States of Jersey Utility Companies Financial Reports and Accounts - 2008

States of Jersey

States of Jersey Treasury and
Resources Department

UTILITY COMPANIES
FINANCIAL REPORTS AND ACCOUNTS 2008

For

The Jersey New Waterworks Company Limited
The Jersey Electricity Company Limited
Jersey Post International Limited
JT Group Limited

Presented by:

P.F.C. Ozouf Senator Minister

Contents

Foreword

As the States is a major shareholder and in some cases the sole shareholder in each of the four States owned utility companies. The Minister has decided to present the financial reports and accounts for the four companies to the States.

In the States 2008 annual report and accounts, reference is made to the States interest in these four companies as “Strategic Investments” They comprise of The Jersey New Waterworks Company Limited; The Jersey Electricity Company Limited, Jersey post International Limited and JT Group Limited.

The States of Jersey Financial Report and Accounts 2008 detail these “Strategic Investments.” They are not consolidated in the accounts; instead the investments are stated at cost less provision for any permanent diminution in value.

Extract from States of Jersey Accounts, note 9 (page 46).

	2008 £’000	2007 £’000
General Funds:		
Jersey Electricity Company Limited	1,055	1,055
Jersey New Waterworks Company Limited	5,666	5,666
Jersey Telecom Group Limited	75,737	75,737
Jersey Post International Limited	6,105	6,105
	88,563	**88,563**

The States of Jersey hold all the ordinary shares in the Jersey Electricity Company Limited which represents approximately 62% of the Company’s total share capital as at 31 December 2008.

The shares in the Jersey Electricity Company Limited, which are listed, had a market value of £52,250,000 (2007: £43,937,500) at the year end. However, due to the size of this shareholding, it may not be possible to realise this amount in the market.

The States of Jersey hold 100% of the issued ‘A’ ordinary shares, 50% of the issued ordinary shares and 100% of the 7.5% - 10% cumulative fifth preference shares in the Jersey New Waterworks Company Limited as at 31 December 2008.

The States of Jersey hold all the ordinary shares and 9% cumulative preference shares in the Jersey Telecom Group Limited.

The States of Jersey hold all the ordinary shares in Jersey Post International Limited which became incorporated on 1 July 2006.

With the introduction of UK GAAP accounting in 2009, the States Valuations for the Strategic Investments will move from cost to adopt a fair value basis.

Waterfront Enterprise Board Limited (W.E.B.) is also wholly owned by the States. This Company’s accounts were presented to the States earlier this year.

Annual Report and Financial Statements

The Jersey New Waterworks Company Limited

2008

JerseyWater

www.jerseywater.je

Contents

Directors, Officers and Advisers

Directors

David Charles Norman, *FCA*
Chairman

Kevin Charles Keen, *MBA, FCCA, FCMA*
Deputy Chairman and Senior Independent Director

Howard Neville Snowden, *EurIng, BSc (Eng), MSc, CEng, FCIWEM, FICE, FIMechE, FIET*
Managing Director and Engineer

Helier James Bennett Smith, *BA, ACA*
Finance Director

Carlyle John Le Herissier Hinault

Stephen John Marie, *FICW, MBIFM, ACIOB*

Anthony Cooke *BA (Hons) Econ, CEnv, FCIWEM, FIWO, FRSA*

Mary Curtis, *MA, Chartered FCIPD, MIoD, AIBC*

Secretary

Helier James Bennett Smith, *BA, ACA*

Auditors

Ernst & Young LLP
Liberation House
Castle Street
St Helier
Jersey
JE1 1EY

Legal Advisers

Le Gallais & Luce
6 Hill Street
St Helier
Jersey
JE2 4UA

Registered Office

Mulcaster House
Westmount Road
St Helier
Jersey
JE1 1DG

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-seventh annual general meeting of the shareholders of The Jersey New Waterworks Company Limited will be held in the Leopold Suite at the Grand Hotel, St Helier, Jersey on 22 May 2009, at 2.00pm for the following purpose.

Ordinary Resolutions

1. To receive the Financial Statements for the year ended 31 December 2008.
2. To declare a final net dividend of 194 pence per share on the ordinary and 'A' ordinary shares of the Company.
3. To re-elect Mr Carlyle Hinault, the Director retiring by rotation.
4. To elect Mr Peter Yates as a Director of the Company. Mr Yates will be filling the vacancy left by Mr David Norman who will retire as a Director of the Company at the Annual General Meeting.
5. To approve the Directors' fees for 2009 of £20,000 for the Chairman and £12,000 for other Directors (2008: £18,000 and £10,000 respectively).
6. To re-appoint Ernst & Young LLP as auditors at a fee to be agreed by the Directors.

By Order of the Board

Helier Smith
Company Secretary

Registered Office:

Mulcaster House
Westmount Road
St Helier
Jersey
JE1 1DG

27 April 2009

To facilitate the preparation of dividend warrants the share transfer books of the Company will be closed from 11 May 2009 to 22 May 2009, both days inclusive, and, subject to the dividend being confirmed, dividend warrants will be posted on 22 May 2009 to all ordinary and 'A' ordinary shareholders registered on 22 May 2009.

A member of the Company entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and, on a poll, vote in his stead. A form of proxy is included with this annual report for use of members who are unable to attend the meeting. All shareholders are requested to complete and return the form of proxy, whether or not they intend to be present at the meeting in person. Proxies must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.

Board of Directors

From left to right: Helier Smith, David Norman, Mary Curtis, Kevin Keen, Howard Snowden, Tony Cooke, Stephen Marie, Carl Hinault

David Norman FCA

David Norman, a Chartered Accountant, joined the Board as a Non-Executive Director in 1994 and became Chairman in 1996. He is the Managing Director of Norman (Holdings) Limited, a family owned property group and holds directorships in a number of other companies in Jersey, Guernsey and France.

Kevin Keen MBA, FCCA, FCMA

Kevin Keen was appointed to the Board in May 2007 as a Non-Executive Director. He was previously Managing Director of Jersey Dairy and prior to that a Divisional Managing Director and Finance Director of Le Riche Group. Mr Keen was also recently President of the Jersey Chamber of Commerce and is a Fellow of both the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants.

Howard Snowden EurIng, BSc(Eng), MSc, CEng, FCIWEM, FICE, FIMechE, FIET

Howard Snowden joined the Company in 1992 as Senior Engineer and became Managing Director in May 2000. Mr Snowden has worked in the water industry since 1970 for a number of Companies including Yorkshire Water Authority (the forerunner to Yorkshire Water Plc). He is a fellow of the Chartered Institution of Water & Environmental Management, the Institution of Civil Engineers, the Institution of Mechanical Engineers, the Institution of Engineering and Technology and a member of the British Dam Society and is a Panel Supervising Engineer under the Reservoir Act 1975.

Helier Smith BA, ACA

Helier Smith joined the Company in May 2002 as Financial Controller and became Company Secretary in July of that year. He was appointed to the Board as Finance Director in October 2003. Mr Smith, who qualified as a Chartered Accountant in 1994, was previously employed by KPMG where in the UK and Jersey he gained experience in the manufacturing, distribution and finance sectors.

Tony Cooke BA (Hons) Econ, CEnv, FCIWEM, FIWO, FRSA

Tony Cooke became a Non-Executive Director of the Company on 12 June 2008. Mr Cooke is an economist by background and he is currently Managing Director of Bournemouth & West Hampshire Water Plc. He has previously held a number of Chief Executive and senior management roles in the United Kingdom and internationally.

Mary Curtis MA, Chartered FCIPD, MIoD, AIBC

Mary Curtis joined the Board as a Non-Executive Director on 12 June 2008. She is currently Managing Director of a privately owned business consultancy firm and was formerly Director of Human Resources at Mourant and Offshore Island Regional Human Resources Manager at Deloitte & Touche.

Carl Hinault

Carl Hinault joined the Board as a Non-Executive States of Jersey nominated Director in March 2000 and was re-elected to the Board in 2002 following the removal of the requirement for States of Jersey nominated Directors. Mr Hinault, a retired grower, was Connétable of the Parish of St John for six years until December 2000 and prior to that served as Deputy of St John for 12 years; he was also a Procureur du Bien Public for the Parish of St John for a number of years.

Stephen Marie FICW, MBIFM, ACIOB

Stephen Marie became a Non-Executive Director of the Company in 2002. Mr Marie has recently taken a position as Managing Director of ComProp (CI) Ltd a newly formed Channel Island commercial property development company, he was previously Property Director of Sandpiper CI. He is a fellow of the Institute of Clerk of Works, a member of the Institute of Facilities Management and an associate of the Chartered Institute of Building.

Chairman's statement

I am delighted to report to shareholders another satisfactory financial year for Jersey Water. Your Company generated profits before tax of £4,034,000, an increase of 14% on the previous year, in excess of budget and achieved whilst keeping tariff increases below inflation for the seventh consecutive year.

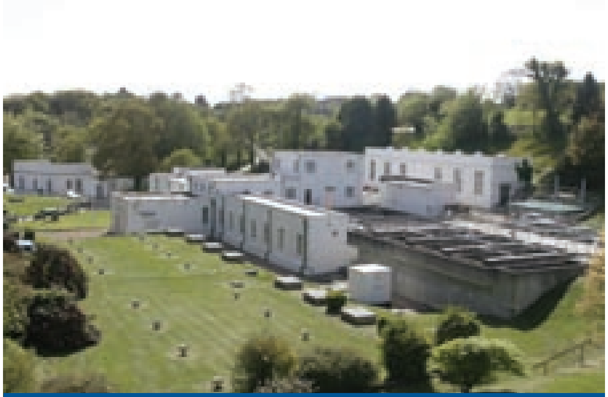
Although operating expenditure increased by 6%, this was better than budget and included expenditure on the Company's Water Resource Plan of £102,000, the operation of the desalination plant for three weeks to test the new control systems installed in the year and increased depreciation charges consistent with the Company's continued investment in its infrastructure, having invested a further £3 million on capital projects in 2008.

Your Company generated profits before tax of £4,034,000, an increase of 14% on the previous year.

Your Board are recommending a final net dividend for 2008 of 194 pence bringing the total dividend for the year to 290 pence, an increase of 15% on 2007.

I am also pleased to report that the quality of water we supplied to our customers in 2008 was once again of a very high standard with the overall compliance level consistent with 2007 at 99.97%, slightly better than the 2007 average figure for water companies in England and Wales. Our water quality results for 2008 are explained in detail in the 2008 Water Quality report.

As previously reported, on 1 January 2009 the Company implemented a policy of requiring that where there was a change of account holder, a water meter be fitted and the property charged for water based on the volume of water consumed. The number of meters installed in 2009 to date has been lower than expected due to the recent downturn in the housing market. However, we still expect to install approximately 1,000 additional meters by the end of 2009 as a result of the new policy. Whilst the process of metering is costly, the benefits of reduced consumption and leakage on customer pipe work clearly outweigh those costs and help defer the need for additional water resources to be introduced.



Handois Treatment Works

In last year's Chairman's statement I mentioned your Board's decision to commission a formal Water Resource Plan based on guidelines set out by the UK Environment Agency and followed by UK Water Companies. The plan, which will be updated every five years, will set out the means by which the likely demand for water over the next twenty five years will be met by the Company, taking into account predictions concerning both climate change and population. The plan is due for completion in 2009 and we intend to publish the summary findings.

In 2009, the Water Resources (Jersey) Law 2007 will come in to force. This new law, which was supported by your Company, is important for the future as it will provide the means for gathering information on water resources across the Island, thus giving data on consumption from sources not provided by the Company. The Company, as with other commercial water abstractors, will be required to pay for abstraction of water and shareholders should note that the licence fee is expected to be in the region of £100,000 per annum.

Given there is currently no method for the sale or purchase of shares in the Company (other than via private transfer), during 2009 the Board will be considering ways in which liquidity in the market for Jersey Water shares can be improved allowing shareholders to sell their shares in a cost effective manner at a price which more fairly reflects the value of the business.

At the Annual General Meeting both Mr Carl Hinault and I will be retiring by rotation in accordance with Article 74. Mr Hinault is offering himself for re-election. I will not be seeking re-election, having served nearly 15 years on the Board, 13 of them as Chairman of your Company.

Chairman's statement (continued)

Queen's Valley Reservoir

As this is my last Chairman's statement I am taking the opportunity to put on record my view that Jersey Water is a tremendous asset to the Island, focusing, as it does, on the provision of high quality treated mains water; it has an infrastructure in extremely good condition, with detailed plans for the continued maintenance and enhancement of its processing and distribution capability for the future. Water supplied by the Company is of excellent quality and the Company has a professional and well trained workforce eager to meet the needs of customers. Consistently low tariff increases have resulted in a reduction in water charges in real terms of 12% for metered water and 5% for unmetered water since 2000, whilst for shareholders, the Company continues to provide a good return and strong dividend growth. The future will inevitably hold challenges and changes for Jersey Water, however, it is, in my view, important that external distractions and pressure for short term gains are not pursued at the expense of the Company's ability to provide for the needs of all of its stakeholders and specifically the focus on providing a first class water supply for our customers.

I am delighted that following my retirement from the Board, Kevin Keen has agreed to take over from me as Chairman and I am confident that the Company will continue to prosper under his stewardship.

We have been fortunate in recruiting Peter Yates as a prospective Director. Peter is a recently retired partner of PricewaterhouseCoopers and if elected will take over from Kevin Keen as Chairman of the Audit Committee. I shall be proposing his election at the AGM.

I continue to be impressed with the very positive attitude of our staff to their work throughout the Company and on behalf of my colleagues on the Board, as well as Shareholders, I take this opportunity to thank all of them for their continued support and commitment to your Company.

David Norman

3 April 2009

Business Review

Financial Performance

- **Turnover**

  Turnover for 2008 was £14.4 million, an increase of 4% on the prior figure of £13.8 million.

  Revenue from water sales increased by 4.3% to £13.5 million, from £12.9 million in 2007. Sales of water to customers paying on an unmeasured basis increased by 1% to £6.4 million, this being despite a tariff increase of 3.5% in April 2008. The slow rate of growth in the value of unmeasured charges is in line with expectation and consistent with the transition to billing customers on a metered basis. With the introduction of compulsory metering on change of account holder it is expected that the value of unmeasured water sales will drop away more rapidly in future in favour of metered water sales.

  Metered water sales for 2008 totalled £6.5 million, an increase of 8.6% over 2007. Metered water tariff increases in 2007 were just 2.25% with the balance being due to the growing number of metered water customers.

  Rechargeable works income remained in line with the previous year at £0.6 million, consistent with the lower number of water connections made in 2007 and 2008 and the general level of building activity in the Island.

- **Operating costs**

  Operating expenditure increased by 6.3% from £9.3 million in 2007 to £9.9 million in 2008. This increase was lower than budgeted and as a result of a number of specific items including expenditure on the Company's Water Resource Plan in 2008 of £102,000, additional depreciation on completed works of £128,000 arising from the Company's capital expenditure in 2007 and 2008 and the running of the desalination plant for three weeks at an additional cost of approximately £51,000 in order to test the new control system. Electricity charges increased in 2008 by £41,000 as a result of the 10% increase in the electricity tariff in 2008. Further significant increases in electricity costs are expected in 2009 and for the future following the announcement of tariff increases for 2009 of 25%. In addition, the Company provided £51,000 against slow moving pipe stock in accordance with its stock provisioning policy and incurred an additional £60,000 on site maintenance, decommissioning redundant sites and overhauling one of the pumps at Val de La Mare Pumping Station.

- **Profit on disposal of fixed assets**

  During the year, the Company sold two areas of land and sundry plant and vehicles generating proceeds of £529,000. In addition, these sales coupled with the disposal of a number of pieces of plant and equipment following decommissioning in 2008 generated an overall profit on sale of fixed assets of £493,000.

- **Interest costs**

  During 2008, the fall in interest rates has had a positive effect on interest payable by the Company. Interest payable reduced from £872,000 in 2007 to £835,000 in 2008. The higher levels of cash held by the Company during 2008 resulted in an increase in interest income for the year of £133,000.

- **Income tax**

  Income tax charges for 2008 are at £4,000 compared to £273,000 in 2007. The positive variance is due mainly to a deferred tax credit of £234,000 in 2008 on accelerated capital allowances compared to a charge of £50,000 in 2007. The income tax charge for 2008 was £238,000, slightly higher than the charge of £223,000 in 2007.

Turnover for 2008 was £14.4 million, an increase of 4% on the prior figure of £13.8 million.

Business Review (continued)

- **Equity dividends**

  Dividends paid in 2008 totalled £1,256,000, an increase of 12% over dividends of £1,124,000 in 2007. A final dividend for 2008 of £1.94 is proposed bringing the total dividend for 2008 to £1,401,000, an increase over the total dividends for 2007 of 15%.

	2008 £'000	2007 £'000
Dividends paid		
Final dividend for the previous year	**792**	699
Interim dividend for the current year	**464**	425
	£1,256	£1,124
Dividends proposed		
Final dividend for the current year	**£937**	£792

- **Defined benefit pension scheme**

  A full FRS 17 valuation of the defined benefit sections of the scheme was undertaken as at 31 December 2008. The valuation identified a net deficit of £1,056,000 (2007: surplus of £180,000) arising primarily as a result of the reduction in asset values following the turmoil in the markets experienced in 2008.

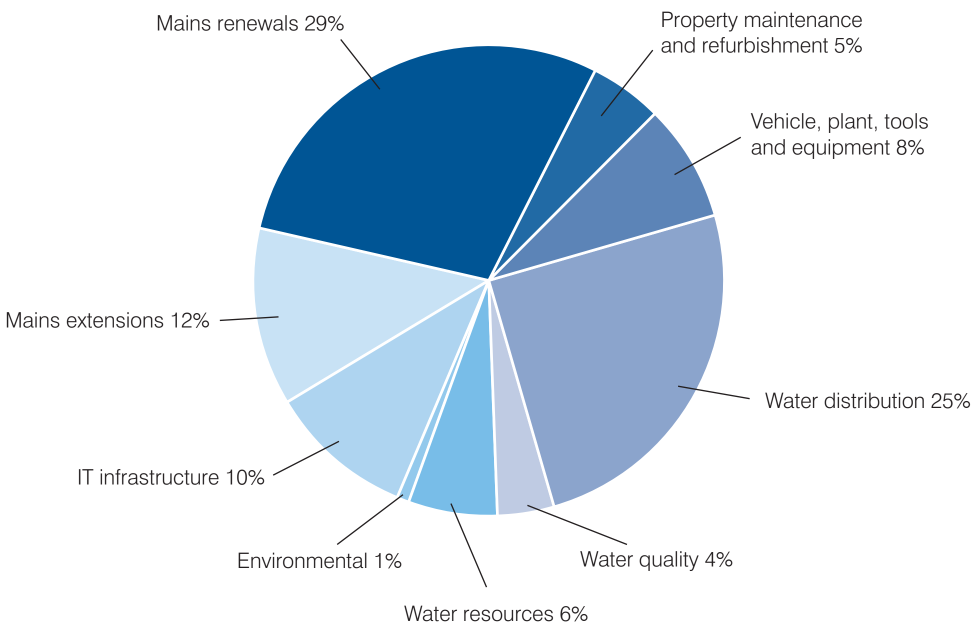
- **Cash flow**

  Net debt at the end of the year was £16,034,000 compared to £18,023,000 in 2007. Net cash flows before financing and use of liquid resources were £1,989,000 (2007: £1,986,000).

- **Capital expenditure**

  Capital expenditure for 2008 totalled £2,980,000, in line with budget. An analysis of expenditure by type is provided in the table below.

Capital expenditure by type



Business Review (continued)

Connections, metering and charges

In 2008, 508 new service connections were made to the distribution network, the majority of which were due to new housing development sites. In some cases, bulk meters were installed to supply multiple-dwelling apartment buildings allowing a total of 637 new dwelling units to be connected.

In conjunction with water main renewal schemes, 441 existing connections were renewed during the year and made ready to accept water meters in preparation for future metering. In addition, a total of 263 existing connections were fitted with a meter at the request of customers wishing to pay for water by meter.

The Company continues to promote water metering as the fairest way of charging and from experience in England and Wales, metering has proven to reduce consumption by an average of 10% and help to combat leakage on customer supply pipes. With effect from 1 January 2009, the Company has implemented a policy of installing meters on change of account holder and charging for water based on the volume consumed. It is expected that during 2009 a total of approximately 1,000 properties will be fitted with a meter under this scheme. At the end of 2008, there were approximately 11,200 metered water connections, 31% of the total customer base.

With the implementation of the policy of metering on change of account holder from 1 January 2009, there will be a steady increase in this percentage in future years.

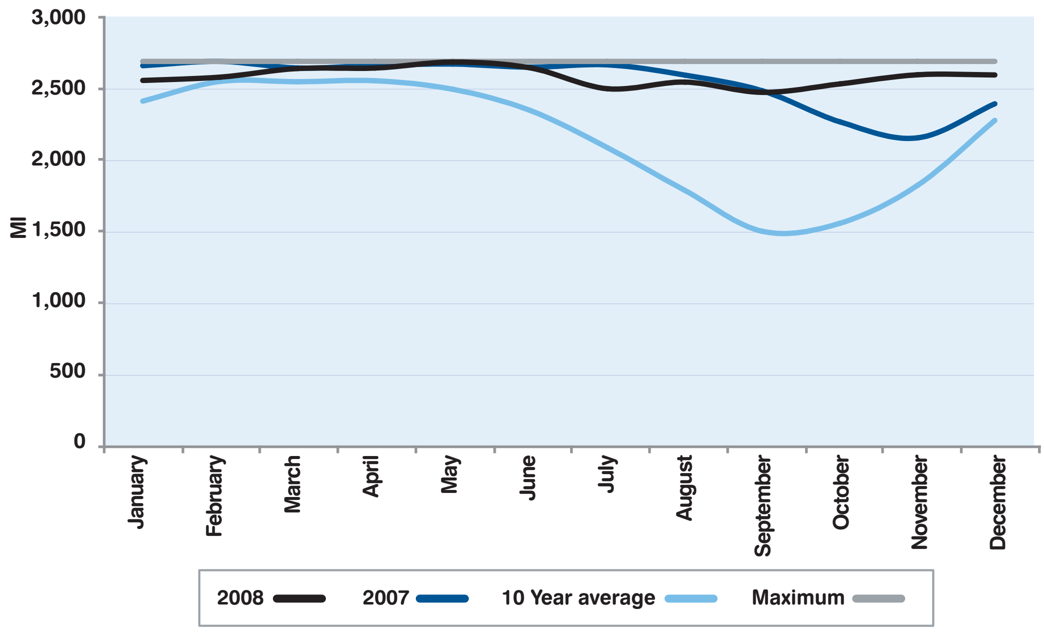
In December 2008, the Company announced tariff increases of 2.5% for both metered and unmetered water charges taking effect from 1 April 2009, the seventh consecutive year in which tariff increases have been either at or below RPI.

From 1 April 2009, the Company has discontinued charging a standard price for making connections to the water network. New regulations affecting the ability of the Company and contractors to work in roads and new requirements for road reinstatement are such that the costs incurred by the Company when installing new connections can fluctuate significantly depending on the conditions imposed by the road authorities. Accordingly, all new connections after 1 April 2009 will have individual and site specific priced quotations.

Water Supply and Demand

2008 was another relatively wet year with total rainfall 16% above the 10 year average. Our reservoirs were full at both the beginning and at the end of the year, with the lowest level being recorded in July at 93%. Levels in the reservoirs have not fallen below 80% for two years, which is a record and demonstrates how wet the past two years have been.

Water in store



Business Review (continued)

In 2007, the Company commissioned a Water Resource Plan to provide estimates on the availability of and demand on water resources for the next 25 years and indicate the necessary works that the Company will need to undertake over that period in order to safeguard the continued supply of water. The initial phase is now complete and the final report including options for additional water resources and demand management is due for completion during 2009. The Water Resource Plan is being developed using the guidelines set out by the England and Wales Environment Agency and will be updated every 5 years, in accordance with those guidelines. A summary of the findings will be published later in 2009.

Demand for water during 2008 was 3.1% above that in 2007, a figure skewed by an unusually high number of burst water mains and services in the first quarter of the year caused by the relatively cold weather. After allowing for bursts the demand increase is in line with the 1% to 1.2% norm.

In April 2008, our reservoirs at Millbrook, Dannemarche and Handois were given a time related inspection, in accordance with the Reservoirs (Jersey) Law 1996. The inspection was undertaken by an independent Inspecting Engineer from the UK and he reported the reservoir structures to be in satisfactory condition.

Water Quality

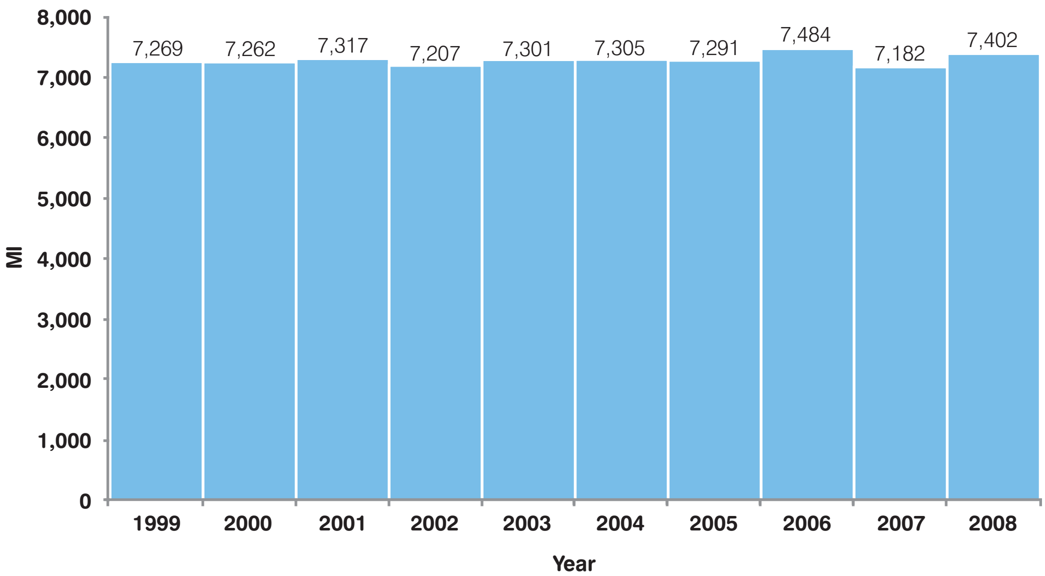
The quality of water supplied to our customers in 2008 was once again of a very high standard. The compliance level for treated water analysed was 99.97%, slightly better than the average figure for water companies in England and Wales for 2007.

As a result of well below average rainfall in February, a critical period affecting the leaching of nitrates into water resources, there were no nitrate failures reported during the year.

In November 2008, the Minister for Planning & Environment approved the renewal of existing dispensations under the Water (Jersey) Law 1972, for nitrates, iron and manganese; parameters which are outside the control of the Company. Jersey Water is entirely reliant on surface waters for water resources and is unable to blend water from different sources and with different characteristics, unlike most water companies in the UK. The nitrate dispensations allow 33% of samples taken in a year to be above the 50mg/l level but not exceeding 70mg/l.

The full report on water quality in 2008 is given in our Water Quality Report.

Total water supplied by year



Business Review (continued)

Mains Network

In 2008, 7.5km of new water mains were laid of which 4.9km was funded by the Company and the balance of 2.6km being funded by third parties to supply new housing developments.

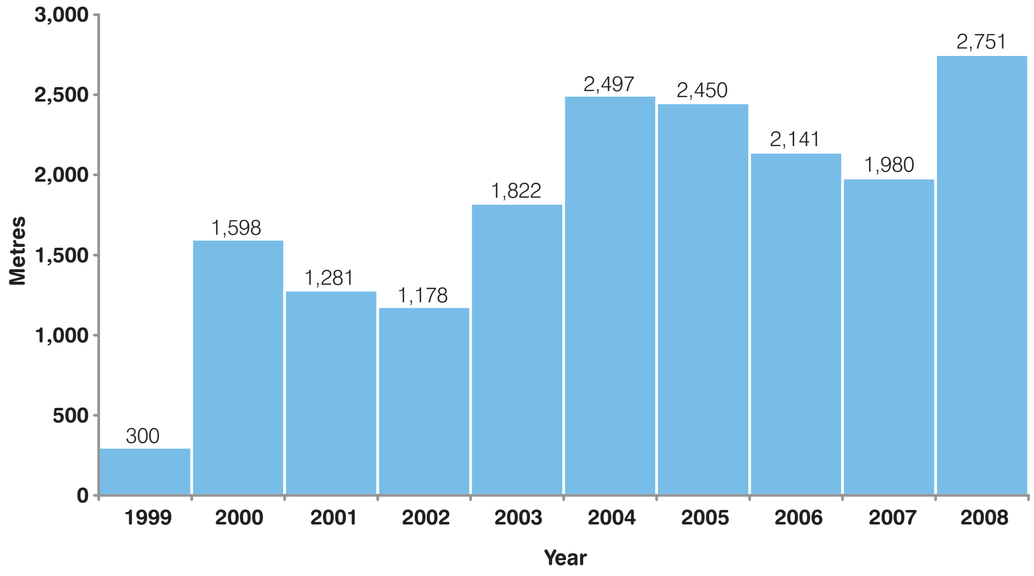
As part of the first phase of the works to reinforce the water distribution infrastructure in the north-east of the Island, 1.1 km of new 300mm diameter trunk mains were laid along the planned route from Trinity to St Martin and Maufant. This new trunk main will supply water by gravity from Les Platons Service Reservoir into the high level north-east areas of the distribution network. The primary purpose of this work is to strengthen the infrastructure network in the east for future demand, but it also allows the opportunity to create a number of new District Metered Areas (DMA) which will greatly assist with future leakage detection. The provision of this new infrastructure is being undertaken in two phases, with the final phase, to link to the existing trunk main at Maufant in 2010. The commissioning of the final phase, will provide further efficiencies, allowing the existing Booster Pumping Station at Gorey to be taken out of service, resulting in operational and energy savings to be made.

The Company renewed 2.8 km of old water mains during the year, an increase on 2007. The mains chosen for replacement are prioritised by customer service issues, such as discolouration of water and burst history.

The age of the water main alone is not a deciding factor in its planned replacement. This work requires extensive planning with the road authorities, parishes and local businesses, to minimise the disruption caused. Therefore the work tends to be expensive and slow, particularly when working in areas where underground services are dense and excavation can only be carried out safely by hand. We remain conscious of the disruption which this essential work can cause the public and we work very hard to minimise this.

During 2008, improvements were made to the service reservoirs at Westmount, St Helier. The inlet and outlet pipe work to both service reservoirs, was replaced and re-configured to ensure water moves efficiently through both the service reservoirs. New sampling points were also installed to improve the sampling of the water.

Mains renewals by year



Business Review (continued)

Treatment and Processing

The replacement control system at the Desalination Plant was installed and commissioned during the year. This work involved the installation of new hardware and software to control the operation of the plant, which apart from starting and stopping is now an automated process. The software used is identical to that used by our existing Supervisory, Control and Data Acquisition (SCADA) system and has allowed easy integration of the plant control system on to the SCADA network, allowing remote monitoring of the site from other points of the network. The plant was operated to full output for a short time to test the control system and ensure its satisfactory operation. Improvements were also undertaken at the sea water intake shaft to improve access into this restricted area of the Plant.

During the year, work commenced on the design and procurement of replacement pumping plant and associated control equipment for Queen's Valley Reservoir Pumping Station. Two new high lift pumps are to be installed, together with new electrical control panels by contractors in the early part of 2009. The works also include the installation of a standby power supply generator, in case of mains electricity supply failure. This new infrastructure will increase the pumping capacity rate of raw water from Queen's Valley Reservoir to the treatment works and is due to be completed in time for the summer demand period.

The Company staff and management

The Company recognises the valuable contribution made by Jersey Water staff and invests heavily in the training and education of its workforce. During 2008, the programme of funding training for National Vocational Qualifications (NVQ) in Leadership and Management continued in addition to the funding of other more specialised qualification training for other staff.

The Chairman with the recipients of long service awards in 2008.
Back row (left to right): Stephen McShane, Peter Audrain
Middle row: Paul Batho, Peter Hamel
Front row: David Le Monnier, Alan Modral, David Norman, Malcolm Hamon

Corporate Governance

Introduction

In July 2003, the Board voluntarily resolved to adopt the requirements of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Code').

The Board are of the opinion that, throughout the year under review, the Company has been in compliance with the Code provisions set out in Section 1 of the Code except for the following matter:

- The Code includes a requirement that Non-Executive Directors serving longer than nine years on the Board should be subject to annual re-election. One third of Directors are required to offer themselves for re-election each year and the Board are of the opinion that re-election once every three years is sufficient for the purposes of the Company.

Directors and the Board

The Board

The Board comprises eight Directors, two of whom are Executive and six of whom are Non-Executive Directors. The Board meets regularly, normally ten times per year and for ad hoc meetings as and when required. The role of the Board is to set the overall operating strategy, approve detailed operating plans and budgets, monitor performance against plans and oversee the activities of the Executive Directors. The Board has delegated the day to day operation of the activities of the Company to the Executive Directors.

The Board is supplied with regular timely management information through which it can monitor the performance, activities and financial position of the Company and on which decisions can be based.

Meetings and Committee membership

During the year, the Board met nine times. Details of Board meeting attendance, Committee membership and Committee meeting attendance are provided in the table below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in 2008	**9**	**2**	**1**	**1**
Tony Cooke[1] (Non-Executive Director)	4 (of 5)	1 (of 1)		0 (of 0)
Mary Curtis[1] (Non-Executive Director)	5 (of 5)		1	0 (of 0)
Carl Hinault (Non-Executive Director)	8	2		1
Kevin Keen (Non-Executive Director)	9	2 (Chairman)		1
Stephen Marie (Non-Executive Director)	9	1 (of 1)	1 (Chairman)	1
David Norman (Non-Executive Director)	9 (Chairman)		1	1 (Chairman)
Richard Pirouet[2] (Non-Executive Director)	4 (of 4)			1 (of 1)
Howard Snowden (Executive Director)	9			
Helier Smith (Executive Director)	9			

[1] Tony Cooke and Mary Curtis were appointed to the Board on 12 June 2008.
[2] Richard Pirouet retired from the Board on 12 June 2008.

Corporate Governance (continued)

Director independence

The Board considers all Non-Executive Directors to be independent in character and judgement. However, both David Norman and Carl Hinault have been Board members for more than nine years. David Norman and Carl Hinault do not therefore meet the criteria of independence set down in the Combined Code. Accordingly, the Board has determined that Tony Cooke, Mary Curtis, Kevin Keen and Stephen Marie shall be deemed independent.

Performance evaluation

In order to ensure that the Board continues to operate effectively, it has developed and implemented a process of performance evaluation. The process measures the performance of the Board as a whole against a set of predefined targets and of individual Directors by way of self and peer appraisal. The results of the performance assessments and appraisals are fed back to the individual Directors and the Board as a whole (as appropriate) and action taken accordingly.

Reappointment

Except where a Director is appointed to fill a casual vacancy, all Directors are appointed by the Shareholders at the Annual General Meeting. One third of the Directors (to the nearest whole number of Directors) retire by rotation (based upon length of service) and, where eligible, seek re-election. Directors appointed to fill a casual vacancy must seek formal appointment by the Shareholders at the Annual General Meeting. Biographical notes of all Directors are included on page 4.

Relations with shareholders

The Company is in regular contact with its majority and controlling shareholder, the States of Jersey. Details of contact with and the views of the States are passed on to the whole Board as necessary.

Audit Committee

The Audit Committee is made up of Kevin Keen (Chairman), Tony Cooke and Carl Hinault. The auditors, Ernst & Young LLP, and the Executive Directors, Howard Snowden and Helier Smith also attend the meetings by invitation.

The terms of reference of the Audit Committee, which are available upon request, require it to meet at least twice per annum. Additional meetings may be called where deemed necessary. The Committee is charged by the Board with the following main responsibilities:

- To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. The Committee is briefed on changes to reporting requirements and provided with information on any accounting or reporting issues that arise. The Audit Committee review in detail the financial statements before making a recommendation to the Board as to whether or not they should be formally approved.
- To review the operation and effectiveness of the Company's internal financial and other controls and make recommendations for improvement where necessary. During the year, the Committee continued its process of risk assessment and evaluation of effectiveness of the systems of internal control.
- To oversee the external audit process and manage the relationship with the external auditors. The Committee formally considers the performance and independence of the external auditors on a regular basis taking into consideration all applicable professional and regulatory requirements. The Committee also has procedures in place to protect auditor independence and control the extent to which the auditors may be retained for non audit services and the basis upon which such services are purchased.
- To make recommendations to the Board as to the re-election and remuneration of the auditors at the Annual General Meetings and does so based upon its assessment of the performance of the auditors and giving due regard to their continued independence and any other regulatory or professional requirements.

The Committee has considered the need for an internal audit function and has concluded that due to the size and type of business that such a function would not be cost effective.

Corporate Governance (continued)

Remuneration Committee

The Remuneration Committee is made up of Stephen Marie (Chairman), Mary Curtis and David Norman. The Executive Directors, Howard Snowden and Helier Smith may also attend the meeting by invitation. No Director plays any role in the determination of his own remuneration.

The terms of reference of the Remuneration Committee allow it to meet as and when necessary to:

- Review the remuneration of salaried staff.
- Review and determine the level of remuneration of Executive Directors.

Grands Vaux Reservoir

Nomination Committee

The Nomination Committee comprises David Norman (Chairman), Tony Cooke, Mary Curtis, Carl Hinault, Kevin Keen and Stephen Marie. It is primarily responsible for the selection and appointment of the Company's Executive and Non-Executive Directors as and when required.

The other duties of the Committee include:

- Making recommendations to the Board as to the re-election of Directors under the 'retirement by rotation' provisions in the Company's Articles of Association whilst giving due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- Reviewing and making recommendations to the Board as to the succession planning for Executive and Non-Executive Directors.
- Regularly reviewing the structure, size and composition required of the Board compared to its current position and making recommendations to the Board with regard to any changes.
- Keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to operate effectively.

When selecting candidates for potential appointment as Non-Executive Director, the Committee evaluates the needs of the Company and identifies the necessary skills and experience required by candidates for consideration. The Nomination Committee makes recommendations to the Board taking into account the performance of the candidates at interview, their skills and experience and their ability to meet the specific needs of the Company. Consideration is given to the use of external recruitment consultants and open advertising in the recruitment process. However, this is weighed against the cost of doing so and the specialist needs of the Company as a Water supplier.

Corporate Governance (continued)

Internal controls

The Board is responsible for ensuring that there are effective systems of internal control in place to reduce the risk of misstatement or loss and to ensure that business objectives are met. These systems are designed to manage (rather than to eliminate) the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has developed and adopted a corporate and departmental risk register detailing and risk grading all of the significant risks faced by the Company. Alongside the register is a process through which the significant risks faced by the business are identified and evaluated on a regular basis and the controls operating over those risks assessed to ensure that they operate effectively.

The process of risk assessment and reviewing the effectiveness of the systems of internal control is regularly reviewed by the Audit Committee, accords with Turnbull guidance and has been in place for the whole of the year, up to and including the date on which the financial statements were approved.

Controls adopted by the Board (or its Committees) to ensure the effectiveness of the systems of internal control include the following:

- The review of the corporate risk register maintained and updated by the Company and of the status of any actions arising from their regular review.
- The receipt of confirmation from Senior Management of the proper operation of controls throughout the period of the review.
- The review and approval during the year of terms of reference of sub Committees.
- The review and approval during the year of the schedule of matters specifically reserved for its attention.
- The review of reports received from the Audit Committee concerning the findings of the external auditors on the financial statements of the Company and the systems of internal control.

Going Concern

The Directors have made sufficient enquiries to satisfy themselves that they have reasonable expectation that the Company will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the financial statements.

Directors’ responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the profit or loss for the period. In preparing these financial statements the Directors have selected what they consider to be suitable accounting policies and have applied them consistently. They have made judgements and estimates which they believe are reasonable and prudent, and have followed applicable accounting standards. They have prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which 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.

Directors' Report

The Directors of the Company present the financial statements for the year ended 31 December 2008.

Activities of the Company

The Company was incorporated in 1882. The principal activities of the Company are the collection, treatment and supply of water for commercial and domestic use throughout the Island. The Company has adopted 'Jersey Water' as its trading name.

Review of business and future developments

The results for the year are set out on page 22. A review of the Company's business during the year and an indication of the likely future development of the business are provided in the business review on pages 7 to 12.

Dividends

Ordinary and A Ordinary shares		
Amounts are shown net of 20% tax	**2008**	2007
	£'000	£'000
Interim dividend for the year ended 31 December 2008 of £0.96 (2007: £0.88) paid on 1 October 2008.	**464**	425
Proposed final dividend for the year ended 31 December 2008 of £1.94 (2007: £1.64).	**937**	792
	£1,401	£1,217

Preference shares

In 2008 the Company paid dividends on preference shares totalling £381,000 (2007: £381,000).

