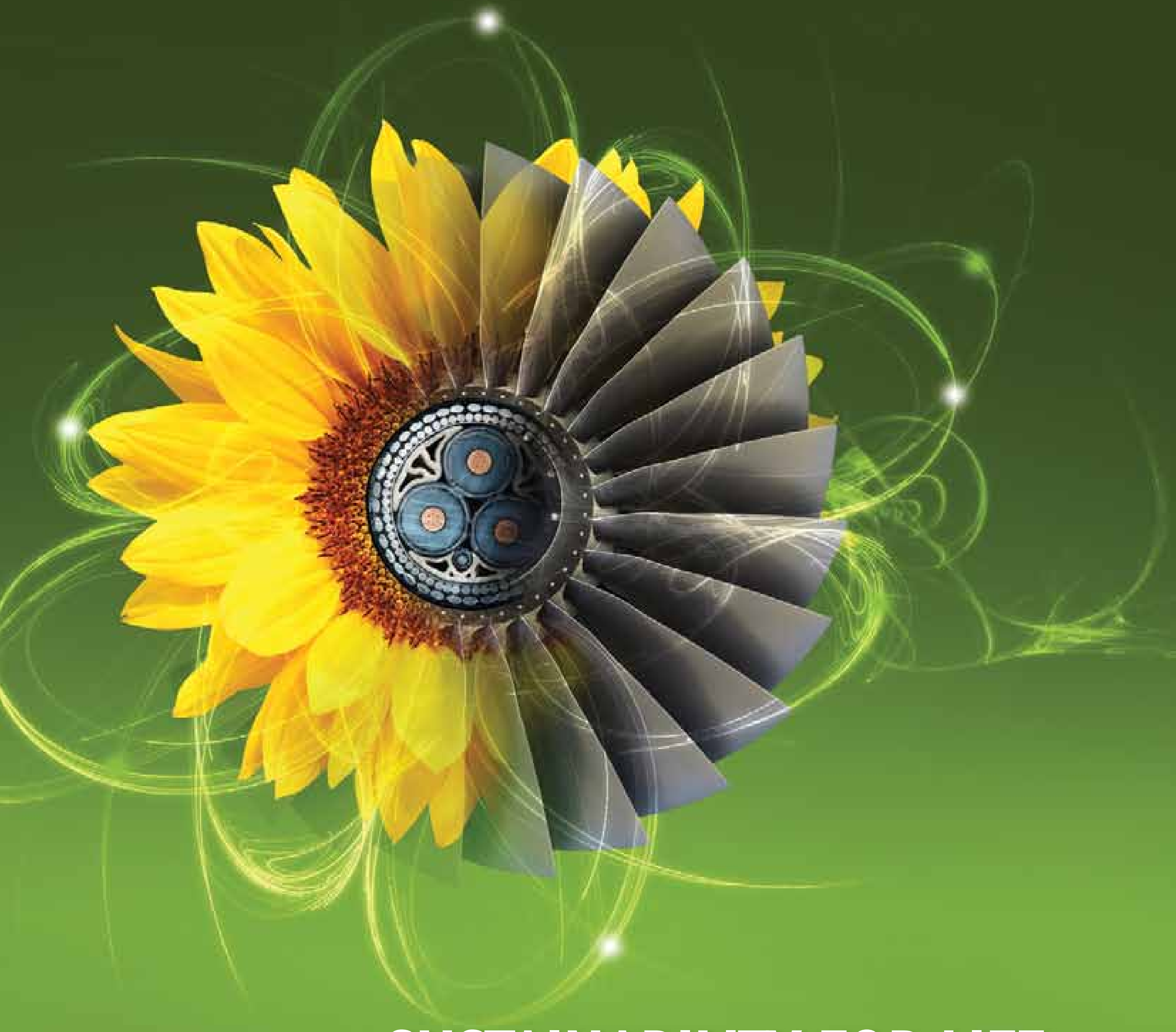
Clear investment. Pure energy.



SUSTAINABILITY FOR LIFE, GROWTH AND PROSPERITY
REPORT AND ACCOUNTS 2012

Jersey Electricity

OUR YEAR

KEY ACHIEVEMENTS 2012

STRENGTHENING POSITION IN ENERGY MARKET

- Electricity now 38% of final energy consumption in Jersey
- Completed fuel switch of 1,800 States tenanted homes from gas or oil to electric heating

161MW RECORD PEAK DEMAND

- All time record demand occurred 2 February 2012, surpassing previous record of 158MW on 12 January 2010

NEW WEBSITE LAUNCHED

- New more customer-centric website launched – designed to increase operational efficiency and improve customer satisfaction

PAYMENTS REVOLUTION

- Reduced our 'costs to serve' and improved efficiency by successfully converting 28,000 customers to Direct Debit payments and 15,600 to ebilling by year end

AFFORDABILITY

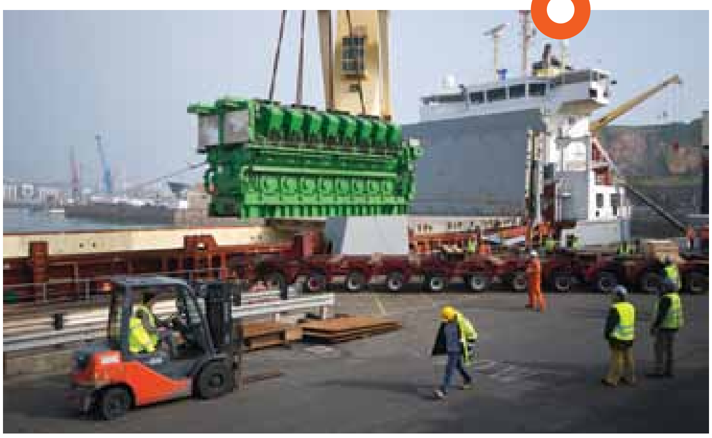
- Despite a below-inflation 2.9% rise in May and a 9.5% increase proposed in January 2013, standard tariffs still lower than peer jurisdictions and EU average

£9M SOUTH HILL SWITCHING STATION OFFICIALLY OPENED

- General Sir John McColl, the Lieutenant Governor, officially opened £9m South Hill Switching Station on 24 April. Facility is the hub that now controls critical power flows around the network

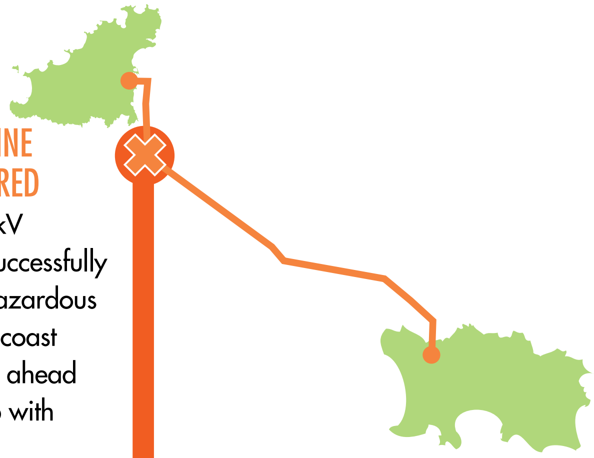
THIRD CABLE PLANS CONSENTED

- Finally obtained formal planning permission from French authorities in December to install a third French supply cable expected in service by 2015



REPLACEMENT DIESEL GENERATORS DELIVERED AND INSTALLED

- Two replacement 132-ton, 11MW Sulzer diesel engines complete journey from Saudi Arabia on 15 March to be installed at La Collette Power Station following a strategic review of on-Island generation



JERSEY-GUERNSEY SUBMARINE CABLE SUCCESSFULLY REPAIRED

- Following the first ever 90kV submarine cable failure, successfully completed complex and hazardous cable repair off Guernsey coast on 15 August, two months ahead of schedule, in partnership with Guernsey Electricity

FULL RESTORATION FOLLOWING TWO SUBMARINE CABLE FAILURES

- Both French supply cable links failed on 17 June. Entire Island restored within three hours on local generation; EDF1 deemed irreparable; Normandie 2 restored within 24 hours
- Sole remaining French supply cable failed on 25 September. Entire Island restored within four hours on local generation; Normandie 2 restored within six hours

36MILLION UNITS FROM WASTE

- Received 36,409MWh of power from States of Jersey Energy from Waste plant during first full year of operation

SIGNED DEALS TO PROGRESS SMART METER PROJECTS

- Struck partnership agreement with Secure Controls UK (Horstmann) in August to supply Liberty Meters for Island-wide Smart Meter roll-out
- Engaged Swiss Post to deliver tailor made secure web portal enabling customers to manage their accounts and monitor power consumption online

RE-COMMISSIONING OF GENERATION ASSETS

- Re-commissioned two steam boilers, steam turbine and associated generator transformer to enable further 30MW of electrical generating capacity

ENVIRONMENTAL COMMITMENT REWARDED

- Awarded ECO-ACTIVE Business Leader status by States of Jersey Environment Department in April

FIRST ALL-ELECTRIC COMMERCIAL VEHICLE

- Added first all-electric commercial vehicle, the Renault Kangoo ZE, to our fleet in September

LARGE-SCALE RENEWABLES STUDY

- Completed full desktop evaluation of offshore wind in Jersey waters
- 1-4GW of generation capacity and potential for £5bn inward investment and 500 jobs
- Opportunity for £30-40million of increased States of Jersey income per year

GO-AHEAD FOR PUBLIC ELECTRIC CAR CHARGE POINTS

- Reached agreement in September with the States of Jersey to install electric vehicle charging points in all five St Helier multi-storey public car parks

FIVE STARS FOR HEALTH AND SAFETY

- Achieved Five out of Five Star Rating following second Health and Safety Management System Audit in August by British Safety Council
- Zero Lost Time Accidents

NEW BURSARY SCHEME LAUNCHED

- Launched in May, Jersey Electricity Bursary Award for graduates to encourage development of professional engineering skills in Jersey

NEXT GENERATION MAKE THEIR MARK

- Two young staff rewarded at Jersey Construction Council Awards as Apprentice of the Year and Achiever of Year
- Largest intake of new apprentices for several years

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

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

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

BROKERS
Collins Stewart (CI) Limited, 37 The Esplanade,
St. Helier, Jersey

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

CHAIRMAN'S STATEMENT

At the beginning of the year, we would never have predicted the extraordinary events facing the business during 2011/12. On 29 April we experienced our first ever submarine cable fault on the Channel Islands Electricity Grid (CIEG), resulting in the temporary loss of the Jersey-Guernsey link. Less than two months later, on 17 June, both interconnectors to France failed within an hour of each other, resulting in only the second Island-wide power failure in six years. Then on 25 September, Jersey Electricity faced its most difficult restoration ever following the failure of the sole remaining submarine cable connecting Jersey to France and a third instance of loss of power to the Island.

The pressure on staff then and since has been huge and their response exceptional. Our financial result reflects the challenges but belies staff's efforts; Group turnover was £97m with Group pre-tax profit £5.7m, reflecting the higher than planned use of fossil fuel generation, various one-off costs and a difficult retail environment.

Having substantially hedged power and foreign exchange for the full financial year, we applied a 2.9% price rise from 1 May 2012, our first price increase since 1 January 2009[1] – a rise below inflation and considerably less than the average UK electricity price rises of 15% in 2011.

Good progress on several key strategic projects was interrupted by the cable issues. The diagnosis and subsequent repair of the Jersey-Guernsey link was a complex, major project requiring significant and immediate attention of our senior management and engineers. Working with colleagues at Guernsey Electricity (GEL) and cable repair contractors, we successfully cut out the defective section of cable and completed the repair in just four months, two months earlier than planned and, importantly, well in advance of winter.

[1] Excludes increase in GST from 3% to 5% in June 2011

The cable failures in June and September cut power flows to Jersey. In the first case, engineers, working with Réseau de Transport d'Électricité (RTE) in France, restored the younger 90MW capacity submarine cable, installed in 2000, within 24 hours. However, it was not technically possible nor economically viable to repair the older, 55MW cable, installed in 1984. It remains out of service pending de-commissioning. In the second case, we removed the failed component from the cable and restored supplies within hours. Regrettably, these events have had an adverse impact on our financial performance this year. Operating profit in Core Energy fell to £4.2m.

Electrical failures are notoriously difficult to predict. However, it had been anticipated that the older cable was nearing the end of its design life and we had already initiated eight years ago a major project to install a third cable to France. We finally received planning permission from the French authorities in December, and expect to deliver this cable into service by 2015. Until then, we will need to generate more electricity on Island using oil, again exposing us to the vagaries of global markets. Our challenge is always to find the right balance between supply risk and affordability while maintaining a fair return for shareholders. To cover the extra costs of generating from oil, we have announced a tariff increase of 9.5% from 1 January 2013. Even with this increase, prices remain lower than EU average benchmark levels.

During the year, the Channel Islands Competition and Regulatory Authority (CICRA) conducted an independent review of the electricity market and Jersey Electricity. We welcome the conclusions of this which confirmed that electricity prices represent fair value to consumers, especially considering the scale of our business and additional costs of infrastructure that are needed for a relatively isolated island system. We also welcome CICRA's view that more onerous regulation is not needed at this time.

Our Company has made excellent progress on the installation and commissioning of two diesel engines that will come into full service in the New Year. We have also re-mobilised La Collette Power Station, re-commissioning and enhancing steam capacity with an additional generator transformer.

We have signed important agreements with Secure Horstmann for the provision of Smart Meters and with Swiss Post for the design and implementation of an exciting web platform to complement our Smart Metering infastructure. These will improve efficiency of operations and transform the way we interact with consumers.

We continue to provide an affordable electricity supply to islanders and, given the strength of our balance sheet, we propose to hold our final dividend at the same level as last year. The Board of Directors is recommending the maintenance of the final dividend at 6.5p to be paid on 4 April 2013.

Given the scale and importance of our Core Energy infrastructure programme and our short-term operational challenges, David Padfield has decided to step down from the Board to devote his full attention to the programme. David continues his reporting lines to the Chief Executive and he will remain an important part of our team. I would like to thank him specifically for his significant contribution to the Board over recent years.

I also want to thank all staff at all levels, our executive and non-executive Board members and pay tribute to their dedication, hard work and loyalty. Collectively, they make the difference and this has certainly been proven this year.

Geoffrey Grime
Chairman
20 December 2012

CHIEF EXECUTIVE'S REVIEW

The year has been exceptionally tough for the business, with multiple coincident cable failures proving to be most challenging. These included our first ever submarine cable fault on our Jersey-Guernsey link followed by three further failures on our two French interconnectors – one of which was a permanent electrical 'fault' and the other two of a temporary nature. I was delighted with the response of staff, who worked tirelessly under relentless pressure to deal with these issues. Considering these challenges, our operational performance was generally good. Although customers experienced more supply disruption than usual, this could have been significantly worse given the complexity and timing of the failures. It's a credit to the expertise of our restoration staff that all these incidents were contained.

Inevitably, our financial results were materially impacted by these challenges. Our Group pre-tax profit was £5.7m, around half of last year's level. This was influenced by higher costs in our Core Energy business, largely associated with the interconnector failures and mild winter, as well as weaker profits in the retail sector, reflecting the difficult economic environment.

Group revenues reached £97m, slightly down on last year with Core Energy revenues down to around £73m. Turnover in Retail and Building Services were also down on last year, the former affected mainly by the closure of our online trading business, day2dayshop.com in August 2012, and the latter reflecting intense tendering activity and competition in the marketplace.

CORE ENERGY

The Core Energy business overcame many challenges during the year. Not only did the business respond proficiently to the unforeseen asset failures, it has also managed to make good progress on many strategic infrastructure projects that are pivotal to the long-term future of the business and customer supplies.

Overall, our Core Energy business generated revenue of £73m and profit of £4.2m. We achieved a return on assets of 4.5%. Although this is lower than our target return of between 6-7%, we are aiming for our returns to be restored to this level over time as it is generally viewed in our industry as the minimum necessary to support continued infrastructure investment.

At the start of the year that investment programme focused on progressing our third French interconnector project, Normandie 3, and the installation and refurbishment of two 11MW diesel engines at La Collette Power Station. Both projects are making good progress. We are delighted to have now secured planning permission for the very complex Normandie 3 project, which involved consultation with and permission from multiple parties in both Jersey and France. We will also commission and place the two new diesel generators into service in the New Year. These will provide important generation capacity for the colder period of winter 2012/13.

As part of the Channel Islands Electricity Grid (CIEG), we also worked closely with our Guernsey colleagues to repair the Jersey-Guernsey cable link in record time and broadly within budget. The permanent loss of EDF1, the first Jersey-France interconnector, before Normandie 3 is in service has raised the prospect of a fast-track replacement, potentially in partnership with Guernsey Electricity. This could significantly restore importation capacity for CIEG over a very short timescale.

CIEG also experienced multiple wound plant failures in both France and in Guernsey. Fortunately, we had approved an earlier project to enhance reactive capacity at Western Primary, which was subsequently accelerated and installed ahead of time. We have also implemented an examination and reconditioning programme to mitigate against the risk of further failures, and key assets should largely be back in service by the end of 2012.



GROUP PURPOSE

Energy is critical to Jersey now and into the future. It is essential for personal well-being and economic prosperity. The Island is dependent on financial services, agriculture, tourism and other industries, and it is important that we help protect and grow these sectors as well as create the conditions for new ones to emerge.

Jersey Electricity (the Company) has been a strong advocate of technology and e-commerce as a new sector in which the Island could excel, which is why we seeded Foreshore Limited and the offshore data hosting industry over ten years ago. We believe the Island can and should look to sectors that would leverage its competitive advantage while simultaneously benefitting from competitively priced, reliable and clean electricity.

Our business purpose is broad: to help our community by sourcing, generating, transmitting, trading, distributing, supplying, storing, servicing and saving energy – sustainably. Sustainability reflects our responsibilities to many stakeholders the interests of whom we have to balance. 'Intergenerational equity' is also important. We must ensure, where practical, that current and future generations can rely on secure and affordable energy supplies and not be unfairly burdened with the bill for services enjoyed by their predecessors.

For these reasons we are making vital capital investments across our full supply chain:

- Additional interconnection capacity with Normandie 3, our third submarine cable between France and Jersey.
- Smart Metering enabling instant and accurate metering, improved efficiencies and better services.
- A new primary substation in the west of St Helier, to service the economic centre of Jersey.
- Renewed and re-commissioned on-Island generation, creating flexible supply headroom and facilitating power trading with France.
- New applications such as electric transportation facilities and new heating and cooling technologies, providing even higher levels of comfort, flexibility and affordability.
- New large and small scale renewable technologies, to diversify energy sources for our customers and create wealth for Jersey.



Our vision

Our vision is to be the '*leading provider of sustainable energy and related services in our chosen markets*'. We will achieve this by delivering great performance across three areas:

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

Given the size of our customer base, higher on-Island costs and lack of interconnectivity as an island, our goals are particularly challenging.

