P.2022/55

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 9th June, 2022, they are of the opinion:-

1. To note the Annual Report and Accounts of Guernsey Electricity Limited for the period ended 30th September 2021.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY ELECTRICITY LIMITED – ANNUAL REPORT AND ACCOUNTS

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

9th June, 2022

Dear Sir

1 Executive Summary

1.1 The Annual Report and Accounts of Guernsey Electricity Limited (GEL) are hereby presented to the States.

2 Guernsey Electricity – Annual Report and Accounts

2.1 Under the terms of Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, the States' Trading Supervisory Board (STSB) is required to submit GEL's Annual Report and Accounts to the States for their consideration.

2.2 GEL's Annual Report and Accounts for the period ended 30th September, 2021, are therefore appended to the policy letter.

2.3 As reported in the previous Annual Report and Accounts[1], the 2019/20 accounting 'year' represented a transitionary eighteen-month period which followed a decision by the GEL Board to change the fiscal year end date for the company from 31 March to 30 September.

2.4 The 2020/21 financial results therefore represent the first 'ordinary' twelve-month fiscal period following this change.

2.5 As a consequence of the above, the results for the 2020/21 financial period are

[1] Billet d'Etat XIX of 2021 – States' Trading Supervisory Board – Guernsey Electricity Limited – Annual Report and Accounts.

not directly comparable with those of the previous twelve months.

3 Compliance with Rule 4

3.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

3.2 In accordance with Rule 4(1):

a) The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 (as amended) requires the Proposition to be put to the States;
b) The Annual Report and Accounts have been submitted by Guernsey Electricity Limited;
c) The Proposition has been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications;
d) There will be no additional financial implications to the States of Guernsey of carrying the proposal into effect.

3.3 In accordance with Rule 4(2):

a) The Proposition relates to the duties of the STSB to carry out the States' role as shareholder of any incorporated companies which are owned by the States and which the States have resolved to include in the mandate of the Board;
b) The Proposition above has the unanimous support of the Board.

Yours faithfully

P J Roffey
President

C N K Parkinson
Vice-President

N G Moakes
Member

S J Falla, C.B.E.
Non-States Member

S J Thornton
Non-States Member

Guernsey Electricity Limited

Annual report and financial statements
30 September 2021

Guernsey Electricity
Powering Life, Today & Tomorrow

Contents

Directors, officers and professional advisers

Directors:

I Hardman	(Non-Executive Chairperson)
A Bates	(Chief Executive Officer)
J Turner	(Chief Financial Officer and Deputy Chief Executive Officer) resigned on 18 September 2021
K Brouard	(Chief Financial Officer) appointed on 18 September 2021
S-A David	(Chief Operating Officer)
G Browning	(Non-Executive)
P Shaefer	(Non-Executive)
R Denton	(Non-Executive)
T Songini	(Non-Executive)
I Chapman	(Non-Executive)
J Peacegood	(Non-Executive) appointed on 21 May 2021

Secretary: S Walden

Bankers:

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 Glategny Esplanade
St Peter Port
Guernsey
GY1 4BQ

HSBC Bank Plc
Arnold House
St Julian's Avenue
St Peter Port
Guernsey
GY1 3NF

Legal advisers:

Carey Olsen (Guernsey) LLP
PO Box 98
Carey House
Les Banques
St Peter Port
Guernsey
GY1 4BZ

Independent auditor:

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey
GY1 4AF

Registered office:

PO Box 4
Electricity House
North Side
Vale
Guernsey
GY1 3AD

Company number: 38692

Board members

Ian Hardman
Non-Executive Chairperson

Ian became a Non-Executive Director of Guernsey Electricity Limited in 2011. He has a background in banking and, having joined Lloyds Bank in 1973, worked his way up to the position of Senior Islands Manager, responsible for the four retail branches in Guernsey and Alderney. He worked on the offshore merger of Lloyds Bank and TSB Bank Channel Islands in 1996 and was involved with the legal aspects of the takeover of HBOS by LTSB. Ian is an Associate of the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators.

Alan Bates
Chief Executive Officer

Alan became Managing Director (2010) then Chief Executive Officer (2015) having joined from Manx Gas, where he was Managing Director. He 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 IEG. He has a degree in Electro-Mechanical Power Engineering and an MBA in Executive Leadership. Alan 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. Alan is also a Director of CIEG, JLEN Environmental Assets Group, Alderney Electricity and a Board Adviser to Guernsey Water.

Sally-Ann David
Chief Operating Officer

Sally-Ann was appointed to the Board in 2011. She is a Chartered Electrical Engineer with over 30 years' experience in the power and submarine cable market. Sally-Ann is a fellow of the Institute of Electrical Engineers, has an MBA, and is a Chartered Director. Sally is also a Director of CIEG, International Public Partnerships (delivering responsible investments in public and social infrastructure) and Guernsey Chest and Heart.

Karl Brouard
Chief Financial Officer

Karl was appointed to the Board in 2021 and has over 35 years' experience with Guernsey Electricity in multi-disciplinary roles covering financial, regulatory and engineering functions. Karl is a dual qualified Chartered Accountant (FCA) and Chartered Electrical Engineer (MIET). Karl is also a Director of CIEG.

Gillian Browning
Non-Executive Director

Gillian was appointed as Non-Executive Director of Guernsey Electricity Limited in 2018, after participating on the NED Development Programme with the company since 2016. Gillian is also Director of the Investment, Fiduciary and Pension Division at the Guernsey Financial Services Commission (GFSC), a role that includes leading policy development, supervisory oversight, risk management and good corporate governance. Gillian joined the GFSC from the UK Financial Conduct Authority (FCA), and prior to that the Cabinet Office where she was a Minister's Private Secretary and Policy Officer. Gillian graduated from Exeter University where she read History and Politics.

Peter Shaefer
Non-Executive Director

Peter has an honours degree in Geology and is a Chartered Accountant. He 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. He currently holds a number of both Executive and Non-Executive Director positions, joining Guernsey Electricity Limited as a Non-Executive Director in 2018.

Rick Denton
Non-Executive Director

Rick has 30 years' experience of leading UK and international subsidiaries of four major banking groups. Subsequently he became CEO of a specialist family office business, managing property developments and acquiring companies. Rick now leads his own consultancy and has a range of international Non-Executive Director positions. Locally he chairs the Guernsey Banking Deposit Compensation Scheme. He is a National Council Member for the Institute of Directors, representing the international branches. Rick holds an MBA with distinction from Warwick University; is an Associate of the Chartered Institute of Bankers; a Chartered Member of the Institute of Securities and Investments and a Member of the Society of Trust and Estate Practitioners. He has also recently achieved the Henley Certificate in Executive Coaching and the Institute of Directors' Diploma in Company Direction.

Tania Songini
Non-Executive Director

Tania worked for German engineering multinational company Siemens for over 18 years, including five years within its NW Europe Energy business, which focussed on the construction and installation of large-scale renewable energy and infrastructure projects. She currently sits on the boards of Thrive Renewables and the Private Development Infrastructure Group, London Energy and Oxford Policy Management, and has a comprehensive understanding of sustainable energy technologies and strong governance track record. Tania is the Chair of ViaNinos UK, a charity she established in the UK in 2009 that supports children in Ecuador.

Board members (continued)

Ian Chapman *– appointed on 15th September 2020*

Non-Executive Director

Ian is the CEO of the UK Atomic Energy Authority, the UK's largest energy research organisation with over 2000 scientists and engineers. He has held a number of international roles in fusion research, currently chairing the IAEA Fusion Research Committee, as well as sitting on a number of ministerial committees in the UK and advising other governments on clean energy issues. He has won a number of notable international awards, including the Royal Society Kavli Medal in 2019, the American Physical Society Stix Medal in 2017 and the Institute of Physics Paterson Medal in 2013. Ian was made a Fellow of the Institute of Physics in 2013 and became a visiting Professor at Durham University in 2015.

Joanne Peacegood

Non-Executive Director

Jo joined the Board as a Non-Executive Director in 2021. Prior to embarking on a career as a Non-Executive Director, Jo was an Audit Engagement Leader at PwC where she spent over 20 years working in the Channel Islands, UK and Canada. Jo also held a number of other leadership roles at PwC including Risk & Quality, Controls Assurance and Innovation & Technology. As a Non-Executive Director, Jo sits on the Board of a number of entities including Listed Renewables, Listed Equities, Private Equity, Debt, Hedge, Real Estate and Asset Managers. Jo is a qualified Chartered Accountant, holds the Institute of Directors' Diploma in Company Direction and also holds an Honours degree in Accounting. Jo is the Chair of the Guernsey Investment & Fund Association Executive Committee and also sits on the Guernsey International Business Association Council.

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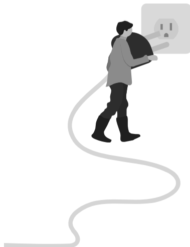
Chairperson's statement

As I write my last annual report as the Chair of Guernsey Electricity, it provides me with an opportunity to reflect on how the business has developed and evolved over my tenure.

Guernsey Electricity is a core part of our island's infrastructure and provides a service which is fundamental to our modern-day life. This is a big responsibility which the Board and everyone at Guernsey Electricity understands and takes very seriously. Some of our key attributes include supplying 30,000 customers, maintaining a network of underground cables, importing most of our electricity through our jointly owned subsea cable network, ensuring the island's security of electricity supply by maintaining our on-island power station, owning the largest solar arrays on the island and employing over 200 loyal and dedicated employees.

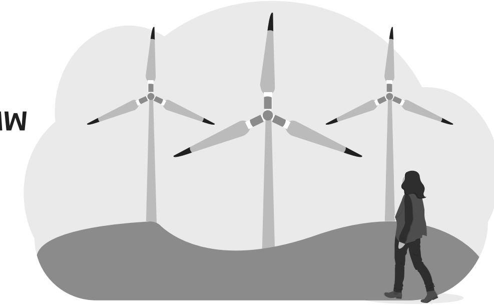
Leading an organisation so critical to our community requires a Board that understands the nature of an asset-intensive business, where investment decisions span many decades as well as a focus on policy direction and technology development, all of which need to be balanced with our customers' ability to afford the decarbonisation of our island. Guernsey Electricity remains committed to ensuring it is in alignment with the States of Guernsey's energy policy objectives and seeking solutions that are right for our island and our customers.

