Clear investment. Pure energy.

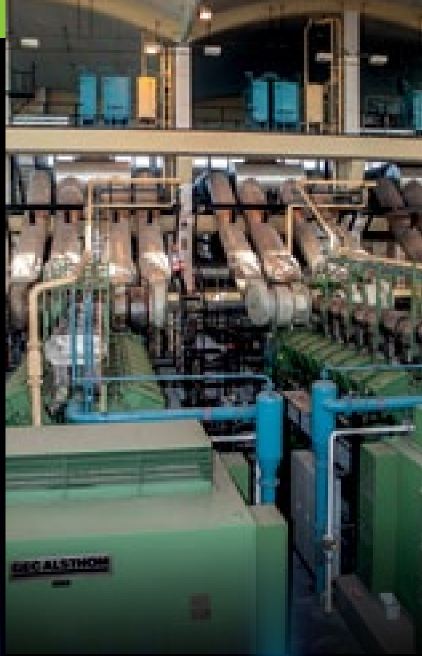
SUSTAINABLE ENERGY POWERING OUR FUTURE

REPORT AND ACCOUNTS 2013

Jersey Electricity

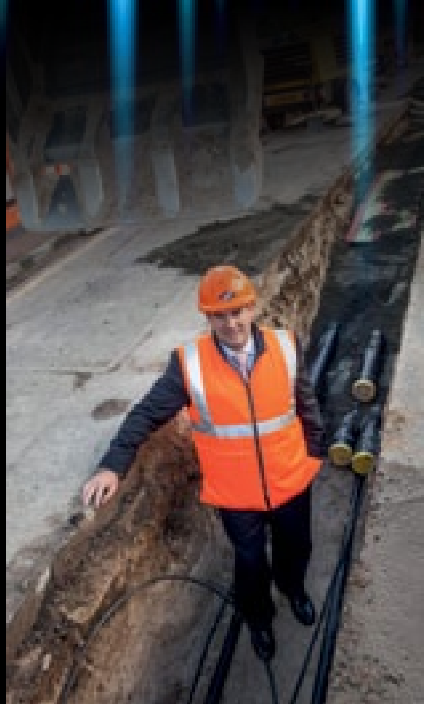
OUR YEAR
KEY ACHIEVEMENTS 2013

ON UPWARD RECOVERY TRAJECTORY
- Unit sales 663 million, up 4%
- Group Revenues £102m, up 5%
- Pre-tax profits £6.5m, up 14%



DIESEL GENERATORS INSTALLATION COMPLETE
- Two replacement 11MW Sulzer diesel generators fitted, with 8,700 new parts, before onset of severest part of winter
- Noise reduction enhancement complete

WORST SNOW STORM IN A GENERATION
- 55 incidents of overhead cable damage in 36 hours
- 206 customers across 11 parishes affected
- Supplies safely restored in atrocious conditions



NORMANDIE 3 PROGRESS
- £45m contract signed with Prysmian Group for cable manufacture and installation
- Jersey and French groundworks underway
- Submarine cable manufactured and tested
- Land cables manufactured
- £60m of finance raised

HEAT RECOVERY STEAM GENERATOR INSTALLED

- Makes use of diesels' exhaust gases
- Cuts costs
- Aid generation plant efficiency

GROUNDBREAKING CABLE MAINTENANCE DEAL

- £2m innovative Power Cable Maintenance Agreement (PCMA), through CIEG, with Visser Smit Marine Contracting
- Entire subsea cable repair system
- Vessels, fixtures, spare cables, storage
- Faster, more cost efficient response

CIEG AGREEMENT

- Signed important agreement on cost and power sharing of Normandie 3 with Channel Islands Electricity Grid (CIEG) partners Guernsey Electricity
- Foundation for second Jersey-Guernsey link
- Proposed new Normandie 1

FUEL OF CHOICE

- Won over 90% of new heating load for new developments

SECURITY AND RELIABILITY OF SUPPLY

- Just 13 average Customer Minutes Lost (CML)
- Around five times the reliability of UK network

ELECTRIC TRANSPORT MOVES UP A GEAR

- 14 public EV charging bays installed
- Launched EV owners' club Evolve

NEW SUPPLY AGREEMENT

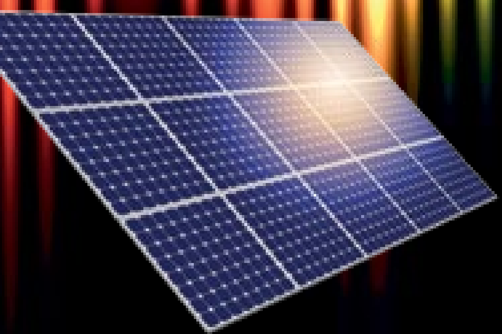
- New 10-year supply agreement with EDF guarantees all imports will be generated from low carbon sources
- 30% of imports already from hydro electric sources

SMART METER ROLL-OUT SCHEDULED

- Local Data Concentrators (LDCs) installed in all required substations
- Wide area network and GPRS being developed to communicate with LDCs
- Final testing of Meter Data Management warehouse
- Web-based customer interface, Smart Account ready for roll-out
- Smart Meter full roll-out 2014

NEW PAYMENT SYSTEMS

- 24/7 telephone bill payment system launched
- Self-help payments kiosks installed



40MW NEW SUBSTATION PURCHASE APPROVED

- Backing from States Ministers, Parish and Planning for siting of vital new primary substation in St. Helier to secure existing and new supplies after seven-year quest

LEADING WAY IN SMALL AND LARGE SCALE RENEWABLES

- Largest Photo Voltaic (PV) array in Channels Islands installed at Powerhouse HQ
- 3.2m wide x 37.5m long
- 76 separate panels
- Generated 15,000 units to date, more than expected
- First of two wind measuring systems installed offshore

TOP HEALTH AND SAFEY HONOUR

- Awarded British Safety Council prestigious Sword of Honour for Health and Safety excellence from Boardroom to shop floor

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS
Geoffrey Grime FCA (Chairman)
Clive Chaplin BA
Michael Liston OBE FREng, BSc, CEng, FIEE, CIMgt
John Stares BSc, FCA
Aaron Le Cornu BSc, ACA

EXECUTIVE DIRECTORS
Christopher Ambler BA, MEng, CDipAF, CEng, MIMechE, MBA (Chief Executive)
Martin Magee CA (Finance)
Richard Plaster FCIPD, CDir, MIOD (Commercial and Human Resources)

SECRETARY
Peter Routier BSc, FCIS

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

PLACE OF INCORPORATION
Jersey

AUDITOR
Deloitte LLP, 66-68 The Esplanade, St. Helier, Jersey

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

BROKERS
Canaccord Genuity Wealth Management,
38-39 The Esplanade, St. Helier, Jersey

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

CHAIRMAN'S STATEMENT

If 2011/ 2012 was spent responding to extraordinary challenges, 2012/ 2013 was spent delivering a foundation for recovery. The loss in June 2012 of the older of our two interconnectors to France before our long planned third submarine cable, Normandie 3, could be installed, led to a severe restriction in importation capacity into Jersey. This meant re-mobilising La Collette Power Station from an emergency standby facility to a 24/7 generation hub with its associated increase in costs. Mobilising staff and accelerating plant capacity upgrades required extra investment and tremendous focus by all concerned. As if this was not enough, the past winter saw the worst snow storms in a generation resulting in significant damage to our overhead network.

Regrettably, events left us little choice but to increase tariffs by an average 9% in January 2013. However, our tariffs remain very competitive with peer jurisdictions and well within our target of +/-10% of the European average. We responded positively to restore a good operational performance in our Energy business. Our supply reliability returned to a strong level of 13 minutes of lost supply for each customer per year, around five times better than the most recent figures in the UK. In addition, despite much heavier on-Island generation, we delivered power at 225g CO_2e / kWh, which is still lower than competing fuels such as LPG and oil. With a colder winter than the previous year, unit sales of electricity reached 663 million, up 4%. Unfortunately, we were unable to fully profit from this due to the relatively high cost of marginal on-Island generation.

The upgrade of La Collette on an accelerated time scale was a major achievement. We completed the installation and refurbishment of two used 11MW Sulzer diesel generators and re-commissioned other vital generation plant to create a combined extra 55MW of on-Island generating capacity, crucially before the onset of the severest part of winter. However, the main focus of our investment programme continued to be Normandie 3. Having obtained final planning consent from the French authorities in December 2012, we signed contracts worth £45m with the Italian group, Prysmian on 19 February 2013 for the supply and installation of the 35km, 100MW submarine cable and 7km, Jersey land cable, related network components and specialist civil works.

Jersey groundworks began in March 2013 and are progressing well. The project to lay 19km of French land cable started in September 2013 and is due for completion at the end of 2014. The task of laying the submarine cable section will begin next spring, with final integration and commissioning of the whole system in 2015.

We signed an immensely important agreement with Guernsey Electricity in May that marked the next phase of our 50/50 joint venture, Channel Islands Electricity Grid (CIEG). The agreement sets out the terms of investment in and access to Normandie 3, as well as provision and terms for a replacement cable over the same route as the failed Jersey-France interconnector, a second Guernsey-Jersey link and a direct link from Guernsey to France.

The CIEG also developed and completed an entire subsea cable repair system, comprising contracts, vessels, fixtures, spare cables and storage facilities with Visser and Smit Marine Contracting (VSMC) in a £2m deal. We concluded the year with another important agreement reached for the purchase of a new primary substation in the west of St. Helier. This is vital to secure supplies to existing customers and meet load growth in the area. We expect works on this estimated £12m project to start in the New Year.

The Energy business delivered a profit of £4.4m, marginally higher than last year's £4.2m, from revenue this year of £82m. Our Building Services and Retail businesses continued to face challenging economic conditions, offset to some extent by our Property business which benefited from a favourable revaluation. This has led to a major but necessary restructuring of our Retail business that we hope will enable it to compete more effectively with on-line propositions. Jendev and Jersey Energy delivered at a level broadly in line with last year.

Overall Group turnover of £102m was 5% higher than 2011/12. Group pre-tax profits were up 14% on last year's £5.7m at £6.5m, or around 5% on a like-for-like operating basis for the combined Energy, Retail, Building Services and Property businesses. Importantly, although our return on assets of 4% is lower than our target of 6% - 7%, we have placed the business on a firm recovery trajectory, which will be completed with the commissioning of Normandie 3 in 2015. The Board of Directors is therefore recommending a final dividend of 6.80p to be paid on 28 March 2014.

Though we face another challenging winter, the achievements of this past year put us in a strong position of readiness and I would like to thank all staff and Board Members for their enormous efforts, dedication and loyalty in getting us to this position.

Geoffrey Grime
Chairman
17 December 2013

CHIEF EXECUTIVE'S REVIEW

Having made good progress in delivering a plan off the back of last year's challenges, the overall performance of Jersey Electricity's Energy business this year was much as predicted. We expected that with last year's difficulties, we would focus on stabilising the business and putting in place a firm foundation for recovery – which we have done.

Given the loss of our first interconnector between Jersey and France last June and resultant reliance on on-Island generation, our priorities for the year were firstly to secure reliable electricity supplies into Jersey, with a particular focus on protecting the Island's financial and commercial district. We made exceptional progress with the installation of new diesel generating capacity as well as re-commissioning steam capacity and staffing up La Collette Power Station. The result was no major outages during this financial year and our customers only suffered an average 13 minutes loss of supply, around five times better than the performance of the UK network.

Our second priority was to accelerate our third submarine cable project, Normandie 3. Again, we made great advances with this major £70m capital project, securing final planning consents, arranging financing and placing tenders. We have completed the manufacture of the submarine cable and started the installation of the land cables in both Jersey and France. Major works will continue into next year and we remain on budget and on plan for final commissioning in 2015.

Given the failure of the Jersey-France interconnector and the re-mobilisation of La Collette, we put in motion an enhanced programme of oil hedging and increased physical deliveries. Due to the higher cost of on-Island generation, we implemented an average 9% tariff increase on 1 January 2013. While any tariff increase is regrettable, we are pleased that prices in Jersey remain extremely competitive against even larger European economies.

The winter brought one of the severest snow storms that Jersey has seen for a generation, bringing the Island to a standstill. The snow caused 55 separate incidents of overhead cable damage in a 36-hour period affecting supplies to 206 homes but our policy to remove overhead powerlines when practicable since the Great Storm of 1987 prevented more significant disruption. I was proud of an exceptional response from all our staff across the whole business to this incident. They demonstrated great team work, courage and commitment but with the highest focus on safe working.

Over the long term, we remain committed to delivering affordable, secure and sustainable electricity to customers and, despite shorter-term issues, we were able to make good progress across all these fronts. Our new, 10-year supply agreement with EDF, signed in 2011, that guarantees certified low carbon electricity, began in January. Despite some compromise this year given the heavier than usual mix of higher carbon, on-Island generation, the carbon intensity of electricity remains lower than competing fuels, preserving our competitive advantage on the sustainability agenda.

We also made good progress on a range of strategic initiatives, including those relating to Smart Metering, electric vehicles and customer care among many others, as well as responding to the Energy Policy Scrutiny Review and Energy Security of Supply Review.

Overall, our Non-energy business performance remains variable. Jersey Energy, Jendev and Property delivered good performances in challenging markets. Our Building Services and Retail businesses were profitable, but adversely impacted under the pressures of declining spend in the market, deferral of investment and intense competition. Renewed focus will be directed towards these businesses next year and we have already commenced a necessary restructuring process of Retail which will lead to a more streamlined and cost effective operation in coming years.

Overall, financial performance showed Group revenues of £102m, an increase of 5%, with pre-tax profits up 14% from £5.7m to £6.5m. Our Energy business increased its revenues by 13% to £82m off the back of higher unit sales and the tariff increase. Profit in Energy increased 4% to £4.4m, with return on assets at 4%, shy of our target of 6%-7% but well placed for improvement next year. We remain committed to delivering a phased, upward recovery trajectory that will be completed once our third interconnector, Normandie 3, comes into service in 2015.

GROUP PURPOSE

This year we took the opportunity to review and reconsider our existing purpose, vision and values and re-craft them in a way that is more meaningful to all staff across all business areas. We established a team of senior staff from across the organisation to discuss and debate issues and opportunities for our business to sharpen our perspective on four questions:

- Why do we exist?
- What do we mean by sustainable?
- Where are we going?
- How should we work together?

This renewed vision is now being cascaded, discussed and debated down the organisation. We hope this will lead to a sharper understanding of our vision as a business, how each of us can contribute to that vision, and how we should work together to achieve our aims.

Our purpose: Why do we exist?

Jersey Electricity has been serving our community for 90 years. We are proud of our role in providing safe, clean energy and services to sustain day-to-day life and economic growth. But the energy we use today must be sustainable so future generations are able to meet their needs, too. With our role, therefore, comes huge responsibility. We are committed to the long term and strive to meet the challenges this brings.

Our purpose is to deliver 'sustainable' energy to enable our community and ensure a positive legacy for future generations.

What does 'sustainable' mean?

- People – caring, serving, employing
- Environment – being green
- Profit – profit powers investment
- Security – keeping the lights on
- Economy – value for money

Our vision: Where are we going?

Our future is exciting. Energy markets are changing. Customer needs are changing. New innovation, new technologies and new applications are emerging. All this will lead to new opportunities for Jersey Electricity across all areas of the business.

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

- *Growing our share of the energy market*
- *Building our position in energy services and solutions, and related products*
- *Enhancing our energy infrastructure for a 'smart' future*
- *Strengthening our relationships with our customers*

We have real assets: highly flexible and very capable people; a respected, well known and trusted brand and a well-established, reliable infrastructure in which we continue to invest. Our challenge is to take this vision, leverage our strengths and assets, and develop new opportunities that fulfil our purpose.

Our values: How will we work together?

Our six values describe the cultural standards and expectations for how we work together. We believe it is crucial for all staff to understand what is expected of them, and these values help communicate this.

Safety - *We do everything safely and responsibly or not at all - nothing is more important than the safety of the public, our customers and our staff.*

Customer focus - *We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty.*

Teamwork - *We respect and value our colleagues as individuals and we believe we are stronger as a team, leading to better solutions and a more enjoyable and rewarding work life.*

Responsibility - *We accept responsibility for everything we say and do, safegaurding the natural environment and the local community, as well as the interests of all our customers, shareholders and staff.*

Excellence - *We strive to work in a way that's both effective and efficient, continuously improving everything we do - innovating where we can but keeping things simple.*

Reliability - *We are trustworthy, dependable and reliable, delivering on our commitments and always there when you need us.*

Our priorities

- Deliver Normandie 3 *capital investment* on time and to budget
- *Grow share* of energy market via fuel switch from competing fuels and new build
- Design *Smart Switch solution*, prepare for and commence rollout
- Re-focus business around *services and solutions.*
- Deliver St. Helier West *investment*
- Manage operational and financial *risks*
- Develop (with Guernsey Electricity) future Channel Islands grid

ENERGY GROWTH

Electricity continues to buck the downward trend in domestic energy consumption, with demand in Jersey continuing to grow in spite of the increased awareness to save energy and conserve resources. Our unit sales are up 4% year on year, although some of this is explained by the very mild winter we had in 2011/12 compared with 2012/13. Nevertheless, for the moment, this continues a trend that saw demand rise by almost 50% between 1991 and 2011 – the year the latest States of Jersey 'Energy Trends' report was published.

The report showed electricity comprised 38% of Jersey's total final energy consumption, an increase of 7% on 2008. This change was largely driven by the increase in electricity used for heating. Excluding transport, almost half the final energy consumed in Jersey is distributed through our electricity grid. Transport is the last major untapped energy market for electricity, and with the tremendous improvement in technologies, is one that is already showing signs of positive development.

Companies such as Jersey Post and the Channel Islands Co-operative Society have now followed the States of Jersey lead in beginning to electrify their commercial fleets. We have completed the first phase of installing public electric vehicle (EV) charging infrastructure and, as the price of EVs falls, private interest is on the increase. We are now beginning to receive requests for home charging installations. We are confident that over the long term, demand for low carbon electricity will continue to grow albeit at a slower rate.

At the end of 2012, the States of Jersey published its draft Pathway 2050: An Energy Plan for Jersey that sets a target of an 80% reduction in overall carbon emissions from 1990 levels by 2050. This could only realistically be achieved by displacing fossil fuel energy use in favour of low carbon, renewable sources. Smart Meters will also aid the 'demand management' aspirations of the Energy Plan and these devices are currently only available in Jersey for use with electricity supplies, albeit for the moment on a trial basis.

"We are confident that over the long term, demand for low carbon electricity will continue to grow"

We expect and are beginning to see additional pressure on electricity demand as a result of energy efficiency measures. As a responsible energy supplier we encourage our customers to use our product efficiently. However, we are working hard to ensure that any lost demand is more than compensated by fuel switching customers from fossil fuels.

We hope that with continued developments in home automation and heating technologies used in conjunction with our off peak tariffs, we will be able to access a larger portion of the domestic heating market.

2013 versus 2012

Our unit sales of 663 million for the financial year were 4% up on the previous year's 637 million units due to a combination of the temperatures being below the seasonal norm this winter and the corresponding period last year being particularly mild. The total number of customers on supply at year-end was 48,623, an increase of 171 on last year.

This winter brought the severest weather we have witnessed in Jersey for a generation, with snow storms bringing the Island to almost a standstill for two days in March. Despite this, our peak load for the year was 155MW, recorded at 9.30pm on 28 February, but remained below the all-time record of 161MW on 2 February 2012.

Fuel of choice for developers

Developers continue to choose electricity. Although the total number of new developments has reduced significantly this year with the economic slowdown, our share of new heating remains high. Electric heating options are flexible, easy and relatively low cost to install, clean and safe. Electricity is generally the preferred fuel for new efficient building designs – and of significance to all customers, electricity remains very competitively priced in Jersey compared with other jurisdictions and competing fuels.

Fuel of choice for the States

Our Building Services business this year completed the final 100 of the initial campaign to fuel switch 1,800 States tenanted homes from fossil fuel to all electric. We are now working with the States on proposals to fuel switch several of their larger commercial buildings.

We have continued our growth initiative to encourage the use of high efficiency, lower cost off-peak heating across all our customer base. This, in turn, helps to reduce peak electricity loads, which is a significant driver of infrastructure costs. Our discounted tariffs such as Comfort Heat, Economy 7 and Economy 20, originally introduced to give households flexible lower cost alternatives to fossil fuels, continue to be popular. Customers on these tariffs increased by over 3% to 15,751.


MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

In our annual customer survey of businesses and residences in Jersey, price has unsurprisingly featured as by far the most important factor to customers. This year is no different, with customers ascribing around 80 of 100 points to price related factors across all attributes.

The loss of importation capacity last year and our current dependence on a higher proportion of more costly on-Island generation is a strong endorsement of Jersey Electricity's long-term importation strategy. Depending on time of consumption and commodity prices, locally generated power is presently up to 50% more expensive than imported power. We have therefore been keen to maximise the utilisation of our sole remaining interconnector without compromising its long-term condition.