Our non-Energy businesses indirectly or directly support Core Energy. Our vision in these businesses is to be the '*leading player in every market or category in which we participate*'. We are already delivering against these targets in some areas.

Our key priorities

We have revised our key near-term priorities given the recent loss of interconnection capacity. They are:

- Deliver the following capital projects on time, on budget and in full:
  - Put Normandie 3 in service by 2015
  - Complete twin diesel project (22MW)
  - Re-commission additional steam capacity (30MW)
  - Secure site for St Helier West Primary substation
  - Commence an evaluation of an additional interconnector project, Normandie 1
- Launch SmartSwitch
  - Finalise customer portal
  - Commence full rollout
  - Develop additional services
- Grow energy and related services
  - Launch electric transportation in commercial and domestic markets
  - Develop heating and cooling systems and solutions
  - Develop propositions around micro-renewables
- Manage risk and import costs
  - Power, FX and now heavy fuel oil procurement
  - Physical supply chain
- Develop strategy for renewables
  - Plan for offshore wind development
  - Monitor tidal power opportunities
- Continuously improve across all activities
  - Back office and support function efficiency

ENERGY GROWTH

States of Jersey 2011 Energy Trends Report

Electricity demand in Jersey has increased during the past 20 years by an average of 2% a year and was almost 50% higher in 2011 than 1991. According to the latest States of Jersey 'Energy Trends' report, 2011 showed another 2% increase in electricity demand on 2010, with almost half (46%) of that consumption used by domestic customers. Overall, final energy consumption[1] in Jersey in 2011 was 3% lower than 2010. Overall domestic energy consumption was 7% lower than 2010, with heating oil and gas down 12% and 18% respectively – and electricity the only fuel bucking the downward trend.

Electricity now comprises 38% of Jersey's total final energy consumption, an increase from 31% in 2008 – a change driven largely by the increase in electricity use 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 one which we intend to address with the development of electric vehicle technologies and related propositions.

2011/12 versus 2010/11

Although our unit sales of 637 million units for the financial year were 2% down on the previous year's 650 million units, this came off the back of mild winter weather coupled with increased energy conservation. We forecasted reductions in average consumption per customer last year but we are confident that electricity remains the 'energy of the future'. We believe new applications and additional heating customers will more than compensate for reductions in sales through energy efficiency.

The total number of customers on supply at year-end was 48,452 an increase of around 1% on last year and in line with previous years. In addition, the increase in off-peak tariff customers can be attributed to fuel switching the remainder of around 1,800 States tenanted homes, our success in winning electric heating in 91% of new build and existing owner-occupiers fuel switching following marketing campaigns.

Despite the mild start to last winter, we met a new record demand of 161MW on 2 February 2012, surpassing our previous record of 158MW recorded in January 2010. The measures we have put in place to compensate for our temporary limited import capacity are more than capable of meeting a new record should demand peak further.

[1] Final energy consumption refers to the use of energy in its final form by the ultimate consumer.

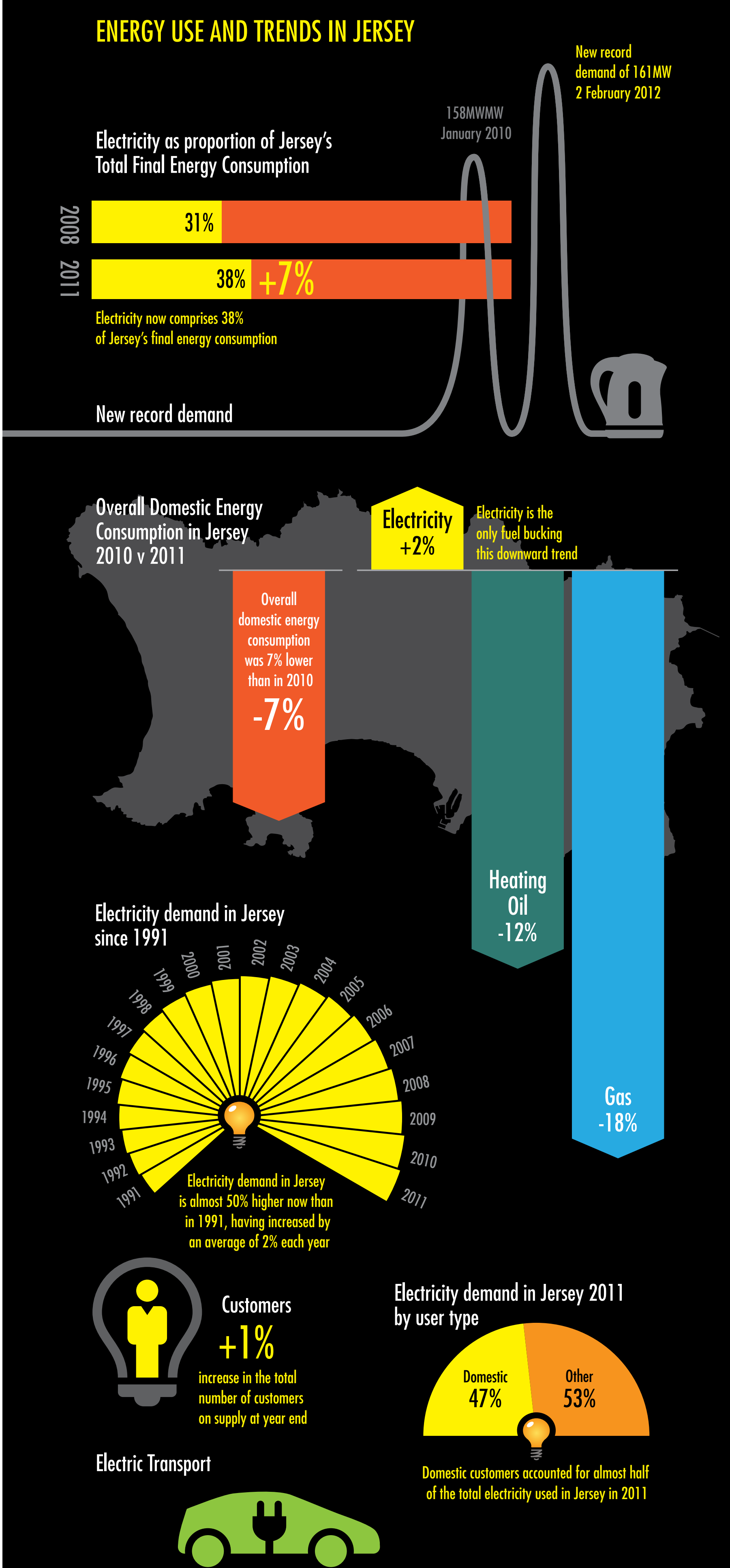
Fuel of choice for developers

Developers continue to choose electricity. It is easy and relatively low cost to install, clean, safe and with no flue or fuel storage requirements. 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 of Jersey

I am pleased to report the completion of the initial campaign to fuel switch States tenanted homes from fossil fuel to all electric. By the end of this year our Building Services business will have completed the works for the remaining 156 States homes out of the 1,800 chosen for conversion. We have also completed several infrastructure reinforcement projects to support this new load.

A key growth initiative is to encourage the use of high efficiency, off-peak heating across our customer base. This allows new customers to benefit from our access to lower cost imported units from France whilst simultaneously minimising 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 significantly, by 7% to 15,249.



Transport is the last major untapped energy market for electricity, and one which we intend to address

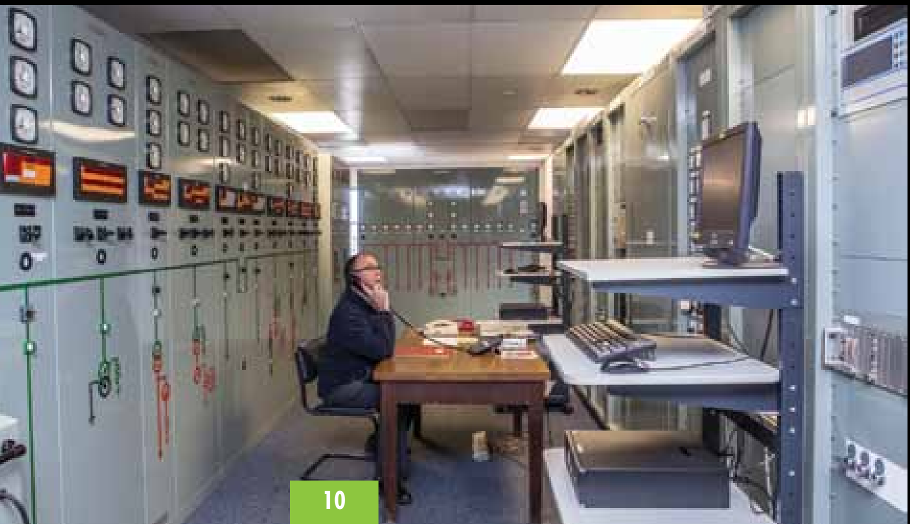
Source: Jersey Energy Trends 2011

MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

Unsurprisingly, in the current economic environment, price levels and stability continued to be the most important factors to customers in providing for their energy needs. Following an independent review of the electricity market and Jersey Electricity, the Channel Islands Competition and Regulatory Authority (CICRA) concluded that electricity prices represent fair value for consumers. The CICRA noted in particular the size of our business compared with peer utilities in Europe and additional costs of infrastructure that are characteristic of a relatively isolated island system.

The study also examined the efficiency of Jersey Electricity, quality of service, scale of our financial returns and, in all cases, concluded that these were reasonable, with little risk of customers being disadvantaged due to cross-subsidisation. We welcome the CICRA's conclusions and the view that more onerous regulation is not needed.

By recent standards, we have seen less volatility in wholesale commodity prices but continue to hedge to our normal strict risk management standards. During the financial year we witnessed crude oil prices fluctuate around the high levels of \$80 to \$110 a barrel, French year ahead power prices oscillate between €49 to €55/MWh, and the euro-sterling exchange rates move within a range of €1.13 to €1.29.



Taking the impact of energy markets into account, as we approached the end of April, we were well placed for a small below-inflation rise of 2.9% from 1 May 2012, our first price increase since 1 January 2009 (excluding the 2% GST rise in June 2011). We were pleased to have kept this below inflation and considerably lower than the 15% UK electricity price rises for the prior year and well below the 14% fossil fuel price rises that Jersey witnessed over the same period.

Our strong hedge book put customers in a good position during the early part of the financial year to enjoy stable pricing into 2013, but this changed markedly with the loss of EDF1 in June.

To meet the shortfall of limited import capacity we had to generate power at our La Collette Power Station using fossil fuels, the prices of which remain higher than might be expected given the global economic slowdown. We also increased our spend on maintenance and repair as well as other operating costs.

Consequently, electricity generated locally from heavy fuel oil and gas oil is considerably more expensive than imported power. To cover this additional cost and ensure that we protect cash ring-fenced for critical future investment, we regrettably announced a 9.5% tariff rise effective from 1 January 2013.

Near-term impact on customers

Despite the unwelcome scale of this price rise in difficult economic conditions, our pricing relative to peers remains lower, particularly against other island communities and we continue to meet our target of being within 10% of the EU15 average retail prices.

Including the 9.5% tariff rise, our aggregate price increase over the last two years is around 12.4%. Over the last two years, electricity utilities in the UK have increased prices by around 20-25% and fossil fuel distributors in Jersey have increased their prices by up to 35% over the same period. In absolute terms, our prices are competitive with the UK, a little cheaper than the EU average and materially lower than peer islands.

Future retail prices

Going forward, it is extremely difficult to predict prices. While we still expect to fulfil the majority of the Island's electricity requirements from imported power, locally generated power from oil will remain more expensive than previous levels until additional interconnection capacity is installed and may well continue to be materially more expensive.

Despite new risk management measures that we have put in place around oil purchases, our business will be exposed to the new commodity risk of oil price and volume uncertainty for the foreseeable future alongside our existing power price and foreign exchange uncertainties. The business therefore remains ready to implement more frequent tariff changes but we will do everything we can to simultaneously protect consumers while continuing to offer a satisfactory return to shareholders over the long term.

ENERGY PRICE RISE COMPARISON

	Nov 2010	Dec 2010	Jan 2011	Feb 2011	Mar 2011	Apr 2011	May 2011	Aug 2011	Sept 2011	Oct 2011	Nov 2011	Jan 2012	Feb 2012	May 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013
ScottPower	8.9%							10.0%									7.0%	
SSE									11.0%						9.0%			
British Gas		7.0%						16.0%				-5%				6.0%		
Npower			5.1%							7.2%						9.1%		
Eon				9.0%					11.0%				-6%					7.7%
EDF					7.5%						4.5%						10.8%	
Jersey Electricity														2.9%				9.5%

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Above: Newly installed Sulzer diesels 1 and 2 exhausts.

Below: Installation of new flue inside the chimney stack.

A significant challenge and a key responsibility of Jersey Electricity is to maintain security and reliability of electricity supply, particularly to the key financial and commercial district in St Helier and other organisations providing critical services to the community.

The business this year experienced an unprecedented series of unforeseen, extraordinary events and coincidental asset failures that threatened our long-standing and proud record on supply security.

Cable failures, restoration and response

Our first ever submarine cable failure on the CIEG occurred on the Jersey-Guernsey link on 29 April and was followed by the failure of both our French interconnectors on 17 June, causing the second Island-wide blackout in six years. Unfortunately although power via Normandie 2 was restored the following day, the older 28-year-old cable, EDF1, was deemed irreparable, leaving us solely reliant now on a single interconnector until Normandie 3 is installed.

Its continued operation has been of paramount importance but a separate plant failure in France tripped out this cable again late at night on 25 September, resulting in another blackout and challenging our restoration and distribution teams with a particularly complex restoration on an already abnormal network. These incidents collectively pushed our Average Customer Minutes Lost (the total length of time supplies were interrupted during the year for the average customer) to a level of 293. Fortunately, most CMLs were overnight. We were able to bring the financial district and St Helier back in service within two hours and the rest of the Island well ahead of the start of the working day.

Although our reliability performance continues to better that of typical island communities, it is not consistent with Jersey Electricity's usual standards and prompted a comprehensive review of transmission assets, accelerated refurbishment and replacement of selected plant and the use of more extensive spinning reserve to cover supplies to St Helier.

We have directed significant resources towards maintaining and enhancing generation and transmission assets this year with extraordinary success that reflects the quality and commitment of staff.

Among several other projects we have:

- Installed new wound plant at Western Primary in record time and in line with budget.
- Made material progress in the installation of our two second hand diesel engines.
- Commenced smaller but important projects to re-commission additional steam capacity.
- Repaired one fuel storage tank.
- Installed an additional generator transformer.
- Installed a new chimney flue.
- Implemented 'black-start' measures to launch our three fast-start gas turbines.

Despite the company having enough generation capacity to meet the Island's full demand, these projects will provide additional supply headroom to cover for additional plant failures or the loss of our sole remaining interconnector.

This engineering project work has been successfully progressed while simultaneously staffing up La Collette Power Station.

Main picture: Gauges on Sulzers' sea water cooling system.

Above: Refurbishment of Number 4 fuel tank. 30MW turbine governor and alternator.

Diesels project

We have made tremendous progress with our £10million project to acquire and install two replacement 11MW Sulzer diesel generators at La Collette. This project was approved in December of last year and was well in process when the EDF1 submarine cable failed. To secure additional supply margins, we accelerated the project following the loss of EDF1 and both engines will be commissioned and in service in the New Year. This was an outstanding achievement by the Energy Division and means that our four Sulzers will play a vital role in safeguarding supplies following our unexpected reduction in import capacity.

Following much work to secure the contracts for the supply of the engines and the difficult process of dismantling and removing the two decommissioned 5MW Mirrlees engines they replaced, the Sulzers arrived on 15 March aboard one of the largest vessels ever to dock in St Helier Harbour.

The 107-metre, 7,380-ton, Croatian-registered Atlant Frauke was chosen because its cranes were able to handle the 452 tons of generating equipment, while the ship itself was under the maximum length of 135 metres able to dock in the port.

Once unloaded, the Sulzers completed the final, short leg of their complex journey from Dammam in Eastern Saudi Arabia, via Antwerp, to La Collette via an 11-axle, 88-wheel low loader, brought from Portugal and assembled on site, for the job of transporting the engines from the harbour to the Power Station. They were moved into position on the empty beds with the aid of heavy load-bearing 'airfloat skids'.

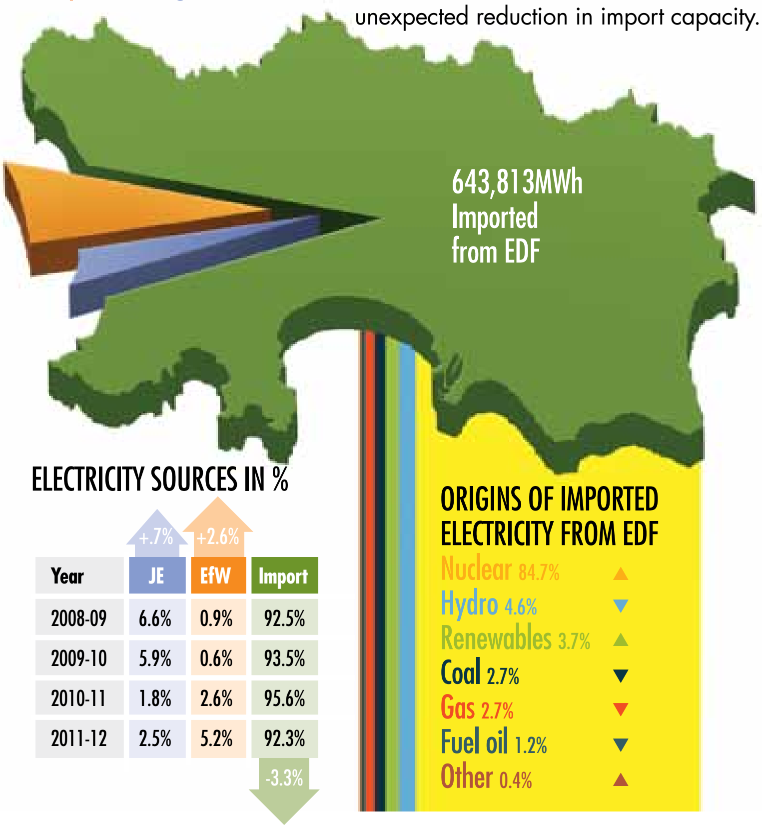
Specialist Swiss company MIE was contracted with the complex task of their safe delivery, installation and refurbishment which continued apace throughout the summer.

The 'fast start' Sulzers are twice as powerful, cleaner, more efficient and cost effective than their predecessors and will be a valuable addition to our generation fleet for the foreseeable future.

ELECTRICITY SOURCES 2011-2012

36,409MWh Generated by EfW plant

16,925MWh JE locally generated



ELECTRICITY SOURCES IN %

+.7% +2.6%

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%

-3.3%

Huge heavy duty jacking beams were installed to lower the 132-ton Sulzer engines into position on the old Mirrlees beds at La Collette Power Station after their journey from Saudi Arabia, via Antwerp.

