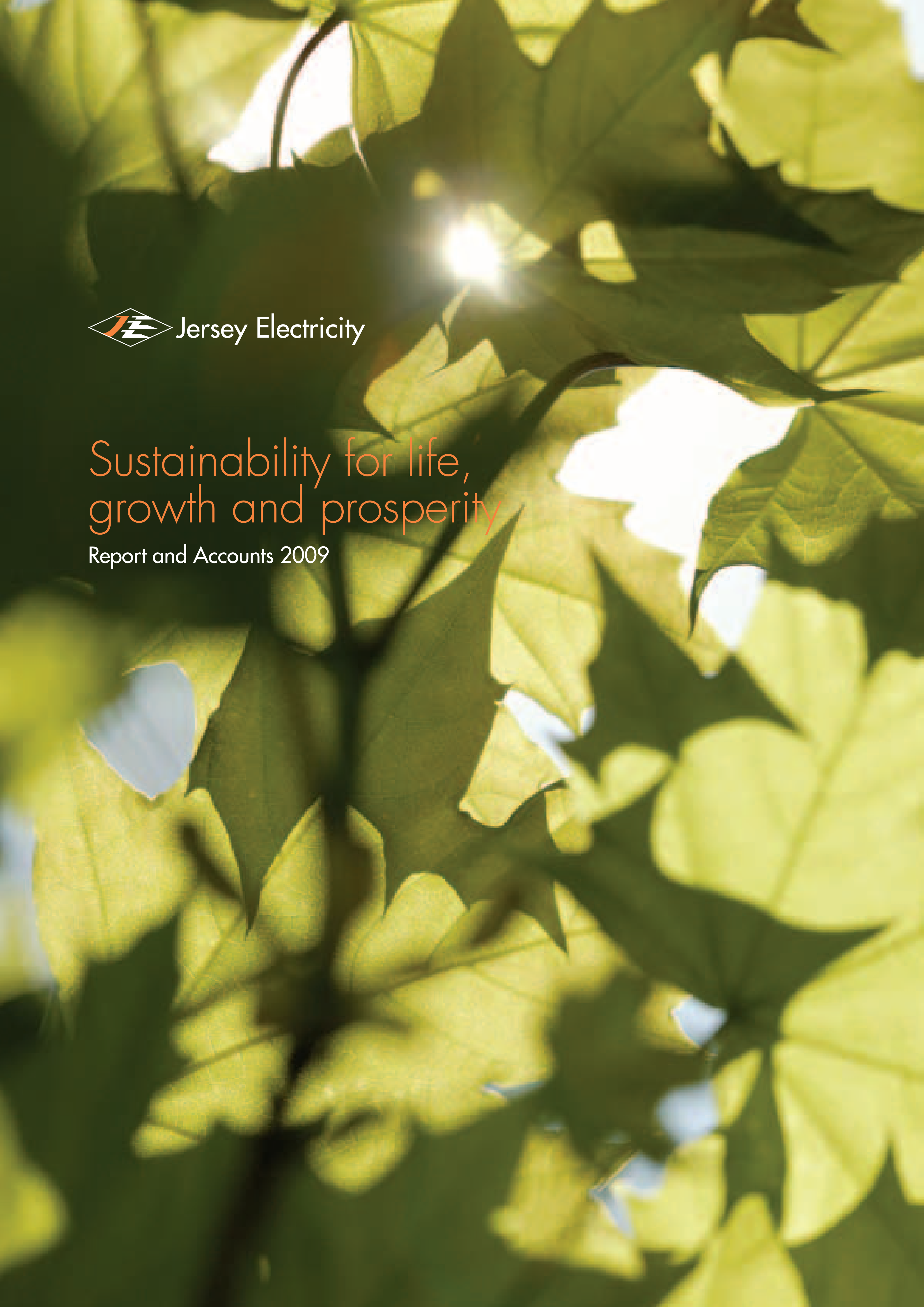
Jersey Electricity

Sustainability for life, growth and prosperity

Report and Accounts 2009




Safe, clean and sustainable
Powerful thinking for future generations

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Directors, Officers and Professional Advisers

Non-Executive Directors
Geoffrey Grime FCA (Chairman)
Jeremy Arnold FCA
Christopher Evans
Clive Chaplin BA
Michael Liston OBE FREng, BSc, CEng, FIEE, CIMgt
John Stares BSc, FCA

Executive Directors
Christopher Ambler BA, MEng, CDipAF, CEng, MIMechE, MBA (Chief Executive)
Martin Magee CA (Finance)
David Padfield BSc, CEng, FIEE, MCMI, CDir, MIOD (Operations)
Richard Plaster FCIPD, CDir, MIOD (Commercial and Human Resources)

Secretary
Peter Routier BSc, FCIS

Registered Office
Queens Road, St. Helier, Jersey

Place of Incorporation
Jersey

Auditors
Deloitte LLP, 66-68 Esplanade, St. Helier, Jersey

Bankers
Royal Bank of Scotland International Limited, 71 Bath Street, St. Helier, Jersey

Brokers
Collins Stewart (CI) Limited, 38-39 Esplanade, St. Helier, Jersey

Registrar
Computershare Investor Services (CI) Limited, 31 Pier Road, St. Helier, Jersey

Chairman's Statement

Jersey Electricity produced a sound performance in 2009. Group profit for the year was £9.3m and although 10% down on last year, this reduction was largely due to non-controllable factors such as property gains and revaluations last year, not repeated this year. Return on fixed assets in the energy business was 6.6%, around the level needed to support our investment programme going forward.

During the first half of 2008, we witnessed volatile and rapidly rising global oil prices. In the second half of that year, the sharp contraction of the credit markets caused the collapse of worldwide demand and the oil price and electricity markets in Europe followed shortly afterwards. What could not have been foreseen was the volatility and subsequent weakening of Sterling relative to the Euro. This has been challenging for a business that buys so much of its power from European markets.

As a result of high and volatile wholesale prices, we regrettably had to increase tariffs by 24% from 1 January 2009, having kept our tariffs frozen for the two years prior to this. This was driven by an increase of 40% in the Euro denominated cost of power in 2009 relative to 2008. We have worked hard this year to try to reverse this tariff increase through our hedging programme and various cost management measures such as arbitraging power generation at La Collette and optimising our supply contract with EDF.

"Our reliability, environmental performance, standards of service, community awareness, health and safety and staff relationships were all excellent again this year."

We are delighted to be able to announce a tariff reduction of 5.1% effective 1 January 2010. Although power prices eased significantly during the credit crunch, a further weakening of Sterling has prevented us from offering a greater price reduction to customers.

The 2009 tariff rise led to significant external scrutiny of our business. A Proposition was lodged in the States of Jersey to attempt to force the Company to reverse the 24% tariff increase. I am delighted that the independent review that was commissioned as a result justified the Company's actions as being 'fully consistent with the overarching public interest' and we were pleased to see the Proposition strongly defeated.

We continued to make good progress with our investment programme and the £14m Western Primary substation was successfully commissioned on time and budget, and we continue to make progress with our third submarine cable to France, Normandie 3.

Our reliability, environmental performance, standards of service, community awareness, health and safety and staff relationships were all excellent again this year. We were pleased to be able to see meaningful progress with the States Energy Efficiency Service in the year, to which our Company provided £0.5m funding last year.

The Board of Directors is proposing a final net dividend of £1.18 to be paid on 31 March 2010, confirming our policy to maintain real growth in dividends.

Jean Le Maistre, a Non-Executive Director, stepped down from the Board at the Annual General Meeting on 5 March 2009. He joined the Board in 1997 and his connections in France were a real asset during the development of the second cable to France.

We welcome John Stares, who joined the Board on 28 May 2009. John is the Managing Director of the Guernsey Enterprise Agency and a Non-Executive Director of four other Channel Island companies. He is a Fellow of the Institute of Chartered Accountants and a former Partner of Accenture with 23 years of international consulting experience.

Chris Ambler's first year as our Chief Executive has been a successful one and I am confident that under Chris' leadership the management team will remain focused on delivering stability and growth in Jersey Electricity for the benefit of customers, employees and shareholders.

Our employees remain central to the success of Jersey Electricity, particularly during these times of great uncertainty and challenge. I want to thank them, the executive team and the Board, for the dedication, commitment, loyalty and professionalism which they continue to display.

Geoffrey Grime
Chairmain
17 December 2009

Chief Executive's Review

It is a great privilege to give my first review as chief executive of Jersey Electricity. 2008/9 was a year of transition, challenge and public scrutiny. We witnessed extraordinary and previously unseen turbulence in the commodity and foreign exchange markets. Oil prices in 2008 rose to almost $150 per barrel and then fell back to below $50 as the high levels of global oil demand reversed quite rapidly due the recessionary impact of the global financial crisis. The Sterling/Euro exchange rate has been similarly volatile seeing highs of €1.35 in 2008 and lows of €1.05 in 2009. The combined effect of these markets has been testing for a comparatively small energy business like ours, which has a dependence on imported energy from European markets coupled with a heavy, largely non-Sterling denominated long-term investment programme.

Against this backdrop, Jersey Electricity's overall performance in the year was good and we have worked hard with our hedging programmes and cost reduction activities to deliver a 5.1% price reduction in January 2010. Furthermore, I am pleased to report that we have been able to do this whilst simultaneously meeting our self-imposed price benchmarking, security of supply and carbon intensity targets.

"We remain focused on delivering stability and growth in Jersey Electricity for the benefit of our customers, employees and shareholders."

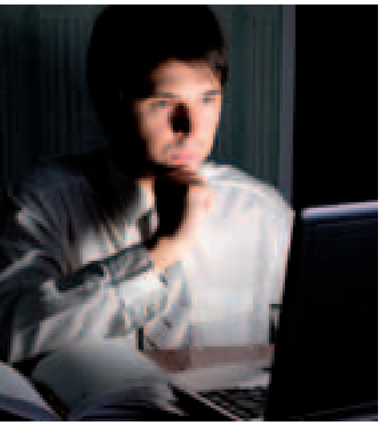
Energy of the Future

Electricity is essential to the quality of life and modern living in Jersey and is a key enabler of future growth and prosperity. It is the life blood of our economy and we realise that this places a significant responsibility on us to preserve continuity of supply and price stability for all sectors not least our financial services industry, which is such a significant part of the local economy. We are proud of our record in providing one of the most efficient, reliable and safe supply systems in the Western World. In 2008, electricity comprised 31%* of the total energy consumed on our Island, a share that continues to increase year-on-year.

We believe that electricity is well positioned as one of the key energy sources of the future in the Channel Islands. We have a well invested and well diversified infrastructure base comprising two subsea interconnectors importing power from France, with a third on its way to provide physical diversity and security. We also have the benefit of on-island generation at both our Queens Road and La Collette power generation facilities, which also provide opportunities for arbitrage against imported energy. Electricity is a unique form of energy that is distinctive from fossil fuels; it can be generated in many ways and can be transported cleanly, safely and efficiently. It is largely 'future proofed', resilient and flexible. Jersey Electricity's grid and submarine cables are a 'delivery system' which can connect customers to a large range of existing low carbon generation in France as well as new generation technologies such as renewables. In addition, there is an almost continuous emergence of innovative application technologies to provide heat, light, power and mobility in ever more sustainable and efficient ways.

*Source Jersey Energy Trends 2008,
published by States of Jersey Statistics Unit.

Core purpose



Jersey Electricity's purpose is to deliver sustainable energy and energy related services for life, growth and prosperity in Jersey. We strive to act in the best long-term interests of our Island whilst simultaneously meeting customers' needs, supporting our local community, protecting owners' investment and providing stimulating employment for our staff.

Delivery of a long-term and sustainable energy supply is underpinned by the 'triple challenge' of:

- Providing affordable and fairly priced energy
- Ensuring security and reliability of supply
- Protecting the environment and conserving resources

We strive to deliver this to high standards of customer service, innovation and efficiency, within a culture of respect for all our staff and the community we serve.

Our business activities necessitate engagement of various stakeholders and other external groups - customers, consumer groups, shareholders, the environmental lobby, the States of Jersey, our employees and our pensioners. All of these relationships come with their own expectations and demands and it is incumbent on us to balance our actions fairly. We think of sustainability as taking responsibility for our actions and building a business that can thrive in the long term.

We realise that, whilst we have competition from other fuels for heating and transport, we have a monopoly in the provision of power for lighting and appliances. This privilege brings with it responsibilities to look beyond short-term financial performance to wider social and strategic energy security imperatives. We are proactive in seeking process, product and service innovation, which although they may sometimes result in reduced short-term energy sales, in the longer term have benefits of growth and competitiveness, consistent with our sustainability goals.

The challenge of providing affordable and reliable energy whilst conserving our environment poses profound questions for the whole of the energy industry. It is quite apparent that there are no easy or cheap answers, although energy efficiency has a vital role to play. What is clear is that unprecedented levels of investment will be required over the next few decades to meet these challenges.

We strive to deliver high standards of customer service, innovation and efficiency, within a culture of respect for our staff and the community we serve.

"We captured 85% of the new build heating and hot water market."

Group Financial Performance

Jersey Electricity delivered a solid set of group results this year considering the difficult economic environment. Group profit for the year was £9.3m down 10% from last year, largely due to uncontrollable factors such as falling interest rates and the property revaluation gains of last year, not repeated this year. Our core Energy business delivered a profit that was £0.4m higher than last year, driven by judicious on-island generation during expensive peak and super-peak periods combined with careful cost optimisation of our EDF contract. The economic environment was also a challenge for our Retail and Building Services businesses, given the reduced confidence and reduced expenditure in many sectors of the economy. In a climate of reducing investment and consumption, both these businesses did well to maintain sales at last year's levels, although there was a combined profit reduction of around £0.3m for the full year. In this environment of tight credit and widespread corporate restructuring, Jersey Electricity is pleased to have maintained a conservative balance sheet and to have achieved a return on fixed assets of 6.6% in our Energy business in line with our targets. This rate is generally regarded by energy regulators as necessary and appropriate for the funding of essential infrastructure investment. Over the coming years, the business will require significant funds for its ongoing investment programme, and our prudence in our capital structure is early preparation for this.

Energy Growth

Unit growth in our core Energy business was at 1% this year despite a cooler than normal winter. On a temperature corrected basis, this increase in volumes was a little less than we might have expected perhaps due to increasing price sensitivity following our tariff increase and customers taking energy conservation measures. Overall the total number of electricity customers increased by approximately 1% or 485 to 47,072. We continued to win space and water heating load as existing oil and gas customers switch to electric heating. In addition, during the year we captured 85% of the new build heating and hot water market.

We remain encouraged by the positioning of electricity in our marketplace, and enthusiastic about the new technologies and applications which are continuously emerging. Our new E20 and existing E7 and Comfort Heat tariffs proved successful with customers on these popular tariffs increasing by 3.4%.

With our experience in installing commercial heat pumps over the last 20 years or so, we are optimistic that this technology can be applied in domestic buildings, particularly those with existing hot water radiator systems. Although more costly to install, these systems can be 300-500% efficient with very low operating costs. The additional works represent a considerable opportunity for our Building Services business as well as new load for the core Energy business.

Our vast experience in heat pump technology presents a significant opportunity to fuel switch large properties.

A 400% efficient air source heat pump serving a typical three bedroom home

> "Our prices have remained lower for a typical consumer than the EU median and other peer jurisdictions."

Providing affordable and fairly priced energy

Only 5 years ago, the energy environment in which we operated was very different to the one we face today. At that time, the French electricity market from where Jersey Electricity sources all of its imported power was over-supplied with cheap nuclear power. We enjoyed a cost-plus contract with EDF, leading to some of the lowest cost and most stable power pricing in Europe. The combined effect of the liberalisation of energy markets in Europe, the relentless increasing demand for energy, concerns over the depletion of global oil and gas reserves and a shift towards wholesale linked contracts, led to huge price increases and volatility for all energy suppliers, ourselves included.

Richard Marriott, Meter Technician tests the latest in smart meter technology prior to their installation in a new residential development

Having cushioned our customers with frozen retail prices from 1 January 2007 to 31 December 2008, an increase in underlying wholesale power prices coupled with a deteriorating Sterling-Euro exchange rate, regrettably led to a 24% increase in our tariffs in January 2009 - an increase necessary to cover a 40% increase in our imported energy costs from 2008 to 2009 as well as maintain profitability levels necessary for critical ongoing infrastructure investment.

This tariff increase coincided with the sharp contraction of the credit markets resulting from the banking crisis, which caused a collapse of worldwide energy demand and energy prices. Shortly afterwards, this led to a softening of the power markets in France. Whilst we were able to benefit from some of this, we had substantially hedged our position for 2009 and much of the benefit of the falling power prices in France were offset by a further deterioration of Sterling against the Euro. Despite the scale of our price increase at the beginning of the year, our level of pricing for electricity in Jersey has remained cheaper for a typical consumer profile than the EU median and other peer jurisdictions. I am therefore pleased that we were able to meet our target of keeping prices within +/-10% of the EU median for most consumers - a target that is demanding given our small scale and heavy infrastructure spend. We continue to offer good value compared to heating oil and gas, as their prices increased significantly during the time of our price freeze only to ease off during the credit crunch.

Volatile Power Markets

During the current year we worked on a number of cost and risk management initiatives in order to strive for the lowest possible pricing to customers from 2010 as well as mitigate the need to increase prices further. We maintained our policy of hedging against volatility in the cost of imported power, which typically represents 90-95% of the energy we supply in Jersey. The commercial aspects of our supply contract with EDF were due for renewal in the year, and we successfully negotiated a capped deal which limits our unit importation cost over the next three years. In addition, we took advantage of securing low cost power and forward buying at attractive rates.

Apart from retaining a tight control on general operating costs and headcount, we also sought to take advantage of the low cost of oil by selectively generating power at La Collette, when it was cheaper to do so - subject to our self-imposed carbon dioxide emission target of 100g CO_2/ kWh. When permitted under our contract and when financially opportune, we were also able to purchase power on the spot market in France to displace local generation, and avoid carbon dioxide and particulate emissions. The outcome of all this work has helped the Company achieve a reduction in excess of 20% in Euro denominated power costs in 2010.

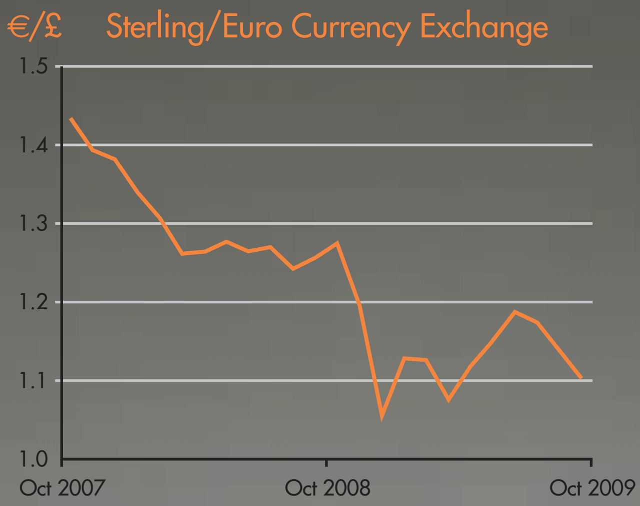
5.1% reduction in electricity tariffs from January 2010.

