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Directors' Report

for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008. These comprise the profit and loss account, statement of total recognised gains and losses, balance sheet, cash flow statement and notes to the financial statements set out on pages 31 to 42 (*12 to 27).

Incorporation

Guernsey Electricity Limited 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.

Financial performance

During the year ended 31 March 2008, turnover from electricity sales amounted to £34,197,000 (2007: £28,996,000) which represents an increase of 17.94% (2007: 8.88%). Tariffs to our customers increased by 14.82% from 1 April 2007. Our financial performance also reflects excellent control of costs in a very difficult energy market, and generally higher contribution from all parts of the business.

The profit for the year before the dividend paid amounted to £987,000 (2007: £261,000). The retained profit, after the dividend paid in the year, of £901,000 (2007: £81,000) has been transferred to reserves.

Also credited to reserves is the significant actuarial gain this year from the accounting for pensions calculated with assumptions based on financial market conditions at the balance sheet date. However, it should be noted that financial market conditions remain volatile.

Dividend

During the year a dividend of £86,000 was paid (2007: £180,000), being £0.00079 per share (2007: £0.0016).

Future prospects

The global energy market is continuing to give major concerns to governments, customers and companies operating in the energy industry. As directors of Guernsey Electricity Limited we share these concerns. The volatile and rising costs in the global market are a severe risk which the company faces and manages on a daily basis. Although the directors are making efforts to minimise the impact on customers it is somewhat inevitable that charges to customers will have to increase. The price control decision determined by the Office of Utility Regulation in February 2007 covers the four years from 1 April 2007 to 31 March 2011. Within that decision, tariff changes are provided for on 1 April each year starting 1 April 2009, tariff at values yet to be determined. In all other respects our business activities are all making a positive contribution to the services we provide to the community.

Customers

The number of customers as at 31 March 2008 is 28,791 (2007: 28,685).

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 70% (2007: 55%) of the island needs in the year ended 31 March 2008 and 30% (2007: 45%) was generated on the island, as shown by the units analysis below:

	2008	2007
Units imported MWh	257,093	197,020
Units generated MWh	110,655	158,175
Total units imported/generated MWh	367,748	355,195

Average price

The average price per kWh sold in the year ended 31 March 2008 was 10.03 pence (2007: 8.71 pence).

Reliability

The reliability of Guernsey Electricity's supply is measured by minutes lost per customer. Power failures can be caused by a failure of generation plant, a failure of the distribution network or a failure of the cable link. Customers lost no minutes due to generation activity (2007: 13.40 minutes). However, 37.19 minutes were lost per customer in respect of distribution and the cable link (2007: 20.72 minutes).

Directors and their interests

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

Auditors

A resolution for the reappointment of KPMG Channel Islands Limited will be proposed at the forthcoming Annual General Meeting.

For and on behalf of the Board of Directors

KA Gregson
Director

I Watson
Director

4th June 2008

*These page numbers refer to the original Financial Statements document approved by the auditors.

Corporate Governance

for the year ended 31 March 2008

Directors

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the non-executive directors are appointed by the States of Guernsey on the nomination of the States of Guernsey Advisory & Finance Committee, now the Department of Treasury & Resources. The first executive directors were appointed by the Advisory & Finance Committee after consultation with the non-executive directors. Further appointments of executive directors are made by the company's Board of Directors.

The company is controlled through the Board of Directors, which currently comprises five non-executive and three executive directors. As the Chairman is mainly responsible for the running of the Board, he has to ensure that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Managing Director's responsibilities focus on running the business and implementing strategy. All directors are able to take independent professional advice in furtherance of their duties if necessary.

The Board monitors the exposure to key business risks and reviews the strategic direction. It also considers environmental and employee issues. The Board has established a number of standing sub-committees and each operates within defined terms of reference. The principal sub-committees are:

- Audit and Risk
- Land and Property
- Remuneration and Nominations

In addition senior management team meetings are held each fortnight.