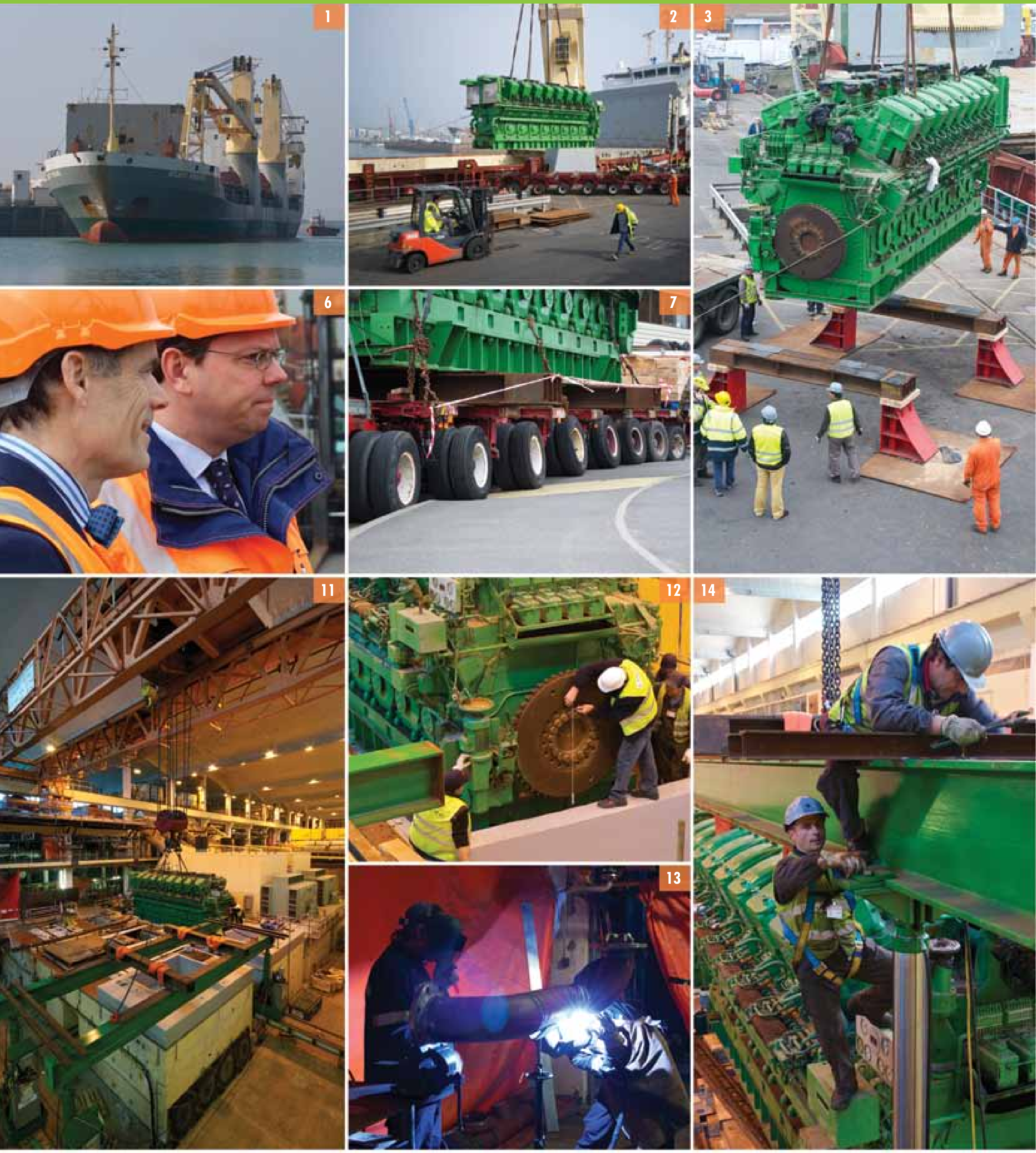
Far left: Chief Engineer John Duqemin, MIE Project Manager Philippe Staehli, CEO Chris Ambler and Reis Goncalo, CEO of PowerVia, the heavy lift contractor.

Left: One of the Sulzers arrives at La Collette.

SUPPLY SECURITY STANDARDS:

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

- 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:
  - diesel generator; and
  - gas turbine.
- 75% of peak winter load for 48 hours from on-Island generation (no simultaneous loss of on-Island capacity).
- No coincidence of the above.



THE INSTALLATION PROCESS:

1 The 7,380-ton Atlant Frauke completes its journey from Antwerp to St Helier Harbour.
2 The Atlant's giant crane unloads the first Sulzer from the ship at high tide.
3 Each generator is carefully craned onto support struts.
4 Securing first engine on the low loader specially brought in from Portugal.
5 The low loader moves the first to La Collette Power Station.
6 Chief Engineer John Duqemin and CEO Chris Ambler look on.
7 11 axles and 88 independently steered wheels distribute the load.
8 The short but slow journey to La Collette is complete.

9 Pipe work fabrication by skilled welders.
10 The two refurbished beds left vacant by the removal of the Mirrlees await the Sulzer engines.
11 La Collette cranes placing the skid rails to allow the Sulzers to be jacked into place.
12 Checking alignment.
13 Welding oil pipework.
14 Removing heavy duty jacking beams.
15 The 'heavy lift' installation crew.
16 Rotating the second engine into place.
17 Checking cylinder liners.
18 The two 11MW Sulzers are in position.

Pictures: Alison Richards.

Normandie 3

During the year we invested considerable resource to re-affirm our supply security standards and evaluate our interconnection strategy based on projected peak demand and unit growth rates long into the future. This included a full re-validation of the economics of our third interconnector project. We concluded that there was an overwhelming case for the continued pursuit of Normandie 3, which we continue to focus on.

We have received final planning permission to progress Normandie 3. The permission from the Prefet de la Manche arrived in December after the Public Enquiry ruled in our favour.

Prior to the Enquiry, we submitted our approved 'dossiers' with the Prefecture requesting permission to lay Normandie 3 in French waters and to land the cable on the beach in Normandie. The dossiers were then transmitted to all interested parties in the French administration, who had three months to comment before the Enquiry which ran from 20 June to 21 July.

During this process the dossiers were made available to the public in the communes of Pirou, Creances, Lessay, Milleurs and Periers. We received notice of the enquiring officer's '*avis favourable*' on 5 September.

We are now able to move into the procurement and installation stage without further delay. We are currently studying tenders for the manufacture and installation of both submarine and land cables and reactors and expect Normandie 3 to be in service by 2015.

It has been a long and complex process to get to this important milestone. My thanks go to the team who have worked tirelessly with our counterparts at RTE, the French transmission systems operator, and many varied French authorities and interest groups to bring us to this stage.

We look forward to making real headway in 2013 while simultaneously evaluating and advancing a fast-track replacement for EDF 1 (to be known as Normandie 1) along the same route as the failed interconnecter.

We are now well placed to make major progress with both projects going into 2013.

Normandie 3 Key Dates

2002

Third interconnector first discussed. Three routes considered.

2003

Initial costing and feasibility discussions with RTE.

2004

Board formally initiate project.

2005

Desktop feasibility study complete. Discussions with RTE who preferred northern route. Southern route preferred by Jersey Electricity seeking least risk and greatest strategic benefit.

2006

Major breakthrough as announcement of a third nuclear reactor to be built at Flamanville shows a 400kV substation to be built near Periers. Reinforces southern route credentials of sandy seabed with a solid connection point. Start of marine geophysical and benthic studies.

2007

Agreement on route from French fishermen's Committee Local des Pêches and Jersey Fishermen Association.

French companies IFREMER and CERESA commissioned to produce marine and landside enquiry documents.

2008

Consultations with French authorities. Jersey Environmental Impact Assessment.

Technical and Financial Proposition received from RTE.

French authorities formally declare project 'live'. Forecast consultation process of four years.

2009

Simultaneous installation of Normandie 4 investigated but would jeopardise project schedule.

2010

Planning Application due before Prefet de la Manche.

2011

Expected Public Enquiry June 2011 delayed due to French administration changes and IFREMER diverted by French Oyster disease crisis.

FEB 2012

Planning Application submitted.

JUN 2012

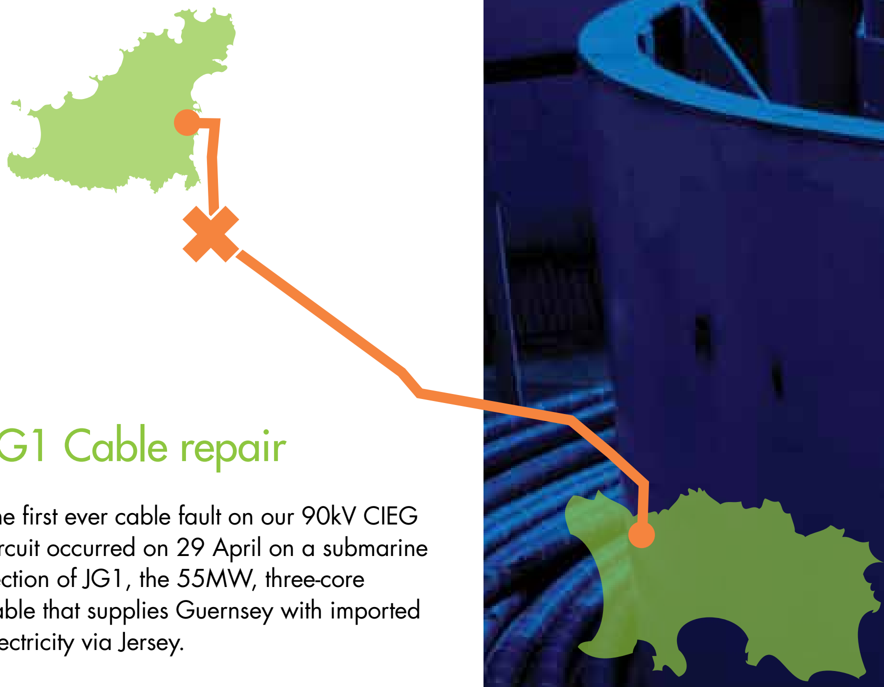
Public Enquiry starts.

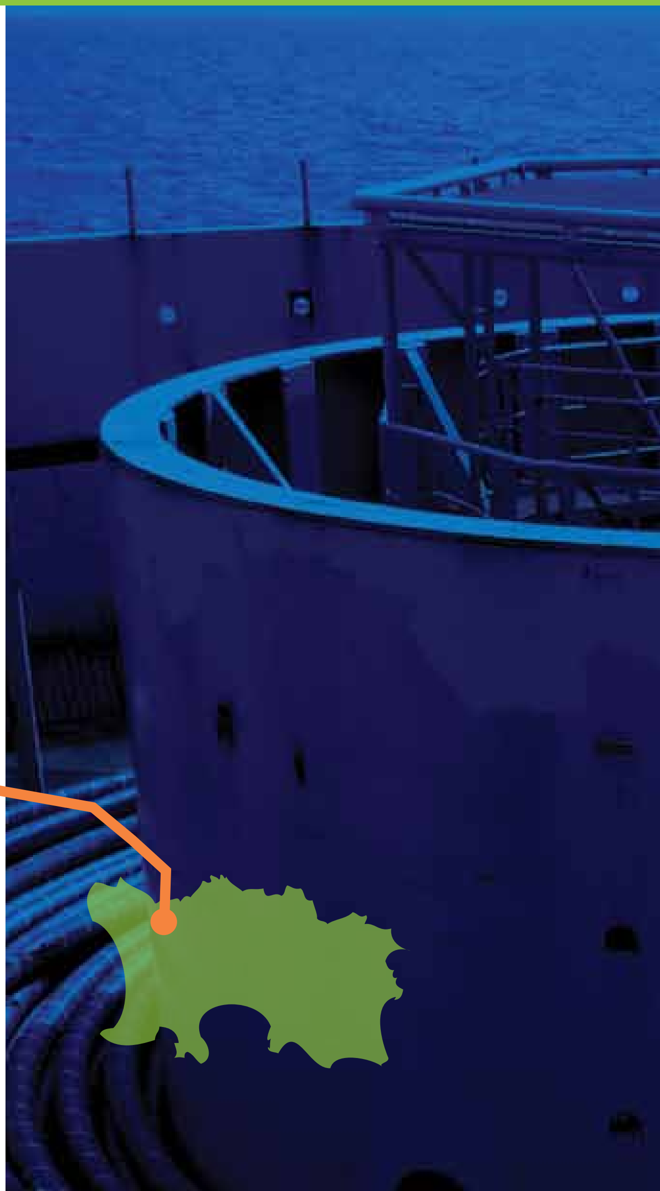
SEP 2012

Favourable outcome announced.

DEC 2012

Final Planning Permission confirmed. Tenders being considered and accepted.





JG1 Cable repair

The first ever cable fault on our 90kV CIEG circuit occurred on 29 April on a submarine section of JG1, the 55MW, three-core cable that supplies Guernsey with imported electricity via Jersey.

Although of primary benefit to Guernsey, JG1 is co-owned by Jersey Electricity and strategically important to us for network security as Guernsey has additional generation capacity to export to Jersey in the event of disruption to French supplies. It was therefore in both islands' interests to restore JG1 as quickly as possible. The majority of the costs will be borne by insurance.

Locating the fault on 40km of cable accurately enough to mount a repair is a highly skilled process. Engineers send voltage signals down the cable and listen for where it 'jumps the fault gap' in a process known as 'thumping'. It was soon established that the fault lay approximately 10km off the coast of Guernsey on a section of cable buried in sand at a depth of 50 metres of sea.

The repair contract was awarded to ABB, the original manufacturers and installers. They shipped a 2.5km spare length of repair cable from Sweden, where it has been stored since 2000, and which we had strategically held over from the original installation.

The repair was a complex and challenging operation, at the mercy of the weather and strong tides, which again demonstrated the spirit of co-operation between Jersey and Guernsey Electricity through our partnership in the Channel Island Electricity Grid (CIEG).

Both companies had representatives available 24 hours a day on board the repair vessel Team Oman during the four-week operation that included a support vessel and a remotely operated vehicle (ROV). Senior Project Engineer Jeremy Willis represented Jersey Electricity, ensuring the repair was carried out in the proper manner, that power cable safety procedures were followed, permits were correctly issued and that the joints were completed and installed to specification.

The operation was successfully completed on 15 August when the cable proved sound during initial re-commissioning.

"The repair was a complex and challenging operation, at the mercy of the weather and strong tides, which again demonstrated the spirit of co-operation between Jersey and Guernsey Electricity..."

TEAM OMAN FACTS:

Multi purpose cable laying vessel, one of only 25 vessels in the world capable of such demanding work.

Chartered by Swedish-Swiss ABB for five years, and much in demand as offshore wind projects increase.

Formerly known as Team Sea Spider it is the ship that originally laid the Jersey-Guernsey link and Normandie 2 from Jersey to France.

Built in the Netherlands in 1999.

4,800-tonne turntable capacity, 24m outside turntable diameter.

Owned by Dubai-based Topaz Energy and Marine.

Can accommodate 56 people.

Has dynamic positioning capability.

Distribution

Workload in Distribution remained high, however we observed a slight decrease of 13% in switching operations on last year but we were 30% higher than normal years. The main reason for the slight decrease is the slowing of the building trade in Jersey and the completion of the States Housing fuel switching programme.

Overall, we installed 14MVA of new transformer capacity, 32km of new cable, 22 new substations and refurbished a further 21 and installed 700 new services. We maintained 124 substations and patrolled 13km of overhead line. The number of substations under Jersey Electricity's control is now 727.

SmartSwitch

SmartSwitch, our programme to introduce a Smart Metering system to Jersey, has made good headway this year. As well as progressing infrastructure installation, we have finalised various agreements and contracts that position us well to progress this important project next year.

Smart Meters, an essential precursor to a Smart Grid, have the potential to revolutionise electricity distribution and our relationship with customers. The technology benefits ourselves and the customer and we have had an encouraging response from customer focus groups.

Manual and estimated meter readings will be a thing of the past as accurate and remote readings are transmitted automatically to Queen's Road daily via Local Data Concentrators (LDCs) in substations providing 48 readings a day. Tariff configuration, changes from credit to pre-pay, will all be managed remotely, eliminating labour intensive site visits. Access to up-to-date accurate information on usage and payment status, will enable customers to better manage their consumption while, crucially, enabling us to better control the load curve. This is important for controlling costs associated with both importations and local generation, preserving the integrity of our infrastructure and could eventually facilitate new tariffs and customer energy efficiency.

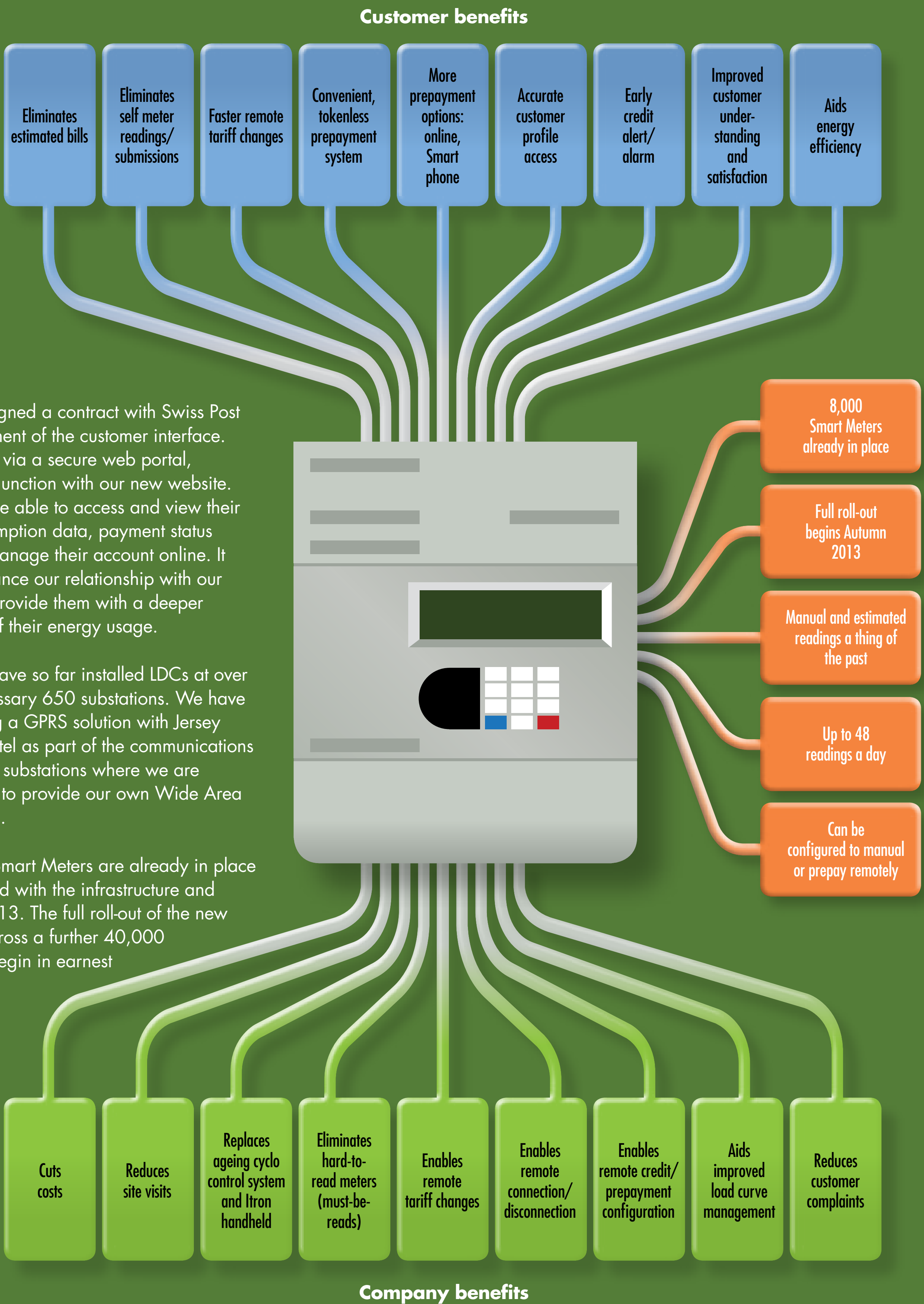
We now have a partnership agreement with Secure Controls UK – the parent company of Horstmann – that provides the added security of a tie-in with the UK's Smart Metering roll-out specifications of hardware and software while, unlike the UK, permitting individual development solutions for us as a vertically integrated power company.