Directors

Changes in Directors

The Directors of the Company on the date the financial statements were approved are detailed on page 2. All Directors except for Richard Pirouet, Tony Cooke and Mary Curtis were Directors of the Company throughout the year ended 31 December 2008. On 12 June 2008, Richard Pirouet retired from the Board and Tony Cooke and Mary Curtis were appointed to the Board.

In accordance with the provisions of Article 74, David Norman and Carl Hinault will retire at the forthcoming annual general meeting. Mr Hinault, being eligible, offers himself for re-election. Mr Norman will not seek re-election.

The Directors recommend the election of Mr Peter Yates as a Non-Executive Director of the Company to fill the vacancy left by the retirement at the AGM of David Norman. Mr Yates, a Chartered Accountant and former President of the Jersey Society of Chartered and Certified Accountants, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for a total of 31 years.

As described on page 14, the Company has undertaken a formal assessment of its performance and that of the individual Directors, including structured meetings between the Directors being assessed, the Chairman and the Deputy Chairman. Following this review, the Chairman has confirmed that the Director standing for re-election at the Annual General Meeting continues to perform effectively and demonstrates commitment to his role.

Directors' Report (continued)

Directors' interests

Particulars of the holdings of Directors, including family and beneficial interests, in the share capital of the Company as at 31 December 2008 are:

	Tony Cooke	Mary Curtis	Carl Hinault	Kevin Keen	Stephen Marie	David Norman	Howard Snowden	Helier Smith
Ordinary shares	-	-	100	-	100	8,680	200	146
Preference shares	-	-	-	3,972	-	-	95	3,235

Of the many business interests of David Norman, he is a Director of Petroleum Distributors (Jersey) Limited a Company with which Jersey Water trades on an arms length basis.

Stephen Marie was, during the year up to July 2008, the Property Director of Sandpiper CI, a Group with which the Company transacts on an arms length basis.

Kevin Keen is a Non-Executive Director of BG Romeril and Co Limited and an employee of Voisin & Co, companies with which Jersey Water transacts on an arms length basis.

Insurance of Directors and Officers of the Company

The Company maintains an insurance policy on behalf of all Directors and Officers of the Company against liability arising from neglect, breach of duty and breach of trust in relation to the Company.

Substantial shareholdings

Set out below are details of significant shareholdings (3% or more) in each class of share of the Company as at 3 April 2009.

Name	Ordinary shares of £1	'A' ordinary shares of £1	5%	3.5% second	3% third	3.75% third	5% third	2% fourth	10% fifth
			Cumulative preference shares of £5 each						
Allied Mutual Insurance Services Limited	6%								
BE Anderson							4%		
PJ Audrain						3%	4%		
PG Blampied	7%		19%	31%	7%	23%	26%	10%	
Capital Estates Limited				3%					
FA Clarke	4%								
Deenbee Limited			11%	13%	7%	15%	11%	10%	
Forest Nominees Limited								11%	
BF Foster				23%					
JMS Hobbs					4%		4%		
Keen's Pension Fund Limited				23%					
SA Le Couteur	3%		5%		17%		3%	6%	
JH Le Cras			9%	3%	20%		4%	18%	
EJ Morcombe			10%	12%	7%	24%	23%	13%	
DF Parlett							4%		
Nordar Limited	3%								
BR Querée	4%								
HJB Smith					6%				
UBS Jersey Nominees Limited			24%			11%		3%	
The States of Jersey	50%	100%							100%

Directors' Report (continued)

The Company enters into normal commercial transactions with the States of Jersey and entities controlled by the States, in that it pays income tax, telephone, electricity and various other charges. Conversely, the Company levies charges at its usual rates for the supply of water and the connection of services to States owned properties.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Helier Smith
Company Secretary

3 April 2009

Independent auditors' report

to the members of The Jersey New Waterworks Company Limited

We have audited the Company's financial statements for the year ended 31 December 2008 which comprise the Balance Sheet, Profit and Loss Account, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law as set out in the Statement of Directors' Responsibilities.

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

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

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the Details of Directors, Officers and Advisers, the Notice of the Annual General Meeting, the Board of Director Profiles, the Chairman's statement, the Business Review, the Corporate Governance Report, the Directors' Report and Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom accounting standards, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Ernst & Young LLP
Jersey, Channel Islands

3 April 2009

Notes

1 The maintenance and integrity of The Jersey New Waterworks Company Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

2 Legislation in both Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Balance sheet

31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets	2		**60,303**		59,831
Current assets					
Stock and work in progress		**1,110**		1,073	
Debtors	3	**4,579**		4,225	
Bank and cash		**4,248**		2,259	
		9,937		7,557	
Creditors - Amounts falling due within one year					
Creditors and accruals	4	**(4,079)**		(2,390)	
Income tax		**(501)**		(159)	
		(4,580)		(2,549)	
Net current assets			**5,357**		5,008
Total assets less current liabilities			**65,660**		64,839
Creditors - Amounts falling due after more than one year					
Creditors	5	**-**		(1,067)	
Income tax		**-**		(307)	
Bank loans	7	**(14,900)**		(14,900)	
Non-equity preference shares	10b	**(5,382)**		(5,382)	
			(20,282)		(21,656)
Provisions for liabilities and charges					
Deferred taxation	8		**(4,773)**		(5,007)
Net assets excluding pension liability			**40,605**		38,176
Pension (liability) / surplus	9		**(1,056)**		180
Net assets			**£39,549**		£38,356
Equity capital and reserves					
Called up equity share capital	10a		**483**		483
Capital redemption reserve			**124**		124
			607		607
Share premium account			**678**		678
Reserves	11		**38,264**		37,071
Shareholders' funds	12		**£39,549**		£38,356

The financial statements on pages 21 to 36 were approved by the Board of Directors on 3 April 2009 and were signed on its behalf by:

David Norman
Chairman

Profit and loss account

For the year ended 31 December 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Turnover					
Water supply charges	13	**13,463**		12,912	
Rechargeable works income		**613**		623	
Other income		**302**		282	
			14,378		13,817
Cost of sales					
Pumping expenses		**(671)**		(645)	
Operation of reservoirs and works		**(2,238)**		(2,051)	
Distribution and analysis of water		**(1,721)**		(1,679)	
Desalination station expenses		**(140)**		(78)	
Miscellaneous		**(316)**		(356)	
		(5,086)		(4,809)	
Administration					
Administration expenses	14	**(2,265)**		(2,057)	
Insurances		**(343)**		(369)	
		(2,608)		(2,426)	
Depreciation					
Completed works	2	**(2,212)**		(2,084)	
Expenditure			**(9,906)**		(9,319)
Operating profit			**4,472**		4,498
Profit on disposal of fixed assets			**493**		175
Interest					
- payable	15	**(835)**		(872)	
- receivable		**178**		45	
Non-equity dividends	16	**(381)**		(381)	
Other finance income	9	**107**		61	
			(931)		(1,147)
Profit before taxation			**4,034**		3,526
Jersey income tax	6		**(4)**		(273)
Profit for the financial year			**£4,030**		£3,253
Earnings per ordinary share of £1	18		**£8.34**		£6.73

There is no material difference between the reported profit for 2008 and 2007 and the profit prepared under the historical cost basis.

Statement of total recognised gains and losses

For the year ended 31 December 2008

	Note	**2008**	2007
		£'000	£'000
Profit for the year		**4,030**	3,253
(Loss) / Gain arising on pension liabilities	9	**(1,581)**	921
Total recognised gains and losses for the year		**£2,449**	£4,174

Cash flow statement

For the year ended 31 December 2008

	Note	2008	2008	2007	2007
		£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities	19		**6,842**		6,439
Returns on investments and servicing of finance					
Interest received		**102**		45	
Interest paid		**(848)**		(871)	
Non-equity dividends paid		**(381)**		(381)	
Net cash outflow on returns on investments and servicing of finance			**(1,127)**		(1,207)
Taxation					
Jersey income tax paid			**(165)**		(2)
Capital expenditure					
Purchase of fixed assets		**(2,834)**		(2,632)	
Disposal of fixed assets		**529**		512	
			(2,305)		(2,120)
Equity dividends paid			**(1,256)**		(1,124)
Net cash inflow before use of liquid resources and financing			**1,989**		1,986
Management of liquid resources					
Net cash (placed on) / withdrawn from fixed deposit accounts			**(2,000)**		-
(Decrease) / increase in cash			**£(11)**		£1,986

Reconciliation of net cash flow to movement in net debt

	Note	2008	2007
		£'000	£'000
(Decrease) / increase in cash		**(11)**	1,986
Cash used to increase liquid resources		**2,000**	-
Movement in net debt	20	**1,989**	1,986
Net debt brought forward	20	**(18,023)**	(20,009)
Net debt carried forward	20	**£(16,034)**	£(18,023)

Notes to the financial statements

1 Accounting policies

The following statements outline the main accounting policies applied in the preparation of the financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom accounting standards.

Turnover

Turnover represents the total value of water charges together with minor contracts and rental income.

Stocks of water

No value is placed on stocks of water held in reservoirs, which may vary from year to year.

Stock and work in progress

Stores are valued at the lower of cost and net realisable value.

Water charges

Water is billed either as a fixed rate (in advance or arrears) or as a metered charge (in arrears). Both fixed rate and metered water income is recognised for the year up to 31 December.

Fixed assets and depreciation

Fixed assets under construction are recognised within 'Uncompleted Works' until such time as they are first brought into use. At this point the asset is transferred to 'Property and Completed Works' and depreciation commences. Subsequent qualifying expenditure is transferred directly to 'Property and Completed Works'.

Depreciation is charged on a straight line basis in accordance with the rates of depreciation set out below for each major asset type. No depreciation is provided on freehold land.

Asset type	Depreciation period
Water mains - Iron	80 years
- Others	50 years
Buildings	60 years
Dams	60-100 years
Pumping plant	30 years
Reinforced concrete structures	80 years
Meters	10 years
Motor vehicles	3-6 years
Mobile plant and tools	3-10 years
Reverse osmosis plants	10 years

Deferred taxation

Deferred taxation is calculated on a full provision basis in accordance with Financial Reporting Standard 19 'Deferred Taxation'. As permitted under Financial Reporting Standard 19 - Deferred tax balances are not discounted to reflect the time value of money.

Retirement benefits

The Company values its liability in respect of defined retirement benefits in accordance with FRS 17 and following the unit cost method of calculation.

In December 2006, the Accounting Standards Board issued an amendment to FRS17 applicable to accounting periods commencing on or after 6 April 2007, with early adoption of the changes being encouraged. The Company adopted the changes within the financial statements for the year ended 31 December 2007.

Any surplus or deficit in the defined benefit plan, being the difference between the value of the plan assets and the present value of the plan liabilities, is recognised in the balance sheet as an asset or liability to the extent that any surplus is recoverable through future reduced contributions or that, conversely, any deficit reflects a legal or constructive obligation. The defined benefit asset or liability is shown net of any related deferred tax liability or asset.

Notes to the financial statements (continued)

2 Fixed assets

	Property and completed works £'000	Uncompleted works £'000	Motor vehicles mobile plant & equipment £'000	Total £'000
Cost				
Brought forward	77,799	530	2,235	**80,564**
Additions	-	2,721	259	**2,980**
Disposals	(307)	-	(121)	**(428)**
Transfers	2,510	(2,558)	48	**-**
Carried forward	**£80,002**	**£693**	**£2,421**	**£83,116**
Depreciation				
Brought forward	(19,208)	-	(1,525)	**(20,733)**
Charge for the year	(2,212)	-	(258)	**(2,470)**
Disposals	272	-	118	**390**
Carried forward	**£(21,148)**	**£-**	**£(1,665)**	**£(22,813)**
Net book value				
Brought forward	**£58,591**	**£530**	**£710**	**£59,831**
Carried forward	**£58,854**	**£693**	**£756**	**£60,303**

Of the £2,470,000 depreciation charge for the year, £258,000 relating to motor vehicles, mobile plant and equipment has been allocated to various cost centres included within the Cost of Sales and Administration Expense categories in the Profit and Loss Account.

At 31 December 2008 capital commitments contracted for amounted to £348,000 (2007: £91,000).

3 Debtors

	2008 £'000	2007 £'000
Trade debtors	**3,458**	3,198
Prepayments	**352**	365
Accrued income and other debtors	**769**	662
	£4,579	£4,225

Notes to the financial statements (continued)

4 Creditors and accruals

	2008 £'000	2007 £'000
Trade creditors	661	312
Other creditors	477	358
Defined benefit pension scheme contributions	1,065	-
Contract retentions	6	78
Accruals and deferred income	1,870	1,642
	£4,079	£2,390

Subsequent to the year end, the Company paid the special contribution into the defined benefit pension scheme totalling £1,065,000.

5 Creditors due after more than one year

	2008 £'000	2007 £'000
Defined benefit pension scheme contributions	-	1,065
Contract retentions	-	2
	£-	£1,067

6 Jersey income tax

	2008 £'000	2007 £'000
Current tax		
Income tax on the profits for the year	240	280
Over provision for previous years	(2)	(57)
Total current tax	238	223
Deferred tax		
(Credit) / Charge for the year	(234)	50
Total deferred tax	(234)	50
Total tax charge for the year	£4	£273

Notes to the financial statements (continued)

Factors affecting tax charge for year

The basis of assessment of trading income to Jersey tax is changing from a prior year basis to a current year basis from 2008. The trading profits shown in these accounts are subject to transitional provisions under the Income Tax (Amendment No 28) (Jersey) Law 2007.

The profits chargeable to tax for the year of assessment 2008 will be the average of the adjusted profits for the 2007 and 2008 accounting periods.

Previously, the Company accrued for current tax based on the taxable profit for that accounting period notwithstanding that tax was charged on the Company on a prior year basis. The accounting impact of the transition to an actual basis from 2008 is that only half of the year's profits for 2007 and 2008 year ends will suffer tax at 20%.

The tax provision included in the results for the year is the tax liability for the Year of Assessment 2008, less the provision made in the 31 December 2007 financial statements.

The tax assessed for the year is lower than the standard rate of Jersey income tax (20%). The differences are explained below:

	2008	2007
	£'000	£'000
Profit before tax	**£4,034**	£3,526
Profit before tax multiplied by the standard rate of Jersey income tax of 20%.	**807**	705
Tax at 20% on:		
Capital allowances for period in excess of depreciation	**(84)**	(14)
Capital expenditure, deductible for tax purposes	**(172)**	(176)
Profit on sale of fixed assets	**(99)**	(35)
Dividends on non-equity shares - Non deductible	**76**	76
Effect of transitional provisions	**(288)**	(276)
Current tax charge for year	**£240**	£280

Notes to the financial statements (continued)

7 Bank loans

	Repayment Dates	2008	2007
		£'000	£'000
Facilities drawn down			
HSBC Bank plc	2010	3,650	3,650
HSBC Bank plc	2011	5,250	5,250
HSBC Bank plc	2013	6,000	6,000
		£14,900	£14,900
Loans falling due within one year		-	-
Loans falling due between one and two years		8,900	8,900
Loans falling due after two years but less than five years		6,000	6,000
Loans falling due after five years or more		-	-
		£14,900	£14,900

The Company has a rolling overdraft facility with HSBC Bank plc. Unconditional guarantees have been given by the States of Jersey for the repayment of the principal and interest on loans up to a maximum of £16.2m taken out to fund the Company's capital works programme.

8 Deferred taxation

	2008	2007
	£'000	£'000
Capital allowances	£4,773	£5,007
Brought forward	5,007	4,957
Transfer (to) / from profit and loss account	(234)	50
At 31 December	£4,773	£5,007

9 Pensions

The Company operates two formal pension schemes; a defined contribution scheme and a defined benefit scheme. There are also certain past employees whose pension or pension supplements, which are of a defined benefit nature, have not been funded by the Company's present or previous pension agreements (the 'unfunded scheme'). Where applicable, the liability of the Company in respect of the unfunded scheme is included within the disclosure below relating to the defined benefit section. The defined benefit section of the scheme was closed to new entrants with effect from 1 January 2003.

The defined contribution scheme and defined benefit scheme are both sections of The Jersey Water Pension Plan (the name of the plan was changed from The Jersey New Waterworks Retirement Benefits Plan 1987 on 20 November 2008).

Defined contribution section

The defined contribution section of the plan was opened to new members on 1 May 2003. Employer contributions during the period to 31 December 2008 totalled £37,000 (2007: £32,000).

Defined benefit section and unfunded scheme

The full FRS17 actuarial valuation as at 31 December 2008 shows a change from the 2007 surplus of £180,000 to a deficit of £1,056,000 in 2008.

Notes to the financial statements (continued)

The major assumptions used by the actuary were:

	2008	2007
Rate of increase in salaries	**3.93%**	4.68%
Rate of increase in pensions accrued after 1 January 1999	**2.88%**	3.43%
Discount rate	**6.10%**	5.88%
Expected return on plan assets	**5.52%**	6.55%
Inflation assumption	**2.93%**	3.68%
Life expectancy assumptions		
Current pensioners at 65 - Male	**86**	84
Current pensioners at 65 - Female	**88**	87
Future Pensioners at 65 - Male	**87**	85
Future pensioners at 65 - Female	**89**	88

The post-retirement mortality assumptions allow for expected increases in longevity.

The overall expected rate of return is based on the weighted average return of each class of asset at the start of each accounting period.

	2008	2007
	£'000	£'000
Reconciliation of the present value of scheme liabilities		
Opening scheme liabilities	**13,966**	15,043
Current service cost	**272**	423
Employee contributions	**55**	29
Interest cost	**825**	785
Actuarial gains	**(1,085)**	(1,736)
Benefits paid	**(525)**	(578)
Closing scheme liabilities	**£13,508**	£13,966
Analysis of funded and wholly unfunded scheme liabilities		
Funded scheme	**13,389**	13,837
Wholly unfunded scheme	**119**	129
Total present value of scheme liabilities	**£13,508**	£13,966
Reconciliation of the fair value of scheme assets		
Opening fair value of scheme assets	**14,191**	12,514
Expected return	**932**	846
Employer contributions	**532**	1,651
Employee contributions	**55**	29
Actuarial losses	**(3,013)**	(288)
Benefits paid	**(509)**	(561)
Closing fair value of scheme assets	**£12,188**	£14,191
Actual (loss) / return on scheme assets	**£(2,081)**	£558

Notes to the financial statements (continued)

	2008 £'000	2007 £'000
Analysis of amounts shown in the balance sheet		
Fair value of plan assets	**12,188**	14,191
Present value scheme liabilities	**(13,508)**	(13,966)
(Deficit) / Surplus	**(1,320)**	225
Related deferred tax asset / (liability)	**264**	(45)
Net (deficit) / surplus	**£(1,056)**	£180
Analysis of amounts recognised in the profit and loss account		
Current service cost	**(272)**	(423)
Expected return on pension plan assets	**932**	846
Interest on pension plan liabilities	**(825)**	(785)
Total	**£(165)**	£(362)

Current service costs are included within administration expenses in the profit and loss account. Expected returns on pension plan assets and interest on pension plan liabilities are shown net within other finance income in the profit and loss account.

Analysis of amounts recognised in the statement of total recognised gains and losses	**2008 £'000**	2007 £'000
Actual return less expected return on pension scheme assets	**(3,013)**	(288)
Experience gains arising on scheme liabilities	**185**	241
Changes in assumptions underlying the present value of scheme liabilities	**900**	1,495
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	**(1,928)**	1,448
Current tax relief	**38**	24
Movement in deferred tax relating to net liability / surplus	**309**	(551)
(Loss) / Gain recognised in the statement of total recognised gains and losses	**£(1,581)**	£921
Cumulative amounts recognised in the statement of total recognised gains and losses	**£(2,766)**	£(1,185)

Analysis of scheme assets	**2008 % of total fair value of scheme assets**	2007 % of total fair value of scheme assets
Equities	**48%**	48%
Corporate bonds	**43%**	44%
Cash and receivables	**9%**	8%
	100%	100%

Notes to the financial statements (continued)

History of experience gains and losses	2008	2007	2006	2005	2004 Not restated
	£'000	£'000	£'000	£'000	£'000
Present value of scheme assets	12,188	14,191	12,514	11,655	9,197
Present value of scheme liabilities	(13,508)	(13,966)	(15,043)	(15,532)	(13,096)
Gross scheme (deficit) / surplus	£(1,320)	£225	£(2,529)	£(3,877)	£(3,899)
Experience gains and (losses) on scheme liabilities					
Amount	185	241	290	136	194
Difference between the expected and actual return on scheme assets					
Amount	(3,013)	(288)	(22)	1,108	162

Funding of the defined benefit pension scheme

The actual funding of the defined benefit pension scheme is determined by the triennial actuarial valuation and this differs from the amount that is required to be charged to the profit and loss account under Financial Reporting Standard 17. During the year, the Company made scheduled retirement benefit contributions into the defined benefit scheme totalling £532,000 (2007: 586,000), no special contributions were made during the year (2007: £1,065,000).

Prior to 1 January 2008, Company and member contributions were 14.6% and 5.0% (for contributory members). Future benefit changes with effect from 1 January 2008 have led to the following changes in contribution rates. Company contributions were paid at the rate of 12.3% of pensionable salaries from 1 January 2008, reducing to 9.8% in January 2009, plus fixed amounts of £250,000 per annum. Members contribute at rates of 2.5% and 5.0% of pensionable salaries from 1 January 2008 and 1 January 2009 respectively. These rates will remain in force until the results of the formal actuarial valuation of the plan as at 1 January 2009 are known.

10 Share capital

a) Equity share capital

		2008	2007
		£'000	£'000
Authorised			
252,000	ordinary shares of £1	252	252
231,000	'A' ordinary shares of £1	231	231
		£483	£483
Issued and fully paid			
252,000	ordinary shares of £1	252	252
231,000	'A' ordinary shares of £1	231	231
		£483	£483

Ordinary and 'A' ordinary shares carry no right to fixed income and rank after preference shares and other liabilities. Each ordinary share carries one vote in the event of a poll. Each 'A' ordinary share, whilst in the ownership of the States of Jersey, entitles the holder to such additional votes at a poll as brings the total number of votes attaching to the 'A' ordinary shares to twice the number of votes cast in respect of all other shares.

Notes to the financial statements (continued)

b) Non-equity preference share capital

		2008 £'000	2007 £'000
Authorised			
20,000	cumulative preference shares of £5	**100**	100
20,000	cumulative second preference shares of £5	**100**	100
100,000	cumulative third preference shares of £5	**500**	500
100,645	cumulative fourth preference shares of £5	**503**	503
900,000	cumulative fifth preference shares of £5	**4,500**	4,500
		£5,703	£5,703
Issued and fully paid			
17,261	5% cumulative preference shares of £5	**86**	86
17,402	3.5% cumulative second preference shares of £5	**87**	87
23,509	3% cumulative third preference shares of £5	**118**	118
16,036	3.75% cumulative third preference shares of £5	**80**	80
11,400	5% cumulative third preference shares of £5	**57**	57
90,877	2% cumulative fourth preference shares of £5	**454**	454
900,000	10% cumulative fifth preference shares of £5	**4,500**	4,500
		£5,382	£5,382

Preference shares bear interest at the rates indicated above and rank, in the order listed, above ordinary and 'A' ordinary equity shares in the event of winding up.

Upon a poll, every holder of a preference share present at a general meeting in person or by proxy shall have one vote only for all the preference shares held by him, irrespective of the number and class of such preference shares.

11 Reserves

	Retained profit £'000	Capital reserve £'000	Total £'000
Brought forward	32,881	4,190	**37,071**
Profit for the financial year	4,030	-	**4,030**
Equity Dividends	(1,256)	-	**(1,256)**
Transfer of profit on sale of fixed assets to capital reserve	(493)	493	**-**
Loss relating to pension plan deficit recognised in the statement of total recognised gains and losses	(1,581)	-	**(1,581)**
Carried forward	**£33,581**	**£4,683**	**£38,264**

Notes to the financial statements (continued)

12 Reconciliation of movement in equity shareholders' funds

	2008 £'000	2007 £'000
Profit for the year	**4,030**	3,253
Equity dividends	**(1,256)**	(1,124)
Retained profit for the year	**2,774**	2,129
(Loss)/ gain arising on pension plan	**(1,581)**	921
Opening equity shareholders' funds	**38,356**	35,306
Closing equity shareholders' funds	**£39,549**	£38,356

13 Water supply charges

	2008 £'000	2007 £'000
Measured water charges	**6,487**	5,972
Unmeasured water charges	**6,421**	6,362
Service charges and other charges for water	**555**	578
	£13,463	£12,912

14 Administration expenses

	2008 £'000	2007 £'000
Included in administration expenses are the following:		
Directors' fees (note 21)	**84**	63
Auditors' fees - Statutory audit	**30**	30
- Other services (Tax advisory and compliance)	**4**	4

15 Interest payable

	2008 £'000	2007 £'000
On loans and overdrafts from banks	**£835**	£872

Notes to the financial statements (continued)

16 Non-equity dividends

	2008			2007		
	Paid	Payable	Charge for the year	Paid	Payable	Charge for the year
	£'000	£'000	£'000	£'000	£'000	£'000
5% cumulative preference shares	**2**	**2**	**4**	2	2	4
3.5% cumulative second preference shares	**2**	**1**	**3**	2	1	3
3% cumulative third preference shares	**3**	**-**	**3**	3	-	3
3.75% cumulative third preference shares	**2**	**-**	**2**	2	-	2
5% cumulative third preference shares	**2**	**-**	**2**	2	-	2
2% cumulative fourth preference shares	**7**	**-**	**7**	7	-	7
10% cumulative fifth preference shares	**360**	**-**	**360**	360	-	360
Total dividends on non-equity shares recognised in the year	**£378**	**£3**	**£381**	£378	£3	£381

17 Equity dividends

Ordinary and 'A' Ordinary shares	2008	2007	2008	2007
			£'000	£'000
Dividends paid				
Final dividend for the previous year	**£1.64**	£1.45	**792**	699
Interim dividend for the current year	**£0.96**	£0.88	**464**	425
			£1,256	£1,124
Dividends proposed				
Final dividend for the current year	**£1.94**	£1.64	**£937**	£792

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

18 Earnings per ordinary share

The calculation of earnings per ordinary share of £1 is based on earnings of £4,030,000 (2007: £3,253,000), being the profit available for distribution to equity shareholders and 483,000 ordinary and 'A' ordinary shares of £1 in issue.

19 Reconciliation of operating profit to net cash flow from operating activities

	2008	2007
	£'000	£'000
Operating profit	**4,472**	4,498
Depreciation	**2,470**	2,339
Change in order to bring pension charges onto a contribution basis	**(278)**	(1,245)
(Increase) / Decrease in stock and work in progress	**(37)**	25
Increase in debtors	**(176)**	(243)
Increase in creditors	**391**	1,065
Net cash inflow from operating activities	**£6,842**	£6,439

Notes to the financial statements (continued)

20 Analysis of changes in net debt

	At 1 January 2008	Cash Flows	Other Changes	**At 31 December 2008**
	£'000	£'000	£'000	**£'000**
Bank and cash	2,259	(11)	-	**2,248**
Liquid Resources	-	2,000	-	**2,000**
Debt due after one year	(20,282)	-	-	**(20,282)**
Total	**£(18,023)**	**£1,989**	**£-**	**£(16,034)**

21 Directors' emoluments

	Salary	**Fee**	**Benefits**	**Total Emoluments**	
	(excluding pension contributions)				
				2008	2007
	£'000	**£'000**	**£'000**	**£'000**	£'000
Executives					
Howard Snowden[1]	**98**	**10**	**8**	**116**	113
Helier Smith[2]	**90**	**10**	**3**	**103**	99
Non-Executives					
David Norman	**-**	**18**	**-**	**18**	15
Tony Cooke	**-**	**6**	**-**	**6**	-
Mary Curtis	**-**	**6**	**-**	**6**	-
Carl Hinault	**-**	**10**	**-**	**10**	8
Kevin Keen	**-**	**10**	**-**	**10**	5
Stephen Marie	**-**	**10**	**-**	**10**	8
Richard Pirouet	**-**	**4**	**-**	**4**	8
Leonard Norman	**-**	**-**	**-**	**-**	3

[1] *For the year ended 31 December 2008 the Company's contribution in respect of Howard Snowden's pension was £11,000.*

[2] *For the year ended 31 December 2008 the Company's contribution in respect of Helier Smith's pension was £9,000.*

Benefits for Mr Snowden consist of full expenses for the use of a motor car, private health care and prolonged disability and death in service insurance. Benefits for Mr Smith consist of motor fuel, private health care and prolonged disability and death in service insurance.

22 Ultimate controlling party

The ultimate controlling party of The Jersey New Waterworks Company Limited is the States of Jersey.

Five Year Summary

	Units	2008	2007	2006	2005	2004 Not restated[1]
Balance sheet						
Equity shareholders' funds	£'000	39,549	38,356	35,306	32,024	31,872
Net Debt	£'000	16,034	18,023	20,009	20,559	20,233
Profit and loss account						
Turnover	£'000	14,378	13,817	13,492	12,683	12,413
Operating profit	£'000	4,472	4,498	3,865	3,176	3,228
Profit before tax	£'000	4,034	3,526	3,130	2,439	2,457
Profit for the financial year	£'000	4,030	3,253	2,703	2,115	1,773
Equity dividends paid	£'000	(1,256)	(1,124)	(1,070)	(1,372)	(37)
Financial statistics & ratios						
Capital expenditure	£'000	2,980	2,546	2,970	3,713	2,565
Net cash inflow / (outflow) before financing	£'000	1,989	1,986	550	(326)	542
Earnings per share	£	8.34	6.73	5.60	4.38	3.67
Dividend cover	Times	3.2	2.9	2.52	1.54	48
Interest cover	Times	4.1	3.7	3.55	3.0	3.1
Gearing[2]	%	51	53	57	63	64
Operational statistics						
Total water supplied	Ml	7,402	7,182	7,484	7,291	7,305
Maximum daily demand	Ml	26	25	29	27	27
Annual rainfall	mm	1,042	915	782	746	884
New mains laid	km	4.6	5.6	6.5	9.8	7.0
Mains re-laid	km	2.8	2.0	2.1	2.5	2.5
Net increase in connections	No	508	453	1,001	629	560
Live unmeasured supplies	'000	25.2	26.1	26.6	27.0	27.5
Live metered connections	'000	11.2	10.6	9.8	8.6	7.5
Employees	No	107	107	107	110	114
Water quality						
% Compliance with water quality parameters		99.97%	99.86%	99.97%	99.84%	99.80%

[1] *In 2007, the Company adopted three changes in accounting policy concerning the recognition of unbilled income, capitalisation of expenditure on meter installation and changes to the valuation of pension scheme liabilities under FRS 17. The figures for 2005 and 2004 have not been restated to reflect these changes in accounting policy.*

[2] *Gearing = Debt (including preference share capital) / equity shareholders' funds*

Notes

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Our drive towards a low carbon island

Report and Accounts 2008

The Jersey Electricity Company Limited

Contents

Directors, Officers and Professional Advisers

Non-Executive Directors
Geoffrey John Grime, F.C.A. (Chairman)
Jean Amy Le Maistre
Arthur Jeremy Arnold, F.C.A.
Christopher Charles Evans
Clive Aubrey Charles Chaplin, B.A.
Michael Joseph Liston OBE,
F.R.Eng., B.Sc., C.Eng., F.I.E.E., C.I.Mgt.

Executive Directors
Christopher John Ambler (Chief Executive),
B.A., M.A., M.Eng., C.DipA.F., C.Eng, M.I. Mech E, M.B.A.
Martin Paul Magee (Finance), C.A.
David Brian Padfield (Operations),
B.Sc., C.Eng., F.I.E.E., M.C.M.I., C.Dir, MIOD.
Richard Alan Plaster (Commercial & Human Resources),
F.C.I.P.D., C.Dir, MIOD.

Secretary
Peter John Routier, B.Sc., F.C.I.S.

Registered Office
Queens Road, St. Helier, Jersey

Place of Incorporation
Jersey

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

Bankers
Royal Bank of Scotland International Limited,
16 Library Place, St. Helier, Jersey

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

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

Chairman's Statement

The Jersey Electricity Company has had a strong year and is now well positioned for forthcoming investment. Group profits rose by 14% to £10.0m in the year as a result of the growth in our many commercial enterprises and the recovery of margins in our energy business. As expected, those margins have been depressed during the past two years by our voluntarily two-year price freeze which cushioned customers from high and volatile energy markets. Margins have now returned to the level required for essential ongoing investment in infrastructure.

Wholesale energy markets have been and continue to be highly priced and volatile, and our business has not been helped by the progressive weakening of Sterling. The combined effect is an increase in the cost of imported power for 2009 of 40% compared with 2008. Whilst we have absorbed some of this cost increase, we have unfortunately had to announce a tariff increase of 24% from 1 January 2009. We have fully hedged our costs for 2009 and hope for some stability as we look for further opportunities to protect our customers from price shocks in global energy markets.

We achieved our highest ever reliability of electricity supplies this year and we recognise its critical importance to the Island's business community in particular. Our infrastructure investment of £13m during the year was part of a programme which anticipates in the next 10 years an investment commitment similar to that of the past decade, in which we spent over £100m on our network. Much of this year's capital spending has been directed at reinforcing the grid in the west of the Jersey. In addition we are continuing to make progress on our third subsea interconnector project with France, which will replace the ageing first interconnector and build capacity and resilience for growth.

As well as an improved financial performance, reliability, standards of service, care in our community, health and safety and staff relationships were all first-class. We remain committed to our community and are proud to support energy conservation initiatives in Jersey in these times of increasing prices. To this end we have provided £0.5m of seed capital to the States of Jersey to create the Jersey Energy Trust. This will provide grant aid for the most needy in our community to improve insulation and promote other long term energy saving measures.

Overall, I am pleased to confirm that we have increased our half year dividend to be paid in the year from £1.17 to £1.48 per share, an increase of 27% and at a level more in line with our peer group comparables.

I succeeded Derek Maltwood as Chairman in March of this year and would like to pay tribute to his 20 years on the Board, the last 10 of which were as Chairman. With his steady hand on the tiller, he steered the Company through an exciting phase of its development with skill and determination.

Mike Liston stepped down as chief executive on 1st October, after 15 years in office and 22 years of service with the Company. His contribution to the Jersey Electricity Company has been quite exceptional and he developed an excellent management team which he led with great energy and ability. Mike is heading for a well earned retirement from full time duties but we are delighted that he has agreed to become a non-executive director of the Company for a period. He will also be continuing with several other power related interests.

I am very pleased to welcome Chris Ambler as Mike's successor. Chris was chosen after a thorough internal and external search and has been with the Company for three months. Chris has an excellent pedigree and the Board believes his energy, enthusiasm and skills from previous energy related businesses will help take the company forward as we enter the next stage of its development.

I am grateful to and wish to thank the executive team, the Board and indeed all the employees for their efforts which have contributed to the success of the Company over the last 12 months.

Geoffrey Grime
Chairman

16 December 2008

Purpose and Performance

Our performance is driven by the following aims.
We achieved all of them this year:

Strategic, Environmental and Operational

- Maintain electricity supply reliability at the World class levels consistent with the needs of Jersey's principal industry in financial & banking services – i.e. Minutes Lost Per Customer Per Annum not exceeding 25 minutes.
- Voluntarily meet the Regulatory Standards of Performance prevailing in the UK Electricity Supply Industry.
- Procure at least 25% of the electricity we supply from renewable or other fossil-free energy sources.
- Manage safety risks such that the rate of accidents is as near zero as possible.

Commercial and Financial

- Maintain a long-term target Return on Capital Employed on Energy assets, between 6% and 7%, consistent with other listed electricity utilities.
- Secure at least 75% of the new energy market presented each year by the construction of new commercial and residential premises.
- Ensure that the majority of our customers pay electricity prices which are within plus or minus 10% of the average in Europe.
- Diversify our earnings beyond our core business of electricity supply, into related businesses.

Our Energy Business - Purpose

Our purpose is to provide to the Island of Jersey a safe, secure supply of electricity at minimum cost to customers and the environment. We strive to deliver this to high standards of service, within a culture of respect for our staff and the community we serve.

We enjoy the privilege of a monopoly in our core business of electricity supply. We believe this privilege brings with it some fundamental responsibilities to look beyond short-term financial performance to wider social and strategic energy security imperatives.

Our culture is one of private sector enterprise delivered with a public sector conscience which is increasingly relevant in a world that is anticipating energy shortages and experiencing escalating costs and environmental damage from its use of fossil fuels.

During this year the price of oil and gas on the world's markets doubled again. Oil prices peaked at almost $150 per barrel – some five times higher than five years ago, before collapsing in November. Rapid demand growth driven by dramatic expansion in emerging economies, combined with evidence of rapidly declining output from the world's major oil fields and accelerating Climate Change, keep energy and the environment at the top of political agendas everywhere.

The financial crisis which began in the USA in 2007 reached a critical point in Autumn this year when major financial institutions collapsed, global stock markets fell by almost half and a liquidity crisis threatened the stability of all enterprises reliant on high levels of borrowing. As corporations began the urgent restructuring of their balance sheets, concerns emerged amongst policy makers that much needed investment in energy supply infrastructure and carbon emissions reduction were stalling.

Our culture is one of private sector enterprise delivered with a public sector conscience.

Our Energy Business - Performance

Cost

Heating oil and gas prices in Jersey followed the pattern in global markets, with the former, at times, rising to levels almost twice those of the previous year. By contrast, electricity users benefited from our ability in 2006 to buy forward, at fixed prices, all our imported power requirements for 2007 and 2008. This in turn facilitated our voluntary pledge not to increase tariffs for at least two years, thus preserving a trend of competitiveness which since the beginning of the last decade has seen electricity prices rising at a rate less than half that of heating oil and gas, in Jersey. The tariff increase which immediately preceded our pledge to a two-year price freeze was only the second real terms increase since the mid-1980s. That increase passed on to customers was only part of the cost increases we were faced in the wholesale energy market. As expected, this restraint depressed profits in our Energy business by one third in 2006 and 2007. As intended, Energy profits this year recovered to the £6m level last achieved in 2005, at which they represent a 7% return on assets employed – a rate in the range generally regarded by energy regulators as being fair and appropriate for the funding of essential infrastructure development.

As in the previous decade, we anticipate capital investment in our electricity supply infrastructure of £100-£150m during the next 10 years. We expect to finance most of this from reserves, with material borrowing likely to be needed for only a few years in the middle of that period.

We maintained in 2008 our policy to hedge our exposure to volatility in the cost of the imported power, which typically represents more than 95% of the energy we supply. However, few opportunities arose to make sizeable forward commitments in a market which often defied rational analysis in its relentless rise. As a consequence we followed a conservative policy of regular, incremental power purchases for no further ahead than 12 months. The outcome was that costs for power delivered in 2009, are a third higher than those at which we secured power for 2008. We faced similar circumstances in our efforts to hedge our exposure to the currency risks arising from the need to make our power purchases in Euros. Although our opportunistic, forward purchases of the European currency achieved lower costs compared with “spot” market rates, the marked decline in the value of Sterling during the year increased our currency costs for 2009, by 7%. Overall, the effective costs of power and currency purchased for next year are over 40% higher than at present.

We announced a 24% electricity tariff increase with effect from January 2009, with no increases for 12 months. Given modest assumptions about the continuation of strong underlying growth in electricity sales, we expect this tariff increase will be sufficient to preserve the profitability needed to sustain our core business of electricity supply.

Security of Supply

Two-thirds of Jersey's Gross National Income comes from its success as a leading offshore finance centre. The technological sophistication of the financial services institutions and the Legal and Administration enterprises which support them, are wholly dependent upon high reliability of electricity supplies. Throughout the past decade we have achieved average levels of electricity supply reliability four times better than in the UK. This year we achieved our highest ever reliability, with average customer minutes lost of 4.8 minutes in the 12 months to the end of September. This compares very favourably to systems in other islands and to the UK which averages 80 to 100 minutes each year.

Our outstanding supply reliability is a function of diversity, resilience and precision in the design and operation of our electricity infrastructure. We have invested substantially in submarine interconnections to the neighbouring European electricity grid, from which and through EDF we import typically more than 95% of our power requirements. These interconnectors give us access to power produced from nuclear, hydro and other carbon-free energy, at prices which reflect competition in traded wholesale markets. We have also invested in the coupling together of the electricity supply systems of Jersey and Guernsey, through the Channel Islands Electricity Grid joint venture completed in 2000. Through this interconnection we share not only energy purchased jointly from the Continent, but also the indigenous power generating capacity which both Jersey Electricity and Guernsey Electricity retain as strategic and operational standby in case of transient or prolonged failures of importation facilities. Such sharing of standby capacity minimises the capital investment and operational cost to customers of providing this independence. Again this year, we made occasional commercial arrangements with Guernsey Electricity for incremental generating capacity during winter peak demand periods, to avoid the cost and environmental impact of bringing on-stream additional generators in Jersey to "top-up" imported power. This helped to minimise our resort to oil-fired electricity production, which as usual, was less than 4% of the energy we supplied during the year.