Directors' remuneration

In accordance with The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended the remuneration of the non-executive directors is determined by the Department of Treasury & Resources. The remuneration of the executive directors is determined by the company's Remuneration and Nominations Committee, which comprises three non-executive directors.

Relations with the shareholder

The company's issued share capital is wholly owned by the States of Guernsey. The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 as amended provided for the States of Guernsey Advisory & Finance Committee (now Department of Treasury & Resources) to undertake on behalf of the States the role of shareholder. In accordance therewith the share certificates for the whole issued share capital are held equally in the names of the Minister and Deputy Minister of the Department of Treasury & Resources as nominees on behalf of the States of Guernsey. Provision is also in place for the States to give guidance to the Department of Treasury & Resources on the policies it wishes to be pursued in fulfilling this role. Each year the company submits its forward plan to the Department of Treasury & Resources.

Financial reporting

The company has a comprehensive system for reporting the financial performance of the company and each of its business units. Management and the Board of Directors review these monthly. The financial statements for the accounting period ending on the accounting reference date of 31 March are reviewed and signed on behalf of the Board of Directors, and will be presented to the shareholder at the forthcoming annual general meeting.

Internal control

An ongoing process for identifying, evaluating and managing the significant risks faced by the company is in place. The monitoring of this process is one responsibility of the Audit & Risk Sub-Committee and a system of developing the way in which the company captures and assesses its risks is in place.

Compliance

All business units have well established compliance procedures.

IT systems

The company has established controls and procedures over the security of data held on IT systems and has in place comprehensive disaster recovery arrangements. These arrangements are tested regularly and reviewed by an independent consultant.

Internal audit

Internal audit has a continuing role in monitoring and reporting on business risks. This service is now provided by RSM Bentley Jennison, a leading entity in providing such services. The Finance Director, in association with RSM Bentley Jennison, report on all internal audit work in accordance with the plan approved by the Audit & Risk Sub-Committee. Specialist engineering audits complement this, again as approved by the Audit & Risk Sub-Committee.

Risk management

The Board of Directors has overall responsibility for identifying, evaluating and managing major business risks facing the company. A risk register is in place and this is administered by the Health, Safety & Risk Manager. The Audit & Risk Sub-Committee provides assistance to the Board in these matters.

Statement of Directors' Responsibilities

for the year ended 31 March 2008

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the revenue or deficit for that period and are in accordance with applicable laws and regulations. In preparing those 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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, 1994. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Guernsey Electricity Limited

for the year ended 31 March 2008

We have audited the financial statements of Guernsey Electricity Limited ("the Company") for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 64 of The Companies (Guernsey) Law, 1994. 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.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable Guernsey law and UK accounting standards as set out in the Statement of Directors' Responsibilities on page 25 (*6).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with The Companies (Guernsey) Law, 1994. We also report to you if, in our opinion, the company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and Corporate Governance statements and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Accounting Standards, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended; and
- have been properly prepared in accordance with The Companies (Guernsey) Law, 1994.

KPMG Channel Island Limited

Chartered Accountants
Guernsey

6th June 2008

Profit and Loss Account

for the year ended 31 March 2008

<i>Note</i>		2008 £'000	2007 £'000
2	Turnover	38,111	32,505
	Cost of sales	(28,799)	(24,319)
	Gross profit	9,312	8,186
	Net operating expenses	(10,413)	(9,596)
4	Operating loss	(1,101)	(1,410)
	Profit/(loss) on disposal of assets	74	(91)
	Loss on ordinary activities before interest, other finance income and other income	(1,027)	(1,501)
5	Interest receivable	1,300	1,185
5	Interest payable	(12)	(9)
25	Other finance income	777	653
6	Other income	122	–
	Profit on ordinary activities before taxation	1,160	328
7	Taxation	(173)	(67)
	Profit for the financial year	987	261
	All activities derive from continuing operations.		
	The notes on pages 31 to 42 (*12 to 27) form an integral part of these financial statements.		

