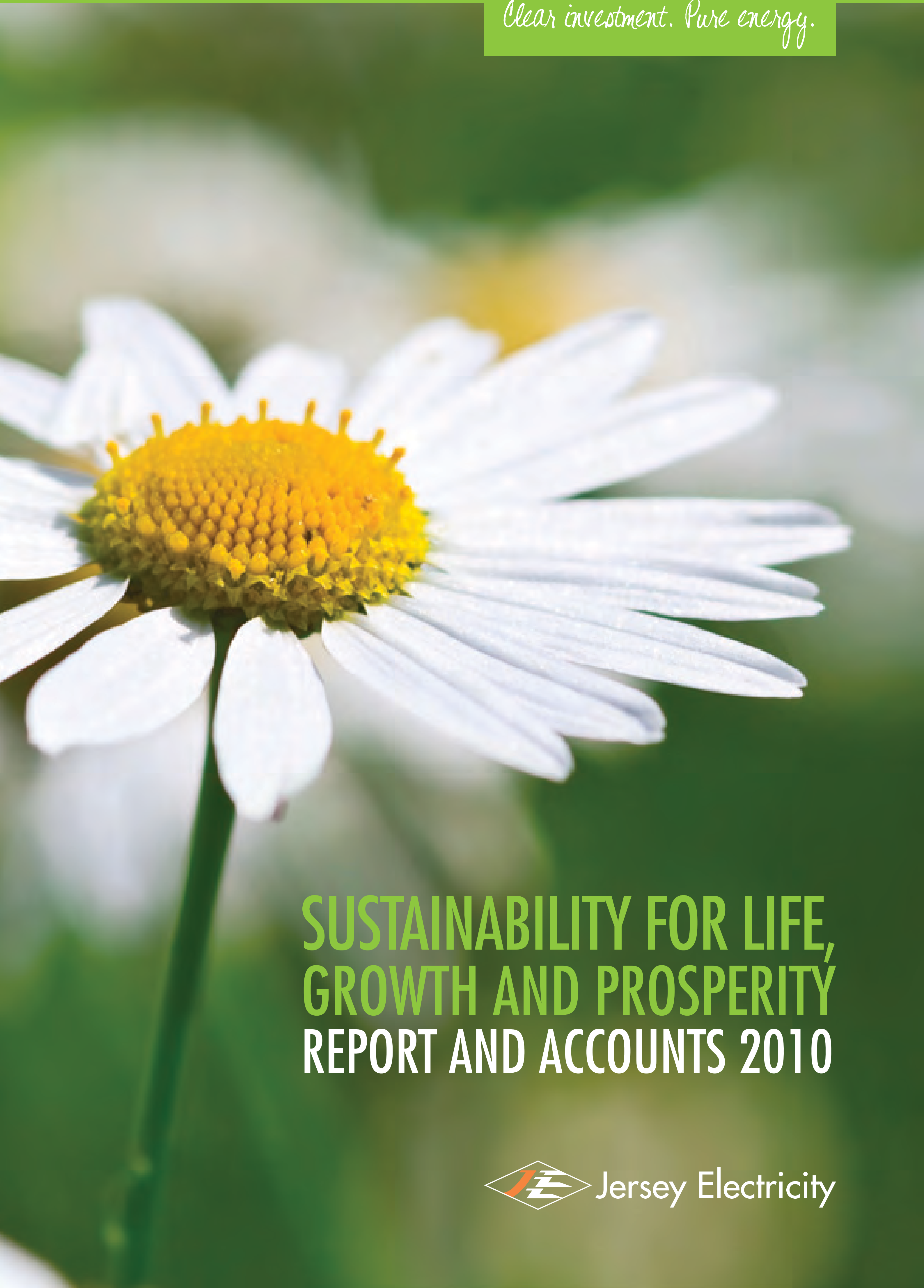


Clear investment. Pure energy.

# SUSTAINABILITY FOR LIFE, GROWTH AND PROSPERITY

## REPORT AND ACCOUNTS 2010

Jersey Electricity

# KEY ACHIEVEMENTS IN 2009/10

## CORE ENERGY

- Despite 5% reduction in tariffs, 16% increase in Core Energy profit with lower supply cost base
- Network security and reliability 8x better than UK performance, 2x better than Island benchmarks
- Achieved target of being within 10% of the European median retail price
- Carbon intensity of supply, 'A' rated performance and less than half the emissions of local oil and gas
- On-time completion of shared services and power connections to new Energy from Waste plant
- Project for third cable from Jersey to France on target for planning permission in 2011
- South Hill and cabling project on target for commissioning in Summer 2011
- Material progress in developing new post-2012 supply agreement for imported power from France
- Won fuel conversion of 1800 States homes from oil and gas heating to electric
- Celebrated 25 years of importing low carbon power from France and 10 years of Channel Islands Electricity Grid (CIEG) co-operation with our sister island Guernsey.

## FINANCE AND STRATEGY

- Delivered goal of sustained real growth in ordinary dividends at 5% supplemented by £1m special dividend
- Group and Core Energy healthy cost and profit performance, ready for sustained period of investment
- Tariffs stable and frozen at current levels until December 2011, following 5% price reduction in January 2010
- Reset strategy – 'leading provider of sustainable energy and related services'
- Renewables strategy developed and in progress.

## NON-ENERGY

- Significant increase in non-energy profit driven by improved rental yield, revaluation and receipt of Newtel funds
- Underlying operational performance strong in Retail and Building Services, given difficult economic climate.

## OTHER

- Health, safety and environmental metrics are 'good' at 3 lost time accidents and 4 star rating in British Safety Council audit
- Customer satisfaction index of 7.14 or 'good' in Island survey, and achieved regulatory service standards of 99%+.

# CONTENTS



# DIRECTORS, OFFICERS AND PROFESSIONAL ADVISORS

### NON-EXECUTIVE DIRECTORS

Geoffrey Grime FCA (Chairman)
Jeremy Arnold FCA
Clive Chaplin BA
Michael Liston OBE FREng, BSc, CEng, FIEE, CIMgt
John Stares BSc, FCA

### EXECUTIVE DIRECTORS

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

### SECRETARY

Peter Routier BSc, FCIS

### REGISTERED OFFICE

Queens Road, St. Helier, Jersey

### PLACE OF INCORPORATION

Jersey

### AUDITORS

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

### BANKERS

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

### BROKERS

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

### REGISTRAR

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

# CHAIRMAN'S STATEMENT

I am delighted to report that your Company has delivered another solid performance in 2009/10. Our Group profit for the year was £14.6m, boosted by some favourable one-offs in our non-energy business, such as the revaluation of our property portfolio, improved rental yields as well as a distribution of funds from an associated company. Importantly, our underlying operational performance has also been very strong with increases in profit in all businesses, despite the challenging economic conditions. Our Core Energy business delivered profit of £7.7m, around 16% higher than last year and was achieved despite the 5% reduction in tariffs implemented in January 2010. Return on assets in the energy business is at a level needed to support our substantial investment programme that is so essential to securing supplies into the future.

"Our underlying operational performance has been very strong with increases in revenue and profit in all businesses despite the challenging economic conditions."

Despite some volatility, we took advantage of generally lower global energy prices and were able to save energy supply costs by leveraging some new working arrangements with our power supplier in France, EDF. Foreign exchange volatility continued to be troublesome during the year, but we were able successfully to use hedging contracts to manage downside risk whilst simultaneously allowing participation in a possible strengthening of Sterling. We are delighted that, following our tariff reduction in 2010, our efforts have enabled us to announce a tariff freeze until the end of 2011.

During the year, the Board had two 'Away Days', during which we discussed our strategy and growth agenda. We have reset our strategy to become 'the leading provider of sustainable energy and related services', alongside a goal to deepen our penetration of current non-energy markets to achieve stronger leadership positions. We will seek to selectively broaden our participation into markets where we are truly advantaged.

In our Core Energy business, we seek to provide an affordable, secure and sustainable energy supply and we performed very well against these three goals. We have made good progress in the various critical capital projects that are ongoing. Our project to install a third submarine cable to France is making headway and our relationships in France remain strong, reinforced by our 10 year anniversary celebration of the Channel Islands Electricity Grid, our 50/50 joint venture with Guernsey, which has been such a successful example of cross-Island co-operation.

Our service standards, health and safety performance, staff and community relationships were all excellent again this year. Our challenge going forward is to build further on these strong positions.

The Board of Directors is proposing a final net dividend of £1.24 to be paid on 31 March 2011, being a 5% rise on the previous year and confirming our policy to maintain real growth in dividends. In addition however, the Board is proposing a special dividend net of tax of 65p, to distribute the windfall proceeds of £1m received from Newtel, which resulted from the disposal of their Guernsey interests.

During the year, Chris Evans retired from the Board at the Annual General Meeting, and Jeremy Arnold will retire from Christmas 2010. I would like to thank both Chris and Jeremy for their considerable contribution to both the Company and the Board over many years of service.

2009/10 has been a challenging year with the many projects and initiatives in progress across all of our business. We could not have delivered our strong performance this year without the skills, knowledge and experience of a committed and loyal workforce. My sincere thanks go to all our staff at all levels, our executives and our non-executives for their significant contributions throughout the year.

Geoffrey Grime
Chairman
16 December 2010

# CHIEF EXECUTIVE'S REVIEW

Despite the considerable financial, economic and energy market uncertainty, Jersey Electricity has delivered a very good performance in 2009/10. At a level of £99m, Group revenues were the highest on record, as were our profits which hit £14.6m substantially assisted by some one-off items in our non-energy businesses and a special cash distribution from an associated company. At an operating level, all businesses have delivered increases in revenues and profit, and are well positioned for the future. Generating enough profit and cash is essential for future growth and investment, and is of particular importance to our Core Energy business which is investing considerably in essential infrastructure over the next few years.

"Our strong performance this year positions us well for a period of significant investment in essential energy infrastructure."

"We are committed to efficiency, flexibility and customer focus in everything we do."

# 1.0/ CORE ENERGY

The Core Energy business has continued to perform well this year. Our energy revenues increased by 2% to £74m and our profits increased by 16% to £7.7m, reflecting our success in containing overheads whilst optimising the cost of energy supply by closer working with EDF, our electricity supplier in France. We are pleased that we have been able to deliver a solid performance whilst at the same time meeting our self-imposed standards for price competitiveness, security of supply and environmental performance.

Having delivered a 5% tariff reduction from 1 January 2010, and substantially procured our power and Euro requirements ahead of 2011, we are pleased to have been able to announce that we are maintaining tariffs at the present competitive rates until the end of 2011. This has provided welcome relief to our customers at a time of significant economic uncertainty.

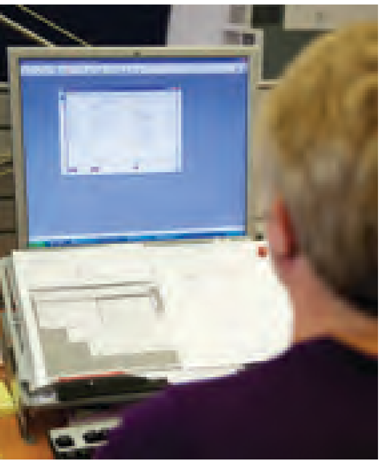
## OUR KEY IMPERATIVES

During the year, the Board had two 'Away Days', the outputs of which were shared with our employees at our Staff Seminar in June. This was an opportunity to reset strategy and formalise our purpose, vision and values, and galvanise staff around our key imperatives:

1. Deliver capital projects
2. Grow energy and related business
3. Manage import cost volatility
4. Deliver 'Smart' metering
5. Grow non-energy business
6. Continuously improve all processes
7. 'Enable' offshore wind/marine

Jeremy Willis, Senior Project Engineer, and Jason Baines, Construction Engineer, survey a site for new cable laying.

Lisette Le Jehan, Finance Assistant, is on the button preparing bills for dispatch.



Jill Horton, Data Prep Clerk, updates our customer database with new addresses.

# Group Purpose

Electricity is a key enabler of virtually all activity in our Island – and is used by both individuals and businesses in a vast array of applications. It provides comfort and utility that are essential to *life*, and supports virtually all economic activity that is essential to *growth* and *future prosperity*.

Supplying power reliably, day-in, day-out is central to our purpose. Our staff are passionate about our focus on security of supply and they refer to it colloquially as 'keeping the lights on'. In reality of course, it's much more than just the lights.

Jersey Electricity has two types of customers, those that purchase:

- energy through our self-regulated, monopoly network infrastructure, from which the Company seeks a fair rate of economic return consistent with regulated markets (Core Energy)
- other products and services in competitive markets, from which the Company aims to achieve higher rates of return and value growth (non-energy such as Retail and Building Services (JEBS))

Our commitment to being efficient, flexible and customer focused applies across the board.

In our energy business, our vision is to become the 'leading provider of sustainable energy and related services'. We believe this is the best way of achieving our triple goal of:

- providing affordable and fairly priced energy
- ensuring security and reliability of supply
- protecting the environment and conserving resources

In our non-energy businesses, our vision is to become the leading player in every market or category in which we choose to participate.

Jersey Electricity has a distinctive positioning in our market around 'sustainability'. Although an important aspect, this is not solely about protecting our environment, but also fulfilling our broader responsibilities to all stakeholders over the long term. We believe this is becoming increasingly important in business and especially so in our Island community.

Our company values and our style of management reinforce sustainability concepts and are encapsulated in the phrase, 'private sector enterprise, with a public sector conscience'.

Our strategy supports our fundamental commitment to maintaining annual real dividend growth going forward which we view as fair reward to shareholders for their risk.

"Our addressable market for electricity is as broad as the total energy used in all heat, light, power and transportation applications."

## OUR VIEW OF SUSTAINABILITY IS:

→ Taking responsibility for our actions

→ Looking after the environment

→ Taking care of the local community

→ Offering dependable and secure supplies

→ Providing value for money and stable pricing

→ Being open and transparent in the way we do business

→ in essence, being fair to all stakeholders:
- shareholders
- customers
- employees
- suppliers
- and members of the general public

Chris Young, JEBS Electrician, tests a new installation of storage heating at Les Cinq Chenes as part of the States Housing Switch Project.

Andy Barker, High Voltage Jointer, and Robert Pike, Apprentice Jointer, connect a cable.

Danny Oberst, JEBS Plumbing and Heating Engineer, makes the final connections to one of the latest heat pump installations.

# Energy growth

The total number of customers on supply at year end was 47,494, an increase of around 1%, which is broadly consistent with increases in previous years. Despite several periods of extreme cold in Jersey over the winter 2009/10, average temperatures throughout the year have been similar to previous years. Unit sales in our energy business were 645 million units, an increase of 0.4% this year relative to last year.

This reflects the continuing increase in the number of electricity customers on the Island, our success at winning in excess of 90% of new heating load for new developments and fuel switching existing oil and gas customers, but is offset by a slight reduction in average electricity consumption per customer. We believe the latter is driven by increasing customer price sensitivity and use of energy efficiency measures.

At the beginning of the financial year, we were delighted to win a three-year contract to convert 1800 States tenanted homes from oil or gas to electricity. Reinforcing the distribution infrastructure has been a major project for our distribution teams. In addition, our contracting business, Building Services (JEBS), won several tenders to complete in-home installations. By year end, we successfully connected a third of the 1800 customers to electric heating. Our reported demand for electricity does not yet fully reflect this fuel switching load, but we expect the full benefits to flow into next year's results, as this will include a full heating season.

This project was a clear signal of confidence by the States in electricity as the 'affordable, reliable and sustainable' fuel of the future. Other benefits of electricity in States tenanted homes include ease of revenue collection, low cost of maintenance, system compactness, cleanliness and safety.

Our tariff portfolio remains strong, with discounted tariffs such as Comfort Heat, Economy 7 and Economy 20, proving to be popular. Customers on these tariffs increased by 5% to 13,294 during the year – up from last year's 3% growth rate.

"This year we have fuel switched 600 of 1800 States tenanted homes from fossil fuels to off-peak electricity services."


Danny Oberst and fellow JEBS Plumbing and Heating Engineer Doug Prentice discuss the replacement of hot water cylinders at Clos Gosset, part of the States Housing Fuel Switch Project.


## DOMESTIC HEATING PRICES

September 2009 to September 2010

Source: States of Jersey Statistics Unit Retail Prices Index Report September 2010

# 1.1/ PROVIDING AFFORDABLE AND FAIRLY PRICED ENERGY

In 2009/10, the global energy markets continued to be the subject of many headlines. Following record highs in crude oil, wholesale gas and electricity prices in 2008, we saw major corrections in all energy markets due to collapsing confidence in the wake of the global financial crisis. In 2009, energy markets recovered slightly with prices in 2010 remaining volatile around more modest levels. Demand from business customers in Europe has eased considerably since the credit crunch as a result of reduced economic activity and it appears that residential customers are becoming more cost conscious and energy efficient. While forward curves indicate that prices will rise again over the short term, it is clear that we are now operating in a very different commodity market from that in 2008.

As part of the Channel Islands Electricity Grid, we have continued our preparatory work to establish a new supply contract from January 2013, when the present supply arrangements with EDF come to an end. We are exploring several product options with a number of potential suppliers, and are consulting our advisors in France and the UK. Our goal is to find a suitable product-structure that would offer price advantage coupled with price stability. The new supply agreement is of critical importance and is not without challenges. The future of the French energy market is uncertain as government recommendations to open the market to competition seem to have been 'frustrated'. The balance of short and long-term contracts is also difficult with forecasts of significant generation shortages for the 2-3 years following the middle of the decade when EU Directives will remove a significant amount of the older, higher emission generation plant.

