



Gibraltar Audit Office

Report of the Principal Auditor  
on the Accounts of the  
Gibraltar Electricity Authority  
for the financial year ended  
31 March 2016



**REPORT OF THE PRINCIPAL AUDITOR ON THE ACCOUNTS OF**  
**THE GIBRALTAR ELECTRICITY AUTHORITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

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## Gibraltar Audit Office

### **THE CERTIFICATE OF THE PRINCIPAL AUDITOR TO PARLIAMENT ON THE ACCOUNTS OF THE GIBRALTAR ELECTRICITY AUTHORITY**

I certify that I have audited the financial statements of the Gibraltar Electricity Authority for the financial year ended 31 March 2016 in accordance with the provisions of Section 25(4) of the Gibraltar Electricity Authority Act 2003. These statements comprise the Receipts and Payments Account, the Capital Account, the Balance Sheet and the related notes. These financial statements have been prepared using the cash receipts and disbursements basis of accounting.

#### **Respective responsibilities of the Gibraltar Electricity Authority and the Principal Auditor**

The Gibraltar Electricity Authority is responsible for the preparation of the financial statements and for being satisfied that they are properly presented. The Gibraltar Electricity Authority's policy is to prepare the financial statements on the cash receipts and disbursements basis as prescribed by Section 25(2A) of the Gibraltar Electricity Authority Act 2003. On this basis revenue is recognised when received rather than when earned, and expenses are recognised when paid rather than when incurred.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of section 25(4) of the Gibraltar Electricity Authority Act 2003. I conducted my audit of the financial statements in accordance with generally accepted government auditing standards.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gibraltar Electricity Authority's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Chief Executive's report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied

to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on financial statements**

In my opinion, the financial statements properly present the revenue collected and expenses paid by the Gibraltar Electricity Authority during the financial year ended 31 March 2016 and the assets and liabilities arising from cash transactions as at the end of that period in accordance with the cash receipts and disbursements basis of accounting.

### **Opinion on other matters**

In my opinion, the information given in the Chief Executive's Report for the financial year in which the financial statements are prepared is consistent with the financial statements.

### **Matters for which I report by exception**

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not received all of the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of the audit; or
- proper books of account have not been kept by the Gibraltar Electricity Authority, so far as appears from my examination of those books; or
- the Gibraltar Electricity Authority has not discharged its financial duties and obligations in accordance with the provisions of the Gibraltar Electricity Authority Act 2003; or
- the financial statements are not in agreement with the accounting records.

### **Report**

The observations on the financial statements are detailed in my Report.



A R Sacramento  
Principal Auditor  
Gibraltar Audit Office

26 March 2018

**GIBRALTAR ELECTRICITY AUTHORITY  
ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**REPORT**

**1.1 Recurrent Account - Contribution:** The overall Government of Gibraltar recurrent contribution to the Gibraltar Electricity Authority during the financial year 2015-16 amounted to £52,471,947 compared to an approved budget allocation of £54,489,000 and compared to the previous financial year's overall recurrent contribution totalling £53,733,055.

**1.2** The overall recurrent contribution was comprised of the following components:

- (a) the Contribution from revenues received by the Government amounted to £25,225,397, compared to an approved budget allocation of £25,172,000 and to the previous year's actual contribution totalling £24,618,993. These receipts were in respect of the sale of electricity to consumers (£25,152,446), electricity connection fees (£59,700) and miscellaneous receipts (£13,251);
- (b) the Additional Contribution amounting to £24,638,000 compared against an approved budget allocation of £25,317,000 and to the previous year's actual contribution amounting to £27,034,000; and
- (c) the Contribution from receipts received from the private sector for the provision of electrical services amounting to £2,608,550, compared to the approved budget allocation of £4,000,000.

**2.1 Recurrent Account - Receipts:** The Gibraltar Electricity Authority's Finance and Administration Director explained that the adverse variance of £1,391,450 between the approved budget of £4,000,000 and actual receipts amounting to £2,608,550 in the Contribution from revenues received by the Government regarding Commercial Works was principally made up of the following:

- (a) an adverse variance of approximately £1,015,000 as a result of four projects which were not undertaken during the year;
- (b) an adverse variance of £178,880 below budgeted revenue due to projects which were not completed during the year;
- (c) an adverse variance between the estimates bid submission and the approved budget amounting to £591,000; and
- (d) a favourable net variance of approximately £393,430 being revenue received from other projects, not included in the budgeted general provision.

**3.1 Recurrent Account – Payments:** The total recurrent expenditure of the Gibraltar Electricity Authority in the financial year 2015-16 was



£53,237,279, a saving of £153,721 (0.3%) compared with the approved budget total of £53,391,000 and £1,643,106 (3.0%) against the previous year's expenditure of £54,880,385. The Finance and Administration Director explained that the main variances between the approved budget and the actual expenditure for the financial year 2015-16 were as follows:

- (a) Fuel expenditure for the financial year under review totalled £2,029,316, a saving of £1,937,665 against the approved budget of £3,966,981 (excluding a fuel hedge approved budget allocation of £2,033,019). The saving in fuel costs between the approved budget and actual expenditure was mainly as a result of having generated 25.7 million units compared to a budget estimate of 57.0 million units, and also compounded by lower fuel prices. The reduction in generation was due to unforeseen maintenance works on the engines.
- (b) Total expenditure in respect of purchased electricity for the financial year under review totalled £25,418,464, an increase of £1,714,460 (7.2%) compared with the approved budget of £23,704,004 (excluding the fuel hedge approved budget allocation amounting to £12,045,996). The variance between the approved budget and actual expenditure was principally due to the following:
  - (i) Cost of Electricity from Gibraltar Mechanical and Electrical Services Limited (GMES Ltd): South District Power Station - Actual expenditure amounting to £8,656,407 was unbudgeted for.
  - (ii) GMES Ltd: Additional Generating Capacity - Actual expenditure of £16,762,057 gave rise to a £6,941,947 saving against an approved budget of £23,704,004 (excluding the fuel hedge approved budget allocation amounting to £12,045,996), made up as follows:
    - a decrease in electricity units volume costs amounting to £4,108,834 during the financial year 2015-16, given that the actual electricity produced was 122.8 million units against a budget of 156.8 million units;
    - a favourable total costs price variance of £3,724,844 resulting from a saving of 3 pence per electricity unit produced from the budgeted 15.12 pence per unit;
    - a positive price/volume mix variance totalling £1,031,393; and
    - conversely, there was an adverse variance of £1,923,124 in relation to the net movement of 'GMES Ltd: Additional Generating Capacity' creditors.

