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POWERING A CLEAN LOW CARBON FUTURE

REPORT AND ACCOUNTS 2017

Jersey Electricity

R.36/2018

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ABLE

NO PRICE RISE FOR FOUR YEARS

RE

10 TIMES MORE RELIABLE THAN THE UK

NABLE

VIRTUALLY DECARBONISED SUPPLY

OUR YEAR

KEY ACHIEVEMENTS 2017

SUPPLY SECURITY

- Just eight Customer Minutes Lost (CMLs)
- Ten times more reliable than UK average
- Black start Sulzer Diesel 5 refurbished and commissioned
- Further improvements to the Channel Islands Electricity Grid (CIEG) System Integrity Protection System (SIPS)

ENERGY GROWTH/SOLUTIONS

- 621 million units of electricity sold
- 1.7 million units from fuel switches to electric heating
- 49,894 customers on supply, an increase of 362
- 95% of new developments going all-electric
- Over 370 new customers joined discounted space and water heating tariffs

36,000

SMART METERS INSTALLED SO FAR

PEAK DEMAND

- 154MW recorded on 26 January 2017 at 9.30pm. Above last year's peak of 149MW but below our record 161MW set on 2 February 2012

SMARTSWITCH

- 36,000 Smart enabled meters now installed
- 75% of customer base now covered and benefiting from Post Code billing
- Twin element meters (heating) being rolled out
- Pay As You Go option being scoped
- Three phase Smart Meters due March 2018

RECORD PROFITS

- Group revenues of £102.3m
- Group pre-tax profits up 2.5% to record £13.5m
- Powerhouse.je turnover up 9% to £13m
- Powerhouse.je profit up 62% to £0.7m

ST HELIER WEST

- Excellent progress on a difficult, constrained sloping site
- Complex civil works completed in September 2017
- 27,000 tonnes of material removed from disused quarry
- French specialist contractors Engie INEO begin the build
- Facility expected in service winter 2018

AFFORDABILITY

- Held tariffs stable for four winters
- No tariff increase since April 2014
- Standard tariff 14% below UK average and 15% below the EU average – outperforming target of +/-10% EU15.

EDF SUPPLY AGREEMENT EXTENDED

- Renegotiated our supply agreement with EDF, extending our importation framework by five years from 2022 to 2027

PEOPLE

- New Operations Director appointed
- New HR Director appointed
- New Management Development programme
- New HR Enterprise System – JE Connect
- Five 21-years' service awards
- Three 40-years' service awards

HEALTH AND SAFETY

- Zero Lost Time Accidents (LTAs) despite on-going major infrastructure projects involving multi-national teams of contractors

ENVIRONMENT

- Delivered power at a carbon intensity level of 35g CO_2e /kWh
- One tenth of UK grid carbon levels
- Less than one fifth of the carbon emissions of local fossil fuels

ELECTRIC TRANSPORT

- 271 pure electric vehicles now registered in Jersey
- Jersey Post continued de-carbonisation of delivery fleet with further 15 EVs
- Jersey Electricity acquired five new EVs, leading to a total of 15 EVs

total customers
49,894

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS
Geoffrey Grime FCA (Chairman)
Aaron Le Cornu BSc, ACA
Alan Bryce MSc, CEng, FIET
Phil Austin MBE, FCIB, FCMI
Wendy Dorman BA (Hons), ACA
Tony Taylor BSc

EXECUTIVE DIRECTORS
Christopher Ambler BA, MEng, CDipAF, CEng, MIMechE, MBA (Chief Executive)
Martin Magee CA (Finance)

SECRETARY
Peter Routier BSc, FCIS

REGISTERED OFFICE
Queen's Road, St. Helier, Jersey

PLACE OF INCORPORATION
Jersey

AUDITORS
Deloitte LLP, PO Box 403, 66-72 The Esplanade, St. Helier, Jersey

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

BROKERS
Canaccord Genuity Wealth Management,
PO Box 3, 37 The Esplanade, St. Helier, Jersey

REGISTRAR
Computershare Investor Services (Jersey) Limited,
Queensway House, Hilgrove Street, St. Helier, Jersey

CHAIRMAN'S STATEMENT

I am delighted to report another excellent performance from Jersey Electricity for 2016/17. Group revenue for the year to 30 September 2017 was £102m and profit before tax, and exceptional items, at £13.5m, was 2.5% higher than the £13.1m achieved in 2016. This was supported by strong underlying performance in the Energy business as well as across our non-Energy businesses, especially our retail business, Powerhouse.je, which has had another particularly strong year. Overall, this has led to the Group's best ever financial performance, an outcome that is good for all stakeholders, for our ongoing investment programme and for a sustainable electricity service. I am therefore pleased to report a proposed final dividend for this year of 8.40p, a 5% rise on the previous year, payable on 29 March 2018.

Our first almost full year operating with three undersea supply cables to France has not only resulted in improved financial performance, but has also driven exceptional supply reliability, attractive pricing for customers and a virtually fully decarbonised electricity system. Our tariffs remain very competitive compared with other jurisdictions, including other islands and even the EU and UK which benefit from significant economies of scale. In addition, with the last tariff rise of 1.5% on 1 April 2014, Jersey Electricity is approaching four years without an increase – a notable achievement given the very significant rises over that period elsewhere.

As the sole supplier of over a third of Jersey's energy requirements, the Company has a huge responsibility to our customers and it is one all colleagues take very seriously. I am therefore pleased that our customer satisfaction ratings have improved further across the four key service areas leading to an increase in an overall rating which is independently assessed as 'excellent' when compared with other service providers.

Our Board renewal programme, which began in 2015, continued with the appointment of Tony Taylor as non-Executive Director in September 2017. He has vast experience in the marketing, communications and customer service arena having worked for several leading global advertising agencies, most recently as a Regional Director of J. Walter Thompson, part of WPP.plc.

My thanks, as always, go to our Executive and non-Executive Directors and colleagues throughout the business for their commitment, hard work and loyalty that have made Jersey Electricity the great success it is today and positions us well for future challenges.

13 December 2017

CHIEF EXECUTIVE'S REVIEW

Group results have surpassed last year's and I am delighted to again report that we have delivered our best ever financial performance. Profit, before exceptional items, increased 2.5% to £13.5m on turnover of £102.3m, reflecting an overall improved performance in our business units.

Importantly, unit sales of electricity were only marginally down on last year at 621 million kilowatt hours despite the ongoing and inevitable impact on demand due to energy efficiency. This strong unit sales position is mainly a reflection of our success in fuel switching customers from gas and oil to electric heating and part due to a colder winter in 2016/17 relative to the previous year. Energy revenues at £80.5m were 1% lower than in 2016 but profitability was maintained at the same level as last year at £11.7m. As indicated in previous years, maintaining profitability, consistent with a regulatory return, is of central importance given the last five years or so of heavy investment in infrastructure.

Our retail success story continues with turnover in Powerhouse.je up 9% to £13.0m and growth in profit to £0.7m being at the highest level of profitability in its history. This is a huge credit to the team in Powerhouse.je in driving performance in a sector that is very competitive both in Jersey and via the internet. Elsewhere, our Property business maintained profit at £1.6m and JEBS, our contracting and building services business, saw profit levels at £0.1m being on par with 2016 – again a respectable performance in a challenging and highly competitive sector. Our other business units, Jersey Energy, Jendev and Jersey Deep Freeze were £0.2m behind last year due to profits in Jersey Deep Freeze having been at a much higher level than normal in 2016.

After five years of intense investment in new assets, our focus is now shifting to asset optimisation and using demand-side measures to yield higher performance. Almost a full year operating with three undersea supply cables to France, importing lower cost, low carbon power, has not only resulted in improved financial performance but also improved supply reliability and lower carbon emissions. We measure supply reliability using Customer Minutes Lost (CMLs) which is the average duration of interrupted supplies experienced by each customer. This year, our CMLs were down to a level of just eight - around ten times better than the latest available UK average*. Our average carbon intensity of distributed electricity reduced from 47g CO_2e/kWh last year to just 35g CO_2e/kWh for this financial year, reflecting enhanced importation capacity and we expect further reductions going forward.

**Source: Ofgem RIIO ED1 Annual Report 2015-16*

The commissioning of Diesel 5, our 5.5MW 'black start' Sulzer Diesel Generator, procured in 2016 and completely overhauled, refurbished and installed this year, has also further enhanced our emergency on-Island generation capabilities. It enables us to restore full electrical supplies to La Collette Power Station and all its ancillary controls in the event of a complete blackout without itself being reliant on electrical power for start-up.

Although our latest French link, Normandie 1, enables us to meet Jersey's full electricity requirements with low carbon imports, we are contractually obliged to purchase power from the States-owned Energy from Waste plant (EfW) when the plant is available. This year we imported 93% of our supplies from France, generated just 1% on Island and obtained 6% from the EfW plant.

In May, we renegotiated our supply agreement with EDF by five years, extending our importation framework from 2022 to 2027, to help maintain a stable importation regime over a potentially uncertain Brexit period and take advantage of lower wholesale prices in the market. This contract also provides surety over the low carbon credentials of imported power, authenticating hydro-electric and nuclear sources we use in a manner which prevents this energy being sold elsewhere.

Providing affordable electricity is, according to our customers, the single most important factor in the provision of our service and I am pleased we have been able to maintain our tariffs at the same level for nearly four years. This is a particularly important achievement given that the UK has seen the 'Big Six' increase retail electricity prices by an average of 14% in 2017 alone. At year end, our standard domestic tariff was 14% below the UK average benchmark and 15% below the EU average – outperforming our target of keeping within +/-10% of the EU15.

Understanding and meeting our customers' needs is vitally important to us and has been a significant focus over recent years. We use several channels for gaining such insights. Price is one of four main supply attributes, along with supply security, technical support and environmental performance, in which our customer satisfaction rating has improved this year. Together this has led to an an overall rating of 'excellent' in these areas which our customers value most.

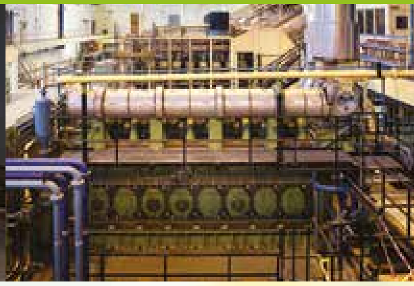
All this has been possible while continuing major investment projects. Our £17m St Helier West primary substation project has made progress with complex civil works completed in September and French contractors Engie INEO beginning a one-year main build. The facility is expected to be commissioned by November 2018.

Our SmartSwitch project has now seen around 75% to date of the Island's premises fitted with Smart Meters and the customer facing online portal, Smart Account that runs in tandem with Smart Meters, made live. This gives customers more information than ever before on their electricity consumption through a user-friendly interface.

Our biggest and most complex project of the year, however, has been the Navision enterprise system upgrade. Led by in-house developer Jendev, the project touched virtually every part of our business. A programme of further development promises to improve business processes, improving service levels and efficiencies. Regarding our growth agenda, we have maintained fuel switching rates at twice the underlying baseline rate for another year and electricity continues to achieve over 95% penetration of new build heating, cooling and cooking applications.

Investment in our people continued with the first cohort completing our 'HOW TO…' Management Development Programme and the new Cornerstone employee portal and appraisal system JE Connect launched. We have also welcomed a new Operations Director and new Director of Human Resources, both of whom come with many years' experience in their respective fields. Both promise to bring new perspectives and deep insight and have already identified great opportunities for improvement.

GROUP PURPOSE

Our corporate purpose is to 'sustainably serve our community with affordable, secure, low carbon energy, today and long into the future, enabling quality of life for residents and economic prosperity for businesses'. Our vision is to 'responsibly and sustainably deliver value to customers'. In the absence of competition in the electricity supply market or formal regulation, we let our customers drive everything we do. We must understand our customers and serve them fairly and efficiently while striving to understand and meet their changing needs and demands.

To do this our workforce must be aligned and every employee must know the part they have to play. They must understand our purpose – why what they do is so important to our customers and how it helps us achieve our vision. Our six values help explain who we are and how we perform our roles. They are: Safety, Customer focus, Teamwork, Responsibility, Excellence and Reliability.

To build on the foundations of the Purpose, Vision and Values (PVV) work instigated in 2013 and further embed our values in our culture, we have sought to build these into our core processes to make them real and consequential. For example, we have now incorporated our values into the Performance Management and Learning module of our new employee portal and appraisal system JE Connect. From now on managers will be able to set objectives clearly aligned to our Purpose, Vision and Values and accurately measure our progress and performance against them. Employees will also be able to browse a catalogue of training events and learning materials aligned to our values.

'Sustainably serving our community' means not only protecting the environment and conserving resources, it means providing secure and reliable services, fair pricing to customers in a way that ensures the business is economically viable, and it means protecting the safety and health of all the people touched by our business.

Our vision

Our vision is to responsibly and sustainably deliver value to customers by:

- Growing unit sales and offsetting pressure from energy efficiency by fuel switching from fossil fuels as well as finding new applications for electricity.
- Developing services and solutions that create value for customers by designing, installing, maintaining, repairing and financing equipment and any new technologies that use electricity or provide value added services to customers.
- Developing 'Smart' infrastructure that will supply clean electricity securely in the most cost effective manner.
- Strengthening our relationships with customers by better understanding and meeting their needs.

Our priorities

- Grow electricity's market share using resources in Energy Solutions, JEBS and Energy in a more efficient and coordinated way.
- Continue our roll-out of the multi-year SmartSwitch Smart Metering programme safely and reliably, in a way that delivers more value to the customer.
- Keep our major St Helier West primary substation project on track for delivery by winter 2018 and in accordance with budget.
- Design and develop our new Queen's Road infrastructure, securing final Board consent for the investment.
- Optimise the operation of La Collette Power Station to robustly protect supplies in the most efficient way.
- Continue the development of our non-Energy businesses so that they are sustainable and provide support to the core electricity business.
- Continue our programme of 'managed change', succession and people development across the business.

Our values

- Safety: We do everything safely and responsibly or not at all – nothing is more important than the safety of the public, our customers and our staff.
- Customer focus: We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty.
- Teamwork: We respect and value our colleagues as individuals and we believe we are stronger as a team, leading to better solutions and a more enjoyable and rewarding work life.
- Responsibility: We accept responsibility for everything we do, safeguarding the natural environment and the local community, as well as the interests of all our customers and staff.
- Excellence: We strive to work in a way that is both effective and efficient, continuously improving everything we do – innovating where we can but keeping things simple.
- Reliability: We are trustworthy, dependable and reliable, delivering on our commitments and always there when you need us.

16,862 customers on discounted tariffs

total customers 49,894

ENERGY GROWTH

When we remove the effects of weather from electricity demand, unit sales volumes have remained broadly flat despite the ever-increasing downward pressure of energy efficiency. Although we actively encourage our customers to become more energy efficient, we strive to counter the impact by developing propositions that encourage fuel switching from gas and oil to electricity in both the domestic and commercial markets. The team dedicated to load growth by fuel switching is Energy Solutions.

Energy solutions

Now in its third full year of operation, the team has again made progress ahead of target, achieving over 170 fuel switches in the domestic market and accounting for a projected new load of 1.7 million units which helped us to achieve unit sales for the year of 621 million, marginally below last year's 625 million, but maintaining a very respectable level when compared with power utilities in other jurisdictions. Using traditional and new technologies in heating, cooling, cooking, lighting and transportation, the team has also made significant progress in the commercial sector, with professional kitchens, in particular, continuing to switch to all electric solutions using energy efficient induction cooking technology as well as commercial scale, ultra-efficient heating and cooling heat pump technology.

As well as improved finance packages and a streamlined customer journey from quotation to installation, the team has done much work this year to strengthen our relationship with the trade at large. This has included enhancing the trade section of our corporate website, promoting electric solutions in trade merchants and hosting seminars and other trade events in conjunction with some of the top manufacturers such as Dimplex and Mitsubishi.

Our new Economy 20 Plus (E20+) tariff, launched last year off the back of our Smart Metering programme and which offers 24-hour uninterrupted low price heating with a mix of off-peak rate and normal rate for approved heating systems, has also proved a good leverage for fuel switches. Encouraging customers to use lower cost off-peak heating when supplies from France are cheaper means we can offer better value while flattening peak demand, which is a significant driver of infrastructure costs.

Though we have made progress in the commercial sector, we still believe there are huge opportunities to reduce both carbon emissions and costs within the States of Jersey property portfolio and we continue our efforts to persuade it of the significant financial and carbon reduction opportunities across its building stock and its transportation needs. We believe there is a significant opportunity for the States of Jersey to take a leadership role in promoting low carbon solutions that are fully compatible with the States' approved Energy Plan.

ELECTRIC VEHICLES CURRENTLY ON JERSEY REGISTER 165 52

New build

Electricity remains the first choice for developers seeking energy efficient building designs. Building standards today mean little energy is needed for heating so most of the opportunity is in general light and power and cooling applications. We have maintained our position with over 95% of new build choosing efficient electric solutions for heating and cooling.

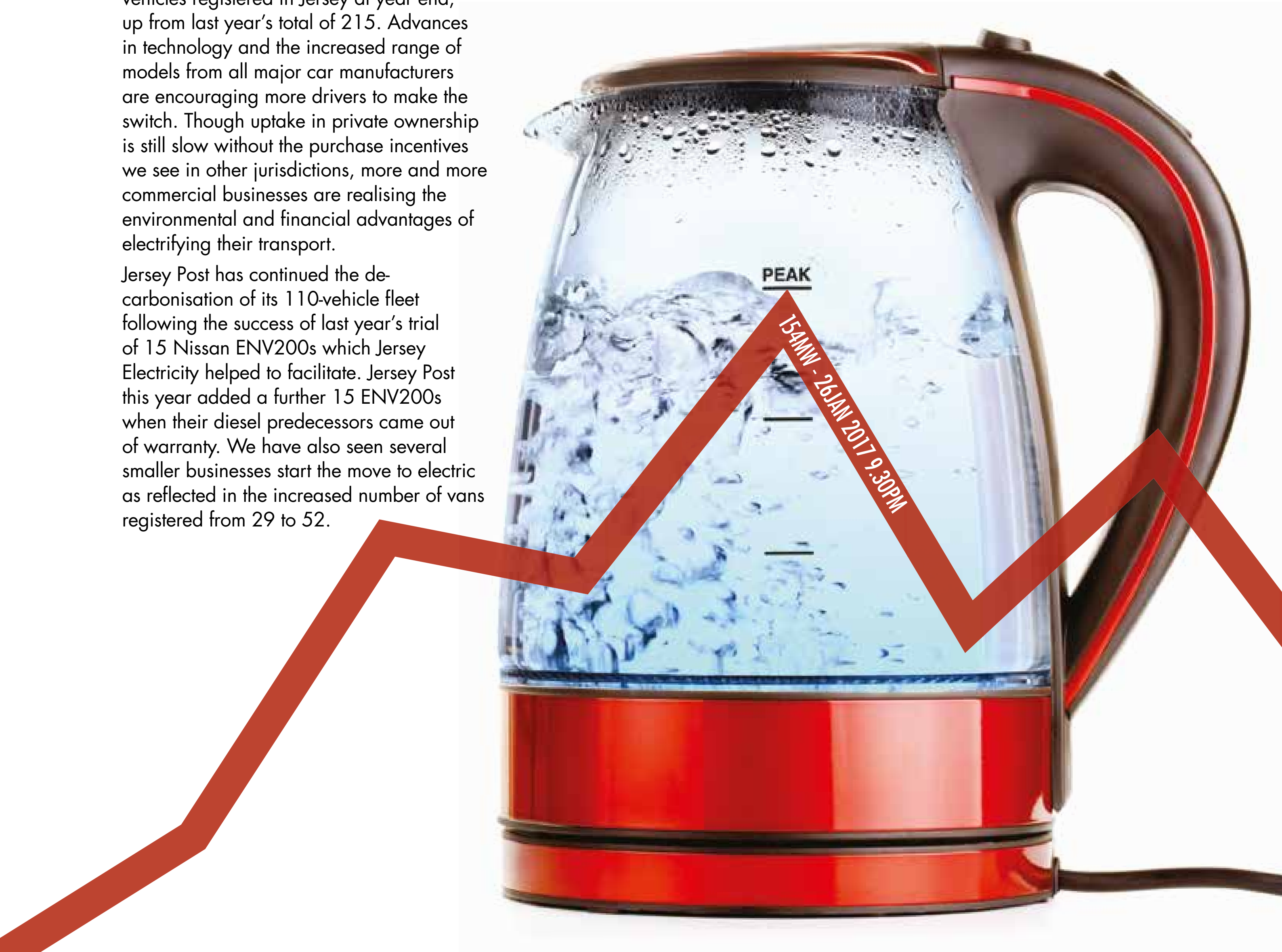
Electric transportation

There were a total of 271 all-electric vehicles registered in Jersey at year end, up from last year's total of 215. Advances in technology and the increased range of models from all major car manufacturers are encouraging more drivers to make the switch. Though uptake in private ownership is still slow without the purchase incentives we see in other jurisdictions, more and more commercial businesses are realising the environmental and financial advantages of electrifying their transport.

Jersey Post has continued the de-carbonisation of its 110-vehicle fleet following the success of last year's trial of 15 Nissan ENV200s which Jersey Electricity helped to facilitate. Jersey Post this year added a further 15 ENV200s when their diesel predecessors came out of warranty. We have also seen several smaller businesses start the move to electric as reflected in the increased number of vans registered from 29 to 52.

As the gap in price between electric and traditional vehicles narrows and an increasing choice of models become available, we hope to see continued growth in this area. Given the commitments of the major vehicle marques and an industry move away from diesel, we expect choice and demand for electric vehicles to increase significantly over the next few years.

Jersey Electricity has already helped reduce the Island's carbon emissions by over a third in the last three decades and with transportation comprising around a third of current total emissions, uptake of electric vehicles could have a significant favourable impact on carbon emissions.