As part of our supply tendering preparations and after four years of negotiations, we successfully signed revised connection and operations agreements with French grid operator RTE. These revised agreements, coupled with the separate contracts that are in place with RTE and French supplier EDF, allow the Company to explore alternative suppliers should it be more attractive to do so.

Imported power from France represented around 93% of total Island demand this year. Given that our Island is so dependent on imported power, close management of our supply risk will remain of critical importance to the Board.

## Lower energy prices but continuing volatility

Over the financial year, crude oil prices have oscillated between $65 and $85 per barrel, and French forward power prices have traded between €50 and €65/MWh with outer years trading at higher premia, reflecting the market's view that prices will increase over the next few years. The last two years have provided good opportunities for Jersey Electricity to buy forward at more attractive prices, and we have taken advantage of this to the benefit of customers and shareholders. We continued our policy to buy forward a little and often during the year and typically 1-2 years in advance to secure volume and price certainty.

FRENCH FORWARD WHOLESALE POWER PRICE


Source: Utilyx

Having last year established new working arrangements with our French supplier EDF to save power procurement costs, we extended and refined these arrangements this year. This enabled us to take advantage of the lows in crude oil prices relative to wholesale electricity prices, and either generate locally when cheaper to do so, or purchase power on the spot market in France when spot prices were lower than contract prices.

Given market conditions, we were able to invoke this arrangement on many occasions over the winter period. The scheme produced several valuable benefits, including reduced importation costs, lower emissions and reduced wear on plant and equipment.

In addition, we agreed provisions in this agreement allowing Jersey Electricity to generate locally, reduce its supply offtake from EDF and effectively sell back locally generated power at a premium when spot prices in France were high.

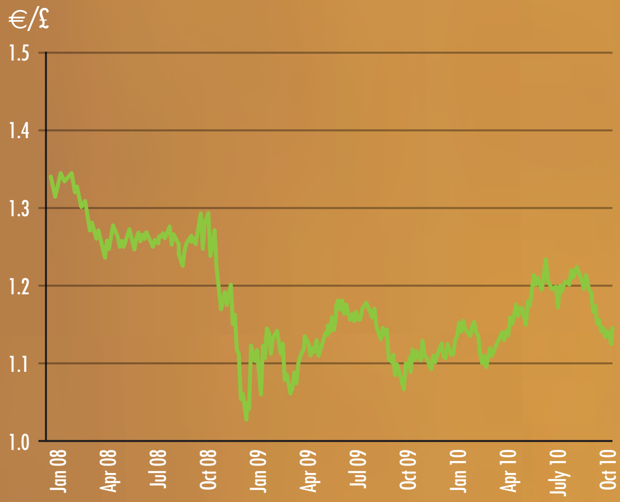
This new package of options has been extremely helpful in keeping the costs of La Collette standby facility and its emission levels low, as well as exercising our generation assets and standby capabilities, and was a major driver of improved financial performance in the Core Energy business.

## Continued weak and volatile exchange rate

As a major importer of Euro-denominated power, the Sterling/Euro exchange rate continues to be troublesome. It is extraordinary to note that in 2007, the Sterling/Euro exchange rate was in excess of €1.50. Sterling weakened to a low of €1.03 in 2008. Although we have seen an improvement in exchange rates, it has remained volatile and weak, trading around €1.15 in 2010. Year-on-year deterioration in Sterling represents real cost increases that can be significant and have to be funded.

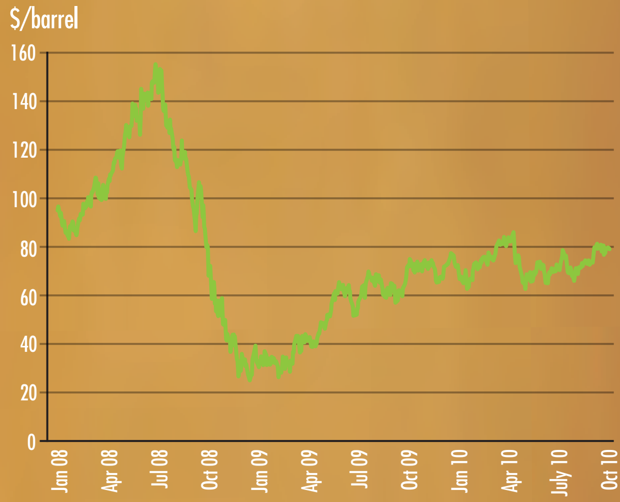
Given the complexity and uncertainty of these markets we have maintained tight discipline in currency hedging. We have formalised our foreign exchange hedging policy to maintain currency hedges broadly in line with power hedges. In addition, given the continued weakness of Sterling, we have continued to use more complex derivative products that will both protect our position from further deterioration in rates whilst simultaneously allow participation in a Sterling recovery.

## STERLING/EURO CURRENCY EXCHANGE




Source: Bank of England (XUDLERS) Daily Average

## BRENT CRUDE OIL PRICE



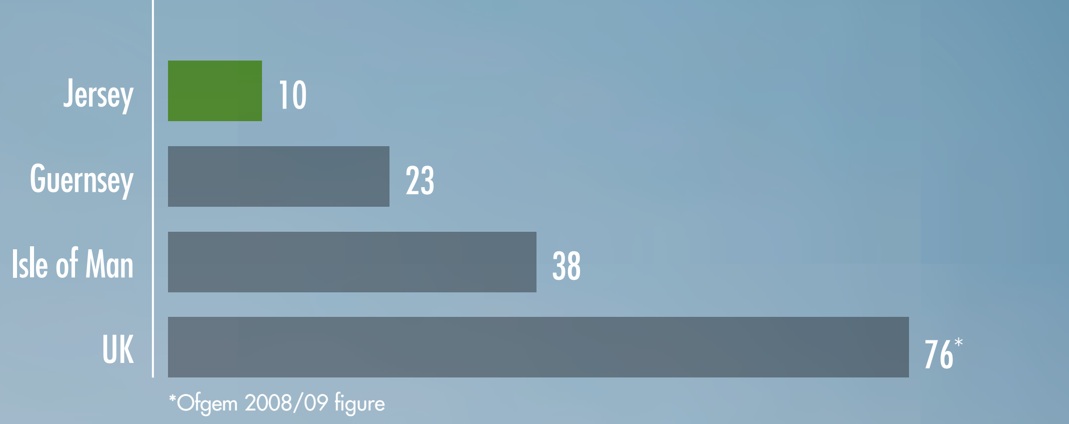

Source: Utilyx

## In Summary

Overall the effect of our hedging programmes has led to a slight decrease in Euro costs which has been broadly offset by a slight increase in power costs. This has enabled Jersey Electricity to freeze prices for the full calendar year 2011 and maintain pricing stability. Electricity remains very competitive in Jersey compared with oil and gas, helped by progressive increases in oil and gas prices over the last 12 months. Our power prices remain materially lower than our benchmark islands for most consumers, and I am pleased to report that we have met our target of being within 10% of the European median price for another year.

Brian Poole, Financial Accountant, studies the current unit sales performance.

# AVERAGE CUSTOMER MINUTES LOST 2009/10




Mark Wunsch, Linesman, and David Silva, Energy Division Apprentice, enjoy the high life carrying out planned maintenance on overhead lines in the east of the Island.

Dave Noel, Distribution Fitter, and Alex Le Long, Energy Division Apprentice, carry out essential substation maintenance.

# 1.2/ ENSURING SECURITY AND RELIABILITY OF SUPPLY

Our staff are passionate about 'keeping the lights on'. This is critical to the proper functioning of a £4bn local economy of which the offshore financial services sector comprises a significant portion. Our customers in Jersey continue to benefit from one of the most reliable and secure networks in the world. This is no small feat for an island that is remote and isolated from larger mainland communities and which cannot easily benefit from the extra diverse infrastructure that is a characteristic of larger networks.

The network is the mechanism through which we deliver power to customers – clean, safe and efficient. There are three enablers to achieve secure supplies. Firstly, the network needs to be robustly designed so that supplies can still continue in spite of the failure of an element of the network. Secondly, the individual components of the network need to be well maintained. Finally, should our network fail, systems and procedures need to be robust enough to restore supplies as quickly as possible.

In 2008/09, we put in place new business continuity arrangements over and above our plant emergency procedures. 2009/10 was a year for testing them. We have now conducted a variety of desktop exercises designed to mimic a series of catastrophic events. We hope we will never need to deploy these plans, but we continue our programme of testing and refining them.

## Transmission

During the year we have made steady progress with the third submarine cable to France. This is a seven-year project, due for completion in 2013. It is the replacement for our first cable, which was installed in 1984 and is coming to the end of its life. We expect the third cable to provide long-term mitigation against the possible difficulties of sourcing and shipping heavy fuel oil into Jersey. In addition, the cable will enable the company to securely meet the full Island's demand for electricity over the peak winter demand.

We have now completed the project dossier for the French land-based portion of the cable and the consultation process has commenced without any major objections. Cable routings have been discussed for both the land and sea-based portion, and we are aiming to secure planning permission for the French portion by October 2011. We have completed an Environmental Impact Assessment for the Jersey based cable and are due to formalise the routing and finalise permissions. There remains a technical challenge regarding the operation of the third submarine cable alongside our two existing cables. Our engineers are working hard with RTE engineers to provide the necessary mitigation and comfort for them, but there remains a risk that costs and security benefits could be adversely affected.

Our current forecasts for the project remain at £60m, and we continue to pursue all avenues of foreign exchange and commodity risk management. During the year, we implemented a revised policy for cash flow foreign exchange hedging on major capital projects.

Robert Pike, Energy Division Apprentice Jointer, connects a new supply line as part of our reinforcement strategy of our supply network.

South Hill Switching Station becomes a reality and is on target for commissioning in Summer 2011.

Spring 2010.

Summer 2010.

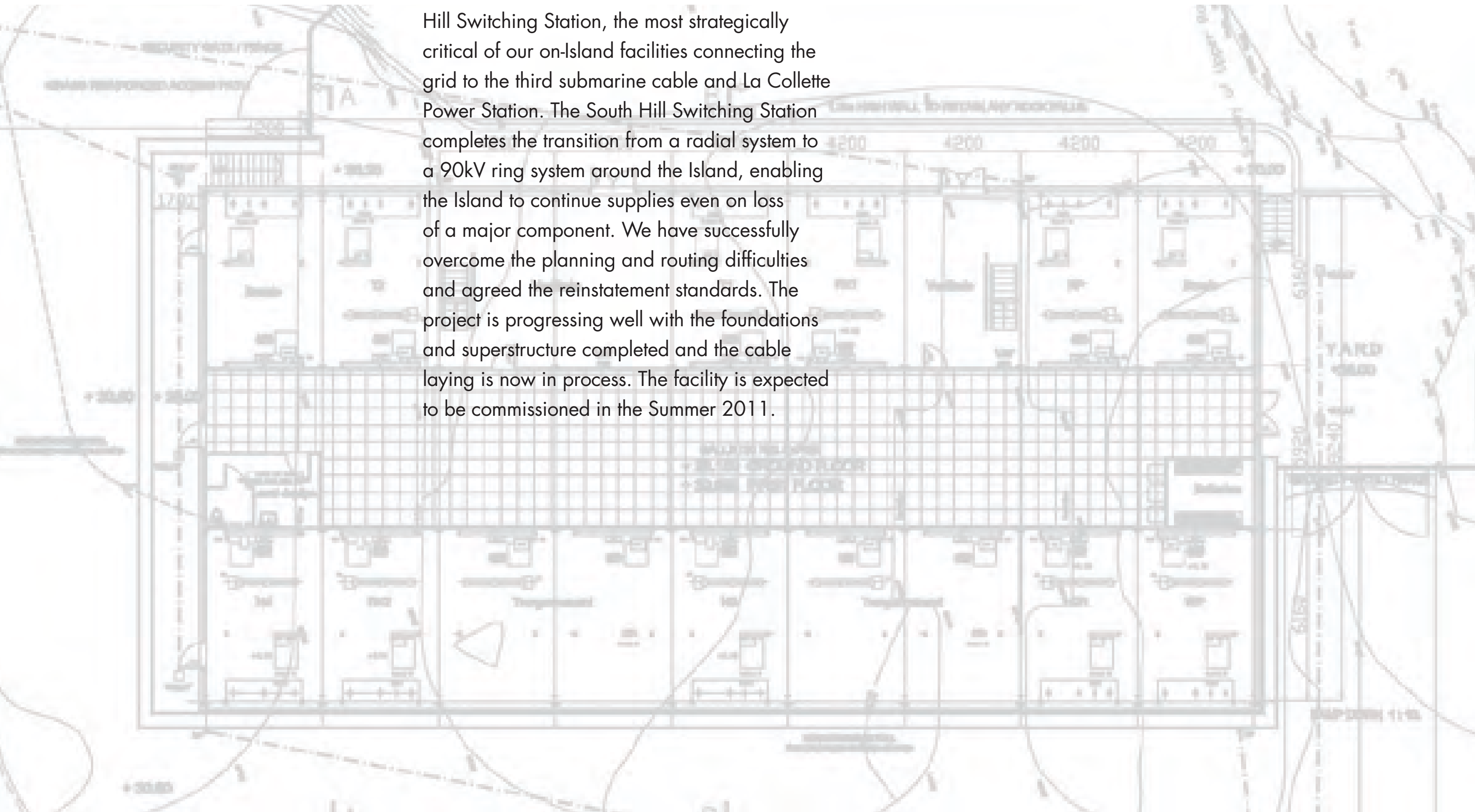
## Distribution

A new record load of 158 MW was achieved in January 2010, which was 1.5 MW higher than the previous record which occurred in December 2007. In addition, we achieved another record for unit sales in one day of 2.9 million units, again achieved in January. During the year, the network delivered 645 million units of power safely and securely to around 47,000 customers. Of this around 93% was low carbon power imported from EDF.

Work commenced in March 2010 on the South Hill Switching Station, the most strategically critical of our on-Island facilities connecting the grid to the third submarine cable and La Collette Power Station. The South Hill Switching Station completes the transition from a radial system to a 90kV ring system around the Island, enabling the Island to continue supplies even on loss of a major component. We have successfully overcome the planning and routing difficulties and agreed the reinstatement standards. The project is progressing well with the foundations and superstructure completed and the cable laying is now in process. The facility is expected to be commissioned in the Summer 2011.

We made solid progress with further network reinforcement and essential maintenance. We installed 19 MW of new transformer capacity, 34 km of new cable, 18 new substations, 20 refurbished substations and 889 new services. Maintenance work included new switchgear replacements at 18 substations and new distribution control systems at 16 substations. Work supporting the States Housing fuel switches has also proceeded quickly with 3 substations already installed to cater for the additional load.

Initial site plans approved in November 2009.



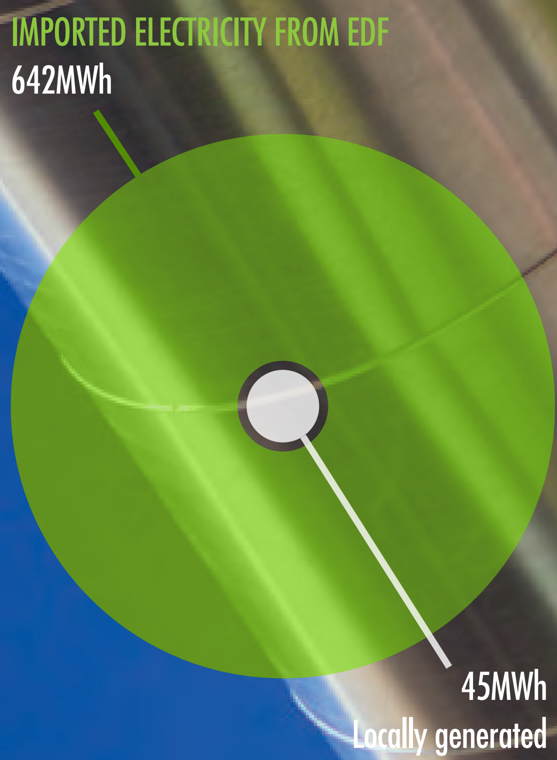
- Site chosen with separation from La Collette hazards and clear of the sea front
- Strategically critical network hub linking Queens Road, Western Primary, Rue Des Pres and La Collette providing superior network security
- Will accommodate future cables to France
- £10 million overall budget
- Third INEO installation for JEC
- Houses twelve 90kV circuit breakers
- Incorporates 3km extension to existing 90kV cable network

Autumn 2010.

## Generation

On-Island generation is in place primarily for strategic security of supply but we have also successfully used it to reduce costs when cheaper than importation, subject to complying with our emission standards. The assets are a mix of diesel engines, gas turbines and steam generators and there is presently sufficient capacity to meet the Island's full requirements, although running costs are usually higher than those of imported supplies, as are carbon emissions.

Given the close proximity of the States' new Energy from Waste (EfW) facility to La Collette Power Station and the benefit of diversifying generation sources, we agreed a mutual co-operation to procure power from the new waste facility whilst in return supplying sea water cooling, demineralised water, gas oil and access to two chimney flues. Construction work for the shared services and power cabling commenced in February 2010 and completed in October 2010 on time and in readiness for EfW commissioning which is expected to commence early in 2011. Over time the facility is expected to meet around 7% of the Island's electricity demand.




## In Summary

Overall this year we had 80 power failures on our network and supplies to customers were disrupted by an average of 10 minutes. Although this was an increase on last year's performance of 9 minutes, it remains well within our target of 25 minutes. This is considerably less than comparable islands and the UK, the latest figures for which are around 76 minutes of average lost supply per customer during 2008/09.


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

Here twin flues take treated exhaust gases from the new EfW plant to La Collette and connect with the power station's existing flue stacks and chimney.