- 3.2 Fuel Hedge Contracts Costs** - The actual expenditure in relation to the fuel hedge contracts amounted to £13,512,408, giving rise to a saving of £566,607 compared against the adjusted bid/estimate. This was attributable to the slow-down of price cuts in fuel oil during the financial year 2015-16.
- 3.3 Purchase of Carbon Credits** - The sum of £672,729 was paid in respect of Carbon Credits against an approved budget of £1,000. As previously explained by the Gibraltar Electricity Authority's Chief Executive, the European Union Emission Trading Scheme provides that an electricity producing entity is required to purchase carbon credits to offset the total CO<sub>2</sub> emissions that are emitted to generate electricity, where one carbon credit is equal to 1 tonne of CO<sub>2</sub> emissions. These carbon credits can then be used by the Member State for renewable energy and energy efficiency projects.
- 3.4 Lubricants** - The actual expenditure of £86,423 against the approved budget of £180,000 resulted in a saving in the cost of lubricant for the financial year 2015-16 of £93,577. This was mainly as a consequence of having generated only 25.7 million units against a budgeted 57.0 million units at the Waterport Power Station. The reduced level of generation, for the reason explained in paragraph 3.1(a), meant that only 57,693 litres were required against a budgeted 117,230 litres of lubricant. The saving was further compounded by lower prices than budgeted.
- 4.1 Commercial Works** - Total expenditure in respect of Commercial Works amounted to £1,771,536, an underspend of £2,128,464 compared against the approved estimate of £3,900,000. The Finance and Administration Director attributed most of the underspend (£1,717,026) to a number of new projects which were not started during the year. The balance of the underspend (£411,438) was attributable to numerous on-going projects.
- 5.1 Capital Account** - Capital expenditure amounting to £592,684 exceeded the approved estimate of £380,000 by £212,684. The increase was attributable to £116,553 having been spent on the ECO Wave Power plant project and a further £113,404 being spent on the Scada project. The combined spend was offset, in part, by a net saving in other areas of capital expenditure.
- 6.1 Electricity Charges Outstanding** - Arrears of Electricity Charges stood at £8,616,862 as at 31 March 2016 compared to £7,022,764 as at the end of the previous financial year, an increase of £1,594,098. However, a total of £53,971 was written-off during the year, so the effective increase in arrears of Electricity Charges was £1,648,069.
- 6.2** The Finance and Administration Director explained that the increase in arrears of Electricity Charges was mainly due to the arrears owed by GMES Ltd which escalated from £57,747 at the end of the previous

financial year to £1,570,252 as at 31 March 2016. However, on 11 January 2017 the sum of £1,566,916 was paid by the government-owned company towards the electricity charges owing. There was also an increase of slightly under £36,000 in respect of arrears owed by Gibdock Limited which amounted to £196,681 as at 31 March 2016. Additionally, arrears due by non-entitled consumers increased by £33,471 from £202,069 in the previous year to £235,540 as at 31 March 2016.

**6.3** There was a sum of £53,971 written-off in the year 2015-16 in respect of electricity charges, the majority of which were outstanding for over six years, owed by companies that had been liquidated, or struck-off by the Registrar of Companies.

**7.1** **Arrears of Commercial Works** - Arrears in respect of works carried out by the Gibraltar Electricity Authority to private entities stood at £534,385 as at 31 March 2016, a significant year-on-year decrease of £301,186. Most of the sums owed at the end of the previous financial year were due by government companies, departments, authorities and agencies which were settled during the financial year 2015-16.



A R Sacramento  
Principal Auditor  
Gibraltar Audit Office

26 March 2018





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ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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## **MEMBERS OF THE GIBRALTAR ELECTRICITY AUTHORITY BOARD**

The Hon Dr John Cortes served as Chairman.

The following were the members of the Board for the financial year:

Mr Manuel Alecio	Chief Executive GEA
Mr Albert Mena	Financial Secretary Government of Gibraltar
Mr Hector Montado	Chief Technical Officer Government of Gibraltar
Mr Guy Stagnetto	Lawyer
Mr Anthony Lima MBE	Retired Civil Servant
Mr Michael Caetano	Deputy Chief Executive GEA
Mr Anthony Aguilera	Retired City Electrical Engineer

Mr Anthony Aguilera was appointed on 20<sup>th</sup> January 2016.

Mr Manuel Alecio retired from service on 31<sup>st</sup> March 2016 and Mr Michael Caetano was appointed as Chief Executive on 1<sup>st</sup> April 2016.

# GIBRALTAR ELECTRICITY AUTHORITY

## The Chief Executive's Report

The accounts of the Gibraltar Electricity Authority (GEA) have been prepared on a cash basis, in accordance with the Gibraltar Electricity Authority Act 2003.

The Financial Statements are, nevertheless, supported by detailed notes, which include information on accruals such as electricity arrears due to the GEA and amounts payable by the GEA at the year end. Details of the GEA's capital expenditure are also included in the notes to the accounts.

In 2015-16 the net cash deficit on all GEA ordinary activities (generation, distribution and supply of electricity) was £25.553 million. There was a net cash inflow of £0.908 million from the provision of electrical services to the private and public sector. In addition, capital expenditure of £0.593 million was incurred. The total Government contribution to the GEA was £25.238 million.

Around 88% of the electricity was generated externally, predominantly GMES mainly via the temporary power station at North Mole contributing approximately 58%, with the South District Power Station contributing 30% and the remaining 12% being generated internally at Waterport Power Station.

Electricity collections, excluding connection fees, for 2015-16 were £25.152 million.

As at 31 March 2016 arrears of electricity charges billed stood at £6.668 million compared to £6.602 million as at 31 March 2015.

