Energy is evolving

Guernsey Electricity

Report and
financial statements
2017/18

Directors, officers and professional advisers

Directors:

IA Hardman
(Non-Executive Chairman)

AM Bates
(Chief Executive Officer)

JPC Turner
(Chief Financial Officer and Deputy Chief Executive Officer)

S-A David
(Chief Operating Officer)

RP Lawrence
(Non-Executive)

RJ Dutnall
(Non-Executive)

CM Holmes
(Non-Executive)

Secretary: SB Pattimore

Bankers:

Barclays Bank Plc
PO Box 41
Le Marchant House
St Peter Port
Guernsey
GY1 3BE

HSBC Bank Plc
Arnold House
St Julians Avenue
St Peter Port
Guernsey
GY1 3NF

Legal advisers:

Mourant Ozannes
Royal Chambers
St Julians Avenue
St Peter Port
Guernsey
GY1 4HP

Independent auditor:

KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 1WR

Registered office:

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

Company number: 38692

The way we use electricity and generate it is changing. The future is exciting and challenging amid goals to cut global emissions. We are planning to be at the forefront of this future – and will always put islanders at the heart of what we do.

Affordability will remain at the centre of our strategic planning and thus how in the future we deliver a more effective and better service. This planning allows us to continue providing a reliable, secure and sustainable electricity supply.

Contents

Guernsey Electricity

Board members

Ian Hardman
Non-Executive Chairman

Ian became a Non-Executive Director of Guernsey Electricity Ltd in 2011. He has 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 Institute of Chartered Secretaries and Administrators.

Bob Lawrence
Non-Executive Director

Bob is the former Chief Executive Officer of Jersey Telecom Ltd and led it from a State controlled entity into a private limited company that operates in a highly competitive market. He has extensive engineering knowledge as well as the experience of operating and managing within a regulated market similar to the Channel Islands and became a Non-Executive Director of Guernsey Electricity Ltd in 2011.

Bob Dutnall
Non-Executive Director

Bob is a qualified Chartered Accountant with substantial business and commercial experience. His senior management career has involved working for a number of different organisations, particularly in the engineering sector. In 2005 he joined Sportingbet PLC, a FTSE 250 internet gaming company before moving, in 2012, to take on a new part-time role as an Executive Director of betway.com, a privately owned internet gaming group. Bob became a Non-Executive Director of Guernsey Electricity Ltd in 2013.

Christine Holmes
Non-Executive Director

Christine has a post-graduate diploma in marketing and has had an extensive career at a senior level in marketing and public relations. She has held a number of marketing posts at management level within the construction industry and in 1997 was appointed as the Corporate Marketing Manager for Jersey Electricity PLC. Following a period as Group Head of Marketing for the Dandara property group, Christine now operates her own marketing and public relations company, Profile Project Management Ltd. She became a Non-Executive Director of Guernsey Electricity Ltd in 2013.

Alan Bates

Chief Executive Officer

Alan became Managing Director (2010) then Chief Executive Officer (2015) having joined from Manx Gas, where he was the 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 Managers. Alan is also a Director of CIEG.

Julian Turner

Chief Financial Officer and Deputy Chief Executive Officer

Julian joined Guernsey Electricity as Chief Financial Officer in 2015. A Deloitte qualified Chartered Accountant with substantial commercial, compliance and process transformation experience, he has held a number of varied finance roles with regional responsibility including EMEA in large multinationals such as Procter & Gamble, Flowserve and GE. He has an MBA from Alliance Manchester Business School and is a designated CIA. Julian is also a Director of CIEG.

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 fellow of the Institute of Electrical Engineers, has an MBA, and is a Chartered Director. Sally-Ann is also a Director of CIEG.

Chairman's statement

The 2017/18 financial year has seen further positive progress for Guernsey Electricity Limited (the "company") and we are pleased to report that our 3-year operating profit target has been met. Profit for this year however, has reduced significantly compared to the last two years, due largely to the Brexit impact of adverse exchange rates as we purchase most of our electricity in Euros from France.

This profitability has allowed tariff levels to remain unchanged for the sixth year in a row and further investments to be made in the island's electricity supply infrastructure. In addition, we have been able to extend the domestic heating tariff to 24 hours a day.

The company remains focused on its goal of secure, reliable, sustainable and affordable electricity supplies for the island. However, we are now looking much further ahead to further minimise our environmental impact and create a much greater security of supply by investing in an additional subsea cable direct to France. We also now have a forward looking strategy to grow energy sales through the installation of electric heating boilers and storage units, and the growth in electric vehicles. Not only will this growth strategy enable the funding of major infrastructure investments whilst maintaining affordability, but it will be targeted to neutralise the effect of the hastening decline of electricity usage as traditional appliances become more efficient and the potential for households and businesses to install solar panels and other renewable energy sources grows.

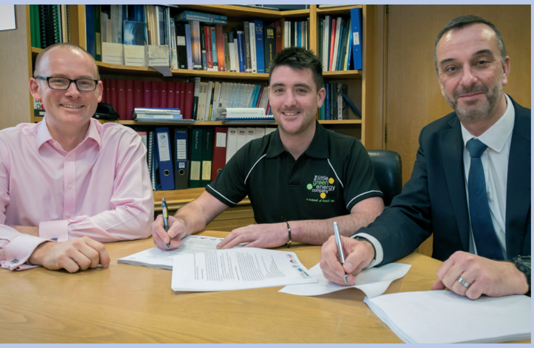
The company has refocused and restructured to be more customer and commercial centric, thereby balancing relevant expectations and aspirations against affordability fairness. We are closely reviewing our tariff structure, as this has not moved with the changing environment, to ensure fairness for all customers.

Over the last year we have been reviewing the Board's effectiveness to ensure all Board meetings and sub-committee meetings run smoothly and effectively for the benefit of the company and the Directors. Good Corporate Governance remains a key objective. I have also reviewed the role of the Non-Executive Directors to ensure they remain fully independent, add real value and challenge, develop strategy, assess and control risks while not getting involved in the day to day running of the business – this remains the domain of the Executive Directors. All Non-Executive Directors at Guernsey Electricity Limited have an increasingly difficult task of addressing complex issues with uncertain outcomes but are fully aware of their responsibilities and associated risks. My thanks go out to my Non-Executive Director colleagues for the sterling work they have and continue to carry out.

I am confident that the company remains well placed to deal with the many exciting challenges and opportunities in future years.

I would like to pass on my appreciation to the Political and Civil Service members of the States Trading Supervisory Board, as our shareholder, for their support and guidance over the last year. Finally, the success of the company is very much down to the loyal, hardworking and dedicated employees and I would like to take this opportunity to thank them for their continued support, drive and enthusiasm.

IA Hardman
Chairman



Solar Array:
In March 2018 we completed the installation of 330 solar panels at the power station on Northside, Vale, creating the largest solar array in the Channel Islands

The panels have been generating renewable energy and in the first 50 days have already generated enough energy to provide either seven average homes with light and power for a whole year or drive for 100,000 miles in an electric vehicle

Chief Executive Officer's report

Business Strategic Overview

Our financial year 2017/18 has been a year where we have embedded transformational changes introduced in the past and a year where we have started to prepare for our journey into a future energy world where traditional models are being challenged by both changes in technology and market aspirations.

It is claimed that the world of energy is changing more quickly and more fundamentally than at any point since the Industrial Revolution. Given the critical importance of the electricity sector to our functioning society, there is an urgent need to engage proactively to ensure that the transition into the future is smooth, affordable, effective and delivers the best outcomes for Guernsey.

The key strategic question for the island is how government policy, the regulatory environment and the governance surrounding the market structures keep pace with this energy transition, and therefore encourages much needed innovation on the island. Importantly for a very small island jurisdiction, the issue will not only be how we strategically manage the transition, but how we make it fair and equitable to all and not disadvantage residents who will need to continue to rely on the existing electricity services for some time to come.

For the last decade Guernsey Electricity has raised in its annual reports the conflict between decarbonisation and the affordability and security of low carbon solutions. However, the rapidly improving economics of renewable power, supported by the growing prospect of cost effective electricity storage, has started to change the emphasis in this area. Commentary on the energy transition is concluding that these changes may well be different in that they are not being driven by technology (although enabled by it) and government policy, but rather by social imperative. The pace of change may therefore be a lot faster than historic precedent in the energy world.

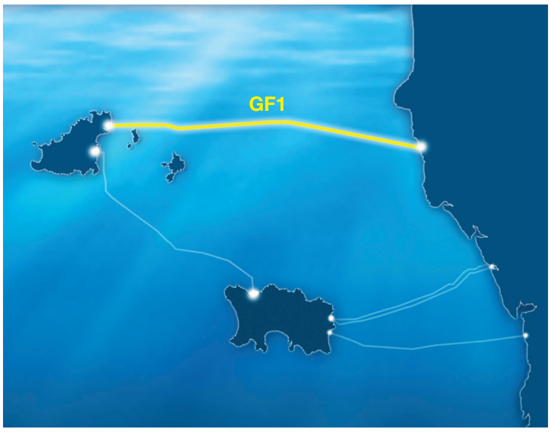
It is therefore important that this change in emphasis is now understood within the context of any new policies on energy and security of supply for the island.

For Guernsey Electricity, energy policy direction, including the island's environmental aspirations, remains extremely important in setting the broad direction of travel for the infrastructure investments across the power, heat and transport markets. Early energy policy direction is particularly important for reaching a decision on making what will be the company's largest ever capital investment, this being a direct subsea cable to France. The direct connection to France through the GF1 project will enhance electricity security and increase the capacity to access affordable low carbon electricity. These improvements however have to be balanced against the cost of the project, and the potential impact on tariff evolution.

In the near future it is likely that the lines between energy producers and energy consumers will become less clear and potentially blurred by the emergence of digital tools that enable much greater control of energy use. There are a number of new electricity supply models which have the potential to be highly disruptive if provisions are not put in place to ensure a sustainable and secure island electricity network. This is a rapidly changing area where the desire of consumers for new services will drive the adoption of the new technology, and therefore the technological and commercial expectations on Guernsey Electricity.

It is also clear that there is a social and commercial aspiration towards distributed power generation, covering everything from offshore macro wind farms to micro based rooftop solar systems. Guernsey should not underestimate the potential for the uptake of distributed renewables on the island.

