

**THE STATES OF DELIBERATION**  
**of the**  
**ISLAND OF GUERNSEY**

**STATES' TRADING SUPERVISORY BOARD**

**GUERNSEY ELECTRICITY LIMITED – ANNUAL REPORT AND ACCOUNTS**

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Guernsey Electricity Limited – Annual Report and Accounts' dated 15 June, 2023, they are of the opinion:-

1. To note the Annual Report and Accounts of Guernsey Electricity Limited for the period ended 30<sup>th</sup> September 2022.



# Guernsey Electricity Limited

Annual report and financial statements  
30 September 2022



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*As I look to the future, I am confident in the ability of the company and my fellow Board of Directors to navigate the impact of the finalisation of the island's electricity strategy. Steering the company through the challenges of energy transition and the energy crisis we see emerging across Europe to secure the island's energy supply for future generations.*

**Peter Shaefer**  
Chair

# Directors, officers, and professional advisers

<b>P Shaefer</b>	(Non-Executive Chair) appointed as Chair on 9 June 2022
<b>I Hardman</b>	(Non-Executive Chair) retired on 9 June 2022
<b>A Bates</b>	(Chief Executive Officer)
<b>K Brouard</b>	(Chief Financial Officer)
<b>S-A David</b>	(Chief Operating Officer)
<b>G Browning</b>	(Non-Executive)
<b>R Denton</b>	(Non-Executive)
<b>T Songini</b>	(Non-Executive)
<b>I Chapman</b>	(Non-Executive)
<b>J Peacegood</b>	(Non-Executive)

<b>Secretary:</b>	S Walden
<b>Bankers:</b>	Barclays Bank Plc PO Box 41 Le Marchant House St Peter Port Guernsey GY1 3BE
	The Royal Bank of Scotland International Ltd Royal Bank Place 1 Glatigny Esplanade St Peter Port Guernsey GY1 4BQ
	HSBC Bank Plc Arnold House St Julian's Avenue St Peter Port Guernsey GY1 3NF

<b>Legal advisers:</b>	Carey Olsen (Guernsey) LLP PO Box 98 Carey House Les Banques St Peter Port Guernsey GY1 4BZ
<b>Independent auditor:</b>	Ernst & Young LLP Royal Chambers St Julian's Avenue St Peter Port Guernsey GY1 4AF
<b>Registered office:</b>	PO Box 4 Electricity House Northside Vale Guernsey GY1 3AD
<b>Company number:</b>	38692

# Board members



**Peter Shaefer**  
Non-Executive Chair

Peter joined the Board of Guernsey Electricity in 2018 and was appointed as Chair during the year on the retirement of Ian Hardman. Peter has substantial business and commercial experience, having held a number of senior positions in both energy and consumer products industries, including being a member of the Executive Committee of the US listed company, Coty Inc. Peter brings his broad experience in business transformation, strategic planning and financial management to the Board. Additionally, his prior experience in the oil industry provides some synergies to working for an electricity utility. Peter served on the Board's Audit & Risk Sub-Committee before transferring to the Remuneration and Nominations Sub-Committee on his appointment as Chair, in addition to joining the Land & Property Sub-Committee.

Peter is a graduate of the Chartered Institute of Public Finance and Accountancy and currently Chief Executive Officer of La Perla Beauty and director of Guernsey Post Ltd.



**Ian Hardman**  
Non-Executive Chair (retired)

Ian retired from the Board in June after joining as a Non-Executive Director in 2011 and taking over as Non-Executive Chair in 2015. Ian has a background in banking having been the Senior Islands Manager for Lloyds Bank across Guernsey and Alderney. Working on the merger of Lloyds Bank and TSB Bank Channel Islands and then later the takeover by HBOS. Ian's core skills in corporate governance have helped steer the Board through challenging times and difficult decisions. As a keen promoter of talent management and empowering the workforce, Ian chaired the Remuneration & Nominations Sub-Committee until 2019. Ian was also a member of the Land & Property Sub-Committee until his retirement.

Ian is an Associate of the Chartered Institute of Bankers and the Chartered Governance Institute UK & Ireland.



**Gillian Browning**  
Non-Executive

Gillian joined the Board in 2018 after a placement with Guernsey Electricity under the Guernsey Training Agency Non-Executive Director Development Programme in 2016. Gillian is the Board's Deputy Chair/ Senior Independent Director. As such, she has a pivotal role in both deputising for Peter and serving as an intermediary for other directors or the shareholder where necessary. Gillian has been a member of the Remuneration & Nominations Sub-Committee since joining the Board and took over as Chair of that Sub-Committee late 2019. Outside of Guernsey Electricity Gillian is Co-Deputy Director General at the Guernsey Financial Services Commission, (GFSC). Her key skills being in policy development, supervisory oversight, risk management and good corporate governance. Gillian takes a keen interest in employee matters and environmental issues and ensures these factors are considered in Board discussions.

Prior to her role at the GFSC, Gillian worked at the UK Financial Conduct Authority and, prior to that, the Cabinet Office where she was a Minister's Private Secretary and Policy Officer.



**Rick Denton**  
Non-Executive

Rick joined the Board alongside Peter and Gillian in 2018 and leads his own consultancy business alongside holding a range of International Non-Executive Director positions. Through his previous employment with Coutts Group, Bank of Bermuda, Fortis and Barclays, Rick has considerable experience of board work in major corporations. Rick is Chair of the Audit & Risk Sub-Committee, utilising his skills in the areas of strategy, risk management and governance in conjunction with his financial background and audit experience.

Rick is a National Council Member of the Institute of Directors, representing the international branches. He holds an MBA with distinction from Warwick University, is an Associate of the Chartered Institute of Bankers, a Member of the Society of Trust and Estate Practitioners, holds a Henley Certificate in Executive Coaching and the Institute of Director's Diploma in Company Direction. Locally Rick is Chair of the Guernsey Banking Deposit Scheme and is a director of Guernsey Post Ltd.



**Tania Songini**  
Non-Executive

Tania joined the Board of Guernsey Electricity in September 2020. Tania is a Non-Executive Director with many years of experience in the renewable energy and sustainable infrastructure sectors. Prior to transitioning to a non-executive director portfolio, Tania worked for the German multinational, Siemens, for most of her career, including 15 years as Finance and Commercial Director across the Energy, Healthcare and Logistics businesses, in Germany and in the UK. Tania assists the Board in preparing for the energy transition, considering the right mix of technological options for future energy systems and the role the company can play in achieving a lower carbon future for Guernsey. During the year Tania has moved from the Board's Audit & Risk Sub-Committee, where she has given the company the benefit of her considerable financial experience, to become a member of the Remuneration and Nominations Sub-Committee, an area where she also brings considerable experience from her other Non-Executive roles.

Amongst her appointments Tania sits on the Board of Thrive Renewables (a renewable energy developer and operator), is a member of the UK Energy Systems Catapult (an organisation driving innovation and decarbonisation across the UK's energy system), the UK Infrastructure Bank and Crisis Action (working with individuals and organisations from global civil society to protect civilians from armed conflict). Tania holds a master's degree in Political Science and Economics from the University of Rome.



**Prof Sir Ian Chapman**  
Non-Executive

Along with Tania, Ian joined the Board as Non-Executive Director in September 2020 and is the CEO of the UK Atomic Energy Authority (UKAEA) and Director of the Culham Centre for Fusion Energy. This is a position he has held since 2016 during which time he has considerably grown the UKAEA in terms of headcount and turnover. Ian has a varied role across media and public outreach, research and innovation, governmental policy development and management of complex financial constraints. This experience all contributes to making Ian a highly valued Board member. He began his term with Guernsey Electricity as a member of the Remuneration & Nominations Sub-Committee but during the period transferred to become a member of the Audit & Risk Sub-Committee. Here he will aid the company to focus on key engineering risks and help navigate through the developing electricity strategy. With his experience in advising government, the Board values Ian's insights in stakeholder engagement and the experience he can share on energy transition from the UK energy market.

Ian has won a number of notable international awards, held various international roles and written numerous publications with international recognition. In 2021 he led the highest-power fusion experiment ever undertaken globally on the world's leading fusion machine, Joint European Torus, and now leads the UK's Spherical Tokamak for Energy Production prototype fusion powerplant programme. Ian is a fellow of the Institute of Physics and the Royal Academy of Engineering and a visiting Professor at Durham University.

*The company is owned by the States of Guernsey with the Guernsey Competition and Regulatory Authorities (GCRA) regulating our core business of electricity generation, conveyance and supply.*



# Board members *continued*



**Joanne Peacegood**

Non-Executive

Jo is the newest Non-Executive member of the Board having joined in 2021. Jo currently sits on a number of Boards of Listed and Private Funds and Asset Managers as a Non-Executive director across a range of asset classes. Prior to this she spent a long career at PwC across the Channel Islands, UK and Canada holding various leadership roles up to Director level in the areas of Audit & Assurance, Risk & Quality and Innovation & Technology. With her audit background Jo, is a member of the company's Audit & Risk Sub-Committee and provides expertise and challenge to the processes of the company. Additionally, throughout her career Jo has been responsible for various areas of performance management, training and mentoring and has a keen interest and concern in people related queries and issues. Although not a member of the Remuneration & Nominations Sub-Committee Jo attends as many meetings as possible to share views and ideas.

Jo is a Chartered Accountant, Chair of the Guernsey Investment & Fund Association and sits on the Guernsey International Business Association Council.



**Alan Bates**

Chief Executive Officer (CEO)

Alan joined the Board in 2010 as Managing Director and then became Chief Executive Officer in 2015, previously having been Managing Director of Manx Gas. Alan commenced his career with P&O Cruises as an Engineering Officer followed by 19 years in the oil and gas industry working for Mobil Oil, BP Oil and the International Energy Group. As CEO, Alan is responsible for leading the development and execution of the company's long-term strategy with a view to creating shareholder value. Alan's role uniquely balances the executive management of the company together with the political interaction required from a State-owned entity. Relationships with stakeholders are key to the company's success and at Board level Alan has a pivotal role both in terms of educating the parties involved and ensuring the interests of Guernsey Electricity have been represented. Alan is a member of the Land & Property Sub-Committee and is invited to attend all Audit & Risk and Remuneration & Nominations Sub-Committee meetings to inform on these matters.

Alan has a degree in Electro-Mechanical Power Engineering and an MBA in Executive Leadership. He is a Chartered Electrical Engineer (MIET), a Chartered Mechanical Engineer (FIMechE), has qualifications in risk and safety management (IIRSM) and is also a member of the Institute of Asset Management. He is a Director of Channel Islands Electricity Grid, (CIEG), JLEN Environmental Assets Group, Alderney Electricity and a Board Adviser to Guernsey Water.



**Sally-Ann David**

Chief Operating Officer (COO)

Sally joined the Board in 2011 and is a Chartered Electrical Engineer with over 30 years' experience in the fields of renewable energy, energy economics, system planning and project management. Originally starting her career at Guernsey Electricity as a student engineer, Sally then spent time away from the company developing her experience before returning in 1995. In addition to bringing her considerable engineering experience and knowledge to the Board, Sally has an interest in the well-being of the wider workforce and aids the company in discharging its welfare responsibilities. As COO, Sally oversees all aspects of Engineering & Design, Distribution, Business Planning and IT. Sally is a member of the Land & Property Sub-Committee and although not a member of the Audit & Risk Sub-Committee Sally is invited to meetings to focus on the significant operational challenges and risks facing the business. Sally will retire from the Board in September 2023.

Sally is a fellow of the Institute of Electrical Engineers, has an MBA and is a Chartered Director. She is a Director of CIEG, International Public Partnerships, Guernsey Chest and Heart and has recently joined the Board of the European Marine Energy Centre Ltd (a test and research centre focusing on wave and tidal power development based in the Orkney Islands, UK).



**Karl Brouard**

Chief Financial Officer (CFO)

Karl is the company's most recent Executive appointment, having joined the Board in September 2021. Karl began his career in engineering at Guernsey Electricity as an apprentice electrical fitter and then qualifying as a Chartered Electrical Engineer before leaving the company to pursue a career in accountancy. After qualifying as a Chartered Accountant Karl took the opportunity to return to the company where he led the finance function together with having responsibility for regulatory management before ultimately being appointed to the Board last year. Karl brings a unique combination of skills to the Board with his understanding of the engineering challenges being faced together with the financial constraints. This ability to cut across complex financial and operational business functions adds great value to Board decision making and aids the improvement of outcomes. As CFO Karl oversees the Finance, Procurement, Business Intelligence and Risk Management functions of the company. Karl is Chair of the Board's Land & Property Sub-Committee and is invited to attend all Audit & Risk Sub-Committee meetings.

Karl is a Director of the CIEG.

Top brands under one roof - visit our shop on The Bridge

Top brands under one roof - visit our shop on The Bridge

- TV's, audio and accessories
- Fast delivery of stock products
- Trusted advice from an expert team



www.electrichygg | Tel: 04941

YAMAHA Pioneer HUMAN



..... Our business year .....

# 2021/22



**12**

months of **uninterrupted** imported electricity



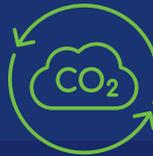
**1GWh**

milestone of renewable electricity **produced on-island** reached in period



**99.9**

percent **electricity** supply availability



**73gCO<sub>2</sub>e /kWh\***

**Carbon intensity** of distributed electricity



**23.56**

customer **minutes lost**



**86**

percent of customers now have **automated** meter readings



**92**

percent **electricity** consumption imported



**3k**

customers **switched** to ebilling



**30.0**

GWh of electricity **generated**



**2**

community **solar** arrays installed



**0**

**lost time** incidents

\*2022 calendar year

# Chair's statement



In writing my first annual report as Chair of Guernsey Electricity I would initially like to thank my predecessor, Mr Ian Hardman, for his dedicated service to the company over his tenure of 11 years. Ian provided valued guidance and counsel to the Board, and I will build upon his legacy to steer the company through the challenges ahead. I would also like to congratulate our CEO, Alan Bates, on the award of Institute of Directors Public Service Director of the Year. As CEO Alan is the public face of the company and a key player in its success. He is highly valued by the Board, and I am pleased this has been recognised externally. As Chair, alongside my fellow Non-Executive Directors, we have continued to focus this year on ensuring the Executive Directors' remuneration package is appropriate and aligned to market ranges, and this has been confirmed through external third party benchmarking.

## Funding the Future

In reflecting on the year, the most significant event of the last 12 months was the implementation of the Interim Arrangements in Tariff Regulation, which were approved by the States of Guernsey in September 2021. This involved the passing of the required legislative and regulatory licence changes in February 2022, closely followed by approval of the first underlying tariff increase in over a decade in July 2022. The engagement to facilitate the pace of change was unprecedented with great value being obtained from the wider engagement with key stakeholders. After what seems like an eternity of not having control of a clear financial strategy, these changes let us move to a position of reasonable financial, investment and long-term commercial sustainability. The tariff approval role within the interim arrangements is a distinct role undertaken by the States Trading Supervisory Board (STSB) in segregation from their role of shareholder. Whilst the process to apply for tariff changes is extremely diligent in terms of challenge, if demonstrable rationale and evidence can be made for increases then approval can now be obtained to allow the appropriate recovery of costs. When looking forward I am mindful of the impact of electricity tariff increases on our customers in recognition of immediate cost of living pressures. It is the aim of the Board to shield customers as much as possible, however, the company is not immune to price rises. Through continual engagement with customers and with policy makers we look to balance future increases with the need to facilitate future investment to ensure continual stability and reliability.