Our business year 2020/21

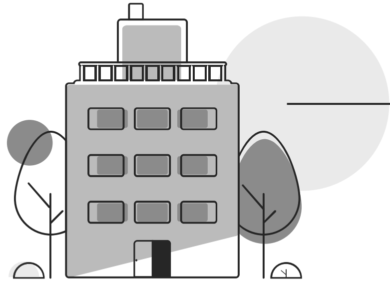


We supplied electricity to 30,000 customers
Who consumed 363GWh of electricity

Creating a new record maximum demand of over 94MW
With 93% of electricity imported from low carbon sources



The electricity was distributed through 1.4 million metres of underground cable network
And over 400 substations located around the island



Providing more than 36,000 meter readings
Allowing us to send out approximately 120,000 electricity statements

All operated and managed by...

loyal and dedicated employees.

Chairperson's statement (continued)

Our performance

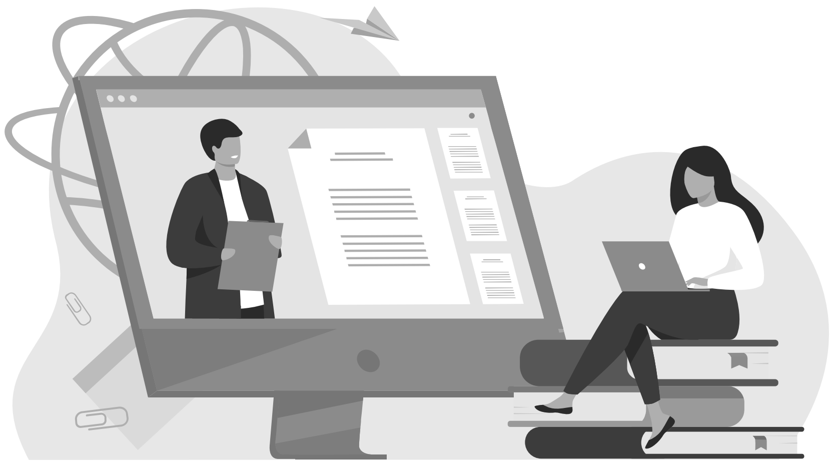
Despite many challenges, we have had a record year in delivering for Guernsey:

- Demand – a new record maximum demand for the island of 94MW, an almost 10% increase, and no loss of generation;
- Environmental – maintained our low carbon intensity electricity supply to our customers;
- Reliability – the lowest customer minutes lost for five years, and a 99.99% availability, and 96% of any fault repaired within 3 hours;
- Installation – a new bulk electricity supply point serving around 25% of our customer base;
- Customer value – electricity price hedging which prevented the unprecedented volatility flowing through to our customers' bills;
- Customer service – continued to provide our core services that maintain the infrastructure and provide support to customers during the second lockdown; and
- Sustainable financing – unlocking the potential to align Guernsey Electricity's financial strategy to the objectives of the energy policy through tariff reform.

The future

What has become very clear with the energy transition gathering pace is Guernsey Electricity needs to evolve and keep up with the pace of change. The Board continues to balance the needs of the electricity system today with the aspirations for the energy infrastructure of the future. We are committed to providing the best service to the island. Electrification growth will continue to drive demand, requiring further investment, changes to our practices and collaboration with our partners both on and off-island. To deliver this future successfully, our focus will continue to be:

- Securing the objectives of Guernsey's Energy Policy to achieve its 2030 and 2050 targets;
- Transitioning to a more stable financial model and reforming our tariffs to provide the investment required to deliver the transition for Guernsey's energy future;
- Driving sustainability and independence into our energy supply – we are committed to a secure future which includes local renewable generation and energy storage;
- Replacing our back-up hydrocarbon generation with a more sustainable option;
- Continued investment in SMART technology to allow us to use energy wisely; and
- Continuing to invest in our dedicated team.



Chairperson's statement

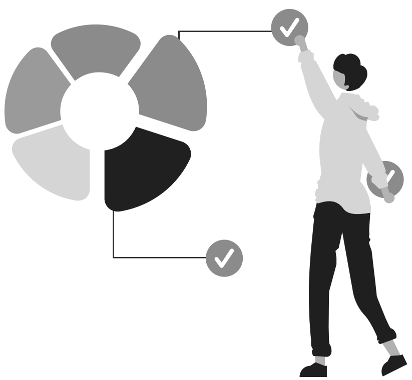
These are bold and challenging goals and the Board and team at Guernsey Electricity are committed to achieve these by working with our industry, our government and our customers to ensure Guernsey succeeds in its environmental and climate aspirations.

Ian Hardman
Chairperson

Chief Executive Officer's report

Successes and key performance

Carbon intensity of electricity supply of 68 gCO_2equiv./kWh[1]



- **A hedging policy that has mitigated significant electricity price rises;**
- **An improvement in financial performance returning the business to profit; and**
- **Replacement of the electricity transmission bulk supply point serving St Peter Port and the surrounding area, nearly a quarter of all customers.**

Whilst the financial year 2020/21 was not without its challenges, the year saw some considerable positive operational achievements in terms of customer reliability and environmental performance.

Following the replacement of the subsea cable between Guernsey and Jersey in 2019, we have seen significant operational improvement in terms of importing electricity. This followed almost eight years of unreliable operation in which we saw two cable failures and a preventative repair, which mitigated a third failure.

A 40% improvement in electricity supply reliability

with customer minutes lost at 21 minutes.

During this time, due to the ongoing deteriorating condition of the cable, we suffered extended periods of on-island generation when the capacity of the cable was purposedly limited in order to prolong its life and at times when the cable was not in service at all. This had not only an adverse impact on the financial performance of the business, but also on its environmental performance with our carbon intensity rising to 410 gCO_2equiv./kWh in the financial year 2018/19.

With the new cable now fully operational and reliable, we've seen another full year of high levels of importation, closely matching that of 2019/20 and making electricity a very low carbon energy product for our customers. We achieved an average carbon intensity level of 68 gCO_2equiv./kWh for this financial year, again very closely matching the previous year's level of 67 gCO_2equiv./kWh. These levels are around 91% (68 gCO_2equiv./kWh (2021) vs 790 gCO_2equiv./kWh (1990/91)) lower than they were in 1990 – the baseline year upon which our carbon reduction targets are assessed.

[1]·Grams of CO_2 equivalent per Kilowatt hour

Whilst the carbon intensity is a measure of the carbon content per unit of electricity, we must recognise that the increasing use of electricity means that the absolute volume of carbon emitted through electricity production will not have decreased quite to the same extent. Despite the increase in usage, which is now around 68% (363 GWh (2021) vs 216 GWh (1990/91)) higher than it was in 1990, the total volume of carbon emitted by electricity production has still fallen by around 85% (25,000 tonnes (2021) vs 171,000 tonnes (1990/91)). Moreover, much of the increase in electricity usage is offsetting the consumption of more carbon intensive fuels like heating oil, transport fuels and gas, so the overall effect for the island is very favourable indeed.

This significant advancement in environmental performance of our energy system, viewed alongside the challenging years when the cable link was unreliable, clearly highlights the importance of reliability in the European electricity supply chain, and our vulnerability to higher cost, higher carbon forms of electricity production without it. Connectivity with Europe has brought great success, but we must bank that success and now enhance the resilience and capacity of this connectivity through additional interconnection to provide a more robust system.

The 'customer minutes lost' performance target has also further improved: reducing to 21 minutes from 34.5 minutes[2] in the previous financial period, with availability now at 99.99%. This 40% improvement shows how important the security provided by the importation of electricity is and with further investment in the on-island network, we should see this improve further.

The security and reliability of electricity supply capacity to the island will remain just as important as we progress with the energy transition and achieve the island's aspiration to install more local renewables. The cable will continue to provide access to low carbon electricity during periods when the local renewables are not generating, and local energy storage has all been used. Without this importation being secure the intermittency of local renewables will have to be backed up by hydrocarbon generation.

To enable the progressive scaling up and to demonstrate that local renewables can provide affordable electricity we continue with our community scale renewable roll out with the installation of a new system at the KGV playing fields.

A further point of success this year is the electricity price hedging arrangements for imported electricity supplies. Whilst the UK and Europe are currently seeing significant consumer impact on tariffs created by an extremely volatile energy commodity market, consumers of electricity in Guernsey are unlikely to see the level of tariff movements seen in the other jurisdictions, such as the UK which has seen >50% increases. Whilst Guernsey will not be immune to this market volatility over the longer term, prudent hedging has mitigated large tariff movements being seen in the near term and provides us with the flexibility to pass much smaller increases over a longer period of time through to customers.

Continuing period of significant challenges

Whilst we are pleased with the positive impact made by replacing the subsea cable, this year's greatest performance has been that of the team at Guernsey Electricity. As part of the island's critical national infrastructure, the core role the business plays in maintaining our modern-day way of life should not be underestimated and the employees have risen to all the challenges presented. The pandemic's second lockdown is an example of how the business deals with such challenges and again maintained not only the core provision of electricity supply, but also the necessary services that maintain the infrastructure and provide support to customers.

The financial performance of the business continues to place considerable operational and investment constraints on the business. The operating profit for the year, after adjustments, was £1.5m (2020: loss of £7.9m) which, while a commendable improvement on the previous period remains far below that necessary to replace aging assets. This Board remains concerned about the ability to deliver the necessary level of infrastructure investment required to maintain today's electricity network, as well as, and more importantly, the ability to be able to invest in a network which will be able to facilitate the decarbonisation of the island and support the opportunity to embed more renewable generation and energy storage in the future.

