31 Dec 2014</i> £
Cash at bank – JCRA current accounts	104,478	(63,238)	41,240
Monies held in respect of commitments given by telecoms operators	-	1,100,095	1,100,095
	—————	—————	—————
Total cash at bank	104,478	1,036,857	1,141,335
Fixed term deposit account	-	300,000	300,000
	—————	—————	—————
Total	104,478	1,336,857	1,441,335
	=====	=====	=====

The notes form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with accounting principles generally accepted in Jersey, incorporating United Kingdom accounting standards.

A summary of the more important accounting policies that the members have applied is set out below

a) Interest receivable

Interest on bank deposits is accrued on a daily basis.

b) Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write down their cost on a straight line basis to their estimated residual values over their expected useful economic lives. The depreciation rates used are as follows:

Leasehold improvements	– shorter of remaining length of lease or expected useful life
Computer equipment	– 33% per annum
Website	– 33% per annum
Fixtures and fittings	– 10% per annum
Other equipment	– 20% per annum

c) Leasing commitments

All leases entered into by the JCRA are operating leases. Rentals payable under operating leases are charged in the income and expenditure account on a straight line basis over the lease term.

d) Pensions

The JCRA provides a defined contribution pension scheme to some of its employees. Contributions are charged in the income and expenditure account as they become payable in accordance with the rules of the scheme.

e) Grants

Grants received from the Economic Development Minister are accounted for in the period to which they relate. The grant received for 2014 was £300,000 (2013: £300,000) in cash. In addition the Economic Development Department approved the release of £80,000 (2013: £nil) from deferred grant income held. Any unused funds at the financial year end are either deferred or repaid to the Minister. Any deficits are funded from future grants. Deferred grant income as at 31 December 2014 amounted to £94,927 (2013: £132,689) of which £93,447 related to competition law funding and £1,480 related to ports incorporation funding (2013: £131,278 related to competition law funding and £1,411 related to ports incorporation funding).

f) Telecoms licence fees

Licence fees are set on the basis of cost recovery in accordance with Article 17 of the Telecommunications (Jersey) Law 2002. The JCRA's costs are determined on an annual basis and these are recovered by applying a percentage to the licensed revenues of the various licensed telecoms operators on the basis of relevant turnover, or if appropriate an annual fee. The percentage for 2014 was 0.75% (2013: 0.95%).

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred income. Deferred licence fee income as at 31 December 2014 amounted to £85,953 (2013: £28,125).

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

ACCOUNTING POLICIES – CONTINUED

g) Postal licence fees

Licence fees are set on the basis of cost recovery in accordance with Article 18 of the Postal Services (Jersey) Law 2004. The JCRA's costs are determined on an annual basis and these are recovered through charging an annual fee.

The fees for 2014 were set at £40,000 (2013: £90,873) for Jersey Post Limited and £1,000 (2013: £1,000) for Class I Operators.

Fee income is recognised in the period to which it relates. Should fee income exceed costs, the balance is treated as deferred income. Deferred licence fee income as at 31 December 2014 amounted to £24,482 (2013: £64,292).

h) Taxation

Article 16 of the Competition Regulatory Authority (Jersey) Law 2001 provides that the income of the JCRA shall not be liable to income tax under the Income Tax (Jersey) Law 1961.

i) Expenditure

Expenditure is accounted for on an accruals basis.

2. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i> £	<i>Computer equipment</i> £	<i>Website</i> £	<i>Fixtures and fittings</i> £	<i>Other equipment</i> £	<i>Total</i> £
Cost						
At 1 January 2014	35,944	66,572	4,125	21,827	3,936	132,404
Additions	-	511	-	-	-	511
Disposals	-	(32,413)	-	(361)	(2,227)	(35,001)
At 31 December 2014	<u>35,944</u>	<u>34,670</u>	<u>4,125</u>	<u>21,466</u>	<u>1,709</u>	<u>97,914</u>
Depreciation						
At 1 January 2014	25,279	62,198	3,176	18,396	3,830	112,879
Charge in the year	4,249	2,011	949	1,069	58	8,336
Disposals	-	(32,413)	-	(361)	(2,227)	(35,001)
At 31 December 2014	<u>29,528</u>	<u>31,796</u>	<u>4,125</u>	<u>19,104</u>	<u>1,661</u>	<u>86,214</u>
Net book value:						
At 31 December 2014	<u>6,416</u>	<u>2,874</u>	<u>-</u>	<u>2,362</u>	<u>48</u>	<u>11,700</u>
At 31 December 2013	<u>10,665</u>	<u>4,374</u>	<u>949</u>	<u>3,431</u>	<u>106</u>	<u>19,525</u>