1.3/

# PROTECTING THE ENVIRONMENT

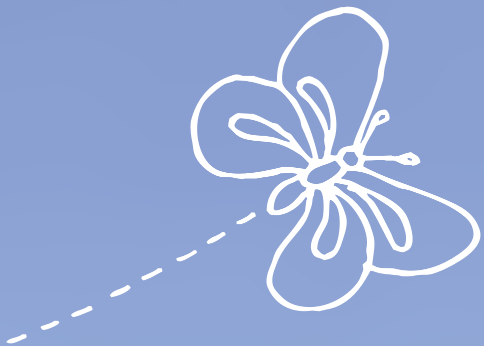
Jersey has a unique geography, ecology and bio-diversity which should be protected and cherished for future generations. The world's natural resources are also being used up at an unsustainable rate. Jersey Electricity has an important role in helping protect the local environment as well as helping the Island reduce its dependency on carbon.

It is well known that Jersey Electricity has made huge progress on behalf of Jersey, by displacing higher carbon on-Island generation with cleaner, more sustainable nuclear and hydro electric power imported from EDF. But there is much more work to be done, and we have a real responsibility in taking a leadership position.

## Energy Policy

Although this has taken three years, there now appears to be real intent to publish the Energy Policy. The Industry Stakeholder Group, of which Jersey Electricity is a member, is presently being consulted, and we are hopeful that this matter will go to the States Chamber for debate in 2011. Whilst we support the motivations and ambitions of policymakers, we are concerned that the goals, targets and scope are not adequately matched with a programme of practical policy measures and action plans. In addition, the overriding focus is on energy efficiency *rather than* carbon reduction, not energy efficiency *and* carbon reduction. The proposed revisions to the Building Bye-laws are a key example of where the carbon reduction focus has been diluted, and to this extent represent a lost opportunity.

We also remain concerned that in times of austerity, the necessary funding that is needed to make tangible environmental progress may not be forthcoming. The Island's strong environmental performance could be promoted internationally alongside Jersey's exemplary regulatory standards in financial services.



# AND CONSERVING RESOURCES

The Energy Policy references the need to consider not just the price of supply but non-price factors such as security, reliability and environmental performance in a properly functioning market. Last year, application of Jersey's Electricity Law resulted in an independent pricing review of our energy business, which concluded that the tariffs set by the Company were 'fully consistent with the overarching public interest'.

We strongly believe this conclusion verifies our repeated assertion to Jersey consumers and policy makers that this Law, when combined with the *threat* of more interventionist and costly regulation, is an effective and proportionate form of regulation for Jersey.

## Energy Efficiency

In 2009, Jersey Electricity made a £0.5m seed contribution to initiate an Energy Efficiency Programme, designed to help vulnerable islanders reduce their energy bills and carbon emissions. We also provided resource to assist in the operation and governance of the scheme. We are delighted that the scheme has successfully delivered measures to over 800 applicants and has been expanded to heating system replacement and community buildings. Whilst we see a reduction in customers' average electricity consumption, we believe that this will be more than offset by an increase in new customer-product relationships and additional applications of electricity.

## Energy from Waste (EfW)

Although the EfW facility will only generate up to 7% of the Island's electricity demand, the plant provides diversity in our electricity supply base as well as a source of low carbon power, since the electricity is generated as a by-product of the waste disposal process. We have now successfully built the service connections between La Collette Power Station and the EfW facility, and commissioning will commence early in 2011.

Energy monitor aids efficient usage in the home.

Energy from Waste (EfW) plant comes on line in Q1 2011.

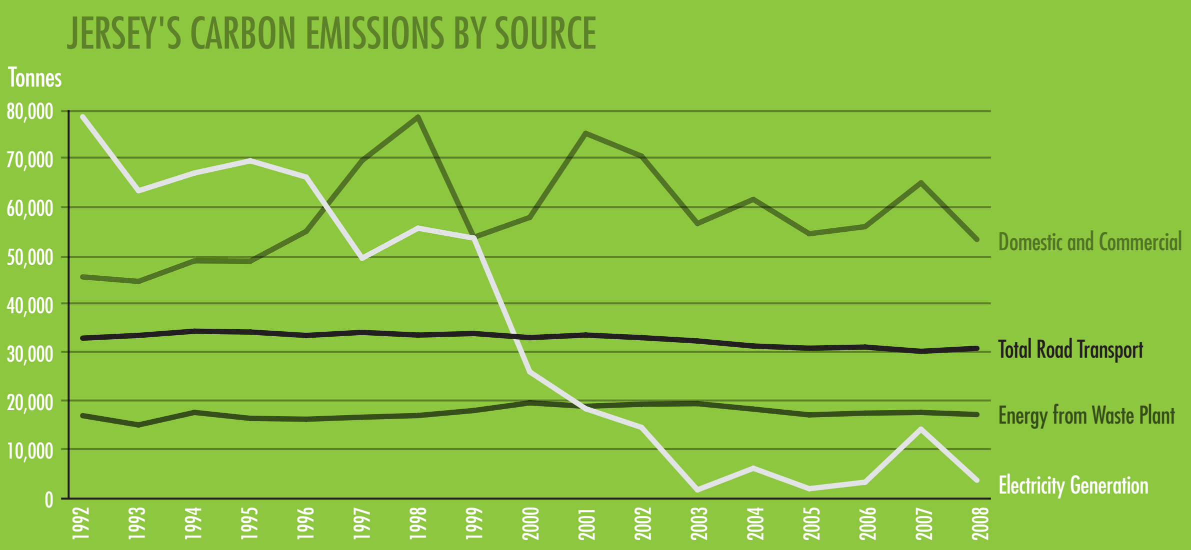
Installation of loft insulation is part of the Energy Efficiency Programme.

> "As a result of Jersey Electricity's importation strategy, electricity now comprises just 4% of total Island carbon emissions."

## Renewables

It is clear that with pressures on climate change and declining reserves of traditional hydrocarbons, there is an increasing global imperative to secure energy from more sustainable sources. European countries have already recognised this by enshrining a commitment in law to secure 20% of total energy used from renewable sources by 2020. The UK has committed to securing 15% of total energy demand from renewable sources by this timeframe, significantly higher than today's baseline of just 6%. Jersey has yet to commit to a formal target although we are hopeful that the Energy Policy will do so. Development of indigenous renewable energy has the triple benefit of improving our security of supplies, further reducing carbon emissions as well as providing a new source of local economic activity.

During the year, we conducted a strategic review of utility scale renewables, exploring the issues and opportunities facing the Channel Islands in developing the large levels of local wind and marine resource. The strategy acknowledged an important role for Jersey Electricity as a key enabler, project partner or potential equity participant in the industry but also acknowledged the early stage risks and investment levels needed. The work set out a series of imperatives for Jersey Electricity including the need to establish a cross-Channel Island coalition. Utility scale renewables represents an exciting opportunity, but it is clear that this is a long-term play. Short-term priorities include readying our network to connect a range of technologies.




Source: States of Jersey Statistics Unit Jersey Energy Trends – 2009

We continue to explore other ways of reducing our environmental impact of the services we provide. Although all air and water based emissions are in full compliance with local standards, this year we have made preparations for more comprehensive monitoring of air quality from the flues of the La Collette chimney. Going forward we will be tracking levels of SOx and NOx, seeking to keep these to minimum practical levels. The number of complaints about particulate emissions from harbour residents has dropped significantly this year, reflecting the success of the optimisation arrangement with EDF. We continue to monitor our sea-water cooling processes and hold ourselves to strict standards to ensure that our emissions are as close to negligible as possible.

We are monitoring and influencing debate at the highest levels using our leadership of the Network of Small Island Systems (NESIS), a sub-committee of Eurelectric, the key EU electricity body – with a particular interest in the Industrial Emissions and Large Plant Combustion Directive. These Directives detail the emissions standards needed for diesel generation compliance, and could have significant implications for us if adopted by the States of Jersey. We are seeking a solution that will both protect the environment and be economically viable, given our limited on-Island use of such equipment.

## In Summary

I am pleased to note further progress with our environmental agenda although there is still much to do. We achieved an average emission level this year of 98g $CO_2$/ kWh, less than our self-imposed target of 100g $CO_2$/ kWh based on a five-year rolling average. This is the level equivalent to a domestic appliance 'A' rating, the standard to which we hold ourselves, and maintains a clear competitive advantage over oil and gas.

Tidal power is one of the renewable energy sources of the future.

# CIEG TENTH ANNIVERSARY

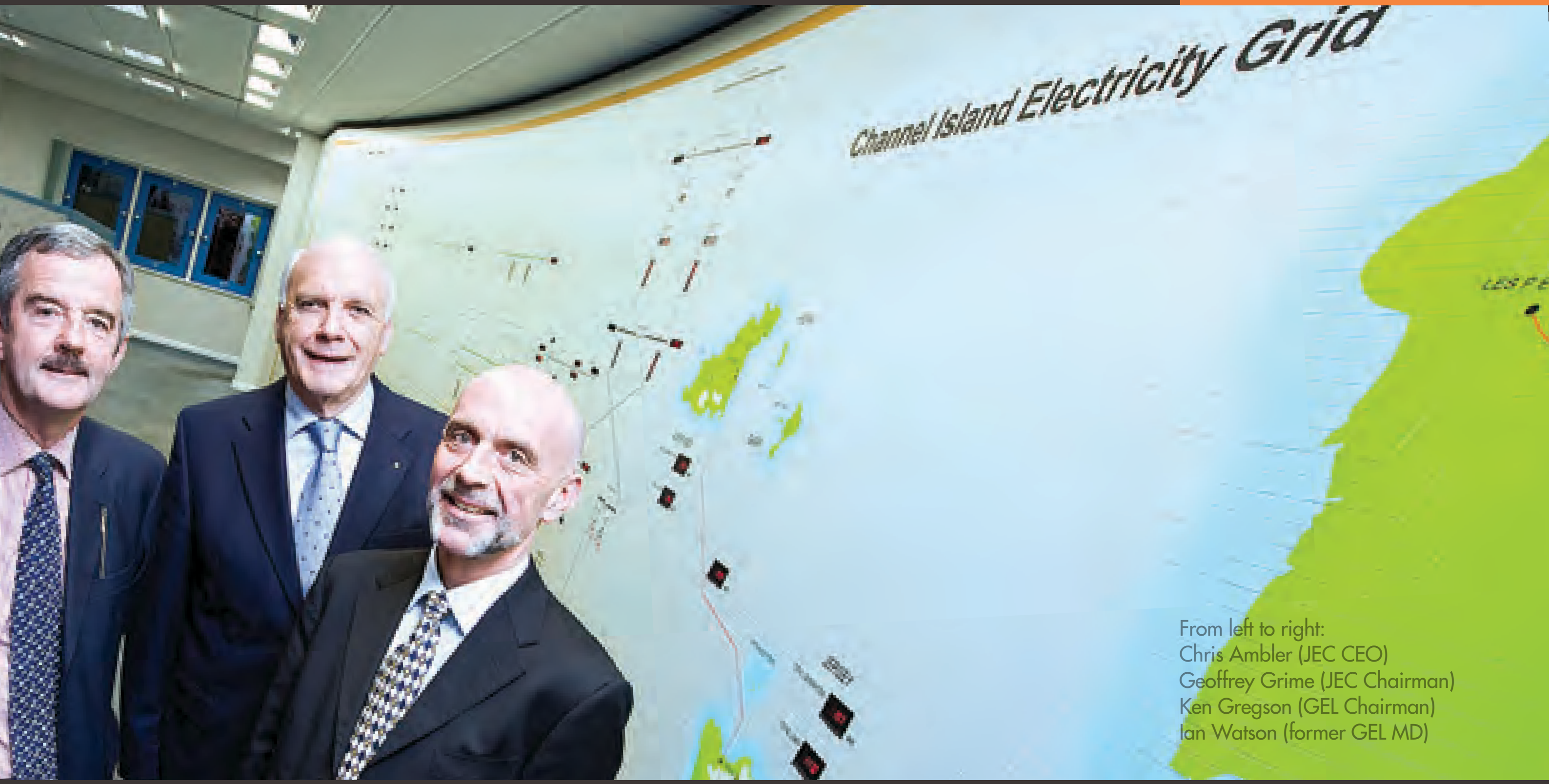
"We value our relationship with our French and Guernsey partners enormously and look forward to an even deeper co-operation as we work towards laying another submarine cable from Jersey to France."

On 23 November 2010, we celebrated 10 years since the formation of the Channel Islands Electricity Grid, our 50/50 joint venture between Jersey Electricity and Guernsey Electricity (GEL) – and the structure which has been so successful in building further on close relationships with our French partners.

The venture provides the governance structure through which we have invested in a submarine cable from Guernsey to Jersey and from Jersey on to France, 16 years after Jersey Electricity laid the first submarine cable in 1984. CIEG is also the vehicle through which we procure power from EDF in France.

We were joined at our celebration in Agneaux, Normandy, by senior representatives from the French, Guernsey and Jersey authorities, EDF, RTE, Jersey Electricity and Guernsey Electricity.

The high-tech RTE control room at Agneaux, Normandy, controls the electricity sent through the submarine cables to Jersey.




From left to right:
Chris Ambler (JEC CEO)
Geoffrey Grime (JEC Chairman)
Ken Gregson (GEL Chairman)
Ian Watson (former GEL MD)

# Just the beginning

In recent years there has been much talk about Channel Island co-operation. Our partnership with Guernsey Electricity is a shining example of inter-Island co-operation and how a joint venture should work.

The main beneficiaries of this 'energy marriage' are Jersey and Guernsey electricity customers. Not only does the partnership strengthen generation and transmission grid connectivity, it also helps to defer or avoid capital expenditure, reduce on-Island carbon emissions and reduce importation costs. During the past 10 years, we have successfully imported around €500m of secure, low carbon power from EDF in France – power that would have been more expensive had it been generated on the Island.

The partnership has also assisted with information and staff sharing, as well as developing best practice – all of which contribute to reduced overheads and better risk management. The effect is significantly improved supply security and lower costs, which is particularly important given the scale of our respective companies. Of course there is always a natural rivalry between our islands, but despite this Jersey Electricity is ready on hand to support its Guernsey colleagues and I'm sure the feelings are mutual.

As we progress towards laying the third submarine cable to France – a major investment that will further increase the long-term security and growth of electricity in both Islands – we look forward to developing our relationship even further. Utility scale renewables will develop over the coming years and our unique partnership could see the potential of exporting green power generated in the islands to Europe.

Our two companies are working harder than ever together – we're looking forward to an even better relationship over the next 10 years.

**Chris Ambler**
Chairman, Channel Islands Electricity Grid

JEC Project Manager Peter Snape addresses senior officials from the Channel Islands and Normandy in the RTE control room during the CIEG 10th Anniversary celebration in Agneaux.

Laying of Normandie 2 from Saint Remy des Landes.

Cable laying vessel Sea Spider on the 27km route.

Sea Spider on the Grève de Lecq to Guernsey section.

## The Engineering challenge

The Channel Islands Electricity Grid (CIEG) was established to provide a second submarine power cable between France and Jersey. The CIEG project also connected Jersey and Guernsey for the first time. But before work could start, permissions had to be obtained in all three jurisdictions with the full support and co-operation of the Normandy authorities and States of Jersey and Guernsey.

Four tenders were evaluated and Sweden's ABB was awarded a turnkey contract for the installation of all major plant. Equipment was built across Europe, with the submarine cables produced in ABB's factory in Karlskrona. Cable laying began in 2000 and a new substation was built at St Remy des Landes, Normandy.

The cable comes ashore at Archirondel, where a 90,000V switch board was established. An existing cable was used to take power to La Collette, St Helier and a new cable was laid to JEC's headquarters at Queens Road to supply the north and west of Jersey. This, in turn, runs to Grève de Lecq and onwards to Havelet Bay in Guernsey via another submarine cable.

Fibre optic cables were laid at the same time for use in controlling the grid and greatly assisting the telecommunications industry. The total cost of the project came in just under the £50million budget.

**John Duquemin**
Supply Manager, Jersey Electricity plc

## A Guernsey perspective

Guernsey received its first public electricity supply on 20 February 1900. Produced locally, first by coal-fired steam turbines and later by diesel engines using imported fossil fuels, the supply was fragile and unreliable but perfectly acceptable to consumers of the day. Later in the 20th century, however, a reliable and economic electricity supply became a necessity of modern life.

Guernsey Electricity had been considering the possibility of linking Guernsey by cable either to Jersey or to France throughout the 1970s, so Jersey Electricity's decision to link Jersey to France in 1984 was looked upon somewhat enviously in Guernsey.

The benefits of that link became very clear once the first Jersey/France submarine cable was operational. When the opportunity to join with Jersey Electricity in developing the CIEG project arose in 1995, it was an opportunity GEL seized firmly.

The cable link has done all that was expected of it. Electricity in Guernsey is cheaper, substantially more reliable and better for the environment than it would otherwise have been.

The cable link has also laid the foundations for the development of substantial co-operation between JEC and GEL that greatly benefits both Island communities. I have no doubt that this relationship will continue and broaden in the future. Our colleagues in JEC have, indeed, become our friends.

**Steve Morris**
Engineering Director, Guernsey Electricity Limited

Inside Normandie 2 showing fibre optic cable laid alongside power lines.

The powerline finally arrives in Guernsey's Havelet Bay and the CIEG is complete.

## The French connection

The connection from Jersey to Guernsey and France has given CIEG and EDF the opportunity to develop a successful long-term relationship.

The keyword of the relationship is innovation. CIEG has always pushed EDF to obtain tailor-made supply arrangements that best suit CIEG's high level of requirements instead of EDF standard products. As such, the Channel Islands benefit today through the submarine cables from a secure, reliable, flexible, wholesale price linked and low carbon electricity contact supply, the supply conditions of which are re-negotiated on a regular basis.