[2]·34.50 minutes loss for the 18-month period 1 April 2019 to 30 September 2020 excludes an island wide outage loss of supply on 2 September 2019 associated with on-island generation during the replacement of the subsea cable. With this single event the figure would have been 53.7 minutes which would mean improvement this year of 60%.

Chief Executive Officer's report (continued)

During recent years we have also had to replace our obsolete and no longer supported core business ERP system. This project commenced in 2018, however most of the work has been carried out in 2020 and 2021 and has been severely impacted by the travel restrictions put in place by COVID mitigations. This resulted in Guernsey Electricity having to "go-live" with the new system with no on-island consultant support. Whilst this is less than ideal and we have had some challenges with the new system, the team at Guernsey Electricity have shown real commitment and determination to embed and improve the replacement system. The Board acknowledges that the issues with the new system have caused an unacceptable level of service to some customers and it continues to apologise for any inconvenience caused.

The energy transition and the need to provide clear market cost signals

The approval of the Island's Energy Policy in 2020 was a positive step and set the foundations for the energy journey our community needs to go on to achieve our climate change aspirations. The Energy Policy set out why we need to change and what needs to happen. However, the detail of how we are going to achieve and pay for these ambitious aspirations still needs further development to be "fit for Guernsey".

Guernsey Electricity clearly has an important role to play in developing the strategy to deliver the electricity element of the transition and we will work closely with the Committee for Environment & Infrastructure to achieve a sustainable pathway to the policy goals. The island's Electricity Strategy is key to developing the approach to securing where our electricity comes from, how we can use it wisely as a community and also what commercial environment will create the most efficient transition for the island.

Whilst the role of Guernsey Electricity is clear in terms of assisting with the strategy to deliver the energy transition, understanding what the cost drivers of the infrastructure investment are and how the investment is going to be funded has been less so. The States of Guernsey approval to put in place interim arrangements for tariff regulation is a first step in providing these clear cost signals to the energy market and electricity customers.

Guernsey Electricity, as a States' owned entity which currently has no direction to distribute profits, aims to provide transparency around the cost of the investment pathway needed for the required level of new infrastructure to deliver the energy transition. For the decarbonisation pathway using electricity, this is principally the cost to provide the network and security of supply.

This transparency will allow us to provide clarity around the cost to provide electricity as a product. In this way, it will be possible to take informed and evidence-based decisions on how different parts of the electricity market may need to be subsidised or incentivised to achieve the energy policy aims more broadly, such as renewable generation and our modes of transport.

Without this transparency we could easily end up down investment cul-de-sacs or incentivising the incorrect behaviours through legacy tariffs.

As part of formulating the Electricity Strategy for the island, it will be necessary to determine what market structure is needed to create and stimulate the necessary investment into local renewables, particularly in terms of much larger scale local renewable generation and energy storage. Based on this market structure the States of Guernsey will be able to ensure a proportionate licencing or regulatory framework is put in place which delivers value to customers and the island.

What has become clear as we understand the challenges the energy transition will create is that a collaborative, not combative, energy market is more likely to succeed in transforming the way we use energy to deliver policy expectations. The energy market therefore needs to be cognisant that doing the right thing for our community and the environment may not always be aligned to the traditional competitive market. In achieving a sustainable energy transition the island will be contributing to meet global climate change targets.

Our own environmental and sustainability initiatives

Guernsey Electricity has signed up to Net Zero and therefore has an ambition to set science-based targets to reduce our operational impact before considering any offsetting. More widely we are considering the environmental impacts we create as a business.

This includes everything from waste to water consumption, our workplace integrity, how we become a better place to work and how we do the right things for our community. These elements and our desire to be responsible within the marketplace will form the cornerstones of any future initiatives and commitments.

Decarbonising the electricity supply for the island therefore remains a core focus for the Board of Guernsey Electricity. As well as securing guarantees of origin for imported electricity and external verification of the carbon intensity of imported supplies, the business has commenced its own low carbon journey to net zero. The first stage of this is determining where we create carbon in our business activities. We have set up a low carbon working group to measure our carbon emissions and explore the opportunities to reduce these.

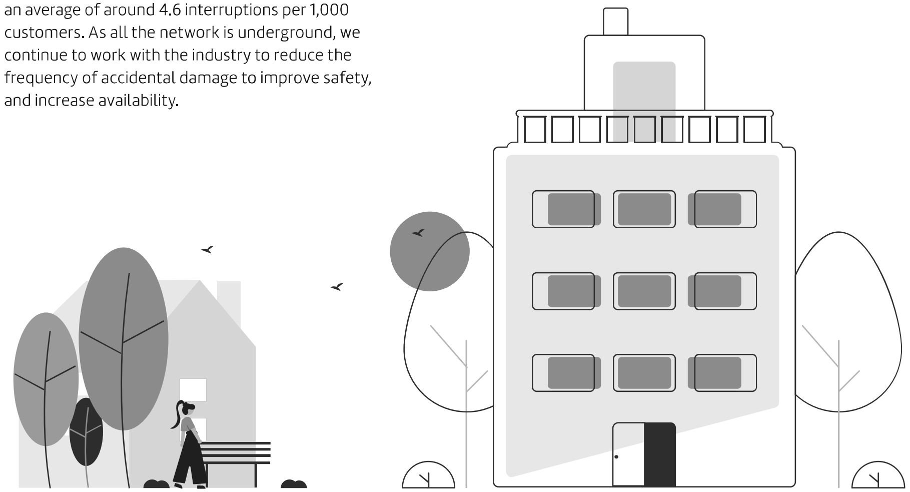
Operational performance

With the import cable to the island now reliable the focus of the operational activities returned to aligning our capital investment and maintenance activities to our asset management plans.
The reliability of the system remained high with just over 21 minutes on average lost by each customer and an overall availability of 99.99%. The number of network faults remained low at 149 for the year of which only three were high voltage, resulting in an average of around 4.6 interruptions per 1,000 customers. As all the network is underground, we continue to work with the industry to reduce the frequency of accidental damage to improve safety, and increase availability.

Despite the ongoing restrictions caused by the various mitigations to control the pandemic we still managed to achieve our plans for the year. 10% of the primary circuits and around 10% of our secondary substations were maintained, in line with their scheduled asset management plans. This included installing 16 new secondary substations on the network to replace those that were at the end of their economic life, as well as the new bulk electricity supply point at Beau Sejour. The new substation, supplying up to a quarter of the island demand was completed to improve resilience in St Peter Port's network. The substation supplies residential, office, retail and community buildings representing around a quarter of Guernsey Electricity's customers.

In terms of electricity meters, an additional 1,786 meters were fitted throughout the year, although the profile was not even; lack of access during 'lockdown' periods necessitated high levels of connection in the more accessible periods.

After several years of the power station being used to support an unreliable subsea cable and then the baseload generation required while the cable was replaced, we undertook all planned and general maintenance and inspection regimes, including the harbour to station fuel lines and continued our upgrade of the fuel storage facilities.



Chief Executive Officer's report (continued)

Electricity usage and generation summary

	On-island generation MWh		Imported MWh					
Calendar Year	**Vale Power Station**	**Community PV**	**Hydro**	**Nuclear**	**Wind**	**Solar**	**% Imported**	**Total Distributed MWh**
2019	199,139	123	112,980	64,151	-	-	47%	342,647
2020	22,783	369	200,942	-	81,430	64,328	94%	331,899
2021	26,860	390	354,910	-	329	-	93%	363,515

Greenhouse gas emissions and intensity of electricity

The annual greenhouse gas ("GHG") emissions are displayed in the table below. Emissions are apportioned between scopes 1,2 and 3 in tons of CO_2 equivalent and carbon intensity of distributed electricity in grams of CO_2 equivalent per Kilowatt hour.

	Scope 1 Emissions tCO_2equiv.	Scope 2 Emissions tCO_2equiv.	Scope 3 Emissions tCO_2equiv.	Total Emissions tCO_2equiv.	Intensity of Distributed Electricity gCO_2equiv./kWh	Lifecycle Intensity of Distributed Electricity gCO_2equiv./kWh
2019	139,600	109	863	140,572	410	488
2020	20,063	285	1,884	22,232	67	86
2021	22,653	185	2,042	24,880	68	82

Notes

1. Emissions are calculated for the calendar year running from January to December.
2. Imported MWh takes into account transmission and distribution losses between the source and the island.
3. Intensity of Distributed Electricity is the intensity of GEL's scope 1, 2 and 3 emissions per kWh of electricity sold to our customers.
4. Total distributed electricity is the electricity that has been delivered to our customers, taking into account transmission and distribution losses.
5. 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.
6. The full lifecycle intensity of our electricity has been calculated from 2019 onwards.
7. Scope 1 emissions: combustion of fuel to generate power, Combustion of fuel in vehicles, and fugitive emissions.
8. Scope 2 emissions: electricity transmission & distribution losses.
9. Scope 3 emissions: electricity importation.
10. Data sourced from WSP GHG Review of Guernsey Electricity Environmental Reporting: Annual greenhouse gas emissions 2021.

Financial performance

These financial statements revert to a 12-month period which must be borne in mind when comparing the results to the previous period which was for 18-months to 30 September 2020.

The previous financial period was significantly impacted by the need to replace the electricity cable to Jersey. This financial period has also seen a significant investment being made into the company but one that had been planned for a number of years. The ERP replacement project has seen the company consolidate a variety of ageing, legacy and unsupported IT systems that control asset management, financial reporting, customer billing, contracting, procurement and human resources among others. This significant investment, which will eventually provide the ability to analyse more data far more effectively, will ensure that the company can provide the best possible service to customers and stakeholders. We will also be well placed to drive forward with energy transition policies informing development and ensuring cost effective delivery.

