



ANNUAL REPORT 2017

FOREWORD

This is the sixth annual report of the Channel Islands Competition and Regulatory Authorities (CICRA) and is presented to Jersey's Chief Minister and Guernsey's Committee for Economic Development pursuant to provisions set out in the Competition Regulatory Authority (Jersey) Law 2001 and The Guernsey Competition and Regulatory Authority Ordinance, 2012. 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?

CICRA is the name given to the Jersey Competition Regulatory Authority (JCRA) and the Guernsey Competition and Regulatory Authority (GCRA). The JCRA and GCRA were established as bodies corporate, under the Competition Regulatory Authority (Jersey) Law 2001 and Guernsey Competition and Regulatory Authority Ordinance, 2012, respectively.

By working together, sharing resources and expertise between the islands, CICRA's aim is to ensure markets work well for consumers.

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 Chief Minister and Guernsey's Committee for Economic Development on matters of economic regulation and competition.

Economic regulation - In common with many other jurisdictions, Jersey and Guernsey have decided to structure certain previously States-run businesses as separate companies – which are wholly-owned by each island's States. CICRA is responsible for the economic regulation of the sectors in which these companies operate. In Jersey this decision was taken in respect of the sea- and airports, and the telecommunications and postal businesses now run by Ports of Jersey, JT and Jersey Post respectively. In Guernsey this decision was taken in respect of the telecommunications, postal and electricity businesses now run by Sure, Guernsey Post and Guernsey Electricity respectively. Following a decision of the States of Deliberation in Guernsey, oversight of the postal and electricity sectors in Guernsey is expected to be removed from CICRA.

Who we are

CICRA is led by a joint Board. As at 31 December 2017 the Board comprised a Chairman, four non-executive directors and two executive directors with six staff and offices in Jersey and Guernsey.

How to find out more

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

CHAIRMAN'S STATEMENT



Competition is good for consumers, but also for businesses, as it forces the latter to seek continuous improvement to deliver better value services to the former. In the Channel Islands, both size and location mean that competition in certain areas is limited; in these circumstances regulation exists to ensure that dominant providers do not abuse that position to the detriment of consumers. CICRA exists to support consumers and the Islands economies through both of its roles — regulating key industries and ensuring effective competition.

2017 was my first full year as chairman of CICRA and our strategic focus has been on delivering the recommendations of the Oxera report that the States of Jersey published in 2015, entitled ‘A review of the Jersey regulatory and competition framework’. The report made 23 recommendations of which eight were directly within the control of and actionable by CICRA. These eight actions were completed during 2017. CICRA will continue to support the States of Jersey in implementing the remaining recommendations during 2018.

A key element of the Oxera report was its suggestion that CICRA should adopt an approach of ‘principled pragmatism’ in its treatment of competition and regulatory issues and I am glad to say that we have begun translating this into practice. To take the Sandpiper acquisition of Costcutter stores as an example, in the UK a major retail acquisition would doubtless necessitate detailed study and a relatively prolonged timescale. Given the size of Jersey, an examination of a location map of stores on the island, and a number of local site visits by me and other board members enabled a much more rapid identification of the small number of sites where there were competition issues and a (relatively) swift determination of an acceptable outcome.

Additionally in the year the Board was strengthened by two Island-based non-executive directors (NEDs) Paul Masterton and Peter Neville, who live in Jersey and Guernsey respectively. Their experience and local knowledge has already been of significant benefit, not just in board meetings but in guiding the organisation more generally.

Early 2017 saw the first of two 6.5% cuts in JT fixed line prices to consumers, the result of a CICRA determination. As our Chief Executive notes in his report, telecom policy, particularly in respect of moving to 5G, has been developing in a very constructive fashion in both Jersey and Guernsey. It is particularly pleasing to be able to report that we have been able to have very positive and ‘in the right spirit’ discussions with the main telecom operators as we consider both future telecoms policy and how the sector might most effectively be regulated as technology and markets evolve.

In a less positive vein, towards the end of 2017, the Royal Court of Jersey heard an appeal by ATF against a CICRA determination, and just after year-end delivered a judgment upholding the appeal. This was both a surprising and disappointing outcome, posing clear challenges to the operation of effective competition policy in Jersey. Discussions are underway as to how these challenges will now be addressed. Mindful of the cost to the tax payer and having carefully considered the judgment the Board decided not to appeal, despite the fact that CICRA’s original determination had been supported by strong UK and EU precedent.

Triggered by the ATF decision, CICRA has subsequently received some intense criticism as to its role and effectiveness. This has made clear that broad understanding of CICRA’s role and responsibilities needs to improve and that the organisation needs a greater focus on stakeholder communications and the savings its actions have delivered to consumers. This will be a major focus over the coming year.

CHAIRMAN’S STATEMENT (CONTINUED)

But we are also focussed on learning where we can improve. We have begun, for the first time, conducting reviews by a NED or NEDs of particular cases CICRA had been involved in. Such reviews involve both examining the ‘paper trail’ but also interviewing both CICRA staff and senior people in the business that we deal with. The outcomes of the review are reported internally (to both staff and the board) but also discussed with the relevant business. The first such review was completed in 2017 — several more are currently underway — and was helpful to us and, I believe, useful to the relevant business. I am grateful to my NEDs and CICRA staff for their willingness to undertake the additional work involved and to the relevant businesses for taking the time to participate in such reviews.

I do not take the view that we need to remain very distant from the bodies that we regulate — instead I believe that the better we understand each other, the better we will be able to regulate in a way that benefits consumers while also ensuring that regulated entities can invest and grow to the benefit of people and economies of the islands. To that end I have tried to improve and develop our knowledge of and relationships with regulated entities, while recognising that we will necessarily disagree on occasion. Such relationships can be chair to chair and board to board, as well as at executive level, and during 2018 we will continue to seek to improve our understanding of and relationships with these businesses.

We firmly believe that consumers benefit from the principle of ‘competition where possible, regulation where necessary’. We will continue to act in a proportionate and pragmatic manner in pursuit of this principle.