15 39 TOTAL 271 AS AT 30 SEPT 2017

Energy usage   Source: UK Energy Saving Trust

MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

Providing affordable electricity is the single most important factor to our customers in the provision of our service and I am pleased we have been able to maintain our tariffs at the same level since April 2014.

This is a particularly important achievement given the scale of our investment in infrastructure over the last five years and when compared with the UK that has seen the 'Big Six' increase retail electricity prices by an average of 14% in 2017 alone. At year end, our standard domestic tariff was 14% below the UK average benchmark levels and 15% below the EU average – outperforming our target of keeping within +/-10% of the EU15.

In May, we renegotiated our supply agreement with EDF, extending our importation framework by a further five years from 2022 to 2027 to help maintain a stable importation regime over a potentially uncertain Brexit period which has already seen Sterling deteriorate against most currencies, including the Euro, the currency in which we procure from France.

This agreement combines a fixed price component with the ability to price fix future purchases over a rolling three-year period ahead based on a market related mechanism linked to the European Energy Exchange (EEX). This 'hedging' on power and foreign exchange enables us to provide our customers with a degree of near-term certainty in the volatile worlds of the energy and foreign exchange markets.

While striving to ensure our main tariff is competitive, we also invest in developing more innovative, customer focused heating tariffs. Our new Economy 20 Plus (E20+) tariff is now in its second year and this 24-hour, uninterrupted heating tariff offering a mix of off-peak rate and normal rate for approved heating systems, is proving popular with customers and supports our fuel switch strategy. This year over 370 new domestic customers joined our discounted space and water heating tariffs bringing the total number of customers now on our off-peak tariffs to 16,862. As part of our on-going strategy, we continue to explore innovative tariffs that work for new technology applications and customer segments.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Supply security is rated as the second most important element of our service by our customers behind price stability. It is also crucial to our reputation as an essential service utility company and we invest heavily in excelling in this area.

We measure our reliability in Customer Minutes Lost (CMLs). This is the average minutes of service disconnection time per customer in a year. This year our CMLs were just eight. This is around ten times better than the 'Big Six' UK electricity distributers which in 2015-2016 averaged 74 CMLs.*

Our supply margin (plant capacity v peak demand), an important consideration for supply security, is also greater than the UK's which aims for a margin of around 10% above peak demand. Here, with three supply links to France, across two diverse routes, giving us access to 190MW of imported power against a record demand of 161MW in February 2012, our margin is around 20% even without taking account of our on-Island generation assets at La Collette Power Station and Queen's Road.

We have enhanced security this year with the commissioning of the 'black start' 5.5MW Diesel 5 Sulzer generator at La Collette and we have also carried out further works on the Channel Islands Electricity Grid (CIEG) System Integrity Protection Scheme (SIPS), which provides cover and balance to the transmission network at times of stress.

We work to an adapted 'N minus 1' standard. This means, we seek to maintain supplies during the failure of the largest component in the system (see panel) and we strive to minimise the risk of such an asset failure and we ensure we are well prepared to restore supplies quickly when a failure does occur.

SUPPLY SECURITY STANDARD

Jersey Electricity's system is designed to meet an 'adapted N-1 security standard' as follows:

- A one-in-eight year winter peak demand
- All normal load in the event of the loss of the single largest interconnector with France (N minus 1) plus a simultaneous failure of the largest:

o Diesel generator; and

o Gas turbine

- 75% of peak winter load for 48 hours from on-Island generation (no simultaneous loss of on-Island capacity)
- No coincidence of the above

*Source: Ofgem RIIO ED1 Annual Report 2015-16


616 GWh
Imported from EDF
Hydro 36% Nuclear 64%
39 GWh
Generated by EfW plant
10 GWh
JE locally generated

ELECTRICITY SOURCES 2016/2017 IN %

YEAR	JE	EfW	Import
		+0.3%	+1%
2009-10	5.9%	0.6%	93.5%
2010-11	1.8%	2.6%	95.6%
2011-12	2.5%	5.2%	92.3%
2012-13	20.7%	3.9%	75.4%
2013-14	14.9%	4.9%	80.2%
2014-15	1.4%	4.6%	94.0%
2015-16	2.9%	5.5%	91.6%
2016-17	1.5%	5.8%	92.6%
	-1.4%		

Generation

Despite the successful integration into our transmission network of our 100MW Normandie 1 third French undersea link, our investment in on-Island generation assets - and their maintenance - continued this year. We completed the £2m project began in 2016 to add a 5.5MW Sulzer Diesel 5 generator to our existing four 11MW Sulzers at La Collette Power Station. This latest addition to our standby generation plant has a 'black start' capability and uses air driven and on-engine pumps for auxiliary systems and will restore full supplies to the Power Station without the need for electrical power to energise the start-up in the unlikely event of complete blackout.

The reconditioned, 78-tonne engine was sourced by Swiss main contractors MIE from Lisbon, Portugal. It is an eight-cylinder version of our four existing 11MW Sulzers and was installed by Madeiran sub-contractors Vapour Ilhas and UK based Gynnwood Electrical contractors who installed two of the existing Sulzers in 2012.

Since its arrival in March 2016, 350 tonnes of concrete that formed the bed for one of the original GEC 30MW Steam Turbines, installed in 1965 and scrapped in 2011, were removed and recycled, and a new bed laid for the Sulzer. This was carried out by Geomarine during a 12-hour continuous pour when 426 tonnes of new concrete was laid.
In addition, six tonnes of reinforcing steel and almost four tonnes of post tensioning bars were used.

After a complete refurbishment, Diesel 5 was successfully started for the first time in February and fully commissioned in June following a 100-hour endurance run. As well as a vital back-up asset, Diesel 5 also enables us to meet our published Security of Supply Standard by adding another 5.5MW of generation.

Transmission

Our three interconnectors are by far our most valuable infrastructure assets. On-going investment in maintenance of this 90kV transmission network is vital to supply security and 2016/17 has been a busy year with a number of important activities being performed which necessitated several carefully planned outages. The Normandie 3 (N3) regulator at South Hill Switching Station was tapped to improve load sharing across all three submarine cables. N3 was also switched off for a period in May to allow us to carry out further improvements to the Channel Islands Electricity Grid (CIEG) System Integrity Protection System (SIPS), started last year. In addition, GJ1, the cable between Jersey and Guernsey, was switched off for 19 days to allow a repaired regulator to be reinstalled at Barkers Quarry substation, Guernsey. In parallel with this work, two lengths of the GJ1 cable that had previously been repaired were reburied in the seabed.

Normandie 2 (N2) was switched out for six weeks to allow planned replacement of the Protection and Control to take place which had reached the end of its useful life. At the same time, reburying work was undertaken on the N2 circuit where the protective layer of cement bound sand had become partially exposed on the beach at Surville in France.

As part of our ongoing asset replacement programme, we replaced our Supervisory Control and Data Acquisition (SCADA) system which we use to monitor, operate and control the 90kV network to bring it up to the latest standards. Improvements in our testing regime also revealed an issue with the insulation of the switchgear at our Queen's Road 90kV substation which was successfully resolved by our own teams.

Distribution

We have made excellent progress on our biggest infrastructure investment project of the year, the new £17m St Helier West primary substation. After protracted investigations of the site in a former coastal quarry throughout 2015, local firm Jayen Ltd completed the highly complex civil works in September 2017 and the site was handed over to French specialist contractors Engie INEO to begin the build which is expected to take a year.

This is the fourth time we have used Engie INEO on such a project following Rue des Pres and Western Primary Substations and South Hill Switching Station. On the mainland, substations of this size would normally be built outdoors. These installations are not aesthetically pleasing, plus, wind-borne salt contamination can be a problem on islands. The Engie INEO design uses simple air insulated components integrated into the structure of the building. Crucially, using this technology allows Jersey Electricity to carry out its own maintenance and repairs without the expense and delay in using off-Island assistance in the event of plant failure. The use of a building also means an aesthetically pleasing appearance can be achieved that better blends into the environment.

We acquired the 10,000 sq ft, steeply sloping site from the Parish of St Helier in September 2014. Once a quarry dating back over 100 years, it is a relatively small site resulting in considerable constraints on design and subsequent construction works. Over 27,000 tonnes of material, including 5,000 tonnes of rock, were removed during excavations which reached over 20m deep at the rear of the site. A retaining wall was then constructed to form and protect the site. The area in front of the wall was piled and a concrete slab formed to accommodate the substation building. When finished, the façade and retaining wall will be clad in granite to blend into the surrounding landscape and a public viewing platform created overlooking St Aubin's Bay looking south of the substation.

Once in service, late next year, the new substation will give relief to around 70-80% of St Helier's network and will provide future proofing to meet the increasing demand for electricity. Landscaping around the facility is expected to be complete in early 2019.

Apr 2014

Signing the contract with Engie INEO

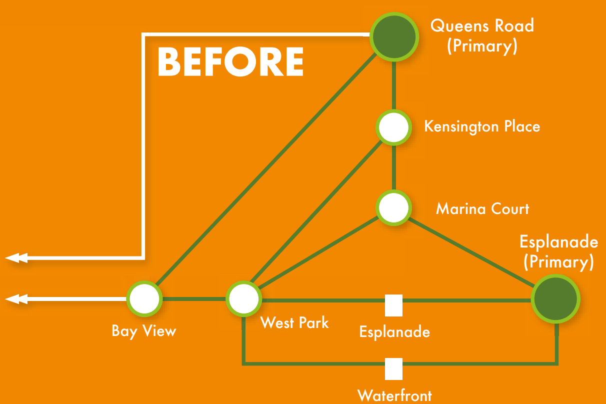
This year we installed around 35km of new cable, six new substations and 660 new services. We also refurbished 18 substations and maintained 159 substations and 10km of overhead line. Substations on the network now total 780.

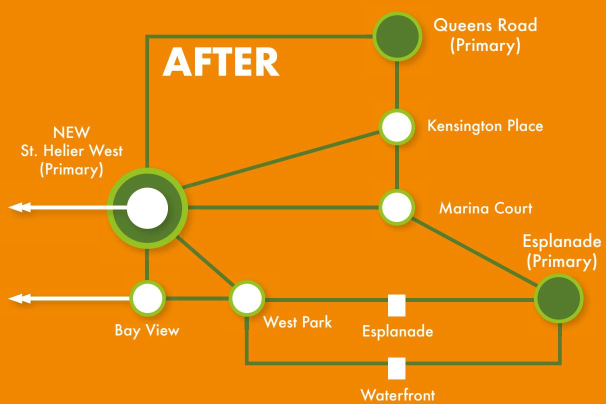
St Helier West
Oct 2017

Jan 2016

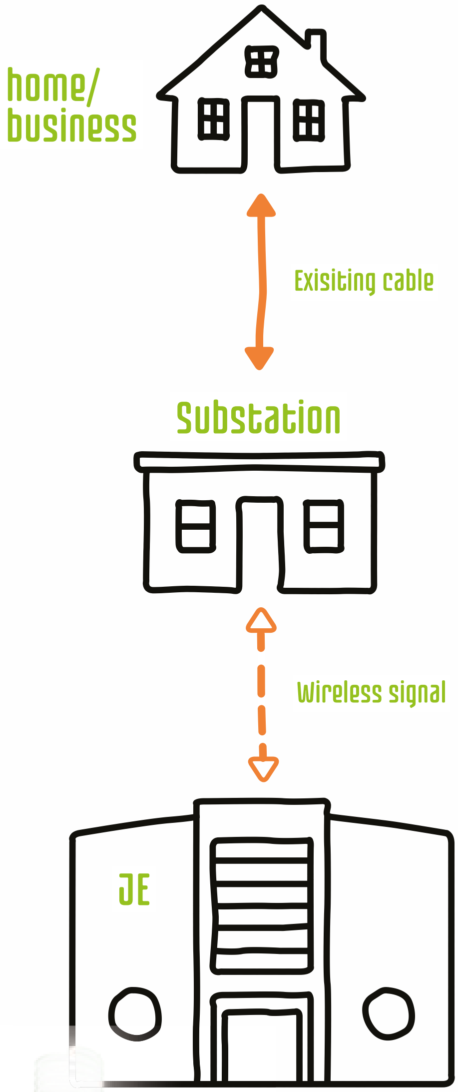
Apr 2016

Oct 2016





SMARTSWITCH



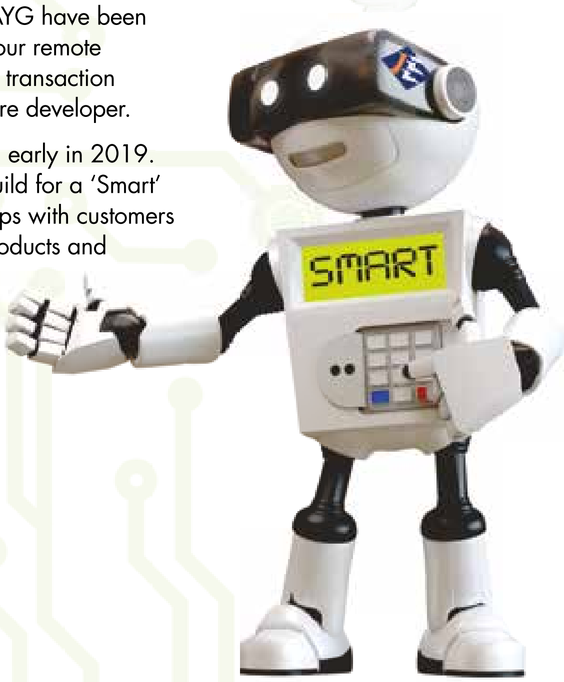
Following the significant progress last year, our Smart Metering programme, SmartSwitch, has continued apace this year. Our dedicated team of installers working on the roll-out, combined with our Metering Technicians carrying out 'business as usual' meter changes, have now installed Smart-enabled meters in around 75% of Island homes. At year end 36,000 (2016: 25,000) Smart Meters had been installed across the 12 parishes from a customer base of around 50,000, bringing multiple benefits to both customers and the business.

Our dedicated microsite www.smartthinking.je that provides customers with all they need to know about Smart Meters went live in September and the customer facing online portal, Smart Account, developed for Jersey Electricity by Swiss Post Solutions (SPS) and which enables us to present consumption profiling data to customers, was also launched to the public. Our Metering Technicians have now also made live 635 Local Data Collectors (LDCs) on the network.

The new meters are capable of automated control, enabling swift change of tariff from credit to Pay As You Go (PAYG) functionality, plus remote reading. As well as avoiding the cost and inconvenience of Meter Readers visiting premises, estimated bills and self reads, customers with Smart Meters are now benefiting from Post Code Billing. This means they receive four equal quarterly bills each for a standard 90-day period, reducing the number of billing queries we receive.

The remaining 25% of meters still to be replaced are generally either PAYG or 3 Phase. The roll-out of both is expected to start in March 2018 when the new 3 Phase meter becomes available and the technical systems around PAYG have been finalised between Meterlink International Ltd, our remote communication system provider, Payzone, our transaction provider and Jendev, our own in-house software developer.

SmartSwitch is now expected to be completed early in 2019. As well as being in line with our strategy to build for a 'Smart' future, SmartSwitch strengthens our relationships with customers and provides opportunities to develop new products and services.



Smart Account

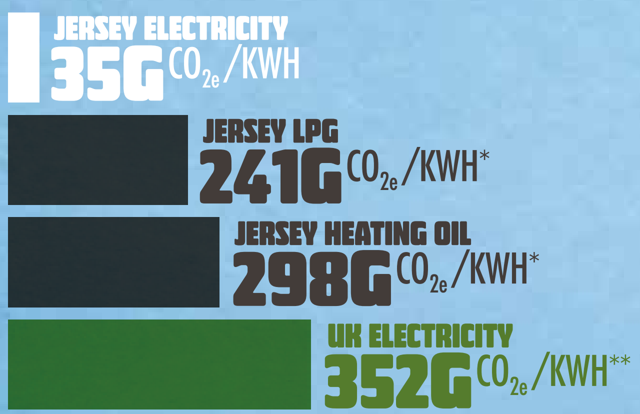
Smart Account is an online portal specifically designed for Jersey Electricity customers by Swiss Post Solutions to run alongside Smart Meters. It provides our customers with more information on their electricity usage than ever before. A customer's unique account number is a combination of their Customer and Premise Numbers.

As well as receiving and storing their bills in Smart Account, customers can opt for half-hourly profiling data collection enabling them to review and compare their usage daily, weekly and monthly and with that of similar properties in the form of graphs and charts.

We hope this extra information will help our customers to better understand and manage their energy usage and facilitate lower consumption and lower bill sizes.

36,000
SMART METERS INSTALLED SO FAR

PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES



*Building Bye-Laws (Jersey) Technical Guidance Document 11.1B 2016

** Department for Business, Energy and Industrial Strategy Greenhouse Gas Reporting - Conversion Factors 2017




As a signatory to the Kyoto Protocol, adopted in 1997 and entered into force in 2005, Jersey committed to reducing its carbon emissions. The States of Jersey Energy Plan 'Pathway 2050', approved in 2014, set a target of an 80% reduction on 1990 levels by 2050. Jersey Electricity's importation strategy has helped the Island make significant strides towards that goal. Our achievement was acknowledged in this year's States document 'Future Jersey 2017-2037' which stated: 'Between 1990 and 2014 Jersey achieved a 36% reduction in emissions (measured in tonnes of carbon dioxide equivalent, CO_2e), mainly due to the one-off switch from local electricity production to importation from France.'

We are proud of the progress we have made on our decarbonisation agenda which continued last year with the installation of our £30m Normandie 1(N1) cable. This gives us three live links to France and provides the Channel Islands with access to 245MW of low carbon imported power of which Jersey has 190MW enabling us to meet the Island's full power requirements with low carbon supplies even during the winter peak. Our supply agreement with EDF guarantees that our imports are from certified low carbon sources, and in May this year we extended our importation framework by five years from 2022 to 2027. Using the DEFRA Greenhouse Gas (GHG) Reporting Guidelines in addition to adopting the principles of GHG Protocol for Electricity Emissions Reporting, this has meant that we have delivered power to customers for the financial year 2016/17 at a level of 35g CO_2e/kWh, more than10 times cleaner than UK's electricity system, calculated at 352g CO_2e/kWh. Our five-year average is 103g CO_2e/kWh and we expect further reductions going forward.

We also encourage our customers to become more energy efficient through various self-help measures coupled with advisory services and we aim to lead from the front in this area. Following the installation of LED lighting in the La Collette Power Station offices, we have now completed the installation in the main Powerhouse offices which are also supplemented by our own photovoltaic array. Next year we plan to invest £1.2m in a new, more energy efficient heating, ventilation and air conditioning system and expand our solar installation. We have also introduced companywide environmental awareness training and are revising and improving all our systems in preparation of our next British Safety Council (BSC) Five Star Environmental Audit in 2018.

Renewables

Although Jersey Electricity has in effect already decarbonised its electricity system and has already secured access to hydro-electric electricity from EDF in France under our long-term contract, it has for some years been exploring commercial opportunities to develop renewable energy in its home territory. Given the relatively high cost of production from renewable sources and low priced electricity supplied by the Company, this has proven challenging to achieve without a costly subsidy that would have to be borne by other customers, in the form of higher prices, or tax-payers, if funded by the States of Jersey.

Despite the strong currents and high tidal range, large scale tidal power generation requires significant capital and carries a high development risk. Large scale offshore wind power is closer to economic viability although it still requires subsidy. Our research has revealed that European subsidies may be accessible by exporting renewable electricity into the European power market but this is unlikely to be straightforward. Onshore wind is also difficult due to planning and noise issues and land price constraints. A smaller, localised test development may be possible in the industrial zone at La Collette. We have constructed proposals to work with the States of Jersey in many of these areas but all require some up-front investment in establishing a regulatory and consenting regime that is necessary to attract the inward investment needed. Despite Jersey Electricity being willing to provide some level of financial support, such schemes have proven difficult for the States to commit to given the current public finances situation.

With relatively good daylight levels and what we believe could be a sympathetic planning approach, we believe large scale, ground based solar PV is closer to grid parity and has some potential in Jersey. We have explored how this technology can be used in a way that might allow Jersey to at least partially generate some of its own power, minimising the risk of subsidy and allowing the benefits to be socialised across all islanders. We are close to launching a scheme that we believe would allow this in an economically viable and socially desirable manner.

Jersey Electricity remains committed to connecting smaller scale generators to its network as it has done for many years – including embedded renewable generators. Our general view, however, which is consistent with our 'user pays for an efficient service' philosophy, is that this should be done on 'fair' terms that allow the Company to apply a charge for the grid backup services enjoyed by these commercial facilities. Without levying this charge, other customers – including many from low income social groups who do not have the funding, type of property or knowledge – would pick up an increasing proportion of grid costs in the form of higher retail prices and in a manner that is socially inequitable. Indeed, this is already happening in many jurisdictions, leading to higher retail prices.

We previously reviewed our existing Standby Charges for all smaller scale generators that rely on backup power from the grid. In November 2016, we gave one year's notice of our intention to extend Standby Charges. This was further extended by five months following a Proposition lodged in the States by a Deputy. Our proposals are now under review by a third party adviser to the States. If the Company is required to provide free backup services, then this is likely to lead to higher electricity prices for other, non-generating customers.

CUSTOMER SERVICE STANDARDS

As the sole supplier of over a third of the Island's energy requirements, Jersey Electricity has a huge responsibility to customers for all the services it provides and in our interactions dealing with their day-to-day needs. We seek to put our customers at the heart of everything we do and constantly strive to exceed their expectations.

To gain insights into those expectations we have engaged with our customers in numerous ways in recent years to obtain essential feedback on our services and products as well as sounding out their views and opinions on future energy related issues. We believe that demonstrating that we meet customers' needs is one of the most important ways of protecting our monopoly franchise in the community.

Regularly garnering customers' feedback is not only important for measuring our performance against their expectations but also provides vital insights for our business strategy.