There is an urgent need to engage proactively to ensure that the transition into the future is smooth, affordable, effective and delivers the best outcomes for Guernsey



CIEG Network

However, the transition to this aspirational future for a small island needs to be strategically managed to ensure both economic stability within the market, and that the appropriate security of supply level is maintained. The current belief of Guernsey Electricity is that in this new decentralised world, the transmission and distribution networks will be used less and less in terms of the volume of electricity transported, becoming more of a backup source of power and storage.

It may be that the network peak in electricity demand, which needs to be planned for, remains equivalent or higher than today due to the potential demand on a winter's evening when there has been limited solar capture during the day and the wind isn't blowing.

Combined, these drivers are shaping a future for the island that is very different from today. How this is managed now requires significant planning. Any future energy vision should not underestimate how desirable a prospect it will be for consumers to produce and store their own energy ("prosumers") rather than buy it from the "grid" or "garage". The rapidly changing affordability and availability of low carbon technology may have a significant influence over these areas. Therefore, the future concept of prosumers remaining as "connected off-griders" needs to be planned for now to ensure the future costs for electricity security are appropriately met by all island consumers.

The direct connection to France through the GF1 project will enhance electricity security and increase the capacity to access affordable low carbon electricity


La Rance Barrage from which we receive 33% of our imported electricity

Chief Executive Officer's report, continued

Business performance

The use of electricity continues to be a fundamental part of, and is becoming more integrated into, modern day life. Whilst Guernsey Electricity saw year on year electricity demand increases until 2010, since then demand has plateaued, and in some sectors fallen. These changes are largely due to the increase in energy efficiency in electrical appliances, as well as improvements in efficiency within buildings and industry. Guernsey Electricity is also attributing some of the overall reduction as being due to milder weather in recent years and the amount of energy required for the island's current economic activity. Guernsey Electricity's future demand predictions do show electricity use will increase (due mainly as a consequence of heat and transport sectors becoming electrified); however, the total energy consumed by the island will continue to fall.

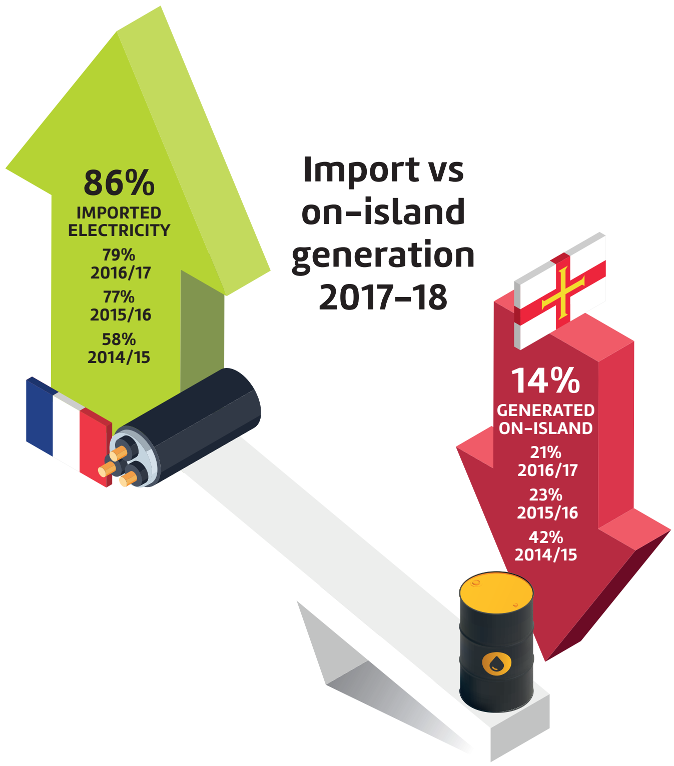
Despite an uncertain future, I am pleased to report that the financial performance of the business has resulted in an Operating profit of £1.2m (2017: Operating profit of £4.1m). This level of profitability is significantly lower than previous years and unfortunately below the level required to continue to fund necessary investments in the islands electricity infrastructure. This will become an issue as we plan for future capital investments. This financial year we have reinvested £8.4m of cash back into our business activities, whilst maintaining tariff levels unchanged for six years.

Guernsey Electricity's future demand predictions do show electricity use will increase... however, the total energy consumed by the island will continue to fall

When considering future profitability and both security of supply and the distribution of electricity activities, the company is now questioning how it will continue to create revenues from, and therefore enable future investments in the necessary infrastructure. This is due to the inevitable changing patterns of electricity power flows moving from the traditional radial flow from the power station at the centre to the consumer at the edge, to a future model where power will flow from prosumer to prosumer (edge to edge). This is now being called "Peer to Peer" trading.

Guernsey Electricity has been working on this question and is now proposing a fundamental change in the charging for its services. The decisions on charging made to ensure cost reflectivity and recovery today will determine the electricity markets success over the medium-term.

Therefore, for Guernsey Electricity the first part of the island's transition does need to be innovation in the methods of charging for connection to, and the use of the electricity system.



Our vision for future tariffs

Future tariffs will need to:

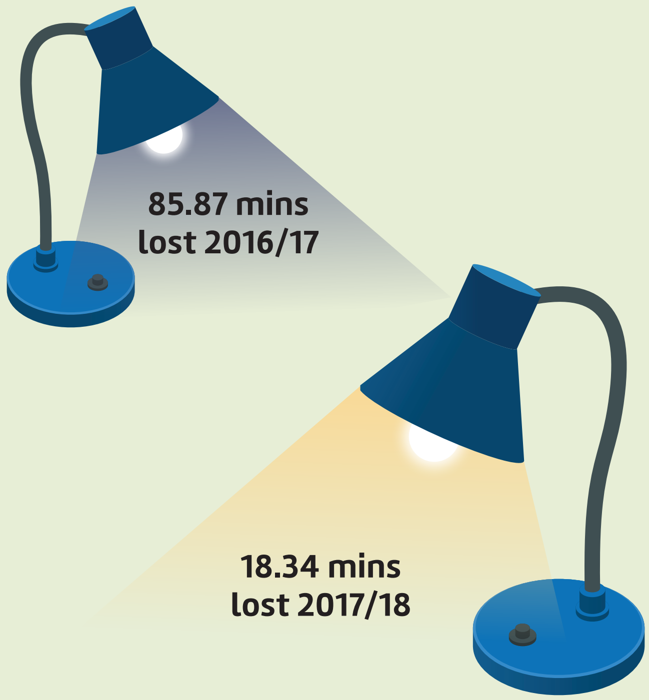
- Reflect and recover costs;
- Ensure a fair contribution to the island's centralised infrastructure;
- Recognise the introduction by customers of self-generation and energy storage;
- Be consistent with overall energy policy;
- Allow the introduction of macro renewable generation by third party generators;
- Be seen as fair, and in particular protect vulnerable customers and avoid damaging the island's businesses; and
- Be stable, simple and understandable to all.

One of the key non-financial business performance metrics for Guernsey is the level of importation of electricity from France and the associated carbon intensity of the business. The level of import has been increasing due to further investment in the Channel Islands Electricity Grid ("CIEG") with importation being the preferred source based on both economic and environmental factors. The importation levels for the previous three years has been 79% (2017), 77% (2016) and 58% (2015) of our total supply to the island. This clearly shows a continuing improvement since the subsea cable failure in 2012 and we continue to plan for imports to meet or exceed 75% of our supply. Importation is now limited by the capacity of the assets with a calculated maximum import level of over 90% of the island's electricity annual demand possible if required.

Guernsey Electricity has achieved for this financial year an importation level of 86% of total island demand enabling it to deliver a carbon intensity of 118gCO2equiv./kWh (2017: 170gCO2equiv./kWh) to its customers.

2018 was headed to be a milder year than 2017 until the cold snap in the last quarter which resulted in unit sales being up on the prior year. The result is that we have seen a 1.6% increase in electricity usage by our customers which has led to an increase in electricity sales of £1.3m compared to last year. We believe that adjusting for the weather, underlying demand is continuing the downward trajectory of previous years, which is reflecting energy efficiency improvements in our customer base.

In terms of our service to our customers, I am pleased to report a significant improvement in reliability with customers, both domestic and commercial, experiencing only 18.34 minutes loss of supply on average compared to 85.87 minutes lost during the previous financial year. This represents an excellent performance and would place us in the top quartile of our peer group. In the previous year the high level of average minutes lost was associated with a single incident on Liberation Day in 2016 when the imported supply from France to Jersey tripped out leaving Guernsey disconnected from the CIEG.



Chief Executive Officer's report, continued

Regulation

For many years we have reported that the States of Guernsey voted to remove Guernsey Electricity, together with the Post Office, from price regulation by CICRA. We have openly stated that in our opinion this form of independent regulation added little value and imposed an additional unacceptable cost and time burden on a company 100% owned by the States of Guernsey.

The Board continues to understand that the removal of regulation of course does not allow the company to operate unchecked in the future and the appropriate level of supervision and oversight will be achieved at an affordable cost for the island. However, the Board remains concerned at the length of time the process to be removed from regulation has taken.

Pensions

During the year the existing Career Average Revalued Earnings ("CARE") scheme was closed to new entrants. A defined contribution scheme, the Guernsey Electricity Flexible Pension Plan, has been introduced for new employees. The Board will continue to assess the future funding requirements of the Public Sector CARE Pension Scheme and the impact this has on the company and customers.

Financial Performance

The last year has seen a sustaining of the return to profitability achieved in the prior years with Operating profit of £1.2m being achieved (2017: £4.1m). The main reason for the fall in operating profits year on year has been the effect of foreign exchange on our euro import costs. Post Brexit vote weakening of the £:€ exchange rate has meant that the cost of importation has increased by more than £2.6m year on year. We continue to manage the risk arising from this exposure through our foreign exchange hedging programme. Despite the foreign exchange headwinds these results reflect an excellent performance and show the significant progress the company is making in transforming the operational performance of the business, managing its significant asset base and continuing to successfully execute strategic projects. Indeed, our 3-year return on average net assets has been 4.2% which is in line with our long-term target and represents a key efficiency measure for a utility business.

Despite the foreign exchange headwinds these results reflect an excellent performance and show the significant progress the company is making in transforming the operational performance of the business

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 and the wholesale markets and the required changes that may be required to tariff levels.

The Board is, however, mindful of the continuing cost pressures on the business, particularly accentuated by the impact of Brexit on our foreign exchange costs combined with the fact that there has been no tariff rise for 6 years. We consider that a cost reflective tariff increase is now pressing.