Michael O’Higgins

CHIEF EXECUTIVE'S REPORT



CICRA's 2017 work programme focused on four distinct but complementary areas of work:

- Promoting fair competition in Channel Islands markets where this advances consumer interests;
- Protection of consumer interests where competition is less effective in meeting that aim;
- Ensuring the regulatory and competition framework remains fit for purpose;
- Supporting and advising Ministers and the States on policy matters and initiatives.

Through delivery of that work programme and building on the achievements of previous years there have been a number of notable achievements contributing towards our aim of ensuring markets work well for Channel Island consumers.

The direct benefit to consumers from several cases undertaken since the introduction of competition across the Channel Islands is well in excess of £30m; multiples of the competition law grant received by the States of Jersey and Guernsey. Indications are that the indirect benefits of interventions are even greater as firms desist from certain behaviour voluntarily and adopt business practices that present less risk of contravening the competition law.

There are a number of tools available to a body like CICRA that help achieve its aims. One example is our targeted proactive awareness campaign where, over 2017, we held a series of practical competition law training workshops for States of Guernsey procurement staff which were well attended. These are key individuals that in some cases are involved with large States contracts. The workshops provided practical support and guidance to these civil servants to assist them in recognising the significant risks posed by anti-competitive behaviour in the area of government contracts. The feedback from that has been very positive with significant improvements in understanding of this area and we will look to extend this form of competition law advocacy even further across the Channel Islands and into other areas of the economy.

Many of the issues that come before us are resolved amicably and without litigation. A case involving aviation fuel supply in Jersey proved the exception, which then went to appeal. The Royal Court of Jersey decided to overturn a JCRA decision which found an abuse of dominance in a Jersey market. While the judgment is disappointing we will continue to look out for consumers by protecting competition using the tools available to us. There are several features of the appeal process we will be looking to review with the States of Jersey to ensure the process of competition can be protected going forward.

Since consumers are the only reason markets and businesses exist, their satisfaction with the level of prices and quality of service they experience assists us in gauging whether these markets are working well and in prioritising our own work. Better informed consumers also tend to be more satisfied as their ability to make choices then improves. A particular focus over 2017 has therefore been on measuring consumer satisfaction in the sectors we regulate, providing better information to consumers about those markets, and improving transparency so they can assess the performance of our licensees where we are the economic regulator.

The protection of consumers involves a variety of bodies with different roles, many of which are not part of CICRA's remit, but we can use our powers to support and advise other consumer bodies as well as draw on their insights and expertise to carry out our remit more effectively. To complement our respective roles in the consumer landscape we have also worked with other consumer bodies over 2017 through the creation of Jersey's Consumer Protection Network (CPN). Formed with the Jersey Consumer Council, Trading Standards and Citizen's Advice, the CPN looks to benefit consumers by working together, sharing know-

CHIEF EXECUTIVE'S REPORT (CONTINUED)

ledge about consumer issues and where appropriate adopting a joined-up approach to protecting consumer interests. In this way we can achieve results for consumers based on a wider perspective on matters that consumers care about. We are looking at whether a similar network arrangement is also feasible in Guernsey.

We carried out an extensive verification process of coverage and data speed of mobile services across Jersey and Guernsey over 2017. The mobile operators all achieved the obligations they committed to when they were awarded 4G spectrum and those results also demonstrated that all our local mobile networks achieve performances superior to many, if not most, towns and cities in the UK. This is an achievement that both Guernsey and Jersey can justifiably be proud of. The annual audit of mast emissions then showed that these achievements were made well within international mast emission standards, providing further assurance to our communities about the high standards attained in this area.

CICRA has been a key contributor to the development of States of Jersey and States of Guernsey policies for telecommunications during 2017. In Jersey it is pleasing to see that this has now reached completion and gives a steer both to CICRA and to the telecoms industry on where priorities lie for the government in this key sector of the economy. A similar initiative is underway in Guernsey and we look forward to contributing to that. Preparations for the introduction of the next wave of mobile technology, namely 5G, has now also started in earnest and will be a key priority over the next few years. The speed of introduction of such new technologies is only getting faster and we intend to maintain the strong position already achieved in 4G for Jersey and Guernsey while playing our role in supporting the policy ambitions of Guernsey and Jersey.

The demands placed on broadband services by consumers are growing all the time. Since broadband network investment in the Channel Islands lends itself to a monopoly situation, we have been undertaking an in-depth look at how to balance the need for efficient pricing, protecting feasible competition and promoting investment to ensure we have a regulatory environment that is fit for the challenges ahead. With the additional guidance now provided by policy in Jersey (and we understand shortly in Guernsey) we will move to implement an approach that best balances the various demands.

In addition to the progress noted above over 2017 we implemented three separate price controls, two in telecoms and one for ports operations in Jersey. We reviewed 15 mergers, exemption and licence applications, including assessing and awarding an electricity generation licence in Guernsey. We continue to maintain a flexible approach to Jersey Post quality of service challenges while obliging the licensee to continue to report on its performance in this area.

Finally, it is worth highlighting that our ability to fulfil the roles given to us rests entirely on the knowledge, commitment, energy and enthusiasm of our people. It has been another busy year for all of us, and over 2018 we have more to do than ever. On a daily basis I am impressed by my team's thoughtfulness, passion and dedication to the purposes of a small body with a wide range of responsibilities. There have been significant successes over 2017 and I look forward to working together to see further successes over the coming year.

Michael Byrne

THE BOARD



Michael O'Higgins - Chairman

Michael is Chairman of the Local Pensions Partnership and of Calculus VCT, a non-executive Director of Network Rail and of the pensions company Hedgehog. He became the 'Independent Person' for Tunbridge Wells Borough Council in October 2015.

Michael chaired The Pensions Regulator from 2011 to 2014, the Audit Commission from 2006 until 2012 and the NHS Confederation from 2012 to 2015. He was also a non-executive Director of HM Treasury and Chair of the Treasury Group Audit Committee from 2008 to 2014. Previously Michael chaired the youth homelessness charity Centrepoin, was a managing partner with PA Consulting (leading its Government and IT Consulting Groups), was a partner at Price Waterhouse, worked at the OECD, and has held several academic posts.