We have four main channels for capturing feedback

- Our annual customer surveys, conducted by an independent analytics company
- Customer focus groups, which seek to tease out insights on specific issues and opportunities
- Web-based customer feedback forms that feed into and are recorded on our call logging software Microsoft Dynamics Customer Relationship Management System (CRM)
- Letters, emails and phone calls into our Customer Care Centre which are also logged and recorded on CRM
- Feedback/ complaints cards used by all customer facing teams

By far the most commonly-used channel on a day-to-day basis is provided via email and phone calls to Customer Care. Now in its third year, our CRM system logs and helps us track every customer interaction against our Customer Charter and Standards of Service.

Customer Care receive on average 1,300 calls or emails and around 250 customer visits each week. The vast majority of these are 'business as usual' interactions such as change of tenancy and payments and therefore do not need to be logged on CRM. Approximately 350 CRM cases related to our Customer Charter and Standards of Service are raised each month, including complaints and compliments. Complaints are dealt with by the appropriate department and staff are responsible for resolving the case in the time frame set out in Standard of Service 5.

Our annual customer surveys, conducted by an external specialist analytics company Island Global Research (IGR), enable us to benchmark our overall 'customer offer' year-on-year. This provides the Company with key insights for future planning. Customers are asked to 'weight' out of 100 the importance of four electricity supply functions then rate our performance against four elements as follows:

- Running costs and price stability
- Security and quality of supply
- Customer and technical service support
- Environmental performance

I am pleased to report that our ratings showed improvement on 2016 in all these areas, including the most important attribute of our service, 'running costs and price stability' which customers 'weighted' at 37/100 in level of importance. As we have held prices for almost four years, it is not surprising our rating in this area increased slightly from 54% to 58%.

Price is followed by 'security and quality of supply' at 27/100 in degree of importance. And again customer satisfaction levels improved from 82% to 85%. Environmental performance is gradually becoming more important, with customers giving it 19/100 and I am pleased to see our actual rating going up in this area to 68% compared with 54% in 2011 (2016: 64%).

Finally, according to our customers, 'customer/technical support' remains the least important (17/100) to respondents probably because of the limited interactions that the vast majority of households have with the Company during the year. Our rating however also showed improvement from 72% to 76%.

When combined into an overall average rating over the four functions, our rating for 2016/17 was 70%, a slight increase on last year's 69%. IGR considers any score above 70% as 'excellent'.

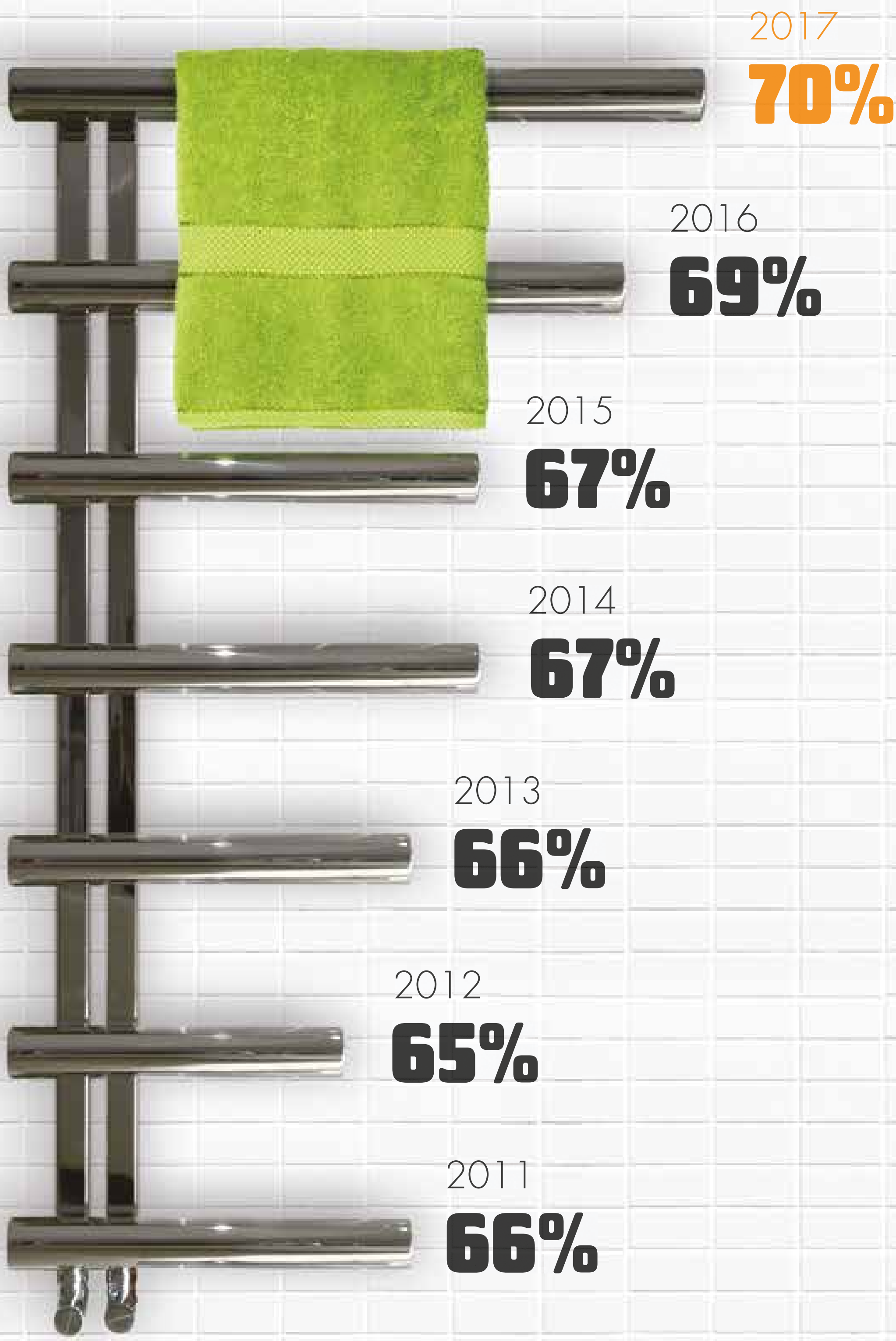
As in previous years, we also seek an 'overall customer service' rating that encompasses:

- Technical problem resolution - speed of response
- Clarity of electricity bills
- Helpfulness in dealing with telephone enquiries
- Helpfulness of showroom staff
- Support in electricity bill payments
- Regular advice on energy efficiency

Although slightly down on last year, this again was rated excellent at 74% (2016: 77%). This dip could again be explained by the limited number of households who experience the direct contact/ support being measured. Going forward, we have plans to further enhance how we assess our customer performance using new tools and techniques. We are delighted, however, to have continued the progress we have made in recent years. We are advised by research agencies that Jersey Electricity scores extremely well compared with other utilities and across other sectors.

One of our six core Values is: Customer focus - *'We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty'*.

"We have improved our rating in the four electricity supply functions."



Previous years have been restated due to a change in the underlying calculation methodology that takes a total overall weighted rating from all four electricity supply function ratings.

Powerhouse.je

Our retail business, the Powerhouse and its online arm powerhouse.je, delivered its best financial result ever continuing a period of year-on-year profit growth since 2014. Revenues were up 9% from £11.9m to £13.0m, taking the business from a loss of £0.1m in 2014 to a profit of £0.7m this year. This is a significant achievement given the intense competition in the local marketplace and from online UK retailers.

After an intense period of restructure and reinvestment the last two years have provided an opportunity for consolidation and further enhancement. We chose to exit the lower margin, bulky, toy category preferring instead to build out our home electricals and technology offering which has a better fit with our strategy. We have continued to expand the range of heating products and smart technology, including subcategories 'wearables' and 'rideables' such as electric cycles. We have also seen some encouraging improvements in trading levels in our St Helier town store, where we have revised our proposition to focus more on high tech consumer electricals, including TVs in which we are particularly competitively priced.

This year we have started to use technology extensively in the way we run the business - assisting us with category management, ranging, pricing and margin analysis. Also crucial to our success, we have maintained our investment in people development and staff training by introducing a new training programme aimed at further enhancing customer service skills and product knowledge among our key customer-facing staff. Whilst customer feedback on pricing is very positive, we believe staff engagement and customer service remain critical to differentiating our offer in the local market and in particular against the UK online threat.

We are continuing to embrace significant new opportunities in electrical retailing in an increasingly 'smart' future and rise of the 'interconnected' home.

POWER HOUSE
in store | online

Jendev

Jendev, our in-house software developer has maintained its position as a strategically important asset in the Group's portfolio serving external clients as well as Jersey Electricity with high value enterprise system consultancy services.

A Microsoft® partner in Dynamics NAV™, Jendev specialises in software development and configuration for the utility industry with a focus on billing. First established in 1998, the business is now well-placed to target sustainable growth through its flagship product 'Jenworks Billing'.

This year, this small team of highly experienced utility industry developers successfully led the implementation of the biggest IT upgrade in Jersey Electricity in over a decade. In addition, Jendev continued to support a number of other business critical projects including the Smart Metering project, SmartSwitch, a project with enormous implication for accurate and timely billing and for customer service.

The NAV project involved a full system upgrade to the latest version of Microsoft Dynamics NAV™, the enterprise system at the heart of our business, being a single, central data repository and management system serving the majority of our business units.

The project delivered new or enhanced functionality in many areas of the business including Energy, JEBS, the Powerhouse and Procurement. The upgraded version of Microsoft Dynamics NAV™ was launched successfully and with a seamless customer transition. Something of a rarity in the utility industry where upgraded billing systems can be fraught with customer issues and the threat of reputational harm.

The latest iteration of NAV is easier to use and more flexible than before with significantly enhanced reporting and integration capabilities. The application provides the foundation for further process engineering, efficiency improvement and enhanced data management. It can also be easily and flexibly developed to take advantage of new opportunities right across the business.

Owing to the diversity of Jersey Electricity's business units and activities, the upgrade was complex and involved a sustained and broad commitment from all parts of the business. The scale of the project was significant involving over 200 users and 55 super user/trainers. Effective teamwork was a key enabler of the project's success and was a credit to all involved.

The project was an important milestone in Jendev's business renewal programme.

Jendev™
POWERFUL BILLING SOLUTIONS




Property

Our Property portfolio includes a B&Q store and Medical Centre situated on our Powerhouse retail and administration office site at Queen's Road as well as 29 private houses and flats which are rented on the open market. We were pleased to become the Island's first 'Rent Safe' landlord to be awarded Five Stars for all our domestic rental properties under the new States of Jersey Environmental Health Department's Rent Safe Scheme. Each of our domestic dwellings was given its own Five-Star certificate of excellence following a week-long inspection of every property by Environmental Health officials. To attain five stars the scheme states: 'The property exceeds the minimum Rent Safe standard and has achieved accreditation through compliance with legal standards. Energy efficiency measures are also in place.'

Commercial tenants leasing parts of the Powerhouse building are SportsDirect, which shares the ground floor with our own retail business Powerhouse.je, and telecoms operator Sure, which occupies the middle floor. We also lease mobile aerial sites and fibre optics to telecoms operators.

Revenue in the Property business rose £0.1m to £2.2m due to higher income from inflationary rental increases from residential properties and an additional space taken by Sure. This was offset by higher maintenance costs resulting in profits remaining the same as last year at £1.6m. Our investment property portfolio was revalued upwards marginally this year to £20.2m by the external consultants who review the position annually.

Building Services (JEBS)

JEBS is our contracting and building services business that provides electrical, mechanical and plumbing installation and maintenance services, including air-conditioning, heating and refrigeration, to domestic and commercial customers. JEBS continues to develop into a more commercial and customer-focused business unit, delivering trade services that support the core electricity business. Now with a Contracts and Operations Manager, working under the Head of Commercial Services, to improve contract tendering and delivery, JEBS has built further on last year's restructuring foundation by again winning several major contracts in a highly competitive marketplace. These have included the electrical, mechanical and air conditioning services installation at Eaton House, a four-storey office block in St Helier, and the installation of lighting and air conditioning at First Tower School. JEBS has also started work on the refurbishment of La Moye Golf Club clubhouse where the team is providing all the electrical, plumbing, heating, ventilation and air conditioning services for this prestigious project.

The new team, launched last year to provide a wider range of Amenity Lighting Services, has also had success, providing the external LED lighting of the car parks of the Channel Islands Co-operative Society's Grand Marche at St Peter and B&Q, St Helier, reducing light pollution and saving energy.

The business continues to support our Energy Solutions team in its load growth strategy by installing electric heating systems for customers switching from gas and oil-fired systems. The Maintenance and Services team continues to thrive and this year launched a domestic home maintenance proposition, CosyCare, providing a three-tiered maintenance and repair service for home electric heating systems.

JEBS operates in a very competitive marketplace where competition for skilled staff is as tough as winning customer contracts and I am pleased to see the business continuing to move toward a more commercial and sustainable footing. Total revenues including internal sales, at around £5m, are £1m lower than in 2016 as the previous year was impacted by one particular large project but profit remained on a par with last year at £0.1m.

JEBS
TECHNICAL SOLUTIONS
QUALITY SERVICE

Jersey Energy

Jersey Energy and its Guernsey office, Channel Design Consultants, provides premium environmental and building services advisory, detail design and site administration services to end user clients, architects, the States of Jersey and Guernsey, Parish Town Halls and developers – predominantly in the healthcare, retail, commercial and residential sectors.

As a leading pan-Channel Islands consultancy, the team is continually developing skill sets, intellectual knowledge and services offered to meet increasing client expectations. They have been rewarded with a consistent work stream of repeat business from satisfied clients and, significantly, winning high value, long-term contracts. These have included Jersey Energy winning the new States of Jersey central administration building, Grainville School Music School extension, Future Hospital Project Westaway Court Outpatients/Administration High Rise Tower and Future Hospital Project Temporary Modular Building Wards.

The Guernsey office has also had a full order book this year. Its projects have included the refurbishment of Guernsey Grammar School and fit-out of Dorey Court Office Development. The construction industry is particularly active in Jersey and we are hopeful of continued strong performance into next year, reflecting the business's respected and elevated position within the sector. We are continuing to develop the business by forming strategic alliances with UK consultancies that enable Jersey Energy and Channel Design Consultants to increase their capacity as and when required to secure bigger commissions on a more cost effective, flexible basis. We have also been very successful this year by forming on-Island multi-disciplinary consortiums to win work with high capital expenditure clients.

Although Jersey Energy is fuel neutral, the business has successfully broadened Jersey Electricity's services and solutions offer into the marketplace and its knowledge compliments Energy Solutions and JEBS.

Turnover in the year at £0.6m was at a similar level to 2016 and the business remains at a breakeven level.

JERSEY Energy
SUSTAINABLE ENGINEERING

HEALTH AND SAFETY

Nothing is more important to us than the safety of our staff, contractors, customers and the public and so I am delighted to report that we have completed the year without a single Lost Time Accident (LTA) anywhere in the business. Our proud record on Health and Safety is testament to the vigilance of our staff all through the business but in particular our dedicated Health, Safety and Environment (HSE) team and our Safety Representatives who do much to help create a culture for safe working among colleagues, contractors and the public.

On-going major infrastructure projects involving international teams of contractors continue to make managing HSE challenging and higher risk in a business in which many staff already work in hazardous conditions on a daily basis. Madeiran contractors have completed the refurbishment of our Diesel 5 generator at La Collette Power Station and local civil engineering contractors have now handed over the site of our new St Helier West primary substation to French specialists contractors Engie INEO, having completed the immensely complex civils works on a difficult, constrained piece of land without any HSE issues. Our HSE team, alongside management at all levels, regularly conducts on-site inspections to closely monitor all our project teams, raise awareness of health and safety matters and then discusses any findings and learnings.

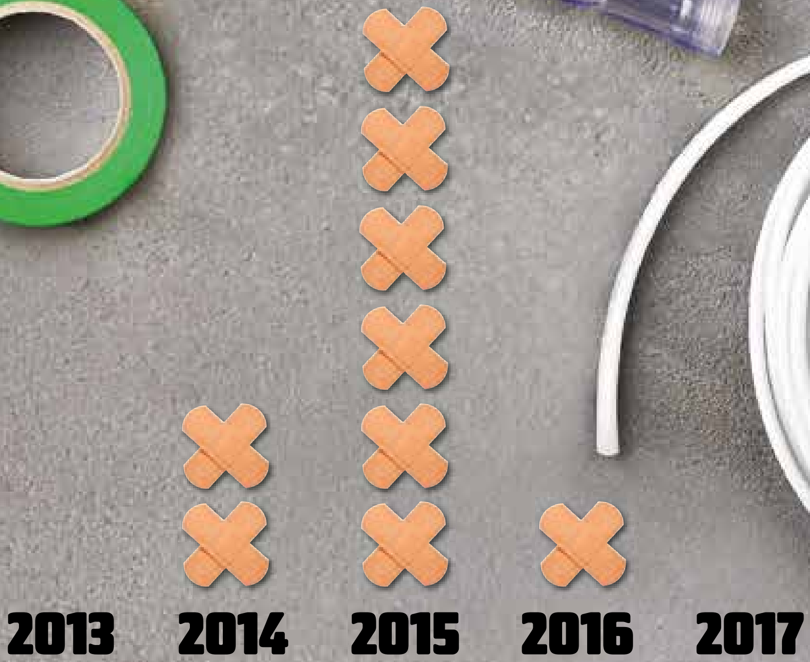
The appointment of a new Operations Director has brought fresh insight and challenge to our HSE programme. He is already building on the solid foundations we have in place in this area by increasing further our focus on proactive measures such as enhanced safety plans, site inspections and incident investigation and reporting procedures.

Our approach to HSE continues to be 'risk based'. We seek to address new and revised legislation and adapt to operational environments. We ensure staff are fully competent in the work we ask them to do and they recognise their own limits of competency. They are also expected to proactively identify hazards through regular risk assessments and take action to mitigate the risks associated with those hazards in their day-to-day work. Various HSE Committees provide governance. This includes a forum for direct communication between the Chief Executive, Senior Management and Safety Representatives.

We work with the Health and Safety Inspectorate (HSI) and this year reiterated a key safety message to the community with another important radio campaign warning of the dangers of working near electricity cables and urging building contractors and DIY enthusiasts to contact us before they start work to enable us to identify cables around their building sites and properties. We have also included a section on electrical safety in the home in a comprehensive new customer guide to 'All Things Electric'.

Electricity generation and transmission are hazardous activities if left unmanaged. Safety is one of our six core values: 'We do everything safely and responsibly or not at all – nothing is more important than the safety of the public, our customers and our staff'. My thanks go to everyone for upholding this value by contributing to ensuring that Jersey Electricity and all the people the Company touches stay safe and healthy.

BRITISH SAFETY COUNCIL
Sword of Honour 2013 Winner



LOST TIME ACCIDENTS (RIDDOR)

RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations) is the UK standard for reporting Accidents and Near Misses. In the UK, an LTA is defined as an accident that results in the injured person being away from work or unable to do their normal work for more than seven days. Jersey Electricity applies the more stringent standard of more than three days. This enables us to benchmark against other peer group entities and allows us better oversight on risk trends.

DAYS LOST (RIDDOR)

2013	2014	2015	2016	2017
0	39	37	7	0

"I am immensely proud of the hard work and commitment from all colleagues..."

SUSTAINABILITY IN THE COMMUNITY

As a public utility providing a vital service to every household and business in the Island, Jersey Electricity has a special 'social responsibility' that goes beyond the traditional CSR activities. In fact, we don't really think of CSR as an initiative – it is embedded in who we are as a business and transcends all our activities. It is our purpose and responsibility to 'sustainably' serve our community with affordable, secure, low carbon energy, today and long into the future to enable quality of life and economic prosperity. As a company with a long history in the Island we are very much part of the community we serve, supporting charities, schools, volunteer groups and our own staff, in fund raising and activities that benefit worthwhile local causes.

Following the success of last year's trial Sustainability in the Community Event that 'married' our corporate support for Jersey Zoo with a staff volunteer day, cleaning and weeding a moat at the zoo, we formed a similar 'marriage' this year in support of the National Trust for Jersey. By funding the Trust's elm tree and hedge planting projects we joined up our strategic objective of moving customers to paperless ebilling with corporate sponsorship and another Sustainability in the Community Event.

A donation of £5 for every customer who switched to ebilling in autumn 2016/17 funded the Trust's 80th anniversary project to plant 80 elms across the Island and helped launch the Wildlife Hedge Planting Project in which staff themselves volunteered to plant 300 hawthorns and blackthorns around a large Trust-owned farm. This successful initiative, which also earned considerable publicity, brought together volunteers from Production, Distribution, Finance and Planning.

As is often the case, it doesn't always take lots of money to make a difference in the community as our Linesmen showed with some community spirit of their own in March, salvaging several telegraph poles, removed as part of our strategy to move overhead supplies underground for added security, and delivering them to Jersey Zoo to create aerial pathways for howler monkeys.

Our time and expertise can be a potent force for good and when combined with corporate financial support, we can make a huge impact. We are therefore delighted to have pledged support for the Jersey Cheshire Home Big Build by funding and carrying out works on a new all-electric staff block that forms part of improvements to Jersey's only residential home for disabled adults. We will also be enabling Acorn, which provides employment training and support for people with disabilities and enduring health conditions, to extend its operation by providing the electrical works for a new, larger Reuse Centre and Shop.

We continue to recognise and reward others who are passionate about the environment with our sponsorship of the Jersey Evening Post-organised Pride of Jersey Environmentalist Award and Jersey Construction Council's (JeCC) Sustainability Award. The former was this year won by Jersey Beekeepers Association with the Sustainability Award going to the States Recycling Centre.

As well as supporting many charities at corporate level, we also support staff in charity events, including this year the Lions Club Swimarathon, the Dragon Boats Festival for Jersey Hospice Care, the Silkworth Round Island Extreme Challenge, the Jersey Marathon, Sand Storm and charity football matches. One staff initiative this year raised almost £3,500 for Cystic Fibrosis Channel Islands.