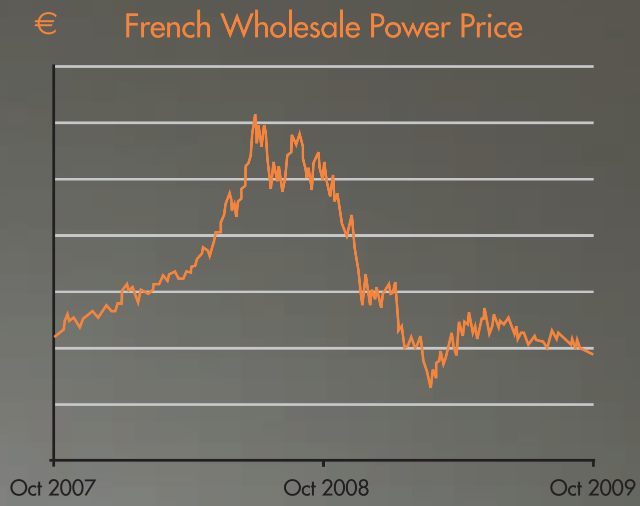
Uncertain Foreign Exchange Markets

As a significant importer of Euro denominated power purchased from France, we faced and continue to face uncertainty and volatility in the foreign exchange markets. Given the changing rules and complexity of global markets, we have maintained a tight hedging programme, supplemented with participative products that would simultaneously defend customers against a risk of further tariff rises and allow participation in a Sterling recovery. The overall effect of the deterioration in Sterling was an increase in costs of around 15% from 2008 to 2009.

With much of the benefit of lower wholesale power costs being offset by increased foreign exchange costs, we have had to moderate our tariff reduction for next year. However, I am very pleased to report that with our progress in cutting costs, we recently announced a 5.1% reduction in our electricity tariffs, effective from January 2010.

The tariff rise in January 2009 understandably led to an increased attention on our business this year by the general public and politicians. This led to the lodging of a Proposition in the States of Jersey in an attempt to force the Company to reverse the 24% tariff increase. Under the 1937 Electricity Law, the States have powers to determine tariffs should it be in the public interest to do so, subject to a number of conditions. The Company welcomed the independent review that ensued as an opportunity to explain further the rationale for the tariff increase. We were delighted with the conclusions of the review which, in essence, were that the tariff increase was 'fully consistent with the overarching public interest' and that 'Jersey Electricity has acted prudently and has put the focus of its cash flow/investment policy into securing the necessary funds to guarantee the integrity of the existing network and to provide for future capital investment'. Following a debate in the States, I am pleased to advise that the Proposition was resoundingly defeated.





Chairman's Statement
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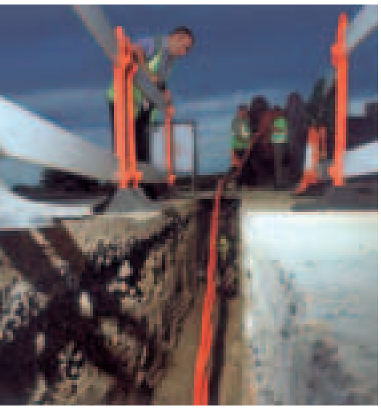
Ensuring security and reliability of supply

To ensure minimum impact on our local marine environment, the most up-to-date marine survey technology has been used to identify the most suitable cable route for the third interconnector



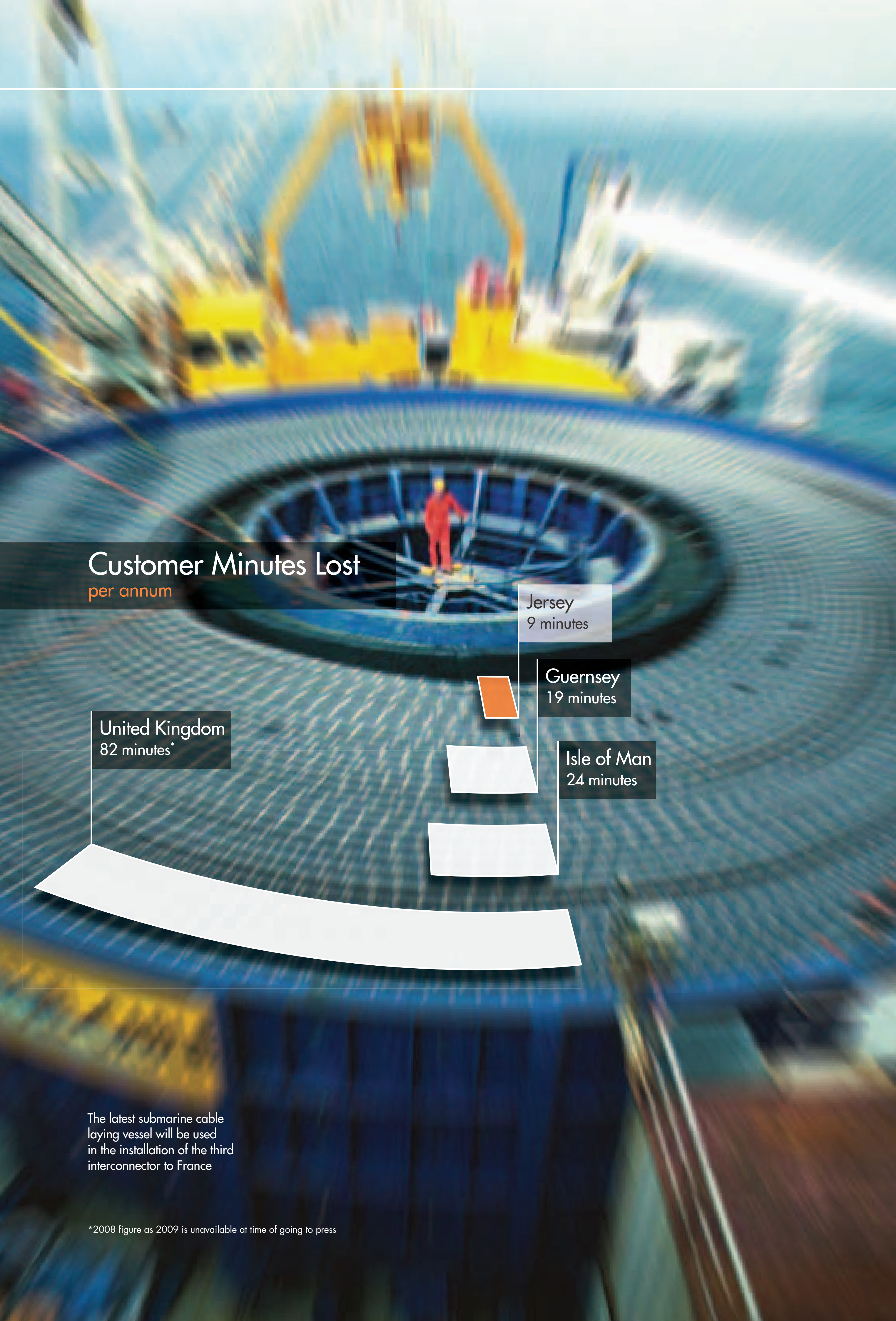
Jason Baines, Network Services Engineer supervises the ongoing reinforcement of our underground HV transmission network

Providing a reliable and secure supply of power is essential to the Island community we serve. As an island, we don't have the same breadth of network connectivity to the mainland or the same generation backup that a typical city might enjoy in the UK or Continental Europe. In addition, Jersey depends enormously on a technologically sophisticated offshore finance industry - an industry highly dependent on secure and reliable electricity supplies. The challenge is always the same; to make our energy generation and networks as resilient and reliable as practical, and to respond as quickly as possible when they fail.

This year we achieved another excellent reliability record, with an average of just 8.6 minutes lost per customer in the financial year. Although this has increased slightly on last year's performance of 4.8 minutes, we have had to contend with some complex network maintenance and commissioning of new plant, and it remains comfortably inside our target of 25 minutes. Our performance in the year also compares very favourably to networks in other islands and the UK which typically averages 80 to 100 minutes per year.

Transmission

We have two submarine cable links to France with a combined capacity of 145 MW, through which we satisfy around 90-95% of the Island's demand with low carbon power sourced from our partner, EDF in France. We have also invested in joining together the electricity supply systems of both Jersey and Guernsey through the Channel Islands Electricity Grid (CIEG). CIEG is a successful joint venture between Jersey Electricity and Guernsey Electricity, established ten years ago, through which the two companies procure power from EDF, invest in infrastructure and share backup generation assets in the case of a failure of importation facilities. We believe this partnership has enabled both companies to reduce operating costs, increase security of supply and reduce capital investment. At a time when cooperation is more important than ever in the Channel Islands, this partnership exemplifies what is achievable and is reflected in strong relationships at all levels in the two organisations.



The latest submarine cable laying vessel will be used in the installation of the third interconnector to France

*2008 figure as 2009 is unavailable at time of going to press

A new 200MW
will be complete
6 to 7 years to se
increasing deman

Our Island-wide network infrastructure currently supplies electricity securely to over 47,000 customers

Third Submarine Cable

We continue to make progress with the third interconnector between Jersey and France, which we aim to bring into service in 2013. This cable is necessary for three reasons. Firstly, the first interconnector is now 25 years old and our specialist advisors suggest it is approaching the end of its life. Secondly, there are widely predicted shortages in the availability of heavy fuel oil and the specialist ships needed for safe docking in the Channel Islands, which could reduce the dependability of almost half our standby generation facilities that use this fuel. Thirdly, we are currently unable to supply the Island's full requirements with low carbon, imported electricity from the competitive European markets during the winter peak. To maximise security, we plan to ensure physical separation from the existing submarine cables and ensure connections are made into different land-based circuits in Jersey and France.

In December 2008, we signed a contract with the French grid operator, RTE to connect the new circuit to the French grid. Environmental Impact Studies have also been completed prior to the planning process in France and Jersey and we are close to finalising a preferred land and sea-route. We are presently consulting with all the various government bodies and environmental agencies in Jersey and France, and we hope to secure permissions by mid 2011. Such delays are not without risk to the overall cost of the project, given cable manufacture capacity constraints, rising metals prices and weakening Sterling. Our best forecasts for the cost of this project are £60m and we continue to explore all avenues to mitigate price and timing risk.

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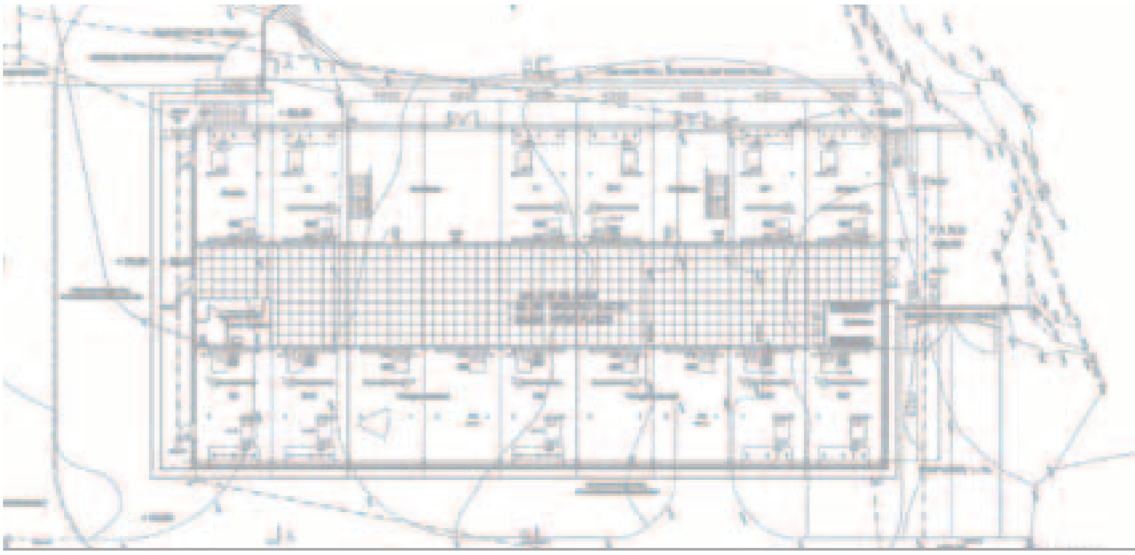


A technical drawing of the proposed new primary substation at South Hill

Distribution

The highest load in Jersey this year was 153.1MW in January 2009, just slightly less than our largest ever peak of 156.8MW, which occurred in December 2007. At the time, 29% of the Island's needs were being satisfied by local generation. During the year we supplied 0.64TWh of power safely and securely to our customers, of which 92% was low carbon imported power, substantially generated from EDF's nuclear and hydro-electric fleet.

We continued our investment in distribution facilities and were pleased to complete on time and on budget the installation of the £14m Western Primary substation in November 2008. This is the second of three key substations that will form a resilient 90kV ring around the Island. This removed our dependence on the 45 year old facility in the West of the Island at Les Quennevais which started to fail within weeks of the successful commissioning of the Western Primary facility.

The design of the third of these substations, the 90kV switching station at South Hill, has recently been finalised and this will become the critical network hub for import facilities from France and local generation in Jersey. This will feed into a new 200MW grid system which will be completed in the next 6 to 7 years, and will meet the increasing demand from our customers for reliable, low carbon electricity. Planning consent has recently been granted for this installation and works on the project will commence in 2010.

We continued with network reinforcement and essential maintenance across many areas of the network so that increased load could be accommodated without compromising security. During the last year, we installed 8MW of capacity of new network transformers and 50 km of cable to ensure we meet the requirements of new and existing customers. 18 new substations were installed and 2 substations refurbished. We also took the opportunity to remove 4 km of overhead lines which simultaneously has enhanced the local environment and will improve network reliability.

The new Western Primary substation was officially opened on 17 February 2009 by Chief Minister, Terry Le Sueur

- £14m project taking 3 years from planning to completion
- 16,000 metres of high voltage power cable
- 1,600 tonnes of sand
- Two 50 tonne transformers

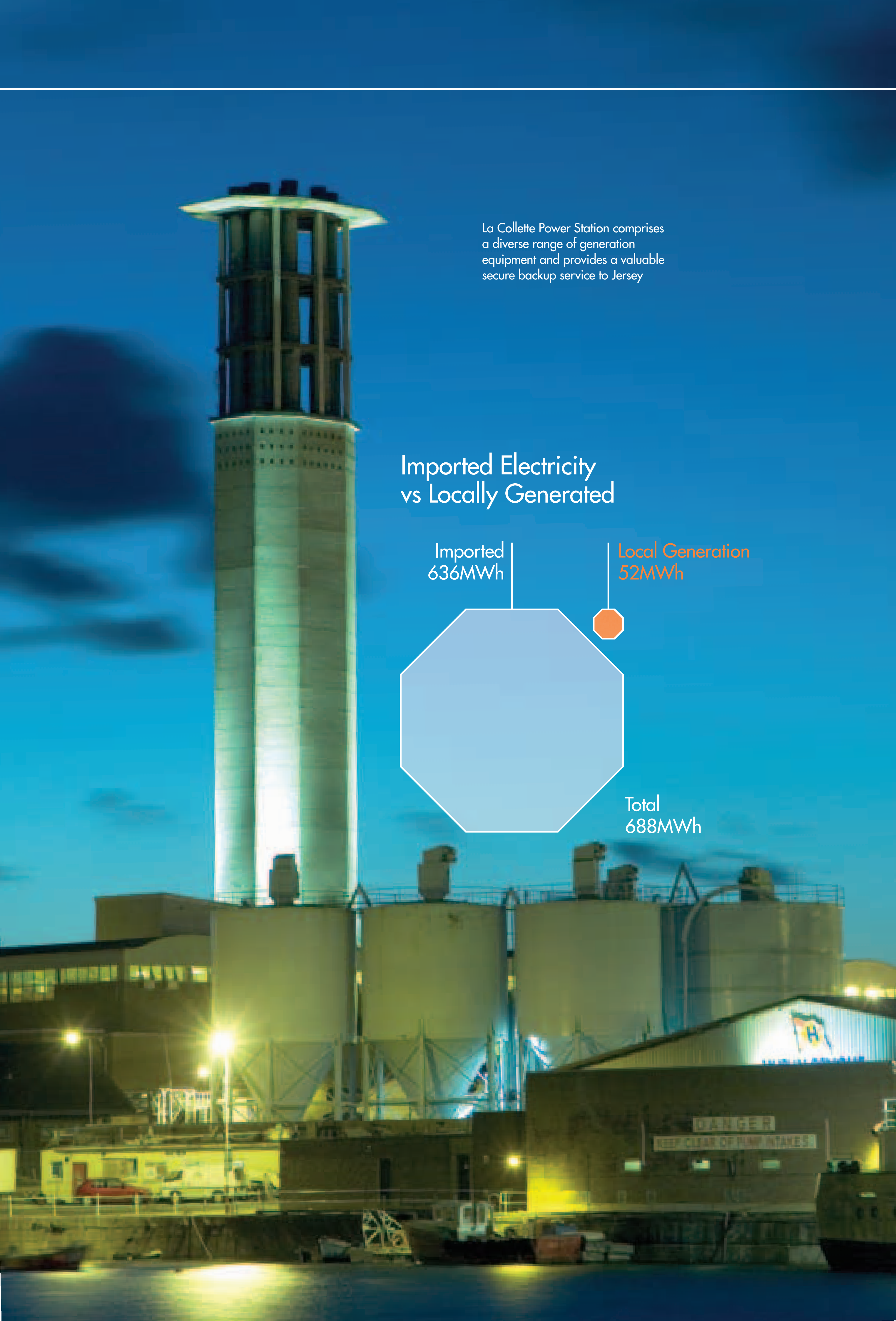
The Rolls Royce Olympus quick start generator at La Collette Power Station forms part of our backup generation fleet

Andy Barker, Jointer carries out the final connections on the LV supply frame at the new Liberty Wharf development prior to it being energised

Generation

Our on-island generation plant provides a valuable backup facility which can be used in the event of failure or maintenance of our importation and distribution facilities, as well as by providing some opportunity for arbitrage when importation or European spot prices are high and oil prices relatively low. In the light of continuing uncertainty over future sufficiency of energy supplies in Europe as well as closure of certain peak generation facilities there, we propose to retain our indigenous power plant over the medium term for strategic security. Generation is deployed with careful reference to our self-imposed limits for carbon intensity and particulate emissions. We continue to minimise any adverse impact on the local environment and local community.

Our commitment to delivering a first class network, whilst managing capital investment at affordable levels is fundamental to our success. During the year, we invested a total of £13m in capital expenditure, a level similar to last year but less than forecast due to the delays in securing planning permission for the third interconnector and the South Hill switching station and associated cabling. In order to meet long-term demand and secure supply, we expect to increase our investment in infrastructure to around £100-150m over the next 10 years. We expect to finance this from reserves, with borrowings needed for the middle of that period.



La Collette Power Station comprises a diverse range of generation equipment and provides a valuable secure backup service to Jersey

Imported Electricity vs Locally Generated

Protecting the environment and conserving resources

Phil Gordon, Health, Safety & Environmental Engineer is responsible for all our environmental initiatives, including achievement of our level two ECO-ACTIVE business accreditation

We believe that climate change is one of the greatest long term challenges facing the World today. There is now overwhelming evidence of the link between carbon dioxide emissions, climate change and increasing global temperatures. As the major energy supplier in Jersey, we take our environmental performance extremely seriously - where progress is a joint responsibility of not just consumers of energy but suppliers as well. I am pleased we have been successful in keeping inside our carbon intensity limit of 100g CO2/ KWh, a self-imposed cap based on a five year rolling average of carbon emissions.