## Investing in the Future

The year saw the start of the project to install an electricity bulk supply point at the Princess Elizabeth Hospital (PEH) and associated grid infrastructure investment. The project is being primarily undertaken in conjunction with the Committee for Health & Social Care's improvements to the PEH site but additionally provides the company with the opportunity to increase capacity in this area of the island. A project of this scale will take several years to complete. This project follows the now fully commissioned electricity bulk supply point at Beau Sejour and forms the transmission backbone for the island to achieve its climate and environmental decarbonisation aspirations.



Site visit of the new Substation works at the Princess Elizabeth Hospital

The period additionally saw the commencement of several large solar array projects at Grow Ltd and The Ladies' College in conjunction with The Little Green Energy Company as part of the pipeline of projects designed to increase the amount of energy generated on-island from renewable sources. During the year the company reached a significant milestone, having produced one gigawatt hours of renewable electricity from community solar arrays at our own premises, Guernsey Post, King George V Playing Fields and the Longue Hougue Waste Transfer Station since the outset. Since the first installation in 2018 these systems have supplied more than 300,000 kilowatt hours (kWh) of renewable energy to the grid per year, enough to power around 600 electric cars.

## Interconnectivity

The security and control of our import of electricity via Jersey is becoming more important as the island's electricity strategy develops. There is a growing need to reinforce the relationship between Jersey Electricity and the company. The Board continues to progress joint infrastructure projects through the Channel Islands Electricity Grid to ensure security of imported supplies is maintained and to facilitate the deployment of local renewables.

As I look to the future, I am confident in the ability of the company and my fellow Board of Directors to navigate the impact of the finalisation of the island's electricity strategy, steering the company through the challenges of energy transition and the energy crisis we see emerging across Europe to secure the island's energy supply for future generations.

**Peter Shaefer**  
Chair

# Chief Executive Officer's report



*“Leading Guernsey Electricity out of the pandemic and back into a post-COVID world that is potentially more uncertain and volatile than before has been a real challenge. For the business there have been a few “game changing” movements over the year, which at least start to provide some form of foundation on which to build the organisation to be “energy transition” ready”.*

## The uncertain and volatile energy world



The war in Ukraine has had a profound impact on the energy market. As well as the more immediate capacity constraints and the resultant volatility in pricing, it has highlighted the dysfunctional structure of the market in both these regards. This level of disruption has resulted in short-term government interventions into the electricity markets and the desire to explore more appropriate structures for the future energy world. The recent events have also raised the geopolitical risk associated with energy provision and therefore the need for a greater level of independence in the generation of electricity.

For Guernsey Electricity, the contract position with the importation of electricity has allowed the island to be shielded from some of the wholesale market volatility and has allowed us to insulate our customers from the unprecedented tariff increases seen in some jurisdictions. However, it is clear to the Board that the world of energy has changed and the strategic planning for electricity now needs to reflect that in the short-term net energy (the production of sufficient energy to meet demand), will become the focus to ensure sufficient capacity is created to allow the journey towards net zero to continue. Guernsey's energy transition will need to be adaptable to this changing world and through the electricity strategy set out a pragmatic pathway that is sustainable for the island.

## Supporting the Energy Transition – Electricity strategy

Supporting the energy transition remains a key strategic priority for Guernsey Electricity. Since agreeing the energy policy for 2020–2050 our government has been progressing through the next steps of governance to ensure our energy market is best placed to support a net zero future. The development of the electricity strategy has therefore been the principal strategic focus for the executive team over the last 12 months.



The States of Guernsey's Committee for the Environment & Infrastructure launched a technical consultation with industry partners and key stakeholders on the electricity strategy for Guernsey. As the States-owned sole supplier of electricity, but also as a going concern in its own right, the island's electricity strategy is of fundamental importance and is critical to the company's own strategic planning. We therefore gave this consultation process our fullest consideration and submitted a comprehensive response to the consultation.

The consultation covered a great deal of detail both in terms of the technical infrastructure and the market framework being proposed in pursuit of a net zero electricity system, forming part of the overall net zero ambition for the island. Our response to the consultation covered some key areas of support and concern that we had about the various possible pathways to net zero and the practicalities for delivery on a small island. We also chose to offer some

alternative suggestions which we felt would deliver positive progression toward Guernsey energy policy objectives in quicker time with less effort and cost, costs that are ultimately borne by the electricity consumer.

As a business, Guernsey Electricity remains fully supportive of following a pathway of investment in infrastructure that enables a relevant proportion of Guernsey's electricity needs to be harnessed from local resources as part of the energy transition journey. To achieve this, we also support the introduction of appropriate supplementary market mechanisms, which are proportionate to the risks, to support the take up of local renewable energy, ensure market equity and to provide certainty for investors in local renewable energy schemes. We recognise that Guernsey's unique size, scale and geography mean that it's not necessarily appropriate to adopt the same market frameworks as they exist in other larger jurisdictions and it remains imperative that any market interventions are proportionate in terms of their complexity and administration, to ensure electricity consumers are not overly burdened with the cost of such administration without seeing commensurate benefit. In our consultation response, we again stated, as we have in the past, that evaluating the cost and benefit of any such market structures is a key necessity.

## Evolution of Electricity Tariffs

The company secured a much-needed tariff increase of 9% effective from 1st July 2022 during the period, following the transition of responsibility for tariff regulation to the STSB. This was a key step to fund investment in the company's electricity infrastructure in order to support the anticipated growth in electricity demand as part of the energy transition. As part of this tariff change, the company took the opportunity to apply a higher level of increase to the standing charge element of customers' bills than the unit cost to begin to align the tariff structure to the needs of the new electricity market. The existing tariff structure has been in place since 1993 and was designed on the basis of the traditional vertically integrated electricity supply model. The new electricity market shows a shift in government policies and customer behaviour toward decarbonisation that is thereby driving a significant change in the way that electricity is generated and used. Self-generation and subsequent storage are becoming more common whilst network peak demand that drives capital investment is still growing due to electrification of transport and heating. It is essential that future tariffs recover a greater proportion of revenue from fixed charges rather than consumption based variable charges to ensure that the fixed costs of providing central infrastructure are adequately recovered, irrespective of how much customers use the associated assets.

Looking forward we are mindful of the current Energy Crisis across Europe and the cost-of-living pressures being felt by us all. The company currently hedges currency exposures and, through the CIEG, electricity prices which will help shield customers to some extent against the level of price rises seen in other jurisdictions. However, it is important to note the company is not immune to increasing costs and the need for future investment to support the energy transition remains.

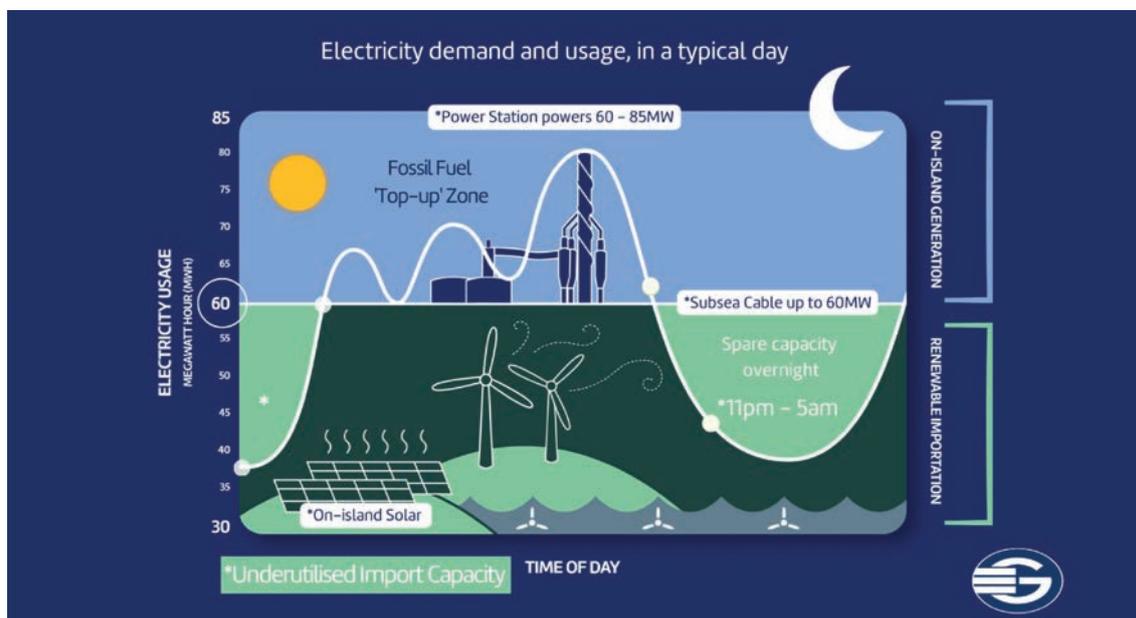
## Implementing new Enterprise Resource Planning (ERP) software during a pandemic

As with every year, along with the highs of securing electricity strategy direction for the island, there have also been some challenges for the company. One of the biggest challenges and a major focus for the board of directors during the year has been the continuing disruption caused through the introduction of our new ERP and billing system. The company commenced the ERP and billing project in 2019 and completed it in May 2021 to replace an obsolete and unsupported suite of systems. The project proceeded during the pandemic years and resourcing the project was extremely problematic. We acknowledge the difficulties this has caused to many of our customers and have worked hard during this year to improve the timeliness and presentation of invoices. Whilst bills and statements were correct, the company acknowledges that some of the billing information presented caused some customers' concern. In addition to the public discussion the project has also been a great internal disrupter and I am grateful to all staff for working through the issues in challenging circumstances. We are pleased that we are now in a stable position with the new system and our absolute focus is now on a programme of continuous improvement to make the system ready for the demands of the energy transition.

## Average number of Customer Incidents down

On average, there were 3 interruptions per 1000 customers over the year, down from 4.6 last year. The number of Customer Minutes Lost (CML) has remained relatively stable increasing slightly to 23.56 minutes lost per customer (previous year 21.43 minutes). Availability remains at 99.9%. While the CML remains historically low, the slight increase shows the importance of strong interconnection and continued investment in the on-island network. The security and reliability of electricity supply and capacity to the island will remain a key priority for the energy transition and support the island's aspiration to install more local renewables.

# Chief Executive Officer's report *continued*



## Financial performance

In terms of underlying financial performance, the company reports an operating loss of £2.2m (2021: £0.6m loss). Electricity units imported or generated were down 3.7% and, correspondingly, sales of electricity down 4.3%. The electricity sales revenues are not yet reflecting the full impact of the 1 July 2022 tariff increases. In the year there were also increased operating costs across a number of areas, most significantly costs associated with the remediation of issues following the ERP implementation and an increased level of generation maintenance on the ageing asset portfolio. In contrast, the company reports a pre-tax operating profit of £3.4m (2021: £0.4m profit) due to significant non-cash items accounting for pension fund movements and the valuation of derivatives. These elements provide considerable 'income' to the profit & loss statement, however, are accounting adjustments rather than being reflective of the underlying operational performance of the company.

On the balance sheet an increase in the corporate bond-based discount rate from 1.9% at the end of the last financial year to 4.9% this year end results in a significant reduction in pension liabilities and has led to a reversal of the previous pension deficit of £15.8m to a pension surplus of £4.8m. This strengthens the balance sheet position, however, again is not reflective of operational performance and for this reason the Board remains concerned to ensure a tariff pathway is developed suitable for future investment needs. Current net debt stands at £36.4m presenting considerable maintenance demands on a business with turnover of £59.1m. Looking forward the company seeks to maintain tight discipline over cost control and cash to ensure the business meets its loan covenants and keeps within STSB agreed gearing targets.

## The Guernsey Electricity Team

In line with other businesses, we have suffered through recruitment and retention issues over the last year and no doubt this has been exacerbated by the fallout from the new system implementation. I would like to thank all staff for the part they have played, and continue to play, in improving the future for the company and look forward to a more settled period ahead as we resolve the remaining challenges and look to take advantage of the benefits that the new system can offer. More generally I would like to thank my colleagues for their continuing loyalty and commitment through what has been an extremely difficult few years and as a business we now anticipate the planning certainty the electricity strategy will bring. I look forward to working with my fellow board members over the coming year to further address these challenges and move forward for the island of Guernsey.

## How we can work together

Our latest advertising campaign seeks to reshape customer behaviours in light of energy challenges and in line with other UK utilities to flatten the electricity demand curve and educate on ways to improve energy efficient behaviour. One of the easiest and most effective ways to spend less and reduce carbon emissions is to use some appliances overnight, particularly during winter when the power station is used to top-up our electricity demand late afternoon/evening.

**Alan Bates**  
Chief Executive Officer



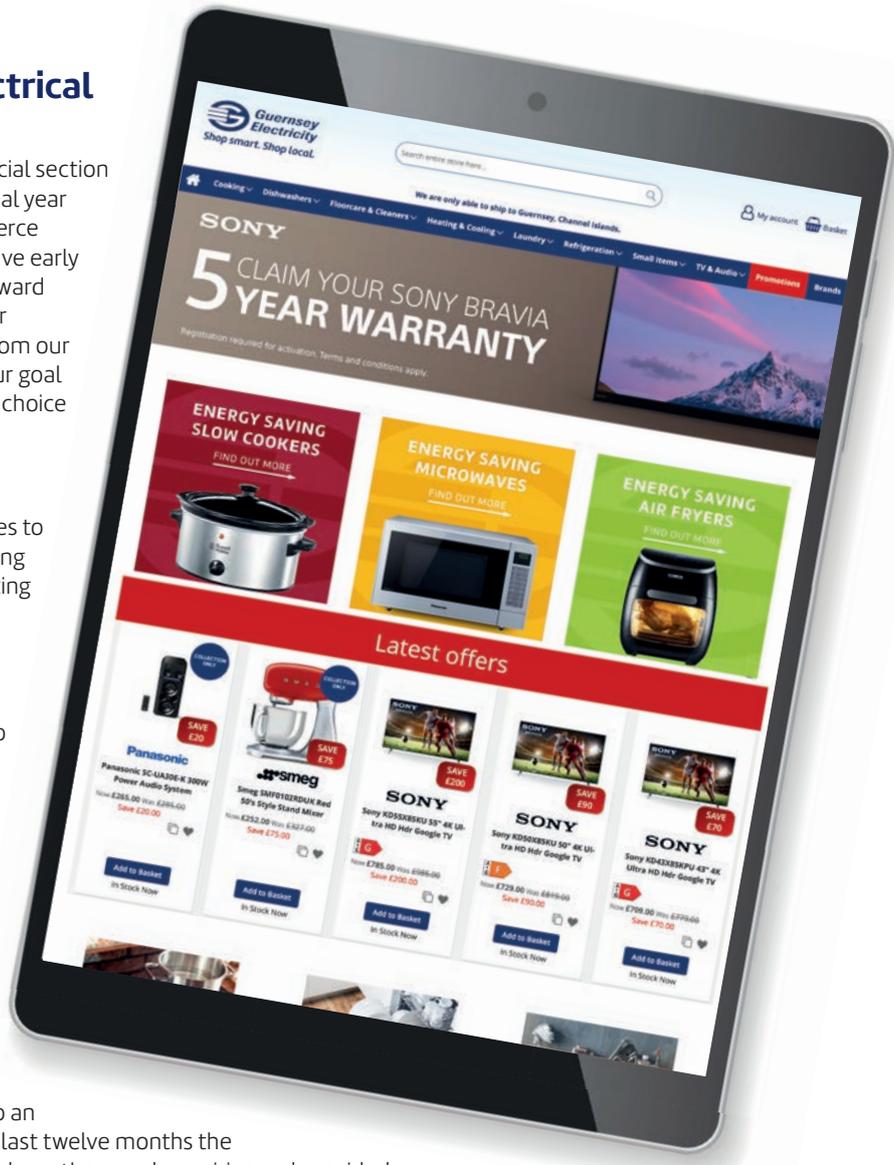
# Operating activities report

## First choice for electrical appliances

A key highlight for our commercial section in the last quarter of the financial year was the launch of the e-commerce proposition. The website went live early September and is a big step forward in expanding our proposition for customers, differentiating us from our competitors and is all part of our goal to become and remain the first choice for electrical appliances.