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Statement of Total Recognised Gains and Losses

for the year ended 31 March 2008

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<i>Note</i>	2008 £'000	2007 £'000
Profit for the financial year	987	261
25 Actuarial gain/(loss) recognised in the pension scheme	5,070	(561)
16 Movement on deferred tax relating to pension (surplus)/deficit	(953)	112
Total recognised gain/(loss) for the year	5,104	(188)

The notes on pages 31 to 42 (*12 to 27) form an integral part of these financial statements.

Balance Sheet

at 31 March 2008

Note	2008 £'000	2007 £'000
9 Tangible fixed assets	93,263	91,681
10 Investment	1	50
Current assets		
11 Stocks and work in progress	5,405	4,034
12 Debtors and prepayments	6,930	5,444
13 Balances with States Treasury	16,344	19,694
Cash at bank and in hand	169	6
	28,848	29,178
14 Creditors: amounts falling due within one year	(6,435)	(5,954)
Net current assets	22,413	23,224
Total assets less current liabilities	115,677	114,955
15 Creditors: amounts falling due after more than one year	(2,514)	(2,083)
16 Provision for liabilities and charges	(672)	(686)
25 Net pension surplus/(deficit)	2,041	(2,672)
Net assets including pension surplus/deficit	114,532	109,514
17 Share capital	109,209	109,209
21 Reserves	5,323	305
22 Shareholders' funds	114,532	109,514

The financial statements on pages 27 to 42 (*8 to 27) were approved by the Board of Directors on 4th June 2008.

Signed on behalf of the Board of Directors.


Ken Gregson, Director


Ian Watson, Director

The notes on pages 31 to 42 (*12 to 27) form an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 March 2008

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<i>Note</i>	2008 £'000	2007 £'000
18 Net cash inflow from operating activities	913	2,859
Returns on investments and servicing of finance		
Interest received	1,300	1,185
Interest paid	(12)	(9)
Net cash inflow from returns on investments and servicing of finance	1,288	1,176
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(6,420)	(3,925)
Proceeds of disposal of tangible fixed assets	318	2
Customers' contributions towards capital expenditure	717	582
CIEG lease termination payment	–	(769)
Net cash outflow from capital expenditure and financial investment	(5,385)	(4,110)
Dividends paid	(86)	(180)
Net cash outflow before use of liquid resources and financing	(3,270)	(255)
Management of liquid resources		
Net cash movements with States Treasury	3,350	153
6 Other income	122	–
Net cash inflow from management of liquid resources	3,472	153
19&20 Increase/(decrease) in cash	202	(102)

Movements in balances with States Treasury and the other income are deemed liquid resources in accordance with Financial Reporting Standard 1, "Cash Flow Statements", ("FRS1") (as revised).

The notes on pages 31 to 42 (*12 to 27) form an integral part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2008

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Transfer of undertaking

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 Company (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 transfer value of the assets and liabilities introduced, together with the business undertaken in accordance with the enabling legislation, represents cost to Guernsey Electricity Limited. The directors have reviewed the amounts attributed and are satisfied that fair values have been applied and therefore no adjustment arises on any aspect of the transferred undertaking.

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.

Hire purchase

The company provides hire purchase facilities on the provision of goods and services ancillary to the principal activities of the company. The sales value is included in turnover at the inception of the hire purchase transaction and interest is included in interest receivable over the finance period of the transaction.

Interest

Interest receivable and payable are accounted for on an accruals basis.

Deferred income

Customers' contributions towards capital expenditure are credited in equal annual amounts to the profit and loss account over the estimated life of the assets to which they relate.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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.

