Clear investment. Pure energy.

INVESTMENT TO POWER A SUSTAINABLE FUTURE

REPORT AND ACCOUNTS 2014

Jersey Electricity

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

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

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

SECRETARY
Peter Routier BSc, FCIS

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PLACE OF INCORPORATION
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Queensway House, Hilgrove Street, St. Helier, Jersey

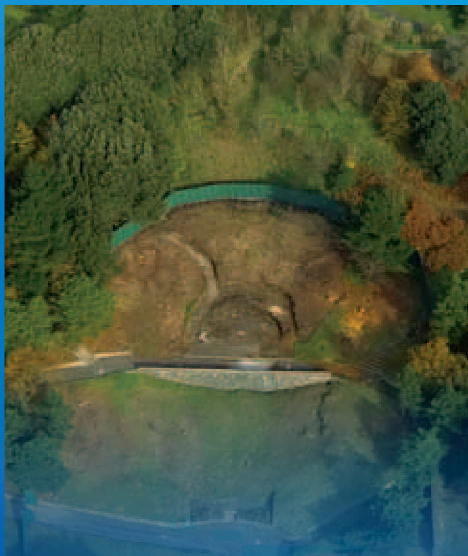
CONTENTS

NORMANDIE 3 DELIVERED

- Below £70m budget
- Ahead of 2015 schedule
- 21 months from Planning Permission to switch on
- Running in parallel with N2 at 160MW since October
- Mont Orgueil cable landing reception and exhibition for States of Jersey Members
- CIEG leaders and media visit Cable Enterprise during install operations

£12M NEW 90KV SUBSTATION UNDERWAY

- Parish Assembly approved sale of site November 2013
- Planning Permission granted May 2014
- Sale of site through Court in September 2014
- Preliminary works clearing site start October 2014
- Expected in service 2016



ELECTRIC TRANSPORT

- Number of EVs registered in Jersey tops 100
- Public charging bays expanded to 18

IMPROVED CUSTOMER FOCUS

- Customer Care re-located to modernised space following arrival of new tenant SportsDirect.com
- New Customer Charter and Service Standards implemented
- New Customer Relationship Management (CRM) software system introduced

NEW, IMPROVED LOOK FOR RETAIL

- Retail re-structure completed
- Retail re-branded under new single Powerhouse brand
- New, improved website www.powerhouse.je launched
- New tenant, SportsDirect.com, leases almost half our Retail floor space

1924 2014

90 YEARS POWERING JERSEY

- 5 April marked 90 years since the then Jersey Electricity Company was founded

RECOVERY GOES TO PLAN

- Energy profits restored to pre-2012 levels at £8.0m
- Group pre-tax profits up 21% to £6.5m

THIRD HEALTH AND SAFETY AWARD

- Presented with Jersey Construction Council Health and Safety Award, our third H&S award in three years
- Production Team mark five years with no Lost Time Accidents (LTAs) in January

ENERGY GROWTH

- Still winning 90% of new developments
- Energy Solutions Team formed to win new load by fuel switches

JENDEV NEW LOOK, NEW HOME

- Jendev gets a new strategy, new office and a new look
- Foreshore sold to Sure (Jersey) Ltd
- Sure occupy former Jendev offices

OUR YEAR

KEY ACHIEVEMENTS 2014

RE-FOCUSING OUR STAFF

- 28 Purpose, Vision and Values workshops
- 100s of outputs for improvements
- Staff Seminar for over 300 in one day

PEAK DEMAND

- 139MW recorded on 3 February 2014 at 9.30pm well below our all-time record of 161MW on 2 February 2012

SECURITY AND RELIABILITY OF SUPPLY

- Just 13 average Customer Minutes Lost (CMLs) on our distribution network
- Total CMLs increased to 110 due to lightning strike in France severing supplies to sole interconnector on 27 January 2014
- Above causes only fourth Island-wide outage in eight years. Central St Helier restored within 30mins. All Island restored within two and half hours

ENVIRONMENT

- Average carbon emission level this year was 144 gCO2e / kWh well below that of local fossil fuels
- 100% of imports from low carbon sources – 40% hydro
- 30% reduction in energy consumption at our Powerhouse retail and administration HQ

CHAIRMAN'S STATEMENT

2014 was the Company's 90th anniversary and there could be no better way to mark this celebration than with the landmark achievement of the successful installation of our third interconnector to France, Normandie 3 (N3) – under budget and ahead of its 2015 schedule.

Landworks in Jersey and from Armanville to Périers in Normandy started many months in advance of the subsea installation, which commenced in earnest during Easter weekend in April. Marine works made good progress, lasting eight weeks. Following extensive testing, the cable and system began importing power into Jersey on 24 September 2014.

The N3 project, a joint venture with Guernsey Electricity, our partners in the Channel Islands Electricity Grid (CIEG), has been 10 years in the making and more than doubles our importation capacity which had been severely restricted since June 2012 when our oldest interconnector, EDF1, failed and was removed from service. Restricted import capacity presented some tough, if temporary, challenges to the business. Energy profits fell in 2012 and 2013 due to higher operational costs associated with generating on-Island to supplement limited imports.