The reliability of Jersey's electricity supplies beyond the medium term is threatened by metallurgical degradation which risks the failure of the oldest of the two submarine cables through which we import power from the Continent. This threat is compounded by widely predicted shortages in the availability of heavy fuel oil and the specialist small ships able to transport it to the Channel Islands. Consequently, the likelihood is that the half of our "legacy" power generating plant which utilises heavy fuel oil, will in the long term, be insufficiently dependable in the standby role for which that plant is retained. This was a major consideration in our previously announced decision to install a third Continental electricity interconnector which will provide tolerance to the loss of any one out of the three power importation circuits with no loss of power supplies in Jersey. In addition, the resulting increase in our power importation capacity to approximately 220MW will also eliminate the growing shortfall of power importation capacity we have begun to experience during winter months, with maximum electricity demands of around 160MW.

The planned installation of a third submarine cable by 2012/13 is progressing, and will provide the necessary resilience of our connections to the European grid.

This year we achieved our highest ever reliability.

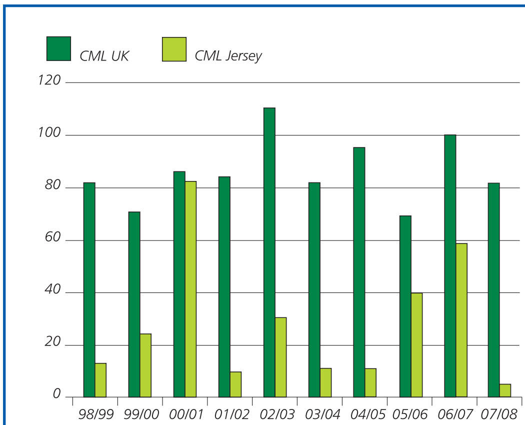
In view of continuing uncertainty surrounding the future sufficiency of global energy supplies and the adequacy of energy infrastructure investment, we propose to retain indigenous power plant for strategic security. We expect that any new generating capacity needed in the long-term to fulfil this role, can be met by low capital cost, manpower-light, jet engine generators.

The new Western Primary sub-station

We are making good progress with preparations for our proposed third interconnector, which we aim to bring into service in 2012/13. Environmental Impact Assessments are near completion in Jersey and France in both land and marine territories. All relevant government agencies are engaged with the project and we hope fully to secure the necessary permits and consents during 2010. Weakening Sterling and rising metals prices have caused us to increase the estimated cost of this project to £50m.

Our electricity distribution network is as critical to supply reliability as our High Voltage interconnectors and our emergency standby power generating plant. Our four major power distribution centres in Jersey have performed reliably for some 50 years, but the coincidence of obsolescence and demand-driven capacity limitations has necessitated a programme of primary distribution network reinforcement, and the adoption of a 90kV design philosophy for this next generation of assets.

Following the first of our new 90kV substations which we completed in the east of the Island in 2003, we completed this year a second, in the west of the Island. Built within tight time and cost targets, this £13m facility resolves an unacceptable risk of loss to power supplies in the west of the Island next winter and beyond, threatened by a failure of either of the two circuits comprised in the original, 33kV substation. Construction of a third major substation will commence in St Helier in 2011, to meet strong demand growth arising from the continuing development of commercial and residential property, especially in the St Helier Waterfront zone.



Customer Minutes Lost (CML) Jersey v UK (Ofgem)

Environmental Sustainability

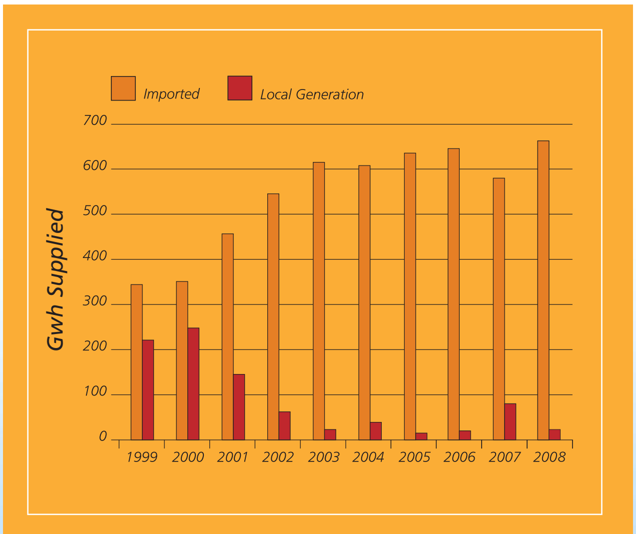
Our investment in grid connections to the Continent and the resulting displacement of oil in favour of non-fossil fuels for the production of electricity used in Jersey, has on its own, enabled the Island to out-perform the CO2 reductions targets arising from its commitment to International Climate Change Treaties. De-carbonising electricity has meant that despite a 50% increase in its energy use since 1990, Jersey's carbon emissions have fallen by one-third. Although welcome, this achievement masks failures in all other energy consuming sectors such as transport and public sector premises, to reduce the carbon footprint of their activities.

We are disappointed that the Energy Policy for Jersey which was published as a White Paper last year, has not yet been debated by the Island's parliament. It recognises not just electricity's increasing use as a supply-side substitute for carbon-based fuels, but also proposes a range of demand-side initiatives to reduce energy waste. The White Paper identifies significant energy security, economic and environmental imperatives which support a proposed carbon reduction target of 52% by 2030, compared with 1990. It proposes a range of measures including insulation grants, energy efficiency advice and tougher Building Regulations. Anticipating a government spending constraint on the timely establishment of the public/private body planned to oversee and provide grant aid for energy sustainability initiatives, we donated £500,000 to it, subject to adequate public funding being committed next year and beyond.

We believe that the recent proposal by the Council of Ministers to establish a Commission for Energy, the primary function of which will be to ensure the proper functioning of the energy market against criteria much wider than those used in conventional economic regulation, would be a more relevant approach to the protection of society's interests than the narrow, sector-specific regulation model which commonly focuses predominantly on costs. It is intended that the Commission conducts a biennial review of the adequacy of provisions for energy security, economy and environmental sustainability.

We continued to engage with policy makers on the need in Jersey for incentives similar to those employed widely in other jurisdictions, to encourage the development of utility scale, renewable energy projects. Markets exist not only in the Island but also in mainland Europe for power potentially produced from wind and marine energy resources such as those available in Jersey's waters. We were represented on a Working Party established by the States of Jersey to recommend a policy on renewable energy, which is due to report at the end of 2008. In the meantime we have remained close to developments in neighbouring Alderney, where pre-production seabed trials of marine current turbine technologies are expected in 2009.

During the year we introduced a renewable energy buy back tariff, which enables customers with renewable energy generators such as wind turbines, photovoltaic installations and Combined Heat and Power units, to sell any surplus power to us at prices equivalent to our avoided costs. However, we do not anticipate a significant take-up of micro-generation until such time as there are capital grants or other incentives available from government.

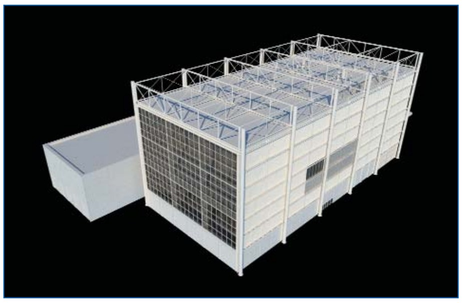


Transport

Road transport is a major contributor to the Island's carbon emissions. Early this year, Mercedes Benz launched a four year UK trial of the electric Smart car and we are pleased to have secured participation for Jersey. We have committed to lease a small fleet of these vehicles for the four-year, pre-production trial and intend to bring the electric car experience to as many businesses and opinion-formers as possible to help inform the development of a sustainable transport policy for Jersey.

We intend to bring the electric car experience to as many businesses and opinion-formers as possible.

One of four JE electric Smart cars



The proposed new energy from waste incinerator at La Collette

Energy from Waste

A new municipal 'Energy from Waste' plant has been approved for construction in the next few years as part of a government initiative to minimise the environmental impact of waste incineration, pending the development of more ambitious recycling policies. We were successful in promoting a partnership for this project, under which the new plant will be sited adjacent to our La Collette power station. There it will share a number of our existing facilities such as chimney and auxiliary fuel, water and power systems. As part of the partnership we promise to purchase, at the wholesale market prices we achieve in Europe, all the power produced by the plant - which is expected to represent approximately 5% of the Island's electricity consumption each year.

WORKING WITH OUR CUSTOMERS DURING 2008 ON KEY INITIATIVES HAVE INCLUDED

- Providing one of the Islands largest food store/retailers the Co-op with assistance in carbon foot printing/ benchmarking of all sites.
- The application of low energy and LED lighting solutions for practical applications.
- To employ renewable technology including heat pumps and wind turbines on key projects.
- The integration of heat reclaim schemes used for recovering energy from refrigeration plant to heat their premises.
- The use of high efficiency heat pumps and heat reclaim systems within their new and refurbished stores.
- The installation of load profiling equipment to raise awareness of their energy use profile.
- The installation of instantaneous electrical demand and carbon emission indicators (to assist with the Co-op Energy Management Strategy for the smaller retail stores). Provides store managers with instant readings of energy use.
- The ongoing review of applicable low carbon, energy efficient solutions for new and existing facilities as part of the Co-op commitment to the environment and their ongoing programme of refurbishments.

Standards of Service and Care in our Community

We consistently continue to achieve very high levels of compliance with the published Service Quality Standards we set for our core business of Electricity Supply. These Standards are at least as onerous as those set by Regulators of the UK's electricity industry and represent a significant challenge in the operation of a small power network.

PERFORMANCE TARGET	Performance Achieved
We will replace a main fuse within 3 hours of a customer's call	99.98%
We will give at least 2 days notice of any planned supply interruption	100%
We will restore lost power supplies within 18 hours	100%
We will quote for the provision of new electricity supplies within 15 working days, or 25 days for major infrastructure schemes	99.94%
We will investigate any supply voltage complaints within 5 working days	100%
We will respond to an enquiry about an electricity bill, and, (where necessary), check the reading and test the meter within 5 working days	99.99%
We will, wherever practicable avoid disconnection for debt in domestic premises by free installation of a pre-payment meter, without surcharge on the customer's normal tariff	100%
We will respond within 5 working days to a request for change of account payment method	100%
We will provide free advice on energy efficiency and agree an appointment to visit within 7 working days	100%
We will agree attendance on a specific morning or afternoon to provide any of our services	99.99%

The 'Extra Care Service' project which we established last year to identify electricity customers with special needs, is now fully embedded with a number of agencies, including the Parish Halls, Social Security Department, doctors' surgeries and relevant charities. The elderly, the disabled and those suffering genuine financial hardship are among the most vulnerable in our community and they receive tailored support from our Customer Care team.

All our customers are eligible for face-to-face, free energy efficiency advice and this year we enhanced our facilities aimed at reducing to zero, the already very low rate of disconnection of supply for debt at domestic premises for debt. Our long established provision of free pre-payment meters, with no surcharge on normal tariffs, is endorsed by all the welfare agencies and Age Concern and the Citizens Advice Bureau have been particularly helpful in the development of our Care policies.

Our long standing support for the Durrell Wildlife Conservation Trust and Family Nursing and Home Care Service (Jersey) continued during 2008, consistent with our commitment to ecological sustainability and the care of those who are most at risk in our community.

We continue to work closely with local primary and secondary schools as part of our ongoing commitment to improve social and environmental awareness, particularly focusing this year on Environment Week. As part of our participation in this annual event, we facilitated student and teacher visits to our electricity installations and sponsored first aid and safety campaigns.

The electric eels swim team taking part in the Jersey Swimarathon

Marion Morton (Retail) assisting in the Jersey Soup Kitchen earlier this year raising funds for Children in need.

Richard Marriott (Meter Technician) assists with the setting up of key meters.

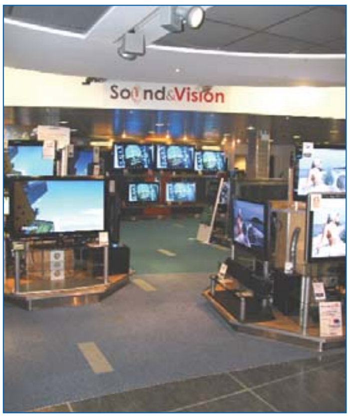
Those suffering genuine financial hardship are among the most vulnerable in our community and they receive tailored support from our Customer Care team

Our Other Businesses – Purpose

We have steadily diversified beyond our electricity supply business where we can enhance our use of associated assets and expertise in related activities. Earnings from these activities support our aim to keep electricity prices as low as possible and the wide range of customer interfaces they provide strengthens our brand and reinforces loyalty in our core business – which will be a vital competitive advantage in the event that the electricity market is liberalised at some time in the future. An equally important benefit of our business diversification is the culture of commercial enterprise and service quality which it instills into people throughout the Jersey Electricity Group and the opportunities for their professional development which it provides.

these activities support our aim to keep electricity prices as low as possible

(Above) The Beyond Computer and Phone Factory Shop in Halkett Street, St. Helier



(Left and Above) JE Retail at The Powerhouse, Queens Road, St. Helier.

Our Other Businesses – Performance

Collectively, our non-core business generated 33% of Group profits this year with performance generally similar to last year despite the challenges in the final quarter of the global economic downturn. Our Property business comprises mostly the rental income we derive from commercial premises which we developed in the past decade, together with that from legacy residential properties originally built to house imported staff. Underlying profits from our property portfolio remained at approximately £1m with a further £0.7m arising from their revaluation and a disposal, in a buoyant local market. It is not yet clear what impact the crisis in global financial markets will have on valuations in the future.

Our Retailing business had another good year, with profits down only marginally at approximately £0.5m on turnover up 10% to £13m in a sector which has struggled in the UK and Europe this year. We have been successful in preserving margins despite the price deflation which is a feature of the computing, mobile phone and home entertainment "Brown Goods" sectors and although our "White Goods" business of laundry and refrigeration is expected to remain resilient during the anticipated decline in retail spending, we are not confident of continuing overall growth in our Retailing business next year.

Our Building Services business achieved good margins again this year, maintaining a pattern of consistency which has prevailed since we rationalised it four years ago to avoid the risks inherent in major contracting. Profits of £0.3m were achieved on turnover up marginally to £3.6m. In addition to its provision of a wide range of electrical and refrigeration services, our Building Services business provides an important facility in the development of new applications for electricity in the local energy market. Our work with major property developers, architects and Planning Authorities has helped us to develop with equipment manufacturers, new applications for heating, cooling and lighting technologies which underpin electricity's established dominance in the "new build" energy market and which position it well in the "replacement" market where it can displace obsolescent oil and gas systems. In particular, air source electric Heat Pumps are emerging as a promising option for larger residential premises, as we apply our expertise as leaders in the substantial, commercial property energy systems market.

Our remaining 'non-core' businesses are small enterprises which have been established in response to emerging energy services markets or niche opportunities to leverage in-house expertise. Among them, Jersey Energy has become a leader in the Channel Islands in the design and management of environmentally sustainable energy solutions for business. It also provides policy support to governmental and non-governmental bodies and because of its importance to the early establishment of the public/private body being contemplated by government to promote demand-side energy efficiency, we expect no improvement in its modest profitability during the next year or two of this work, done for little more than cost.

Our I.T. consultancy JENDEV continued profitably to serve its small portfolio of utility clients as well as meeting our own needs as a diversified user of a well integrated I.T. platform.

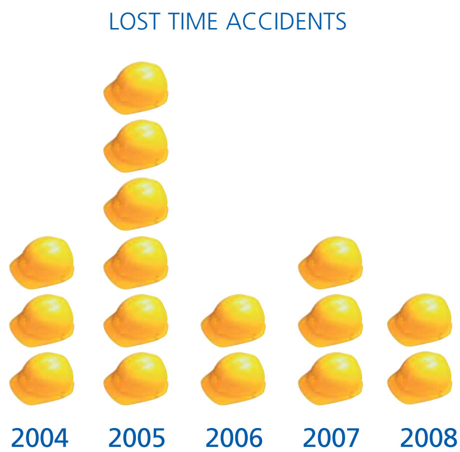
Health and Safety

Jersey Electricity places the highest priority on the health and safety of its staff, business partners and the general public. Our continuous improvement in managing these risks over the past decade in particular, led to a performance this year of only two lost time accidents, neither of which were serious.

During the year we commissioned an independent expert to review of the Company's health and safety management systems, including a comprehensive audit carried out by our insurers, Marsh. They concluded that the Company's health and safety management systems fell within the "good" and "very good" categories widely used for industry benchmarking. We undertook also this year an independent review of our management of safety and quality in the work done by our contractors engaged in our largest out-sourced activity, the installation of network power cables. We found, and implemented as an urgent priority several opportunities for improvement, in this, one of our most critical safety interfaces with the public and the construction industry.

This year's European campaign for Health and Safety at Work focussed on risk assessment. At Jersey Electricity, all our generic risk assessments are continually reviewed and refined in light of industry best practice, and training remains a key factor in maintaining a culture of awareness and competence.

Eddie Boschat and Colin Carver (Energy Division) carry out an on site risk assessment



training remains a key factor in maintaining a culture of awareness and competence

André de St George (Senior Health, Safety and Environmental Engineer) carries out a regular site inspection with Chris Young (JEBS)

Our People

Our staff remain the most vital ingredient in Jersey Electricity's excellent reputation for enterprise and service. We continue to invest in their professional and personal development and provide every opportunity to empower them in their contribution to the Company's success.
The good quality of industrial relations in the Company was illustrated during the year when Amicus, the trades union which represented many of our staff, merged with the TGWU. Its members in Jersey Electricity collectively resigned and at their request following a ballot, we agreed to de-recognise the new union, UNITE and recognise GMB, who our staff regard as being more compatible with the partnership culture which prevails between the Company, its people and their Unions.

Brian O'Gorman (Customer Care Team Leader) successfully passed the Chartered Management Institute (CMI) level 5 Diploma in Management earlier in the year

Peter Richards, Mark Le Vesconte and Gary Drelaud (front), Dave Whitt, Erwann Peu, Kris Moore (rear) and Gavin Glaser (not in photo) (all from Energy Division) successfully attained the City and Guilds 2322 Electrical Technology Engineering qualification this year

Iain Ormrod and Joanna Le Fondré (Finance) are currently studying for their respective CAT (Certified Accounting Technician) and ACCA (Association of Chartered Certified Accountants) qualifications

Our staff remain the most vital ingredient

Financial Review

Group financial results

Key Financial Information	2008	2007	% movement
Turnover	£81.9m	£75.9m	8%
Profit before tax	£10.0m	£ 8.7m	14%
Profit in Energy business	£ 6.0m	£ 4.5m	33%
Earnings per share	£ 6.41	£ 4.94	30%
Dividends paid per share (net of tax)	£ 1.48	£ 1.17	27%
Dividend cover	4.3 times	4.2 times	3%

Group turnover for the year to 30 September 2008 at £81.9m was 8% higher than in the previous financial year. The Energy business contributed £61.8m of this turnover being £4.8m above last year due to a 5% rise in unit sales of electricity (following the mild winter in 2006/07) and the residual impact of our tariff rise in January 2007. Turnover in our Retail business rose by 10% to £13.1m due largely to continued buoyant flat screen television and laptop sales. Turnover in the Property business, including internal revenues, rose marginally by 3% to £2.3m as the flow of rentals from tenants remained virtually static. Turnover in Building Services rose 6% from levels experienced in 2007 to £3.4m. Turnover in our Other Businesses decreased by 10% to £2.0m as our subsidiary Jersey Deep Freeze had one particularly large contract in 2007.

Cost of sales rose by 7% to £56.0m with higher importation costs in the Energy business and increased sales in Retail being the main drivers. **Operating expenses** at £17.8m were £0.8m higher than in 2007 with the rise being primarily associated with the £0.5m contribution made by Jersey Electricity to the recently established Jersey Energy Trust whose aim is to promote energy efficiency through grant aided assistance.

Profit before tax, for the year to 30 September 2008 rose by 14% to £10.0m as our Energy business recovered to the level of profitability achieved in 2005 prior to absorbing cost increases in 2006 and 2007. In addition a solid performance by our non-core business units, increased our profitability. Profits in our Energy business moved up from £4.5m last year to £6.0m in 2008, with a 5% growth in unit sales of electricity and the full year impact of our last tariff rise on 1 January 2007 being the main reasons. As stated last year profitability was expected to rise in 2008 to previous levels experienced prior to our decision to absorb an element of the substantial rise in our electricity importation costs. Power importation rose to 96% from 89% in 2007 having returned to the average level experienced in the previous 5 years. In 2007 a short-term fall in oil prices made it financially advantageous to generate power rather than import electricity. Profits in our Property division, excluding upside from property revaluations/disposals, were maintained at the same level as last year at £1m. Gains recognised in the income statement from the revaluation/sale of properties were lower at £0.7m against £1.2m in 2007.

Our Retail business maintained profits at £0.5m. Flat screen television and computer sales were offset by trading losses from Imagination, our hobby, crafts and toy store, within our Powerhouse site and our e-retailing internet start-up operation (day2dayshop.com). The Building Services business produced a £0.3m profit on a par with 2007 despite a very competitive marketplace. Our other business units – Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year and Foreshore, our data centre joint venture, moved into profitability during the last financial year on an increased annual turnover which rose 17% from £3.5m to £4.1m.

Interest received on deposits in 2008 was £1.1m against £0.9m last year due to a higher average level of cash linked to the timing of capital projects, improved profitability and higher interest rates. The **taxation charge** for the year, at £0.1m, was lower than the 2007 charge of £1.1m despite the rise in profits. As indicated last year transitional rules introduced in Jersey as a prelude to changes in the corporate tax regime result in the effective tax rate for 2007 and 2008 being lower than in 2006 due to the migration from a prior year to current year basis of tax assessment. During 2008 the treatment of capital allowances for the two year period impacted was clarified by Guidance Note revised by the Comptroller of Taxes resulting in a reduction in our deferred tax liability which created a lower taxation charge. In 2009 the effective rate will revert to around 20%.

Group earnings per share rose 30% to £6.41 compared to £4.94 in 2007 due to higher profits but primarily from a lower tax charge.

Ordinary dividends

		2008	2007
Dividend paid	- final for previous year	£0.75	£0.68
	- interim for current year	£0.73	£0.49
Dividend proposed	- final for current year	£1.12	£0.75

Dividends paid, net of tax, rose by 27% from £1.17 in 2007 to £1.48 in 2008. The proposed final dividend for this year is £1.12, being a 49% rise on the previous year. Dividend cover rose marginally from 4.2 times in 2007 to 4.3 times.

Cash Flows

Summary cash flow data	2008	2007
Net cash inflow from operating activities	£14.9m	£11.7m
Capital expenditure and financial investment	£(13.2)m	£ (8.9)m
Net proceeds from disposal of property	£ 0.4m	£ 0.3m
Dividends	£ (2.4)m	£ (1.8)m
Increase/(decrease) in cash during year (including short-term investments)	£ (0.3)m	£ 1.3m

Net cash inflow from operating activities at £14.9m was £3.2m higher than 2007 with increased profits being the main reason. **Capital expenditure** increased from £8.9m in 2007 to £13.3m in 2008 with the spend on the £13m Western Primary capital project to reinforce the electricity network in the west of Jersey being the primary driver. **Cash**, including short-term investments, at the year end was £16.1m being a £0.3m decrease in the year.

Treasury policy

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

The average Euro/Sterling rate achieved during the financial year, as a result of the hedging program was 1.42 €/£. The average applicable spot rate during the same period was 1.32 €/£.

The Company does not manage interest rate exposure as it has maintained cash in bank in the full period since the last year end. The average rate of interest received in the financial year was 5.8%.

The Group may be exposed to credit-related loss in the event of non-performance by counterparties in respect of cash and cash equivalents (including short term investments) and derivative financial instruments. However such non-performance is not anticipated given the high credit ratings (investment grade and above) of the established financial institutions with which we transact.

In addition the maximum placement permitted with any one bank is £5m for a term not exceeding one year.

Power purchasing policy

The Company normally imports around 95% of the electricity requirements of Jersey from Europe. It jointly purchases this power, with Guernsey Electricity, from EDF in France based on a market related mechanism linked to the Powernext Futures Exchange in Paris. This allows power prices to be fixed in advance of decisions on customer tariffs being made. A Risk Management Committee exists, consisting of members from Jersey Electricity, Guernsey Electricity and an independent energy market adviser and it follows guidelines approved by the Board. The aim of Jersey Electricity is to hedge future purchases for between one and two years ahead on a rolling basis to provide our customers with a market based price but with a degree of certainty in a very volatile energy marketplace.

Defined benefit pension scheme arrangements

As at 30 September 2008 the scheme surplus, under IAS 19 Employee Benefits rules, was £5.4m, net of deferred tax compared with a surplus of £9.3m at 30 September 2007. This movement was due mainly to an actuarial loss of £6.1m associated largely with investment losses in the last year. Scheme assets fell 13% from £73.8m to £63.8m since the last year end but liabilities also fell from £62.1m to £57.1m. Turbulence in financial markets impacted both the assets and liabilities with the discount rate on the latter rising from 5.9% in 2007 to 7% in 2008 due to the credit squeeze in financial markets. During the year £0.6m was utilised to pay an ex-gratia increase to existing pensioners based on the 2.9% rise in the Jersey Pensioners RPI Index. This was as a result of a consensus decision between the Company and the trustees of the scheme after an interim review of the state of the pension scheme was performed in March 2008. Unlike the UK, the Jersey Electricity scheme does not have mandatory annual rises, hence the scheme is not required to be funded to pay for such rises.

Our defined benefits pension scheme is an area of risk that still requires careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If, for example, the discount rate applied to the liabilities had been 5.6%, which is a rate we would have been likely to have utilised if the scheme was undergoing its triennial actuarial revaluation, rather than the 7% advised by our actuaries under IAS 19 for 2008, the surplus under IAS19 of circa £5m would have been an actuarial deficit of around £5m.

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

Taxation changes in Jersey

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

Returns to shareholders

62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 300 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares there is one large institution, Utilico Ltd, which own just over 20% of the total ordinary share capital.

During the year the ordinary dividend paid was increased by 27% from £1.17 net of tax to £1.48. The proposed final dividend for 2008 at £1.12 is a 49% increase on last year.

The share price at 30 September 2008 was £57 against the £45.75 that prevailed at the 2007 year end. This gives a market capitalisation of £87m for the Company as at 30 September 2008. However the illiquidity of our shares, due mainly to having two large shareholders combined with an overall small number in circulation, limits the management team from having the ability to influence the share price. This is why the Company chooses not to show share price as a performance metric in the Remuneration Report unlike many listed companies. Initial discussions have however taken place with the States of Jersey on whether they would approve a potential all employee share scheme to more closely align the interests of both employees and shareholders, and if approved, this proposal will be brought forward to all shareholders in due course.

Our largest shareholder, the States of Jersey also owns holdings in other utilities in Jersey. It owns 100% of Jersey Telecom, as well as around 75% of Jersey Water. The total direct return to the States of Jersey from Jersey Electricity in the last year was £3.7m (2007: £2.8m).

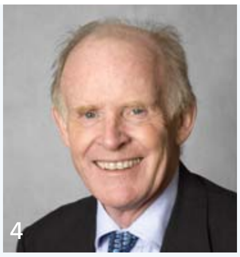
	2008	2007
Ordinary dividend	**£1.4m**	£1.1m
Goods and Services Tax (GST)	**£0.2m**	-
Corporation tax	**£0.9m**	£1.1m
Social Security – employers contribution	**£0.7m**	£0.6m
Contribution to the Jersey Energy Trust	**£0.5m**	-
	£3.7m	£2.8m

The return to States of Jersey rose due to an increase in the dividend level, the introduction of a Goods and Services Tax in May 2008 and a contribution of £0.5m to the recently established Jersey Energy Trust that seeks to promote grant aid for worthy energy conservation schemes in Jersey.

Participation in the Energy from Waste project with States of Jersey

Jersey currently has an incinerator which burns waste products and this process produces some excess electricity that Jersey Electricity purchases from the States of Jersey. This only represents around 0.5% of our total requirements. The existing facility is nearing the end of its useful life and the States of Jersey have recently approved a project to build a new Energy from Waste plant adjacent to our La Collette power station. Jersey Electricity have signed a 25 year agreement to take electricity produced which is forecast to satisfy around 5% of our annual requirements and to share existing facilities with the Energy from Waste plant which helped reduce the overall cost to the Jersey public. The project is due to start in early 2009 and be completed by mid-2011. As the States of Jersey are our largest shareholder we instigated discussions with the UK Listing Authority (UKLA) as this could have been viewed as a related party transaction requiring shareholder approval. The conclusion reached was that the purchase and sale of electricity between both parties was in the ordinary course of business as this is being done already at the existing incinerator. However the leasing of part of existing plant such as flues within our chimney was classified as a smaller related party transaction under Listing Rule 11.1.10. and required disclosure in our Annual Report and Accounts and further detail is given in note 23 on page 56.

Board of Directors



1. Geoffrey Grime
Chairman (61) R.N.
Geoffrey joined the Board in 2003. He retired in 1999 as Chairman of Abacus Financial Services, a leading offshore trust company in which he played an instrumental role as one of its founders. A Chartered Accountant, his career in Jersey commenced in 1969 with Cooper Brothers & Co. and progressed to his appointment as Channel Islands Senior Partner of Coopers & Lybrand in 1990. He is currently the Chairman of Computer Patent Annuities Holdings Limited and EFG Offshore Limited and also holds many professional appointments as both director and trustee. In November 2002 he was elected as a Deputy in the States of Jersey and he retired from that position in December 2005.

2. Chris Ambler
Chief Executive (39)
Chris was appointed to the Board as Chief Executive on 1st October 2008. He previously held a number of senior international positions in the global utility, chemicals and industrial sectors for major corporations including Centrica/British Gas, The BOC Group and ICI/Zeneca as well as corporate finance and strategic consulting roles. He is Chairman of Foreshore Limited and a Director of Channel Island Electricity Grid Limited. Chris is a Chartered Engineer with the Institution of Mechanical Engineers and has a First Class Honours Degree from Queens' College, Cambridge and a MBA from Insead.

3. Mike Liston
Non-Executive Director (57) N.
Mike joined Jersey Electricity in1986 as Chief Engineer and became Managing Director in 1993. He previously held a number of senior posts in the United Kingdom's Electricity Supply Industry. He is Chairman of AIM listed, Renewable Energy Generation Limited, and non-executive Chairman of Jersey Post. Mike is a Fellow of the Royal Academy of Engineering, a Fellow of the Institution of Engineering and Technology and a Member of its Audit and Disciplinary Committees. He is a Companion of the Chartered Management Institute and past Chairman of its Jersey Branch. He was appointed by the States of Jersey in 2002 as Chairman of the Jersey Appointments Commission. Mike was awarded an OBE in 2007. Mike is retiring as an executive director on 31 December 2008 but will become a non-executive director from that date. He is Chairman of the Nominations Committee.

4. Jeremy Arnold
Non-Executive Director (70) A.N.R.
Jeremy joined the Board in 1997. He trained as a Chartered Accountant and spent 37 years in public practice. His career was mostly with Arthur Andersen, for whom he worked in London, Birmingham, Toronto and Brussels. His experience as a partner was with clients in a wide range of industries such as manufacturing, consumer products, film and music production and advertising. At present he serves on the boards of a number of Jersey companies and is Chairman of the Audit Committee and also Senior Independent Director.

5. Clive Chaplin
Non-Executive Director (57) A.N.R.
Clive joined the board in 2003. He trained as a solicitor in London qualifying in 1977 and moved to Jersey in 1979. He was admitted as a solicitor of the Royal Court, Jersey, in 1985 and has been a partner of Ogier since 1994. With effect from 1 February 2009 he becomes Chairman of Ogier Group. He is a director of a number of other companies operating in the financial sector and is also a member of the Jersey Law Commission. He is Chairman of the Remuneration Committee.

6. Chris Evans
Non-Executive Director (54) A.R.
Chris joined the Board in 1998 and he formed Omicron Computer Systems, a Jersey based Information Technology company in 1983. He merged the company with Itex in 1993 where he was Deputy Chairman. He is currently Managing Director of Foreshore Limited, our joint venture internet business providing services to offshore registered companies and e-business.

7. Martin Magee
Finance Director (48)
Martin joined the Board as Finance Director in May 2002. He moved from Scottish Power plc, after nine years in a variety of senior finance roles. He previously worked for nine years with Stakis plc (now part of the Hilton Hotels Group). He is also Chairman of Jersey Deep Freeze Limited and a Director of the Channel Islands Electricity Grid Limited, CIEG Properties Limited and Foreshore Holdings Limited. He is also a member of the Jersey Public Accounts Committee. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.

8. Jean Le Maistre
Non-Executive Director (64) R.
Jean joined the Board in 1997. He served as an elected member of the States for 33 years, firstly as a Deputy of St Helier and then as a Senator until his retirement in December 2005. As a member of the States he held a number of senior positions and also represented the British and Mediterranean Region on the World Executive Committee of the Commonwealth Parliamentary Association, being elected Vice-Chairman of the Association in 2004. Much of his time is now devoted to working in the voluntary sector with organisations such as the Jubilee Sailing Trust, Jersey Side By Side and he is currently President of the Jersey One World Group, President of the Don Balleine and Vice-Chairman of the National Council of The Leprosy Mission in the UK.

9. David Padfield
Operations Director (54)
David joined Jersey Electricity in 1987 as Planning & Construction Engineer after 14 years with South Western Electricity Board and was appointed as Operations Director in 2004, following several years as Energy Division Manager. He is responsible for the management of the Company's Energy businesses of electricity transmission, distribution, generation and supply, which also incorporates corporate health and safety. He is also a director of the Channel Islands Electricity Grid Limited. He graduated from Bath University in 1976 with an Honors Degree in Electrical and Electronic Engineering. He is a Chartered Engineer, a Fellow of the Institution of Engineering and Technology and a Member of the Chartered Management Institute, Chairman of the NESIS Group at Eurelectric and a Chartered Director.

10. Richard Plaster
Commercial and Human Resources Director (47) N.
Richard joined the HR function in Jersey Electricity in 1987 following a retail management career with Woolworths and joined the Board in 2004. He is now responsible for human resources, customer services, procurement, marketing and the retail businesses. He chairs the management board of the building services business and was appointed as a director of Jersey Deep Freeze Limited in October 2004. Externally, he is former Chairman of the Employment Forum in Jersey and the current Chair of the Skills Jersey Board He is a Chartered Fellow of the Chartered Institute of Personnel and Development, and a Chartered Director.

Directors
All non-executive directors are viewed as being independent with the exception of Chris Evans due to his role as managing director of our Foreshore joint venture. Jeremy Arnold and Jean Le Maistre are still regarded as independent even though they are now in their eleventh year as directors.

Key to membership of committees
A Audit Committee
N Nominations Committee
R Remuneration Committee

Directors' Report
for the year ended 30 September 2008

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

Dividends
The directors have declared and now recommend the following dividends in respect of the year ended 30 September 2008:

	2008 £	2007 £
Preference dividends		
5% Cumulative Participating Preference Shares at 6.5%	5,200	5,200
3.5% Cumulative Non-Participating Preference Shares at 3.5%	3,773	3,773
Ordinary dividends		
Ordinary and 'A' Ordinary Shares		
Interim paid at 73.0p net of tax for the year ended 30 September 2008 (2007 - 49.0p net of tax)	1,117,360	750,680
Final proposed at 112.0p net of tax for the year ended 30 September 2008 (2007 - 75.0p net of tax)	1,715,840	1,149,000
	2,842,173	1,908,653

Re-election of directors
In accordance with Article 115 of the Articles of the Company, Chris Ambler retires at the Annual General Meeting and in accordance with Article 127 of the memorandum of the Company, Geoffrey Grime and Clive Chaplin retire by rotation and, being eligible, all these directors offer themselves for re-election. Mike Liston, who ceases to be an executive director as at 31 December 2008, but who will remain on the Board as a non-executive director, will also offer himself for re-election at the Annual General Meeting.

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 assure 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 40 days (2007 - 40 days).

Directors' Report

for the year ended 30 September 2008

Substantial shareholdings

As at 16 December 2008 the following substantial interests (3% or more) in the share capital of the Company were recorded in the Company's registers:

Equity

Ordinary Shares

The States of Jersey holds all of the Ordinary shares which represents 62% of the equity share capital.

Equity shares

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

'A' Ordinary Shares

Utilico Limited	52.50%

The Utilico shareholding represents 20% of the equity share capital.

Non-equity

5% Cumulative Participating Preference Shares

E. Morcombe	30.32%
UBS Jersey Nominees Limited	19.15%
Deenbee Limited	8.54%
Securities Services Nominees Limited	7.76%
Forest Nominees Limited	3.01%

3.5.% Cumulative Non-Participating Preference Shares

P. Blampied	28.26%
E. Morcombe	27.37%
Deenbee Limited	8.14%
Forest Nominees Limited	4.13%
J. Le Cras	3.10%

For directors share interests see page 29

Auditors

On 1 December 2008 Deloitte & Touche LLP changed it's name to Deloitte LLP.
A resolution to re-appoint Deloitte LLP as auditors will be proposed at the next annual general meeting.

BY ORDER OF THE BOARD
P. ROUTIER
Secretary
16 December 2008

Corporate Governance

Corporate Governance

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

The Board

The Board currently comprises five non-executive and five executive directors but will alter back to the previous norm when Mike Liston retires as an executive director and assumes his new role as a non-executive director. The Chairman is appointed by the directors from amongst their number. Jeremy Arnold is the Senior Independent Director. The Board has determined that Jeremy Arnold and John Le Maistre remain independent, notwithstanding that they have served on the board for more than nine years. In making this determination, the Board took into account their breadth of experience, their financial independence and other business interests.

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

The division of responsibilities between the Chairman and Chief Executive are currently being reviewed in light of recent appointments and will be approved by the Board in due course.

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

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

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

	Board	*Audit*	*Remuneration*	*Nomination*
No of meetings	5	4	2	2
D. Maltwood***	1	-	2	1*
J. Le Maistre	4	-	2	1*
J. Arnold	5	4	2	2
C. Evans	3	3	1	1*
G. Grime	5	-	2	2
C. Chaplin	5	4	2	2
M. Liston	5	-	-	2
M. Magee	5	4*	-	-
D. Padfield	5	-	-	-
R. Plaster	5	-	1*	0**

* attendees by invitation
** excluded due to conflict of interest
*** retired at 5 March 2008

Performance Evaluation

A performance evaluation has not been carried out in 2008 but it is the intention of the Board to perform a review during the course of 2009.

Nomination Committee

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

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

Audit Committee

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

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

Internal Control

The Board is responsible for establishing and maintaining the Company's system of internal control and for the management of risk. Internal control systems are designed to meet the particular needs of the business and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. This process has been in place throughout the year ended 30th September 2008 and is in accordance with Revised Guidance for Directors on the Combined Code.

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

Board Reports

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

Management Structure

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

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

Corporate Governance

- **Contracts** – approval of
  Major capital projects.
  Major contracts.
  Major investments.

- **Board membership and other appointments**
  Approval of changes to the structure, size and composition of the Board and key committees, following recommendations from the Nomination Committee.

- **Remuneration**
  Determining the remuneration policy for the directors and other senior management, following recommendations from the Remuneration Committee.

- **Corporate governance matters**
  Undertaking a formal and rigorous review annually of its own performance, that of its committees and individual directors.
  Review of the Company's overall corporate governance arrangements.

- **Approval of key Company policies**

Internal Audit

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

Personnel

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

Budgetary Control

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

Audit Committee

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

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

Statement of Directors' Responsibilities

Directors' Responsibilities for the Accounts

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRS's as adopted for use in the European Union and have also elected to prepare the parent company financial statements in accordance with IFRS's as adopted for use in the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation.

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

Going Concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Remuneration Report

Remuneration Committee

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

Remuneration Policy

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

During early 2008 the Committee commissioned a benchmarking report from Hassell Blampied, an independent remuneration consultant, which reviewed the Company's executive director remuneration against a number of other London Stock Exchange listed entities with similar market capitalisation. This report formed the basis of discussion for this years review. The salary and benefits are reviewed by the Committee annually and any adjustments take effect on 1 April. The Committee seeks to ensure that the overall remuneration package including bonus matches, in broad terms, the comparative group benchmark for executive director remuneration, excluding any share based remuneration (of which there is none). The performance related bonus payable to executive directors takes account of their individual responsibilities within the Company and is dependent on the overall performance of the Group against expectations but is deliberately not profit related.