The company continues to benefit from a strong statement of financial position with our fixed asset base of £127.6m, the largest changes being the completion of our investment in our new generating asset, diesel engine generator 3D, together with investments to maintain and improve our network capabilities. The net cash inflow for the year of £1.1m compared with £3.8m outflow in the previous year is largely attributable to a return to profitability and a reduction in net capital expenditure to £8.4m from £19.2m the prior year. Cash inflow from operating activities of £10.5m showed a decline compared to the prior year due to the adverse trading conditions particularly surrounding the £:€ exchange rate. At the year-end, we had net debt of £7.2m compared to £8.2m last year. This comprised £14.0m loans and closing cash balances of £6.8m; these amounts include balances held with the States of Guernsey of £6.1m (2017: £2.5m).

Engine 3D

The company continues to benefit from a strong statement of financial position...the largest changes being the completion of our investment in our new generating asset, diesel engine generator 3D

Shareholder's funds have increased by £6.2m, from £85.6m to £91.8m. 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 £7.0m together with a dividend to the shareholder of £0.7m.

The company is part of the States of Guernsey Pension Scheme and we assessed the financial benefits created by the changes recently made to the States' Public Servants Pension Scheme. The assessed position continued to create longer term affordability and sustainability concerns for the business and the Board recently communicated its decision to close the scheme to new employees instead offering a defined contribution scheme. We continue to ensure that we obtain and review options for mitigating future impacts of the scheme on tariffs. Understanding costs and where further value can be obtained within the business remain key matters for the organisation.

We reported last year that tariff levels remained unchanged since October 2012 and whilst the underlying cost drivers have changed over this period, Guernsey Electricity has provided stability and certainty around its tariff levels.

Guernsey Electricity however understands that the tariffs and their relationship with the cost drivers, particularly the wholesale energy markets, are of interest to our customers. The Board remains concerned about future commodity costs and whilst we continue to see some stability in the imported electricity and crude oil prices, the foreign exchange £:€ and £:$ are both adverse and volatile in comparison to what we have experienced in the preceding years. Even with our current forward hedged position the impact of Brexit is exerting pressure on maintaining our current tariff levels. The Board is also mindful of the significant investment in the business and needs to continue balancing these investments requirements against the affordability of electricity to our customers.

Our tariffs need to be clear in terms of the costs of these investments. We have focused on controlling these costs, and where economies of scale are such that further reduction is not possible we are looking at where additional value can be added. In this regard, we will be working actively with our shareholder to identify opportunities and synergies across the State owned utility sector.

Chief Executive Officer's report, continued

Guernsey Electricity, Five-year Performance Summary

	2018 Actual £m	2017 Actual £m	2016 Actual £m	As Restated* 2015 Actual £m	UK GAAP 2014 Actual £m
INCOME					
Sales of Electricity	52	50	52	52	53
Other Sales Income	4	4	4	4	3
TOTAL FOR INCOME	**56**	**54**	**56**	**56**	**56**
EXPENSES	55	50	52	58	56
Operating Profit/(Loss) before net unrealised gains/(losses) on derivatives at fair value	1	4	4	(2)	–
Unrealised net gains/(losses) on derivatives at fair value	–	–	1	–	–
Finance Income/(Cost)	(1)	–	(1)	(1)	–
Profit/(Loss) Pre Tax	–	4	4	(3)	–
Earnings before Interest, Tax, Depreciation and Amortisation	9	12	12	4	5
Net (debt)/cash	(7)	(8)	4	(3)	(2)
Capex (cashflow value)	9	20	8	9	19
Pension Deficit**	(35)	(41)	(26)	(27)	(22)
Total Units Generated & Imported (GWh)	372	371	372	375	383
% Import	86%	79%	77%	58%	41%
% Generation	14%	21%	23%	42%	59%
Customer minutes lost	18	30***	26	32	37

The company has sustained the return to profitability and is meeting stakeholder targets.

* 2015 results have been restated under new accounting standard FRS102 comparable to 2016 results. Prior years show results under previous reporting standards.

** Pension deficit shown gross of related deferred tax.

*** Excluding the Liberation Day fault.

Award winning engineering
Engine 3D Project

Guernsey Electricity scooped the Engineering Project of the Year award at the Guernsey Property & Construction Awards in November 2017.

The company was honoured for its 'unrivalled' Engine 3D Project at an awards event attended by more than 300 people. The Engine 3D Project saw the delivery and installation of a new diesel engine weighing 376 tonnes and is 18m long, 4m wide and 6m high.

In awarding the prize, the judges described the £15m project as having the 'best local impact'. 'There were a number of natural, contextual to scale challenges. It is an unrivalled project on a major scale for the island,' according to the judges.

As one of the biggest machines ever brought onshore, the Engine 3D Project presented a series of complex challenges from initial development work, to the logistics of delivering it to the island and commissioning it into service.

Chief Executive Officer's report, continued

Environmental Sustainability Performance

"Environmental sustainability requires long-range thinking and strategic planning for the future. This includes appreciating that, at times, regulation and demand will lag behind the best interests of industries, customers and communities. The companies with the best sustainability practices will suffer the least when legislation and consumer demand fundamentally alter the business case in favour of strong environmental management." UK Climate Change Committee (2015)

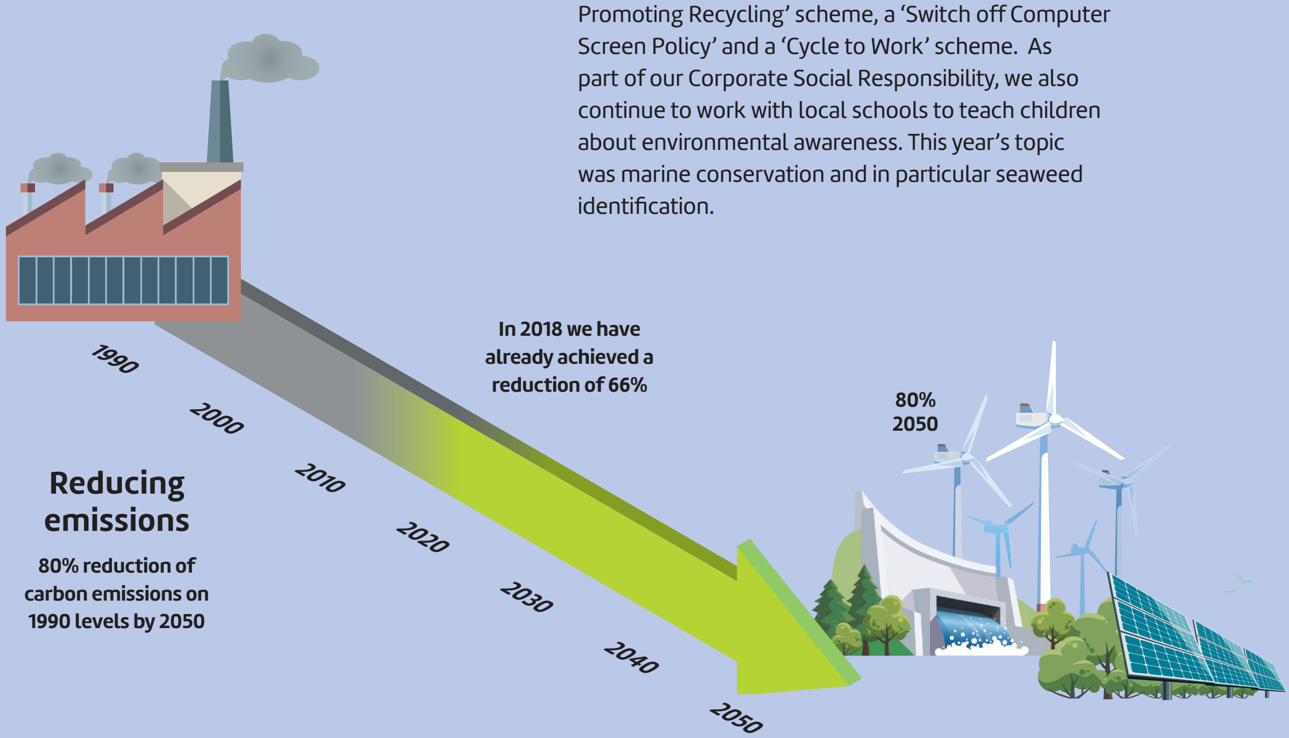
As a business, we fully embrace this view, and this is reflected in our revised HSE Vision "to make a positive contribution to our island environment for today and for the benefit of future generations".

Our 5-year Environmental Sustainability Strategy (2017 – 2022) puts emphasis on the need for a strong environmental sustainability governance, culture, and risk management system within Guernsey Electricity and to support the realisation of our Environmental Sustainability Policy.

Last year, we completed the development of our internationally recognised ISO14001:2015 Environmental Management System (EMS). This year our focus has been on increasing our understanding and visibility of our environmental performance. Our new greenhouse gas (GHG) emissions reporting now enables stakeholders to have full visibility of our emissions from generation to their doorstep, which is a big step change as demonstrated by the revised reporting figures for this year. Periodic sustainable procurement reviews of our existing activities, the products we use and the services we provide have and will continue to lead to environmental improvement and innovation, which in turn may result in further cost and efficiency benefits.

In 2017, we launched a new 4-year HSE Audit Plan and supporting RQHSE Audit and Investigation Charter. Introducing this level of internal assurance will help drive good environmental performance across the business, which in turn will enable the business to proactively respond to future requirements such as the pending water quality and air pollution regulation, which will require the site to plan for and operate under an Environmental Pollution and Prevention Control (EPPC) Licence.

A new Environmental Sustainability Initiatives Group was set up by a group of Guernsey Electricity employees. Initiatives the group are looking to roll out across the business include a 'Reducing Plastic and Promoting Recycling' scheme, a 'Switch off Computer Screen Policy' and a 'Cycle to Work' scheme. As part of our Corporate Social Responsibility, we also continue to work with local schools to teach children about environmental awareness. This year's topic was marine conservation and in particular seaweed identification.