During the year we successfully imported around 75% of Jersey's total demand, down from the usual levels of 95% but still a comfortable majority. Maximising asset utilisation and generating locally for peak lopping only have enabled us to limit any cost increase as far as possible.

The increased consumption of oil has led the business to focus on a new commodity, heavy fuel oil, to ensure the risks around market price volatility and physical supply are properly managed. We have seen crude oil prices move between \$98 and \$119/bbl and one of our early tasks for the financial year was to put in place a programme of oil hedging as well as a renewed scrutiny on generation efficiencies to maximise yield. I am pleased that we again placed hedges for the 2013/14 winter period during the financial year to substantially cover our oil price exposure for the coming year.
I am delighted that our engineering staff have also improved oil usage efficiencies via a heat recover system for our new diesel engines and we are taking other steps to maximise generation efficiencies.

ELECTRICITY PRICE RISE COMPARISON

Scottish Power	+10.0%	+7.0%	+9%	-3.1%
SSE	+11.0%	+9.0%	+8.2%	
British Gas	+16.0%	+6.0%	+10.4%	-3.2%
Npower	+7.2%	+9.1%	+9.3%	
Eon	+11.0%	+7.7%		+3.7%
EDF	+7.5%/-4.5%	+10.8%		+3.9%
Jersey Electricity		2.9%	9.5%	
	2011	2012	2013	2014

The heavier use of La Collette Power Station has also led to increased spend on operations, maintenance and repair. While this has had an impact on our generation cost structure, it is relatively immaterial yet essential for maintaining supplies, and reliability is so important to our future reputation. Our decision to install two diesel sets, which are identical in model to the two existing units, has also helped us manage maintenance and spares more efficiently as well as enabling more operational flexibility.

With many countries in Europe in recession, wholesale power prices there have been stable and low but promise to bounce back on the emergence of an economic recovery. We continued our normal programme of power and foreign exchange hedges, and sterling-denominated supply is well hedged over the next two to three years. In line with our hedging policy, we are taking advantage of lower power prices in Europe from which we expect to benefit once importation capacity is restored.

We regret the need to have increased average power prices by 9% from 1 January 2013 to cover the increased costs of generating power from oil. This was our first above-RPI rise for four years and pleasingly it still means that Jersey has one of the lowest cost electricity supplies across European islands and is comfortably within our target of being within +/-10% of the EU average. With a flurry of energy price increases in the UK, our prices compare very favourably with even the larger jurisdictions that boast competitive and/or regulated markets.

Predicting future prices is particularly difficult. For the moment, we are highly reliant on expensive oil and the higher operating costs of generation from it. We will continue to monitor the situation closely and will be taking a flexible approach to pricing over the next 12 to18 months.

March's snow storms brought 55 separate incidents of overhead power cable damage in 36 hours, affecting over 200 customers across 11 of Jersey's 12 parishes. Our restoration teams did a magnificent job to restore supplies in often atrocious and hazardous conditions, working from before dawn until after 10pm until the last customer was back on supply.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Any power cut reminds Islanders of the importance of electricity and raises awareness of its widespread use. We satisfy around a third of the Island's energy requirements, so we focus a great deal on ensuring our infrastructure is securely designed and maintained.

We have defined what we believe to be the most appropriate security standard that is in the Island's best overall interest. Our challenge is to find and build the most cost effective network solutions for meeting that standard, recognising that this cannot guarantee continued supply.

During the year the States of Jersey started a review of the security of energy using a third party consultant and although the study is not complete, they have endorsed our security of supply standard and the investment activity that has been in place for some time.

Our average Customers Minutes Lost (CML) metric is the most important measure of our success in achieving reliability and security. CMLs are the total length of time supplies were interrupted during the year for each customer, on average. After a difficult year last year, I am delighted to report that this year we achieved an average of just 13 CMLs and the figure represents a tremendous achievement by our generation and restoration teams when we have been reliant on a single interconnector. It is also testament to our investment programme and the flexibility and determination of staff.

This financial year has seen no major Island-wide outages though the worst snow storms for 30 years in March affected some 200 customers supplied by overhead cables brought down in the blizzards. The response from our restoration teams was magnificent. They did a terrific job to restore supplies in often atrocious and hazardous conditions, working from before dawn until after 10pm on 55 incidents in 36 hours across 11 parishes. The first call came at 3am on Monday 11 March and by lunchtime Tuesday, with the weather worsening, 100 homes had power restored. A let up in the blizzard conditions and help from the parishes, Transport and Technical Services in clearing access and our tree cutters in clearing routes to the damaged cables, enabled engineers to forge ahead during the afternoon and evening, restoring power to all but 14 of 206 homes by nightfall. The remainder were re-connected the following day.

As infrastructure ages and demand for electricity increases, continued network reinforcement and replacement is crucial. We recognised a need to renew assets and reinforce our network serving the north, south and west of St. Helier as long ago as 2006 and have been trying to acquire a suitable site for a new primary substation since then. Without this substation, almost two thirds of St. Helier could be at serious risk with a resultant risk to today's economy. In addition, we have been unable to agree to any future new electricity connections for some time in the absence of a site with the obvious anxiety within the construction industry and future economy.


Artist's impression of the proposed St. Helier West new primary substation

Over the last two years this search has intensified. Jersey Electricity does not have compulsory purchase powers and unfortunately, for technical and safety reasons, we have been very restricted on where the substation could be located in order to fulfil its function. We looked at a shortlist of seven sites with the States of Jersey Planning Department, Property Holdings and Parish officials - none of which have been ideal and, of course, all of which involve some level of loss of amenity in return for reliable and secure electricity. Despite escalation of this issue to the highest levels of authority in Jersey, the need for the facility has been difficult for the Parish to accept and caused severe delays.

After a considerable effort, I am very pleased to report that finally we have now secured an agreement to purchase a site and work on this vital £12m new primary substation will commence early in the New Year and it should be in service in 2016.

JUST 13 AVERAGE CUSTOMER MINUTES LOST (CML)

SUPPLY SECURITY STANDARD

To meet Jersey Electricity's security standards, the system is designed to meet any one of:

- A one-in-eight year winter peak demand
- All normal load in the event of the loss of the single largest interconnector with France (N-1) plus a simultaneous failure of the largest:
  - o diesel generator; and
  - o gas turbine
- 75% of peak winter load for 48 hours from on-Island generation (no simultaneous loss of on-Island capacity)

Installation of our two refurbished 11MW Sulzer diesel generators was completed before the onset of the severest part of winter.

ELECTRICITY SOURCES 2012-2013

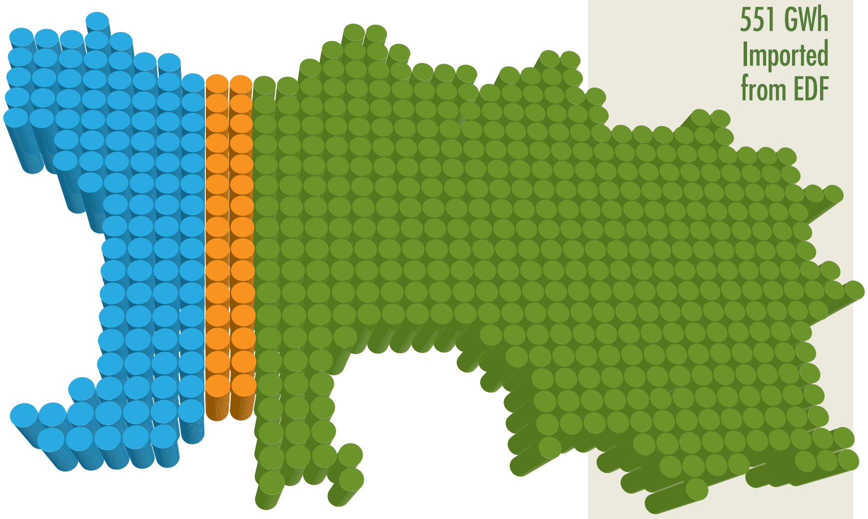
ELECTRICITY SOURCES IN %

+18.2%

Year	JE	EfW	Import
2008-09	6.6%	0.9%	92.5%
2009-10	5.9%	0.6%	93.5%
2010-11	1.8%	2.6%	95.6%
2011-12	2.5%	5.2%	92.3%
2012-13	20.7%	3.9%	75.4%

-1.3% 6.9%

147 GWh JE locally generated



28 GWh Generated by EfW plant

ORIGINS OF IMPORTED ELECTRICITY FROM EDF

Nuclear 66.7% ▼
Hydro 30.8% ▲
Other 2.5% ▼

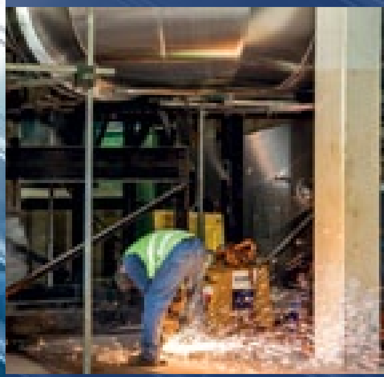
551 GWh Imported from EDF

Generation

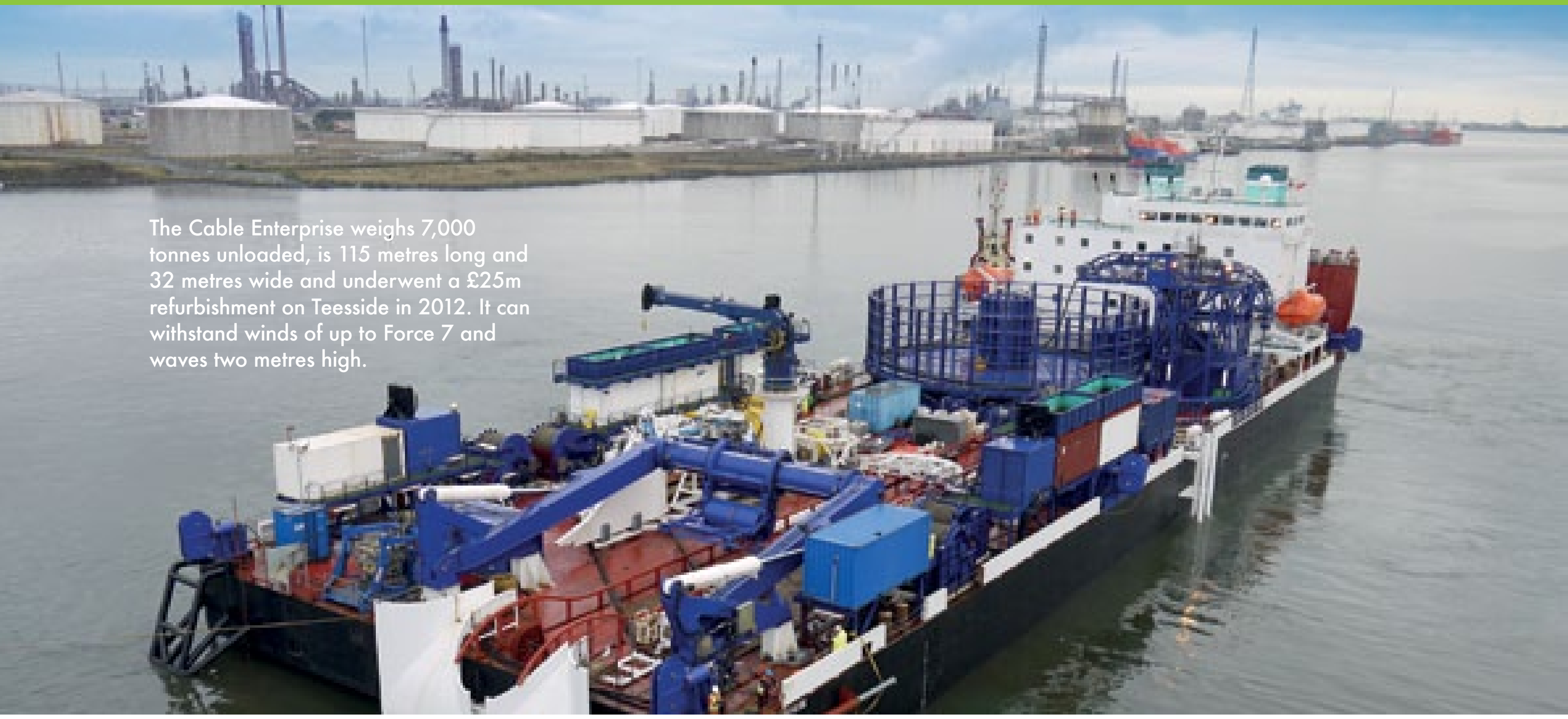
An important driver of supply continuity is having diverse forms of electric supplies available from on-Island generation. Our continued investment in the maintenance of La Collette Power Station as insurance against disruption to imported power supplies is therefore especially important. It is an investment in long-term security over short-term costs and which this year – more than any other since our first interconnector to France was installed in 1984 – has paid huge dividends in terms of supply security.

The £10m project to replace two decommissioned 5MW Mirrlees generators with two refurbished 11MW Sulzer diesel generators was well in process before we lost EDF1 last June. However, the programme was immediately accelerated along with a major upgrade of various other generation assets, including 30MW of previously moth-balled steam generation and an associated generator transformer, to create an extra 55MW of on-Island electrical generation capacity before the onset of the severest part of winter.

These accelerated plant upgrades to a level necessary to provide even further capacity headroom over and above the Island's peak winter demand, and the mobilisation of staff required a huge effort and great flexibility by our own people as well as our Swiss contract partners MIE and our Madeiran sub-contractor Vapor Ilhas. The result was that in the first six months of this year we generated 31% of our electricity on-Island (compared with only 1% last year) and imported 66% of our requirements from France (down from 93% in 2012), with the balance coming from the Energy-from-Waste plant.

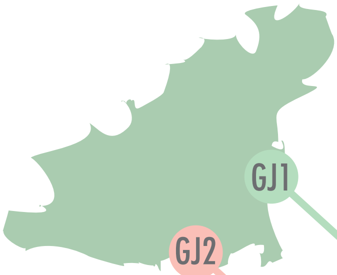


We have installed and commissioned a Heat Recovery Steam Generator (HRSG) that will substantially cut costs and aid plant efficiency. The HRSG, at 11 metres high and weighing 35 tonnes, recovers and uses the exhaust gases from the diesel engines to produce low pressure steam at 8.3bar and 177°C. This is used to heat heavy fuel oil to facilitate the combustion process in the boilers and saves us having to generate low pressure steam in an electrically powered 2MW boiler.



The Cable Enterprise weighs 7,000 tonnes unloaded, is 115 metres long and 32 metres wide and underwent a £25m refurbishment on Teesside in 2012. It can withstand winds of up to Force 7 and waves two metres high.

Normandie 3



Nine years after the Board sanctioned the initial evaluation of a third interconnector to France, known as Normandie 3, we finally placed the major contracts for this complex £70m project. We have made excellent progress in all areas and the overall project is presently on schedule for commissioning in 2015.

After an extensive and complex planning process involving 18 different authorities and parties in France, we finally received permissions from the Prefet de la Manche at the end of 2012, the essential precursor to commencing the tendering process. On 19 February we signed contracts with world leading, Italian cable systems specialists the Prysmian Group worth a combined £45m for the manufacture and installation of the 35km, 100MW submarine and adjoining Jersey-side 7km, 90,000 Volt land cable, related network components and specialist civil works.

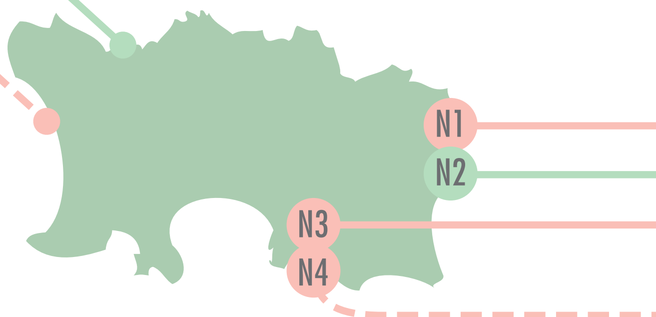
The cable, which will eventually form part of the Channel Islands Electricity Grid (CIEG), will take a more southerly route than our existing supply cable, Normandie 2, and will connect via underground cabling to a different, more resilient part of the French network to further enhance security and diversity of supply.

Normandie 3 will connect to a 400kV substation at Periers via 19km of land cable. It will enter the sea at Pirou Plage on the French coast and come ashore in Grouville Bay. From there, it will connect to the 90,000-Volt land cable carrying power to our £10m South Hill Switching Station, which was commissioned in 2011, ready for the connection.

The submarine cable has already been manufactured and tested at Prysmian's flagship Arco Felice plant, Naples. Its laying and burial will be performed by Prysmian's installation team that has particular expertise in offshore wind farm connections. In July, we confirmed that the Cable Enterprise will be used for the submarine installation scheduled to start in March 2014.

The land cable in Jersey is being installed by Prysmian UK who have sub-contracted the civil works to local contractors Jayen Ltd. Groundworks in Jersey started in March with initial trenching and duct laying using a method designed to minimise road disruption and ease future replacement. The land cable was manufactured in Gron, France, and will be delivered to Jersey in February 2014. The cable itself will be pulled into the ducts in March 2014, with completion of the works expected in May 2014.

As we go into 2014, our 90th anniversary, Jersey Electricity should be well positioned to complete this historic project which is key to delivering secure supplies of low carbon electricity into the Channel Islands for decades to come. It has been a long and arduous process to get here and my sincere thanks go to the team which has worked tirelessly to make it possible.



"As we go into 2014, our 90th anniversary, Jersey Electricity should be well positioned to complete this historic project which is key to delivering secure supplies of low carbon electricity into the Channel Islands for decades to come."

Main picture: Senior Project Engineer Jeremy Willis inspects the Normandie 3 groundworks.

While above: All systems are in place to connect the 100MW submarine cable after contracts for its manufacture and installation were signed with Prysmian Group in February.

“This important deal is another example of our close working partnership with Guernsey Electricity”

Transmission: CIEG-PCMA

The first ever cable fault on our 90kV Channel Island Electricity Grid (CIEG) network that occurred on a submarine section of the Guernsey-Jersey link (GJ1) in April 2012 brought into sharp focus the importance of a rapid response and repair on critical subsea cable assets. Both Island utilities recognised this long ago and, as partners in the CIEG, have for some years been working towards a more efficient and cost effective solution for repairing ‘low probability’ but ‘high impact’ submarine cable faults.

This year brought that solution into reality in the form of a ground breaking Power Cable Maintenance Agreement (PCMA) between the CIEG and Dutch cable installation specialist Visser and Smit Marine Contracting (VSMC). This development of an entire subsea cable repair system, comprising contracts, vessels, fixtures, spare cables and storage facilities has caught the interest of the wider power industry due to the growth in the installation of submarine cables, supporting offshore wind farms, and the high cost of their repair.

The £2m contract with VSMC includes the manufacture of cable pans to store spare lengths of our existing 90MW interconnector (1,400m), Normandie 2, and the existing 55MW GJ1 cable (1,700m). There is also provision of a turntable, loading arm and lifting frame to facilitate handling of the pans and cables.

The agreement also covers the provision of vessels necessary to carry out future repairs, agreed response times and pricing schedules for a number of scenarios following a fault or damage to a subsea cable so we know up front broadly what the costs and lead times would be.

The equipment and cables will be stored by VSMC in Dordrecht, Holland, allowing easy access and rapid mobilisation in the event they are required. Until now our repair cables have been stored with the original manufacturers ABB at Karlskrona, Sweden. However, Karlskrona is ‘snow bound’ for much of the winter, making access difficult. The improved accessibility of Dordrecht, coupled with having the cable already in the pan which can be lifted directly on to a turntable and barge, means it can be moved to a fault site much faster and far more cost effectively.

In August, the two pans weighing 40 tonnes each and measuring 17 metres in diameter set sail by barge from Holland, to Karlskrona to collect the spare cable lengths, from where they have been stored since Normandie 2 and GJ1 were installed in 2000, and bring them back to their new storage facility in Dordrecht. The CIEG intends to store spare lengths of any future submarine cables with VSMC in the same way. This includes Normandie 3, a potential new Normandie 1 cable to replace the first failed interconnector between Jersey and France, and an additional Guernsey-Jersey link, GJ2.

This important deal is another example of our close working partnership with Guernsey Electricity and a further enhancement to the significant benefits it has brought to both islands since the CIEG was formed 13 years ago.

Of immense significance to the Normandie 3 project was an agreement we signed in May with our CIEG partners Guernsey Electricity to share the cost and capacity of the cable.

This agreement enables Guernsey to also share the capacity of a potential new 100MW replacement Normandie 1 cable over the route of the original link which failed permanently in June 2012. In addition, it lays the foundation for a working partnership on a second Jersey-Guernsey cable link to enable increased power transfer between the islands.