The remuneration of individual directors for the year ended 30 September 2008 was as follows:

	Basic salary/fees £	Bonuses £	Benefits in kind £	**Total 2008 £**	Total 2007 £
EXECUTIVE DIRECTORS					
M. Liston	200,447	31,319	13,047	**244,813**	221,574
M. Magee	142,201	22,520	27,569	**192,290**	171,463
D. Padfield	138,126	21,372	11,662	**171,160**	152,600
R. Plaster	134,479	21,372	11,581	**167,432**	153,100
NON-EXECUTIVE DIRECTORS					
G. Grime*1 (appointed Chairman 5 March 2008)	25,409	-	900	**26,309**	15,256
D. Maltwood (retired 5 March 2008)	12,903	-	-	**12,903**	26,155
J. Le Maistre	15,000	-	900	**15,900**	14,256
J. Arnold*2	20,000	-	2,773	**22,773**	19,655
C. Evans*3	17,000	-	944	**17,944**	16,439
C. Chaplin*4	19,000	-	944	**19,944**	17,439
Total	724,565	96,583	70,320	**891,468**	807,937

*1 Includes fees as Chairman of the Nominations Committee - £2,000.
*2 Includes fees as Chairman of the Audit Committee - £5,000.
*3 Includes fees as Member of the Audit Committee - £2,000.
*4 Includes fees as Member of the Audit Committee - £2,000 and as Chairman of the Remuneration Committee - £2,000. The total fees for C. Chaplin were paid directly to his firm.

Remuneration Report

Service Contracts

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

Pension Benefits

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

	Increase in accrued pension during the year[1]	Accrued pension at 30.9.2008[2]	Transfer value at 30.9.2008[3]	Transfer value at 30.9.2007[3]	Directors' contributions during the year[4]	Increase in transfer value[5]
M. Liston	£16,376	£124,751	£1,618,536	£1,254,675	£36,421	£327,440
M. Magee	£5,634	£43,360	£445,853	£349,510	£16,725	£79,618
D. Padfield	£7,469	£76,692	£908,573	£732,994	£8,024	£167,555
R. Plaster	£5,622	£50,436	£458,198	£364,355	£8,024	£85,819

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. A transfer value of £23,011 was received by the Scheme during the year in respect of M. Liston. The benefits granted in respect of his transfer value have been included in the accrued pension figures at 30 September 2008.

2. The pension entitlement shown is that which would be paid annually on retirement at age 65, based on service at the year end. A director who leaves early with a deferred pension entitlement has the right to receive his pension from age 60. In transfer value calculations it is assumed that the deferred pension commences at age 60.

3. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. They have been calculated using the basis and method appropriate at each accounting date. The basis for calculating transfer values has changed during the year following the actuarial valuation of the Scheme at 31 December 2006.

4. Along with all other Scheme members, directors have the option to pay Additional Voluntary Contributions (AVCs), in addition to contributions detailed above to the scheme. The AVCs paid by the directors and the resulting benefits are included in the above table.

5. The increase in transfer value over the year is after deduction of contributions made by a director during the year.

Share Option Scheme / Long Term Incentive Plan

There are no share option schemes or other share based schemes operated by the Company.

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 the approval by the Board, which also determines the extent to which any fees may be retained by the director. At balance sheet date non-executive directorships held by executive directors, excluding those directly connected with their employment by the Company, were as follows:-

M. Liston

Renewable Energy Generation Ltd	Fees £50000 (£46400 retained)
Jersey Post	Fees £35000 (£31500 retained)
Jersey Appointments Commission	Fees £1680 (£1310 retained)

Remuneration Report

Non-Executive Directors' Remuneration

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

Directors' Loans

The Company provides a loan to an executive director, Martin Magee, for the purchase of a property. The loan bears interest at 1.5% above base rate. The balance as at 30 September 2008 was £218,000 (2007 - £227,000).

Directors' Share Interests

The directors' beneficial interests in the shares of the Company at 30 September 2008, are shown below :

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2008	2007	2008	2007
G. Grime	350	-	-	-
M. Liston	100	100	-	-
M. Magee	-	-	960	960
C. Evans	-	-	100	100
J. Arnold	150	-	100	100
C. Chaplin	300	300	-	-
D. Padfield	-	-	260	260
R. Plaster	-	-	600	600
	900	400	2,020	2,020

There have been no other changes in the interests set out above between 30 September 2008 and 16 December 2008. C. Evans has a beneficial shareholding in Omicron (Computer Systems) Limited (see note 12 – Foreshore Holdings Limited).

New Chief Executive

Chris Ambler joined the Company during September 2008 but was not appointed as a director and Chief Executive until 1 October 2008 and therefore was not a director at the balance sheet date.

On behalf of the Board
C. CHAPLIN
Chairman

Independent Auditors' Report

to the Shareholders of The Jersey Electricity Company Limited

We have audited the group and individual company financial statements (the 'financial statements') of The Jersey Electricity Company Limited for the year ended 30 September 2008 which comprise the consolidated income statement, the consolidated and individual company balance sheets, the consolidated and individual company cash flow statements, the consolidated and individual company statements of recognised income and expenses and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

- In our opinion the financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of affairs of the Company and the Group as at 30 September 2008 and of the profit of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte LLP

Deloitte LLP
Chartered Accountants
St Helier
16 December 2008

Consolidated Income Statement
for the year ended 30 September 2008

	Notes	2008 £000	2007 £000
Revenue	3	**81,910**	75,871
Cost of sales		**(55,968)**	(52,117)
Gross profit		**25,942**	23,754
Revaluation of investment properties	11	**294**	900
Profit from sale of property		**405**	309
Operating expenses	4	**(17,806)**	(16,951)
Group operating profit before joint venture	6	**8,835**	8,012
Share of profit/(loss) of joint venture	12	**46**	(135)
Group operating profit	3	**8,881**	7,877
Interest receivable		**1,086**	868
Finance costs		**(11)**	(11)
Profit from operations before taxation		**9,956**	8,734
Taxation	7	**(84)**	(1,074)
Profit from operations after taxation		**9,872**	7,660
Minority interest	19	**(48)**	(90)
Profit for the year attributable to the equity holders of the parent company		**9,824**	7,570
EARNINGS PER SHARE			
- basic and diluted	9	**£6.41**	£4.94

Statements of Recognised Income and Expense
for the year ended 30 September 2008

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Profit for the year	**9,824**	7,570	**9,822**	7,601
Actuarial (loss)/gain on defined benefit scheme (net of tax)	**(4,874)**	5,431	**(4,874)**	5,431
Fair value gain on cash flow hedges (net of tax)	**1,737**	1,469	**1,737**	1,469
Revaluation of freehold land and buildings	**-**	448	**-**	448
Total recognised income and expense for the year attributable to the equity holders of the parent	**6,687**	14,918	**6,685**	14,949

All results in the year have been derived from continuing operations.
The notes on pages 34 to 56 form an integral part of these accounts. The independent auditors' report is on page 30.

Balance Sheets
30 September 2008

	Note	Group 2008 £000	Group 2007 £000	Company 2008 £000	Company 2007 £000
NON-CURRENT ASSETS					
Intangible assets	10	**86**	82	**86**	82
Property, plant and equipment	11	**115,990**	109,790	**115,988**	109,788
Investment property	11	**12,635**	12,340	**12,635**	12,340
Other investments	12	**2,037**	2,099	**3,395**	3,395
Long-term loans		**-**	-	**750**	860
Retirement benefit surplus	16	**6,702**	11,684	**6,702**	11,684
Total non-current assets		**137,450**	135,995	**139,556**	138,149
CURRENT ASSETS					
Inventories	13	**6,102**	4,631	**6,041**	4,556
Trade and other receivables	14	**9,942**	11,258	**9,724**	11,075
Derivative financial instruments	22	**2,763**	526	**2,763**	526
Short-term investments - cash deposits		**11,025**	3,755	**11,025**	3,755
Cash and cash equivalents		**5,217**	12,613	**5,180**	12,400
Total current assets		**35,049**	32,783	**34,733**	32,312
TOTAL ASSETS		**172,499**	168,778	**174,289**	170,461
CURRENT LIABILITIES					
Trade and other payables	15	**11,477**	11,348	**11,436**	11,301
Derivative financial instruments	22	**127**	62	**127**	62
Current tax payable		**905**	944	**905**	887
Total current liabilities		**12,509**	12,354	**12,468**	12,250
NET CURRENT ASSETS		**22,540**	20,429	**22,265**	20,062
NON-CURRENT LIABILITIES					
Trade and other payables	15	**13,959**	13,123	**13,904**	13,123
Tax liabilities		**-**	487	**-**	454
Financial liabilities - preference shares	17	**235**	235	**235**	235
Deferred tax liabilities	7	**12,535**	13,670	**12,535**	13,670
Total non-current liabilities		**26,729**	27,515	**26,674**	27,482
TOTAL LIABILITIES		**39,238**	39,869	**39,142**	39,732
NET ASSETS		**133,261**	128,909	**135,147**	130,729
EQUITY					
Share capital	17	**1,532**	1,532	**1,532**	1,532
Other reserves	18	**2,556**	819	**2,556**	819
Retained earnings	18	**129,166**	126,483	**131,059**	128,378
Shareholders' funds		**133,254**	128,834	**135,147**	130,729
Minority interest	19	**7**	75	**-**	-
TOTAL EQUITY		**133,261**	128,909	**135,147**	130,729

Approved by the Board on 16 December 2008

G.J. Grime M.P. MAGEE

Directors

All results in the year have been derived from continuing operations.
The notes on pages 34 to 56 form an integral part of these accounts. The independent auditors' report is on page 30.

Cash Flow Statements

for the year ended 30 September 2008

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit	8,835	8,012	8,834	7,810
Depreciation and amortisation charges	6,950	7,568	6,949	7,568
Revaluation of investment property	(294)	(900)	(294)	(900)
Pension operating charge less contributions paid	(1,110)	(1,110)	(1,110)	(1,110)
Profit on sale of fixed assets	(406)	(312)	(406)	(312)
Operating cash flows before movement in working capital	13,975	13,258	13,973	13,056
Increase in inventories	(1,471)	(435)	(1,485)	(447)
Decrease/(increase) in trade and other receivables	1,388	(1,979)	1,424	(1,957)
Increase in trade and other payables	954	1,139	933	1,150
Interest received	1,010	844	1,008	837
Preference dividends paid	(9)	(9)	(9)	(9)
Income taxes paid	(896)	(1,159)	(876)	(1,136)
Net cash flows from operating activities	14,951	11,659	14,968	11,494
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(13,270)	(8,529)	(13,270)	(8,529)
Investment in intangible assets	(49)	(17)	(49)	(17)
Net proceeds from disposal of fixed assets	413	318	413	318
Investment in joint venture	-	(350)	-	(350)
Repayment of long term loan	109	-	109	-
Long-term investments	(7,270)	10	(7,270)	10
Net cash flows used in investing activities	(20,067)	(8,568)	(20,067)	(8,568)
CASH FLOWS FROM FINANCING ACTIVITIES				
Equity dividends paid	(2,426)	(1,824)	(2,267)	(1,792)
Net cash flows used in financing activities	(2,426)	(1,824)	(2,267)	(1,792)
Net increase in cash and cash equivalents	(7,542)	1,267	(7,366)	1,134
Cash and cash equivalents at beginning of period	12,613	11,346	12,400	11,266
Cash and cash equivalents at end of period	5,071	12,613	5,034	12,400
Overdraft (see note 15)	146	-	146	-
Cash and cash equivalents at end of period	5,217	12,613	5,180	12,400

The notes on pages 34 to 56 form an integral part of these accounts. The independent auditors' report is on page 30.

Notes to the Financial Statements
for the year ended 30 September 2008

1. Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2008 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The principal accounting policies which have been applied consistently and in accordance with the prior year are:

Basis of consolidation

The Group's consolidated IFRS financial information for the year ended 30 September 2008 comprises the Company and its subsidiaries.

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

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

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

Foreign currencies

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

Revenue

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

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

Energy supply

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

Notes to the Financial Statements
for the year ended 30 September 2008

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

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

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

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

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

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

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

Depreciation is charged as follows:

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

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

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

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

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

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

Financial Instruments

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

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

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

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

Notes to the Financial Statements
for the year ended 30 September 2008

Financial Instruments continued

Derivative Financial Instruments

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

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

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

Dividends

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

Provisions

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

Retirement benefits

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

2. Critical Accounting Judgements

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

(i) Revenue

The assessment of energy sales to customers is based on meter readings, which are carried out on a systematic basis throughout the year. At the end of each accounting period, amounts of energy delivered to customers since the last billing date are estimated taking into account energy acquired and estimating system losses and the corresponding unbilled revenue is estimated and recorded as sales. Unbilled revenues included within trade and other receivables in the balance sheets relating to such customers at 30 September 2008 amounted to £2.5m (2007: £2.9m). In 2007 a revision of the calculation resulted in an additional £1m being released to revenues. The underlying 11m of electricity unit sales associated with these increased revenues have been excluded from the statistical reporting in the five year group summary as they have been accumulated over a number of years and would distort the underlying growth for 2007. A similar adjustment was made in 2006.

(ii) Impairment of property, plant, equipment and investments

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

(iii) Retirement benefit obligations

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

The Group chooses a discount rate which reflects yields on high quality, fixed-income investments. The discount rate used in 2008 was 7% and in 2007 was 5.9%. If, for example, the discount rate applied to the liabilities had been 5.6%, which is a rate we would have been likely to have utilised if the scheme was undergoing its triennial actuarial revaluation, rather than the 7% advised by our actuaries under IAS 19 for 2008, the IAS 19 surplus of circa £5m would have been an actuarial deficit of around £5m.

(iv) Accounting developments

In preparing these Accounts, the Group has applied all relevant IFRS, IAS and Interpretations issued by the IFRIC which have been adopted by the EU as of the date of approval of these Accounts. The Group does not expect that the adoption, in the future, by the EU of other IAS, IFRS and Interpretations of the IFRIC issued by the IASB but not yet approved by the EU will have a material effect on the Group's results and financial position. In the current year, the Group has adopted IFRS 7 Financial Instruments: Disclosures, which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 Presentation of Financial Statements. The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital.

Notes to the Financial Statements
for the year ended 30 September 2008

Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the Group's accounting policies.

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

IFRS 8	Operating segments
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IAS 23	(Revised) Borrowing Costs
IFRIC 13	Customer Loyalty Programmes

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Notes to the Financial Statements
for the year ended 30 September 2008

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

Revenue	2008 External £000	2008 Internal £000	2008 Total £000	2007 External £000	2007 Internal £000	2007 Total £000
Energy	61,751	271	62,022	56,957	246	57,203
Building Services	3,402	172	3,574	3,204	199	3,403
Retail	13,135	51	13,186	11,934	53	11,987
Property	1,659	678	2,337	1,597	683	2,280
Other	1,963	723	2,686	2,179	865	3,044
	81,910	1,895	83,805	75,871	2,046	77,917
InterGroup elimination			(1,895)			(2,046)
Revenue			81,910			75,871
Operating profit						
Energy			5,965			4,493
Building Services			274			305
Retail			450			479
Property			953			954
Other			540			437
Operating profit before property revaluation/sale			8,182			6,668
Revaluation of investment properties			294			900
Profit from sale of property			405			309
Operating profit			8,881			7,877
Other gains and losses						
Interest receivable			1,086			868
Finance costs			(11)			(11)
Profit from operations before taxation			9,956			8,734
Taxation			(84)			(1,074)
Profit from operations after taxation			9,872			7,660
Minority interest			(48)			(90)
Profit for the year			9,824			7,570

Materially, all the Group's operations are conducted within the Channel Islands.
All transfers between divisions are at arms-length basis.
Operating assets, liabilities, capital additions and depreciation/amortisation are analysed as follows:

	2008 Assets £000	2008 Liabilities £000	2007 Assets £000	2007 Liabilities £000	2008 Capital additions £000	2008 Depreciation/ amortisation £000	2007 Capital additions £000	2007 Depreciation/ amortisation £000
Energy	111,065	(21,231)	101,218	(19,607)	12,864	6,058	8,551	6,704
Building Services	645	(416)	865	(438)	134	23	74	19
Retail	3,731	(572)	3,932	(579)	7	139	133	116
Property	32,044	(395)	30,580	(306)	448	719	1,163	718
Other	697	(1,928)	2,821	(1,952)	3	10	8	11
Unallocated	24,317	(14,703)	29,362	(16,987)	-	-	-	-
	172,499	(39,245)	168,778	(39,869)	13,456	6,949	9,928	7,568

Unallocated assets includes cash deposits, investments and the retirement benefit obligation surplus. Unallocated liabilities includes deferred and current taxation.

Capital additions for the 'Property' segment includes amounts of £294,000 (2007: £900,000) for revaluation increases to investment properties.

Notes to the Financial Statements
for the year ended 30 September 2008

4. Operating expenses

	2008 £000	2007 £000
Distribution costs	9,698	9,054
Administration expenses	8,108	7,897
	17,806	16,951

5. Directors and employees

Detailed information in respect of directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Report on pages 27 to 29.

The number of persons employed by the Group (including non-executive directors) at 30 September was as follows:

	2008 Number	2007 Number
Energy	192	185
Other businesses	145	133
Trainees	4	4
	341	322

The aggregate payroll costs of these persons were as follows:	2008 £000	2007 £000
Wages and salaries	13,368	13,084
Social security costs	651	617
Pension - current service costs	1,401	1,653
	15,420	15,354
Capitalised manpower costs	(1,172)	(987)
	14,248	14,367

Notes to the Financial Statements
for the year ended 30 September 2008

6. Group operating profit before joint venture

Operating profit is after charging:	2008 £000	2007 £000
Auditors' remuneration for audit services	60	57
Auditors' remuneration for non - audit services	6	2
Auditors' remuneration for audit services - joint venture	9	8
Operating lease charges	99	100
Depreciation of property, plant and equipment	6,904	7,502
Amortisation of intangible assets	45	66

7. Tax on profit on ordinary activities

	2008 £000	2007 £000
Current tax		
Jersey Income Tax - ordinary activities	449	595
- adjustments in respect of prior periods	(12)	(8)
Total current tax	437	587
Deferred tax		
Adjustments in respect of prior periods	95	(27)
Current year	(448)	514
Total tax on profit on ordinary activities	84	1,074

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:

	2008 £000	2007 £000
Profit on ordinary activities before tax	9,956	8,734
Tax on profit on ordinary activities at standard income tax rate of 20% (2007 - 20%)	1,991	1,747
Effects of:		
Adjustments in respect of prior periods	83	(35)
Expenses not deductible for tax purposes	29	18
Income not taxable for tax purposes	(259)	(419)
Change in Jersey tax rules	(1,972)	(477)
Non-qualifying depreciation	222	215
Losses of Group undertakings not available for tax	(10)	27
Group total tax charge for year	84	1,074

Notes to the Financial Statements
for the year ended 30 September 2008

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

Group and Company -	2008 £000	2007 £000
Accelerated capital allowances	10,666	11,241
Derivative financial instruments	527	93
Pensions	1,342	2,336
Provisions for deferred tax	12,535	13,670

Deferred tax movements in the year Group and Company -	2008 £000	2007 £000
At 1 October 2007	13,670	11,734
Charged to income statement	(353)	487
Charged to SoRIE	(782)	1,449
At 30 September 2008	12,535	13,670

No deferred tax asset has been recognised for tax losses carried forward by Foreshore Limited at 30 September 2008 as Foreshore Limited will be subject to corporate income tax at 0% under Jersey's zero/ten tax regime.

The basis of assessment of trading income to Jersey tax changed from a prior year basis to a current year basis from 2008. The trading profits shown in these accounts are subject to transitional provisions under the Income Tax (Amendment No 28) (Jersey) Law 2007.

The profits chargeable to tax for the 2008 year of assessment will be the average of the adjusted profits for the 2007 and 2008 accounting periods.

Previously the Company accrued for current tax based on the taxable profit (or loss) for that accounting period notwithstanding that tax was charged to the Company on a prior year basis. The accounting impact of the transition to an actual basis from 2008 is that only half of the year's profits for 2007 and 2008 year ends will suffer tax at 20%.

To recognise the impact of the transition, the Company is no longer accruing current tax on a prior year basis and, for 2007 and 2008 year ends, is providing for tax at 10% on the taxable profits arising in those years.

With effect from the 2008 year end the Company will make a full provision for tax, based on the tax rates applicable to the Company, on its current taxable profits.

Notes to the Financial Statements

for the year ended 30 September 2008

8. Dividends paid and proposed

Equity: Ordinary and 'A' Ordinary:		Per Share 2008	Per Share 2007	In Total 2008	In Total 2007
Dividend paid	- final for previous year	**£0.75**	£0.68	**1,149**	1,042
	- interim for current year	**£0.73**	£0.49	**1,118**	750
		£1.48	£1.17	**2,267**	1,792
Dividend proposed	- final for current year	**£1.12**	£0.75	**1,716**	1,149

The proposed final dividend is subject to approval at the forthcoming AGM and has not been included as a liability in these financial statements, correspondingly the prior year final dividend was also excluded from liabilities in the prior year.

9. Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of £6.41 (2007 - £4.94) are calculated on the Group profit, after taxation, of £9,824,000 (2007 - £7,570,000), and on the 1,532,000 (2007 - 1,532,000) Ordinary and 'A' Ordinary shares in issue during the financial year. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

10. Intangible assets (Group and Company)

	Computer software
Cost as at	£000
1 October 2007	379
Reclassification	(8)
Additions	49
At 30 September 2008	420
Amortisation	
At 1 October 2007	297
Reclassification	(8)
Charge for year	45
At 30 September 2008	334
Net book value At 30 September 2008	86
Net book value At 30 September 2007	82

The above charge is included within operating expenses.

	Computer software
Cost as at	£000
1 October 2006	362
Additions	17
At 30 September 2007	379
Amortisation	
At 1 October 2006	231
Charge for year	66
At 30 September 2007	297
Net book value At 30 September 2007	82
Net book value At 30 September 2006	131

Notes to the Financial Statements

for the year ended 30 September 2008

11. Property, plant, equipment and investment properties

The Group

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

The Company

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

a) No depreciation is charged on freehold land.

b) Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2008 by qualified independent valuers, Sarre and Co. Current market conditions were taken into account for valuation purposes. Such properties are not depreciated. The rental income arising from the properties during the year was £754,000, (2007; £730,000).

Notes to the Financial Statements
for the year ended 30 September 2008

Property, plant, equipment and investment properties

The Group

	Freehold land and buildings	Leasehold buildings	Plant	Mains cables and services	Fixtures fittings vehicles etc.	Interlinks	Total	Investment properties
	£000	£000	£000	£000	£000	£000	£000	£000
COST OR VALUATION								
At 1 October 2006	25,738	8,939	99,551	42,169	12,068	38,560	227,025	10,990
Expenditure	71	28	2,094	4,940	1,285	593	9,011	-
Reclassification	(10)	-	-	-	-	-	(10)	10
Revaluation	440	-	-	-	-	-	440	900
Transfers	(440)	-	-	-	-	-	(440)	440
Disposals	(1)	-	(248)	(100)	(270)	-	(619)	-
At 30 September 2007	25,798	8,967	101,397	47,009	13,083	39,153	235,407	12,340
Depreciation								
At 1 October 2006	3,670	3,396	70,140	14,008	7,907	19,615	118,736	-
Charge for the year	539	192	3,586	1,261	831	1,093	7,502	-
Reclassification	(8)	-	-	-	-	-	(8)	8
Revaluation	-	-	-	-	-	-	-	(8)
Disposals	(1)	-	(245)	(100)	(267)	-	(613)	-
At 30 September 2007	4,200	3,588	73,481	15,169	8,471	20,708	125,617	-
Net book value at 30 September 2007	21,598	5,379	27,916	31,840	4,612	18,445	109,790	12,340
Net book value at 30 September 2006	22,068	5,543	29,411	28,161	4,161	18,945	108,289	10,990

The Company

	Freehold land and buildings	Leasehold buildings	Plant	Mains cables and services	Fixtures fittings vehicles etc.	Interlinks	Total	Investment properties
	£000	£000	£000	£000	£000	£000	£000	£000
COST OR VALUATION								
At 1 October 2006	25,738	8,939	99,551	42,169	12,037	38,560	226,994	10,990
Expenditure	71	28	2,094	4,940	1,285	593	9,011	-
Reclassification	(10)	-	-	-	-	-	(10)	10
Revaluation	440	-	-	-	-	-	440	900
Transfers	(440)	-	-	-	-	-	(440)	440
Disposals	(1)	-	(248)	(100)	(270)	-	(619)	-
At 30 September 2007	25,798	8,967	101,397	47,009	13,052	39,153	235,376	12,340
Depreciation								
At 1 October 2006	3,670	3,396	70,140	14,008	7,878	19,615	118,707	-
Charge for the year	539	192	3,586	1,261	831	1,093	7,502	-
Reclassification	(8)	-	-	-	-	-	(8)	8
Revaluation	-	-	-	-	-	-	-	(8)
Disposals	(1)	-	(245)	(100)	(267)	-	(613)	-
At 30 September 2007	4,200	3,588	73,481	15,169	8,442	20,708	125,588	-
Net book value at 30 September 2007	21,598	5,379	27,916	31,840	4,610	18,445	109,788	12,340
Net book value at 30 September 2006	22,068	5,543	29,411	28,161	4,159	18,945	108,287	10,990

Notes to the Financial Statements
for the year ended 30 September 2008

12. Other investments

	Group		Company	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Subsidiary undertaking (a)	**-**	-	**477**	477
Associate (b)	**-**	-	**-**	-
Joint venture (b)	**2,032**	2,094	**2,913**	2,913
Other investments (c)	**5**	5	**5**	5
	2,037	2,099	**3,395**	3,395

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

	Country of incorporation or principal business address	Principal activity	Shareholdings	% Holding	Financial year end
Subsidiary undertaking:					
Jersey Deep Freeze Limited	Jersey	Sale and maintenance of refrigeration equipment	60 Ordinary	60	31 January
Associate:					
Newtel Holdings Limited	Jersey	Telecommunications operator	39,600 Ordinary 95,998 Preference	41 100	31 March
Joint venture:					
Foreshore Holdings Limited	Jersey	Data internet hosting	50 Ordinary	50	31 December
Other investments:					
Channel Islands Electricity Grid Limited	Jersey	Joint arrangement	5,000 Ordinary	50	30 November

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

Newtel Holdings Limited
The investment in 41% of the share capital of Newtel Holdings Limited is accounted for as an associate. Newtel is a Channel Islands telecommunications operator. The investment in Newtel Holdings Limited was previously fully written off as at 31 March 2004. In the year to 30 September 2008 and in the period from 1 April 2004 to 30 September 2008 our share of losses amounting to £0.9m and £3.6m respectively have not been consolidated as this is not required under the method of equity accounting, as it is not required to make any contribution to make good these losses.

Foreshore Holdings Limited

The joint venture is accounted for using the equity method of accounting. The partners in the Joint Venture are the Company (50%), Raymora Limited (37.5%) and Omicron (Computer Systems) Limited (12.5%). Foreshore Holdings Limited operates managed computer hosting facilities in the Powerhouse building on the Queens Road site occupied by the Jersey Electricity Company Limited. To date, the Company has invested £4,613,000 in the project, in the form of unsecured loans, and the trading results accounted for under joint venture accounting are £46,000 profit (2007 - £135,000 loss). The Company has acted as guarantor for Foreshore Holdings Limited for an overdraft to the value of £175,000, and there has been no charge in year to 30 September 2008.

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 EDF would invoice for their energy sales. CIEG, a company jointly owned and managed on a 50/50 basis by the Company and Guernsey Electricity Limited, was established in July 1998 to deal with these aspects and also to manage the way in which the second interconnector would be operated. The Company's interest in CIEG is accounted for as a joint arrangement.

a) Subsidiary undertaking

Cost	£000
At 1 October 2007 and 30 September 2008	477

Jersey Deep Freeze Limited has been treated as a subsidiary undertaking because the Group exercises control over this investment, directing its financial and operating policies.

b) Associate/joint venture

	Company Associate £000	Company Joint Venture £000
Net book value at 1 October 2007 and 30 September 2008	-	2,913

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

	Joint Venture		Associate	
	2008 £000	2007 £000	**2008 £000**	2007 £000
Turnover	**2,048**	1,729	**2,758**	2,111
Fixed assets	**348**	402	**2,628**	2,464
Current assets	**333**	364	**469**	410
Liabilities due within one year	**768**	857	**1,663**	1,667
Liabilities due after one year or more	**3,244**	3,280	**4,672**	3,574
Profit/(loss) in the year	**46**	(135)	**(889)**	(825)

c) Other investments and loans

	Group and Company Other investments
Cost	£000
At 1 October 2007 and 30 September 2008	5

Notes to the Financial Statements
for the year ended 30 September 2008

13. Inventories

The amounts attributed to the different categories are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	£000	£000	**£000**	£000
Fuel oil	**3,728**	2,461	**3,728**	2,461
Commercial stocks and work in progress	**1,652**	1,615	**1,591**	1,540
Generation, distribution spares and sundry	**722**	555	**722**	555
	6,102	4,631	**6,041**	4,556

14. Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
Amounts receivable within one year:	**£000**	£000	**£000**	£000
Trade receivables	**5,273**	6,617	**5,055**	6,434
Prepayments and accrued income	**1,390**	1,827	**1,390**	1,827
Other receivables	**2,995**	2,450	**2,995**	2,450
	9,658	10,894	**9,440**	10,711
Amounts receivable after more than one year:				
Secured loan accounts	**284**	293	**284**	293
Unsecured loan accounts	**-**	71	**-**	71
	284	364	**284**	364
Total trade and other receivables	**9,942**	11,258	**9,724**	11,075

Included within secured loan accounts are loans to employees and a director. See the Remuneration report in the Report of the directors for details of the director's loan.

The unsecured loan refers to interest charged on rental arrears of £750,000 (2007: £860,000) to Foreshore Limited and is charged at 0.75% above base rate. At 30 September 2008 all interest has been paid.

Included in trade receivables within one year is £43,000 (2007 - £164,000) due from Foreshore Limited.

The trade debtors at 30 September 2008 outside the 30 days credit terms were £278,000 (2007: £284,000), which are past due but not impaired.

15. Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
Amounts falling due within one year:	**£000**	£000	**£000**	£000
Trade payables	**853**	1,713	**853**	1,666
Bank overdraft	**146**	-	**146**	-
Other payables including taxation and social security	**3,647**	3,217	**3,606**	3,217
Accruals and deferred revenue	**6,831**	6,418	**6,831**	6,418
	11,477	11,348	**11,436**	11,301
Amounts falling due after more than one year:				
Accruals	**539**	513	**484**	513
Deferred income	**13,420**	12,610	**13,420**	12,610
	13,959	13,123	**13,904**	13,123

Notes to the Financial Statements

for the year ended 30 September 2008

16. Pensions

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

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

Regular employer contributions to the Scheme in 2009 are estimated to be £1,844,000. Additional employer contributions may be required if there are any augmentations during the year.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 December 2006. These results have been updated by an independent qualified actuary to assess the liabilities of the scheme as at 30 September 2008. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

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

The trustees increased pensions in payment by 2.9% with effect from 1 June 2008.

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

	2008	2007
	% pa	% pa
Discount rate	**7.0**	5.9
Rate of increase in salaries	**5.2**	4.9
Price inflation	**3.7**	3.4
Pension increases	**-**	-

The mortality assumptions are based on standard mortality tables which allow for future mortality changes. The assumptions are that a member currently aged 60 will live on average for a further 27.3 years if they are male and for a further 29.9 years if they are female. For a member who retires in 2028 at age 60 the assumptions are that they will live on average for a further 29.3 years after retirement if they are male and for a further 31.2 years after retirement if they are female. The corresponding figures used for disclosures at 30 September 2007 were 29.3 for current active males and 31.1 for current active females.

Notes to the Financial Statements
for the year ended 30 September 2008

Expected rates of return on assets:	Long-term rate of return expected at 30 September 2008	Value at 30 September 2008	Long-term rate of return expected at 30 September 2007	Value at 30 September 2007	Long-term rate of return expected at 30 September 2006	Value at 30 September 2006
	pa	£000	pa	£000	pa	£000
Equities	7.7%	35,478	7.9%	45,440	7.3%	44,978
Bonds	6.2%	18,963	5.6%	20,320	4.7%	16,907
Other	5.0%	9,387	6.25%	8,016	5.0%	4,773
Combined	6.9%*	63,828	7.1%*	73,776	6.5%*	66,658

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

The Company employs a building block approach in determining the long-term rate of return on Scheme assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme as at 30 September 2008.

	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of Scheme assets	63,828*2	73,776*2	66,658*1	58,393*1
Present value of Scheme liabilities	(57,126)	(62,092)	(62,869)	(59,118)
Asset recognised on the balance sheet	6,702	11,684	3,789	(725)
Related deferred tax liability	(1,340)	(2,337)	(758)	145
Net pension asset/(liability)	5,362	9,347	3,031	(580)

*1 Includes £562,000 in respect of the one-off ex-gratia pension increase granted by the Company with effect from 1 January 2002.
*2 Ex-gratia pension increases now paid by the Scheme and valued as part of the Scheme liabilities.

The analysis of the income statement charge for 2008:	2008 £000	2007 £000
Current service cost	1,401	1,653
Past service cost	713	-
Interest cost	3,662	3,131
Expected return on Scheme assets	(5,111)	(4,144)
Expense recognised in the income statement	665	640

The movement in changes to the present value of the Scheme liabilities during the year were:	2008 £000	2007 £000
Opening defined benefit obligation	62,092	62,869
Current service cost	1,401	1,653
Interest cost	3,662	3,131
Contributions by Scheme participants	597	524
Actuarial losses on Scheme liabilities*	(8,881)	(3,414)
Net benefits paid out	(2,458)	(2,671)
Past service cost	713	-
Closing defined benefit obligation	57,126	62,092

*Includes changes to the actuarial assumptions.

Notes to the Financial Statements

for the year ended 30 September 2008

History of asset values, defined benefits obligations, surplus/deficit in Scheme and experience gains and losses

	2008 £000	2007 £000	2006 £000	2005 £000
Fair value of Scheme assets	63,828	73,776	66,658	58,393
Defined benefits obligation	(57,126)	(62,092)	(62,869)	(59,118)
Surplus in Scheme	6,702	11,684	3,789	(725)

	2008 £000	2007 £000	2006 £000	2005 £000
Experience (losses)/gains on Scheme assets	(14,973)	3,371	3,966	6,788
Experience losses on Scheme liabilities†	(596)	(3,616)	(108)	(17)

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

Changes to the fair value of Scheme assets during the year

	2008 £000	2007 £000
Opening fair value of Scheme assets	73,776	66,658
Expected return on Scheme assets	5,111	4,144
Actuarial (losses)/gains on Scheme assets	(14,973)	3,371
Contributions by the employer	1,775	1,750
Contributions by Scheme participants	597	524
Net benefits paid out	(2,458)	(2,671)
Closing fair value of Scheme assets	63,828	73,776

Actual return on Scheme assets

	2008 £000	2007 £000
Expected return on Scheme assets	5,111	4,144
Actuarial (losses)/gains on Scheme assets	(14,973)	3,371
Actual return on Scheme assets	(9,862)	7,515

Analysis of amounts recognised in SoRIE

	2008 £000	2007 £000
Total actuarial (losses)/gains in SoRIE	(4,874)	5,431
Cumulative amount of gains recognised in SoRIE	5,272	10,144

The Company also operates a defined contribution pension scheme and the contributions in the year were £32,000 (2007: £17,000).

17. Called up share capital

	Authorised 2008 £000	Issued and fully paid 2008 £000	Authorised 2007 £000	Issued and fully paid 2007 £000
'A' Ordinary shares £1 each	1,250	582	1,250	582
Ordinary shares £1 each	1,500	950	1,500	950
	2,750	1,532	2,750	1,532
5% Cumulative participating preference shares £1 each	100	100	100	100
3.5% Cumulative non-participating preference shares £1 each	150	135	150	135
	250	235	250	235

Notes to the Financial Statements
for the year ended 30 September 2008

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

Non-Equity shares
5% Cumulative participating preference shares: These shares entitle the holder to 1 vote per 5 shares held in a poll. In addition to the 5% dividend, these shares carry the right to a further 0.5% dividend per 1% paid on the Ordinary and 'A' Ordinary shares, up to a maximum of 1.5%. On a winding-up these shares have priority over all other classes of shares, but no further right to participate in profits or assets.

3.5% Cumulative non-participating preference shares: These shares entitle the holder to 1 vote per 10 shares held in a poll. On a winding-up these shares are repaid after the 5% preference shares and before all other classes of shares. They have no further right to participate in profits or assets.

Preference shares
Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2007: £9,000).

18. Reconciliation of movements in equity

Group:	Share capital £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2007	1,532	819	126,483	128,834
Total recognised income and expense for the year	-	-	9,824	9,824
Unrealised gains on hedges	-	1,737	-	1,737
Actuarial loss on defined benefit scheme	-	-	(4,874)	(4,874)
Equity dividends	-	-	(2,267)	(2,267)
As at 30 September 2008	**1,532**	**2,556**	**129,166**	**133,254**
At 1 October 2006	1,532	(1,098)	115,274	115,708
Total recognised income and expense for the year	-	-	7,570	7,570
Unrealised gains on hedges	-	1,469	-	1,469
Actuarial gain on defined benefit scheme	-	-	5,431	5,431
Revaluation of freehold land and buildings	-	448	-	448
Equity dividends	-	-	(1,792)	(1,792)
As at 30 September 2007	**1,532**	**819**	**126,483**	**128,834**

Company:	Share capital £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2007	1,532	819	128,378	130,729
Total recognised income and expense for the year	-	-	9,822	9,822
Unrealised gains on hedges	-	1,737	-	1,737
Actuarial loss on defined benefit scheme	-	-	(4,874)	(4,874)
Equity dividends	-	-	(2,267)	(2,267)
At 30 September 2008	**1,532**	**2,556**	**131,059**	**135,147**
At 1 October 2006	1,532	(1,098)	117,138	117,572
Total recognised income and expense for the year	-	-	7,601	7,601
Unrealised gains on hedges	-	1,469	-	1,469
Actuarial gain on defined benefit scheme	-	-	5,431	5,431
Revaluation of freehold land and buildings	-	448	-	448
Equity dividends	-	-	(1,792)	(1,792)
At 30 September 2007	**1,532**	**819**	**128,378**	**130,729**

The profit for the Company for the year ended 30 September 2008 was £9,822,000 (2007: £7,601,000). The revenue for the Company was £80,776,000 (2006: £74,525,000), with finance costs of £11,000 (2007: £11,000) and tax expense of £926,000 (2007: £1,057,000).

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

*The other reserve comprises the foreign currency hedging reserve of £2,108,000 (2007: £371,000) and the revaluation reserve of £448,000 (£2007:448,000).

Notes to the Financial Statements
for the year ended 30 September 2008

19. Minority interest

	Equity 2008 £000	Equity 2007 £000
At 1 October	75	34
Profit on ordinary activities after taxation	48	90
Dividends paid	(116)	(49)
At 30 September	7	75

20. Financial commitments

a) Capital expenditure contracted for:

	2008 £000	2007 £000
Approved by the directors but not yet contracted for	17,705	13,229
Approved expenditure outstanding	-	-
	17,705	13,229

b) Current rental commitments under operating leases are as follows:

	2008 £000	2007 £000
Payable within one year-	93	87
After one year but within five years	164	181
After five years	-	-
	257	268

21. Leasing

Operating leases with tenants

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

	2008 £000	2007 £000
Less than one year	449	339
Greater then one year and less than five years	25	24
More than five years	777	810
	1,251	1,173

22. Derivatives and financial instruments

Financial instruments and 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.

Foreign exchange risk

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

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

Forward foreign exchange and foreign exchange option contracts	2008 £000	2007 £000
Less than one year	37,064	28,607
Greater than one year and less than five years	-	19,886
	37,064	48,493

Notes to the Financial Statements
for the year ended 30 September 2008

At 30 September 2008, the fair value of the Group's currency derivatives is estimated to be an asset of approximately £2.6m (2007: liability of £0.5m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amounts to an asset of £2.6m (2007: liability of £0.5m) which has been deferred in equity. In the current period amounts of £2.3m (2007: £0.3m) were credited to equity and £(0.2)m (2007: £0.7m) recycled to the income statement. The Group is party to a number of foreign currency forward contracts in the management of its exchange rate exposures. Gains and losses on the derivatives are recycled through the income statement at the time the hedged purchase of power is recognised in the income statement.

Currency exposures
The Group's currency exposure at 30 September 2008, taking into account the effect of forward contracts and fx options placed to manage such exposures, was £2.2m (2007: £2.3m) being the translated euro liability due for imports made in September but payable in October. If the exchange rate between £:€ were to increase 20% then the net assets of the Group would increase by £7,203,000 (2007: £4,504,000) and if it were to decrease by 20% net assets would decrease by £9,305,000 (2007: £5,506,000). This movement is largely due to the effect of the rate movement on the fair value of the forward contracts as at 30 September 2008.

Capital risk
The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders. The capital structure of the Group consists of cash and cash equivalents term deposits with a maturity of more than 3 months and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 18.

Credit risk
The Group's principal financial assets are cash and cash equivalents, short-term investments, trade and other receivables.

The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Allowances are made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The 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, and the maximum placement permitted with any one bank is £5m, with a maximum term of one year.