The tried and tested Liberty Meter is our Smart solution of choice. The Liberty can be configured to credit or pre-pay remotely – of particular advantage in apartment blocks with high change of tenancy rates. Secure Controls UK are also developing the Liberty to accommodate our Comfort Heat and Economy 20 tariffs.

We have also signed a contract with Swiss Post for the development of the customer interface. This will now be via a secure web portal, designed in conjunction with our new website. Customers will be able to access and view their electricity consumption data, payment status and generally manage their account online. It will greatly enhance our relationship with our customers and provide them with a deeper understanding of their energy usage.

Our engineers have so far installed LDCs at over 600 of the necessary 650 substations. We have been developing a GPRS solution with Jersey Telecom and Airtel as part of the communications infrastructure for substations where we are currently unable to provide our own Wide Area Network (WAN).

Around 8,000 Smart Meters are already in place and will be tested with the infrastructure and portal in Q2 2013. The full roll-out of the new Liberty Meter across a further 40,000 properties will begin in earnest in Q4 2013.



PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES

Last year I announced our intention to achieve ECO-ACTIVE Level 3 Certification from the States of Jersey Environment Department. This year I am delighted to report that we achieved our goal in April when the States elevated our status to ECO-ACTIVE Business Leader in recognition of our performance and commitment to environmental excellence.

The award follows a British Safety Council 5-Star environmental pre-audit in January, involving three days of inspections and assessments. This provided the 'road map' for the implementation of an Environmental Management System (EMS), which covers air and water based emissions, waste minimisation, water use and energy efficiency amongst other areas.

Although we comply with all current legislation, we want to go beyond this in our commitment to sustainable business and environmental best practice and we believe the British Safety Council environmental audit is an appropriately stretching aspiration.

ECO-ACTIVE Business Leader is an important step for the Company but it is only the preliminary step and much needs to be done to take the programme forward. Our Health, Safety and Environmental Engineer is now dedicated full-time to applying the EMS throughout the business. We have already conducted an energy audit and work is underway at our Powerhouse Queen's Road administrative and retail premises to upgrade our air-conditioning system and deploy new technologies to lower our energy consumption.

Last year we undertook a successful trial, under the supervision of UK marine scientists and with the approval of the States of Jersey Environment Department, into the flow and dilution of cooling water leaving La Collette Power Station and the neighbouring States-owned Energy from Waste plant. A harmless green dye was used to monitor the flow and dissipation of the cooling water. The results were deemed a success by all concerned. This year we have gone further, introducing a new, more environmentally sound water treatment system. Initial studies suggest that this will exceed expectations.

We are now also using the latest 'fuel emulsification technology' described as delivering the 'triple crown' of economic and environmental benefits. The technology binds the base fuel, such as diesel, with water, increasing fuel efficiency by improving combustion, which, in turn, reduces greenhouse emissions and the overall amount of diesel we use during on-Island generation. This is now even more important as local generation will once again play an increased role in meeting the Island's electricity demand over the short term.

Despite the loss of one supply cable, our sustainability strategy remains unchanged – to act to reduce our impact and that of our customers on the environment and the drivers of climate change and to help reduce the Island's consumption of natural resources.

Health Safety and Environmental Engineer Chris Bester monitors water outflow in the field (far left) and in his La Collette laboratory.

Our average carbon emission level this year, the international measure of the carbon content of supplied energy, was 88g CO_2/kWh on a five-year rolling average basis, less than our self imposed target of 100g CO_2/kWh. Though we accept that this will inevitably rise during the next two to three years while we are on limited imports, this will be temporary until Normandie 3 is in service. We expect our carbon emissions to remain lower than that of locally distributed fossil fuels albeit higher than our usual standards. We remain proud of our record in driving the reduction in Jersey's overall carbon emissions by a third over the last two decades.

As well as continuing our lead role as supplier of low carbon energy, we actively promote and encourage energy efficiency and energy saving which is essential in the battle against climate change and key to tackling fuel poverty. An increasingly important role of our Customer Care Team, Building Services Team and our independent design consultants Jersey Energy is to provide advice to clients on achieving this without reducing comfort levels.

Also, the States of Jersey Energy Efficiency Service, seeded with £0.5 million of Jersey Electricity funding, continues to help socio-economically vulnerable households install energy saving measures in their homes and hopes to extend the service to the able-to-pay market to bring about further environmental benefits. This year the scheme used Jersey Electricity funding to produce a heat loss map of Jersey to enable Islanders to assess the thermal efficiencies of their own properties and as a web tool for assessing cost and carbon reduction opportunities.

The States of Jersey long-awaited Energy Plan has finally been drafted. Pathway 2050 follows the UK and EU Kyoto targets and we welcome the Plan's aspiration to achieve an overall carbon emissions reduction of 80% on 1990 levels by 2050. It projects 30% savings in the domestic sector, 20% in the commercial sector and 40% coming from transport. The Plan sets three areas of policy framework to achieve this: reducing energy demand, ensuring energy security and addressing fuel poverty and affordability – areas that are already core objectives engrained in Jersey Electricity.

These targets can only be achieved with a dramatic shift from fossil based energy to low carbon electricity in all areas – a challenge that our long-term investment programme will ensure Jersey Electricity can meet. The Plan acknowledges that increasing security of supply invariably comes at a cost that involves balancing the needs of today with those of tomorrow; a balance we constantly strive to get right. We welcome the Plan and look forward to the policies to set us on the road to achieving it.

"Although we comply with all current legislation, sustainability is at the heart of our business and we want to go beyond this..."

RENEWABLE ENERGY

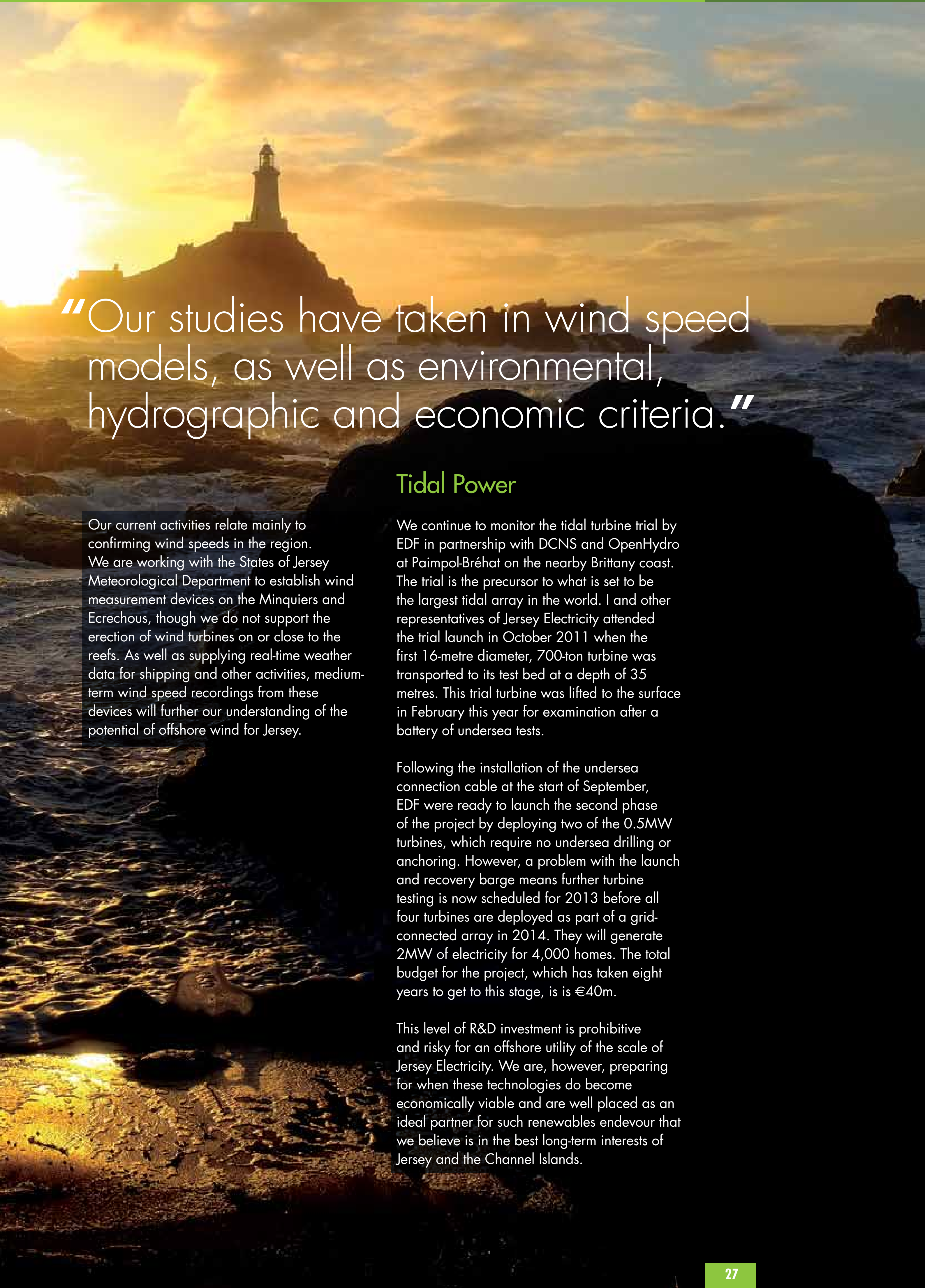
Our windswept, sunny island would appear to present ample opportunities for harnessing wind, tidal and solar power, and we believe we are well placed to help enable this to become reality. There is no question that there is a significant indigenous energy in the Channel Islands. The fuel might be free, but accessing it with currently available technology is costly and not without risk. Our research is clear – at present, renewable technologies are not economically viable without subsidy support, as seen in EU countries, and therefore a key success driver is determining how to access these.

Jersey has benefited from increasing supplies of low carbon nuclear and hydro sourced electricity over the last 20 years. In addition, aside from this year's temporary loss of import capacity, the long-term supply agreement Jersey Electricity, as partners in the Channel Islands Electricity Grid (CIEG), signed with EDF last year, guarantees to meet the Island's entire demand from certified low carbon supplies up to 2023. The driver for renewable energy sources therefore is less about carbon reduction and more about diversity and security of supply by reducing our reliance on imported power, concepts which are themselves important to our sustainability business principles.

Offshore Wind

Last year I reported that we had conducted a strategic review of utility scale renewables, examining offshore wind and tidal power technologies. Of the two, offshore wind was seen to offer the most significant medium-term opportunity for Jersey, given the strengths of wind resource in relatively shallow waters and the maturity of the technology. This year we have gone further by assessing the potential for offshore wind in Jersey waters. This is timely given the 500MW project proposed in French waters off St Brieuc, in Brittany.

Our studies, concentrating only on non-reef areas further than 15km from the Jersey shoreline, have taken in wind speed models, as well as environmental, hydrographic and economic criteria. They show that there is significant potential for offshore wind generation capacity in Jersey waters. If this capacity were built, Jersey would become a significant exporter of renewable power to the EU, benefiting from the rents, taxes and jobs that such projects generate.



"Our studies have taken in wind speed models, as well as environmental, hydrographic and economic criteria."

Our current activities relate mainly to confirming wind speeds in the region. We are working with the States of Jersey Meteorological Department to establish wind measurement devices on the Minquiers and Ecrechous, though we do not support the erection of wind turbines on or close to the reefs. As well as supplying real-time weather data for shipping and other activities, medium-term wind speed recordings from these devices will further our understanding of the potential of offshore wind for Jersey.

Tidal Power

We continue to monitor the tidal turbine trial by EDF in partnership with DCNS and OpenHydro at Paimpol-Bréhat on the nearby Brittany coast. The trial is the precursor to what is set to be the largest tidal array in the world. I and other representatives of Jersey Electricity attended the trial launch in October 2011 when the first 16-metre diameter, 700-ton turbine was transported to its test bed at a depth of 35 metres. This trial turbine was lifted to the surface in February this year for examination after a battery of undersea tests.

Following the installation of the undersea connection cable at the start of September, EDF were ready to launch the second phase of the project by deploying two of the 0.5MW turbines, which require no undersea drilling or anchoring. However, a problem with the launch and recovery barge means further turbine testing is now scheduled for 2013 before all four turbines are deployed as part of a grid-connected array in 2014. They will generate 2MW of electricity for 4,000 homes. The total budget for the project, which has taken eight years to get to this stage, is is €40m.

This level of R&D investment is prohibitive and risky for an offshore utility of the scale of Jersey Electricity. We are, however, preparing for when these technologies do become economically viable and are well placed as an ideal partner for such renewables endevour that we believe is in the best long-term interests of Jersey and the Channel Islands.

ELECTRIC TRANSPORTATION

As part of our long-term strategy to reduce Jersey's overall carbon emissions while encouraging new applications for electricity, we have again been at the forefront of increasing public awareness of the economic and environmental benefits of electric transportation with great success.

We have increased the Company's own fleet of EVs from five Mercedes Smart cars to now include the Peugeot iOn, the award-winning Nissan Leaf and the first all-electric commercial vehicle available in Jersey, the Renault Kangoo ZE.

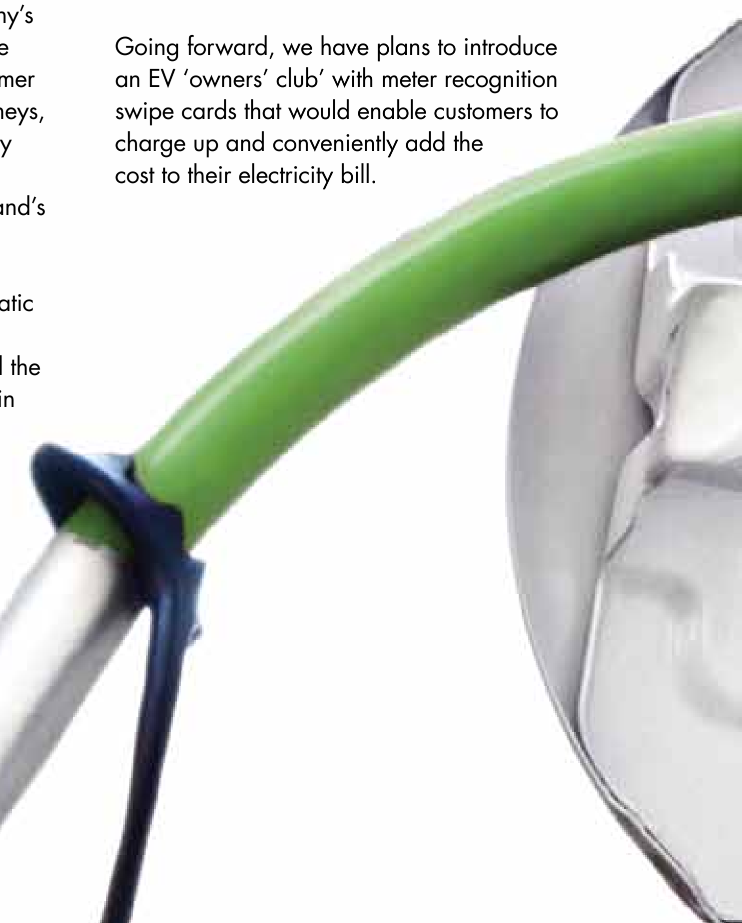
As well as helping to reduce the Company's own emissions and fuel costs by using the vehicles for meter reading, mobile Customer Care Advisers and many other staff journeys, all the vehicles have been used to actively promote the benefits of electric transport among the public, politicians and the Island's business community.

Hundreds of people visited our first EV static display at the Jersey International Motor Show in May, where we also showcased the charging infrastructure that can be used in homes or public. We also helped the Island's main Renault dealer launch the French manufacturer's extensive EV fleet in Jersey with a JE backed, informative Open Day.

In addition, we used the ceremonial opening of South Hill Switching Station to showcase our EV fleet to senior ministers and politicians, many of whom have taken up the offer of experiencing electric driving for themselves.

The year of activity culminated with the agreement of the States of Jersey Transport and Technical Services Department to allow us to install two dedicated, JE branded EV charging points in five of St Helier's multi-story car parks. These are in addition to our own EV charging bay on our Retail car park.

Going forward, we have plans to introduce an EV 'owners' club' with meter recognition swipe cards that would enable customers to charge up and conveniently add the cost to their electricity bill.



evolve
Jersey Electricity

Electric transportation is still an untapped market in Jersey but at nine miles by five and with speed restrictions of 40mph, we believe it is the ideal place for EVs to flourish. In addition, with the States of Jersey beginning to electrify its fleet with the acquisition of ten Peugeot iOns, States' departments looking at electric utility vehicles and large fleet owners in the telecommunications industry showing interest, we believe electric transport is an important area for potential growth.

GREEN LIGHT FOR EV CHARGING POINTS:

Jersey Electricity has been given the go ahead to install two dedicated EV charging points in the following St Helier multi-storey car parks:

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

CUSTOMER SERVICE AND STANDARDS

As the sole supplier of electricity in the Island, we are acutely conscious of our responsibility to our customers. We respect the fact that whilst customers may have a choice across alternative fuels, they have no choice of alternative electricity provider. For this reason it is especially important that we work hard to focus on the needs of our customers and to continuously challenge ourselves to perform better each year.