CIEG and EDF have in particular been creative in optimising the use of local generation. Whilst local generation was despatched several times in the last decade to help out the French electricity grid during challenging periods (such as the 2003 summer drought or during very cold winter periods), the parties have, more recently, put in place a commercial and operational framework enabling CIEG to benefit from the increasing short-term wholesale price volatility.

Looking to the future, the relationship could well extend to a partnership with both CIEG and EDF aiming to play a major role in marine current energy.

**Christian Wipff**
Account Manager, Electricité de France

## Next ten years & beyond

Built on the success of the first cable between Jersey and France, laid by JEC in 1984, the CIEG, which was commissioned in 2000, revolutionised the way electricity is supplied to the Channel Islands. Ten years on, the CIEG continues to deliver affordable and reliable, low carbon power to the benefit of all our customers.

This is due to the effective partnership between Guernsey Electricity and Jersey Electricity which optimises the operation of the grid and the importation of power from France. This partnership will play an increasing role as we develop the CIEG into the future.

A third submarine cable between Jersey and France should be operational by 2013 to meet the increasing demand for reliable, affordable, low carbon energy which is the lifeblood of our Island economy. The CIEG will also be key in the future development of utility-scale renewables, using the natural resources around our Island when that technology becomes commercially viable.

Considerable resources are now being used across the world to reduce our dependency on fossil fuels and develop sustainable and low carbon alternatives. The CIEG will provide a firm foundation and competitive advantage to lead this next revolution in power supplies and deliver the sustainable future necessary for the long-term prosperity of our Island.

**David Padfield**
Operations Director, Jersey Electricity plc

## Key Dates

| | |
|---|---|
| 1984 | First submarine cable from Jersey to France installed by Jersey Electricity |
| 1995 | Jersey Electricity commits to second submarine cable |
| 1996 | States of Guernsey approve Guernsey Electricity's involvement |
| 1997 | Outline co-operation agreement between Jersey Electricity and Guernsey Electricity |
| 1998 | Contracts placed with cable manufacturer ABB |
| 2000 | Submarine cable laid, commissioned and fully operational |

Customer Care Advisor Jacqui Crawley gets out and about, providing customers with energy efficiency advice.

"Independent customer surveys have shown a customer service rating of 7.14 out of 10 or 'good'."

2.0/

# CUSTOMER SERVICE AND STANDARDS

Providing high levels of customer service is fundamental to the Company's purpose and we have again maintained extremely high levels of success in meeting our published standards, with an average of 99% compliance across these measures.

With a growth of customers moving on to our discounted off-peak tariffs we have enabled increasing numbers of customers to benefit from lower energy prices. In conjunction with this, a major exercise on reviewing the tariffs of our larger customers has ensured a number have been able to enjoy lower energy costs as they move to more appropriate tariffs.

As seen elsewhere, a growing concern from customers about their ability to pay has led to a growth in use of our key meters, a form of 'pay as you go', which has enabled our customers to accurately budget for their energy costs and has also enabled us to maintain a successful 'no disconnection' policy for our residential customers.

New online services have been introduced during the year as part of a programme to give further choice to our customers in those areas where they are most likely to need services from our Customer Services centre. Online services now include change of tenancy, billing and meter reading. We anticipate further enhancements on our website during the coming 12 months.

We continued to enhance our customer surveying this year, with primary research and analysis on both the business and residential sectors. This has provided confidence in our competitive position and given significant insight on further opportunities for improvement.

## STANDARDS OF SERVICE PERFORMANCE

| | | |
|---|---|---|
| 1 | We will replace a main fuse within 3 hours of a customer's call. | 100% |
| 2 | We will give at least 2 days notice of any planned supply interruption. | 100% |
| 3 | We will restore lost power supplies within 18 hours. | 100% |
| 4 | We will quote for the provision of new electricity supplies within 15 working days, or 25 days, for major infrastructure schemes. | 99.95% |
| 5 | We will investigate any supply voltage complaints within 5 working days. | 100% |
| 6 | We will respond to an enquiry about an electricity bill, and where necessary, check the reading and test the meter within 5 working days. | 100% |
| 7 | We will, wherever practicable, avoid disconnection for debt in domestic premises by free installation of a pre-payment meter, without surcharge on the customer's normal tariff. | 100% |
| 8 | We will respond within 5 working days to a request for change of account payment method. | 100% |
| 9 | We will provide free advice on energy efficiency and agree an appointment to visit within 7 working days. | 99.99% |
| 10 | We will agree attendance on a specific morning or afternoon to provide any of our services. | 99.99% |

3.0/

# NON-CORE BUSINESS

Imagination toy, crafts and hobby shop.

A key focus of our strategy is to leverage our capabilities into competitive markets and build a balanced business across self-regulated and non-regulated activities. We have a huge asset – a relationship with every resident and business in Jersey – a considerable opportunity to offer more enhanced products and services to mutual benefit. This year, our non-energy businesses comprised around a quarter of the revenues of the Group, but enhanced their share of operating profit in what has been a difficult economic environment.

## Retail

Our retail business is substantially made up of our electrical retail outlets, our toy store, Imagination, and our computing retailer, Beyond. The retail business performed very well during a difficult recessionary period, increasing sales by 11% and operating profit by nearly 60%, with a particularly strong performance from Beyond. Our St Helier store moved to a new, more central location at the end of last year and is successfully providing residential IT services and brown goods to a new market that does not normally frequent our out-of-town store. The Powerhouse site has further consolidated its position as a key destination providing a wide range of products that are attracting increasing numbers of customers that are shared with our neighbouring retailer, B&Q. Retailing in the Island remains tough with the continued threat from internet stores and UK chains entering the local market.

## Imagination

Our toys, crafts and hobby shop Imagination has finished its fourth trading year with strong sales increases and has moved into sustainable profit. At the beginning of the year Imagination was awarded the Toy Retailers' Association, 'Small Independent Toy Retailer of the Year' Award. This is judged by the Trade Association and is a significant achievement for a relatively new business. The Award criteria included presentation, range, customer service and the trading environment and the achievement of these high standards is a credit to the enthusiasm and dedication of the retail team.

## Property

Our property assets include commercial locations which we continue to develop coupled with legacy residential property, originally built to house staff. Our strategy is to further develop our property assets to optimise their yield and value over the long term. Profits from property, excluding non-cash adjustments, rose by almost 50% due to increases in rental flows. In addition, we enjoyed a significant favourable non-cash property revaluation of almost £2.5m.

Mobile phones, cameras and home computers sold well at Beyond Computers this year.


Sound and Vision TV and audio specialists also had a good year in The Powerhouse.

Voted best 'Small Independent Retailer 2009' by the British Toy & Hobby Association and Toy Retailers Association, the award-winning Imagination team of Ben Makin (Manager) with Wendy Briddon surrounded by Rebecca Swift, Rebeka Goncalves, Kizzi Hamon, Cheryl Dashwood, Liam Barry, Carol Dilks, Gordon Le Marrec, Nick Rondel, Margaret Mavity, Aimee Wilson and Julie Anger.

Jersey Energy's Stuart Gray, Assistant Engineer, Peter Cadiou, Managing Consultant, and Shaun Bisson, Principal Consultant, discuss one of the many projects they undertake as a services and design consultancy.

Ian Campbell, JEBS Plumbing and Heating Engineer, fits one of the highly insulated, efficient hot water cylinders at Les Cinq Chenes as part of the States Housing Switch Project.

Gary Parsons, Jendev Manager, holds a team meeting with Debbie Wood, Business Analyst and Dave West, Business Systems Analyst.

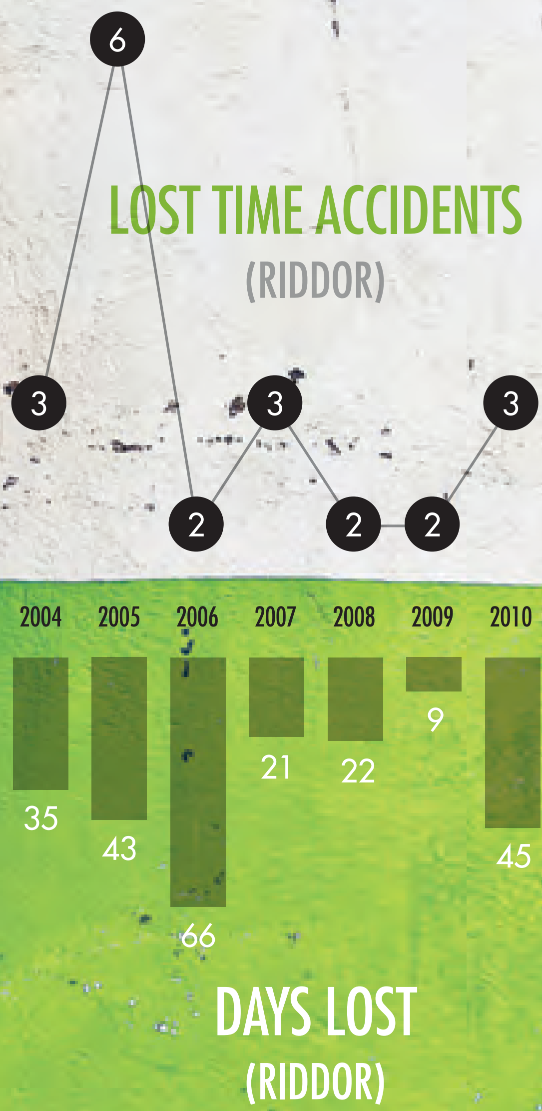
## Building Services (JEBS)

Our Building Services business (JEBS) comprises electrical and mechanical maintenance, small works, air conditioning and public lighting services to residential and commercial customers. We had a strong year considering the difficult economy, and increased turnover by a fifth and profitability by a third. We were pleased to win a material portion of the States Housing Department's programme this year to install electric heating systems to around 600 homes, and are well positioned to bid for the remaining 1200 homes over the next two years. Projects were won against severe competition and have required a significant amount of work in occupied properties in order to deliver the new heating systems. Our refrigeration and air conditioning business has further consolidated its position within the growing data centre market by winning the air conditioning works for the most recent data centre at Rue des Pres trading estate.

## Other

Our remaining non-core businesses mainly include our IT developer, Jendev, our energy consultancy, Jersey Energy and our property business. Jendev coped well with delayed investment decisions from prospective customers but enjoyed a good performance that was broadly in line with last year. Jersey Energy had an excellent year with high levels of consultant utilisation and the successful opening of a new office in Guernsey, and the property business was assisted with strong rent reviews and a favourable asset revaluation.


JEBS Public Lighting Electricians Daniel Marriott and Trevor Laffoley know the highs and lows of maintaining the Island's street lights


**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.

Health and Safety Technician Milford Lee conducts regular training with all staff.

# 4.0/ HEALTH AND SAFETY

Nothing is more important than the health and safety of our staff, contractors, customers or members of the general public. Our target for any given year is simple: zero accidents and zero near misses. We believe that all injuries are preventable and we continue to monitor these and other metrics in close detail. Although still at a very low level, we regrettably had three lost time accidents this financial year, one higher than last year. One of these was of a more serious nature when an employee broke a wrist whilst trying to prevent himself from falling into an open pit. Regrettably, this accident alone led to 34 out of the 45 RIDDOR days of lost work we reported this year. As with all accidents, a thorough investigation was carried out and actions have been taken to minimise the risk of a recurrence.

Building Services (JEBS), our contracting business, continued their impressive record by reaching four consecutive financial years without having a lost time accident. Considering the work they do and the hazards of working in non-Jersey Electricity premises, I congratulate them on this achievement.

During the year, we have worked closely with the Health & Safety Inspectorate on various campaigns to actively raise awareness of the dangers of third party contractors working close to customers' electrical services. We have proactively implemented a range of measures, including mailing safety flyers to contractors and customers, and via our externally published Trade Talk magazine, as well as radio advertisements.

Although not within our direct control, I am pleased to report a reduced number of cable damage incidents this year by around a quarter, but levels still need to be reduced further. I am pleased to confirm that we had no accidents involving Jersey Electricity contractors on Jersey Electricity schemes.

We continued refining our policies and reporting processes this year, including more formalisation of the Health & Safety agenda at Board level. Training is considered a central element of good health and safety management, and this year we had a particular focus on Generation Safety Rules. Next year's focus is on Distribution Safety Rules and process safety.

During the year, I commissioned a full independent health and safety audit by the British Safety Council. The primary aim of this was to provide an external assessment of our safety management arrangements and provide a benchmark for further improvement. The result was a 4 out of a possible 5 star rating, an outstanding achievement given that this was our first attempt. The review highlighted a series of strengths, most notably a positive and open safety culture which was prevalent at all levels. We intend to learn from our weaknesses and build in actions for improvement as we move forward.

5.0/

# SUPPORTING THE COMMUNITY

We want to be welcomed and seen as a valued partner in the community we serve. We have prioritised our community investment in areas where we have a business interest as well as knowledge and expertise to share, directing our resources towards environmental, educational and healthcare initiatives.

Our ongoing support of Durrell Wildlife Trust has meant we have funded and assisted them with a fuel switching project for heating the gorilla enclosure, changing from oil to a sustainable heat pump solution.

We have provided support to Jersey Hospice, by contributing to the redevelopment of the hospice at Clarkson House. Our donation will enable the most energy efficient, environmentally friendly, integrated electric heating, cooling and ventilation system to be installed.

Our donation of the money saved by sending e-cards instead of Christmas cards each year, has enabled Family, Nursing & Homecare to purchase vital health assessment equipment, essential to the services they provide within our community.

## JEC DONATION AND SPONSORSHIP RECIPIENTS:

Jersey Enterprise

JeCC jerseyconstructioncouncil

Jersey Hospice Care

Family Nursing & Home Care Established 1907

durrell

ECO-ACTIVE ENERGY EFFICIENCY SERVICE

JEC Commercial Director Richard Plaster (left) with Morris Architects, winners of the Jersey Electricity Sustainability Award at the 2010 Jersey Construction Awards.

JEC CEO Chris Ambler (left) presents the inaugural Jersey Electricity Environmental Enterprise Award to Jim Hopley (centre), CEO of the Chanel Islands Co-operative Society and his team.

In addition, our staff have actively participated, on an individual and collective basis, in a wide range of local charity and community fundraising initiatives, as well as national appeals for funds, and our Company has continued to match the funds raised.

We have also provided support in other forms. We were delighted to sponsor the environmental awards for both the Jersey Construction Awards and the Jersey Enterprise Awards. These were highly successful events that enabled us to raise our profile in the business community and offer our environmental expertise to developing and established businesses.

We provided people resources and bill insert mailing support for the Energy Efficiency Service, as well as expertise for the public sector via a range of States bodies.

We continued to support schools at both primary and secondary levels, including environment week presentations, visits to La Collette power station and the Institute of Directors Workshadow Scheme amongst others.

# JEC WERE PROUD TO HELP IN 2010:

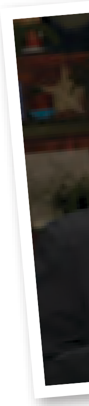
- Commission Amicale
- Jersey Business Venture
- EEIBA (The Electrical and Electronics Industries Benevolent Association)
- Child Accident Prevention
- Sundeep Watts Memorial Fund
- Headway Jersey
- Diabetes Jersey
- Autism Jersey via Music in Action & marathon
- Bureau de Jersey
- Jersey primary and secondary schools
- Swimarathon (Government House & JEC teams)
- Centre Point Trust
- Jersey Mencap
- CLIC Sargent - Child Leukaemia
- Wellbeing of Women
- Masonic Charity
- Walk for Life Cancer Research
- NSPCC
- MacMillian Cancer Support
- Housing Community Award
- Prostate Cancer Support Group
- Think Pink - Breast Cancer
- Red Nose Day
- BBC Children in Need
- Go Yellow - Jersey Hospice
- Sports Relief
- Haiti Appeal
- Madeira Side by Side Appeal
- Shoe Box Appeal
- Tinathon - Shelter Trust

# 6.0/ OUR PEOPLE

Ensuring a stable, committed and flexible workforce is essential to the ongoing success of Jersey Electricity. We have maintained low staff turnover levels of 4% and low sickness rate of 3.5%. The average length of service is 15 years and at the Long Service Awards this year, we celebrated the achievement of no fewer than 12 employees reaching 21 years and two employees reaching 40 years. These achievements have enabled us to maintain high levels of skill, experience and productivity within the Company. Our development programmes ensure that we have a steady stream of young people entering our business as apprentices, trainee engineers and other professionals. Such training is part of our ongoing development planning to ensure we are able to meet our essential skill needs for the future, as far as possible from within the Company. Our succession plans were also refreshed this year, which has provided additional focus on development and on organisational resilience.

In May 2010 the Company was publicly recognised for its training and development and its commitment to training of others through work experience programmes and the current schemes to retrain the unemployed, by being one of the few organisations to be awarded the Platinum Skills Development Award by the Jersey Skills Executive.

I believe that as a company we should be proud of our commitment to training and developing not just our own staff but for the support we offer the community in the various local schemes including our ongonig supporting roll in the States`, Project Trident, IOD Work Shadow, Undergraduate Work Experience and Advance to Work training initiatives.



I believe our people are our Company. I am immensely proud of the dedication and determination our people demonstrate in their day to day work, and would like to thank them for their considerable efforts and achievements during the year.

4% **Low staff turnover**

15 YEARS **Average length of service**

3.5% **Low sickness rate**

7.0/

# OUTLOOK

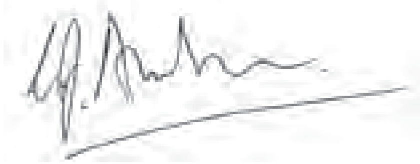
Over the last two years, we have restored stability in our pricing and simultaneously delivered a stronger, more profitable business that is well prepared for the future. Our new strategic imperatives set the agenda for the coming years – these must include continued focus on efficiency, flexibility and customer service, at all levels in our organisation. We will seek to strengthen our positions in energy and non-energy, only venturing into new areas if we can be confident of securing a leading position.