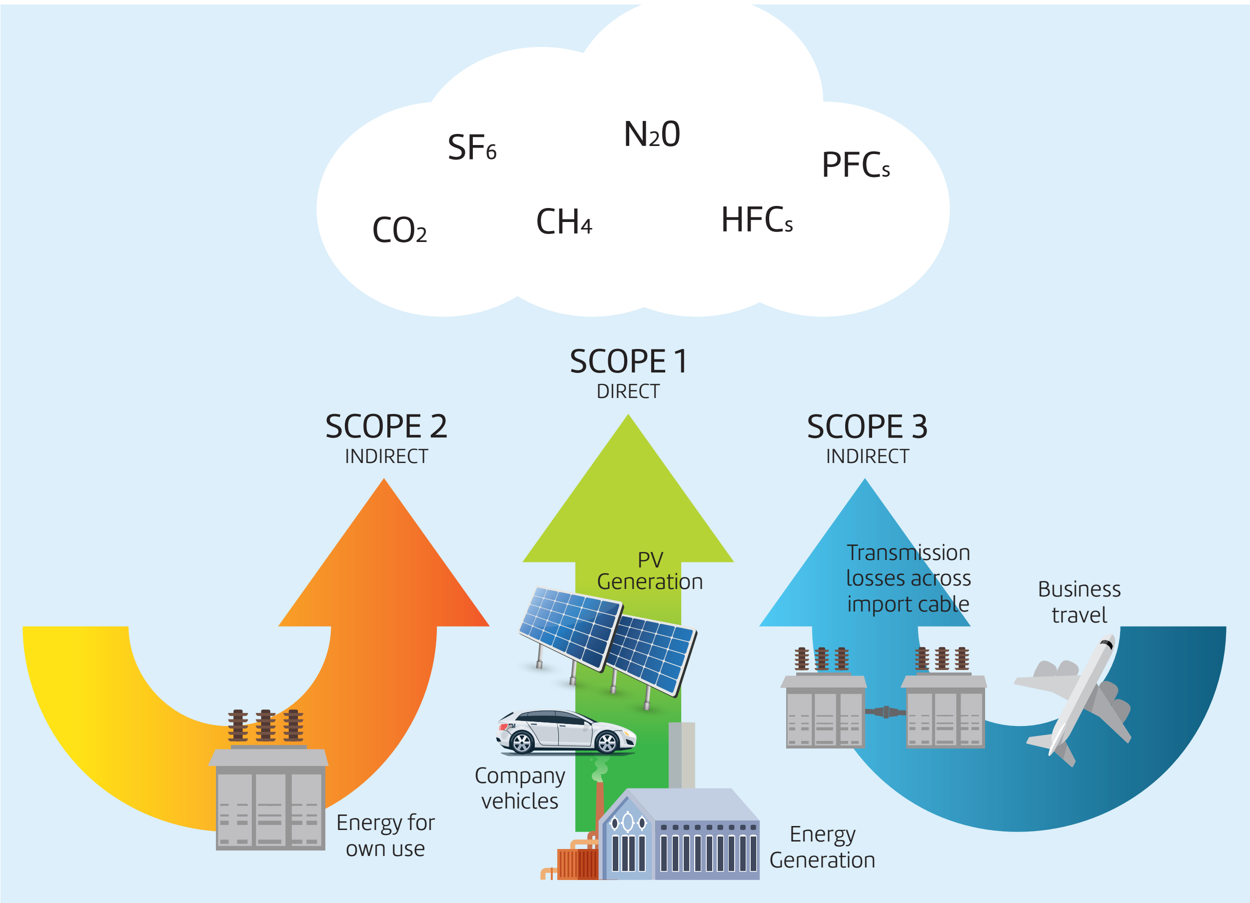


GHG Emission Reporting: Forward thinking

Greenhouse Gas (GHG) emissions is a focus for energy providers the world over and Guernsey Electricity aims to lead the way in terms of adhering to international conventions on climate change and their requirements. A very significant proportion of which is carbon emission reporting and targets.

Under the Kyoto Protocol, Guernsey has committed to an '80% reduction of carbon emissions on 1990 levels by 2050'. As a business we have already taken steps to reduce our emissions by 66% on our 1990 levels. This financial year 86% of the energy supplied by Guernsey Electricity is low carbon, with 33% coming from La Rance hydroelectric power plant in Normandy, and 53% from nuclear, both supplied through the cable link from France. We are also taking measures to further reduce our carbon emissions, including the installation of a Solar Panel Array at the Vale power station with an annual generation potential of 116,000 kWh, and the phasing in of electric vehicles to our fleet.

Guernsey Electricity is also committed and forward thinking when it comes to emissions reporting. Our new reporting methodology, launched in April 2018, now enables us to disclose all greenhouse gas emissions, rather than just carbon as previously. The data can also be broken down into direct emissions sources, such as fuel used in energy generation and company vehicles, as well as indirect emissions, for example imported electricity. This was possible by bringing our reporting in line with the international accounting tool, the Greenhouse Gas (GHG) Protocol and the UK's Environmental Reporting Guidelines. This forward-thinking step not only increases the transparency of our reporting, it also now enables us to benchmark our performance against other energy suppliers, as we continue our low carbon journey.



Chief Executive Officer's report, continued

Health and Safety

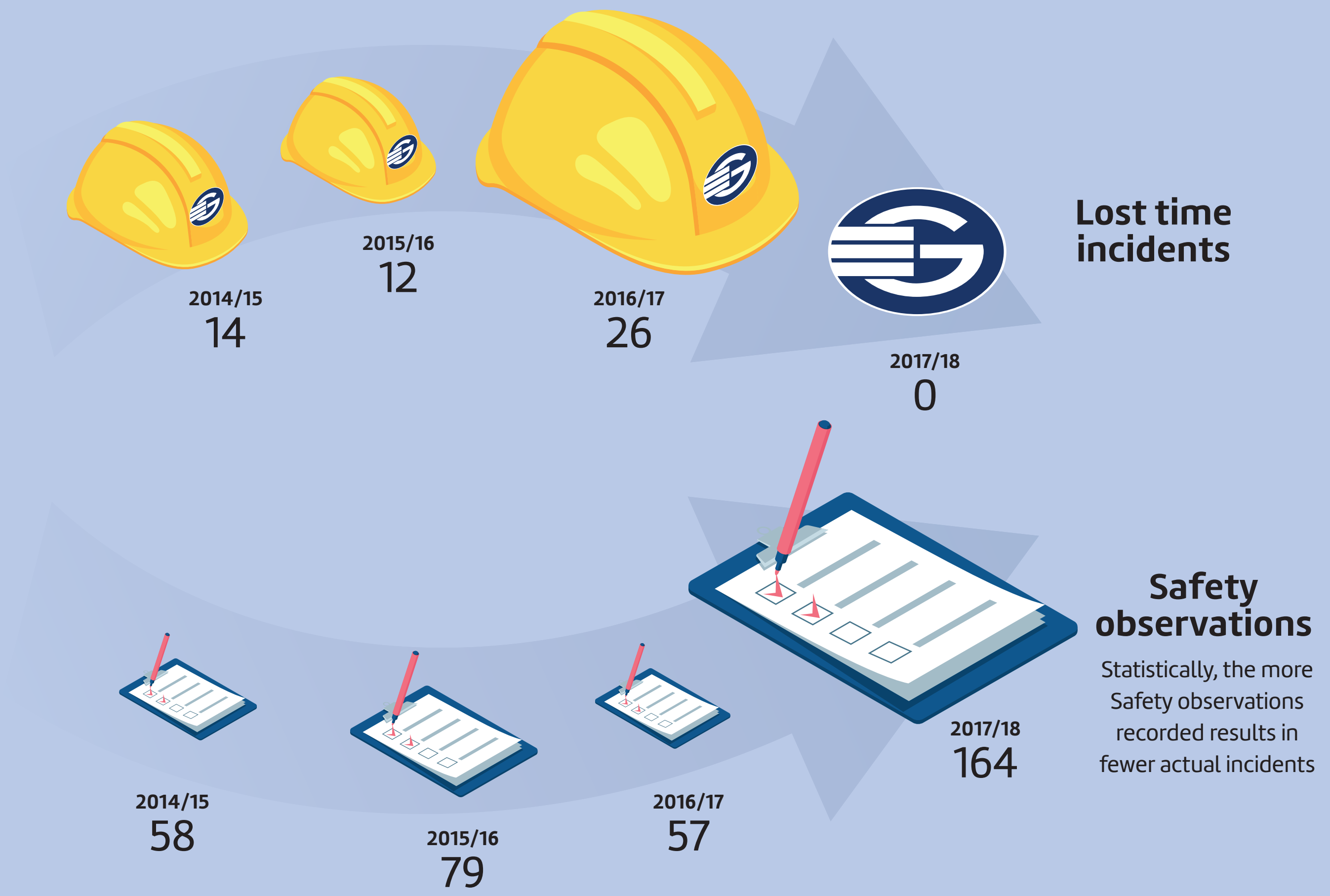
Nothing is more important than the safety of our employees, contractors and customers, therefore we are very pleased to report that we have not had any Lost Time Incidents (LTI) caused by an accident at work in this financial year.

We have encouraged our employees to play an active role in reaching this achievement through the use of our new Safety Observation Cards (SOC) and ensuring Health, Safety and Environmental (HSE) performance is embedded in all employees objectives.

As a business we firmly believe that delivery of effective health, safety and environmental management systems makes not only sound business sense but ensures that our moral and legal obligations are met and are at the core of our operation for now and into the future.

There have been no LTI's since 27 July 2016 and this is the longest period GEL has worked without an LTI in the last 30 years.

We have invested heavily in ensuring our HSE performance exceeds expectations and encourage all our colleagues to be involved in sound health, safety and environmental practice and management.



Our Community

We continue to support our local community and youth initiatives. This year these included planting wildlife friendly plants with students from Vale Primary School and installing bird boxes around the power station site. Additionally, we sponsored a Guernsey Sailing Trust boat which will enable more young people around the island to learn to sail. Again this year we supported the "Be Safe Be Seen" initiative, helping children stay safe on their way to and from school by sponsoring reflective stickers combined with a prominent radio campaign.

Our free power station tours remain popular with schools, community groups and organisations. A group of former employees took part in a tour of the site, more than 30 years after they retired. The group ranged from 70 to 93 years old and were a mix of former Shift Charge Engineers, Diesel Engineers and Control Room Operators who were overwhelmed with the changes at the power station since they left the company.

Community spirit: We have supported and worked with a lot of young people this year. With our support the Guernsey Sailing Trust were able to purchase a new boat to teach young people how to sail, we again supported the Youth Award at the Community Awards and we also planted new wildlife friendly plants around the power station with help from Vale Primary School students

Chief Executive Officer's report, continued

The Team

This year has been extremely challenging for the business. Embedding transformational changes whilst dealing with significant market uncertainty has brought a new sense of urgency to the team. However, again this year I would like to thank all of my colleagues who have engaged with and taken the company forward to deliver outstanding contributions to the organisation. I also appreciate how all the company's employees continue to operate professionally, and remain loyal and committed to the company and bring our values to life through their behaviours. I would also like to record recognition of the key role the Board has played in providing significant guidance whilst dealing with the challenges faced by the company over what continues to be a demanding period.