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

3. DEBTORS AND PREPAYMENTS

	<i>2014</i>	<i>2013</i>
	£	£
Prepayments	23,535	37,167
Trade debtors	72,310	303,680
Sundry debtors	955	4,345
	<u>96,800</u>	<u>345,192</u>

4. CASH AT BANK

Cash at bank includes £1,100,095 (2013: £nil) in respect of financial commitments given as part of telecoms' operators bids to be awarded spectrum to enable the roll out of 4G services in the Channel Islands. The monies will be repaid to operators once they have met their commitments or will be withheld in the event that they do not meet the commitments given.

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2014</i>	<i>2013</i>
	£	£
Monies held in respect of commitments given by telecoms operators	1,100,095	-
Accruals	55,082	67,685
Deferred grant income	94,927	132,689
Deferred licence fee income	110,435	92,417
Other deferred income	-	1,667
Trade creditors	59,368	43,002
Social security	4,475	6,283
	<u>1,424,382</u>	<u>343,743</u>

6. MOVEMENT ON RETAINED SURPLUS

	<i>2014</i>	<i>2013</i>
	£	£
Income and Expenditure Account		
At 1 January	125,452	125,451
Surplus for the year	1	1
At 31 December	<u>125,453</u>	<u>125,452</u>

7. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of surplus for the year to net cash inflow from operating activities:

	<i>2014</i>	<i>2013</i>
	£	£
Operating surplus	1	1
Depreciation	8,336	7,970
Interest	(782)	(985)
Decrease / (increase) in debtors	248,392	(191,791)
Increase / (decrease) in creditors	1,080,639	(173,017)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	<u>1,336,586</u>	<u>(357,822)</u>

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

8. RELATED PARTIES

a) Transacting parties

The transacting parties are the Economic Development Minister and the JCRA.

Relationship

The JCRA acts independently of the States, but is accountable to the Economic Development Minister in respect of its funding for the administration and enforcement of the Competition (Jersey) Law 2005 which is also covered by a Service Level Agreement. The Minister acts as a conduit for requests from other Ministers who may request the JCRA to carry out projects. The JCRA reports formally to the Minister on an annual basis.

Transactions

In 2014, the Economic Development Minister provided funds to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005 and also to advise on the possible future regulation of the Ports of Jersey.

Amounts involved

- £132,689 brought forward as deferred grant income, as agreed from 2013
- £380,000 received in competition law funding during the year
- £42,780 received and receivable to provide advice on the possible future regulation of Ports of Jersey
- £80,000 released from deferred grant income as agreed with the Economic Development Department

Amounts due to the Economic Development Department at the balance sheet date

	<i>2014</i>	<i>2013</i>
	£	£
Deferred grant income (included in creditors)	94,927	132,689
	<u> </u>	<u> </u>

b) Transacting parties

The transacting parties are the JCRA and the Guernsey Competition and Regulatory Authority (GCRA).

Relationship

The JCRA and the GCRA work together under the aegis of the Channel Islands Competition and Regulatory Authorities (CICRA) sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities.

Transactions

The JCRA and GCRA share resources and expertise and recharge each other for expenses (including staff costs) on a no gain no loss basis.