I said that last year we delivered a foundation for recovery. This year we have built further on this with an expected upward movement in Energy profit, which reached the level of £8.0m on an operating basis, restoring it to pre-2012 levels. Importantly, this profitability reflects the return necessary to support continued investment.

During the year, we observed a deterioration in the condition of the Jersey-Guernsey interconnector, an asset which we share with Guernsey Electricity. As a result, our Group profit before tax of £6.5m, itself up from a level of £5.4m last year, is reported after making provisions for the £1.8m cost relating to our share of a pre-emptive repair to this cable. We expect this work to proceed in January 2015.

I am delighted that the completion of N3 and a return to a much fuller importation regime means we are able to freeze tariffs this winter, maintaining standard domestic prices at a level of 11% less than the European average, and exceeding our target of delivering power to domestic customers at a level +/-10% of the EU 15 Average.

Though reliability slipped to 110 minutes of loss of supply per customer (CMLs) this year, that figure was exacerbated by a single lightning strike in France. Without this, our supply reliability would have been the strong level of 13 CMLs. We expect N3 to assist supply security on which Jersey and its £4bn economy so depend.

The new interconnector also enhances our low-carbon credentials. Despite the continued need this year to supplement importation with a higher than normal level of on-Island generation, we still delivered energy at 144g CO_2e/ kWh far lower than the carbon intensity of competing fuels (LPG and oil).

Unit sales of electricity were down 6%, on last year, falling from 663 million to 621 million, largely as a result of the above seasonal temperatures, reducing Energy revenues by 3% to £79.5m.

We have made considerable progress elsewhere in the Group. We successfully secured a new tenant, letting 11,000sq ft of our retail space to UK-based SportsDirect.com and we restructured and rebranded our own Retail business under the Powerhouse brand enabling a more competitive cost structure going forward. We also completed the sale of our IT services business Foreshore to telecommunications company Sure (Jersey) Ltd, who have also become tenants.

Consistent with our stated dividend policy to deliver sustained real growth each year over the medium term, the proposed final dividend for this year is 7.20p payable on 27 March 2015, being a 6% rise on the previous year.

Commercial Director Richard Plaster resigned from the Board at the end of May following an extended period of illness and I would like to thank Richard for his contribution during ten years on the Board as well as his 26 years' service to the Company. In addition, John Stares, who has served as a non-Executive director for the last five years, will be retiring at the next AGM.

I would also like to thank our Executive and non-Executive Directors and all staff at every level for their dedication, loyalty and hard work that has put Jersey Electricity back on track after the enormous challenges of the past two years. I believe we are stronger than ever before and now firmly placed to take advantage of the many exciting opportunities the future presents.

Geoffrey Grime
Chairman
17 December 2014

CHIEF EXECUTIVE'S REVIEW

The important impact of this year's successful installation of our third interconnector to France, Normandie 3 (N3), cannot be overstated. The completion of this £70m, 10-year project, under budget and ahead of schedule, has been an outstanding achievement by our staff and our contractors who have worked closely with the authorities in both Jersey and France. The cable more than doubles our capacity to import lower cost, low carbon electricity supplies and will not only benefit the business but also the Channel Islands as a whole for, we hope, many years to come.

The 32km 100MW submarine cable first began importing power to our network on 24 September 2014. On 16 October, following further important works in France and Jersey, our importation system was made ready for up to 160MW of parallel importation. A joint venture with Guernsey Electricity (GEL), our partners in the Channel Islands Electricity Grid (CIEG), the cable project delivers a key asset that is central to our goal of supplying affordable, secure and low carbon electricity. It has already allowed the Company to freeze tariffs throughout the 2014/15 winter.

Supply security has also been enhanced significantly. Installed along a more southerly route than our sole remaining interconnector N2, N3 was designed to connect to a different and more robust part of the French network at Périers, site of Réseau de Transport d'Électricité's (RTE's) 400,000-Volt (400kV) substation and that connection is provided by a more secure all-underground land cable.

The importance of this is highlighted by the fact that our reliability this year would be a strong 13 Customer Minutes Lost (CMLs) were it not for a single event on 27 January 2014 when lightning strikes cut supplies from the French network to N2 causing only the fourth Island-wide outage in eight years and accounting for 97 of our total 110 CMLs this year. The existence now of two separate circuits connected in parallel into France should facilitate easier and faster restoration in such a scenario.

Maintaining and managing the performance of N2 has been one of many challenges the business has faced over the last two years

since the permanent loss of our first interconnector, EDF1, in 2012. Increased on-Island generation using more costly oil, saw Energy profits fall to £4.2m (2011/12) and £3.2m (re-stated) (2012/13). However, last year we laid the foundations for recovery and have continued on that path.