The volume of sales, based on units of electricity billed and ignoring the sales to the non entitled consumers, increased by approximately 5.30% from the previous financial year. This increase was predominately attributable to sales to GMES Ltd.

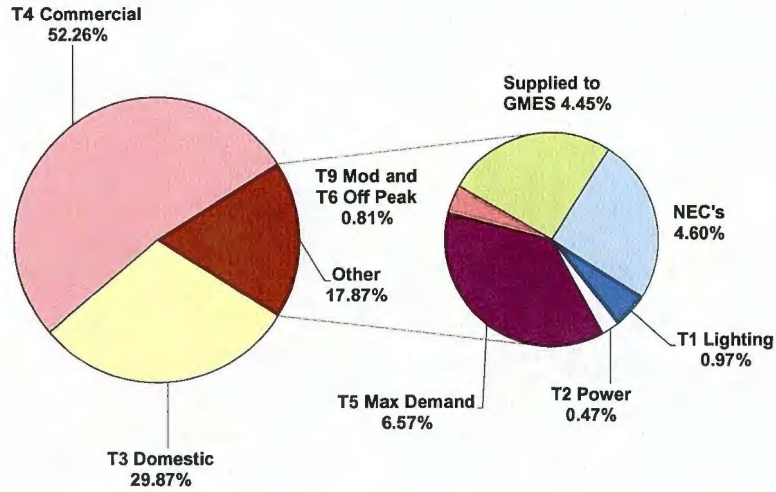
There were no increases in the tariffs in the financial year.



Michael Caetano  
Chief Executive

6<sup>th</sup> MARCH 2018

**DISTRIBUTION/SALES OF ELECTRICITY DURING THE YEAR ENDED 31 MARCH 2016**

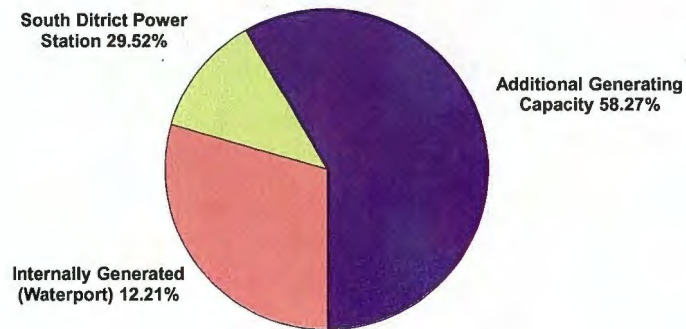


**Distribution of Electricity**

Tariffs	2016		2015	
	£	Units	£	Units
T1 Lighting	340,653	1,920,367	362,694	2,059,823
T2 Power	154,314	938,266	136,624	828,235
T3 Domestic	8,285,010	59,099,765	8,401,214	60,092,926
T4 Commercial	13,160,609	103,412,616	13,005,681	102,264,153
T5 Max Demand	1,650,910	13,014,533	1,653,625	12,961,496
T6 Off Peak	10,991	98,646	12,386	113,618
T9 MOD	388,231	1,507,849	204,933	796,446
Non Entitled Consumers	1,242,758	9,098,647	1,032,331	7,885,361
Supplied to GMES Ltd	1,512,505	8,798,069	57,747	117,779
	<u>26,745,981</u>	<u>197,888,758</u>	<u>24,867,235</u>	<u>187,119,837</u>

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**SOURCES OF ELECTRICITY (UNITS)**



**Sources of Electricity**

	2016		2015	
	£	Units	£	Units
South District Power Station	8,342,717	62,212,630	7,615,575	41,607,900
EX MOD/GMES	-	-	1,188,353	4,563,566
Internally Generated (Waterport)	6,511,945	25,721,550	6,012,268	14,760,920
Additional Generating Capacity	14,993,799	122,790,679	28,815,046	142,139,748
	<u>29,848,461</u>	<u>210,724,859</u>	<u>43,631,242</u>	<u>203,072,134</u>

Note : All the above figures are shown on an accruals basis and not on a cash basis.



**GIBRALTAR ELECTRICITY AUTHORITY**

**RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016**

	<i>Notes</i>	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
<b><u>RECURRENT ACCOUNT</u></b>		£	£	£	£
<b><u>RECEIPTS</u></b>					
<u>Contributions from the Government of Gibraltar</u>					
Distribution/Sales of Electricity	2		25,152,446		24,551,366
Electricity Connection Fees			59,700		65,700
Miscellaneous Income			<u>13,251</u>		<u>1,927</u>
			25,225,397		24,618,993
 <b><u>PAYMENTS</u></b>					
<b>Sources of Electricity</b>					
<u>Cost of Electricity</u>					
GMES: ex ISGS Power Station		-		1,103,686	
GMES: Additional Generating Capacity		16,762,057		28,226,888	
GMES: South District Power Station		<u>8,656,407</u>		<u>7,160,519</u>	
			(25,418,464)		(36,491,093)
<u>Internally Generated Electricity</u>					
Generation	8	6,600,331		6,393,871	
Distribution Network Services	9	3,712,953		3,555,656	
Administration	10	<u>854,101</u>		<u>823,504</u>	
			(11,167,385)		(10,773,031)
<u>Other Costs</u>					
Fuel Hedge Contract Costs			(13,512,408)		(4,649,735)
Expenditure related to New Power Station	11		(306,924)		(71,682)
Collection Expenses - AquaGib Ltd			(373,199)		(353,198)
			<u>(25,552,983)</u>		<u>(27,719,746)</u>
<b>NET PAYMENTS ON ORDINARY ACTIVITIES</b>					
<b>Other Activities</b>					
<u>Provision of Electrical Services to Government of Gibraltar and the Gibraltar Health Authority</u>					
Income from Government Departments		1,435,908		1,419,953	
Less Expenditure Incurred	12	<u>(1,482,349)</u>		<u>(1,472,704)</u>	
			(46,441)		(52,751)
Income from Gibraltar Health Authority		1,094,309		1,197,727	
Less Expenditure Incurred	13	<u>(976,550)</u>		<u>(1,068,942)</u>	
			<u>117,759</u>		<u>128,785</u>
			C/Fwd £ (25,481,665)	£	£ (27,643,712)