Amounts involved

- £246,975 invoiced during 2014 by the GCRA to the JCRA
- £122,445 invoiced during 2014 by the JCRA to the GCRA

Amounts due to and from the Guernsey Competition and Regulatory Authority at the balance sheet date

	<i>2014</i>	<i>2013</i>
	£	£
Amounts due to the JCRA from the GCRA (included within trade debtors)	5,124	8,435
	<u> </u>	<u> </u>
Amounts due by the JCRA to the GCRA (included within trade creditors)	19,259	825
	<u> </u>	<u> </u>

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. FINANCIAL COMMITMENTS

At 31 December 2014 the JCRA had annual commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2014</i>	<i>2013</i>
	£	£
Operating leases which expire:		
Not later than one year	-	-
In more than one year but less than five years	64,686	64,886
Later than five years	-	-
	<u>64,686</u>	<u>64,686</u>
	<u><u>64,686</u></u>	<u><u>64,686</u></u>

10. PENSION COMMITMENTS

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) for some of its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £41,134 (2013: £62,793) were charged in the year. There were no unpaid contributions at the year end.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

The JCRA and the Economic Development Minister (the Minister)

The JCRA is an autonomous body and entirely independent in its decision taking from the States of Jersey. But under powers in Article 10(1) of the Competition Regulatory Authority (Jersey) Law 2001 (the “CRA Law”), the Minister, “may give to the Authority written guidance, or general written directions, on matters relating to corporate governance, that is relating to the systems and arrangements by and under which the Authority is directed and controlled”. The following are the Corporate Governance Guidelines as agreed between the Minister and the JCRA.

What is Corporate Governance?

“Corporate Governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.” – OECD April 1999

Constitution of the JCRA

The JCRA is a statutory body corporate established under Article 2 of the CRA Law. The governing body is a Board of Members which directs regulatory, licensing, financial, operational and strategic policies of the JCRA.

Functions of the JCRA

The functions of the JCRA are set out in Article 6 of the CRA Law which states:-

- a) The JCRA shall have such functions as are conferred on it by or under this or any other Law or any other enactment.
- b) The JCRA may recognise or establish, or assist or encourage the establishment of, bodies that have expertise in, or represent persons having interests in, any matter concerning competition, monopolies, utilities or any matter connected with the provision of goods and services to which the JCRA’s functions relate.
- c) The functions of those bodies shall include one or more of the following –
 - i. the provision to the JCRA of advice, information and proposals in relation to any one or more of those matters;
 - ii. the representation of the views of any one or more of those persons.
- d) The JCRA may, on request by the Minister, provide the Minister with reports, advice, assistance and information in relation to any matter referred to in paragraph (b).
- e) The JCRA shall have power to do anything that is calculated to facilitate, or is incidental or conducive to, the performance of any of its functions.

Constitution of the Board

Article 3 of the CRA Law requires that the JCRA shall consist of a Chairman and at least two other members. The appointment of Board Members is undertaken by the Minister after he has consulted with the Chairman. Vacancies which arise on the Board are filled through the use of an open and transparent process. The Minister follows the procedures recommended by the Jersey Appointments Commission – a body set up by the States of Jersey to oversee certain public sector appointments. A vacancy is usually advertised and once a suitable candidate is identified, a recommendation is made to the Minister.

Under the provisions of the CRA Law, the appointment of the Chairman is a matter reserved for decision by the States of Jersey on the recommendation of the Minister. The Minister must notify the States of the appointments.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

On appointment, a Member will receive an induction to the work of the Board and the JCRA. This includes an opportunity to meet all members of staff.

Under the provisions of the CRA Law, Members are appointed for a period not exceeding five years and upon expiry of such a period are eligible for reappointment.

Operations of the Board

The Board sets strategic policy and the implementation of these policies is undertaken by the Executive.

The Board has eight scheduled meetings each year and holds additional meetings when circumstances require it. The quorate number of Members to hold a Board meeting is three, two of whom must be Non-Executives, with one acting as Chair.

In advance of each meeting, Members are provided with comprehensive briefing papers on the items under consideration. The Board is supported by the Board Secretary who attends and minutes all meetings of the Board.

Article 9 of the CRA Law empowers the Board to delegate any of its powers to the Chairman, one or more Members, or an officer or employee of the JCRA or a committee whose member or members are drawn only from the Members, officers and employees of the JCRA. However, the Board is not authorised to delegate the power of delegation or the function of reviewing any of its decisions.