Main picture and below: Operation Dordrecht as the pans and turntable move our spare cable lengths from Sweden to VSMC in Holland

smart account

Distribution

The general slowdown in the building trade has contributed to a 7% decrease in new connections and around a 20% reduction in switching operations on the prior year. This has allowed the Distribution team to concentrate on asset replacement and maintenance as well as network reinforcement projects.

Overall, we installed almost 7MVA of new transformer capacity, around 28km of new cable, four new substations, 15 refurbished substations and 795 new services. We maintained 166 substations and patrolled almost 16 KM of line. Substations under Jersey Electricity's management now number 731.

SmartSwitch

Our Smart Meter project has suffered some unavoidable delays due to supply issues with our chosen Liberty Smart Meter which directly resulted from delays with the UK's Smart Meter programme and the the release of technical standards. Although around 9,500 Horstmann Mainscom Smart Meters are already installed across our network, our meter supplier Secure has been unable to provide sufficient quantities of the new Liberty Smart Meter to facilitate adequate testing. Full roll-out of meter installation has now been rescheduled to commence mid-2014.

The other infrastructure elements of the project are progressing well and we now have Local Data Concentrators (LDC) installed in all required substations. We are continuing to install and develop our own wide area network to communicate with LDCs over the Distribution pilot cable network and fibre optic network. We have also developed a GPRS solution for communication to LDCs in conjunction with our partners, Horstmann and Airtel which we are rolling out.

The Meter Data Management (MDM) warehouse is undergoing final testing. Once complete, it will be able to take all the data provided by the new Liberty Smart Meter and receive the data from the existing Horstmann Mainscom Smart Meters. This system will enable Jersey Electricity to be one of the first utilities to accurately record consumption data and, crucially, use that data to more efficiently operate and maintain our network.

Working closely with Swiss Post Solutions, we have made good progress with our exciting web-based customer interface, Smart Account that will complement our Smart Metering infrastructure. This is near completion, with a two-stage roll out and trial expected early in the New Year. Although greatly enhanced by the connection of a Smart Meter, Smart Account offers non-Smart Metered customers e-billing and access to historical information about their electricity account.

Used in conjunction with a Smart Meter, Smart Account will enable customers to access and view their electricity consumption data, payment status, manage their account online and make informed decisions on how they can save energy. This integrated system promises to transform our metering and billing operations as well as create new opportunities to add more value to customers and, if delivered on time, it could well set the standard for many power utilities.

PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES

As a generator, distributor and supplier of power, our responsibility to the environment is three-fold: first, to act to reduce our impact on the drivers of climate change through our internal business activities, second, to reduce that of our customers by supplying them with low carbon power and, third, to help customers and the Island overall to use energy more efficiently.

January 2013 marked the first delivery of power under our new 10-year supply agreement with EDF that guarantees our imported electricity is generated exclusively from low carbon sources. Although our import capacity is currently limited, this deal will have a favourable impact on our carbon emissions and that of our customers long term, in line with our strategy.

This is evidenced already. From January to the end of this financial year just under 24% of our total imports of 551 GWh came from hydro-electric sources compared with a little over 4% last year. Just 1% came from fossil fuel generation compared with over 6% last year, and that remaining 1% was a legacy from the last three months of the previous supply contract.

Our average carbon emission level this year, the international measure of the carbon content of supplied energy, was 225g CO_2e / kWh, a predicted and inevitable rise on previous years but a temporary one reflecting limited importation capacity and therefore increased on-Island generation. Albeit higher than our usual standards, it remains lower than that of locally distributed fossil fuels.

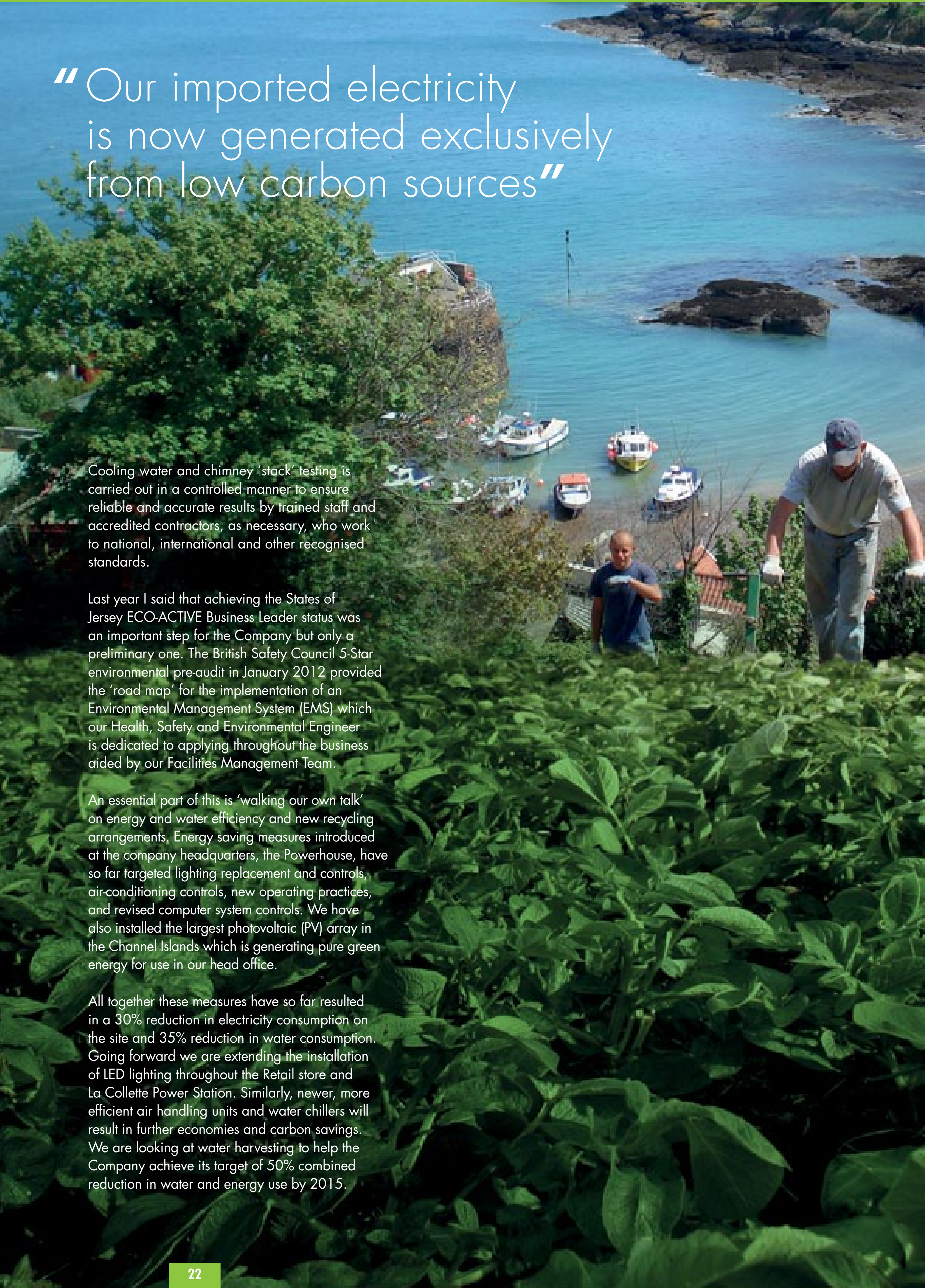
We strive to cut other emissions. EU environmental legislation is under constant review but we work to keep abreast of this as part of our ongoing commitment to environmental best practice. We work closely with the main European electricity industry group, Eurelectric, as well as other small island electricity companies, responding to changes in the EU legislation on Best Available Techniques For Power Stations. We seek to ensure a sensible, pragmatic, targeted approach to reducing emissions that not only meets legislation but goes beyond it, so respecting our unique and special island environment.

Voluntarily, we have begun reporting our Green House Gas Emissions in line with the requirements of the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. We are using the DEFRA 'Environmental Reporting Guidelines including mandatory greenhouse gas emissions reporting guidance June 2013' and our assessments are reviewed by an independent third party. The above regulations and reporting guidelines are also compatible with the Kyoto Protocol, which has six reportable Green House Gases;

- Carbon dioxide (CO2)
- Methane (CH4)
- Nitrous oxide (N2O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulphur hexafluoride (SF6)

The individual quantities of these emissions are converted into a carbon dioxide equivalent, the standard unit for benchmarking carbon footprints.

ECO-ACTIVE BUSINESS LEADER



"Our imported electricity is now generated exclusively from low carbon sources"

Cooling water and chimney 'stack' testing is carried out in a controlled manner to ensure reliable and accurate results by trained staff and accredited contractors, as necessary, who work to national, international and other recognised standards.

Last year I said that achieving the States of Jersey ECO-ACTIVE Business Leader status was an important step for the Company but only a preliminary one. The British Safety Council 5-Star environmental pre-audit in January 2012 provided the 'road map' for the implementation of an Environmental Management System (EMS) which our Health, Safety and Environmental Engineer is dedicated to applying throughout the business aided by our Facilities Management Team.

An essential part of this is 'walking our own talk' on energy and water efficiency and new recycling arrangements. Energy saving measures introduced at the company headquarters, the Powerhouse, have so far targeted lighting replacement and controls, air-conditioning controls, new operating practices, and revised computer system controls. We have also installed the largest photovoltaic (PV) array in the Channel Islands which is generating pure green energy for use in our head office.

All together these measures have so far resulted in a 30% reduction in electricity consumption on the site and 35% reduction in water consumption. Going forward we are extending the installation of LED lighting throughout the Retail store and La Collette Power Station. Similarly, newer, more efficient air handling units and water chillers will result in further economies and carbon savings. We are looking at water harvesting to help the Company achieve its target of 50% combined reduction in water and energy use by 2015.

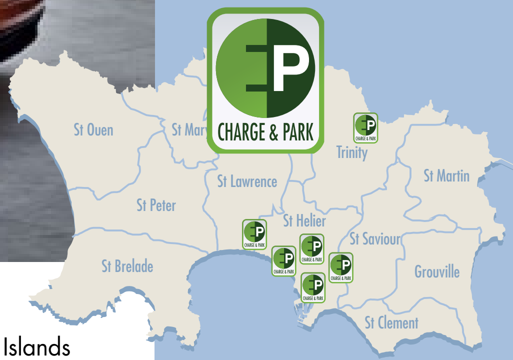
The all-electric BMW i3. 80-100 miles thanks to the high-voltage lithium ion battery.

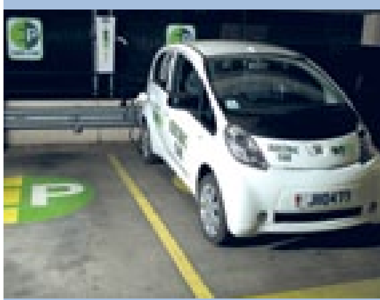
ELECTRIC TRANSPORTATION

GREEN LIGHT FOR EV CHARGING POINTS

Jersey Electricity has installed two dedicated EV charging points in the following St. Helier multi-storey car parks:

- Sand Street
- Pier Road
- Minden Place
- Green Street
- Patriotic Street





The chargers, manufactured by Rolec, can accommodate two cars in adjacent bays and deliver both a 16Amp and faster 32Amp charge.

We have long been committed to encouraging and facilitating electric transportation in Jersey. First, as the next major step to further reducing the Island's overall carbon emissions and second, as a potential new target for unit sales growth – importantly, a target that fits our ambition to flatten our load curve and exploit the availability of cheaper overnight power. While the growth in the use of electric vehicles is very much a long-term opportunity, we report good progress on putting in place the key enablers.

We finalised the specification of local connection standards for charging infrastructure and we established a suitable tariff, branding and marketing collateral. This included the launch of our electric vehicle (EV) owners' club Evolve, which provides access to electricity from public chargers, free installation of a home charger, or both, for a monthly fee. We are already seeing uptake of this as private EV ownership starts to increase.

In conjunction with the Minister for Transport and Technical Services, we opened the first of our new generation of public EV charging bays as part of a three-year trial. This was quickly followed by the installation of a network of public charging infrastructure across all five St. Helier multi-storey car parks, at which users can enjoy on-demand charging as well as half-price parking. We later installed four more charging bays at our own Powerhouse retail car park, making 14 new charging bays in total.

A growing number of fleet users are waking up to the economic and environmental benefits of EVs, especially those who see decarbonising transportation as a key corporate and social responsibility goal. The States of Jersey led the way last year with the acquisition of ten Peugeot iOns. This year, the Channel Islands Co-operative Society has introduced two iOns and Jersey Post is trialling two all-electric Renault Kangoo ZE vans.

We have continued to use four Mercedes Smart cars, an iOn, a Nissan Leaf and Kangoo ZE for our own fleet requirements and to actively promote the benefits of electric transport among the public, politicians and the Island's business community. And once again, there was great interest in our EV display at the Jersey International Motor Show in June, where we also showcased charging infrastructure, selected electric cars and a range of electric motor bikes.

The year also saw the price of EVs fall and more manufacturers launch new, increasingly efficient models, including the BMW i3, the VW e-Up and e-Golf and the electric Ford Focus. We remain confident that EV uptake will continue an upward trend in Jersey and that electric transportation remains an area of future growth.

RENEWABLES

At the end of 2012, during a Strategy Away Day, the Board came to a number of conclusions about the viability of large scale renewables in Jersey.

The Channel Islands, including Jersey, have huge quantities of offshore wind and tidal energy but this energy is costly and risky to access – both far higher than existing supplies of energy.

Given that electricity in Jersey is already low in carbon, the main drivers for any renewables development in the Island are security and diversity rather than environmental reasons.

Offshore wind represents a better opportunity for Jersey than tidal, the technology of which is still at an early stage and high in risk.

Financial support would be needed for any project to attract investors. It may be possible to secure support from larger EU economies given their 2020 legal targets of renewable energy but this opportunity may be time restricted and the prospects of accessing funding later may be more difficult. Our French neighbours are already progressing the 500MW St. Brieuc offshore wind farm development approximately 20km off the coast of Brittany. This will be visible from Jersey's coastline in any case, so the visual impact of any Jersey wind farm may be insignificant relative to the other community benefits.

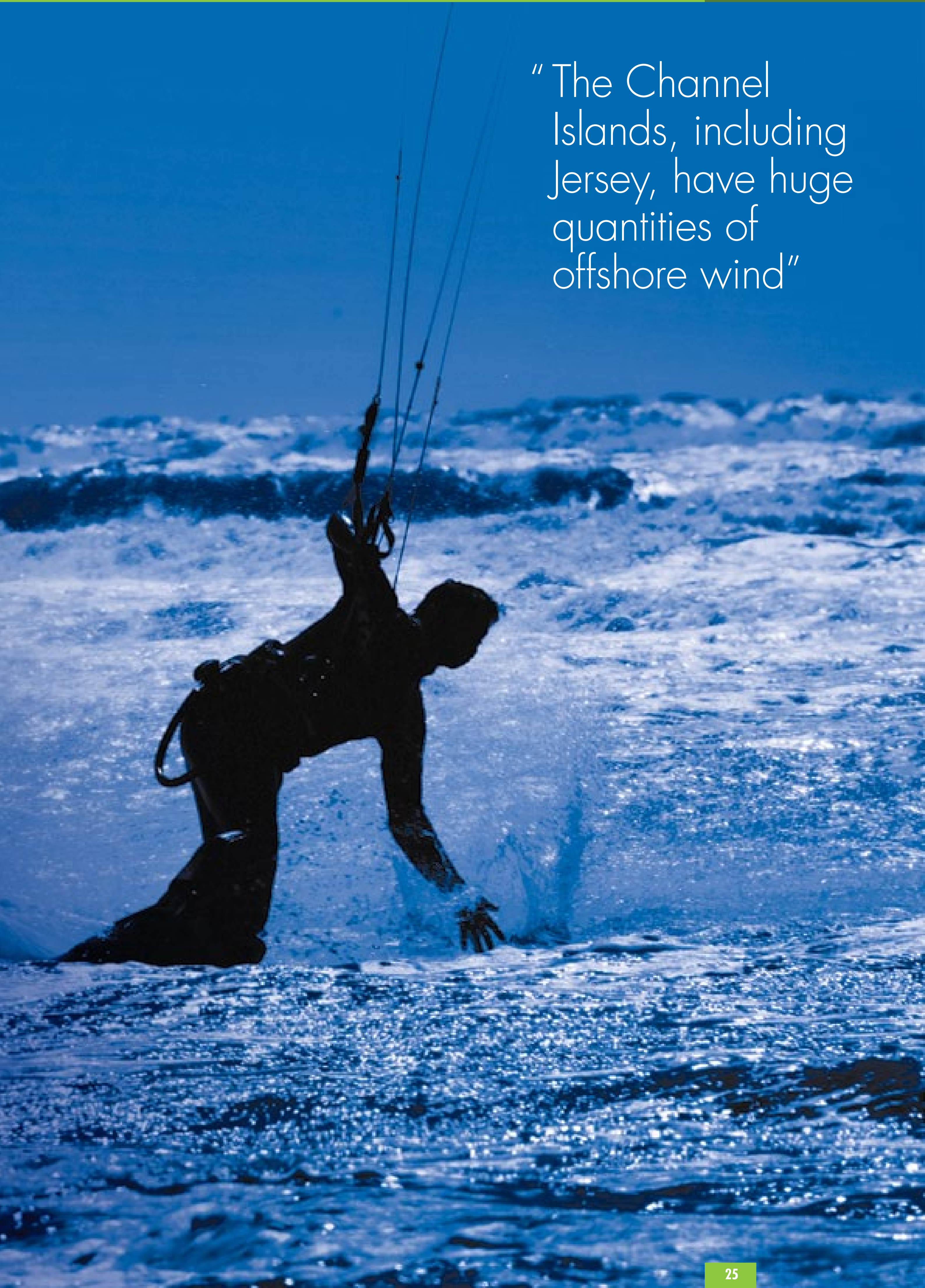
Jersey resources are located in shallow waters and relatively close to grid connections and currently planned French projects, making them an attractive proposition now but new, future technologies could quickly render them less commercially attractive.

The Board therefore deemed the levels of capital investment and incumbent risk associated with harnessing offshore wind energy too high for a small utility such as Jersey Electricity. However, the Company could still play an important role as facilitator and enabler, offering grid connections and other services. Most importantly, the opportunity of large-scale renewables could only be realistically addressed if we worked together with the States of Jersey.

We have now briefed a number of politicians and officers on our findings. While progress has been frustratingly slow, there is interest in moving forward together, although this is yet to be formalised.

We have conducted a number of studies and the States of Jersey is also progressing work streams to secure the seabed and explore funding options. However, a considerable amount of work remains to be done and a sense of urgency is needed from all parties if we are to prevent the initiative stalling and the opportunity being lost.

With any wind development, wind speed and its accurate measurement are key to determining the amount of energy that can be accessed. Jersey Electricity offered to support the States of Jersey by funding measuring equipment almost three years ago. After significant delays in planning, I am pleased to report that the first of two wind measurement systems has now been installed on the Ecrehous with a second unit to follow on the Minquiers. This project could help to clarify where the richest resource is located, how much energy could realistically be accessed and, therefore, could play an important role in mitigating investment risk.



"The Channel Islands, including Jersey, have huge quantities of offshore wind"

78%

OF OUR RESIDENTIAL CUSTOMERS
WERE EITHER SATISFIED OR VERY SATISFIED
WITH COMFORT LEVELS

70%

OF OUR RESIDENTIAL CUSTOMERS
WERE EITHER SATISFIED OR VERY SATISFIED
WITH CUSTOMER/TECHNICAL SUPPORT

CUSTOMER SERVICE STANDARDS

As the sole supplier of electricity in Jersey, meeting our customers' present and future needs - and being able to demonstrate this - is of crucial importance. Ultimately, we strive to achieve the optimal trade-off between energy affordability, security and environmental performance - widely referred to as the 'Energy Trilemma'. Our ambition is to align the decisions we make affecting these trade-offs as closely as possible with customers' needs.

Though we have a highly experienced, dedicated Customer Care Team, which handles the majority of customer enquiries, many other members of staff have contact with customers and other third parties. And, of course, we deal with internal customers, each other, on a daily basis. We have this year introduced a Customer Charter, setting out what customers can expect from their interactions with us. This Charter comprises a clearly defined set of promises and commitments which we expect all staff, across all business areas, to work to.

These include complaint handling and encouraging customer feedback through a variety of channels, including a new and easy-to-use page on our website. We have also reviewed our 'core business service standards', against which we have previously monitored performance in line with regulated utilities in the UK, to make them more robust and more relevant to the local conditions.