## Energy Solutions

Our Energy Sales team continues to make strong progress in switching customers from fossil fuel heating systems to electric solutions. As well as offering advice to customers considering making the switch, the team actively promotes electrical solutions to the company's customer base and to the wider installations industry, through a variety of methods including the on-line platform Electric Living. During the year 593 new customers signed up to our Superheat Tariff in order to power new electric heating solutions, this was significantly ahead of our annual target of 400 customers making the switch to an electric heating solution. In the last twelve months the Energy Sales team have handled one thousand enquiries and provided 232 quotations for switches to electrical heating solutions.



## HOME HEATING CENTRE

### ELECTRIC BOILERS

Electric boilers can usually fit where your existing oil or gas is, and you can keep your current radiators.

**INSERT NEW BOILED HERE**

**MONEY SAVING TIP**  
Heat your home with a 100% efficient electric boiler. It's a simple, smart way to reduce your energy bills and carbon footprint.

### INSULATION

The most cost and carbon efficient properties are well insulated.

25% Better  
35% Heat  
15% Heat

### AIR SOURCE HEAT PUMPS

Heat your home with a 300% efficient heating system. This isn't a typical air source heat pump and the most expensive way to heat your home. And they're also very low carbon.

They work best for new builds and properties that are well insulated.

£10 per hour  
£10 per hour

**ALREADY USING AN ELECTRIC BOILER?**  
When you need to replace it, give us a call to discuss air source heat pumps.

### STORAGE HEATERS

The low-cost way to stay warm through the winter. It's a bit like a battery. Clever technology charges up your storage heater overnight using your low-rate Super Economy 7a tariff, then releases the heat during the day when you need it.

Use TV - to show website. Call us show running cost compare on the screen?

**We import 100% renewable electricity**

So you don't have to.

**GET IN TOUCH FOR A FREE HOME HEATING SURVEY**

SCAN Call: 01481 300749  
Visit: electricity.gov.gp  
or scan the QR code to enquire now

**ELECTRIC RADIATORS**

### ELECTRIC RADIATORS

This 'dry' heating system doesn't need a boiler as each radiator has its own heating element.

You can also keep control of your heating on your smart phone with WiFi-enabled radiators.

Heat individual rooms using the programme to respond to just the right temperature.

**VISIT OUR WEBSITE TO SEE HOW THE HEATING COSTS COMPARE**

electricity.gov.gp/cost

### UNDERFLOOR HEATING

Free up your wall space. Electric underfloor heating can warm a single room, or become your property's main heating system.

**DRY HEATING SYSTEMS**  
Electric underfloor heating can warm a single room, or become your property's main heating system.

**WET HEATING SYSTEMS**  
Electric underfloor heating can warm a single room, or become your property's main heating system.

**IMPORTANT: EXTRA POWER**

As part of the installation process, we will apply for the additional electrical load required. This application takes time to complete as it includes engineers assessing the electricity network in your area and the supply line cable to your property. This is to check if there is enough electrical capacity to power your new system.

For more information visit:  
electricity.gov.gp/extra-power

New 'Home Heating Centre' Info Board Installation - displayed in the retail showroom.



GROW Ltd.

### Community Solar Arrays

During the course of this financial period Guernsey Electricity stepped back from any tendering for renewable energy sources as part of an amendment set before the States of Deliberation in July 2021, therefore Guernsey Electricity Limited undertook to only complete tenders that had been in progress such as Grow Ltd and The Ladies’ College.

#### GROW Ltd

We have been working closely with the team at GROW Ltd and The Little Green Energy Company on the planning of our 129 kilowatt peak power (kWp), 310 panel community solar array and commenced the install in the financial year 2022/23. All panels have now been fitted and we expect the install to be completed with the array being commissioned in May 2023. This array will produce enough electricity to provide power to approximately 40 homes.

We also had the pleasure of supporting GROW Ltd by donating £1 for every one of our customers who signed up for paperless billing during the summer months.

### The Ladies’ College

With COVID unfortunately affecting our installation partners the final stages of the Ladies’ College 121kWp solar array installation was delayed but was completed and finally commissioned in January 2023.



The installation of 292 photovoltaic (PV) panels on site at the Ladies College, make it the third largest PV scale on-Island and follows similar projects completed over the past three years at Guernsey Post, King George V Playing Fields and the Waste Transfer Station.

# Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2022. These comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, the cash flow statement and notes to the financial statements set out on pages 30 to 65.

## Incorporation

Guernsey Electricity Limited (the "company") was incorporated on 24 August 2001.

## Principal activities

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

## Dividend

No dividend was paid during the year (30 September 2021: £nil paid), representing £nil per share (30 September 2021: £nil per share paid). The company will not be proposing a dividend at the 2023 Annual General Meeting (2022: £nil proposed).

## Customers

The number of customers as at 30 September 2022 is 29,763<sup>1</sup> (30 September 2021: 29,982).

## Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 92% (30 September 2021: 93%) of the island's electricity needs in the year ended 30 September 2022 and 8% (30 September 2021: 7%) was generated on the island, as shown by the units' analysis below.

	<b>Year to 30 Sept 2022</b>	Year to 30 Sept 2021
Units imported MWh	<b>340,726</b>	359,711
Units generated MWh	<b>30,006</b>	25,272
<b>Total units imported/generated MWh</b>	<b>370,732</b>	384,983

## Average price

The average price per kWh sold in the year ended 30 September 2022 was 15.70 pence (30 September 2021: 15.69 pence).

## Reliability

The reliability of Guernsey Electricity's supply is measured by minutes lost per customer. Power outages can be caused by failures of generators, the distribution network or the cable link. In the year ended 30 September 2022, customers lost zero minutes due to generation/importation activity (30 September 2021: zero minutes) and 23.56 minutes were lost per customer in respect of distribution (30 September 2021: 21.43 minutes).

<sup>1</sup>Historically corporate customers with multiple accounts have been counted as multiple customers. As part of the migration to the new ERP system in 2020/21 corporate customers with multiple accounts were reclassified as single corporate customers with multiple active agreements. This is a count of all unique customer accounts with active electricity agreements. This new approach better enables the company to service these customers and track growth linked to the Energy Strategy.

## Directors and their interests

The directors of the company, who served during the period and to date, are as detailed on page 1. The directors have no beneficial interests in the shares of the company.

## Disclosure of Information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

## Going Concern

These financial statements have been prepared on a going concern basis as detailed in note 3 to the financial statements.

## Auditor

Following a tender process, Ernst & Young LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors.



**P Shaefer**  
Director



**A Bates**  
Director

3 May 2023

# Environmental



## Environmental Sustainability

Guernsey Electricity continues to focus on environmental sustainability throughout all levels and business activities. Guernsey has made a commitment to net zero by 2050 and in response we are continuing to formalise a glide path in playing our part towards that goal. We have seen increasing employee engagement through our environmental initiatives group, which continues to bring new ideas and initiatives to the business, this year through cycling to work, active travel, the e-bike loan scheme, company pool e-bikes, reductions in energy saving, waste management and supporting community projects such as the Clean Earth Trust beach cleans.

Decarbonising the electricity supply for the island remains a core business priority, more people are

transitioning to electric heating and there is increasing awareness around climate change electrification and carbon dioxide reduction. However, the island's only interconnector cable is limited to importing 60MW of low carbon renewable electricity. Therefore, during winter peaks of up to 95MW we are reliant on the Vale power station for generation, this in turn means that further electrification of heating is now effectively starting to re-carbonise the electricity supplied to islanders at peak times. For the company to be able to recognise the potential for electrification on the net zero pathway and the clear desire for electrification from the local public and businesses we must secure in the near term, through further interconnection, additional low carbon electricity supply to meet the increasing demand.

As part of our importation of renewable energy from France we receive Guarantee of Origin Certificates (GoOs) for every megawatt-hour of electricity imported. This is the market mechanism in Europe for certifying the trade in renewables across the European electricity grid to which we are connected. In 2022 the renewable imported electricity was sourced from France, 75% from hydropower, 23% from wind and 2% from solar.

	Vale Power Station	Community PV	Imported MWh					Total Distributed MWh
			Hydro	Nuclear	Wind	Solar	% Imported	
2020	22,783	369	200,942	0	81,430	64,328	94	331,899
2021	26,860	390	354,910	0	329	0	93	363,515
2022	28,855	367	254,347	0	76,867	6,035	92	357,311

Guernsey Community Solar generated 367MWh in 2022, this is projected to increase in 2023 where Guernsey Electricity is driving positive change within the community with the planned solar installations at both The Ladies' College of 121kWp and Grow Ltd of 129kWp.

The carbon intensity of the distributed electricity in 2022 has seen a slight increase of 5gCO<sub>2</sub>e/kWh compared to 2021 levels. The increase is due to a number of factors: the source of the renewable importation in 2022 had a higher proportion from wind and solar which is more carbon intensive than the predominant hydro energy imported in 2021. The increasing demand for electricity especially in winter peak periods, as well as the increased winter generation driven by the energy crisis in Europe were additional drivers of increasing carbon intensity in 2022.

	Scope 1 Emissions tCO <sub>2</sub> e	Scope 2 Emissions tCO <sub>2</sub> e	Scope 3 Emissions tCO <sub>2</sub> e	Total Emissions tCO <sub>2</sub> e	Intensity of Distributed Electricity gCO <sub>2</sub> e/kWh	Lifecycle Intensity of Distributed Electricity gCO <sub>2</sub> e/kWh
2020	20,063	285	1,884	22,232	67	86
2021	22,653	185	2,042	24,880	68	82
2022	23,049	152	2,882	26,083	73	86

Emissions are calculated for the calendar year running from 1st January to 31st December.

Imported MWh takes into account transmission and distribution losses between the source and the island.

Intensity of Distributed Electricity is the intensity of GEL's scope 1, 2 and 3 emissions per kWh of electricity sold to our customers.

Total distributed electricity is the electricity that has been delivered to our customers, taking into account transmission and distribution losses.

Lifecycle carbon intensity: this is the carbon intensity of delivered electricity, taking into account the lifecycle emissions of each electricity source, which includes emissions associated with: materials used for plant constructions, embodied carbon for each type of generation technology (including GEL owned and for imported electricity), on-site operations, the supply chain of fuels and transmission and distribution losses.

The full lifecycle intensity of our electricity has been calculated from 2019 onwards.

Scope 1 emissions: combustion of fuel to generate power, combustion of fuel in vehicles and fugitive emissions.

Scope 2 emissions: electricity transmission & distribution losses.

Scope 3 emissions: electricity importation.

Data extract from WSP GHG Review Spreadsheet RP of 2022\_13032023\_v0.1.

# Social

## Community Engagement

In 2022 Guernsey Electricity has continued providing opportunities through its Power to the People donations, focusing our corporate social responsibility efforts on youth and community, providing support to many worthwhile local initiatives and charities.

This year we have supported some great initiatives including:

- **The Lihou Charitable Trust** - we made a donation to support the completion of the installation of solar panels which will reduce the building's reliance on fossil fuel generation within the Ramsar site.
- **The Guernsey Sea Cadets** - a donation to enable the purchase of an electric outboard motor for their harbour tender which is used by local children and young adults.



Lieutenant (SCC) Martin Browning RNR using the new electric outboard motor in St Peter Port Harbour.



Power to the People winner. Live data screens installed for solar panels on Lihou.

## Employees

Fundamental to the company’s long-term success are our employees working across a range of roles within electricity generation, network distribution, corporate services and our non-core commercial contracting and retail functions. In order to deliver the energy transition, we need to attract, develop and retain a high performing diverse workforce delivering exceptional service and innovative solutions to our customers and communities.

## Training

The company relies on people with specialised expertise but attracting a new generation of skilled employees can be challenging when competing for talent with other diverse industries and within a limited on-island supply pool. The company has a continuing commitment to training and personal development. This year we have continued with our bursary sponsorship of undergraduates and have had success sponsoring engineers through Higher National Certificate/Diploma programmes. We sponsor professional accreditations in our Finance, Marketing, Information Technology and Project Management areas, as well as more formal Institute of Directors (IOD) qualifications. We continue to offer a successful apprenticeship and bursary programme to support trainees and those wishing to further their education.

## Trainees and Apprentices



**217.77**

FTEs 30/09/22

Plus vacancies

**15**

**9**

Apprentices  
30/09/22

**1**

Bursaries  
21/22

**201.50**

FTEs 30/09/21

Plus vacancies

**6**

**7**

Apprentices  
30/09/21

**1**

Bursaries  
20/21



Upper L-R:  
Im - Apprentice Jointer  
Pach - Apprentice Jointer  
Drew - Trainee Mechanical Fitter.  
Lower L-R:  
Luke - Trainee Side Desk  
Support Technician  
Rhys - Apprentice Jointer.

# Social *continued*

## Diversity, Inclusion and Equity

The company is committed to drive a diverse and inclusive workforce to counteract skill shortages within specialised areas of the industry and support the journey to a more sustainable future. We recognise this is a long journey but are committed and taking our first steps.

As in previous year's we have donated to the Guernsey Institute to provide lunch for almost 200 students and bring over a keynote speaker to mark International Women in Engineering Day. Our senior managers reach out to attend local educational events to inspire students of all backgrounds in the various disciplines to support our industry and the energy transition more broadly.