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.

Philip is also Senior Director, Case Decisions Group at the UK Competition and Markets Authority, and a decision-maker on the Enforcement, Regulation and Case Decisions Committees at the Financial Conduct Authority and the Payment Systems Regulatory UK. He is also 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.



Hannah Nixon - Non-Executive Director

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 Managing Director of the UK Payment Systems Regulator. Hannah was previously a Senior Partner at Ofgem, the UK gas and electricity regulator; she was also Ofgem's Head of Profession for Economics.



Paul Masterton – Non-Executive Director

Paul, a resident of Jersey, joined CICRA as a Non-Executive Board Member in February 2017. He has spent most of his career in the printing and communications industry in the UK, USA and Asia.

From 2008 to 2013, Paul was the Chief Executive of the Durrell Wildlife Conservation Trust, an international wildlife charity.

Paul has a number of directorships in finance, insurance and property development and in 2012 was appointed as the founding Chairman of Digital Jersey, a partnership between the States of Jersey and the digital sector to represent and promote the industry. Paul stood down as their Non-Executive Chairman in June 2017.

THE BOARD (CONTINUED)



Peter Neville – Non-Executive Director

Peter, a resident of Guernsey, has more than 36 years' experience in the financial services and financial services regulatory sectors in the UK and overseas including serving as the Director General of the Guernsey Financial Services Commission from 2001 to 2009.

He currently holds a number of non-executive appointments including as a Director and Chair of the Risk Committee at John Laing Environmental Assets Group Limited, a London listed fund which invests in environmental infrastructure projects.



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 is a Chartered Director of the IoD, 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.

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 Committee for Economic Development and the Chief Minister respectively.

Meetings

During 2017, attendance at meetings of the Boards and their Committees was as follows:

Member	GCRA		JCRA	
	Board	Audit and Risk	Board	Audit and Risk
Michael O'Higgins	8/8	-	7/7	-
Philip Marsden	8/8	2/2	7/7	2/2
Hannah Nixon	7/8	2/2	7/7	2/2
Peter Neville	8/8	2/2	7/7	2/2
Paul Masterton	8/8	2/2	7/7	2/2
Michael Byrne	8/8	2/2 *	7/7	2/2 *
Louise Read	8/8	2/2 *	7/7	2/2 *

* in attendance only

Member fees and expenses

The Chairman's and Members' fees are approved by the Chief Minister in Jersey and the Committee for Economic Development 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	
	2017 £	2016 £	2017 £	2016 £	2017 £	2016 £
Michael O'Higgins	25,000	11,111 *	25,000	28,472 **	5,151	4,135
Philip Marsden	12,000	12,000	12,000	12,000	1,779	2,378
Hannah Nixon	10,391	12,000	10,391	12,000	2,364	1,174
Peter Neville*	9,042	-	9,042	-	1,143	-
Paul Masterton*	8,833	-	8,833	-	742	-
Mark Boleat***	-	16,539	-	8,018	-	1,322
Regina Finn*	-	7,130	-	7,130	-	764
Total	<u>65,266</u>	<u>58,780</u>	<u>65,266</u>	<u>67,620</u>	<u>11,179</u>	<u>9,773</u>

*part year only

** includes additional work commissioned by Jersey's Chief Minister's Department

***part year, non-coterminous appointments

Michael Byrne and Louise Read are executive members, i.e. members of each authority and employees of the GCRA and JCRA respectively. They receive no fees as members of the authorities but do receive remuneration, which is split between the JCRA and GCRA as follows:

	GCRA		JCRA	
	2017 £	2016 £	2017 £	2016 £
Michael Byrne	82,500	82,500	82,500	82,500
Louise Read	54,641	54,641	54,641	54,641
Total	<u>137,141</u>	<u>137,141</u>	<u>137,141</u>	<u>137,141</u>



FINANCIAL REVIEW 2017

Consistent with prior years, the Guernsey Competition and Regulatory Authority (GCRA) made an accounting surplus of £1 in 2017, effectively breaking even. 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 (including merger reviews), and regulation of the telecoms, postal and electricity sectors – to fund them separately given that cross-subsidisation is not permitted. A working capital 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 2017 were £680k (2016: £579k). Expenditure continues to be closely controlled by the GCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate best practice corporate governance, helps to ensure that it is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, 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 Committee for Economic Development (CfED), grant funding for work under The Competition (Guernsey) Ordinance, 2012 continued to be received on a quarterly basis. During 2017 a grant of £140k (2016: £140k) was received.

Income of £11k (2016: £21k) was received from parties making applications for approval of notifiable mergers and acquisitions. These applications and costs are by their nature unpredictable. For 2017, the fees received were lower than the costs incurred in dealing with matters relating to mergers and acquisitions because of the particular nature of the notified transactions. This shortfall of £3k (2016: £15k) has to be funded from competition law grant funding.

During 2017 £594k (2016: £580k) in fees was received from telecoms licensees and telecoms licence fees exceeded costs by £60k (2016: £117k). This balance was accounted for as deferred telecommunications licence fee income. Based on budgeted costs the licence fees for 2017 were set at 1.1% of relevant turnover (2016: 1.1%).

In anticipation of the future removal of the post and electricity sectors from economic regulation by the GCRA to a new oversight framework, the incumbent licensees (Guernsey Post and Guernsey Electricity) were not charged licence fees during 2016 or 2017, however a new licence was granted to International Energy Group, and fees were charged for this. Other activity was funded from deferred income balances brought forward from 2016. Total costs incurred in electrical regulation were £11k, and deferred income of £8k was released for 2017. No costs were incurred in postal regulation, and no income was released from deferred amounts. Deferred licence fee income will be released as required to fund activity during 2018.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY

(Incorporated in Guernsey, Channel Islands)

NON EXECUTIVE MEMBERS

Michael O'Higgins	Chair
Philip Marsden	
Hannah Nixon	
Peter Neville	appointed 6 February 2017
Paul Masterton	appointed 13 February 2017

EXECUTIVE MEMBERS

Michael Byrne	Chief Executive
Louise Read	Director

SECRETARY

Louise Read

INDEPENDENT AUDITOR

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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 2017.