The UK alone needs to invest in excess of £200bn in the energy industry over the next 10 years, in order to meet a lower carbon future whilst maintaining security of supply. In Jersey, we have our own investment challenges. Jersey Electricity has a strong balance sheet, but we will need to ensure that our operations continue to generate profit and cash needed for essential investment. As important, we must ensure financial discipline in capital deployment by both making investments that are capable of earning fair returns and by managing the delivery of engineering projects efficiently. The States of Jersey also has a vital role to play in providing a stable investment climate, planning regime and a light-touch but stable regulatory environment that incentivises our business to continue on its current course.

As a significant importer of energy, Jersey faces wholesale energy price risk across all fuels and electricity is no different. A decade ago, we benefited from a stable cost plus contract with EDF, stable exchange rates and normal weather systems. Now we face a compounding effect of energy market risk, exchange rate risk and increasing weather-related risk that seems to be a characteristic of climate change.

With the scale of investment needed in Europe, the ever increasing challenge of finding new forms of conventional and non-conventional energy and the expected recovery from recession, analysts are forecasting wholesale energy prices to rise over the short to medium term.

Despite these pricing and investment challenges, I am confident about the future with the skilled and dedicated people we have in place at all levels. The organisation is built for the long term, and has the sense of purpose, vision and values to deliver sustained success in the coming years.



Chris Ambler
Chief Executive
16 December 2010

# FINANCIAL REVIEW

**Group Financial Results**

| Key Financial Information | 2010 | 2009 | % movement |
|---|---|---|---|
| Turnover | £ 98.9m | £ 93.6m | 6% |
| Profit before tax | £ 14.6m | £ 9.3m | 57% |
| Profit in Energy business | £ 7.7m | £ 6.7m | 16% |
| Earnings per share | £ 8.04 | £ 4.70 | 71% |
| Dividends paid per share | £ 1.99 | £ 1.89 | 5% |

**Group turnover** for the year to 30 September 2010 at £98.9m was 6% higher than in the year ended 30 September 2009. Unit sales volumes were marginally higher than last year and, combined with the timing of the tariff changes, increased revenues by 2% to £74.5m. Turnover in our Retail business increased by 11% to £14.4m. Lower sales in our traditional white/brown goods offering were more than offset by gains in our computer retailing, toy/hobbies and e-retailing internet businesses within our Retail portfolio. Turnover in the Property business, including internal revenues, rose by 31% to £3.3m on improved rental yields from tenants. Turnover in Building Services rose 20% from levels experienced in 2009 to £4.3m. Turnover in our Other Businesses increased from £2.1m to £3.1m with £1.0m being attributable to largely non-recurring revenues from our Newtel associate.

**Cost of sales** rose £1.9m to £68.8m associated with the rise in revenues in our non-Energy business units. **Operating expenses** at £18.2m were £0.4m higher than in 2009 with additional IAS 19 pension costs being the main factor.

**Profit before tax**, for the year to 30 September 2010 rose to £14.6m but £2.4m was attributable to the revaluation of our investment property portfolio and £1m from the distribution of proceeds by our associate Newtel from the sale of assets. Profits in our Energy business moved up from £6.7m last year to £7.7m in 2010. Tariffs to our customers were reduced by 5% in January 2010 and will remain frozen until at least 2012, unless severe unexpected operational problems are experienced, as we are over 90% hedged for 2011 at a similar importation cost level as 2010. We again imported most of our power requirements (93% against 92% in the previous year) but generated on-Island when oil prices made this advantageous. Profits in our Property division, excluding the impact of investment property revaluation, rose £0.6m to £1.9m due to higher rental yields and the receipt of back rental monies post a rent review settlement. Our investment property portfolio was revalued upwards by £2.4m in 2010 largely due to the periodic rent review of our largest tenant.

Despite the current trading conditions, our Retailing business saw profits rise from £0.3m to £0.5m on turnover that rose £1.5m to £14.4m. The Building Services business produced a £0.2m profit, on a par with last year, even though pressure on margins prevailed in a very competitive marketplace. In addition, our other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year. We also received £1m from our associate Newtel for fibre optic lease rentals and the part repayment of a loan written off in 2004. These additional revenues are largely non-recurring and were associated with the distribution of funds raised by Newtel from the sale of its data centre assets in Guernsey. Foreshore, our data centre joint venture, saw an increased annual turnover which rose 22% from £4.1m to £5.0m and profitability improved by £0.1m.

**Interest received** on deposits in 2010 was £0.3m against £0.6m last year due primarily to lower interest rates associated with the UK base rate remaining at 0.5% throughout this financial year. The **taxation charge** for the year rose £0.2m to £2.2m due to the higher level of taxable profits.

**Group earnings per share** rose 71% to £8.04 compared with £4.70 in 2009 due to higher profits but also because a sizeable element of the increase was due to non-recurring windfall revenues and a material upside from the revaluation of the investment property portfolio (which is not taxable as it is a non realised capital adjustment).

**Ordinary Dividends**

| | | 2010 | 2009 |
|---|---|---|---|
| Dividend paid | - final for previous year | £1.18 | £1.12 |
| | - interim for current year | £0.81 | £0.77 |
| Dividend proposed | - final for current year | £1.24 | £1.18 |
| | - special dividend | £0.65 | - |

**Dividends** paid, net of tax, rose by 5% from £1.89 in 2009 to £1.99 in 2010. The proposed final dividend for this year is £1.24, also being a 5% rise on the previous year but in addition a special dividend of 65p, net of tax, is proposed to distribute the receipt of £1m from Newtel. Dividend cover rose from 2.5 times in 2009 to 4 times due primarily to a higher level of profits but this does not reflect the impact of the proposed special dividend as it will be distributed in the next financial year. If the dividend cover figure excluded the unrealised property revaluation profit and the Newtel receipt then the underlying cover figure for 2010 would have remained at the same level as in 2009 of 2.5 times.

**Net cash inflow from operating activities** at £17.4m was

# FINANCIAL REVIEW

| Cash Flows | | |
|---|---|---|
| Summary cash flow data | **2010** | 2009 |
| Net cash inflow from operating activities | £ 17.4m | £ 15.6m |
| Capital expenditure and financial investment | £ (8.7)m | £(12.1)m |
| Repayment of long-term loan | £ 0.2m | £ 0.1m |
| Dividends | £ (3.1)m | £ (2.9)m |
| Increase in cash during year | £ 5.8m | £ 0.7m |

£1.8m higher than 2009. **Capital expenditure** at £8.7m fell from £12.1m last year with the completion of the £14m Western Primary capital project, to reinforce the electricity network in the west of Jersey in 2009, being the primary driver. The South Hill Primary project started during this financial year and is anticipated to be completed in 2011 at a total cost of around £10m. Cash at bank, including short-term investments, at the year end was £22.7m being £5.8m higher than last year.

## Treasury Policy

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

The average Euro/Sterling rate underpinning our power purchases during the financial year, as a result of the hedging program, was 1.14 €/£. The average applicable spot rate during the last financial year was 1.15 €/£.

The Company has maintained cash and short-term investments in the last year end. The average rate of interest received in the financial year was 1.8%.

The Group may be exposed to credit-related loss in the event of non-performance by counterparties in respect of cash and cash equivalents 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. We made a policy decision during the last financial year not to transact with any of the Irish banks due to credit risk worries.

## Power purchasing policy

The Company imports over 90% of the electricity requirements of Jersey from Europe. It jointly purchases this power, with Guernsey Electricity, from EDF in France based on a market related mechanism linked to the EEX European Futures Exchange. This allows power prices to be fixed in advance of decisions being made on customer tariffs.

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. The aim of Jersey Electricity is to hedge future purchases for one to two years ahead on a rolling basis to provide our customers with a market based price but with a degree of certainty in a very volatile energy marketplace.

## Defined benefit pension scheme arrangements

As at 30 September 2010 the scheme surplus, under IAS 19 Employee Benefits rules, was £1.4m, net of deferred tax, compared with a deficit of £3.0m at 30 September 2009. This movement was due mainly to an actuarial gain of £5.2m associated largely with an increase in scheme assets. Scheme assets rose 16% from £69.1m to £80.2m since the last year end but liabilities rose from £72.8m to £78.4m. The discount rate, which heavily influences the scheme liabilities, fell from 7.0% in 2008 to 5.5% in 2009 and was reduced further to 5% at the 2010 year end to reflect sentiments in 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 4.5% rather than the 5.0% advised by our actuaries under IAS 19 for 2010, the net surplus of £1.4m would have been a net deficit of £3.7m.

The 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. An ex-gratia award was made to pensioners this year in light of the scheme being in surplus at a capital cost of £0.7m which is paid by the pension scheme but generated a £0.7m charge against the income statement of the Company. The next triennial actuarial valuation of the defined benefit scheme is at 31 December 2012.

## Impending accounting policy change - customer contributions

When Jersey Electricity provide a new electrical connection to customers a charge is made based on a defined methodology. The costs of these new connections are capitalised within the Energy Division asset base and the contributions from customers are treated as deferred income. The assets are depreciated over their expected useful life (as an annual cost against profit) and the deferred income is released over the same period. This is consistent with the practice employed by UK electricity utilities.

The International Financial Reporting Interpretations Committee (IFRIC) review the application of International Financial Reporting Standards (IFRSs) and were concerned that inconsistent practices existed across the EU and that uniformity should be a goal. *IFRIC 18 - Transfers of Assets from Customers*, was endorsed by the EU on 1 December 2009 and is applicable for all customer contributions received post 1 July 2009 but for accounting periods beginning on or after 1 November 2009.

The likely scale of such an accounting policy change to Jersey Electricity would be £1m-£2m of additional revenues and profit in our Energy Division rather than in the balance sheet as deferred revenues. Cash flows would not be impacted. However there is current debate amongst listed utilities and their advisors as to whether such adoption should actually take place and in that context Jersey Electricity will maintain a watching brief on developments.

## 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 18% of the total ordinary share capital.

During the year, the ordinary dividend paid was increased by 5% from £1.89 net of tax to £1.99. The proposed final dividend for 2010 at £1.24 is a 5% increase on last year. In addition, a special dividend of 65p to all ordinary shareholders is proposed to distribute the £1m of proceeds received from our associate Newtel from the sale of assets.

The share price at 30 September 2010, at £67.50, was marginally below the level of £69 at the 2009 year end. This gives a market capitalisation of £103m at this year end. 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. The States of Jersey have approved, in principle subject to certain conditions being met, an all-employee share scheme to more closely align the interests of both employees and shareholders. In addition, a "20 for 1" share split to increase the number of ordinary shares in circulation and reduce the high market value attributable to each listed ordinary share was discussed and agreed as being a sensible option in our goal to improve liquidity. Propositions will be taken forward to the forthcoming Annual General Meeting in March 2011 to seek approval for these initiatives.

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 £6.8m (2009: £5.8m).

| | **2010** | 2009 |
|---|---|---|
| Ordinary dividend | £ 1.9m | £ 1.8m |
| Goods and Services Tax (GST) | £ 2.6m | £ 2.4m |
| Income tax | £ 1.6m | £ 0.9m |
| Social Security - employers contribution | £ 0.7m | £ 0.7m |
| | £ 6.8m | £ 5.8m |

The total return to States of Jersey rose 15% this year due primarily to an increase in tax paid on profits but also through a rise in dividend level and an increase in the quantum of Goods and Services Tax collected on behalf of the Tax Office.

# GOVERNANCE

## Board of Directors

**Geoffrey Grime**
Chairman
(63) R/N

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

**Chris Ambler**
Chief Executive
(41) 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
(59) 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.

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

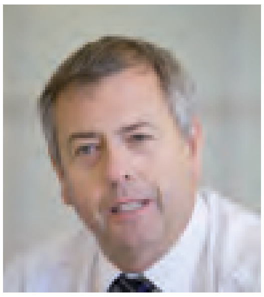
Jeremy joined the Board in 1997. He trained as a Chartered Accountant and spent 37 years in public practice. His career was mostly with Arthur Andersen, for whom he worked in London, Birmingham, Toronto and Brussels. His experience as a partner was with clients in a wide range of industries such as manufacturing, consumer products, film and music production and advertising. At present, he serves on the boards of a number of Jersey companies and is Chairman of the Audit Committee and also Senior Independent Director. Jeremy will be stepping down from the Board on 31 December 2010.

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

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

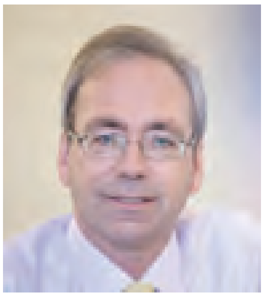
**Martin Magee**
Finance Director
(50)

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



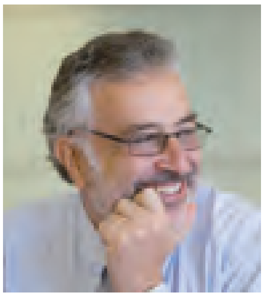
**David Padfield**
Operations Director
(56)

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



**Richard Plaster**
Commercial and Human Resources Director (49) 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
(59) A/R

John joined the Board in 2009. He is the Managing Director of Guernsey Enterprise Agency and a non-Executive Director/Advisor to four other Channel Island headquartered groups of companies. He is a Fellow of the Institute of Chartered Accountants of England and Wales, a Member of the Worshipful Company of Management Consultants and a member and former President of Rotary Guernesiais. Prior to moving to Guernsey in 2001, John was with Accenture for 23 years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in most industry sectors and held a variety of leadership roles in Accenture's Canadian, European & Global consulting businesses.

**Directors**

All non-executive directors are viewed as being independent with the exception of Mike Liston who was formerly the Company's Chief Executive. Jeremy Arnold is still regarded as independent even though he is now in his 13th year as director.

**Key to membership of committees**

A Audit Committee
N Nominations Committee
R Remuneration Committee

# GOVERNANCE

## Director's Report

for the year ended 30 September 2010

**Principal activities**

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

**Change of Company name**

Following the passing of a special resolution at the Company's Annual General Meeting on 4 March 2010, The Jersey Electricity Company Limited changed its name to Jersey Electricity plc with effect from 8 March 2010.

**Dividends**

The directors have declared and now recommend the following dividends in respect of the year ended 30 September 2010:

| | 2010<br>£ | 2009<br>£ |
|---|---|---|
| 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 81p net of tax for the year ended 30 September 2010 (2009 - 77p net of tax) | 1,240,920 | 1,179,640 |
| Final proposed at 124p net of tax for the year ended 30 September 2010 (2009 - 118p net of tax) | 1,899,680 | 1,807,760 |
| Special proposed dividend of 65p net of tax (2009 - nil) | 995,800 | - |
| | 4,145,373 | 2,996,373 |

**Re-election of directors**

In accordance with Article 127 of the memorandum of the Company, Clive Chaplin and Mike Liston retire by rotation and, being eligible, both directors offer themselves for re-election.

**Directors' and officers' insurance**

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

**Policy on payment of creditors**

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The number of creditor days in relation to trade creditors outstanding at the year end was 33 days (2009 - 34 days).

# Director’s Report
for the year ended 30 September 2010

**Substantial shareholdings**
As at 16 December 2010 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 5 shares held whereas the Ordinary shares carry voting rights of 1 vote for each share held.

Utilico Limited hold 268,468 ‘A’ Ordinary shares which represent 4.9% of the total voting rights.

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

BY ORDER OF THE BOARD
P. ROUTIER
Secretary
16 December 2010

# GOVERNANCE

## Corporate Governance

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

**The Board**
The Board currently comprises five non-executive and four executive directors. The Chairman is appointed by the directors from amongst their number. Jeremy Arnold is the Senior Independent Director. The Board has determined that Jeremy Arnold remains independent, notwithstanding that he has served on the Board for more than nine years. In making this determination, the Board took into account his breadth of experience, his financial independence and other business interests. He will be retiring from the Board on 31 December 2010.

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

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

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

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

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

* attendees by invitation
** retired 4 March 2010
*** appointed 4 March 2010

The number of Board Meetings above exclude Board away-days of which there were two in the last year.

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

### Nominations Committee

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

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

### Audit Committee

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

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

### Internal Control

The Board is responsible for establishing and maintaining the Company's system of internal control and for the management of risk. Internal control systems are designed to meet the particular needs of the business and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. This process has been in place throughout the year ended 30 September 2010 and is in accordance with Revised Guidance for Directors on the Combined Code.

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

#### Board Reports

Key strategic decisions are taken at Board Meetings following due debate and with the benefit of Board papers circulated beforehand. The risks associated with such decisions are a primary consideration in the information presented and discussed by the Board. Prior to significant investment decisions being taken, due diligence investigations include the 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 annually of its own performance, that of its committees and individual directors.
  Review of the Company's overall corporate governance arrangements.
- Approval of key Company policies

**Internal Audit**

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

**Personnel**

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

**Budgetary Control**

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

**Audit Committee**

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

The Board has overall responsibility for 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 for use in the European Union and have also elected to prepare the Company's financial statements in accordance with IFRS as adopted for use in the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies (Jersey) Law 1991.