I would stress that the company and its employees remain dedicated to providing a high level of service to its customers and that we will continue to deal with the future challenges we face whilst striving to improve what we do today.

The Future – The road to 2050

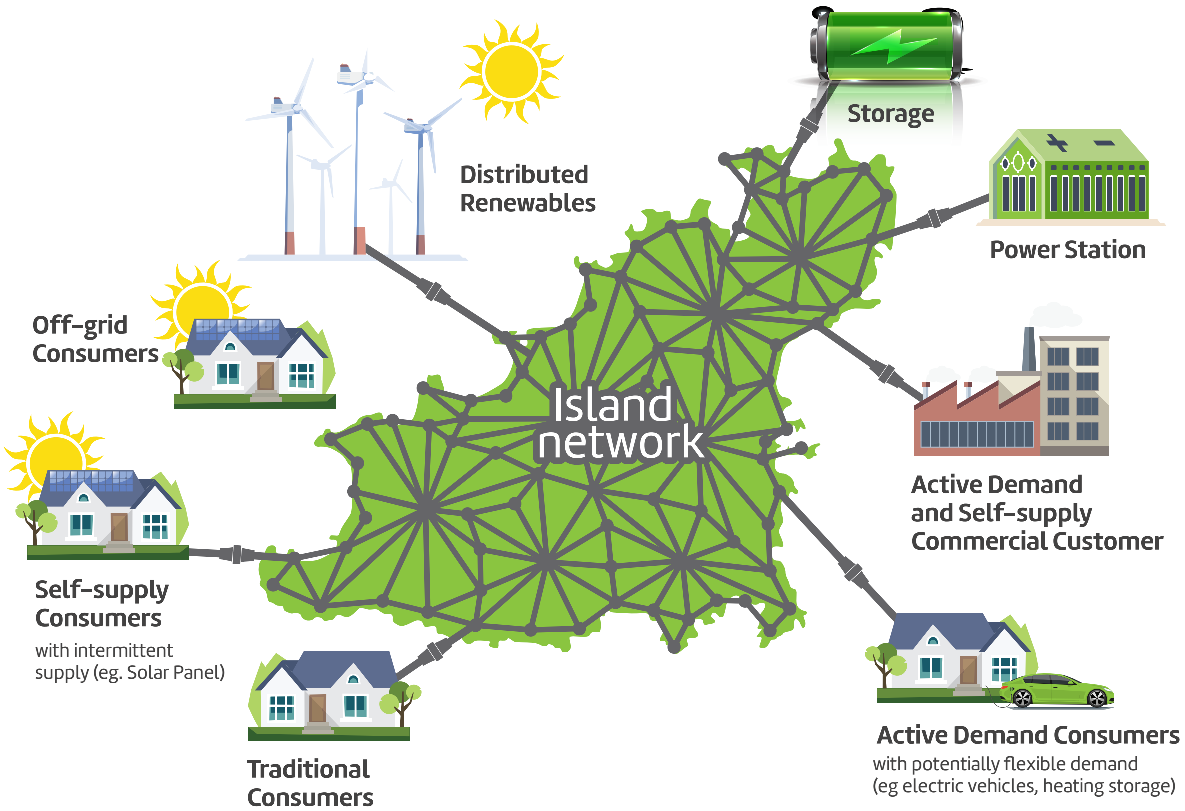
The way we use electricity and generate it is changing. The horizon to 2050 is exciting and challenging amid goals to cut global emissions. However, Guernsey Electricity is planning to be at the forefront of this future – and will always put islanders at the heart of what we do.

Affordability will remain at the centre of our strategic planning and thus how in the future we deliver a more effective and better service. This planning allows us to continue providing a reliable, secure and sustainable electricity supply.

Guernsey Electricity will engage positively to ensure our customers' voices are heard as the States of Guernsey develops its energy and environmental policies, which will inform renewable energy targets over the next five years.

Beyond 2022, we foresee greater uptake of electric vehicles and other developments in technology from a smarter grid to energy storage as well as micro and macro forms of electricity generation. We're already considering these changes, and how we can best meet our island's needs. That includes securing our ability to import low carbon electricity, understanding distributed generation and energy storage on our network and understanding how charging for supplying and receiving electricity will be fair to all.

By 2050, energy could look very different to now – but Guernsey Electricity's commitment to provide the highest quality service will remain.



Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2018. 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 34 to 63.

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

During the year, a dividend of £749,000 was paid (2017: £1,044,000 paid), representing £0.00712 per share (2017: £0.00956 per share paid). The company will not be proposing a dividend at the 2018 Annual General Meeting (2017: £749,000 proposed, representing £0.00712 per share).

Customers

The number of customers as at 31 March 2018 is 30,483 (2017: 30,347).

Units

Importation through the cable link between Guernsey, Jersey and the European grid provided 86% (2017: 79%) of the island's electricity needs in the year ended 31 March 2018 and 14% (2017: 21%) was generated on the island, as shown by the units analysis below:

	2018	2017
Units imported MWh	**318,572**	294,310
Units generated MWh	**53,794**	76,975
Total units imported/generated MWh	**372,366**	371,285

Average price

The average price per kWh sold in the year ended 31 March 2018 was 14.69 pence (2017: 14.74 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 31 March 2018, customers lost nil minutes due to generation/importation activity (2017: 56.35 minutes) and 18.34 minutes were lost per customer in respect of distribution (2017: 29.52 minutes).

Directors and their interests

The directors of the company, who served during the year and to date, are as detailed on page 2. 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.

Auditor

KPMG Channel Islands Limited continue in office as auditor until the forthcoming Annual General Meeting. During the year a formal competitive tendering process for this function was undertaken in which KPMG Channel Islands Limited participated. Following this process, a proposal for appointment of the successful candidate will be made at the Annual General Meeting, subject to shareholder approval.

For and on behalf of the Board of Directors

IA Hardman
Director

AM Bates
Director

6 August 2018

Corporate governance

Guernsey Electricity's corporate governance arrangements are based on the proportionate and relevant application of good practice principles in corporate governance and predominantly those contained within the UK Corporate Governance Code published in April 2016.

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 Treasury & Resources Department. 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 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, sets its values and standards and takes decisions objectively in the interests of the company, its shareholders and other stakeholders.

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.

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. Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred back to the shareholder and those which can be delegated to Sub-Committees of the Board or senior management.

There were seven Board meetings held during 2017/18. If a Board member cannot attend a meeting, they receive a copy of the agenda and the accompanying papers in advance of the meeting and are able to comment on the matters to be discussed.

The names of directors and the membership of the Board Sub-Committees are set out in the sections below. The Board Sub-Committees have authority to make decisions according to their terms of reference.

Chairman and Chief Executive

Guernsey Electricity has a Non-Executive Chairman and a Chief Executive Officer. There is a clear division of responsibilities between the two positions with the Chairman responsible for the running of the Board and the Chief Executive Officer responsible for the running of the company's business.

Ian Hardman spends on average 1.5 days per week in his role as Chairman. The Board consider that he has no other external directorships which make conflicting demands on his time as Chairman.

Robert Lawrence is the Deputy Chairman appointed by the Board.

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 four 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.

Appointments to the Board

Recommendations for appointments to the Board are the responsibility of the Remuneration & Nominations Sub-Committee. The appointment of Non-Executive Directors is made by resolution of the States of Deliberation. All Board appointments are made in accordance with the provisions of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001 and the company's Articles of Incorporation.

Information and professional development

For each scheduled Board meeting the Chairman 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. The Company Secretary is available to give ongoing advice to all directors on Board procedures and corporate governance matters.

Attendance at Board meetings

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

Director	Meetings Attended	Total Meetings Held
AM Bates	7	7
JPC Turner	7	7
S-A David	6	7
RP Lawrence	7	7
IA Hardman	7	7
RJ Dutnall	7	7
CM Holmes	6	7

Sub-Committees of the Board and main terms of reference

In addition to regular scheduled Board meetings, the company operates through Board Sub-Committees, of which the main terms of reference are set out in the following relevant sections.

Corporate governance, continued

Performance evaluation

The Board undergoes an annual evaluation of its performance. The last assessment was for the period up to 31 March 2017 and the next assessment is currently taking place. The evaluation consists of an internally produced confidential questionnaire, which is independently assessed by the Company Secretary who then prepares a report for consideration by the Board. Additionally, during the financial year both an external high level desktop consultancy exercise on the corporate governance arrangements of the Remuneration and Nominations and Audit and Risk sub-committees and an internal evaluation of board skills were carried out.

Election and re-election of Directors

Guernsey Electricity's Articles of Incorporation require that Non-Executive Directors retire by rotation but provide that they are eligible for re-election. Non-Executive Directors are submitted for re-election in accordance with the principles agreed with the company's shareholder. Non-Executive Directors serve the company under letters of appointment, which are generally for an initial three-year term which may be extended by re-appointment in accordance with the company's Articles and the Memorandum of Understanding with the shareholder's representative.

Remuneration

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, bonus and retirement benefits. Fees for the Chairman and Non-Executive Directors are determined by the States Trading Supervisory Board.

Remuneration & Nominations Sub-Committee

The Remuneration & Nominations Sub-Committee, which is chaired by Robert Lawrence, 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.

The Remuneration & Nominations Sub-Committee is also tasked with considering the balance of the Board, director job descriptions and objective criteria for Board appointments and succession planning.

In deciding the remuneration and other employment conditions of Executive Directors, the Sub-Committee acts independently of the executive and seeks to safeguard the interests of the company's shareholder.

In respect of remuneration matters the Sub-Committee's responsibilities include:

- The determination, maintenance, and development of documentation, detailing broad company policy and clear, formal and transparent procedures in regard to remuneration and performance related issues in respect of executive and senior management remuneration, bonus and performance matters. This is done on behalf of the Board and all significant policy and procedural changes in relation to remuneration matters must be approved by the whole Board.
- The determination of the remuneration and other employment conditions of Executive Directors and senior management (including contractual issues) with the objective of ensuring that Executive Directors and senior management are provided with appropriate incentives which will encourage enhanced performance and that they are competitively, fairly and responsibly rewarded for their individual contributions to the company's overall performance.