The company regularly consults with the Guernsey Employment Trust who work with disabled and disadvantaged people to prepare for, find and maintain work. During the year we recruited two members of staff who were referred to us through this agency and undertook an initial work placement. Both staff members have proven to be effective and reliable employees who are a credit to the company.

The company holds an annual employee recognition awards event to celebrate long-serving staff members who have given so much over the years together with awards for trainees and staff that have gone that extra mile demonstrating excellence.



**46**  
Average employee age



**9**  
Years average length of service



## Health & Well-being

In line with many organisations in the post pandemic world the company has seen some recruitment and retention issues in a difficult labour market and therefore employee well-being and engagement is ever more important.

During the year a well-being working group was established to develop a broad encompassing well-being policy for the company. The group comprises employees across the business led by Sally-Ann David, our Chief Operating Officer. As a spin off activity this year a "Women in the workplace" lunch



was held, with future events planned, to support this section of our workforce discussing pertinent topics from menopause to childcare.

The company is very aware of the importance in supporting mental well-being and has five trained Mental Health First Aiders across different areas of the business. These individuals are available to any staff wishing to have a confidential conversation and are trained to point them in the right direction to get relevant help whatever that may be. During the period one of our First Aiders hosted talks across the company to share their own personal challenges with mental health.

The company promotes the benefits of healthy work commutes and reducing carbon footprint. As such, an e-bike scheme was introduced during the period where staff can apply for an interest free loan to allow purchase of an e-bike or an e-bike convertor kit and cycling accessories. For the period to 30 September 2022 6 staff had taken up the scheme. Two company e-bikes have also been purchased and are based at Electricity House available for use by staff during work hours.

### Engagement

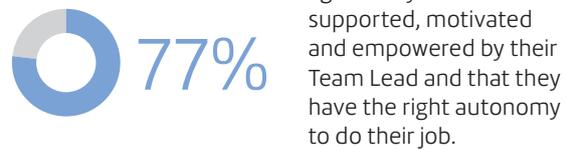
The company strives to be an organisation where employees trust and respect the people they work with, have a sense of purpose and pride in what they do and enjoy working with their colleagues. Additionally, it endeavours to be a place that's resourced with the right people and tools to do the job, there is shared clarity on the priorities and bureaucracy and process do not get in the way of getting things done. During the year a staff engagement survey was conducted to canvas the views of the workforce on the company's progress

towards these goals. Together they focus on building a better place to work.

The results provided a number of positives to build on:

- The pride people take in working for GEL.
- The sense of camaraderie derived from working with team colleagues.
- The willingness to go the extra mile for customers to "keep the lights on".

### Positives regarding a Better Place to Work



### Pay & Benefits

The company provides a comprehensive benefits package, striving to be fair, competitive, and designed to look after our employees and help them enjoy island life flexibly, progress their careers, be recognised for their efforts and be paid fairly. Throughout the period the company has been working with union representatives as part of the Joint Negotiating Committee to determine fair and affordable pay awards by carefully considering the balance between the cost-of-living pressures felt by everyone and the affordability for the business and resultant impact on tariffs.

# Corporate Governance

As a Board we take corporate governance very seriously, ensuring our governance and compliance systems are appropriate and our people are trained to run these systems effectively. Guernsey Electricity's corporate governance arrangements take into account the needs of the shareholder and the business.

## The Board

The Board's role is to provide entrepreneurial leadership of the company within a prudent framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the company's objectives, and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the company, to deliver the company's values and standards and takes decisions objectively in the interests of the company, its shareholders, and other stakeholders.

## Division of responsibilities

### Chair

Peter Shaefer, the Chair, is responsible for the running of the Board and spends on average 2 days per month in his role. The Board consider that he has no other external directorships which make conflicting demands on his time as Chair. Gillian Browning is the Deputy Chair and Senior Independent Director appointed by the Board.

### Chief Executive

Alan Bates is the Chief Executive Officer (CEO) and is responsible for leading the development and execution of the company's long-term strategy with a view to creating shareholder value. The leadership role of the CEO also entails being ultimately accountable for all day-to-day management decisions and for implementing the company's long and short-term business plans. The CEO is head of the Executive Leadership Team (ELT).

### Executive Directors

The Chief Financial Officer (CFO) and Chief Operating Officer (COO) are the other two Executive Directors on the Board and ensure the company's financial and operational objectives are delivered and the governance and compliance systems are working effectively.

### Non-Executive Directors

Non-Executive Directors help to develop and challenge the company's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in

the appointment, removal, and succession planning for Executive Directors. The appointment of Non-Executive Directors is ultimately made by the States of Guernsey based on recommendations by the Board.

### The Shareholder

Guernsey Electricity Limited is 100% owned by the States of Guernsey, through the States Trading Supervisory Board. There is a Memorandum of Understanding between the shareholder and the company setting out matters which can be dealt with by the company and those which should be referred back to it, together with inclusion of the shareholder expectations in respect of corporate governance.

## How the Board operates

### Board balance and independence

Throughout the year the company has had a balance of independent Non-Executive Directors on the Board who ensure that no one person has disproportionate influence. There are currently six Non-Executive Directors and three Executive Directors on the Board. The number of Non-Executive Directors has been set to allow for flexibility in covering Sub-Committees and so as not to over burden any one individual.

All of the Non-Executive Directors bring with them significant commercial experience from different industries, which brings diversity of thought and challenge and ensures that there is an appropriate balance of skills on the Board. There is a clear and documented distinction of roles between the Chair and CEO.

### Information and professional development

For each scheduled Board meeting the Chair and the Company Secretary ensure that the directors receive a copy of the agenda for the meeting, company financial, strategic and operating information and information on any other matter which is to be referred to the Board for consideration. The directors also have access to the Company Secretary for any further information they require.

All newly appointed directors participate in an internal induction programme that introduces the director to the company.

The Company Secretary, who is appointed by the Board is responsible for facilitating compliance with Board procedures. This includes recording any concerns relating to the running of the company or proposed actions arising there from, that are expressed by a director in a Board meeting. The Company Secretary is also Secretary to all of the Board's Sub-Committees.

### Board meetings and attendance

There were four quarterly scheduled meetings of the Board and each Sub-Committee held during the year together with two shorter notice Board, one Audit & Risk Sub-Committee and one Land & Property Sub-Committee meeting.

Attendance during the financial year for Board meetings is given in the table below where the first number represents attendance and the second the number of possible meetings, for example as Mr Hardman retired in June one of the Board meetings

was held after this date and therefore, he was not eligible to attend. An \* marks where a director attended a Sub-Committee meeting by invitation and was not a member of the Sub-Committee for that meeting.

<b>Total Meetings in period</b>	<b>6</b>	<b>5</b>	<b>4</b>	<b>5</b>
<b>Director</b>	<b>Board</b>	<b>A&amp;R</b>	<b>RNC</b>	<b>L&amp;P</b>
I Hardman	5/5	-	3/3	4/4
A Bates	6/6	-	-	5/5
K Brouard	6/6	-	-	5/5
S-A David	6/6	-	-	5/5
R Denton	5/6	5/5	-	-
G Browning	4/6	-	4/4	1*
P Shaefer	6/6	4/4	1/1	1/1
I Chapman	4/6	1*	4/4	-
T Songini	6/6	5/5	1*	-
J Peacegood	5/6	3/5	2*	-

Where an individual is unable to attend a meeting, they still receive all papers beforehand and have the opportunity to feedback on any topic.

#### **Board Strategy**

The Board aims to meet once a year for a Board Business Planning Day, attended by the ELT and other senior employees to agree strategic priorities for the next three years and to provide direction on key issues to the ELT. The Board also meets annually for the Board Risk Review Session. The company's top strategic risks and annual risk actions, as proposed by the ELT are reviewed and approved by the Board, thereby setting the company's risk management strategy for the year.

#### **Key areas of focus for the Board**

The principal areas of strategic focus and development agreed by the Board and monitored throughout the financial year were:

- Energy Policy and Energy Transition.
- Capital investment programme and funding.
- Enterprise Resource Planning (ERP); and
- Regulatory framework and Tariff Strategy.

#### **How we are governed**

In addition to regular scheduled Board meetings, some of the Board's governance authorities have been adopted by various Sub-Committees. Each of the Committees has Terms of Reference agreed by the Board. Each Committee reports back to the full Board and minutes of all meetings are available to all directors.

#### **Remuneration & Nominations Sub-Committee**

The Remuneration & Nominations Sub-Committee, which is chaired by Gillian Browning, consists solely of three Non-Executive Directors however all Non-Executive Directors may attend the meetings. The purpose of the Remuneration & Nominations Sub-Committee is to assist the Board in the effective discharge of its responsibilities for the remuneration and other employment conditions of Executive Directors and senior management and to act as a Nominations Sub-Committee as the need arises.

#### **Non-Executive Director Remuneration**

Non-Executive Directors' fees are determined by the States Trading Supervisory Board and are subject to review on a biennial basis. The amounts paid during the financial year were as follows:

I Hardman	£10,506	Retired 9 June 2022
P Shaefer	£12,795	Chair from 9 June 2022
G Browning	£11,709	
R Denton	£11,709	
I Chapman	£11,709	
T Songini	£11,709	
J Peacegood	£11,709	

#### **Executive Remuneration**

In line with the authority delegated by the Board, the Remuneration & Nominations Sub-Committee (RNC) is responsible for determining the terms and conditions of employment for the Executive Directors. The RNC involves all the Non-Executive Directors in determining individual Executive Director employment

# Corporate Governance *continued*

packages. No director is permitted to be involved in deciding the amount of his or her own remuneration or the terms of their employment package. As per the Memorandum of Understanding between the company and the shareholder, the Board ensures the policy and procedures in place provide a level of remuneration for the directors that does not exceed that which is sufficient to attract, retain and motivate directors of the quality required to run the company successfully. The Sub-Committee then ensures the individual remuneration packages put in place within the company provide appropriate incentives which encourage enhanced performance and reward, in a fair and responsible manner, for individual contributions to the success of the company. To achieve this a proportion of all executive directors' remuneration is structured to link the approval of any rewards to corporate and individual performance.

The salaries of the Executive Directors are assessed, and any changes approved annually in the context of performance against objectives and behaviours/competences of the individual director. The specific performance objectives are set in advance of each financial year and after initial challenge by the Sub-Committee, the final approval of the objectives is by the Board to ensure alignment with long-term strategic goals. Part of the package is the Executive Directors' Bonus Scheme (EDBS), which is a long-term incentive plan whereby bonus can only be earned dependent on company performance against previously agreed financial and operational metrics. The value that can be earned is subject to a maximum cap which is reserved for outstanding performance only.

Following the financial year end, overall performance against these metrics is evaluated and each individual director's contribution to that performance is scrutinised by the Sub-Committee before authorisation is given to any amounts payable. A proportion of this bonus is then deferred for a two-year period to incentivise acting in the longer-term interest of the company. These deferred values are subject to further assessment and challenge before payment is authorised, this being to evaluate the continuing longer-term performance of both the company and the individual directors.

During the period the RNC reviewed the EDBS to ensure it continued to reflect the effective delivery of strategic projects or strategic imperatives and included a measure of directors' behaviours in this regard.

The RNC also undertakes periodic benchmarking of director remuneration packages by an independent third party with the next review having taken place in the financial year 2022/2023. The findings of this review being that salaries were determined to be paid within their respective market ranges whereas the Executive bonus arrangements were advised to be below typical market practice.

The membership of this Sub-Committee during the financial year was as follows.

<b>Chair:</b>	G Browning
<b>Members:</b>	I Hardman (until 9 June 2022)
	P Shaefer (from 9 June 2022)
	I Chapman (until 19 July 2022)
	T Songini (from 19 July 2022)

In line with its' terms of reference the principal activities of the Sub-Committee during the period were:

- Reviewing Board skills and succession planning. After initial discussions in the previous period the Sub-Committee oversaw the appointment of Mr Shaefer as Chair of the Board in June 2022 on the retirement of Mr Hardman.
- During the period the Sub-Committee began to consider the retirement of the Chief Operating Officer in September 2023 and recruitment commenced September 2022.
- Board Effectiveness. An external evaluation took place during 2022 by the Chartered Governance Institute. A report of the findings was presented to the Board and resultant actions are being implemented.
- Executive remuneration policy. The Sub-Committee ensured the policy remains fit for purpose and determined pay and bonus awards in line with that policy, external benchmarking being scheduled during the 2022/23 financial year.

## Audit & Risk Sub-Committee

The purpose of the Audit & Risk Sub-Committee is to assist the Board of Directors of Guernsey Electricity Limited in the effective discharge of the Board's responsibilities for risk management, financial reporting, and internal control in order to ensure high standards of probity and good corporate governance. In doing so, the Audit & Risk Sub-Committee is required to act independently of the executive and seek to safeguard the interest of the company shareholder.

Whilst the Sub-Committee has no executive powers, it has wide ranging terms of reference and reports to the Board on a regular basis.

The Audit & Risk Sub-Committee members comprise Non-Executive Directors. Rick Denton is the Chair of the Audit & Risk Sub-Committee, and the Board is satisfied that the Sub-Committee has, through its membership, access to recent and relevant experience to enable the duties of the Sub-Committee to be fully discharged. The Sub-Committee is supported by Mr R Winter, Head of RQHSE (Risk, Quality, Health, Safety and Environment). Both the company's internal and external audit partners have direct access to the Sub-Committee should it be required.

The membership of this Sub-Committee during the financial year was as follows:

<b>Chair:</b>	R Denton
<b>Members:</b>	P Shaefer (until 9 June 2022)
	T Songini (until 19 July 2022)
	I Chapman (from 19 July 2022)
	J Peacegood

During the year the Sub-Committee considers that it has acted in accordance with its' terms of reference ensuring:

- The independence and effectiveness of internal and external auditors, overseeing periodic tendering of these services.
- Appropriate controls and measures are in place to mitigate against material risks, performing deep dive reviews on specific risk areas and monitoring the company's overall risk appetite and strategy.
- The integrity of the financial statements. Reviewing significant financial reporting issues and judgements they contain.
- Whistle blowing arrangements are in place.
- Cyber security risks are managed and reported.
- Running of the audit tender.

#### Land & Property Sub-Committee

The Chief Financial Officer is the Chair of the Land & Property Sub-Committee. The main terms of reference for this Sub-Committee are to review and approve all routine property transactions undertaken by the company up to a limit set by the Board and to undertake such other tasks relating to land and property as directed by the Board. This Sub-Committee comprises the Chair of the Board together with all the Executive Directors.

#### Relations with the shareholder

The company's issued share capital is wholly owned by the States of Guernsey. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, as amended, provided for the States of Guernsey Advisory & Finance Committee (subsequently the Treasury & Resources Department) to undertake, on behalf of the States, the role of shareholder representative.

Following the re-organisation of the States of Guernsey and the introduction of "The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016" and the General Election of Deputies held in April 2016, the powers, duties, and responsibilities of the Treasury & Resources Department in relation to the company were transferred to the States Trading Supervisory Board. The shareholder functions, including holding equally the issued share capital of the company in trust on behalf of the States of Guernsey, of the Minister and Deputy Minister of the Treasury & Resources Department have also been transferred to the President and Vice President of the States Trading Supervisory Board by virtue of section 1.(1) The Organisation of States' Affairs (Transfer of Functions) Ordinance 2016.