Together with the Beau Sejour bulk supply point, replacement of substations and other capital investments, the company has continued to strengthen the network, investing a total of £5.0m into the network. As high as this figure is, it represents only 1.9% of the cost of the company's assets and therefore remains below a target figure for asset replacement. When factoring in the strengthening of the network that will be required to meet the forecast demand increase of the approved energy transition policy, it becomes apparent that future funding mechanisms will need to be carefully considered in the near future.

The Board therefore welcomed the decision of the States in September 2021 to allow the States Trading Supervisory Board ("STSB") to approve tariff changes and new structures proposed by the company. The Board has considered the various options to ensure that, in the short-term, a baseline level of infrastructure investment is maintained and continues to work proactively with the STSB on developing a tariff increase plan which delivers both infrastructure and consumer expectations.

The reported operating profit after pension settlement gains has improved significantly to £1.5m (30 September 2020: operating loss £7.9m). On-island generation has reduced significantly, offset by continuing impacts of COVID on profitability, as it will have done for many businesses on the island.

In contrast to the previous period, the £:€ exchange rate gradually strengthened during the year, decreasing the cost of importation year on year. Our hedging programme continues to manage exchange rate risk arising from importation.

In terms of financial performance, the returns from the business are considered on a three-year rolling average basis. This allows the Board to assess the underlying financial dynamics created by weather, the wholesale markets and the required changes that may be required to tariff levels.

The first of the two approved uncontrollable cost recoveries of 6.8% and 4.8% respectively, is due to expire on 1 July 2022. While the historic events that led to the approval have passed, it cannot be denied that we are continuing to operate in unpredictable times. The continued impact of the pandemic and the recent hostilities in Eastern Europe are maintaining the cost pressures on the business. As previously reported, the company is also under-investing in capital asset replacement due to the legacy of tariff restraint. A programme of capital asset replacement and network strengthening has been developed to enable the company to deliver on its set objectives, the cost of which is considerable.

The current discussions with STSB around tariff mechanisms will not only therefore address the individual tariffs that will apply to customers but also consider the most appropriate mix of debt and equity to allow the company to deliver the objectives set by the States of Guernsey and balancing these with the needs of the customer.

Chief Executive Officer's report (continued)

The impact of the company's under-investment can be seen in the reduction of its non-current asset base from £150.8m to £148.9m. While it is possible to entertain such a decrease and the underlying asset base remains healthy, this must not be allowed to continue. The net cash outflow for the year is largely due to repayments of credit facilities of £4.7m and the limited replacement of non-current assets of £6.4m. At the year-end, we had net debt of £39m compared to £38.7m at the last period. This comprised £41.9m loans and closing cash balances of £2.9m; these amounts include balances held with the States of Guernsey of £34,000 (30 September 2020: £23,000).

Shareholder's funds have increased by £4.6m, from £91.3m to £95.9m. This was primarily the result of the actuarial gain in the pension scheme, net of the movement in deferred tax relating to the pension deficit of £4.6m and finance costs of £1.2m, together with the improvement in the operating profit.

The company is part of the States of Guernsey Pension Scheme and we are continually assessing the funding risks that come with membership. To this end we closed our Career Average Revalued Earnings ("CARE") to new members in 2017. As a continuance of this risk mitigation strategy the company transferred the pension liabilities of all retired and deferred members as at 30 June 2018 to the States of Guernsey Combined Pool. The Board understands the liability created by the older schemes and keeps the affordability of these under review.

Outlook

The opportunity for Guernsey Electricity to work with the States' Trading Supervisory Board to provide a platform for tariff reform which will provide a more evolutionary approach to tariffs more appropriately representing the underlying costs, is a real positive for the company and the future of the island's energy policy. To support these tariff reforms, it is important that we improve the levels of service and efficiency of the business, and this remains a priority. It is intended that, as part of any tariff change application, a commitment will be made to a formal efficiency and benchmarking review of the business.

The strategy development for the business is dependent on the Committee for Environment & Infrastructure's Electricity Strategy, which is due to be debated by the States of Guernsey in late 2022. This remains key for Guernsey Electricity to identify and manage the changes required to its investment plans, but also its workforce who are absolutely key to delivering the transition.

The Board remain mindful of the potential disruption and impact all of these energy transition changes can have on the different customer groups and are committed to ensuring it works with its customers to ensure electricity is used wisely and remains affordable for all.

First major investment into the island's transmission network with a new electricity bulk supply point installed at Beau Sejour

A new substation, supplying 25% of the island was completed to improve resilience in St Peter Port's network. This includes residential properties, offices, shops and Beau Sejour itself, representing around a quarter of Guernsey Electricity's customers.

The project began in March 2021 and successfully navigated the challenges of the pandemic including border restrictions and delivery delays to deliver a key milestone in the continual investment in our existing infrastructure.

Replacing existing ageing equipment, the completion of the new substation will future proof the local electricity network, provide extra resilience along with enhanced capacity to meet a more electric future and the switch from fossil fuels.

As well as the sensitive designing of the exterior building, the project team worked with Environment Guernsey to support existing wildlife and encourage an improvement of biodiversity to the surrounding area with bat and bird habitats and the planting of new native trees.

Power to the People fund

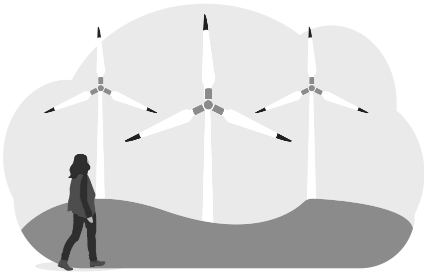
Guernsey Electricity has historically focused its corporate social responsibility efforts on 'youth and community' which provided support to many worthwhile initiatives and charities such as Be Safe Be Seen, The Guernsey Community Awards and Safety Calling. We also received a high number of requests from charities, clubs, events and schools for donation of raffle prizes.

Seeking new ways to help the island community and fulfil our environmental aspirations, we refreshed our efforts and launched the Power to the People Fund in October 2020. Power to the People has proven popular and to date, we have supported 8 local environmental initiatives with a total of £12,000.

Opening applications up to Bailiwick charities and groups wishing to receive support for tangible positive environmental change for all the community to enjoy has meant that we have brought more targeted, measurable positive change to our island and wider environment.

Specifically, causes that resonate with the four pillars of our Environmental Sustainability Strategy will be favoured as these in turn support the United Nation's Sustainable Development Goals:

Climate action



Affordable and clean energy

Healthy ecosystems

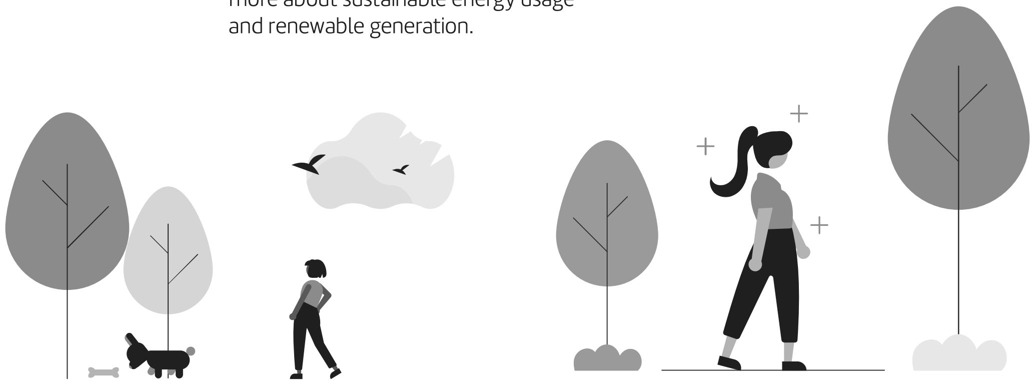
Education, awareness and skills

Power to the People has proven popular and to date, we have supported 8 local environmental initiatives with a total of £12,000.

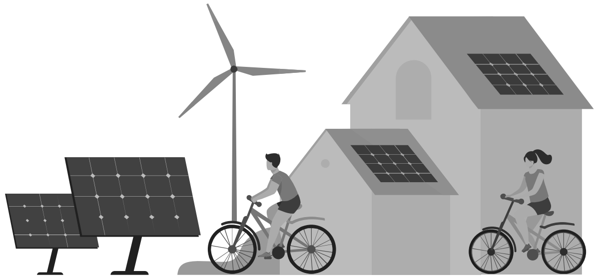
The company has donated PAT testing equipment and funded safety training to the Repair Café to enable more electrical equipment to be repaired safely by their volunteers. Funding has also included providing TV link ups to the island of Lihou's solar panels for residential visits and schools to view and understand more about sustainable energy usage and renewable generation.

Others include:

- Bat boxes and detectors;
- Education officers' equipment;
- Litter picking kit for all community to use;
- Conservation herd maintenance;
- 1 eco-mooring pilot study; and
- 1 scythe for National Trust of Guernsey land.

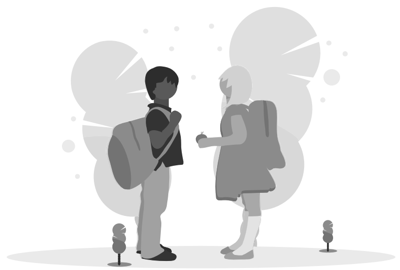


What else have we done?



Community scale renewable electricity

We generated 0.4 GWh of electricity from our community scale solar arrays for everyone to use.



Supporting education and safety for Bailiwick children

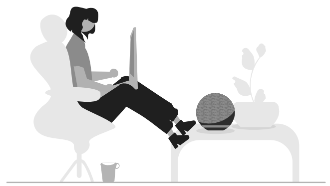
We awarded £2000 to winners of our Bailiwick schools eco-challenge to be spent on environmental improvements.

Trained 6 apprentices to become qualified electricians

We have invested in 16 professional qualifications and development programmes, 1 bursary programme and 6 apprentices.

Free hedgeveg wildflowers

We've sown 1 acre of the island with free biodiversity boosting wildflower seeds so far.