In respect of nomination matters, the main terms of reference of this Sub-Committee are to review regularly the structure, size and composition of the Board and to make recommendations on the role and nomination of directors for appointment (and re-appointment where required by the company's Articles of Incorporation) to the Board and holders of any executive office.

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

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

Chairman: RP Lawrence

Members: IA Hardman

CM Holmes

Corporate governance, continued

Accountability and Audit

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 and risk management

During 2017/18 the executive team continued to identify, monitor and review the risks facing the business, so as to be able to put into place and maintain robust controls and actions to manage them. The Board is updated regularly on risk matters. The risk management process was the responsibility of the Chief Financial Officer during the year.

All directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and where possible, mitigate the company's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the company's systems are designed with the purpose of providing the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented or detected within a timely period.

The Board obtains its assurance on the effectiveness of the system of internal control from a variety of sources, including internal audit, regular updates on risk management and internal control, health and safety, monthly management information and representations from the executive team.

Internal audit has a continuing role in monitoring and reporting on business risks. The company has strengthened its Risk Management by the establishment of a Risk, Quality, Compliance and Environment function which reports to the Chief Financial Officer. This section, with the assistance of external consultants such as RSM UK LLP, carries out an annual programme of audits. This programme of audits is determined and agreed with the Audit and Risk sub-committee.

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 independent consultants.

Audit & Risk Sub-Committee and auditor

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. There were seven Audit & Risk Sub-Committee meetings in the year.

The Board has delegated responsibility to the Audit & Risk Sub-Committee for reviewing the effectiveness of the system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law. Whilst the Sub-Committee has no executive powers, it has wide ranging terms of reference and reports to the Board on a regular basis. It is empowered to make recommendations to the Board where such are considered necessary to ensure the proportionate and relevant application of good practice principles in corporate governance and the management of the company's relationship with the company's external auditor.

The Audit & Risk Sub-Committee members comprise Non-Executive Directors. Robert Dutnall is the Chairman of the Audit & Risk Sub-Committee and the Board is satisfied that the Sub-Committee has through its membership, access to recent and relevant experience to enable the duties of the Sub-Committee to be fully discharged.

The Audit & Risk Sub-Committee meets at least once a year with representatives of the company's external auditor.

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

Chairman: RJ Dutnall

Members: IA Hardman

CM Holmes

Land & Property Sub-Committee

Julian Turner is the Chairman 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 Chairman of the Board together with all of the Executive Directors. There were seven Land & Property Sub-Committee meetings held in the year.

Corporate governance, continued

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 Committee 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.

On 13 December 2016, the company completed a share buyback of £4 million of company shares from the States of Guernsey as mentioned in the 2017 Budget Billet as follows;

"the States of Deliberation Guernsey, at its meeting held on the 2 November 2016 (Billet xxvi October 4 2016) resolved "To authorise the Policy & Resources Committee, pursuant to Section 2(4) of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, to agree to and implement the Board of Guernsey Electricity Limited's proposal to repurchase £4 million of shares reducing the shareholding of the States accordingly, and subject to Guernsey Electricity Limited complying with its obligations under the Companies (Guernsey) Law, 2008".

In addition, in order to achieve the desired outcome, it was necessary for the company, guided and assisted by its lawyers and in consultation with the States Trading Supervisory Board, to replace completely its Articles of Incorporation and amend its Memorandum of Incorporation.

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 year. 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; and
- 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

Our opinion is unmodified

We have audited the financial statements (the "Financial Statements") of Guernsey Electricity Limited (the "company"), which comprise the statement of financial position as at 31 March 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the company as at 31 March 2018, and of the company's financial performance and the company's cash flows for the year then ended;
- are prepared in accordance with United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- comply with 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in these respects.

We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

We have nothing to report on other matters on which we are required to report by exception

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

- the company has not kept proper accounting records; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

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

Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 31 the directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of this report and restrictions on its use by persons other than the company's members as a body

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.

KPMG Channel Islands Limited
Chartered Accountants, Guernsey

7 August 2018

Statement of comprehensive income

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Revenue	4	**56,343**	54,472
Cost of sales		**(44,069)**	(40,500)
Gross profit		**12,274**	13,972
Net operating expenses		**(11,105)**	(9,878)
Operating profit	5	**1,169**	4,094
Net losses on derivatives at fair value	19	**(378)**	(216)
Finance income	6	**371**	919
Finance cost	6	**(252)**	(217)
Other finance cost	20	**(1,039)**	(890)
(Loss)/profit on ordinary activities before taxation		**(129)**	3,690
Taxation	7	**84**	(694)
(Loss)/profit for the financial year after taxation		**(45)**	2,996
Other comprehensive income:			
Effective portion of changes in fair value of cashflow hedges	19	**(34)**	–
Remeasurement of net defined benefit liability	20	**6,953**	(10,502)
Total comprehensive income for the financial year		**6,874**	(7,506)

All activities derive from continuing operations.

The notes on pages 38 to 63 form an integral part of these financial statements.

Statement of financial position

at 31 March 2018

	Note	**2018 £'000**	2017 £'000
Fixed assets			
Property, plant and equipment	*9*	**127,630**	127,777
Current assets			
Inventories	*10*	**5,686**	6,347
Trade receivables	*11*	**17,102**	17,161
Balances with States Treasury	*13*	**6,115**	2,538
Cash		**732**	3,233
		29,635	29,279
Trade payables: amounts falling due within one year	*14*	**(26,176)**	(12,493)
Net current assets		**3,459**	16,786
Total assets less current liabilities		**131,089**	144,563
Trade payables: amounts falling due after more than one year	*15*	**(4,254)**	(18,253)
Pension deficit	*20*	**(35,074)**	(40,674)
Net assets including pension deficit		**91,761**	85,636
Share capital	*16*	**105,209**	105,209
Reserves		**(13,448)**	(19,573)
Total equity		**91,761**	85,636

The financial statements on pages 34 to 63 were approved by the Board of Directors on 6th August 2018.

Signed on behalf of the Board of Directors

IA Hardman
Director

AM Bates
Director

The notes on pages 38 to 63 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 March 2018

	Share capital £'000	Reserves £'000	Total equity £'000
1 April 2016	**109,209**	**(11,023)**	**98,186**
Profit for the financial year	–	2,996	2,996
Other comprehensive income for the year			
Remeasurement of net defined benefit liability	–	(10,502)	(10,502)
Total comprehensive income for the year	–	**(7,506)**	**(7,506)**
Transactions with owners recognised directly in equity			
Share buyback (note 16)	(4,000)	–	(4,000)
Dividend (note 8)	–	(1,044)	(1,044)
Total transactions with owners recognised directly in equity	**(4,000)**	**(1,044)**	**(5,044)**
31 March 2017	**105,209**	**(19,573)**	**85,636**
Loss for the financial year	–	(45)	(45)
Other comprehensive income for the year			
Remeasurement of net defined benefit liability	–	6,953	6,953
Effective losses on hedging instruments in a cash flow hedge	–	(34)	(34)
Total comprehensive income for the year	**–**	**6,874**	**6,874**
Transactions with owners recognised directly in equity			
Dividend (note 8)	–	(749)	(749)
Total transactions with owners recognised directly in equity	**–**	**(749)**	**(749)**
31 March 2018	**105,209**	**(13,448)**	**91,761**

The notes on pages 38 to 63 form an integral part of these financial statements.

Cash flow statement

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash inflow from operating activities	*17*	**10,509**	12,673
Cash flow from investing activities			
Finance income		**484**	828
Payments to acquire property, plant and equipment		**(9,199)**	(20,279)
Proceeds of disposal of property, plant and equipment		**13**	39
Customers' contributions towards capital expenditure		**271**	171
Net cash outflow from investing activities		**(8,431)**	(19,241)
Cash flow from financing activities			
Finance cost		**(249)**	(205)
Amounts drawn under medium term credit facility		**–**	8,000
Dividends paid	*8*	**(749)**	(1,044)
Share buyback	*16*	**–**	(4,000)
Net cash (outflow)/inflow from financing activities		**(998)**	2,751
Increase/(decrease) in cash and cash equivalents during the year		**1,080**	(3,817)
Cash and cash equivalents at the beginning of the year		**5,771**	9,610
Exchange losses on cash and cash equivalents		**(4)**	(22)
Cash and cash equivalents at the end of the year		**6,847**	5,771
Cash and cash equivalents consists of:			
Balances with States Treasury		**6,115**	2,538
Cash		**732**	3,233
		6,847	5,771

Movements in balances with States Treasury and the other income are deemed liquid resources in accordance with section 7 of FRS 102 (Statement of Cash Flows).

The notes on pages 38 to 63 form an integral part of these financial statements.

Notes to the financial statements

Year ended 31 March 2018

1. General information

Guernsey Electricity Limited was incorporated on 24 August 2001 and is registered in Guernsey. The company is governed by the provision 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 years presented, unless otherwise stated.

Basis of preparation

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

Going concern

On the basis of their assessment of the company's financial position and resources, the directors believe that the company is well placed to manage its business risks. The company is a cash generative business receiving in the order of £5m per month from its customers and the business is profitable. The company has a revolving credit loan facility with HSBC which offers a credit line of £20m (with an option to extend to £30m which was exercised on 11 January 2017) which will enable it to fund its currently approved capital investment projects. As at 31 March 2018, only £14m had been drawn on this facility (2017: £14m). This facility expires on 3 October 2018. However, the company has entered into a new five-year loan facility, commencing on 3 October 2018, with RBS International which offers a credit line of £20m (with the option to extend to £35m.) The company has a strong statement of financial position as at the end of the financial year and a net assets position of £91.8m (2017: £85.6m). Therefore, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual 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.

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 on sale to the customer, as 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.

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 revenue at the inception of the hire purchase transaction and interest is included in finance income over the finance period of the transaction on an effective interest rate basis.

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, discounts received and the sale of waste heat. 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. Existing employees are members of a defined benefits pension plan which was closed during the year. A new defined contributions pension plan will receive members from 1 April 2018.

Short term benefits

Short-term employee benefits such as salaries and compensated absence are recognised as an expense in the year employees render services to the company. Holiday leave accruals are recognised at each balance sheet 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.

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 balance sheet 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.

Notes to the financial statements, continued

Year ended 31 March 2018

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, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) 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 profit or loss as 'Other finance cost'.

This defined benefits scheme was closed to new members during the year. A new defined contributions scheme has been established however there were no members as at 31 March 2018.