Provision is also in place for the States to give guidance to the States Trading Supervisory Board on the policies it wishes to be pursued in fulfilling its role. Each year, the company submits its forward plan to the States Trading Supervisory Board. In addition, the company has signed a Memorandum of Understanding with the States' shareholder representative concerning the manner in which the company and its shareholder's representatives will interact in respect of stewardship and corporate governance matters generally. Quarterly meetings are held between the STSB and the company attended by the Non-Executive Chair, the Chief Executive Officer and the Chief Financial Officer plus other Directors on request. Between meetings, the company maintains an active dialogue with the STSB as shareholder primarily through liaison between the CEO and Head of Shareholder Executive.



# Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* and applicable company law.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Guernsey Electricity Limited

## Opinion

We have audited the financial statements of Guernsey Electricity Limited (the "company") for the year ended 30 September 2022 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 27, 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 including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

## 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements, including the UK 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 June 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be

predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or
- the financial statements are not in agreement with the company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 35, the directors 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 directors determine 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 directors are responsible for assessing the company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

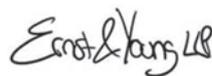
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Accounting Standards), The Companies (Guernsey) Law 2008 and the relevant direct tax compliance regulation in the Bailiwick of Guernsey.
- We understood how Guernsey Electricity Limited is complying with those frameworks by making enquiries of the directors and those responsible for compliance matters and corroborated this by reviewing minutes of meetings of the Board of Directors and the Audit and Risk Sub-Committee. We gained an understanding of the Board's approach to governance, demonstrated by its review of reports from management, compliance and internal audit reports and review of internal control processes.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by identifying electricity sales as a fraud risk. We considered the controls the company has established to address risk identified by the directors or that otherwise seek to prevent, deter or detect fraud and how management and those charged with governance monitor those controls. We have also considered the existence of any stakeholder influences which may cause management to seek to manipulate performance and did not note any.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the review of minutes of meetings of the Board of Directors and the Audit and Risk Sub-Committee, review of compliance and internal audit reports; making inquiries of those charged with governance; and performance of journal entry testing based on our risk assessment and understanding of the business, with a focus on non-standard journals and those relating to areas with an identified associated fraud risk, as described above.

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

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Ernst & Young LLP**  
**Guernsey, Channel Islands**

Date 3 May 2023

### Notes

1. The maintenance and integrity of the Guernsey Electricity Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Statement of comprehensive income

for the year ended 30 September 2022

	Note	30 Sept 2022 £'000	30 Sept 2021 £'000
<b>Revenue</b>	4	<b>59,147</b>	62,270
<b>Cost of sales</b>		<b>(51,858)</b>	(51,716)
<b>Gross profit</b>		<b>7,289</b>	10,554
<b>Net operating expenses</b>		<b>(9,506)</b>	(11,105)
<b>Operating loss before pension settlement</b>		<b>(2,217)</b>	(551)
<b>Pension settlement gains</b>	24	<b>5,154</b>	2,060
<b>Operating profit after pension settlement</b>	5	<b>2,937</b>	1,509
Net gains on derivatives at fair value	23	<b>1,662</b>	60
Finance income	6	<b>7</b>	12
Finance cost	6	<b>(1,252)</b>	(1,170)
<b>Profit on ordinary activities before taxation</b>		<b>3,354</b>	411
Taxation (charge) / credit	7, 14	<b>(1,580)</b>	724
<b>Profit for the financial year after taxation</b>		<b>1,774</b>	1,135
<b>Other comprehensive income:</b>			
Changes in fair value of cashflow hedges:	23		
• Effective portion		<b>1,453</b>	(1,124)
Remeasurement of net defined benefit liability	24	<b>17,413</b>	5,606
Tax charge on remeasurement of net defined benefit liability	14	<b>(3,499)</b>	(991)
<b>Total comprehensive income for the financial year</b>		<b>17,141</b>	4,626

All activities derive from continuing operations.

The notes on pages 34 to 65 form an integral part of these financial statements.

# Statement of financial position

at 30 September 2022

	Note	30 Sept 2022 £'000	30 Sept 2021 £'000
<b>Non-current assets</b>			
Property, plant and equipment	9	142,856	145,579
Intangible assets	10	3,225	3,343
Investments	11	5	5
		<b>146,086</b>	<b>148,927</b>
<b>Current assets</b>			
Inventories	12	7,782	6,230
Trade and other receivables	13	18,012	17,954
Balances with States' Treasury	15	26	34
Cash		3,799	2,832
		<b>29,619</b>	<b>27,050</b>
<b>Current liabilities</b>			
Trade and other payables: amounts falling due within one year	16	(22,786)	(19,422)
<b>Net current assets</b>			
		<b>6,833</b>	<b>7,628</b>
<b>Total assets less current liabilities</b>			
		<b>152,919</b>	<b>156,555</b>
<b>Non-current liabilities</b>			
Trade and other payables: amounts falling due after more than one year	17	(44,645)	(44,828)
<b>Pension surplus/(deficit)</b>	24	<b>4,784</b>	<b>(15,810)</b>
<b>Net assets including pension surplus/(deficit)</b>			
		<b>113,058</b>	<b>95,917</b>
<b>Equity</b>			
<b>Share capital</b>	20	<b>105,209</b>	105,209
<b>Reserves</b>		<b>7,849</b>	(9,292)
<b>Total equity</b>		<b>113,058</b>	<b>95,917</b>

The financial statements on pages 30 to 65 were approved by the Board of Directors on 3 May 2023.

Signed on behalf of the Board of Directors



**P Shaefer** Director



**A Bates** Director

The notes on pages 34 to 65 form an integral part of these financial statements.

# Statement of changes in equity

for the year ended 30 September 2022

	Share capital £'000	Reserves £'000	Total equity £'000
<b>1 October 2020</b>	105,209	(13,918)	91,291
Profit for the financial year	-	1,135	1,135
<b>Other comprehensive income for the year</b>			
Remeasurement of net defined benefit liability	-	5,606	5,606
Tax charge on remeasurement of net defined benefit liability	-	(991)	(991)
Effective losses on hedging instruments in a cash flow hedge	-	(1,124)	(1,124)
<b>Total comprehensive income for the year</b>	-	4,626	4,626
<b>30 September 2021</b>	105,209	(9,292)	95,917
Profit for the financial year	-	1,774	1,774
<b>Other comprehensive income for the year</b>			
Remeasurement of net defined benefit liability	-	17,413	17,413
Tax charge on remeasurement of net defined benefit liability	-	(3,499)	(3,499)
Effective gains on hedging instruments in a cash flow hedge	-	1,453	1,453
<b>Total comprehensive income for the year</b>	-	17,141	17,141
<b>30 September 2022</b>	<b>105,209</b>	<b>7,849</b>	<b>113,058</b>

The notes on pages 34 to 65 form an integral part of these financial statements.

# Cash flow statement

for the year ended 30 September 2022

	Note	30 Sept 2022 £'000	30 Sept 2021 £'000
<b>Net cash inflow from operating activities</b>	21	<b>8,059</b>	6,671
<b>Cash flow from investing activities</b>			
Payments to acquire property, plant and equipment including intangible assets		<b>(4,627)</b>	(6,428)
Proceeds of disposal of property, plant and equipment		<b>28</b>	340
Customers' contributions towards capital expenditure		<b>47</b>	275
<b>Net cash outflow from investing activities</b>		<b>(4,552)</b>	(5,813)
<b>Cash flow from financing activities</b>			
Finance income		<b>7</b>	12
Finance cost		<b>(921)</b>	(1,170)
Amounts drawn under credit facilities		<b>–</b>	3,000
Amounts repaid under credit facilities	17	<b>(1,667)</b>	(4,667)
<b>Net cash outflow from financing activities</b>		<b>(2,581)</b>	(2,825)
Increase/(decrease) in cash and cash equivalents during the year		<b>926</b>	(1,967)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,866</b>	4,878
Exchange gains/(losses) on cash and cash equivalents		<b>33</b>	(45)
<b>Cash and cash equivalents at the end of the year</b>		<b>3,825</b>	2,866
<b>Cash and cash equivalents consists of:</b>			
Balances with States' Treasury	15	<b>26</b>	34
Cash		<b>3,799</b>	2,832
		<b>3,825</b>	2,866

Movements in balances with States' Treasury (note 15) and the other income are deemed cash equivalents in accordance with section 7 of FRS 102 (Statement of Cash Flows).

The notes on pages 34 to 65 form an integral part of these financial statements.

# Notes to the financial statements

## 1. General information

Guernsey Electricity Limited was incorporated on 24 August 2001 and is registered in Guernsey. The company is governed by the provisions of the Companies (Guernsey) Law, 2008. The address of its registered office is PO Box 4, Electricity House, Northside, Vale, Guernsey, GY1 3AD.

The company was established in accordance with the provisions of the States Trading Companies (Bailiwick of Guernsey) Law 2001 (Commencement) Ordinance and the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001 to take over the generation, importation and distribution of electricity previously carried out by the States of Guernsey Electricity Board with effect from 1 February 2002.

The principal activities of the company are the generation, importation and distribution of electricity and the sale of associated goods and services.

The company is classified as a Public Benefit Entity given that its primary objective is to seek value and an appropriate return that provides best value to the island's economy whilst striking a balance with its enabling role in supporting the social, economic and environmental objectives for the long-term benefit of the island and its community.

## 2. Statement of compliance

The financial statements give a true and fair view, have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and are in compliance with the Companies (Guernsey) Law, 2008.

## 3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the financial periods presented, unless otherwise stated. Certain comparative numbers have been reclassified or included to align with current year disclosure or presentation.

### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost convention as modified by the fair value for derivative financial instruments.

### Going Concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks.

Following the transfer of responsibility for tariff regulation from the GCRA to the States Trading Supervisory Board ("STSB"), a revised tariff structure was implemented in July 2022. Tariffs were increased on the basis of an electricity revenue cap of 9%. A further tariff increase on the basis of a revenue cap of 14.25% has also been proposed as part of a public tariff consultation for implementation on 1 July 2023, subject to approval by the STSB.

Directors have also considered cash flow forecasts including, but not limited to, June 2024.

### 3. Principal accounting policies – (continued)

#### Going Concern – (continued)

The company holds credit loan facilities with total facility limits of £50m. The RBSI Revolving Credit Facility (“RCF”) has an option to extend up to a maximum of £35m but this had not been exercised to date. £19m remains available to draw down as at 30 September 2022 as set out in the table below:

Credit Facility	Facility Limit	Term	Expiry	Drawn down as at 30 Sept 2022	Available to draw
RBSI Revolving Credit Facility	£22m (with option to increase to £35m)	5 years	2 October 2023	£16m	£19m
RBSI Term Loan	£15m	10 years	31 May 2029	£11.25m	-
States of Guernsey Bond	£13m	25 years	30 June 2045	£13m	-
<b>Total</b>	<b>£50m</b>			<b>£40.25m</b>	<b>£19m</b>

The company undertakes active monitoring of its loan covenants, maintaining sufficient headroom to ensure compliance and management have mitigating measures to deploy in order to avoid any potential breach.

The existing RCF expires on 2 October 2023 and a competitive tender process for its renewal for a further period of 5 years has been carried out.

The replacement RCF facility will be with HSBC, Guernsey for a period of 5 years and effective from 2 October 2023 with an initial facility limit of £20m and an option to increase the facility up to £35m.

The new facility documentation has been approved by the company Board of Directors on 26 April 2023 and accepted by HSBC Bank.

As part of the 2022/23 budget setting, 4-year annual plan process and July 2023 tariff change proposals, the Directors considered future business performance sensitivity with particular regard to euro exchange rate, tariff increases, electricity load growth or decline, fuel oil prices, inflation, headcount, capital expenditure, liquidity and financial covenants.

Considering all the above, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence to June 2024. Thus, they continue to adopt the going concern basis of accounting in preparing these financial statements.

#### Revenue

##### a) Sales of electricity

Sales of electricity are accounted for on an accruals basis and include the estimated value of unbilled units at the year-end associated with the movement in unbilled units from the beginning of the year to the end of the year. Billable units are the units despatched, adjusted for estimated network losses (5.2% based on management judgement) and works power consumed within the company. The unbilled units are valued at current tariff rates. Customer payments received in advance for electricity sales are included within trade and other payables.

### 3. Principal accounting policies – (continued)

#### Revenue – (continued)

##### b) Sales of goods, commercial and hire purchase

The company operates a retail sales section offering white and brown goods to customers across the Bailiwick of Guernsey. Sales of goods are recognised at the point that the customer takes custody of the goods, either on sale or on delivery. This is the point at which the company recognises the transfer of risks and rewards.

The company operates a commercial contracting division providing electrical and plumbing services to domestic, commercial and industrial clients. Revenue is recognised as the service is provided.

##### c) Rental income

Rental income is accrued over time by reference to the agreements entered.

##### d) Deferred income

Customers' contributions towards capital expenditure are credited in equal annual amounts to the statement of comprehensive income over the estimated life of the assets to which they relate.

##### e) Other income

This represents minor income streams including, but not limited to, consultancy services. These sales are valued as the service is provided or receipt is due.

#### Employee benefits

The company provides a range of benefits to employees, including a defined benefit pension plan and holiday pay. The defined benefits pension plan was closed to new members from 1 October 2017. A new defined contributions pension plan was set up to receive members from 1 April 2018.

##### a) Short-term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the period employees render services to the company. Holiday leave accruals are recognised at each statement of financial position date to the extent that employee holiday allowance has been accrued but not taken, the expense being recognised as staff costs in the statement of comprehensive income.

##### b) Pension costs

The employees' pension scheme is a defined benefits scheme. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The asset recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. When a member of the scheme ceases to be active, associated assets and liabilities will be transferred from the company's Actuarial Account to the States of Guernsey Combined Pool at the end of the company's financial year. Thereafter, the company has no further liability to fund benefits in respect of a member who has ceased to be active and so the accounting treatment adopted is to treat such a transfer of assets and liabilities as a settlement in the income statement in the year that a member of the scheme ceases to be active.

### 3. Principal accounting policies – (continued)

#### Employee benefits – (continued)

##### b) Pension costs – (continued)

The company applies employee benefits, Section 28 of FRS 102. In so doing, current service cost and any past service cost is charged to the statement of comprehensive income, together with finance costs/income for the scheme which are recognised in the statement of comprehensive income. The difference between the expected and actual actuarial gains and losses are recognised in other comprehensive income. Annually, the company engages independent actuaries to calculate the defined benefit obligation. The present values of the defined benefit obligation, the related current service cost and any past service costs (if applicable) were measured using the projected unit method. Full actuarial valuations are carried out on a triennial basis and annual updates are carried out to disclose the values and assumptions in accordance with Section 28 of FRS 102.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, comprises:  
 (i) the increase in pension benefit liability arising from employee service during the year; and  
 (ii) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as 'Other finance cost'.