MEMBERS

The Members in office during the year are shown on page 11.

ACTIVITIES

The 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 (2016: surplus £1).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events between the statement of financial position date and the date when the financial statements were authorised for issue that need to be disclosed or recognised in the financial statements.

LIKELY FUTURE DEVELOPMENTS IN THE ACTIVITIES OF THE GCRA

Information on likely future developments in the activities of the GCRA has been included in the foreword on page 2.

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.

All of the Members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The Members are not aware of any relevant audit information of which the GCRA's auditor is unaware.

APPROVAL

The Members' report was approved by order of the Members on 28 March 2018.

[Signed on original]

Louise Read
Secretary

GUERNSEY COMPETITION AND REGULATORY AUTHORITY STATEMENT OF MEMBERS' RESPONSIBILITIES

The Members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulations.

The Guernsey Competition and Regulatory Authority Ordinance, 2012, (the Ordinance) requires Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the GCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the GCRA and which enable them to ensure that these financial statements comply with the Ordinance. They also consider that they are 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 Ordinance also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the States of Guernsey on the recommendation of the Public Accounts Committee, to submit to the Committee for Economic Development, a statement of account giving a true and fair review of the state of the GCRA's affairs together with the auditor's report. The Committee for Economic Development, in turn, must submit the accounts and the auditor's report thereon to the States of Guernsey.

The Members have elected to prepare the GCRA's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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;
- state whether applicable UK 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 GCRA will continue in operation.

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

[Signed on original]

Louise Read
Secretary

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

Opinion

We have audited the financial statements of Guernsey Competition and Regulatory Authority (“the Authority”) for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. 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’).

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority’s affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF GUERNSEY COMPETITION AND REGULATORY AUTHORITY (CONTINUED)

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Members determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 has been 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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

[Signed on original by BDO Limited]

Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date:.....*[Dated on original: 28 March 2018]*

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Note</i>	<i>2017</i>	<i>2016</i>
		£	£
INCOME			
Telecommunications licence and application fees		534,135	462,634
Electricity licence and application fees		10,849	3,748
Postal licence fees		-	4,045
Competition law grant		124,154	87,615
Mergers and acquisitions fees		10,500	20,500
Bank interest received		-	288
		<u>679,638</u>	<u>578,830</u>
EXPENDITURE			
Salaries and staff costs		408,219	358,917
Consultancy fees		97,554	52,653
Operating lease rentals		57,157	57,300
Travel and entertainment		20,095	20,936
Conference and course fees		18,434	7,414
Depreciation		9,802	7,013
Administration expenses		10,050	12,249
Legal and professional fees		1,288	4,567
Audit and accountancy fee		10,107	9,992
Advertising and publicity		16,531	16,297
Repairs and maintenance		18,541	17,951
Heat, light and water		2,480	2,548
Recruitment		1,348	3,272
General expenses		8,031	7,720
		<u>679,637</u>	<u>578,829</u>
SURPLUS FOR THE FINANCIAL YEAR	6	<u><u>1</u></u>	<u><u>1</u></u>

Statement of total comprehensive income

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

The notes on pages 19 to 23 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>2017</i>	<i>2016</i>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of tangible fixed assets	9,802	7,013
Interest received and receivable	-	(288)
Decrease in debtors and prepayments	16,073	4,797
Increase in creditors	72,882	17,659
	<u>98,758</u>	<u>29,182</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(14,625)	(6,916)
Interest received	-	288
	<u>(14,625)</u>	<u>(6,628)</u>
Net cash used in investing activities	(14,625)	(6,628)
Net increase in cash and cash equivalents	84,133	22,554
Cash and cash equivalents at beginning of the year	377,343	354,789
CASH AND CASH EQUIVALENTS AT THE YEAR END	<u>461,476</u>	<u>377,343</u>

The notes on pages 19 to 23 form an integral part of these financial statements.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Notes</i>	<i>2017</i> £	<i>2016</i> £
FIXED ASSETS			
Tangible fixed assets	3	<u>40,010</u>	<u>35,187</u>
CURRENT ASSETS			
Debtors and prepayments	4	24,640	40,713
Cash and cash equivalents		461,476	377,343
		<u>486,116</u>	<u>418,056</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	5	<u>326,125</u>	<u>253,243</u>
NET CURRENT ASSETS		<u>159,991</u>	<u>164,813</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>200,001</u>	<u>200,000</u>
RETAINED SURPLUS	6	<u>200,001</u>	<u>200,000</u>

The financial statements on pages 16 to 23 were approved on 28 March 2018 and authorised for issue by the Members and signed on their behalf by:

[Signed on original]

Michael O’Higgins
Chairman

The notes on pages 19 to 23 form an integral part of these financial statements.

GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from a government grant and other charges raised in respect of the GCRA's responsibilities as the administrator and enforcer of Guernsey's competition law, as well as through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2017 was £140,000 (2016:£140,000). £124,154 is reflected in the statement of comprehensive income in order to match the expenditure incurred in relation to competition law matters during 2017. 'Other charges' comprises fees received for the assessment of certain notifiable mergers and acquisitions. These fees are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the GCRA. Fees received in 2017 were £10,500 (2016: £20,500) with £13,903 (2016: £35,688) reflected in the statement of comprehensive income to recognise the expenditure incurred. Any unused funds at the financial year end are either deferred or repaid to the Committee for Economic Development. Any deficits are funded from current or future grants. The surplus grant income deferred for the year amounted to £15,846 (2016: £46,123).

ii) Licence fees

Licence fees across regulated sectors are set on the basis of cost recovery in accordance with sector specific legislation and are recognised in the period to which they relate. The GCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and electricity). If fee income exceeds costs the balance is transferred to deferred income. License fee percentages / charges and deferred income balances are set out below:

	2017		2016	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	1.1% of relevant turnover	£179,110	1.1% of relevant turnover	£127,670
Post	-	£20,988	-	£20,988
Electricity	-	£16,095	-	£24,274