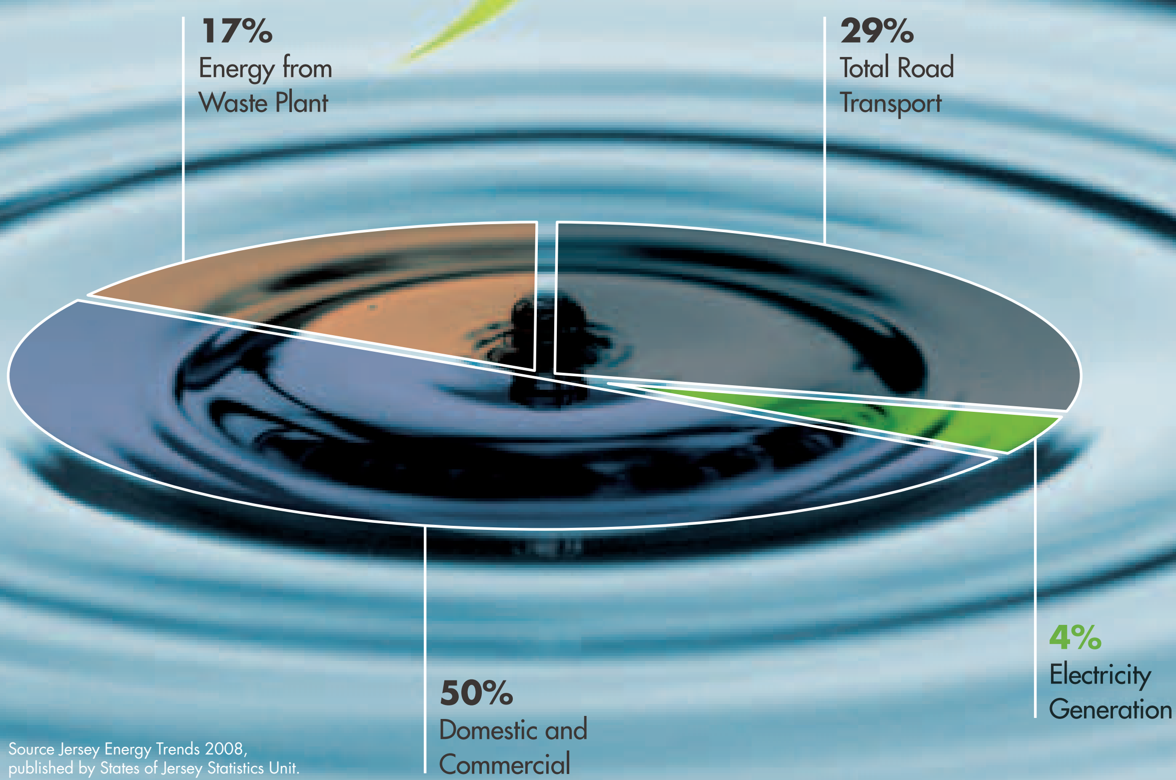
In October 2008, the UK Industry Task Force on Peak Oil published a report, *The Oil Crunch*, which stated that a peak in cheap, easily available oil production is likely to be reached as early as 2013. It said that the key to addressing all three threats facing the UK and other countries - energy security, climate change and peak oil - is the 'immediate and rapid acceleration in our use of non-fossil fuel sources of energy, and reduction in the overall demand for energy'. In the UK and Europe, these requirements have been put on a statutory footing with the Renewable Energy Directive and the UK Climate Change Act. This means it is no longer sustainable for energy companies to develop their business on the basis of ever-increasing consumption; indeed the reverse is the case.

We have long recognised our role in minimising our impact on climate change, and are proud of the action we have taken over the last 15 years to deliberately displace local oil-fired generation with cleaner, low carbon imported electricity - significantly reducing our dependence on fossil fuels. As a result our Company now imports in excess of 90% of its power compared to just 45% in 1990, the Kyoto baseline year. This has led to Jersey Electricity being virtually the sole driver of the Island's reduction in carbon emissions - a reduction of a third since 1992 despite a 40% increase in overall electricity consumption.

At the end of last year, we donated £0.5m of seed funding to the Energy Efficiency Service (EES), a States run body whose remit is to oversee and provide grant-aid support, with the expectation that the States will continue to fund the scheme in future years. The EES provides a range of services to the neediest members of the community for insulation, draught-proofing, lighting and heating controls, with the objectives of reducing bills and carbon emissions. Although these are basic technologies, it is our experience that there is a significant opportunity in the community to reduce consumption by 10-15% by using such simple measures. It is pleasing that the service has made a real impact during the year, having contacted over 1,500 eligible households and having progressed work on over 400 of these homes.

Jersey's energy-related carbon emissions have fallen by more than 35% since 1992. This is almost entirely due to Jersey Electricity's success in displacing oil used for on-island electricity generation with low carbon electricity imported from France, and has been achieved despite a 40% increase in consumption over this period.

Less is more:
Jersey's Carbon Emissions by Source



Source Jersey Energy Trends 2008, published by States of Jersey Statistics Unit.

In February 2009, we commenced our four year trial of electric Smart vehicles on the Island

"States Energy Policy needs progressing."

Unfortunately we report a continued lack of progress with the Energy Policy, which has still not been debated in the States, having been drafted two years ago. The Energy Policy proposes a range of measures to improve security of supply, increase affordability of energy as well as reduce carbon emissions. Much more needs to be done, and the States of Jersey need to take a leadership role.

Domestic and commercial segments represent about half of total energy related carbon emissions in Jersey. Our efforts to assist domestic energy users to reduce their consumption will be supported by the proposed Building Bye-laws which will mandate a 20% reduction in carbon emissions across all fuels to be used in a given building compared to the prior baseline level. As the legislation is substantially fuel neutral it is conceivable that many buildings will not achieve their full carbon reduction potential if oil or gas is selected as the final fuel and to that extent it represents a lost opportunity. Our energy consultancy, Jersey Energy is also providing services to commercial organisations to help them reduce their bills and, by so doing, reduce carbon emissions.

Road transport represents about a third of total energy related carbon emissions and a similar proportion of total final energy consumption in the island*. In order to address this opportunity and simultaneously seed an additional source of off-peak electricity growth, we secured access to six all-electric Smart Car vehicles for a four year trial. In the ten months we have been using the vehicles, we have worked to help establish a sustainable transport policy. Usability of the vehicles is excellent, however purchase prices are currently high for these pre-production vehicles and there is a clear need for States' incentives to encourage take-up. We are also exploring similar trials for commercial vehicles and buses.

The States approved the construction of an Energy from Waste plant last year, which will be located adjacent to our La Collette Power Station. We have entered into a contract with the States to purchase, at the wholesale market prices we achieve in Europe, the electricity generated by the plant, which we anticipate will be approximately 5% of our total electricity requirement. In addition, we have also agreed to sell a range of other services and facilities that are currently used at La Collette. We expect this partnership to simultaneously reduce our operating costs at La Collette and provide additional diversity of supply.

* Jersey Energy Trends 2008 published by States of Jersey Statistics Unit

Road transport represents about a third of the total CO_2 emissions and is a real opportunity to grow off-peak load.

Electric cars can be recharged overnight cost-effectively, cleanly and safely via a conventional 13Amp socket

The UK and Channe
50% of the entire tid
of Europe, and at lea
stream resource of th

Renewable Energy UK (REUK.com) 2009

"Renewables significant long-term opportunity."

Of significant local interest in Jersey is the opportunity presented by renewable energy. Given the already low carbon intensity of electricity in Jersey, however, the incentive for developing locally sourced renewable power is primarily one of increased diversity and security of supply. Following the recommendation of the Tidal Power Working Party, on which we were represented, the States decided to establish a Tidal Power Commission to determine the size of the opportunity for wind and tidal resource in Jersey waters, and establish an appropriate consenting process for subsequent commercialisation. Although we don't believe that Jersey's renewable resources are currently economic, we do believe there is long term potential in renewable development and are assessing the various options, including closely monitoring developments in both Guernsey and Alderney. Jersey Electricity remains well positioned to drive forward renewable energy development with its grid infrastructure and customer base within close proximity to the resource and an established capability in power engineering. Indeed, as a flexible and clean carrier technology for energy, electricity will be the enabler of future sustainable sources of energy. We have continued to engage policy makers in Jersey on the need for incentives to encourage the development of utility scale renewable energy projects.

I am delighted to report Jersey Electricity's achievement in reaching level two of the ECO-ACTIVE business accreditation scheme. This is an important initiative for us, given our focus on sustainability. To achieve this higher rating, we had to demonstrate to the Eco-assessment team that we had significantly lessened the impact of our operations on the environment over a sustained period. In addition, we have also set out plans to reduce waste, improve recycling and reduce emissions. These are actions that are good for business as well as the environment, and will be built on over the coming year.

Apart from our progress in reducing carbon dioxide emissions arising from the generation of electricity, we also pay close attention to particulate emissions, sulphur dioxide, nitrogen oxide emissions and all have been in compliance with local standards. We also closely scrutinise power station cooling water using sophisticated assessment techniques to ensure that there is no adverse impact on the local environment.

We are clear that there is much to be done to further improve the Island's environmental performance. We are not complacent, and we must continually strive to play our part in reducing emissions, encouraging recycling, reducing waste and improving energy efficiency. We must achieve the right balance; to simultaneously support economic growth and social progress while protecting the environment and conserving natural resources for future generations.

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e whole world.

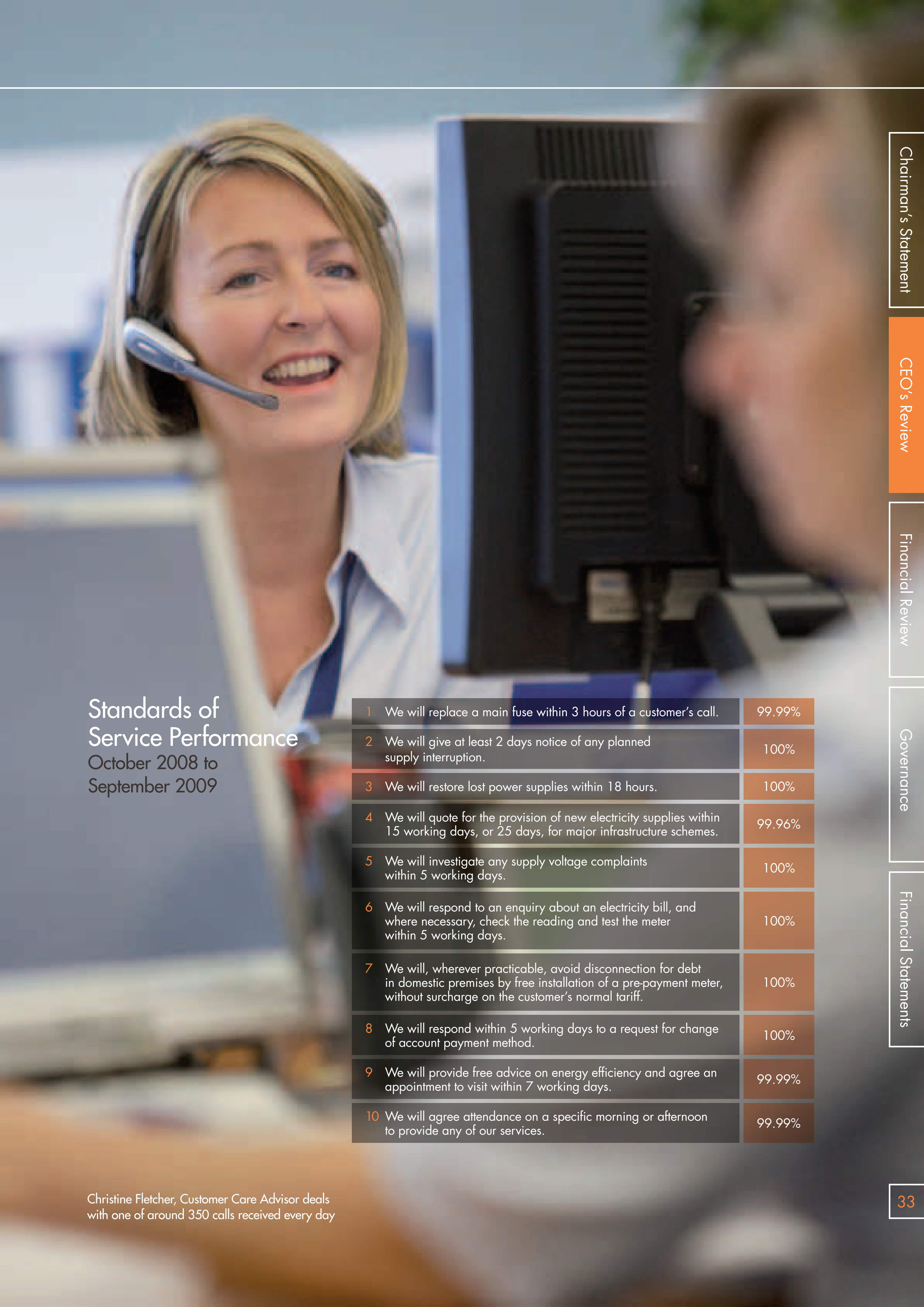
Customer service and standards

Apart from delivering world class supply security for our customers, Jersey Electricity also invests heavily in providing our customers with excellent service levels across all our businesses. As expected, there were several challenges in implementing our 24% price increase and our Customer Care team worked hard to provide proactive support and advice to customers. In the period up to January, when the tariff increase was implemented, we went to some length to explain to our customers the reasons for the tariff increase and provided practical advice on how customers might mitigate the effects by offering alternative tariffs, payment plan options and free energy efficiency advice. We also made customers aware of the grants available from the States Energy Efficiency Service. Our customer communications successfully reduced incoming enquiries, as did our 'Extra Care Services' which were made available to our special needs customers. In the course of our work, we were delighted to be supported by retired staff that were hired on a short term basis to assist the elderly and infirm with home visits. Our actions have been endorsed by the welfare agencies, Consumer Council and Citizens Advice Bureau, with whom we consult regularly on tariff changes and support services.

Despite the challenges of the price rise and a difficult economic climate, I am pleased to report that no domestic customers and only 3 commercial customers have been disconnected since January. Our popular key budget meters, which attract no additional charges and provide access to our full range of discounted tariffs, continue to prove successful and enable customers to better plan their electricity expenditure. In addition, our Customer Care and Finance teams were able to achieve a 50% direct debit penetration of our customer base, a target set by the Company two years ago. This has significantly improved the cash flow of the business and reduced administration.

Jersey Electricity monitors its service performance across a range of 10 published Customer Service Quality Standards which include and improve on those set by the regulatory authorities for the UK Electricity Supply Industry. I am delighted to report that we achieved a performance of 99.96% compliance with these standards. On the 24 occasions when we failed to meet our self-imposed 100% target, we have proactively reviewed these and taken action to prevent a reoccurrence.

Going forward, we plan to conduct a comprehensive customer survey next year which we hope will provide feedback on current performance as well as insight on new products and services.



Standards of Service Performance
October 2008 to September 2009

1	We will replace a main fuse within 3 hours of a customer's call.	99.99%
2	We will give at least 2 days notice of any planned supply interruption.	100%
3	We will restore lost power supplies within 18 hours.	100%
4	We will quote for the provision of new electricity supplies within 15 working days, or 25 days, for major infrastructure schemes.	99.96%
5	We will investigate any supply voltage complaints within 5 working days.	100%
6	We will respond to an enquiry about an electricity bill, and where necessary, check the reading and test the meter within 5 working days.	100%
7	We will, wherever practicable, avoid disconnection for debt in domestic premises by free installation of a pre-payment meter, without surcharge on the customer's normal tariff.	100%
8	We will respond within 5 working days to a request for change of account payment method.	100%
9	We will provide free advice on energy efficiency and agree an appointment to visit within 7 working days.	99.99%
10	We will agree attendance on a specific morning or afternoon to provide any of our services.	99.99%

Christine Fletcher, Customer Care Advisor deals with one of around 350 calls received every day

Developing our non-core businesses

Christmas retail promotions at our toy store, Imagination

B&Q are our largest retail partner at the Powerhouse Retail Park

As a company supplying all of Jersey, we have a privileged relationship with all inhabitants of the Island. This represents a significant opportunity to extend our brand into adjacent products and services, which simultaneously provide value to our customers as well as synergies with our core Energy business. This strengthens our engagement with customers, provides new growth opportunities for the business as well as developmental opportunities for staff, and importantly provides some mitigation against the risk of regulation and competition in the local electricity market.

Overall our non-core businesses constitute around a quarter of the Group profit and a little less of the total Group revenue. These proportions have reduced reflecting increasing revenues generated from core Energy largely due to the tariff increase, coupled with a reduction in profitability of the non-core business in what has been a challenging economic environment. At an absolute level, total revenues of non-core activities grew slightly although profits were down by 4%.

Property

Our property business mainly comprises the rental income we derive from commercial premises developed in the last decade together with legacy residential properties originally built to house staff. For the year, underlying property profit was £0.3m up on last year due to rent reviews. Property revenues were £1.8m and profit was £1.3m.

Retail

Our retail business comprises white and brown goods, computing and mobile and toy categories. Lack of confidence amongst consumers has made the environment challenging for all retail sectors and our categories were no different. Overall revenues were broadly unchanged from last year at £13m, but we experienced significant margin erosion, down 40% from last year to £0.3m. Margin pressure was particularly felt in the traditional areas of white and brown goods where supplier rebate support was particularly badly affected as were price deflationary pressures which have become a feature of such markets. Encouragingly some of the weakness has been offset by a good performance from our computing, mobile and accessory stores, Beyond and our toy store, Imagination which has benefited from high profile exits from the market by two competitors. We have taken advantage of this and are well poised for the Christmas period when much of the profit of the year is earned. During the year, we moved and expanded our Beyond town shop, which was successfully opened in September 2009. This store carries a broader range and is better positioned in St Helier's commercial centre. Day2day, our internet store is now close to breakeven and is experiencing some success in exploring new routes to market. Retailing in the Island remains tough with significant pressure from off-island competition.

Our non-core businesses represent an opportunity to deepen our relationship with customers and diversify.

Our new retail location for Beyond computers was opened in St Helier town centre in September 2009

Securing hundreds of fuel switches a year in the heating replacement market.

Building Services

Our contracting business provides a wide range of electrical, mechanical and refrigeration services to domestic and commercial consumers. Although managed separately from our core Energy business, this business plays an important role in providing new heating, cooling and lighting electrical applications in both new build and retrofit markets, which subsequently support the sale of electricity. As expected Building Services has felt the impact of the general downturn in the market. However, revenues have held up well at £3.6m but profits have struggled at a level of £0.2m. We have seen some reduction in maintenance work as customers scale back their spending. Furthermore, the environment into which to sell fuel-switch options became more challenging following our tariff increase. However with competitor fuel prices increasing and our reduction in electricity prices of 5.1% from January 2010, we are already seeing an upsurge in enquiries. Despite the challenging year, electricity continues to dominate the new build market and continues to secure an 85% share of all new heating systems reflecting its strengths in efficiency, safety and ease of installation. We are also securing hundreds of fuel switches a year in the replacement market where oil and gas heating systems are displaced by off-peak electrical heating. Heat pump and solar water technologies are being explored and seem to be promising options for larger residential properties with existing wet radiator systems, to which we can apply our extensive experience gained from commercial property heating systems. During the year we opportunistically launched some successful upgrade services for air conditioning systems, exploiting legislative changes which require the replacement of refrigeration and air conditioning units that currently use the environmentally unfriendly R22 refrigerant.

Other Smaller Enterprises

Our remaining non-core businesses are small enterprises which have been opportunistic responses that exploit in-house expertise in energy or energy related sectors.