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

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

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

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

## Remuneration Report

**Remuneration Committee**

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

**Remuneration Policy**

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

During the year the Committee commissioned an internationally recognised benchmarking report which evaluated the jobs of each of the Company's executive directors and examined remuneration competitiveness. The Committee also obtained a copy of a locally focused benchmarking report. These reports formed the basis of discussion for the 2010 review. The salary and benefits of the executive team are reviewed by the Committee annually and any adjustments take effect on 1st April. The Committee seeks to ensure that, excluding any share-based remuneration (of which there is none), the overall remuneration package, including bonus and other benefits matches, in broad terms, the relevant comparative Group 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 a wide range of performance criteria.

The remuneration of individual directors for the year ended 30 September 2010 was as follows:

| | Basic salary/fees £ | Bonuses £ | Benefits in kind £ | **Total 2010 £** | Total 2009 £ |
|---|---|---|---|---|---|
| EXECUTIVE DIRECTORS | | | | | |
| C. Ambler | 181,050 | 29,750 | 11,624 | **222,424** | 199,237 |
| M. Liston (retired 31 December 2008) | - | - | - | **-** | 100,805 |
| M. Magee | 151,882 | 24,772 | 10,532 | **187,186** | 190,917 |
| D. Padfield | 150,233 | 23,510 | 10,780 | **184,523** | 175,211 |
| R. Plaster | 143,825 | 23,510 | 10,713 | **178,048** | 175,961 |
| NON-EXECUTIVE DIRECTORS | | | | | |
| G. Grime | 30,000 | - | 1,000 | **31,000** | 30,939 |
| J. Arnold*1 | 20,000 | - | 2,400 | **22,400** | 22,773 |
| C. Evans*2 (retired 5 March 2010) | 7,272 | - | 428 | **7,700** | 17,975 |
| M. Liston*3 (appointed 1 January 2009) | 17,000 | - | 1,000 | **18,000** | 13,675 |
| C. Chaplin*4 | 19,000 | - | 1,000 | **20,000** | 19,975 |
| J. Stares*5 (appointed 28 May 2009) | 15,650 | - | 1,000 | **16,650** | 6,090 |
| J. Le Maistre (retired 5 March 2009) | - | - | - | **-** | 6,250 |
| Total | 735,912 | 101,542 | 50,477 | **887,931** | 959,808 |

*1 Includes fees as Chairman of the Audit Committee - £5,000.
*2 Includes fees as Member of the Audit Committee - £856.
*3 Includes fees as Chairman of the Nominations Committee - £2,000.
*4 Includes fees as Member of the Audit Committee - £2,000 and as Chairman of the Remuneration Committee - £2,000.
*5 Includes fees as Member of the Audit Committee - £650.
The total fees for Clive Chaplin were paid directly to his firm.

### Service Contracts

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

### Pension Benefits

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

| | Increase in accrued pension during the year[1] | Accrued pension at 30.9.2010[2] | Transfer value at 30.9.2010[3] | Transfer value at 30.9.2009[3] | Directors' contributions plus transfers-in during the year | Increase in transfer value[4] |
|---|---|---|---|---|---|---|
| C. Ambler | £4,963 | £7,281 | £65,926 | £14,762 | £11,168 | £39,996 |
| M. Magee[5] | £3,472 | £51,362 | £639,192 | £548,646 | £9,045 | £81,501 |
| D. Padfield | £7,935 | £90,616 | £1,303,653 | £1,107,102 | £8,810 | £187,741 |
| R. Plaster | £3,490 | £58,668 | £669,681 | £577,393 | £8,585 | £83,703 |

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

### Share Option Scheme / Long-Term Incentive Plan

There are no share option schemes, other share-based schemes nor a long-term incentive plan operated by the Company.

### External Appointments

The Company encourages executive directors to diversify their experience by accepting non-executive or other external appointments to companies or other organisations outside the Group. Such appointments are subject to the approval by the Board, which also determines the extent to which any fees may be retained by the director. At balance sheet date external appointments held by executive directors, excluding those directly connected with their employment by the Company, was just R. Plaster as Chair of Jersey Skills Board for which he received fees of £15,000 (£12,000 retained).

# GOVERNANCE

## Remuneration Report

**Non-Executive Directors' Remuneration**

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

**Directors' Loans**

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

| | Balance at 30.9.2009 | Balance at 30.9.2010 | Balance at 1.12.2010 |
|---|---|---|---|
| | £ | £ | £ |
| M. Magee | 574,821 | 527,821 | 520,821 |
| C. Ambler | nil | 500,000 | 500,000 |
| D. Padfield | nil | 65,000 | 65,000 |

During the year the Company also provided a bridging loan to the value of £300,000 to Mr Ambler following his relocation to Jersey from the UK in 2008, pending the sale of his UK property. The balance on this loan was as follows:

| | Balance at 30.9.2009 | Balance at 30.9.2010 | Balance at 1.12.2010 |
|---|---|---|---|
| | £ | £ | £ |
| C. Ambler | nil | 298,400 | 198,400 |

**Directors' Share Interests**

The directors' beneficial interests in the shares of the Company at 30 September 2010, are shown below:

| | 'A' Ordinary Shares | | 5% and 3.5% Preference Shares | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| G. Grime | 350 | 350 | - | - |
| M. Liston | 100 | 100 | - | - |
| M. Magee | - | - | 960 | 960 |
| J. Arnold | 150 | 150 | 100 | 100 |
| C. Chaplin | 300 | 300 | - | - |
| D. Padfield | - | - | 260 | 260 |
| R. Plaster | - | - | 700 | 700 |
| | 900 | 900 | 2,020 | 2,020 |

There have been no other changes in the interests set out above between 30 September 2010 and 16 December 2010.

On behalf of the Board
C. CHAPLIN
Chairman
16 December 2010

# Independent Auditors' Report

to the Shareholders of Jersey Electricity plc

We have audited the Group and individual Company financial statements (the 'financial statements') of Jersey Electricity plc for the year ended 30 September 2010 which comprise the consolidated income statement, the consolidated and individual Company statements of comprehensive income, the consolidated and individual Company balance sheets, the consolidated and individual Company cash flow statements and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

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

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

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

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

**Basis of audit opinion**

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

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

**Opinion**

- In our opinion the financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of affairs of the Company and the Group as at 30 September 2010 and of the profit of the Group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991.

CHRISTOPHER LECK, MA FCA
for and on behalf of
**Deloitte LLP**
Chartered Accountants
St Helier
16 December 2010

# FINANCIAL STATEMENTS

## Consolidated Income Statement

for the year ended 30 September 2010

| | Notes | 2010 £000 | 2009 £000 |
|---|---|---|---|
| **Revenue** | 3 | 98,889 | 93,594 |
| Cost of sales | | (68,845) | (66,903) |
| Gross profit | | 30,044 | 26,691 |
| Revaluation of investment properties | 11 | 2,391 | (106) |
| Operating expenses | 4 | (18,226) | (17,818) |
| **Group operating profit before joint venture** | 6 | 14,209 | 8,767 |
| Share of profit/(loss) of joint venture | 12 | 26 | (59) |
| **Group operating profit** | 3 | 14,235 | 8,708 |
| Interest receivable | | 338 | 577 |
| Finance costs | | (13) | (11) |
| **Profit from operations before taxation** | | 14,560 | 9,274 |
| Taxation | 7 | (2,185) | (2,032) |
| **Profit from operations after taxation** | | 12,375 | 7,242 |
| Minority interest | 18 | (60) | (38) |
| **Profit for the year attributable to the equity holders of the parent company** | | 12,315 | 7,204 |
| Attributable to: | | | |
| Owners of the company | | 12,375 | 7,242 |
| Minority interest | 18 | (60) | (38) |
| | | 12,315 | 7,204 |
| Earnings per share | | | |
| - basic and diluted | 9 | £8.04 | £4.70 |

## Statements of Comprehensive Income

for the year ended 30 September 2010

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| **Profit for the year** | 12,315 | 7,204 | 12,267 | 7,225 |
| Actuarial (gain/loss) on defined benefit scheme | 5,158 | (11,455) | 5,158 | (11,455) |
| Fair value loss on cash flow hedges | (1,212) | (996) | (1,212) | (996) |
| Impairment of investment | - | - | (280) | - |
| Tax related components relating to other comprehensive income | (860) | 2,458 | (860) | 2,458 |
| **Total comprehensive income for the year** | 15,401 | (2,789) | 15,073 | (2,768) |
| Attributable to: | | | | |
| Owners of the company | 15,461 | (2,751) | 15,073 | (2,768) |
| Minority interest | (60) | (38) | - | - |
| | 15,401 | (2,789) | 15,073 | (2,768) |

All results in the year have been derived from continuing operations.
The notes on pages 64 to 85 form an integral part of these accounts. The independent auditors' report is on page 59.

# Balance Sheets

30 September 2010

| | Notes | Group 2010 £000 | Group 2009 £000 | Company 2010 £000 | Company 2009 £000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Intangible assets | 10 | 29 | 60 | 29 | 60 |
| Property, plant and equipment | 11 | 120,944 | 120,581 | 120,944 | 120,581 |
| Investment property | 11 | 14,928 | 12,529 | 14,928 | 12,529 |
| Other investments | 12 | 1,677 | 1,804 | 3,115 | 3,395 |
| Long-term loans | | - | - | 450 | 600 |
| Retirement benefit surplus | 16 | 1,795 | - | 1,795 | - |
| Total non-current assets | | 139,373 | 134,974 | 141,261 | 137,165 |
| **Current assets** | | | | | |
| Inventories | 13 | 7,573 | 6,069 | 7,507 | 6,001 |
| Trade and other receivables | 14 | 15,958 | 14,871 | 15,763 | 14,665 |
| Derivative financial instruments | 21 | 387 | 1,599 | 387 | 1,599 |
| Short-term investments - cash deposits | | 17,920 | 8,200 | 17,920 | 8,200 |
| Cash and cash equivalents | | 4,756 | 8,636 | 4,612 | 8,569 |
| Total current assets | | 46,594 | 39,375 | 46,189 | 39,034 |
| Total assets | | 185,967 | 174,349 | 187,450 | 176,199 |
| **Current liabilities** | | | | | |
| Trade and other payables | 15 | 14,116 | 13,857 | 14,040 | 13,808 |
| Current tax payable | | 2,066 | 1,699 | 2,066 | 1,699 |
| Total current liabilities | | 16,182 | 15,556 | 16,106 | 15,507 |
| Net current assets | | 30,412 | 23,819 | 30,083 | 23,527 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 15 | 15,907 | 14,676 | 15,907 | 14,676 |
| Retirement benefit deficit | 16 | - | 3,708 | - | 3,708 |
| Financial liabilities - preference shares | 17 | 235 | 235 | 235 | 235 |
| Deferred tax liabilities | 7 | 11,932 | 10,827 | 11,932 | 10,827 |
| Total non-current liabilities | | 28,074 | 29,446 | 28,074 | 29,446 |
| Total liabilities | | 44,256 | 45,002 | 44,180 | 44,953 |
| Net assets | | 141,711 | 129,347 | 143,270 | 131,246 |
| **Equity** | | | | | |
| Share capital | 17 | 1,532 | 1,532 | 1,532 | 1,532 |
| Other reserves | | 756 | 1,726 | 756 | 1,726 |
| Retained earnings | | 139,396 | 126,074 | 140,982 | 127,988 |
| Equity attributable to the owners of the company | | 141,684 | 129,332 | 143,270 | 131,246 |
| Minority interest | 18 | 27 | 15 | - | - |
| Total equity | | 141,711 | 129,347 | 143,270 | 131,246 |

Approved by the Board on 16 December 2010

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 85 form an integral part of these accounts. The independent auditors' report is on page 59.

# FINANCIAL STATEMENTS

## Cash Flow Statements

for the year ended 30 September 2010

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| **Cash flows from operating activities** | | | | |
| Operating profit | 14,209 | 8,767 | 14,127 | 8,692 |
| Depreciation and amortisation charges | 7,997 | 7,828 | 7,997 | 7,826 |
| Revaluation of investment property | (2,391) | 106 | (2,391) | 106 |
| Pension contributions paid less expenses in Income Statement | (348) | (1,039) | (348) | (1,039) |
| Loss on sale of fixed assets | - | 24 | - | 24 |
| Operating cash flows before movement in working capital | 19,467 | 15,686 | 19,385 | 15,609 |
| (Increase)/decrease in inventories | (1,502) | 33 | (1,506) | 40 |
| Increase in trade and other receivables | (1,065) | (2,841) | (1,076) | (2,849) |
| Increase in trade and other payables | 1,809 | 2,950 | 1,776 | 2,951 |
| Interest received | 312 | 690 | 312 | 688 |
| Preference dividends paid | (9) | (9) | (9) | (9) |
| Income taxes paid | (1,572) | (933) | (1,572) | (896) |
| **Net cash flows from operating activities** | 17,440 | 15,576 | 17,310 | 15,534 |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment | (8,669) | (12,066) | (8,669) | (12,066) |
| Investment in intangible assets | - | (29) | - | (29) |
| Net proceeds from disposal of fixed assets | 21 | 16 | 21 | 16 |
| Repayment of long-term loan by joint venture | 150 | 150 | 150 | 150 |
| Movement in short-term investments | (9,720) | 2,825 | (9,720) | 2,825 |
| **Net cash flows used in investing activities** | (18,218) | (9,104) | (18,218) | 9,104 |
| **Cash flows from financing activities** | | | | |
| Equity dividends paid | (3,102) | (2,907) | (3,049) | 2,895 |
| **Net cash flows used in financing activities** | (3,102) | (2,907) | (3,957) | 2,895 |
| Net (decrease)/increase in cash and cash equivalents | (3,880) | 3,565 | 8,569 | 3,535 |
| Cash and cash equivalents at 1 October | 8,636 | 5,071 | 8,569 | 5,034 |
| **Cash and cash equivalents at 30 September** | 4,756 | 8,636 | 4,612 | 8,569 |

The notes on pages 64 to 85 form an integral part of these accounts. The independent auditors' report is on page 59.

# Consolidated Statement of Changes in Equity

for the year ended 30 September 2010

| The Group | Share capital £000 | Other reserves* £000 | Retained earnings £000 | Total reserve £000 |
|---|---|---|---|---|
| At 1 October 2009 | 1,532 | 1,726 | 126,074 | 129,332 |
| Profit for the year | - | - | 12,315 | 12,315 |
| Unrealised losses on hedges (net of tax) | - | (970) | - | (970) |
| Actuarial gain on defined benefit scheme (net of tax) | - | - | 4,056 | 4,056 |
| Equity dividends | - | - | (3,049) | (3,049) |
| **At 30 September 2010** | **1,532** | **756** | **139,396** | **141,684** |
| | | | | |
| At 1 October 2008 | 1,532 | 2,556 | 130,928 | 135,016 |
| Profit for the year | - | - | 7,204 | 7,204 |
| Unrealised losses on hedges (net of tax) | - | (830) | - | (830) |
| Actuarial loss on defined benefit scheme (net of tax) | - | - | (9,163) | (9,163) |
| Equity dividends | - | - | (2,895) | (2,895) |
| **At 30 September 2009** | **1,532** | **1,726** | **126,074** | **129,332** |

| The Company | Share capital £000 | Other reserves* £000 | Retained earnings £000 | Total reserve £000 |
|---|---|---|---|---|
| At 1 October 2009 | 1,532 | 1,726 | 127,988 | 131,246 |
| Profit for the year | - | - | 12,267 | 12,267 |
| Unrealised losses on hedges (net of tax) | - | (970) | - | (970) |
| Actuarial gain on defined benefit scheme (net of tax) | - | - | 4,056 | 4,056 |
| Equity dividends | - | - | (3,049) | (3,049) |
| **At 30 September 2010** | **1,532** | **756** | **140,982** | **143,270** |
| | | | | |
| At 1 October 2008 | 1,532 | 2,556 | 132,821 | 136,909 |
| Profit for the year | - | - | 7,225 | 7,225 |
| Unrealised losses on hedges (net of tax) | - | (830) | - | (830) |
| Actuarial loss on defined benefit scheme (net of tax) | - | - | (9,163) | (9,163) |
| Equity dividends | - | - | (2,895) | (2,895) |
| **At 30 September 2009** | **1,532** | **1,726** | **127,988** | **131,246** |

The profit for the Company for the year ended 30 September 2010 was £12,427,000 (2009: £7,225,000). The revenue for the Company was £97,772,000 (2009: £92,491,000), with finance costs of £13,000 (2009: £12,000) and tax expense of £2,185,000 (2009: £2,032,000).

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

*The other reserve comprises the foreign currency hedging reserve of £308,000 (2009: £1,278,000) and the revaluation reserve of £448,000 (2009: £448,000).

# FINANCIAL STATEMENTS

## Notes to the Financial Statements
for the year ended 30 September 2010

### 1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2010 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies which have been applied consistently are:

Basis of accounting

The accounts have been prepared under the historic cost convention as modified by the revaluation on investment properties.

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2010 comprises the Company and its subsidiaries, associate and joint venture.

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

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

The consolidated financial information includes the Group's share of the post-tax results and net assets under IFRS of 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 4 to 5). 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 accounts.

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.

Revenue

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

# Notes to the Financial Statements
for the year ended 30 September 2010

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

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

Depreciation is charged as follows:

| | |
|---|---|
| Buildings | up to 50 years |
| Interlinks | up to 25 years |
| Plant, mains cables and services | up to 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 2010

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

### Other Investments
The results and assets and liabilities of associates and joint ventures are incorporated using the equity method. Investments in associates and joint ventures are therefore carried in the 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 investment in associates, joint ventures is held at cost less any impairment.

### 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 with a maturity greater than three months.

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

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

# Notes to the Financial Statements
for the year ended 30 September 2010

**Financial Instruments** continued

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 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.

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

**Accounting developments**
In preparing these Accounts, the Group has applied all relevant IFRS, IAS and Interpretations issued by the IFRIC which have been adopted by the EU as of the date of approval of these Accounts. The Group does not expect that the adoption, in the future, by the EU of other IAS, IFRS and interpretations of the IFRIC, issued by the IASB, 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.