Our Monthly Staff Number Charity Draw, now in its fourth year, raises funds for staff-nominated charities which this year included Caring Cooks of Jersey, Channel Islands Air Search, Jersken Little Angels Home, Jersey Deaf Society, Diabetes Jersey, British Heart Foundation Appeal and After Breast Cancer Support Group, the Grace Trust, Eyecan, RNLI, Age Concern and BeachAbility. Even staff of our main contractor on the Normandie 1 subsea cable installation, Dutch company VBMS, raised 2,500 euros, which Jersey Electricity matched, to donate £5,000 to St Catherine RNLI Station as part of a safety initiative during the project.

I am immensely proud of the hard work and commitment from all colleagues investing in charity and community work much of which is done in staff's own time.


JERSEY REDS EST 1879
FAMILY NURSING & HOME CARE ESTABLISHED 1907
PRIDE of JERSEY 2015 Jersey Evening Post
Jersey Heritage
PRODUCT OF JERSEY Genuine Jersey
National Trust Jersey
JeCC jerseyconstructioncouncil
Silkworth
durrell
Jersey Hospice Care

OUR PEOPLE

Jersey Electricity is a capital intensive, asset driven business, but it is nothing without its people. To assist with a heavy programme of activity across the people agenda, we have this year appointed an experienced HR Director who will build further on the cultural change programme we have initiated.

We have many long-serving, dedicated employees who have acquired the skills and experience necessary to deliver a first class service over many years. To meet future challenges we must invest in our staff to ensure we continue to maintain a highly skilled, flexible and dedicated workforce.

This year we have focused on succession which recognises that over the next 10 years we expect to see almost half of our workforce retire. This presents a challenge in lost knowledge and people risk management but equally a huge opportunity for the talent that remains. It has led to a significant programme of management training and staff development to give a new generation the best opportunity for promotion.

We see great opportunity for the business in developing management capability at all levels. This year we piloted the HOW TO…Management Development programme, aimed at providing a consistent approach to management across the Company. The programme, designed in collaboration with Cybele Offshore, was trialled with 11 managers to ensure the topics are suitable and will address the needs of the business. Making use of 360 degree feedback and psychometric tools to highlight strengths and development areas of each participant, the eight-session programme covered subjects from performance management, team building and influencing to effective presentations and communication. The second programme began in September.

Throughout the year, the HR team and Talent Manager have also implemented the first stage of a new HR Enterprise System – JE Connect . The system, developed with HR software specialists Cornerstone, is designed to give employees access to a range of HR processes; including performance appraisals, learning events, discussion boards and feedback requests.

As the system develops, we will see the addition of new modules on Succession Management, Absence Management and eRecruitment modules made available to employees and managers to deliver a fully integrated HR system. Functionality currently available in the system includes:

- Performance objective planning and appraisal
- Ongoing task monitoring and progress tracking
- Enrolment on classroom learning events
- Updating employee training records
- Feedback requests
- Employee 'bio' and information regarding skills and interests

The system will eventually track employee career aspirations ensuring we can better align development planning to individual employees and the future needs of the business.

This financial year a number of employees took up professional qualifications, with many completing City & Guilds certificates, Higher National Certificates or function-specific qualifications such as Marketing or HR qualifications. Completion of professional qualifications ensures a depth of industry-specific knowledge as we continue to develop our employees to support future skills needs and manage succession.

The new HR System will help us to track these skill sets across the business and ensure that we maintain the necessary level of competence across the roles we employ. We will also offer training and development on a continuing basis through the portal, allowing employees to seek out and complete the training they require. Through these innovations, and many others, we aim to make our colleagues and Jersey Electricity fit for the future.

Jersey Electricity has great strengths in its people. Compared with UK utilities, we have made great progress in developing a flexible workforce with a tremendous 'can do' attitude. I would like to offer my thanks to all colleagues who have worked so hard to get the Company to where it is today.


Jersey Electricity

OUTLOOK

"We have enjoyed the strong operation of our new Normandie 1 interconnector. This has led to world class reliability and a near fully decarbonised system."

Over the last five years Jersey Electricity has made considerable progress with its investment programme. In 2012, the Company faced multiple infrastructure challenges but by 2017 these have largely been resolved, with the Company enjoying supplies from three resilient interconnectors between Jersey and France, which have themselves benefited from further technical enhancements during the year. This robust importation system is further supported by an optimal mix of fast start generation to support our supply security standard.

Over the next five years, the Company will shift its focus from 'asset deployment' to 'asset optimisation', enhancing and extending our services to customers and building on further demand-side measures such as fuel switching. This is so important to maintaining unit volumes which, in turn, helps us to deliver more competitively priced electricity.

We also focus strongly on the potential risks facing our business. As far as electricity supply is concerned, we have achieved a strong hedge book that is substantially secure over the short term but faces some uncertainty over the longer term with Brexit risk driving a weak Pound/Euro rate, coupled with some energy price uncertainty in UK and Europe. In an effort to respond to this and provide some 'transitionary' certainty through the Brexit period, we extended our contract with EDF for a further five years to 2027. While this framework does not guarantee continued low prices, it offers ability for the Company to better manage risk through regular price fixing. This contract also secures the composition of our electricity from certificated low carbon sources which is important to maintaining the Island's strong carbon position.

The Company faces new risks but also opportunities in the form of new distributed technology such as solar PV, storage, heat pump and the smart home/business. We are embracing these technologies and have developed a strategy that should allow the Island to benefit from them in a way that will minimise risk and cost, strengthening the Company but continuing to provide value for money, comfort and control to consumers and businesses alike.

The Company has reached an important stage in its development. The network is well invested and extremely well positioned for the future. We have enjoyed the strong operation of our new Normandie 1 interconnector. This has led to world class reliability and a near fully decarbonised system. Crucially, this has been done while keeping prices stable and competitive when compared with peer jurisdictions, including large European economies.

Going forward, we look to build resilience in people succession. Over the next 10 years we will lose almost half of our talent and experience. This represents a risk due to the loss of skill and experience, but on the other hand a great opportunity to further develop our remaining talent, by building flexible skills, reshaping roles to drive efficiencies and improvements, coupled with more extensive use of modern technology. We are investing considerably in talent development that will give our people the very best possible opportunities to succeed and perform well for the Company, ensuring it stays on course for a great future.

Chris Ambler
Chief Executive
13 December 2017

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2017	2016
Revenue	**£102.3m**	£103.4m
Profit before tax pre-exceptional items	**£13.5m**	£13.1m
Earnings per share pre-exceptional items	**34.59p**	33.31p
Dividend paid per share	**13.80p**	13.10p
Final proposed dividend per share	**8.40p**	8.00p
Net debt	**£21.9m**	£29.0m

Group revenue for the year to 30 September 2017 at £102.3m was 1% lower than in the previous financial year. Unit sales volumes of electricity were marginally behind last year with Energy revenues at £80.5m against £81.2m in 2016. Turnover in Powerhouse.je, our retail business, increased by 9% from £11.9m to £13.0m. Revenue in the Property business rose marginally to £2.2m due to higher rental income. Revenue from JEBS, our contracting and building services business, fell £1.1m from levels experienced in 2016 to £4.0m. Turnover in our other businesses fell £0.3m to £2.6m.

Overall cost of sales decreased by £2.1m to £63.2m mainly due to a reduction in import costs in our Energy business. **Operating expenses**, at £24.4m, rose by £0.9m from their 2016 level with an increase in depreciation charges, post our continued investment in infrastructure, and IAS 19 pension costs being the main drivers.

Profit before tax, pre-exceptional items, for the year to 30 September 2017, at £13.5m, increased by 2.5% from £13.1m in 2016. Profit before tax post-exceptional items, fell from £14.8m last year to £13.5m in 2017 as we had an exceptional credit of £1.7m in 2016 associated with the release of a rent accrual that had been accumulated over many years for our La Collette Power Station site post the settlement of a long-running rent review which was settled by an arbiter in our favour.

Our Energy business unit sales saw volumes falling 0.6% from 625m to 621m kilowatt hours. Profits in our Energy business moved up marginally against last year to £11.7m. A lower cost of sales resulted in a higher margin but this was offset by increased depreciation and pension costs.

In the financial year we imported 93% of our requirements from France (2016: 92%) and generated 1% of our electricity on-island at La Collette Power Station (2016: 3%). Additional staff training on plant was the main reason for the higher level of generation in 2016 compared to this year. The remaining 6% of our electricity came from the local Energy from Waste plant being marginally above that seen in 2016. Customer tariffs have remained at the same level over the last three years. There were no changes during 2017 and our prices continue to remain competitive with other jurisdictions. The UK saw material increases in retail electricity prices for their customers during 2017 with an average rise of 14% across the 'Big 6'. Our last tariff movement was over three years ago by an average 1.5% increase in April 2014.

Profits in our Property division, excluding the impact of investment property revaluation, at £1.6m, were at the same level as last year with a higher rental level offset by increased maintenance costs. Our investment property portfolio was marginally revalued upwards this year to £20.2m by the external consultants who review the position annually. Our retailing business, Powerhouse.je, saw continued strong growth with profits moving £0.3m upwards to £0.7m in 2017. JEBS, our contracting and business services unit produced a profit of £0.1m on a par with that achieved in 2016 in a challenging industry with high competition for staff. Our other business units (Jersey Energy, Jendev and Jersey Deep Freeze) were £0.2m behind last year as Jersey Deep Freeze had an exceptional year in 2016 which was not repeated in 2017.

Interest paid in 2017 was £1.3m against £1.1m in 2016 with a lower level of average debt, and a higher level of capitalisation of interest in 2016 associated with the new N1 subsea cable, being the primary reasons for the rise. The **taxation charge** at £2.8m was £0.3m lower than 2016 due mainly to the exceptional credit last year being a taxable item.

Group earnings per share, pre-exceptional items, rose to 34.59p compared to 33.31p in 2016 due mainly to the increase in profits. Earnings per share, before adjusting for exceptional items stood at 37.69p in 2016 whilst there were no exceptional items to adjust for in 2017.

Dividends paid in the year, net of tax, rose by 5%, from 13.1p in 2016 to 13.8p in 2017. The proposed final dividend for this year is 8.4p, a 5% rise on the previous year. Dividend cover, pre-exceptional items, at 2.5 times was at a similar level to 2016. If exceptional items are included, dividend cover fell from 2.9 times last year to 2.5 times in this financial year.

Ordinary Dividends

		2017	2016
Dividend paid	- final for previous year	**8.00p**	7.60p
	- interim for current year	**5.80p**	5.50p
Dividend proposed	- final for current year	**8.40p**	8.00p

Net cash inflow from operating activities at £26.5m was £1.3m higher than in 2016 with an increase in profit, prior to IAS 19 pension accounting, being the primary driver. **Capital expenditure**, at £15.1m fell from £32.4m last year as most of the cash in the N1 project was spent in 2016 in advance of the cable being commissioned during this financial year. **Net debt** at the year-end was £21.9m, being £7.1m lower than last year.

FINANCIAL REVIEW

Cash Flows

Summary cash flow data	2017	2016
Net cash inflow from operating activities	**£26.5m**	£25.2m
Capital expenditure and financial investment	**£(15.1)m**	£(32.4)m
Dividends	**£(4.3)m**	£(4.1)m
Payment for foreign exchange option	**£ -**	£(0.2)m
Decrease/(Increase) in net debt	**£7.1m**	£(11.5)m

Treasury matters and hedging policies

Operating within policies approved by the Board and overseen by the 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 relates to the importation of power from Europe, which is contractually denominated in Euro, the Company enters into forward currency contracts to reduce exposure and as a tool to aid tariff planning. The average Euro/Sterling rate underpinning our electricity purchases during the financial year, as a result of the hedging program, was 1.24 €/£. The average applicable spot rate during this financial year was 1.15 €/£, having fallen from the average level of €1.28 in 2016 with the UK decision to leave the EU continuing to bring volatility to foreign exchange markets. In addition, we also materially hedge any foreign exchange exposure attributable to capital expenditure once planning consents and firm pricing is known and the commitment is made to proceed with the project.

Interest rate exposure is an area of potential risk but is managed by the £30m of private placement monies received in July 2014 having a fixed coupon and represents all of our borrowings at present.

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 potential non-performance is monitored despite the high credit ratings (investment grade and above) of the established financial institutions with which we transact.

In the last financial year Jersey Electricity imported 93% of the electricity requirements of Jersey from Europe. It jointly purchased this power, with Guernsey Electricity, through the Channel Islands Electricity Grid, from EDF in France. The supply contract allows power prices to be fixed in Euros in advance of decisions being made on customer tariffs. A ten year power purchase agreement with EDF, which commenced in 2013, was extended by a further five years to 2027 during this financial year. This combines a fixed price component with the ability to price fix future purchases over a rolling three year period based on a market related mechanism linked to the EEX European Futures Exchange. The goal is to provide our customers with a market based price but with a degree of certainty in a volatile energy marketplace. A Risk Management Committee exists, consisting of members from Jersey Electricity, Guernsey Electricity and an independent energy market adviser and follows guidelines approved by the Board.

Defined benefit pension scheme arrangements

As at 30 September 2017 the scheme deficit, under IAS 19 "Employee Benefits", was £3.4m, net of deferred tax, compared with a deficit of £9.2m at 30 September 2016. Scheme liabilities decreased 4% from £139.2m to £133.5m since the last year end with the discount rate assumption, which heavily influences the calculation of liabilities, rising from 2.3% in 2016 to 2.7% in 2017 to reflect sentiments in prevailing financial markets. In addition scheme assets rose 1% from £127.8m to £129.3m in the same period.

Our defined benefits pension scheme is an area of risk that continues to require 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 the discount rate applied to the liabilities had been either 0.5% lower or higher than the 2.7% under IAS 19 for 2017, the net deficit of £3.4m would have risen to around £13m, or moved to a surplus of £5m, respectively. In a bid to mitigate the impact of movements in interest rates and inflation the trustees of the scheme have recently adopted a Liability Driven Investment (LDI) approach with the goal of reducing funding volatility. It does this by reducing the risk that asset and liability values change at different rates, or even move in different directions.

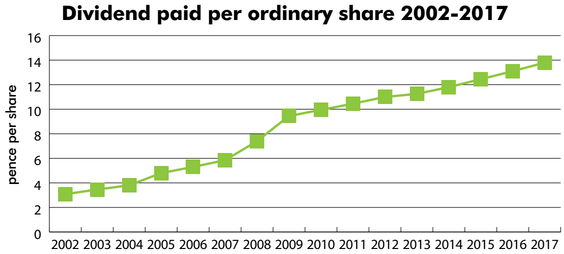
The last triennial actuarial valuation as at 31 December 2015 resulted in a surplus of £6.9m. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises on retirement. In 2016 the Pension Scheme Trustees recommended an ex-gratia award be made to pensioners in light of the surplus and the Board approved this recommendation. The capital cost of this 1.5% rise to pensions in service was £0.7m and was paid by the Scheme but generated a £0.7m charge against the income statement of the Company in 2016. No such award was granted during the 2017 financial year. The contribution rate by Jersey Electricity was maintained at the previous rate of 20.6%

of pensionable salaries. Employees continue to contribute an additional 6% to the pension scheme. The final salary scheme was closed to new members in 2013, with new employees, since that time, being offered defined contribution pension arrangements. The next triennial actuarial valuation of the defined benefit scheme has an effective date of 31 December 2018.

Returns to shareholders

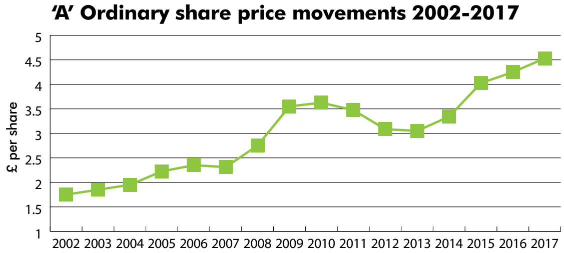
62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees Limited owns 5.3m (46%) of our 'A' Ordinary shares representing 18% of our overall Ordinary shares and around 5% of Voting Rights. This nominee company is held within the broker firm Ravenscroft which has placed our stock with a number of private clients, and a fund, residing largely in the Channel Islands. During the year the ordinary dividend paid increased by 5% from 13.10p net of tax to 13.80p. The proposed final dividend for 2017, at 8.40p, is a 5% increase on last year and consistent with the underlying dividend pattern in recent years and with our stated policy to aim to deliver sustained real growth in the medium-term. The chart below shows the evolution of dividend payments over the last 15 years.

Dividend paid per ordinary share 2002-2017



The share price at 30 September 2017 was £4.53 against £4.25 at the 2016 year end. This gives a market capitalisation of £139m as at 30 September 2017 compared with a balance sheet net assets position of £176m. However the illiquidity of our shares, due mainly to having one large majority shareholder, combined with an overall small number in circulation, constrains the ability of the management team to influence the share price. However we use Edison (an investment research firm) to produce regular research on our performance to aid the marketing of our shares to a wider body of potential investors in the quest to improve our longer-term liquidity. The chart below shows the trending of our listed share price over the last 15 years.

'A' Ordinary share price movements 2002-2017



Our largest shareholder, the States of Jersey also owns holdings in other utilities in Jersey. It holds 100% of JT Group, Ports of Jersey, Andium Homes and Jersey Post, 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 £7.9m (2016: £7.9m). A relatively small amount of corporation tax was paid in 2016 and 2017 due to capital allowances associated with our recent heavy investment spend in infrastructure.

	2017	2016
Ordinary dividend	**£2.6m**	£2.5m
Goods and Services Tax (GST)	**£4.0m**	£4.1m
Corporation tax	**£0.4m**	£0.4m
Social Security - employers contribution	**£0.9m**	£0.9m
	£7.9m	£7.9m

The Company regularly communicates with its largest shareholders and details of discussions, including any concerns are reported to the Board. The Chairman meets once or twice a year with the States of Jersey, and ensures there is a direct communication between the non-Executives and our largest shareholder.

Group Risk Management

Approach

The Board is ultimately responsible for managing the Group's approach to risk and determining a strategy for managing identified risks within the business. The Board is supported by the Audit and Risk Committee which has delegated responsibility for reviewing the effectiveness of the Group's system of internal controls and risk management. The Board recognises that any risk management process cannot eliminate all risk but rather manages the Group's exposures, and sets the acceptable level of tolerance required to successfully deliver the Group's strategy and growth.

The management team has an established risk management framework which is designed to identify, assess and help manage the key risks. This framework also assists in developing risk mitigation activities and making assessments of their effectiveness. In its maintenance of the Group's Risk Register, each business unit, together with the executive management team, identify the principal risks together with the mitigation strategies in place. Following this process the principal risks and mitigation actions are collated and reviewed by the management team, Audit and Risk Committee and Board. The output from this exercise forms the basis of the key principal risks.

FINANCIAL REVIEW

Other key features of our system of risk management, which have been in place throughout the financial year, include:

- Regular business and financial reviews by the Executive team and the Board;
- Established and documented risk management policies including a schedule of matters reserved for the Board;
- Systems and tools to monitor key risks with the aim of providing regular and succinct information to the Board and Executive team; and
- A comprehensive insurance programme.

Principal risks

The table below summarises the Group's principal risks and how they are managed. The Board considers these to be the most significant risks that could materially affect the Group's financial condition, ongoing performance and future strategy.

The risks listed do not comprise all risks faced by the Group and are not set out in any order of priority. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

As noted in the Annual Report last year we continue to maintain a watching brief on Brexit developments. Although Jersey is not in the EU, the UK decision to exit has created a level of uncertainty for the Island. The most material individual trading relationship we have is our electricity importation arrangement with EDF in France. We received confirmation in 2016 that this long-term contractual agreement would not be impacted and that is still our understanding. In addition, we extended the current arrangements with EDF by a further five years, during 2017, to the end of 2027.

Risk	Description and possible impact	Mitigation activities
Regulatory / Political or Legislative change		
Regulatory	Not acting in line with 'expectations of behaviours' of a monopoly utility resulting in the introduction of sector specific regulation with the attendant cost of compliance and impact on public relations.	Ensure we find the correct balance associated with being a key service provider on an Island but recognising our responsibilities to a wide number of stakeholders. Ensure transparency of objectives and regular communication with key stakeholders. Benchmark ourselves against comparable Key Performance Indicators with other jurisdictions (e.g. Tariffs, Customer Minutes Lost, CO_2 emissions, Lost Time Accidents).
Political	Unfavourable political and/or legislative developments which cause a significant change to the operation of, or prospects for, the business.	Monitor political and legislative developments (e.g. the Government's Energy Plan) and analyse the opportunities and threats to enable us to respond effectively. Develop proposals for approval by the Board to address any specific risks identified.
Major capital project management		
Project	Unsuccessful delivery of our major projects resulting in inability to achieve overall project objectives and/or additional costs or delays.	Project milestones, costs and risks are recorded and monitored and regular progress updates issued to both management and the Board, including plans to address any issues.
Financial - Treasury & Tax / Energy Portfolio Management / Pension Liabilities		
Asset failure	Financial implications associated with the loss of significant plant and/or importation assets.	Scenario and sensitivity analysis as part of our long-term budgeting process. Insurance obtained where appropriate and where it can be cost effective. Effective monitoring and maintenance of the plant/assets.
Financial	Reduction in unit sales of electricity due to, for example, energy efficiency or emerging disruptive technologies and the corresponding impact on the competitiveness of electricity in the heating marketplace.	In principle the 'user pays' model implies that if unit sales of electricity fell then Jersey Electricity would raise tariffs to retain our target return on assets. However one of our prime defences to offset an expected continued focus on energy efficiency is to migrate existing customers who use gas/oil as their primary heating source to all-electric solutions. A dedicated team work on initiatives in this area and maintain a watching brief on developing technologies.
Pension Liabilities	Volatility of markets impacting our Defined Benefit Pension Scheme position e.g. liabilities increase due to market conditions or demographic changes and/or investments underperform.	The Board regularly monitors the latest position regarding the Scheme and the impact that it is having on the Company. The Trustees have recently implemented an LDI strategy to reduce the exposure to movements in the value of pension liabilities. The Defined Benefit scheme was closed to new members in 2013 and a triennial valuation formally reports on performance and any required funding actions are instigated based on such results.
Volatility	A significant proportion of our profitability and price competitiveness is dependent upon our ability to manage exposure to increasingly volatile power and foreign exchange markets.	Power price and foreign exchange are hedged in accordance with the agreed strategies which are themselves reviewed and approved by the Board on a periodic basis.
Security of Supply / Supply Chain / Asset & Plant Management		
Business Continuity	Failure and/or unavailability of significant plant and/or importation assets which cause disruption to our operations including major emergency, incident or loss of electricity supplies to customers.	A Security of Supply standard has been developed and published and we seek to design the system to meet those standards. A programme of maintenance is applied to optimise the life of assets. Use of a comprehensive business continuity planning process including periodic testing under various scenario exercises. A number of diverse sources of supply have been developed such as importation cables and on-Island generation (deploying various technologies) to ensure that we are not over-reliant on any single source, fuel or technology.