Among them, Jersey Energy has become a leader in the Channel Islands in providing independent and impartial building and energy related consultancy services, across all fuels. It provides policy support to governmental and non-governmental bodies, and also provides support to the Energy Efficiency Service under a secondment arrangement. Our IT developer and consultancy, JENDEV serves a small portfolio of utility clients as well as Jersey Electricity, as a diversified user of its utility enterprise systems. Jersey Deep Freeze is a business involved in selling and maintaining refrigeration equipment to small commercial customers. All three of these businesses had a profitable year.

Foreshore, our data centre joint venture, increased revenue slightly in the year but with lower profitability due to investment in additional capacity.

"Our £0.5m donation is making a real impact on energy efficiency in the community."

Iain Campbell, Mechanical & Heating Engineer takes down details from a customer as part of an energy survey

Health and safety

Mark Wunsch, Linesman carries out overhead supply network safety training

Running a safe business is our greatest responsibility. In an organisation with inherently high-risk activities, it is important that staff are competent and well trained, and that we have proper safe systems in place. We believe that all of our work can and should be carried out without harm to employees, contractors, customers or members of the general public. Our key measure is the number of lost time accidents, which occurs when any injury results in an employee's absence from work for more than three working days. Given our excellent performance last year with only two lost time accidents, our focus for this year was avoiding complacency, something that requires discipline and determination. I am very pleased to have achieved the same high performance level as last year - just two lost time accidents, neither of which was serious. In addition, I am proud to report that Building Services had another clean record with no lost time accidents for the third consecutive year.

This year we revised our Group Health, Safety & Environment (H,S&E) Policy as well as our Organisation & Responsibilities Policy. These documents set the governance and responsibility framework needed for safe activities. We reinforced our commitment to H,S&E through various regular and formal meetings and by supporting site inspections conducted by all levels of management. Continuous improvement is important and we introduced a number of actions to improve compliance with Safety Rules, audit management systems and provided refresher training. Our approach to on-the-job risk assessments has also been strengthened.

Third party damage to our electrical services is still a major concern. We have employed a range of proactive measures to reduce this, including widespread communication with contractors, industry bodies and the Health & Safety Inspectorate in Jersey. Although we have seen a slight reduction in third party damage to our cables, we have seen an increase in the number of dangerous incidents involving smaller developers. We are now taking action to draw attention of these risks to smaller builders and those who employ them.

Our success can only be achieved with people who have the right attitude to their own safety and that of others. In this respect I would like to specifically thank all staff, whose attitude and motivation are first class. I would also in particular like to thank safety representatives and first aiders for providing critical facilitative support to both the Company and its employees.

*A lost time accident occurs when any injury results in an employee's absence from work for more than three working days


Children's workshops o

CHILDREN are increasingly at risk of injury in the home, according to the Child Accident Prevention Jersey Group.

The charity has organised a series of practical workshops with realistic scenarios to train more than 1,000 children, aged 10 and 11, about safety in the home, at the beach and on the road.

Group co-ordinator Louise

By Ramsay Cudlipp
rcudlipp@jerseyeveningpost.com

Hamilton said that children were becoming more independent but that they still lacked basic safety skills. 'We have been looking at the type of accidents Jersey children have had and we have decided to include in one of our workshops kitchen safety,' she said.

Supporting the community

Red Nose Day activities, just one of many charities our staff have supported

As the provider of an essential public service, we have long recognised our role as a corporate citizen, and realise that community activities enhance our reputation with customers and suppliers, strengthen our brand, build sales and help us attract and retain a committed and skilled workforce.

Most notably our Company was able to see and further support the £0.5m seed funding donated last year used to initiate the States of Jersey Energy Efficiency Service. The scheme is administered by the Planning and Environment Department and is designed to help the vulnerable reduce energy consumption and bills from all fuels. Since the scheme was launched in April, the service has made contact with over 1,500 eligible households. The scheme has reached a landmark of completed energy efficiency improvement works in 100 homes, with a further 300 in progress. Jersey Electricity is the only energy supplier making a contribution to this scheme, but it is expected that the scheme will continue to receive funding by the States of Jersey over the coming years.

Our modest sponsorship budget is directed towards helping environmental, educational and community related initiatives that fit our business and benefit the local community and our Island. During the year we continued our sponsorship of Durrell, and we continued donations to Family Nursing & Home Care. We also supported tree planting by Jersey Trees for Life at the Haute Vallee and Mont a l'Abbe school sites. We assisted the Jersey Fire Service in providing a valuable service to ensure the safety of electric blankets on the Island and provided a computer system for an internet café at St Ewolds residential home, as well as sponsorship of the Jersey Fisherman Festival and the Environmental prize at the Construction Awards, amongst many others.

Much of the support we provide the local community is delivered through the commitment and motivation of our staff through various individual and group fundraising initiatives. Here our Company has pledged to match any sponsorship gathered externally, and activities have included Dragon Boat racing, Durrell Dash running, and the Swimarathon amongst several others. We have also supported and participated in various national appeals to raise funds such as Think Pink, Red Nose Day and Children in Need.

We continue to work with local primary and secondary schools as part of our ongoing commitment to improving social and environmental awareness. We received excellent feedback on our Environment Week presentations from both teachers and students alike and have made progress in raising awareness of environmental and energy saving initiatives.

Funding a truly 'green' initiative

...hundred homes get free insulation to save energy

Students plug in to world of work at JEC

Left to right: Marion Buxton, Chris Ambler, Matthew King and David Queen

Surfing? Chi...

The senior citizens of St Ewold's are delighted to have their very own internet café

Christmas comfort

JEC NEWS

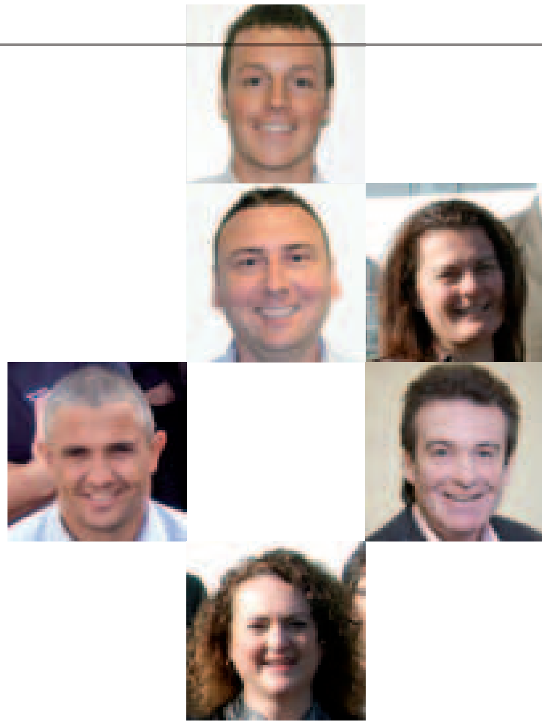
John Widdowson (above, right) is one of four Islanders who have received a late Christmas present, thanks to a donation from Jersey Electricity.

For the second year running the JEC decided not to send customers and clients Christmas cards and instead donated the money they saved to Jersey's largest charity, Family Nursing and Home Care.

This year their donation went towards the cost of four new specialist mattresses, which adapt to every contour of the body evenly distributing weight and pressure over a wide area, and ten cushions designed to provide patients with some pressure relief while sitting in their chairs.

Also pictured are Terena Biddulph, a District Nursing Sister who has been involved in caring for John for over 20 years, and Nigel Ricou, Head of Marketing at the JEC.

'We are very pleased to be able to support the tremendous work carried out by Family Nursing and Home Care,' said Nigel. 'The work they provide is invaluable and of huge benefit to the Island community. We are particularly pleased to see that our donation will be able to make such a difference for those in need of specialist bedding.'



Our people

As a significant employer in Jersey with activities in a wide variety of sectors and functions, we draw upon a huge wealth of experience, knowledge and skills that our staff possess. This has enabled us to build a distinctive brand and deliver products and services around the highest professional standards and customer service levels.

Workplace coaching and mentoring, personal development and extensive on and off-the-job training are a key factor in attracting and retaining high calibre employees and have been instrumental in achieving the Company's enviable record of high retention and low absenteeism. The average length of service is 15 years and at the Long Service Awards this year, we celebrated the achievement of no fewer than 13 employees reaching 21 years and 2 employees reaching 40 years. The history of long service, stable employment and staff flexibility reflects an enormous commitment and loyalty of our staff and enables the Company to provide service levels that are second to none.

Succession plans are critical to an island electricity supply business with a limited local market in the technical skills needed. We are on track to ensure that we will be able to meet our business needs from the local workforce, but continue to invest in staff capabilities and multi-skilling that ensures flexibility going forward. Despite the challenging economic conditions we continue to hire trainees, apprentices and engineers some of whom will become the managers of tomorrow. In addition, we have taken a full role in supporting Government training initiatives, including Project Trident, IOD Work Shadow, Undergraduate Work Experience and Advance to Work schemes. We continue to work hard with the Unions and their representatives to preserve strong industrial relations and encourage a togetherness that strives to benefit both Company and employees simultaneously.

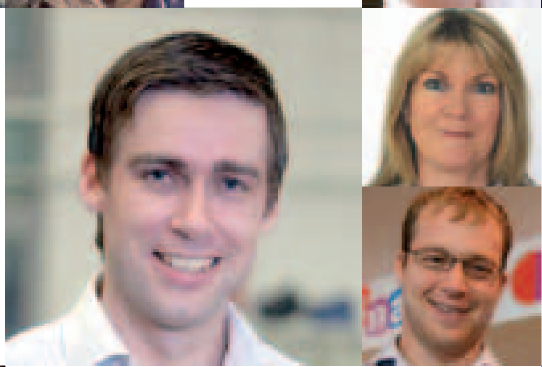
The well-being of our staff is important to any caring employer and we promote initiatives to increase awareness of health and fitness. In partnership with a local health monitoring company, we operate a successful occupational health scheme that provides additional care for staff with specific problems as well as medical screening for those working in more hazardous environments.

Staff at all levels of our business continue to achieve high levels of professional industry and business qualifications. We also remain well represented on various industry bodies including the Eurelectric Network of Experts of Small Islands Systems Group (NESIS).

Our staff have worked particularly hard this year in responding to the unusually demanding environment we face. They have risen to the challenge by remaining focused on performance and service, and this has enabled our Island to continue to enjoy a world class electricity supply. I wish to thank all our staff for their considerable professionalism, support and commitment in achieving our goals.

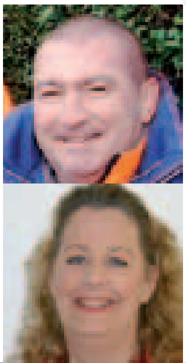
Gavin Murphy
Manager Beyond Computers

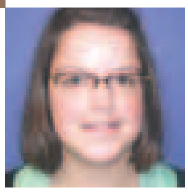
Gavin won the Outstanding Achievement Award in a Professional Management Qualification for his course work in attaining the CMI level 3 Diploma in First Line Management.



Jeremy Willis
Senior Project Engineer

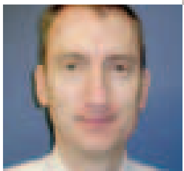
Jeremy achieved the second highest examination marks in the Prince2 Methodology Foundation & Practitioner project management course.

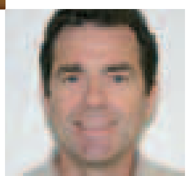




Iain Ormrod
Trainee Internal Auditor

Iain achieved the highest aggregate exam score worldwide for the Certified Accounting Technician (CAT) qualification course.





Outlook

We are planning two further primary substation investments of a similar importance to Western Primary shown above

We expect the future to remain challenging. The global economy remains weak and credit remains scarce and this will provide a difficult backdrop for all industries. Although electrical technology is well positioned in Jersey, our business faces its own unique challenges - energy price volatility, foreign exchange weakness, delivery of our capital programme, growth on what is already a well penetrated customer base, as well as the ongoing threat of regulation. We are striving to deliver a sustainable future in every sense. We will need to strike the right balance between securing the commodity required for our customers in an affordable way, meeting our environmental goals and achieving satisfactory returns for our shareholders. I am confident that with the loyalty, commitment and professionalism of our staff we can deal with these challenges and build on the strong performance already achieved.

Chris Ambler
Chief Executive
17 December 2009

Seeking the right balance between affordability, supply security, environmental goals and returns.

Financial Review

Group Financial Results

Key Financial Information	2009	2008	% movement
Turnover	£ 93.6m	£ 82.2m	14%
Profit before tax	£ 9.3m	£ 10.3m	(10)%
Profit in Energy business	£ 6.7m	£ 6.3m	6%
Earnings per share	£ 4.70	£ 6.58	(29)%
Dividends paid per share	£ 1.89	£ 1.48	28%
Dividend cover	2.5 times	4.4 times	(43)%

Group turnover for the year to 30 September 2009 at £93.6m was 14% higher than in the year ended 30 September 2008. The Energy business contributed £73.1m of this turnover being £11.0m above last year due mainly due to the impact of our 24% tariff rise in January 2009 but also from a 1% rise in unit sales of electricity. Turnover in our Retail business fell by 1% to £13.0m with a lower sales level in our traditional white/brown goods offering being largely offset by gains in the toy/hobbies and e-retailing internet businesses within our Retail portfolio. Turnover in the Property business, including internal revenues, rose by 8% to £2.5m on improved rental yields from tenants. Turnover in Building Services rose 5% from levels experienced in 2008 to £3.6m. Turnover in our Other Businesses increased by 8% to £2.1m with rises in both Jersey Energy and Jendev.

Cost of sales rose by £10.9m to £66.9m with higher importation costs in the Energy business due to extreme volatility in energy markets in the second half of the 2008 calendar year, being the main driver. **Operating expenses** at £17.8m were at the same level as in 2008.

Profit before tax, for the year to 30 September 2009 fell by 10% to £9.3m with lower interest received due to falling interest rates and profit upside from property gains/revaluation not repeated in 2009. Profits in our Energy business moved up from £6.3m last year to £6.7m in 2009. A substantial increase in our import costs due to rising prices in the European wholesale electricity marketplace was covered by a tariff rise of 24% from January 2009. Unanticipated lower oil prices during 2009 added to profitability as we imported less electricity (92% against 96% in the previous year) and replaced such requirements with local generation. Unit sales of electricity were marginally ahead of levels during 2008. Profits in our Property division, excluding property revaluation/disposals, rose £0.3m to £1.3m due to higher rental yields. Our investment property portfolio was revalued downwards by £0.1m in 2009 against corresponding gains recognised in the income statement from the revaluation/sale of properties of £0.7m in 2008.

Our Retailing business saw profits fall from £0.5m to £0.3m. A fall of £0.3m in profits in the traditional retailing areas of white/brown goods, driven largely by a weak marketplace, was offset by a stronger performance by our newer toy/hobbies and e-retailing internet businesses. The Building Services business produced a £0.2m profit being down £0.1m on last year due to pressure on margins in a very competitive marketplace. Our other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year. Foreshore, our data centre joint venture, saw an increased annual turnover which rose 15% from £4.1m to £4.7m but with lower profitability due to investment in the expansion of existing facilities.

Interest received on deposits in 2009 was £0.6m against £1.1m due primarily to lower interest rates associated with the UK base rate falling substantially during this period. **The taxation charge** for the year, at £2.0m, was substantially higher than in 2008. As indicated last year as a result of transitional rules introduced in Jersey, and as a prelude to changes in the corporate tax regime, the effective tax rate for 2007 and 2008 was lower but reverted to 20% again from 2009 onwards.

Group earnings per share fell 29% to £4.70 compared to £6.58 in 2008 due to lower profits and a higher tax charge.

Ordinary Dividends

		2009	2008
Dividend paid	- final for previous year	£1.12	£0.75
	- interim for current year	£0.77	£0.73
Dividend proposed	- final for current year	£1.18	£1.12

Dividends paid, net of tax, rose by 28% from £1.48 in 2008 to £1.89 in 2009. The proposed final dividend for this year is £1.18, being a 5% rise on the previous year. Dividend cover fell from 4.4 times in 2008 to 2.5 times this year due primarily to a lower level of profits and a higher level of dividend associated with the alteration in dividend policy announced last year.

Cash Flows

Summary cash flow data	2009	2008
Net cash inflow from operating activities	£ 15.6m	£ 14.9m
Capital expenditure and financial investment	£(12.1)m	£(13.3)m
Net proceeds from disposal of property	-	£ 0.4m
Repayment of long term loan	£ 0.1m	£ 0.1m
Dividends	£ (2.9)m	£ (2.4)m
Increase/(decrease) in cash during year	£ 0.7m	£ (0.3)m

Net cash inflow from operating activities at £15.6m was £0.7m higher than 2008. **Capital expenditure** was £12.1m with the spend to finish the £14m Western Primary capital project to reinforce the electricity network in the west of Jersey, and initial spending on the third interconnector to France, being the primary drivers. **Cash at bank**, including short-term investments, at the year end was £16.8m being £0.7m higher than last year.

Treasury Policy

Operating within policies approved by the Board and overseen by the Group Finance Director, the treasury function manages liquidity, funding, investment and risk from volatility in foreign exchange and counterparty credit risk. As a substantial proportion of the cost base is the importation of power from Europe, which is contractually denominated in the Euro, the Company enters into forward currency contracts to eliminate a large percentage of currency exposure which aids tariff planning.

In addition a substantial proportion of capital expenditure incurred by the Energy Division is Euro denominated and therefore foreign exchange volatility exists and hedging policies have been created to mitigate such risk.

The average Euro/Sterling rate achieved during the financial year, as a result of the hedging program was €1.33. The average applicable spot rate during the same period was €1.15.

The Company does not manage interest rate exposure as it has maintained cash in bank in the full period since the last year end. The average rate of interest received in the financial year was 3.2%.

The Group may be exposed to credit-related loss in the event of non-performance by counterparties in respect of cash and cash equivalents and derivative financial instruments. However such non-performance is not anticipated given the high credit ratings (investment grade and above) of the established financial institutions with which we transact. In addition, limits are set as to volume of business placed with such institutions.

Power purchasing policy

The Company imports over 90% of the electricity requirements of Jersey from Europe. It jointly purchases this power, with Guernsey Electricity, from EDF in France based on a market related mechanism linked to the Powernext Futures Exchange in Paris. This allows power prices to be fixed in advance of decisions on customer tariffs being made. A Risk Management Committee exists, consisting of members from Jersey Electricity, Guernsey Electricity and an independent energy market adviser and it follows guidelines approved by the Board. The aim of Jersey Electricity is to hedge future purchases for between one and three years ahead on a rolling basis to provide our customers with a market based price but with a degree of certainty in a very volatile energy marketplace.

Defined benefit pension scheme arrangements

As at 30 September 2009 the scheme deficit, under IAS 19 Employee Benefits rules, was £3.0m, net of deferred tax compared with a surplus of £5.4m at 30 September 2008. This movement was due mainly to an actuarial loss of £11.4m associated with a revision in the discount rate applied to scheme liabilities. Scheme assets rose 8% from £63.8m to £69.1m since the last year end but liabilities rose from £57.1m to £72.8m. Turbulence in financial markets impacted both the assets and liabilities with the discount rate on the latter falling from 7.0% in 2008 to 5.5% in 2009 due to a weakening of the credit squeeze in financial markets. Unlike the UK, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises and no ex-gratia award was made to pensioners this year in light of the deficit.

Our defined benefits pension scheme is an area of risk that still requires careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If, for example, the discount rate applied to the liabilities had been 5.8%, which is a rate we would have been likely to have utilised if the scheme was undergoing its triennial actuarial revaluation, rather than the 5.5% advised by our actuaries under IAS 19 for 2009, the deficit of £3m would have been eliminated. However if a discount rate of 5% was used the scheme net deficit would rise from £3m to approximately £8m.