This defined benefits scheme was closed to new members from 1 October 2017. A new defined contributions scheme was established and there were 66 members as at 30 September 2022 (30 September 2021: 53 members).

#### Leases

Operating lease rentals are recognised in the statement of comprehensive income in equal annual amounts over the lease term.

#### Finance income/cost

Finance income and finance costs are accounted for on an accruals basis using the effective interest rate.

#### Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

##### (a) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods/years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### 3. Principal accounting policies – (continued)

#### Taxation – (continued)

##### (b) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference. The pension scheme surplus in 2022 and deficit in 2021 shown in the accounts is gross of the deferred tax liability/asset.

#### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Assets transferred from the States of Guernsey Electricity Board as at 1 February 2002 are being depreciated over their residual estimated useful lives from that date applying the periods noted below. Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included within the operating profit.

Depreciation is calculated so as to write off the cost of property, plant and equipment over the period of their estimated useful lives using the straight-line method. The estimated life of each class of non-current asset is set out below. The estimated life of associated assets within each category are aligned to the remaining useful lives of the major asset to which they are associated with and therefore individual assets may have lives up to, but not exceeding, the time periods noted below. Depreciation commences in the period of acquisition, or on completion of construction. Any shortfall of depreciation arising on the disposal, or write-off, of non-current assets is charged to the disposals account and any proceeds arising from the disposal are credited to that account. Land is not depreciated. Major overhauls of generating assets are treated as separate components and depreciated on the basis of elapsed running hours for the relevant asset. PPE to generate electricity would need to remain in operational condition with the net zero strategy, in the event that “clean” energy is not sufficient to meet customer demands, and therefore estimated useful lives are appropriate.

### 3. Principal accounting policies – (continued)

#### Property, plant and equipment – (continued)

The estimated lives are as shown below:

	Estimated life in hours	Estimated life in years
Buildings		40
Buildings equipment		10
Cable link		25 - 30
Plant and machinery:		
- Generation		20 - 35
- Overhauls	24,000	
- Distribution		20 - 35
- Street lights		20
Distribution network comprising:		
- Distributors		75
- Meters		5 - 15
- Cyclocontrol receivers		5
Motor vehicles		7
Furniture and equipment		3 - 10
Minor plant		5 - 10

No decommissioning costs are provided for cable link as removal is not permitted without a FEPA (Food and Environmental Protection Act) licence.

#### Joint Arrangements

The Channel Islands Electricity Grid Limited is a jointly controlled operation between Jersey Electricity plc and Guernsey Electricity Limited who each own an equal 50% shareholding. The company was formed to manage the cable link project and the ongoing operation of the cable links between Guernsey, Jersey and France. In accordance with Section 15 of FRS 102, "Investments in joint ventures", these financial statements include the company's entitlement to the assets, liabilities, cash flows and the shared items of this Joint Arrangement where the company's entitlements are fully determined by contracts with the other party to the jointly controlled operation.

The Channel Islands Electricity Grid Limited is considered to meet the definition of a jointly controlled operation. As a result, for its interest in the Channel Islands Electricity Grid Limited, Guernsey Electricity Limited recognises the following in its financial statements in accordance with FRS 102, paragraph 15.5:

- (a) the assets that it controls and the liabilities that it incurs; and
- (b) the expenses that it incurs, and its share of any income earned by the joint venture.

The jointly controlled operation assets are included within property, plant and equipment.

### 3. Principal accounting policies – (continued)

#### Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is identifiable when it is separable, i.e. is capable of being separated or divided from the company, or when it arises from contractual or other legal rights. An intangible asset shall be recognised if, and only if:

- (a) it is probable that the expected future economic benefits that are attributable to the asset will flow to the company; and
- (b) the cost of the asset can be measured reliably.

On 4 May 2021, the company implemented a new Enterprise Resource Planning (“ERP”) System which was developed over a two-year period. This intangible asset has been initially measured at cost. The cost comprises its purchase price, and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of developing and preparing the system for its intended use, including testing. Subsequent expenditure on intangible assets is capitalised only if it is probable that it will increase the future economic benefits associated with the specific asset. Other expenditure is recognised in profit or loss as incurred.

After initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any.

Intangible assets are amortised on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortisation methods are reviewed at each year end and any changes in estimates are accounted for prospectively.

The estimated life is as shown below:

Intangible asset type	Estimated useful economic life
Software	10 years

An intangible asset is tested for impairment if:

- (a) there is a trigger for impairment; and
- (b) annually for projects under development.

Intangible assets are derecognised from the statement of financial position on disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising from the derecognition of an intangible asset is recognised within the statement of comprehensive income at the moment of derecognition.

#### Inventories

Inventories are valued at the lower of cost and estimated selling price less cost to complete and sell. Inventories are valued at weighted average cost. In respect of goods held for resale, a provision is made based on the time elapsed since the goods were purchased. Provision is made for other inventories relating to strategic plant, based upon the remaining useful economic life of the assets to which they relate. The cost of work in progress includes costs directly related to the units of production and a systematic allocation of fixed and variable production overheads. Inventories are recognised as a cost of sale in the period in which the related revenue is recognised.

### 3. Principal accounting policies – (continued)

#### Inventories – (continued)

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

#### Foreign exchange

##### a) Functional and presentation currency

The company's functional and presentation currency is Pounds Sterling, being the primary economic environment in which the company operates. All amounts in the financial statements have been rounded to the nearest £1,000.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year-end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### Financial instruments

##### a) Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less.

##### b) Trade and other receivables

Trade receivables are initially recognised at invoice value and do not carry any interest and are reduced by appropriate allowances for estimated irrecoverable amounts.

##### c) Trade and other payables

Trade and other payables are initially recognised at invoice value and are not interest bearing and are subsequently stated at their amortised cost. Amortised cost is considered by the Directors to be equivalent to invoiced value.

##### d) Borrowings

Borrowings are measured at amortised cost using the effective interest method. Interest expense is recognised by applying the effective interest rate.

### 3. Principal accounting policies – (continued)

#### Financial instruments – (continued)

##### e) Derivative financial instruments

The company applies hedge accounting policies under FRS102 on GBP/Euro forward foreign exchange contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. Changes in the fair value of derivative financial instruments which are designated as effective hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in unrealised foreign exchange in the income statement. When hedges mature the amounts previously recognised in other comprehensive income will be recognised in the income statement (effective portion against cost of sales and ineffective against realised foreign exchange).

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Until that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur (ineffective), the net cumulative gain or loss that has been recognised in other comprehensive income is transferred to realised foreign exchange.

#### Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

##### (i) Revenue

Sales of electricity include an estimate for the value of unbilled units at the end of each financial period which represents the estimated units consumed by customers since the last billing date. The estimate is calculated as the units produced, less works power and an estimate of losses on the distribution network to determine the units delivered to customers. Billed units are deducted from this amount to derive the unbilled units. These unbilled units are valued at current tariff rates. See note 4 for the value of unbilled units included in sales of electricity.

##### (ii) Future Tariffs

The company had approval for a tariff change from the States Trading Supervisory Board (“STSB”) that allowed the company to raise its tariffs to recover additional electricity revenue of up to 9%, net of current cost pass-through adjustments, effective from 1 July 2022. The company has proposed a further increase in tariffs to recover additional electricity revenue of up to 14.25%. Subject to further annual review and approval by the STSB, the company is proposing that these tariffs continue to be based on prior usage and in the judgement of the Directors, the past usage basis for this tariff change will remain unchanged.

### 3. Principal accounting policies – (continued)

#### Critical accounting judgements and estimation uncertainty – (continued)

##### (iii) Assets Impairment Review

An annual impairment review on all intangible assets concluded that there were no grounds to impair the ERP project economic value or economic life and that the only capitalisable addition in the year for this project was the full and final acceptance payment of £210,000.

It was also considered and concluded that there were no indicators present in the year to require impairment of property, plant or equipment.

The net zero strategy is not an impairment indicator since plant, property and equipment to generate electricity would need to be operational in the event that “clean” energy is not sufficient to meet demand.

##### (iv) Pension scheme

The most recent formal actuarial valuation of the company’s Actuarial Account carried out as at 31 December 2020 indicated that the Actuarial Account was in surplus. The company chose to reduce the employers’ contribution rate from 11.5% to 7.5% of pensionable pay with effect from 1 August 2022, using some of the surplus as a prudent margin to cover any adverse future experience within the Actuarial Account. This contribution rate was approved by the States of Guernsey.

The calculations for the FRS 102 disclosures have been carried out by running full actuarial calculations as at 30 September 2022.

The Actuarial Account had an FRS102 surplus of £4,784,000 based on the assumptions as stated in note 24. The Directors have considered the sensitivity of this surplus to changes in the key assumptions of discount rate (+/- 0.5%), inflation (+/- 0.5%) or a 25% fall in the market value of the Actuarial Account’s assets. The assets would remain in surplus under these considered changes in discount or inflation rate. A 25% fall in the market value of equities and alternatives was estimated to reduce the £4,784,000 surplus to a £1,052,000 deficit.

##### (v) Deferred tax

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. Various rates of income tax are applied depending on the activity of the company. The rate applied in relation to the company’s activities is a combination of the company standard rate and the company higher rate. Deferred tax has been provided on timing differences depending on which rate they are expected to reverse out in the future. Where deferred tax balances relate to items which may be taxed at either 20% or 0% a blended rate of 20.12% (2021: 17.7321%) has been used to provide for deferred tax. The blended rate has been calculated by reference to the company’s effective rate of tax in the year ended 30 September 2022.

##### (vi) Derivative valuation

Derivatives are remeasured and adjusted for on a regular basis and the remeasurements are undertaken by the financial institutions that the derivative has been executed through. The valuations are only relevant at a specific point in time and the prices they are measured at are open to fluctuations. The values used within these financial statements were accurate on 30 September 2022.

**3. Principal accounting policies – (continued)****Critical accounting judgements and estimation uncertainty – (continued)**

(vii) Property, plant and equipment

## a) Recognition

The costs of property, plant and equipment are only recognised as an asset when there is sufficient certainty that the asset will be completed. For significant projects, an assessment is made at least annually, or at the time of key project milestones, and the associated costs are recognised in the statement of comprehensive income until such time that management considers it probable that the project will proceed to completion.

## b) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property, plant and equipment.

## c) Impairment/disposals

At each statement of financial position date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset or cash generating unit (“CGU”) may be impaired. If there is such an indication, an estimation of the recoverable amount of the asset or CGU is determined which requires estimation of the future cash flows from the asset or CGU and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. No decommissioning costs are provided for cable link as removal is not permitted without a FEPA (Food and Environmental Protection Act) licence. The net zero timeline is by 2050. Part of this strategy requires that existing back up generation assets continue to be maintained ready for operation for the rest of their existing useful lives so no impairment is required.

**4. Revenue**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Sales of electricity	<b>54,735</b>	57,221
Sale of goods, commercial and hire purchase	<b>3,966</b>	4,498
Rental income	<b>247</b>	222
Deferred income	<b>196</b>	275
Other income	<b>3</b>	54
	<b>59,147</b>	62,270

All sales of electricity arise from customers on the island of Guernsey. Sales of goods, commercial and hire purchase are made to customers throughout the Bailiwick of Guernsey. As stated in the accounting policy for sales of electricity, at the end of each financial period an estimate of the unbilled units is determined.

The value of unbilled units included in sales of electricity above is £6,093,000 (30 September 2021: £6,692,000).

**5. Operating profit***Operating profit is after charging/(crediting)*

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Depreciation (note 9)	<b>7,513</b>	7,710
Amortisation (note 10)	<b>354</b>	145
Pension settlement gain (note 24)	<b>(5,154)</b>	(2,060)
Rentals under operating leases	<b>153</b>	110
Auditor's remuneration – statutory audit	<b>235</b>	125
Bad debts	<b>207</b>	116
Director fees, salaries and other benefits	<b>969</b>	1,085
Regulatory costs – external	<b>180</b>	257
– internal	<b>41</b>	137
Profit on disposal of assets	<b>(28)</b>	(312)

**The value of inventories recognised as an expense during the year is as follows:**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Inventory write-offs	<b>7</b>	50
Inventory discrepancies	<b>98</b>	81
Inventory provision	<b>64</b>	102

**6. Finance and income cost**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Finance income:		
Deposits with banks and States' Treasury	7	8
Hire purchase	-	4
	<b>7</b>	<b>12</b>
Finance cost:		
Pension finance costs (note 24)	<b>291</b>	312
Medium-term credit facilities	<b>470</b>	380
Long-term credit facility	<b>483</b>	471
Other interest payable	<b>8</b>	7
	<b>1,252</b>	<b>1,170</b>

**7. Taxation**

The company's profits, or losses, from the activities subject to licence from the Guernsey Competition and Regulatory Authority will be chargeable to tax at the company higher rate of 20%, as will rental income from Guernsey properties. For all other company activities, the company standard rate of 0% is applicable. The tax adjusted profits of the company have been determined so that the appropriate amounts are taxed at the applicable rate.

The basis of assessment to Guernsey tax continues to be on an actual current period basis. The assessable profits for the current year have been offset against the unrelieved trading losses and excess capital allowances carried forward from prior years. Consequently, all tax is deferred and there is no tax payable for the current year.

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. Various rates of income tax are applied depending on the activity of the company. The rate applied in relation to the company's activities is a combination of the company standard rate and the company higher rate. Deferred tax has been provided on timing differences depending on which rate they are expected to reverse out in the future. Where deferred tax balances relate to items which may be taxed at either 20% or 0% a blended rate of 20.12% (2021: 17.7321%) has been used to provide for deferred tax. The blended rate has been calculated by reference to the company's effective rate of tax in the year ended 30 September 2022.

The actual tax (credit)/charge differs from the expected tax (credit)/charge computed by applying the higher company rate of Guernsey income tax of 20% as follows:

**7. Taxation – (continued)**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
<b>Profit on ordinary activities before taxation</b>	<b>3,354</b>	411
<b>Expected tax charge at 20%</b>	<b>671</b>	82
<b>Effects of adjusting items:</b>		
Income not taxable	<b>(72)</b>	(11)
Disallowed items	<b>872</b>	1,528
Income taxable at the company standard rate (0%)	<b>9</b>	(158)
Timing differences	<b>(1,829)</b>	(2,017)
Excess allowances transferred	<b>349</b>	576
<b>Current tax charge</b>	<b>-</b>	-
<b>Deferred tax charge/(credit)</b>		
Timing differences on capital allowances and depreciation	<b>1,225</b>	1,109
Short-term timing differences;		
– Pension assets or liabilities	<b>266</b>	(1,165)
– Stock provision	<b>(47)</b>	(133)
– Rental expenses	<b>23</b>	(12)
Movement on unrelieved trading losses	<b>113</b>	(523)
<b>Deferred tax charge/(credit) in the statement of comprehensive income</b>	<b>1,580</b>	(724)

The tax charge/(credit) relates to changes in deferred tax and there is no tax payable for the current year.