Asset & Plant Management	Failure of ageing metering infrastructure.	The SmartSwitch project will result in a smarter more modern metering solution replacing legacy systems. As at 30 September 2017 around 75% of our customers had such new meters installed. Contingency plans are under continuous development to enable the Company to mitigate the failure of the key systems.
Supply Chain	Impact on ability to generate due to availability, storage and transportation of heavy fuel oil.	Programme was completed during this year to ensure all fuel tank storage facilities were refurbished. Contract in place with Esso for supply of fuel to 31 December 2018.
Health, Safety & Environment		
H, S & E	Non-compliance with relevant legislation, regulations and accepted codes of practice resulting in unnecessary exposure to our staff, customer, member of the general public or our plant and equipment.	A Health, Safety and Environment team has been resourced to put in place standards and to monitor performance against those standards. A proactive safety culture has been nurtured throughout the organisation supported by a safety management structure, Safety Representatives, programmes of site inspections, regular training and induction amongst other areas. Use of British Safety Council for external benchmarking.
People / Succession Planning		
People	The Group's strategy is largely dependent on the skills, experience and knowledge of its employees. The inability to retain executives and other key employees, or a failure to adequately plan for succession, could negatively impact Group performance. Around half of the current work-force is anticipated to retire from the business in the next 10 years.	We have developed a long range HR Strategy. HR now has the resource and capability to provide frameworks for developing succession plans, development plans and attracting new talent to enable planning for the future and mitigate and reduce the talent drain from Jersey Electricity. Extensive networks have been built including access to UK (Utility) skills to enable best practice development. We recruited a new Operations Director for the Energy business as the incumbent retired in 2017. In addition, a new HR Director was appointed in October 2017.
Cyber Security		
Catastrophic breach of our systems	Due to the nature of our business we recognise that our critical infrastructure systems may be a potential target for cyber threats. We must protect our business assets, infrastructure and sensitive customer data and be prepared for any malicious attack.	We continue to use industry best practices as part of our cyber security policies, processes and technologies. Cyber awareness training has been carried out with all staff with access to corporate IT systems and there is a programme of follow-up monitoring and training. Following a review by external cybercrime security consultants, additional security appliances with enhanced mitigation technologies are being installed. Disaster recovery procedures are incorporated within our business continuity arrangements and periodic external reviews are undertaken.

Viability Statement

In accordance with provision C.2.2 of the 2016 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. As disclosed last year, the Board conducted this review for a period of five years, selected because annually a refreshment of the Five Year Plan is performed with the latest version approved by the Board on 21 September 2017. This document considers our forecast investment, hedging policy for electricity procurement and linked foreign exchange requirements, debt levels and other anticipated costs, and the resultant impact on likely customer tariff evolution. In addition, material sensitivities to this base case are considered.

Stress testing of the cost base of our Energy business was performed to establish the impact of material movements in both foreign exchange and wholesale electricity prices. However as we employ a 'user pays' model the Board has comfort on the longer term consequences of a permanent weakening in Sterling or a material rise in European wholesale power prices (albeit we continue to strive to deliver price stability for our customer base).

Based on the results of this analysis the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

In making this statement the Directors have considered the resilience of the Company taking into account its current position, the principal risks facing the Company and the control measures in place to mitigate each of them. In particular, the Directors recognise the significance of the strong Jersey Electricity plc balance sheet, and committed lending facilities that could be drawn down in most circumstances.

GOVERNANCE

Board of Directors

Geoffrey Grime
Chairman
(70) 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. In 2001, he became the founding Chairman of Jersey Finance Limited, the body set up as a joint venture between the Government of Jersey and its finance industry, to represent and promote the industry at home and abroad. He currently holds a number of 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.
In September 2014 he was elected as a Jurat of the Royal Court of Jersey where he sits as a lay judge.

Chris Ambler
Chief Executive
(48) N

Chris was appointed to the Board as Chief Executive on 1 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 a Director of Channel Islands Electricity Grid Limited. Externally, he is also a non-Executive Director of Apax Global Alpha Limited and Foresight Solar Fund Limited, both being listed funds on The London Stock Exchange. 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.

Martin Magee
Finance Director
(57)

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 Chairman of Jersey Deep Freeze Limited and a Director of the Channel Islands Electricity Grid Limited. Externally, he is also the non-Executive Chairman of the Standard Life Wealth Offshore Strategy Fund Limited. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.

Aaron Le Cornu
Non-Executive Director
(47) A/R

Aaron was appointed to the Board as a non-Executive Director in January 2011 and is currently the Chief Operating Officer of GLI Finance, an alternative finance provider and strategic investor in numerous Fintech platforms. Aaron left his previous role as Chief Financial Officer of Elian, a Fiduciary Firm, headquartered in Jersey and with operations in 17 countries, following the sale of the business to Intertrust Group in 2016. Prior to this, Aaron held a number of senior positions within HSBC, latterly as the Deputy CEO of HSBC International. During his 10 years with HSBC, he held a number of Board positions for HSBC subsidiaries and was also involved in acquisitions (such as the purchase of Marks and Spencer Money). Aaron is a Chartered Accountant having qualified with Andersen in London. He also has a First Class Honours Degree in European Management Science from Swansea University.

Alan Bryce
Non-Executive Director
(57) A/R

Alan was appointed to the Board as a non-Executive Director in December 2015 and is currently a non-Executive Director at Scottish Water, Chair of the wind-farm developer Viking Energy and an advisor in the utilities industry. He is a former non-Executive Director of Infinis Energy plc and Iberdrola USA. Prior to 2010, he held a number of senior positions at Scottish Power, including Managing Director of Energy Networks, and Managing Director of Generation. He was also Strategy and Planning Director for Scottish Power's UK Division, which included the company's Generation, Energy Management and Retail businesses. He is a Chartered Engineer and Fellow of the Institution of Engineering and Technology.

Phil Austin MBE
Non-Executive Director
(68) R

Phil was appointed to the Board in May 2016 and spent most of his career in banking with HSBC in London and, ultimately, Jersey where, from 1997 to 2001, he was Deputy Chief Executive of the Bank's business in the Offshore Islands. In 2001, he became the founding CEO of Jersey Finance Limited, the body set up as a joint venture between the Government of Jersey and its Finance Industry, to represent and promote the Industry at home and abroad. In 2009, he took on a portfolio of non-Executive directorships – a portfolio consisting of both public and privately-owned businesses. Phil is a Fellow of the Chartered Institute of Bankers and a Fellow of the Chartered Management Institute. In January 2016, he was awarded an MBE in the Queen's New Year's Honours list. Phil is currently a non-Executive Director of City Merchants High Yield Trust, a publicly quoted company.

Wendy Dorman
Non-Executive Director
(56) A/R

Wendy was appointed to the Board as a non-Executive Director in July 2016. Wendy is a Chartered Accountant who began her career as an auditor and went on to specialise in financial services taxation. In 2001 she moved from London to Jersey and she led the Channel Islands tax practice of PwC until June 2015. Wendy has over twenty five years' experience in taxation gained both in the UK and the offshore environment, working both in practice and in industry. Wendy was Chairman of the Jersey branch of the Institute of Directors from 2014 to 2016 and is a former President of the Jersey Society of Chartered and Certified Accountants. Wendy is a non-Executive Director of 3i Infrastructure plc and CQS New City High Yield Fund Limited, both listed companies, as well as Jersey Finance Limited.

Tony Taylor
Non-Executive Director
(59) R/N

Tony joined the Board as a non-Executive Director in September 2017.
His career spans over 35 years in marketing and communications, having worked for three of the world's leading global advertising agency networks, in senior management roles. Most recently, Tony has been a Regional Director at J Walter Thompson, part of WPP plc.
Born in Jersey, Tony has lived in the UK and Singapore and has worked with numerous blue-chip companies around the world.
Tony is also a Director of Jersey Sport and Jersey Dairy. He has a BSc in Psychology from the City University, London.

Key to membership of committees

A Audit and Risk Committee
R Remuneration Committee
N Nominations Committee

Directors' Report

for the year ended 30 September 2017

The Directors present their annual report and the audited financial statements of Jersey Electricity plc for the year ended 30 September 2017.

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 software development and consulting.

Dividends

The Directors have declared and now recommend the following dividends in respect of the year ended 30 September 2017:

Preference dividends	2017 £	2016 £
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
	8,973	8,973
Ordinary dividends		
Ordinary and 'A' Ordinary Shares		
Interim paid at 5.80p net of tax for the year ended 30 September 2017 (2016: 5.50p net of tax)	1,777,120	1,685,200
Final proposed at 8.40p net of tax for the year ended 30 September 2017 (2016: 8.00p net of tax)	2,573,760	2,451,200
	4,350,880	4,136,400

Re-election of directors

In accordance with Article 115 of the Company's Articles of Association, Tony Taylor will retire at the Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 127, Aaron Le Cornu and Alan Bryce will retire and, being eligible, offer themselves for re-election. Furthermore, Directors with more than 9 years' service should offer themselves for re-election on an annual basis. Accordingly, Geoffrey Grime will retire and, being eligible, will offer himself 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 16 days (2016: 12 days).

Directors' Report

for the year ended 30 September 2017

Substantial shareholdings

As at 13 December 2017 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 amounts to 62% of the ordinary share capital and represents 86.4% of the total voting rights.

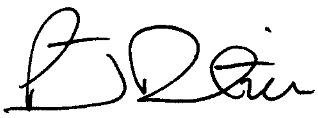
'A' Ordinary Shares

'A' Ordinary shares entitle the holder to 1 vote for every 100 shares held whereas the Ordinary shares carry voting rights of 1 vote for every 20 shares held.

Huntress (CI) Nominees Limited are the largest shareholder of our listed shares and hold 5,327,562 'A' Ordinary shares which represent 5% of the total voting rights. It is understood that the underlying owners of these shares are substantially private investors based in the Channel Islands.

Auditor

A resolution to re-appoint Deloitte LLP as auditor will be proposed at the next Annual General Meeting.



BY ORDER OF THE BOARD
P.J. ROUTIER
Secretary
13 December 2017

GOVERNANCE

Corporate Governance

Corporate Governance

The Directors are committed to maintaining a high standard of Corporate Governance in accordance with The UK Corporate Governance Code April 2016 ("the Code"), as incorporated within The Listing Rules, issued by the Financial Conduct Authority. The Listing Rules require the Company to set out how it has applied the main principles of the Code and to explain any instances of non-compliance.

In accordance with Listing Rule ("LR") 9.8.4 R, the agreement related to 'Independent business' required by LR 9.2.2A (2) (a) R has been entered into with the States of Jersey, the controlling shareholder, with effect from 17 November 2014. The company has complied with the independence provisions included in the agreement during this financial year and believes the controlling shareholder is also compliant. The other applicable information required by LR 9.8.4 R (5)/(6) is disclosed in external appointments.

Statement of Compliance

The Board considers that the Company is a "smaller company" for the purposes of the Code as it is not a member of the FTSE 350. Throughout the financial year ended 30 September 2017 the Board considers that it has complied with the Code, with the following exceptions:

The Main Principle B.7 states that all directors should be submitted for re-election at regular intervals, subject to satisfactory performance. Executive Directors are not subject to retirement by rotation but they are subject to the same periods of notice of termination of employment as other members of the Company's senior management. This is deemed appropriate by the Board because it is felt that our largest shareholders have sufficient powers to remove Executive Directors if they saw fit. The Code (Provision D.2.1) states that the Board should establish a Remuneration Committee of independent non-Executive directors. Until 31 December 2016, when Mike Liston retired, the Board acknowledges that he could not be considered independent. However during the remainder of the year the Board considered the Remuneration Committee to be compliant.

The Board

The Board provides effective leadership and currently comprises six non-Executive and two Executive Directors. They are collectively responsible for the long-term success of the Company and bring together a balance of skills, experience, independence and knowledge. The Chairman and the Chief Executive roles are divided with the former being appointed by the Directors from amongst their number. Aaron Le Cornu is the Senior Independent Director.

Independence

The non-Executive Directors during the year were Geoffrey Grime, Wendy Dorman, Aaron Le Cornu, Alan Bryce, Phil Austin,Tony Taylor and Mike Liston and they were all considered independent with the exception of Mike Liston, who retired in December 2016, and was formerly the Company's Chief Executive. The Board have determined that Geoffrey Grime remained independent notwithstanding that he has served on the Board for more than fourteen years. In making this determination, the Board took into account his breadth of experience, his financial independence and his other business interests. In addition, he has also served less than nine years on the Board prior to his appointment as Chairman.

Tony Taylor was appointed during the financial year and Mike Liston retired in December 2016. On appointment to the Board the required time commitment is established and any significant changes to time commitments are notified to the Board. An induction process is in place for all newly appointed Directors.

The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly to set and monitor strategy, review trading performance, perform a robust assessment of the principal risks that could threaten the business model, future performance, solvency or liquidity (see Principal Risks section on pages 38 and 39), examine business plans and capital and revenue budgets, formulate policy on key issues and review the reporting to shareholders. Board papers are circulated, with reasonable notice, 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.

Corporate Governance

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 and Risk	Remuneration	Nominations
No of meetings	**5**	**3**	**4**	**2**
G.J. Grime	5	-	4	2
A.D. Le Cornu	5	3	4	-
P.J. Austin	5	-	4	-
A.A. Bryce	5	3	1*	2
W.J. Dorman	5	3	1*	2
C.J. Ambler	5	-	2*	2
M.P. Magee	5	3*	-	-
T. Taylor[1]	1	-	-	-
M.J. Liston[2]	-	-	1	-

* attendees by invitation

1 Appointed 21 September 2017

2 Retired 31 December 2016

During the last year there were not any significant changes to the commitments of the Chairman.

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. An external evaluation took place during the course of 2015 and internal evaluations were undertaken by the Chairman in both 2016 and 2017.

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 who are responsible for determining the nature and extent of the risk it is willing to take to achieve the strategic objectives. Prior to significant investment decisions being taken, due diligence investigations include the review 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 subsequent material changes to them.

- Changes in structure and capital of the Company
- Financial reporting and controls including:

Approval of the Annual Report and Financial Statements.

Declaration of the interim dividend and recommendation of the final dividend.

- Internal controls/Risk Management

Reviewing the effectiveness of the Company's internal control and risk management systems. An external review of the risk management process is conducted every three years. There was also an externally facilitated session with all members of the Board in March 2017 to review, rate and clarify risks.

- Contracts approval of

Major capital projects.
Major contracts.
Major investments.

Corporate Governance

- Board membership and other appointments

Approval of changes to the structure, size and composition of the Board and key Committees, following recommendations from the Nominations 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 annual evaluation 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/Risk Management

There is a permanent team of internal audit staff involved in a continuous structured review of 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 Head of Internal Audit routinely reports to the Company Secretary with direct access to the Audit and Risk Committee Chairman and also attends Audit and Risk Committee meetings, at which risk based internal audit's plans are discussed and approved. Following its most recent review our Internal Audit was given the highest rating – Generally Conforms by the IIA on Standards and Code of Ethics. During the previous financial year an independent review was performed of the risk management processes within the organisation. This was largely positive with some recommendations for improvement, the majority of which have been implemented.

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 and Risk Committee

The Audit and Risk Committee reviews the effectiveness of the internal control and risk management processes throughout the accounting period as outlined above. In addition, it regularly conducts "deep dive" reviews on specific identified risks to test assumptions on the substance of such risks and their mitigation. More detail on the Group's principal risks, and how they are managed, is provided in the Financial Review within this Annual Report (see the Principal Risks section on pages 38 and 39).

Nominations Committee Report

The Nominations Committee (the Committee) is chaired by Alan Bryce with Geoffrey Grime, Wendy Dorman, Tony Taylor and Chris Ambler being the other members, a majority of whom are independent non-Executive Directors. During the last financial year the Committee formally met twice.

The principle responsibilities of the Committee are 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 for both the Board and for senior positions in the wider organisation; and
- make recommendations to the Board concerning the reappointment of any non-Executive Director following conclusion of his or her specified term of office.

The Committee recognises the benefits of diversity and will continue to appoint Executive and non-Executive Directors to ensure diversity of background based on attributes including gender, age, industry experience, background and race. During the year the Board diversity policy has been refreshed. The current profile of the Board is as follows:

Gender		Tenure		Age		Sector	
Male	7	<1 year	1	41-50	2	Utilities	3
Female	1	1-3 years	3	51-60	4	Financial Services	3
		4-9 years	2	61-70	2	Marketing	1
		>9 years	2			Taxation	1

During 2015 a plan was formulated for a controlled change in the constitution of non-Executive Directors going forward in line with good practice and corporate governance requirements on independence. The plan's implementation progressed further during 2017 when, as part of this strategy, Mike Liston retired from the Board in December 2016 and Tony Taylor was appointed in September 2017. Four of the six non-Executive directors now have a tenure of less than three years and all have been deemed by the Board to be independent. The Committee believes that the Board has a strong pipeline in place to manage its near and medium-term succession requirements.

For the appointment of the new non-Executive director during this year, the Committee appointed Hassell Blampied, an external recruitment consultancy firm which has no direct connection with the Company. As part of the open process, adverts were run in a local newspaper and on selected web channels. A strong emphasis was placed on enhancing diversity of experience on the Board, and Mr Taylor's background in international marketing, advertising and customer-focussed brands brings a new set of skills to the Board.

The Committee is also involved in succession planning for Executive Directors and the wider management team within Jersey Electricity, and at the July Board meeting the Board received a presentation on the Company's talent management and succession planning processes. In addition, during the year the Committee was actively involved in the recruitment process for two senior roles within the Company. In February 2017 Mark Preece was appointed as Operations Director within our Energy business and in October 2017 Andrew Welsby joined us as Human Resources Director.

The Terms of Reference for the Nominations Committee and the Terms and Conditions of the Appointment of non-Executive Directors are available on our website (www.jec.co.uk).

On behalf of the Committee

A. BRYCE
Chairman
13 December 2017

Audit and Risk Committee Report

The Audit and Risk Committee (the Committee) is chaired by Aaron Le Cornu supported by Wendy Dorman and Alan Bryce as members. Both Aaron and Wendy are Chartered Accountants with recent experience in both commerce and private practice. Alan is a Chartered Engineer with extensive experience of the utility sector and experience of serving on Audit Committees elsewhere. Full biographies of all members are provided on pages 40 and 41. The meetings provide a forum for discussions with both Company staff and the external auditor. Meetings are also attended, by invitation, by the Chief Executive, the Finance Director, the Financial Controller, the Company Secretary, and members of both the external audit and internal audit teams.

The Committee is responsible for protecting the interests of shareholders and this includes reviewing the Annual and Interim Financial Statements and accompanying reports before their submission to the Board for approval and for the reporting of its findings to the Board. As part of the review process the Committee reviews the likely significant issues in advance of the preparation, and subsequent publication, of the external financial statements and in particular any critical accounting judgements identified by both the Company and the external auditor, which are disclosed in Note 2 to the Financial Statements (Critical Accounting Judgements). Comprehensive position papers on each key area are produced by the Finance Director at both the half and full year. Some of the areas are recurring items such as revenue recognition, impairment of assets, retirement benefit obligations and hedge accounting. The Committee reviews any year-on-year changes in methodology for reasonableness. In addition there may be 'one-off' issues that surface – as an example a review was performed of the likely life of subsea cables by benchmarking our depreciation policy against other operators. The conclusion was that the existing policy of using an assumed thirty year life was still appropriate. In addition the Committee was made aware of some potential IT control issues associated with the successful upgrade of the Microsoft NAV system during 2017. We are satisfied that management reacted to this issue to ensure the control environment is improved for this coming financial year. The Committee also takes comfort that the Finance Director liaises with our external auditor during the course of the year to establish a consensus opinion where possible.

The Committee formally met three times in the last financial year (aligned to the financial timetable) 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. In addition a further meeting was facilitated by the Committee, inclusive of the wider Board members and an external consultant, to review in detail the key risks across the business to ensure they were appropriately captured, documented and being properly monitored. The Committee also considers reports from the internal and external auditors and from management and provides comment on salient issues to the Board. In addition, the Committee regularly reviews the scope and results of the work undertaken by both the internal and external auditors. The Terms of Reference for the Audit and Risk Committee are available on our website (www.jec.co.uk).

The Committee has approved the external auditor's remuneration and terms of engagement and is fully satisfied with the performance, objectivity, quality of challenge and independence of the external auditor. Non-audit services are reviewed on a case by case basis and also in terms of materiality of the fee by the Committee. Note 6 to the Financial Statements details the quantum and split of auditor fees.

The Board requested that the Committee advise them on whether they believe the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy. This requires the Committee to consider consistency of messaging, including comparison to prior years, reporting by the external auditor on potential inconsistencies and a verification exercise on statements made. The Committee requested internal audit to conduct a review of the various non-financial KPI's included in the Annual Report and no issues were identified as a result of their work. The Committee has concluded that this is the case and has reported this to the Board.