IAS 1 (revised), "Presentation of financial statements", The Group has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of total return. Adoption of this revised standard has not resulted in any significant changes to the presentation of the Group's performance statement, as the Group has no elements of other comprehensive income.

IFRS 7 (Amendment): Financial Instrument Disclosures. The amendment was part of the IASB's annual improvement project in March 2009. The amendment expands disclosures required in respect of fair value measurements recognised on the Balance Sheet. A three-level hierarchy has been introduced; the appropriate level for an instrument is determined on the basis of the lowest level input that is significant to the fair value measurement. The fair value hierarchy has the following levels:

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).

Applicable new accounting standards, amendments to existing standards and interpretations that are not mandatory for the current year have not yet been adopted.

## Notes to the Financial Statements
for the year ended 30 September 2010

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

IFRS 9 *Financial Instruments* (new Standard), which is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

IAS 24 *Related Party Disclosures* (revised Standard), which is effective for annual periods beginning on or after 1 January 2011. Earlier application is permitted, either of the whole Standard or of the partial exemption in paragraphs 25-27 for government-related entities.

Amendments to IFRSs as follows:

- IFRS 1 - *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* (effective 1 July 2010, with earlier application permitted);
- IFRS 1 - *Additional Exemptions for First-time Adopters* (effective 1 January 2010, with earlier application permitted);
- IAS 32 - *Classification of Rights Issue* (effective 1 February 2010, with earlier application permitted);
- IFRIC 14 - *Prepayments of a Minimum Funding Requirement* (effective 1 January 2011, with earlier application permitted); and
- *Improvements to IFRSs* issued in May 2010, which affect several Standards. The effective dates and transitional provisions for these improvements vary (see specific Standards for details).

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (new Interpretation), (effective for annual periods beginning on or after 1 July 2010, with earlier application permitted).

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group, other than IFRIC 18.

The International Financial Reporting Interpretations Committee (IFRIC) review the application of International Financial Reporting Standards (IFRSs) and were concerned that inconsistent practices existed across the EU and that uniformity should be a goal. *IFRIC 18 - Transfers of Assets from Customers*, was endorsed by the EU on 1 December 2009 and is applicable for all customer contributions received post 1 July 2009 but for accounting periods beginning on or after 1 November 2009.

The likely scale of such an accounting policy change to Jersey Electricity would be £1m-£2m of additional revenues and profit in our Energy Division rather than in the balance sheet as deferred revenues. Cash flows would not be impacted. However, there is current debate amongst listed utilities and their advisors as to whether such adoption should actually take place and in that context Jersey Electricity will maintain a watching brief on developments.

# Notes to the Financial Statements
for the year ended 30 September 2010

## 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 2010 amounted to £5.2m (2009: £5.3m).

### 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 2010 was 5.0% and in 2009 was 5.5%. If, for example, the discount rate applied to the liabilities had been 4.5%, rather than the 5.0% advised by our actuaries under IAS 19 for 2010, the IAS 19 net surplus of £1.4m would have been a net deficit of £3.7m.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

for the year ended 30 September 2010

### 3 Business segments

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

| | 2010 External £000 | 2010 Internal £000 | 2010 Total £000 | 2009 External £000 | 2009 Internal £000 | 2009 Total £000 |
|---|---|---|---|---|---|---|
| Revenue | | | | | | |
| Energy | 74,475 | 281 | 74,756 | 73,123 | 267 | 73,390 |
| Building Services | 4,283 | 237 | 4,520 | 3,569 | 184 | 3,753 |
| Retail | 14,410 | 50 | 14,460 | 12,954 | 60 | 13,014 |
| Property | 2,619 | 696 | 3,315 | 1,840 | 691 | 2,531 |
| Other | 3,102 | 655 | 3,757 | 2,108 | 574 | 2,682 |
| | 98,889 | 1,919 | 100,808 | 93,594 | 1,776 | 95,370 |
| Inter-segment elimination | | | (1,919) | | | (1,776) |
| **Revenue** | | | 98,889 | | | 93,594 |
| Operating profit | | | | | | |
| Energy | | | 7,742 | | | 6,679 |
| Building Services | | | 240 | | | 176 |
| Retail | | | 465 | | | 292 |
| Property | | | 1,858 | | | 1,263 |
| Other | | | 1,539 | | | 404 |
| **Operating profit before property revaluation/sale** | | | 11,844 | | | 8,814 |
| Revaluation of investment properties | | | 2,391 | | | (106) |
| **Operating profit** | | | 14,235 | | | 8,708 |
| Other gains and losses | | | | | | |
| Interest receivable | | | 338 | | | 577 |
| Finance costs | | | (13) | | | (11) |
| Profit from operations before taxation | | | 14,560 | | | 9,274 |
| Taxation | | | (2,185) | | | (2,032) |
| Profit from operations after taxation | | | 12,375 | | | 7,242 |
| Minority interest | | | (60) | | | (38) |
| **Profit for the year** | | | 12,315 | | | 7,204 |

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 2010

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

| | 2010 Assets £000 | 2010 Liabilities £000 | 2009 Assets £000 | 2009 Liabilities £000 | 2010 Net capital additions £000 | 2010 Depreciation/ amortisation £000 | 2009 Net capital additions £000 | 2009 Depreciation/ amortisation £000 |
|---|---|---|---|---|---|---|---|---|
| Energy | 119,274 | (26,179) | 119,308 | (24,847) | 8,186 | 7,102 | 11,617 | 6,948 |
| Building Services | 959 | (406) | 664 | (200) | 40 | 40 | 76 | 32 |
| Retail | 4,715 | (435) | 3,438 | (597) | 91 | 111 | 32 | 141 |
| Property | 33,555 | (425) | 31,438 | (366) | 2,399 | 731 | 923 | 694 |
| Other | 663 | (1,598) | 561 | (1,651) | 33 | 13 | 16 | 13 |
| Unallocated | 26,801 | (15,213) | 18,940 | (17,341) | - | - | - | - |
| | 185,967 | (44,256) | 174,349 | (45,002) | 10,749 | 7,997 | 12,664 | 7,828 |

Unallocated assets includes cash deposits, investments and the retirement benefit obligation surplus. Unallocated liabilities includes deferred and current taxation. Capital additions for the 'Property' segment includes £2,391,000 (2009: £(106,000)) for revaluation of investment properties.

## 4 Operating expenses

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Distribution costs | 10,059 | 10,246 |
| Administration expenses | 8,167 | 7,572 |
| | 18,226 | 17,818 |

## 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:

| | 2010 Number | 2009 Number |
|---|---|---|
| Energy | 192 | 187 |
| Other businesses | 136 | 124 |
| Trainees | 5 | 7 |
| | 333 | 318 |

The aggregate payroll costs of these persons were as follows:

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Wages and salaries | 13,748 | 13,829 |
| Social security costs | 722 | 698 |
| Pension - current service costs | 1,100 | 779 |
| | 15,570 | 15,306 |
| Capitalised manpower costs | (1,486) | (1,233) |
| | 14,084 | 14,073 |

# Notes to the Financial Statements

for the year ended 30 September 2010

## 6 Group operating profit before joint ventures

Operating profit is after charging:

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Fees payable to Group auditors | | |
| Audit services provided to all group companies | 67 | 66 |
| Other assurance services provided to stakeholders | 4 | 4 |
| All other services | 10 | 15 |
| Operating lease charges | 106 | 102 |
| Depreciation of property, plant and equipment | 7,966 | 7,773 |
| Amortisation of intangible assets | 31 | 55 |
| Cost of inventories recognised as an expense | 15,653 | 13,962 |

## 7 Tax on profit from operations

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Current tax | | |
| Jersey Income Tax operations for the year | 2,066 | 1254 |
| adjustments in respect of prior periods | (126) | 28 |
| Total current tax | 1,940 | 1282 |
| Deferred tax | | |
| Adjustments in respect of prior periods | (243) | - |
| Current year | 488 | 750 |
| Total tax on profit on ordinary activities | 2,185 | 2,032 |

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:

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Profit from operations before tax | 14,560 | 9,274 |
| Tax on profit from operations at standard income tax rate of 20% (2009 - 20%) | 2,912 | 1,855 |
| Effects of: | | |
| Adjustments in respect of prior periods | (369) | 28 |
| Expenses not deductible | 23 | 29 |
| Income not taxable | (612) | (105) |
| Non-qualifying depreciation | 236 | 231 |
| Losses of Group undertakings not available for tax relief | (5) | (6) |
| Group total tax charge for year | 2,185 | 2,032 |

# Notes to the Financial Statements
for the year ended 30 September 2010

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

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Group and Company** | | |
| Accelerated capital allowances | 11,496 | 11,249 |
| Derivative financial instruments | 77 | 320 |
| Pensions | 359 | (742) |
| Provisions for deferred tax | 11,932 | 10,827 |

### Deferred tax movements in the year

| | 2010 £000 | 2009 £000 |
|---|---|---|
| **Group and Company** | | |
| At 1 October 2009 | 10,827 | 12,535 |
| Charged to income statement | 245 | 750 |
| Charged to statement of comprehensive income | 860 | (2,458) |
| At 30 September 2010 | 11,932 | 10,827 |

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 | |
|---|---|---|---|---|---|
| | | 2010 | 2009 | 2010 | 2009 |
| **Ordinary and 'A' Ordinary:** | | | | | |
| Dividend paid | final for previous year | £1.18 | £1.12 | 1,808 | 1,716 |
| | interim for current year | £0.81 | £0.77 | 1,241 | 1,179 |
| | | £1.99 | £1.89 | 3,049 | 2,895 |
| | | | | | |
| Dividend proposed | final for current year | £1.24 | £1.18 | 1,900 | 1,808 |
| | special | £0.65 | - | 996 | - |

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

# Notes to the Financial Statements

for the year ended 30 September 2010

## 9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of £8.04 (2009 - £4.70) are calculated on the Group profit, after taxation, of £12,315,000 (2010 - £7,204,000), and on the 1,532,000 (2009 - 1,532,000) Ordinary and 'A' Ordinary shares in issue during the financial year. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

## 10 Intangible assets (Group and Company)

| | Computer Software £000 |
|---|---|
| Cost as at 1 October 2009 | 401 |
| Additions | - |
| Disposals | (29) |
| At 30 September 2010 | 372 |
| Amortisation | |
| At 1 October 2009 | 341 |
| Charge for year | 31 |
| Disposals | (29) |
| At 30 September 2010 | 343 |
| Net book value | |
| At 30 September 2010 | 29 |
| Net book value | |
| At 30 September 2009 | 60 |
| | |
| Cost as at 1 October 2008 | 420 |
| Reclassification | 29 |
| Additions | (48) |
| At 30 September 2009 | 401 |
| Amortisation | |
| At 1 October 2008 | 334 |
| Reclassification | 55 |
| Charge for year | (48) |
| At 30 September 2009 | 341 |
| Net book value | |
| At 30 September 2009 | 60 |
| Net book value | |
| At 30 September 2008 | 86 |

The above charges are included within operating expenses.

# Notes to the Financial Statements

for the year ended 30 September 2010

## 11 Property, plant, equipment and investment properties

| The Group | Freehold land and buildings £000 | Leasehold buildings £000 | Plant £000 | Main cables and services £000 | Fixtures fittings vehicles etc £000 | Interlinks £000 | Total £000 | Investment properties* £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | |
| At 1 October 2009 | 26,428 | 8,980 | 110,469 | 58,097 | 13,924 | 41,395 | 259,293 | 12,529 |
| Expenditure | 87 | 1,079 | 1,919 | 4,071 | 1,037 | 157 | 8,350 | 8 |
| Reclassification | - | 2,679 | (2,679) | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | 2,391 |
| Disposals | - | - | (124) | (205) | (736) | - | (1,065) | - |
| At 30 September 2010 | 26,515 | 12,738 | 109,585 | 61,963 | 14,225 | 41,552 | 266,578 | 14,928 |
| Depreciation | | | | | | | | |
| At 1 October 2009 | 5,233 | 4,009 | 79,417 | 17,464 | 9,647 | 22,942 | 138,712 | - |
| Charge for the year | 597 | 193 | 3,318 | 1,755 | 986 | 1,117 | 7,966 | - |
| Reclassifications | - | 96 | (96) | - | - | - | - | - |
| Disposals | - | - | (122) | (205) | (717) | - | (1,044) | - |
| At 30 September 2010 | 5,830 | 4,298 | 82,517 | 19,014 | 9,916 | 24,059 | 145,634 | - |
| Net book value at 30 September 2010 | 20,685 | 8,440 | 27,068 | 42,949 | 4,309 | 17,493 | 120,944 | 14,928 |
| Net book value at 30 September 2009 | 21,195 | 4,971 | 31,052 | 40,633 | 4,277 | 18,453 | 120,581 | 12,529 |

| The Company | Freehold land and buildings £000 | Leasehold buildings £000 | Plant £000 | Main cables and services £000 | Fixtures fittings vehicles etc £000 | Interlinks £000 | Total £000 | Investment properties* £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | | |
| At 1 October 2009 | 26,428 | 8,980 | 110,469 | 58,097 | 13,893 | 41,395 | 259,262 | 12,529 |
| Expenditure | 87 | 1,079 | 1,919 | 4,071 | 1,037 | 157 | 8,350 | 8 |
| Reclassification | - | 2,679 | (2,679) | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | 2,391 |
| Disposals | - | - | (124) | (205) | (736) | - | (1,065) | - |
| At 30 September 2010 | 26,515 | 12,738 | 109,585 | 61,963 | 14,194 | 41,552 | 266,547 | 14,928 |
| Depreciation | | | | | | | | |
| At 1 October 2009 | 5,233 | 4,009 | 79,417 | 17,464 | 9,616 | 22,942 | 138,681 | - |
| Charge for the year | 597 | 193 | 3,318 | 1,755 | 986 | 1,117 | 7,966 | - |
| Reclassification | - | 96 | (96) | - | - | - | - | - |
| Disposals | - | - | (122) | (205) | (717) | - | (1,044) | - |
| At 30 September 2010 | 5,830 | 4,298 | 82,517 | 19,014 | 9,885 | 24,059 | 145,603 | - |
| Net book value at 30 September 2010 | 20,685 | 8,440 | 27,068 | 42,949 | 4,309 | 17,493 | 120,944 | 14,928 |
| Net book value at 30 September 2009 | 21,195 | 4,971 | 31,052 | 40,633 | 4,277 | 18,453 | 120,581 | 12,529 |

a No depreciation is charged on freehold land.

b Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2010 by independent qualified valuers. Such properties are not depreciated. The rental income arising from the properties during the year was £1,156,000, (2009; £759,000).

c The reclassification refers to the building costs for Western Primary previously classified in 2009 in plant.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

for the year ended 30 September 2010

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

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

***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 2010

## 12 Other investments

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| Subsidiary undertaking (a) | - | - | 477 | 477 |
| Associate (b) | - | - | - | - |
| Joint venture (b) | 1,672 | 1,799 | 2,633 | 2,913 |
| Other investments (c) | 5 | 5 | 5 | 5 |
| | 1,677 | 1,804 | 3,115 | 3,395 |

### Principal group investments

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

| | Country of incorporation or principal business address | Principal activity | Shareholdings | % Holding | Financial year end |
|---|---|---|---|---|---|
| Subsidiary undertaking: | | | | | |
| Jersey Deep Freeze Limited | Jersey | Sale and maintenance of refrigeration equipment | 60 Ordinary | 60 | 31 January |
| Associate: | | | | | |
| Newtel Holdings Limited | Jersey | Telecommunications operator | 39,600 Ordinary | 34 | 31 March |
| | | | 85,714 Preference | 100 | |
| 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.

### Newtel Holdings Limited

The investment in 34% of the share of the capital of Newtel Holdings Limited is accounted for as an associate. Newtel is a Channel Islands telecommunications operator. The investment in Newtel Holdings Limited was previously written down to zero. In the year to 30 September 2010 our share of the profit amounted to £2.3m and in the period from 1st April 2004 to 30 September 2010 our share of losses amounted to £2.2m and have not been consolidated as this is not required under IFRS. During the year £0.3m was received in respect of a loan previously written off in 2004.

## Notes to the Financial Statements
for the year ended 30 September 2010

**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 £26,000 profit (2009 - £59,000 loss). The Company has acted as guarantor for Foreshore Holdings Limited for an overdraft to the value of £175,000.