We have worked hard to encourage customers to use more cost effective channels in their dealings with us. This has led to increased uptake of Direct Debit and electronic billing. We continue to innovate to encourage customers to 'self-help' for their simpler dealings with us, freeing Customer Care staff to work on more complex issues and more vulnerable members of the community, while also reducing costs. A new telephone payment system and the installation of two automated payment kiosks do both these things while also reducing waiting times for customers.

Our new website launched at the end of last year provides a much improved interface, offering more help and advice on demand. It is part of our preparations for Smart Metering, with specific online customer information via the Smart Account. Smart Account will transform how we engage with our customers by providing instant access to a wide range of information about their energy use and enabling them to better manage their accounts. Smart Account will also complement the move to remote prepayment for Pay As You Go customers removing the need to leave home to charge up 'payment keys'.

We continue to use a specialist analytics company to undertake annual market research studies. We established these four years ago to set a baseline assessment of our offer to customers and provide insight on where and how we could improve our services. These studies also show us how we perform against alternative fuels and previous years.

Above top: Our campaign to encourage customers to pay by Direct Debit has resulted in almost 30,000 customers now paying by Direct Debit. Above bottom: Our new Customer Charter

Below: one of our new self-help kiosks for bill payments

Running costs

As previous years, of those surveyed, customers using electricity as their primary household heating source were the most satisfied with the running costs of their system *with 53% either 'satisfied' or 'very satisfied'*. This compares with 29% of gas heating users and 26% of oil users surveyed.

Satisfaction levels ('satisfied' or 'very satisfied') with regard to running costs of household heating systems of all three providers fell in 2012/13 from 2011/12 with more householders responding in a more neutral tone ('neither satisfied nor dissatisfied').

- 44% of gas heating users were 'dissatisfied' or 'very dissatisfied' with running costs in 2012/13 compared with 39% in 2011/12.
- 39% of oil heating users were 'dissatisfied' or 'very dissatisfied' with their running costs as compared with 44% a year ago.
- 20% of electricity heating users were either 'dissatisfied' or 'very dissatisfied' in 2012/13 as compared with 19% in 2011/12.

Comfort levels

There was no change in the number of residential customers who were satisfied with the comfort levels of their electric heating system, *with 78% indicating they were 'satisfied' or 'very satisfied'*.

Customer service and technical support

Similarly, there was little change in the number of residential customers who were satisfied with our overall customer service and technical support, with *70% 'satisfied' or 'very satisfied'*.

In the business sector, 51% of respondents said electricity was their primary source of energy. Running costs and price stability were the most determining attributes in ranking an 'ideal heating system'. I am delighted that for the second year in succession business customers with electricity heating *rank their existing system higher than customers with gas or oil heating* at 67%, 54% and 59% respectively.

COMMERCIAL BUSINESS

Building Services (JEBS)

Our Building Services business focuses on providing electrical and mechanical services, including public lighting, refrigeration and air conditioning, maintenance and small electrical works, to residential customers, businesses and public sector organisations. A key element to the services provided is the support to the Company's marketing initiatives where we actively market and install fuel switching options to our customers. This important initiative builds 'off peak' load for our Energy business by switching customers from fossil fuel heating and water heating systems to electric options. With close to 400 switches being completed in total this year, this initiative is helping to strengthen Jersey Electricity's overall energy position in the market.

In line with the general downturn seen in the construction sector and allied trades, the financial results have been disappointing. A focus on finding new markets where we can leverage our core skills is showing some signs of success, with work won for legionella and water quality testing, facilities management and energy efficiency services.

A project to significantly reduce the energy consumption of our main Powerhouse headquarters and retail site started at the beginning of the year. Designed to demonstrate the skills within the Building Services business and act as a practical demonstration for our customers, this work has already led to new work streams with some of our largest customers, to identify and install energy efficient working methods and technologies.

Retail

A weak economy and strong competition from internet traders has led to pressure on margins that have seen the local retail market continue its decline. Our own Retail business has not been immune and trading results are lower in real terms compared with previous years. Following a strategic review of the business we started a restructuring process towards the end of the financial year that will be completed in February 2014.

Floor space will be reduced by more than a third, enabling a UK tenant retailer to be brought to the site, significantly increasing footfall. Reducing staff numbers, changing terms of employment and further reorganisation will reduce costs significantly, enabling prices of our core products to match those in the UK (ie UK price less VAT plus GST).

Coupled with the launch of Powerhouse.je, our new online offering, with click and collect or next day delivery, the restructured business will be better placed to compete with our primary competitors. We are also working with local business groups and the States of Jersey to enable Sunday trading as a trial, which we believe is crucial to the long-term sustainability of Jersey's retail sector.

The success of our Building Services business in demonstrating energy efficiencies in our own HQ has led to new workstreams in Building Facilities and Energy Management from several of our large corporate and retail customers (left). This work involved the installation and maintenance of the latest energy efficient heating and lighting systems and controls (below).

Jendev

Business unit Jendev, our Microsoft® Certified Partner for Dynamics NAV, specialising in software configuration for small utilities, again achieved revenues of over £1m this financial year. The major project for Jersey Electricity continues to be the Smartswitch programme, with preparations being made for the roll out of Smart Meters and integration with Smart Account. This includes automation of the meter change out process, with data being transferred to and from hand held devices in the field. A data warehouse has also been developed to enable detailed analysis of electricity consumption at both the Island-wide level and for individual customers.

Jendev continue to provide their services to external clients in Guernsey, the Isle of Man and UK. In the last two years most of these clients have invested in upgrading their systems to the latest version of Microsoft Dynamics NAV, further demonstrating their long-term commitment to both the product and Jendev.

Jersey Energy

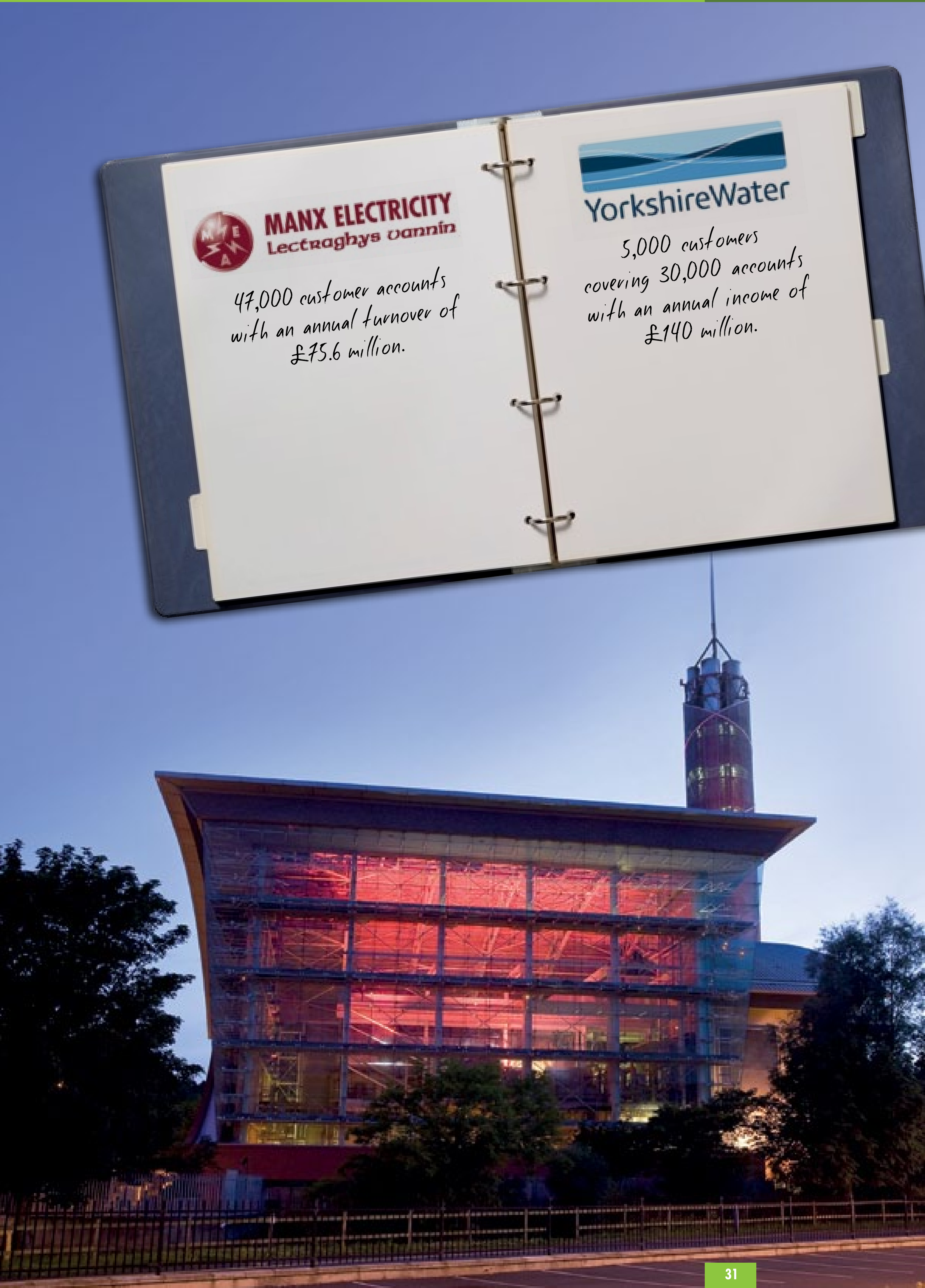
Jersey Energy and Channel Design Consultants (CDC) in Guernsey are business units of Jersey Electricity providing Building and Environmental Consultancy services to both private and public sectors in the Channel Islands, offering a wide range of professional design and impartial advisory services.

Jersey Energy and CDC have continued a strong year-on-year sales performance coupled with a healthy return on revenues in spite of difficult economic trading conditions within the construction sector of the Channel Islands. Performance has been underpinned by developing the range of commercial services offered, including thermal imaging, developing energy management (software) tools, to help clients manage their energy use and 3D modelling carried for a range of complex projects. The business continues to invest in training and technology to provide a wider range of professional services to its client base. It was successfully shortlisted by the Jersey Construction Council for the 'Insurance Corporation Consultant of the Year Award'.

The service range and its credibility in the market positions the business well for the future, however there remains considerable uncertainty in the Jersey and Guernsey economy as well as a continued threat from developers using off-Island advisers.

Property

Our Property business comprises the Powerhouse Retail Park, the largest 'out of St. Helier' retail space, as well as legacy residential property, originally built to house staff. This year our efforts have been focused on finding a tenant for the vacant retail space on the ground floor of the Powerhouse building, and I am pleased to be able to report that we are in advanced negotiations with a prospective tenant, a major established UK retailer, new to the Island. Profit arising from property income, excluding property revaluations, remained at £1.6m.


MANX ELECTRICITY
Lectraghys Vannin
47,000 customer accounts with an annual turnover of £75.6 million.
YorkshireWater
5,000 customers covering 30,000 accounts with an annual income of £140 million.

HEALTH AND SAFETY

Health and Safety Technician Milford Lee (left) conducts Health and Safety Induction Training with new recruits to Building Services

BRITISH SAFETY COUNCIL
Sword of Honour 2013 Winner

I am delighted to report zero Lost Time Accidents (LTAs) for the second year in succession. This is a remarkable achievement, considering the nature of our business, the significant and diverse operational changes and the hazardous conditions in which our teams operate.

By their nature, our business and its activities pose risks if they are not properly managed. The achievement of two years without an LTA is a credit, not only to the commitment of our Health and Safety Representatives and the Health and Safety Teams but to our entire staff across all business areas, for their care and diligence.

Our commitment to health and safety was further recognised in November by the award of the British Safety Council's prestigious Sword of Honour. This award is only open to organisations from around the world that have achieved the maximum Five Stars in the British Safety Council Audit programme, as we did last year, and is designed to celebrate and recognise health and safety management excellence. Recipients must demonstrate to an independent adjudication panel 'a culture of best practice for health, safety and welfare throughout the business from the boardroom to the shop floor'.

Our approach is to be flexible and 'risk based' in the assessment and implementation of health, safety and welfare considerations to minimise complacency and actively address changing situations and needs in the workplace. The Health and Safety Team also monitors key developments, legislation and best practice in areas relevant to us, taking guidance where necessary from the Health and Safety Inspectorate. The team works with senior management to develop strategies for addressing issues in a timely manner.

The Health and Safety Representatives are appointed 'champions' within operational teams and fulfil a crucial role in helping create the conditions and culture for safe working among all staff and contractors.

Every year we produce a health and safety plan that identifies our aims for the coming 12 months and determines how it will fit with our business objectives. Governance is provided by various health and safety committees and includes a forum for direct and unfettered communication between the Chief Executive and the Safety Representatives.

The mobilisation and upgrading of La Collette Power Station to full-time generation necessitated the deployment of over 50 contractors from Switzerland, Portugal and Madeira as well as the UK and Jersey. Deploying many non-English speaking contractors working in some cases under pressure, at height in a noisy and hot active power station environment presented significant challenges and risks. To mitigate the risks, our Safety Team introduced daily site inspections and we re-deployed one bi-lingual employee to act as translator in all matters relating to safety.

Over 50 staff have attended as many as 15 courses during the year. By training staff in proper processes, risk assessment and awareness, we can mitigate risks and eradicate injuries even at times of extreme activity as we have proved this year.

My thanks go to all staff but particularly our Safety Representatives for their commitment, passion and professionalism in helping Jersey Electricity create such a positive health and safety culture.

"Zero Lost Time Accidents (LTAs) for the 2nd year in succession..."

RIDDOR is the acronym for Reporting of Injuries, Diseases and Dangerous Occurrence Regulations and is the UK standard used for the reporting of health and safety statistics.

A Lost Time Accident (LTA) is an accident that results in the injured person being away from work or unable to do their normal work for more than seven days (including any days they would not normally be expected to work such as weekends, rest days or holidays) and not counting the day of the injury itself.

Attending the Sword of Honour presentation with CEO Chris Ambler (third left) are (left to right): Operations Controller Dave Whitt, Internal Auditor Debbie Lisher, Health Safety and Environment Engineer Andre de St. George, Health Safety and Environment Technician Milford Lee and Linesman Martin Sampson.

SUSTAINABILITY IN THE COMMUNITY

Although we have faced a challenging year, we appreciate that many other organisations in our small community have had their own challenges. It is therefore important that we continue to support the community above and beyond our business activities on which the community so relies. Efforts to support sustainable initiatives in organisations and charities related to the environment, healthcare and education are our focus.

We continue as corporate sponsors of the National Trust for Jersey, Jersey Heritage, Genuine Jersey and the Jersey Construction Council. In supporting Genuine Jersey we are supporting local producers and craftsmen who put local, authentic and sustainably produced products and services at the heart of their enterprises. As sponsors of JeCC Sustainability Award, which was won this year by Morris Architects for their energy efficient refurbishment of the States Housing's Pomme D'Or Farm estate, and the Jersey Enterprise Environmental Award, which was won by Jersey Kayak Adventures, we are recognising and rewarding those businesses that strive to preserve and protect our Island environment or that encourage others to do the same.

Protecting species and habitats far beyond these shores is Durrell with whom we continue a long term relationship. This is the second year of our two-year sponsorship agreement to enable the conservation trust to acquire a further two all-electric John Deere trucks for use by rangers, keepers and landscape maintenance teams.

Helping youngsters develop a greater understanding of electric transportation while learning a new exciting activity is a win-win for us. So we were delighted to help the Jersey Classic and Modern Trials Club extend its Youth Academy by funding two all-electric trials bikes that have enabled over 30 youngsters, some as young as four, to get their first taste of this challenging sport.

Healthcare associated charities to receive our support this year include Jersey Hospice Care, Teenage Cancer Trust, After Breast Cancer Care, Headway, Macmillan Jersey, Urology Foundation, Cancer Research, Jersey Oncology Unit and, of course, Family Nursing and Homecare to whom we make an annual gift of much needed equipment from funds saved by not sending corporate Christmas cards.

We have also continued to support Jersey Trees For Life Forgotten Forest project to restore an arboretum from a fund set up with donations we made to encourage customers to take up more environmentally acceptable electronic billing. We have also supported the Jersey Shelter Trust, Barnardos and the Jubilee Sailing Trust.

Lastly, as a significant employer of technical engineering skills, we support our schools and students through Trident, Advance To Work, Undergraduate Work Experience and our own Apprentice Scheme. The Jersey Electricity Bursary Award Scheme is an extension of our commitment to the Island's youth and the development of local professional engineering capabilities.

Meeting our responsibilities, professionally and socially, over the long term means investing in our people, our community, our environment and our business – and that means sustainable business.

"Investing in our people, our community, our environment and our business"

Top Clockwise:
Jersey Trials Club Youth Academy, Family Nursing and Homecare, Jersey Beekeepers Association, the Challenge Marite, Jersey Enterprise Environmental Award, Jersey Construction Council Sustainability Award, Jersey Hospice Swimarathon.

OUR PEOPLE

Every organisation is only as good as the people who work for it. As a small offshore power utility providing a crucial service, our responsibility to customers is huge. We can only meet this responsibility with loyalty, dedication, commitment and, crucially, the flexibility of all our staff. This has been clearly evidenced across all our teams throughout this challenging year.

Demands on our Energy business have again been intense. The scale of the infrastructure upgrade at La Collette Power Station to supplement limited imports was significant and a major achievement in the timescale. Re-mobilising the power station to operate 24/7 through winter also called for changes in roles and shift patterns for which staff showed great flexibility. This project, followed by the continued works on Normandie 3, spanned several departments, including Procurement, Finance and HR.

However, the commitment and dedication was nowhere more illustrated than during the severe snow storms of 11-13 March which brought our Island to an almost standstill. Our repair teams responded to the first of 55 incidents of overhead cable damage in 36 hours at 3am on 11 March. They worked in blizzard conditions, from before dawn until after 10pm, with the highest level of professionalism and regard for safety, to restore supplies to the 200 homes across 11 parishes blacked out at the height of the emergency. In a marvellous team effort spanning La Collette Power Station and the Powerhouse head office, our Customer Care and Communications teams also played essential roles while our Generation team robustly maintained supplies.

It is that commitment and dedication that saw the presentation of nine long service awards this year - seven for 21 years service and two for 40 years service. At the year end, we employed 329 people across the Group of which 301 were full time and 28 part time. Staff turnover levels is a low 7% and we also enjoy a low sickness rate of just 3%. Average age is 44 and average length of service is 15 years.

While long-serving staff bring experience and essential skills to the business, succession planning is essential in our business to maintain a first class service, particularly given the heavy technical content of many roles. We are also acutely aware of our aging workforce and the need to continually focus on investment in development. We have refreshed our succession plans and paid particular attention to mitigating actions to cover the loss of key staff.

We continue to invest in the training and development of all our staff and the eight Island youngsters given apprenticeships in 2012 have now completed 16 months of their five-year training programme and we hope they can all look forward to rewarding, long-term careers.

Whatever the age and experience of our staff, our collective objective is to keep the people of this Island supplied with reliable, affordable and sustainable electricity and I know just how much pride staff take in 'keeping the lights on'. Everyone has played their part this past year responding and adapting to numerous, unforeseen, day-to-day challenges - many of which are not seen by customers - while ensuring the delivery of many important projects. My sincere thanks go to all staff.


Jersey Electricity

"Over the next decade energy markets around the world are poised for major change. We are optimistic and excited about the crucial role Jersey Electricity will play..."

OUTLOOK

We have made significant progress this year in building a foundation for recovery following the major events of last year. Over the short term, the business continues to be reliant on a single capacity-limited cable to France with cover provided - as it was designed - by La Collette Power Station and our Queen's Road generating units.

Priorities are to continue to tightly manage risks, maintain supply reliability while delivering Normandie 3 on budget by 2015. Safety remains a high priority with much continued operational activity at La Collette. We have a unique safety culture and will strive to deliver a third year without a lost time accident.

Notwithstanding the higher oil burn from generating on-Island, our pricing remains extremely competitive compared with other countries, including the larger economies. The hedge book remains strong over the short term but there is still considerable uncertainty in power and foreign exchange markets beyond the next 24 months. Our reliability has improved immensely following last year. With an increasingly sensitised customer base, it is crucial we maintain this going forward.

For the business to be on a recovery trajectory, while continuing to deliver competitively priced energy into the market, is a reflection of the strength of our business model and electricity as a product in the Channel Islands. Considerable investment is needed as we go forward - investment on which we expect to earn a commercial return.

Despite the pressure of energy efficiency and the general economy on unit sales, we are optimistic about the long-term strength of electricity and our ability to continue to win market share from oil and gas, though challenges remain. Jersey Electricity has 38% of the final energy market and with that penetration, growth will be harder to achieve with a longer gestation period.

In our non-supply businesses, the weak economy is creating considerable uncertainty, leading to pressures on orders, sales and margins. In Retail, we have responded by taking immediate and necessary action to restructure the business and ready it for an increasingly competitive marketplace - improving our cost base and service proposition to compete more effectively with UK online channels.