The next triennial actuarial valuation of the defined benefit scheme is at 31 December 2009.

Financial Review

Prior Year Adjustment - Energy Revenues

Revenue is recognised on the basis of energy supplied during the period and includes an assessment of electricity used by customers between the date of the last meter reading and the balance sheet date. The methodology employed to calculate the total number and value of the unbilled units at each period end has been regularly refined as there is a degree of estimation in the process. During the most recent review in early 2009 an error in the methodology became apparent and the necessary adjustment is reflected in the figures for this financial year. The 2008 restatement resulted in an increase in revenues and profit before tax of £0.3m. The reserves were adjusted by £1.5m, net of tax, to reflect the same prior year error in the periods 2002 to 2007 inclusive.

Taxation changes in Jersey

As indicated last year Jersey has undertaken a fundamental review of both its direct and indirect tax systems. Utilities will continue to pay corporate tax at the current rate of 20% while most other companies in Jersey pay tax at a rate of either 0% or 10% from 1 January 2009. However as part of the migration to the new tax regime transitional rules require all companies to move from a prior year to a current year basis of tax assessment. The impact on Jersey Electricity was that our effective tax rate for 2007 and 2008 was around half the previous rate of 20% but has risen to 20% again in 2009. The resultant reduction in the overall corporate tax revenues in Jersey is being filled by an increase in direct personal taxation for individuals and by the introduction of a goods and services tax (GST) of 3% which was introduced in May 2008. GST is applied to our electricity sales at the full rate of 3% (with the exception of certain International Service Entities who are not billed GST). The States of Jersey are currently reviewing Energy Policy and there is the potential that a 'carbon tax' might be applied to energy and fuel suppliers in Jersey. No decisions have yet been made but it is anticipated that if such a charge was levied on Jersey Electricity we would have no option other than passing through such a tax to our customers as it would be an increase in our cost base that is not within our control.

Returns to shareholders

62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 300 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares there is one large institution, Utilico Ltd, which owns 19% of the total ordinary share capital.

During the year the ordinary dividend paid was increased by 28% from £1.48 net of tax to £1.89. The proposed final dividend for 2009 at £1.18 is a 5% increase on last year.

The share price at 30 September 2009 was £69 against the £57 that prevailed at the 2008 year end. This gives a market capitalisation of £106m for the Company as at 30 September 2009. However the illiquidity of our shares, due mainly to having two large shareholders combined with an overall small number in circulation, limits the management team from having the ability to influence the share price. Discussions have taken place with the States of Jersey on whether they would approve a potential all employee share scheme to more closely align the interests of both employees and shareholders. The taxation rules surrounding such schemes are currently being reviewed by the Jersey Government and this may influence decision making in this area.

Our largest shareholder, the States of Jersey also owns holdings in other utilities in Jersey. It owns 100% of Jersey Telecom, as well as around 75% of Jersey Water. The total direct cash return to the States of Jersey from Jersey Electricity in the last year was £5.8m (2008: £3.7m).

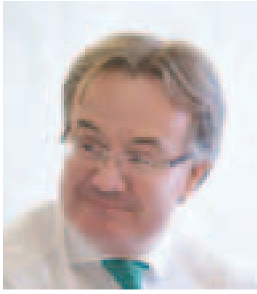
	2009	2008
Ordinary dividend	£ 1.8m	£ 1.4m
Goods and Services Tax (GST)	£ 2.4m	£ 0.2m
Corporation tax	£ 0.9m	£ 0.9m
Social Security - employers contribution	£ 0.7m	£ 0.7m
Contribution to the Jersey Energy Trust	-	£ 0.5m
	£ 5.8m	£ 3.7m

The return to States of Jersey rose due to an increase in the dividend level, and the first full year impact of the introduction of a Goods and Services Tax in May 2008.

Board of Directors







Geoffrey Grime
Chairman
(62) R/N

Geoffrey joined the Board in 2003. He retired in 1999 as Chairman of Abacus Financial Services, a leading offshore trust company in which he played an instrumental role as one of its founders. A Chartered Accountant, his career in Jersey commenced in 1969 with Cooper Brothers & Co. and progressed to his appointment as Channel Islands Senior Partner of Coopers & Lybrand in 1990. He is currently the Chairman of Computer Patent Annuities Holdings Limited and EFG Offshore Limited and also holds many professional appointments as both director and trustee. In November 2002 he was elected as a Deputy in the States of Jersey and he retired from that position in December 2005.

Chris Ambler
Chief Executive
(40) N

Chris was appointed to the Board as Chief Executive on 1st October 2008. He previously held a number of senior international positions in the global utility, chemicals and industrial sectors for major corporations including Centrica/British Gas, The BOC Group and ICI/Zeneca as well as corporate finance and strategic consulting roles. He is Chairman of Foreshore Limited and a Director of Channel Island Electricity Grid Limited. Chris is a Chartered Engineer with the Institution of Mechanical Engineers and has a First Class Honours Degree from Queens' College, Cambridge and a MBA from INSEAD.

Mike Liston
Non-Executive Director
(58) N/R

Mike joined Jersey Electricity in 1986 as Chief Engineer and became Managing Director in 1993. He previously held a number of senior posts in the United Kingdom's Electricity Supply Industry. He is Chairman of AIM listed, Renewable Energy Generation Limited, and nonexecutive Chairman of Jersey Post. Mike is a Fellow of the Royal Academy of Engineering, a Fellow of the Institution of Engineering and Technology and a Member of its Audit and Disciplinary Committees. He is a Companion of the Chartered Management Institute and past Chairman of its Jersey Branch. He was appointed by the States of Jersey in 2002 as Chairman of the Jersey Appointments Commission. Mike was awarded an OBE in 2007. Mike retired as an executive director on 31 December 2008 and became a non-executive director from that date. He is Chairman of the Nominations Committee.

Jeremy Arnold
Non-Executive Director
(71) A/N/R

Jeremy joined the Board in 1997. He trained as a Chartered Accountant and spent 37 years in public practice. His career was mostly with Arthur Andersen, for whom he worked in London, Birmingham, Toronto and Brussels. His experience as a partner was with clients in a wide range of industries such as manufacturing, consumer products, film and music production and advertising. At present he serves on the boards of a number of Jersey companies and is Chairman of the Audit Committee and also Senior Independent Director.

Clive Chaplin
Non-Executive Director
(58) A/N/R

Clive joined the board in 2003. He trained as a solicitor in London qualifying in 1977 and moved to Jersey in 1979. He was admitted as a solicitor of the Royal Court, Jersey, in 1985 and has been a partner of Ogier since 1994. With effect from 1 February 2009 he became Chairman of Ogier Group. He is a director of a number of other companies operating in the financial sector and is also a member of the Jersey Law Commission. He is Chairman of the Remuneration Committee.

Directors

All non-executive directors are viewed as being independent with the exception of Mike Liston who was formerly the Company's Chief Executive and Chris Evans due to his role as managing director of our Foreshore joint venture. Jeremy Arnold is still regarded as independent even though he is now in his twelth year as director.

Key to membership of committees

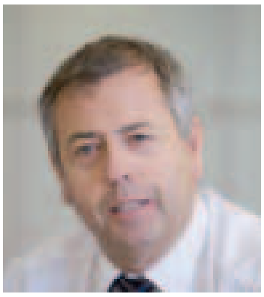
A Audit Committee
N Nominations Committee
R Remuneration Committee

Chris Evans
Non-Executive Director
(55) A/R

Chris joined the Board in 1998 and he formed Omicron Computer Systems, a Jersey based Information Technology company in 1983. He merged the company with Itex in 1993 where he was Deputy Chairman. He is currently Managing Director of Foreshore Limited, our joint venture internet business providing services to offshore registered companies and e-business.

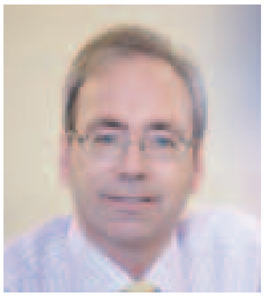
Martin Magee
Finance Director
(49)

Martin joined the Board as Finance Director in May 2002. He moved from Scottish Power plc, after nine years in a variety of senior finance roles. He previously worked for nine years with Stakis plc (now part of the Hilton Hotels Group). He is also Chairman of Jersey Deep Freeze Limited and a Director of the Channel Islands Electricity Grid Limited and Foreshore Holdings Limited. He is also a member of the Jersey Public Accounts Committee. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.



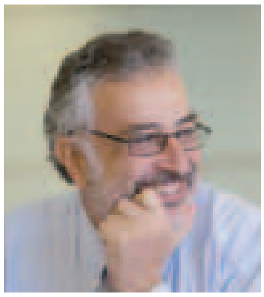
David Padfield
Operations Director
(55)

David joined Jersey Electricity in 1987 as Planning & Construction Engineer after 14 years with South Western Electricity Board and was appointed as Operations Director in 2004, following several years as Energy Division Manager. He is responsible for the management of the Company's Energy businesses of electricity transmission, distribution, generation and supply, which also incorporates corporate health and safety. He is also a director of the Channel Islands Electricity Grid Limited. He graduated from Bath University in 1976 with an Honors Degree in Electrical and Electronic Engineering. He is a Chartered Engineer, a Fellow of the Institution of Engineering and Technology and a Member of the Chartered Management Institute, Chairman of the NESIS Group at Eurelectric and a Chartered Director.



Richard Plaster
Commercial and Human Resources Director (48) N

Richard joined the HR function in Jersey Electricity in 1987 following a retail management career with Woolworths and joined the Board in 2004. He is now responsible for Human Resources, Customer Care, Procurement, Marketing and the Retail businesses. He chairs the management board of the Building Services business and was appointed as a director of Jersey Deep Freeze Limited in October 2004. Externally, he is former Chairman of the Employment Forum in Jersey and the current Chair of the Skills Jersey Board He is a Chartered Fellow of the Chartered Institute of Personnel and Development, and a Chartered Director.



John Stares
Non-Executive Director
(58) R

John is the Managing Director of Guernsey Enterprise Agency and a non-Executive Director/Advisor to four other Channel Island headquartered groups of companies. He is a Fellow of the Institute of Chartered Accountants of England and Wales, a Member of the Worshipful Company of Management Consultants and a member and former President of Rotary Guernesiais. Prior to moving to Guernsey in 2001, John was with Accenture for 23 years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in most industry sectors and held a variety of leadership roles in Accenture's Canadian, European & Global consulting businesses.

Director's Report

for the year ended 30 September 2009

Principal activities

The Company is the sole supplier of electricity in Jersey. It is involved in the generation and distribution of electricity and jointly operates the Channel Islands Electricity Grid System with Guernsey Electricity Limited importing power for both islands. It also engages in retailing, property management, building services and has other business interests, including telecommunications and internet data hosting.

Dividends

The directors have declared and now recommend the following dividends in respect of the year ended 30 September 2009:

	2009	2008
Preference dividends	£	£
5% Cumulative Participating Preference Shares at 6.5%	5,200	5,200
3.5% Cumulative Non-Participating Preference Shares at 3.5%	3,773	3,773
Ordinary dividends		
Ordinary and 'A' Ordinary Shares		
Interim paid at 77.0p net of tax for the year ended 30 September 2009 (2008 - 73.0p net of tax)	1,179,640	1,117,360
Final proposed at 118.0p net of tax for the year ended 30 September 2009 (2008 - 112.0p net of tax)	1,807,760	1,715,840
	2,996,373	2,842,173

Re-election of directors

In accordance with Article 115 of the Articles of the Company, John Stares retires at the Annual General Meeting and in accordance with Article 127 of the memorandum of the Company, Jeremy Arnold retires by rotation and, being eligible, both directors offer themselves for re-election.

Directors' and officers' insurance

During the year the Company maintained liability insurance for its directors and officers.

Policy on payment of creditors

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The number of creditor days in relation to trade creditors outstanding at the year end was 34 days (2008 - 40 days).

Director's Report

for the year ended 30 September 2009

Substantial shareholdings

As at 17 December 2009 the company has been notified of the following holdings of voting rights of 5% or more in its issued share capital:

Equity

Ordinary Shares

The States of Jersey hold all of the Ordinary shares which represents 86.4% of the total voting rights.

Equity Shares

'A' Ordinary shares entitle the holder to 1 vote for every 5 shares held whereas the Ordinary shares carry voting rights of 1 vote for each share held.

'A' Ordinary Shares

Utilico Limited hold 287,468 Ordinary 'A' shares which represent 5.23% of the total voting rights.

Auditors

A resolution to re-appoint Deloitte LLP as auditors will be proposed at the next annual general meeting.

BY ORDER OF THE BOARD
P. ROUTIER
Secretary
17 December 2009

Corporate Governance

Corporate Governance

The directors are committed to maintaining a high standard of Corporate Governance in accordance with Section 1 of the Principles of Good Governance of the Combined Code as incorporated within The Listing Rules issued by the Financial Services Authority. The Board is of the opinion that it has complied with the Provisions of the Code throughout the year.

The Board

The Board currently comprises six non-executive and four executive directors. The Chairman is appointed by the directors from amongst their number. Jeremy Arnold is the Senior Independent Director. The Board has determined that Jeremy Arnold remains independent, notwithstanding that he has served on the board for more than nine years. In making this determination, the Board took into account his breadth of experience, his financial independence and other business interests.

The executive directors are not subject to retirement by rotation but they are subject to the same periods of notice of termination of employment as are other members of the Company's senior management.

The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly, approximately five times a year, setting and monitoring strategy, reviewing trading performance and risk management, examining business plans and capital and revenue budgets, formulating policy on key issues and reporting to shareholders. Board papers are circulated prior to each meeting in order to facilitate informed discussion of the matters at hand.

Members of the Board hold meetings with major shareholders to develop an understanding of the views they have about the Company.

The following table sets out the number of meetings (including Committee meetings) held during the year under review and the number of meetings attended by each director.

	Board	Audit	Remuneration	Nominations
No of meetings	**5**	**3**	**5**	**3**
G. Grime	5	-	5	3
J. Le Maistre**	1	-	2	-
J. Arnold	5	3	5	3
C. Evans	5	3	5	-
C. Chaplin	5	3	5	3
M. Liston	4	-	1*/3†	3
J. Stares†	3	-	2	-
C. Ambler	5	3*	1*	3
M. Magee	5	3*	-	-
D. Padfield	5	-	-	-
R. Plaster	5	-	-	3

* attendees by invitation
** retired 5 March 2009
† appointed 28 May 2009

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. During the year a self assessment review was undertaken to assess the performance of the Board and its committees. The outcome of this review was satisfactory, and we continue to seek opportunities for improvement.

Corporate Governance

Nominations Committee

The Nominations Committee is chaired by Mike Liston. It has a remit to:

- consider and make recommendations to the Board on all new appointments of directors having regard to the overall balance and composition of the board;
- consider succession planning; and
- make recommendations to the Board concerning the reappointment of any non-executive director following conclusion of his or her specified term of office.

Audit Committee

The Audit Committee's members are Jeremy Arnold (Chairman), Clive Chaplin and Chris Evans. The meetings provide a forum for discussions with the external auditors. Meetings are also attended, by invitation, by the Chief Executive, the Finance Director, the Company Secretary and internal auditors.

The Audit Committee is responsible for reviewing the annual and interim management statements and accompanying reports before their submission to the Board for approval. It meets at least three times a year and is also responsible for monitoring the controls which are in force, (including financial, operational and compliance controls and risk management procedures) to ensure the integrity of the financial information reported to the shareholders. It also considers reports from the internal and external auditors and from management. It reports and makes recommendations to the Board. The Audit Committee also advises the Board on the appointment of external auditors and on their remuneration, including monitoring any issues that could impact auditor independence. In addition the Audit Committee regularly reviews the scope and results of the work undertaken by both the internal and external auditors.

Internal Control

The Board is responsible for establishing and maintaining the Company's system of internal control and for the management of risk. Internal control systems are designed to meet the particular needs of the business and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. This process has been in place throughout the year ended 30 September 2009 and is in accordance with Revised Guidance for Directors on the Combined Code.

The key procedures which the Board has established to provide effective controls are:

Board Reports

Key strategic decisions are taken at Board Meetings following due debate and with the benefit of Board papers circulated beforehand. The risks associated with such decisions are a primary consideration in the information presented and discussed by the Board. Prior to significant investment decisions being taken, due diligence investigations include the scrutiny of business plans by the Board.

Management Structure

Responsibility for operating the systems of internal control is delegated to management. There are also specific matters reserved for decision by the Board; and these have been formally documented and a summary of the key types of decision made by the Board is as follows:

- Strategy and Management including
  Approval of the Company's long-term objectives and commercial strategy.
  Approval of the annual operating and capital expenditure budgets and any material changes to them.
- Changes in structure and capital of the Company
- Financial reporting and controls including
  Approval of the annual report and accounts.
  Declaration of the interim dividend and recommendation of the final dividend.
- Internal controls
  Monitoring the effectiveness of the Company's risk management and control processes.

Corporate Governance

- Contracts approval of
  Major capital projects.
  Major contracts.
  Major investments.
- Board membership and other appointments
  Approval of changes to the structure, size and composition of the Board and key committees, following recommendations from the Nomination Committee.
- Remuneration
  Determining the remuneration policy for the directors and other senior management, following recommendations from the Remuneration Committee.
- Corporate governance matters
  Undertaking a formal and rigorous review annually of its own performance, that of its committees and individual directors.
  Review of the Company's overall corporate governance arrangements.
- Approval of key Company policies

Internal Audit
There is a permanent team of internal audit staff involved in a continuous structured review of all the Company's systems and processes both financial and non-financial. Internal Audit manage the process of strategic and operational risk reviews and facilitate risk review workshops with departmental managers. The team routinely reports directly to the Company Secretary and attends Audit Committee meetings, at which its plans are discussed and approved.

Personnel
The Company ensures that personnel are able to execute their duties in a competent and professional manner through its commitment to staff training, regular staff appraisals and organisational structure.

Budgetary Control
Detailed phased budgets are prepared at profit centre level. These budgets are approved by the Board, which receives sufficiently detailed financial data to monitor the performance of the Company with explanations of any material variances.

Audit Committee
The Audit Committee reviews the effectiveness of the internal control process as outlined above.

The Board has overall responsibility for establishing and maintaining an adequate system of internal controls and for reviewing the effectiveness of the system. The effectiveness of the system is kept under review on a continual basis throughout the year through the work of the Audit Committee on the Board's behalf. The system of internal control is designed to manage rather than eliminate risk. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement or loss.

Statement of Directors' Responsibilities

Directors' Responsibilities for the Accounts

The directors are responsible for preparing the Annual Report, Directors' Remuneration 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. The directors are required by the IAS Regulation to prepare the group financial statements under IFRS as adopted for use in the European Union and have also elected to prepare the Company's financial statements in accordance with IFRS as adopted for use in the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Remuneration Report

Remuneration Committee

The Remuneration Committee (the Committee) is chaired by Clive Chaplin and its membership includes all non-executive directors. The Committee operates within terms of reference agreed by the Board and such terms are regularly reviewed.

Remuneration Policy

The policy of the Committee is to ensure the provision of remuneration packages for the executive directors that fairly reward them for their contribution to the overall performance of the Group. Remuneration packages comprise basic salary and benefits together with a performance related annual bonus. Benefits for executive directors principally comprise a car or car allowance, private health care and housing subsidy.