Audit and Risk Committee Report

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 up to the date of approval of the financial statements and is in accordance with The UK Corporate Governance Code. Whistleblowing arrangements are reviewed annually by the Committee.

The Committee members have regular meetings with Internal Audit to evaluate both performance, and any impediments that might exist, which would constrain their work. The Committee also approve the plan of work for the Internal Audit function in advance of the following year. In addition independent reviews are undertaken on a regular basis. In 2015 a benchmarking exercise was performed, and in 2016 a review of the risk management process was undertaken by an external consultant. Such exercises provide further comfort to the Committee on the effectiveness of Internal Audit.

On behalf of the Committee

A. LE CORNU
Chairman
13 December 2017

GOVERNANCE

Statement of Directors' Responsibilities

Directors' Responsibilities for the Financial Statements

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 by the European Union. The Financial Statements are also required by Company Law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

International Accounting Standard 1 requires that Financial Statements present fairly for each financial year the Group'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. Legislation in Jersey and in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Financial Statements are therefore prepared on a going concern basis. Further details of the Group's going concern review are provided in note 1 of the financial statements on page 63.

Having taken advice from the Audit and Risk Committee, the Board considers the annual report and financial statements, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

C.J. AMBLER
Chief Executive Officer
13 December 2017

Martin P. Magee

M.P. MAGEE
Finance Director
13 December 2017

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee (the Committee) is chaired by Phil Austin who was supported throughout the year by members Geoffrey Grime and Aaron Le Cornu. Mike Liston was a member until his retirement date and Tony Taylor was appointed in September 2017. The Committee operates within terms of reference agreed by the Board which are regularly reviewed and are available on our website (www.jec.co.uk). Four Committee meetings took place during the last financial year.

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.

The salary and benefits of the Executive team are reviewed by the Committee annually and any adjustments take effect on 1 April. The Committee were advised during the year by Mercer, as external remuneration consultants, who used locally focussed benchmarking data, as well as assessing the remuneration of the executive team by reference to comparable companies within the UK, as this defines the relevant labour market for the skills required. It is confirmed that Mercer have no connection to the Company other than as a provider of such services. The Committee seeks to ensure that, excluding any share based remuneration (of which there is none other than the all-employee share scheme disclosed later in the report), the overall value of the remuneration package of the Executive team members including bonus and other benefits matches, in broadest terms, relevant comparative benchmarks for executive director remuneration. The bonus payable to the Executive Directors is performance related taking account of their individual responsibilities within the Company and is dependent on the results of the Group against expectations across a wide range of performance criteria. It included recognition of the delivery of the strategically important Normandie 1 subsea cable, which was successfully commissioned during the year.

The remuneration paid to individual Directors during the year ended 30 September 2017 was as follows:

	Basic salary/fees £	Bonus £	Benefits in kind £	**Total 2017 £**	Total 2016 £
EXECUTIVE DIRECTORS					
C.J. Ambler	223,323	140,206	15,041	**378,570**	307,186
M.P. Magee	179,299	93,728	12,249	**285,276**	239,881
NON-EXECUTIVE DIRECTORS					
G.J. Grime	36,500	-	3,446	**39,946**	39,912
A.D. Le Cornu	23,000	-	1,726	**24,726**	24,706
A.A. Bryce	25,429	-	1,726	**27,155**	19,537
P.J. Austin	20,429	-	1,726	**22,155**	7,636
W. Dorman	18,000	-	1,726	**19,726**	4,928
T. Taylor (appointed 21 September 2017)	-*	-	-	**-**	-
M.J. Liston (retired 31 December 2016)	4,500	-	-	**4,500**	21,712
C.A.C. Chaplin (retired 3 March 2016)	-	-	-	**-**	10,070
Total	530,480	233,934	37,640	**802,054**	675,568

*Fees payable quarterly in arrears

Remuneration Committee Report

Service Contracts

The Executive Directors' service contracts provide for a notice period of six months. The non-Executive Directors' service contracts have no unexpired term at the time of election, or re-election, at the Annual General Meeting.

Pension Benefits

Set out below are details of the pension benefits to which each of the Directors is entitled. These pensions are restricted to the scheme in which the Director has earned benefits during service as a director, but include benefits under the scheme for service both before and after becoming a Director, including any service transferred into the scheme from a previous employment.

	Increase in accrued pension during the year[1]	Accrued pension at 30.9.2017[2]	Transfer value at 30.9.2017[3]	Transfer value at 30.9.2016[3]	Directors' contributions during year	Increase/(decrease) in transfer value less Directors contributions[4]
C.J. Ambler	£5,943	£44,600	£699,966	£694,350	-	£5,616
M.P. Magee[5]	£4,439	£81,954	£1,653,966	£1,670,530	£11,238	£(28,639)

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 60, based on service at the year end.
3. The transfer values have been calculated using the basis and method appropriate at each accounting date. It is assumed that the deferred pension commences from the earliest age at which the member can receive an unreduced pension. The transfer values include any accrued Additional Voluntary Contributions (AVC) pensions.
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 AVC's to the Scheme to purchase additional final salary benefits. AVC's paid by the Directors during the year were nil.

All-Employee Share Scheme

At the 2011 Annual General Meeting approval was granted to launch an all-employee share scheme. During the 2015 and 2016 financial years 100 'A' Ordinary Shares were issued to all staff (subject to Scheme Rules) including the Executive Directors and these shares vest in February 2018 and February 2019 respectively. There are no other share-based incentives such as option schemes or long-term incentive plans operated by the Company.

Non-Executive Directors' Remuneration

The remuneration of the non-Executive directors is determined by the Executive directors with the assistance of independent advice concerning comparable organisations and appointments and also taking into account the particular Committees in which they are involved. As with executive pay, Mercer was used to provide such advice. A small premium was paid in the financial year to those who chaired Committees (Audit and Risk: £5,000; Nomination/Remuneration: £2,000) for additional responsibility, and to Directors based off-Island (£5,000) for travelling time.

External Appointments

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

C.J. Ambler

Foresight Solar Fund Limited and Apax Global Alpha Limited.

The total non-Executive Director fees for such appointments were £92,500 of which £74,000 was retained, and the remainder paid to the Company, by the individual.

M.P. Magee

Standard Life Wealth Offshore Strategy Fund Limited.

The total non-Executive Director fees for this appointment was £20,000 of which £16,000 was retained, and the remainder paid to the Company, by the individual.

Remuneration Committee Report

Directors' Loans

The Company provides secured loans to the Executive Directors which bear interest at base rate. The balances on such loans were:

	30.9.2017	30.9.2016
C. J. Ambler	**£372,365**	£407,997
M. P. Magee	**£188,571**	£239,571

Directors' Share Interests

The Directors' beneficial interests in the shares of the Company at 30 September 2017 are:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2017	**2016**	**2017**	**2016**
C.J. Ambler*	**7,420**	5,005	**-**	-
M.P. Magee*	**13,500**	10,500	**960**	960
G.J. Grime	**10,000**	10,000	**-**	-
M.J. Liston	**-****	2,000	**-**	-
A.A. Bryce	**4,500**	4,500	**-**	-
P.J. Austin	**5,000**	-	**-**	-
	40,420	32,005	**960**	960

*Both C.J. Ambler and M.P. Magee each have a beneficial interest in a further 200 'A' Ordinary Shares that are due to vest in equal quantities in February 2018 and February 2019.

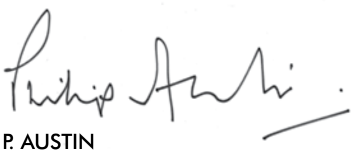
**M.J. Liston still held 2,000 'A' Ordinary Shares as at 30 September 2017 but was no longer a Director at that date.

During the financial year the following Directors purchased 'A' Ordinary shares:

C.J. Ambler	2,415
M.P. Magee	3,000
P.J. Austin	5,000

There have been no other changes in the interests set out above between 30 September 2017 and 13 December 2017.

On behalf of the Committee



P. AUSTIN
Chairman
13 December 2017

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements that we have audited comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the accrual for unbilled electricity units; • the discount rate assumption in the defined benefit pension scheme; and, • the NAV upgrade project. Within this report, any new audit matters are identified with ⮝ and any key audit matter which are the same as the prior year are identified with ⮞.
Materiality	The materiality that we used in the current year was £1,000,000 which was determined on the basis of approximately 7.5% of profit before tax.
Scoping	The group includes three separate legal entities of which only Jersey Electricity plc was considered to be a significant component.
Significant changes in our approach	In the prior year we identified hedge accounting as a key audit matter; this was not a key audit matter in the current year because, owing to improvements in the group's financial reporting processes, it was not a matter that had the greatest effect on the audit and the allocation of resources.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the Group contained within the Financial Review on pages 35 to 39.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 38 to 39 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 39 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 39 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the directors' statements relating to going concern and the prospects of the company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accrual for unbilled electricity units

Key audit matter description	Total revenue for the Group is impacted by the year end process of calculating the number of unbilled units of electricity and the value of these units £5,099k (2016: £5,950k). The calculation is based on a model which uses historical customer and tariff data and uses automated calculations to generate the overall figure. There is significant judgement required by management when determining what historical data is appropriate to use to reflect unit usage and cost in the unbilled period. We therefore identified inappropriate recognition of accrued revenue as a significant risk and an area of potential fraud. Further details of the considerations around revenue recognition are set out in the critical accounting judgements in note 2 and in the Audit and Risk Committee report on page 48.
How the scope of our audit responded to the key audit matter	We have reviewed the design and implementation of key controls relating to the unbilled units process. We engaged our data analytics specialists to build a model to estimate the unbilled units accrual which approximates the model used by Jersey Electricity plc. The historical data used in the model such as billed units data and tariff information was tested for completeness and accuracy through agreement to billing records and historical tariff data. To assess whether the historical data appropriately reflected consumption in the unbilled period we challenged the judgements applied by management, for example through assessing consideration of seasonality adjustments and any significant changes in the customer base or the nature of properties. We also reviewed the accuracy of previous judgements applied by management through reviewing the adequacy of previous unbilled units accruals compared to subsequent billings.
Key observations	As a result of our audit procedures we concluded that the assumptions in the revenue accrual were reasonable and that the amount recognised in revenue and trade debtors at the reporting date was appropriate and in accordance with the requirements of IAS 18.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Discount rate assumption in the defined benefit pension scheme	
Key audit matter description	The group has a gross retirement benefit deficit at the year end of £4.2m (2016: £11.5m). There is inherent uncertainty over the assumptions used by actuaries in assessing the present value of scheme liabilities due to those assumptions being long-term. We identified the most significant assumption and key audit matter to be the discount rate used of 2.7% (2016: 2.3%), as is disclosed in note 17. The assumption applied in determining the pension balances is subject to significant judgement and has the ability to materially impact the current deficit recognised on the balance sheet.
How the scope of our audit responded to the key audit matter	We have performed a review of the design and implementation of key controls relating to the review of the assumptions used by management in determining the value of the scheme's obligations. We have assessed the independence, objectivity and qualifications of the expert which management engaged to support them in determining the pension assumption, balances and related disclosures. We have reviewed and challenged the discount rate used by the expert and approved by management, against independent data and consulted with our own internal experts to benchmark and rationalise the assumption.
Key observations	Through the performance of our review of the design and implementation of key controls relating to the pension assumptions, we did not identify any material deficiencies. As a result of our audit procedures we concluded that the discount rate used was reasonable.

NAV upgrade project	
Key audit matter description	The group uses Microsoft NAV as their accounting and operating software package. As referred to on page 23, the group underwent a significant IT upgrade to its NAV installation during the current financial year. This was to improve performance, efficiency of use and the IT control environment.
How the scope of our audit responded to the key audit matter	We have engaged our internal IT specialists to assess the change management process and consider the change management controls in place. Our IT Specialists have performed testing on the before and after instances of NAV and specific procedures over the data migration process. We have also understood and challenged the upgrade process and assessed the design and implementation of the key controls within group's information systems that are relevant to the financial reporting process and other operating activities.
Key observations	We have identified certain user accounts with master IT access rights, created as part of the upgrade project for the use of appropriate IT personnel, but for which user activity was not tracked or logged. We considered this to be failure in the general IT control environment. Where the control failure affected applications and databases within the scope of our audit, we extended the scope of our substantive audit procedures. At the point of issuance of this report management have addressed the observations made by the audit team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

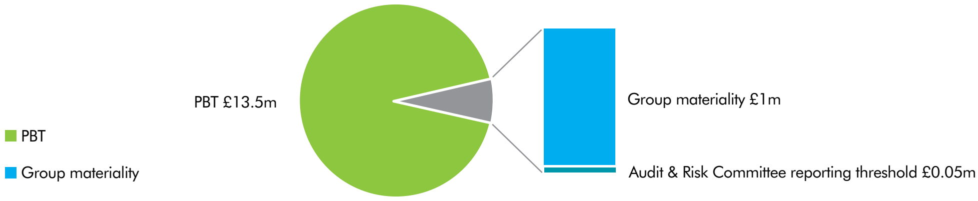
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1,000,000 (2016: £900,000)
Basis for determining materiality	Approximately 7.5% of pre-tax profit (2016: 7.5% of adjusted pre-tax profit).
Rationale for the benchmark applied	Given that this is a trading group we have considered profit before tax to be the most suitable benchmark to use as it is one of the key performance indicators used by investors.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc



We agreed with the Committee that we would report to them all audit differences in excess of £50,000 (2016: £18,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Jersey Electricity plc as a stand-alone entity contributes approximately 99% of the revenue and profit before tax presented within the Consolidated Income Statement and a similar proportion of the net assets presented on the Consolidated Balance Sheet.

At the group level we also tested the consolidation process and carried out analytical procedures to conclude that there were no significant risks of material misstatement of the financial information of the parent company's subsidiary, Jersey Deep Freeze Limited, and the parent company's joint arrangement, Channel Islands Electricity Grid Limited, which were not subject to a separate audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A 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 auditor's report and those matters we have expressly agreed to report to them on in our engagement letter 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.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

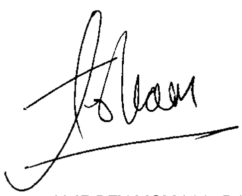
Other matters

Auditor tenure

Following the recommendation of the Audit and Risk committee, we were appointed by the Board of Directors on 2 March 2017 to audit the financial statements for the year ending 30 September 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 15 years, covering the years ending 30 September 2003 to today's date.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



ANDREW ISHAM, BA, FCA
for and on behalf of
Deloitte LLP
Recognised Auditor
St Helier, Jersey
13 December 2017

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Revenue	3	**102,320**	103,361
Cost of sales		**(63,186)**	(65,249)
Gross profit		**39,134**	38,112
Revaluation of investment properties	11	**40**	(350)
Operating expenses	4	**(24,379)**	(23,498)
Group operating profit before exceptional items	6	**14,795**	14,264
Exceptional item - La Collette rent accrual reversal		**-**	1,676
Group operating profit	3	**14,795**	15,940
Finance income		**3**	22
Finance costs		**(1,340)**	(1,154)
Profit from operations before taxation		**13,458**	14,808
Taxation	7	**(2,834)**	(3,166)
Profit from operations after taxation		**10,624**	11,642
Attributable to:			
Owners of the Company		**10,599**	11,547
Non-controlling interests	19	**25**	95
		10,624	11,642
Earnings per share			
- basic and diluted	9	**34.59p**	37.69p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Profit for the year		**10,624**	11,642
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit scheme	17	**8,859**	(2,829)
Income tax relating to items not reclassified	7	**(1,772)**	566
		7,087	(2,263)
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on cash flow hedges	22	**(1,673)**	13,865
Income tax relating to items that may be reclassified	7	**335**	(2,773)
		(1,338)	11,092
Total comprehensive income for the year		**16,393**	20,471
Attributable to:			
Owners of the Company		**16,348**	20,376
Non-controlling interests		**25**	95
		16,373	20,471

All results in the year have been derived from continuing operations.
The notes on pages 63 to 86 form an integral part of these accounts. The independent auditor's report is on pages 54 to 58.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 30 September 2017

	Note	2017 £000	2016 £000
Non-current assets			
Intangible assets	10	1,110	162
Property, plant and equipment	11	211,921	209,168
Investment properties	11	20,150	20,110
Secured loans	14	592	683
Derivative financial instruments	22	2,790	5,957
Other investments	12	5	5
Total non-current assets		236,568	236,085
Current assets			
Inventories	13	6,825	5,962
Trade and other receivables	14	15,782	16,583
Derivative financial instruments	22	4,454	2,788
Cash and cash equivalents		8,076	1,925
Total current assets		35,137	27,258
Total assets		271,705	263,343
Current liabilities			
Trade and other payables	15	15,885	16,084
Bank overdraft		-	943
Current tax liability	7	1,034	420
Total current liabilities		16,919	17,447
Net current assets		18,218	9,811
Non-current liabilities			
Trade and other payables	15	20,177	19,600
Retirement benefit deficit	17	4,219	11,471
Derivative financial instruments	22	172	-
Financial liabilities - preference shares	18	235	235
Long-term borrowings	16	30,000	30,000
Deferred tax liabilities	7	23,719	20,482
Total non-current liabilities		78,522	81,788
Total liabilities		95,441	99,235
Net assets		176,264	164,108
Equity			
Share capital	18	1,532	1,532
Revaluation reserve		5,270	5,270
ESOP reserve		(84)	(155)
Other reserves		5,658	6,878
Retained earnings		163,862	150,523
Equity attributable to the owners of the Company		176,238	164,048
Non-controlling interests	19	26	60
Total equity		176,264	164,108

Approved by the Board on 13 December 2017

G.J. GRIME
Director

M.P. MAGEE
Director

The notes on pages 63 to 86 form an integral part of these accounts. The independent auditor's report is on pages 54 to 58.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2017

	Note	Share capital £000	Revaluation reserve £000	ESOP reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2016		1,532	5,270	(155)	6,878	150,523	164,048
Total recognised income and expense for the year		-	-	-	-	10,599	10,599
Funding of employee share option scheme		-	-	(2)	-	-	(2)
Amortisation of employee share scheme		-	-	73	-	-	73
Unrealised loss on hedges (net of tax)		-	-	-	(1,338)	-	(1,338)
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	7,087	7,087
Adjustment to reserves		-	-	-	118	(118)	-
Equity dividends	8	-	-	-	-	(4,229)	(4,229)
At 30 September 2017		**1,532**	**5,270**	**(84)**	**5,658**	**163,862**	**176,238**
At 1 October 2015		1,532	5,270	(97)	(4,214)	145,223	147,714
Total recognised income and expense for the year		-	-	-	-	11,547	11,547
Funding of employee share option scheme		-	-	(114)	-	-	(114)
Amortisation of employee share scheme		-	-	56	-	-	56
Unrealised gain on hedges (net of tax)		-	-	-	11,092	-	11,092
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(2,263)	(2,263)
Adjustment arising from change in non-controlling interest		-	-	-	-	31	31
Equity dividends	8	-	-	-	-	(4,015)	(4,015)
At 30 September 2016		**1,532**	**5,270**	**(155)**	**6,878**	**150,523**	**164,048**

The notes on pages 63 to 86 form an integral part of these accounts. The independent auditor's report is on pages 54 to 58.

Consolidated Statement of Cash Flows

for the year ended 30 September 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Operating profit before exceptional items	14,795	14,264
Depreciation and amortisation charges	10,695	10,295
Share-based reward charges	73	56
(Gain)/loss on revaluation of investment property	(40)	350
Pension operating charge less contributions paid	1,607	1,351
Profit on sale of fixed assets	(4)	(6)
Operating cash flows before movement in working capital	27,126	26,310
Working capital adjustments:		
(Increase)/decrease in inventories	(863)	277
Decrease/(increase) in trade and other receivables	892	(1,758)
Increase in trade and other payables	1,230	2,303
Net movement in working capital	1,259	822
Interest paid	(1,322)	(1,148)
Capitalised interest paid	(172)	(374)
Preference dividends paid	(9)	(9)
Income taxes paid	(421)	(396)
Net cash flows from operating activities	26,461	25,205
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,252)	(32,391)
Investment in intangible assets	(836)	(4)
Proceeds from part disposal of subsidiary	-	10
Net proceeds from disposal of fixed assets	4	9
Net cash flows used in investing activities	(15,084)	(32,376)
Cash flows from financing activities		
Equity dividends paid	(4,229)	(4,019)
Dividends paid to non-controlling interest	(59)	(48)
Deposit interest received	3	22
Payment for foreign exchange option	-	(250)
Proceeds from borrowings	18,000	5,500
Repayment of borrowings	(18,943)	(5,500)
Net cash flows used in financing activities	(5,228)	(4,295)
Net increase/(decrease) in cash and cash equivalents	6,149	(11,466)
Cash and cash equivalents at beginning of year	1,925	12,503
Effect of foreign exchange rate changes	2	(55)
Overdraft	-	943
Cash and cash equivalents at end of year	8,076	1,925

The notes on pages 63 to 86 form an integral part of these accounts. The independent auditor's report is on pages 54 to 58.

Notes to the Financial Statements
for the year ended 30 September 2017

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2017 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted by 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 accounting

The consolidated financial statements have been prepared under the historic cost convention as modified by the revaluation of investment properties and derivative financial instruments.

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2017 comprises the Company and its subsidiary.

The subsidiary is an entity 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest'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 the jointly controlled entity using the equity method of accounting. 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. 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.

Under Article 101 (11) of the Companies (Jersey) Law 1991 ("the Law"), the Directors of a holding company need not prepare separate financial statements if consolidated accounts for the company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the opinion of the Directors, the Company meets the definition of a holding company as set out in the Law. As permitted by the Law, the Directors have elected not to prepare separate financial statements.

Going Concern

The Group'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 2 to 3). The financial position of the Group, its cash flow and its liquidity position are described in the Financial Review (see pages 35 to 39). In addition, note 22 to the financial statements includes the Group'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 risks. The Group has considerable financial resources together with a large number of customers both corporate and individual. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. 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 financial statements and in making the viability statement on page 43.