Three years ago we began annual market research studies using a specialist analytics company. These were designed to establish a baseline assessment of our offer and provide insight on where and how we could improve. We assess our offer for business and residential customers across two 'application segments': 'water/ space heating' and 'general light and power', which together comprise the bulk of our market. In addition, each year we add new questions on topical issues.

These surveys enhance our understanding of how customers value the attributes of our offer, and of how we perform against these compared with alternative fuels or prior years:

- I am delighted to report that in the '**water/ space heating**' segment, we performed significantly better than both oil and gas, for both residential and business segments with scores of 6.5 and 6.6 respectively out of 10.
- In '**general light and power**', residential customers told us we had improved year on year in both customer service and overall value for money with current scores of 7.6 and 6.4 respectively.
- Similarly, business customers told us that we had improved the strength of our overall offer compared with 2010/11 with a score of 7.0 compared with 6.5.

We are delighted with these results, but we must not be complacent. Next year will be more challenging given the proposed tariff increase and the shadow of a lower supply reliability.

Adviser Sarah Le Gresley at work in our Customer Care Centre.

We have decided this year to review our ten 'core business service standards', against which we have additionally monitored performance in the past in line with regulated utilities in UK, to make them even more robust and valuable for the future and reflect the local characteristics of our business.

We carried out further extensive customer research before designing and building our new website which is designed to enhance the user experience and provide more help and advice on demand.

Responsiveness and accessibility were our key focus. The architecture and navigation have been designed around 'customer friendly self-help'; to empower the customer, enabling them to obtain the answers they want quickly and manage their account with ease. This, in turn, frees our Customer Care Team to focus on the more complex customer enquiries, either in person or on the telephone, and respond to the needy and vulnerable more effectively.

The site has also been designed to accommodate the secure online customer portal, due to be launched in 2013, that complements our Smart Meter project. This will be the our biggest advancement in customer engagement for many years, giving customers instant access to a whole new range of information about their accounts and energy usage, enabling them to manage all aspects of their accounts online and facilitating remote prepayment on Pay As You Go Meters without the need to leave home.

The portal is being custom designed alongside leading experts who are using our business as a test bed and our product as a forerunner in their offering for Smart utilities, putting Jersey Electricity at the cutting edge of this customer service revolution.

NON-CORE BUSINESS

It has been a tough year for our non-Energy businesses, reflecting a very difficult economy in Jersey. Revenues from non-Energy activities fell by around 6% relative to last year, but still represented around a quarter of total Group revenues. Despite an increase to around 40% of Group profit (excluding property revaluation and investment impairment), non-Energy aggregate profit reduced by around 16%, largely due to difficult retail trading conditions.

> "Recognising growth in the market for built-in appliances, we have refocused our offer..."

Retail

Jersey has experienced significant reductions in domestic spending during the financial year. In Jersey Electricity, the Retail business comprises electrical, computing and the toy and craft categories. It generated around £15.5m revenue, a 6% fall on last year. In addition, the UK Government's decision to end Low Value Consignment Relief (LVCR) resulted in our profitable online retail arm, *day2dayshop.com*, moving into loss, despite efforts to diversify into the European market. This led to the decision to close the business this year. Removing the effects of *day2dayshop.com* would indicate underlying retail profits at a level of around £250k.

During the year we began a rolling refurbishment of our retail businesses at The Powerhouse. Beyond, our television, computer and accessories business, responded with positive sales results. The refurbished 'white goods' domestic appliance business opened in early November. Recognising the growth in the market for built-in appliances, we have refocused our offer and moved into the sale and installation of built-in kitchens and associated appliances, with some early success.

Imagination, our toy store has experienced greater competition this year since the arrival of a large independent UK retailer. In a local market largely fixed in size, this has been a challenge but we believe it has had a worse effect on smaller toy competitors in St Helier. Despite the difficulties, our site remains a key asset and this business continues to attract large numbers of customers, resulting in cross-sales across all categories.

“Despite a reduction in revenues of 11% compared with last year, profits increased by 36%.”

Building Services/JEBS

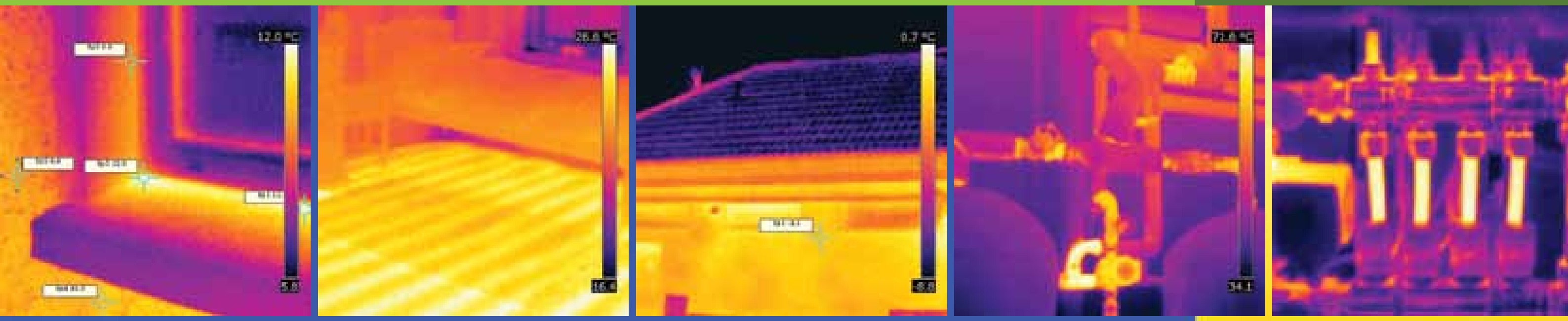
Building Services delivers services for commercial and domestic customers around our Core Energy offer. These services mainly include electrical, refrigeration, plumbing and public lighting and together comprised total revenues of £4.2m for the financial year. Despite a reduction in revenues of 11% compared with last year, profits increased by 36%. This was a particular achievement in a difficult construction economy and can be attributed to electrical installation and fuel switching into storage heating, electric flow boilers, heat pumps and other new electric heating technologies.

Property

Our Property business comprises the largest ‘out of St Helier’ retail space in Jersey, The Powerhouse Retail Park as well as legacy residential property originally built to house staff. Our goal is to continue to optimise and enhance the yield of these assets by selectively developing the property to create space, improve appearance and enhance usability. Profit arising from property income, excluding non-cash elements, remained around £1.6m despite the loss of a commercial tenant in The Powerhouse.

jendev

Business unit Jendev, our Microsoft® Certified Partner for Dynamics NAV, specialising in software configuration for small utilities, broke the £1m revenue barrier during this financial year. Given the focus of Jersey Electricity on improving the efficiency of back office and enabling functions, Jendev, comprising eight staff, is a key asset to the Group. Jersey Electricity’s ability to access this expertise easily and quickly reduces the risk and cost of engaging third parties. Jendev will have an especially important role in the smart metering programme, SmartSwitch, which will bring about Company-wide change over the next few years. Jendev continues to leverage capabilities used internally into external, third party clients, allowing profit generated to be reinvested into improving our capabilities.



JERSEY Energy
SUSTAINABLE ENGINEERING

Jersey Energy and its subsidiary Channel Design Consultants (CDC) in Guernsey, together comprises seven staff and provides professional consultancy services to the construction industry, government and private companies. With a strictly fuel neutral brief that is independent of Jersey Electricity, it provides best practice environmental advice, building services design and low energy solutions, for both new and refurbishment projects.

Jersey Energy performed very well this year, generating revenues of £0.5m and providing a profitable return to the parent business despite difficult economic conditions across the Channel Islands and a reduction in large scale property development and new-build activity.

Jersey Energy successfully secured several key commissions throughout the year against significant 'off-Island' competition, underlining their capabilities, expertise and professionalism in their advisory field. Jersey Energy has also demonstrated the importance of and business benefits of staff training and development. This was highlighted when Jersey Construction Council recognised Senior Building Services Engineer Stuart Gray with its award for 'Outstanding Achievement in Construction Studies' and named him 'Industry Achiever of the Year' against some very experienced competition.

HOT TOPIC:

Jersey Energy utilises thermal imaging technology to help promote energy efficiency in buildings. Its two primary uses are the detection of heat loss through the fabric of a building and fault detection.

- Above (l to r): Heat loss around a window on a cold morning.
- Ensuring heated water flows through all parts of a wet underfloor heating system, with no blockages, without having to remove furniture or carpet from the room.
- Demonstrating good grade roof thermal insulation, but heat escapes through walls.
- Part insulated boiler installation; bright coloured piping demonstrates wasted heat from poor insulation.
- Testing heat flow and water temperature through an underfloor heating system manifold. Blockages or failed valves can be seen immediately and resolved without testing the entire installation.

HEALTH AND SAFETY

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 three 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.

Nothing is more important to us than the health and safety of our staff, contractors, customers and all those that could be affected by our operations. We recognise that by the very nature of our business our activities can pose risks. I am therefore especially pleased to report two very significant achievements in health and safety this year.

First, we have completed the year with zero Lost Time Accidents (LTAs) for the first time in 10 years. Second, we have been awarded awarded the maximum Five Stars by the British Safety Council following our second Health and Safety Management Systems Audit by the UK Government regulated body.

Both achievements are exceptional given the extent of project work and activity in our Energy Division this year. They are a credit not only to the commitment of our Health and Safety Representatives but our entire staff for their diligence in all our business areas.

Zero LTAs has long been our goal. Its achievement, in part, is due to small accidents being prevented by staff being more conscious of small risks and assessing even minor risks. It is well understood among health and safety professionals that if you create a culture to report and manage the smaller incidents, the larger risks should also fall naturally.

The BSC audit provides us with an external, independent assessment of our safety management arrangements and their effectiveness and is a process we commit to every other year. The audit this year followed the first one I commissioned in 2010 to provide a benchmark for improvement. On that occasion we achieved Four Stars. I am therefore pleased that the actions we have taken to improve our weaknesses have proven successful. These included improved change management and communication and more robust vetting of third party contractors.

In its report, the Council highlighted ‘the open and honest culture among all JE staff, their competencies and their efforts to maintain these, and the strong commitment of management to improve and maintain systems to reduce accidents and ill health’. We attained 94% of the marks available across 57 areas and we have already taken action in areas where there is still room for improvement, including increased site inspections on contractors.

All these improvements in key areas also reflect our commitment to in-house training and internal awareness raising. This year has included completing Managing Safely refreshers, Stress Management Awareness for managers and safety reps and Safety Inductions for a large intake of apprentices.

This year, better than ever before, we have shown that by being clear about roles and responsibilities, adhering to proper processes, risk assessments and training, we can mitigate risks and eradicate injuries even at times of extreme activity and high workload. My thanks go to our Health and Safety Representatives for their central contribution in helping Jersey Electricity create a positive health and safety culture that has been so central to this year’s tremendous successes.

The safety squad (from back, l to r): Robin Amy, Kris Moore, Andy Barker, David Silva, Martin Sampson, Neal Vautier, Milford Lee (Health, Safety and Environment Technician), Ian Manuel, David Whitt, Andre de St George (Health, Safety and Environment Engineer), Craig Rowe, Kevin Nursey, Ian Campbell and Miriam Taylor.

Not present: Theresa Crehan-Ferey, Eamonn McLaughlin, Richard Cotittard, Shaun Howe, Steve Creedy, Trevor Le Cornu.

SUSTAINABILITY IN THE COMMUNITY

In these difficult economic times, as a public utility providing power to every household and business within our Island community, it is important that we continue to support our community because we are very much part of that community.

We focus support on sustainability and, in particular, projects, organisations and charities related to the environment, healthcare and education. Following our presentation of an eco-friendly 4x4 pickup to aid National Trust Rangers last year, we are equally pleased this year to have helped Durrell in its conservation work by sponsoring two all-electric John Deere trucks used by rangers, keepers and landscape maintenance teams for moving heavy loads. Durrell's all-electric choice and our support reflect both organisations' commitment to sustainability and lower carbon transportation.

To further promote low carbon transport, we also helped Jersey International Air Display bring the electric powered, twin-engined CRI-Cri to this year's event.

Forests have also featured this year. A fund set aside for Jersey Trees For Life (JTFL), with donations we made to encourage more environmentally acceptable electronic billing, launched JTFL's Forgotten Forest project in this their 75th anniversary year.

The restoration of a 50,000 sq metre arboretum started with a JE funded schools competition to design a logo. The prize included sponsorship of an area of the forest for winning school Le Rocquier and an educational day out for pupils to visit it. We also provided the signage around the forest that was officially opened by the Lieutenant Governor General Sir John McColl in June.

Earlier in the year we jointly sponsored the International Year of the Forest reception at which the Rt Hon John Gummer, Lord Deben, was guest speaker.

We continue to support healthcare associated charities, including Jersey Hospice Care, Jersey Alzheimer's Association, Teenage Cancer Trust, Friends of Anthony Nolan, After Breast Cancer Care, Diabetes Jersey, Headway and, of course, Family Nursing and Homecare. Our annual gift to FNHC, from funds saved not sending corporate Christmas cards, was two 50" flat screen TVs which double as computer monitors to enhance staff training.

We have this year become corporate sponsors of Genuine Jersey Products Association and Jersey Construction Council. In supporting Genuine Jersey we are supporting local producers and craftsmen who put sustainability at the heart of their enterprises – enterprises such as Jersey Fishermen's Association, Classic Herd, Woodside Farm, La Mare Wine Estate and Jersey Oak.

We continue to sponsor the JeCC Sustainability Award – won this year by the Millennium Town Park – and the Jersey Enterprise Environmental Award (won by La Mare Wine Estate) to recognise and reward those businesses that are doing much to preserve and protect our Island environment. The introduction of a Schools Category to the Environmental Award attracted inspiring

entries and enabled us to help our schools directly by making cash awards to further their environmental projects.

As a significant local employer of technical engineering skills, we also support our schools and students through Trident, Advance To Work, Undergraduate Work Experience and our Apprentice Scheme through which we employed no less than eight young islanders this year. We were also very pleased this year to launch the Jersey Electricity Bursary Award Scheme as an extension of our commitment to the Island's youth and the development of professional engineering capabilities in the Island.

Sustainability means meeting our responsibilities, professionally and socially, long-term and that means investing in our people, our community, our environment and our business.

Main picture: CEO Chris Ambler presents Durrell CEO Paul Masterton and his team with the John Deere trucks. From top: Forgotten Forest logo winner. Part of the arboretum. Beyond Manager Alan Teeling presents FNHC with two TVs.

Left: La Mare MD Tim Crowley receives the Jersey Electricity Environmental Award.

Below left: Brenwall Ltd team receive the Sustainability Award for the Millennium Town Park.

OUR PEOPLE

As a small offshore power utility, isolated from the mainland, our success is highly reliant on the loyalty, dedication, commitment and adaptability of our staff. Nowhere was this more clearly evidenced than 17 June and 25 September, 2012.

Successfully overcoming adversity and surmounting unforeseen challenges are what separate 'great' organisations from the merely 'good' and the manner our staff overcame unprecedented, unforeseen adverse events late these two evenings is to be applauded.

In June, with the Jersey-Guernsey submarine cable already out of action, both our French interconnectors failed within an hour of each other, resulting in an Island-wide power cut. The response from teams across the business was outstanding and within hours the entire Island was being powered with locally generated supplies from La Collette and Queen's Road. A team dispatched to France, working with RTE, reinstated EDF 2 the following evening and the crisis eased. Then on 25 September we faced our most difficult restoration ever following another failure on our sole remaining cable. Once again our teams worked tirelessly through the night, restoring supplies and re-assuring customers.

As we prepare for two to three winters of significant local generation, demands on our Core Energy business continue to be intense. To ensure added focus on critical tasks David Padfield has decided to step down from the Board to devote his full attention to the programme and we have made several changes to the management structure of the Energy Division. I also approved selective recruitment of additional temporary, staff.

At year end, we employed 336 people across the Group of which 310 were full time and

26 part time. Staff turnover levels remain at 5% and we also enjoy a low sickness rate of 3.3%. Average age is 44 and average length of service is 14.5 years, with nine members of staff celebrating 21 years' service this year.

Long-serving staff bring to the business experience and well honed skills essential in our industry. Preparing to fill the void left by retirees, by ensuring we can recruit and develop local people with the skills and attitude necessary to deliver a first class service, is an essential part of our succession planning.

I am very proud that two of our 'new generation' were recognised at the Jersey Construction Council Awards. Stuart Gray, 32, a Senior Building Services Engineer with our independent building services design and energy consultants Jersey Energy, was named Industry Achiever of the Year, while Jonanthan Frain, 22, an apprentice joiner in our Civil Works Division, was presented with the Apprentice/Student of the Year Award.

As well as supporting our current staff with training and development, this year saw our largest intake of apprentices for some time, with eight Island youngsters given the chance of rewarding long-term careers. Six joined Energy and two, Building Services. In addition, we launched the Jersey Electricity Bursary Award Scheme with the aim of aiding the development of professional engineering skills in Jersey by giving financial support to students undertaking an engineering degree course relevant to our future business needs.

My sincere thanks go to all our staff, particularly so in such a challenging year.

OUTLOOK

While the past year has been immensely challenging operationally, leading to some difficult near-term financial results, it has brought into sharp focus the value of our importation strategy which remains central to our business model going forward.

Our submarine cables have sheltered customers from high and volatile fossil fuel prices and, for the moment, some of this shelter has been temporarily lost. Despite this, we have built an energy system that has been remarkably resilient to these extraordinary uncontrollable events and our staff have responded exceptionally.