Depreciation is calculated so as to write off the cost of tangible fixed assets over the period of their estimated useful lives using the straight line method. The estimated life of each class of fixed asset is set out below. Depreciation commences in the year of acquisition or on completion of construction. Any shortfall of depreciation arising on the disposal or write-off of fixed assets is charged to the disposals account and any proceeds arising from the disposal are credited to that account. Land is not depreciated. The estimated lives are as shown below:

	Estimated life in years
Buildings	40
Buildings Equipment	10
Cable Link	25
Plant and machinery - Generation	25 - 30
- Distribution	35
- Street Lights	20
Distribution network comprising:	
Distributors	35
Meters	5 - 10
Cyclocontrol receivers	5
Motor vehicles	5
Furniture and equipment	3 - 10
Minor plant	5 - 10

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1. Principal accounting policies - continued**Investments**

Investments held as fixed assets are stated at cost less provision for any impairment.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. 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 stocks relating to strategic plant based upon the remaining useful economic life of the assets to which they relate.

Leases

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term.

Deferred taxation

Provision for deferred tax is made in full on timing differences which result in an obligation at the balance sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. The pension scheme surplus/(deficit) shown in the accounts is net of the deferred tax liability/(asset). Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Foreign currency profits and losses are dealt with in the profit and loss account.

Financial instruments

The company enters into forward exchange contracts to mitigate a large percentage of the risk of fluctuations in the currency rate between the Euro and the Pound Sterling in meeting its financial obligations for the import of electricity units from the European grid. Gains and losses on these contracts are deferred and recognised in the profit and loss account only when the delayed transaction has itself been reflected in the company's account. The company does not hold or issue financial instruments for speculative purposes.

Pension costs

The employees' pension scheme is a defined benefits scheme. The company applies Financial Reporting Standard 17, "Post retirement benefits", ("FRS17"). In so doing current service cost and any past service cost is charged to the profit and loss account together with finance costs for the scheme. The difference between the expected and actual actuarial gains and losses are charged to the statement of total recognised gains and losses. 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 FRS17.

Joint arrangements

The Channel Islands Electricity Grid Limited is a joint arrangement between the Jersey Electricity Company Limited and Guernsey Electricity Limited. The company was formed to manage the project and the ongoing operation of the cable link between Guernsey, Jersey and France. In accordance with Financial Reporting Standard 9, "Associates and Joint Ventures", ("FRS9") 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 joint arrangement.

2. Turnover

	2008 £'000	2007 £'000
Sales of electricity	34,197	28,996
Other sales	3,914	3,509
	38,111	32,505

All sales of electricity arise from customers in the Island of Guernsey. Other sales are made to customers throughout the Bailiwick of Guernsey. With effect from 1 April 2009 the company will recover through tariff increases, non-controllable costs that have arisen over and above the values allowed in the Office of Utility Regulation's final price control decision in February 2007. The estimated value for 2007/08 to be recovered through tariff increases from 1 April 2009, is in the range £4 million to £4.5 million.

3. Cable link

The company previously had an ongoing obligation to its supplier, Electricité de France, to meet the cost of a minimum amount of electricity. Following the new pricing arrangements entered into with EdF, there is no longer a revenue commitment effective from 1 December 2005. The company remains committed to contribute towards the reinforcement of the French network. This liability is being satisfied by a revenue payment of approximately £110,000 per annum over the period of the contract.

The company was party to arrangements entered into on 29 November 1999 with the Jersey Electricity Company Limited, being a 35 year lease and lease back arrangements in the amount of £70.13 million in respect of the installation and operation of the Interconnector system between France, Jersey and Guernsey. The counterparties in the arrangement were Natwest Offshore Limited and the Royal Bank of Scotland International Limited. A condition of the arrangement was that the Jersey rate of taxation remained at 20% throughout the period of the lease. However, Jersey tax changes have been introduced and the optimum time for the company to terminate its interest in the lease was December 2006. This was concluded with a final termination payment of £770,000.