**GIBRALTAR ELECTRICITY AUTHORITY**

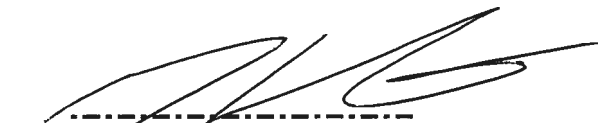
**RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016**

	<i>Notes</i>	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
		£	£	£	£
<b>Other Activities (Cont)</b>			<i>B/Fwd</i> (25,481,665)		(27,643,712)
<u>Provision of Electrical Services</u>	14				
Contribution from the Government of Gibraltar-Income		2,608,550		2,080,062	
Less Expenditure Incurred		<u>(1,771,536)</u>		<u>(1,390,611)</u>	
			837,014		689,451
			<u>(24,644,651)</u>		<u>(26,954,261)</u>
<u>Contribution from the Government of Gibraltar</u>					
General Contribution			24,638,000		27,034,000
<b>NET (PAYMENTS)/RECEIPTS</b>			<u>£ (6,651)</u>		<u>£ 79,739</u>
 <b><u>CAPITAL ACCOUNT</u></b>					
<b>RECEIPTS</b>					
<u>Contribution from the Government of Gibraltar</u>					
General Contribution			600,000		1,328,000
<b>PAYMENTS</b>					
Works and Equipment			(592,684)		(1,407,381)
<b>NET RECEIPTS/(PAYMENTS)</b>			<u>£ 7,316</u>		<u>£ (79,381)</u>

**GIBRALTAR ELECTRICITY AUTHORITY**

**BALANCE SHEET AS AT 31 MARCH 2016**

	<u>2016</u>		<u>2015 (Restated)</u>
	£		£
<b><u>ASSETS</u></b>			
<b>Recurrent Account</b>			
Imprest	250		60
Balance due to Government of Gibraltar	<u>(95,420)</u>		<u>(88,579)</u>
	(95,170)		(88,519)
<b>Capital Account</b>			
Balance held by Government of Gibraltar	<u>96,970</u>		<u>89,654</u>
	<u>£ 1,800</u>		<u>£ 1,135</u>
 <b><u>FINANCED BY</u></b>			
<b>Recurrent Account</b>			
Account Balance on 1 April 2015	(88,519)	(168,258)	
Net (Payments)/Receipts during the year	<u>(6,651)</u>	<u>79,739</u>	
Account Balance on 31 March 2016	(95,170)		(88,519)
<b>Capital Account</b>			
Account Balance on 1 April 2015	89,654	169,035	
Net Receipts/(Payments) during the year	<u>7,316</u>	<u>(79,381)</u>	
Account Balance on 31 March 2016	<u>96,970</u>		<u>89,654</u>
General Fund Balance on 31 March 2016	<u>£ 1,800</u>		<u>£ 1,135</u>

  
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 Michael Caetano  
 Chief Executive

*6<sup>th</sup> March 2018*

# GIBRALTAR ELECTRICITY AUTHORITY

## Notes to the Accounts for the year ended 31 March 2016

### 1. **ACCOUNTING POLICIES**

#### 1.1 The Financial and Reporting Requirements

The financial and reporting requirements of the Gibraltar Electricity Authority (GEA) are provided for in Sections 24 and 25 of the Gibraltar Electricity Authority Act, 2003.

These provisions include, inter alia, the following:

The GEA shall perform their functions so as to secure that subject to any directions or consents required from the Government of Gibraltar hereunder the revenue is sufficient to meet outgoings properly chargeable to the revenue account taking one year with another. This revenue has now been replaced by a contribution from the Government of Gibraltar (See the note on Income below)

The GEA shall prepare and submit to the Government of Gibraltar within four months of the end of the Financial Year an annual report of the performances of their functions and of their policy and programmes.

The GEA shall keep proper books of accounts and other records in relation to the business of the GEA.

The financial statements of the GEA shall be prepared on a cash basis of accounting, in line with the standards prescribed for the preparation of the public accounts of Gibraltar.

The Accountant General may give directions to the GEA as to how the accounts and records shall be kept and prepared and the GEA shall comply with any directions that might be so given.

The accounts of the GEA shall be presented for audit within four months of the end of the financial year and shall be audited by the Principal Auditor or Auditors to be appointed by the GEA, with the consent of the Principal Auditor, in respect of each financial year.

The cash basis of accounting, in line with the standards prescribed for the preparation of the public accounts of Gibraltar, will enable the GEA to focus its attention on addressing the annual cash deficit, which is currently funded by the Government of Gibraltar.

#### 1.2 Other GEA Policies

The financial statements are, nevertheless, supported by detailed notes, which include information on accruals such as electricity arrears due to the GEA and amounts payable by the GEA at the year end. Details of the GEA's Capital Expenditure are also included in the notes to the accounts.

#### 1.3 Change in Accounting Policy

Costs have been directly allocated to each division on the basis of actual expenditure, wherever possible, whereas in the previous financial year these were apportioned on a suitable basis, as explained in the notes. The previous year's figures have therefore now been restated on a comparable basis. This change will give a fairer view of the costs of each division.

# GIBRALTAR ELECTRICITY AUTHORITY

## **ACCOUNTING POLICIES (cont)**

### 1.4 General

The income from the sale of electricity, including connection fees, commercial works, and miscellaneous income has been credited to the Revenue of the Government of Gibraltar with a contribution from the consolidated fund being given to the GEA in respect of such income.

Revenue from the provision of electricity related services to Government Departments is based on Direct Costs incurred and that of the Gibraltar Health Authority is based on the Direct Costs incurred together with a 15% management charge, which does not include pensions, social insurance costs and miscellaneous expenses.

The GEA is exempt from the payment of company taxes.