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

c) 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
Leasehold improvements	shorter of remaining length of lease or expected useful life

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

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

e) Taxation

Under section 12 of The Guernsey Competition and Regulatory Authority Ordinance, 2012 the GCRA is exempt from Guernsey income tax.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the members have made the following judgements:

- Determined whether leases entered into by the GCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined the appropriate treatment for the lease incentive. This decision was based on the rent free period being used to bring the office accommodation into an appropriate state.
- Determined whether there are indicators of impairment of the GCRA's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of general expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include: the ability to separate the asset from the GCRA; the benefit of an improved website internally and externally; the intention to complete the project and bring the website into use, noting that it has the resources so to do; and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty:

- Tangible fixed assets (see note 3)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i>	<i>Office Equipment</i>	<i>Fixtures & Fittings</i>	<i>Computer equipment</i>	<i>Website</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
As at 1 January 2017	31,706	497	16,595	13,300	10,688	72,786
Additions	1,788	-	3,498	526	8,813	14,625
Disposals	-	-	-	(329)	(4,125)	(4,454)
As at 31 December 2017	<u>33,494</u>	<u>497</u>	<u>20,093</u>	<u>13,497</u>	<u>15,376</u>	<u>82,957</u>
Depreciation						
As at 1 January 2017	8,032	497	15,447	9,498	4,125	37,599
Provided for the period	5,268	-	1,002	1,418	2,114	9,802
Disposals	-	-	-	(329)	(4,125)	(4,454)
As at 31 December 2017	<u>13,300</u>	<u>497</u>	<u>16,449</u>	<u>10,587</u>	<u>2,114</u>	<u>42,947</u>
Net Book Value						
As at 31 December 2017	<u>20,194</u>	<u>-</u>	<u>3,644</u>	<u>2,910</u>	<u>13,262</u>	<u>40,010</u>
As at 31 December 2016	<u>23,674</u>	<u>-</u>	<u>1,148</u>	<u>3,802</u>	<u>6,563</u>	<u>35,187</u>

4. DEBTORS AND PREPAYMENTS

	2017	2016
	£	£
Prepayments	17,598	18,459
Amount due from the Jersey Competition Regulatory Authority	3,818	22,254
Other debtors	3,224	-
	<u>24,640</u>	<u>40,713</u>

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>2017</i>	<i>2016</i>
	£	£
Accruals	20,158	9,378
Deferred licence fee and grant income	300,978	241,871
Trade creditors	1,785	1,239
Amounts due to the Jersey Competition and Regulatory Authority	3,204	755
	<u>326,125</u>	<u>253,243</u>

6. MOVEMENT ON RETAINED SURPLUS

	<i>2017</i>	<i>2016</i>
	£	£
At 1 January	200,000	199,999
Surplus for the year	1	1
	<u>200,001</u>	<u>200,000</u>

7. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the GCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	<i>2017</i>	<i>2016</i>
	£	£
Amounts payable under operating leases:		
Not later than one year	57,445	54,000
In more than one year but less than five years	144,339	201,784
Later than five years	-	-
	<u>201,784</u>	<u>255,784</u>

In February 2015, with the consent of the CfED, the GCRA entered into a six and a half year lease at a cost of £54,000 per annum, including service charge and parking for office accommodation at La Plaiderie Chambers, La Plaiderie, St Peter Port, Guernsey. The rental amount increased to £58,150 per annum in February 2018.

**GUERNSEY COMPETITION AND REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

8. RELATED PARTY DISCLOSURES

a) The GCRA and the Committee for Economic Development (CfED)

The GCRA acts independently of the States of Guernsey, but is accountable to the States of Guernsey through the CfED for funding received to administer and enforce Guernsey's competition law, which is also covered by a service level agreement. The CfED acts as a conduit for requests from other States departments which may request the GCRA to carry out projects. The GCRA reports formally to the States of Guernsey through the CfED on an annual basis.

In 2017, the CfED provided £140,000 (2016: £140,000) in funding to the GCRA to finance the administration and enforcement of The Competition (Guernsey) Ordinance, 2012 under the provisions contained within that legislation. The funding surplus for the year ended 31 December 2017, which has been notified to CfED as required under the service level agreement, amounted to £15,846 (2016: £46,123). The accumulated balance of deferred grant income at the year end was £84,785 (2016: £68,939).

b) The GCRA and the Jersey Competition Regulatory Authority (JCRA)

The GCRA and the JCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2017, £249,500 (2016: £321,345) was invoiced by the GCRA to the JCRA and £84,501 (2016: £95,519) was invoiced by the JCRA to the GCRA. At the statement of financial position date the amount owed by the GCRA to the JCRA was £3,204 (2016: £755) and the amount owed by the JCRA to the GCRA was £3,818 (2016: £22,254).

c) Key management personnel

Key management personnel include all members of the GCRA who together have authority and responsibility for planning, directing and controlling the Authority's activities. The total compensation paid to key management personnel for services provided to the GCRA was £213,049 (2016: £213,083).

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 Committee for Economic Development (CfED) “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 CfED 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 CfED generally in relation to the administration and enforcement of competition legislation and the related practice and procedures.
- b) To advise the CfED 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 CfED 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 CfED.

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 CfED.

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 customarily 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. 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 CfED, 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 CfED. 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 CfED 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 an Audit and Risk Committee. The Members of this committee comprise the non-executive members, excluding the Chairman; they 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 auditor, monitoring the Executive's responsiveness to the findings and recommendations;
- To meet the internal auditor 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 statement of financial position date were Philip Marsden, Peter Neville, Hannah Nixon and Paul Masterton. Philip Marsden chaired the committee for both its meetings during 2017, and has now been succeeded as chairman by Peter Neville. 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; and
- 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 CfED.

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 CfED, 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 CfED.

The CfED 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 CfED which apply to external bodies in receipt of grant funding.