Operating profit in Energy has been restored to pre-2012 levels of £8.0m despite unit sales being down 6% at 621 million from 663 million, reducing Energy revenues by 3% to £79.5m compared with prior year. This was due to a mild winter this year and a particularly cold one in 2012/13. Ironically, less demand than expected has resulted in slightly better financial performance than we had anticipated with fewer units generated 'on the margin' using oil, coupled with slightly lower sales of heating units on lower, less profitable off-peak pricing. Added to these factors were tariff movements, including a 1.5% below-inflation rise on 1 April 2014.

Since the repair to the Jersey-Guernsey cable (GJ1) in 2012, we, along with Guernsey Electricity, have carefully monitored the performance of this sole inter-island submarine cable. Regrettably, this year we have observed continuing deterioration in the fibre optics of the cable. As a result, we have agreed that a pre-emptive repair be performed in January 2015. Jersey Electricity's share of this cost is £1.8m and suitable provision has been made in our Group results. Guernsey Electricity is presently seeking permissions to install a second cable between the islands as soon as possible.

This year was the first full year impact of our latest 10-year supply agreement with EDF, signed in 2011, guaranteeing certified low carbon electricity. The result was that 40% of our imports, which accounted for 80% of our total requirements, were from hydro-electric sources, up from around 30% last year.

La Collette Power Station, having played such a crucial role these last two winters, will continue to be maintained as an emergency back-up generation facility. La Collette has proved its worth in recent years and we will continue to hone its state of readiness. We also plan to explore the potential for future power trading opportunities with France, which we hope will help us reduce the overall net annual costs of the facility.

Though N3 has been the main focus of our attention this year, we progressed several other strategic initiatives including Normandie 1 (N1), a replacement for EDF1 along the same route. We expect this, along with a new Guernsey-Jersey link to be installed in the next 2-3 years. In May, we finally obtained Planning Permission for a much-needed new primary substation to meet demand in the north, south and west of St Helier. Preliminary work clearing the site for this £12m project began in September and will accelerate in the New Year, with the substation scheduled to be in service in 2016.

Outside the Energy business, we restructured of our Retail business and allocated previously under-utilised space to a new tenant, SportsDirect.com, which brings not only a good covenant but also additional footfall to the site. Revenue in the Retail business only fell 6% from £12.1m last year to £11.4m, despite trading from a much smaller footprint. We sold Foreshore, our offshore data hosting business, to telecommunications company Sure (Jersey) Ltd which has also become a tenant as well as a major power customer. While revenues in the Property business fell slightly, sales in Building Services (JEBS), which is on its own restructuring journey increased by 3% to £4.2m. Jendev and Jersey Energy again delivered good performances.

We created a new services team, Energy Solutions, to drive forward a new growth agenda. This enables Jersey Electricity to provide a full service offering to clients: advisory, solutions and contract delivery and importantly will help us strengthen our relationships with our customers and keep close to new trends and new customer demands.

Overall Group turnover, at £98.4m, was 4% down on the previous year's £102.3m. However, Group pre-tax profits increased from £5.4m (re-stated) last year to £6.5m, mainly off the back of the improved performance in Energy.

GROUP PURPOSE

This year we undertook an important and valuable Company-wide work stream, which has become known internally as our Purpose, Vision and Values (PVV) programme, to re-focus our staff on why as a company we exist – *our purpose*; where we are going – *our vision*; and how we will work together to get there – *our values.* We held a total of 28 workshops encompassing the entire business with the aim of enabling every employee to truly understand where they fit in and the important role they play in helping us fulfil our purpose and achieve our vision by working together for the common good.

As sustainability is such a cornerstone of our business ethos, we also took the opportunity at the workshops to discuss what sustainability means to all who work for Jersey Electricity and why it is so important.

These workshops proved a resounding success. Staff engagement and interactions were excellent, with scores of outputs on how we can better align what we do day-to-day with our longer term vision. Many of these suggestions have already been implemented, while the 'bigger ticket' items are being worked on.

PVV was also a pillar of a Staff Seminar. As well as updating and informing staff of how we are performing, the Seminar reinforced PVV by cascading and consolidating what we have already achieved.

So what does PVV mean to Jersey Electricity?

Our purpose: Why do we exist?

Our business purpose is broad; to help our community by sourcing, generating, transmitting, trading, distributing and supplying energy safely, affordably, securely and sustainably. We are proud of our important role we have today in the community but the energy we use today must be sustainable so future generations are able to meet their energy needs, too. We must understand our customers needs better than ever before and deliver the service they need in the optimum way. We must manage the trade-off between affordability and security, risk and cost.

What does 'sustainability' mean?

Sustainability defines how we achieve our aims and reflects our responsibilities to all our various stakeholders as well as, of course, the environment – and doing this over the long term. It means protecting *people*; looking after our customers and our staff. It means protecting our *environment* and helping to combat climate change and preserve our unique Island. It means generating *profit* to invest in infrastructure that will ensure *security* of supply and 'keep the lights on'. Lastly, it means *economy,* ensuring value for money; providing affordable energy on which the economy and individuals so depend.