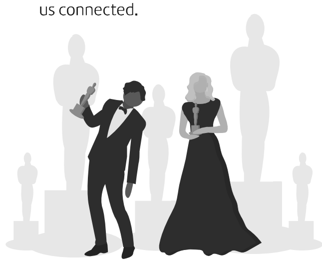


New ways of working

We introduced flexible working.

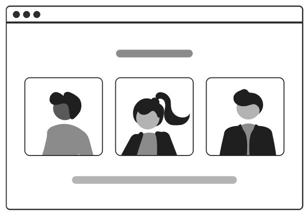
Supporting Islanders and employees in a pandemic

- We hand delivered electricity top-up cards to customers isolating;
- Hosted Virtual yoga sessions for employees throughout lockdowns; and
- Daily virtual coffee breaks to keep us connected.



Recognition and thanks

Our annual awards have recognised 40 employees including long service. We've gifted boxes of chocolates and flowers to say a little 'Thank You', too.



EMS

Refreshed our internal Environmental management system platform.

Health and wellbeing

We've sponsored 5 Mental Health First Aiders across the business and added a new free virtual doctor service for employees.

Electric Living

We launched www.electric living.gg – an informative, impartial service to help the industry and customers towards decarbonisation of heating.

Supporting women in engineering day

Supported 225 students attending Guernsey's Women in Engineering event.

Directors' report

The directors present their report and the audited financial statements for the year ended 30 September 2021. 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 40 to 71.

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 2020: £nil paid), representing £nil per share (30 September 2020: £nil per share paid). The company will not be proposing a dividend at the 2022 Annual General Meeting (2021: £nil proposed).

Customers

The number of customers as at 30 September 2021 is 29,982[3] (30 September 2020: 30,859).

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 93% (30 September 2020: 74%) of the island's electricity needs in the year ended 30 September 2021 and 7% (30 September 2020: 26%) was generated on the island, as shown by the units analysis below:

	30 Sept 2021	30 Sept 2020
Units imported MWh	**359,711**	394,069
Units generated MWh	**25,272**	137,809
Total units imported/generated MWh	**384,983**	531,878

Average price

The average price per kWh sold in the year ended 30 September 2021 was 15.69 pence (30 September 2020: 15.10 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 2021, customers lost zero minutes due to generation/importation activity (30 September 2020: 21.51 minutes) and 21.43 minutes were lost per customer in respect of distribution (30 September 2020: 32.19 minutes).

[3] Historically corporate customers with multiple accounts have been counted as multiple customers. As part of the migration to the new ERP system corporate customers with multiple accounts have been reclassified as single corporate customers with multiple active agreements thus an apparent reduction in number of customers. This new approach will better enable 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 3.
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

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.

I Hardman
Director

A Bates
Director

30 May 2022

Corporate governance

As a Board we take corporate governance very seriously. We make significant investments in our governance and compliance systems and the training of our people to ensure these systems are running effectively.

Guernsey Electricity's corporate governance arrangements are based on the proportionate and relevant application of good practice aligned to the principles of the UK Corporate Governance Code.

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

Ian Hardman, the Chair, is responsible for the running of the Board and spends on average 1.5 days per week 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 appointed by the Board.

Chief Executive

Alan Bates is the Chief Executive Officer ("CEO") and is responsible for running the company's business and is head of the Business Leadership Team ("BLT").

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 Shareholder

Guernsey Electricity Limited is 100% owned by the States of Guernsey, through the States Trading and 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 seven Non-Executive Directors and three Executive Directors on the Board.

All of the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

Joanne Peacegood joined the Board on 21 May 2021 as a Non-Executive Director. Karl Brouard replaced Julian Turner as Chief Financial Officer on 18 September 2021.

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. In the months where there is no scheduled Board meeting, the directors receive the prior month and cumulative company financial and operating information.

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

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

Attendance during the financial year for Board meetings is given in the table below:

Director	Meetings attended	Total meetings held
I Hardman	6	6
A Bates	6	6
J Turner (resigned 18 September 2021)	5	5
K Brouard (appointed 18 September 2021)	1	1
S-A David	6	6
R Denton	4	6
G Browning	4	6
P Shaefer	5	6
I Chapman	5	6
T Songini	6	6
J Peacegood (appointed 21 May 2021)	1	2

Corporate governance (continued)

Board strategy

The Board meets once a year for the Board Strategy Day, attended by the BLT and other senior employees to agree strategic priorities for the next three years and to provide direction on key issues to the BLT. 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 BLT are reviewed and approved by the Board, thereby setting the company's risk management strategy for the year.

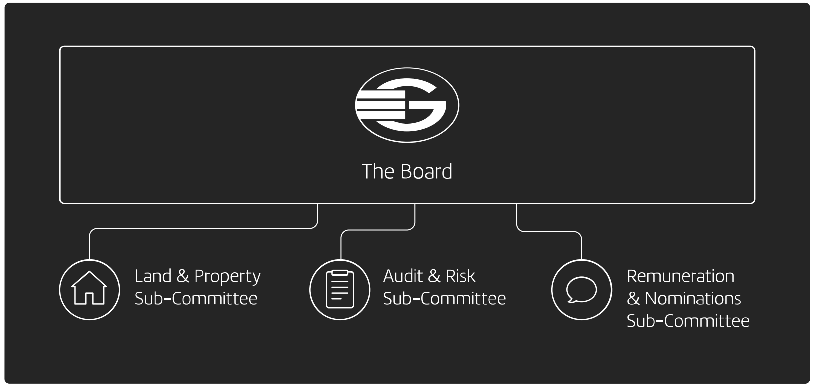
Key areas of focus for the Board

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;
- Utility Business System; and
- Regulatory framework and Tariff Strategy.

How we are governed

In addition to regular scheduled Board meetings, the Board has delegated some of its governance responsibilities to various Sub-Committees. Each of the committees has Terms of Reference agreed by the Board.



Remuneration & Nominations Sub-Committee

The Remuneration & Nominations Sub-Committee, which is chaired by Gillian Browning, consists solely of a minimum of two Non-Executive Directors. 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.

No director is permitted to be involved in deciding the amount of his or her own remuneration. The Remuneration & Nominations Sub-Committee considers that the policy and procedures in place provide a level of remuneration for the directors which is both appropriate for the individuals concerned and in the best interests of the shareholder.

There were five Remuneration & Nominations Sub-Committee meetings held in the financial year.

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

Chair:	G Browning
Members:	I Hardman
	I Chapman (from 2 March 2021)

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.

There were four Audit & Risk Sub-Committee meetings in the financial year, all attended by the company's CEO, CFO and Head of Risk & Compliance, Rob Winter. In attendance at one meeting were representatives from RSM UK, the company's main external provider of business assurance and internal audit services.

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

Chair:	R Denton
Members:	P Shaefer
	T Songini (from 12 April 2021)
	J Peacegood (from 19 July 2021)

Corporate governance (continued)

Land & Property Sub-Committee

The Chief Financial Officer is the Chair of the Land & Property Sub-Committee. The main terms of reference for this 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.
There were five Land & Property Sub-Committee meetings held in the financial year.

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.

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 2021 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and the related notes 1 to 29 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 2021 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 2023.

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 31, 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.

Independent auditor's report to the members of Guernsey Electricity Limited (continued)

- 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 the company 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 Committee. We gained an understanding of the Board's approach to governance, demonstrated by its review of reports from management, compliance and internal audit 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 established by the Company to address risks identified by management or that otherwise seek to prevent, deter or detect fraud. We also considered performance targets and their potential to influence management to manipulate earnings or influence the perceptions of stakeholders 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 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.

DocuSigned by:

Ernst & Young LLP

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Ernst & Young LLP
Guernsey, Channel Islands

30 May 2022

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.

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Statement of comprehensive income

for the year ended 30 September 2021

	Note	30 Sept 2021 £'000	*As restated** Period ended 30 Sept 2020 £'000
Revenue	*4*	**62,270**	81,437
Cost of sales		**(51,716)**	(70,487)
Gross profit		**10,554**	10,950
Net operating expenses		**(11,105)**	(19,925)
Operating loss before pension settlement		**(551)**	(8,975)
Pension settlement gains	*24*	**2,060**	1,070
Operating profit/(loss) after pension settlement	*5*	**1,509**	(7,905)
Net gains on derivatives at fair value	*23*	**60**	1,373
Finance income	*6*	**12**	169
Finance cost	*6*	**(1,170)**	(1,291)
Profit/(Loss) on ordinary activities before taxation		**411**	(7,654)
Taxation	*7, 14*	**724**	1,757
Profit/(Loss) for the financial year/period after taxation		**1,135**	(5,897)
Other comprehensive income:			
Effective portion of changes in fair value of cashflow hedges	*23*	**(1,124)**	(414)
Remeasurement of net defined benefit liability	*24*	**5,606**	(12,012)
Tax (charge)/credit on remeasurement of net defined benefit liability	*14*	**(991)**	1,475
Total comprehensive income/(expenditure) for the financial year/period		**4,626**	(16,848)

All activities derive from continuing operations.

* See note 25
The notes on pages 40 to 71 form an integral part of these financial statements.