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 period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, 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 years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period 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 period 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.

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 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. 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		25 – 35
	– Overhauls	24,000	
	– Distribution		35
	– Street Lights		20
Distribution network comprising:	– Distributors		35
	– Meters		5 – 15
	– Cyclocontrol receivers		5
Motor vehicles			5
Furniture and equipment			3 – 10
Minor plant			5 – 10

Notes to the financial statements, continued

Year ended 31 March 2018

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 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.

Impairment of non-financial assets

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 asset's cash generating unit ("CGU") may be impaired. If there is such an indication the recoverable amount of the asset or CGU is compared to the carrying amount of the asset or CGU. The recoverable amount of the asset or CGU is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's or CGU continued use.

The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset or CGU is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

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 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 period-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 period-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, 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.

Notes to the financial statements, continued

Year ended 31 March 2018

b) Financial liabilities

Basic financial liabilities, including trade and other payables and short-term loans, are initially recognised at transaction price, 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.

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. The company also hedges against the fluctuation in the price of heavy fuel oil, including the movement in the US Dollar, which is inherent in the pricing.

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 elected to introduce hedge accounting for its foreign exchange hedging of the Euro exposure for the import of electricity during the financial year, from 1 October 2017. These relationships have been designated as cash flow hedges of highly probably forecast transactions. The fair value of these hedges are shown in note 19. 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.

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, highly liquid investments with original maturities of three months or less 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.

(i) *Revenue*

Sales of electricity include an estimate for the value of unbilled units at the year end which represents the estimated units consumed by customers since the last billing date. 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 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 – see note 20

(iv) Financial instrument derivatives – see note 19

(v) Joint arrangement

(vi) Deferred tax/ unrelieved trading losses – see note 7

Notes to the financial statements, continued

Year ended 31 March 2018

4. Revenue

	2018 £'000	2017 £'000
Sales of electricity	**51,848**	50,584
Sale of goods, commercial and hire purchase	**3,861**	3,240
Rental income	**262**	292
Deferred income	**177**	171
Other income	**195**	185
	56,343	54,472

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, each year an estimate of the unbilled units as at 31 March is determined.

The value of unbilled units included in sales of electricity above is £7,164,000 (2017: £6,368,000).

5. Operating profit

Operating profit is after charging /(crediting):

		2018 £'000	2017 £'000
Depreciation (note 9)		**8,214**	7,777
Rentals under operating leases		**13**	13
Auditor's remuneration	– statutory audit	**46**	43
	– non-audit services	**24**	–
Bad debts		**59**	42
Director fees, salaries and other benefits		**922**	696
Regulatory costs	– internal	**40**	15
Loss on disposal of assets		**77**	537

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

	2018 £'000	2017 £'000
Inventory write-offs	**87**	35
Inventory discrepancies	**48**	10
Inventory provision	**43**	323

6. Finance and income cost

	2018 £'000	2017 £'000
Finance income:		
Deposits with banks and States Treasury	**230**	780
Hire purchase	**141**	139
	371	919
Finance cost:		
Medium-term credit facility	**251**	216
Other interest payable	**1**	1
	252	217

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 year 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 18.1328% (2017: 18.4836%) 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 2018.

Notes to the financial statements, continued

Year ended 31 March 2018

The deferred tax (credit)/charge in the statement of comprehensive income for the year is:

	2018 £'000	2017 £'000
Timing differences on capital allowances and depreciation	**550**	(28)
Short term timing differences (pension)	**(374)**	(182)
Short term timing differences (other)	**(21)**	(56)
Movement on unrelieved trading losses	**(239)**	960
	(84)	694

8. Dividend

During the year, a dividend of £749,000 was paid (2017: £1,044,000 paid), representing £0.00712 per share (2017: £0.00956 per share paid). The company will not be proposing a dividend at the 2018 Annual General Meeting (2017: £749,000 proposed, representing £0.00712 per share).

9. Property, plant and equipment

Cost	1 April 2017 £'000	Additions £'000	Written off/ disposals £'000	**31 March 2018 £'000**
Land and buildings	33,669	1,582	–	**35,251**
Cable link	55,429	504	–	**55,933**
Plant and machinery: – Generation	60,629	1,907	18	**62,518**
– Distribution	13,554	544	–	**14,098**
Distribution network	37,019	2,583	272	**39,330**
Motor vehicles, furniture and equipment, minor plant	6,300	1,037	171	**7,166**
	206,600	8,157	461	**214,296**

Depreciation	1 April 2017 £'000	Charge for the year £'000	Written off/ disposals £'000	**31 March 2018 £'000**
Land and buildings	12,937	1,134	–	**14,071**
Cable link	19,994	2,211	–	**22,205**
Plant and machinery: – Generation	24,695	2,479	16	**27,158**
– Distribution	4,192	409	–	**4,601**
Distribution network	13,291	1,402	184	**14,509**
Motor vehicles, furniture and equipment, minor plant	3,714	579	171	**4,122**
	78,823	8,214	371	**86,666**
Net book value	127,777			**127,630**

Included above are assets in the course of construction of £1,246,000 (2017: £12,688,000), which are not depreciated.

Notes to the financial statements, continued

Year ended 31 March 2018

10. Inventories

	2018		2017	
	£'000	£'000	£'000	£'000
Fuel inventories		**2,655**		3,390
Purchased goods for resale	**260**		286	
Provision	**(5)**	**255**	(5)	281
Other inventories	**4,869**		4,772	
Provision	**(2,233)**	**2,636**	(2,190)	2,582
Work in progress		**140**		94
		5,686		6,347

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

	2018 £'000	2017 £'000
Fuel inventories	**95**	252

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

11. Trade receivables

	2018 £'000	2017 £'000
Estimated value of unbilled units	**7,164**	6,368
Customer accounts outstanding	**4,819**	3,147
Other receivables	**287**	716
Prepayments	**785**	1,015
Deferred tax asset (note 12)	**3,713**	5,161
Derivative financial instruments (note 19)	**334**	754
	17,102	17,161

Included in "Customer accounts outstanding" is an amount totalling £326,000 (2017: £317,000) due after more than one year, relating to goods and services purchased by customers under interest free and hire purchase agreements.

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.

12. Deferred tax asset

Deferred tax assets comprise of:	2018 £'000	2017 £'000
Deferred taxation:		
Balance at 1 April	**5,161**	3,466
Statement of comprehensive income credit/(charge)	**84**	(694)
Statement of other comprehensive income	**(1,532)**	2,389
Balance at 31 March	**3,713**	5,161
Which comprises:		
Capital allowances in excess of depreciation	**9,200**	8,650
Short-term timing differences (other)	**(288)**	(267)
Unrelieved loss for tax purposes	**(6,265)**	(6,026)
Deferred tax liability	**2,647**	2,357
Deferred tax asset on pension deficit (note 20)	**(6,360)**	(7,518)
Net deferred tax assets (note 11)	**3,713**	5,161

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. Trade payables: amounts falling due within one year

	2018 £'000	2017 £'000
Trade payables	**4,234**	4,495
Customer payments received in advance	**5,728**	6,303
Employee taxes and Social Security	**194**	183
Deferred income	**177**	171
Accruals and other payables	**1,738**	1,228
Derivative financial instruments (note 19)	**105**	113
Amount drawn under medium-term credit facility (note 19)	**14,000**	-
	26,176	12,493

The company has a £1m overdraft facility with Barclays Bank Plc (2017: £1m), and interest is payable quarterly at 1.75% over UK base rate. This facility is unsecured, is repayable on demand and is reviewed and approved by the Board annually. As at 31 March 2018, £nil was drawn on the Barclays Bank Plc overdraft facility (2017: £nil).

Notes to the financial statements, continued

Year ended 31 March 2018

15. Trade payables: amounts falling due after more than one year

	2018 **£'000**	2017 £'000
Deferred income	**4,254**	4,253
Amount drawn under medium-term credit facility (note 19)	**-**	14,000
	4,254	18,253

16. Share Capital

	2018 **£'000**	2017 £'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.

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.

On 13 December 2016, the company completed a share buyback of £4 million of company shares from the States of Guernsey as mentioned in the 2017 Budget Billet as follows;

"the States of Deliberation Guernsey, at its meeting held on the 2 November 2016 (Billet xxvi October 4 2016) resolved "To authorise the Policy & Resources Committee, pursuant to Section 2(4) of the States Trading Companies (Bailiwick of Guernsey) Ordinance 2001, to agree to and implement the Board of Guernsey Electricity Limited's proposal to repurchase £4 million of shares reducing the shareholding of the States accordingly, and subject to Guernsey Electricity Limited complying with its obligations under the Companies (Guernsey) Law, 2008".

This had the effect of reducing the company's issued share capital from £109,208,844 to £105,208,844. The share capital remains divided equally between the nominee shareholders.

17. Reconciliation of operating profit to net cash flow from operating activities

	2018 £'000	2017 £'000
(Loss)/profit for the financial year	**(45)**	2,996
Tax on (loss)/profit on ordinary activities	**(84)**	694
Net finance costs	**920**	188
Net losses on derivatives at fair value	**378**	216
Operating profit	**1,169**	4,094
Depreciation charge	**8,214**	7,777
Loss on disposal of fixed assets	**77**	537
Exchange loss on cash and cash equivalents	**4**	22
Pension service cost	**2,664**	1,595
Employer's pension cash contributions	**(855)**	(861)
Pension administration costs	**37**	36
Deferred income	**(177)**	(171)
Decrease/(increase) in inventories	**661**	(1,702)
(Increase)/decrease in receivables	**(1,922)**	1,225
Increase in payables	**637**	121
	10,509	12,673

Notes to the financial statements, continued

Year ended 31 March 2018

18. Commitments

Capital commitments, for which no provision has been made in these financial statements, amounted to £6,726,000 as at 31 March 2018 (2017: £10,356,000). These relate to outstanding commitments on capital projects across a range of asset categories.

Cable link commitments

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 price at which the take or pay block is agreed for the period of the contract and for calendar year 2019 this equates to a total commitment of €11.1m (2018: €10.6m) for Guernsey Electricity Limited.

Operating lease commitments

The company had no future minimum lease payments under non-cancellable operating leases.