Our vision:

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

Our vision, therefore, is to responsibly and sustainably deliver value to customers. It is built around four key areas:

- *Growing unit sales* and offsetting the pressure from energy efficiency by fuel switching customers from fossil fuels to electricity as well as finding new applications such as electric transport and other new technologies
- *Developing services and solutions* for customers by designing, installing, maintaining and financing equipment and the many new technologies that use electricity
- *Developing 'Smart' infrastructure* to supply clean electricity securely and in the most cost effective manner
- *Strengthening our relationships with customers* by better understanding their needs and meeting them

Our priorities

- Deliver Normandie 1 *capital investment* on time and to budget
- Deliver *SmartSwitch* Smart Metering programme
- Deliver St Helier West primary substation *investment*
- Facilitate (with Guernsey Electricity) the Channel Islands Electricity Grid by installing the next Jersey-Guernsey link
- *Grow market share* through Energy Solutions and JEBS; winning fuel switch and developing new technology partnerships
- Optimise/enhance La Collette Power Station

Our values

Our values reflect our corporate personality. They describe our standards and expectations of how we will work together in pursuing our goals.

- Safety
- Customer focus
- Teamwork
- Responsibility
- Excellence
- Reliability

"We continue to win over 90% of new load as developers choose electricity"

ENERGY GROWTH

Though the 6% drop in unit sales can largely be attributed to a mild winter compared with colder than average temperatures in 2012/13 relative to 2013/14, as we have anticipated, energy efficiency measures are adding pressure to electricity demand which until recently has shown a consistent upward trend since Jersey Electricity was formed in 1924.

We have no doubt that low carbon electricity remains the *'energy of the future'* and we continue to work hard to ensure sustained, underlying growth over the long term. The installation of Normandie 3 restores our low carbon credentials which no competing fossil fuel can match. Importing power also gives us the competitive edge on *affordability* and, importantly, *price stability*.

Going forward, the cornerstone 80% carbon reduction target set out in *'Pathway 2050: An Energy Plan for Jersey'*, which the States of Jersey have now ratified, can only realistically be achieved by displacing the use of fossil fuels with electricity. Transportation is also a huge, if so far untapped, market for electricity in Jersey.

However, the Energy Plan poses threats as well as opportunities for electricity as energy efficiency measures and the application of low energy products gathers momentum. Our strategy is to embrace energy efficiency, create exceptional value for consumers by helping them get the best out of their energy needs and use this to displace the use of fossil fuels with cleaner, more competitively priced electricity.

This year we commissioned a study on load growth, which has identified a number of significant growth opportunities. We have subsequently created a small, specialist team from existing resources, Energy Solutions, to focus on these areas and develop partnerships with new technology providers to create key opportunities and grow our share of the energy market.

Electric transport is another growth area that we continue to encourage and facilitate. The number of registered EVs in Jersey now tops 100. With more manufacturers, particularly the more prestige marques, coming to market we can only see EV ownership increasing. We have already expanded our public EV charging capacity to ensure full coverage and now have a total of 18 public charging points, mainly centred in St Helier's five multi-storey car parks.

We still see the initial costs of EVs in Jersey as prohibitive and continue to lobby the States of Jersey to incentivise EV take-up with financial support mechanisms as, indeed, our neighbours Guernsey have recently agreed to do.

2014 versus 2013

Our unit sales of 621 million for the financial year were 6% down on the previous year's 663 million due to a combination of temperatures being unseasonably mild this past winter and the corresponding period last year being particularly cold. The total number of customers on supply at year-end was 48,941, an increase of 318 on last year.

We have continued our growth initiative to encourage the use of high efficiency, lower cost off-peak heating across our customer base. This, in turn, helps to reduce peak electricity loads, which is a significant driver of infrastructure costs. Our discounted tariffs Comfort Heat, Economy 7 and Economy 20, introduced to give households flexible, lower cost alternatives to fossil fuels, continue to be popular. Domestic customers on these tariffs increased by over 2% on last year to 15,578.

Our peak load for the year was 139MW recorded on 3 February 2014, at 9.30pm. Our all-time record remains 161MW set on 2 February 2012.

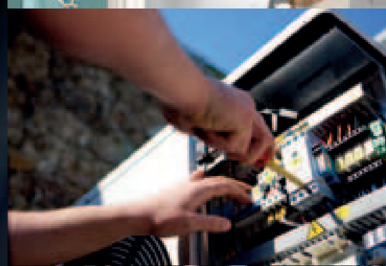
Fuel of choice for developers

We continue to win over 90% of new load as developers choose electricity for heating. Although the total number of new developments is beginning to increase after the economic slowdown, these are often being built in smaller 'phased' stages. Electric heating options are flexible, easy and relatively low cost to install, clean and safe. Electricity is generally the preferred fuel for new energy efficient building designs – and electricity remains very competitively priced in Jersey compared with other jurisdictions and competing fuels.