Statement of financial position

at 30 September 2021

	Note	30 Sept 2021 £'000	*As restated** 30 Sept 2020 £'000
Non-current assets			
Property, plant and equipment	*9*	**145,579**	147,267
Intangible assets	*10*	**3,343**	3,480
Investments	*11*	**5**	5
		148,927	150,752
Current assets			
Inventories	*12*	**6,230**	6,198
Trade and other receivables	*13*	**17,954**	14,500
Balances with States' Treasury	*15*	**34**	23
Cash		**2,832**	4,855
		27,050	25,576
Current liabilities			
Trade and other payables: amounts falling due within one year	*16*	**(19,422)**	(17,490)
Net current assets		**7,628**	8,086
Total assets less current liabilities		**156,555**	158,838
Non-current liabilities			
Trade and other payables: amounts falling due after more than one year	*17*	**(44,828)**	(46,106)
Pension deficit	*24*	**(15,810)**	(21,441)
Net assets including pension deficit		**95,917**	91,291
Equity			
Share capital	*20*	**105,209**	105,209
Reserves		**(9,292)**	(13,918)
Total equity		**95,917**	91,291

The financial statements on pages 36 to 71 were approved by the Board of Directors on 30 May 2022.
Signed on behalf of the Board of Directors

I Hardman Director　　**A Bates** Director

* See notes 25 and 26
The notes on pages 40 to 71 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 30 September 2021

	Share capital £'000	*As restated** Reserves £'000	Total equity £'000
1 April 2019	105,209	2,930	108,139
Loss for the financial year	–	(5,897)	(5,897)
Other comprehensive income for the period			
Remeasurement of net defined benefit liability	–	(12,012)	(12,012)
Tax credit on remeasurement of net defined benefit liability	–	1,475	1,475
Effective losses on hedging instruments in a cash flow hedge	–	(414)	(414)
Total comprehensive income for the period	–	(16,848)	(16,848)
30 September 2020	105,209	(13,918)	91,291
Profit for the financial year	–	1,135	1,135
Other comprehensive income for the year			
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)
Total comprehensive income for the year	–	**4,626**	**4,626**
30 September 2021	**105,209**	**(9,292)**	**95,917**

* See note 25

The notes on pages 40 to 71 form an integral part of these financial statements.

Cash flow statement

for the period ended 30 September 2021

	Note	**30 Sept 2021 £'000**	30 Sept 2020 £'000
Net cash inflow from operating activities	*21*	**6,671**	8,646
Cash flow from investing activities			
Finance income		**12**	169
Payments to acquire property, plant and equipment including intangible assets		**(6,428)**	(33,196)
Proceeds of disposal of property, plant and equipment		**340**	19
Customers' contributions towards capital expenditure		**275**	259
Net cash outflow from investing activities		**(5,801)**	(32,749)
Cash flow from financing activities			
Finance cost		**(1,170)**	(1,050)
Amounts drawn under credit facilities		**3,000**	28,000
Amounts repaid under credit facilities		**(4,667)**	(6,417)
Net cash (outflow)/inflow from financing activities		**(2,837)**	20,533
Decrease in cash and cash equivalents during the year/period		**(1,967)**	(3,570)
Cash and cash equivalents at the beginning of the year/period		**4,878**	8,420
Exchange (losses)/gains on cash and cash equivalents		**(45)**	28
Cash and cash equivalents at the end of the year/period		**2,866**	4,878
Cash and cash equivalents consists of:			
Balances with States' Treasury	15	**34**	23
Cash		**2,832**	4,855
		2,866	4,878

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 40 to 71 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, North Side, 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.

Basis of preparation

As reported in the last period's financial statements, the Board of Guernsey Electricity Limited approved a change in fiscal date from 31 March to 30 September. This change in fiscal date aids business forecasting and reduces year end unbilled revenue estimation as the higher winter consumption periods move towards the beginning of the financial period. This accounting period is therefore the first 12-month period following the transitionary 18-month period from 1 April 2019 to 30 September 2020. Consequently, this financial year's results are not directly comparable with the results of the previous 18-month period. 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.

The company holds credit loan facilities with total facility limits of £63m of which £19m remains available to draw down as at 30 September 2021 as set out in the table on the next page.

Credit Facility	Facility Limit	Term	Expiry	Drawn down as at 30 Sept 2021	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	£12.92m	–
States of Guernsey Bond	£13m	25 years	30 June 2045	£13m	–
Total	£63m			£41.92m	£19m

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 Guernsey Competition and Regulatory Authority ("GCRA") approved historic cost recoveries of 6.8% and 4.8%, effective from 1 July 2019 and 1 September 2020 respectively, each applicable for three years from commencement to cover increased foreign exchange and commodity costs. These rises enable the company to recover the uncontrollable costs related to the years 1 April 2017 to 31 March 2019 and 1 April 2019 to 31 March 2020 respectively, created by increases in external costs to import electricity and generate on-island.

Responsibility for tariff regulation has been transferred from the GCRA to the States Trading Supervisory Board ("STSB"). Consequently it is expected that a revised tariff structure will be implemented, including increases necessary to deliver on the approved energy policy in July 2022. The directors have also considered cash flow forecasts including, but not limited to, June 2023.

Considering all the above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence to June 2023. 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. The unbilled units are valued at current tariff rates. Customer payments received in advance for electricity sales are included within trade and other payables in advance.

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 section providing electrical and plumbing services to domestic, commercial and industrial clients. Revenue is recognised as the service is provided.

3. Principal accounting policies – *(continued)*

c) Rental income

Rental income is accrued on a time basis 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 liability 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 account to the States of Guernsey Combined Pool at the end of the company's financial year.

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 charged/credited to the statement of comprehensive income. The difference between the expected and actual actuarial gains and losses are charged to 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 charged or credited to 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/period; 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 53 members as at 30 September 2021 (30 September 2020: 44 members).

Leases

Operating lease rentals are charged to 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.

(b) Deferred taxation

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 deficit shown in the accounts is gross of the deferred tax asset.

3. Principal accounting policies – *(continued)*

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.

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	
	– Distributors		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

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.

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 went live with 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 life in years
Software	10

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.

3. Principal accounting policies – *(continued)*

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.

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) Financial assets

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including receivables and cash and bank balances, are initially recognised at transaction price plus transaction costs, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(b) Financial liabilities

Basic financial liabilities, including trade and other payables and short-term loans, are initially recognised at transaction price less transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled, or expires.

(c) Derivatives

Derivatives, including interest rate swaps, heavy fuel oil commodity swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in the statement of comprehensive income, except when applying hedge accounting.

The company enters into forward exchange contracts to mitigate the risk of fluctuations in the currency rate between the Euro and Sterling in meeting its financial obligations for the import of electricity units from the European grid and on major infrastructure projects. The company does not hold or issue financial instruments for speculative purposes.

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.

The company applies hedge accounting for its foreign exchange hedging of the Euro exposure for the import of electricity. These relationships are designated as cash flow hedges of highly probably forecast transactions. The fair value of these hedges is shown in note 23. Changes in the fair value of derivative financial instruments which are designated as highly effective hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in profit or loss in the statement of comprehensive income. When hedges mature, amounts deferred in other comprehensive income are recognised in profit or loss in the statement of comprehensive income in the same period as the hedged item. The risks being hedged are as outlined above. 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 forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that has been recognised in other comprehensive income is transferred to profit or loss in the statement of comprehensive income.

3. Principal accounting policies – *(continued)*
Financial instruments – *(continued)*

(d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, balances with States' Treasury and bank overdrafts. Bank overdrafts, when applicable, are shown within trade payables in current liabilities.

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.

The company has proposed a tariff change to the States Trading Supervisory Board ("STSB") that allows the company to raise its tariffs to recover additional electricity revenue of up to 9% in the first year, net of current cost pass-through adjustments, effective from 1 July 2022 and rising each year for the two years thereafter, 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.

(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) Property, plant and equipment (note 9)

(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.

(iii) Retirement benefit obligations – for details and assumptions see note 24.

(iv) Deferred tax/unrelieved trading losses – for details and assumptions see note 7.

4. Revenue

	30 Sept 2021 £'000	30 Sept 2020 £'000
Sales of electricity	**57,221**	74,606
Sale of goods, commercial and hire purchase	**4,498**	5,940
Rental income	**222**	371
Deferred income	**275**	283
Other income	**54**	237
	62,270	81,437

All sales of electricity arise from customers in 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 £6,692,000 (30 September 2020: £4,774,000).

5. Operating profit/(loss)

Operating profit/(loss) is after charging/(crediting)

		30 Sept 2021 £'000	30 Sept 2020 £'000
Depreciation (note 9)		**7,710**	11,069
Amortisation (note 10)		**145**	-
Pension settlement gain (note 24)		**(2,060)**	(1,070)
Rentals under operating leases		**110**	179
Auditor's remuneration	- statutory audit	**125**	125
	- non-audit services	**-**	-
Bad debts		**116**	437
Director fees, salaries and other benefits		**1,085**	1,438
Regulatory costs	- external	**257**	102
	- internal	**137**	127
(Profit)/loss on disposal of assets		**(312)**	24

The amount of inventories recognised as an expense during the year/period is as follows:

	30 Sept 2021 £'000	30 Sept 2020 £'000
Inventory write-offs	**50**	63
Inventory discrepancies	**81**	31
Inventory provision	**102**	282

6. Finance and income cost

	30 Sept 2021 £'000	30 Sept 2020 £'000
Finance income:		
Deposits with banks and States' Treasury	**8**	93
Hire purchase	**4**	76
	12	169
Finance cost:		
Pension finance costs (note 24)	**312**	278
Medium-term credit facilities	**380**	669
Long-term credit facility	**471**	335
Other interest payable	**7**	9
	1,170	1,291

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 17.7321% (30 September 2020: 12.2636%) 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 2021.

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)*

	30 Sept 2021 £'000	30 Sept 2020 £'000
Profit/(loss) on ordinary activities before taxation	**411**	(7,654)
Tax charge/(credit) at 20%	**82**	(1,531)
Deferred tax credit		
Timing differences on capital allowances and depreciation	**1,109**	3,089
Short-term timing differences (pension)	**(1,165)**	138
Short-term timing differences (other)	**(145)**	16
Movement on unrelieved trading losses	**(523)**	(5,000)
Deferred tax credit in the statement of comprehensive income	**(724)**	(1,757)

The tax 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 (30 September 2020: £nil paid), representing £nil per share (30 September 2020: £nil per share paid). The company will not be proposing a dividend at the 2022 Annual General Meeting (2021: £nil proposed).