19. Financial instruments

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

	Note	2018 £'000	2017 £'000
Financial assets at fair value through profit or loss			
Derivative financial instruments:	*11*		
– Interest rate cap		**–**	–
– Forward foreign currency contracts		**334**	669
– On-island generation fuel hedge contracts		**–**	85
Financial assets that are debt instruments measured at amortised cost			
Estimated value of unbilled units	*11*	**7,164**	6,368
Customer accounts outstanding	*11*	**4,819**	3,147
Other receivables	*11*	**287**	716
Cash and cash equivalents		**6,847**	5,771
Financial liabilities measured at amortised cost			
Trade payables	*14*	**4,234**	4,495
Customer payments received in advance	*14*	**5,728**	6,303
Deferred income	*14,15*	**4,431**	4,424
Accruals and other payables	*14*	**1,738**	1,228
Amount drawn under medium-term credit facility	*14,15*	**14,000**	14,000
Financial liabilities measured at fair value through profit or loss			
Derivative financial instruments – Forward foreign currency contracts	*14*	**105**	113

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 Cap

The company has entered into an interest rate cap to hedge part of the interest rate risk associated with the £20m revolving credit facility. An interest rate cap of 3% has been applied to a notional amount of £2.2m (2017: £4.5m) and is referenced against the three month sterling LIBOR rate. The valuation of this instrument as at 31 March 2018 was £nil (2017: £nil). The loss included within the profit and loss account was an expense of £nil (2017: £nil).

Notes to the financial statements, continued

Year ended 31 March 2018

Financial Assets that are debt instruments measured at amortised cost

(a) Classification of financial assets that are debt instruments measured at amortised cost

Trade receivables include receivables arising out of estimated value of unbilled units, customer accounts outstanding and other receivables. Trade receivables generally arise from transactions within the usual operating activities of the company. They represent undiscounted amounts of cash expected to be received (within a year) except for customer accounts outstanding which are due after more than one year.

Cash and cash equivalents include cash at bank and in hand and balances with States Treasury with original maturities of three months or less.

(b) Fair values of financial assets that are debt instruments measured at amortised cost

The carrying amounts of financial assets and liabilities measured at amortised cost are assumed to be the same as their fair values due to their short-term nature.

Financial liabilities measured at amortised cost

The carrying amounts of trade payables, customer payments received in advance, deferred income, accruals and other payables are assumed to be the same as their fair values due to their short-term nature.

Loan Commitment – Revolving credit facility

The company entered into a five year, £20m revolving credit loan facility with HSBC to finance its share of the cost of the 'Normandie 3' project relating to the installation of a new sub-sea cable interconnector between Jersey and France. The loan incorporates an option to increase the credit facility to £30m for the purpose of the future financing of key infrastructure expenditure and this option was exercised on 11 January 2017. Interest is charged at LIBOR plus an agreed premium. A commitment fee is payable on any undrawn amount in line with the terms of the arrangement. As at 31 March 2018, the company had utilised £14.0m of the loan (2017: £14.0m). The drawn amount has been classified as a financial liability measured at amortised cost. This facility expires on 3 October 2018. However, the company has entered into a new five-year loan facility, commencing on 3 October 2018, with RBS International which offers a credit line of £20m (with the option to extend to £35m).

Financial liabilities measured at fair value through profit or loss

Derivative financial instruments – Forward Contracts

(a) Import Financial Hedge

Import contracts with EDF and RTE 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 year end was as follows:

	2017	
	€'000	£'000
Forward contract to purchase Euro	24,250	20,362

As at the 31 March 2018, the company is holding the following euro forward contracts to hedge the exposure on its electricity import over the next 21 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	15,760	1.1495
Greater than one year and less than two years	6,600	1.1230

The impact of hedging instruments designated in cash flow hedging relationships as of 31 March 2018 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 Receivables	15,360	334
Trade Payables: amounts falling due within one year	7,000	(105)

(b) 3D Project Hedge

The main contract for the new medium speed diesel engine, 3D, was also denominated in Euros. The company entered into forward exchange contracts to manage the currency risk. The company's commitment to forward contracts at the previous year end was as follows:

	2017	
	€'000	£'000
Forward contract to purchase Euro	354	283

As at 31 March 2018, the outstanding contracts for Import all mature within 21 months of the year end. These contracts are measured at fair value utilising the third party market valuations provided by the relevant counterparties. The loss included within the profit and loss account was an expense of £378,000 (2017: The loss included within the profit and loss account was an expense of £263,000). A £34,000 expense was recognised in Other Comprehensive Income during the period reflecting the effective change in value of hedging instruments designated for hedge accounting. As hedge accounting was introduced part way through the year the value of 'effectiveness' is comparatively low. A number of the hedges designated for hedge accounting were pre-existing at the date of the change in policy. These hedges therefore have an inherent element of ineffectiveness as only movements from the point of change in policy are eligible to be effective. Hedges transacted after this date are anticipated to be effective. No amounts have been reclassified from Equity to the Statement of Comprehensive Income during the year. Gains and losses on the derivatives are recycled through the income statement at the time the purchase of power is recognised in the income statement.

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.

Notes to the financial statements, continued

Year ended 31 March 2018

20. Pension Scheme

Nature of the Guernsey Electricity Limited actuarial account

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 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. Last year, the Board closed the existing CARE scheme to all new employees who will instead become members of a new defined contribution scheme, the Guernsey Electricity Flexible Pension Plan. The Guernsey Electricity Flexible Pension Plan was established on 1 October 2017 with members eligible for entry after the satisfactory completion of their six-month probationary period. As such there were no members as at 31 March 2018.

The most recent triennial valuation of the company's actuarial account carried out as at 31 December 2016 reported that the actuarial account was in surplus and recommended no change to the employer's contribution rate of 11.5%. This was approved by the States of Guernsey and as such, the company maintained its contribution rate of 11.5% of pensionable pay with effect from 1 April 2018.

The calculations for the FRS 102 disclosures have been carried out by running full actuarial calculations as at 31 March 2018.

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 amendments

The actuarial account closed to new members during the year. There have been no other amendments to the actuarial account during the year and no special events have occurred.

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:

	2018 £'000	2017 £'000
Fair value of actuarial assets	**65,620**	62,301
Present value of funded obligations	**(100,694)**	(102,975)
Net underfunding in actuarial account	**(35,074)**	(40,674)
Related deferred tax asset (note 12)	**6,360**	7,518
Net defined pension liability	**(28,714)**	(33,156)

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

	2018 £'000	2017 £'000
Service cost	**2,664**	1,595
Net interest on net defined benefit liability	**1,039**	890
Expense recognised in the statement of comprehensive income	**3,703**	2,485

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

	2018 £'000	2017 £'000
Interest on obligation	**2,650**	2,784
Interest on assets	**(1,611)**	(1,894)
Net interest on net defined benefit liability	**1,039**	890

Notes to the financial statements, continued

Year ended 31 March 2018

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

	2018 £'000	2017 £'000
Return on assets (not included in interest)	**2,437**	6,937
Actuarial gains/ (losses) on obligation	**6,048**	(19,829)
Total remeasurements recognised in other comprehensive income	**8,485**	(12,892)
Cumulative amount of remeasurements recognised in other comprehensive income	**(3,323)**	(11,808)
Actual return on actuarial account assets	**4,048**	8,831

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

	2018 £'000	2017 £'000
Administration expenses paid from actuarial account	**37**	36
Other items	**37**	36

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 £855,000 to the actuarial account over the year from 1 April 2017 to 31 March 2018. Members of the actuarial account contributed £534,000 to the actuarial account over the same period.

The company expects to contribute £829,000 to the actuarial account over the next year from 1 April 2018 to 31 March 2019. Contributions by members of the actuarial account are expected to total £529,000 over the same period.

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

	2018 £'000	2017 £'000
Opening defined benefit obligation	**102,975**	80,848
Service cost	**2,664**	1,595
Contributions by members	**534**	536
Benefits paid	**(2,081)**	(2,617)
Interest on obligation	**2,650**	2,784
Experience gains	**(3,945)**	(3,487)
(Gains)/losses from changes in assumptions	**(2,103)**	23,316
Closing defined benefit obligation	**100,694**	102,975

The weighted average duration of the liabilities of the actuarial account was 22 years as at 31 March 2018.

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

	2018 £'000	2017 £'000
Opening fair value of actuarial account assets	**62,301**	54,726
Interest on assets	**1,611**	1,894
Return on assets (not included in interest)	**2,437**	6,937
Contributions by employer	**855**	861
Contributions by members	**534**	536
Benefits paid	**(2,081)**	(2,617)
Administration expenses	**(37)**	(36)
Closing fair value of actuarial account assets	**65,620**	62,301

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

	2018 %	2017 %
Equities & alternatives	**76**	75
Bonds & fixed interest securities	**14**	14
Property	**7**	7
Other assets	**3**	4

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

Notes to the financial statements, continued

Year ended 31 March 2018

Principal actuarial assumptions used for the FRS 102 disclosures:

	31 March 2018 % p.a.	31 March 2017 % p.a.
Discount rate at end of year	**2.50**	2.60
Discount rate at start of year	**2.60**	3.50
Inflation	**3.30**	3.40
Rate of increase in pensionable salaries	**4.05**	4.15
Rate of increase in deferred pensions	**3.30**	3.40
Rate of increase in CARE benefits	**3.30**	3.40
Rate of increase in pensions in payment	**3.30**	3.40

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 89 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 if they are male and until age 90 if female.

Amounts for the current and previous period are as follows:

	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Defined benefit obligation	**100,694**	102,975	80,848	81,903
Actuarial Account assets	**65,620**	62,301	54,726	54,889
Deficit	**(35,074)**	(40,674)	(26,122)	(27,014)
Experience gains/(losses) on Actuarial Account assets	**2,437**	6,937	(1,987)	2,508
Experience gains on Actuarial Account liabilities	**3,945**	3,487	859	1,916
Gains/(losses) from changes in assumptions	**2,103**	(23,316)	4,241	(6,454)
Total Experience gains/(losses) on Actuarial Account liabilities	**6,048**	(19,829)	5,100	(4,537)

21. Statement of control

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

22. Related party transactions

There are no disclosable related party transactions in this financial year. See note 5 for disclosure of directors' remuneration.

23. Subsequent events

Loan Partial Repayment

A £4m partial repayment of the HSBC loan facility was made on 13 July 2018, reducing the total drawn down on this facility from £14m to £10m.

Loan Renewal

The existing loan facility expires on 3 October 2018. However, the company has entered into a new five-year loan facility, commencing on 3 October 2018, with RBS International which offers a credit line of £20m (with the option to extend to £35m.)

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