Over recent months our senior managers have been heavily involved in refreshing our vision, which is an exciting and positive one. This has sharpened our focus on sustainably growing our share of the energy market, services and solutions, and enhancing our infrastructure to enable a 'smart', efficient energy system - and doing this in a customer focused, sustainable and responsible manner.

Over the next decade energy markets around the world are poised for major change. We are optimistic and excited about the crucial role Jersey Electricity will play in the Channel Islands, taking advantage of new opportunities and delivering even more value to consumers.

Chris Ambler
Chief Executive
17 December 2013

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2013	2012	% movement
Turnover	**£102.3m**	£97.2m	5%
Profit before tax	**£6.5m**	£5.7m	14%
Profit in Energy business	**£4.4m**	£4.2m	4%
Earnings per share	**16.39p**	12.55p	31%
Dividend paid per share	**11.25p**	11.00p	2%

Group turnover for the year to 30 September 2013 at £102.3m was 5% higher than in the year ended 30 September 2012. Unit sales volumes of electricity were 4% higher than last year and combined with a tariff increase resulted in revenues in our Energy business rising 13% to £82.0m. Turnover in our Retail business decreased by 2%, on a like for like basis, from £12.4m to £12.2m. The total reduction was 21% due to the closure of our internet retailer, day2dayshop.com, in the second half of the last financial year. Revenues in the Property business, including internal revenues, rose marginally to £2.9m. Sales in Building Services, including internal revenues, fell 10% from levels experienced in 2012 to £4.1m. Turnover in our Other Businesses, including internal revenues, fell 4% from £3.3m to £3.2m on slightly lower trading activity.

Cost of sales rose £6.6m to £75.9m associated mainly with the requirement to purchase oil offset by lower costs in Retail because of the closure of day2dayshop.com in August 2012.

Operating expenses, at £19.5m, were £1.4m lower than in 2012. The decrease in such costs was largely linked to additional maintenance costs during the previous financial year associated with the interconnector issues experienced.

Profit before tax for the year to 30 September 2013 rose 14% to £6.5m from £5.7m. Our investment in Foreshore Ltd was impaired by £0.6m in 2013 against £1.1m in 2012 and therefore, excluding this item, the profit before tax in this year was 5% above the level in the previous year.

As anticipated, despite the sharp rise in revenues, profits in our Energy business rose only £0.2m from £4.2m to £4.4m due to the change in the winter operating regime, with less importation and more oil usage, following the failure of our oldest subsea interconnector cable in June 2012. As reported previously, until we install a new interconnector to France, which is scheduled for 2015, we are capacity constrained on importation and reliant on a heavier mix of more expensive on-Island oil-fired generation, particularly in winter, when volumes are higher. In the financial year we generated 21% of our electricity on-island (compared to only 2% last year) and imported 75% of our requirements from France (down from 92% in 2012). The remaining 4% of our electricity came from the Energy from Waste plant, owned by the States of Jersey, against 6% in the same period in 2012. Unit sales volumes were up 4% due to a combination of the temperatures being below the seasonal norm this winter and the corresponding period last year being particularly mild. Each of the six winter months in this financial year experienced lower temperatures than its corresponding month in 2011/12 and were at, or below, the long-term average level. The remainder of the increase in Energy turnover was due to an average tariff increase of 9% in January 2013 largely to cover the increase in the cost base associated with a higher level of on-island generation. In spite of this price rise, our tariffs continue to remain competitive with other jurisdictions.

Profits in our Property division, excluding the impact of investment property revaluation, were at the same level as 2012 at £1.6m. Our like for like investment property portfolio was revalued upwards by £0.2m to £15.0m this year. Additional freehold land and buildings were reclassified as investment properties in the year resulting in a further £4.8m increase in the revaluation reserve in the balance sheet. Our Retailing business had a challenging year with turnover falling from £12.4m to £12.2m on a like for like business. Profitability improved from £0.1m to £0.2m but the 2012 figures had been impacted by the closure of our internet retailer, day2dayshop.com, due to the ending of the Low Value Consignment Relief tax concession by the UK Government. The Building Services business produced a £0.1m profit, being £0.2m behind last year due to competitive pressures on both turnover and margin. Our other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year. Foreshore, our data centre joint venture, had a turnover of £4.8m being marginally lower than 2012 but profitability was impacted due to the loss of its largest customer to off-Island competition and the extremely competitive environment in Jersey in the datacentre sector. An impairment review of our investment resulted in the writing off of £0.6m in addition to the £1.1m reduction last year.

Interest received on deposits in 2013 was negligible compared to recent years due to our investment programme that has seen the previous cash balance move into a net debt position. Interest payable, associated with the Normandie 3 interconnector project is being capitalised until the commissioning date. The **taxation charge** at £1.5m was lower than in 2012 due to a lower effective tax charge as the mix of taxable profits differed. **Group earnings per share** increased 31% to 16.39p compared to 12.55p in 2012 due to a combination of higher profits and a lower effective tax rate.

FINANCIAL REVIEW

Dividends paid in the year, net of tax, rose by 2%, from 11.00p in 2012 to 11.25p in 2013. The proposed final dividend for this year is 6.80p, being a 5% rise on the previous year. Dividend cover rose from 1.1 times in 2012 to 1.5 times due to a higher level of profits. Our aim going forward is to maintain our declared ambition for sustained real growth in dividends over the medium-term.

Ordinary Dividends

		2013	2012
Dividend paid	- final for previous year	**6.50p**	6.50p
	- interim for current year	**4.75p**	4.50p
Dividend proposed	- final for current year	**6.80p**	6.50p

Net cash inflow from operating activities at £10.9m was £1.0m lower than 2012. Working capital movements were broadly similar but the movement in the foreign exchange hedge adjustment, associated with a weaker Euro against Sterling at this year-end, and higher oil stock against the last year end, were the main reason. **Cash capital expenditure** at £26.9m rose from £18.8m last year with Normandie 3 project spend at £16.2m being the most material project spend. Net debt, at the year-end was £5.2m being a £19.5m swing from last year when cash held, including short-term investments, was £14.3m.

Cash Flows

Summary cash flow data	2013	2012
Net cash inflow from operating activities	**£10.9m**	£11.9m
Capital expenditure and financial investment	**£(26.9)m**	£(18.8)m
Dividends	**£(3.5)m**	£(3.4)m
Decrease in cash during year	**£(19.5)m**	£(10.3)m

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 as a tool to aid tariff planning.

The average Euro/Sterling rate underpinning our power purchases during the financial year, as a result of the hedging program, was 1.18 €/£. The average applicable spot rate during this financial year was 1.19 €/£.

The Company has not historically managed interest rate exposure as it has not been in debt for approximately the last ten years. It maintained cash reserves for part of this financial year and then entered into a two year £60m revolving credit facility in February 2013 to cover the financing of the Normandie 3 interconnector project. The intention is to refinance this debt when the project is complete with current thinking being that there may be an element of longer-term debt maintained on our balance sheet.

No interest risk hedges have been placed due to the short tenure of the facility. The average rate of interest received in the financial year was just under 1% and the average rate of interest paid was 2%.

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

Power purchasing and oil hedging policies

The Company generally imports over 90% of the electricity requirements of Jersey from Europe albeit interconnector issues reduced this to around 75% in this financial year. It has jointly purchased this power, with Guernsey Electricity through the Channel Islands Electricity Grid, from EDF in France. The supply contract allows power prices to be fixed in Euros in advance of decisions being made on customer tariffs. As communicated last year, a new ten year contract has been agreed with EDF, which commenced in 2013, that combines a fixed price component with the ability to hedge future purchases over a rolling three year period based on a market related mechanism linked to the EEX European Futures Exchange. The goal is to provide our customers with a market based price but with a degree of certainty in a very volatile energy marketplace. A Risk Management Committee exists, consisting of members from Jersey Electricity, Guernsey Electricity and an independent energy market adviser and follows guidelines approved by the Board.

In addition, due to the loss of one of our interconnectors to France, we anticipate generating a proportion of our electricity requirements using oil to fuel our on-island plant. We have established a policy to hedge around 80% of the oil price of anticipated volumes, using a financial derivative product, in advance of the financial year when such oil is likely to be utilised.

Defined benefit pension scheme arrangements

As at 30 September 2013 the scheme deficit, under IAS 19 Employee Benefits rules, was £0.8m, net of deferred tax compared with a deficit of £4.9m at 30 September 2012. This movement was due mainly to an actuarial gain of £4.3m associated largely with the increase in assets. Scheme assets rose 10% from £85.3m to £94.0m since the last year end and liabilities increased 4% from £91.3m to £95.0m. The discount rate, which heavily influences the scheme liabilities, rose from 4.2% in 2012 to 4.4% in 2013 to reflect sentiments in prevailing financial markets.

Our defined benefits pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If, for example, the discount rate applied to the liabilities had been 3.9% rather than the 4.4% advised by our actuaries under IAS 19 for 2013, the net deficit of £0.8m would rise to a net deficit of £7.2m.

An amended IAS 19 accounting standard came into force for financial periods beginning on or after 1 January 2013 and materially impacts the calculation of the charge to the income statement when it takes effect (beginning with our 2013/14 financial statements). This is because the amended IAS 19 replaces the interest cost and expected return on scheme assets with a single net interest charge (or income) on the scheme deficit (or surplus). This change effectively means that the expected return on scheme assets is calculated at the discount rate, instead of at an expected rate of return on scheme assets held. To illustrate the impact on the charge to the income statement, the expense of £1.3m for this current financial year is likely to rise to an estimated £2.2m under these new accounting rules. The amended IAS 19 also introduces additional disclosure requirements.

A triennial actuarial valuation was carried out as at 31 December 2012 and resulted in a deficit of £9.3m. The contribution rate by Jersey Electricity was increased to 20.6% of pensionable salaries from January 2013 (up from the previous level of 14.2%). Employees continue to contribute an additional 6% to the pension scheme. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises in pensions. The next triennial actuarial valuation of the defined benefit scheme has an effective date of 31 December 2015.

In that context, a decision was made in the first half of this financial year to close the existing final salary scheme to new members with new employees in future being offered defined contribution pension arrangements.

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 400 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees and Utilico Ltd, owns 14% and 8% respectively, of the total ordinary share capital with the next largest individual holder owning 3%.

During the year the ordinary dividend paid increased by 2% from 11.00p net of tax to 11.25p. The proposed final dividend for 2013 at 6.80p is a 5% increase on last year and consistent with the underlying dividend growth pattern of recent years, with the exception of 2012.

The share price at 30 September 2013, at £3.05, was marginally below the level of £3.09 at the 2012 year end. This gives a market capitalisation of £93m as at the year-end. However the illiquidity of our shares, due mainly to having one large shareholder combined with an overall small number in circulation, limits the effect of results of the share price. At the 2011 Annual General Meeting an all-employee share scheme, to more closely align the interests of both employees and shareholders, was approved. In addition, during the 2012/2013 financial year the Remuneration Committee mandated that a proportion of bonuses paid in that year to senior staff must be invested in ordinary shares.

Our largest shareholder, the States of Jersey, also owns holdings in other utilities in Jersey. It owns 100% of JT and Jersey Post, as well as around 75% of Jersey Water. The total direct cash return to the States of Jersey from Jersey Electricity in the last year was £7.7m (2012: £8.6m) with the main reason for the fall being the lower corporation tax paid after capital allowances associated with our heavy investment spend. This trend is likely to continue over coming years.

	2013	2012
Ordinary dividend	**£2.1m**	£2.1m
Goods and Services Tax (GST)	**£3.9m**	£3.9m
Corporation tax	**£0.8m**	£1.8m
Social Security - employers contribution	**£0.9m**	£0.8m
	£7.7m	£8.6m

The Company regularly communicates with its largest shareholders and details of discussions, including any concerns, are reported to the Board by the Finance Director.

GOVERNANCE

Board of Directors

Geoffrey Grime
Chairman
(66) 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 EFG Offshore Limited and also holds many professional appointments as both director and trustee. In November 2002 he was elected as a Deputy in the States of Jersey and he retired from that position in December 2005.

Chris Ambler
Chief Executive
(44) N

Chris was appointed to the Board as Chief Executive on 1st October 2008. He previously held a number of senior international positions in the global utility, chemicals and industrial sectors for major corporations including Centrica/British Gas, The BOC Group and ICI/Zeneca as well as corporate finance and strategic consulting roles. He is Chairman of Foreshore Limited and a director of Channel Islands Electricity Grid Limited. Externally, he is also a non-executive director of Santander Private Banking Limited and Foresight Solar Fund Limited, the latter being a listed fund on The London Stock Exchange. Chris is a Chartered Engineer with the Institution of Mechanical Engineers and has a First Class Honours Degree from Queens' College, Cambridge and a MBA from INSEAD.

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

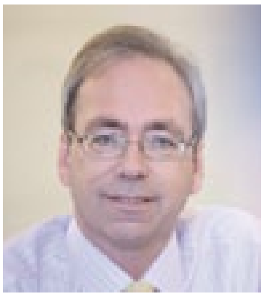
Mike joined Jersey Electricity in 1986 from the UK Power industry as Chief Engineer and was Chief Executive for 15 years before retiring in 2008 to focus on his portfolio of directorships with listed investment funds and operating companies in the international energy infrastructure, wind, solar and bio-fuels sectors.
His current Board roles include Chairman of London-listed, Renewable Energy Generation Ltd, and Chairman of the postal utility, Jersey Post. His private equity and venture capital directorships include the global Fiduciary Services firm, JTC Group.
Mike is a Fellow of the Royal Academy of Engineering and a Fellow of the Institution of Engineering and Technology. He was until 2010, Chairman of the Jersey Appointments Commission, established by government to ensure probity in public sector appointments.
Mike was awarded an OBE in Her Majesty the Queen's 2007 New Year Honours List and in 2012 he was elected Jurat of the Royal Court of Jersey, where he sits as a lay judge.

Clive Chaplin
Non-Executive Director
(62) 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 since 1994 has been a partner of Ogier. He retired as a partner of the firm on 31st January 2012 but remains a consultant to the Ogier Group and Chairman of its Fiduciary Services Holding Company. He is a director of a number of other companies operating in the financial services sector and is also Chairman of the Jersey Law Commission. He is Chairman of the Remuneration Committee.

Martin Magee
Finance Director
(53)

Martin joined the Board as Finance Director in May 2002. He moved from Scottish Power plc, after nine years in a variety of senior finance roles. He previously worked for nine years with Stakis plc (now part of the Hilton Hotels Group). He is Chairman of Jersey Deep Freeze Limited, a Director of the Channel Islands Electricity Grid Limited and Foreshore Holdings Limited. Externally, he is also the non-Executive Audit Committee Chairman for AIM listed Stanley Gibbons plc and a non-executive director of the Standard Life Wealth Offshore Strategy Fund Limited. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.



Richard Plaster
Commercial and Human Resources Director (52) N

Richard joined the HR function in Jersey Electricity in 1987 following a retail management career with Woolworths and joined the Board in 2004. He is now responsible for Human Resources, Customer Care, Procurement, Marketing and the Retail businesses. He chairs the management board of the Building Services business and was appointed as a director of Jersey Deep Freeze Limited in October 2004. Externally, he is former Chairman of the Employment Forum in Jersey and stood down as the Chair of the Skills Jersey Board in November 2013. He is a Chartered Fellow of the Chartered Institute of Personnel and Development, and a Chartered Director.

John Stares
Non-Executive Director (62) A/R

John joined the Board in 2009. Before 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 during his 15 year tenure as a partner held a wide variety of leadership roles in Accenture's Canadian, European and Global consulting businesses. John is also Chair of JT Group Limited (formerly Jersey Telecoms) and a Non-Executive Director of International Public Partnerships Limited (INPP) and the Guernsey entities of Terra Firma. He recently completed a 10 year term as the Managing Director of Guernsey Enterprise Agency and 5 year terms as a Non-Executive Consultant to the Ogier Group and a Non-Executive Director of Aurigny Airlines. John is Chairman of Governors of More House School, a Trustee of the Arts & Islands Foundation and New Philanthropy Capital. John is a graduate of ImperialCollege London, a Fellow of the Institute of Chartered Accountants of England & Wales and a Member of the Worshipful Company of Management Consultants.

Aaron Le Cornu
Non-Executive Director (43) A/R

Aaron was appointed to the Board as Non-Executive Director in January 2011 and is currently the Group Chief Operating Officer for Ogier, a Legal and Fiduciary Firm with headquarters in Jersey and operations in 10 countries. Prior to that appointment, Aaron held a number of senior positions within HSBC, latterly as the Deputy CEO of HSBC International. During his 10 years with HSBC, he held a number of Board positions for HSBC subsidiaries and was also involved in acquisitions (such as the purchase of Marks & Spencer Money) and setting up Greenfield retail banking operations in Central Europe. Aaron is a Chartered Accountant. He qualified with and worked for Andersen for eight years, including two years in Australia. He also has a First Class Honours Degree in European Management Science from Swansea University.

Directors

All non-executive directors are viewed as being independent with the exception of Mike Liston who was formerly the Company's Chief Executive. Geoffrey Grime and Clive Chaplin are still regarded as independent even though they are now in their 11th year as directors.

Key to membership of committees

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee

Director's Report

for the year ended 30 September 2013

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 internet data hosting.

Dividends

The directors have declared and now recommend the following dividends in respect of the year ended 30 September 2013:

Preference dividends	2013 £	2012 £
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 4.75p net of tax for the year ended 30 September 2013 (2012 - 4.50p net of tax)	1,455,348	1,378,800
Final proposed at 6.80p net of tax for the year ended 30 September 2013 (2012 - 6.50p net of tax)	2,083,520	1,991,600
	3,547,841	3,379,373

Re-election of directors

In accordance with the requirements of the UK Corporate Governance Code, directors should offer themselves for re-election no less frequently than every three years. Accordingly, Aaron Le Cornu will retire and, being eligible, offers himself for re-election. Furthermore, directors with more than 9 years' service should offer themselves for re-election on an annual basis. Accordingly, Geoffrey Grime, Clive Chaplin and Mike Liston will retire and, being eligible, will offer themselves for re-election.

Directors' and officers' insurance

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

Policy on payment of creditors

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The number of creditor days in relation to trade creditors outstanding at the year end was 14 days (2012 - 17 days).

Director's Report

for the year ended 30 September 2013

Substantial shareholdings

As at 17 December 2013 the Company has been notified of the following holdings of voting rights of 2% or more in its issued share capital:

Equity

Ordinary Shares

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

'A' Ordinary Shares

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

Huntress Nominees (CI) Limited hold 4,260,680 'A' Ordinary shares which represent 4% of the total voting rights.

Utilico Limited hold 2,467,000 'A' Ordinary shares which represent 2% of the total voting rights.

Auditor

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

BY ORDER OF THE BOARD
P. ROUTIER
Secretary
17 December 2013

Corporate Governance

Corporate Governance
The directors are committed to maintaining a high standard of Corporate Governance in accordance with The UK Corporate Governance Code September 2012 ("the Code"), as incorporated within The Listing Rules, issued by the Financial Conduct Authority. The Listing Rules require the Company to set out how it has applied the main principles of the Code and to explain any instances of non-compliance.

Statement of Compliance
The Board considers that the Company is a "smaller company" for the purposes of the Code as it is not a member of the FTSE350. Throughout the financial year ended 30 September 2013 the Board considers that it has complied with the Code, with the following exceptions:

The Code (Provision B.2.1) recommends that a majority of members of the Nomination Committee should be independent non-executive directors. Throughout the year the Company's Nomination Committee has comprised Mike Liston, Geoffrey Grime, Chris Ambler, Clive Chaplin and Richard Plaster. Whilst the Board acknowledges that Mike Liston cannot be considered independent due to being the former Chief Executive, he served a number of years as Chairman of the Jersey Appointments Commission, established by the government of Jersey to ensure probity in all public appointments, and is considered eminently qualified to Chair the company's Nominations committee.

The Main Principle B.6 states that annual board performance evaluations should take place. Whilst the Board is in total agreement that their effectiveness is vital to the success of the Company it has concluded that due the stability and size of the business these will be performed once every two years and that this is sufficient to meet the needs of the Company. There was no review performed in this financial year. Included in such a review is consideration of the training and development of non-executive directors.

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

Independence
All the non-executive directors are viewed as being independent with the exception of Mike Liston who was formerly the Company's Chief Executive. The Board have determined that Geoffrey Grime and Clive Chaplin remain independent notwithstanding that they have served on the Board for more than eleven years. In making this determination, the Board took into account their breadth of experience, their financial independence and their 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 other members of the Company's senior management.

There have been no appointments to the Board during the financial year 2012/13. On appointment to the Board the required time commitment is established and any significant changes to their time commitments are notified to the Board. An induction process is in place for all newly appointed Directors.

The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly to set and monitor strategy, review trading performance and risk management, examine business plans and capital and revenue budgets, formulate policy on key issues and reporting to shareholders. Board papers are circulated, with reasonable notice, prior to each meeting in order to facilitate informed discussion of the matters at hand.