9. Property, plant and equipment

Cost	*As restated* 1 Oct 2020 £'000	Additions £'000	Written off/ disposals £'000	**30 Sept 2021 £'000**
Land and buildings	35,681	61	555	**35,187**
Cable link	84,552	(810)	–	**83,742**
Plant and machinery:				
– Generation	64,908	1,398	–	**66,306**
– Distribution	16,656	3,115	–	**19,771**
Distribution network	45,918	1,859	–	**47,777**
Motor vehicles, furniture and equipment, minor plant	7,822	421	143	**8,100**
	255,537	6,044	698	**260,883**

Depreciation	1 Oct 2020 £'000	Charge for the year £'000	Written off/ disposals £'000	**30 Sept 2021 £'000**
Land and buildings	16,537	824	533	**16,828**
Cable link	30,918	2,566	–	**33,484**
Plant and machinery:				
– Generation	33,403	2,220	–	**35,623**
– Distribution	5,735	501	–	**6,236**
Distribution network	16,287	938	–	**17,225**
Motor vehicles, furniture and equipment, minor plant	5,390	661	143	**5,908**
	108,270	7,710	676	**115,304**
Net book value	147,267			**145,579**

Included above are assets in the course of construction of £5,384,000 (30 September 2020: £5,761,000), which are not depreciated.

10. Intangible assets

Cost	*As restated* 1 Oct 2020 £'000	Additions £'000	Written off/ disposals £'000	**30 Sept 2021 £'000**
Software under development	3,480	(3,480)	–	**–**
Software	–	3,488	–	**3,488**
	3,480	8	–	**3,488**

Amortisation	1 Oct 2020 £'000	Charge for the year £'000	Written off/ disposals £'000	**30 Sept 2021 £'000**
Software	–	145	–	**145**
	–	145	–	**145**
Net book value	**3,480**			**3,343**

In May 2021 a new ERP software system went live 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

	30 Sept 2021 £'000	31 Sept 2020 £'000
Channel Islands Electricity Grid Limited	**5**	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

	30 Sept 2021		30 Sept 2020	
	£'000	**£'000**	£'000	£'000
Fuel inventories		**2,472**		2,764
Purchased goods for resale	**467**		224	
Provision	**–**	**467**	(11)	213
Other inventories	**5,615**		5,476	
Provision	**(2,632)**	**2,983**	(2,519)	2,957
Work in progress		**308**		264
		6,230		6,198

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

	30 Sept 2021 £'000	30 Sept 2020 £'000
Fuel inventories	**688**	(509)

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

	30 Sept 2021 £'000	*As restated* 30 Sept 2020 £'000
Estimated value of unbilled units (note 4)	**6,692**	4,774
Customer accounts outstanding	**5,782**	4,214
Other receivables	**804**	470
Prepayments	**1,165**	743
Deferred tax asset (note 14)	**3,366**	3,633
Derivative financial instruments (note 23)	**145**	666
	17,954	14,500

Under FRS 102, the pension scheme deficit is presented in the statement of financial position gross of deferred tax. The deferred tax relating to the pension scheme deficit is recognised as part of the net deferred tax asset included within trade receivables. In the opinion of the directors considering forecast company performance, the deferred tax asset is recoverable.

14. Deferred tax asset

Deferred tax assets comprise of:

	30 Sept 2021 £'000	*As restated* 30 Sept 2020 £'000
Deferred taxation:		
Balance at 1 October 2020/1 April 2019	**3,633**	401
Statement of comprehensive income credit	**724**	1,757
Statement of other comprehensive income (charge)/credit	**(991)**	1,475
Balance at 30 September	**3,366**	3,633
Which comprises:		
Capital allowances in excess of depreciation	**13,115**	12,006
Short-term timing differences (other)	**(371)**	(226)
Unrelieved loss for tax purposes	**(13,307)**	(12,784)
Deferred tax asset	**(563)**	(1,004)
Deferred tax asset on pension deficit (note 24)	**(2,803)**	(2,629)
Net deferred tax assets (note 13)	**(3,366)**	(3,633)

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

	30 Sept 2021 £'000	**30 Sept 2020 £'000**
Trade payables	**3,575**	4,082
Customer payments received in advance	**11,882**	8,750
Employee taxes and Social Security	**1**	187
Deferred income	**230**	189
Accruals and other payables	**1,630**	2,569
Amount drawn under medium-term credit facilities (note 23)	**1,667**	1,667
Derivative financial instruments (note 23)	**437**	46
	19,422	17,490

The company has a £1m overdraft facility with Barclays Bank Plc (30 September 2020: £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 2021, £nil was drawn on the Barclays Bank Plc overdraft facility (30 September 2020: £nil).

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

	30 Sept 2021 £'000	30 Sept 2020 £'000
Deferred income	**4,303**	4,190
Trade payables	**175**	–
Derivative financial instruments (note 23)	**100**	–
Amount drawn under medium-term credit facility (note 23)	**27,250**	28,916
Amount drawn under long-term credit facility (note 23)	**13,000**	13,000
	44,828	46,106

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	**Total £'000**
Trade payables	3,575	175	–	**3,750**
Customer payments received in advance	11,882	–	–	**11,882**
Employee taxes and social security	1	–	–	**1**
Deferred income	230	506	3,797	**4,533**
Accruals and other payables	1,630	–	–	**1,630**
Amount drawn under medium-term credit facilities (note 23)	1,667	22,667	4,583	**28,917**
Derivative financial instruments (note 23)	437	100	–	**537**
Amount drawn under long-term credit facility (note 23)	–	–	13,000	**13,000**
	19,422	23,448	21,380	**64,250**

19. Reconciliation of net debt

	1 Oct 2020 £'000	Cash flow £'000	Other non-cash charges £'000	**30 Sept 2021 £'000**
Net debt	(38,704)	(347)	–	**(39,051)**

20. Share capital

	30 Sept 2021 £'000	30 Sept 2020 £'000
Authorised:		
125,000,000 ordinary shares of £1 each	**125,000**	125,000
Issued and fully paid:		
105,208,844 ordinary shares of £1 each	**105,209**	105,209

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/(loss) to net cash flow from operating activities

	30 Sept 2021 £'000	30 Sept 2020 £'000
Profit/(loss) for the year/period	**1,135**	(5,897)
Tax on loss on ordinary activities	**(724)**	(1,757)
Net finance costs	**1,158**	1,122
Net gains on derivatives at fair value	**(60)**	(1,373)
Operating profit/(loss)	**1,509**	(7,905)
Depreciation charge	**7,710**	11,069
Amortisation	**145**	–
(Profit)/loss on disposal of non-current assets	**(312)**	24
Exchange losses/(gains) on cash and cash equivalents	**189**	(28)
Pension service cost	**2,392**	2,668
Pension cost of benefit changes	**–**	24
Pension settlement gain	**(2,060)**	(1,070)
Employer's pension cash contributions	**(687)**	(1,098)
Pension administration costs	**17**	24
Deferred income	**(275)**	(283)
(Increase)/decrease in inventories	**(32)**	765
(Increase)/decrease in receivables	**(4,242)**	2,029
Increase in payables	**2,317**	2,427
	6,671	8,646

22. Commitments

Capital commitments, for which no provision has been made in these financial statements, amounted to £778,000 (30 September 2020: £10,335,000). This relates to outstanding commitments on a capital project.

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 2022 this results in a total commitment for Guernsey Electricity Limited of €8.9m, equating to £7.7m at the Euro/Sterling rate at 30 September 2021 of 1.16121, (2021: €8.9m, equating to £8.1m at the Euro/Sterling rate at 30 September 2020 of 1.1014).

Operating lease commitments

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

	30 Sept 2021 £'000	30 Sept 2020 £'000
Operating leases which expire:		
Within one year	**41**	110
Between one to five years	**-**	101

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	**30 Sept 2021 £'000**	30 Sept 2020 £'000
Financial assets at fair value through profit or loss			
Derivative financial instruments:	*13*		
- Interest rate caps		**105**	45
- Forward foreign currency contracts		**40**	621
Financial assets that are debt instruments measured at amortised cost			
Estimated value of unbilled units	*13*	**6,692**	4,774
Customer accounts outstanding	*13*	**5,782**	4,214
Cash and cash equivalents		**2,866**	4,878
Financial liabilities measured at amortised cost			
Trade payables	*16,17*	**3,750**	4,082
Accruals and other payables	*16*	**1,630**	2,569
Amount drawn under medium-term credit facilities	*16,17*	**28,917**	30,583
Amount drawn under long-term credit facility	*17*	**13,000**	13,000
Financial liabilities measured at fair value through profit or loss			
Derivative financial instruments – Forward foreign currency contracts	*16,17*	**537**	46

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 1.75% has been applied to a notional amount of £16m and is referenced against the three-month sterling LIBOR rate. The LIBOR rate was replaced by SONIA rates from January 2022. The valuation of this instrument as at 30 September 2021 was £5,000 (30 September 2020: £3,000). 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 £14.29m and is also referenced against the three-month sterling LIBOR rate. The valuation of this instrument as at 30 September 2021 was £100,000 (30 September 2020: £42,000).

23. Financial instruments and associated risk management – *(continued)*

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%. A commitment fee is payable on any undrawn amount in line with the terms of the arrangement. As at 30 September 2021, the company had utilised £16m of the loan (30 September 2020: £16m). The drawn amount has been classified as a financial liability measured at amortised cost. This facility expires on 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 2%. As at 30 September 2021, the balance drawn on the loan was £12.92m (30 September 2020: £14.58m). 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 2021, the balance payable on the loan was £13m (30 September 2020: £13m).