The Group minimises its concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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

Maturity analysis of liabilities at 30 September	**2008 £000**	2007 £000
Less than one year	**11,345**	12,292
More than one year and less than five years	**28,469**	27,515
More than five years	**-**	-
	39,814	39,807

Interest rate risk
The Group has held cash balances throughout the financial year. The aim is to achieve a return that is as close to the prevailing base rate level as possible.This is achieved by comparing rates with two banks whilst taking into account the guidelines agreed by the Board where the total amount is between £12m and £20m, the maximum limit at any one bank will be £5m, with a maximum term of up to one year. The combined cash and cash equivalents and short-term investments total at 30 September 2008 was £16.1m (2007: £16.4m). The weighted average rate of interest was 5.84% (2007: 5.51%).

Maturity of financial assets
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 at 30 September was as follows:

	2008 £000	2007 £000
Less than 3 months: cash and cash equivalents and short-term investments	**5,071**	12,613
Greater than 3 months: short-term investments	**11,025**	3,755

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September of £2.0m (2007: £2.0m) in respect of which all conditions precedent had been met.

Commodity risk

The Group has a purchase agreement with EDF, in France, which allows the agreement of prices to be fixed for up to two years ahead. As at 30 September 2008, the import prices, but not volumes, have been substantially fixed for 2009 which has allowed customer tariff levels to be fixed for the next year. The Company has the ability to generate power as an alternative to importation if this was viewed to be both commercially and environmentally acceptable.

23. Related party transactions

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

(i) The Company currently leases the La Collette Power Station site from its largest shareholder, the States of Jersey, for a peppercorn rent of £1,000 per annum. This lease was subject to a rent review as at June 2006 which is being negotiated but it is anticipated to move the rental onto commercial rates.

(ii) The Company made electricity sales to the value of £5.9m (2007: £5.5m) and other sales of £0.5m (2007: £0.6m) to the States of Jersey for the year ended 30 September 2008. At the year end the States of Jersey had a debtors balance of £238,000 (2007: £593,000).

The States of Jersey made sales to the value of £0.1m (2007: £0.1m) to Jersey Electricity for the year ended 30 September 2008.

(iii) At the year end Foreshore Limited had a debtors balance of £43,000 (2007: £164,000).

During the year the Company made electricity sales of £393,000 (2007: £278,000) and other sales of £577,000 (2007: £525,000) to Foreshore Limited.

Electricity sales and other sales to Jersey Deep Freeze Limited and Newtel Holdings Limited for 2007 and 2008 were immaterial.

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

(b) New Energy from Waste Plant

Jersey currently has an incinerator which burns waste products and this process produces excess electricity that Jersey Electricity purchases from the States of Jersey. This represents around 0.5% of our total requirements. The existing facility is nearing the end of its useful life and the States of Jersey have recently approved a project to build a new Energy from Waste plant adjacent to our La Collette power station. Jersey Electricity signed a 25 year agreement on 14 November 2008 to take electricity produced which is forecast to satisfy around 5%-7% of our annual requirements and to share existing facilities with the Energy from Waste plant which helped reduce the overall cost to the Jersey public. The project is due to start in early 2009 and be completed by mid-2011. As States of Jersey are our largest shareholder we instigated discussions with the UK Listing Authority (UKLA) as this could have been viewed as a related party transaction requiring shareholder approval. The conclusion reached was that the purchase and sale of electricity between both parties was in the ordinary course of business as this is being done already at the existing incinerator. However the leasing of parts of existing plant were classified as a smaller related party transaction under Listing Rule 11.1.10. Such leasing arrangements will produce an additional revenue stream to Jersey Electricity of around £0.1m per annum. No trading revenues were received this financial year as they are only applicable post the commissioning of the new plant which is anticipated to occur in 2011.

(c) Remuneration of key management personnel

The remuneration of the key management personnel of the Group (which is defined as the executive directors) is set out below. Further information about the remuneration of individual directors is provided in the Remuneration Report on pages 28 to 30.

	2008 £000	2007 £000
Short-term employee benefits	**776**	699
Post-employment benefits	**406**	371
	1,182	1,070

The IAS 19 service cost for the year ending 30 September 2007 was £359,000. This figure excluded additional pension by defined benefit AVCs paid over the year. The IAS 19 service cost restated to include additional pension purchased by defined AVCs was £370,600

Five Year Group Summary

	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	UK GAAP 2004
FINANCIAL STATEMENTS					
PROFIT AND LOSS ACCOUNT (£m)					
Turnover	**81.9**	75.9	65.6	56.1	57.7
Operating profit	**8.8**	8.0	6.9	10.5	8.1*1
Profit before tax	**10.0**	8.7	7.3	10.5	7.0*1
Profit after tax	**9.9**	7.6	5.9	8.6	5.3*1
Dividends	**2.4**	1.8	1.6	1.5	1.4
Special dividend	**-**	-	6.8	-	-
BALANCE SHEET (£m)					
Property, plant and equipment	**116.0**	109.8	108.3	109.8	126.7
Net current assets/(liabilities)	**22.5**	20.4	16.7	19.5	11.3
Non-current liabilities	**(26.7)**	(27.5)	(26.0)	(24.9)	(23.2)
Net assets	**133.3**	128.9	115.7	115.9	114.8
FINANCIAL RATIOS AND STATISTICS					
Earnings per ordinary share	**£6.41**	£4.94	£3.88	£5.61	£3.41*1
Gross dividend paid per ordinary share	**185.0p**	146.25p	133.0p	120.0p	115.0p
Net dividend paid per ordinary share	**148.0p**	117.0p	106.0p	96.0p	92.0p
Dividend cover (times)*2	**4.3**	4.2	3.7	5.8	3.7*1
Cash at bank/(net debt) (£m)	**16.1**	16.4	15.1	10.9	2.9
Capital expenditure (£m)	**13.6**	8.9	5.7	5.4	5.5
ELECTRICITY STATISTICS					
Units sold (m)*3	**639**	608	624	603	595
% movement	**5%**	(3%)	3%	1%	2%
% of units imported	**96%**	89%	97%	98%	95%
% of units generated locally	**4%**	11%	3%	2%	5%
Maximum demand (megawatts)	**156**	142	142	142	133
Number of customers	**46.587**	46.357	45,839	44,877	44,348
Average price per kilowatt hour sold	**9.6p**	9.1p	7.9p	7.3p	7.3p
MANPOWER STATISTICS					
Energy	**192**	185	183	179	188
Other	**145**	133	117	105	107
Trainees	**4**	4	3	6	5
Total	**341**	322	303	290	300
Units sold per energy employee (000's)	**3,328**	3,286	3,414	3,368	3,164
Number of customers per energy employee	**243**	251	251	251	236

*1 excludes exceptional costs in 2004 of £1.545m - impairment of investment in Newtel Holdings Limited.

*2 excludes the special dividend paid in 2006.

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

Financial Calendar

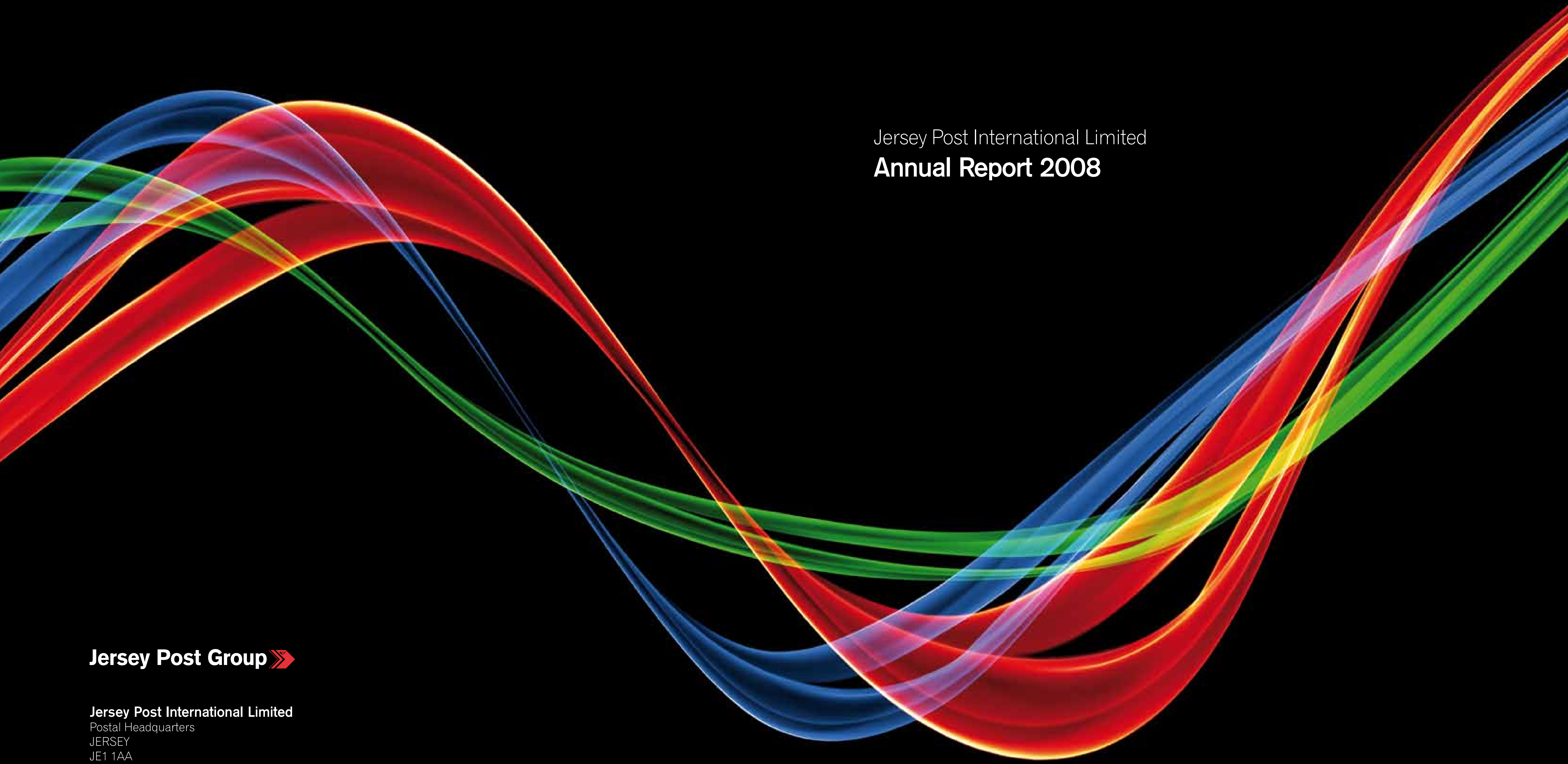
2 January 2009	Preference share dividend
End January 2009	Interim Management Statement – quarter to 31 December 2008
27 February 2009	Record date for final dividend
5 March 2009	Annual General Meeting
31 March 2009	Final dividend for year ending 30 September 2008
15 May 2009	Interim Management Statement – six months to 31 March 2009
12 June 2009	Record date for Interim Ordinary dividend
30 June 2009	Interim dividend for year ending 30 September 2009
1 July 2009	Preference share dividend
End July 2009	Interim Management Statement – nine months to 30 June 2009
18 December 2009	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 5 March 2009 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).

The Jersey Electricity Company Limited
The Powerhouse, PO Box 45, Queens Road, St Helier JE4 8NY
Tel 01534 505460 Fax 01534 505565 e-mail jec@jec.co.uk www.jec.co.uk



Jersey Post International Limited

Annual Report 2008

Jersey Post Group

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Directors of Jersey Post International Limited

Mike Liston OBE
Non-Executive

Clive Spears ACIB, MIS
Non-Executive Vice-Chairman and Senior Independent Non-Executive

Paul Jackson
Non-Executive

Lord Gary Whipp
Managing Director of Jersey Post International Development Limited (Independent as at 31 December 2008; non-independent in 2009 as he assumed executive duties)

John Pinel
Chief Executive
(Resigned 26 February 2009)

Ian Ridgway, BSc, MBA, FCA
Finance Director

Andrew Starkey MILT, MIDM
Commercial Director
(Resigned 26 February 2009)

Ian Carr
Managing Director Postal Business
(Appointed 3 April 2009)

Julie Crabtree FCIPD, Msc, BA(Hons)
Director Human Resource Development
(Appointed 3 April 2009)

Company Secretary

Liz Vince BA, CPFA, CPD.cert

Auditors

Deloitte LLP
PO Box 403, St. Helier
Jersey JE4 8WA

Pension Advisors

Hewitt, Bacon & Woodrow Limited
Actuaries and Consultants
Parkside House, Ashley Road
Epsom, Surrey KT18 5BS

Bankers

HSBC Bank plc
PO Box 14, St Helier
Jersey JE4 8NJ

Contents

Board of Directors

Jersey Post International Limited

[1] Mike Liston

[2] Clive Spears

[3] Gary Whipp

[4] Paul Jackson

[5] Ian Ridgway

[6] Ian Carr

[7] Julie Crabtree

[1] Mike Liston OBE

Non-Executive Chairman, Mike Liston (57 years) has wide experience of the public and private sectors.

At the end of 2008, he stood down after 15 years as Chief Executive of the LSE-listed utility, Jersey Electricity, to concentrate on his non-executive roles, which include Chairman of AIM-listed, Renewable Energy Generation Limited, which has businesses in Europe and North America; Chairman of AIM-listed KSK Emerging India Fund, which develops energy infrastructure in India, and Director of Private Equity fund, Foresight European Solar.

Mike is Chairman of the Jersey Appointments Commission, which was established by government to ensure probity in public appointments.

He is also a member of the Audit Committee of Europe's largest engineering professional body, The Institution of Engineering and Technology. He was the first Chairman of the Post Office Users' Committee, established in 1997.

[2] Clive Spears ACIB, MIS

Senior Independent Non-Executive Vice-chairman, Clive Spears (55 years) is an Associate of the Chartered Institute of Bankers and a member of The Securities & Investment Institute. He currently runs his own local corporate services consultancy business, being on the board of a number of regulated offshore funds mainly covering the private equity, mezzanine debt and property fund markets.

Principal current appointments are with the Nomura Bank Group and Nordic Capital Group across a varied portfolio of financial service businesses.

He retired from the Royal Bank of Scotland in 2003 after 32 years service, of which 25 years were spent in Jersey, latterly as Deputy Director responsible for corporate and securities business. He is the immediate Past President of the Jersey Chamber of Commerce.

[3] Gary Whipp

Non-Executive, Gary Whipp (47 years), originally from the Isle of Man, provides significant entrepreneurial and commercial expertise, particularly in sales and marketing. Gary's first venture into the UK was satellite television. In 1989, his company was one of eight licensed by Rupert Murdoch's company, Sky Television, to market their products.

More recently, his companies have been involved in the Telecommunications sector. In 1997, he marketed Cable & Wireless Indirect Voice products to the business sector, later acquiring that business from Cable & Wireless, developing it for several years and then divesting it to Carphone Warehouse in 2005.

Gary and his family moved to Jersey in 2006. Gary was the former Chief Executive of Newtel Solutions. Newtel is a fully licensed Public Telecommunication Operator (PTO) in both Jersey and Guernsey.

[4] Paul Jackson

Non-Executive, Paul Jackson (66 years) is a well-known expert in the mail, express, airfreight and logistics industry, with extensive knowledge and experience of all aspects of the industry as a whole, and the postal world in particular.

He is the Non-Executive Chairman of Triangle Management Services Limited, which provides strategic consultancy, market research, mergers and acquisitions services, conferences and executive recruitment, mainly in the mail, express and logistics sectors.

Under Paul's direction, the company has developed a pre-eminent position in the mail, express, logistics and global freight sectors.

[5] Ian Ridgway BSc, MBA, FCA

Finance Director, Ian Ridgway (40 years) qualified as a Chartered Accountant with Coopers & Lybrand Deloitte. Immediately prior to joining Jersey Post in 1999, he was a partner in a Birmingham-based accountancy practice and a founding Director of its consultancy company.

At Jersey Post, Ian is responsible for Financial Control, Corporate Governance, Legal & Compliance, Regulation, and Business Systems. He was awarded a Masters Degree in Business Administration in 2003 and became a Fellow of the Institute of Chartered Accountants in England and Wales in 2005. He is also a Non-Executive Director of Jersey Opera House.

[6] Ian Carr

Managing Director (Postal Business), Ian Carr (52 years), joined Jersey Post in 1975 and held a number of management roles before being appointed Operations Director in 1999. Since then, he has successfully transformed the postal operations to provide quality and efficient postal services to the Island's residential and large business community, also developing and implementing new business concepts such as "pick and pack" fulfilment operations, and Jersey Post's entry into the Courier and Express market through the launch of "J Express".

Ian was appointed Managing Director of the Postal Business in April 2009, in which role he is responsible to the Board for the strategic, operational and financial performance of the Group's core activities.

[7] Julie Crabtree FCIPD, Msc, BA(Hons)

Human Resource Development Director, Julie Crabtree (44 years), joined Jersey Post in 2007 from a major Health Trust in the UK. She is a qualified HRD Practitioner who has experience of working in the private and public sectors, in unionised and non-unionised environments.

Julie is a Chartered Fellow of the Chartered Institute of Personnel and a licensed practitioner for a range of psychometric and development tools. She has a special interest in organisational development and, in particular, the management of change and manpower productivity.

"Much has changed in the global economic and political environment since my statement last year.

I am particularly conscious of the increased emphasis which company directors are expected to place strategic, public interest and reputational risks in their reports to shareholders. I seek here to give a balanced and forward-looking view of the key threats and opportunities facing Jersey Post"

Mike Liston
Chairman, Jersey Post Group

Challenges in a Changing Industry

Jersey Post became an incorporated company in 2006, not a moment too soon to equip it with the commercial freedom to respond to a revolution in the postal industry, not dissimilar to that of the telecommunications industry a decade earlier.

The key forces driving this revolution include explosive growth in Internet usage, which is reducing traditional mail volumes globally by more than 10% each year, together with the impact of increasingly onerous regulation, price control and liberalisation of postal markets.

All these forces exist in Jersey, and they put at risk Jersey Post's ability to fund its "local" services, free from dependence on government subsidy of the kind needed by the UK's Royal Mail and postal operators in other jurisdictions. Conversely though, these forces can be exploited for the benefit of all stakeholders if pragmatism rather than traditional ideologies is shown towards political, regulatory and, indeed, our own business agendas. This should be possible in Jersey, especially if all parties acknowledge lessons from these first 6 years of reform in the Island's telecoms market.

We accept the inevitability of regulation and competition, both of which in our experience are strong performance motivators. However, there is a need for debate here, as there has been elsewhere, on the extent to which the global financial crisis should, in the public interest, moderate the unquestioning pursuit of liberalisation ideologies which were taken for granted by many regulators during the recently subdued boom in globalisation.

The challenges we face are similar to those of postal operators across the globe:

- How to maintain an affordable service to all users whilst not discriminating against unprofitable ones, and in our case, whilst avoiding the need for government subsidy.
- How to cope with rapidly declining volumes of traditional mail, as technological substitution accelerates.
- How to convert high fixed-cost networks to flexible assets. In particular, how to provide more cost-effective access to postal services than simply via the traditional local post office.
- How to establish new sources of income.
- How to prepare the workforce for the realities of the new competitive marketplace.
- How to manage the risk of regulators with high levels of authority and low levels of responsibility.

Early Responses

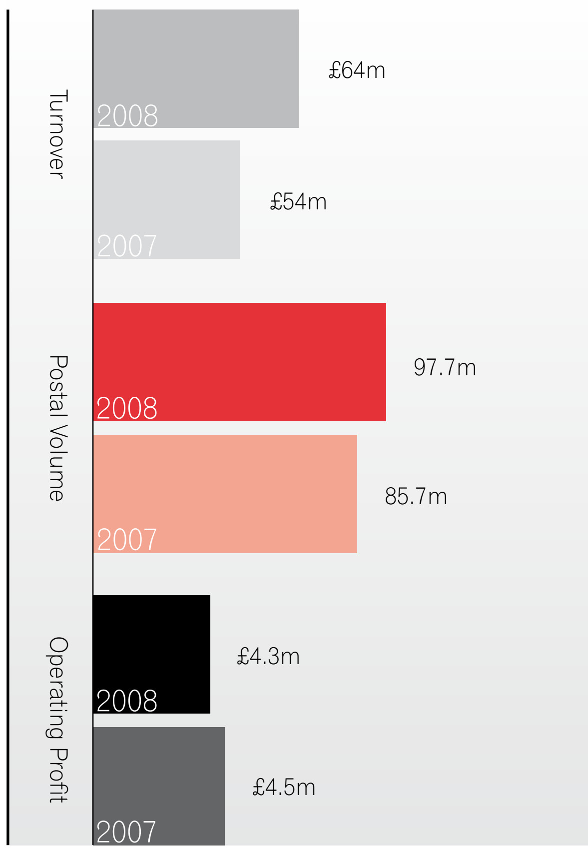
In its first year, the Board rationalised the company's activities, including the closure of its "Offshore Solutions" business, which although unprofitable had provided casual work for nearly 100 local people and served as an effective incubator for the now well-developed "whole-chain" fulfilment industry in Jersey. The Board also streamlined the company's overhead cost base in an initial restructuring of Executive and Central Services functions.

In this, its second full year as an incorporated company, Jersey Post achieved its best ever underlying performance, with turnover up 18.5% compared to 2007 at £64m, and postal volumes 14% higher at 97.7m items. Whilst this growth is a credit to our staff and our customers whose business success has driven volume growth, it masks many profound risks alongside some undoubted opportunities, which have implications for both government and regulators. One indicator of toughening trading conditions is that despite the substantial growth in turnover, operating profits fell by almost 5% as we absorbed rising costs rather than pass them on to customers. This trend is forecast to accelerate in 2009 and beyond.

A Funding Imperative

In common with those other incumbent postal operators, who like us still bear the obligation of providing a comprehensive service to everyone, everywhere in their territory, irrespective of economic viability, we face increasing losses in delivering that "Universal Service Obligation" (USO). The USO funding gap in other jurisdictions is often filled partly by government subsidies, for example in the UK where those subsidies are at the heart of controversy over privatisation and Post Office closures. Although Jersey Post receives no subsidies whatsoever, financial support for the USO in Jersey is prescribed in the postal price control regime operated by the Jersey Competition Regulatory Authority (JCRA). →

2008 Performance Overview



"In this, its second full year as an incorporated company, Jersey Post achieved its best ever underlying performance"

A Funding Imperative continued

This regime relies on income from Jersey Post's services to its business customers, to fill the funding gap for postal services enjoyed by the rest of the community – now running at more than £5m a year. Our anxiety with this prescription is that it fails to recognise the fragility of that income, especially from the fulfilment industry, which represents 60% of our revenues.

The fulfilment industry has matured in Jersey into one recognised for the social and economic benefits it brings through flexible employment opportunities for local people of all abilities. But it is under severe pressure itself, from falling price margins, changing consumer habits in the entertainment sector, and by pressure from the UK government to curtail the fulfilment industry in the offshore territories. Measures taken by Jersey's own government have already prompted the flight of some notable fulfilment businesses to other less politically sensitive jurisdictions.

Of particular concern is the contradiction between, on one hand, the JCRA's assumption that its subsidy model for the USO is sustainable, and on the other, its active campaign to attract new postal operators into the market. New entrants will inevitably "cherry pick" the more attractive segments of a market, and it is imperative that they should be required to pay their fair share of the cost of providing the USO, especially if, as foreign undertakings, they make no other contribution to the local economy. We can anticipate the instinctive appeal of such operators, especially to the larger fulfilment businesses, but experience elsewhere has shown that they struggle to manage the complexities of VAT and Customs procedures for goods exported to the UK and other European countries. We believe that the competitive threat they pose for us is a profound one which, although probably temporary in its use of predatory pricing, will reduce our profits by about 50%. Our fulfilment sector pricing policy for 2009 already features significantly reduced margins as a pre-emptive measure.

The more serious threat, however, is to the future of the fulfilment industry itself if unfettered licensing of off-Island postal operators undermines the high standards of procedural compliance on which Jersey's fulfilment industry relies for its continuing freedom to operate in the politically sensitive conditions that prevail here, and in the UK. We are concerned too by the scope for reputational damage impacting on the wider Financial Services industry, and indeed on the Island as a whole, at this time of increased international scrutiny of offshore financial centres.

Our biggest challenge in recent years has been to absorb as much as possible of the increased costs arising from Royal Mail's re-balancing of its tariffs for handling mail for other postal operators. These tariffs have increased by one-third during the past three years and payments to Royal Mail now account for half of Jersey Post's total operating costs. We believe that the most severe of Royal Mail's tariff increases are behind us, however, we are poised to exploit the emergence of postal competition in the UK, when it can provide the reliability and geographic coverage we need.

A Shared Responsibility for the Future of Postal Services

Although highlighting competition and regulation as amongst the biggest threats facing our business and the USO which it supports, we are not opposed to either. Approximately half of the postal market in Jersey is now open to competition, and the activities of the licensed private postal providers who operate in it are in everyone's best interests. However, our main concern remains that no clear strategy has yet been articulated for the postal sector in Jersey, which defines the appropriate roles of competition and price control in such a small market, in the context of needing to fund a substantial USO. This needs urgent attention by government and the JCRA.

In the absence of an overall strategy for the postal market, the importance of formal Regulatory Impact Assessments is at least as paramount here as it is in the rest of Europe - where such assessments are mandatory for Regulators as they exercise their considerable powers in matters such as the awarding of new postal operators' licences.

We have no wish to add to the cost burden of regulation, which already amounts to around £0.6m a year for Jersey Post, but the risk of unintended consequences is high in many of the JCRA's decisions and is worthy of attention.

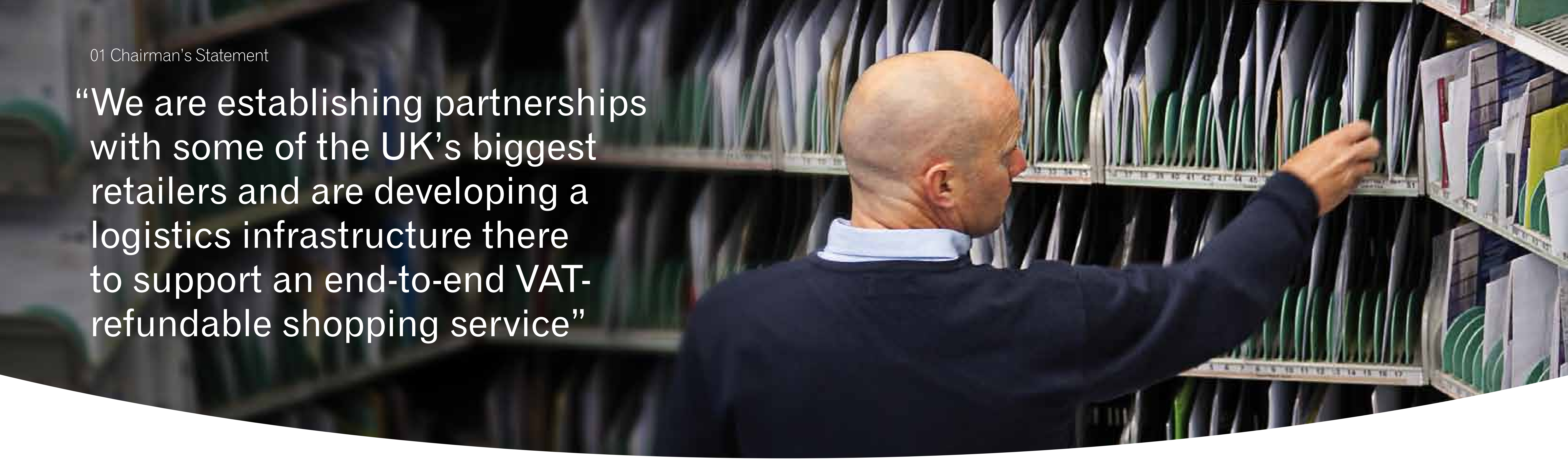
We have been recently encouraged by the willingness of the JCRA to debate these risks, and although we have not yet seen sufficient mitigating provisions in the terms of licences it has awarded to new postal operators, we welcome recent signs of pragmatism in some of the most potentially disruptive of its regulatory proposals and positions.

Opportunities and Prospects

In view of the threats outlined above, the Board's strategy is to embrace the reality of increasing competition, regulation, and therefore falling profits in the company's traditional postal business, but to drive diversification in its activities, with the overall aim of generating sufficient earnings from unregulated business to cover 120% of the subsidy needed to deliver the USO. This subsidy is expected to rise to more than £5m a year by 2010.

Following a fundamental review of the Group's prospects, we have embarked upon further diversification to turn the threat of e-commerce into opportunities. With a global market of more than 1.5 billion online shoppers now growing at 8% each year, this is one of the main planks of our plans to generate the majority of our profits from non-traditional sources within the next five years. →

> "The Board's strategy is to embrace the reality of increasing competition, and drive diversification in its activities to turn the threat of e-commerce into opportunities"



"We are establishing partnerships with some of the UK's biggest retailers and are developing a logistics infrastructure there to support an end-to-end VAT-refundable shopping service"

Opportunities and Prospects continued

We are establishing partnerships with some of the UK's biggest retailers, and are developing a logistics infrastructure there to support an end-to-end VAT-refundable shopping service for local residents and traders that will overcome the current obstacles presented by the policy of most UK retailers not to deliver to the Channel Islands. We believe this will be of wider economic benefit too, in the fight by government to reduce inflation in Jersey.

Our plans to expand our activities in e-commerce present new risks that are quite different from those appropriate for our heavily regulated, core postal utility. As a consequence, we have established a new Enterprise business as a separate subsidiary company, free from the burden of structural costs associated with our core postal business, but still subject to the rigours of Jersey Post Group's Corporate Governance controls, applied directly by the Board. The speed with which we need to develop new sources of income will probably involve acquisitions alongside organic growth, and we are examining the potential to liquidate some of our property assets to help fund them. We also anticipate seeking shareholder consent to allocate some stock in the new enterprise company for equity swaps and employee share options, as cost-efficient tools in acquisitions and people performance programmes.

As part of this re-structuring of Jersey Post Group, the Board determined that some existing corporate functions were incompatible with the necessary development of two distinctly different and autonomous business cultures.

The roles of Group Chief Executive and Group Commercial Director both became redundant under the new structure, which came into being soon after the end of 2008. As a result, John Pinel and Andrew Starkey left the company under its standard voluntary redundancy terms, with John receiving, in addition, a modest loss-of-office settlement. I would like to pay particular tribute to John for his contribution to Jersey Post's success during his 14 years as Chief Executive.

Ian Carr becomes de-facto Senior Executive Director in the Jersey Post Group, having been appointed as Managing Director of its core, Postal Business. Ian has successfully headed postal operations at Jersey Post for many years and is well-equipped to assume the more strategic role. Gary Whipp, who joined the Board as a Non-Executive Director last year with an impressive record of entrepreneurial achievement in the UK's telecommunications industry, moves into an interim executive role to develop the embryonic enterprise business as its Managing Director.

> "I wish to thank our staff, who have demonstrated flexibility and pragmatism in adapting to the pressures of change"

Gary's engagement in this executive role is for a limited term not expected to exceed the two year "launch phase" of the new business, but in order to preserve the independence of the Board and to further strengthen its capabilities in e-commerce development, it is intended to recruit an additional Non-Executive Director from that sector. Strict compliance with best corporate governance practice means that we may recruit a fifth Non-Executive member to the Board, to provide a constitutional majority over the Executives and enhance its independent expertise in Human Resources, notwithstanding the recent appointment of Julie Crabtree as Human Resources Director.

Reputation and Governance

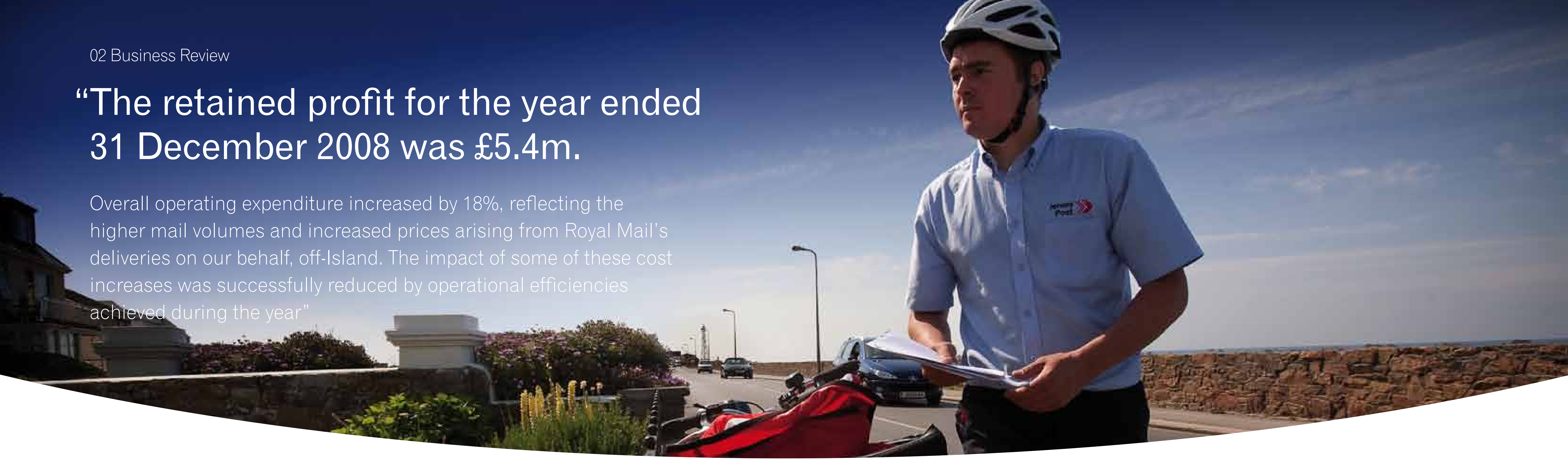
The Board feels a strong sense of duty to match the delegated authority we have as directors of an incorporated company, with an equal measure of responsibility for the organisation's good conduct and performance.

Beyond the standards which we are required to maintain under the Financial Reporting Council's Combined Code on Corporate Governance, we are explicitly regulated by the Jersey Competition Regulatory Authority, and, as the Channel Island's largest Money Services Bureau, we fall within the strict compliance regime of the Jersey Financial Services Commission, especially in respect of controls to prevent money laundering. We reinforced our Internal Audit and Risk Management function last year, which has proved very effective, especially in response to the raft of new standards emerging in the wake of governance failures in the global Banking sector.

The Board of Directors has been closely engaged with the business during its transition from government trading department to incorporated company, and I am most grateful to my non-executive colleagues in particular for their endeavours. I should like to add special thanks to the Chairman of our Audit Committee, Clive Spears, who has dedicated much energy to the role.

Above all, I wish to thank our staff, who have demonstrated flexibility and pragmatism in adapting to the pressures of external and internal change. Their long-term interests, like those of our other stakeholders, are well served by a robust, but professional, business partnership at both national and local levels with the Communication Workers Union, which should equip us collectively to face the challenges ahead.

Mike Liston
Chairman, Jersey Post Group



“The retained profit for the year ended 31 December 2008 was £5.4m.

Overall operating expenditure increased by 18%, reflecting the higher mail volumes and increased prices arising from Royal Mail’s deliveries on our behalf, off-Island. The impact of some of these cost increases was successfully reduced by operational efficiencies achieved during the year”

Financial Performance

Jersey Post’s operating profits in 2008 fell slightly to £4.3m (2007: £4.5m) despite a 16% increase in turnover, as margins were eroded by the company’s decision to absorb, rather than pass on to customers, some of the increased costs from Royal Mail. The full impact on profits was reduced by the positive effects of:

- Successful restructuring of the business and business units, with considerable annual savings in administration costs.
- Conveyance efficiencies in J Logistics (turnover is disclosed within “Postal Services” in note 2).
- Growth and/or efficiencies across all business units.
- Volume growth from existing and new online retail customers.
- Pro-active management of cash balances leading to interest receivable of £1.3m.
- Sustained vacancies in operating units.

The retained profit for the year ended 31 December 2008 was £5.4m (2007: £5.0m). Cash balances were significantly reduced in 2008 as a result of payments to Royal Mail and full repayment of the outstanding £3.2m loan from the States of Jersey. Capital investment grew to £0.8m (2007: £0.3m) principally on mail process automation and information systems. Turnover grew by 16% in 2008 to £64m, due largely to new business, mostly in our bulk packet export (online retailing sector) activities. Stamp prices were frozen in 2008 and business postal rate rises minimised in response to toughening trading conditions for many of our customers. Overall operating expenditure increased by 18%, reflecting the higher mail volumes and increased prices arising from Royal Mail’s deliveries on our behalf, off-Island. The impact of some of these cost increases was successfully reduced by operational efficiencies achieved during the year.

In the Directors’ view, there remains considerable risk to earnings arising from the regulation and liberalisation of the postal market within Jersey. This, together with lower earnings expectations next year, and the need to invest in the further diversification of its businesses away from vulnerabilities in the fulfilment sector, leads the Board to prioritise the retention to reserves of at least two-thirds of profits. Accordingly, it recommends a dividend of 35.6 pence per share (2007 nil), absorbing £1.78m.

60% OF MAIL is delivered on bikes or on foot

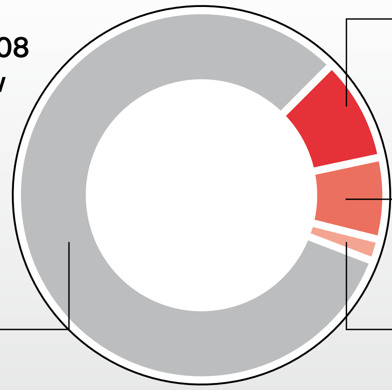
Universal Service Obligation

Jersey Post is the only postal operator on the Island that is required to fund and provide a set of “Universal Service Obligations” (USOs). These ensure Island-wide access to a wide range of services irrespective of their individual economic viability. The current obligations include collections and deliveries of mail on a daily basis, Monday to Saturday; delivery of mail to destinations outside of the Island; the provision of reasonable access to its network, and an affordable uniform tariff.

Jersey Post’s network includes 187 roadside posting boxes and 22 sub-Post Office outlets across the Island, which represents, per-capita, above-average access when compared to European Union benchmarks. The Jersey Competition Regulatory Authority plans to review the USO in 2009.

Distribution of Group Turnover, 2008

“Turnover grew by 16% in 2008 to £64m, due largely to new business mostly in our bulk packet export (online retailing sector) activities”



The Price of a Stamp

Even in a small jurisdiction such as Jersey, maintaining a quality postal network that connects customers with the UK and the rest of the world is a complex and labour-intensive business. However, stamp prices in Jersey continue to be amongst some of the most competitive in Europe and Jersey Post keeps a constant focus on reducing costs to ensure prices reflect good value, keeping necessary increases to a minimum. Public tariff stamp prices were frozen during 2008. →

"With continued strong growth in the fulfilment and online retailing sectors, volumes of bulk export packages sent from the Island during 2008 increased by 39% compared to the previous year"

Volumes of Mail Handled

Jersey Post's traditional Letters business within the Island experienced a volume decline again this year, which at 4.5% reflects the global trend as electronic media replace traditional methods of communication. However, with continued strong growth in the fulfilment and online retailing sectors, volumes of bulk export packages sent from the Island during 2008 increased by 39% compared to the previous year.

Mail volumes handled for export or import during the year, including letters, parcels, express and bulk export, totalled 97.7m items (2007: 85.8m), of which 33.6m were delivered locally. Pressure on Jersey Posts traditional letters business comes in many forms.

A number of other licensed Postal Operators have been introduced into the "physical" letter market on the Island, and some local mailing databases have migrated to the UK to exploit niche opportunities arising from a pricing anomaly. Technological substitution continues, as electronic alternatives emerge in transactional and general correspondence. Jersey Post's strategic response includes the development of e-commerce services, especially to facilitate online retailing.

A future challenge for Jersey Post and the States of Jersey is to ensure that liberalisation of the postal market in Jersey, and the speed of it, is balanced against the requirement to ensure that the postal services demanded by our customers can be adequately funded at affordable prices through efficient and cost-effective operations to deliver a quality Postal Service on the Island.

Quality of Service

Amongst the many quality-of-service measures employed by Postal Operators and regulators, "end-to-end" reliability and timeliness is of particular importance.

Measuring the length of time it takes from the posting of a letter to its actual delivery, this standard independently monitors the achievement of next-working-day delivery for first class or fully-paid letters, across five main services:

- Local to Local, or "on Island"
- Jersey to UK
- UK to Jersey
- Jersey to Guernsey
- Guernsey to Jersey

In 2008, four out of the five targets set in agreement with JCRA were either met or exceeded, with an average 96% of local letters being delivered next day. Service performance between Jersey and Guernsey suffered from flight connection problems impacting upon mail routing onward through Guernsey to Alderney.

A solution implemented jointly between Jersey Post and Guernsey Post resolved the problem during the second half of the year.

Jersey Post's Quality of Service was the subject of a public consultation by the JCRA during 2008, which was well received by the public and resulted in new targets being set for 2009.

Customer Service

Our initiatives to improve customer service extend beyond physical delivery performance, to include ease of customer access to our products and services.