# GIBRALTAR ELECTRICITY AUTHORITY

## 2. DISTRIBUTION/SALES OF ELECTRICITY

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
	Units	£	Units	£
T1 Lighting	1,920,367	340,653	2,059,823	362,694
T2 Power	938,266	154,314	828,235	136,624
T3 Domestic	59,099,765	8,285,010	60,092,926	8,401,214
T4 Commercial	103,412,616	13,160,609	102,264,153	13,005,681
T5 Max Demand	13,014,533	1,650,910	12,961,496	1,653,625
T6 Off Peak	98,646	10,991	113,618	12,386
T9 Mod	1,507,849	388,231	796,446	204,933
Total Billing	179,992,042	23,990,718	179,116,697	23,777,157
Non Entitled Consumers and Gibdock	9,098,647	1,242,758	7,885,361	1,032,331
Total Sales	189,090,689	25,233,476	187,002,058	24,809,488
* Supplied to GMES Ltd	8,798,069	1,512,505	117,779	57,747
Total Distribution	197,888,758	26,745,981	187,119,837	24,867,235

All the above figures are based on an accruals basis and not on a cash basis.

\* This is electricity generated to supply GMES Ltd, who subsequently supply the MOD. The 2014-15 figures have been restated to include amounts billed in February and March 2015.

## 3. CONSUMERS

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	Domestic	Non Domestic	Domestic	Non Domestic
Average Number of Accounts	15,098	4,389	15,014	4,324
Average Monthly Bill	£46	£298	£47	£296

## 4. SOURCES OF ELECTRICITY AND COSTS OF PRODUCTION

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	Total Cost	Total Costs	Total Cost	Total Costs
	Pence/Unit	£	Pence/Unit	£
GMES: Ex ISGS Power Station	-	-	26.04	1,188,353
GMES: Additional Generating Capacity	12.21	14,993,799	20.27	28,815,046
GMES: South District Power Station	13.41	8,342,717 *	18.30	7,615,575
Generated (Waterport) GEA	25.32	6,511,945	40.73	6,012,268
Total		29,848,461		43,631,242

The above figures are on an accruals basis.

\* Includes cost of hire of Portman generators and skids.

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	Units	%	Units	%
	Generated	Units Generated/	Generated	Units Generated/
		Total		Total
GMES: Ex ISGS Power Station	-	-	4,563,566	2%
GMES: Additional Generating Capacity	122,790,679	58%	142,139,748	70%
GMES: South District Power Station	62,212,630	30%	41,607,900	21%
Generated (Waterport) GEA	25,721,550	12%	14,760,920	7%
Total	210,724,859		203,072,134	

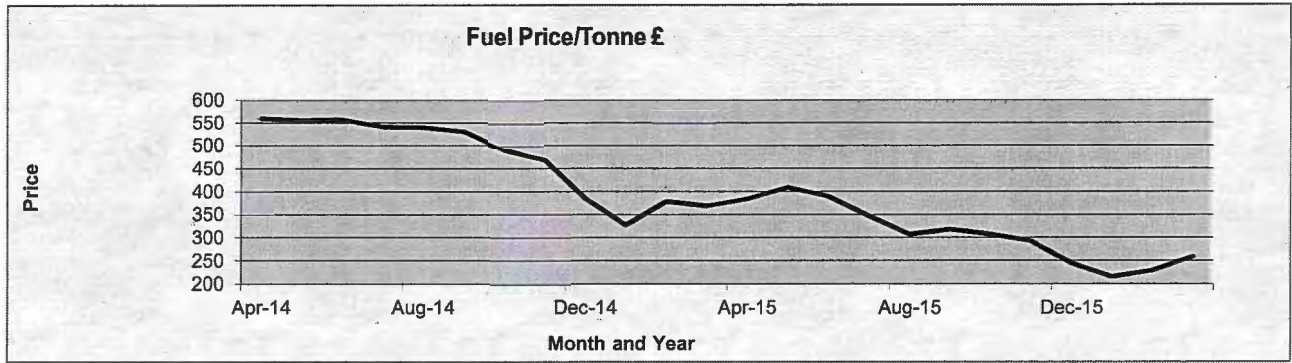
	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015</u>
	Units	%	Units	%
Total Generated	210,724,859	100	203,072,134	100
Total Distribution	197,888,758	94	187,119,837 **	92

\* Electricity Generated Not Billed

\* This does not include the Waterport Power Station house load.

\*\* The 2014-15 figure has been restated to include units supplied to GMES Ltd during February and March 2015.

5. FUEL PRICE



6. FUEL HEDGE CONTRACTS

Existing Fuel Hedge Contract

Date from May 2012 to April 2017  
 Gasoil 0.1% CIF Cargo Med financial swap  
 Total Volume 123,336 Mtonnes

Price £600/Mtonne

New Fuel Hedge Contract

Date from October 2016 to March 2017  
 Gasoil 0.1% CIF Med in GBP  
 Total Volume 13,002 Mtonnes.

GEA buy call option at £580/Mtonne  
 GEA sell call option at £664/Mtonne  
 GEA sell put option at £530/Mtonne

Existing Fuel Hedge Contract

Date from October 2011 to September 2016  
 Gasoil 0.1% CIF Med in GBP  
 Total Volume 119,874 Mtonnes.

GEA buy call option at £600/Mtonne  
 GEA sell call option at £670/Mtonne  
 GEA sell put option at £532/Mtonne

Total payments in respect of the fuel hedge contract costs was £12.4 million in the financial year 2016-17.

7. PROJECTED CONSUMPTION

Projected Consumption

Calendar Year	Expected Production Millions KwH
2017	206.0
2018	214.0
2019	223.0

# GIBRALTAR ELECTRICITY AUTHORITY

## 8. INTERNALLY GENERATED (WATERPORT) ELECTRICITY - GENERATION

<u>Generation Division</u>	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
Direct Costs:				
Salaries		£1,661,713		£1,578,048
Overtime		£596,849		£547,891
Allowances		£887,860		£839,339
Employer's Social Insurance Contributions		£79,579		£77,699
Employer's Contributions:				
Defined Contribution Pension Schemes		£106,040		£77,647
		<u>£3,332,041</u>		<u>£3,120,624</u>
Fuel		£2,029,316		£1,880,188
Purchase of Carbon Credits		£672,729		£778,812
Materials		£320,372		£381,266
Lubricants		£86,423		£61,048
Total Direct Costs		<u>£6,440,881</u>		<u>£6,221,938</u>
Overheads:				
General Expenses	£8,686		£8,658	
Electricity and Water	£24,627		£4,337	
Telephone Expenses	£6,739		£8,772	
Printing and Stationery	-		£806	
Protective Clothing and Fire Prevention	£4,042		£7,129	
Computer and Office Equipment Expenses	£2,019		£2,242	
Training Expenses	£1,890		-	
Transport Expenses	£1,660		£2,266	
Security Expenses	£72,609		£68,645	
Messengerial Expenses	£911		£912	
Cleaning Services	£20,523		£18,795	
Employer's and Public Liability Insurance	£12,969		£15,427	
Legal Fees	-		£9,380	
Consultancy Fees Other	-		£21,878	
Consultancy Fees Health and Safety	£2,775		£2,686	
Total Overheads		<u>£159,450</u>		<u>£171,933</u>
Total Costs		<u><u>£6,600,331</u></u>		<u><u>£6,393,871</u></u>