4. Operating Loss

Operating loss is after charging/(crediting):

	2008 £'000	2007 £'000
Depreciation (note 9)	4,934	4,482
Investment impairment (note 10)	49	50
Rentals under operating leases	71	108
Auditors' remuneration - statutory audit	30	17
- non-audit services	-	18
Bad debts	20	28
Emoluments - non-executive directors	51	46
- executive directors (including pension)	425	437
Regulatory costs - external (excluding audit)	241	372
- internal	85	220
Other operating income	(550)	(564)

5. Interest

	2008 £'000	2007 £'000
Interest receivable: Deposits with banks and States Treasury	1,152	1,047
Hire purchase	148	138
	1,300	1,185
Interest payable: Bank overdraft	2	2
Security deposits	10	7
	12	9

6. Other income

Of the £5,350,000 that the States of Guernsey Electricity Board had on deposit with the Bank of Credit and Commerce International when it ceased trading on 5 July 1991, £5,289,591 has been recovered. £121,646 was received in the current year (2007: £Nil).

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7. Taxation

With effect from 1 January 2008, the standard rate of income tax for Guernsey companies has changed. Thereafter, the company will be taxed at a combination of the company standard rate of 0% and the company higher rate of 20%. Therefore the tax charge included in the financial statements is based on these rates. The tax adjusted profits of the company have been apportioned so that the appropriate amount is taxed at 20% and the new rates as applicable. The comparative figures have been prepared using a 20% tax rate.

The company's profits or losses from the activities subject to licence from the Office of Utility Regulation will be chargeable to tax at the 20% rate, as will rental income from Guernsey properties. For all other company activities the zero rate is applicable.

The basis of assessment to Guernsey tax continues to be on an actual current year basis. With the change to the two rates of tax on profits and losses for 2008 and the old basis for 2007 the results for the financial year are apportioned between the nine months ending 31 December 2007 and the three months 1 January to 31 March 2008.

The Income Tax (Zero Ten) (Guernsey) Law, 2007 was passed by the States of Guernsey on 26 September 2007 and is subject to approval by UK Privy Council. Under UK GAAP, as the Fifth Schedule of the law clearly sets out the tax rates applying to various classes of income, the new rates are deemed to have been substantively enacted at this date.

Deferred tax in the financial statements is therefore 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. With effect from 1 January 2008, 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 of 0% and the company higher rate of 20%. Deferred tax has been provided at 0% and 20% 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 18.8137% 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 31 March 2008.

The deferred tax charge in the profit and loss account for the year is:

	2008 £'000	2007 £'000
Timing differences on capital allowances and depreciation	215	413
Short term timing differences (pension)	187	121
Short term timing differences (other)	(23)	(9)
Unrelieved trading losses	(206)	(458)
	173	67

8. Dividend

	2008 £'000	2007 £'000
Paid in the year, £0.00079 per share (2007: £0.0016 per share)	86	180

9. Tangible fixed assets

	1 April 2007 £'000	Additions £'000	Written off/ disposals £'000	31 March 2008 £'000
Cost				
Land and buildings	27,261	1,417	274	28,404
Cable link	29,064	35	–	29,099
Plant and machinery:				
Generation	31,812	885	5	32,692
Distribution	7,693	1,090	–	8,783
Distribution network	18,897	2,765	151	21,511
Motor vehicles, furniture and equipment, minor plant	3,121	568	99	3,590
	117,848	6,760	529	124,079
	1 April 2007 £'000	Charge for the year £'000	Written off/ disposals £'000	31 March 2008 £'000
Depreciation				
Land and buildings	4,208	961	48	5,121
Cable link	6,451	1,250	–	7,701
Plant and machinery:				
Generation	8,792	1,457	1	10,248
Distribution	1,063	205	–	1,268
Distribution network	4,019	680	146	4,553
Motor vehicles, furniture and equipment, minor plant	1,634	381	90	1,925
	26,167	4,934	285	30,816
Net book value	91,681			93,263

Included above are assets in the course of construction of £5,988,000 (2007: £4,273,000), which are not depreciated.

10. Investment

The company invested £250,000 in Marine Current Turbines Limited as part of its initiatives to keep abreast of the research and development of alternative energy sources. This investment is a minority interest and the holding is less than 5%. The benefits of this investment are spread over more than one year, and £49,000 has been charged to the profit and loss account for impairment (2007: £50,000).