During 2008, four automated "Post and Pay" kiosks were introduced into various locations across the postal network. Providing "self-service" posting facilities for parcels and letters, and bill payment services for certain utilities, the kiosks have proved very popular with customers.

Service delivery measures also include the number of complaints received, daily queue times and customer satisfaction exit polls at the main post office in St Helier. In 2008, the level of customer complaints recorded was 15 per 1000 delivery points on the Island against a target, set by the JCRA, of no more than 20.

At the main post office, queuing times were an average of 4.4 minutes against a maximum queue time target of 4.5 minutes, and customer satisfaction was measured at 90% against a target of 85%.

Service quality across the whole network of 22 sub-Post Offices is measured through an independent "Mystery Shopper" survey and the 2008 achievement of 84% was a good improvement on the previous year's result of 79%, although marginally below the target of 85%. Jersey Post retained its ISO9001 Quality Assurance accreditations for J Promail, Retail and Customer Services.

As a large corporate business and an important part of Island life, Jersey Post has a vital role to play in protecting the environment for future generations. In recognising that role, during 2008 Jersey Post developed and launched its first Environmental Policy. The policy, primarily aimed at reducing its carbon footprint, and minimising its impact on the environment, will also deliver business efficiency improvements.

The implementation of the policy has enabled Jersey Post to progress further its plans to attain "ECO-ACTIVE" Business status, the States of Jersey initiative on business and the environment, in 2009. →

4.4 **MINUTES**
average main Post Office queuing time

96% **LETTERS**
delivered next day on average

"A major management challenge for 2008 was to respond to the external environment whilst continuing to put our people at the heart of business decision making"

Future Market Opportunities and Challenges

Key drivers shaping the future for our business include:

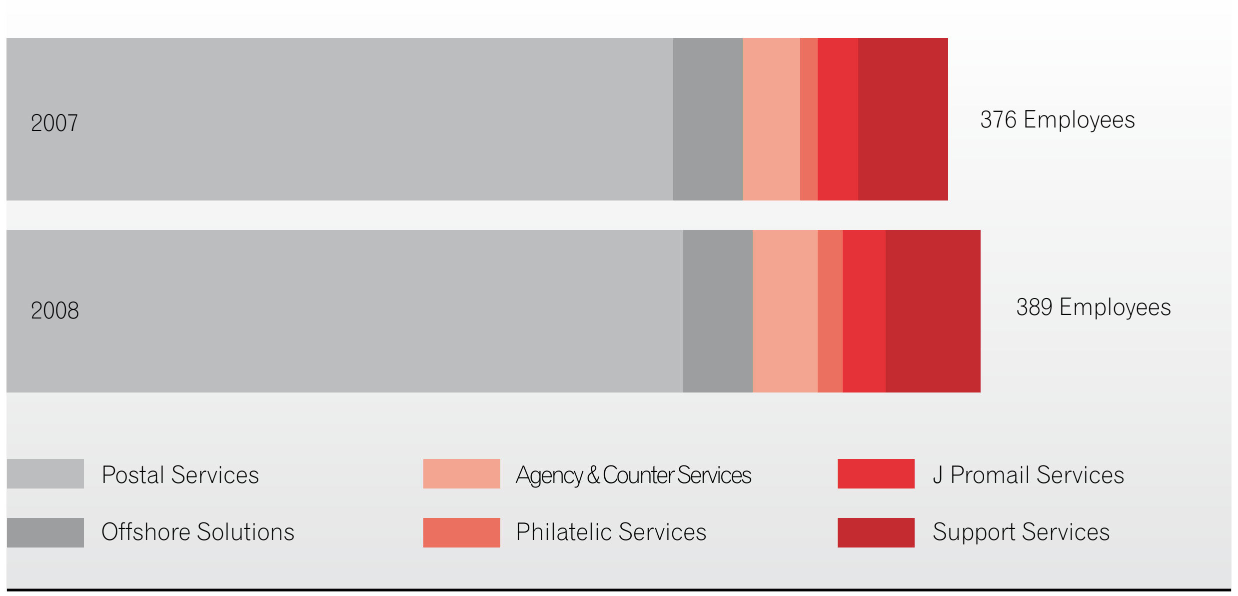
- New technologies changing the way customers communicate, do business and shop. These are driving a steep decline in traditional letter volumes, but a significant increase in packages as the online shopping revolution continues to boom.
- The evolving regulatory regime in the postal sector in Jersey continues to put conflicting pressures on the business. A very comprehensive Universal Service Obligation demands a labour-intensive, costly postal network, but at the same time opening up the postal market to competition threatens the volumes and therefore efficient utilisation of that network.
- Pressure by the UK Treasury on the Jersey Government to control the growth of local online retailers trading through the post. The risk of unilateral withdrawal of the Low Value Consignment Relief (LVCR) could dramatically impact on future mail volumes from this sector, which plays a vital role in Jersey Post's ability to continue subsidising the USO.
- The deepening global financial recession will undoubtedly impact on future mail volumes as businesses fail, consolidate, economise or adopt new communications technologies.
- Conversely, these pressures present opportunities. As businesses diversify and generate new business, Jersey Post will play a key role supporting them, providing innovative solutions such as its digital print, database and document management expertise.

Jersey Post's future strategic plans include:

- The delivery of customer growth and retention through value, choice and quality across the full range of its services.
- Securing future business sustainability through diversification and expansion into new markets and territories.
- Developing our social commitment to the Island community as its principal Postal Operator.
- Forming strategic alliances with major business customers who are core to the future of the Island's economy.
- Realigning our business, its products and services, to exploit new communications technology.
- To provide an exciting future for our people who are at the very heart of our business.

> "Jersey Post's future strategic plans include developing our social commitment to the Island community as its principal Postal Operator"

Number of Employees at the Year-End



Investors in People

A major management challenge for 2008 was to respond to the external environment whilst continuing to put our people at the heart of business decision making. This has been achieved through successful partnership, working with CWU, and by increasing capacity and capability throughout the business. As a result, a number of changes have taken place including: modification of our business structure, developing and implementing a reward structure that is designed to reflect the diverse markets in which we operate; policy and practice to improve performance and talent management, and expanding learning and development opportunities for people at all levels in the business. 2008 has proved to be an exciting and challenging year, however, 2009 holds another set of challenges for us all to work through to ensure our continued success.

“The Board held eight scheduled meetings during the financial year ending 31 December 2008.

In May 2008, the Chairman circulated a Board evaluation questionnaire to all Board members and Executive Directors for completion. The results of this questionnaire were summarised by the Chairman in a written report that was reviewed by the Board at its meeting on 21 August 2008”

Introduction

Jersey Post International Limited has a Memorandum of Understanding with the Treasury & Resources Minister.

This requires the Group to produce Financial Statements that include disclosures in accordance with the Combined Code of Corporate Governance issued by the Financial Reporting Council (“the Code”).

The Directors are committed to maintaining a high standard of Corporate Governance in accordance with the principles laid down in the Code. The Board considers that it has complied with the relevant provisions of the Code during the financial year ended 31 December 2008, except for instances of non-compliance declared as part of this report.

The Board

The Board is chaired by Mike Liston, who was appointed as Chairman on 12 June 2006. In addition to the Chairman, there are three Non-Executive Directors: Clive Spears appointed on 12 June 2006, Gary Whipp appointed on 24 August 2007 and Paul Jackson originally appointed on 12 June 2006 and reappointed for a further three-year term at the company’s AGM held on 19 June 2008.

Clive Spears is the Senior Independent Non-Executive Director. The Executive Directors as at 31 December 2008 were John Pinel (Chief Executive) (resigned 26 February 2009), Ian Ridgway (Finance Director) and Andrew Starkey (Commercial Director) (resigned 26 February 2009).

The main role of the Board is to:

- Set the overall strategy of the Group;
- Approve the annual business plan, budget and annual report and accounts;
- Monitor performance against plans;
- Ensure the maintenance of a sound system of internal control and risk management;
- Ensure compliance with Anti Money Laundering Orders and other regulations issued by the JFSC;
- Oversee the activities of the Executive Directors;
- Ensure obligations to the shareholder (the States of Jersey) are understood and met; and
- Ensure compliance with the Postal Services (Jersey) Law 2004.

The Board has delegated the day-to-day operation of the activities of the Group to the Executive Directors. There is a clear division of responsibility between the Chairman and the Chief Executive, which is set out in writing as well as a Schedule of Matters reserved for the Board. Both documents are reviewed by the Board annually and updated if necessary. The last review was carried out at the Board’s meeting on 12 November 2008.

The Chairman is responsible for leadership of the Board and monitoring its effectiveness. This includes effective communication with the shareholders, ensuring their views and interests are considered when making key decisions. He also facilitates the contribution of the Non-Executive Directors and promotes a constructive relationship between Executive and Non-Executive Directors. The Chief Executive is responsible for formulating strategy and/or its delivery once agreed by the Board. He creates the framework of strategy, values, organisation and objectives to ensure the successful delivery of key targets, and allocates decision making and responsibilities to his senior managers accordingly.

The Board held eight scheduled meetings during the financial year ending 31 December 2008. Agendas and supporting papers are circulated to Board members one week in advance of the meeting date. Records of meetings and the decisions of the Board are maintained by the Company Secretary and are approved by the Board at the following meeting.

Director Independence

The Board considered that all the Non-Executive Directors were independent during the financial year ending 31 December 2008, in accordance with the criteria laid down in the Code. →

Number of Meetings Attended

	Main Board	Audit Committee	Remuneration Committee	Nominations Committee
M Liston	8/8 (Chairman)	3/3	3/3	1/1 (Chairman)
C Spears	8/8	3/3 (Chairman)	2/3	1/1
P Jackson	8/8	–	–	–
G Whipp	7/8	–	3/3 (Chairman)	–
J Pinel	8/8	–	–	0/1
I Ridgway	7/8	–	–	–
A Starkey	8/8	–	–	–

“The Audit Committee is responsible for reviewing the strategic processes for risk, control and governance throughout the Group”

Performance Evaluation

In May 2008, the Chairman circulated a Board evaluation questionnaire to all Board members and Executive Directors for completion. The results of this questionnaire were summarised by the Chairman in a written report that was reviewed by the Board at its meeting on 21 August 2008.

The Chairman and the Non-Executive Directors hold informal meetings without the Executive Directors being present. The performance of the Executive Directors is assessed by the Remuneration Committee. During 2008, the Non-Executive Directors did not meet without the Chairman present to appraise his performance, as this was addressed via the questionnaire considered by the full Board at its meeting on 21 August 2008.

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors. In 2008, the Audit Committee was chaired by Clive Spears with Mike Liston as a member.[1] The Chairman has 25 years of experience in the banking and financial services sector and 10 years relevant corporate governance experience. Mike Liston is a member of the Audit Committee of the Institution of Engineering & Technology.

The external auditors (Deloitte LLP), the Group Finance Director and the Business Risk Assurance Manager also attend the meetings by invitation. During the financial year ending 31 December 2008, the Audit Committee met three times. The Audit Committee's agenda is linked to events in the company's financial calendar. The agenda for each Audit Committee meeting is agreed with the Chairman at least four weeks prior to the meeting.

New Audit Committee members are provided with induction training and all Committee members receive ongoing training on at least an annual basis. Ongoing training can comprise of attendance at formal conferences or courses but more likely internal company seminars and briefings by the external auditors. The Audit Committee reviewed its performance via a self-assessment questionnaire, which was discussed at its meeting on 24 October 2008. In addition, the Committee has an Action Plan that records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting.

The Committee is charged by the Board with responsibility for reviewing the strategic processes for risk, control and governance throughout the Group. The Audit Committee has terms of reference[2] that include all matters indicated by the Combined Code and which are subject to annual review. The Audit Committee gains its assurance about the effectiveness of internal controls from both the external auditors and Business Risk Assurance Manager via the following specific responsibilities:

[1] The Board keeps the membership of the Committee under review and would increase this to three if a further Non-Executive Director is appointed to the Board, in order to be fully compliant with the Code.

Responsibilities re External Audit

- Recommend the appointment of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors. To make appropriate recommendations through the Board to the shareholders to consider at the AGM.
- Discuss with the external auditors each year, in advance of the audit commencing, the nature and scope of the work they propose to undertake and ensure co-ordination with internal audit.
- Discuss with the external auditor their quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- Review the independence and objectivity of the external auditors, ensuring that key audit personnel are rotated at appropriate intervals.
- Review the effectiveness of the audit process.
- Approve any non-audit engagement and associated fees of the external auditors and ensure the non-audit services will not impair the external auditors' independence or objectivity.
- Review the annual financial statements, based on information supplied by the Executive Directors and the external auditors, before submission to the Board, reviewing and challenging particularly:
  - >> Critical accounting policies and practices and any changes in them.
  - >> Decisions requiring a major element of judgment.
  - >> The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed.
  - >> The clarity of disclosures.
  - >> Significant adjustments resulting from the audit.
  - >> The going concern assumption.
  - >> Compliance with accounting standards.
  - >> Compliance with legal, regulatory and Corporate Governance requirements.
  - >> Reviewing the Statement of Corporate Governance prior to endorsement by the Board and the policies and process for identifying and assessing business risks and the management of those risks by the company.
  - >> To consider other topics, as defined by the Board.
- Discuss any problems and/or reservations arising from interim and final audits and any matters the external auditor may wish to discuss, in the absence of the Executive, where necessary.
- Review the external auditors' management letter of recommendation and management's response.

[2] These will be included on the Jersey Post website during 2009 following a re-launch of the site.

> "The Remuneration Committee has responsibility for setting remuneration which is sufficient to attract, retain and motivate people of the quality required"

Responsibilities re Internal Audit[3]

- To receive and approve Internal Audit's Terms of Reference as set out in the Audit Charter.
- To receive and approve Internal Audit's annual Audit Plan and satisfy itself that Internal Audit is properly resourced and skilled to implement the plan.
- To receive progress reports detailing internal audits undertaken during the period under review, progress against the plan and any concerns that Internal Audit wishes to bring to the attention of the Audit Committee.
- To satisfy itself that where control weaknesses are identified by Internal Audit, appropriate remedial action is undertaken by management in a timely manner.
- To consider management's response to any major internal audit recommendations.
- To commission Internal Audit to undertake specific assignments where deemed necessary by the Committee.
- To approve the appointment or dismissal of the Business Risk Assurance Manager.
- To review management's and the internal auditors' reports on the effectiveness of systems for internal control, financial reporting and risk management.

The Audit Committee undertakes an annual review of the Group's risk management policy and in particular the financial thresholds used to evaluate the impact of risks to ensure these remain appropriate.

The Audit Committee also reviews the company's procedures for handling reports from whistleblowers. The Committee will receive annual reports on any concerns which are raised and the action taken to address these.

In the case of any serious issues of financial impropriety, the Audit Committee will be briefed as soon as possible following the reporting of the concern and will review the action management is taking to investigate the issue. The Audit Committee has acted in accordance with its terms of reference during the year. The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Nomination Committee

The Nomination Committee[4] is chaired by Mike Liston with Clive Spears and John Pinel (resigned 26 February 2009) as members.

Remuneration Committee

In 2008, the Remuneration Committee was chaired by Gary Whipp with Mike Liston and Clive Spears as members. During the financial year ending 31 December 2008, the Remuneration Committee met three times. The Remuneration Committee has responsibility for setting remuneration for the Directors that is sufficient to attract, retain and motivate people of the quality required. No Director plays any role in the determination of his own remuneration. The Memorandum of Understanding with the Treasury and Resources Minister requires any changes to the level of remuneration paid to Non-Executive Directors to be agreed, in advance, by the Minister. The Committee also monitors the levels of remuneration for senior management.

The Committee has an Action Plan that records the tasks it needs to complete during the year, including those to ensure compliance with the Code. Progress against the Action Plan is reviewed at each Committee meeting.

The Committee's terms of reference[5] are reviewed annually. The remuneration of the Directors for the financial year ending 31 December 2008 is set out below:

Directors' Remuneration 2008

	Salary/Fees £'000	Bonuses £'000	Benefit in Kind[6] £'000	2008 Total £'000	2007 Total £'000
	Executive Directors				
J Pinel	164	–	21	185	214
I Ridgway	123	15	16	154	166
A Starkey	99	–	13	112	61
	Non-Executives				
M Liston	36	–	–	36	35
C Spears	20	–	–	20	14
P Jackson	23	–	–	23	19
G Whipp[7]	15	–	–	15	5

[3] Internal Audit is provided by the Business Risk Assurance Manager.
[4] The Terms of Reference for the Nomination Committee will be included on the Jersey Post website during 2009 following a re-launch of the site.
[5] As for note 4.

[6] The only benefit in kind received by the Executive Directors was the contribution payable into the PECRS pension scheme and health insurance.
[7] The 2007 remuneration payment relates to part of the year due to the appointment occurring during the year.

"The Group endeavours to ensure that its employees are able to carry out their duties in a competent and professional manner through its commitment to staff training and development"

Internal Controls

The Board is responsible for ensuring that there are effective systems of internal control in place to reduce the risk of misstatement or loss and to ensure that business objectives are met. These systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The key procedures which the Board has established to provide assurance that effective controls are in place are:

Risk Management

The Group has a Risk Register that details and assesses all the significant risks facing the Group. Risk reports are submitted to each meeting of the Board. Management is responsible for identifying the key risks to achieving their business objectives and ensuring that there are adequate controls in place to manage these in line with the risk appetite set by the Board and contained in the company's Risk Management Policy.

The Risk Management Policy is subject to annual review to ensure that the Group's risk management processes are in line with best practice.

Business Risk Assurance

The Business Risk Assurance Manager co-ordinates and facilitates the risk management processes, compiles the risk reports for the Board and undertakes internal audits to provide independent assurance to the Board via the Audit Committee that risk is being adequately managed.

22 SUB-POST OFFICE OUTLETS

Board Reports

Key strategic decisions are taken at Board meetings following due debate and with the benefit of Board papers circulated in advance. The risks associated with decisions are a primary consideration in the information presented and discussed by the Board. The Board discusses and approves the Group's strategic direction, plans, objectives, annual budgets and financial forecasts.

Management Structure

Responsibility for operating the systems of internal control is delegated to management. There is an Accountability Framework that documents the responsibilities of Senior Managers, Executive Directors and the Board in relation to financial, legal and risk matters.

Human Resources

The Group endeavours to ensure that its employees are able to carry out their duties in a competent and professional manner through its commitment to staff training and development.

Jersey Post Group - In The Community

Acknowledging our responsibility to the community and the environment in which we operate, with particular emphasis on families, youth, education and development.

Charitable Support
- Jersey Cancer Relief
- General Hospital's Special Baby Care Unit (SCBU)
- Children in Need
- Mencap South Coast Walk
- RNLI - St Helier Lifeboat
- Anthony Nolan Trust
- Itex Walk
- Jersey Hospice Care

Sponsorship
- Rock in the Park
- Sark to Jersey Rowing Race
- Portuguese Food Fair
- Standard Chartered Marathon
- Jersey School of Motoring
- Island Games
- Young Enterprise

Environment
- Four van delivery rounds converted to cycle routes
- 60% of all mail delivered on bikes or on foot
- Fleet vehicles run on biodiesel

Our support is not just monetary or people-led, we also provide our services and professional expertise to generate publicity for a cause.

"Jersey Post adopts a working partnership approach with the Communication Workers Union who are involved in all major policies, changes and initiatives."

During the year, the policy of providing employees with information about the Group was continued using a variety of media.

Introduction

The Board of Directors of Jersey Post International Limited (JPIL) presents its report on the affairs of JPIL and its sub-sidiaries ('the Group'), together with the audited consolidated financial statements for the year ended 31 December 2008.

Principal Activity

The principal activity of the Group is that of providing postal services to the Island of Jersey.

Results

Details of the results for the year are set out in the Group consolidated profit and loss account on page 28.

A review of the Group's business during the year and an indication of the likely future development of the business are provided in the Chairman's Statement and the Business Review on pages 4 to 15.

Shareholdings

The 5 million £1 ordinary shares of JPIL are fully paid up and 100% owned by the States of Jersey.

Dividends

A dividend of 35.6p per ordinary share issued will be recommended (2007:nil).

Employee Involvement

During the year, the policy of providing employees with information about the Group was continued using a variety of media through which employees were encouraged to present their suggestions and views on the Group's performance. This included a staff survey.

Jersey Post adopts a partnership working approach with the Communication Workers Union who are consulted and involved in all major policies, changes and initiatives.

All employees of Jersey Post Limited benefited directly in the success of the Group through their bonus schemes.

Disabled Employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

Board Remuneration

Details of Directors' remuneration are set out in the Remuneration Committee Report on page 21.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law & regulations.

Company Law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company as at the end of the period and of the profit or loss of the company for the period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records 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.

Statement of Directors' Responsibilities

The AGM will be held at Broad Street Post Office, St Helier on the 25 June 2009.

Auditors

Deloitte LLP were appointed and acted as auditors for the year ended 31 December 2008. A resolution to reappoint Deloitte LLP as auditors for the year ending 31 December 2009 will be proposed at the AGM on the 25 June 2009.

This statement was approved by the Board of Directors of Jersey Post International Limited on 29 May 2009 and was signed on their behalf by:

Liz Vince BA, CPFA, CPD.cert
Company Secretary

"In our opinion, the financial statements give a true and fair view of the state of the Group's and parent company's affairs and of the Group's profit for the year then ended"

Independent Auditors' Report to the Shareholder of Jersey Post International Limited

We have audited the Group financial statements (the "financial statements") of Jersey Post International Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movements in shareholders' funds, the consolidated balance sheet, the consolidated cash flow statement, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's member in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditors' report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

We read the other information contained in the Annual Report and consider whether it is not consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Business Review, the Statement of Corporate Governance and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

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

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

In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent company's affairs as at 31 December 2008 and of the Group's profit for the year then ended; and

- The financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

"The basis of our audit opinion includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements"

Deloitte LLP

Deloitte LLP
Chartered Accountants
St. Helier, Jersey

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Consolidated Profit and Loss Account

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Turnover	2	**63,753**	53,814
Cost of sales		**(54,292)**	(44,483)
Gross profit		**9,461**	9,331
Administrative expenses		**(5,124)**	(4,849)
Operating profit	3	**4,337**	4,482
Exceptional items	3	**–**	(120)
Interest receivable	5	**1,251**	1,066
Finance income	6	**375**	250
Profit before taxation		**5,963**	5,678
Taxation	7	**(523)**	(662)
Retained profit for the year		**5,440**	5,016

The basis of preparation of these financial statements is set out on page 30, and the notes on pages 31-45 form part of these financial statements.

The above results are derived from continuing activities.

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Retained profit for the year		**5,440**	5,016
Actuarial loss in respect of the pension schemes		**(4,703)**	(12)
Reduction in pension surplus due to amendment to FRS 17	1	**(50)**	–
Movement in deferred tax	7	**951**	2
Total recognised gains and losses for the year		**1,638**	5,006

The basis of preparation of these financial statements is set out on page 30, and the notes on pages 31-45 form part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	8	**8,702**	8,948
Current assets			
Pension surplus	14	**–**	579
Deferred tax	7	**1,688**	1,845
Stock	9	**192**	161
Debtors	10	**11,393**	9,499
Cash at bank and in hand		**13,099**	17,591
		26,372	29,675
Creditors			
Amounts falling due within one year	11	**(11,109)**	(17,269)
Net current assets		**15,263**	12,406
Total assets less current liabilities		**23,965**	21,354
Pension deficit	14	**(3,373)**	–
Loan from States of Jersey	12	**–**	(2,400)
Net assets		**20,592**	18,954
Represented by:			
Ordinary share capital	15	**5,000**	5,000
Profit and loss account reserve		**15,592**	13,954
Shareholders' funds	19	**20,592**	18,954

The financial statements were approved by the Board of Directors of Jersey Post International Limited on 29 May 2009 and were signed on their behalf by:

Ian Carr
Managing Director
(Postal Business)

Ian Ridgway
Finance Director

The basis of preparation of these financial statements is set out on page 30, and the notes on pages 31-45 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Note	2008 £'000	2007 £'000
Net cash outflow from operating activities	24	**(1,640)**	(7,424)
Returns on investments and servicing of finance			
Interest payable		**(82)**	(242)
Interest received		**1,251**	1,048
Net cash inflow from returns on investments and servicing of finance		**1,169**	806
Capital expenditure			
Net purchase of tangible fixed assets		**(815)**	(259)
Net cash outflow from capital expenditure		**(815)**	(259)
Net cash outflow before management of liquid resources and financing		**(1,286)**	(6,877)
Management of liquid resources		**13,723**	6,353
Financing – Repayment of loan from States of Jersey		**(3,200)**	(800)
Increase (decrease) in cash in the year	24	**9,237**	(1,324)
Decrease in cash as per the balance sheet		**9,231**	(1,314)
(Increase)/decrease in overdraft as per the balance sheet		**6**	(10)
Cash movement		**9,237**	(1,324)

The basis of preparation of these financial statements is set out on page 30, and the notes on pages 31-45 form part of these financial statements.

Notes to the Financial Statements

1. Accounting policies

1.1 Basis of preparation
The financial statements are prepared in accordance with generally accepted accounting practice in the United Kingdom ("UK GAAP"). The financial statements are prepared under the historical cost convention.

1.2 Going concern
On the 15th June a dividend of 35.6p (2007: nil) per ordinary share will be recommended. In addition, the Directors have produced forecasts for the next 12 months which has satisfied them that the Group will continue to be profitable for the foreseeable future and be able to meet its liabilities as they fall due. Accordingly the Directors have adopted the going concern basis in preparing the financial statements.

1.3 Basis of consolidation
The consolidated financial statements include Jersey Post International Limited and its subsidiaries ("the Group"). Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

1.4 Tangible fixed assets
On a continuing use basis within the business, tangible fixed assets are stated at cost less depreciation.

In accordance with the Postal Services (Transfer) (Jersey) Regulations 2006, which regulated the transfer of the assets, liabilities and rights of Jersey Post to Jersey Post International Limited as detailed in the Directors' Report, at 30 June 2006, the freehold land and buildings were re-valued on an existing use basis prior to their purchase by the Group.

The cost of all other tangible fixed assets is their purchase cost, together with any incidental costs on acquisition. Tangible fixed assets with a cost of less than £500 are not capitalised.

Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight-line basis over the expected useful economic lives of the assets concerned. Tangible fixed assets are not depreciated until they are available for use.

The lives assigned to major categories of tangible fixed assets are:

Land	Not depreciated
Freehold buildings	15 – 30 years
Computer hardware and software	1 – 5 years
Plant, vehicles and equipment	3 – 10 years
Improvements to leasehold property	Remaining length of the lease

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.5 Stocks
Stocks are stated at the lower of cost and net realisable value. Provision is made where necessary for obsolete, slow-moving and defective stocks.

1.6 Foreign currencies
Transactions in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date. Foreign currency gains and losses are taken to the profit and loss account. All foreign currency transactions were entered into in accordance with the Groups Foreign Exchange policy.

1.7 Turnover
Turnover represents the invoiced value of goods and services supplied less post office boxes and business reply licences invoiced in advance and unexpended credit on franking meters. The sale of stamps is based on the cash received and no account is made for stamps in circulation.

1.8 Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

1.9 Pension costs
Prior to incorporation the Group operated two defined benefit schemes, the Jersey Post Office Pension Fund (JPOPF), a closed occupational scheme, and the Public Employees Contributory Retirement Scheme (PECRS), an open multi-employer scheme, both of which required contributions to be made to separately administered funds. Upon incorporation, the States of Jersey retained responsibility for the fully funded JPOPF. For the purpose of the Group, JPOPF is treated as a defined contribution scheme.

Operating profit is charged with the cost of providing pension benefits earned during the period. The expected return on pension scheme assets less the interest on pension scheme liabilities is shown as a finance cost within the profit and loss account.

Actuarial gains and losses arising in the period from the difference between the actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the Consolidated statement of total recognised gains and losses ("STRGL").

The ASB published an Amendment to Financial Reporting Standard (FRS) 17 'Retirement Benefits' on 7 December 2006. This followed the Exposure Draft that was issued in May 2006. The amendment is effective for accounting periods beginning on or after 6 April 2007. The amendment requires that the fair value of assets will comprise the bid value quoted securities, rather than the mid-market value. This is also in line with the established practice under IAS 19 "Employee Benefits". The change in accounting policy arising from the amendment has not been treated as a prior period adjustment, as in the opinion of the Directors the effect is not material.

Pension scheme liabilities are measured using the projected unit credit method, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Recoverable pension scheme surpluses and pension scheme deficits are recognised in the balance sheet.

As stated in note 14, the latest FRS 17 update valuation of the PECRS scheme was carried out at 31 December 2007 and has been used for the 31 December 2008 financial statements.

1.10 Operating leases
Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1.11 Research and development
Expenditure on research and development is written off in the period in which it is incurred.

1.12 Related Parties
The Group has taken advantage of the exemption in Financial Reporting Standard 8 'Related Party Disclosures' from disclosing transactions with related parties that are members of the Group.

Notes to the Financial Statements continued

2. Turnover

Classes of turnover may be analysed as follows:

	2008 £'000	2007 £'000
Postal services	**51,826**	41,328
Offshore Solutions	**–**	925
Agency and counter services	**5,841**	5,703
Philatelic services	**1,339**	1,277
J Promail services	**4,747**	4,581
	63,753	53,814

The Group's customers are primarily based in Jersey. However, being a postal administration, the Group distributes worldwide.

The information currently available to report the net assets of each business class as a reportable segment is limited, as each business operates as a division of the Group and therefore in certain instances there is no reasonable basis to allocate the Group net assets to each business.

On 4 April 2007, the "pick and pack" operations of Offshore Solutions Limited closed.

	2008 £'000	2007 £'000
Turnover	**–**	925
Operating loss	**–**	(140)

3. Operating profit for the year

		2008 £'000	2007 £'000
Operating profit for the year is stated after charging the following:			
Regulatory fees paid to the JCRA		**170**	300
Operating lease rentals	– land and buildings	**190**	225
	– others	**185**	120
Depreciation		**1,066**	1,338
Auditors' remuneration	– audit	**55**	55
	– non-audit	**16**	19

There were no exceptional items in 2008. Exceptional items of £120k in 2007 consist of amounts provided for in relation to the closure of the "pick and pack" operations of Offshore Solutions Limited and redundancy costs associated with business restructuring.

4. Employees costs and numbers employed

	2008 £'000	2007 £'000
Wages and salaries	**14,451**	14,269
Social security costs	**810**	785
Employer pension costs	**1,297**	1,214
	16,558	16,268

	No.	No.
The number of employees at the year end were as follows;		
Postal services	**270**	266
Offshore Solutions Limited	**28**	28
Agency and counter services	**26**	23
Philatelic services	**10**	7
J Promail services	**17**	16
Support services	**38**	36
	389	376

5. Interest receivable

	2008 £'000	2007 £'000
Bank interest receivable	**1,251**	1,066

6. Net finance income

	2008 £'000	2007 £'000
Expected return on pension scheme assets	**2,279**	2,028
Interest on pension liabilities	**(1,822)**	(1,518)
	457	510
Loan note interest payable	**(82)**	(260)
Net finance income	**375**	250

Notes to the Financial Statements continued

7. Taxation

	2008 £'000	2007 £'000
Jersey income tax at 20%		
Current charge	404	264
Charges in respect of prior year	–	–
Total current tax charge for the year	404	264
Deferred taxation		
Charge for the year taken to profit and loss	201	181
(Credited)/charged to the profit and loss in respect of prior periods	(82)	217
Total charge to profit and loss	**523**	**662**
Credit for the year taken to the STRGL	(951)	(2)
Total (credit)/charge for the year	(428)	660

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

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation	**5,963**	**5,678**
Tax on profit on ordinary activities at 20%	1,193	1,135
Factors affecting tax charge for the year		
Tax losses brought forward	–	(24)
Non-qualifying depreciation	48	48
Fixed asset timing differences	134	73
Permanent differences arising from non-deductible exceptional items	–	8
Timing differences on pensions	(535)	(539)
Effect of transition year rules	(436)	(437)
Total current income tax for the year	**404**	**264**

7. Taxation continued

Deferred taxation

	2008 £'000	2007 £'000
Total deferred tax balance at 1 January	**1,700**	2,096
Charged to profit and loss	**(201)**	(181)
Credited to the STRGL	**951**	2
Credit/(charge) to the profit and loss in respect of prior periods	**82**	(217)
Total deferred tax balance at 31 December	**2,532**	1,700
The deferred tax balance at 31 December consists of the following:		
Accelerated capital allowances	**260**	130
Special pension contribution	**1,429**	1,715
Deferred tax asset per the balance sheet	**1,689**	1,845
Deferred tax asset/(liability) netted against pension surplus/deficit (note 14)	**843**	(145)
Total deferred tax as above	**2,532**	1,700

A deferred tax asset has been recognised on the basis of the latest budget and forecasts show that the Group expects to have taxable profits going forwards.

The basis of assessment of trading income to Jersey tax is changing from a prior year basis to a current basis from 2009. The trading profits shown in these accounts are subject to transitional provisions under the Income Tax (Amendment No. 28) (Jersey) Law 2007.

The profits chargeable to tax for the Year of Assessment 2008 will be the average of the adjusted profits for the 2007 and 2008 accounting periods.

Previously, the Company accrued for current tax based on the taxable profit (or loss) for that accounting period notwithstanding that tax was charged to the Company on a prior year basis. The accounting impact of the transition to an actual basis is that only half of the year's profits for the 2007 and 2008 year-ends will suffer tax at 20%.

To recognise the impact of the transition, the Company is no longer accruing current tax on a prior year basis and, for the 2007 and 2008 year ends, is providing for tax at 10% on the taxable profits arising in those years. With effect from the 2009 year-end, the Company will make full provision for tax, based on the tax rate applicable to the Company, on its current year taxable profits.

8. Tangible fixed assets

	Freehold land & buildings £'000	Improvements to leasehold property £'000	Plant vehicles & equipment £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2008	7,735	524	8,521	–	16,780
Disposals	–	–	(76)	–	(76)
Additions	–	4	657	166	827
At 31 December 2008	**7,735**	**528**	**9,102**	**166**	**17,531**
Depreciation					
At 1 January 2008	359	402	7,071	–	7,832
Disposals	–	–	(69)	–	(69)
Charge for the year	239	51	776	–	1,066
At 31 December 2008	**598**	**453**	**7,778**	**–**	**8,829**
Net book value					
At 31 December 2008	**7,137**	**75**	**1,324**	**166**	**8,702**
At 31 December 2007	7,376	122	1,450	–	8,948

Assets under construction relate to the development of a website in relation to Ship2Me Limited (a subsidiary of JPID Limited). At 31 December 2008, this website was still being developed.

9. Stock

	£'000	2008 £'000	£'000	2007 £'000
Stamps and philatelic products	**90**		83	
Payments on account	**36**		21	
	126		104	
Post office (retail)		**29**		26
Paper		**37**		31
		192		161

10. Debtors: amounts falling due within one year

	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Trade debtors	**9,647**		7,972	
Provision for bad debts	**–**		(62)	
	9,647		7,910	
Other debtors	**2**		2	
Agency debtors	**1,160**		997	
Prepayments and accrued income		**584**		590
		11,393		9,499

A specific bad debt provision was created in 2007 as a result of the trade cessation of UGD (Jersey) Limited and UGDJ Limited.

Provisions

	2008 £'000	2007 £'000
Provision for bad and doubtful debts		
As at 1 January	**62**	–
Provided for in year	**–**	62
Provisions utilised	**(62)**	–
As at 31 December	**–**	62

Agency debtors include an amount of £922k (2007: £838K) in respect of VAT due to HMRC as a result of customer postings above the 'de minimis' level. This relief allows VAT not to be charged on imports costing less than £18 into the UK and 22 Euros into the rest of Europe. The customers refund these amounts in full and are recorded within agency creditors.

Notes to the Financial Statements continued

11. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	**1,404**	1,623
Accruals and other creditors	**7,337**	12,906
Agency creditors	**1,356**	1,387
Bank overdraft	**5**	11
Loan from States of Jersey (note 12)	**–**	800
Taxation	**667**	264
Deferred income	**340**	278
	11,109	17,269

Included within accruals is the net amount due to Royal Mail for the delivery of mail on and off the Island. Deferred income relates to prepaid post office boxes, business reply licences and unexpended credit on franking meters.

12. Loan from the States of Jersey

On 1 July 2006, the Treasurer of the States of Jersey issued 5 Loan Notes of £800k each to JPIL.

The Loan Notes carried an entitlement to half-yearly interest payable on the thirtieth day of June and the thirty-first day of December in each calendar year in arrears at a rate per centum per annum, calculated on a daily basis, equal to the Bank of England Base Rate on each day in the previous half-year with the addition of one per cent.

On the 13 May 2008, the Board of Directors agreed that the outstanding Loan Notes issued to the States of Jersey of £3,200k be repaid in full. These were subsequently repaid on 30 May 2008.

13. Operating lease commitments

	Land and buildings		Others		Total	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
The Group						
Non-cancellable annual commitments in respect of operating leases which expire:						
Less than one year	**–**	234	**69**	104	**69**	338
Between two and five years	**110**	110	**19**	137	**129**	247
After five years	**82**	143	**–**	–	**468**	143

14. Pension costs

The Group had one defined benefit pension scheme at 31 December 2008, which is open to employees of Jersey Post – Public Employees Contributory Retirement Scheme (PECRS). Prior to incorporation, Jersey Post had a second defined pension scheme (JPOPF). The responsibility for JPOPF remains with the States of Jersey as from 30 June 2006. Contributions by the Group to the JPOPF scheme for the year ended 31 December 2008 were £13k (2007: £16k).

The Public Employees Contributory Retirement Scheme (PECRS) is a multi-employer defined benefit scheme operated by the States of Jersey, funded in accordance with the recommendations of an actuary, which provides benefits based on final pensionable pay. The pension fund is open to new members. The assets of the fund are held separately from those of the States of Jersey.

Salaries and emoluments include pension contributions of £1,297k for the year ended 31 December 2008 (2007: £1,214k) for staff who are members of PECRS. There are no unpaid contributions outstanding at the year end (31 December 2007: £nil). The current employer contribution rate is 11.38% of members' salaries.

The latest full actuarial valuation of PECRS was carried out by the PECRS's independent actuary as at 31 December 2007. The valuation of PECRS has been updated by the actuary to 31 December 2008 in accordance with FRS17.

a) The major assumptions used by the actuary for this purpose were:

	Year ended 2008 % p.a.	**Year ended 2007 % p.a.**	**Year ended 2006 % p.a.**	**Year ended 2005 % p.a.**	**Year ended 2004 % p.a.**
Discount rate	**6.0**	5.8	5.1	4.7	5.3
Rate of increase in salaries	**4.4**	4.7	4.0	3.9	4.9
Rate of increase of pensions in payment	**3.1**	3.4	3.1	2.9	3.4
Inflation assumption	**3.1**	3.4	3.1	2.9	2.9

14. Pension costs continued

b) On the FRS17 basis, the assets and liabilities of the scheme attributable to the employees of the Group who are active members of PECRS were:

	At 31 Dec 2008 Long-term expected rate of return*	**At 31 Dec 2008 £'000**	**At 31 Dec 2007 Long-term expected rate of return***	**At 31 Dec 2007 £'000**	**At 31 Dec 2006 Long-term expected rate of return***	**At 31 Dec 2006 £'000**	**At 31 Dec 2005 Long-term expected rate of return***	**At 31 Dec 2005 £'000**	**At 31 Dec 2004 Long-term expected rate of return***	**At 31 Dec 2004 £'000**
Fixed-income bonds	**3.8%**	**–**	4.7%	–	4.7%	–	4.3%	1,222	4.9%	1,011
Equities	**7.6%**	**17,673**	7.6%	30,717	7.6%	24,403	7.6%	13,182	7.6%	9,828
Index-linked gilts	**3.6%**	**–**	4.3%	–	4.3%	–	3.9%	1,885	4.4%	1,468
Property	**6.6%**	**483**	6.6%	395	6.6%	–	6.6%	–	6.6%	–
Corporate bonds	**5.5%**	**7,822**	4.7%	–	–	–	–	–	–	–
Other	**2.5%**	**856**	5.9%	267	5.2%	6,178	4.6%	216	4.8%	161
Total fair value of assets		**26,834**		31,379		30,581		16,505		12,468
Present value of scheme liabilities		**(31,050)**		(30,655)		(29,681)		(33,361)		(30,479)
(Deficit)/surplus		**(4,216)**		724		900		(16,856)		(18,011)
Deferred tax asset/(liability)		**843**		(145)		(180)		–		–
Net surplus/(deficit)		**(3,373)**		579		720		(16,856)		(18,011)

*JPIL employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme.

c) Analysis of amount charged to profit and loss account

	2008 £'000	**2007 £'000**
Service cost	**1,904**	1,869
Total operating charge	**1,904**	1,869
Analysis of the amount (credited)/charged to net finance income:		
Expected return on assets	**(2,279)**	(2,028)
Interest on liabilities	**1,822**	1,518
Net return	**(457)**	(510)
Net charge to the profit and loss account	**1,447**	1,359

14. Pension costs continued

d) Analysis of amount recognised in the STRGL

	2008 £'000	2007 £'000
Difference between actual and expected return on pension scheme assets	**(7,649)**	(694)
Experience gains arising on the scheme liabilities	**562**	(326)
Effect of changes in assumptions underlying the present value of scheme liabilities	**2,384**	1,008
Total losses recognised in the Statement of Total Recognised Gains and Losses	**(4,703)**	(12)

e) Movement in the scheme's (deficit)/surplus during the year

	2008 £'000	2007 £'000
Surplus in the scheme at 1 January	**724**	900
Current service cost	**(1,904)**	(1,869)
Contributions – normal	**1,260**	1,195
– special	**–**	–
Other finance income	**457**	510
Actuarial loss	**(4,703)**	(12)
Movement in pension surplus due to change in accounting policy	**(50)**	–
(Deficit)/surplus in the scheme at 31 December	**(4,216)**	724
Deferred tax asset/(liability) (note 7)	**843**	(145)
(Deficit)/surplus in the scheme at 31 December net of deferred tax	**(3,373)**	579

f) History of experience gains and losses

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Difference between expected and actual return on scheme assets:					
– amount	**(7,649)**	(694)	(445)	1,801	361
– percentage of scheme assets	**2.9%**	2.2%	1.5%	10.9%	2.9%
Experience gains/(losses) on scheme liabilities:					
– amount	**562**	(326)	3,602	99	58
– percentage of the present value of the scheme liabilities	**1.8%**	1.1%	12.1%	0.3%	0.2%
Total (losses)/gains recognised in statement of total recognised gains and losses:					
– amount	**(4,703)**	(12%)	5,907	2,394	(2,021)
– percentage of the present value of the scheme liabilities	**15.1%**	0.0%	19.9%	7.2%	6.6%

15. Ordinary share capital

	2008 £'000	2007 £'000
Authorised, issued and allotted		
5 million £1 ordinary shares	**5,000**	5,000

No shares were issued during the year ended 31 December 2008.