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

Corporate Governance

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

	Board	Audit	Remuneration	Nominations
No of meetings	**9**	**4**	**2**	**-**
G.J. Grime	9	-	2	-
C.A.C. Chaplin	9	4	2	-
A.D. Le Cornu	9	4	2	-
M.J. Liston	6	-	1	-
J.B. Stares	8	4	2	-
C.J. Ambler	9	3*	2*	-
M.P. Magee	9	4*	-	-
R.A. Plaster	9	-	-	-

* attendees by invitation

Nominations Committee

The Nominations Committee members are Mike Liston (Chairman), Geoffrey Grime, Chris Ambler, Clive Chaplin and Richard Plaster. They:

- 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.

A Company-wide policy exists on diversity. The Board recognises the benefits of diversity and will continue to appoint executive and non-executive directors to ensure diversity of background and on the basis of their skills and experience.

The Terms of Reference for the Nominations Committee and the Terms and Conditions of the Appointment of Non-Executive Directors are available on request.

Audit Committee

The Audit Committee's members are John Stares (Chairman), Clive Chaplin and Aaron Le Cornu. The meetings provide a forum for discussions with the external auditor. Meetings are also attended, by invitation, by the Chief Executive, the Finance Director, the Company Secretary, and members of both the external audit and internal audit teams.

The Audit Committee is responsible for reviewing the annual and interim management statements and accompanying reports before their submission to the Board for approval and for the reporting of its findings to the Board. As part of the review process the Audit Committee reviews the likely significant issues in advance of the publication both the half and full year results and in particular any critical accounting judgements identified by both the Company and the external auditors most of which are disclosed in Note 2 to the Financial Statements (Critical Accounting Judgements). Comprehensive position papers on each key area are produced by the Finance Director at both the half and full year. Some of the areas are recurring items such as revenue recognition, impairment of assets, retirement benefit obligations and hedge accounting. The Committee reviews any year-on-year changes in methodology for reasonableness. In addition there may be 'one-off' issues that surface. An example this year was reviewing the interpretation of how we define, classify and value investment properties. This was examined by the Committee who agreed to a suggested change in interpretation of the policy which resulted in net assets in our balance sheet moving up by £5m. The Committee also takes comfort that the Finance Director liaises with our external auditors during the course of the year to establish a consensus opinion where possible.

Corporate Governance

The Committee generally meets 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. In addition, the Audit Committee regularly reviews the scope and results of the work undertaken by both the internal and external auditors. The Terms of Reference for the Audit Committee are available on request.

The appointment of Deloitte LLP as the Group's external auditor (incumbents since 2002) is kept under review. The Committee has approved the external auditor's remuneration and terms of engagement and is fully satisfied with the performance, objectivity, quality of challenge and independence of the external auditor. Having performed a review of effectiveness, the Committee has recommended that a resolution to reappoint the external auditor as the Company's statutory auditors is to be proposed at the Company's forthcoming AGM. The 2012 version of the Code now requires FTSE350 companies to undertake a competitive tender for the role of external auditor on a comply or explain basis every ten years. The present audit partner's permitted fifth and final year is the year ended 30 September 2015. As a "smaller company" the tender process is not necessarily applicable to Jersey Electricity but it is the Committee's current intention to consider a competitive tender to select auditors for either that year, or the year ending 30 September 2016.

Non-audit services are reviewed on a case by case basis and also in terms of materiality of the fee by the Audit Committee. Note 6 to the Financial Statements details the quantum and split of auditor fees.

Following the publication of the revised version of the UK Corporate Governance Code, which applies to the financial years commencing on or after 1 October 2012, the Board requested that the Committee advise them on whether they believe the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy. The Audit Committee has concluded that this is the case and has reported this to the Board. The Committees' terms of reference will be modified to reflect this additional reponsibility in due course.

Internal Control

The Board is responsible for establishing and maintaining the Company's system of internal control and for the management of risk. Internal control systems are designed to meet the particular needs of the business and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. This process has been in place throughout the year ended 30 September 2013 and is in accordance with The UK Corporate Governance 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 who are responsible for determining the nature and extent of the significant risk it is willing to take to achieve the strategic objectives. Prior to significant investment decisions being taken, due diligence investigations include the review of business plans by the Board.

Management Structure

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

- Strategy and Management including:
  Approval of the Company's long-term objectives and commercial strategy.
  Approval of the annual operating and capital expenditure budgets and any subsequent material changes to them.
- Changes in structure and capital of the Company

Corporate Governance

- 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/Risk Management
  Reviewing the effectiveness of the Company's internal control and risk management systems. An external review of the risk management process is conducted every three years.
- 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 Nominations Committee.
- Remuneration
  Determining the remuneration policy for the directors and other senior management, following recommendations from the Remuneration Committee.
- Corporate governance matters
  Undertaking a formal and rigorous review every two years of its own performance, that of its committees and individual directors. Review of the Company's overall corporate governance arrangements.
- Approval of key Company policies

Internal Audit/Risk Management

There is a permanent team of internal audit staff involved in a continuous structured review of 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 Head of Internal Audit routinely reports to the Company Secretary with direct access to the Audit Committee Chairman and also attends Audit Committee meetings, at which internal audit's plans are discussed and approved.

Personnel

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

Budgetary Control

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

Audit Committee

The Audit Committee reviews the effectiveness of the internal control and risk management processes throughout the accounting period as outlined above. In addition it regularly conducts "deep dive" reviews on specific identified risks to test assumptions on the substance of such risks and their mitigation.

GOVERNANCE

Statement of Directors' Responsibilities

Directors' Responsibilities for the Accounts

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRS as adopted by the European Union and have also elected to prepare the parent company's financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

C. AMBLER
Chief Executive Officer
17 December 2013

M. MAGEE
Finance Director
17 December 2013

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.

The salary and benefits of the executive team are reviewed by the Committee annually and any adjustments take effect on 1st April. The Committee make use of a locally focussed benchmarking report as well as assessing the remuneration of the executive team by reference to comparable companies within the United Kingdom. The Committee seeks to ensure that, excluding any share based remuneration (of which there is none other than the all-employee share scheme disclosed later in this report), the overall value of the remuneration package of the executive team members including bonus and other benefits matches, in broadest terms, relevant comparative benchmarks for executive director remuneration. The bonus payable to the executive directors is performance related taking account of their individual responsibilities within the Company and is dependent on the results of the Group against expectations but is deliberately not profit related. Although there is no specific share scheme for directors and senior staff, the Committee mandated that around half the post-tax proceeds of the 2012 bonus should be invested in Jersey Electricity plc 'A' Ordinary shares, which are to be retained for at least 3 years. The results of those purchases are shown in the table of directors' share interests.

The remuneration of individual directors for the year ended 30 September 2013 was as follows:

	Basic salary/fees £	Bonuses £	Benefits in kind £	**Total 2013 £**	Total 2012 £
EXECUTIVE DIRECTORS					
C. Ambler	198,352	32,824	12,934	**244,110**	235,951
M. Magee	166,250	27,332	10,983	**204,565**	199,736
R. Plaster	157,498	25,939	11,907	**195,344**	189,922
D. Padfield*1 (resigned from Board 30 September 2012)	-	-	-	-	197,503
NON-EXECUTIVE DIRECTORS					
G. Grime	31,125	-	3,122	**34,247**	31,025
M. Liston*2	17,638	-	1,561	**19,199**	18,025
C. Chaplin*3	19,712	-	1,249	**20,961**	20,025
J. Stares*4	20,688	-	1,561	**22,249**	21,025
A. Le Cornu*5	17,638	-	1,249	**18,887**	18,025
Total	628,901	86,095	44,566	**759,562**	931,237

*1 Stepped down from the Board to concentrate on the significant Energy Division projects that are underway.

*2 Includes fees as Chairman of the Nominations Committee - £2,075.

*3 Includes fees as Member of the Audit Committee - £2,075 and as Chairman of the Remuneration Committee - £2,075.

*4 Includes fees as Chairman and Member of the Audit Committee - £5,125.

*5 Includes fees as Member of the Audit Committee - £2,075.

Remuneration Report

Service Contracts

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

Pension Benefits

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

	Increase in accrued pension during the year[1]	Accrued pension at 30.9.2013[2]	Transfer value at 30.9.2013[3]	Transfer value at 30.9.2012[3]	Directors' contributions plus transfers-in during the year	Increase/(decrease) in transfer value[4]
C. Ambler	£6,872	£26,622	£304,867	£234,702	-	£70,165
M. Magee[5]	£4,405	£64,515	£967,533	£938,035	£9,910	£19,588
R. Plaster	£10,321	£77,946	£1,080,654	£987,080	£104,208	£(10,634)

Notes

1. The increase in accrued pension during the year represents the additional accrued pension entitlement at the year end compared to the previous year end. A transfer value of £94,803 was received by the Scheme during the year in respect of Mr Plaster at no cost to the Company. The benefits granted in respect of this transfer value have been included in the accrued pension figures at 30 September 2013.
2. The pension entitlement shown is that which would be paid annually on retirement at age 60, based on service at the year end.
3. The transfer values have been calculated using the basis and method appropriate at each accounting date. It is assumed that the deferred pension commences from the earliest age at which the member can receive an unreduced pension.
4. The increase in transfer value over the year is after deduction of contributions made by the director during the year and transfers-in during the year.
5. Along with all other Scheme members, directors have the option to pay Additional Voluntary Contributions (AVCs) to the Scheme to purchase additional final salary benefits. AVCs paid by the directors during the year were nil.

All-Employee Share Scheme

At the 2011 Annual General Meeting approval was granted to launch an all-employee share scheme. During the last financial year 100 'A' Ordinary Shares were issued to all staff on 2 July 2012 (subject to Scheme Rules) including the executive directors. These shares have an approximate value of £300 to each individual and vest on 2 July 2015. No further issues were made in the last financial year.

There are no other share-based incentives such as option schemes or long-term incentive plans operated by the Company.

Non-Executive Directors' Remuneration

The remuneration of the non-executive directors is determined by the 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.

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 the external appointments held by executive directors, excluding those directly connected with their employment by the Company, were as follows:-

C. Ambler

Santander Private Banking Limited and Foresight Solar Fund Limited (total non-executive director fees £24,850 of which £19,880 retained)

M. Magee

Standard Life Wealth Offshore Strategy Fund Limited and Stanley Gibbons Group plc (total non-executive director fees £45,000 of which £36,000 retained)

R. Plaster

Jersey Skills Board (total non-executive chairman fees £15,000 of which £12,000 retained)

Remuneration Report

Directors' Loans

The Company provides secured loans to a number of executive directors which bear interest at base rate. The balances on such loans were:

	Balance at 30.9.2013 £	Balance at 30.9.2012 £
C. Ambler	500,000	500,000
M. Magee	392,571	442,321
D. Padfield (resigned from Board on 30 September 2012)	-	65,000

During the 2010 financial year the Company also provided a bridging loan to the value of £300,000 to C. Ambler following his relocation to Jersey from the UK, pending the sale of his UK property. The balance on this loan was as follows:

	Balance at 30.9.2013 £	Balance at 30.9.2012 £
C. Ambler	132,426	144,617

Directors' Share Interests

The directors' beneficial interests in the shares of the Company at 30 September 2013, are shown below:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2013	2012	2013	2012
C. Ambler	**4,905**	-	-	-
M. Magee	**4,084**	-	**960**	960
R. Plaster	**3,875**	-	**700**	700
G. Grime	**7,000**	7,000	-	-
C. Chaplin	**6,000**	6,000	-	-
M. Liston	**2,000**	2,000	-	-
D. Padfield*	-	-	-	260
	27,864	15,000	**1,660**	1,920

* resigned from the Board on 30 September 2012.

There have been no other changes in the interests set out above between 30 September 2013 and 17 December 2013.

The executive directors also participate in the all-employee share scheme. They will each receive 100 shares at the vesting date in July 2015.

On behalf of the Board
C. CHAPLIN
Chairman
17 December 2013

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 30 September 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Going concern

We have reviewed the directors' statement on page 52 that the group is a going concern. We confirm that:

- we have not identified material uncertainties related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern which we believe would need to be disclosed in accordance with IFRSs as adopted by the European Union; and
- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

- the determination of the value of unbilled units of electricity which are included within revenue and debtors because of the estimation used in determining the number of units used by customers between their last billing date and the year end date;
- the provision made for the La Collette site rental and the decommissioning of EDF1 due to the uncertainty around the level of provision required and the judgement applied in determining this provision;
- the accounting for forward foreign exchange contracts and oil hedges due to the complexity of the accounting treatment required for such transactions;
- changes to the defined benefit pension scheme assumptions due to the level of judgement applied in determining the assumptions appropriate to the circumstances of the entity; and
- the interpretation and application of the group's accounting policy for investment property.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Our application of materiality

We determined planning materiality for the group to be £489,000, which is approximately 7.5% of normalised pre-tax profit, and below 1% of equity.

We agreed with the Audit Committee that we would report to its members all audit differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit scope focused primarily on the audit of the company as the other components were not considered to be significant. The company represents the principal business unit within the group and accounts for 100% of the group's net assets, 99% of the group's revenue and 100% of the group's profit before tax. It was also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

The way in which we scoped our response to the risks identified above was as follows:

- we reviewed the model used by management to determine the level and value of unbilled units, challenging the assumptions and judgement used in the model, as well as performing analytical and substantive procedures and assessing whether the revenue recognition policies adopted complied with IFRS;
- we assessed the level of provisions made by management for the La Collette site rental and the decommissioning of EDF1 including a review of correspondence with relevant counterparties and comparison with market rental data;
- we reviewed the accounting treatment applied to the forward foreign exchange contracts and oil hedges, testing the hedge effectiveness model used by management and agreeing hedges to underlying documentation;
- we considered the appropriateness of management's assumptions used in the determination of the pension scheme balances and disclosures, detailed in note 17 to the financial statements. We did this through comparison of the key assumptions to third party data for reasonableness and assessment of management's actuarial expert who derived the balances and disclosures; and
- we challenged the interpretation and application of the group's accounting policy for investment property to ensure that properties transferred from property, plant and equipment to investment properties were appropriately classified as investment properties.

The Audit Committee's consideration of these risks is set out on pages 49 and 50.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Corporate Governance Statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review. We have nothing to report arising from our review.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Our duty to read other information in the Annual Report

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

GREGORY BRANCH, BSc, FCA
for and on behalf of
Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
17 December 2013

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2013

	Notes	2013 £000	2012 £000
Revenue	3	102,338	97,182
Cost of sales		(75,922)	(69,346)
Gross profit		26,416	27,836
Gain/(loss) on revaluation of investment properties		155	(325)
Operating expenses	4	(19,469)	(20,900)
Group operating profit before joint venture	6	7,102	6,611
Share of loss of joint venture	12	-	(15)
Exceptional item - impairment of investment	12	(600)	(1,137)
Group operating profit	3	6,502	5,459
Interest income		53	287
Finance costs		(11)	(11)
Profit from operations before taxation		6,544	5,735
Taxation	7	(1,482)	(1,796)
Profit from operations after taxation		5,062	3,939
Attributable to:			
Owners of the Company		5,022	3,846
Non-controlling interests	19	40	93
		5,062	3,939
Earnings per share			
- basic and diluted	9	16.39p	12.55p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2013

	Notes	2013 £000	2012 £000
Profit for the year		5,062	3,939
Other comprehensive income			
Actuarial gain/(loss) on defined benefit scheme	17	4,304	(2,278)
Fair value gain/(loss) on cash flow hedges	22	3,809	(4,021)
Reclassification of investment properties		4,822	-
Tax related components relating to other comprehensive income	7	(1,852)	1,227
Total comprehensive income/(loss) for the year		16,145	(1,133)
Attributable to:			
Owners of the Company		16,105	(1,226)
Non-controlling interests		40	93
		16,145	(1,133)

All results in the year have been derived from continuing operations.
The notes on pages 63 to 84 form an integral part of these accounts. The independent auditor's report is on pages 56 to 58.

FINANCIAL STATEMENTS

Balance Sheets

as at 30 September 2013

	Notes	Group		Company	
		2013 £000	2012 £000	**2013 £000**	2012 £000
Non-current assets					
Intangible assets	10	**26**	51	**26**	51
Property, plant and equipment	11	**155,191**	138,125	**155,177**	138,120
Investment properties	11	**20,360**	14,865	**20,360**	14,865
Other investments	12	**5**	5	**482**	482
Long-term loans	12	**-**	400	**-**	400
Total non-current assets		**175,582**	153,446	**176,045**	153,918
Current assets					
Inventories	13	**9,434**	7,245	**9,365**	7,166
Trade and other receivables	14	**16,498**	17,970	**16,360**	17,737
Derivative financial instruments	22	**1,273**	-	**1,273**	-
Short-term investments - cash deposits		**-**	9,020	**-**	9,020
Cash and cash equivalents		**4,798**	5,311	**4,621**	5,171
Total current assets		**32,003**	39,546	**31,619**	39,094
Total assets		**207,585**	192,992	**207,664**	193,012
Current liabilities					
Trade and other payables	15	**14,332**	17,037	**14,272**	16,992
Derivative financial instruments	22	**952**	4,002	**952**	4,002
Borrowings	16	**10,000**	-	**10,000**	-
Current tax payable		**-**	762	**-**	762
Total current liabilities		**25,284**	21,801	**25,224**	21,756
Net current assets		**6,719**	17,745	**6,395**	17,338
Non-current liabilities					
Trade and other payables	15	**17,851**	17,644	**17,851**	17,642
Retirement benefit deficit	17	**1,018**	6,068	**1,018**	6,068
Financial liabilities - preference shares	18	**235**	235	**235**	235
Deferred tax liabilities	7	**14,365**	11,033	**14,365**	11,033
Total non-current liabilities		**33,469**	34,980	**33,469**	34,978
Total liabilities		**58,753**	56,781	**58,693**	56,734
Net assets		**148,832**	136,211	**148,971**	136,278
Equity					
Share capital	18	**1,532**	1,532	**1,532**	1,532
ESOP reserve	18	**(58)**	(100)	**(58)**	(100)
Other reserves		**5,409**	(2,381)	**5,409**	(2,381)
Retained earnings		**141,925**	137,097	**142,088**	137,227
Equity attributable to the owners of the company		**148,808**	136,148	**148,971**	136,278
Non-controlling interests	19	**24**	63	**-**	-
Total equity		**148,832**	136,211	**148,971**	136,278

Approved by the Board on 17 December 2013

G.J. GRIME
Director

M.P. MAGEE
Director

All results in the year have been derived from continuing operations.
The notes on pages 63 to 84 form an integral part of these accounts. The independent auditor's report is on pages 56 to 58.