Pension rights continue to apply to former civil servants who transferred to the GEA as if they were still in the public service.

\* Fuel costs were restated in 2015 to eliminate that part which consisted of fuel used for fleet vehicles, which is now included under transport expenses Electrical Services Government Departments.

GIBRALTAR ELECTRICITY AUTHORITY

9. INTERNALLY GENERATED (WATERPORT) ELECTRICITY - DISTRIBUTION NETWORK SERVICES

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
	<u>Electrical Network</u>	<u>Consumer</u>	<u>Electrical Network</u>	<u>Consumer</u>
	<u>Distribution</u>		<u>Distribution</u>	
Direct Costs:				
Salaries	£1,025,561	£670,034	£942,150	£675,941
Overtime	£147,712	£65,916	£127,147	£66,982
Allowances	£42,662	£59,055	£44,363	£61,938
Employer's Social Insurance Contributions	£49,862	£31,860	£46,565	£32,926
Employer's Contributions: Defined Contribution Pension Schemes	£92,079	£64,096	£82,689	£55,894
	<u>£1,357,876</u>	<u>£890,961</u>	<u>£1,242,914</u>	<u>£893,681</u>
Materials	£276,886	£44,082	£203,453	£79,149
Public Lighting and Illuminations	£39,858	£90,802	£36,989	£27,960
Total Direct Costs	<u>£1,674,620</u>	<u>£1,025,845</u>	<u>£1,483,356</u>	<u>£1,000,790</u>
Overheads:				
General Expenses	£7,945	£3,116	£12,723	£3,648
Electricity and Water	-	£15,320	-	£17,215
Telephone Expenses	£7,347	£20,302	£7,254	£7,336
Printing and Stationery	£381	£509	£856	£638
Protective Clothing and Fire Prevention	£5,344	£2,764	£3,796	£2,066
Computer and Office Equipment Expenses	£5,553	£10,096	£6,160	£11,202
Training Expenses	£4,608	£21,849	£27,970	£5,759
Transport Expenses	£15,562	£8,139	£13,292	£4,827
Messengerial Expenses	£911	£911	£912	£913
Cleaning Services	£3,602	£19,663	-	£19,500
Employer's and Public Liability Insurance	£7,565	£5,404	£9,189	£6,565
Legal Fees	-	-	£7,635	-
Consultancy Fees Health and Safety	£2,800	£1,156	£1,600	£1,143
Total Overheads	<u>£61,618</u>	<u>£109,229</u>	<u>£91,387</u>	<u>£80,812</u>
Total Costs	<u>£1,736,238</u>	<u>£1,135,074</u>	<u>£1,574,743</u>	<u>£1,081,602</u>

GIBRALTAR ELECTRICITY AUTHORITY

9. INTERNALLY GENERATED (WATERPORT) ELECTRICITY - DISTRIBUTION NETWORK SERVICES (cont)

	2016		2015 (Restated)	
	Electro-Technical	Total	Electro-Technical	Total
<b>Direct Costs:</b>				
Salaries	£451,853	£2,147,448	£465,157	£2,083,248
Overtime	£121,076	£334,704	£162,186	£356,315
Allowances	£28,153	£129,870	£30,750	£137,051
Employer's Social Insurance Contributions	£20,233	£101,955	£21,672	£101,163
Employer's Contributions: Defined Contribution Pension Schemes	£41,093	£197,268	£40,047	£178,630
	£662,408	£2,911,245	£719,812	£2,856,407
Materials	£149,847	£470,815	£111,021	£393,623
Public Lighting and Illuminations	-	£130,660	-	£64,949
<b>Total Direct Costs</b>	<b>£812,255</b>	<b>£3,512,720</b>	<b>£830,833</b>	<b>£3,314,979</b>
<b>Overheads:</b>				
General Expenses	£901	£11,962	£24,308	£40,679
Electricity and Water	-	£15,320	-	£17,215
Telephone Expenses	£7,884	£35,533	£20,246	£34,836
Printing and Stationery	-	£890	-	£1,494
Protective Clothing and Fire Prevention	£2,630	£10,738	£1,533	£7,395
Computer and Office Equipment Expenses	£2,480	£18,129	£2,241	£19,603
Training Expenses	£9,720	£36,177	£11,992	£45,721
Transport Expenses	£597	£24,298	£2,235	£20,354
Messengerial Expenses	£911	£2,733	£913	£2,738
Cleaning Services	-	£23,265	-	£19,500
Employer's and Public Liability Insurance	£3,512	£16,481	£4,267	£20,021
Legal Fees	-	-	-	£7,635
Consultancy Fees Health and Safety	£751	£4,707	£743	£3,486
<b>Total Overheads</b>	<b>£29,386</b>	<b>£200,233</b>	<b>£68,478</b>	<b>£240,677</b>
<b>Total Costs</b>	<b>£841,641</b>	<b>£3,712,953</b>	<b>£899,311</b>	<b>£3,555,656</b>

Pension rights continue to apply to former civil servants who transferred to the GEA as if they were still in the public service.