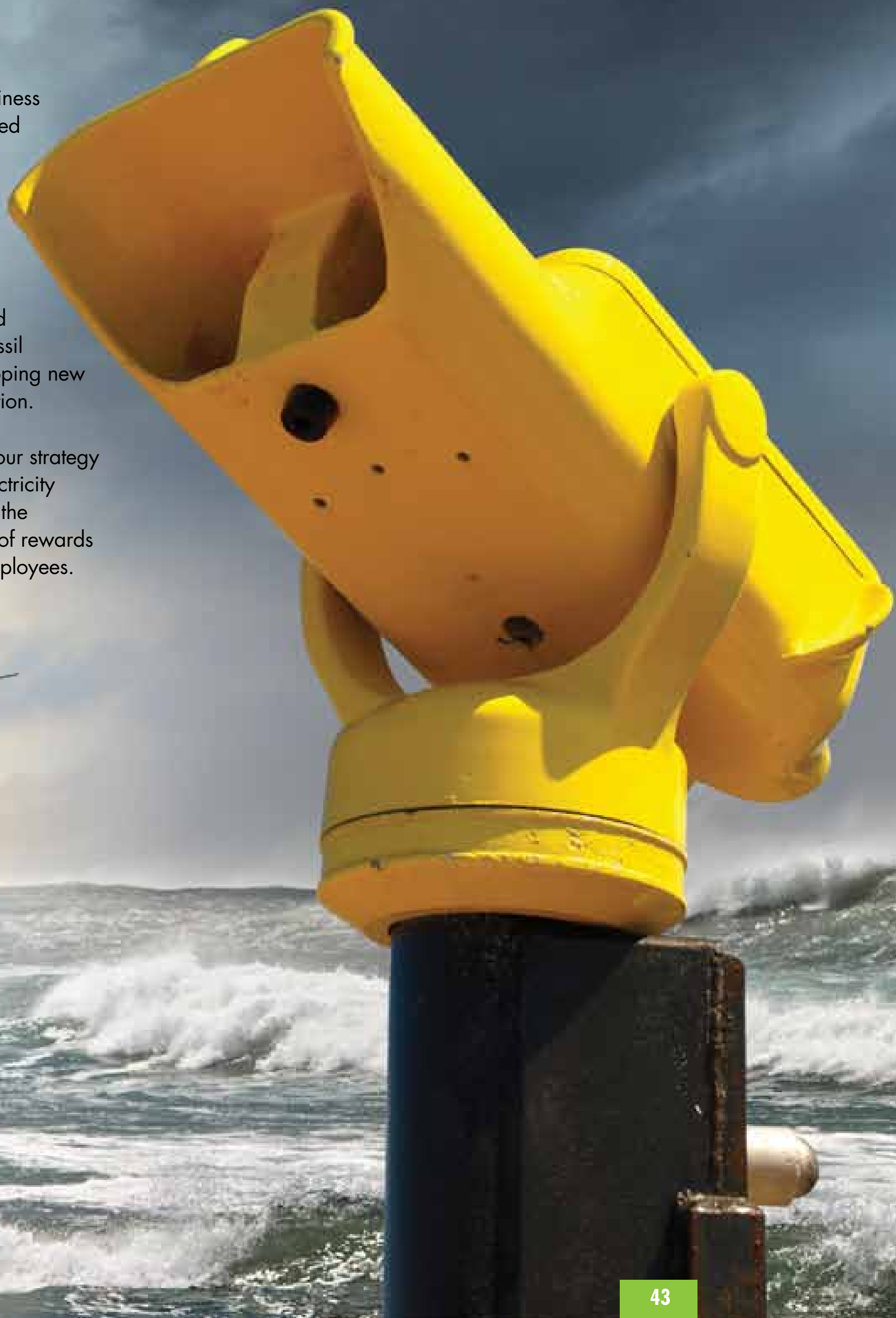
With significant regulatory and customer pressure on affordability in recent years, it would have been easy for Jersey Electricity to have ceased investment in La Collette and Queen's Road and closed down these standby generation facilities to reduce short-term costs. This would have been a false economy, damaging services to customers and our reputation. This year has clearly demonstrated the value of both sites in maintaining critical electricity supplies, the lifeblood of Jersey.

We are already actioning initiatives and projects with a focus over the next two to three years on restoring and maintaining our high standards of supply and managing new risks until we install additional interconnection capacity.

We are delighted to have secured planning permission from the French authorities for Normandie 3, our third cable link to France. We started this crucial project eight years ago and are finally poised to move into the procurement and installation phase. While this is a costly investment for a business of our size, the economic case is solid and it promises to restore not only our usual high standards of reliability, but also enables access to more cost effective and sustainable energy.

Of course, in the meantime, our reduced importation capacity means we are more exposed to global oil markets. This, in turn, means we have the added commodity risk of fuel oil to manage as well as electricity. We have excellent processes for hedging and managing risk and will be deploying these with our usual rigour.

"Despite the short-term challenges, our strategy is robust; there is no no doubt that electricity remains the energy of the future in the Channel Islands..."



In summary, Jersey Electricity's business model remains resilient, underpinned by strong cash flows and many exciting investment projects across our Energy and non-Energy businesses. Our market share of final energy has increased to 38% and we will continue our successful track record in fuel switching customers from fossil fuels to electricity alongside developing new markets in services and transportation.

Despite the short-term challenges, our strategy is robust; there is no doubt that electricity remains the energy of the future in the Channel Islands, with the promise of rewards to shareholders, customers and employees.

Chris Ambler
Chief Executive
20 December 2012

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2012	2011	% movement
Turnover	**£97.2m**	£100.5m	(3)%
Profit before tax	**£5.7m**	£11.1m	(48)%
Profit in Energy business	**£4.2m**	£7.7m	(45)%
Earnings per share	**12.55p**	28.05p	(55)%
Dividend paid per share	**11.00p**	13.70p	(20)%

Group turnover for the year to 30 September 2012 at £97.2m was 3% lower than in the year ended 30 September 2011. Unit sales volumes were 2% lower than last year and consequently revenues in our Energy business fell to £72.7m. Turnover in our Retail business decreased by 6%, from £16.5m to £15.5m, with around half this shortfall being in our e-retailing internet business, daytodayshop.com, which we closed in August 2012. Turnover in the Property business, including internal revenues, fell by £0.1m to £2.8m due to loss of a commercial tenant. Turnover in Building Services fell 11% from levels experienced in 2011 to £4.2m. Turnover in our Other Businesses rose from £2.6m to £2.7m with increased revenues in both Jendev and Jersey Energy.

Cost of sales fell £0.6m to £69.3m associated mainly with the fall in revenues in both our Energy and Retail business units. **Operating expenses**, at £20.9m, were £1.3m higher than in 2011. The increase in such costs was largely linked to interconnector issues during the year with £0.9m being our portion of uninsured risk on the Guernsey-Jersey cable repair and an estimated £0.5m cost to decommission the failed interconnector to France being the most material movements.

Profit before tax for the year to 30 September 2012 fell to £5.7m from £11.1m. Our Energy business saw £3.5m of this reduction with mild weather and issues directly and indirectly associated with interconnector failures during the year being the primary drivers. In addition, the non-cash, £1.1m impairment of our investment in Foreshore Ltd was the other material reason for reduced year-on-year group profit.

Profits in our Energy business fell £3.5m from £7.7m to £4.2m. Unit sales of electricity were 2% behind those in 2011, due to a particularly mild winter period, and contributed to a £1.9m reduction in gross margin. In addition, the uninsured risk of £0.9m from the £9m repair of the Guernsey-Jersey subsea cable and the decommissioning of our irreparable 28 year old cable to France at £0.7m, including accelerated depreciation, were unexpected costs. Tariffs to our customers were increased by 2.9% in May 2012 and it has been announced that unit charges will unfortunately rise by 9.5% from 1 January 2013 as we will be generating more heavily during the coming year due to the aforementioned issues associated with the loss of the interconnector to France. The forthcoming tariff rise is primarily a result of the differential price between generating using oil against importing from France. These additional costs are forecast to remain until the planned replacement interconnector to France is delivered by 2015. We have materially hedged our imported power and foreign exchange requirements for 2013 and 2014 and 75% of our expected oil requirements for the 2012/13 financial year. We again imported most of our power requirements from France (92% against 96% in the previous year) but this will fall in the next financial year to an expected level of around 80%.

Profits in our Property division, excluding the impact of investment property revaluation, were at a similar level to 2011 at £1.6m. Our investment property portfolio was revalued downwards 2% by £0.3m to £14.9m this year due mainly to higher yield assumptions. Our Retailing business had a challenging year with turnover falling from £16.5m to £15.5m. Profitability was impacted by reduced margins and the closure of our internet retailer, daytodayshop.com, due to the ending of the Low Value Consignment Relief (LVCR) tax concession by the UK Government. The Building Services business produced a £0.3m profit, being £0.1m ahead of last year despite pressure on margins in a very competitive marketplace. In addition, 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 £4.9m being at the same level as 2011 with profitability remaining around the breakeven level. However an impairment review of our investment resulted in the writing off of £1.1m. Future forecast returns have been impacted by changing circumstances, including the impending loss of its largest customer, who was also impacted by the abolition of the LVCR tax concession that previously existed between Jersey and the UK.

Interest received on deposits in 2012 at £0.3m was at the same level as in the previous year with a lower cash level offset by marginally better achieved returns. The **taxation charge** at £1.8m was lower than in 2011 because of reduced profits. **Group earnings** per share fell 55% to12.55p compared to 28.05p in 2011 due to lower profits.

Dividends paid in the year, net of tax, fell by 19.9%, from 13.70p in 2011 to 11.00p in 2012. However the underlying increase was 5% as a special dividend of 3.25p per share was paid last year. The proposed final dividend for 2012 is maintained at 6.50p, resulting in a total proposed dividend for the year of 11.00p, being an underlying rise of 2.3% on the previous year. Dividend cover fell from 2.1 times in 2011 to 1.1 times due to a lower level of profits.

FINANCIAL REVIEW

Ordinary Dividends

		2012	2011
Dividend paid	- final for previous year	**6.50p**	6.20p
	- interim for current year	**4.50p**	4.25p
	- special dividend	**-**	3.25p
Dividend proposed	- final for current year	**6.50p**	6.50p

Net cash inflow from operating activities at £11.9m was £8.9m lower than 2011 with lower profits and a large insurance debtor for the Guernsey to Jersey cable repair being the main reasons. **Capital expenditure** at £18.8m rose from £15.0m last year with the £8.5m spend on diesel engines, which are due to be commissioned before the end of 2012 being the most material project spend. **Cash and cash equivalents**, including short-term investments, at the year-end were £14.3m being £10.3m lower than last year.

Cash Flows

Summary cash flow data	2012	2011
Net cash inflow from operating activities	**£11.9m**	£20.8m
Capital expenditure and financial investment	**£(18.8)m**	£(15.0)m
Repayment of long-term loan	**-**	£0.3m
Dividends	**£(3.4)m**	£(4.3)m
(Decrease)/increase in cash during year	**£(10.3)m**	£1.8m

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 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 1.18 €/£.

The Company does not manage interest rate exposure as it has maintained cash and cash equivalents in the full period since the last year end. The average rate of interest received in the financial year was 1.7%.

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. It has jointly purchased this power, with Guernsey Electricity, from EDF in France and allowed power prices to be fixed in advance of decisions being made on customer tariffs. As communicated last year, a new ten year contract has been agreed with EDF, commencing in 2013, which 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 75% of the oil price, 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 2012 the scheme deficit, under IAS 19 Employee Benefits rules, was £4.9m, net of deferred tax compared with a deficit of £3.5m at 30 September 2011. This movement was due mainly to an actuarial loss of £2.3m associated largely with the increase in liabilities being at a greater scale than the rise in scheme assets. Scheme assets rose 11% from £76.5m to £85.3m since the last year end and liabilities increased 13% from £80.9m to £91.3m. The discount rate, which heavily influences the scheme liabilities, fell from 5.1% in 2011 to 4.2% in 2012 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 3.7% rather than the 4.2% advised by our actuaries under IAS 19 for 2012, the net deficit of £4.9m would rise to a net deficit of £11.0 m.

An amended IAS 19 accounting standard comes into force for financial periods beginning on or after 1 January 2013 and will materially impact 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 £0.8m for this current financial year would be an estimated £2.0m under these new accounting rules. The amended IAS 19 also introduces additional disclosure requirements.

The last triennial actuarial valuation was carried out as at 31 December 2009 and resulted in a surplus of £6.5m. The contribution rate by Jersey Electricity was reduced to 14.2% of pensionable salaries from January 2010 (down from the previous level of 19.2%). Employees continue to contribute an additional 6% to the pension scheme. Unlike the UK, 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 on pensions is at 31 December 2012 and the results will be disclosed in our financial statements next year.

Returns to shareholders

62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 300 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares there is one large institution, Utilico Ltd, which owns 16% of the total ordinary share capital.

During the year the core ordinary dividend paid increased by 5.3% from 10.45p net of tax to 11.00p. The overall dividend was 19.7% lower as the payment last year also included a special dividend of 3.25p declared in the 2010 financial year. The proposed final dividend for 2012 at 6.50p is maintained at the same level as last year but the overall total proposed dividend growth of 2.3% is consistent with the underlying dividend growth pattern in recent years.

The share price at 30 September 2012, at £3.09, was below the level of £3.45 at the 2011 year end. This gives a market capitalisation of £95m as at 30 September 2012. However the illiquidity of our shares, due mainly to having two large shareholders combined with an overall small number in circulation, limits the management team from having the ability to influence the share price. At the 2011 Annual General Meeting an all-employee share scheme, to more closely align the interests of both employees and shareholders, was approved and during the year 289 qualifying staff received 100 shares each at a value around £300 at the time of issue in July 2012. Such initiatives seek to improve our longer-term liquidity.

Our largest shareholder, the States of Jersey also owns holdings in other utilities in Jersey. It owns 100% of Jersey Telecom 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 £8.6m (2011: £8.1m).

	2012	2011
Ordinary dividend	**£2.1m**	£2.0m
Special dividend	-	£0.6m
Goods and Services Tax (GST)	**£3.9m**	£2.6m
Corporation tax	**£1.8m**	£2.1m
Social Security - employers contribution	**£0.8m**	£0.8m
	£8.6m	£8.1m

The total return to States of Jersey rose 6% this year due primarily to an increase in the level of the Goods and Services Tax in Jersey from 3% to 5% from 1 June 2012.

GOVERNANCE

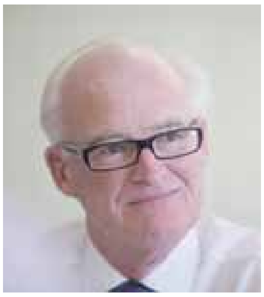
Board of Directors

Geoffrey Grime
Chairman
(65) 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
(42) 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 Chairman of Channel Islands Electricity Grid Limited. Chris is a Chartered Engineer with the Institution of Mechanical Engineers and has a First Class Honours Degree from Queens' College, Cambridge and a MBA from INSEAD.



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

Having previously held a number of senior posts in the United Kingdom's Electricity Supply Industry, Mike joined Jersey Electricity in 1986 as Chief Engineer and was Chief Executive for 15 years before retiring in 2008 to focus on his non-executive directorships. He is Chairman of AIM listed, Renewable Energy Generation Limited, and Chairman of the postal utility, Jersey Post. He also sits on the boards of private equity and venture capital companies in the international solar energy sector. Mike is a Fellow of the Royal Academy of Engineering and a Fellow of the Institution of Engineering and Technology where he has served on its Council, Audit and Disciplinary Committees. He is a Companion of the Chartered Management Institute and past Chairman of its Jersey Branch. He was until 2010, Chairman of the Jersey Appointments Commission, which was established by government to ensure probity in public sector appointments. He is Chairman of the Nominations Committee. Mike was awarded an OBE in 2007.

Clive Chaplin
Non-Executive Director
(61) 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
(52)

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 Newton Offshore Strategy Fund Limited. He was also a member of the Jersey Public Accounts Committee until 2011. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.

Richard Plaster
Commercial and Human Resources Director (51) N

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

John Stares
Non-Executive Director (61) 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 a Non-Executive Director of 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 a former President of Rotary Guernesiais. John is a graduate of Imperial College 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 (42) 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 10th 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 2012

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 2012:

	2012 £	2011 £
Preference dividends		
5% Cumulative Participating Preference Shares at 6.5%	5,200	5,200
3.5% Cumulative Non-Participating Preference Shares at 3.5%	3,773	3,773
Ordinary dividends		
Ordinary and 'A' Ordinary Shares		
Interim paid at 4.50p net of tax for the year ended 30 September 2012 (2011 - 4.25p net of tax)	1,378,800	1,302,200
Final proposed at 6.50p net of tax for the year ended 30 September 2012 (2011 - 6.50p net of tax)	1,991,600	1,991,600
	3,379,373	3,302,773

Re-election of directors

In accordance with Article 127 of the memorandum of the Company, Michael Liston and Clive Chaplin retire by rotation and, being eligible, 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 17 days (2011 - 16 days).

Director's Report

for the year ended 30 September 2012

Substantial shareholdings

As at 20 December 2012 the Company has been notified of the following holdings of voting rights of 4% 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 each share held.

Utilico Limited hold 4,900,000 'A' Ordinary shares which represent 4.5% 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
20 December 2012

GOVERNANCE

Corporate Governance

Corporate Governance

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

The Board

The Board currently comprises five non-executive and four executive directors. The Chairman is appointed by the directors from amongst their number. Clive Chaplin is the Senior Independent Director.

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

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

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

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

	Board	Audit	Remuneration	Nominations
No of meetings	**6**	**4**	**2**	**1**
G.J. Grime	6	-	2	1
C.A. Chaplin	6	4	2	1
A.D. Le Cornu	6	4	2	-
M.J. Liston	5	-	1	1
J.B. Stares	6	4	2	-
C.J. Ambler	6	1*	2*	1
M.P. Magee	6	4*	-	-
D.B. Padfield	5	-	-	-
R.A. Plaster	6	-	-	1

* attendees by invitation

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. Due to the stability and size of the Company a self assessment review was undertaken to assess the performance of the Board and its committees, and it is anticipated that such a review will be performed every two years at a minimum. Included in such a review was the consideration of the training and development of non-executive directors.

Nominations Committee

The Nominations Committee is chaired by Mike Liston, who having recently completed six years as Chairman of the Jersey Appointments Commission, established by the government of Jersey to ensure probity in all public appointments, he is considered eminently qualified to Chair the company's Nominations committee. It has a remit to:

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

Audit Committee

The Audit Committee's members are 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, external auditor and internal auditors.

The Audit Committee is responsible for reviewing the annual and interim management statements and accompanying reports before their submission to the Board for approval. It 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 auditor and from management. It reports and makes recommendations to the Board. The Audit Committee also advises the Board on the appointment of an external auditor and on their remuneration, including monitoring any issues that could impact auditor independence. In addition, the Audit Committee regularly reviews the scope and results of the work undertaken by both the internal and external auditors. The Terms of Reference for the Audit Committee are available on request.

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 2012 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. 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 material changes to them.
- Changes in structure and capital of the Company
- Financial reporting and controls including:
  Approval of the annual report and accounts.
  Declaration of the interim dividend and recommendation of the final dividend.
- Internal controls
  Monitoring the effectiveness of the Company's risk management and control processes.

GOVERNANCE

Corporate Governance

- Contracts approval of
  Major capital projects.
  Major contracts.
  Major investments.
- Board membership and other appointments
  Approval of changes to the structure, size and composition of the Board and key committees, following recommendations from the 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 team routinely reports directly to the Company Secretary and attends Audit Committee meetings, at which its plans are discussed and approved.

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

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

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

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

Statement of Directors' Responsibilities

Directors' Responsibilities for the Accounts

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements under IFRS as adopted 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.

Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, 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
20 December 2012

M. MAGEE
Finance Director
20 December 2012

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, 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.