Cash Flow Statements

for the year ended 30 September 2013

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Cash flows from operating activities				
Operating profit	7,102	6,611	7,095	6,444
Depreciation and amortisation charges	8,166	8,298	8,163	8,298
(Gain)/loss on revaluation of investment properties	(155)	325	(155)	325
Pension contributions paid less expenses in Income Statement	(746)	(630)	(746)	(630)
Adjustment for foreign exchange hedges	(513)	465	(513)	465
Loss on sale of fixed assets	(21)	(16)	(21)	(16)
Operating cash flows before movement in working capital	13,833	15,053	13,823	14,886
Increase in inventories	(2,189)	(794)	(2,199)	(782)
Derease/(increase) in trade and other receivables	1,472	(2,772)	1,377	(2,736)
(Decrease)/increase in trade and other payables	(1,545)	1,899	(1,559)	1,920
Interest received	97	347	97	347
Preference dividends paid	(9)	(9)	(9)	(9)
Income taxes paid	(762)	(1,820)	(762)	(1,820)
Net cash flows generated from operating activities	10,897	11,904	10,768	11,806
Cash flows from investing activities				
Purchase of property, plant and equipment	(26,910)	(18,823)	(26,897)	(18,823)
Investment in intangible assets	(8)	9	(8)	9
Net proceeds from disposal of fixed assets	14	53	14	53
Short-term investments	9,020	8,725	9,020	8,725
Net cash flows used in investing activities	(17,884)	(10,036)	(17,871)	(10,036)
Cash flows from financing activities				
Equity dividends paid	(3,526)	(3,414)	(3,447)	(3,370)
Bank loan	10,000	-	10,000	-
Net cash flows used in financing activities	6,474	(3,414)	6,553	(3,370)
Net (decrease)/increase in cash and cash equivalents	(513)	(1,546)	(550)	(1,600)
Cash and cash equivalents at beginning of period	5,311	6,787	5,171	6,701
Net cash and cash equivalents at end of period	4,798	5,241	4,621	5,101
Overdraft (see note 15)	-	70	-	70
Cash and cash equivalents at end of period	4,798	5,311	4,621	5,171

The notes on pages 63 to 84 form an integral part of these accounts. The independent auditor's report is on pages 56 to 58.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 September 2013

The Group	Notes	Share capital £000	ESOP reserve £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2012		1,532	(100)	(2,381)	137,097	136,148
Profit from operations after taxation		-	-	-	5,022	5,022
Amortisation of employee share scheme		-	42	-	(42)	-
Unrealised gain on hedges (net of tax)		-	-	2,968	-	2,968
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	3,294	3,294
Reclassification of investment properties	11	-	-	4,822	-	4,822
Equity dividends	8	-	-	-	(3,446)	(3,446)
At 30 September 2013		**1,532**	**(58)**	**5,409**	**141,925**	**148,808**
At 1 October 2011		1,532	-	836	138,477	140,845
Profit from operations after taxation		-	(100)	-	3,846	3,746
Unrealised losses on hedges (net of tax)		-	-	(3,217)	-	(3,217)
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	(1,856)	(1,856)
Equity dividends	8	-	-	-	(3,370)	(3,370)
At 30 September 2012		**1,532**	**(100)**	**(2,381)**	**137,097**	**136,148**

The Company	Notes	Share capital £000	ESOP reserve £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2012		1,532	(100)	(2,381)	137,227	136,278
Profit from operations after taxation		-	-	-	5,055	5,055
Amortisation of employee share scheme		-	42	-	(42)	-
Unrealised gain on hedges (net of tax)		-	-	2,968	-	2,968
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	3,294	3,294
Reclassification of investment properties	11	-	-	4,822	-	4,822
Equity dividends	8	-	-	-	(3,446)	(3,446)
At 30 September 2013		**1,532**	**(58)**	**5,409**	**142,088**	**148,971**
At 1 October 2011		1,532	-	836	139,337	141,705
Profit from operations after taxation		-	(100)	-	3,116	3,016
Unrealised losses on hedges (net of tax)		-	-	(3,217)	-	(3,217)
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	(1,856)	(1,856)
Equity dividends	8	-	-	-	(3,370)	(3,370)
At 30 September 2012		**1,532**	**(100)**	**(2,381)**	**137,227**	**136,278**

The profit before tax for the Company for the year ended 30 September 2013 was £6,537,000 (2012: £4,912,000). The revenue for the Company was £101,104,000 (2012: £95,830,000), with finance costs of £11,000 (2012: £11,000) and tax expense of £1,482,000 (2012: £1,796,000).

No separate Company only income statement and statement of comprehensive income 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 and oil hedging reserve of £139,000 (2012: (£2,829,000)) and the revaluation reserve of £5,270,000 (2012: £448,000).

Notes to the Financial Statements

for the year ended 30 September 2013

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2013 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted by the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies which have been applied consistently are:

Basis of accounting

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

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2013 comprises the Company and its subsidiary, and joint ventures.
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.

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

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement (see pages 2 to 3). The financial position of the Group, its cash flow and its liquidity position are described in the Financial Review (see pages 41 to 43). In addition, note 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with a large number of customers both corporate and individual. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Foreign currencies

The functional and presentation currency of the Group is Sterling. Transactions in currencies other than Sterling are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on translation are included in net profit or loss for the year.

FINANCIAL STATEMENTS

Notes to the Financial Statements

for the year ended 30 September 2013

Revenue

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

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

Energy supply

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

Indefeasible rights of use (IRU) sales

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

Taxation

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

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

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

Intangible assets

The costs of acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their useful lives. Costs directly associated with the development of computer software programmes that will generate economic benefits over a period in excess of one year are capitalised and amortised over their estimated useful lives. Costs include employee costs relating to software development and an appropriate proportion of directly attributable overheads. Amortisation is charged on a straight-line basis over its expected useful life which is estimated to be up to 4 years.

Property, plant and equipment

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

Depreciation is charged as follows:

Buildings	up to 50 years
Interlinks	up to 25 years
Plant, mains cables and services	up to 40 years
Fixtures and fittings	up to 10 years
Computer equipment	up to 4 years
Vehicles	up to 10 years

Notes to the Financial Statements

for the year ended 30 September 2013

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

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

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

Investment properties

Investment 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 classify it as an investment property both when the property is held for capital appreciation or rental purposes and when it is fully occupied by external tenants.

Investment in joint venture

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

In the Company balance sheet, the investment in the joint venture is held at cost less any impairment. The income statement reflects the share of results of operation of the joint venture. Profits and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the Group's interest.

Operating leases

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

Lessor

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

Inventories

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

Financial instruments

Cash and cash equivalents

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

Short-term investments

Short-term investments comprise cash deposits which have a maturity greater than three months at the time of inception.

Trade and other receivables

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

Trade payables

Trade payables are initially recognised at invoice value and are not interest bearing and are subsequently stated at their fair value. Fair value is considered by the directors to be equivalent to invoiced value.

Borrowings

Loans that have a fixed or determinable payments that are not quoted in an active market are classified as 'Borrowings'. Loans are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate.

Notes to the Financial Statements
for the year ended 30 September 2013

Financial instruments continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. Changes in the fair value of derivative financial instruments which are designated as highly effective hedges of future cash flows are recognised directly in other comprehensive income and any ineffective portion is recognised immediately in the income statement. When hedges mature that do not result in the recognition of an asset or a liability, amounts deferred in other comprehensive income are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Borrowing cost

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

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 other comprehensive income is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that has been recognised in other comprehensive income is transferred to the income statement.

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.

Share Capital

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

Provisions

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

Retirement benefits

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

Share-based payments

In the prior year, the Company introduced a new employee share scheme for eligible employees of the Group. The Jersey Electricity Employee Benefit Trust was established on 24 May 2012 and currently holds 27,800 shares. The shares to which these relate were purchased on 20 June and 22 June 2012 from the open market, at £3.20 per share. The Trust was funded by way of an interest free loan, and for accounting purposes is seen as an extension of the Group.

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

Notes to the Financial Statements

for the year ended 30 September 2013

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

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

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

Standards effective in current period:

Amendments to IAS 12 (Dec 2010) *Deferred Tax: Recovery of Underlying Assets*, which is effective for annual periods beginning on or after 1 January 2012

Amendments to IAS 1 (June 2011) *Presentation of Items of Other Comprehensive Income*, which is effective for annual periods beginning on or after 1 July 2012

Standards in issue not yet effective:

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine,* which is effective for annual periods beginning on or after 1 January 2013

IAS 19 (revised June 2011) *Employee Benefits*, which is effective for annual periods beginning on or after 1 January 2013

IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after 1 January 2014*

IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after 1 January 2014*

IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after 1 January 2014*

IFRS 13 *Fair Value Measurement*, which is effective for annual periods beginning on or after 1 January 2013

IAS 28 (revised May 2011) *Investments in Associates and Joint Ventures*, which is effective for annual periods beginning on or after 1 January 2014*

IAS 27 (revised May 2011) *Separate Financial Statements*, which is effective for annual periods beginning on or after 1 January 2014*

Annual Improvements *Annual Improvements to IFRSs: 2009-2011 Cycle*, which is effective for annual periods beginning on or after 1 January 2013

Amendments to IFRS 1 (March 2012) *Government Loans*, which is effective for annual periods beginning on or after 1 January 2013

Amendments to IAS 32 (Dec 2011) *Offsetting Financial Assets and Financial Liabilities*, which is effective for annual periods beginning on or after 1 January 2014

Amendments to IFRS 7 (Dec 2011) *Disclosures – Offsetting Financial Assets and Financial Liabilities*, which is effective for annual periods beginning on or after 1 January 2013

IFRS 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2015

Amendments to IFRS 10, IFRS 12 and IAS 27 (Oct 2012) *Investment Entities*, which is effective for annual periods beginning on or after 1 January 2014

Notes to the Financial Statements
for the year ended 30 September 2013

Accounting Developments continued

*IFRS 12, IFRS 11, IFRS 10, IAS 28 (revised May 2011) and IAS 27 (revised May 2011) if early adopted must be adopted as a package. An exception to this rule is however provided in IFRS 12.C2, which states: *"An entity is encouraged to provide information required by this IFRS earlier than annual periods beginning on or after 1 January 2014. Providing some of the disclosures required by this IFRS does not compel the entity to comply with all the requirements of this IFRS or to apply IFRS 10, IFRS 11, IAS 27 (as amended in 2011) and IAS 28 (as amended in 2011) early."*

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

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 except for IFRS 9, 12 and 13 which will introduce fair value hierarchy disclosure for non-financial assets and liabilities recognised at fair value, and the amendments to IAS 19 (revised June 2011) the effect of which is detailed on page 43 in 'Defined benefit pension scheme arrangements'.

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 the Group's senior management and approved by the Audit Committee and should be read in conjunction with 'Accounting Policies'.

i Revenue

The assessment of energy sales to customers is based on meter readings, which are carried out on a systematic basis throughout the year. At the end of each accounting period, amounts of energy delivered to customers since the last billing date are estimated taking into account energy acquired and estimating system losses and the corresponding unbilled revenue is estimated and recorded as sales. Unbilled revenues included within trade and other receivables in the balance sheets relating to such customers at 30 September 2013 amounted to £5.7m (2012: £5.6m).

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 2013 was 4.4% and in 2012 was 4.2%. If, for example, the discount rate applied to the liabilities had been 3.9%, rather than the 4.4% advised by our actuaries under IAS 19 for 2013, the IAS 19 net deficit of £0.8m would have been a net deficit of £7.2m.

iv Hedge accounting

The Group utilises currency derivatives to hedge its future purchases of power from France which currently extend to the next three calendar years. All such currency derivatives are fair valued, based on market values of equivalent instruments at balance sheet date. The Group has also hedged future expected payments in euro for the Normandie 3 capital project. In addition the Group also uses derivative products to hedge expected oil requirements in the next financial year. Again, such products are fair valued, based on market values of equivalent instruments at the balance sheet date.

Notes to the Financial Statements

for the year ended 30 September 2013

3 Business segments

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

	2013 External £000	2013 Internal £000	2013 Total £000	2012 External £000	2012 Internal £000	2012 Total £000
Revenue						
Energy	81,962	166	82,128	72,671	197	72,868
Building Services	3,606	476	4,082	4,195	325	4,520
Retail	12,145	39	12,184	15,472	64	15,536
Property	2,191	687	2,878	2,141	690	2,831
Other	2,434	751	3,185	2,703	601	3,304
	102,338	2,119	104,457	97,182	1,877	99,059
Intergroup elimination			(2,119)			(1,877)
Revenue			102,338			97,182
Operating profit						
Energy			4,423			4,240
Building Services			104			300
Retail			188			64
Property			1,609			1,609
Other			623			708
Operating profit before property revaluation			6,947			6,921
Gain/(loss) on revaluation of investment properties			155			(325)
Exceptional item - impairment of investment			(600)			(1,137)
Operating profit			6,502			5,459
Other gains and losses						
Interest income			53			287
Finance costs			(11)			(11)
Profit from operations before taxation			6,544			5,735
Taxation			(1,482)			(1,796)
Profit from operations after taxation			5,062			3,939
Attributable to:						
Owners of the Company			5,022			3,846
Non-controlling interests			40			93
			5,062			3,939

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

Notes to the Financial Statements

for the year ended 30 September 2013

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

	2013 Assets £000	2013 Liabilities £000	2012 Assets £000	2012 Liabilities £000	2013 Net capital additions £000	2013 Depreciation/ amortisation £000	2012 Net capital additions £000	2012 Depreciation/ amortisation £000
Energy	159,271	(28,334)	139,630	(34,816)	25,644	7,475	17,415	7,240
Building Services	737	(55)	682	(79)	1	48	1	50
Retail	4,026	(266)	3,800	(286)	89	55	69	70
Property	36,685	(409)	32,510	(348)	4,744	316	(50)	568
Other	889	(862)	1,096	(1,273)	4	39	746	366
Unallocated	5,977	(28,827)	15,274	(19,979)	-	-	-	-
	207,585	(58,753)	192,992	(56,781)	30,482	7,933	18,181	8,294

Unallocated assets includes cash deposits, investments and the retirement benefit obligation surplus. Unallocated liabilities includes deferred taxation, current taxation and the retirement benefit obligation deficit. Capital additions for the 'Property' segment includes £155,000 (2012: £(325,000)) for revaluation of investment properties.

4 Operating expenses

	2013 £000	2012 £000
Distribution costs	10,716	10,487
Administration expenses	8,753	10,413
	19,469	20,900

5 Directors and employees

Detailed information in respect of directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Report on pages 53 to 55. The number of persons employed by the Group (including non-executive directors) at 30 September was as follows:

	2013 Number	2012 Number
Energy	201	203
Other businesses	117	126
Trainees	11	12
	329	341

The aggregate payroll costs of these persons were as follows:

	2013 £000	2012 £000
Wages and salaries	15,779	15,280
Social security costs	858	805
Pension (note 17)	1,255	815
	17,892	16,900
Capitalised manpower costs *(note 11)	(1,698)	(1,975)
	16,194	14,925

* Capitalised manpower costs are included in note 11 under categories 'Mains cables and services', 'fixtures, fittings, vehicles etc' and 'Interlink'

Notes to the Financial Statements

for the year ended 30 September 2013

6 Group operating profit before joint venture

Operating profit is after charging:

	2013 £000	2012 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	77	75
Auditor's remuneration for non-audit services	5	5
Other oprating charges		
Operating lease charges	71	71
Depreciation of property, plant and equipment	8,133	8,270
Amortisation of intangible assets	33	28
Bad debts written off/(written back)	100	(11)
Inventories (written back)/written off	(223)	123
Foreign exchange (gains)/losses	309	1,060

7 Taxation

	2013 £000	2012 £000
Current tax		
Jersey Income Tax - ordinary activities before exceptional items	-	762
- adjustments in respect of prior periods	2	-
Total current tax	2	762
Deferred tax		
Current year	1,480	1,034
Total tax on profit on ordinary activities	1,482	1,796

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:

	2013 £000	2012 £000
Profit from ordinary activities before tax	6,544	5,735
Tax on profit on ordinary activities at standard income tax rate of 20% (2012: 20%)	1,309	1,147
Effects of:		
Adjustments in respect of prior periods	2	-
Expenses not deductible for tax purposes	12	275
Income not taxable for tax purposes	(243)	(134)
Impairment of investment	120	229
Non-qualifying depreciation	282	309
Losses/(profit) of Group undertakings not available for tax relief	-	(30)
Group total tax charge for year	1,482	1,796

Notes to the Financial Statements

for the year ended 30 September 2013

Deferred Tax

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

	2013 £000	2012 £000
Group and Company		
Accelerated capital allowances	14,756	13,047
Derivative financial instruments	64	(800)
Pensions	(204)	(1,214)
Losses carried forward	(251)	-
Provisions for deferred tax	14,365	11,033

Deferred tax movements in the year

	2013 £000	2012 £000
Group and Company		
At 1 October 2012	11,033	11,226
Charged to profit and loss account	1,480	1,034
Charged to statement of comprehensive income	1,852	(1,227)
At 30 September 2013	14,365	11,033

The deferred tax asset arising on losses carried forward has been recognised to the extent that future profits are available for set off. The deferred tax asset of Foreshore Limited has not been recognised in these accounts as Group relief is not applicable.

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2013 pence	2012 pence	2013 £000	2012 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	6.50	6.50	1,992	1,992
	interim for current year	4.75	4.50	1,454	1,378
		11.25	11.00	3,446	3,370
Dividend proposed	final for current year	6.80	6.50	2,083	1,992

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

Notes to the Financial Statements

for the year ended 30 September 2013

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 16.39p (2012 - 12.55p) are calculated on the Group profit, after taxation, of £5,022,000 (2012 - £3,846,000), and on the 30,640,000 (2012 - 30,640,000) Ordinary and 'A' Ordinary shares in issue during the financial year. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets (Group and Company)

	Computer Software £000
Cost as at 1 October 2012	312
Additions	8
Disposals	(14)
At 30 September 2013	306
Amortisation	
At 1 October 2012	261
Charge for year (note 6)	33
Disposals	(14)
At 30 September 2013	280
Net book value	
At 30 September 2013	26
Cost as at 1 October 2011	293
Additions	19
At 30 September 2012	312
Amortisation	
At 1 October 2011	233
Charge for year (note 6)	28
At 30 September 2012	261
Net book value	
At 30 September 2012	51

The above charges are included within operating expenses.

Notes to the Financial Statements

for the year ended 30 September 2013

11 Property, plant, equipment and investment properties

The Group & Company	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, vehicles etc £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2012	27,113	17,683	121,085	71,510	15,924	29,847	283,162	14,865
Expenditure	94	(647)	5,430	2,873	1,352	16,628	25,730	-
Reclassification	(751)	-	-	-	-	-	(751)	518
Revaluation	-	-	-	-	-	-	-	4,977
Disposals	-	-	(6)	-	(875)	(96)	(977)	-
At 30 September 2013	26,456	17,036	126,509	74,383	16,401	46,379	307,164	20,360
Depreciation								
At 1 October 2012	7,065	4,930	87,914	21,169	10,836	13,123	145,037	-
Charge for the year (note 6)	601	386	3,541	1,599	980	1,026	8,133	-
Revaluation	(233)	-	-	-	-	-	(233)	-
Disposals	-	-	(5)	-	(864)	(95)	(964)	-
At 30 September 2013	7,433	5,316	91,450	22,768	10,952	14,054	151,973	-
Net book value at								
30 September 2013	19,023	11,720	35,059	51,615	5,449	32,325	155,191	20,360

The Group & Company	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, vehicles etc £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2011	26,988	17,611	110,469	67,912	14,938	41,746	279,664	14,813
Expenditure	241	72	11,064	4,211	1,407	1,230	18,225	262
Reclassification	(115)	-	-	-	-	-	(115)	115
Revaluation	-	-	-	-	-	-	-	(325)
Disposals	(1)	-	(448)	(613)	(421)	(13,129)	(14,612)	-
At 30 September 2012	27,113	17,683	121,085	71,510	15,924	29,847	283,162	14,865
Depreciation								
At 1 October 2011	6,468	4,544	85,128	19,784	10,356	25,054	151,334	-
Charge for the year (note 6)	598	386	3,227	1,998	863	1,198	8,270	-
Reclassification	-	-	-	-	-	-	-	-
Disposals	(1)	-	(441)	(613)	(383)	(13,129)	(14,567)	-
At 30 September 2012	7,065	4,930	87,914	21,169	10,836	13,123	145,037	-
Net book value at								
30 September 2012	20,048	12,753	33,171	50,341	5,088	16,724	138,125	14,865

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

b Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2013 by qualified independent valuers Sarre and Company who has experience in Jersey property market valuation.
Such properties are not depreciated. The rental income arising from the properties during the year was £1,099k, (2012: £1,051k).

c The Group and Company figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £45k (2012: £45k) at cost and a depreciated value of £37k (2012: £40k).

d The gross carrying amount of assets at net book value of zero at 30 September 2013 was £58.4m (2012: £44.7m).

e The credit to expenditure in leasehold buildings is due to the contribution to the South Hill project by GEL of £676k.

f £16,628k (2012: £255k) classified in 'Interlinks' is expenditure, including interest of £116k and commitment fees of £153k for Normandie 3 which is still 'work in progress'.

*Investment Properties
The B&Q lease is a fully-repairing lease with a 48-year term from May 2000 and a tenant-only break option on the 23rd anniversary.
The medical centre lease is an internal repairing lease with a 30-year term from May 2005 and break options at 15, 20 and 25 year anniversaries.
The residential properties comprise twenty-nine units which are let out on licences or leases with terms no greater than one year.
The minimum lease payments are detailed on note 21.

Notes to the Financial Statements

for the year ended 30 September 2013

12 Other investments

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Subsidiary undertaking (a)	-	-	477	477
Joint venture (b)	-	-	-	-
Other investments (c)	5	5	5	5
	5	5	482	482

Principal group investments

The Company has investments in the following subsidiary undertaking, 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
Joint venture:					
Foreshore Holdings Limited	Jersey	Data internet hosting	100 Ordinary	50	31 December
Other investments:					
Channel Islands Electricity Grid Limited	Jersey	Association with Guernsey Electricity Limited	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.

Foreshore Holdings Limited

The partners in the Joint Venture are the Company (50%), Raymora Limited (37.5%) and Omicron (Computer Systems) Limited (12.5%). Foreshore Holdings Limited operates managed computer hosting facilities in the Powerhouse building on the Queens Road site occupied by Jersey Electricity plc. To date, the Company has invested £5,813,000 in the project, in the form of unsecured loans. The investment in Foreshore was fully impaired to zero in the prior year and a further £200,000 was invested and written off in the current year. In addition the long-term loan of £400,000 was fully written off in the current year. In the year ended 30 September 2013 the Company's share of the trading loss of Foreshore amounted to £257,000 (2012: £15,000). The current year losses were not recognised as they are not required to be under IFRS given that the investment was fully impaired in the prior year.