FINANCIAL REVIEW 2017

Consistent with prior years, the Jersey Competition Regulatory Authority (JCRA) made an accounting surplus of £1 in 2017, 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 (including merger reviews), and the regulation of the telecoms, postal and ports sectors – to fund them separately, given that cross-subsidisation is not permitted. A working capital 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 2017 were £1,267k (2016: £1,285k). Expenditure continues to be closely controlled by the JCRA maintaining strict internal guidelines with regard to purchasing and tendering procedures which, combined with appropriate best practice corporate governance, helps to ensure that it is run as an effective and efficient organisation. Independent internal auditors audit policies and procedures annually, 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 Chief Minister's Department (CMD), grant funding for work under the Competition (Jersey) Law 2005 continued to be received on a quarterly basis. During 2017, a grant of £300k was received (2016: £300k) and additional cash funding of £315k was received (2016: additional funding of £221k was agreed comprising £198k additional cash funding and £21k released from deferred grant income).

Income of £85k (2016: £90k) was received from parties making application for approval of notifiable mergers and acquisitions. These applications and costs are by their nature unpredictable. For 2017, the fees received were higher than the costs incurred in dealing with matters relating to mergers and acquisitions by £30k, in contrast to 2016, during which there was a shortfall of £68k, which had to be funded from the competition law grant.

During 2017 income of £180k (2016: £180k) was received in licence fees from the ports licensee (Ports of Jersey Ltd), and £37k (2016: £55k) of this income was deferred.

Telecoms licence fees of £619k (2016: £631k) were received for the year 2017. Based on budgeted costs, the Class II and Class III licence fees for 2017 were set at 0.75% (2016: 0.75%) of regulated turnover. Deferral of telecoms income for the year amounted to £98k (2016: £90k).

£22k (2016: £27k) of postal licence fees were received for 2017 of which £11k (2016: £17k) was deferred.

JERSEY COMPETITION REGULATORY AUTHORITY

(Incorporated in Jersey, Channel Islands)

NON EXECUTIVE MEMBERS

Michael O'Higgins	Chair
Philip Marsden	
Hannah Nixon	
Peter Neville	appointed 6 February 2017
Paul Masterton	appointed 13 February 2017

EXECUTIVE MEMBERS

Michael Byrne	Chief Executive
Louise Read	Director

SECRETARY

Louise Read

INDEPENDENT AUDITOR

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Jersey International Banking Centre
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Jersey
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REGISTERED OFFICE

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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 2017.

MEMBERS

The Members in office during the year during the year and appointed subsequently are shown on page 28.

ACTIVITIES

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

RESULTS

There was a surplus for the year of £1 (2016: surplus £1).

EVENTS AFTER THE END OF THE REPORTING PERIOD

There was one event between the statement of financial position date and the date when the financial statements were authorised for issue that needs to be disclosed or recognised in the financial statements. A judgment was handed down by the Royal Court which overturned a decision by the JCRA, and costs have been awarded to the appellant on a standard basis. The probable amount of the resultant liability has been considered and the Authority is confident that it will be able to meet the liability from available sources of funding and continue its other competition-related activities.

LIKELY FUTURE DEVELOPMENTS IN THE ACTIVITIES OF THE JCRA

No significant change in the activities of the JCRA is currently foreseen.

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.

All of the Members have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The Members are not aware of any relevant audit information of which the JCRA's auditor is unaware.

APPROVAL

The Members' report was approved by order of the Members on 28 March 2018.

[Signed on original]

Louise Read

Secretary

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF MEMBERS' RESPONSIBILITIES**

The Members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulations.

The Competition Regulatory Authority (Jersey) Law 2001, (the "Law") requires Members to keep proper accounts and proper records in relation to those accounts. The Members therefore consider themselves responsible for keeping adequate accounting records that are sufficient to show and explain the JCRA's transactions and disclose with reasonable accuracy, at any time, the financial position of the JCRA and which enable them to ensure that the financial statements comply with the Law. They also consider that they are 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 Law also requires Members to prepare accounts in respect of each financial year, and once audited by auditors appointed by the Auditor and Comptroller General, to submit to the Chief Minister's Department the accounts together with the auditor's report. The Chief Minister's Department, in turn, must submit the accounts and auditor's report thereon to the States of Jersey.

The Members have elected to prepare the JCRA's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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;
- state whether applicable UK 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 JCRA will continue in operation.

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

[Signed on original]

Louise Read
Secretary

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

Opinion

We have audited the financial statements of Jersey Competition and Regulatory Authority (“the Authority”) for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. 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’).

In our opinion, the financial statements:

- give a true and fair view of the state of the Authority’s affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF JERSEY COMPETITION AND REGULATORY AUTHORITY (CONTINUED)

Responsibilities of Members

As explained more fully in the Statement of Members' Responsibilities, the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the Members determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 has been 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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

[Signed on original by BDO Limited]

Chartered Accountants
Place du Pré
Rue du Pré
St Peter Port
Guernsey

Date:.....*[Dated on original: 28 March 2018]*

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>Note</i>	<i>2017</i>	<i>2016</i>
		£	£
INCOME			
Telecommunications licence fees		521,342	540,638
Postal licence fees		10,810	9,865
Ports of Jersey incorporation grant and licence fees		142,547	125,198
Competition law grant and other competition law funding		507,059	518,525
Mergers and acquisitions fees		85,482	89,693
Bank interest and sundry income		-	582
		<u>1,267,240</u>	<u>1,284,501</u>
EXPENDITURE			
Salaries and staff costs		578,554	690,385
Consultancy fees		147,688	133,842
Operating lease rentals		60,527	55,420
Travel and entertainment		23,800	20,012
Conference and course fees		17,607	7,708
Depreciation		5,826	6,051
Administration expenses		8,847	9,838
Legal and professional fees		352,128	288,571
Audit and accountancy fee		10,593	10,252
Advertising and publicity		16,354	16,440
Repairs and maintenance		19,481	19,606
Heat, light and water		2,094	3,251
Recruitment		3,936	3,336
General expenses		19,804	19,788
		<u>1,267,239</u>	<u>1,284,500</u>
SURPLUS FOR THE FINANCIAL YEAR	7	<u><u>1</u></u>	<u><u>1</u></u>

Statement of total comprehensive income

There are no differences between the surpluses for the financial years stated above and total comprehensive income.