The remuneration of individual directors for the year ended 30 September 2012 was as follows:

	Basic salary/fees £	Bonuses £	Benefits in kind £	**Total 2012 £**	Total 2011 £
EXECUTIVE DIRECTORS					
C. Ambler	191,664	31,868	12,419	**235,951**	234,501
M. Magee	161,782	26,536	11,418	**199,736**	197,252
D. Padfield*1 (resigned from Board 30 September 2012)	159,455	26,536	11,512	**197,503**	196,476
R. Plaster	153,293	25,184	11,445	**189,922**	187,602
NON-EXECUTIVE DIRECTORS					
G. Grime	30,000	-	1,025	**31,025**	31,025
J. Arnold (retired 31 December 2010)	-	-	-	**-**	5,000
M. Liston*2	17,000	-	1,025	**18,025**	18,025
C. Chaplin*3	19,000	-	1,025	**20,025**	20,010
J. Stares*4	20,000	-	1,025	**21,025**	19,517
A. Le Cornu*5 (appointed 1 January 2011)	17,000	-	1,025	**18,025**	13,177
Total	769,194	110,124	51,919	**931,237**	922,585

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

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 30.9.2012[2]	Transfer value at 30.9.2012[3]	Transfer value at 30.9.2011[3]	Directors' contributions plus transfers-in during the year	Increase in transfer value[4]
C. Ambler	£6,558	£19,750	£234,702	£138,972	-	£95,730
M. Magee[5]	£4,357	£60,110	£938,035	£782,677	£9,644	£145,714
D. Padfield	£5,598	£102,766	£1,838,546	£1,552,746	£9,644	£276,156
R. Plaster	£4,440	£67,625	£987,080	£819,635	£9,153	£158,292

Notes

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

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.

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

Abbey National International Limited (Santander Private Banking) : non-executive director fees £10,650 (£8,520 retained)

M. Magee

Newton Offshore Strategy Fund Limited : non-executive director fees £11,881 (£9,505 retained);
Stanley Gibbons plc : non-executive director fees £5,000 (£4,000 retained)

R. Plaster

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

GOVERNANCE

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 30.9.2012 £	Balance at 30.9.2011 £
C. Ambler	500,000	500,000
M. Magee	442,321	485,821
D. Padfield (resigned from Board 30 September 2012)	65,000	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 30.9.2012 £	Balance at 30.9.2011 £
C. Ambler	144,617	170,112

The loan to D. Padfield was repaid in full post the balance sheet date.

Directors' Share Interests

The directors' beneficial interests in the shares of the Company at 30 September 2012, are shown below:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2012	2011	**2012**	2011
G. Grime	**7,000**	7,000	-	-
M. Liston	**2,000**	2,000	-	-
M. Magee	**-**	-	**960**	960
C. Chaplin	6,000	6,000	-	-
D. Padfield	-	-	**260**	260
R. Plaster	-	-	**700**	700
	15,000	15,000	**1,920**	1,920

There have been no other changes in the interests set out above between 30 September 2012 and 20 December 2012.

On behalf of the Board
C. CHAPLIN
Chairman
20 December 2012

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

We have audited the consolidated financial statements (the "financial statements") of Jersey Electricity plc for the year ended 30 September 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Individual Balance Sheets, the Consolidated and Individual Cash Flow Statements, the Consolidated Statement of Changes in Equity and the related notes 1 to 23. 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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 (APB's) Ethical Standards for Auditors.

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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2012 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under 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.

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.

GREGORY BRANCH, BSc, FCA
for and on behalf of
Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
20 December 2012

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2012

	Notes	2012 £000	2011 £000
Revenue	3	**97,182**	100,494
Cost of sales		**(69,346)**	(69,989)
Gross profit		**27,836**	30,505
Revaluation of investment properties	11	**(325)**	(115)
Operating expenses	4	**(20,900)**	(19,553)
Group operating profit before joint venture	6	**6,611**	10,837
Share of loss of joint venture	12	**(15)**	(86)
Exceptional item - impairment of investment	12	**(1,137)**	-
Group operating profit	3	**5,459**	10,751
Interest receivable		**287**	327
Finance costs		**(11)**	(11)
Profit from operations before taxation		**5,735**	11,067
Taxation	7	**(1,796)**	(2,423)
Profit from operations after taxation		**3,939**	8,644
Attributable to:			
Owners of the Company		**3,846**	8,593
Non-controlling interests	18	**93**	51
		3,939	8,644
Earnings per share			
- basic and diluted	9	**12.55p**	28.05p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2012

	Notes	2012 £000	2011 £000
Profit for the year		**3,939**	8,644
Other comprehensive income			
Actuarial loss on defined benefit scheme	16	**(2,278)**	(6,640)
Fair value (loss)/gain on cash flow hedges		**(4,021)**	100
Tax related components relating to other comprehensive income	7	**1,227**	1,308
Total comprehensive income for the year		**(1,133)**	3,412
Attributable to:			
Owners of the Company		**(1,226)**	3,361
Non-controlling interests		**93**	51
		(1,133)	3,412

All results in the year have been derived from continuing operations.
The notes on pages 64 to 84 form an integral part of these accounts. The independent auditor's report is on page 59.

Balance Sheets

30 September 2012

	Notes	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Non-current assets					
Intangible assets	10	51	60	51	60
Property, plant and equipment	11	138,125	128,330	138,120	128,327
Investment properties	11	14,865	14,813	14,865	14,813
Other investments	12	5	1,157	482	2,291
Long-term loans	12	400	400	400	400
Total non-current assets		153,446	144,760	153,918	145,891
Current assets					
Inventories	13	7,245	6,451	7,166	6,384
Trade and other receivables	14	17,970	15,361	17,737	15,162
Derivative financial instruments	21	-	486	-	486
Short-term investments - cash deposits		9,020	17,745	9,020	17,745
Cash and cash equivalents		5,311	6,787	5,171	6,701
Total current assets		39,546	46,830	39,094	46,478
Total assets		192,992	191,590	193,012	192,369
Current liabilities					
Trade and other payables	15	17,037	15,878	16,992	15,811
Derivative financial instruments	21	4,002	-	4,002	-
Current tax payable		762	1,820	762	1,820
Total current liabilities		21,801	17,698	21,756	17,631
Net current assets		17,745	29,132	17,338	28,847
Non-current liabilities					
Trade and other payables	15	17,644	17,152	17,642	17,152
Retirement benefit deficit	16	6,068	4,420	6,068	4,420
Financial liabilities - preference shares	17	235	235	235	235
Deferred tax liabilities	7	11,033	11,226	11,033	11,226
Total non-current liabilities		34,980	33,033	34,978	33,033
Total liabilities		56,781	50,731	56,734	50,664
Net assets		136,211	140,859	136,278	141,705
Equity					
Share capital	17	1,532	1,532	1,532	1,532
ESOP reserve		(100)	-	(100)	-
Other reserves		(1,527)	836	(1,527)	836
Retained earnings		136,243	138,477	136,373	139,337
Equity attributable to the owners of the company		136,148	140,845	136,278	141,705
Minority interest	18	63	14	-	-
Total equity		136,211	140,859	136,278	141,705

Approved by the Board on 20 December 2012

G.J. GRIME
Director

M.P. MAGEE
Director

All results in the year have been derived from continuing operations.
The notes on pages 64 to 84 form an integral part of these accounts. The independent auditor's report is on page 59.

FINANCIAL STATEMENTS

Cash Flow Statements

for the year ended 30 September 2012

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Cash flows from operating activities				
Operating profit	6,611	10,837	6,444	10,799
Adjustment for disposal of shares in associate	-	(59)	-	(59)
Adjustment for repayment of long-term loan by associate	-	(136)	-	(136)
Depreciation and amortisation charges	8,293	8,212	8,293	8,212
Loss on revaluation of investment properties	325	115	325	115
Pension contributions paid less expenses in Income Statement	(630)	(438)	(630)	(438)
Adjustment for foreign exchange hedges	465	-	465	-
(Loss)/profit on sale of fixed assets	(16)	6	(16)	6
Operating cash flows before movement in working capital	15,048	18,537	14,881	18,499
(Increase)/decrease in inventories	(794)	1,122	(782)	1,123
(Increase)/decrease in trade and other receivables	(2,772)	617	(2,736)	632
Increase in trade and other payables	1,903	2,326	1,924	2,334
Interest received	347	309	347	309
Preference dividends paid	(9)	(9)	(9)	(9)
Income taxes paid	(1,820)	(2,067)	(1,820)	(2,067)
Net cash flows generated from operating activities	11,904	20,835	11,805	20,821
Cash flows from investing activities				
Purchase of property, plant and equipment	(18,823)	(14,940)	(18,823)	(14,940)
Investment in intangible assets	9	(31)	9	(31)
Net proceeds from disposal of fixed assets	53	17	53	17
Repayment of long term loans by joint-venture and associate	-	186	-	186
Disposal of shares in associate	-	59	-	59
Short-term investments	8,725	175	8,725	175
Net cash flows used in investing activities	(10,036)	(14,534)	(10,035)	(14,534)
Cash flows from financing activities				
Equity dividends paid	(3,414)	(4,270)	(3,370)	(4,198)
Net cash flows used in financing activities	(3,414)	(4,270)	(3,370)	(4,198)
Net (decrease)/increase in cash and cash equivalents	(1,546)	2,031	(1,600)	2,089
Cash and cash equivalents at beginning of period	6,787	4,756	6,701	4,612
Net cash and cash equivalents at end of period	5,241	6,787	5,101	6,701
Overdraft (see note 15)	70	-	70	-
Cash and cash equivalents at end of period	5,311	6,787	5,171	6,701

The notes on pages 64 to 84 form an integral part of these accounts. The independent auditor's report is on page 59.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2012

The Group	Share capital £000	ESOP reserve £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2011	1,532	-	836	138,477	140,845
Total recognised income and expenses for the year	-	(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	-	-	-	(3,370)	(3,370)
At 30 September 2012	**1,532**	**(100)**	**(2,381)**	**137,097**	**136,148**
At 1 October 2010	1,532	-	756	139,396	141,684
Total recognised income and expenses for the year	-	-	-	8,593	8,593
Unrealised gain on hedges (net of tax)	-	-	80	-	80
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	(5,314)	(5,314)
Equity dividends	-	-	-	(4,198)	(4,198)
At 30 September 2011	**1,532**	**-**	**836**	**138,477**	**140,845**

The Company	Share capital £000	ESOP reserve £000	Other reserves* £000	Retained earnings £000	Total £000
At 1 October 2011	1,532	-	836	139,337	141,705
Total recognised income and expenses for the year	-	(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	-	-	-	(3,370)	(3,370)
At 30 September 2012	**1,532**	**(100)**	**(2,381)**	**137,227**	**136,278**
At 1 October 2010	1,532	-	756	140,982	143,270
Total recognised income and expenses for the year	-	-	-	7,867	7,867
Unrealised gain on hedges (net of tax)	-	-	80	-	80
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	(5,314)	(5,314)
Equity dividends	-	-	-	(4,198)	(4,198)
At 30 September 2011	**1,532**	**-**	**836**	**139,337**	**141,705**

The profit for the Company for the year ended 30 September 2012 was £4,925,000 (2011: £8,691,000). The revenue for the Company was £95,830,000 (2011: £99,387,000), with finance costs of £11,000 (2011: £10,000) and tax expense of £1,796,000 (2011: £2,423,000).

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 liability of £4,038,000 (2011: £388,000) and the revaluation reserve of £448,000 (2011: £448,000).

Notes to the Financial Statements

for the year ended 30 September 2012

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2012 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 on investment properties and derivative financial instruments.

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2012 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 45 to 47). In addition, note 21 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. Gains and losses arising on translation are included in net profit or loss for the year.

Notes to the Financial Statements

for the year ended 30 September 2012

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 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 only 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 2012

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

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

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

Investment 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 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.

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 do not carry any interest and are stated at their amortised cost using the effective interest method as reduced by appropriate allowances for estimated irrecoverable amounts.

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

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.

Notes to the Financial Statements
for the year ended 30 September 2012

Financial instruments continued
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.

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 current year, the Company has 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 28,900 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.

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 Group does not expect that the adoption, in the future, by the EU of other IAS, IFRS and interpretations of the IFRIC, issued by the IASB, will have a material effect on the Group's results and financial position. 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 Company has not adopted any new standards or interpretations that are not mandatory.

Notes to the Financial Statements
for the year ended 30 September 2012

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 in some cases not adopted by the EU:

Standards effective in current period:

IAS 24 (revised Nov. 2009) *Related Party Disclosures* which became effective for annual periods beginning on or after 1 January 2011

Improvements to IFRSs issued in May 2010 which includes amendments to a number of Standards and Interpretations. Except for the amendments in connection with IFRS 3 and IAS 27, the effective date of all the amendments was for annual periods beginning on or after 1 January 2011. The amendments in connection with IFRS 3 and IAS 27 became for annual periods beginning on or after 1 July 2010

Standards in issue not yet effective:

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

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 2013*

IFRS 11 *Joint Arrangements*, which is effective for annual periods beginning on or after 1 January 2013*

IFRS 12 *Disclosure of Interests in Other Entities*, which is effective for annual periods beginning on or after 1 January 2013*

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 2013*

IAS 27 (revised May 2011) *Separate Financial Statements*, which is effective for annual periods beginning on or after 1 January 2013*

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

Annual Improvements to IFRSs: 2009-2011 Cycle (May 2012) *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 IAS 12 (Dec 2010) *Deferred Tax: Recovery of Underlying Assets*, which is effective for annual periods beginning on or after 1 January 2012

*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 2013. 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 47 in 'Defined benefit pension scheme arrangements'.

Notes to the Financial Statements
for the year ended 30 September 2012

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 2012 amounted to £5.6m (2011: £5.4m).

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 2012 was 4.2% and in 2011 was 5.1%. If, for example, the discount rate applied to the liabilities had been 3.7%, rather than the 5.1% advised by our actuaries under IAS 19 for 2012, the IAS 19 net deficit of £4.9m would have been a net deficit of £11.0m.

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 at fair value, based on market values of equivalent instruments at balance sheet date.

Notes to the Financial Statements
for the year ended 30 September 2012

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

	2012 External £000	2012 Internal £000	2012 Total £000	2011 External £000	2011 Internal £000	2011 Total £000
Revenue						
Energy	72,671	197	72,868	74,486	326	74,812
Building Services	4,195	325	4,520	4,716	232	4,948
Retail	15,472	64	15,536	16,499	67	16,566
Property	2,141	690	2,831	2,216	688	2,904
Other	2,703	601	3,304	2,577	654	3,231
	97,182	1,877	99,059	100,494	1,967	102,461
Intergroup elimination			(1,877)			(1,967)
Revenue			97,182			100,494
Operating profit						
Energy			4,240			7,678
Building Services			300			220
Retail			64			476
Property			1,609			1,652
Other			708			840
Operating profit before property revaluation			6,921			10,866
Revaluation of investment properties			(325)			(115)
Exceptional item - impairment of investment			(1,137)			-
Operating profit			5,459			10,751
Other gains and losses						
Interest receivable			287			327
Finance costs			(11)			(11)
Profit from operations before taxation			5,735			11,067
Taxation			(1,796)			(2,423)
Profit from operations after taxation			3,939			8,644
Attributable to:						
Owners of the Company			3,846			8,593
Non-controlling interests			93			51
			3,939			8,644

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 2012

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

	2012 Assets £000	2012 Liabilities £000	2011 Assets £000	2011 Liabilities £000	2012 Net capital additions £000	2012 Depreciation/ amortisation £000	2011 Net capital additions £000	2011 Depreciation/ amortisation £000
Energy	139,630	(34,816)	125,742	(29,434)	17,415	7,240	15,354	7,441
Building Services	682	(79)	927	(248)	1	50	48	44
Retail	3,800	(286)	4,537	(768)	69	70	103	123
Property	32,510	(348)	32,891	(431)	(50)	568	-	594
Other	1,096	(1,273)	547	(1,399)	746	366	18	10
Unallocated	15,274	(19,979)	26,946	(18,451)	-	-	-	-
	192,992	(56,781)	191,590	(50,731)	18,181	8,294	15,523	8,212

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 £(325,000) (2011: £(115,000)) for revaluation of investment properties.

4 Operating expenses

	2012 £000	2011 £000
Distribution costs	10,487	10,522
Administration expenses	10,413	9,031
	20,900	19,553

5 Directors and employees

Detailed information in respect of directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Report on pages 56 to 58. The number of persons employed by the Group (including non-executive directors) at 30 September was as follows:

	2012 Number	2011 Number
Energy	203	191
Other businesses	126	136
Trainees	12	10
	341	337

The aggregate payroll costs of these persons were as follows:

	2012 £000	2011 £000
Wages and salaries	15,280	14,167
Social security costs	805	759
Pension	815	1,000
	16,900	15,926
Capitalised manpower costs	(1,975)	(1,856)
	14,925	14,070

Notes to the Financial Statements

for the year ended 30 September 2012

6 Group operating profit before joint ventures

Operating profit is after charging:

	2012 £000	2011 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	75	70
Auditor's remuneration for non-audit services	5	6
Operating lease charges	71	56
Depreciation of property, plant and equipment	8,270	8,198
Amortisation of intangible assets	28	14

7 Tax on profit from operations

	2012 £000	2011 £000
Current tax		
Jersey Income Tax operations for the year	762	1,820
adjustments in respect of prior periods	-	-
Total current tax	762	1,820
Deferred tax		
Adjustments in respect of prior periods	-	-
Current year	1,034	603
Total tax on profit on ordinary activities	1,796	2,423

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:

	2012 £000	2011 £000
Profit from operations before tax	5,729	11,067
Tax on profit from operations at standard income tax rate of 20% (2011: 20%)	1,146	2,213
Effects of:		
Expenses not deductible for tax purposes	276	53
Income not taxable for tax purposes	(134)	(123)
Impairment of investment	229	-
Non-qualifying depreciation	309	268
Losses/(profit) of Group undertakings not available for tax relief	(30)	12
Group total tax charge for year	1,796	2,423

Notes to the Financial Statements

for the year ended 30 September 2012

Deferred Tax

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

	2012 £000	2011 £000
Group and Company		
Accelerated capital allowances	13,047	12,013
Derivative financial instruments	(800)	97
Pensions	(1,214)	(884)
Provisions for deferred tax	11,033	11,226

Deferred tax movements in the year

	2012 £000	2011 £000
Group and Company		
At 1 October 2011	11,226	11,932
Charged to income statement	1,034	602
Charged to statement of comprehensive income	(1,227)	(1,308)
At 30 September 2012	11,033	11,226

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	
		2012 pence	2011 pence	2012 £000	2011 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	6.50	6.20	1,992	1,899
	interim for current year	4.50	4.25	1,379	1,303
		11.00	10.45	3,371	3,202
	special	-	3.25	-	996
		11.00	13.70	3,371	4,198
Dividend proposed	final for current year	6.50	6.50	1,992	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 2012

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 12.55p (2011 - 28.05p) are calculated on the Group profit, after taxation, of £3,846,000 (2011 - £8,593,000), and on the 30,640,000 (2011 - 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 2011	293
Additions	19
At 30 September 2012	312
Amortisation	
At 1 October 2011	233
Charge for year	28
At 30 September 2012	261
Net book value	
At 30 September 2012	51
Cost as at 1 October 2010	372
Reclassification	45
Additions	(124)
At 30 September 2011	293
Amortisation	
At 1 October 2010	343
Reclassification	14
Charge for year	(124)
At 30 September 2011	233
Net book value	
At 30 September 2011	60

The above charges are included within operating expenses.