Fuel of choice for the States

Having fuel switched 1,800 States tenanted homes in the previous two years, our Building Services business (JEBS) and new Energy Solutions team are turning to the main States of Jersey buildings by developing compelling proposals to fuel switch several of their larger commercial buildings, such as high energy consumption swimming pools and leisure centres, as new technologies come to market. The opportunities for the States of Jersey to reduce their energy costs are significant, and we are hopeful that the new Government will embrace an active partnership with us to enable these.

INDUCTION



MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

With continued pressure on household and business budgets, as well as the enormous scrutiny in the UK of energy prices, we are acutely aware of the importance of maintaining a competitively priced electricity supply. Notwithstanding the loss of importation capacity in 2012 and subsequent 9% and 1.5% tariff rises in 2013 and 2014 respectively, arising from increased on-Island generation from oil, our benchmark tariffs remain lower than many countries and islands, a fact noted in Jersey Consumer Council's October 2014 publication 'Energy Matters'.

We aim to keep standard domestic tariffs within 10% of the EU Average, a goal that we have consistently outperformed in recent years. This is a particular achievement given the limited scale of our network coupled with the investment needed to maintain supply security from a more isolated network. Our prices at the year-end were at around 11% lower than the EU standard tariff for domestic customers on average.

As well as competitive absolute prices, our 1.5% tariff increase in April this year was materially smaller than every electricity and gas price increase across the year in the UK. In addition, while heating oil prices have eased in Jersey, they have come off historically very high levels; for example over the last five years electricity prices have increased by just 8% net compared with oil and gas price increases of 42% and 60% respectively. This performance reflects our focus on tariff stability, and not just absolute prices.

Going forward, with Normandie 3 in service, we expect importation levels to revert to pre-2012 levels of around 90-95% of total Jersey annual consumption. We have wound down our hedged oil position that was put in place off the back of a new risk management process to recognise the far greater volumes of oil we consumed on-Island. Our hedge book on power and foreign exchange remains strong over the next two to three years and we continue to take advantage of the favourable wholesale power prices in Europe. Now Normandie 3 is in service, the cost structure of the business will shift, with a substantial portion of on-Island oil costs displaced and largely offset by higher interest costs incurred to service the capital costs of the new submarine cable.

1.5% APRIL 2014

HOUSEHOLD ENERGY USAGE

Space Heating	46%
Hot Water	22%
Consumer Electronics	8%
Cooking	6%
Lighting	6%
Wet Appliances	5%
Cold Appliances	5%
ICT	2%

Source: UK Energy Saving Trust

We welcome the focus in the Energy Plan on energy efficiency and continue to support many community efforts to help customers manage their consumption and reduce their bills – action which simultaneously reduces carbon emissions, the central goal of the plan. We believe we have had considerable success in assisting vulnerable customers through Jersey Electricity's seeding and support for the States of Jersey Energy Efficiency Service (Jersey Energy Trust) which has delivered tangible measures to thousands of households and many community buildings. This approach is far more effective than structuring one-off discounts or subsidies to consumers, since it leads to multi-year benefits and year-on-year savings.

Forecasting future prices is always challenging in the energy sector and we could see wholesale prices kick upwards at some point off the back of economic recovery. However, restored importation capacity, coupled with a strong hedge book, positions the business well over the short term.

We will continue to take a flexible approach to pricing over the short to medium term to maintain competitive and stable pricing levels that ensure we can compete in the local energy market and deliver great value for money for customers.

Lightning strikes in France cut supplies to our only interconnector at the time, Normandie 2, on 27 January 2014, precipitating only the fourth Island-wide power failure in eight years and our emergency procedures at La Collette Power Station were invoked.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

One of our many responsibilities as provider of over a third of the Island's total energy requirements and all Jersey's electricity needs, is security of supply. To achieve this we focus on ensuring our infrastructure is securely designed, well maintained and staff are trained to respond to events when they do occur.

This year, like the last, maintaining the integrity of our remaining interconnector Normandie 2 (N2) since the permanent loss of EDF1 and until Normandie 3 (N3) was installed has been a priority of the business. However, no one could have predicted nor prevented events of 27 January when lightning strikes in France cut supplies to N2 at 9.15am while the cable was on full importation. The result was only the fourth Island-wide power failure in eight years.

We immediately invoked our emergency restoration procedures at La Collette Power Station and Queen's Road. Parts of St Helier, including the crucial business area, were restored as a priority within 20 minutes, with the rest of town back on supply by 10.30am. We restored supplies throughout the Island within two and a half hours when Réseau de Transport d'Électricité's (RTE) were able to re-activate the cable following inspection.

Work has started on St. Helier West primary substation which is expected to be in service in 2016

We measure the reliability of our network using Customer Minutes Lost, the total length of time supplies were interrupted during the year for each customer, on average. This single lightning strike resulted in 97 of our 110 Customer Minutes Lost (CMLs) during the year. Whilst the event has prompted additional focus on our response to such situations, it is nevertheless significant that our CML performance arising from distribution problems on our network was a very respectable 13 minutes, in line with our typical levels in our network before the failure of EDF1.

Continued on-Island network reinforcement is crucial as infrastructure ages and demand for electricity increases. This has been especially so in the north, south and west of St Helier.