The notes on pages 36 to 40 form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	<i>2017</i>	<i>2016</i>
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the financial year	1	1
Adjustments for:		
Depreciation of tangible fixed assets	5,826	6,051
Interest received and receivable	-	(582)
Decrease / (Increase) in debtors and prepayments	196,000	(181,182)
Decrease in creditors	(102,717)	(879,996)
Net cash generated from operating activities	<u>99,110</u>	<u>(1,055,708)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of tangible fixed assets	(9,471)	(12,726)
Interest received	-	582
Net cash used in investing activities	<u>(9,471)</u>	<u>(12,144)</u>
Net increase in cash and cash equivalents	89,639	(1,067,852)
Cash and cash equivalents at beginning of the year	463,220	1,531,072
CASH AND CASH EQUIVALENTS AT THE YEAR END	<u><u>552,859</u></u>	<u><u>463,220</u></u>

The notes on pages 36 to 40 form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	<i>Notes</i>	<i>2017</i> £	<i>2016</i> £
FIXED ASSETS			
Tangible fixed assets	3	19,578	15,933
CURRENT ASSETS			
Debtors and prepayments	4	34,609	230,609
Cash and cash equivalents	5	552,859	463,220
		<u>587,468</u>	<u>693,829</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	6	481,590	584,307
NET CURRENT ASSETS			
		<u>105,878</u>	<u>109,522</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u><u>125,456</u></u>	<u><u>125,455</u></u>
RETAINED SURPLUS			
	7	<u><u>125,456</u></u>	<u><u>125,455</u></u>

The financial statements on pages 33 to 40 were approved on 28 March 2018 and authorised for issue by the Members and signed on their behalf by:

[Signed on original]

Michael O’Higgins
Chairman

The notes on pages 36 to 40 form an integral part of these financial statements.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The presentation currency of these financial statements is sterling with all amounts rounded to the nearest whole pound.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires members to exercise judgement in applying the accounting policies.

The following principal accounting policies have been consistently applied:

a) Income

Income is received from government grant and other charges raised in respect of the JCRA's responsibilities as the administrator and enforcer of Jersey's competition law and through fees raised through the licensing regime in place for certain sectors. Further details are given below:

i) Grants and other charges

Grants received are of a revenue nature and are recognised in the statement of comprehensive income in the same period as the related expenditure. The grant received for 2017 was £300,000 (2016: £300,000). Additional cash funding of £315,331 was also provided for specific expenses, although income of £108,271 was deferred. (2016: Additional funding of £197,441 was provided, being £176,357 of additional cash and £21,084 released from deferred income). 'Other charges' comprises fees received for the assessment of certain notifiable mergers and acquisitions. They are recognised in the statement of comprehensive income once the proposed transaction has been formally registered with the JCRA, with partial deferral of fees where the work has not yet been completed at the year end. Fees recognised in 2017 were £85,482 (2016: £89,693) with expenditure of £55,419 (2016: £158,016) reflected in the statement of comprehensive income. Any unused funds at the financial year end are either deferred or repaid to the Chief Minister's Department. Any deficits are funded from future grants or the agreed release of deferred grant income. Total deferred grant income as at 31 December amounted to £190,499 (2016: £82,228).

ii) Licence fees

Licence fees across all regulated sectors are set on the basis of cost recovery in accordance with sector-specific legislation and are recognised in the period to which they relate. The JCRA's costs are estimated on an annual basis and these are recovered either by applying a percentage to the licensed revenue of each licensed operator (in the case of telecoms) or through charging an annual fee (in the cases of post and ports). If fee income exceeds costs, the balance is transferred to deferred income. Licence fee percentages / charges and deferred income are set out below:

	2017		2016	
	Licence fee % / charge	Deferred income balance	Licence fee % / charge	Deferred income balance
Telecoms	0.75% relevant turnover	£187,455	0.75% relevant turnover	£89,900
Post	Class II £20,000 Class I £1,000	£12,690	Class II £25,000 Class I £1,000	£18,802
Ports	£180,000	£37,453	£180,000	£54,803

b) Expenditure

Expenditure is accounted for on an accruals basis and is measured at its transaction price.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (CONTINUED)

c) 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:

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

Assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

d) Leasing commitments

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

e) Pensions

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

f) 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.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing these financial statements, the members have made the following judgements:

- Determined whether leases entered into by the JCRA as a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determined whether there are indicators of impairment of the JCRA's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future performance of the asset.
- Determined the split of expenses incurred for work undertaken under the aegis of the Channel Islands Competition and Regulatory Authorities. These decisions depend on an assessment of resource allocation, including that of staff time.
- Determining the appropriate treatment for the costs incurred in developing a new website. Factors taken into consideration in reaching the decision include: the ability to separate the asset from the JCRA, the benefit of an improved website internally and externally, the intention to complete the project and bring the website into use, noting that it considers that it has the resources so to do, and the ability to reliably measure the expenditure incurred on developing the website during the development phase.

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty:

- Costs order of the Royal Court (see note 11)
The liability arising from an order of costs against the Authority has not yet been determined. The Authority has considered the likely amount of the costs to be reimbursed taking into account available sources of information and the advice of its lawyers.
- Tangible fixed assets (see note 3)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

3. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i>	<i>Computer Equipment</i>	<i>Website</i>	<i>Fixtures & Fittings</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£	£	£	£
Cost						
As at 1 January 2017	38,570	35,137	10,688	22,266	989	107,650
Additions	-	658	8,813	-	-	9,471
Disposals	-	(319)	(4,125)	-	-	(4,444)
As at 31 December 2017	<u>38,570</u>	<u>35,476</u>	<u>15,376</u>	<u>22,266</u>	<u>989</u>	<u>112,677</u>
Depreciation						
As at 1 January 2017	36,087	32,190	4,125	18,326	989	91,717
Provided for the period	563	2,487	2,114	662	-	5,826
Disposals	-	(319)	(4,125)	-	-	(4,444)
As at 31 December 2017	<u>36,650</u>	<u>34,358</u>	<u>2,114</u>	<u>18,988</u>	<u>989</u>	<u>93,099</u>
Net Book Value						
As at 31 December 2017	<u>1,920</u>	<u>1,118</u>	<u>13,262</u>	<u>3,278</u>	<u>-</u>	<u>19,578</u>
As at 31 December 2016	<u>2,483</u>	<u>2,947</u>	<u>6,563</u>	<u>3,940</u>	<u>-</u>	<u>15,933</u>