# GIBRALTAR ELECTRICITY AUTHORITY

## 10. INTERNALLY GENERATED (WATERPORT) ELECTRICITY - ADMINISTRATION

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
Direct Costs:				
Salaries		£664,313		£656,212
Overtime		£12,487		£9,905
Allowances		£19,157		£17,567
Temporary Assistance		£14,840		-
Employer's Social Insurance Contributions		£27,101		£27,244
Employer's Contributions:				
Defined Contribution Pension Schemes		£59,376		£58,873
Total Direct Costs		<u>£797,274</u>		<u>£769,801</u>
Overheads:				
General Expenses	£8,286		£6,433	
Electricity and Water	-		-	
Telephone Expenses	£8,773		£8,539	
Printing and Stationery	£15,634		£10,211	
Protective Clothing and Fire Prevention	£880		£3,428	
Computer and Office Equipment Expenses	£7,991		£9,518	
Training Expenses	£607		£2,625	
Transport Expenses	£251		£525	
Messengerial Expenses	£911		£913	
Cleaning Services	£8,246		£5,348	
Employer's and Public Liability Insurance	£4,323		£5,249	
Consultancy Fees Health and Safety	£925		£914	
Total Overheads		<u>£56,827</u>		<u>£53,703</u>
Total Costs		<u>£854,101</u>		<u>£823,504</u>

Pension rights continue to apply to former civil servants who transferred to the GEA as if they were still in the public service.

## 11. EXPENDITURE RELATED TO NEW POWER STATION

This expenditure consists mainly of project management fees, surveyors fees and legal fees paid in relation to the building of the new power station. This expenditure has not been capitalised as the GEA will not own the new power station, due to developments in the arrangement of financing. The equivalent expenditure in 2014-15, which was included under fixed assets, has been restated.

## 12. ELECTRICAL SERVICES - GOVERNMENT DEPARTMENTS

Income represents the actual Direct Costs incurred by the Electrical Building Services Division in the provision of their services to Government.

	<u>2016</u>	<u>2015 (Restated)</u>
Direct Costs:		
Salaries	£971,109	£965,082
Overtime	£179,931	£182,045
Allowances	£40,590	£39,067
Employer's Social Insurance Contributions	£48,818	£49,466
Employer's Contributions:		
Defined Contribution Pension Schemes	£52,405	£49,608
	<u>£1,292,853</u>	<u>£1,285,268</u>
Materials	£146,220	£134,669
Total Direct Costs	<i>Balance C/Fwd</i> £1,439,073 *	<u>£1,419,937</u>

\* The expenditure in 2016 and 2015 is more/less than the income received from Government Departments respectively as a consequence of adjustments to materials which were not recovered from/charged to Government Departments.

## GIBRALTAR ELECTRICITY AUTHORITY

### 12. ELECTRICAL SERVICES - GOVERNMENT DEPARTMENTS (cont)

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
<i>Balance B/Fwd</i>		£1,439,073		£1,419,937
Overheads:				
General Expenses	£1,097		£411	
Electricity and Water	£3,914		£3,483	
Telephone Expenses	£6,216		£6,553	
Printing and Stationery	£898		£879	
Protective Clothing and Fire Prevention	£2,729		£3,022	
Computer and Office Equipment Expenses	£2,524		£2,801	
Training Expenses	-		£2,480	
Transport Expenses	£12,754		£18,075	
Messengerial Expenses	£911		£913	
Cleaning Services	£2,393		£2,592	
Employer's and Public Liability Insurance	£8,106		£9,844	
Consultancy Fees Health and Safety	£1,734		£1,714	
Total Overheads		<u>£43,276</u>		<u>£52,767</u>
Total Costs		<u>£1,482,349</u>		<u>£1,472,704</u>

Pension rights continue to apply to former civil servants who transferred to the GEA as if they were still in the public service.

### 13. ELECTRICAL SERVICES - GIBRALTAR HEALTH AUTHORITY

Income is based on the Direct Costs incurred by the Technomedical Division together with a 15% management charge, which does not include Pensions, Social Insurance Costs and miscellaneous expenses.

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
Direct Costs:				
Salaries		£720,387		£802,648
Overtime		£79,365		£75,028
Allowances		£39,734		£40,912
Employer's Social Insurance Contributions		£34,146		£37,575
Employer's Contributions:				
Defined Contribution Pension Schemes		£93,811		£101,839
		<u>£967,443</u>		<u>£1,058,002</u>
Miscellaneous Expenses		£943		£1,936
Total Direct Costs		<u>£968,386</u>		<u>£1,059,938</u>
Overheads:				
Training Expenses	£1,350		-	
Messengerial Expenses	£911		£912	
Employer's and Public Liability Insurance	£4,863		£6,892	
Consultancy Fees Health and Safety	£1,040		£1,200	
Total Overheads		<u>£8,164</u>		<u>£9,004</u>
Total Costs		<u>£976,550</u>		<u>£1,068,942</u>

GIBRALTAR ELECTRICITY AUTHORITY

14. ELECTRICAL SERVICES - PRIVATE SECTOR

	<u>2016</u>	<u>2015</u>
Payment received	£2,608,550	£2,080,062
Less: Materials	<u>(£1,771,536)</u>	<u>(£1,390,611)</u>
As at 31 March 2016	<u>£837,014</u>	<u>£689,451</u>
Expenditure during year	<u>£1,771,536</u>	<u>£1,390,611</u>
Advance payments b/fwd	£707,328	£146,669
Payments during the year	£2,608,550	£2,080,062
	<u>£3,315,878</u>	<u>£2,226,731</u>
Advance payments c/fwd	<u>(£1,453,969)</u>	<u>(£707,328)</u>
Surplus	<u>£90,373</u>	<u>(£128,792)</u>
	<u>£1,771,536</u>	<u>£1,390,611</u>

15. OVERHEADS

Direct allocation of costs has been used wherever possible, and the following other costs have been apportioned on the basis stated below.

- Employer's & Public Liability Insurance; Legal Fees; Consultancy Fees Health and Safety: on the staff complement of each Division.
- Computer & Office Equipment Expenses: on the number of personal computers held by each Division.
- Transport Expenses: on the number of vehicles held by each Division, with the fuel used by EBS directly allocated to Government Departments.
- Security Expenses: 100% allocated to the Generation Division.
- Miscellaneous Expenses: 100% allocated to the Technomedical Division.
- Messengerial Services; allocated equally across all Divisions.