Our efforts to build a new 90kV primary substation in the area have made progress this year after we were finally able to purchase a suitable site from the Parish of St Helier.

The States of Jersey granted Planning Permission in May. Preliminary works, clearing the site and relocating delicate wildlife were carried out in October and construction of the substation, which will secure existing supplies to over 13,000 homes and businesses, and enable new supplies, including the development of the new hospital, will start in the New Year, with the new substation, known as St Helier West in service we hope by 2016.

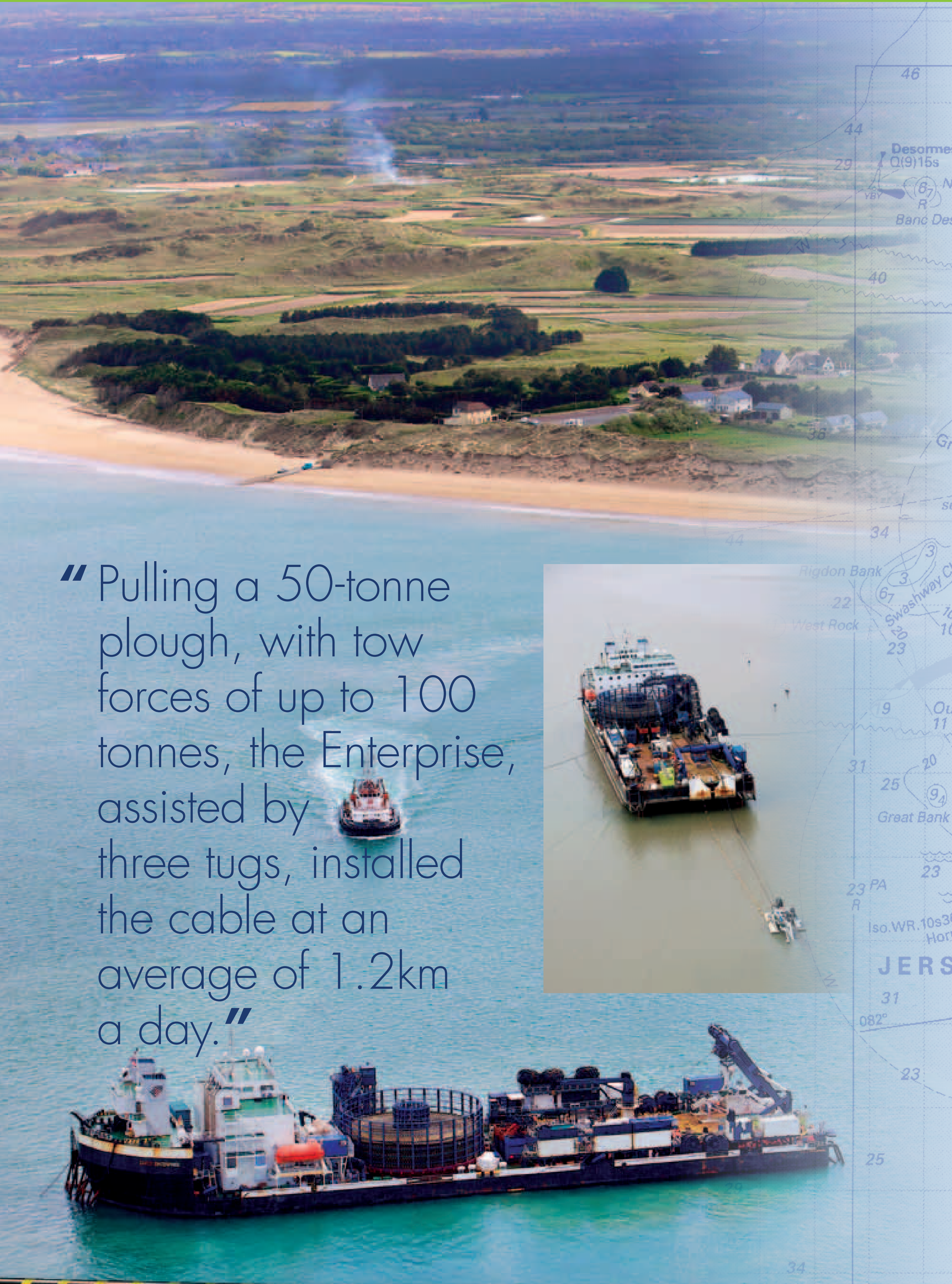
SUPPLY SECURITY STANDARD

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

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

NORMANDIE 3: THE STORY UNFOLDS

"Normandie 3 is without doubt the greatest enhancement to supply security since we installed its predecessor, Normandie 2, 14 years ago. Its successful installation, below budget and ahead of its 2015 schedule, has been our biggest achievement of the year – and the decade."



> "Pulling a 50-tonne plough, with tow forces of up to 100 tonnes, the Enterprise, assisted by three tugs, installed the cable at an average of 1.2km a day."