Foreign currencies

The functional and presentation currency of the Group 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. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on translation are included in net profit or loss for the year.

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. Revenue excludes the goods and services tax levied on our customers.

i) 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. For the majority of customers who are on smart meters this is between the date of the last meter reading and the balance sheet date, using historical consumption patterns. For customers on traditional meters this is between the last billing date and the balance sheet date, again using historical consumption patterns.

Notes to the Financial Statements
for the year ended 30 September 2017

Revenue continued

ii) Retail

Revenue resulting from the sales of goods within our retail business is recognised on sale to the customer, as this is the point at which the company recognises the transfer of risks and rewards.

iii) Building Services

Revenue within JEBS, our contracting and building services business, is recognised as the service is provided, on a stage of completion basis according to expected profit margins on a project by project basis.

iv) Property

Rental income is accrued on a time basis by reference to the agreements entered.

v) Other

Other income is recognised as the service is provided or on receipt of payment as appropriate. Other income also includes indefeasible rights of use (IRU) sales. With the connection of the Channel Islands Electricity Grid Limited (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 IRUs 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 future 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 recorded in the income statement, except where it relates to items recorded to equity via other comprehensive income, in which case the deferred tax is also dealt with in that statement.

Exceptional items

As permitted by IAS 1 "Presentation of financial statements", the Group has disclosed additional information in respect of exceptional items in the consolidated financial statements to aid understanding of the Group's financial performance.

An item is exceptional if it is considered unusual by nature and scale and of such significance that separate disclosure is required for the financial statements to be properly understood.

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 useful 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 useful lives. Costs include employee costs relating to software development and an appropriate proportion of directly attributable overheads. Amortisation is charged on a straight-line basis over its expected useful life which is estimated to be up to 4 years.

Property, plant and equipment

In accordance with IAS 16 costs are capitalised where it is probable that future economic benefits associated with the asset being purchased or constructed will flow to the entity; and the cost of the asset can be measured reliably.

For assets under construction, all costs incurred which are directly attributable to bringing the asset to a point of commissionable use, including direct materials and direct labour costs are capitalised once an executive decision has been taken to proceed with the construction of the asset.

Notes to the Financial Statements

for the year ended 30 September 2017

Property, plant and equipment excludes investment property and is stated at cost less accumulated depreciation and impairment losses, if any. Assets are depreciated on the straight-line method to their expected residual values over their estimated useful lives from the year following acquisition. Property, plant and equipment include capitalised employee, interest and other costs that are directly attributable to construction of these assets. Property, plant and equipment under the course of construction is not depreciated and is carried at cost less impairment.

Depreciation is charged as follows:

Buildings	up to 50 years
Interlinks	up to 30 years
Plant, mains cables and services	up to 40 years
Fixtures and fittings	up to 10 years
Computer equipment	up to 4 years
Vehicles	up to 10 years

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 non-current liabilities and released to the income statement over the estimated operational lives of the related assets.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets 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 the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is rated as a revaluation increase.

Investment properties

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

Investment in joint venture

The results and assets and liabilities of the joint venture are incorporated using the equity method. Investment in the joint venture is therefore carried in the Group balance sheet at cost as adjusted by changes in the Group's share of net assets, less any impairment.

Operating leases

Lessee

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.

Lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial indirect costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and received on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 September 2017

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 weighted 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 which have a maturity greater than three months at the time of inception.

Trade and other receivables

Trade receivables are initially recognised at invoice value and do not carry any interest and are subsequently stated at their amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other payables are initially recognised at invoice value and are not interest bearing and are subsequently stated at their amortised cost. Amortised cost is considered by the Directors to be equivalent to invoiced value.

Long-term borrowings

Loans that have fixed or determinable payments that are not quoted in an active market are classified as 'long-term borrowings'. Loans are measured at amortised cost using the effective interest method. Interest expense is recognised by applying the effective interest rate.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. Changes in the fair value of derivative financial instruments which are designated as highly effective hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the income statement. When hedges mature that do not result in the recognition of an asset or a liability, amounts deferred in other comprehensive income 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. Until that time, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income 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 that has been recognised in other comprehensive income is transferred to the income statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in the income statement in the period in which they occurred.

Dividends

Dividends are recorded in the Group's financial statements 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.

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new shares or options are shown as a deduction, net of tax, from the proceeds.

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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

Notes to the Financial Statements

for the year ended 30 September 2017

Retirement benefits

The Company provides pensions through both a defined contributions scheme and a defined benefit scheme. In the latter 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 comprehensive income. 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, including past service cost, is deducted in arriving at operating profit. Retirement benefits recorded in the balance sheet represent the net financial position of the Group's defined benefit pension scheme.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are not separately disclosed due to their immaterial value.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Accounting developments

In preparing these Financial Statements, 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 Financial Statements. The following new accounting standards, amendments to existing accounting standards and/or interpretations of existing accounting standards are mandatory for the current period and have been adopted by the Group. All other new standards, amendments to existing standards and new interpretations that are mandatory for the current year have no bearing on the operating activities and disclosure's of the Group and consequently have not been listed. The Group has not adopted any new standards or interpretations that are not mandatory.

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 and in some cases, not adopted by the EU:

Standards effective in current period:

Annual Improvements to IFRSs: 2012-2014 Cycle, which is effective for annual periods beginning on or after 1 January 2016

IAS 16 and IAS 38 (amendment) *Clarification of Acceptable Methods of Depreciation and Amortisation,* which is effective for annual periods beginning on or after 1 January 2016

IAS 27 (amendment) *Equity Method in Separate Financial Statements,* which is effective for annual periods beginning on or after 1 January 2016

Standards in issue not yet effective:

IFRS 2 (amendment) *Classification and Measurement of Share-based Payment Transactions*, which is effective for annual periods beginning on or after 1 January 2018

IAS 7 (amendment) *Disclosure Initiative*, which is effective for annual periods beginning on or after 1 January 2017

IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018

IFRS 11 (amendment) *Accounting for Acquisitions of Interests in Joint Operations*, which is effective for annual periods beginning on or after 1 January 2016

IAS 12 (amendment) *Recognition of Deferred Tax Assets for Unrealised Losses*, which is effective for annual periods beginning on or after 1 January 2017

IFRS 15 (clarification) *Revenue from Contracts with Customers*, which is effective for annual periods beginning on or after 1 January 2018

IFRS 16 *Leases*, which is effective for annual periods beginning on or after 1 January 2019

IFRS 17 *Insurance Contracts*, supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12, which is effective for annual periods beginning on or after 1 January 2017

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 1 and IAS 28, which is effective for annual periods beginning on or after 1 January 2018

Jersey Electricity plc is not permitted to adopt a standard until it has been adopted by the EU.

A review has been undertaken of those changes to Standards and Interpretations that are considered to be most relevant to the Group. These include; IFRS 9, IFRS 15 and IFRS 16. Of these, IFRS 15 and changes to recognition of revenue from contracts with customers is not expected to result in any differences in either revenue values or disclosures. Changes resulting from IFRS 9 will introduce fair value hierarchy disclosure for non-financial assets and liabilities recognised at fair value. There are also expected to be changes resulting from IFRS 16 where the Group is lessee of properties. IFRS 16 will include these leased properties on the balance sheet. The impact to the income statement is not expected to be material.

Notes to the Financial Statements
for the year ended 30 September 2017

2 Critical Accounting Judgements

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are monitored on an ongoing basis. Changes to accounting estimates are recognised in the period in which an estimate is revised if the modification affects only that period (or also in future periods if applicable).

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i Hedge accounting

The Group utilises currency derivatives to hedge a proportion of its future purchases of electricity from France which currently extend to the next three calendar years as well as for any foreign currency denominated capital contracts. Judgement is applied in establishing the quantum of these future foreign exchange commitments as the volume and price of imported electricity vary annually. All such currency derivatives are fair valued, based on market values of equivalent instruments at balance sheet date.

ii Decommissioning

A judgement has been made that the Company does not meet the recognition criteria (set out in IAS 37 Provisions) as it does not have any set obligation to de-commission any of our material assets but a risk exists that costs may be incurred in the future. The assets concerned are our power station at La Collette, which is leasehold with a current end date of 2056, and our subsea interconnectors to France and Guernsey. None of the assets have a definitive planning or legal obligation to decommission at the end of life but obligations could develop over time, for example, for environmental reasons. There are varying external opinions as to whether subsea cables should be left in place, or removed, at the end of their useful life as over time the interconnector asset becomes part of the marine infrastructure.

Key sources of estimation uncertainty

i Retirement benefit obligations

The Group provides pensions through a defined benefits scheme for a number of its employees which is accounted for in accordance with IAS 19 'Employee Benefits'. The benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The discount rate used in 2017 was 2.7% and in 2016 was 2.3%. If the discount rate applied to the liabilities had been either 0.5% lower or higher than the 2.7% applied for 2017, the net deficit of £3.4m would have risen to around £13m, or moved to a surplus of £5m, respectively.

ii Revenue

The assessment of energy sales to customers is based on meter readings, which are carried out on a systematic basis throughout the year. Revenue for energy supply includes an estimated assessment of electricity supplied to customers between the date of the last meter reading, using historical consumption patterns. Unbilled revenues included within trade and other receivables in the balance sheet relating to such customers at 30 September 2017 amounted to £5.1m (2016: £5.9m). If the unbilled estimate at the year-end was misstated by 10% then profits would be impacted by around £0.5m.

Notes to the Financial Statements

for the year ended 30 September 2017

3 Business segments

The business segments below are those reported to the Group's Chief Executive for the purposes of resource allocation and performance assessment:

	2017 External £000	2017 Internal £000	2017 Total £000	2016 External £000	2016 Internal £000	2016 Total £000
Revenue						
Energy	80,480	143	80,623	81,215	144	81,359
Building Services	3,982	915	4,897	5,120	786	5,906
Retail	13,045	37	13,082	11,933	45	11,978
Property	2,187	599	2,786	2,143	599	2,742
Other*	2,626	1,324	3,950	2,950	876	3,826
	102,320	3,018	105,338	103,361	2,450	105,811
Intergroup elimination			(3,018)			(2,450)
Revenue			102,320			103,361
Operating profit						
Energy			11,723			11,650
Building Services			131			134
Retail			731			452
Property			1,645			1,683
Other			525			695
			14,755			14,614
Revaluation of investment properties			40			(350)
Exceptional item - La Collette rent accrual reversal			-			1,676
Operating profit			14,795			15,940
Finance income			3			22
Finance costs			(1,340)			(1,154)
Profit from operations before taxation			13,458			14,808
Taxation			(2,834)			(3,166)
Profit from operations after taxation			10,624			11,642
Attributable to:						
Owners of the Company			10,599			11,547
Non-controlling interests			25			95
			10,624			11,642

*Other segment includes Jersey Energy, Jendev and Jersey Deep Freeze Limited.

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

Notes to the Financial Statements
for the year ended 30 September 2017

4 Operating expenses

	2017 £000	2016 £000
Distribution costs	12,222	11,173
Administration expenses	12,157	12,325
	24,379	23,498

5 Directors and employees

Detailed information in respect of Directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Committee Report on pages 51 to 53. The number of persons (full time equivalents) employed by the Group (including non-Executive Directors) at 30 September was as follows:

	2017 Number	2016 Number
Energy	201	203
Other businesses	116	114
Trainees	9	10
	326	327

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	17,422	16,524
Social security costs	923	881
Pension (note 17)	3,526	3,286
	21,871	20,691
Capitalised manpower costs*	(1,946)	(1,865)
	19,925	18,826

* Capitalised manpower costs are included in note 11 under categories 'Mains cables and services', 'Fixtures, fittings, computer equipment and vehicles' and 'Interlinks'.

Notes to the Financial Statements

for the year ended 30 September 2017

6 Group operating profit before exceptional items

Operating profit is after charging/(crediting):

	2017 £000	2016 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	94	80
Auditor's remuneration for non-audit services	4	4
Other operating charges		
Operating lease charges	231	246
Depreciation of property, plant and equipment	10,501	10,226
Amortisation of intangible assets	194	69
Maintenance and repairs	2,768	2,777
Legal and professional	126	206
Bad debt write-offs/(write back)	1	(49)
Movement in bad debt provisions	(23)	72

7 Taxation

	2017 £000	2016 £000
Current tax:		
Jersey Income Tax - ordinary activities	1,043	420
- adjustments in respect of prior periods	(9)	-
Total current tax	1,034	420
Deferred tax:		
Used losses	406	-
Current year	1,394	2,746
Total tax on profit on ordinary activities	2,834	3,166

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:

	2017 £000	2016 £000
Profit from ordinary activities before tax	13,458	14,808
Tax on profit on ordinary activities at standard income tax rate of 20% (2016: 20%)	2,692	2,962
Effects of:		
Adjustments in respect of prior periods	(9)	-
Expenses not deductible for tax purposes	8	54
Income not taxable for tax purposes	(137)	(122)
Non-qualifying depreciation	281	272
Group current tax charge for year	2,834	3,166

Notes to the Financial Statements

for the year ended 30 September 2017

7 Taxation (continued)

Deferred Tax

The following outlines the major deferred tax assets/liabilities recognised by the Group:

	2017 £000	2016 £000
Accelerated capital allowances	23,149	21,433
Derivative financial instruments	1,414	1,749
Pensions	(844)	(2,294)
Losses carried forward	-	(406)
Provisions for deferred tax	23,719	20,482

Deferred tax movements in the year

	2017 £000	2016 £000
At 1 October	20,482	15,529
Charged to income statement	1,800	2,746
Charged to statement of comprehensive income	1,437	2,207
At 30 September	23,719	20,482

The Company is taxed solely in Jersey as it has no legal presence in any other jurisdiction. The applicable rate of income tax for utility companies in Jersey is 20%, whilst the applicable rate for companies in general, such as Jersey Deep Freeze Limited is 0%. There are no current indications, political or otherwise, that these rates are expected to change in the foreseeable future. The effective tax rate on pre-tax profits is 21% (2016: 21%) due to the manner in which capital allowances are applied in place of depreciation expenses which are included in the pre-tax profit figure. As the tax liability rests with the States of Jersey, the right to offset assets and liabilities allows the balance sheet to show the net deferred tax liability position.

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2017 pence	2016 pence	2017 £000	2016 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	8.00	7.60	2,451	2,330
	interim for current year	5.80	5.50	1,777	1,685
		13.80	13.10	4,228	4,015
Dividend proposed	final for current year	8.40	8.00	2,574	2,451

The proposed dividend is subject to approval at the forthcoming AGM and has not been included as liabilities in these financial statements. These dividends are shown net of 20% tax.

Dividends paid out to non-controlling interests in relation to Jersey Deep Freeze Limited are disclosed in note 19.

Notes to the Financial Statements

for the year ended 30 September 2017

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 34.59p (2016: 37.69p) are calculated on the Group profit, after taxation, of £10,599,000 (2016: £11,547,000), and on the 30,640,000 (2016: 30,640,000) Ordinary and 'A' Ordinary shares in issue throughout the financial year and at 30 September 2017. There are no share options in issue nor any changes to the employee share option scheme and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets

	Computer Software £000
Cost as at 1 October 2016	397
Additions	836
Reclassification from tangible assets	306
Disposals	(141)
At 30 September 2017	1,398
Amortisation	
At 1 October 2016	235
Charge for the year	194
Disposals	(141)
At 30 September 2017	288
Net book value	
At 30 September 2017	1,110

	Computer Software £000
Cost as at 1 October 2015	398
Additions	4
Disposals	(5)
At 30 September 2016	397
Amortisation	
At 1 October 2015	171
Charge for the year	69
Disposals	(5)
At 30 September 2016	235
Net book value	
At 30 September 2016	162

The above amortisation charges are included within operating expenses in the consolidated income statement.

FINANCIAL STATEMENTS

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for the year ended 30 September 2017

11 Property, plant, equipment and investment properties

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2016	24,904	16,952	101,444	81,927	20,292	96,321	341,840	20,110
Expenditure	260	238	4,983	3,757	2,140	2,189	13,567	-
Reclassification to intangible assets	-	-	-	-	(306)	-	(306)	-
Revaluation	-	-	-	-	-	-	-	40
Disposals/write offs	(23)	(142)	(797)	-	(2,380)	(1,401)	(4,743)	-
At 30 September 2017	25,141	17,048	105,630	85,684	19,746	97,109	350,358	20,150
Depreciation								
At 1 October 2016	8,522	6,339	57,746	27,909	11,025	21,131	132,672	-
Charge for the year	531	368	2,636	1,864	1,681	3,421	10,501	-
Disposals/write offs	(23)	(142)	(797)	-	(2,373)	(1,401)	(4,736)	-
At 30 September 2017	9,030	6,565	59,585	29,773	10,333	23,151	138,437	-
Net book value at								
30 September 2017	16,111	10,483	46,045	55,911	9,413	73,958	211,921	20,150

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2015	24,677	17,002	133,520	79,154	18,837	80,664	353,845	20,460
Expenditure	239	-	9,079	2,773	3,019	16,446	31,556	-
Revaluation	-	-	-	-	-	-	-	(350)
Disposals/write offs	(12)	(50)	(41,155)	-	(1,564)	(789)	(43,570)	-
At 30 September 2016	24,904	16,952	101,444	81,927	20,292	96,321	341,831	20,110
Depreciation								
At 1 October 2015	8,010	6,020	96,400	26,115	11,140	18,324	166,000	-
Charge for the year	524	369	2,501	1,794	1,442	3,596	10,226	-
Disposals/write offs	(12)	(50)	(41,155)	-	(1,557)	(789)	(43,563)	-
At 30 September 2016	8,522	6,339	57,746	27,909	11,025	21,131	132,663	-
Net book value at								
30 September 2016	16,382	10,613	43,698	54,018	9,267	75,190	209,168	20,110

*Investment properties

The B&Q lease is a fully-repairing lease with a 48-year term from May 2000 and a tenant-only break option on the 23rd anniversary.
The Medical Centre lease is an internal repairing lease with a 30-year term from May 2005 and break options at 15, 20 and 25 year anniversaries.
Commercial properties have been valued on the basis of a yield between 7.5% and 8.75% before deductions for acquisition costs.
The residential properties comprise 29 units which are let out on licences or leases with terms no greater than one year.
The minimum lease payments are detailed in note 21.

Notes to the Financial Statements

for the year ended 30 September 2017

11 Property, plant, equipment and investment properties (continued)

a No depreciation is charged on freehold land. Depreciation is included in operating costs in the income statement.

b Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2017 by qualified independent valuers Sarre and Company who have extensive experience in Jersey property market valuation.
Such properties are not depreciated in accordance with IAS 40. The rental income arising from the properties during the year was £1,396k (2016: £1,392k), with maintenance and repair costs of £119k (2016: £37k). Under the terms of the lease arrangements with residential tenants, the Company is obliged to keep the rented premises in a good state of condition and repair. The Company is obliged to keep the Medical Centre wind and water tight and structurally sound, whilst no obligations exist to the Company with regards to the B&Q lease which is fully repairing.

c The Group figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £42k (2016: £36k) at cost and a depreciated value of £30k (2016: £33k).

d The gross carrying amount of tangible assets at net book value of zero at 30 September 2017 was £49.5m (2016: £52.2m).

e £1,620k (2016: £19,953k) for Normandie 1 and £2,878k (2016: £5,036k) for St Helier Primary is classified in interlinks and plant, respectively, and are assets under construction. During this financial year £172k of interest was capitalised (2016: £374k) using an average rate on borrowing of 4.42% (2016: 4.37%).

12 Other investments

Principal group investments

	2017 £000	2016 £000
Joint arrangement	5	5

The Company has investments in the following subsidiary undertaking and joint arrangement which principally affected the profits or net assets of the Group.

	Country of incorporation or principal business address	Principal activity	Shareholding	% Holding	Financial year end
Joint venture:					
Channel Islands Electricity Grid Limited	Jersey	Association with Guernsey Electricity Limited	5,000 Ordinary	50	30 November
Subsidiary undertaking:					
Jersey Deep Freeze Limited	Jersey	Sale and maintenance of refrigeration and catering equipment	51 Ordinary	51	31 January

Notes to the Financial Statements
for the year ended 30 September 2017

12 Other investments (continued)

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 Électricité 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. In May 2013, Jersey Electricity and Guernsey Electricity signed an agreement to share the cost and capacity of the Normandie 3 project. It also provided for cost and capacity sharing of the Normandie 1 project as a replacement of the original EDF1 interconnector between Jersey and France that failed in June 2012.
The Company's interest in CIEG is accounted for as a joint arrangement under IFRS 11 'Joint arrangements'. CIEG has a reporting period end of 30 November based on the Company inception date.

Jersey Deep Freeze Limited

The Company owns 51% (2016: 51%) of Jersey Deep Freeze Limited, a Jersey company whose principal business is the sale and maintenance of refrigeration and catering equipment to commercial businesses. The results are consolidated into these Group financial statements, as the Group is considered to exert control under IFRS 10. Jersey Deep Freeze Limited has an historical reporting period end of 31 January which remains unchanged.

13 Inventories

The amounts attributed to the different categories are as follows:

	2017 £000	2016 £000
Fuel oil	3,943	3,724
Commercial stocks and work in progress	2,301	1,622
Generation, distribution spares and sundry	581	616
	6,825	5,962

During the year £11.3m (2016: £11.3m) was recognised directly in cost of sales in respect of inventories sold or used in operations or production.

14 Trade and other receivables

	2017 £000	2016 £000
Amounts receivable within one year:		
Trade receivables (includes unbilled units)	13,965	14,020
Prepayments and other receivables	1,817	2,563
	15,782	16,583
Amounts receivable after more than one year:		
Secured loans	592	683

The secured loans include loans to Directors and to a shareholder in the subsidiary Jersey Deep Freeze Limited. See the Remuneration Committee Report on page 53 in the Report of the Directors for disclosure of the Directors' loans.