The Company has acted as guarantor for Foreshore Holdings Limited for an overdraft to the value of £175,000.

Channel Islands Electricity Grid Limited (CIEG)

The joint arrangement between the Company and Guernsey Electricity Limited for the installation of a second interconnector system between France, Jersey and Guernsey required a control point through which the interconnector project manager could communicate and also, to be the customer which Électricité de France would invoice for their energy sales. CIEG, a company jointly owned and managed on a 50/50 basis by the Company and Guernsey Electricity Limited, was established in July 1998 to deal with these aspects and also to manage the way in which the second interconnector would be operated. In May 2013, Jersey Electricity and Guernsey Electricity signed an agreement to share the cost and capacity of the £70m Normandie 3 project. It also provided for cost and capacity sharing in the potential replacement for the original interconnector between Jersey and France that failed in June 2012. The Company's interest in CIEG is accounted for as a joint venture under International Accounting Standard 31 'Interests in Joint Ventures'.

Notes to the Financial Statements
for the year ended 30 September 2013

a Subsidiary undertaking

Cost	£000
At 1 October 2012 and 30 September 2013	477

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

b Joint venture

	Company Joint Venture	
	2013 £000	2012 £000
Cost less impairment at 1 October	-	(1,809)
Investment/long-term loan	600	-
Amounts provided	(600)	(1,809)
Cost less impairment at 30 September	-	-

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

	Joint Venture	
	2013 £000	2012 £000
Turnover	2,423	2,466
Fixed assets	291	226
Current assets	495	506
Liabilities due within one year	1,149	956
Liabilities due after one year or more	3,344	3,246
(Loss)/profit in the year	(257)	(15)

c Other investments

	Group and Company Other investments
Cost	£000
At 1 October 2012 and 30 September 2013	5

13 Inventories

The amounts attributed to the different categories are as follows:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Fuel oil	6,506	4,707	6,506	4,707
Commercial stocks and work in progress	1,905	1,715	1,836	1,636
Generation, distribution spares and sundry	1,023	823	1,023	823
	9,434	7,245	9,365	7,166

At 30 September 2013 stocks are stated net of obsolete provisions of £222k (2012: £428k).

Notes to the Financial Statements

for the year ended 30 September 2013

14 Trade and other receivables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Amounts receivable within one year				
Trade receivables	**10,267**	8,131	**10,129**	7,898
Prepayments and accrued income	**1,506**	1,231	**1,506**	1,231
Other receivables	**3,700**	7,456	**3,700**	7,456
	15,473	16,818	**15,335**	16,585
Amounts receivable after one year				
Secured loan accounts	**1,025**	1,152	**1,025**	1,152
Total trade and other receivables	**16,498**	17,970	**16,360**	17,737

Included within secured loan accounts are loans to employees and directors. See the Remuneration Report in the Report of the Directors for disclosure of the Directors' loans.

Included in trade receivables within one year is £380,000 (2012: £54,000) due from Foreshore Limited.

The fair value of trade receivables is considered by the directors to be equivalent to invoiced value less any provisions for bad debts of £262,000 (2012: £215,000).

15 Trade and other payables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Amounts falling due within one year:				
Trade payables	**2,407**	921	**2,347**	876
Bank overdraft	**-**	70	-	70
Other payables including taxation and social security	**4,938**	5,795	**4,938**	5,795
Accruals and deferred income	**6,987**	10,251	**6,987**	10,251
	14,332	17,037	**14,272**	16,992
Amounts falling due after one year:				
Accruals	**318**	307	**318**	307
Deferred income	**17,533**	17,337	**17,533**	17,335
	17,851	17,644	**17,851**	17,642

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

16 Borrowings

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Bank loan	**10,000**	-	**10,000**	-

On 1 February 2013 a two year £60m revolving credit facility agreement with RBSI was signed to finance the Normandie 3 capital project. RBSI have a security charge over a number of the Company freehold properties with an estimated value of £44m. As at 30 September 2013 £10m has been drawn down at an average interest rate of 2%.

Notes to the Financial Statements

for the year ended 30 September 2013

17 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 2012. The results of this actuarial valuation showed that the market value of the scheme's assets was £85.9m and there was a deficit relative to the funding target of £9.3m. This corresponds to a funding target ratio of 110%. The long-term contributions rates of the Company and the employees are 20.6% 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.

Regular employer contributions to the Scheme in 2014 are estimated to be £2.1m. Additional employer contributions might be required if there are any redundancies or 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 2012. 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 comprehensive income (SoCI).

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

Key financial assumptions:	**2013 % pa**	2012 % pa	2011 % pa
Discount rate	**4.4**	4.2	5.1
Rate of increase in salaries	**4.1**	3.9	4.5
Price inflation	**3.4**	2.9	3.5
Pension increases	**-**	-	-

The mortality assumptions are based on standard mortality tables which allow for expected future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 28.1 years if they are male and for a further 30.6 years if they are female. The corresponding figures used for disclosures at 30 September 2012 were 28.2 years for current active males and 30.2 years if they are female.

For a member who retires in 2033 at age 60 the assumptions are that they will live on average for a further 30.1 years after retirement if they are male and for a further 32.6 years after retirement if they are female. The corresponding figures used for disclosures at 30 September 2012 were 30.8 years for current active males and 32.7 years for current active females.

Expected rates of return on assets:	**Long-term rate of return expected at 30 September 2013 pa***	**Value at 30 September 2013 £000**	Long-term rate of return expected at 30 September 2012 pa*	Value at 30 September 2012 £000	Long-term rate of return expected at 30 September 2011 pa*	Value at 30 September 2011 £000
Equities	**7.3%**	**60,827**	7.3%	51,698	7.3%	47,504
Fixed interest gilts	**3.4%**	**12,866**	2.6%	5,710	3.3%	16,249
Corporate bonds	**3.6%**	**7,279**	3.2%	20,519	4.6%	25,820
Property	**6.8%**	**2,765**	6.8%	2,776	6.8%	2,822
Other	**0.8%**	**10,275**	1.2%	4,564	1.6%	(15,898)***
Combined	**5.8%****	**94,012**	5.7%**	85,267	6.7%**	76,497

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

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

***Included in the above data are the nominal amounts of £5m (2012: £2.74m) derivative contracts entered into the scheme as at 30 September which have been reflected as a liability within the 'Other' asset category with the related assets within the Equities, Fixed interest gilts and Corporate Bonds categories. The 1.2% long-term rate of return expected is derived on the 'other' assets netted off within this amount.

Notes to the Financial Statements
for the year ended 30 September 2013

Jersey Electricity plc 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 2013.

Reconciliation of funded status to balance sheet:	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of Scheme assets	94,012	85,267	76,497	80,206	69,110
Present value of Scheme liabilities	(95,030)	(91,335)	(80,917)	(78,411)	(72,818)
(Deficit)/surplus in Scheme	(1,018)	(6,068)	(4,420)	1,795	(3,708)
Related deferred tax liability	204	1,214	884	(359)	742
Net pension (liability)/asset	(814)	(4,854)	(3,536)	1,436	(2,966)

The analysis of the income statement charge for 2013:	2013 £000	2012 £000
Current service cost	1,954	1,641
Past service cost	55	42
Interest cost	3,815	4,099
Expected return on Scheme assets	(4,569)	(4,967)
Expense recognised in the income statement	1,255	815

The movement in changes to the present value of the Scheme liabilities during the year were:	2013 £000	2012 £000
Opening defined benefit obligation	91,335	80,917
Current service cost	1,954	1,641
Interest cost	3,815	4,099
Contributions by Scheme participants	599	575
Actuarial gains on Scheme liabilities*	934	7,452
Net benefits paid out	(3,662)	(3,391)
Past service cost	55	42
Closing defined benefit obligation	95,030	91,335

*Includes changes to the actuarial assumptions.

History of asset values, defined benefits obligations, surplus/deficit in Scheme and experience gains and losses	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of Scheme assets	94,012	85,267	76,497	80,206	69,110
Defined benefits obligation	(95,030)	(91,335)	(80,917)	(78,411)	(72,818)
(Deficit)/surplus in Scheme	(1,018)	(6,068)	(4,420)	1,795	(3,708)

History of experience gains and losses	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Experience gains/(losses) on Scheme assets	5,238	5,174	(8,072)	6,906	1,952
Experience (losses)/gains on Scheme liabilities†	(2,403)	980	214	4,386	(244)

†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 used.

Notes to the Financial Statements

for the year ended 30 September 2013

Changes to the fair value of Scheme assets during the year	2013 £000	2012 £000
Opening fair value of Scheme assets	85,267	76,497
Expected return on Scheme assets	4,569	4,967
Actuarial gains on Scheme assets	5,238	5,174
Contributions by the employer	2,001	1,445
Contributions by Scheme participants	599	575
Net benefits paid out	(3,662)	(3,391)
Closing fair value of Scheme assets	94,012	85,267

Actual return on Scheme assets	2013 £000	2012 £000
Expected return on Scheme assets	4,569	4,967
Actuarial gains on Scheme assets	5,238	5,174
Actual return on Scheme assets	9,807	10,141

Analysis of amounts recognised in other comprehensive income (SoCI)	2013 £000	2012 £000
Total actuarial gains/(losses) in other comprehensive income	4,304	(2,278)
Cumulative amount of losses recognised in other comprehensive income	(4,319)	(8,623)

18 Called up share capital

	Authorised 2013 £000	Issued and fully paid 2013 £000	Authorised 2012 £000	Issued and fully paid 2012 £000
'A' Ordinary shares 5p each (2012: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2012: 5p each)	1,500	950	1,500	950
	2,750	1,532	2,750	1,532
5% Cumulative participating preference shares £1 each	100	100	100	100
3.5% Cumulative non-participating preference shares £1 each	150	135	150	135
	250	235	250	235

Equity shares

'A' Ordinary shares entitle the holder to 1 vote for every 100 shares held whereas the Ordinary shares carry voting rights of 1 vote for every 20 shares held. At 30 September 2013 there were 11,640,000 'A' Ordinary and 19,000,000 Ordinary shares in issue.

Preference shares

Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2012: £9,000) and are recorded in finance costs in the income statement. 5% preference shares carry voting rights of 1 vote per 5 shares and 3.5% preference shares carry voting rights of 1 vote per 10 shares.

ESOP reserve

In June 2012 employees were awarded 100 'A' Ordinary shares which will vest in July 2015.

Notes to the Financial Statements

for the year ended 30 September 2013

19 Non-controlling interests

Equity	2013 £000	2012 £000
At 1 October 2012	63	14
Share of profit on ordinary activities after taxation	40	93
Dividends paid	(79)	(44)
At 30 September 2013	24	63

20 Financial commitments

	2013 £000	2012 £000
a Capital expenditure:		
Approved by the directors but not yet contracted for	56,304	79,683
b Current rental commitments under operating leases are as follows:		
Payable within one year	42	42
After one year but within five years	40	79
After five years	29	29
	111	150

21 Leases

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

	2013 £000	2012 £000
Less than one year	166	175
Greater than one year and less than five years	29	29
More than five years	1,005	993
	1,200	1,197

Notes to the Financial Statements

for the year ended 30 September 2013

22 Derivatives and financial instruments and their risk management

Group and Company:

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

Foreign exchange risk

The Group utilises currency derivatives to hedge its future purchases of power from France which currently extend to the next three 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, foreign exchange option contracts and oil contracts	2013 £000	2012 £000
Less than one year	58,599	36,255
Greater than one year and less than five years	31,474	41,036
	70,073	77,291

A three level hierarchy is used to classify financial instruments based on the following;

Level 1: Comprised of financial instruments whose values are determined by quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Comprised of financial instruments whose values are determined by inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) including inputs from markets that are not considered to be active; and

Level 3: Comprised of financial instruments whose values are determined by inputs that are not based on observable market data (unobservable inputs).

The derivative contracts entered into by the Group are classified as Level 2 financial instruments on the basis that fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

At 30 September 2013, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £1.0m over the next two years (2012: (£3.6)m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amount to £(0.9)m (2012: £(3.1)m) has been deferred in equity. The fair value of oil derivatives that are designated and ineffective as cash flow hedges amount to £(0.6)m (2012: £(0.5))m has been recycled to the income statement. In the current period amounts of £(4.6)m (2012: £(1.7)m) were credited to equity and £nil (2012: £0.5m) recycled to the income statement. Gains and losses on the derivatives are recycled through the hedged income statement at the time the purchase of power is recognised in the income statement.

The Group's currency exposure at 30 September 2013, taking into account the effect of forward contracts placed to manage such exposures, was £2.4m (2012: £2.5m) being the translated Euro liability due for imports made in September but payable in October.

At 30 September 2013, the fair value of the Group's oil derivatives is estimated to be a liability of approximately £0.6m (2012: £0.4m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of oil derivatives that are designated and effective as cash flow hedges amount to £(0.6)m (2012: £(0.4)m) has been deferred in equity.

Given the limited exposure to foreign exchange rate risk at the year end no sensitivity analysis has been presented.

Credit risk

The Group's principal financial assets are cash and cash equivalents, short-term investments, trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Allowances are made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The trade debtors at 30 September 2013 outside the 30 day credit terms were as follows:

	2013 £000	2012 £000
Greater than 30 days	286	109
Greater than 60 days	59	30
Greater than 90 days	488	202
	773	341

Notes to the Financial Statements

for the year ended 30 September 2013

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

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

Capital management

Strong capital management is an integral part of the directors' strategy to achieve the Group's stated objectives. The directors review financial capital KPI's on a monthly basis. The £60m revolving credit facility established in February 2013 allows the funding of the Normandie 3 interconnector and at the balance sheet date £10m had been drawn down. Liquid funds are managed on a daily basis and placed on short-term deposits maturing to meet liabilities when they are due.

Liquidity risk

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

Maturity of financial liabilities at 30 September	2013 £000	2012 £000
Less than one year	25,285	21,801
More than one year and less than five years	33,469	34,980
More than five years	-	-
	58,754	56,781

Interest rate risk

The Group has held cash balances for most of the financial year. The goal is to achieve a return that is as close to the prevailing base rate level as possible. This is achieved by checking rates with two banks whilst taking into account the guidelines agreed by the Board.
A two year £60m revolving credit facility was entered into during the year. Due to the short tenure no interest rate hedges were placed.
The combined cash and cash equivalents and short-term investments total at 30 September 2013 was £4.8m (2012: £14.3m).
The weighted average rate of interest was 0.9% (2012: 1.7%).

Maturity of financial assets and liabilities

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

	2013 £000	2012 £000
Less than 3 months: cash and cash equivalents and short-term investments	4,798	5,311
Greater than 3 months: short-term investments	-	9,020

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September 2013 of £52.0m (2012: £2.0m) in respect of which all conditions precedent had been met. The overdraft facility of £2.0m expires within one year, and the Revolving Credit Facility on 31 January 2015.

Commodity risk

The Group has power purchase agreements with EDF, in France. As at 30 September 2013, the import prices, but not volumes, have been substantially fixed for 2014. The Group has entered into a 10 year framework agreement with EDF commencing 1 January 2013 which has a commitment to procure around 30% of volume requirements at known prices. The remainder of the requirement will be decided by a market pricing mechanism, but with no volume commitment, to deliver a degree of stability in tariff pricing to our customers. The Company has the ability to generate power as an alternative to importation if this was viewed to be commercially and environmentally acceptable.

Notes to the Financial Statements

for the year ended 30 September 2013

23 Related party transactions

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

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

Counterparty	Value of electricity services supplied by Jersey Electricity		Value of goods & services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
The States of Jersey	**8,013**	7,550	**1,424**	1,763	**1,365**	1,848	**618**	556	**1**	2
JT Group Limited	**1,846**	1,696	**53**	129	**172**	187	**153**	146	**-**	7
Jersey Post International Limited	**129**	124	**-**	-	**35**	44	**-**	-	**-**	-
Jersey New Waterworks Limited	**738**	892	**70**	60	**191**	100	**66**	4	**-**	-
Foreshore Limited	**582**	578	**703**	712	**9**	11	**656**	161	**-**	-

The States of Jersey is the Company's majority and controlling shareholder. Jersey New Waterworks is majority owned and controlled by the States of Jersey. JT Group Limited and Jersey Post International Limited are both wholly owned by the States of Jersey. All transactions are undertaken on an arm's length basis.

At the 30 September 2012 Foreshore Limited had rental arrears, classified as long-term loans, to the value of £400,000 which was impaired to zero at 30 September 2013.

b New Energy from Waste Plant

A new Energy from Waste plant was commissioned in Jersey during 2011. Jersey Electricity signed a 25 year agreement in 2008 to take electricity produced at the plant by the States of Jersey and to share existing facilities with the Energy from Waste plant. The value of electricity imported from the facility during the year was £1.2m (2012: £1.7m) and the value of services provided to the plant was £0.5m (2012: £0.5m).

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the executive directors) is set out below. Further information about the remuneration of individual directors is provided in the Remuneration Report on pages 53 to 55.

	2013 £000	2012 £000
Short-term employee benefits	**644**	823
Post-employment benefits	**182**	181
	826	1,004

24 Post balance sheet events

The Retail operation within the Powerhouse building is currently under review with a portion of floor space likely to be let to a UK retailer in early 2014.

25 Contingent liabilities

In June 2012 the original interconnector to France, installed in 1984, failed. In the 2012 financial statements a £0.5m provision was established for the partial decommissioning of the cable based on the best estimate available then. The provision at the year ended 30 September 2013 remains at £0.5m. It is still unclear whether the cable will be required to be removed from the seabed. The norm in other areas of Europe has been to leave the cables in place. If it does require removal then additional provisioning would be required. In addition it creates uncertainty as to whether such a decommissioning liability exists for the other interconnectors installed in 2000.

Five Year Group Summary (unaudited)

Financial Statements	2013	2012	2011	2010	2009
Income Statement (£m)					
Turnover	102.3	97.2	100.5	98.9	93.6
Operating profit	6.5	5.5	10.8	14.2	8.7
Profit before tax	6.5	5.7	11.1	14.6	9.3
Profit after tax	5.1	3.9	8.6	12.4	7.2
Dividends	3.4	3.4	3.2	3.0	2.9
Special dividend	-	-	1.0	-	-
Balance Sheets (£m)					
Property, plant and equipment	155.2	138.1	128.3	120.9	120.6
Net current assets	6.7	17.7	29.1	30.4	23.8
Non-current liabilities	(33.5)	(35.0)	(33.0)	(28.1)	(29.4)
Net assets	148.8	136.2	140.9	141.7	129.3
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	16.39	12.55	28.05	40.20	23.50
Gross dividend paid per ordinary share (pence)	14.06	13.70	13.06	12.44	11.81
Net dividend paid per ordinary share (pence)	11.25	11.00	10.45	9.95	9.45
Dividend cover (times)*1	1.5	1.1	2.1	4.0	2.5
Cash at bank/(net debt) (£m)	(5.2)	14.2	24.5	22.7	16.8
Capital expenditure (£m)	25.7	18.5	15.6	8.4	12.8
Electricity Statistics					
Units sold (m)	663	637	651	645	642
% movement	4.1%	(2.1%)	0.9%	0.4%	0.5%
% of units imported	75.4%	92.1%	95.6%	93.5%	92.4%
% of units generated	20.7%	2.4%	1.9%	5.9%	6.7%
% of units from Energy from Waste plant*2	3.9%	5.5%	2.5%	0.6%	0.9%
Maximum demand (megawatts)	155	161	154	158	153
Number of customers	48,623	48,452	47,990	47,494	47,072
Customer minutes lost	13	293	45	10	9
Average price per kilowatt hour sold (pence)	12.3p	11.4p	11.4p	11.5p	11.2p
Manpower Statistics					
Energy	201	203	191	192	187
Other	117	126	136	136	124
Trainees	11	12	10	5	7
Total	329	341	337	333	318
Units sold per energy employee (000's)	3,297	3,136	3,408	3,359	3,436
Number of customers per energy employee	242	239	251	247	252

*1 excludes the special dividend paid in 2011.

*2 Energy from Waste plant operational from 2011. Units pre 2011 from smaller decommissioned facility.

Financial Calendar

2 January 2014	Preference share dividend
End January 2014	Interim Management Statement – quarter to 31 December 2013
21 February 2014	Record date for final dividend
6 March 2014	Annual General Meeting
28 March 2014	Final dividend for year ended 30 September 2013
14 May 2014	Interim Management Statement – six months to 31 March 2014
6 June 2014	Record date for Interim Ordinary dividend
30 June 2014	Interim dividend for year ending 30 September 2014
1 July 2014	Preference share dividend
End July 2014	Interim Management Statement – nine months to 30 June 2014
18 December 2014	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 6 March 2014 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).

Jersey Electricity

The Powerhouse, PO Box 45
Queens Road, St Helier JE4 8NY
Tel 01534 505460
Fax 01534 505565
email jec@jec.co.uk
www.jec.co.uk

FSC
Printed on paper from
a sustainable source.