2002 Third interconnector first discussed. Two routes considered.

2003 Initial costings and feasibility talks with RTE

2004 Jersey Electricity Board formally initiates project.

2005 Desktop feasibility study complete. Discussions with RTE who preferred northern route. Southern route preferred by Jersey Electricity.

2006 Major breakthrough as announcement of a third nuclear reactor to be built at Flamanville shows a 400kV substation to be built near Périers. Reinforces southern route credentials. Start of marine geophysical and benthic studies.

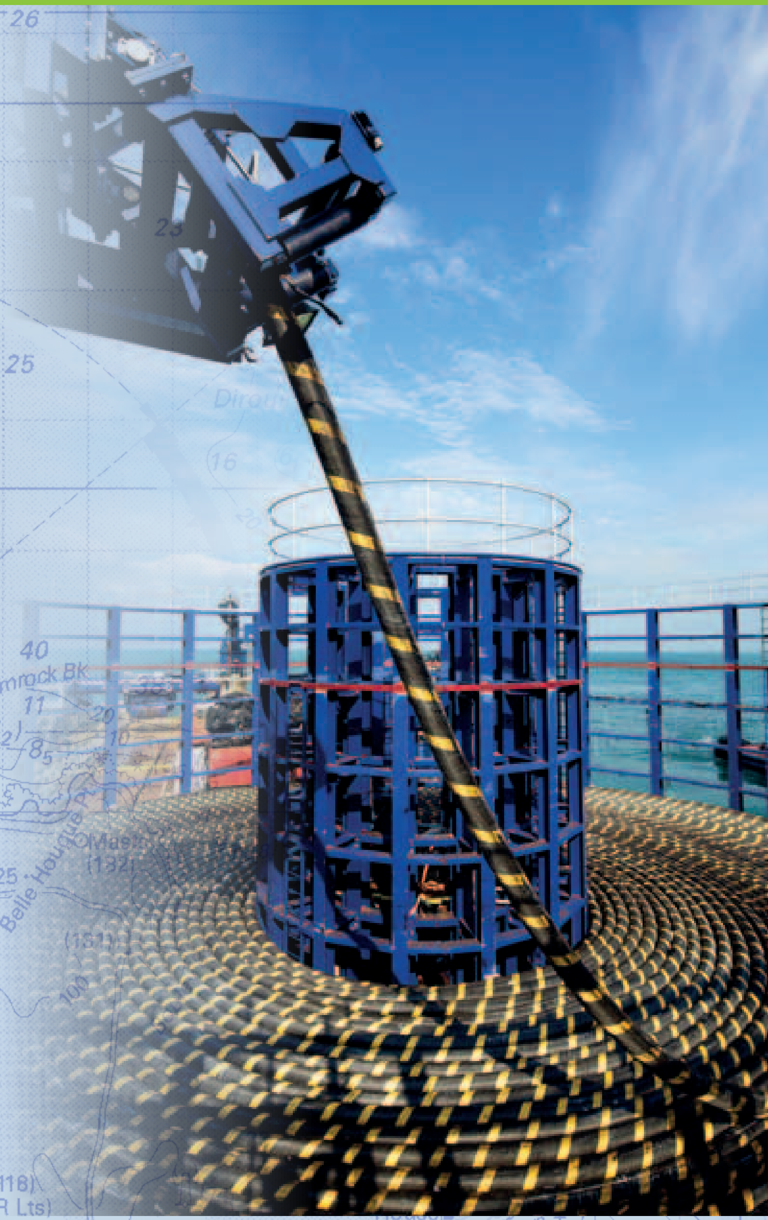
2007 Agreement on route from French Fishermen's Committee Local des Pêches and Jersey Fishermen's Association.

2008 Consultations with French authorities Jersey Environmental Impact Assessment. Technical and Financial Proposition received from RTE.

2009 Simultaneous installation of Normandie 4 investigated but would jeopardise schedule.

2010 Planning Application due before Préfet de la Manche.

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



The 32 km journey begins

The Board first sanctioned the N3 project back in 2004. Peter Snape, JE's Project Manager was tasked with two distinct lines of work; technical discussions with RTE over ratings and operational issues and an extensive and complex planning process. This involved 18 different authorities and departments in France. Planning took nine years to complete. Following planning permission by the Préfet de la Manche at the end of 2012 and the establishment of a N3 project delivery team, progress has been remarkable, both last year and this – the year of the installation itself.

The 7,000-tonne cable-laying barge the Cable Enterprise arrived in Brest at the start of April, having collected the 35km, 2,500-tonne subsea cable from Prysmian's Arco Felice plant in Naples in March en route from her previous job in Vietnam.

Jersey Electricity Senior Projects Engineer Jerry Willis joined the 60-strong crew aboard the Enterprise as on-board client representative for the duration of the installation. After two weeks' of equipment and anchorage testing in Jersey and French waters while final Unexploded Ordinance (UXO) Surveys were analysed, the Enterprise and her highly skilled crew were ready to begin their delicate task of laying the cable from Pirou Plage, Normandy.