**8. Dividend**

No dividend was paid during the year (2021: £nil paid), representing £nil per share (2021: £nil per share paid). The company will not be proposing a dividend at the 2023 Annual General Meeting (2022: £nil proposed).

## 9. Property, plant and equipment

The presentation of this note has been amended to show assets under construction as a separate class of asset and to show how the tables below agreed to the prior year closing balances.

Cost	Land and buildings £'000	Cable link £'000	Plant and Machinery Generation £'000	Plant and Machinery Distribution £'000	Distribution Network £'000	Vehicles, furniture and equipment, minor plant £'000	Assets under construction £'000	Total £'000
At 1 October 2021	35,125	83,742	65,347	16,610	46,715	7,968	5,376	260,883
Additions	-	-	-	-	-	61	4,729	4,790
Transfers from work in progress	765	-	-	1,588	1,423	45	(3,821)	-
Disposals	-	-	-	-	-	(209)	-	(209)
<b>At 30 September 2022</b>	<b>35,890</b>	<b>83,742</b>	<b>65,347</b>	<b>18,198</b>	<b>48,138</b>	<b>7,865</b>	<b>6,284</b>	<b>265,464</b>

### Depreciation

At 1 October 2021	16,828	33,484	35,623	6,236	17,225	5,908	-	115,304
Charge for the year	798	2,569	2,222	511	968	445	-	7,513
Disposals	-	-	-	-	-	(209)	-	(209)
<b>At 30 September 2022</b>	<b>17,626</b>	<b>36,053</b>	<b>37,845</b>	<b>6,747</b>	<b>18,193</b>	<b>6,144</b>	<b>-</b>	<b>122,608</b>

### Net book value at

<b>30 September 2022</b>	<b>18,264</b>	<b>47,689</b>	<b>27,502</b>	<b>11,451</b>	<b>29,945</b>	<b>1,721</b>	<b>6,284</b>	<b>142,856</b>
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Cost	Land and buildings £'000	Cable link £'000	Plant and Machinery Generation £'000	Plant and Machinery Distribution £'000	Distribution Network £'000	Vehicles, furniture and equipment, minor plant £'000	Assets under construction £'000	Total £'000
At 1 October 2020	35,681	84,552	64,908	16,656	45,918	7,822	-	255,537
Additions	61	(810)	1,398	3,115	1,859	421	-	6,044
Disposals	(555)	-	-	-	-	(143)	-	(698)
<b>Subtotal cost at 30 September 2021</b>	<b>35,187</b>	<b>83,742</b>	<b>66,306</b>	<b>19,771</b>	<b>47,777</b>	<b>8,100</b>	<b>-</b>	<b>260,883</b>
Work In Progress at 30 September 2021	(62)	-	(959)	(3,161)	(1,062)	(132)	5,376	-
<b>At 30 September 2021</b>	<b>35,125</b>	<b>83,742</b>	<b>65,347</b>	<b>16,610</b>	<b>46,715</b>	<b>7,968</b>	<b>5,376</b>	<b>260,883</b>

### Depreciation

At 1 October 2020	16,537	30,918	33,403	5,735	16,287	5,390	-	108,270
Charge for the year	824	2,566	2,220	501	938	661	-	7,710
Disposals	(533)	-	-	-	-	(143)	-	(676)
<b>At 30 September 2021</b>	<b>16,828</b>	<b>33,484</b>	<b>35,623</b>	<b>6,236</b>	<b>17,225</b>	<b>5,908</b>	<b>-</b>	<b>115,304</b>

### Net book value at

<b>30 September 2021</b>	<b>18,297</b>	<b>50,258</b>	<b>29,724</b>	<b>10,374</b>	<b>29,490</b>	<b>2,060</b>	<b>5,376</b>	<b>145,579</b>
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**10. Intangible assets**

<i>Cost</i>	Software under development £'000	Software £'000	Total £'000
At 1 October 2021	-	3,488	3,488
Expenditure/Additions	236	-	236
Transfers from work in progress	(236)	236	-
<b>At 30 September 2022</b>	<b>-</b>	<b>3,724</b>	<b>3,724</b>
<i>Amortisation</i>			
At 1 October 2021	-	145	145
Charge for the year	-	354	354
<b>At 30 September 2022</b>	<b>-</b>	<b>499</b>	<b>499</b>
<b>Net book value at 30 September 2022</b>	<b>-</b>	<b>3,225</b>	<b>3,225</b>
<i>Cost</i>	Software under development £'000	Software £'000	Total £'000
At 1 October 2020	3,480	-	3,480
Expenditure/Additions	-	-	-
Transfers from work in progress	(3,480)	3,488	8
<b>At 30 September 2021</b>	<b>-</b>	<b>3,488</b>	<b>3,488</b>
<i>Amortisation</i>			
At 1 October 2020	-	-	-
Charge for the year	-	145	145
<b>At 30 September 2021</b>	<b>-</b>	<b>145</b>	<b>145</b>
<b>Net book value at 30 September 2021</b>	<b>-</b>	<b>3,343</b>	<b>3,343</b>

In May 2021 a new ERP software system was implemented that replaced a variety of legacy software including, but not limited to, asset management, metering and billing, risk reporting and management, accounting, retail sales and human resource management.

**11. Investments**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Channel Islands Electricity Grid Limited	<b>5</b>	5

The Channel Islands Electricity Grid Limited is incorporated in Jersey and is a joint arrangement between Guernsey Electricity Limited and Jersey Electricity plc who each own an equal 50% shareholding. The company was formed to manage the cable link project and the ongoing operation of the cable links between Guernsey, Jersey and France. Guernsey Electricity Limited holds 5,000 Ordinary shares of £1 each.

**12. Inventories**

	<b>30 Sept 2022</b>		30 Sept 2021	
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Fuel inventories		<b>3,830</b>		2,472
Purchased goods for resale	<b>506</b>		467	
Provision	<b>-</b>	<b>506</b>	-	467
Other inventories	<b>5,935</b>		5,615	
Provision	<b>(2,696)</b>	<b>3,239</b>	(2,632)	2,983
Work in progress		<b>207</b>		308
		<b>7,782</b>		6,230

The replacement cost of inventories was higher than the statement of financial position carrying amounts as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Fuel inventories	<b>964</b>	688

There is no significant difference between the replacement cost of purchased goods for resale, other inventories and work in progress and their carrying amounts.

**13. Trade and other receivables**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Estimated value of unbilled units (note 4)	<b>6,093</b>	6,692
Customer accounts outstanding	<b>6,298</b>	5,782
Other receivables	<b>1,135</b>	804
Prepayments	<b>1,732</b>	1,165
Deferred tax asset (note 14)	-	3,366
Derivative financial instruments (note 23)	<b>2,754</b>	145
	<b>18,012</b>	17,954

Under FRS 102, the pension scheme surplus/(deficit) is presented in the statement of financial position gross of deferred tax. The deferred tax relating to the pension scheme deficit for the financial year 2020/2021 was recognised as part of the net deferred tax asset included within trade and other receivables. As at 30 September 2022 the deferred tax relating to the pension scheme surplus is recognised within trade and other payables (note 17).

**14. Deferred tax liability/asset**

<b>Deferred tax liability/asset comprise of:</b>	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Deferred taxation: (tax asset)		
Balance at 1 October – tax asset	<b>3,366</b>	3,633
Statement of comprehensive income (charge)/credit	<b>(1,580)</b>	724
Statement of other comprehensive (charge)	<b>(3,499)</b>	(991)
<b>Balance at 30 September – tax (liability)/asset</b>	<b>(1,713)</b>	3,366
Which comprises:		
Capital allowances in excess of depreciation	<b>14,340</b>	13,115
Short-term timing differences (other)	<b>(395)</b>	(371)
Unrelieved loss for tax purposes	<b>(13,194)</b>	(13,307)
Deferred tax liability/(asset)	<b>751</b>	(563)
<b>Deferred tax liability/(asset) on pension deficit (note 24)</b>	<b>962</b>	(2,803)
Net deferred tax liability/(asset) (note 17, 13)	<b>1,713</b>	(3,366)

**15. Balances with States' Treasury**

The Treasury Department of the States of Guernsey is engaged to invest the company's liquid funds in excess of its daily requirements.

**16. Trade and other payables: amounts falling due within one year**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Trade payables	<b>2,857</b>	3,575
Customer payments received in advance	<b>16,014</b>	11,882
Employee taxes and Social Security	-	1
Deferred income	<b>242</b>	230
Accruals and other payables	<b>1,984</b>	1,630
Amount drawn under medium-term credit facilities (note 23)	<b>1,667</b>	1,667
Derivative financial instruments (note 23)	<b>22</b>	437
	<b>22,786</b>	19,422

The company has a £1m overdraft facility with Barclays Bank Plc (2021: £1m), and interest is payable quarterly at 1.75% over Bank of England base rate. This facility is unsecured, is repayable on demand and is reviewed and approved by the Board annually. As at 30 September 2022, £nil was drawn on the Barclays Bank Plc overdraft facility (2021: £nil).

**17. Trade and other payables: amounts falling due after more than one year**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Deferred income	<b>4,159</b>	4,303
Trade payables	-	175
Accruals and other payables	<b>190</b>	-
Deferred tax liability (note 14)	<b>1,713</b>	-
Derivative financial instruments (note 23)	-	100
Amount drawn under medium-term credit facility (note 23)	<b>25,583</b>	27,250
Amount drawn under long-term credit facility (note 23)	<b>13,000</b>	13,000
	<b>44,645</b>	44,828

Under FRS 102, the pension scheme surplus/(deficit) is presented in the statement of financial position gross of deferred tax. The deferred tax relating to the pension scheme surplus at 30 September 2022 is recognised as part of the net deferred tax liability included within trade and other payables.

**18. Trade and other payables: ageing analysis**

	Demand and less than one year £'000	From 1 to 5 years £'000	Later than five years £'000	<b>Total £'000</b>
Trade payables	2,857	-	-	<b>2,857</b>
Customer payments received in advance	16,014	-	-	<b>16,014</b>
Deferred income	242	786	3,373	<b>4,401</b>
Accruals and other payables	1,984	190	-	<b>2,174</b>
Deferred Tax Liability	-	1,713	-	<b>1,713</b>
Amount drawn under medium- term credit facilities (note 23)	1,667	22,667	2,916	<b>27,250</b>
Derivative financial instruments (note 23)	22	-	-	<b>22</b>
Amount drawn under long-term credit facility (note 23)	-	-	13,000	<b>13,000</b>
	<b>22,786</b>	<b>25,356</b>	<b>19,289</b>	<b>67,431</b>

**19. Reconciliation of net debt**

	1 Oct 2021 £'000	Cash flow £'000	Other non-cash charges £'000	<b>30 Sept 2022 £'000</b>
Net debt	(39,051)	2,626	-	<b>(36,425)</b>

**20. Share capital**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
<hr/>		
<i>Authorised:</i>		
125,000,000 ordinary shares of £1 each	<b>125,000</b>	125,000
<hr/>		
<i>Issued and fully paid:</i>		
105,208,844 ordinary shares of £1 each	<b>105,209</b>	105,209
<hr/>		

Two shares were issued on formation of the company and the remaining 109,208,842 shares were issued to equate to the consideration of £109,208,844 for the net assets acquired by the company from the States of Guernsey with effect from 1 February 2002.

On 13 December 2016, the company completed a share buyback of £4m of company shares from the States of Guernsey leaving the company with 105,208,844 issued shares equating to share capital of £105,208,844.

The ordinary shares do not confer any rights or preferences other than the right to vote, the right to participate in dividends or distributions that the company may make and such other rights, generally from time to time, including but not limited to, the rights, if any, to the repayment of capital as may be laid down in the company's Articles of Incorporation.

Dividends and distributions in particular are subject to the provisions of Guernsey Company law and specifically, the Companies (Guernsey) Law, 2008 as amended or replaced.

The ordinary shares are subject to certain restrictions, including specifically, a restriction on the transfer of shares. In all cases, such restrictions are as laid down in the company's Articles of Incorporation and the provisions of any ordinance made by the States of Guernsey in exercise of its powers under the States Trading Companies (Bailiwick of Guernsey) Law 2001, as amended or replaced from time to time.

**21. Reconciliation of operating profit to net cash flow from operating activities**

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Profit for the year	<b>1,774</b>	1,135
Tax on profit on ordinary activities	<b>1,580</b>	(724)
Net finance costs	<b>1,245</b>	1,158
Net gains on derivatives at fair value	<b>(1,662)</b>	(60)
Operating profit after pension settlement gain	<b>2,937</b>	1,509
Depreciation charge	<b>7,513</b>	7,710
Amortisation	<b>354</b>	145
Profit on disposal of non-current assets	<b>(28)</b>	(312)
Exchange losses on cash and cash equivalents	<b>37</b>	189
Pension service cost	<b>2,262</b>	2,392
Pension settlement gain	<b>(5,154)</b>	(2,060)
Employer's pension cash contributions	<b>(598)</b>	(687)
Pension administration costs	<b>18</b>	17
Deferred income	<b>(196)</b>	(275)
Increase in inventories	<b>(1,552)</b>	(32)
Increase in receivables	<b>(815)</b>	(4,242)
Increase in payables	<b>3,281</b>	2,317
	<b>8,059</b>	6,671

## 22. Commitments

Capital commitments, for which no provision has been made in these financial statements, amounted to £1,728,000 (2021: £778,000). This relates to outstanding commitments on capital projects.

### Commodity risk

For the import of power from the European Grid, the company has a contract with Electricité de France (“EDF”). The existing electricity import contract with EDF is effective for a 10-year period which commenced from 1 January 2013 – this period was extended for a further 5 years on 25 June 2017. The related transmission agreement with Réseau de transport d’électricité (“RTE”) also commenced from 1 January 2013. Under the import contract, there is a take or pay commitment, whereby the company is jointly and severally liable, along with the Channel Islands Electricity Grid Limited and Jersey Electricity plc, for a block of power over the term of the contract. The remainder of the requirement will be decided by a market pricing mechanism with no volume commitment. The price at which the take or pay block is agreed for the period of the contract and for calendar year 2023 this results in a total commitment for Guernsey Electricity Limited of €8.9m, equating to £7.8m at the Euro/Sterling rate at 30 September 2022 of 1.1362, (2022: €8.9m, equating to £7.7m at the Euro/Sterling rate at 30 September 2021 of 1.16121).