4. DEBTORS AND PREPAYMENTS

	2017	2016
	£	£
Prepayments	27,072	23,714
Trade debtors	3,205	197,441
Other debtors	4,332	9,454
	<u>34,609</u>	<u>230,609</u>

JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5. CASH NOT AVAILABLE FOR USE

Cash and cash equivalents includes £nil (2016: £125,517) held 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. All such amounts have now been repaid as a result of the operators' having met their commitments.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	2016
	£	£
Monies held in respect of commitments given by telecoms operators	-	125,517
Accruals	30,015	11,400
Deferred grant income	190,499	82,228
Deferred licence fee income and amounts paid in advance	240,292	201,894
Deferred mergers and acquisitions fee income	9,000	-
Trade creditors	7,966	141,014
Amounts due to the Guernsey Competition and Regulatory Authority	3,818	22,254
	<u>481,590</u>	<u>584,307</u>

7. MOVEMENT ON RETAINED SURPLUS

	2017	2016
	£	£
At 1 January 2017	125,455	125,454
Surplus for the year	1	1
	<u>125,456</u>	<u>125,455</u>

8. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the JCRA had commitments under non-cancellable operating leases as set out below:

	<i>Buildings</i>	
	2017	2016
	£	£
Amounts payable under operating leases:		
Not later than one year	56,906	56,906
In more than one year but less than five years	26,660	83,566
Later than five years	-	-
	<u>83,566</u>	<u>140,473</u>

The amount shown above relates to a five year lease with an option to break at the end of year three for the JCRA's office in Salisbury House, Union Street, St. Helier. The lease finally expires in June 2021.

**JERSEY COMPETITION REGULATORY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. PENSION COMMITMENTS

The JCRA provides a defined contribution pension scheme (the Public Employees Contributory Retirement Scheme) to some of its employees. The assets of the scheme are held separately from those of the JCRA in an independently administered fund. Contributions of £20,326 (2016: £20,326) were paid across in the year. There were no unpaid contributions at the year end.

10. RELATED PARTY DISCLOSURES

a) The JCRA and the Chief Minister

The JCRA acts independently of the States of Jersey, but is accountable to the States of Jersey through the Chief Minister for the funding it receives to administer and enforce Jersey's competition law, and the funding is covered by a service level agreement. The Chief 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 States of Jersey through the Chief Minister on an annual basis.

In 2017, the Chief Minister's Department provided £300,000 (2016: £300,000) in funding to the JCRA to finance the administration and enforcement of the Competition (Jersey) Law 2005. Additional funding of £315,331 was also provided (2016: £197,441). As at the year end the balance of deferred grant income due to the Chief Minister's Department was £190,499 (2016: £82,228).

b) The JCRA and the Guernsey Competition and Regulatory Authority (GCRA)

The JCRA and the GCRA work together under the aegis of CICRA, sharing a board, resources and expertise between the islands, whilst retaining their own separate legal identities. Recharges are made for expenses incurred (including staff costs) on a no gain no loss basis.

During 2017 £84,501 (2016: £95,519) was invoiced by the JCRA to the GCRA and £249,500 (2016: £321,345) was invoiced by the GCRA to the JCRA. At the statement of financial position date the amount owed by the JCRA to the GCRA was £3,818 (2016: £22,254) and the amount owed by the GCRA to the JCRA was £3,204 (2016: £755).

c) Key management personnel

Key management personnel includes all members of the JCRA who together have authority and responsibility for planning, directing and controlling the activities of the JCRA. The total compensation paid to key management personnel for services provided to the JCRA was £213,049 (2016: £221,923).

11. EVENT AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In January 2018, the Royal Court issued a judgment overturning a decision of the JCRA on appeal. Costs on a standard basis were subsequently awarded to the appellant, although the cost to the JCRA has not yet been determined. The probable amount of the resultant liability has been considered and the Authority is confident that it will be able to meet the liability from available sources of funding and continue its other competition-related activities. Competition law grant funding or other sources of funding specifically designated for the purpose were required to finance the cost of defending the appeal, and this will apply to the amount payable to the appellant. During 2017, additional funding of £315,331 (2016: £193,274) was agreed in relation to the JCRA's costs of defending the appeal.

JERSEY COMPETITION REGULATORY AUTHORITY CORPORATE GOVERNANCE GUIDELINES

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 customarily 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. Performance against budget is monitored by the presentation of quarterly management accounts to the Board and ad-hoc financial presentations as and when appropriate.

The JCRA has agreed a policy on travel with the Chief Minister's Department.

The Chairman makes recommendations to the Minister in respect of fees paid to the non-executive members.

Committees of the Board

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

During 2016 the Board had established one committee; an Audit and Risk Committee. The Members of this committee comprise the non-executive members, excluding the Chairman 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 auditor, monitoring the Executive's responsiveness to the findings and recommendations;
- To meet with the internal auditor 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 Comptroller and Auditor General under the Comptroller and Auditor General (Jersey) Law 2014 which amended the CRA Law to transfer the responsibility from the Treasury and Resources Minister.

The members of the Audit and Risk Committee at the statement of financial position date were Philip Marsden, Peter Neville, Hannah Nixon and Paul Masterton. Philip Marsden chaired the committee for both its meetings during 2017, and has now been succeeded as chairman by Peter Neville. 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 and are prepared in accordance with generally accepted accounting principles. The appointment of the auditor of the JCRA is the responsibility of the Comptroller and Auditor General under the Comptroller and Auditor General (Jersey) Law 2014, which amended the CRA Law to transfer the responsibility from the Treasury and Resources Minister.

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.