The direct allocation of costs has been used where possible in this financial year in order to give a fairer view of the results.

16. PERSONAL EMOLUMENTS

	<u>2016</u>	<u>2015</u>
Gross Emoluments	Number of Staff	Number of Staff
£100,001-£110,000	1	-
£90,001-£100,000	3	4
£80,001- £90,000	6	5
£70,001- £80,000	6	5
£60,001- £70,000	42	39
£50,001- £60,000	18	26
£40,001- £50,000	44	39
£30,001- £40,000	43	48
£20,001- £30,000	8	7
£10,001- £20,000	3	2
<£10,001	5	3
	<u>179</u>	<u>178</u>

Gross Emoluments represents the total earned income during the year and excludes any Pension Contributions.

17. FIXED ASSETS

CAPITAL EXPENDITURE

	<u>Infrastructure Systems</u>	<u>Motor Vehicles</u>	<u>Office Equipment</u>	<u>Furniture</u>
Additions 2015/2016	£445,598	£12,495	£19,843	£4,550
	<u>Plant and Machinery</u>	<u>Computers</u>	<u>Fixtures Fittings</u>	<u>Buildings</u>
Additions 2015/2016	£43,783	£11,645	£22,151	£32,619
	<u>Total</u>			
Additions 2015/2016	<b>£592,684</b>			

## GIBRALTAR ELECTRICITY AUTHORITY

### 18. DEBTORS

	<u>2016</u>	<u>2015 (Restated)</u>
Electricity Charges Billed	£6,614,389	£6,602,218
Electricity Connection Fees	£1,964	£2,374
Electricity Deposits due from consumers	£24,365	£25,872
Electricity Deposits held by Government of Gibraltar	£1,541,514	£1,412,447 *
	<u>£8,182,232</u>	<u>£8,042,911</u>

The debt in respect of the consumers who are in receipt of social assistance was £586,800 as at 31 March 2016. Of this total only £392,361, the balance outstanding as at 31 March 2007, has been provided for.

The Bad Debts written off were in respect of liquidated and struck-off companies.

\* Electricity Deposits due to Consumers has been restated in recognition of cash in transit as at 31 March 2015 which had not previously been recognised.

Bills outstanding as at 1 April 2015	£6,602,218	£6,359,566
Billing for the year	£24,000,972	£23,800,705
Amounts received	(£23,924,576)	(£23,465,403)
Write-offs	(£53,971)	(£69,101)
Adjustments	(£10,254)	(£23,549)
Bills outstanding as at 31 March 2016	<u>£6,614,389</u>	<u>£6,602,218</u>

Age structure of arrears		
Up to six months	£2,745,743	£2,786,565
Six months to one year	£134,199	£96,863
Greater than one year	£3,734,447	£3,718,790
Total	<u>£6,614,389</u>	<u>£6,602,218</u>

#### Other Debtors

	<u>2016</u>	<u>2016</u>	<u>2015 (Restated)</u>	<u>2015 (Restated)</u>
Gibdock Limited	893,680 units	£196,681	1,200,736 units	£160,730
Non Entitled Consumers	1,919,901 units	£235,540	1,630,231 units	£202,069
Commercial Works Debtors		£534,385		£835,571
Due from GMES Ltd in respect of electricity units supplied	8,915,848 units	£1,570,252	117,779 units	£57,747

Commercial Works Debtors have been restated in 2015 in line with the new policy of only recognising commercial works debt when the works have started and there is related expenditure.

Due from GMES Ltd in respect of electricity units supplied for 2015 have been restated as the sums due were not agreed until after the 2015 accounts were finalised.

### 19. STOCKS OF GASOIL

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	Tonnes	£	Tonnes	£
Opening Stock as at 1 April 2015	710.79	262,239	762.79	428,520
Purchases during the year	6,091.59	1,871,870	3,489.29	1,503,728
Consumed during the year	(6,052.44)	(1,939,912)	(3,541.29)	(1,670,009)
Closing Stock as at 31 March 2016	<u>749.94</u>	<u>194,197</u>	<u>710.79</u>	<u>262,239</u>

**GIBRALTAR ELECTRICITY AUTHORITY**

<b>20. CASH</b>	<u>2016</u>	<u>2015 (Restated)</u>
Recurrent Account balance	(£95,170)	(£88,519)
Capital Account balance	£96,970	£89,654
	<u>£1,800</u>	<u>£1,135</u>

**21. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2016</u>	<u>2015 (Restated)</u>
Giboil Ltd	£101,890	£253,461
Barclays Bank Plc	£1,398,022	£903,979
Allied Cables Ltd	£71,825	-
Schneider Electric Co Ltd	£250,523	£357,732
Elster Metering Systems Ltd	-	£121,264
Mediterranean Computer Services Ltd	£48,960	-
MOD	£84,762	£70,155
Other Creditors	£115,448	£93,049
	<u>£2,071,430</u>	<u>£1,799,640</u>
 Other Liabilities		
GMES Ltd Hire Charges Generators	£98,000	£392,000
GMES Ltd Hire Charges Turbines	£160,077	-
GMES Ltd Fuel for Additional Generating Capacity	£626,115	£1,971,005
GMES Ltd Additional Generating Capacity Other Costs	£34,632	£612,866
GMES Ltd Fuel for South District Power Station	£336,458	£338,592
GMES Ltd South District Power Station Other Costs	£3,964	£21,518
	<u>£1,259,246</u>	<u>£3,335,981</u>

\* For 2015 these figures are shown separately and have been adjusted to reflect March 2015 amount owing of £27,984 in respect of electricity supplied to the GEA by GMES Ltd.

\*\* The figure for 2015 has been adjusted in respect of an accrual of £219,062 for temporary generator rental costs which were not originally included.

**22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2016</u>	<u>2015 (Restated)</u>
Electricity Deposits due to Consumers	£1,541,514	£1,412,447
Private Sector	£1,453,969	£707,328
Imprest due to Government	£250	£60
	<u>£2,995,733</u>	<u>£2,119,835</u>

\*\* Electricity Deposits due to Consumers has been restated in recognition of cash in transit, as at 31 March 2015, which had not previously been recognised.