### Operating lease commitments

Commitments to make payments in respect of operating leases are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Operating leases which expire:		
Within one year	–	41
Between one to five years	<b>429</b>	–

**23. Financial instruments and associated risk management**

The categories of financial assets and financial liabilities, at the reporting date, in total, are as below:

	Note	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
<b>Financial assets at fair value through profit or loss</b>			
Derivative financial instruments:	13		
- Interest rate caps		<b>1,767</b>	105
<b>Financial assets at fair value through other comprehensive income</b>			
Derivative financial instruments:	13		
- Forward foreign currency contracts		<b>987</b>	40
<b>Financial assets that are debt instruments measured at amortised cost</b>			
Estimated value of unbilled units	13	<b>6,093</b>	6,692
Customer accounts outstanding	13	<b>6,298</b>	5,782
Other receivables	13	<b>1,135</b>	804
Cash and cash equivalents		<b>3,825</b>	2,866
<b>Financial liabilities measured at amortised cost</b>			
Trade payables	16,17	<b>2,857</b>	3,750
Accruals and other payables	16,17	<b>2,174</b>	1,630
Amount drawn under medium-term credit facilities	16,17	<b>27,250</b>	28,917
Amount drawn under long-term credit facility	17	<b>13,000</b>	13,000
<b>Financial liabilities measured at fair value through other comprehensive income</b>			
Derivative financial instruments – Forward foreign currency contracts	16,17	<b>22</b>	537

**23. Financial instruments and associated risk management – (continued)****Financial Assets at fair value through profit and loss**

(a) Classification of financial assets at fair value through profit or loss

Derivative financial instruments – Interest Rate Caps

Interest rate risk

The company is exposed to interest rate risk primarily through its loan financing arrangements. The company has a five-year interest rate cap to hedge part of the interest rate risk associated with the £22m revolving credit facility held with RBS International. An interest rate cap of 2.13% has been applied to a notional amount of £13m and is referenced against the 5-day aggregate SONIA rate. The valuation of this instrument as at 30 September 2022 was £359,000 (2021: £5,000). The company also holds a ten-year interest rate cap in relation to a ten-year loan facility with RBS International. An interest rate cap of 2.0% has been applied to a notional amount of £12.7m and is also referenced against the 5-day aggregate SONIA rate. The valuation of this instrument as at 30 September 2022 was £1,408,000 (2021: £100,000). A gain of £1,662,000 (2021: £60,000) is included within the statement of comprehensive income.

**Loan Commitments**

(a) Revolving credit facility

The company holds a five year, £22m revolving credit loan facility with RBS International. This loan facility is for general working capital and capital expenditure purposes. The loan incorporates an option to increase the credit facility to £35m for the purpose of the future financing of key infrastructure expenditure. Interest costs for this commercial loan were at commercial rates of less than 2.85%. A commitment fee is payable on any undrawn amount in line with the terms of the arrangement. As at 30 September 2022, the company had utilised £16m of the loan (2021: £16m). The drawn amount has been classified as a financial liability measured at amortised cost. This facility expires on 2 October 2023.

The company has completed a tender process and HSBC Bank Plc will provide a replacement revolving credit facility effective 2 October 2023.

(b) Term loan facility

The company has a ten-year, £15m term loan facility with RBS International, effective from 1 June 2019. The purpose of this loan facility was for the part funding of the replacement Guernsey to Jersey interconnector. Interest costs for this commercial loan were at commercial rates of less than 3.05%. As at 30 September 2022, the balance drawn on the loan was £11.25m (2021: £12.92m). The loan balance is reducing over the term of the loan.

(c) States of Guernsey Bond

The company has a twenty five-year, £13m loan agreement with the States of Guernsey. The purpose of this loan was for the part funding of the replacement Guernsey to Jersey interconnector. The interest rate for the loan is fixed at 3.625% for the loan term. As at 30 September 2022, the balance payable on the loan was £13m (2021: £13m).

**23. Financial instruments and associated risk management – (continued)****Financial liabilities measured at fair value through profit or loss****Derivative financial instruments – Forward Contracts****(a) Import Financial Hedge**

## Currency risk

The company is exposed to currency risk through its import contracts with EDF and RTE which are denominated in Euros. The company manages the currency risk through derivative contracts. The company has entered into forward contracts for the purchase of the Euro. The company's commitment to forward contracts at the previous period ending 30 September 2021 was as follows:

<b>Maturity</b>	<b>Notional amount €'000</b>	<b>Average hedged rate €/£</b>
Less than one year	18,877	1.1294
Greater than one year and less than two years	10,433	1.1362

As at 30 September 2022, the company is holding the following Euro forward contracts to hedge the exposure on its electricity import over the next 34 months. These dates represent when the cash flows are expected to occur and when they are expected to affect profit or loss:

<b>Maturity</b>	<b>Notional amount €'000</b>	<b>Average hedged rate €/£</b>
Less than one year	19,574	1.1529
Greater than one year and less than two years	7,500	1.1420
Greater than two years and less than three years	5,000	1.1393

The impact of hedging instruments designated in cash flow hedging relationships as of 30 September 2022 on the statement of financial position of the company is as follows:

<b>Line item in the statement of financial position</b>	<b>Notional amount €'000</b>	<b>Carrying amount £'000</b>
Trade and other receivables (note 13)	29,324	2,754
Trade and other payables: amounts falling due within one year (note 16)	2,750	22

As at 30 September 2022, the outstanding contracts for import all mature within 34 months of the year end. These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties. A gain of £1,453,000 (2021: £1,124,000 expense) was recognised in other comprehensive income during the year reflecting the effective change in value of hedging instruments designated for hedge accounting. Gains totalling £705,000 (2021: £195,000) have been recycled through Profit and Loss.

**Determination of fair value on contracts**

These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties on the basis of 'exit' model methodologies.

## 24. Pension scheme

### Nature of the Guernsey Electricity Limited actuarial account

Some employees of the company are members of the States of Guernsey Public Servants Pension Scheme (“PSPS”), in which the company has its own Actuarial Account. The company’s Actuarial Account operates as a separate ring-fenced arrangement within the PSPS, with its own assets to fund the pension benefits of the company’s employees who are members of the PSPS. This is a defined benefits pension scheme funded by contributions from both employer and employee at rates which are determined on the basis of independent actuarial advice. Employees not eligible to participate in the PSPS defined benefit scheme may be entitled to participate in the defined contribution pension scheme. Contributions are made to this scheme by eligible employees on a ratio of 1:2 with contributions made by the company.

The Actuarial Account operated by the company provides retirement benefits based on final pensionable pay for service to 29 February 2016 and based on career average revalued earnings from 1 March 2016. Some protected members will continue to accrue benefits from 1 March 2016 linked to final pensionable pay. Employees recruited after 1 May 2015 accrue benefits based on career average revalued earnings. The Actuarial Account forms part of the PSPS. The PSPS is currently open to both future accrual and new members. However, the Actuarial Account was closed to new members during the financial year to 31 March 2018.

The most recent formal actuarial valuation of the company’s Actuarial Account carried out as at 31 December 2020 indicated that the Actuarial Account was in surplus. The company chose to reduce the contribution rate from 11.5% to 7.5% of pensionable pay with effect from 1 August 2022, using some of the surplus as a prudent margin to cover any adverse future experience within the Actuarial Account. This contribution rate was approved by the States of Guernsey.

The calculations for the FRS 102 disclosures have been carried out by running full actuarial calculations as at 30 September 2022.

### Funding policy

The company’s Actuarial Account is funded by means of regular contributions to cover current benefit accrual, with the rates of contribution set after each triennial actuarial valuation. The funding method currently employed is the Projected Unit Method, which sets contribution rates based on the benefits expected to be accrued in the year following the valuation date. This contribution rate is then adjusted to take account of any surplus or shortfall in the Actuarial Account. The States of Guernsey determine the level of contributions payable to the Actuarial Account following advice from the Scheme’s Actuary.

### Actuarial account

There was a settlement gain of £5,154,000 on 30 September 2022 in relation to a transfer of liabilities in relation to active leavers over the year from 1 October 2021 to 30 September 2022. A transfer value was paid on 30 September 2022 from the Actuarial Account to the Combined Pool in respect of these liabilities.

**24. Pension scheme – (continued)****Employee benefit obligations for Guernsey Electricity Limited in respect of the Guernsey Electricity Limited Actuarial Account of the States of Guernsey Superannuation Fund.**

The amounts recognised in the statement of financial position are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Fair value of Actuarial Account Assets	<b>29,400</b>	38,189
Present value of funded obligations	<b>(24,616)</b>	(53,999)
Net over/(under)funding in actuarial account	<b>4,784</b>	(15,810)
Related deferred tax (liability)/asset (note 14)	<b>(962)</b>	2,803
Net defined pension asset/(liability)	<b>3,822</b>	(13,007)

The amounts recognised in the statement of comprehensive income are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Service cost	<b>2,262</b>	2,392
Settlement gains	<b>(5,154)</b>	(2,060)
Net interest on Net Defined Benefit Liability	<b>291</b>	312
(Income)/expense recognised in the statement of comprehensive income	<b>(2,601)</b>	644

The net interest on Net Defined Benefit Liability is comprised as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Interest on obligation	<b>1,026</b>	829
Interest on assets	<b>(735)</b>	(517)
Net interest on Net Defined Benefit Liability (note 6)	<b>291</b>	312

**24. Pension scheme – (continued)**

The amounts recognised as Remeasurements in Other Comprehensive Income are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Return on assets (not included in interest)	<b>(5,292)</b>	4,802
Actuarial gains on obligation	<b>22,705</b>	804
Total remeasurements recognised in other comprehensive income	<b>17,413</b>	5,606

The following other costs have been recognised in the relevant sections of the accounts.

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Administration expenses paid from Actuarial Account	<b>18</b>	17
Other items	<b>18</b>	17

In addition, the company has charged any other administration expenses relating to the Actuarial Account which are paid directly from company funds.

The company contributed £598,000 to the Actuarial Account over the year from 1 October 2021 to 30 September 2022. Members of the Actuarial Account contributed £394,000 to the Actuarial Account over the same period.

The company expects to contribute £407,000 to the Actuarial Account over the next year from 1 October 2022 to 30 September 2023. Contributions by members of the Actuarial Account are expected to total £390,000 over the same period.

Changes in the present value of the Actuarial Account's Defined Benefit Obligation are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Opening defined benefit obligation	<b>53,999</b>	55,271
Service cost	<b>2,262</b>	2,392
Contributions by members	<b>394</b>	429
Liabilities extinguished on settlements	<b>(10,359)</b>	(4,118)
Interest on obligation	<b>1,026</b>	829
Experience losses/(gains)	<b>872</b>	(1,889)
(Gains)/losses from changes in assumptions	<b>(23,578)</b>	1,085
Closing defined benefit obligation	<b>24,616</b>	53,999

The weighted average duration of the liabilities of the Actuarial Account was 21 years as at 30 September 2022.

**24. Pension scheme – (continued)**

Changes in the fair value of Actuarial Account assets are as follows:

	<b>30 Sept 2022 £'000</b>	30 Sept 2021 £'000
Opening fair value of actuarial account assets	<b>38,189</b>	33,830
Interest on assets	<b>735</b>	517
Return on assets (not included in interest)	<b>(5,292)</b>	4,802
Assets distributed on settlements	<b>(5,206)</b>	(2,059)
Contributions by employer	<b>598</b>	687
Contributions by members	<b>394</b>	429
Administration expenses	<b>(18)</b>	(17)
Closing fair value of actuarial account assets	<b>29,400</b>	38,189

The major categories of Actuarial Account assets as a percentage of the total are as follows:

	<b>30 Sept 2022 %</b>	30 Sept 2021 %
Equities & Alternatives	<b>80</b>	70
Bonds, Fixed Interest Securities & Short-Term Securities	<b>15</b>	20
Property	<b>5</b>	10

All the Actuarial Account's assets have a quoted market price in an active market. The Actuarial Account holds no financial instruments issued by the company, nor does it hold any property or other assets used by the company.

Principal actuarial assumptions used for the FRS 102 disclosures:

	<b>30 Sept 2022 % p.a.</b>	30 Sept 2021 % p.a.
Discount rate at end of year	<b>4.90</b>	1.90
Discount rate at start of year	<b>1.90</b>	1.50
Inflation	<b>3.40</b>	3.20
Rate of increase in pensionable salaries	<b>4.15</b>	3.95
Rate of increase in deferred pensions	<b>3.40</b>	3.20
Rate of increase in CARE benefits	<b>3.40</b>	3.20
Rate of increase in pensions in payment	<b>3.40</b>	3.20

**24. Pension scheme – (continued)****Mortality Assumptions**

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements.

The assumptions are that a member aged 65 will live on average until age 87 (30 September 2021: 86 years) if they are male and until age 89 (2021: 88 years) if female.

For a member currently aged 45, the assumptions are that if they attain age 65, they will live on average until age 88 (2021: 88 years) if they are male and until age 90 (2021: 90 years) if female.

Amounts for the current year and previous periods are as follows:

	<b>Sept 2022 £'000</b>	Sept 2021 £'000	Sept 2020 £'000	Sept 2019 £'000	Sept 2018 £'000
Defined benefit obligation	<b>24,616</b>	53,999	55,271	41,348	100,694
Actuarial Account assets	<b>29,400</b>	38,189	33,830	32,747	65,620
Surplus/(Deficit) (gross)	<b>4,784</b>	(15,810)	(21,441)	(8,601)	(35,074)
Actuarial (losses)/gains on Actuarial Account assets	<b>(5,292)</b>	4,802	744	606	2,437
Experience (losses)/gains on Actuarial Account liabilities	<b>(872)</b>	1,889	1,695	(270)	3,945
Gains/(losses) from changes in assumptions	<b>23,578</b>	(1,085)	(14,452)	10,137	2,103
Total Actuarial gains/(losses) on Actuarial Account liabilities	<b>22,705</b>	804	(12,756)	9,866	6,048

**25. Statement of control**

The company is wholly owned and ultimately controlled by the States of Guernsey.

**26. Related party transactions**

There are no disclosable related party transactions in this financial year. See note 5 for disclosure of Directors' remuneration. Within the company, only the Directors meet the definition of Key Management Personnel.

## 27. Subsequent events

1. *Refund of Electricity Transmission costs* – In February 2023, the Channel Islands Electricity Grid received a credit note from the French power grid operator Réseau de transport d'électricité ("RTE") totalling €4,194,000. This refund was in respect of the CIEG's share of surplus revenue made by RTE as a result of high European energy prices during 2022 driven by the Russian invasion of Ukraine and France's historically low nuclear output.

Guernsey Electricity Limited's share amounted to €1,920,000 and related to energy imported for the calendar year ending 31 December 2022. The element of this credit that related to the financial year ending 30 September 2022 amounted to €1,419,000 and comprises a fixed element split equally by month throughout the calendar year and a variable element split by units imported by month throughout the calendar year.

This has been treated as a non-adjusting post balance sheet event.

Had it been treated as an adjusting event, the impact to the financial statements would have been to reduce Cost of Sales by £1,248,000, thereby increasing Gross Profit to £8,537,000. It would have increased debtors (and ultimately cash) by £1,248,000 and current assets would have increased from £29,619,000 to £30,867,000.

2. *Revolving Credit Facility (RCF)* – Post 30 September 2022 Guernsey Electricity has undertaken a competitive tender process to provide continuation of finance through a new revolving credit facility arrangement which will come into effect on 2 October 2023 following expiry of the existing RCF facility.

The new facility will be with HSBC Guernsey and will cover a period of 5 years up to 2 October 2028. The initial amount will be a facility of £20m with an option to increase this to £35m. The facility agreements were fully executed by the board on 26 April 2023.





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