During early 2009 the Committee commissioned a benchmarking report from Hassell Blampied, an independent remuneration consultant, which reviewed the Company's executive director remuneration against a number of other London Stock Exchange listed entities with similar market capitalisation. This report formed the basis of discussion for the 2009 review. The salary and benefits are reviewed by the Committee annually and any adjustments take effect on 1 April. The Committee seeks to ensure that the overall remuneration package including bonus matches, in broad terms, the comparative group benchmark for executive director remuneration, excluding any share based remuneration (of which there is none). The performance related bonus payable to executive directors takes account of their individual responsibilities within the Company and is dependent on the overall performance of the Group against expectations but is deliberately not profit related.

The remuneration of individual directors for the year ended 30 September 2009 was as follows:

	Basic salary/fees*1 £	Bonuses £	Benefits in kind £	**Total 2009 £**	Total 2008 £
EXECUTIVE DIRECTORS					
C. Ambler	171,912	-	27,325	**199,237**	-
M. Liston (retired 31 December 2008)	60,716	36,000	4,089	**100,805**	244,813
M. Magee	148,924	24,770	17,223	**190,917**	192,290
D. Padfield	140,388	23,500	11,323	**175,211**	171,160
R. Plaster	141,138	23,500	11,323	**175,961**	167,432
NON-EXECUTIVE DIRECTORS					
G. Grime	30,000	-	939	**30,939**	26,309
J. Arnold*2	20,000	-	2,773	**22,773**	22,773
C. Evans*3	17,000	-	975	**17,975**	17,944
M. Liston*4 (appointed 1 January 2009)	12,750	-	925	**13,675**	-
C. Chaplin*5	19,000	-	975	**19,975**	19,944
J. Stares (appointed 28 May 2009)	5,151	-	939	**6,090**	-
J. Le Maistre (retired 5 March 2009)	6,250	-	-	**6,250**	15,900
D. Maltwood (retired 5 March 2008)	-	-	-	**-**	12,903
Total	773,229	107,770	78,809	**959,808**	891,468

*1 The executive directors received no rise to their salary level in the year ended 30 September 2009.
*2 Includes fees as Chairman of the Audit Committee - £5,000.
*3 Includes fees as Member of the Audit Committee - £2,000.
*4 Includes fees as Chairman of the Nominations Committee - £2,000.
*5 Includes fees as Member of the Audit Committee - £2,000 and as Chairman of the Remuneration Committee - £2,000.
The total fees for C. Chaplin were paid directly to his firm.

Remuneration Report

Service Contracts
The executive directors' service contracts provide for a notice period of six months.

Pension Benefits
Details of the pension benefits to which each of the executive directors in the Jersey Electricity final salary scheme is entitled are shown in the table below. These pension benefits have been earned in the period as a director, but also include benefits for service before becoming a director where applicable.

	Increase in accrued pension during the year[1]	Accrued pension at 30.9.2009[2]	Transfer value at 30.9.2009[3]	Transfer value at 30.9.2008[3]	Directors' contributions plus transfers-in during the year	Increase in transfer value[4]
C. Ambler	£2,318	£2,318	£14,762	-	-	£14,762
M. Magee[5]	£4,530	£47,890	£548,646	£445,853	£8,875	£93,918
D. Padfield	£5,990	£82,681	£1,107,102	£908,573	£8,423	£190,106
R. Plaster	£4,741	£55,178	£577,393	£458,198	£8,423	£110,772

Notes
1. The increase in accrued pension during the year represents the additional accrued pension entitlement at the year end compared to the previous year end.
2. The pension entitlement shown is that which would be paid annually on retirement at age 65, based on service at the year end. A director who leaves early with a deferred pension entitlement has the right to receive his pension from age 60. In transfer value calculations it is assumed that the deferred pension commences at age 60.
3. The transfer values have been calculated using the basis and method appropriate at each accounting date.
4. The increase in transfer value over the year is after deduction of contributions made by the director during the year.
5. Along with all other Scheme members, directors have the option to pay Additional Voluntary Contributions (AVCs) to the Scheme to purchase additional final salary benefits. The AVCs paid by the directors and the resulting benefits are included in the above table.

Share Option Scheme / Long-Term Incentive Plan
There are no share option schemes, other share based schemes nor a long-term incentive plan operated by the Company.

External Appointments
The Company encourages executive directors to diversify their experience by accepting non-executive or other external appointments to companies or other organisations outside the Group. Such appointments are subject to the approval by the Board, which also determines the extent to which any fees may be retained by the director. At balance sheet date external appointments held by executive directors, excluding those directly connected with their employment by the Company, were as follows:

R. Plaster
Jersey Skills Board - Chair Fees £15,000 (£12,000 retained)

Governance

Remuneration Report

Non-Executive Directors' Remuneration

The remuneration of the non-executive directors is determined by the Board with the assistance, if required, of independent advice concerning comparable organisations and appointments. The non-executive directors who Chair the Audit, Nominations and Remuneration Committees, and those directors who are members of the Audit Committee, receive an additional fee due to the additional time involved.

Directors' Loans

The Company provides a loan to an executive director, M.Magee for the purchase of a property. The loan bears interest at base rate. The balance as at 30 September 2009 was £574,821 (2008 - £218,000).

Directors' Share Interests

The directors' beneficial interests in the shares of the Company at 30 September 2009, are shown below:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2009	2008	2009	2008
G. Grime	350	350	-	-
M. Liston	100	100	-	-
M. Magee	-	-	960	960
C. Evans	-	-	100	100
J. Arnold	150	150	100	100
C. Chaplin	300	300	-	-
D. Padfield	-	-	260	260
R. Plaster	-	-	700	600
	900	900	2,120	2,020

There have been no other changes in the interests set out above between 30 September 2009 and 17 December 2009. C. Evans has a beneficial shareholding in Omicron (Computer Systems) Limited (see note 12 – Foreshore Holdings Limited).

On behalf of the Board
C. CHAPLIN
Chairman
17 December 2009

Independent Auditors' Report

to the Shareholders of The Jersey Electricity Company Limited

We have audited the Group and individual Company financial statements (the 'financial statements') of The Jersey Electricity Company Limited for the year ended 30 September 2009 which comprise the consolidated income statement, the consolidated and individual Company balance sheets, the consolidated and individual Company cash flow statements, the consolidated and individual Company statements of recognised income and expenses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards ( ) as adopted for use in the European Union are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements. We also report to you if the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Directors and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

- In our opinion the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of affairs of the Company and the Group as at 30 September 2009 and of the profit of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte LLP

Deloitte LLP
Chartered Accountants
St Helier
17 December 2009

Financial Statements

Consolidated Income Statement

for the year ended 30 September 2009

	Notes	2009 £000	2008 £000
			(restated)
Revenue	3	93,594	82,222
Cost of sales		(66,903)	(55,968)
Gross profit		26,691	26,254
Revaluation of investment properties	11	(106)	294
Profit from sale of property		-	405
Operating expenses	4	(17,818)	(17,806)
Group operating profit before joint venture	6	8,767	9,147
Share of profit/(loss) of joint venture	12	(59)	46
Group operating profit	3	8,708	9,193
Interest receivable		577	1,086
Finance costs		(11)	(11)
Profit from operations before taxation		9,274	10,268
Taxation	7	(2,032)	(146)
Profit from operations after taxation		7,242	10,122
Minority interest	19	(38)	(48)
Profit for the year attributable to the equity holders of the parent company		7,204	10,074
Earnings per share			
- basic and diluted	9	£4.70	£6.58

Statements of Recognised Income and Expense

for the year ended 30 September 2009

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
		(restated)		(restated)
Profit for the year	7,204	10,074	7,225	10,072
Actuarial loss on defined benefit scheme (net of tax)	(9,163)	(4,874)	(9,163)	(4,874)
Fair value (loss)/gain on cash flow hedges (net of tax)	(830)	1,737	(830)	1,737
Total recognised income and expense for the year attributable to the equity holders of the parent	(2,789)	6,937	(2,768)	6,935

Note 2 provides details of the restatement of the prior year comparative figures. All results in the year have been derived from continuing operations.
The notes on pages 65 to 87 form an integral part of these accounts. The independent auditors' report is on page 61.

Balance Sheets

30 September 2009

		Group		Company	
		2009 £000	2008 £000	2009 £000	2008 £000
			(restated)		(restated)
Non-current assets					
Intangible assets	10	60	86	60	86
Property, plant and equipment	11	120,581	115,990	120,581	115,988
Investment property	11	12,529	12,635	12,529	12,635
Other investments	12	1,804	2,037	3,395	3,395
Long-term loans		-	-	600	750
Retirement benefit surplus	16	-	6,702	-	6,702
Total non-current assets		134,974	137,450	137,165	139,556
Current assets					
Inventories	13	6,069	6,102	6,001	6,041
Trade and other receivables	14	14,871	12,145	14,665	11,927
Derivative financial instruments	22	1,599	2,763	1,599	2,763
Short-term investments - cash deposits		8,200	11,025	8,200	11,025
Cash and cash equivalents		8,636	5,217	8,569	5,180
Total current assets		39,375	37,252	39,034	36,936
Total assets		174,349	174,702	176,199	176,492
Liabilities					
Trade and other payables	15	13,858	11,477	13,808	11,436
Derivative financial instruments	22	-	127	-	127
Current tax payable		1,698	1,346	1,698	1,346
Total current liabilities		15,556	12,950	15,507	12,909
Net current assets		23,819	24,302	23,527	24,027
Non-current liabilities					
Trade and other payables	15	14,676	13,959	14,676	13,904
Retirement benefit deficit		3,708	-	3,708	-
Financial liabilities - preference shares	17	235	235	235	235
Deferred tax liabilities	7	10,827	12,535	10,827	12,535
Total non-current liabilities		29,446	26,729	29,446	26,674
Total liabilities		45,002	39,679	44,953	39,583
Net assets		129,347	135,023	131,246	136,909
Equity					
Share capital	17	1,532	1,532	1,532	1,532
Other reserves	18	1,726	2,556	1,726	2,556
Retained earnings	18	126,074	130,928	127,988	132,821
Shareholders' funds		129,332	135,016	131,246	136,909
Minority interest	19	15	7	-	-
Total equity		129,347	135,023	131,246	136,909

Approved by the Board on 17 December 2009

G.J. GRIME
Director

M.P. MAGEE
Director

Note 2 provides details of the restatement of the prior year comparative figures. All results in the year have been derived from continuing operations.
The notes on pages 65 to 87 form an integral part of these accounts. The independent auditors' report is on page 61.

Cash Flow Statements

for the year ended 30 September 2009

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
		(restated)		(restated)
Cash flows from operating activities				
Operating profit	8,767	9,147	8,692	9,146
Depreciation and amortisation charges	7,828	6,950	7,826	6,949
Revaluation of investment property	106	(294)	106	(294)
Pension operating charge less contributions paid	(1,039)	(1,110)	(1,039)	(1,110)
Loss/(profit) on sale of fixed assets	24	(406)	24	(406)
Operating cash flows before movement in working capital	15,686	14,287	15,609	14,285
Decrease/(increase) in inventories	33	(1,471)	40	(1,485)
(Increase)/decrease in trade and other receivables	(2,841)	1,076	(2,849)	1,112
Increase in trade and other payables	2,950	954	2,951	933
Interest received	690	1,010	688	1,008
Preference dividends paid	(9)	(9)	(9)	(9)
Income taxes paid	(933)	(896)	(896)	(876)
Net cash flows from operating activities	15,576	14,951	15,534	14,968
Cash flows from investing activities				
Purchase of property, plant and equipment	(12,066)	(13,270)	(12,066)	(13,270)
Investment in intangible assets	(29)	(49)	(29)	(49)
Net proceeds from disposal of fixed assets	16	413	16	413
Repayment of long-term loan	150	109	150	109
Long-term investments	2,825	(7,270)	2,825	(7,270)
Net cash flows used in investing activities	(9,104)	(20,067)	(9,104)	(20,067)
Cash flows from financing activities				
Equity dividends paid	(2,907)	(2,426)	(2,895)	(2,267)
Net cash flows used in financing activities	(2,907)	(2,426)	(2,895)	(2,267)
Net increase in cash and cash equivalents	3,565	(7,542)	3,535	(7,366)
Cash and cash equivalents at beginning of year	5,071	12,613	5,034	12,400
Cash and cash equivalents at end of year	8,636	5,071	8,569	5,034
Overdraft (see note 15)	-	146	-	146
Cash and cash equivalents at end of year	8,636	5,217	8,569	5,180

Note 2 provides details of the restatement of the prior year comparative figures.
The notes on pages 65 to 87 form an integral part of these accounts. The independent auditors' report is on page 61.

Notes to the Financial Statements

for the year ended 30 September 2009

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2009 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies which have been applied consistently are:

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2009 comprises the Company and its subsidiaries.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, accompanying a shareholding that confers more than half of the voting rights.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The consolidated financial information includes the Group's share of the post-tax results and net assets under IFRS of associates and jointly controlled entities using the equity method of accounting since the Company exerts significant influence over it's associate and joint venture. Equity accounting is a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding that confers between 20% and 50% of the voting rights. Jointly controlled entities are those entities over which the Group has joint control with one or more other parties and over which there has to be unanimous consent by all parties to the strategic, financial and operating decisions.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement (see pages 6 to 7). The financial position of the Company, its cash flow and its liquidity position are described in the Financial Review (see pages 46 to 48). In addition, note 22 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Company has considerable financial resources together with a large number of customers both corporate and individual. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Foreign currencies

The functional and presentation currency of the Company is Sterling. Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Gains and losses arising on translation are included in net profit or loss for the period.

Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable and represents amounts for goods and services provided in the normal course of business. Revenues exclude the goods and services tax levied on our customers.

Notes to the Financial Statements

for the year ended 30 September 2009

The following specific criteria must also be met before revenue is recognised:

Energy supply

Revenue is recognised on the basis of energy supplied during the period. Revenue for energy supply includes an estimated assessment of energy supplied to customers between the date of the last meter reading and the balance sheet date, using historical consumption patterns.

Indefeasible rights of use (IRU) sales

With the connection of the Channel Islands Electricity Grid Ltd (CIEG) telecom network between Jersey, France and Guernsey, the Group has the ability to sell dark fibre to other telecom network operators seeking to extend their own networks through IRU agreements. Income from IRU's where an IRU agreement does not transfer substantially all the risks and benefits of ownership to the buyer or is deemed not to extend for substantially all of the assets' expected useful lives, is recognised on a straight-line basis over the life of the agreement, even when the payments are not received on such a basis. Where agreements extend for substantially all of the assets' expected useful lives and transfer substantially all the risks and benefits of ownership to the buyer the resulting profit/(loss) is recognised in the income statement as a gain/(loss) on disposal of fixed assets.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on the difference between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, on a non-discounted basis, and is charged in the income statement, except where it relates to items charged or credited to equity via the statement of recognised income and expense, in which case the deferred tax is also dealt with in that statement.

Intangible assets

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their operational lives. Costs directly associated with the development of computer software programmes that will generate economic benefits over a period in excess of one year are capitalised and amortised over their estimated operational lives. Costs include employee costs relating to software development and an appropriate proportion of directly attributable overhead. Amortisation is charged on a straight-line basis over its expected useful operational life which is estimated to be over 3 years.

Property, plant and equipment

Property, plant and equipment excludes investment property and are stated at cost and are depreciated on the straight-line method to their expected residual values over their estimated operational lives. Property, plant and equipment include capitalised employee, interest and other costs that are directly attributable to construction of these assets.

Depreciation is charged as follows:

Buildings	up to 50 years
Interlinks	up to 25 years
Plant, mains cables and services	up to 33 years
Fixtures and fittings	up to 10 years
Computer equipment	up to 4 years
Vehicles	up to 10 years

Notes to the Financial Statements

for the year ended 30 September 2009

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Capital grants and customer contributions in respect of additions to plant are treated as deferred income within noncurrent liabilities and released to the income statement over the estimated operational lives of the related assets.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews its tangible and intangible assets to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any applicable impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Investment Property

Investment property is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. The Group's policy on freehold properties is to include it as an investment property when it is fully occupied by external tenants.

Other Investments

The results and assets and liabilities of associates and joint ventures are incorporated using the equity method. Investments in associates and joint ventures are therefore carried in the balance sheet at cost as adjusted by changes in the Group's share of net assets, less any impairment in the value of individual investments.

Operating leases

Rentals payable under operating leases, where a significant portion of the risks and rewards of ownership are retained by the lessors, are charged to the income statement on a straight-line basis over the period of the leases.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour and overheads that have been incurred in bringing the inventories to their location and condition at year end. Cost is calculated using the average method with the exception of fuel oil which is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial Instruments

Cash and cash equivalents

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

Short-term investments

Short-term investments comprise cash deposits with a maturity greater than three months.

Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Notes to the Financial Statements
for the year ended 30 September 2009

Financial Instruments continued

Derivative Financial Instruments
Changes in the fair value of derivative financial instruments which are designated as hedges of future cash flows are recognised directly in equity and any ineffective portion is recognised immediately in the income statement. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Dividends
Dividends are recorded in the Group's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Retirement benefits
The Group provides pensions through a defined benefit scheme. The cost of providing benefits is determined using the projected unit credit method, with full actuarial valuations being carried out at a minimum every three years. Actuarial gains and losses are recognised in full, directly in retained earnings in the period in which they occur and are shown in the statement of recognised income and expense. The net figure derived from the current service cost element of the pension charge, the expected return on pension scheme assets and interest on pension scheme liabilities is deducted in arriving at operating profit. Retirement benefits recorded in the balance sheet represent the net financial position of the Group's defined pension scheme and the net liability in the Group's other post-retirement benefit arrangements, principally healthcare liabilities.

Accounting developments
In preparing these Accounts, the Group has applied all relevant IFRS, IAS and Interpretations issued by the IFRIC which have been adopted by the EU as of the date of approval of these Accounts. The Group does not expect that the adoption, in the future, by the EU of other IAS, IFRS and interpretations of the IFRIC, issued by the IASB but not yet approved by the EU, will have a material effect on the Group's results and financial position.

Notes to the Financial Statements

for the year ended 30 September 2009

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9	Financial Instruments
IAS 24 (revised November 2009)	Related Party Disclosures
Improvements to IFRS 2009 (April 2009)	Improvements to IFRS 2009
Amendments to IFRIC 9 and IAS 39 (March 2009)	Embedded Derivatives
Amendments to IFRS 7 (March 2009)	Improving Disclosures about Financial Instruments
IFRS 1 (revised November 2008)	First-time Adoption of International Financial Reporting Standards
IFRS 3 (revised January 2008)	Business Combinations
Amendments to IAS 23 (March 2007)	Borrowing Costs
Amendments to IAS 1 (September 2007)	Presentation of Financial Statements
Amendments to IAS 27 (January 2008)	Consolidated and Separate Financial Statements
Amendments to IAS 32 and IAS 1 (February 2008)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27 (May 2008)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IAS 39 (July 2008)	Eligible Hedged Items
IFRS 8	Operating Segments
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 18	Transfers of Assets from Customers

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, other than IAS 1 which will impact the format of the primary statements and IFRS 7 which will require additional disclosure around the fair value of derivatives.