The fair value of trade and other receivables is considered by the Directors to be equivalent to its carrying value.

Notes to the Financial Statements

for the year ended 30 September 2017

15 Trade and other payables

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade payables	1,601	2,271
Other payables including other taxation and social security	7,510	6,275
Accruals and deferred income	6,774	7,538
	15,885	16,084
Amounts falling due after more than one year:		
Accruals	328	1,123
Deferred income	19,849	18,477
	20,177	19,600

The fair value of trade and other payables is considered by the Directors to be equivalent to its carrying value.

16 Borrowings

The long-term funding via a private placement is in place with Pricoa Capital Group (an affiliate of Prudential Financial, Inc) and £30m of finance drawn on 17 July 2014. This consists of:

a £15m for 20 years at a fixed rate coupon of 4.41%

b £15m for 25 years at a fixed rate coupon of 4.52%

	2017 £000	2016 £000
Unsecured borrowing at amortised cost		
Loan obtained from private placement	30,000	30,000

In addition the above borrowings are supplemented by a 5 year revolving credit facility from the Royal Bank of Scotland International Limited (RBSI) which provides flexibility as the timing of further planned capital expenditure is variable. Following a review of future cash requirements this facility was reduced from £25m to £15m in May 2017. A one year £2m overdraft facility also exists with RBSI.

Notes to the Financial Statements

for the year ended 30 September 2017

17 Pensions

The Company sponsors a funded defined benefit pension plan for qualifying Jersey Electricity employees. The plan is administered by a separate board of Trustees which is legally separate from the Company. The Trustees are composed of representatives of both the employer and employees, plus an independent trustee. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy with regard to the assets plus the day-to-day administration of the benefits.

Under the plan, employees are entitled to annual pensions on retirement at age 65 of one-sixtieth or one-eightieth (depending on category of membership) of final pensionable salary for each year of service. Pensionable salary is broadly defined as the best successive 12 months' salary in the past three years. Benefits are also payable on death and following other events such as withdrawing from active service.

No other post-retirement benefits are provided by the Scheme to these employees.

Profile of the Scheme

The defined benefit obligation includes benefits for current employees, former employees and current pensioners.

Broadly, about 53% of the liabilities are attributable to current employees, 12% to former employees and 35% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 17 years reflecting the approximate split of the defined benefit obligation.

Funding requirements

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2015 and showed a surplus of £6.9m. In Jersey there are no legal or regulatory requirements governing pension schemes and therefore no imposed minimum funding requirement. The next funding valuation is due no later than 31 December 2018 at which the funding level of the Scheme will be reviewed. The Company pays contributions of 20.6% (26.6% for non-contributory members) of pensionable salaries (including 1% in respect of expenses) with contributory members paying a further 6% of pensionable salaries.

Risks associated with the Scheme

The Scheme exposes the Company to a number of risks, the most significant of which are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities) which, though expected to outperform corporate bonds in the long-term, create volatility and risk in the short-term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long term objectives.

Changes in bond yields

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.

Inflation risk

A proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.

Reporting at 30 September 2017

The results of the latest funding valuation at 31 December 2015 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2015, changes in the market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation and the related current service cost, were measured using the Projected Unit Credit Method.

Notes to the Financial Statements

for the year ended 30 September 2017

17 Pensions (continued)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

Main financial assumptions:	2017 % pa	2016 % pa
Inflation	3.5	3.3
Rate of general increase in salaries		
- short term (year 1)	3.5	2.5
- long term (year 2 onwards)	4.5	4.3
Pension increases in payment	-	-
Pension increases in payment for pensions purchased with AVCs	3.5	3.3
Discount rate for scheme liabilities	2.7	2.3

The financial assumptions reflect the nature and term of the Scheme's liabilities.

	30 September 2017	30 September 2016
Post-retirement mortality assumption - base table	SAPS 'S2' tables with CMI 2015 improvements to the calculation date with suitable scaling actors applied	SAPS 'S2' tables with CMI 2015 improvements to the calculation date with suitable scaling factors applied
Post-retirement mortality assumption - future improvements	CMI 2015 core projections with long-term improvement rate of 1.25% p.a. for men and women	CMI 2015 core projections with long-term improvement rate of 1.25% p.a. for men and women
Life expectancy for male currently aged 60	27.9	27.8
Life expectancy for female currently aged 60	30.0	29.9
Life expectancy at 60 for male currently aged 40	29.8	29.7
Life expectancy at 60 for female currently aged 40	32.0	31.9
Cash commutation	Members assumed to exchange 15% of their pension for a cash lump sum at retirement	Members assumed to exchange 15% of their pension for a cash lump sum at retirement.

The Scheme assets are invested in the following asset classes, each of which have a quoted market:

	Value at 30 September 2017 £000	Value at 30 September 2016 £000
LDI/UK Gilts	33,155	37,014
Equities	43,512	38,355
Diversified Growth Funds	52,612	51,873
Cash and Commitments	(23)	511
	129,256	127,753

Notes to the Financial Statements
for the year ended 30 September 2017

17 Pensions (continued)

The amounts recognised in the balance sheet and comprehensive income are set out below:

Reconciliation of funded status to balance sheet:	2017 £000	2016 £000
Fair value of Scheme assets	129,256	127,753
Present value of funded defined benefit obligations	(133,475)	(139,224)
Funded Status and liability recognised on the balance sheet	(4,219)	(11,471)
Related deferred tax asset	844	2,294
Net pension liability	(3,375)	(9,177)

Breakdown of amounts recognised in profit and loss and other comprehensive income	2017 £000	2016 £000
Operating cost		
Service costs:		
Current service cost	3,082	2,142
Administration expenses	200	215
Past service cost (including curtailments)	-	700
Financing cost		
Interest on net defined benefit liability	244	229
Total pension expense recognised in profit and loss	3,526	3,286
Remeasurements in OCI:		
Return on plan assets in excess of that recognised in net interest	(1,300)	(19,326)
Actuarial (gains)/losses due to changes in financial assumptions	(7,611)	27,980
Acturial gains due to changes in demographic assumptions	-	(2,541)
Actuarial losses/(gains) due to liability experience	52	(3,284)
Total (gains)/losses recognised in OCI	(8,859)	2,829
Total (credit)/charge recognised in profit and loss and OCI	(5,333)	6,115

Changes to the present value of the defined benefit obligation during the year	2017 £000	2016 £000
Opening defined benefit obligation	139,224	114,042
Current service cost	3,082	2,142
Interest expense on scheme liabilities	3,154	4,049
Contributions by scheme participants	566	569
Acturial gains due to changes in demographic assumptions	-	(2,541)
Actuarial (gains)/losses on scheme liabilities arising from changes in financial assumptions	(7,611)	27,980
Actuarial losses/(gains) on scheme liabilities arising from experience	52	(3,284)
Net benefits paid out	(4,992)	(4,433)
Past service cost (including curtailments)	-	700
Closing defined benefit obligation	133,475	139,224

Changes to the fair value of Scheme assets during the year	2017 £000	2016 £000
Opening fair value of Scheme assets	127,753	106,751
Interest income on Scheme assets	2,910	3,820
Remeasurement gains on scheme assets	1,300	19,326
Contributions by the employer	1,919	1,935
Contributions by scheme participants	566	569
Net benefits paid out	(4,992)	(4,433)
Administration costs incurred	(200)	(215)
Closing fair value of scheme assets	129,256	127,753

Notes to the Financial Statements

for the year ended 30 September 2017

17 Pensions (continued)

Actual return on scheme assets	2017 £000	2016 £000
Interest income on scheme assets	2,910	3,820
Remeasurement gain on scheme assets	1,300	19,326
Actual return on scheme assets	4,210	23,146

Analysis of amounts recognised in comprehensive income (SoCI)	2017 £000	2016 £000
Total remeasurement gains/(losses) in other comprehensive income	8,859	(2,829)

Estimated profit and loss charge for next year

We estimate the charge to the profit and loss account for the next financial year as shown in the table below. This is based on an estimated pensionable payroll of £9.4m for next year.

Analysis of amount charged to income statement	For year ending 30 September 2018 £000
Current service cost	2,900
Administration expenses	200
Net interest on net defined benefit liability	91
Total estimated pension expense	3,191

The estimated net interest on net defined benefit liabilities of £91k shown above is made up of:

- Interest expense on defined benefit obligation of £3,542k; less
- Interest income on scheme assets of £3,451k.

The actual amount to be charged to the income statement for the next financial year might be different to that estimated above. This may be due to contributions and benefit payments differing from expected, changes to scheme benefits or settlement/curtailment events that are not yet known.

Although it is not possible to give a reliable indication of the impact, you should make it clear in your budgeting process that the estimated profit and loss charge shown above is subject to change.

Discount rate sensitivity

To show sensitivity of the results to the discount rate, we have set out below the balance sheet and income statement impact of adopting a discount rate of 3.2% p.a. as at 30 September 2017.

Main financial assumptions	30 September 2017 % p.a.
Inflation	3.5
Rate of general increase in salaries	
- short term (year 1)	3.5
- long term (year 2 onwards)	4.5
Pension increases in payment	-
Pension increases in payment for pensions purchased with AVCs	3.5
Discount rate for scheme liabilities	3.2

Reconciliation of funded status to balance sheet	Value at 30 September 2017 £000
Fair value of scheme assets	129,256
Present value of funded defined benefit obligation	(122,500)
Funded status and asset/(liability) recognised on the balance sheet	6,756

Notes to the Financial Statements
for the year ended 30 September 2017

17 Pensions (continued)

Expected charge to income statement	30 September 2017 £000
Service cost	2,600
Total administration expenses	200
Interest on the net defined benefit liability	(244)
Expense recognised in income statement	2,556

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

Regular employer contributions to the Scheme in 2018 are estimated to be £1.9m.

The actual amount to be charged to the income statement for the next financial year might be different to that estimated. This may be due to pensionable salaries or contributions differing from expected, changes to scheme benefits or settlement/curtailment events that are not yet known.

18 Called up share capital

	Authorised 2017 £000	Issued and fully paid 2017 £000	Authorised 2016 £000	Issued and fully paid 2016 £000
'A' Ordinary shares 5p each (2016: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2016: 5p 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 100 shares held whereas the Ordinary shares carry voting rights of 1 vote for every 20 shares held. At 30 September 2017 there were 11,640,000 'A' Ordinary and 19,000,000 Ordinary shares in issue.

Preference shares
Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2016: £9,000) and are recorded in finance costs in the income statement. 5% preference shares carry voting rights of 1 vote per 5 shares and 3.5% preference shares carry voting rights of 1 vote per 10 shares.

ESOP reserve
The Jersey Electricity Employee Benefit Trust was established on 24 May 2012 when the Company introduced a new employee share scheme for eligible employees of the Group based on a three year vesting period. Over the course of the scheme 26,800 shares were awarded to employees who met the three year vesting period requirements. Subsequent schemes were set up in February 2015 and February 2016 with the same three year vesting requirement. The Trust currently holds 50,300 shares for both remaining active schemes. The shares have been purchased in instalments since the inception of the Trust at an average of £4.19 per share. The Trust was funded by way of an interest free loan and for accounting purposes is seen as an extension of the Group.

19 Non-controlling interests

Equity	2017 £000	2016 £000
At 1 October	60	13
Share of profit on ordinary activities after taxation	25	95
Dividends paid	(59)	(48)
At 30 September	26	60

Notes to the Financial Statements
for the year ended 30 September 2017

20 Financial commitments

	2017 £000	2016 £000
a Five year capital expenditure approved by the directors:		
Contracted	8,088	12,635
Not contracted*	66,066	49,087
	74,154	61,722
b Current rental commitments under operating leases are as follows:		
Lease payments under operating leases recognised as an expense in the year	246	246
Payable within one year	245	245
After one year but within five years	831	892
After five years	12,771	12,962
	13,847	14,099

*Although this sum is approved it is still subject to formal business cases being reviewed in due course.

21 Leasing

Operating leases with tenants

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:

	2017 £000	2016 £000
Less than one year	1,738	1,675
Greater than one year and less than five years	5,051	5,352
More than five years	1,275	2,326
	8,064	9,353

22 Derivatives and financial instruments and their risk management

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.

The Group's currency exposure at 30 September 2017, taking into account the effect of forward contracts placed to manage such exposures, was £2.2m (2016: £2.1m) being the translated Euro liability due for imports made in September but payable in October.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. This hierarchy is based on the underlying assumptions used to determine the fair value measurement as a whole and is categorised as follows:

Level 1 financial instruments are those with values that are immediately comparable to quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 financial instruments are those with values that are determined using valuation techniques for which the basic assumptions used to calculate fair value are directly or indirectly observable (such as to readily available market prices);

Level 3 financial instruments are shown at values that are determined by assumptions that are not based on observable market data (unobservable inputs).

The derivative contracts for foreign currency shown above are classified as level 2 financial instruments and are valued using a discounted cash flow valuation technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the Financial Statements

for the year ended 30 September 2017

22 Derivatives and financial instruments and their risk management (continued)

Foreign exchange risk

The Group utilises currency derivatives to hedge the payment of a proportion of its future purchases of power from France which currently extend to the next three calendar years, as well as to reduce exposure to currency movements for material capital projects.

Currency derivatives

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

Forward foreign exchange contracts	2017 £000	2016 £000
Less than one year - operational expenditure	**30,381**	38,375
Less than one year - capital expenditure	**1,541**	-
Greater than one year and less than three years	**47,552**	45,851
	79,474	84,226

At 30 September 2017, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £7.1m over the next three years (2016: £8.7m asset). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to an asset of £7.1m (2016: £8.7m asset) and these amounts have been deferred in equity. Given the limited exposure to foreign exchange rate risk at the year end no sensitivity analysis has been presented.

The fair value of currency derivatives that are designated and ineffective as cash flow hedges amount to £nil (2016: £nil). In the current period amounts of £1.6m were credited (2016: £13.9m debited) to equity and £2.6m credit (2016: £2.6m debit) recycled to the income statement. Gains and losses on the derivatives are recycled through the income statement at the time the purchase of power is recognised in the income statement.

Fair value of currency hedges	2017 £000	2016 £000
Derivative assets		
Less than one year	4,454	2,788
Greater than one year	2,790	5,957
Derivative liabilities		
Less than one year	-	-
Greater than one year	(172)	-
Total net assets	7,072	8,745

These amounts are based on market values of equivalent instruments at the balance sheet date.

Commodity risk

Power purchases

The Group has power purchase agreements with EDF in France. As at 30 September 2017, the import prices, but not volumes, have been substantially fixed for 2018. The Group entered into a 10 year framework agreement with EDF on 1 January 2013 which has a commitment to procure around 30% of volume requirements at known prices. During 2017 this agreement was extended a further 5 years to 2027. The remainder of the requirement will be decided by a market pricing mechanism, but with no volume commitment, with a goal to deliver a degree of stability in tariff pricing to our customers.

The Company has the ability to generate power as an alternative to importation if this was viewed to be commercially and environmentally acceptable.

Notes to the Financial Statements

for the year ended 30 September 2017

22 Derivatives and financial instruments and their risk management (continued)

Credit risk

The Group's principal financial assets are cash and cash equivalents, short-term investments and 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 and other receivables at 30 September 2017 outside the standard 30 day credit terms are as follows:

	2017 £000	2016 £000
Greater than 30 days	35	124
Greater than 60 days	15	98
Greater than 90 days	356	409
	406	631

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 monitors its credit exposure to its counterparties via their credit ratings and through its treasury policy, thereby limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

For trading related receivables, the credit worthiness and financial strength of customers is assessed at inception and on an ongoing basis. Payment terms are set in accordance with industry standards. The Group will enhance credit protection, when appropriate, taking into consideration the Group's exposure to the customer, by requesting securities such as deposits, moving customers to pay as you go meters to manage credit risk and implementing payment plans for customers in arrears.

The Group has no other significant concentration of credit risk. Exposure is spread over a large number of counterparties and customers with a maximum credit exposure of £26.8m (2016: £17.3m).

Capital management

Strong capital management is an integral part of the directors' strategy to achieve the Group's stated objectives. The Directors review financial capital KPI's on a monthly basis. The £30m private placement drawn down in July 2014 provides long-term funding to the Group supplemented by a 5 year £15m revolving credit facility. Liquid funds are managed on a daily basis and placed on short-term deposits maturing to meet liabilities when they fall due. The Group is subject to externally imposed capital requirements in respect of the borrowing facilities detailed in note 16. The Group has complied with these requirements throughout the year.

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 of financial liabilities at 30 September	2017 £000	2016 £000
Less than one year	17,127	17,447
More than one year and less than five years	24,595	31,306
More than five years	30,000	30,000
	71,722	78,753

Borrowing facilities

Following a reduction of £10m to the RCF the Group had undrawn borrowing facilities at 30 September 2017 of £17.0m (2016: £26.1m) in respect of which all conditions precedent had been met. The overdraft facility of £2.0m is annually renewable, and the Revolving Credit Facility which expires on 30 May 2019, is expected to be renewable if required.

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:

Maturity of financial assets at 30 September	2017 £000	2016 £000
Less than 3 months: cash and cash equivalents and short-term investments	8,076	1,925

Interest rate risk

Interest rate exposure on the £30m of private placements borrowing is managed by having fixed coupons.

Notes to the Financial Statements

for the year ended 30 September 2017

23 Related party transactions

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

Counterparty	Value of electricity services supplied by Jersey Electricity		Value of goods & other services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
	2017 £000	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000	**2017 £000**	2016 £000
The States of Jersey and related entities	**10,324**	10,110	**1,699**	1,382	**1,606**	2,154	**596**	565	**11**	1

The States of Jersey is the Company's majority and controlling shareholder. Related entities includes all corporatised entities that remain wholly owned by, or controlled by, the States of Jersey.

During July, August and September, the Company paid pension contributions on behalf of the Jersey Electricity Pension Scheme owing to delays arising from changing the main banking service provider for the Scheme. In total the Company paid £298,000 on behalf of the Scheme but was reimbursed fully by the Scheme during the year.

b Energy from Waste Plant

An Energy from Waste plant was commissioned in Jersey during 2011. Jersey Electricity signed a 25 year agreement in 2008 to purchase electricity produced at the plant by the States of Jersey and to share existing facilities with the Energy from Waste plant. The value of electricity purchased from the facility during the year was £1.1m (2016: £1.1m) and the value of services provided to the plant was £0.4m (2016: £0.4m).

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the Executive and non-Executive Directors) is set out below. Further information about the remuneration of individual Directors is provided in the Remuneration Report on pages 51 to 53.

	2017 £000	2016 £000
Short-term employee benefits	**664**	547
Post-employment benefits	**147**	154
Non-Executive Director's benefits	**138**	129
	949	830

Five Year Group Summary (unaudited)

Financial Statements	2017	2016	2015	2014	2013 (restated)*
Income Statement (£m)					
Revenue	**102.3**	103.4	100.5	98.4	102.3
Operating profit	**14.8**	15.9	14.7	6.5	5.3
Profit before tax	**13.5**	14.8	13.2	6.5	5.4
Profit before tax (pre-exceptional items)	**13.5**	13.1	12.4	10.0	5.9
Profit after tax	**10.6**	11.6	10.8	5.0	4.1
Dividends paid (£m)	**4.2**	4.0	3.8	3.6	3.4
Balance Sheets (£m)					
Property, plant and equipment	**211.9**	209.2	187.8	184.8	155.2
Net current assets	**18.0**	9.8	12.4	4.7	16.7
Non-current liabilities	**78.3**	(81.8)	(74.4)	(64.7)	(43.5)
Net assets	**176.3**	164.1	147.7	146.1	148.8
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**34.66**	37.69	35.00	16.10	13.27
Earnings per ordinary share (pre-exceptional costs) (pence)	**34.66**	33.31	32.94	24.26	15.23
Gross dividend paid per ordinary share (pence)	**17.25**	16.38	15.56	14.75	14.06
Net dividend paid per ordinary share (pence)	**13.80**	13.10	12.45	11.80	11.25
Dividend cover (times)	**2.5**	2.9	2.8	1.4	1.2
Dividend cover (pre-exceptional costs) (times)	**2.5**	2.5	2.6	2.1	1.4
Net debt (£m)	**(21.9)**	(29.0)	(17.5)	(20.2)	(5.2)
Capital expenditure (£m)	**14.4**	31.6	13.2	39.9	25.7
Electricity Statistics					
Units sold (m)	**621**	625	627	621	663
% movement	**(0.6%)**	(0.3%)	0.9%	(6.3%)	4.1%
% of units imported	**92.6%**	91.6%	94.0%	80.2%	75.4%
% of units generated	**1.5%**	2.9%	1.4%	14.9%	20.7%
% of units from Energy from Waste plant	**5.8%**	5.5%	4.6%	4.9%	3.9%
Maximum demand (megawatts)	**154**	149	148	139	155
Number of customers	**49,894**	49,532	49,320	48,941	48,623
Customer minutes lost	**8**	24	7	110	13
Average price per kilowatt hour sold (pence)	**12.9p**	12.8p	12.8p	12.7p	12.3p
Manpower Statistics (full time equivalents)					
Energy	**201**	203	201	204	201
Other	**116**	114	106	95	117
Trainees	**9**	10	12	9	11
Total	**326**	327	319	308	329
Units sold per energy employee (000's)	**3,091**	3,079	3,118	3,044	3,297
Number of customers per energy employee	**248**	244	245	240	242

* restated in the 2014 accounts following changes to IAS 19.

Financial Calendar

2 January 2018	Preference share dividend
23 February 2018	Record date for final dividend
1 March 2018	Annual General Meeting
29 March 2018	Final dividend for year ended 30 September 2017
21 May 2018	Interim Management Statement – six months to 31 March 2018
1 June 2018	Record date for interim Ordinary dividend
29 June 2018	Interim dividend for year ending 30 September 2018
2 July 2018	Preference share dividend
14 December 2018	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 1 March 2018 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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