16. Commitments and contingent liabilities

As at 31 December 2007 there were commitments totalling £38k (31 December 2007: £71k) in relation to consultancy services.

17. Ultimate and immediate controlling party

The ultimate controlling party is the States of Jersey.

18. Related party transactions

The Group provides multi-channel services to a number of different departments of the States of Jersey. Sales of £1m were made to departments in 2008 (because of system restrictions, comparative information is not available but will be going forward). As at 31 December 2008, the amount owing to the States of Jersey was £563k (this amount includes the amount owed to the Social Security Fund) and the amount owed from the States of Jersey was £179k (31 December 2007: £1,129k and £167k respectively). All services provided by The Group to the States of Jersey are provided on an arms length basis.

19. Consolidated Reconciliation of the Movements in Shareholders' Funds

	Note	2008 £'000	2007 £'000
Shareholders' funds at 1 January		**18,954**	13,948
Profit attributable to the shareholder		**5,440**	5,016
Movement in deferred tax	7	**951**	2
Reduction in pension surplus due to amendment to FRS 17	1	**(50)**	–
Actuarial loss in respect of the pension schemes		**(4,703)**	(12)
Shareholders' funds at 31 December		**20,592**	18,954

20. Company balance sheet and results

The assets, liabilities and equity of Jersey Post International Limited as at 31 December 2008 comprised:

	2008 £'000	2007 £'000
Investment in Jersey Post Ltd	**9,671**	12,871
Bank	**3,000**	–
Cash loan to Jersey Post International Development Ltd	**7,000**	–
Loan from States of Jersey	**–**	(3,200)
Net assets	**19,671**	9,671
Share capital	**5,000**	5,000
Distributable reserves	**14,671**	4,671
Shareholders' funds	**19,671**	9,671

The turnover for the Company during the year was Nil (2007:Nil), taxation was Nil (2007:Nil) and profit after tax was £82k (2007: Loss £260k). During the year Jersey Post International Limited received a dividend of £10m from Jersey Post Limited.

The loan to Jersey Post International Development Limited is non-interest bearing and is repayable on demand.

21. Subsidiary undertakings

JPIL is the majority owner of the equity share capital, either through itself or through its subsidiary undertakings, of the following companies:

Name	Nature of Business
Jersey Post Limited	Postal Operator
Offshore Solutions Limited	Mail Consolidation & Logistics Services
Jersey Post (Broad Street) Limited	Property Holdings
Jersey Post (Rue des Pres) Limited	Property Holdings
Jersey Post (Parishes) Limited	Lease Holdings
Jersey Post International Development Limited	E-Commerce Logistics
Ship2Me Limited	E-Commerce Logistics

22. Board Remuneration and fees

Details of remuneration paid to Directors and related party transactions therewith are disclosed in the Remuneration Committee Report on page 20 and 21.

23. Post balance sheet events

On the 15th June a dividend of 35.6p (2007: nil) per ordinary share issued will be recommended.

24. Notes to cash flow

a) Reconciliation of operating profit to net cash outflow from operating activities

	2008 £'000	2007 £'000
Operating profit	**4,337**	4,482
FRS17 operating charge less normal contributions paid	**644**	674
Add depreciation charge	**1,066**	1,338
(Increase) in stock	**(31)**	79
(Increase)/decrease in debtors	**(1,894)**	(1,430)
(Decrease) in creditors due within one year	**(5,757)**	(12,447)
Net cash flows from discontinued activities and re-organisational costs	**–**	(120)
Profit on disposal of fixed assets	**(5)**	–
Net cash outflow from operating activities	**(1,640)**	(7,424)

b) Analysis of changes in net funds

	1 Jan 2008 £'000	Cash flow £'000	31 Dec 2008 £'000
Cash	3,656	9,231	12,887
Overdraft	(11)	6	(5)
	3,645	9,237	12,882
Debt due within one year	(800)	800	–
Debt due after one year	(2,400)	(2,400)	–
Short-term deposits*	13,935	(13,723)	212
	14,380	(1,286)	13,094

*Short-term deposits are included within cash at bank and in hand in the balance sheet.

Monies held on seven day and month deposit meet the definition within FRS1 "Cash flow statements" of liquid resources and are disclosed above as short-term deposits.

c) Reconciliation of net cash flow to movement in net funds

	2008 £'000	2007 £'000
Increase/(decrease) in cash in the year	**9,237**	(1,324)
Cash outflow from liquid resources	**(13,723)**	(6,353)
Decrease in debt	**3,200**	800
Change in net funds	**(1,286)**	(6,877)
Net funds at 1 January	**14,380**	21,257
Net funds at 31 December	**13,094**	14,380

Private & Confidential

Annual Report of
JT Group Ltd

31 December 2008

JT GROUP LIMITED

Contents

JT GROUP LIMITED

DIRECTORS, OFFICERS and PROFESSIONAL ADVISERS

Non – Executive Directors:	John P Henwood MBE (Chairman)
	John C Boothman
	Dr Nigel W Horne
	David Le Quesne
	John Stares
Executive Directors:	Robert P Lawrence (CEO)
	Philip F Ainsworth (CFO) {retired 30th May}
	Geoff Weir (CFO) {appointed 2nd October}
Secretary:	Daragh J McDermott
Auditors:	Deloitte LLP
	Chartered Accountants
	St Helier
	Jersey
Legal Advisers:	Bedell Cristin
	PO Box 75
	26 New Street
	St Helier
	Jersey
Bankers:	HSBC Bank Plc
	PO Box 14
	St Helier
	Jersey
Registered Office:	No 1 The Forum
	Grenville Street
	St Helier
	Jersey

JT GROUP LIMITED

EXECUTIVE SUMMARY

Despite the challenges of increased competition and the economic crises that gripped the world in the second half of the year, JT Group revenues grew significantly in 2008 and we were successful in delivering our strategic goals to defend market share in Jersey, develop our business in Guernsey and grow in our off-Island markets. However, profitability has suffered, and this is covered further below.

In addition to growing our business in what was a tough year, we also embarked on a journey to transform the way the organisation operates. Following the 'no sale' decision and as a small company operating in a global market, we recognised the need to re-structure in order to grow our business much faster and more profitably outside Jersey in order to compete with huge international companies within Jersey. The task is to build a sustainable business and strengthen our performance in the longer term. With a focus on aligning our business streams to better serve the markets we compete in, we combined the existing Jersey and Guernsey businesses into a single Channel Islands Division responsible for both Islands, created the Global Division as a separate business unit and formed a Shared Services Division, responsible for managing the overall infrastructure and central services of the Group to serve both businesses efficiently.

We also focused on the development of our infrastructure and continued to invest to ensure that we offer our customers the most advanced, trusted and resilient services available. 2008 saw some significant enhancements to our network both in terms of depth and reach. We delivered some key projects, including Liberty our new fibre optic submarine cable, which demonstrates that we can punch well above our weight in terms of delivering a project of this size and also in the scale of our investment.

2008 saw the start of a new direction for the Group that was the catalyst for change to ensure we remain the communications solutions provider of choice in and beyond the Channel Islands. In our industry, the one consistent thing is change. We expect more in the years ahead and look forward to the challenge.

JT GROUP LIMITED

CHAIRMAN'S FOREWORD

A year in which pre-tax profits declined by £1 million cannot be regarded as entirely satisfactory, but in the face of increasing competition in all markets in which we are active the Group performed creditably in 2008. The Company delivered strong overall revenue growth with increased sales across activities in Jersey, Guernsey and internationally. Pre-tax profit was £11.0 million, a decline of 8.7%; turnover increased 4.8% to £91.1 million, while operating costs increased 9.0% to £67.9 million. The dip in profits reflects increased costs associated with retaining existing customers and attracting new ones as well as with growing new businesses.

Following the Treasury Minister's decision to withdraw his sale plans last year I made it clear we had three years in which to re-shape and develop JT Group into a strong, independent entity capable of continuing to provide the Channel Islands with high quality, resilient telecommunications services while at the same time developing new opportunities in the international market to secure our long term position. In short, we had to change if we were to continue to thrive. In 2008 we took a significant step towards achieving our goal by restructuring the way we do business, separating our home and international enterprises into discrete divisions each focused on its own key objectives. This will ensure that JT Global, the brand under which we will explore non-Channel Islands activities, has both the attention and resources it needs to succeed. Similarly Jersey Telecom and Wave Telecom, both strong local brands, will be able to focus the business more closely around the needs of their customers. There is already evidence of success both in feedback we have received from our customers and the willingness of our own management and staff to be part of this far-reaching organisational change.

In 2008 we saw the beginnings of a dramatic shift in the global economy, the full impact of which is still an unknown and from which no business is immune. The structural change to which I have referred, together with our ability to create innovative technical solutions and our long-established reputation for quality and reliability, will better enable us to weather the uncertainties of economic turbulence. Indeed, those qualities will strengthen our competitive position as customers, concerned about economic uncertainty, look to do business with proven, reliable suppliers.

During the year we invested £20 million in new technology and improved the capacity and resilience of our links with the rest of the world; this is a continuing programme aimed at ensuring our customers receive the most advanced, trusted and reliable services available. This investment was funded from cash flow and our strong balance sheet also means we are well placed to grasp suitable opportunities to enhance our service offering through partnerships or acquisitions.

In October we strengthened the Board through the appointment of John Stares as a non-executive Director. John, who was also appointed chairman of the Audit Committee, is a welcome addition whose broad-based experience, financial skills and independence of thought are already making a valuable contribution. We also completed an appraisal of the Board Committees, including a review of the respective Committee charters.

JT GROUP LIMITED

Since incorporation until last autumn, Senator Terry Le Sueur personified ‘the shareholder’ as part of his role as Treasury Minister. On behalf of the Board I should like to thank Senator Le Sueur for his efforts in developing the relationship enjoyed between shareholder and company. With his elevation to Chief Minister, the new Treasury Minister, Senator Philip Ozouf, has assumed the shareholder’s mantle and we look forward to working with him to the benefit of all stakeholders.

I should like to draw attention to a note in the Remuneration Review and explain the background to it.

In December 2005 the JCRA announced that it was awarding licenses to both Cable & Wireless and Bharti Telecom. In July 2006 the Treasury Minister made known his intention that Jersey Telecom would be sold; within two months of this announcement Cable & Wireless launched its service with Bharti’s Airtel following some nine months later. The Board was deeply concerned that, with uncertainty about future employment created by the impending sale and, at the same time, newcomers to the market creating a premium requirement for telecommunication management skills and local market knowledge, it faced the possibility of losing key members of its team at an exceptionally challenging time and thus damaging both the abilities and value of JT’s business.

Accordingly, the Remuneration Committee, comprising only non-executive directors, devised and implemented a retention scheme with the aim of securing the employment of the small number of individuals it judged essential to steer the company through this period of unprecedented change.

The scheme matures in October 2009. Under UK GAAP reporting requirements this should have been disclosed in the 2007 Annual Report and I regret that, due to an error, it was overlooked.

After two terms as Chairman, in line with recommended best practice in corporate governance, I have decided to step down after the Annual General Meeting. I have been fortunate to be Chairman through a period of unprecedented change in the telecommunications landscape. During my period in office Jersey Telecom has, through incorporation, ceased to be a department of the States of Jersey; we have seen the introduction of independent regulation through the JCRA and, most significant of all, major international competitors have been welcomed into the local market. Against this background of change and uncertainty JT Group launched Wave Telecom, our successful Guernsey operation, pioneered advances in bulk SMS (text) handling, rolled-out further mobile services on cruise and ferry ships, developed business continuity and disaster recovery services, engineered new links between the Channel Islands and the rest of the world and begun a process to replace our core system with the latest Internet Protocol technology that will result in the Islands having a telecommunications network that is equivalent to the best found in any Island state in the world. In addition to all this we have contributed over £60 million to the States of Jersey.

I am immensely proud of the way the whole Company, from the most junior member of the team to the Chief Executive, has responded, continually rising to the challenges laid before it. I have no doubt the pace of change will continue to accelerate and I am confident that the Group, a home-grown business, will remain truly world-class, capable of punching well above its weight internationally whilst continuing to deliver first class services to the Channel Islands.

Finally, I should like to acknowledge the contribution of my fellow directors with whom I have shared the journey; it has not always been easy, but real achievement seldom is, and it has been hugely satisfying. To them and the whole team my heartfelt thanks both for their individual contributions and their combined support during my tenure.

John Henwood MBE

JT GROUP LIMITED

OPERATING REVIEW

The Operating Review has been prepared for the Group as a whole and therefore does not necessarily explore those matters that may be of significance to individual subsidiaries.

This review contains certain forward-looking statements. These statements (a) are made by the directors in good faith based on the information available up to the time of their approval of this document and (b) should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such anticipation of future developments.

BUSINESS OBJECTIVES AND STRATEGY

Our principal goal is to maximise the sustainable profitability of JT Group Limited.

We will achieve this by becoming the communications solutions provider of choice, in and beyond the Channel Islands, using our knowledge, skills and attitude to deliver compelling, innovative and cost-effective services.

Our five primary objectives are

1. To be well positioned in all our markets with credible and competitive products and services.
2. To develop the Global Business Division so that it is a world class 'enabler' of services, exploiting the synergies arising from its relationship with the core telecoms business.
3. To develop the right knowledge, skills and attitude to enable our staff in all parts of the organisation to perform to the highest standards.
4. To operate in an efficient and cost effective manner.
5. To have reliable, high quality infrastructure (network and IT systems).

Our core business strategy is

- To defend our market share in Jersey by refining and expanding our services and ensuring they are cost-competitive.
- To continue to grow market share in Guernsey by offering business and domestic clients an attractive suite of services.
- By leveraging our telecoms expertise and infrastructure in the Channel Islands to build a far-reaching capability offering global solutions to defined technical challenges.

CHIEF EXECUTIVE OFFICER'S BUSINESS REVIEW

The business achieved significant revenue growth throughout 2008, and we have been successful in delivering our strategic goals to defend market share in Jersey, develop our business in Guernsey and establish our off-Island market, albeit at a cost to our profitability.

After reporting a fall in revenues of £3m in 2007, I am pleased to report that income grew by more than £4m in 2008. We have been successful in reducing the attrition in our traditional product lines, despite the ever-increasing levels of competition. We have also had further success in growing our market share in the mobile market in Guernsey. The introduction of Mobile Number Portability (MNP) in Jersey and Guernsey in December has meant that we now have full competition in the mobile sector in both Islands and we look forward to competing on this basis. The innovative CI MNP model, developed after long and difficult discussion, which uses SMS notification has been adopted by UK discussion forums on Porting and rolled out in the Isle of Man.

Even though we have experienced the impact of the economic crises that gripped the world in the second half of the year, we were able to maintain high growth in servicing our corporate customers, particularly in private circuit sales. Our investment in upgrading the data centre at Five Oaks in Jersey achieved a rapid return; the facility's capacity was sold out five years ahead of forecast and within six months of coming on-line. Our off-Island business, where we provide services to markets outside of the Channel Islands, continued to grow, expanding by over 30% in 2008, although most services have yet to achieve profitability.

We believe our success in the face of economic upheaval is as a result of our strong reputation for customer service and the belief that in a time of uncertainty customers look to a company they can trust. During 2008 we brought into service our Liberty fibre-optic submarine cable to the UK and completed the upgrade to the Jersey to UK Number 8 cable. The quality and diversity of our network is stronger than it has ever been in our history and we can boast one of the most resilient networks of any Island state in the world; a position that can only strengthen our ability to attract further international investment to our Islands.

Expanding our product line, delivering excellent customer service, building an international business and successfully defending market share comes at a price and our operating costs grew by 9.0% on 2007. This resulted in a reduction of year on year profits. Despite this, I look back on 2008 with a strong sense of pride at the achievements and performance of the entire JT Group under such conditions and feel confident that we are taking the right actions to secure our long-term future.

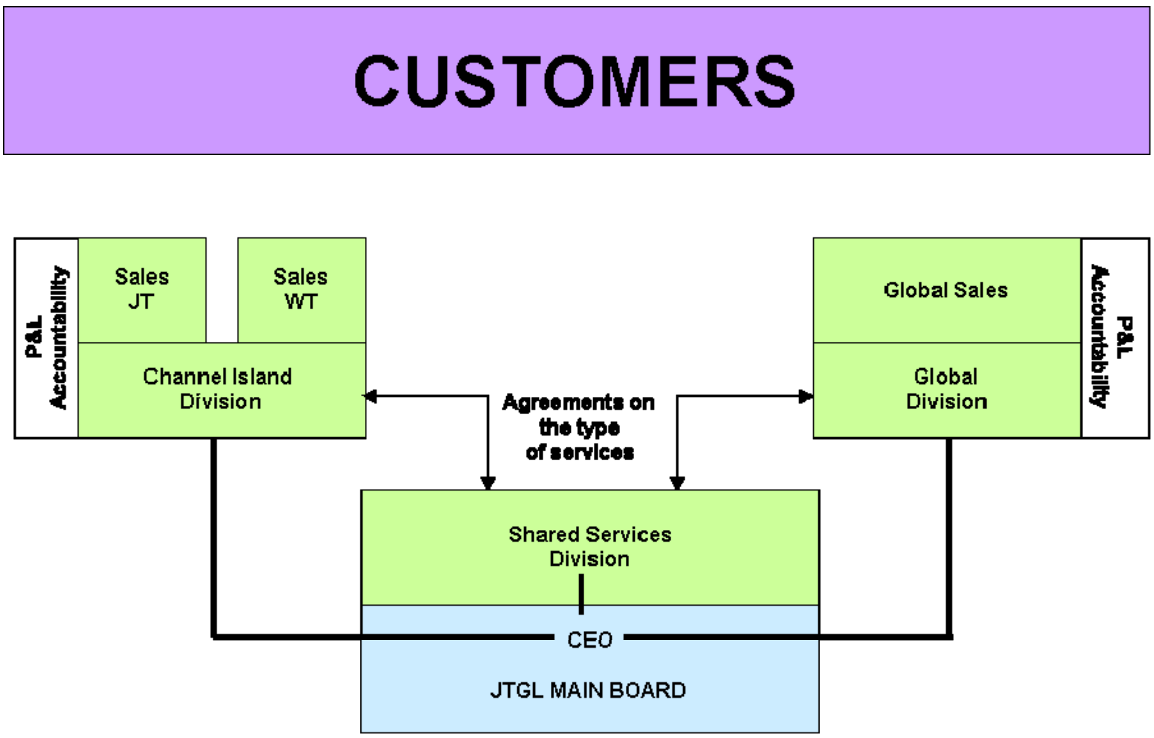
To ensure that we deliver our strategic goals, meet our financial objectives and implement our strategic vision, we carried out a major review of our organisational structure during the year. Beginning from the premise that to succeed we have to truly be a customer centric organization, we put the customer at the heart of our business and aligned our business streams to service those customer's requirements. Two new business units were created from our existing resources; a Channel Islands Division and a Global Division, with a focus on faster decision-making, flexibility in response to customer demands & new opportunities and bottom line growth. A Managing Director has been appointed with profit and loss responsibility for each Division to ensure clarity of purpose and to drive ownership and responsibility throughout each business unit.

The Channel Islands Division focuses on opportunities that span both Islands and we combined the existing Jersey and Guernsey sales businesses to create a single Division responsible for both Bailiwicks offering a consistent service and product portfolio to all our customers. Whilst there are significant benefits to delivering customer solutions within the Channel Islands through a single business, there is no intention to change the established separate strong brand identities of Jersey Telecom and Wave Telecom.

Our re-organisation separated the running of our Global Division from our core local businesses to ensure that it has its own distinct priorities and can be resourced accordingly. We recognised that building a start-up international business servicing a global client base has different priorities and demands from managing a business in our home markets.

A Shared Services Division supports the two new business units in network management and planning, human resources, finance, corporate affairs, information systems and central project management. It is also responsible for providing the central services used for management of the overall performance of the Group, and encompasses the direction and management of the investment in the core infrastructure. This has freed up the customer facing businesses to be wholly focused on their markets and has given them the flexibility and ability to innovate and take decisions quickly.

Our new organisational structure is represented in the diagram below:



Whilst the structural change is important, it is not the solution on its own. It is the catalyst to change and move towards our desired cultural position. Our future is an exciting place and I would like to thank the staff for believing we can change and joining us on the journey.

Finally, I would like to thank John Henwood for his diligent stewardship of the Group during his seven years as Chairman. He has been incredibly active in shaping the company and vocal in his support as we moved from a States department to a fully functioning, commercial organisation. It has been a pleasure to work with John and I wish him every success in the future.

Bob Lawrence

SUMMARY OF RESULTS FOR 2008

The financial performance of the business remained strong in 2008, despite increasing levels of competition. Overall Group revenues were higher than 2007 by over £4m, an increase of 4.8%. This is attributed to growth in ‘off island’ business, broadband services and private circuit revenues. It is encouraging that the growth in private circuit revenues came from both islands. However, we are continuing to experience a decline in our wireline revenues year on year.

As a result of this growth in revenues, we have experienced an associated increase of £2.5m in cost of sales, from £17.0m in 2007 to £19.5m in 2008.

Operating costs (excluding cost of sales) have also increased, from £45.2m in 2007 to £48.4m in 2008. This is an increase of £3.2m (7%). This is largely due to us striving to combat increasing competition, ensuring we offer superior levels of service and to meet the costs of developing our off-island business.

The balance sheet of the Group remains strong with net assets of £63.0m. This is £2.4m down on the 2007 position of £65.4m, which is largely due to the pension liabilities that have arisen in the year. We have continued to develop the Group infrastructure and invested a further £20.3m in 2008. This is £7.8m more than was invested in 2007 and is as a result of significant spends on Project Liberty and the fixed and mobile next generation networks (NGN). All of this investment has been funded out of cash earned through trading and we continue to have no debt on our balance sheet.

JT GROUP LIMITED

CHANNEL ISLAND DIVISION

We continued to increase our market share in Guernsey in the mobile sector and revenues for Wave Telecom grew by 20% in the year. Despite increased competition and the impact of the unprecedented shift in economic conditions, we still managed to grow our revenues across the Channel Islands.

With the introduction of Mobile Number Portability (MNP) in both Bailiwicks on 1st December we believe that the mobile markets in both Jersey and Guernsey are now fully liberalised. We welcome the ability to compete on an open basis and believe that our sales proposition, based on network coverage and quality, value for money and excellent customer service is a compelling one. Demand for the new i-Phone meant there was a scarcity of supply around the globe making it incredibly difficult for smaller operators to source. We are proud to have been the first company to introduce the i-Phone in the Channel Islands and have been delighted with the take up rate in both Bailiwicks. Our innovative handset offers have attracted customers to move to higher tariff packages for longer contract periods.

Whilst the global economic downturn in the second half of the year did not adversely impact our overall business performance, we did see some impact on usage patterns within the mobile market. The reduction in travel, both in and out of the Channel Islands, resulted in businesses and consumers tightening their spend in this area and our roaming revenues showed a downward trend in the fourth quarter. Conversely we have seen significant growth in Private Circuits in both Islands as our portfolio of products has broadened. The investment in our Liberty cable, together with the development of our metropolitan fibre network in Guernsey, paved the way for an increase in demand for both Private Circuits and Internet Protocol (IP) services and revenues doubled during the year, albeit from a low base.

Our broadband revenues also continued to grow strongly and by the end of the year 73% of residential households in Jersey had broadband internet access, which is amongst the highest in Europe. In Guernsey we launched a broadband service at the beginning of the year and developed an innovative new product, which allowed Islanders to save money by combining their broadband, mobile and landline services together. This is something we are keen to replicate in Jersey.

Although our traditional markets of mobile and fixed services came under pressure from competitors and alternative technologies, we continued to defend market share in Jersey whilst driving innovation and choice for customers. Our success within the corporate market continued as we concentrated our efforts on relationships with our key customers, being their supplier of choice and ensuring that we fully support their immediate needs and their future strategic requirements. We launched managed services and expanded the facilities in our Data Centre at Five Oaks in the process commissioning possibly the biggest electrical contract in Jersey during the year as we upgraded the power supply.

We remain committed to investing in high quality, innovative and competitive services across the Channel Islands.

GLOBAL DIVISION

Operating under the brands of JT Global and Navitas Telecom, our revenues outside of the Channel Islands grew by 30% in 2008. Despite increasing sales year on year in this area, we felt that we needed to accelerate the rate of growth as we recognized that building a start-up international business and servicing a global client base, has different needs and demands from managing one in our home markets.

Our Global Division will continue to leverage off the brand, history, infrastructure and financial strength of the larger JT Group. The continued success of, and investment in, our home market only adds to our proposition in the international arena. Again, in times of uncertainty our international clients are drawn to the safety and security of a long-term reputable operator that can offer trusted products and services.

The Global Division is in the business of seeking niche services with global application to raise sales and profits in Jersey Telecom. The Division operates on the business model of using JT's infrastructure and resources to enable other companies, familiar with their own markets anywhere in the world, to sell and support these niche services. We enable our customers by creating new services for them, thus enhancing their existing services or market segments. We are uniquely positioned to achieve this given our existing technology base, extensive international reach and industry expertise. The establishment of the Shared Services Division allows our Global Division to tap in to a much greater pool of knowledge, skills and experience that is normally associated with any other telecommunications start up business.

Under the brand of Navitas Telecom, we continued to build on our maritime market, adding more cruise ships with our GSM technology in 2008 and adding a pre-paid service. We have built on our experience and growth within this market and towards the end of the year developed a trial service for one of the main players in the Merchant Maritime market.

The delivery of Roaming and SMS Interworking agreements are key to the success of our Off-Island business and we accelerated the process by becoming involved in a GSMA Open Connectivity initiative that saw a number of 'hub' models entering the roaming area. Navitas Telecom was one of the first networks to go live with the first hub in October and we have also built relationships with a supplier who acts as a form of roaming broker to increase the Navitas roaming portfolio in the short term, whilst continuing to negotiate and launch our own agreements.

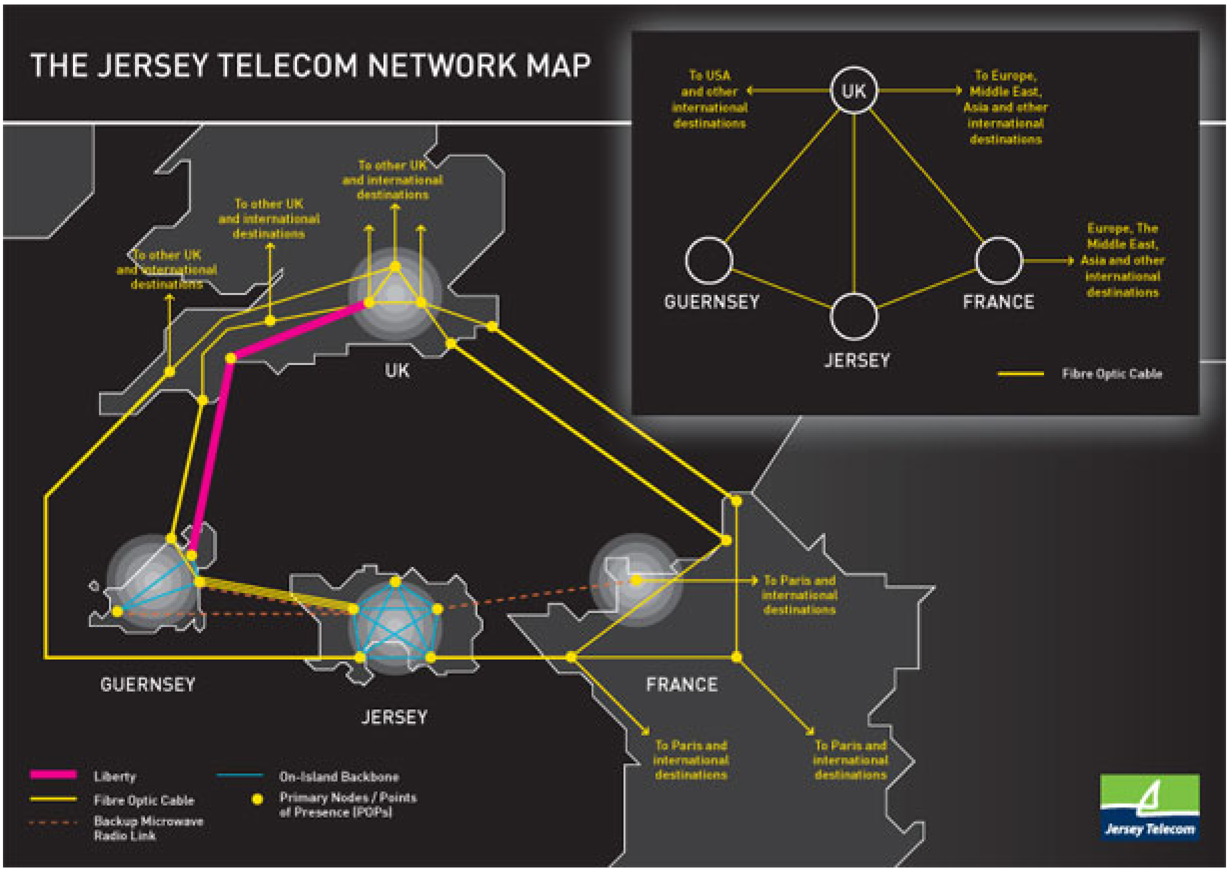
Our bulk text messaging service saw growth in the volume of messages that are sent out by some of the largest aggregators in the market over our network. We continue to develop opportunities with Machine to Machine (M2M) providers. There is a major trend towards greater asset tracking and locating services and we see this as a promising market possibility for us in the future.

JT GROUP LIMITED

SHARED SERVICES DIVISION

Our commitment to continued investment in our network and technology will help us to maintain our position as the telecommunications provider of choice within the Channel Islands. 2008 saw some significant enhancements to our network both in terms of depth and reach. We have now fully deployed our fibre ring in Guernsey giving us direct access to key business sites. The Liberty fibre optic cable between Guernsey and the UK went live on time and in budget at a cost of £7 million and demonstrated our ability to deliver a project of this scale. To increase our resilience even further, we upgraded the Jersey to UK Number 8 cable and also purchased a 10Gigabit wavelink through France. In addition, we have also installed a Point of Presence (POP) in London giving us access to other carriers and providing us with a larger range of quality of service. We will extend this range further with the completion of a POP in Paris in the first quarter of 2009.

Our increased connectivity throughout the Islands and links to UK and France ensure that services to Guernsey and Jersey are more resilient than they have ever been. The diversity of our infrastructure is highlighted in the map below.



JT GROUP LIMITED

In March we signed the contract for our Next Generation Network (NGN) to replace our fixed line core. This £11m replacement of our System X equipment will provide a platform to develop even more services based on higher broadband speeds and greater fibre proliferation within the network, bringing us even closer to our vision of a "Digital Island". Work also progressed to replace our mobile network core with the switch-over scheduled to complete in Q4 2009.

In addition to developing and maintaining our core infrastructure, we supported a number of new niche business opportunities for the Global Division. These are exciting and challenging and require innovative, speedy and flexible responses for customers who may be thousands of miles away. We are building our knowledge and experience quickly and look forward to supporting the Global Division in future.

At the end of 2008 we completed the project work to begin the move to our new offices at Number 2 The Forum. This significant investment in capital and operating expense will bring people from various offices across Jersey to one location to create an open environment, encouraging communication and cooperation so that we can continue to live our value of working together to win.

Our People and our Community

With the emphasis on changing the culture, shape and structure of our organisation, there has been a significant emphasis on bringing our people with us on the journey that will take the Group forward in the future.

Our vision for change over the next 3 – 5 years was set out in a document entitled 'Our Future Organisation' and this played a key role in communicating the change messages and receiving feedback from staff. Our Strategic Plan also provided a clear direction on how each individual could contribute to delivering the overall objectives of the organisation and our internal research highlighted that staff had a clear understanding on what the organisation was trying to achieve.

In its first full year, the company wide performance management scheme also provided the focus for achieving business objectives, as well as measuring performance and providing support for people to realise their full potential.

The seven company values, which set out the way we work within JT Group, also played an important part in the performance scheme and internal research has indicated a high degree of commitment from our staff in living the values.

It is this commitment that will alter our direction, change our culture and move the organisation forward. Our people and their knowledge, skills and attitude, remain at the centre of our success.

At the end of a 3-month notice period on 31st December 2008, the Unite Union membership did not meet the necessary majority for formal recognition and the Collective Agreement with them was terminated, allowing us at the beginning of January to move forward with recognising the GMB as our Union.

Our focus is to work together as a winning team and also to be part of the communities we serve.

In 2008 we supported a number of local events, organisations and charities. We are proud that our staff raised a significant amount for their chosen charities, the Special Care Baby Unit and Les Bourgs Hospice. On the sponsorship front, we continued our support for JerseyLive, the Island's biggest live music event and GuernseyLive, which was held for the first time. We also sponsored a number of other smaller events and activities as part of our commitment to the communities in which we operate.

Our responsibility also extends to the environment and in 2008 we joined the Eco-Active Scheme, putting the environment at the heart of the organisation.

We take every responsibility to ensure that our mobile mast sites operate well within the limits set out by the International Commission for Non-Ionising Radiation (ICNIRP), which is a non-governmental organisation recognised by the World Health Organisation, and we worked with the JCRA to provide data for the Jersey Mobile

JT GROUP LIMITED

Phone Mast Data Map and with the OUR to provide information for their independent audit of all mobile telecommunications masts in the Bailiwick of Guernsey.

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties, which could have an impact on the Group's long-term performance.

Competitor Risk

We are subject to the threat of our competitors launching new products in our Channel Island markets (including the updating of existing product lines) before we make corresponding updates and developments to our portfolio. This could render our products out-of-date and could result in rapid loss of market share. To reduce this risk, we undertake market research to ensure that we continue to meet the needs of our customers and we invest heavily to ensure that we have products at various stages of the product lifecycle.

Competitor risk also manifests itself in price pressures. This results not only in downward pressure on our gross margin but also in the risk that our products are not considered to represent value for money. In order to mitigate this risk, we continually monitor the price position of our portfolio against both local and UK benchmarks.

Our main competitors have larger economies of scale than JTGL derived from their global presence. This enables them to leverage on their lower supply chain costs. Larger global players are also able to spread group function costs across a wider organisation and subscriber base, which could give them a significant local cost advantage. To mitigate this risk, the Group concentrates on building strong local relationships with customers and on ensuring that we are able to continue to serve their needs.

We also face competitor risk in our off-island businesses. These markets are inherently more uncertain and require expertise in technical, regulatory and roaming areas. In order to meet this risk, we have invested in on-island expertise in these areas and have a focused business development team.

Commercial Relationships

The Group benefits from close commercial relationships with a number of key customers and suppliers. Damage to or loss to any of these relationships could have a direct and detrimental effect on the Group's results and as some of these relationships span several markets, the impact of losing one relationship can be material to the Group as a whole. To manage this risk, the Group hosts customer reviews to ensure that as far as possible we continue to meet their needs. Supplier relationships are managed through regular contact. Members of the senior management team meet with individual management from our key customers and suppliers on at least an annual basis.

Service Provision

The Group's ability to provide services could be disrupted for reasons beyond the Group's control such as fire, work force actions or other issues. As such the Group prepares detailed recovery plans for the most likely situations so that at all our facilities and business continuity procedures are in place and staff are appropriately trained to implement them should these situations occur.

Environmental Risk

Telecommunications by its nature does not have an inherent environmental risk. However, there is some visual environmental impact as a result of the need to erect telegraph poles and mobile transmitter receivers. In addition, there is an on-going public debate regarding the potential hazards from using mobile phones.

The Group conforms to local environmental policy and has in place a programme to monitor and reduce our known impact on the environment.

Foreign Exchange and Treasury Policy

The Treasury policy for the Group has been set to establish a sound investment profile. This enables short-term investment in higher deposit accounts run by multiple banks. During 2008, the Group entered into forward contracts, to specifically fund the payments in dollars relating to the fixed and mobile NGN. No other financial instruments have been used during 2008. The treasury function does not act as a profit centre and does not enter into any investment activity other than as stated in its policy.

Resources

The Group has the following key resources, which assist it in the pursuit of its key objectives:

- Employees who have extensive knowledge of the key markets and technologies
- Strong corporate reputation for quality products, which is based upon the advanced design and resilience of our networks
- Island-wide wireline network in Jersey and our wireless network in Jersey and Guernsey
- Excellent communication links with our carrier partners
- Strong balance sheet and ability to invest in new opportunities

People

We have consistently sought to recruit and retain the best employees in our market and this has contributed to our success in developing and selling our products and services. To achieve our long-term strategies we need to continue to implement this recruitment policy. The Group has a policy of equal opportunities, which applied in relation to recruitment of all new employees and to the management of existing personnel. We offer all of our staff training relevant to their roles and we believe that this has contributed to an increase in employee motivation and satisfaction.

The Group also encourages its employees to give something back to their local community. We support a chosen charity on an annual basis and we arrange various fund raising events in which employees can participate.

The health and safety of our people is extremely important. We maintain excellent standards resulting in the number of days lost through accidents being well below recognised industry averages.

FINANCIAL REVIEW

Revenue

Group revenue has increased by £4.2m (4.8%) to £91.1m.

Profit Before Taxation

Profit before tax has decreased by £1.0m year on year and this is largely due to the increase in operating expenses of £5.6m being higher than the growth in sales. This rise in operating costs is as a result of cost of sales going up by £2.5m on 2007 and general operating expenses, up £3.1m on 2007. Overall salary costs were higher than 2007 levels by £2m. Depreciation for the year was £11.1m, which is £0.5m below 2007.

Dividend and dividend policy

The Group has an obligation to pay a preference share dividend of 9% to the States of Jersey and also has a requirement to decide on the level of Ordinary Dividend. The policy for dividends is set out in the Memorandum of Understanding between JTGL and the States of Jersey.

The total dividend paid to the States of Jersey in 2008 was £8.5m - £6.7m ordinary dividend and an interest payment of £1.8m for preference shares, which was classified as preference dividends prior to FRS 25 ‘Financial instruments: presentation’ (£1.4m net of taxation).

Balance Sheet Review

The net assets of the Group stand at £63.0m with the majority of this in tangible fixed assets (£79.2m).

Capital Expenditure

JTGL continues to invest in its network and as a result, £20.4m was spent across a number of key projects. Of this total amount, £13.1m was spent in JTL and the remainder of £7.3m was spent in WTL and JTL (External).

Cash flow

JTGL generated £25.1m from operations in 2008, a decrease of £1.3m (5%) on 2007. This is largely due to increases in our cost base, rather than a decline in working capital management. In total, the group paid out over £1.4m in preference dividend interest to the States of Jersey and £6.7m in equity dividends.

Liquidity and investments

The Group has a cash balance of £9.9m at the end of the financial year and holds no other cash instruments. JTGL has no debt on its balance sheet other than the requirement to repay the 20,000,000 preference shares to the States of Jersey.