Notes to the Financial Statements
for the year ended 30 September 2009

2 Critical Accounting Judgements
In preparing the financial statements in conformity with IFRS, the directors are required to make estimates and assumptions that impact on the reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates. Certain of the Group's accounting policies have been identified as requiring critical accounting judgements or involving particularly complex or subjective decisions or assessments. These are discussed below and have been determined by Group's senior management and approved by the Audit Committee and should be read in conjunction with 'Accounting Policies'.

i Revenue
The assessment of energy sales to customers is based on meter readings, which are carried out on a systematic basis throughout the year. At the end of each accounting period, amounts of energy delivered to customers since the last billing date are estimated taking into account energy acquired and estimating system losses and the corresponding unbilled revenue is estimated and recorded as sales. Unbilled revenues included within trade and other receivables in the balance sheets relating to such customers at 30 September 2009 amounted to £5.3m (2008: £2.5m). The methodology employed to calculate the total number and value of the unbilled units at each period end has been regularly refined as there is a degree of estimation in the process. During the most recent review in early 2009 an error in the methodology was established and the method of calculation altered and this is reflected in the figures for this financial year. The 2008 comparatives were restated resulting in an increase in revenues and profit before tax of £0.3m. The reserves were adjusted by £1.5m, net of tax, to reflect the same prior year error in the periods 2002 to 2007 inclusive.

ii Impairment of property, plant, equipment and investments
In certain circumstances, accounting standards require property, plant, equipment and investments to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the future cash flows of the relevant Cash Generating Unit (CGU), or disposal value if higher. The discount rate applied is based on the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgement and are consistent with management's plans and forecasts.

iii Retirement benefit obligations
The Group provides pensions through a defined benefits scheme for its employees which is accounted for in accordance with IAS 19 'Employee Benefits'. The expense and balance sheet items relating to the Group's accounting for pension schemes under IAS 19 are based on actuarial valuations. Inherent in these valuations are key assumptions, including discount rates, earnings' increases, mortality rates and inflation. These actuarial assumptions are reviewed annually in line with the requirements of IAS 19 and are based on prior experience, market conditions and the advice of the scheme actuaries.

The Group chooses a discount rate which reflects yields on high quality, fixed-income investments. The discount rate used in 2009 was 5.5% and in 2008 was 7%. If, for example, the discount rate applied to the liabilities had been 5.8%, which is a rate we would have been likely to have utilised if the scheme was undergoing its triennial actuarial revaluation, rather than the 5.5% advised by our actuaries under IAS 19 for 2009, the IAS 19 net deficit of £3m would have been eliminated. However if a discount rate of 5% was applied the scheme net deficit would rise from £3m to approximately £8m.

Notes to the Financial Statements

for the year ended 30 September 2009

3 Turnover and profit

The contributions of the various activities of the Group to turnover and profit are listed below:

	2009 External £000	2009 Internal £000	2009 Total £000	2008 External £000	2008 Internal £000	2008 Total £000
Revenue						
Energy	73,123	267	73,390	62,063	271	62,334
Building Services	3,569	184	3,753	3,402	172	3,574
Retail	12,954	60	13,014	13,135	51	13,186
Property	1,840	691	2,531	1,659	678	2,337
Other	2,108	574	2,682	1,963	723	2,686
	93,594	1,776	95,370	82,222	1,895	84,117
InterGroup elimination			(1,776)			(1,895)
Revenue			93,594			82,222
Operating profit						
Energy			6,679			6,277
Building Services			176			274
Retail			292			450
Property			1,263			953
Other			404			540
Operating profit before property revaluation/sale			8,814			8,494
Revaluation of investment properties			(106)			294
Profit from sale of property			-			405
Operating profit			8,708			9,193
Other gains and losses						
Interest receivable			577			1,086
Finance costs			(11)			(11)
Profit from operations before taxation			9,274			10,268
Taxation			(2,032)			(146)
Profit from operations after taxation			7,242			10,122
Minority interest			(38)			(48)
Profit for the year			7,204			10,074

Materially, all the Group's operations are conducted within the Channel Islands. All transfers between divisions are at arms-length basis.

Notes to the Financial Statements

for the year ended 30 September 2009

Operating assets, liabilities, capital additions and depreciation/amortisation are analysed as follows:

	2009 Assets £000	2009 Liabilities £000	2008 Assets £000	2008 Liabilities £000	2009 Net capital additions £000	2009 Depreciation/ amortisation £000	2008 Net capital additions £000	2008 Depreciation/ amortisation £000
Energy	119,308	(24,847)	113,268	(21,672)	11,617	6,948	12,864	6,058
Building Services	664	(200)	645	(416)	76	32	134	23
Retail	3,438	(597)	3,731	(572)	32	141	7	139
Property	31,438	(366)	32,044	(395)	923	694	448	719
Other	561	(1,651)	697	(1,928)	16	13	3	10
Unallocated	18,940	(17,341)	24,317	(14,696)	-	-	-	-
	174,349	(45,002)	174,702	(39,679)	12,664	7,828	13,456	6,949

Unallocated assets includes cash deposits, investments and the retirement benefit obligation surplus. Unallocated liabilities includes deferred and current taxation. Capital additions for the 'Property' segment includes £(106)k (2008:£294k) for revaluation of investment properties.

4 Operating expenses

	2009 £000	2008 £000
Distribution costs	10,246	9,698
Administration expenses	7,572	8,108
	17,818	17,806

5 Directors and employees

Detailed information in respect of directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Report on pages 58 to 60. The number of persons employed by the Group (including non-executive directors) at 30 September was as follows:

	2009 Number	2008 Number
Energy	187	192
Other businesses	145	145
Trainees	7	4
	339	341

The aggregate payroll costs of these persons were as follows:

	2009 £000	2008 £000
Wages and salaries	13,829	12,298
Social security costs	698	651
Pension - current service costs	779	665
	15,306	13,614
Capitalised manpower costs	(1,233)	(1,172)
	14,073	12,442

Notes to the Financial Statements

for the year ended 30 September 2009

6 Group operating profit before joint ventures

Operating profit is after charging:

	2009 £000	2008 £000
Auditors' remuneration for audit services	66	56
Auditors' remuneration for non - audit services	16	10
Operating lease charges	102	99
Depreciation of property, plant and equipment	7,773	6,904
Amortisation of intangible assets	55	45

7 Tax on profit on ordinary activities

		2009 £000	2008 £000
Current tax			
Jersey Income Tax	ordinary activities	1254	511
	adjustments in respect of prior periods	28	(12)
Total current tax		1282	499
Deferred tax			
Adjustments in respect of prior periods		-	95
Current year		750	(448)
Total tax on profit on ordinary activities		2,032	146

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of Jersey Income Tax to the profit before tax is as follows:

	2009 £000	2008 £000
Profit on ordinary activities before tax	9,274	10,268
Tax on profit on ordinary activities at standard income tax rate of 20% (2008 - 20%)	1,855	2,054
Effects of:		
Adjustments in respect of prior periods	28	83
Expenses not deductible	29	29
Income not taxable	(105)	(259)
Change in Jersey tax rules	-	(1,972)
Non-qualifying depreciation	231	222
Losses of Group undertakings not available for tax relief	(6)	(10)
Group total tax charge for year	2,032	146

Notes to the Financial Statements

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Deferred Tax

The following is the major deferred tax assets/liabilities recognised by the Group and Company.

	2009 £000	2008 £000
Group and Company		
Accelerated capital allowances	11,249	10,666
Derivative financial instruments	320	527
Pensions	(742)	1,342
Provisions for deferred tax	10,827	12,535

Deferred tax movements in the year

	2009 £000	2008 £000
Group and Company		
At 1 October 2008	12,535	13,670
Charged to income statement	750	(353)
Charged to SoRIE	(2,458)	(782)
At 30 September 2009	10,827	12,535

The deferred tax asset of Foreshore Limited has not been recognised in these accounts as Group relief is not applicable.

Current Tax

With effect from the 2009 year of assessment the standard rate of income tax for Jersey companies has changed. For the period ended 30 September 2009 and subsequent periods, the Company will be taxable at the rate applicable to utility companies of 20%. The comparative figures have been prepared using the previous standard rate of tax of 20% based on average profits under the provisions for transition to a current year basis of taxation.

Notes to the Financial Statements

for the year ended 30 September 2009

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2009	2008	2009	2008
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	£1.12	£0.75	1,716	1,149
	interim for current year	£0.77	£0.73	1,179	1,118
		£1.89	£1.48	2,896	2,267
Dividend proposed	final for current year	£1.18	£1.12	1,808	1,716

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of £4.81 (2009 - £6.58) are calculated on the Group profit, after taxation, of £7,204,000 (2008- £10,074,000), and on the 1,532,000 (2008 - 1,532,000) Ordinary and 'A' Ordinary shares in issue during the financial year. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets (Group and Company)

	Computer Software £000
Cost as at 1 October 2008	420
Additions	29
Disposals	(48)
At 30 September 2009	401
Amortisation	
At 1 October 2008	334
Charge for year	55
Disposals	(48)
At 30 September 2009	341
Net book value	
At 30 September 2009	60
Net book value	
At 30 September 2008	86
Cost as at 1 October 2007	379
Reclassification	(8)
Additions	49
At 30 September 2008	420
Amortisation	
At 1 October 2007	297
Reclassification	(8)
Charge for year	45
At 30 September 2008	334
Net book value	
At 30 September 2008	86
Net book value	
At 30 September 2007	82

The above charges are included within operating expenses.

Notes to the Financial Statements

for the year ended 30 September 2009

11 Property, plant, equipment and investment opportunities

The Group	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures fittings vehicles etc £000	Interlinks £000	Total £000	Investment properties £000
Cost or valuation								
At 1 October 2008	25,827	8,967	107,030	52,911	13,467	39,670	247,872	12,635
Expenditure	1,018	-	3,757	5,348	893	1,725	12,741	-
Reclassification	(27)	27	(286)	286	-	-	-	-
Revaluation	-	-	-	-	-	-	-	(106)
Disposals	(390)	(14)	(32)	(448)	(436)	-	(1,320)	-
At 30 September 2009	26,428	8,980	110,469	58,097	13,924	41,395	259,293	12,529
Depreciation								
At 1 October 2008	4,741	3,779	76,213	16,253	9,071	21,825	131,882	-
Charge for the year	555	216	3,286	1,599	1,000	1,117	7,773	-
Reclassifications	(17)	17	(60)	60	-	-	-	-
Disposals	(46)	(3)	(22)	(448)	(424)	-	(943)	-
At 30 September 2009	5,233	4,009	79,417	17,464	9,647	22,942	138,712	-
Net book value at 30 September 2009	21,195	4,971	31,052	40,633	4,277	18,453	120,581	12,529
Net book value at 30 September 2008	21,086	5,188	30,817	36,658	4,396	17,845	115,990	12,635

The Company	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures fittings vehicles etc £000	Interlinks £000	Total £000	Investment properties £000
Cost or valuation								
At 1 October 2008	25,827	8,967	107,030	52,911	13,436	39,670	247,841	12,635
Expenditure	1,018	-	3,757	5,348	893	1,725	12,741	-
Reclassification	(27)	27	(286)	286	-	-	-	-
Revaluation	-	-	-	-	-	-	-	(106)
Disposals	(390)	(14)	(32)	(448)	(436)	-	(1,320)	-
At 30 September 2009	26,428	8,980	110,469	58,097	13,893	41,395	259,262	12,529
Depreciation								
At 1 October 2008	4,741	3,779	76,213	16,253	9,042	21,825	131,853	-
Charge for the year	555	216	3,286	1,599	998	1,117	7,771	-
Reclassification	(17)	17	(60)	60	-	-	-	-
Disposals	(46)	(3)	(22)	(448)	(424)	-	(943)	-
At 30 September 2009	5,233	4,009	79,417	17,464	9,616	22,942	138,681	-
Net book value at 30 September 2009	21,195	4,971	31,052	40,633	4,277	18,453	120,581	12,529
Net book value at 30 September 2008	21,086	5,188	30,817	36,658	4,394	17,845	115,988	12,635

a No depreciation is charged on freehold land.

b The Group and Company reassessed the remaining useful lives of it's assets during the year. This incurred an accelerated depreciation charge of £461,000 within plant. The estimated increase in the annual depreciation charge for the year ended 30 September 2010 as a result of this charge is £49,000.

c Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2009 by qualified valuers. Such properties are not depreciated. The rental income arising from the properties during the year was £759,000, (2008; £754,000).

Notes to the Financial Statements

for the year ended 30 September 2009

The Group	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures fittings vehicles etc £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2007	25,798	8,967	101,397	47,009	13,083	39,153	235,407	12,340
Expenditure	36	-	5,642	6,154	764	517	13,113	-
Reclassification	(1)	-	-	-	8	-	7	1
Revaluation	-	-	-	-	-	-	-	294
Disposals	(6)	-	(9)	(252)	(388)	-	(655)	-
At 30 September 2008	25,827	8,967	107,030	52,911	13,467	39,670	247,872	12,635
Depreciation								
At 1 October 2007	4,200	3,589	73,481	15,168	8,471	20,708	125,617	-
Charge for the year	547	190	2,741	1,337	972	1,117	6,904	-
Reclassification	-	-	-	-	8	-	8	-
Disposals	(6)	-	(9)	(252)	(380)	-	(647)	-
At 30 September 2008	4,741	3,779	76,213	16,253	9,071	21,825	131,882	-
Net book value at 30 September 2008	21,086	5,188	30,817	36,658	4,396	17,845	115,990	12,635
Net book value at 30 September 2007	21,598	5,379	27,916	31,840	4,612	18,445	109,790	12,340

The Company	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures fittings vehicles etc £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2007	25,798	8,967	101,397	47,009	13,052	39,153	235,376	12,340
Expenditure	36	-	5,642	6,154	764	517	13,113	-
Reclassification	(1)	-	-	-	8	-	7	1
Revaluation	-	-	-	-	-	-	-	294
Disposals	(6)	-	(9)	(252)	(388)	-	(655)	-
At 30 September 2008	25,827	8,967	107,030	52,911	13,436	39,670	247,841	12,635
Depreciation								
At 1 October 2007	4,200	3,589	73,481	15,168	8,442	20,708	125,588	-
Charge for the year	547	190	2,741	1,337	972	1,117	6,904	-
Reclassification	-	-	-	-	8	-	8	-
Disposals	(6)	-	(9)	(252)	(380)	-	(647)	-
At 30 September 2008	4,741	3,779	76,213	16,253	9,042	21,825	131,853	-
Net book value at 30 September 2008	21,086	5,188	30,817	36,658	4,394	17,845	115,988	12,635
Net book value at 30 September 2007	21,598	5,379	27,916	31,840	4,610	18,445	109,788	12,340

***Investment Properties**

The B&Q lease is a fully-repairing lease with a 48 year term and a tenant-only break option on the 23rd anniversary.
The medical centre lease is an internal repairing lease with a 30 year term and break options at 15, 20 and 25 year anniversaries.
The La Pepiniere properties comprise 4 houses and two bedsits which are let out on licences or leases with terms no greater than one year.
The minimum lease payments are detailed on note 21.

Notes to the Financial Statements
for the year ended 30 September 2009

12 Other investments

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Subsidiary undertaking (a)	-	-	-	477
Associate (b)	-	-	-	-
Joint venture (b)	1,799	2,032	2,913	2,913
Other investments (c)	5	5	5	5
	1,804	2,037	2,918	3,395

Earnings per Ordinary share
The Company has investments in the following subsidiary undertaking, associate, joint venture and other investments which principally affected the profits or net assets of the Group.

	Country of incorporation or principal business address	Principal activity	Shareholdings	% Holding	Financial year end
Subsidiary undertaking:					
Jersey Deep Freeze Limited	Jersey	Sale and maintenance of refrigeration equipment	60 Ordinary	60	31 January
Associate:					
Newtel Holdings Limited	Jersey	Telecommunications operator	39,600 Ordinary	34	31 March
			85,714 Preference	100	
Joint venture:					
Foreshore Holdings Limited	Jersey	Data internet hosting	50 Ordinary	50	31 December
Other investments:					
Channel Islands Electricity Grid Limited	Jersey	Joint venture	5,000 Ordinary	50	30 November

Jersey Deep Freeze Limited
The Company owns 60% of the issued ordinary share capital of Jersey Deep Freeze Limited, a Jersey company whose principal business is the sale and maintenance of refrigeration equipment to commercial businesses. The results are consolidated into these Group financial statements on a management accounts basis.

Newtel Holdings Limited
The investment in 34% of the share capital of Newtel Holdings Limited is accounted for as an associate. Newtel is a Channel Islands telecommunications operator. The investment in Newtel Holdings Limited was previously fully written off as at 31 March 2004. In the year to 30 September 2009 and in the period from 1 April 2004 to 30 September 2009 our share of losses amounting to £0.9m and £4.5m respectively have not been consolidated as this is not required under the method of equity accounting, as the Company is not required to make any contribution to make good these losses.

Notes to the Financial Statements

for the year ended 30 September 2009

Foreshore Holdings Limited

The partners in the Joint Venture are the Company (50%), Raymora Limited (37.5%) and Omicron (Computer Systems) Limited (12.5%). Foreshore Holdings Limited operate managed computer hosting facilities in the Powerhouse building on the Queens Road site occupied by the Jersey Electricity Company Limited. To date, the Company has invested £4,613,000 in the project, in the form of unsecured loans, and the trading results accounted for under joint venture accounting on a management accounts basis is £59,000 loss (2008- £46,000 profit). The Company has acted as guarantor for Foreshore Holdings Limited for an overdraft to the value of £175,000.

Channel Islands Electricity Grid Limited (CIEG)

The joint arrangement between the Company and Guernsey Electricity Limited for the installation of a second interconnector system between France, Jersey and Guernsey required a control point through which the interconnector project manager could communicate and also, to be the customer which Electricite de France would invoice for their energy sales. CIEG, a company jointly owned and managed on a 50/50 basis by the Company and Guernsey Electricity Limited, was established in July 1998 to deal with these aspects and also to manage the way in which the second interconnector would be operated. The Company's interest in CIEG is accounted for as a joint venture under international Accounting Standard 31 'Interests in Joint Ventures'.

a Subsidiary undertaking

Cost	£000
At 1 October 2008 and 30 September 2009	477

b Associate/joint venture

	Company Associate £000	Company Joint Venture £000
Net book value at 1 October 2008 and 30 September 2009	-	2,913

The following information is given in respect of the Group's share of its associate and joint venture.

	Joint Venture		Associate	
	2009 £000	2008 £000	2009 £000	2008 £000
Turnover	2,048	2,048	2,695	2,758
Fixed assets	306	348	1,957	2,628
Current assets	358	333	472	469
Liabilities due within one year	815	768	2,018	1,663
Liabilities due after one year or more	3,244	3,244	3,919	4,672
Profit/(loss) in the year	(59)	46	(870)	(889)

c Other investments and loans

	Group and Company Other investments
Cost	£000
At 1 October 2008 and 30 September 2009	5

Notes to the Financial Statements

for the year ended 30 September 2009

13 Inventories

The amounts attributed to the different categories are as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Fuel oil	3,435	3,728	3,435	3,728
Commercial stocks and work in progress	1,921	1,652	1,853	1,591
Generation, distribution spares and sundry	713	722	713	722
	6,069	6,102	6,001	6,041

14 Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts receivable within one year				
		(restated)		(restated)
Trade receivables	8,841	5,273	8,635	5,055
Prepayments and accrued income	1,557	1,390	1,557	1,390
Other receivables	3,794	2,995	3,794	2,995
	14,192	9,658	13,986	9,440
Amounts receivable after more than one year:				
Secured loan accounts	679	284	679	284
Total trade and other receivables	14,871	9,942	14,665	9,724

Included within secured loan accounts are loans to employees and a director. See the Remuneration Report for disclosure of the director's loan. Included in trade receivables within one year is £67,000 (2008 - £43,000) due from Foreshore Limited. See note 2 for prior year adjustments for unbilled units in trade receivables.