The JCRA publishes an annual business plan detailing a number of annual objectives and prepares annual budgets. These are finalised in the last quarter of each year and incorporate, amongst other things, any strategic issues raised by the Board, and comments received during consultation with key stakeholders. This is considered by the Board prior to the start of the financial year.

The Board monitors the performance of the JCRA against the annual objectives and annual budget through reports at its regular Board meetings.

The JCRA has agreed a policy on travel with the Economic Development Department.

The Chairman makes recommendations to the Minister in respect of fees paid to the Non- Executive Board members.

Committees of the Board

Article 7(1) of the CRA Law enables the JCRA to establish committees.

During 2014 the Board had established one committee; an Audit and Risk Committee. The members of this committee comprise the Non-Executive Directors and are appointed by the Board.

The key duties of the Audit and Risk Committee are:-

- To review annually the JCRA's application of corporate governance best practice;
- To review the mechanisms for ensuring the effectiveness of the JCRA's internal controls;
- To review and agree the internal auditor's annual work plan, monitor and review the effectiveness of any internal audit work carried out and review all reports from the internal auditors, monitoring the Executive's responsiveness to the findings and recommendations.
- To meet with the internal auditors at least once a year, without the presence of the Executive.
- To consider certain matters relating to the external audit of the JCRA's annual financial statements (including reviewing those financial statements prior to their consideration by the Board).

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES (CONTINUED)

Whilst the Audit and Risk Committee's Charter includes the consideration of the annual appointment of the external auditor, the actual appointment of the auditor is a matter reserved to the Treasury and Resources Minister under Article 17 of the CRA Law.

The members of the Audit and Risk Committee at the balance sheet date of 31 December 2014 were Philip Marsden (Chairman), Regina Finn, Hannah Nixon and Mark Boleat. The Executive is expected to attend the meetings of the Audit and Risk Committee in an advisory capacity.

Openness, Integrity and Accountability

The JCRA abides by the principles of openness, integrity and accountability – and those standards which are widely recognised as being applicable to public service, and to the conduct of all involved in public life. In the discharge of its duties, the JCRA will ensure:

- That subject to the appropriate level of confidentiality, it maintains an openness in its public affairs, in order that the public can have confidence in the decision-making processes and actions of public service bodies, in the management of the JCRA's activities, and in the Board Members and staff of the JCRA itself;
- That it maintains at all times an appropriate degree of integrity in the conduct of its affairs. Integrity comprises both straightforward dealing and completeness. The JCRA bases its integrity upon honesty, selflessness and objectivity, and high standards of propriety and probity in the stewardship of its funds and management of its affairs;
- That it is fully accountable in the application of the public funds entrusted to it and that these are properly safeguarded, and are used economically, efficiently and effectively.

The three fundamental principles, defined above in terms of public sector bodies, have been refined to include the findings and recommendations of the Nolan Committee on Standards in Public Life. The JCRA will make its best efforts to abide by Nolan's seven general principles that underpin public life, namely: selflessness, integrity, objectivity, accountability, openness, honesty, and leadership.

Audit and Accounts

While the JCRA is an independent body, it is accountable for its overall performance to the States of Jersey through the Minister.

Article 17 of the CRA Law requires that the JCRA shall keep proper accounts and proper records in relation to the accounts and prepares a report and financial statements in respect of each financial year and provide these to the Minister no later than four months after the year end. The Minister must lay a copy of the financial statements provided before the States as soon as practicable after he receives the report.

It is also a requirement of the CRA Law that the financial statements are audited by auditors appointed by the Treasury and Resources Minister and that they are prepared in accordance with generally accepted accounting principles.

Other Matters

Under powers granted by Article 10 of the CRA Law, the Minister may, after first consulting with the JCRA and where it considers that it is necessary in the public interest to do so, give the JCRA written guidance, or general written directions, on matters relating to corporate governance which may include matters relating to accountability, efficiency and economy of operation of the JCRA.