JT GROUP LIMITED

BOARD OF DIRECTORS

CHAIRMAN

John Henwood

John has a media background, having joined Channel Television in 1962 as a trainee and left the Group in 2000 as Chief Executive. He served for 13 years as a director of ITV Network and was appointed MBE in 1998. John was a member of the Review Panel on the Machinery of Government and is President of the Chartered Institute of Marketing in Jersey and Senior Steward of the Channel Islands Racing & Hunt Club. He is the Vice-Chairman of Jersey Finance Limited and a Non-Executive Director of Kleinwort Benson, Flying Brands and Bailiwick Investments.

VICE CHAIRMAN

Nigel Horne

Dr Nigel Horne has spent many years in the telecommunications and information technology manufacturing and service industries. His early career was with GEC, which he left as managing director of the information systems division, and then STC and ICL plc where he was a main board director. He was IT Partner in KPMG, and then chairman of Alcatel UK Limited for eight years. Nigel has been a founder and director of many companies in high technology and venture capital, as well as an advisor to major UK bodies including National Air Traffic Services Limited and the Department of Social Security. Among his professional qualifications Nigel is a Fellow of the Royal Academy of Engineering, the Royal Society of Arts, and of the Institution of Engineering and Technology.

NON EXECUTIVE DIRECTORS

John Boothman

John Boothman retired in 2002 as Managing Director of Deutsche Bank International Limited, a post to which he was appointed in 1993. John is non-executive chairman of Aztec Group Limited and holds several other non-executive directorships in the finance industry. He is also on the board of the Jersey Financial Services Commission.

David Le Quesne

David Le Quesne is an Advocate of the Royal Court and Chairman of the Jersey law firm of Viberts. David was called to the Bar in the United Kingdom in 1976 and sworn in as an Advocate of the Royal Court of Jersey in 1980. He specialises in litigation and private client work.

He is the Chairman of the Jersey Employment Tribunal, a qualified mediator and holds an IoD Diploma in Company Direction. David was a member of the Review Panel on the Machinery of Government.

JT GROUP LIMITED

John Stares

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

EXECUTIVE DIRECTORS

Bob Lawrence – Chief Executive Officer

Bob Lawrence joined Jersey Telecom as an apprentice in 1973 and qualified as a senior telecommunications engineer, working in transmission and radio systems. In 1983 Bob was promoted to manager of the Customer Installation department, then in 1987 he was appointed as Sales and Installation Director, before taking over as Chief Officer to the States of Jersey Telecommunications Board in 1991. In 2003 Bob was appointed as Managing Director of the newly incorporated Jersey Telecom Ltd and in 2008 he was appointed Chief Executive Director of the JT Group.

In addition to having an extensive technical background, Bob has undertaken a wide range of management training at the Cranfield School of Management and Templeton College, Oxford. He has also completed the Institute of Directors Company Direction programme.

Geoff Weir – Chief Financial Officer

Geoff joined Jersey Telecom in September 2008, having spent most of his career in telecommunications working in Ireland, the UK and throughout Europe. Starting his career in retail management, Geoff moved into telecommunications during the deregulation of the markets and has since held several positions in Swiftcall/KDDi, Tiscali and Interoute where he was not only responsible for finance, but also for strategic and commercial decision making. His career has enabled him to gain extensive experience in change management and mergers & acquisitions.

Geoff Weir is a Fellow of the Association of Certified Chartered Accountants and holds a BA with Honours in Business and Finance, together with a first class MBA.

JT GROUP LIMITED

REPORT OF THE DIRECTORS

INCORPORATION

JT Group Limited was incorporated in Jersey, Channel Islands on 22nd October 2002.

GROUP STRUCTURE

JT Group Limited ("Jersey Telecom Group" or "the Company") is a holding company that maintains a 100% ownership in the following companies:
Jersey Telecom Limited ("Jersey Telecom")
Wave Telecom Limited ("Wave Telecom")
JTG (St Helier) Limited
JTG (St Saviour) Limited
JTG (Parishes) Limited
JTG (External) Limited
JTG (Mast) Limited

PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiaries is the supply of communications services and equipment.

DIVIDENDS

The Directors have declared the following dividends in respect of the final dividend for the year ended 31st December 2008: £3,625,000

DIRECTORS

The Directors of the Company who served during the year and subsequently are:

John P Henwood MBE (Chairman)
F Philip Ainsworth (retired 30th May 2008)
John C Boothman
Dr Nigel W Horne
Robert P Lawrence
David F Le Quesne
John B Stares (appointed 2nd October 2008)
Geoff Weir (appointed 2nd October 2008)

JT GROUP LIMITED

DIRECTORS AND THEIR INTERESTS

The Directors of the Company at 31st December 2008 had no interests, beneficial or otherwise, in the shares of the Company.

AUDITORS

Deloitte LLP have expressed their willingness to continue in office.

BY ORDER OF THE BOARD
Daragh J McDermott
Company Secretary

Corporate Governance

The Board is committed to ensuring that high standards of corporate governance are maintained by the Company.

The Board confirms that, other than in respect of the exception detailed below, the Company has, throughout the period under review, complied with the provisions recommended by the Combined Code on Corporate Governance of the Financial Reporting Council ("the Code").

The exception relates to the Chairman of the Board and the fact that he also Chaired the Audit Committee for part of the period under review. This exception was considered by the Board to be in the interests of the Company in light of its size and stage of development.

However, following the appointment of an additional Non-Executive Director the memberships of the various Board sub-committees were reviewed and the Chairman of the Board no longer sits as part of the Audit Committee.

The Company applies the Principles of the Code through its own behaviour, by monitoring corporate governance best practice and by adopting appropriate recommendations of relevant bodies including the Institute of Chartered Secretaries and Administrators (ICSA) and the Institute of Chartered Accountants of England and Wales.

THE BOARD

The Board comprises Executive and Non-Executive Directors with the all Non-Executive Directors adjudged as being independent, with the exception of the Chairman for whom the test of independence is not considered appropriate under the terms of the Combined Code. Nevertheless, were the test to be applied, the Chairman would be considered independent.

All Directors are collectively responsible for the success of the Company. However, Executive Directors have direct responsibility for business operations, whereas the Non-Executive Directors have a responsibility to bring independent objective judgement to bear on Board decisions. Key matters such as approval of the Company's objectives and commercial strategies, budgets and risk management strategy are reserved for the Board and these are set out in a formal statement of the Board's role.

To help maintain a strong executive presence on the Board, in addition to the Executive Directors attending, members of the Management Board routinely attend Board meetings.

John C Boothman is the Senior Independent Director.

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

The following changes took place to the composition of the Board during the period under review:

- Dr Nigel Horne was appointed as Vice-Chairman to the Board;
- Philip Ainsworth retired on 30th May 2008;
- Geoff Weir was appointed CFO on 2nd October 2008; and
- John B Stares was appointed as a Non-Executive Director on 2nd October 2008.

Attendance at meetings

Directors are generally provided with the papers for Board and Committee and, as can be seen from the following table, non-attendance at these meetings is rare.

Attendance Record				
Meeting	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Number of	6	2	2	3
John Henwood	Full	Full*	Full	Full
Nigel Horne	Full	Full	Full	Full
John Boothman	Full	Full	Full	Full
David Le Quesne	Full	Full*	Full	Full
John Stares	Full	Full	Full	Full
Bob Lawrence **	Full	N/A	N/A	N/A
Philip Ainsworth **	Missed one meeting	N/A	N/A	N/A
Geoff Weir **	Full	N/A	N/A	N/A

* Attendance only required at one of these meetings pursuant to a change in membership during the year

** Executive Directors are not members of Board Committees.

Performance evaluation

The Board completed a full evaluation of the effectiveness of the Board, its Chairman and its Committees during December 2007 and a further exercise was not deemed necessary until 2009.

The Board concluded that it was operating in an effective manner but identified some areas where improvements could be made, such as the manner in which it monitors progress on major projects, the issue of who should be chairing the Audit Committee and a review of the risk management framework. All actions arising further to the evaluation of performance are now complete.

BOARD COMMITTEES

Audit Committee

At the year end, the Audit Committee comprised John Stares (Chairman), John Boothman and Nigel Horne, but for the substantive part of the year under review, the membership was made up of all of the Non-Executive Directors.

The Audit Committee has responsibility for the effectiveness of the Company's internal controls which are designed to manage rather than eliminate the risk of failure to achieve the strategic objectives. The Audit Committee's terms of reference comply with the Combined Code.

In order to fulfil its terms of reference, the Audit Committee receives and reviews presentations and reports from the CFO, the Chairman of the Company's Risk Working Group and the external auditors, Deloitte. Further, the Audit Committee monitors the database of risks maintained by the Risk Working Group and assesses the acceptability of the impact and likelihood ratings that are applied to each risk.

Remuneration Committee

The Remuneration Committee comprises all of the Non-Executive Directors.

The Remuneration Committee makes recommendations to the Board regarding the remuneration of Executive Directors and senior management and considers the ongoing appropriateness and relevance of the remuneration policy.

The Remuneration Committee's terms of reference comply with the Combined Code and in order to fulfil these, it receives and reviews presentations and reports, primarily from the Company's HR Director.

Nomination Committee

At the year end, the Nomination Committee comprised Nigel Horne (Chairman), David Le Quesne (Alternate Chairman), John Boothman and John Stares, but for the substantive part of the year under review, the membership was made up of all of the Non-Executive Directors.

The Nomination Committee makes recommendations to the Board regarding the appointment of Executive and Non-Executive Directors. The Committee's terms of reference comply with the Combined Code.

During the course of 2008, the principle work of the Nomination Committee related to the appointment of Geoff Weir as CFO and John Stares as an additional Non-Executive Director.

Management Board

Responsibility for implementation of the strategies agreed by the Board and the consideration of matters relevant to the operational management of the business is delegated to the Management Board, which is a committee chaired by the CEO and made up of senior executives. The Management Board normally meets throughout the year on a fortnightly basis.

RELATIONS WITH THE SHAREHOLDER

While the Company is wholly owned by the States of Jersey, under the terms of Article 32(6) of the Telecommunications (Jersey) Law 2002, the Minister for Treasury and Resources is charged as its representative in matters related to its shareholding in the Company. Limitations on the powers of the Minister, which relate principally to share ownership matters, are set out in that same article.

In order to ensure an appropriate accountability framework, a Memorandum of Understanding exists between the Company and the Minister and that Memorandum of Understanding recognises the obligation that the Directors have in regard to operating at all times in the best interests of the Company.

Statement of Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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.

Report of the Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors under the chairmanship of John P Henwood. The Committee's terms of reference comply with the Combined Code.

The structure of remuneration is simple with no equity participation by the Directors. Salaries are established by reference to those prevailing in the market generally for Executive and Non-Executive Directors of comparable status, responsibility and skills in comparable industries. The Committee uses executive remuneration surveys prepared by independent consultancy firms to assist in establishing market levels.

	Basic Salary/Fees £	Bonuses £	Benefits in Kind £	Total 2008 £	Total 2007 £
Executive Directors					
Robert P Lawrence*	156,300	19,200	-	175,500	169,900
F Philip Ainsworth^	51,767	59,000	-	110,767	142,200
Geoff Weir**	27,500	3,630	-	31,130	-
Non Executive Directors					
John P Henwood	40,000	-	-	40,000	40,000
John C Boothman	19,500	-	-	19,500	17,250
Dr Nigel W Horne	23,250	-	-	23,250	17,250
David Le Quesne	19,500	-	-	19,500	17,250
Total	**337,817**	**81,830**	**-**	**419,647**	**390,225**

Bonus for R Lawrence and G Weir paid in March 2009.
^Retired 30th May 2008.
**Appointed 2nd October 2008.

Company pension contributions were made in respect of Executive Directors as follows:

	2008 £	2007 £
Robert P Lawrence	18,318	16,865
F Philip Ainsworth	6,067	14,216
Geoff Weir	3,816	-

Note: F Philip Ainsworth received £59,000 during the year under the conditions of a senior management retention scheme. The scheme was put in place at the time of the potential sale of the Group in 2006 to ensure the retention of key members of the senior management team for a specified period of time. A provision of £350,000 was made in 2008 relating to the full remainder of potential payments under this scheme.

Independent Auditors' Report to the Members of JT Group Limited

We have audited the group financial statements of JT Group Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated reconciliation of movement in shareholder's funds, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Group's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31st December 2008 and of the group's profit for the year then ended; and

- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Deloitte LLP
Chartered Accountants
St Helier
Jersey

JT GROUP LIMITED

Consolidated Profit & Loss Account for the year ended 31 December 2008

	Note	2008 £	2007 £
Turnover	**2**	91,098,173	86,930,277
Costs			
Operating expenses	**3**	(67,879,471)	(62,265,040)
Depreciation	**9**	(11,106,030)	(11,564,809)
Operating profit		12,112,672	13,100,428
Interest receivable and similar income		708,747	766,314
Interest payable and similar charges	**5**	(1,800,000)	(1,800,037)
Profit on ordinary activities before taxation		11,021,419	12,066,705
Taxation	**6(a)**	(675,685)	(1,162,125)
Profit on ordinary activities after taxation		10,345,734	10,904,580

All the items dealt with in arriving at the operating profit for 2008 and 2007 relate to continuing operations.

Consolidated Statement of Total Recognised Gains & Losses for the year ended 31 December 2008

	2008 £	2007 £
Profit on ordinary activities after taxation	10,345,734	10,904,580
Actuarial (loss) / gain on 'Public Employees Contributory Retirement Scheme' sub fund	(7,680,000)	3,874,000
Actuarial gain on 'Telecommunications Board Pension Scheme'	96,000	17,300
Adjustment on deferred taxation on actuarial loss / (gains)	1,502,000	(350,200)
Total gains and losses recognised since last annual report	**4,263,734**	**14,445,680**

Consolidated Reconciliation of Movements in Shareholder's Funds for the year ended 31 December 2008

	2008 £	2007 £
Profit on ordinary activities after taxation	10,345,734	10,904,580
Dividends	(6,710,000)	(6,653,000)
Actuarial (loss) / gain	(7,584,000)	3,891,300
Adjustment on deferred taxation on actuarial loss / (gains)	1,502,000	(350,200)
Net (decrease) / increase in shareholder's funds	**(2,446,266)**	**7,792,680**
Opening shareholder's funds	65,398,902	57,606,222
Closing shareholder's funds	62,952,636	65,398,902

JT GROUP LIMITED

Consolidated Balance Sheet as at 31 December 2008

	Note	2008 £	2007 £
Fixed assets			
Tangible assets	**9**	79,174,220	70,081,456
Investments	**10**	10,000	10,000
		79,184,220	70,091,456
Current assets			
Stocks	**11**	2,228,015	2,532,474
Debtors	**12**	14,331,425	15,102,216
Deferred tax asset	**6(c)**	1,349,069	1,670,553
Pension surplus	**17**	-	1,956,000
Cash at bank and in hand		9,926,105	15,658,646
		27,834,614	36,919,889
Creditors: amounts falling due within one year	**13**	(21,792,550)	(17,636,438)
Net current assets		6,042,064	19,283,451
Total assets less current liabilities		85,226,284	89,374,907
Creditors: amounts falling due after more than one year	**14**	(20,000,000)	(20,353,289)
Provision for liabilities and charges			
Deferred taxation	**6(c)**	(2,273,648)	(3,622,716)
Net assets		**62,952,636**	**65,398,902**
Capital and reserves			
Called up share capital - equity	**15**	20,000,000	20,000,000
Reserves - equity	**16**	42,952,636	45,398,902
Total shareholder's funds		**62,952,636**	**65,398,902**

The financial statements were approved by the Board of Directors on 30th April 2009 and were signed on its behalf on 5th June 2009 by:

R P Lawrence
Chief Executive Officer

G Weir
Chief Finance Officer

JT GROUP LIMITED

Consolidated Cash Flow Statement for the year ended 31 December 2008

	Note	2008 £	2007 £
Net cash inflow from operating activities	**18(a)**	25,117,716	26,422,126
Returns on investments and servicing of finance			
Interest received		708,747	766,314
Interest paid including finance interest on leases		-	(37)
Preference dividend interest		(1,440,000)	(1,440,000)
Net cash outflow from return on investments and servicing of finance		(731,253)	(673,723)
Taxation		(3,158,394)	(2,977,237)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(20,284,375)	(12,527,407)
Receipts from sale of tangible fixed assets		33,765	32,620
Net cash outflow from capital expenditure and financial investment		(20,250,610)	(12,494,787)
Equity dividends paid	**7**	(6,710,000)	(6,653,000)
Financing			
Capital element of finance lease repayments		-	(3,294)
Net cash outflow from financing		-	(3,294)
Decrease / increase in net cash	**18(b)**	(5,732,541)	3,620,085

Reconciliation of net cash flow to movement in net funds

	Note	2008 £	2007 £
Decrease / increase in net cash		(5,732,541)	3,620,085
Change in net funds due to cash flows		(5,732,541)	3,620,085
Net funds at 1 January		15,658,646	12,038,561
Net funds at 31 December	**18(b)**	9,926,105	15,658,646

Notes to the financial statements for the year ended 31 December 2008

1 Principal accounting policies

The financial statements are prepared under the historical cost convention and in accordance with Jersey company law and accounting standards currently applicable in the United Kingdom

Basis of consolidation

The results of the entities, which meet the definition of subsidiary undertakings, are consolidated into the accounts of the JT Group Limited (JTGL). The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of disposal. Intra-group sales, management charges and profits are eliminated on consolidation, and all sales and profit figures relate to external transactions only.

Parent company comparison

No comparison for the parent company is provided in these financial statements as no specific transactions arise as a result of this company. Its sole purpose is to consolidate the subsidiaries of the group.

Turnover

Group turnover comprises the value of network revenues, equipment sales and other revenue such as services provided, directory income and connection fees.

The Group derives revenues from :

- Fixed monthly access charges and network usage (including revenues from incoming and outgoing traffic). Calls are recognised at the time the call is made over JTGL's network, whilst rentals are recognised evenly over the period to which the charges relate.
- Mobile telecommunications services earned from usage of JTGL's wireless network by JTGL customers, subscription fees and interconnect revenue. Post-paid customers are billed in arrears based on usage and turnover is recognised when the service is rendered. Turnover for prepaid customers is recorded as deferred revenue prior to commencement of services and is recognised as the prepaid services are rendered.
- Inbound roaming revenue, earned from other mobile operators whose customers roam onto JTGL's network, and outbound roaming revenue earned from certain customers roaming outside their domestic covering area, are recognised based upon usage and are included in mobile service turnover.
- Subscription fees are recognised evenly throughout the periods to which they relate.
- Net proceeds generated from premium rate numbers in the UK such as competition voting and chat lines and in Jersey such as the weather and the Jersey lottery results. Revenues are recognised when the service is rendered.
- Retail equipment sales are recognised at the point of sale.

1 Principal accounting policies (continued)

Turnover (continued)

- Corporate equipment sales, net of rebates, discounts and similar commissions are accounted for at point of sale. Connection fees are recognised upon delivery to the customer or activation by the customer, as appropriate.
- The provision of other services, including maintenance contracts, which are recognised evenly over the periods in which the service is provided to the customer.
- Classified directories, which are recognised upon delivery.

Jersey taxation

The basis of assessment of trading income to Jersey tax is changing from a prior year basis to a current basis from 2009. The trading profits shown in these accounts are subject to transitional provisions.

The profits chargeable to tax for the Year of Assessment 2008 will be the average of the adjusted profits for the 2007 and 2008 accounting periods.

Previously the company accrued for current tax based on the taxable profit (or loss) for that accounting period notwithstanding that tax was charged to the Company on a prior year basis.

The accounting impact of the transition to an actual basis from 2009 is that only half of the year's profits for 2007 and 2008 year ends will suffer tax at 20%. To normalise the impact of the transition, the Company is no longer accruing current tax on a prior year basis and, for 2007 and 2008 year ends, is providing for tax at 10% on the taxable profits arising in those years.

With effect from the 2009 year end the Company will make full provision for tax, based on the tax rate applicable to the Company, on its current year taxable profits.

The charge for taxation is based upon the profit for the year as adjusted for tax purposes.

Jersey deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the time of the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred tax assets are recognised to the extent that they are regarded as recoverable and that on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

1 Principal accounting policies (continued)

Guernsey taxation

With effect from 1 January 2008, the standard rate of income tax for Guernsey companies has changed. Thereafter the company will be taxed at the company higher rate of 20%. The tax charge included in the financial statements is based on this rate.

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

Guernsey deferred taxation

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

Deferred tax in the financial statements is therefore measured at the actual tax rates that are expected to apply to the income on the period in which the timing differences are expected to reverse. With effect from 1 January 2008, various rates of income tax are applied depending on the activity of the company. The rate applied in relation to the company's activities is 20%.

As the tax applicable to the income of this company has nort changed, the deferred tax assets or liabilities for the year have not changed.

Tangible fixed assets

Buildings and other tangible fixed assets are stated at cost, including any incidental costs of acquisition. Fixed assets held under finance leases are stated at the net present value of the minimum lease payments due at the inception of the lease.

Capital work in progress comprises incomplete capital projects. Accrued and expended project labour and material costs are accounted for as capital work in progress. Once completed, projects are capitalised as separately identifiable assets and depreciated over their estimated useful economic lives.

The cost of Network Plant & Equipment includes all cable, ducting and transmission equipment extending from the main switching systems to the customers' premises.

Tangible fixed assets are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying asset cannot be recovered either by selling the asset or by the discounted future earnings from operating the assets.

Finance and operating leases

Rentals in respect of operating leases are charged on a straight-line basis over the lease term. Finance leases are recorded in the balance sheet as an asset and as an obligation to pay future rentals. Rents payable in respect of finance leases are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable.

Depreciation

The cost of other tangible fixed assets, less estimated residual value, is written off over their estimated useful economic lives as follows:

Buildings	50 years
Switching equipment	8-14 years
Transmission equipment	10-25 years
Mobile equipment	5-20 years
Broadband and internet	5 years
Furniture and equipment	8 years
IS	3-5 years
Private wire equipment	3-11 years
Network support equipment	6-20 years
Corporate infrastructure	3-5 years
Motor Vehicles	5-8 years

Stock

Stock is valued at the lower of cost and net realisable value, and accounted for on a weighted average cost basis.

Mobile handsets are included in stock at net realisable value. This is calculated as the weighted average cost less the mobile handset subsidy offered to customers.

Joint arrangements

The business has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. JTGL includes its share of assets, liabilities and cash flows in such joint agreements, measured in accordance with the terms of each arrangement. This share is measured on a pro-rata basis to JTGL's interest in the joint arrangement. Assets subject to joint arrangements are included within fixed assets under Network Plant & Equipment.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Profit and losses on foreign currency transactions are dealt with in the profit and loss account.

1 Principal accounting policies (continued)

Pension costs

For both the defined benefit Public Employees Contributory Retirement Scheme and the Telecommunications Board Pension Scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of the staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Expenditure

Expenditure is accounted for on an accruals basis.

Interest receivable / payable
Interest receivable / payable is accounted for on an accruals basis.

Investments
Investments are held at cost less any impairment that, in the opinion of the directors, exists at the balance sheet date.

JT Group Limited Going Concern

The Group made a profit of £12,112,672 (2007: £13,100,428) for the year ended 31 December 2008 and, as at that date, the Group's total assets exceeded its total liabilities by £62,952,636 (2007: £65,398,902). In addition, the Group is free of debt, apart from the 20 million preference shares held entirely by the States Of Jersey. Revenues have also grown to £91,098,173 (2007: £86,930,277).

As a result of the Group's continuing strong financial position, the Directors of Group believe there are no issues regarding the going concern of JTGL for the foreseeable future.

Notes to the financial statements for the year ended 31 December 2008

2	Turnover	2008 £	2007 £
	Turnover	91,098,173	86,930,277

The 2007 turnover figures take account of the re-classification of revenues generated from maintenance contracts, which are now reported under CPE Sales rather than as previously reported, under other income. Broadband Services and Wireline have also been adjusted to take account of the revenues generated from Wireline, which once a customer had signed up for Broadand, had previously all been transferred to this area of income. There is no overall change in the total turnover generated in 2007.

The information currently available to report the net assets of each business class as a reportable segment is limited, as each business operates as a division of JTGL and therefore in certain instances there is no reasonable basis to allocate the JTGL net assets to each business. On a geographical basis, JTGL's material operations are conducted within the Channel Islands.

3	Operating expenses	2008 £	2007 £
	Operating Expenses	67,879,471	62,265,040

Operating costs grew by 9.0% on 2007 as a direct result of the expansion of product lines, maintaining high levels of customer service, developing an international business and defending market share against competition.

4 Profit on ordinary activities before interest payable and taxation	2008 £	2007 £
Profit is stated after charging:		
Loss on disposal of fixed assets	138,090	155,270
Operating leases charge for the year – Land & Buildings	676,350	548,869

5 Interest payable and similar charges	2008 £	2007 £
Finance lease charges	-	37
9% preference dividends (gross)	1,800,000	1,800,000
	1,800,000	1,800,037

6 Taxation		2008 £	2007 £
(a) Analysis of tax charge in the year:			
Current tax			
Income tax at 20%			
Based on the results for the year		1,658,040	(6,711)
Adjustments in respect of previous periods		45,227	457,795
Total current tax	**6(b)**	1,703,267	451,084
Deferred tax			
Timing differences		(906,527)	711,041
Adjustments in respect of previous periods		(121,055)	-
Total deferred tax		(1,027,582)	711,041
Total tax charge on profit on ordinary activities		**675,685**	**1,162,125**
Deferred tax on pensions			
Timing differences		(1,151,800)	350,200
Total deferred tax on pensions		**(1,151,800)**	**350,200**

6 Taxation (continued)

(b) Factors affecting the tax charge

The tax charged for the period is lower than the standard rate of income tax. The differences are explained below:

	2008 £	2007 £
Profit on ordinary activities before tax	11,021,420	12,066,705
Profit on ordinary activities multiplied by the standard rate of income tax of 20%	2,204,284	2,413,341
Effects of:		
Expenses not deductible for tax purposes	200,376	143,873
Depreciation charged lower than / (in excess) of capital allowances	1,035,042	(394,484)
Non-taxable gains on disposal of assets and business	10,363	33,712
Group relief	22,753	62,484
Adjustments in respect of previous periods	45,227	457,795
Losses carried forward to future periods	684,911	373,847
Transitional year adjustments in Jersey	(2,499,689)	(2,639,484)
	1,703,267	451,084

(c) Deferred tax note

	2008 £	2007 £
Provisions for deferred tax asset in Wave Telecom Ltd.		
Accelerated capital allowances	(553,177)	(231,693)
Losses	1,902,246	1,902,246
Total deferred tax asset provided	1,349,069	1,670,553
Provisions at the start of the year	1,670,553	1,358,001
Deferred tax reversal / (charge) for the year	321,484	(312,552)
Recognised deferred tax asset in Wave Telecom Ltd. at the end of the year	**1,349,069**	**1,670,553**

6 Taxation (continued)

Provisions for liabilities and charges - deferred taxation

	2008 £	2007 £
Accelerated capital allowances	2,273,648	3,622,716
Other short-term timing differences	(1,151,800)	350,200
Total deferred tax liability provided	1,121,848	3,972,916
Provision at the start of the year	3,622,716	2,599,122
Deferred tax charged in profit and loss account for the year	(1,349,068)	1,023,594
Provision at the end of the year	**2,273,648**	**3,622,716**
Deferred tax charged in Statement of Total Recognised Gains and Losses	(1,151,800)	350,200
Total provision at the end of the year	**1,121,848**	**3,972,916**

7 Dividends

	2008 £	2007 £
Equity		
2007 / 2006 Final Ordinary Dividend	3,625,000	3,568,000
Interim Dividend	3,085,000	3,085,000
	6,710,000	6,653,000

The proposed final dividend to be paid to its shareholder was agreed by the JT Group Board on 5th June 2009 at an amount of £3,625,000.

8 Operating leases

Payments within the year on non-cancellable operating leases amounted to £623,550 (2007: £548,869).

	2008 £	2007 £
Expiry Date		
Within 1 year	29,800	-
After 5 years	593,750	548,869
	623,550	548,869

These leases are in respect of the following buildings: Grenville Street (expires December 2023), 24 High Street (expires July 2020), 38 Commercial Arcade (expires January 2015), St Georges (expires April 2010).

9 Tangible fixed assets

	Total £
Cost	
At 1 January 2008	168,426,014
Additions	20,284,375
Disposals	(2,398,993)
At 31 December 2008	186,311,396
Accumulated depreciation	
At 1 January 2008	98,344,558
Charge for the year	11,106,030
Disposals	(2,313,412)
At 31 December 2008	107,137,176
Net book value	
At 31 December 2007	70,081,456
Net book value	
At 31 December 2008	79,174,220

10 Investments

	2008 £	2007 £
Holdings in private limited companies	10,000	10,000

This investment relates to shares in the software company called Cerillion Technologies Ltd, a company registered in England and Wales. As the above holdings represent less than 10% of the issued share capital of these investments the Directors do not believe this is material to warrant further disclosure. In addition, the Group has 100 ordinary shares (3.3% holding) in Pay Offshore Limited, which is a provider of on-line payment solutions. This investment was fully provided for in 2000 at a cost of £50,000.

11 Stock

	2008 £	2007 £
Work in progress	86,387	186,907
Finished products	2,141,628	2,345,567
	2,228,015	2,532,474

12 Debtors

	2008 £	2007 £
Trade debtors	12,403,384	13,030,163
Prepayments and accrued income	1,928,041	2,072,053
	14,331,425	15,102,216

All debtors are due within one year

13 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade creditors	5,632,503	6,235,487
Other creditors and accrued expenses	3,384,199	2,379,187
Deferred income – rentals in advance	3,903,497	3,606,319
– prepaid top up cards	1,293,895	1,221,153
	14,214,094	13,442,146
Taxation	2,898,056	3,639,092
Deficit in 'Public Employees Contributory Retirement Scheme' sub fund	4,202,000	-
Deficit in 'Telecommunications Board Pension Scheme'	478,400	555,200
	21,792,550	17,636,438

14 Creditors: amounts falling due after more than one year

	2008 £	2007 £
Taxation	-	353,289
9% Cumulative preference shares	20,000,000	20,000,000
	20,000,000	20,353,289

The 9% cumulative preference shares have rights to a cumulative preference dividend at the rate of 9% per annum, in preference to the payment of dividends on any other class of shares. In the case of winding up, these shares have the right in priority to all other shares of the company to repayment of capital, but with no further rights to participate in profits or assets. These preference shares have the right on a poll to one vote in respect of every ten cumulative preference shares held, provided that in the event of the fixed preference dividend being unpaid for a period of five years or in the case of a winding up of the company, the holders shall on a poll be entitled to one vote for every share held.

15 Share capital

	2008 £	2007 £
Authorised, issued and fully paid		
Ordinary shares at £1 each - Equity	20,000,000	20,000,000

Ordinary shares carry a voting right of 1 vote for each share held.

16 Reconciliation of movements in reserves

	2008 £	2007 £
At 1 January	**45,398,902**	**37,606,222**
Retained profit for the year after dividends	3,635,734	4,251,580
Actuarial (loss) / gain	(7,584,000)	3,891,300
Adjustment on deferred taxation on actuarial loss / (gain)	1,502,000	(350,200)
At 31 December	**42,952,636**	**45,398,902**

17 Pensions

Employees of Jersey Telecom Group Ltd are members of either the Public Employees Contributory Retirement Scheme (PECRS), the Telecommunications Board Pension Scheme or Norwich Union Executive Pension Plan.

Public Employees Contributory Retirement Scheme (PECRS)

PECRS is a contributory defined benefit scheme and is funded in accordance with the recommendations of an actuary. The figures shown in these notes are in respect of the assets and liabilities attributable to the employees of Jersey Telecom Limited who are active members of PECRS.

The latest actuarial valuation of PECRS took place on 31 December 2007. Jersey Telecom Limited has participated in PECRS as an Admitted Body since 1 January 2003. A terms of Participation Document, dated 10 May 2007, describes how the contributions to and assets of Jersey Telecom Limited's notional sub-fund are to be determined. The employer currently pays contributions of 11.72% of PECRS members' salaries

The Telecommunications Board Pension Scheme

The Telecommunications Board Pension Scheme (TBPS) is a contributory defined benefit scheme and is funded in accordance with the recommendations of an actuary. The valuation used for FRS 17 'Retirement Benefits' disclosures of the TBPS has been based on full assessments of liabilities of the scheme as at 31 December 2007 and 31 December 2008. The present values of the defined benefit obligation and the related current service were measured using the projected unit method. The employer currently pays contributions of 9% of the one active TBPS member's pensionable salary.

Norwich Union Executive Pension Plan.

Employees of Wave Telecom Limited participate in the Norwich Union Executive Pension Plan (NUEPP), a funded defined contribution scheme. The employer currently pays contributions at 6% of members' salaries. There was a pre-payment of £5k in respect of contributions for 2009 as at 31 December 2008.

17 Pensions (continued)

Public Employees Contributory Retirement Scheme (PECRS)

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the PECRS for FRS 17 purposes were:

	31 December 2008 % pa	31 December 2007 % pa
Discount rate for scheme liabilities	6.0	5.8
General long-term increase in salaries	4.4	4.7
Rate of increase to pensions in payment	3.1	3.4
UK inflation rate	3.1	3.4

Expected return on assets at 31 December:

	£'000	2008 Expected return	£'000	2007 Expected return
Equities	26,472	7.6%	45,796	7.6%
Property	724	6.6%	589	6.6%
Corporate bonds	11,717	5.5%	-	5.8%
Other	1,282	2.5%	398	5.9%
Combined	40,195	6.8%*	46,783	7.6%*

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

Reconciliation of funded status to balance sheet at 31 December

	Value at 31 December 2008 £'000	Value at 31 December 2007 £'000
Fair value of assets	40,195	46,783
Present value of funded defined benefit obligations	(45,430)	(44,338)
Deferred taxation	1,033	(489)
(Liability) / asset recognised on the balance sheet	(4,202)	1,956

17 Pensions (continued)

Analysis of profit and loss charge during the year 31 December:

	2008	2007
	£'000	£'000
Current service cost	2,804	2,976
Past service charge	-	-
Interest cost	2,646	2,234
Expected return on assets	(3,472)	(2,778)
Expense recognised in profit & loss	1,978	2,432

Changes to the present value of the defined benefit obligation during the year 31 December:

	2008	2007
	£'000	£'000
Opening defined benefit obligation	44,338	42,504
Current service charge	2,804	2,976
Interest cost	2,646	2,234
Contributions by participants	885	838
Actuarial (gains) / losses on liabilities*	(4,133)	(3,022)
Net benefits paid out	(1,110)	(1,192)
Closing defined benefit obligation	45,430	44,338

*includes changes to the actuarial assumptions

Changes to the fair value of assets during the year 31 December:

	2008	2007
	£'000	£'000
Opening fair value of assets	46,783	41,149
Adjustment to prior year	(74)	-
Expected return on assets	3,472	2,778
Actuarial gains / (losses) on assets	(11,716)	1,363
Contriburtions by the employer	1,955	1,847
Contributions by participants	885	838
Net benefits paid out	(1,110)	(1,192)
Closing fair value of assets	40,195	46,783

17 Pensions (continued)

Actual return on assets during the year 31 December:

	2008 £'000	2007 £'000
Expected return on assets	3,472	2,778
Actuarial (loss) / gain on assets	(11,716)	1,363
Net return	(8,244)	4,141

Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL) during the year to 31 December are:

	2008 £'000	2007 £'000
Total actuarial (losses) / gains	(7,584)	3,891
Total (loss) / gain recognised in STRGL	(7,584)	3,891

History of asset values, define benefit obligation and surplus / deficit:

	2008 £'000	2007 £'000
Fair value of assets	40,195	46,783
Defined benefit obligation	(45,430)	(44,338)
(Deficit) / surplus	(5,235)	2,445

The history of experience gains and losses during the year to 31 December are:

	2008 £'000	2007 £'000	2006 £'000	2005 £'000	2004 £'000
Experience gains / (losses) on assets:	(11,716)	1,363	(2,580)	5,127	1,112
Experience (losses) / gains on liabilities:*	(1,125)	(823)	1,667	2,073	2,559

* This item consists of (losses) / gains in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions plan.

17 Pensions (continued)

Telecommunications Board Pension Scheme.

The principal assumptions used by the independent qualified actuaries in updating the latest valuations of the PECRS for FRS 17 purposes were:

	31 December 2008 % pa	31 December 2007 % pa
Discount rate for scheme liabilities	6.0	5.8
General long-term increase in salaries	4.4	4.7
Rate of increase to pensions in payment	3.1	3.4
UK inflation rate	3.1	3.4

Expected return on assets at 31 December:

	£'000	2008 Expected return	£'000	2007 Expected return
Equities	n/a	n/a	n/a	n/a
Property	n/a	n/a	n/a	n/a
Fixed interest bonds	n/a	n/a	n/a	n/a
Index linked bonds	n/a	n/a	n/a	n/a
Other	68	2.5%	74	5.9%
Combined	68	2.5%*	74	5.9%

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

Reconciliation of funded status to balance sheet:

	Value at £'000	Value at £'000
Fair value of assets	68	74
Present value of funded defined benefit obligations	(666)	(768)
Liability recognised on the balance sheet	(598)	(694)
Deferred tax credit	120	139
Liability recognised on the balance sheet	(478)	(555)

17 Pensions (continued)

Analysis of profit and loss charge during the year 31 December:

	2008	2007
	£'000	£'000
Current service cost	11	10
Past service cost	-	-
Interest cost	44	41
Expected return on assets	(3)	7
Total operating charge	52	58

Changes to the present value of the defined benefit obligation during the year 31 December:

	2008	2007
	£'000	£'000
Opening defined benefit obligation	768	798
Current service charge	11	10
Interest cost	44	41
Contributions by participants	2	3
Actuarial (gains) on liabilities*	(146)	(68)
Net benefits paid out	(13)	(16)
Past service cost	-	-
Closing defined benefit obligation	666	768

*includes changes to the actuarial assumptions

Changes to the fair value of assets during the year 31 December:

	2008	2007
	£'000	£'000
Opening fair value of assets	74	87
Expected return on assets	3	(7)
Actuarial (losses) / gains on assets	(2)	3
Contriburtions by the employer	4	4
Contributions by participants	2	3
Net benefits paid out	(13)	(16)
Closing fair value of assets	68	74

17 Pensions (continued)

Actual return on assets during the year 31 December:

	2008	2007
	£'000	£'000
Expected return / (loss) on scheme assets	3	(7)
Actuarial (loss) / gain on assets	(2)	3
Actual return / (loss) on assets	1	(4)

Analysis of amount recognised in the Statement of Total Recognised Gains and Losses (STRGL) during the year to 31 December are:

	2008	2007
	£'000	£'000
Total actuarial gains	96	17
Total gain in STRGL	96	17

History of asset values, DBO and surplus / deficit*:

	2008	2007
	£'000	£'000
Fair value of assets	68	74
Defined benfit obligation	(666)	(768)
Deficit	(598)	(694)

The history of experience gains and losses during the year to 31 December are:

	2008	2007
	£'000	£'000
Difference between expected and actual return on scheme assets:	(2)	3
Experience gains on scheme liabilities	100	39

* This item consists of gains / (losses) in respect of liability experience only, and excludes any change in liabilities in respect of changes to the actuarial assumptions plan.

Notes to the financial statements for the year ended 31 December 2008

17 Pensions (continued)

Norwich Union Executive Pension Plan

Analysis of profit and loss charge during the year 31 December:

	2008 £'000	2007 £'000
Current service cost	71	67
Total operating charge	71	67

18 Cash flow statement analysis

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2008 £	2007 £
Operating profit	12,112,672	13,100,428
Add depreciation charges	11,106,030	11,564,809
Loss on disposal of fixed assets	51,816	155,270
Decrease in stock	304,459	81,294
Decrease increase in debtors	770,791	576,528
Increase in creditors	771,948	943,797
Net cash inflow from operating activities	25,117,716	26,422,126

(b) Analysis of changes in net debt

	1 Jan 2008 £	Cash flows £	31 Dec 2008 £
Cash at bank and in hand	15,658,646	(5,732,541)	9,926,105
Preference share-s	(20,000,000)	-	(20,000,000)
Total	(4,341,354)	(5,732,541)	(10,073,895)

Notes to the financial statements for the year ended 31 December 2008

19 Ultimate controlling party

The ultimate controlling party of the Jersey Telecom Group Limited is the States of Jersey.

20 Related party transactions

Under the terms of FRS 8 'Related Party Disclosure', the States of Jersey is considered to be a related party of the company. All commercial transactions between the parties are undertaken in the normal course of business and on an arm's length basis.

The following balances relating to the States of Jersey Departments are reflected in the financial statements.

	2008 £	2007 £
Turnover	2,991,995	2,997,470
Trade debtors	569,457	557,216
Operating expenses	287,483	442,089
Trade creditors	14,406	23,158

21 Principal subsidiary companies incorporated in the Channel Islands

Jersey Telecom Limited and Wave Telecom Limited are the only trading companies within the Jersey Telecom Group. The remaining subsidiaries hold fixed assets only, which are then used by the trading companies to provide telecommunication services.