Notes to the Financial Statements (continued)
for the year ended 31 March 2008

11. Stocks and work in progress

Contents	2008		2007	
	£'000	£'000	£'000	£'000
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Fuel stocks		3,019		1,754
Purchased goods for resale	346		332	
Provision	(5)	341	(4)	328
Other stocks	2,946		2,714	
Provision	(1,106)	1,840	(1,059)	1,655
Work in progress		205		297
		5,405		4,034

12. Debtors and prepayments

	2008 £'000	2007 £'000
Estimated value of unbilled units	3,678	3,014
Customer accounts outstanding	2,741	1,798
Other debtors	150	214
Prepayments	361	418
	6,930	5,444

Included in "Customer accounts outstanding" is an amount of £275,000 (2007: £229,000) due after more than one year.

13. 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.

14. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	–	39
Trade creditors	1,994	1,789
Customer payments received in advance	2,879	3,020
Employee taxes and Social Security	152	138
Deferred income	83	68
Accruals and other creditors	1,327	900
	6,435	5,954

The company has a £750,000 overdraft facility (2007: £2 million), and interest is payable quarterly at 1% over UK base rate. This facility is unsecured and is repayable on demand and is reviewed and approved by the Board annually.

15. Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Deferred income	2,514	2,083

16. Provision for liabilities and charges

	2008 £'000	2007 £'000
<i>Deferred taxation:</i>		
Balance at 1 April	18	63
Profit and loss account charge	173	67
Statement of total recognised gains and losses	953	(112)
Balance at 31 March	1,144	18
<i>Which comprises:</i>		
Capital allowances in excess of depreciation	7,063	6,848
Short-term timing differences (other)	(76)	(53)
Unrelieved trading loss for tax purposes	(6,315)	(6,109)
Provision for liabilities and charges	672	686
Deferred tax liability/(asset) on pension deficit (note 25)	472	(668)

17. Share capital

	2008 £'000	2007 £'000
<i>Authorised:</i>		
125,000,000 ordinary shares of £1 each	125,000	125,000
<i>Issued and fully paid:</i>		
109,208,844 ordinary shares of £1 each	109,209	109,209

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.

Notes to the Financial Statements (continued)
for the year ended 31 March 2008

18. Reconciliation of operating loss to net cash inflow from operating activities

	2008 £'000	2007 £'000
Operating loss	(1,101)	(1,410)
Depreciation charge	4,934	4,482
Pension service cost	1,481	1,500
Employers' pension cash contributions	(1,487)	(1,454)
Investment impairment	49	50
Deferred income	(92)	(132)
Increase in stocks and work in progress	(1,371)	(89)
(Increase)/decrease in debtors and prepayments	(1,486)	47
Decrease in creditors	(14)	(135)
	913	2,859

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19. Reconciliation of net cash flow to movement in net funds

	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year	202	(102)
Cash used to decrease liquid resources	(3,350)	(153)
Change in net funds	(3,148)	(255)
Net funds at 1 April	19,661	19,916
Net funds at 31 March	16,513	19,661

20. Analysis of changes in net funds

	At 1 April 2007 £'000	Cash flows £'000	At 31 March 2008 £'000
<i>Cash</i>			
Cash at bank and in hand	6	163	169
Bank overdraft	(39)	39	–
	(33)	202	169
Balances with States Treasury	19,694	(3,350)	16,344
	19,661	(3,148)	16,513

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25. Pension Scheme

The 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 to the PSPS at rates which are determined on the basis of independent actuarial advice, and which are calculated to spread the expected cost of benefits payable to employees over the period of those employees' expected service lives.

As the PSPS is a multi entity arrangement the States of Guernsey contracted the Scheme'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 valuation at 31 December 2004 recommended the increase of employer's contribution from 8.35% to 16.3% from 1 April 2006 and this was approved by the States of Guernsey. In recognising that further contribution was required to reduce the past service deficit, it was resolved by the Board of Directors to reduce the deficit by lump sums over a period of years. An additional sum of £400,000 has been provided for this year (2007: £400,000).