Notes to the Financial Statements
for the year ended 30 September 2012

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 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	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

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 2010	26,514	12,737	109,587	61,963	14,225	41,552	266,578	14,928
Expenditure	334	4,874	1,419	7,144	1,628	194	15,593	-
Reclassification	140	-	582	(722)	-	-	-	-
Revaluation	-	-	-	-	-	-	-	(115)
Disposals	-	-	(1,119)	(473)	(915)	-	(2,507)	-
At 30 September 2011	26,988	17,611	110,469	67,912	14,938	41,746	279,664	14,813
Depreciation								
At 1 October 2010	5,830	4,298	82,517	19,014	9,916	24,059	145,634	-
Charge for the year	591	246	3,161	1,858	1,347	995	8,198	-
Reclassification	47	-	569	(616)	-	-	-	-
Disposals	-	-	(1,119)	(472)	(907)	-	(2,498)	-
At 30 September 2011	6,468	4,544	85,128	19,784	10,356	25,054	151,334	-
Net book value at								
30 September 2011	20,520	13,067	25,341	48,128	4,582	16,692	128,330	14,813

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 2012 by qualified independent valuers Sarre and Company. Such properties are not depreciated. The rental income arising from the properties during the year was £1,051k, (2011: £1,056k).

c The Group and Company figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £45k (2011: £51k) at cost and a depreciated value of £40k (2011: £3k).

d The gross carrying amount of assets at net book value of zero at 30 September 2012 was £44.7m (2011: £30.1m).

*Investment Properties
The B&Q lease is a fully-repairing lease with a 48-year term and a tenant-only break option on the 23rd anniversary.
The medical centre lease is an internal repairing lease with a 30-year term and break options at 15, 20 and 25 year anniversaries.
The residential properties comprise 5 houses and two bedsits which are let out on licences or leases with terms no greater than one year.
The minimum lease payments are detailed on note 20.

Notes to the Financial Statements

for the year ended 30 September 2012

12 Other investments

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Subsidiary undertaking (a)	**-**	-	**477**	477
Joint venture (b)	**-**	1,152	**-**	1,809
Other investments (c)	**5**	5	**5**	5
	5	1,157	**482**	2,291

The £400k legacy rental has been reclassified as long-term loan in the 2011 Group balance sheet.

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 £4,613,000 in the project, in the form of unsecured loans, and the trading results accounted for under joint venture accounting are £15,000 loss (2011: £86,000 loss). The investment was impaired at a Group level by £1,143,000 and at a Company level by £1,809,000 (2011: £824,000) due to the revision of future business plans which are examined annually and used as the basis by management for the impairment review of the value of their investment. Changing circumstances, including the impending loss of its largest customer, who was impacted by the removal of the Low Value Consignment Relief tax concession by the UK Government, drove the decision to impair the investment to zero. The Company balance sheet includes £0.4m of legacy rental due from Foreshore Limited which is shown as long-term loan.
The Company has acted as guarantor for Foreshore Holdings Limited for an overdraft to the value of £175,000.

Notes to the Financial Statements

for the year ended 30 September 2012

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. The Company's interest in CIEG is accounted for as a joint venture under International Accounting Standard 31 'Interests in Joint Ventures'.

a Subsidiary undertaking

Cost	£000
At 1 October 2011 and 30 September 2012	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 £000
Cost less impairment at 1 October 2011	1,809
Amounts provided	(1,809)
Cost less impairment at 30 September 2012	-

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

	Joint Venture	
	2012 £000	2011 £000
Turnover	**2,466**	2,440
Fixed assets	**226**	231
Current assets	**506**	376
Liabilities due within one year	**956**	818
Liabilities due after one year or more	**3,246**	3,245
(Loss)/profit in the year	**(15)**	(86)

c Other investments

Cost	Group and Company Other investments £000
At 1 October 2011 and 30 September 2012	5

13 Inventories

The amounts attributed to the different categories are as follows:

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Fuel oil	**4,707**	3,137	**4,707**	3,137
Commercial stocks and work in progress	**1,715**	2,499	**1,636**	2,432
Generation, distribution spares and sundry	**823**	815	**823**	815
	7,245	6,451	**7,166**	6,384

At 30 September 2012 stocks are stated net of obsolete provisions of £428k (2011: £376k).

Notes to the Financial Statements

for the year ended 30 September 2012

14 Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Amounts receivable within one year				
Trade receivables	**8,131**	7,807	**7,898**	7,608
Prepayments and accrued income	**1,231**	1,791	**1,231**	1,791
Other receivables	**7,456**	4,469	**7,456**	4,469
	16,818	14,067	**16,585**	13,868
Amounts receivable after more than one year				
Secured loan accounts	**1,152**	1,294	**1,152**	1,294
	1,152	1,294	**1,152**	1,294
Total trade and other receivables	**17,970**	15,361	**17,737**	15,162

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 £54,000 (2009: £67,000) 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 £215k (2011: £271k).

15 Trade and other payables

	Group		Company	
	2012 £000	2011 £000	**2012 £000**	2011 £000
Amounts falling due within one year:				
Trade payables	**921**	1,462	**876**	1,462
Bank overdraft	**70**	-	**70**	-
Other payables including taxation and social security	**5,795**	5,672	**5,795**	5,605
Accruals and deferred income	**10,251**	8,744	**10,251**	8,744
	17,037	15,878	**16,992**	15,811
Amounts falling due after more than one year:				
Accruals	**307**	362	**307**	362
Deferred income	**17,337**	16,790	**17,335**	16,790
	17,644	17,152	**17,642**	17,152

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

16 Pensions

The Company operates a defined benefit pension scheme known as the Jersey Electricity Pension Scheme, which provides benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the Company, in an independently administered trust fund. The latest actuarial valuation of the scheme was carried out as at 31 December 2009. The results of this actuarial valuation showed that the market value of the scheme's assets were £73.3m and there was a surplus relative to the funding target of £6.5m. This corresponds to a funding target ratio of 110%. The long-term contributions rates of the Company and the employees are 14.2% and 6% of pensionable salaries respectively. The contribution rate is determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

Regular employer contributions to the Scheme in 2013 are estimated to be £1,500,000. This allows for one known augmentation. Additional employer contributions might be required if there are any redundancies or augmentations during the year. The 2012 funding valuation may be finalised next year resulting in further contributions being required from the Company.

Notes to the Financial Statements

for the year ended 30 September 2012

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 December 2009. The present values of the defined benefit obligation, the related current service cost and any past service costs were measured using the projected unit credit method.

Actuarial gains and losses have been recognised in the period in which they occur, but outside the income statement, through the statement of 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:	2012 % pa	2011 % pa	2010 % pa
Discount rate	4.2	5.1	5.0
Rate of increase in salaries	3.9	4.5	4.5
Price inflation	2.9	3.5	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 28.2 years if they are male and for a further 30.2 years if they are female. The corresponding figures used for disclosures at 30 September 2011 were 28.0 years for current active males and 30.0 years if they are female.

For a member who retires in 2032 at age 60 the assumptions are that they will live on average for a further 30.8 years after retirement if they are male and for a further 32.7 years after retirement if they are female. The corresponding figures used for disclosures at 30 September 2011 were 30.6 years for current active males and 32.5 years for current active females.

Expected rates of return on assets:	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	Long-term rate of return expected at 30 September 2010 pa*	Value at 30 September 2010 £000
Equities	7.3%	51,698	7.3%	47,504	7.8%	54,754
Fixed interest gilts	2.6%	5,710	3.3%	16,249	3.8%	12,053
Corporate bonds	3.2%	20,519	4.6%	25,820	4.2%	19,311
Property	6.8%	2,776	6.8%	2,822	7.3%	2,090
Other	1.2%	4,564	1.6%	(15,898)***	1.4%	(8,002)***
Combined	5.7%**	85,267	6.7%**	76,497	7.0%**	80,206

*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 £2.74m (2011: £27m) 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.

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 2012.

Reconciliation of funded status to balance sheet:	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of Scheme assets	85,267	76,497	80,206	69,110	63,828
Present value of Scheme liabilities	(91,335)	(80,917)	(78,411)	(72,818)	(57,126)
(Deficit)/surplus in Scheme	(6,068)	(4,420)	1,795	(3,708)	6,702
Related deferred tax liability	1,214	884	(359)	742	(1,340)
Net pension asset/(liability)	(4,854)	(3,536)	1,436	(2,966)	5,362

Notes to the Financial Statements

for the year ended 30 September 2012

The analysis of the income statement charge for 2012:	2012 £000	2011 £000
Current service cost	1,641	1,650
Past service cost	42	843
Interest cost	4,099	3,915
Expected return on Scheme assets	(4,967)	(5,408)
Expense recognised in the income statement	815	1,000

The movement in changes to the present value of the Scheme liabilities during the year were:	2012 £000	2011 £000
Opening defined benefit obligation	80,917	78,411
Current service cost	1,641	1,650
Interest cost	4,099	3,915
Contributions by Scheme participants	575	563
Actuarial (gains)/losses on Scheme liabilities*	7,452	(1,431)
Net benefits paid out	(3,391)	(3,034)
Past service cost	42	843
Closing defined benefit obligation	91,335	80,917

*Includes changes to the actuarial assumptions.

History of asset values, defined benefits obligations, surplus/deficit in Scheme and experience gains and losses	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of Scheme assets	85,267	76,497	80,206	69,110	63,828
Defined benefits obligation	(91,335)	(80,917)	(78,411)	(72,818)	(57,126)
(Deficit)/surplus in Scheme	(6,068)	(4,420)	1,795	(3,708)	6,702

History of experience gains and losses	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Experience gains/(losses) on Scheme assets	5,174	(8,072)	6,906	1,952	(14,973)
Experience gains/(losses) on Scheme liabilities†	980	214	4,386	(244)	(596)

†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.

Changes to the fair value of Scheme assets during the year	2012 £000	2011 £000
Opening fair value of Scheme assets	76,497	80,206
Expected return on Scheme assets	4,967	5,408
Actuarial gains/(losses) on Scheme assets	5,174	(8,072)
Contributions by the employer	1,445	1,426
Contributions by Scheme participants	575	563
Net benefits paid out	(3,391)	(3,034)
Closing fair value of Scheme assets	85,267	76,497

Notes to the Financial Statements

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Actual return on Scheme assets	2012 £000	2011 £000
Expected return on Scheme assets	4,967	5,408
Actuarial gains/(losses) on Scheme assets	5,174	(8,072)
Actual return on Scheme assets	10,141	(2,664)

Analysis of amounts recognised in other comprehensive income (SoCI)	2012 £000	2011 £000
Total actuarial losses in other comprehensive income	(2,278)	(6,640)
Cumulative amount of losses recognised in other comprehensive income	(8,623)	(6,345)

17 Called up share capital

	Authorised 2012 £000	Issued and fully paid 2012 £000	Authorised 2011 £000	Issued and fully paid 2011 £000
'A' Ordinary shares 5p each (2011: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2011: 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 each share held.

Preference shares

Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2011: £9,000) and is 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.

18 Non-controlling interests

Equity	2012 £000	2011 £000
At 1 October 2011	14	27
Share of profit on ordinary activities after taxation	93	51
Dividends paid	(44)	(64)
At 30 September 2012	63	14

19 Financial commitments

	2012 £000	2011 £000
a Capital expenditure:		
Approved by the directors but not yet contracted for	79,683	23,384
b Current rental commitments under operating leases are as follows:		
Payable within one year	42	29
After one year but within five years	79	28
After five years	29	29
	150	86

Notes to the Financial Statements

for the year ended 30 September 2012

20 Leasing

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

	2012 £000	2011 £000
Less than one year	175	125
Greater than one year and less than five years	29	18
More than five years	993	1,022
	1,197	1,165

21 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 and foreign exchange option contracts	2012 £000	2011 £000
Less than one year	36,255	37,866
Greater than one year and less than five years	41,036	18,933
	77,291	56,799

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 2012, the fair value of the Group's currency derivatives is estimated to be a liability of approximately £3.6m (2011: £0.5m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amount to £(3.1)m (2011: £0.5m) has been deferred in equity. The fair value of oil derivatives that are designated and ineffective as cash flow hedges amount to £(0.5)m (2011: nil) has been recycled to the income statement. In the current period amounts of £(1.7)m (2011: nil) were credited to equity and £0.5m (2011: £0.2m) recycled to the income statement. Gains and losses on the derivatives are recycled through the hedged income statement at the time the purchase of power is recognised in the income statement.

The Group's currency exposure at 30 September 2012, taking into account the effect of forward contracts placed to manage such exposures, was £2.5m (2011: £2.7m) being the translated Euro liability due for imports made in September but payable in October.

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

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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 2012 outside the 30 day credit terms were £341,000 (2011: £241,000).

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

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. Liquid funds are managed on a daily basis and placed on short-term deposits maturing to meet liabilities when they are due.

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

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

Maturity of financial liabilities at 30 September	2012 £000	2011 £000
Less than one year	21,929	17,698
More than one year and less than five years	30,385	33,033
More than five years	-	-
	52,314	50,731

Interest rate risk
The Group has held cash balances throughout the financial year. The goal is to achieve a return that is as close to the prevailing base rate level as possible. This is achieved by checking rates with two banks whilst taking into account the guidelines agreed by the Board where the total amount is between £12m and £20m, the maximum limit will be £5m, with a maximum term of up to one year. The combined cash and cash equivalents and short-term investments total at 30 September 2012 was £14.3m (2011: £24.5m). The weighted average rate of interest was 1.7% (2011: 1.4%).

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:

	2012 £000	2011 £000
Less than 3 months: cash and cash equivalents and short-term investments	5,311	6,787
Greater than 3 months: short-term investments	9,020	17,745

Borrowing facilities
The Group had undrawn borrowing facilities at 30 September 2012 of £2.0m (2011: £2.0m) in respect of which all conditions precedent had been met and the facility expires within one year.

Commodity risk
The Group has power purchase agreements with EDF, in France. As at 30 September 2012, the import prices, but not volumes, have been substantially fixed for 2013. 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.

At 30 September 2012, the fair value of the Group's oil derivatives is estimated to be a liability of approximately £0.4m (2011: nil). 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 £(0.4)m (2011: nil) has been deferred in equity.

Notes to the Financial Statements

for the year ended 30 September 2012

22 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	
	2012 £000	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000	**2012 £000**	2011 £000
The States of Jersey	**7,550**	7,474	**1,763**	3,045	**1,848**	958	**556**	839	**2**	777
JT Group Limited	**1,696**	1,917	**129**	631	**187**	151	**146**	139	**7**	-
Jersey Post International Limited	**124**	107	**-**	-	**44**	51	**-**	8	**-**	-
Jersey New Waterworks Limited	**892**	679	**60**	101	**100**	83	**4**	5	**-**	-
Foreshore Limited	**578**	579	**712**	743	**11**	11	**161**	204	**-**	3

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 (2011: £400,000) due to Jersey Electricity plc.

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 £1.7m (2011: £0.8m) and the value of services provided to the plant was £0.5m (2011: £0.7m).

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 56 to 58.

	2012 £000	2011 £000
Short-term employee benefits	**823**	816
Post-employment benefits	**181**	179
	1,004	995

23 Post balance sheet event

At a Board Meeting on 13 December 2012 approval was given to accept tenders for the project to build a new subsea interconnector to France. This also includes land cabling in Jersey and France and associated equipment. The total cost of the project is estimated at around £70m and the expected commissioning date is in 2015. Financing arrangements for the project are in place subject to finalisation in early 2013.

Five Year Group Summary (unaudited)

Financial Statements	2012	2011	2010	2009	2008
Income Statement (£m)					
Turnover	**97.2**	100.5	98.9	93.6	82.2
Operating profit	**5.5**	10.8	14.2	8.7	9.2
Profit before tax	**5.7**	11.1	14.6	9.3	10.3
Profit after tax	**3.9**	8.6	12.4	7.2	10.1
Dividends	**3.4**	3.2	3.0	2.9	2.4
Special dividend	**-**	1.0	-	-	-
Balance Sheets (£m)					
Property, plant and equipment	**138.1**	128.3	120.9	120.6	116.0
Net current assets/(liabilities)	**17.7**	29.1	30.4	23.8	24.3
Non-current liabilities	**(35.0)**	(33.0)	(28.1)	(29.4)	(26.7)
Net assets	**136.2**	140.9	141.7	129.3	135.0
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**12.55**	28.05	40.20	23.50	32.90
Gross dividend paid per ordinary share (pence)	**13.70**	13.06	12.44	11.81	9.25
Net dividend paid per ordinary share (pence)	**11.00**	10.45	9.95	9.45	7.40
Dividend cover (times)*[1]	**1.1**	2.1	4.0	2.5	4.4
Cash at bank/(net debt) (£m)	**14.2**	24.5	22.7	16.8	16.1
Capital expenditure (£m)	**18.5**	15.6	8.4	12.8	13.6
Electricity Statistics					
Units sold (m)	**637**	651	645	642	639
% movement	**(2.1%)**	0.9%	0.4%	0.5%	5.1%
% of units imported	**92.1%**	95.6%	93.5%	92.4%	96.3%
% of units generated locally (including energy from waste plant)	**7.9%**	4.4%	6.5%	7.6%	3.7%
Maximum demand (megawatts)	**161**	154	158	153	156
Number of customers	**48,452**	47,990	47,494	47,072	46,587
Customer minutes lost	**293**	45	10	9	5
Average price per kilowatt hour sold (pence)	**11.4**	11.4	11.5	11.2	9.6
Manpower Statistics					
Energy	**203**	191	192	187	192
Other	**126**	136	136	124	132
Trainees	**12**	10	5	7	4
Total	**341**	337	333	318	328
Units sold per energy employee (000's)	**3,136**	3,408	3,359	3,436	3,328
Number of customers per energy employee	**239**	251	247	252	243

*[1] excludes the special dividend paid in 2011

Financial Calendar

2 January 2013	Preference share dividend
End January 2013	Interim Management Statement – quarter to 31 December 2012
22 February 2013	Record date for final dividend
4 March 2013	Annual General Meeting
4 April 2013	Final dividend for year ended 30 September 2012
17 May 2013	Interim Management Statement – six months to 31 March 2013
7 June 2013	Record date for Interim Ordinary dividend
28 June 2013	Interim dividend for year ending 30 September 2013
1 July 2013	Preference share dividend
End July 2013	Interim Management Statement – nine months to 30 June 2013
18 December 2013	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 Monday 4 March 2013 at 2:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

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

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