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 2020 was as follows:

Maturity	Notional amount €'000	Average hedged rate €/£
Less than one year	17,979	1.1126
Greater than one year and less than two years	10,479	1.1331

23. Financial instruments and associated risk management – *(continued)*

(a) Import Financial Hedge – continued

As at 30 September 2021, the company is holding the following Euro forward and participating forward contracts to hedge the exposure on its electricity import over the next 24 months. These dates represent when the cash flows are expected to occur and when they are expected to affect profit or loss:

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

The impact of hedging instruments designated in cash flow hedging relationships as of 30 September 2021 on the statement of financial position of the company is as follows:

Line item in the statement of financial position	Notional amount €'000	Carrying amount £'000
Trade and other receivables (note 13)	11,479	145
Trade and other payables: amounts falling due within one year (note 16)	17,831	(437)

As at 30 September 2021, the outstanding contracts for import all mature within 33 months of the year end. These contracts are measured at fair value utilising the third-party market valuations provided by the relevant counterparties. The gain included within the statement of comprehensive income was £60,000 (30 September 2020: £1,373,000).

A £1,124,000 expense (30 September 2020: £414,000 expense) was recognised in other comprehensive income during the year/period reflecting the effective change in value of hedging instruments designated for hedge accounting.

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"). 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. As the PSPS is a multi-entity arrangement, the States of Guernsey contracted the PSPS's qualified independent actuaries to identify the actuarial account for each entity and, therefore, the value of the pension fund assets and liabilities attributable to this 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 valuation of the company's actuarial account carried out as at 31 December 2016 reported that the actuarial account was in surplus. The company chose to maintain the contribution rate of 11.5% of pensionable pay using some of the surplus to cover the shortfall in the required contribution rate at the valuation date of 11.8% of pensionable pay and some 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 2021.

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 amendment

There was a settlement gain of £2,060,000 on 30 September 2021 in relation to a transfer of liabilities in relation to active leavers over the year from 1 October 2020 to 30 September 2021. A transfer value was paid from the actuarial account to the Combined Pool in respect of these liabilities.

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:

	30 Sept 2021 £'000	*As restated* 30 Sept 2020 £'000
Fair value of actuarial assets	**38,189**	33,830
Present value of funded obligations	**(53,999)**	(55,271)
Net underfunding in actuarial account	**(15,810)**	(21,441)
Related deferred tax asset (note 14)	**2,803**	2,629
Net defined pension liability	**(13,007)**	(18,812)

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

	30 Sept 2021 £'000	30 Sept 2020 £'000
Service cost	**2,392**	2,668
Cost of benefit changes	**–**	24
Settlement gains	**(2,060)**	(1,070)
Net interest on net defined benefit liability	**312**	278
Expense recognised in the statement of comprehensive income	**644**	1,900

The net interest on net defined benefit liability is comprised as follows:

	30 Sept 2021 £'000	30 Sept 2020 £'000
Interest on obligation	**829**	1,489
Interest on assets	**(517)**	(1,211)
Net interest on net defined benefit liability (note 6)	**312**	278

24. Pension scheme – *(continued)*

The amounts recognised as remeasurements in other comprehensive income are as follows:

	30 Sept 2021 £'000	*As restated* 30 Sept 2020 £'000
Return on assets (not included in interest)	**4,802**	744
Actuarial gains/(losses) on obligation	**804**	(12,756)
Total remeasurements recognised in other comprehensive income	**5,606**	(12,012)

The following other costs will also need to be charged in the relevant sections of the accounts:

	30 Sept 2021 £'000	30 Sept 2020 £'000
Administration expenses paid from actuarial account	**17**	24
Other items	**17**	24

In addition, the company should charge any other administration expenses relating to the actuarial account which are paid directly from company funds.

The company contributed £687,000 to the actuarial account over the year from 1 October 2020 to 30 September 2021. Members of the actuarial account contributed £429,000 to the actuarial account over the same period.

The company expects to contribute £668,000 to the actuarial account over the next year from 1 October 2021 to 30 September 2022. Contributions by members of the actuarial account are expected to total £425,000 over the same period.

Changes in the present value of the actuarial account's defined benefit obligation are as follows:

	30 Sept 2021 £'000	30 Sept 2020 £'000
Opening defined benefit obligation	**55,271**	41,348
Service cost	**2,392**	2,668
Contributions by members	**429**	681
Cost of benefit changes	**–**	24
Liabilities extinguished on settlements	**(4,118)**	(3,696)
Interest on obligation	**829**	1,489
Experience gains	**(1,889)**	(1,695)
Losses from changes in assumptions	**1,085**	14,452
Closing defined benefit obligation	**53,999**	55,271

The weighted average duration of the liabilities of the actuarial account was 27 years as at 30 September 2021.

Changes in the fair value of actuarial account assets are as follows:

	30 Sept 2021 £'000	30 Sept 2020 £'000
Opening fair value of actuarial account assets	**33,830**	32,747
Interest on assets	**517**	1,211
Return on assets (not included in interest)	**4,802**	744
Assets distributed on settlements	**(2,059)**	(2,627)
Contributions by employer	**687**	1,098
Contributions by members	**429**	681
Administration expenses	**(17)**	(24)
Closing fair value of actuarial account assets	**38,189**	33,830

24. Pension scheme – *(continued)*

The major categories of actuarial account assets as a percentage of the total are as follows:

	30 Sept 2021 %	30 Sept 2020 %
Equities & alternatives	**70**	67
Bonds & fixed interest securities	**20**	23
Property	**10**	10

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:

	30 Sept 2021 % p.a.	30 Sept 2020 % p.a.
Discount rate at end of year/period	**1.90**	1.50
Discount rate at start of year/period	**1.50**	2.40
Inflation	**3.20**	2.70
Rate of increase in pensionable salaries	**3.95**	3.45
Rate of increase in deferred pensions	**3.20**	2.70
Rate of increase in CARE benefits	**3.20**	2.70
Rate of increase in pensions in payment	**3.20**	2.70

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 86 (30 September 2020: 86 years) if they are male and until age 88 (30 September 2020: 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 (30 September 2020: 88 years) if they are male and until age 90 (30 September 2020: 90 years) if female.

Amounts for the current and previous period are as follows:

	2021 £'000	*As restated* 2020 £'000	2019 £'000	2018 £'000	2017 £'000
Defined benefit obligation	**53,999**	55,271	41,348	100,694	102,975
Actuarial Account assets	**38,189**	33,830	32,747	65,620	62,301
Deficit (gross)	**(15,810)**	(21,441)	(8,601)	(35,074)	(40,674)
Actuarial gains/(losses) on Actuarial Account assets	**4,802**	744	606	2,437	6,937
Experience gains/(losses) on Actuarial Account liabilities	**1,889**	1,695	(270)	3,945	3,487
(Losses)/gains from changes in assumptions	**(1,085)**	(14,452)	10,137	2,103	(23,316)
Total Actuarial (losses)/gains on Actuarial Account liabilities	**804**	(12,756)	9,866	6,048	(19,829)

25. Restatement of fair value of actuarial account assets

During the year the company were made aware that the valuation of assets as at 30 September 2020 were incorrect, as they had not been reduced to allow for the transfer of assets to the Combined Pool as at 30 September 2020.

The effect of this error resulted in the value of the pension deficit being understated by £2,626,000. This has impacted the pension deficit and deferred taxation in the financial statements and has been disclosed by restating each of the affected financial statement line items for the prior period as follows:

Impact on financial position	30 Sept 2020 £'000	Increase / (decrease) £'000	30 Sept 2020 £'000 restated
Assets			
Deferred taxation	2,308	321	2,629
Liabilities			
Pension deficit	(18,815)	(2,626)	(21,441)

25. Restatement of fair value of actuarial account assets – *(continued)*

Impact on statement of comprehensive income	2020 £'000
Total comprehensive income for the financial period per published financial statements	(14,543)
Remeasurement of net defined liability	(2,626)
Impact of error on deferred tax	321
Total comprehensive income for the financial period as restated	(16,848)

Impacted line items in statement of comprehensive income	As published 2020 £'000	Impact of restatement £'000	Restated 2020 £'000
Remeasurement of net defined benefit liability	(9,386)	(2,626)	(12,012)
Tax credit on remeasurement of net defined benefit liability	(1,154)	(321)	(1,475)

Impact on statement of financial position	2020 £'000
Net assets as at 30 September 2020 per published financial statements	93,596
Remeasurement of net defined liability	(2,626)
Impact of error on deferred tax	321
Net assets as at 30 September 2020 as restated	91,291

Impacted line items in statement of financial position	As published 2020 £'000	Impact of restatement £'000	Restated 2020 £'000
Trade and other receivables	14,179	321	14,500
Pension deficit	(18,815)	(2,626)	(21,441)

26. Reclassification of intangible assets in prior period

In the financial statements for 2019/2020 the new ERP software system was in development and was incorrectly presented as a non-current asset within property, plant and equipment when it should have been classified as an intangible asset under development as required by FRS102. The 2019/2020 property, plant and equipment figure was overstated by £3,480,000 and intangible assets were understated by the same amount due to the classification error.

	As published 2020 £'000	Impact of restatement £'000	Restated 2020 £'000
Property, plant and equipment	150,747	(3,480)	147,267
Intangible assets	–	3,480	3,480

The reclassification only impacts the statement of financial performance line items disclosed above and does not have any impact on the total non-current assets.

27. Statement of control

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

28. 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.

29. Subsequent events

Ukraine Crisis – The ongoing hostilities in Eastern Europe that began in February 2022 could impact the company primarily through any significant increase in commodity prices relating to the heavy fuel oil required for the purposes of on-island generation. The directors continue to monitor the situation closely.

Electricity Tariffs – On 21 February 2022, the Amendment Ordinance to transfer responsibility for the determination of electricity tariffs and prices from the Guernsey Competition and Regulatory Authority ("GCRA") to the States Trading Supervisory Board ("STSB") came into effect. A formal, 3-year tariff application was submitted to the STSB on 19 May 2022 for approval. The format of the tariff change is based upon a revenue cap which allows GEL to raise its tariffs to recover additional electricity sales revenue of up to 9% in the first year, net of cost pass-through adjustments. Subsequent increases in the following 2-years will be subject to further annual review and approval by the STSB. The tariff increases will be effective from 1 July each year, commencing 1 July 2022.

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