15 Trade and other payables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts falling due within one year:				
Trade payables	983	853	983	853
Bank overdraft	-	146	-	146
Other payables including taxation and social security	4,810	3,647	4,760	3,606
Accruals and deferred revenue	8,065	6,831	8,065	6,831
	13,858	11,477	13,808	11,436
Amounts falling due after more than one year:				
Accruals	432	539	432	484
Deferred income - includes capital contributions from customers	14,244	13,420	14,244	13,420
	14,676	13,959	14,676	13,904

Notes to the Financial Statements

for the year ended 30 September 2009

16 Pensions

The Company operates a defined benefit pension scheme known as the Jersey Electricity Pension Scheme, which provides benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the Company, in an independently administered trust fund. The latest actuarial valuation of the scheme was carried out as at 31 December 2006. The results of this actuarial valuation showed that the market value of the scheme's assets was £69.2m and there was a surplus relative to the funding target of £2.5m. This corresponds to a funding target ratio of 104%. The long-term contribution rates of the Company and the employees are 19.2% and 6% of pensionable salaries respectively. The contribution rate is determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The disclosures below have been prepared in relation to benefits payable from the Jersey Electricity Pension Scheme.

Regular employer contributions to the Scheme in 2009 were £1,818,000 (2008: £1,844,000). Additional employer contributions may be required if there are any augmentations during the year but none were applicable in this financial year.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 December 2006 updated by an independent qualified actuary to assess the liabilities of the scheme as at 30 September 2009. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, but outside the income statement, through the statement of recognised income and expenses (SoRIE).

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS19 are set out below:

Key financial assumptions:	2009 % pa	2008 % pa	2007 % pa
Discount rate	5.5	7.0	7.0
Rate of increase in salaries	4.5	5.2	5.2
Price inflation	3.5	3.7	3.7
Pension increases	-	-	-

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 27.7 years if they are male and for a further 29.7 years if they are female. The corresponding figures used for disclosures at 30 September 2008 were 27.3 if they are male and 29.9 years if they are female.

For a member who retires in 2029 at age 60 the assumptions are that they will live on average for a further 30.4 years after retirement if they are male and for a further 32.3 years after retirement if they are female. The corresponding figures used for disclosures at 30 September 2008 were 29.3 for current active males and 31.2 for current active females.

Expected rates of return on assets:	Long-term rate of return expected at 30 September 2009 pa*	Value at 30 September 2009 £000	Long-term rate of return expected at 30 September 2008 pa*	Value at 30 September 2008 £000	Long-term rate of return expected at 30 September 2007 pa*	Value at 30 September 2007 £000
Equities	7.9%	50,300	7.7%	35,478	7.9%	45,440
Fixed interest guilts	4.0%	8,078	-	-	-	-
Corporate bonds	5.3%	15,169	6.2%	18,963	5.6%	20,320
Property	6.9%	1,795	-	-	-	-
Other	0.5%	(6,232)	5.0%	9,387	6.25%	8,016
Combined	7.5%**	69,110	6.9%*	63,828	7.1%*	73,776

*The expected return on assets by asset category is not a required IAS 19 disclosure item (only the total rate needs to be disclosed).

**The overall expected trate of return on scheme assets is a weighted average of the individual expected rates of return on each asset class.

Notes to the Financial Statements
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Jersey Electricity Company Limited employs a building block approach in determining the long-term rate of return on Scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected return for each asset class over the actual asset allocation for the Scheme as at 30 September 2009.

Reconciliation of funded status to balance sheet:	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of Scheme assets	69,110	63,828	73,776	66,658	58,393
Present value of Scheme liabilities	(72,818)	(57,126)	(62,092)	(62,869)	(59,118)
(Deficit)/surplus in Scheme	(3,708)	6,702	11,684	3,789	(725)
Related deferred tax liability	742	(1,340)	(2,337)	(758)	145
Net pension liability/(asset)	(2,966)	5,362	9,347	3,031	(580)

The analysis of the income statement charge for 2009:	2009 £000	2008 £000
Current service cost	1,075	1,401
Past service cost	-	713
Interest cost	3,941	3,662
Expected return on Scheme assets	(4,237)	(5,111)
Expense recognised in the income statement	779	665

The movement in changes to the present value of the Scheme liabilities during the year were:	2009 £000	2008 £000
Opening defined benefit obligation	57,126	62,092
Current service cost	1,075	1,401
Interest cost	3,941	3,662
Contributions by Scheme participants	603	597
Actuarial (gains)/losses on Scheme liabilities*	13,401	(8,881)
Net benefits paid out	(3,328)	(2,458)
Past service cost	-	713
Closing defined benefit obligation	72,818	57,126

*Includes changes to the actuarial assumptions.

History of asset values, defined benefits obligations, surplus/deficit in Scheme and experience gains and losses	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of Scheme assets	69,110	63,828	73,776	66,658	58,393
Defined benefits obligation	(72,818)	(57,126)	(62,092)	(62,869)	(59,118)
(Deficit)/surplus in Scheme	(3,708)	6,702	11,684	3,789	(725)

History of experience gains and losses	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Experience gains/(losses) on Scheme assets	1,952	(14,973)	3,371	3,966	6,788
Experience losses on Scheme liabilities†	(244)	(596)	(3,616)	(108)	(17)

†This item consists of losses in respect of liability experience only - and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

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for the year ended 30 September 2009

Changes to the fair value of Scheme assets during the year	2009 £000	2008 £000
Opening fair value of Scheme assets	63,828	73,776
Expected return on Scheme assets	4,237	5,111
Actuarial (losses)/gains on Scheme assets	1,952	(14,973)
Contributions by the employer	1,818	1,775
Contributions by Scheme participants	603	597
Net benefits paid out	(3,328)	(2,458)
Closing fair value of Scheme assets	69,110	63,828

Actual return on Scheme assets	2009 £000	2008 £000
Expected return on Scheme assets	4,237	5,111
Actuarial (losses)/gains on Scheme assets	1,952	(14,973)
Actual return on Scheme assets	6,189	(9,862)

Analysis of amounts recognised in SoRIE	2009 £000	2008 £000
Total actuarial losses in SoRIE	(11,449)	(6,092)
Cumulative amount of losses recognised in SoRIE	(4,860)	6,589

17 Called up share capital

	Authorised 2009 £000	Issued and fully paid 2009 £000	Authorised 2008 £000	Issued and fully paid 2008 £000
'A' Ordinary shares £1 each	1,250	582	1,250	582
Ordinary shares £1 each	1,500	950	1,500	950
	2,750	1,532	2,750	1,532
5% Cumulative participating preference shares £1 each	100	100	100	100
3.5% Cumulative non-participating preference shares £1 each	150	135	150	135
	250	235	250	235

Equity shares

A' Ordinary shares entitle the holder to 1 vote for every 5 shares held whereas the Ordinary shares carry voting rights of 1 vote for each share held.

Preference shares

Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2008: £9,000).

Notes to the Financial Statements
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18 Reconciliation of movements in equity

The Group	Share capital £000	Other reserves* £000	Retained earnings £000	Total reserve £000
At 1 October 2008	1,532	2,556	130,928	135,016
Total recognised income and expense for the year	-	-	7,204	7,204
Unrealised losses on hedges	-	(830)	-	(673)
Actuarial loss on defined benefit scheme	-	-	(9,163)	(9,163)
Equity dividends	-	-	(2,895)	(2,895)
At 30 September 2009	**1,532**	**1,726**	**126,074**	**129,332**
			(restated)	(restated)
At 1 October 2007	1,532	819	127,995	130,346
Total recognised income and expense for the year	-	-	10,074	10,074
Unrealised gains on hedges	-	1,737	-	1,737
Actuarial gain on defined benefit scheme	-	-	(4,874)	(4,874)
Equity dividends	-	-	(2,267)	(2,267)
At 30 September 2008	**1,532**	**2,556**	**130,928**	**135,016**

The Company	Share capital £000	Other reserves* £000	Retained earnings £000	Total reserve £000
At 1 October 2008	1,532	2,556	132,821	136,909
Total recognised income and expense for the year	-	-	7,225	7,225
Unrealised losses on hedges	-	(830)	-	(673)
Actuarial loss on defined benefit scheme	-	-	(9,163)	(9,163)
Equity dividends	-	-	(2,895)	(2,895)
At 30 September 2009	**1,532**	**1,726**	**127,988**	**131,246**
			(restated)	(restated)
At 1 October 2007	1,532	819	129,890	132,241
Total recognised income and expense for the year	-	-	10,072	10,072
Unrealised gains on hedges	-	1,737	-	1,737
Actuarial gain on defined benefit scheme	-	-	(4,874)	(4,874)
Equity dividends	-	-	(2,267)	(2,267)
At 30 September 2008	**1,532**	**2,556**	**132,821**	**136,909**

The profit for the Company for the year ended 30 September 2009 was £7,225,000 (2008: £10,072,000). The revenue for the Company was £92,491,000 (2008: £81,087,000), with finance costs of £12,000 (2008: £11,000) and tax expense of £1,806,000 (2008: £926,000).

No separate Company only income statement has been presented as it is not fundamental to the overall consideration of the Group and the key results of the Company have been detailed above.

*The other reserve comprises the foreign currency hedging reserve of £1,278,000 (2008: £2,108,000) and the revaluation reserve of £448,000 (£448,000).

Notes to the Financial Statements

for the year ended 30 September 2009

19 Minority interest

Equity	2009 £000	2008 £000
At 1 October 2008	7	75
Profit on ordinary activities after taxation	38	48
Dividends paid	(30)	(116)
At 30 September 2009	15	7

20 Financial commitments

	2009 £000	2008 £000
a Capital expenditure:		
Approved by the directors but not yet contracted for	10,949	17,705
Approved expenditure outstanding	-	-
	10,949	17,705
b Current rental commitments under operating leases are as follows:		
Payable within one year	93	93
After one year but within five years	85	139
After five years	-	-
	178	232

21 Leasing

The Group leases out all its investment properties and certain other freehold properties under operating leases. The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2009 £000	2008 £000
Less than one year	506	449
Greater than one year and less than five years	16	25
More than five years	727	777
	1,249	1,251

22 Financial instruments and risk management

Group and Company:

The primary financial risk faced by the Group is foreign exchange exposure as the largest single cost in the Income Statement is the importation of electricity from Europe that is denominated in Euros.

Foreign exchange risk

The Group utilises currency derivatives to hedge its future purchases of power from France which currently extend to the next two calendar years.

At the balance sheet date, total notional amount of outstanding forward foreign exchange contracts that the Group has committed are as below.

Forward foreign exchange and foreign exchange option contracts	2009 £000	2008 £000
Less than one year	39,781	37,064
Greater than one year and less than five years	914	-
	40,695	37,064

Notes to the Financial Statements

for the year ended 30 September 2009

At 30 September 2009, the fair value of the Group's currency derivatives is estimated to be approximately £1.6m (2008: £2.6m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amount to £1.6m (2008: £2.6m) has been deferred in equity. In the current period amounts of £1.8m (2008: £0.3m) were credited to equity and £2.6m (2008:£0.2m) recycled to the income statement. Gains and losses on the derivatives are recycled through the hedged income statement at the time the purchase of power is recognised in the income statement.

Currency exposures

The Group's currency exposure at 30 September 2009, taking into account the effect of forward contracts placed to manage such exposures, was £3.2m (2008: £2.2m) being the translated Euro liability due for imports made in September but payable in October.

Credit risk

The Group's principal financial assets are cash and cash equivalents, short-term investments, trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Allowances are made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The trade debtors at 30 September 2009 outside the 30 day credit terms were £113,000 (2008: £278,000).

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit- rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities and commitments so that cashflows are appropriately balanced and all financial obligations are met when due.

Maturity analysis of liabilities at 30 September	2009 £000	2008 £000
Less than one year	15,556	12,950
More than one year and less than five years	29,446	26,729
More than five years	-	-
	45,002	39,679

Interest rate risk

The Group has held cash balances throughout the financial year. The goal is to achieve a return that is as close to the prevailing base rate level as possible.This is achieved by checking rates with two banks whilst taking into account the guidelines agreed by the Board where the total amount is between £12m and £20m, the maximum limit will be £5m, with a maximum term of up to one year. The combined cash and cash equivalents and short-term investments total at 30 September 2009 was £16.8m (2008:£16.1m). The weighted average rate of interest was 3.24% (2008: 5.84%).

Maturity of financial assets and liabilities

The financial assets of the Group comprise deposits placed on the money market with banks which all expire in less than one year. The maturity profile of the Group's financial assets and liabilities at 30 September was as follows:

	2009 £000	2008 £000
Less than 3 months: cash and cash equivalents and short-term investments	8,636	5,071
Greater than 3 months: short-term investments	8,200	11,025

Notes to the Financial Statements
for the year ended 30 September 2009

Borrowing facilities
The Group had undrawn borrowing facilities at 30 September of £2.0m (2008: £2.0m) in respect of which all conditions precedent had been met and the facility expires within one year.

Commodity risk
The Group has a purchase agreement with EDF, in France, which allows the agreement of prices to be fixed for up to three years ahead As at 30 September 2009, the import prices, but not volumes, have been substantially fixed for 2010 which has allowed customer tariff levels to be fixed for the next year. The import prices, but not volumes, have been 60% and 20% fixed for 2011 and 2012 respectively. The Company has the ability to potentially generate power as an alternative to importation if this was viewed to be commercially and environmentally acceptable.

23 Related party transactions

a Trading transactions and balances arising in the normal course of business

i The Company currently leases the La Collette Power Station site from its largest shareholder, the States of Jersey, for a peppercorn rent of £1,000 per annum. This lease was subject to a rent review as at June 2006 which is being negotiated but it is anticipated to move the rental onto commercial rates. The Company is in dispute with it's landlord, The States of Jersey, concerning an overdue rent review. The information usually required by IAS 37 Provisions, 'Contingent liabilities and contingent assets', is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the dispute.

ii The Company made electricity sales to the value of £6.9m (2008: £5.9m) and other sales of £0.6m (2008: £0.5m) to the States of Jersey for the year ended 30 September 2009. At the year end the States of Jersey had a debtors balance of £552,000 (2008: £238,000).

The States of Jersey made sales to the value of £0.2m (2008:£0.1m) to Jersey Electricity for the year ended 2009.

At the year end Foreshore Limited had a debtors balance of £67,000 (2008:£43,000). The long-term loan balance of 30 September 2009 was £600,000 (2008: £750,000) repayable to Jersey Electricity on a 'cash available' basis.

During the year the Company made electricity sales of £599,000 (2008: £393,000) and other sales of £715,000 (2008: £577,000) to Foreshore Limited.

All the above transactions are at an arms-length basis.

b New Energy from Waste Plant

Jersey currently has an incinerator which burns waste products and this process produces excess electricity that Jersey Electricity purchases from the States of Jersey. This represents around 0.5% of the total requirements of the Company. The existing facility is nearing the end of its useful life and the States of Jersey have recently approved a project to build a new Energy from Waste plant adjacent to our La Collette power station. Jersey Electricity signed a 25 year agreement on 14 November 2008 to take electricity produced which is forecast to satisfy around 5% of our annual requirements and to share existing facilities with the Energy from Waste plant which helped reduce the overall cost to the Jersey public. The project was started in early 2009 and is due to be completed by mid-2011. As States of Jersey are our largest shareholder we instigated discussions with the UK Listing Authority (UKLA) as this could have been viewed as a related party transaction requiring shareholder approval. The conclusion reached was that the purchase and sale of electricity between both parties was in the ordinary course of business as this is being done already at the existing incinerator. However the leasing of parts of existing plant were classified as a smaller related party transaction under Listing Rule 11.1.10. Such leasing arrangements will produce an additional revenue stream to Jersey Electricity of around £0.1m per annum. No trading revenues were received this financial year as they are only applicable post the commissioning of the new plant which is anticipated to occur in 2011.

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the executive directors) is set out below. Further information about the remuneration of individual directors is provided in the Remuneration Report on pages 29 to 31.

	2009 £000	2008 £000
Short-term employee benefits	842	776
Post-employment benefits	161	406
	1003	1,182

Financial Statements

Five Year Group Summary

Financial Statements	2009	2008	2007	2006	2005
Income Statement (£m)		(restated)	(restated)		
Turnover	93.6	82.2	75.9	65.6	56.1
Operating profit	8.7	9.2	8.0	6.9	10.5
Profit before tax	9.3	10.3	8.7	7.3	10.5
Profit after tax	7.2	10.1	7.6	5.9	8.6
Dividends	2.9	2.4	1.8	1.6	1.5
Special dividend	-	-	-	6.8	-
Balance Sheets (£m)					
Property, plant and equipment	120.6	116.0	109.8	108.3	109.8
Net current assets/(liabilities)	23.8	24.3	22.3	20.5	19.5
Non-current liabilities	(29.4)	(26.7)	(27.5)	(26.0)	(24.9)
Net assets	129.3	135.0	130.4	115.7	115.9
Financial Ratios and Statistics					
Earnings per ordinary share	£4.70	£6.58	£4.94	£3.88	£5.61
Gross dividend paid per ordinary share	236.25p	185.0p	146.25p	133.0p	120.0p
Net dividend paid per ordinary share	189.0p	148.0p	117.0p	106.0p	96.0p
Dividend cover (times)*1	2.5	4.4	4.2	3.7	5.8
Cash at bank/(net debt) (£m)	16.8	16.1	16.4	15.1	10.9
Capital expenditure (£m)	12.8	13.6	8.9	5.7	5.4
Electricity Statistics					
Units sold (m)*2	642	639	608	624	603
% movement	1%	5%	(3%)	3%	1%
% of units imported	92%	96%	89%	97%	98%
% of units generated locally	8%	4%	11%	3%	2%
Maximum demand (megawatts)	153	156	142	142	142
Number of customers	47,072	46,587	46,357	45,839	44,877
Average price per kilowatt hour sold	11.2p	9.6p	9.1p	7.9p	7.3p
Manpower Statistics					
Energy	187	192	185	183	179
Other	145	145	133	117	105
Trainees	7	4	4	3	6
Total	339	341	322	303	290
Units sold per energy employee (000's)	3,436	3,328	3,286	3,414	3,368
Number of customers per energy employee	252	243	251	251	251

*1 Excludes the special dividend paid in 2006.

*2 Excludes 11 million units of electricity in 2007 and 12 million units of electricity in 2006 (referred to in note 2 to the accounts on page 38) representing in both cases £1 million of revenue.

3 As stated in the note to the financial statements (note2i) the revenue figure for 2008 was restated upwards by £0.3m and the reserves brought forward from 2007 were restated by £1.5m reflecting a prior year error in the period 2002 - 2007 inclusive. Figures in the above table for 2006 and 2005 have not been restated.

Financial Calendar

4 January 2010	Preference share dividend
End January 2010	Interim Management Statement – quarter to 31 December 2009
26 February 2010	Record date for final dividend
4 March 2010	Annual General Meeting
31 March 2010	Final dividend for year ended 30 September 2009
14 May 2010	Interim Management Statement – six months to 31 March 2010
11 June 2010	Record date for Interim Ordinary dividend
30 June 2010	Interim dividend for year ending 30 September 2010
1 July 2010	Preference share dividend
End July 2010	Interim Management Statement – nine months to 30 June 2010
17 December 2010	Preliminary announcement of full year results

Annual General Meeting

The Annual General Meeting will be held at the Powerhouse, Queens Road, St. Helier, Jersey on Thursday 4 March 2010 at 2:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

Press releases and up to date information on the Company can be found on the Company's website (www.jec.co.uk).


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At Jersey Electricity we are committed to minimising the impact on our local environment.

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Jersey Electricity

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