**Channel Islands Electricity Grid Limited (CIEG)**
The joint arrangement between the Company and Guernsey Electricity Limited for the installation of a second interconnector system between France, Jersey and Guernsey required a control point through which the interconnector project manager could communicate and also, to be the customer which Électricité de France would invoice for their energy sales. CIEG, a company jointly owned and managed on a 50/50 basis by the Company and Guernsey Electricity Limited, was established in July 1998 to deal with these aspects and also to manage the way in which the second interconnector would be operated. 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 2009 and 30 September 2010 | 477 |

b Associate/joint venture

| | Company Associate £000 | Company Joint Venture £000 |
|---|---|---|
| Cost less impairment at 1 October 2009 | - | 2,913 |
| Amounts provided | | (280) |
| Cost less impairment | | 2,633 |

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

| | Joint Venture 2010 £000 | Joint Venture 2009 £000 | Associate 2010 £000 | Associate 2009 £000 |
|---|---|---|---|---|
| Turnover | 2,511 | 2,048 | 2,002 | 2,595 |
| Fixed assets | 256 | 306 | 701 | 1,957 |
| Current assets | 388 | 358 | 814 | 472 |
| Liabilities due within one year | 770 | 815 | 583 | 2,018 |
| Liabilities due after one year or more | 3,244 | 3,244 | 2,115 | 3,919 |
| Profit/(loss) in the year | 26 | (59) | 2,325 | (870) |

c Other investments

| | Group and Company Other investments |
|---|---|
| Cost | £000 |
| At 1 October 2009 and 30 September 2010 | 5 |

# Notes to the Financial Statements
for the year ended 30 September 2010

## 13 Inventories
The amounts attributed to the different categories are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| Fuel oil | 4,303 | 3,435 | 4,303 | 3,435 |
| Commercial stocks and work in progress | 2,550 | 1,921 | 2,484 | 1,853 |
| Generation, distribution spares and sundry | 720 | 713 | 720 | 713 |
| | 7,573 | 6,069 | 7,507 | 6,001 |

## 14 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| Amounts receivable within one year | | | | |
| Trade receivables | 8,771 | 8,841 | 8,576 | 8,635 |
| Prepayments and accrued income | 1,608 | 1,557 | 1,608 | 1,557 |
| Other receivables | 4,092 | 3,794 | 4,092 | 3,794 |
| | 14,471 | 14,192 | 14,276 | 13,896 |
| Amounts receivable after more than one year: | | | | |
| Secured loan accounts | 1,487 | 679 | 1,487 | 679 |
| Total trade and other receivables | 15,958 | 14,871 | 15,763 | 14,665 |

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 Director's loans.

## 15 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| Amounts falling due within one year: | | | | |
| Trade payables | 1,489 | 983 | 1,489 | 983 |
| Other payables including taxation and social security | 4,296 | 4,809 | 4,220 | 4,760 |
| Accruals and deferred income | 8,331 | 8,065 | 8,331 | 8,065 |
| | 14,116 | 13,857 | 14,040 | 13,808 |
| Amounts falling due after more than one year: | | | | |
| Accruals | 429 | 432 | 429 | 432 |
| Deferred income - includes capital contributions from customers | 15,478 | 14,244 | 15,478 | 14,244 |
| | 15,907 | 14,676 | 15,907 | 14,676 |

## Notes to the Financial Statements
for the year ended 30 September 2010

### 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 was £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 contribution 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.

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

Regular employer contributions to the Scheme in 2010 were £1,448,000 (2009: £1,818,000). Additional employer contributions may be required if there are any augmentations during the year but none were applicable in this financial year.

The valuation used for IAS 19 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 December 2009 updated by an independent qualified actuary to assess the liabilities of the scheme as at 30 September 2010. 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.

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

| **Key financial assumptions:** | 2010 % pa | 2009 % pa | 2008 % pa |
|---|---|---|---|
| Discount rate | 5.0 | 5.5 | 7.0 |
| Rate of increase in salaries | 4.5 | 4.5 | 5.2 |
| Price inflation | 3.5 | 3.5 | 3.7 |
| Pension increases | - | - | - |

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 60 will live on average for a further 27.8 years if they are male and for a further 29.9 years if they are female. The corresponding figures used for disclosures at 30 September 2009 were 27.7 if they are male and 29.7 years if they are female.

For a member who retires in 2030 at age 60 the assumptions are that they will live on average for a further 30.5 years after retirement if they are male and for a further 32.4 years after retirement if they are female. The corresponding figures used for disclosures at 30 September 2009 were 30.4 for current active males and 32.3 for current active females.

| **Expected rates of return on assets:** | Long-term rate of return expected at 30 September 2010 pa* | Value at 30 September 2010 £000 | Long-term rate of return expected at 30 September 2009 pa* | Value at 30 September 2009 £000 | Long-term rate of return expected at 30 September 2008 pa* | Value at 30 September 2008 £000 |
|---|---|---|---|---|---|---|
| Equities | 7.8% | 54,754 | 7.9% | 50,300 | 7.7% | 35,527 |
| Fixed interest guilts | 3.8% | 12,053 | 4.0% | 8,078 | - | - |
| Corporate bonds | 4.2% | 19,311 | 5.3% | 15,169 | 6.2% | 18,914 |
| Property | 7.3% | 2,090 | 6.9% | 1,795 | - | - |
| Other | 1.4% | (8,002)*** | 0.5% | (6,232) | 5.0% | 9,387 |
| Combined | 7.0%** | 80,206 | 7.5%** | 69,110 | 6.9%* | 63,828 |

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

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

***Included in the above data are the nominal amounts of 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.

# Notes to the Financial Statements
for the year ended 30 September 2010

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 return for each asset class over the actual asset allocation for the Schemes as at 30 September 2010.

| Reconciliation of funded status to balance sheet: | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|---|---|---|---|---|
| Fair value of Scheme assets | 80,206 | 69,110 | 63,828 | 73,776 | 66,658 |
| Present value of Scheme liabilities | (78,411) | (72,818) | (57,126) | (62,092) | (62,869) |
| Surplus/(deficit) in Scheme | 1,795 | (3,708) | 6,702 | 11,684 | 3,789 |
| Related deferred tax liability | (359) | 742 | (1,340) | (2,337) | (758) |
| Net pension asset/ (liability) | 1,436 | (2,966) | 5,362 | 9,347 | 3,031 |

| The analysis of the income statement charge for 2010: | 2010 £000 | 2009 £000 |
|---|---|---|
| Current service cost | 1,390 | 1,075 |
| Past service cost | 709 | - |
| Interest cost | 3,995 | 3,941 |
| Expected return on Scheme assets | (4,994) | (4,237) |
| Expense recognised in the income statement | 1,100 | 779 |

| The movement in changes to the present value of the Scheme liabilities during the year were: | 2010 £000 | 2009 £000 |
|---|---|---|
| Opening defined benefit obligation | 72,818 | 57,126 |
| Current service cost | 1,390 | 1,075 |
| Interest cost | 3,995 | 3,941 |
| Contributions by Scheme participants | 584 | 603 |
| Actuarial (gains)/losses on Scheme liabilities* | 1,751 | 13,401 |
| Net benefits paid out | (2,836) | (3,328) |
| Past service cost | 709 | - |
| Closing defined benefit obligation | 78,411 | 72,818 |

*Includes changes to the actuarial assumptions.

| History of asset values, defined benefits obligations, surplus/deficit in Scheme and experience gains and losses | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|---|---|---|---|---|
| Fair value of Scheme assets | 80,206 | 69,110 | 63,828 | 73,776 | 66,658 |
| Defined benefits obligation | (78,411) | (72,818) | (57,126) | (62,092) | (62,869) |
| Surplus/(deficit) in Scheme | 1,795 | (3,708) | 6,702 | 11,684 | 3,789 |

| History of experience gains and losses | 2010 £000 | 2009 £000 | 2008 £000 | 2007 £000 | 2006 £000 |
|---|---|---|---|---|---|
| Experience gains/(losses) on Scheme assets | 6,906 | 1,952 | (14,973) | 3,371 | 3,966 |
| Experience gains/(losses) on Scheme liabilities† | 4,386 | (244) | (596) | (3,616) | (108) |

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

## Notes to the Financial Statements
for the year ended 30 September 2010

| Changes to the fair value of Scheme assets during the year | 2010 £000 | 2009 £000 |
|---|---|---|
| Opening fair value of Scheme assets | 69,110 | 63,828 |
| Expected return on Scheme assets | 4,994 | 4,237 |
| Actuarial gains on Scheme assets | 6,906 | 1,952 |
| Contributions by the employer | 1,448 | 1,818 |
| Contributions by Scheme participants | 584 | 603 |
| Net benefits paid out | (2,836) | (3,328) |
| Closing fair value of Scheme assets | 80,206 | 69,110 |

| Actual return on Scheme assets | 2010 £000 | 2009 £000 |
|---|---|---|
| Expected return on Scheme assets | 4,994 | 4,237 |
| Actuarial gains on Scheme assets | 6,906 | 1,952 |
| Actual return on Scheme assets | 11,900 | 6,189 |

| Analysis of amounts recognised in other comprehensive income | 2010 £000 | 2009 £000 |
|---|---|---|
| Total actuarial gains/(losses) in other comprehensive income | 5,155 | (11,449) |
| Cumulative amount of gains/(losses) recognised in other comprehensive income | 295 | (4,860) |

## 17 Called up share capital

| | Authorised 2010 £000 | Issued and fully paid 2010 £000 | Authorised 2009 £000 | Issued and fully paid 2009 £000 |
|---|---|---|---|---|
| 'A' Ordinary shares £1 each | 1,250 | 582 | 1,250 | 582 |
| Ordinary shares £1 each | 1,500 | 950 | 1,500 | 950 |
| | 2,750 | 1,532 | 2,750 | 1,532 |
| 5% Cumulative participating preference shares £1 each | 100 | 100 | 100 | 100 |
| 3.5% Cumulative non-participating preference shares £1 each | 150 | 135 | 150 | 135 |
| | 250 | 235 | 250 | 235 |

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

### Preference shares
Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2009: £9,000) and is recorded in finance costs in the income statement.

# Notes to the Financial Statements
for the year ended 30 September 2010

## 18 Minority interests

| **Equity** | 2010 £000 | 2009 £000 |
|---|---|---|
| At 1 October 2009 | 15 | 7 |
| Profit on ordinary activities after taxation | 60 | 38 |
| Dividends paid | (48) | (30) |
| At 30 September 2010 | 27 | 15 |

## 19 Financial commitments

| | 2010 £000 | 2009 £000 |
|---|---|---|
| a Capital expenditure: | | |
| Approved by the directors but not yet contracted for | 14,854 | 10,949 |
| Approved expenditure outstanding | - | - |
| | 14,854 | 10,949 |
| b Current rental commitments under operating leases are as follows: | | |
| Payable within one year | 76 | 93 |
| After one year but within five years | 19 | 85 |
| After five years | - | - |
| | 95 | 178 |

## 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:

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Less than one year | 122 | 506 |
| Greater than one year and less than five years | 24 | 16 |
| More than five years | 1,178 | 727 |
| | 1,324 | 1,249 |

## 21 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 two calendar years.

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

| **Forward foreign exchange and foreign exchange option contracts** | 2010 £000 | 2009 £000 |
|---|---|---|
| Less than one year | 37,581 | 39,781 |
| Greater than one year and less than five years | 25,054 | 914 |
| | 62,635 | 40,695 |

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.

## Notes to the Financial Statements
for the year ended 30 September 2010

At 30 September 2010, the fair value of the Group's currency derivatives is estimated to be approximately £0.4m (2009: £1.6m). These amounts are based on market values of equivalent instruments at the balance sheet date. The fair value of currency derivatives that are designated and effective as cash flow hedges amount to £1.6m (2009: £1.6m) has been deferred in equity. In the current period amounts of £0.4m (2009: £1.8m) were credited to equity and £0.4m (2009: £2.6m) recycled to the income statement. Gains and losses on the derivatives are recycled through the hedged income statement at the time the purchase of power is recognised in the income statement.

**Currency exposures**
The Group's currency exposure at 30 September 2010, taking into account the effect of forward contracts placed to manage such exposures, was £2.7m (2009: £3.2m) being the translated Euro liability due for imports made in September but payable in October.

**Credit risk**
The Group's principal financial assets are cash and cash equivalents, short-term investments, trade and other receivables. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Allowances are made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The trade debtors at 30 September 2010 outside the 30 day credit terms were £446,000 (2009: £113,000).

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. In addition limits are set as to maximum levels that are allowed to be placed with individual institutions.

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 assets at 30 September | 2010 £000 | 2009 £000 |
|---|---|---|
| Less than one year | 16,082 | 15,556 |
| More than one year and less than five years | 28,074 | 29,446 |
| More than five years | - | - |
| | 44,256 | 45,002 |

**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 2010 was £22.7m (2009: £16.8m). The weighted average rate of interest was 1.8% (2009: 3.2%).

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

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Less than 3 months: cash and cash equivalents and short-term investments | 4,756 | 8,636 |
| Greater than 3 months: short-term investments | 17,920 | 8,200 |

**Borrowing facilities**
The Group had undrawn borrowing facilities at 30 September 2010 of £2.0m (2009: £2.0m) in respect of which all conditions precedent had been met and the facility expires within one year.

# Notes to the Financial Statements
for the year ended 30 September 2010

**Commodity risk**
The Group has a purchase agreement with EDF, in France, which allows the agreement of prices to be fixed for up to three years ahead. As at 30 September 2010, the import prices, but not volumes, have been substantially fixed for 2011 which has allowed customer tariff levels to be fixed for the next year. The import prices, but not volumes, have been 60% and 20% fixed for 2012 and 2013 respectively. The Company has the ability to generate power as an alternative to importation if this was viewed to be commercially and environmentally acceptable.

## 22 Related party transactions

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

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

| 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 | 2010 £000 | 2009 £000 |
| The States of Jersey | 7,021 | 6,928 | 2,478 | 626 | 299 | 337 | 1,439 | 552 | - | 1 |
| JT Group Limited | 1,553 | 1,329 | 450 | 246 | 126 | 361 | 133 | 198 | 16 | - |
| Jersey Post International Limited | 115 | 112 | - | - | 79 | 70 | - | - | 6 | 5 |
| Jersey New Waterworks Limited | 780 | 691 | 4 | 6 | 90 | 73 | - | - | - | - |
| Foreshore Ltd | 575 | 531 | 671 | 715 | 13 | 16 | 207 | 67 | - | 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 2010 Foreshore Limited had rental arrears, classified as long-term loans, to the value of £450,000 (2009:£600,000) due to Jersey Electricity plc.

b New Energy from Waste Plant

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

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the executive directors) is set out below. Further information about the remuneration of individual directors is provided in the Remuneration Report on pages 56 to 58.

| | 2010 £000 | 2009 £000 |
|---|---|---|
| Short-term employee benefits | 772 | 842 |
| Post-employment benefits | 128 | 161 |
| | 900 | 1003 |

# Five Year Group Summary

| Financial Statements | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Income Statement (£m)** | | | | | |
| Turnover | 98.9 | 93.6 | 82.2 | 75.9 | 65.6 |
| Operating profit | 14.2 | 8.7 | 9.2 | 8.0 | 6.9 |
| Profit before tax | 14.6 | 9.3 | 10.3 | 8.7 | 7.3 |
| Profit after tax | 12.4 | 7.2 | 10.1 | 7.6 | 5.9 |
| Dividends | 3.0 | 2.9 | 2.4 | 1.8 | 1.6 |
| Special dividend | - | - | - | - | 6.8 |
| **Balance Sheets (£m)** | | | | | |
| Property, plant and equipment | 120.9 | 120.6 | 116.0 | 109.8 | 108.3 |
| Net current assets/(liabilities) | 30.4 | 23.8 | 24.3 | 22.3 | 20.5 |
| Non-current liabilities | (28.1) | (29.4) | (26.7) | (27.5) | (26.0) |
| Net assets | 141.7 | 129.3 | 135.0 | 130.4 | 115.7 |
| **Financial Ratios and Statistics** | | | | | |
| Earnings per ordinary share | £8.04 | £4.70 | £6.58 | £4.94 | £3.88 |
| Gross dividend paid per ordinary share | £2.49 | £2.36 | £1.85 | £1.46 | £1.33 |
| Net dividend paid per ordinary share | £1.99 | £1.89 | £1.48 | £1.17 | £1.06 |
| Dividend cover (times)*1 | 4.0 | 2.5 | 4.4 | 4.2 | 3.7 |
| Cash at bank/(net debt) (£m) | 22.7 | 16.8 | 16.1 | 16.4 | 15.1 |
| Capital expenditure (£m) | 8.4 | 12.8 | 13.6 | 8.9 | 5.7 |
| **Electricity Statistics** | | | | | |
| Units sold (m) | 645 | 642 | 639 | 608 | 624 |
| % movement | 0% | 1% | 5% | (3%) | 3% |
| % of units imported | 93% | 92% | 96% | 89% | 97% |
| % of units generated locally | 7% | 8% | 4% | 11% | 3% |
| Maximum demand (megawatts) | 158 | 153 | 156 | 142 | 142 |
| Number of customers | 47,494 | 47,072 | 46,587 | 46,357 | 45,839 |
| Customer minutes lost | 10 | 9 | 5 | 59 | 40 |
| Average price per kilowatt hour sold | 11.5p | 11.2p | 9.6p | 9.1p | 7.9p |
| **Manpower Statistics** | | | | | |
| Energy | 192 | 187 | 192 | 185 | 183 |
| Other | 136 | 124 | 132 | 128 | 117 |
| Trainees | 5 | 7 | 4 | 4 | 3 |
| Total | 333 | 318 | 328 | 317 | 303 |
| Units sold per energy employee (000's) | 3,359 | 3,436 | 3,328 | 3,286 | 3,414 |
| Number of customers per energy employee | 247 | 252 | 243 | 251 | 251 |

*1 Excludes the special dividend paid in 2006.

# Financial Calendar

| | |
|---|---|
| 4 January 2011 | Preference share dividend |
| End January 2011 | Interim Management Statement – quarter to 31 December 2010 |
| 25 February 2011 | Record date for final dividend and special dividend |
| 3 March 2011 | Annual General Meeting |
| 31 March 2011 | Final dividend and special dividend for year ended 30 September 2010 |
| 13 May 2011 | Interim Management Statement – six months to 31 March 2011 |
| 10 June 2011 | Record date for Interim Ordinary dividend |
| 30 June 2011 | Interim dividend for year ending 30 September 2011 |
| 1 July 2011 | Preference share dividend |
| End July 2011 | Interim Management Statement – nine months to 30 June 2011 |
| 16 December 2011 | Preliminary announcement of full year results |

**Annual General Meeting**

The Annual General Meeting will be held at the Powerhouse, Queens Road, St. Helier, Jersey on Thursday 3 March 2011 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).

FSC

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Jersey Electricity

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