The triennial actuarial valuation of the PSPS as at 31 December 2007 is still in progress and consequently, the results of this latest valuation were not available at the time of reporting.

The total amount of pension contributions for the year ended 31 March 2008 was £1,487,000 (2007: £1,454,000). £Nil was accrued but not yet paid as at 31 March 2008 (2007: £Nil).

The company recognises the requirements of Financial Reporting Standard 17 ("FRS17") on Retirement Benefits on the following basis:

Financial Assumptions	31 March 2008 % p.a.	31 March 2007 % p.a.	31 March 2006 % p.a.
Discount rate	6.7	5.2	4.9
Inflation	3.6	3.2	3.0
Increases to deferred benefits during deferment	3.6	3.2	3.1
Increases to pensions in payment	3.6	3.2	3.1
Increases to salaries	5.1	4.7	4.5

Market value of scheme assets	Market value at 31 March 2008			Market value at 31 March 2007			Market value at 31 March 2006		
	£'000	%	Expected return on assets % p.a.	£'000	%	Expected return on assets % p.a.	£'000	%	Expected return on assets % p.a.
Equities	28,929	80.66	8.00	27,999	80.65	8.50	25,706	79.72	8.00
Bonds	6,665	18.58	4.70	6,485	18.68	4.80	6,014	18.65	4.50
Cash and net current assets	274	0.76	5.50	231	0.67	5.25	527	1.63	4.50
Market value of the scheme assets	35,868	100.0	7.40	34,715	100.0	7.80	32,247	100.0	7.30
Present value of the Scheme liabilities	33,355			38,055			35,633		
Surplus/(deficit) in the scheme	2,513			(3,340)			(3,386)		
Related deferred tax (liability)/asset (assuming Guernsey income tax at effective rate)	(472)			668			677		
	2,041			(2,672)			(2,709)		

The asset and liability values on the FRS 17 basis reflect market conditions at the company's year-end date and can be expected to vary greatly from year to year, without prejudicing the scheme's long-term ability to provide the required benefits.

25. Pension Scheme (continued)

	2008 £'000	2007 £'000
Analysis of the amount charged to operating profit		
Current service cost	1,481	1,500
Past service cost	–	–
Total operating charge	1,481	1,500
Analysis of the amount charged to other finance costs	2008 £'000	2007 £'000
Expected return on pension scheme assets	2,742	2,392
Interest on pension scheme liabilities	(1,965)	(1,739)
Net return	777	653
Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)	2008 £'000	2007 £'000
Actual return less expected return on pension scheme assets	(2,515)	(933)
Experience gains and losses arising on scheme liabilities	659	(884)
Changes in assumptions underlying the present value of scheme liabilities	6,926	1,256
Actuarial gain/(loss) recognised in STRGL	5,070	(561)
Movement in deficit during the year	2008 £'000	2007 £'000
Deficit in scheme at beginning of the year	(3,340)	(3,386)
Movement in year:		
Current service costs	(1,481)	(1,500)
Contributions	1,487	1,454
Past service costs	–	–
Other finance income	777	653
Actuarial gain/(loss)	5,070	(561)
Surplus/(deficit) in scheme at end of the year	2,513	(3,340)

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25. Pension Scheme (continued)

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History of experience gains and losses					
Difference between the actual and expected return on scheme assets:					
Amount (£'000)	(2,515)	(933)	4,000	675	3,313
Percentage of scheme assets	(7%)	(3%)	12%	3%	15%
Experience gains and losses on scheme liabilities:					
Amount (£'000)	659	(884)	791	2,039	(576)
Percentage of the present value of the scheme liabilities	2%	(2%)	2%	7%	(2%)
Total amount recognised in statement of total recognised gains and losses:					
Amount (£'000)	5,070	(561)	1,402	2,521	485
Percentage of the present value of the scheme liabilities	15%	(1%)	4%	8%	2%

26. Statement of control

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

27. Related party transactions

There are no disclosable related party transactions in this financial year.

Of the company's annual income and expenditure, less than 20% of their respective value is due to transactions with other States entities.