Weather and tides were critical and with final UXO clearance of the route coming in time to catch the tide, the Enterprise, which is manoeuvred by three large tugs, the Norne, Zwerver lll and Afon Lliffon, approached the Armanville beach and grounded out for the landing of the French end of the cable on 19 April.

The landing was completed in just a couple of hours and the Enterprise, with a 1000m exclusion zone around her, was able to begin her journey to Jersey. By Monday, 21 April, 1.5km of cable had been laid and the first 500m buried two metres into the seabed, while the remaining cable on the Armanville beach was buried later that week. At this stage the Enterprise was still dependent on high tides to make progress. But the installation moved up a gear in May as improved tides meant the crew could work around the clock. Engineers from our CIEG partners Guernsey Electricity (Francis Murray and Stuart Blondel) also joined the vessel to help provide 24-hour client representation.

Pulling a 50-tonne plough, with tow forces of up to 100 tonnes, the Enterprise, assisted by the tugs, installed the cable at an average 1.2km a day. The vessel has a seven-anchor spread, with the main pulling anchor No.7 off the bow and six anchors to port and starboard aiding stability and steering. Around 600m of cable could be ploughed in before the tugs had to reposition the anchors and move the Enterprise forward. By 21 May she was 1km short of the halfway point, 2km from Jersey waters.

A particular challenge was traversing the Banc de Chateau a kilometre-wide sandbank 4km west of Mont Orgueil, Gorey. Working on its operational limits, the plough had to be pulled up from 18m water depth to just 2m at the bank's shallowest point and dropped from 2m to 13m depth over a distance of just 100m. But with that safely negotiated, the Jersey UXO survey team gave the all clear for the Enterprise to begin her approach to Long Beach on 11 June in preparation for landing the cable.

2012

FEB Planning Application submitted.
JUN Public Enquiry starts.
SEP Favourable outcome announced.
DEC Final Planning Permission confirmed Tenders being considered and accepted.

2013 - FEBRUARY

Contracts worth £45m for manufacture and installation of 35km, submarine cable and 7km Jersey landside cable, related network components and specialist civil works, signed with Italian cable systems specialists Prysmian Powerlink. RTE later also award French land cable to Prysmian.

2013 - MARCH

7km Jersey groundworks start between Gorey and South Hill.

2013 - MAY

Agreement signed with GEL to share cost and capacity of Normandie 3.

2013 - SEPTEMBER

French groundworks preparing route from Armanville to Périers get underway.

2013 - NOVEMBER

Manufacture and testing of subsea cable completed at Prysmian's Arco Felice plant, Naples.

2013 - DECEMBER

Manufacture of Jersey land cable completed in Gron and cable delivered to Jersey.

2014 - JAN

Cable Enterprise starts journey from Vietnam to France. ABB start manufacture regulators in Vaasa, Finland. Geophysical and Unexploded Ordnance (UXO) surveys start.

2014 - MARCH

Cable Enterprise arrives Naples to collect submarine cable. First of five Jersey land cable joint excavations start.
Pre-laying of grapple hooks on Pirou Plage, Armanville, in preparation for Cable Enterprise arrival.

2014 - APRIL

Cable Enterprise arrives in Brest for two weeks of testing and mobilisation preparation.
19 - Cable installation starts on the beach at Armanville.
22 - Cable Enterprise starts 32km journey to Jersey.

2014 - MAY

1 - Improved tides enable installation to become 24/7 operation.
25 - Cable Enterprise enters Jersey Territorial Waters.
Sub-contractors GPC Ltd install Horizontal Directional Drilled (HDD) duct at Long Beach.

29 - Jersey Electricity Chief Executive Chris Ambler, GEL MD Alan Bates and Prysmian Powerlink General Manager Renato Grampa, visit the Cable Enterprise during operations.

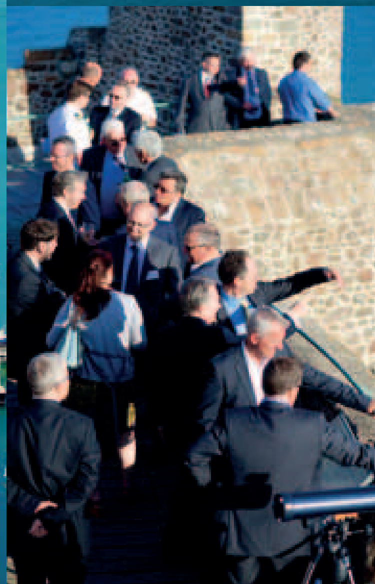
2014 - JUNE

11 - Unexploded Ordnance Survey (UXO) team give final clearance for Cable Enterprise to begin approach to Long Beach.
13 - Enterprise starts grounding out at low tide 1km off Gorey.

14-15 - Gradually progresses up the beach with the aid of Spring tides as GPC team prepare and rig beach for cable landing.
15 - With a tidal window of four hours, cable is successfully offloaded in 120 minutes.

16 - Final cable hand off. Beach anchors released and recovered, Enterprise eases away from beach to safe water.

17 - Enterprise leaves Jersey Waters for Rotterdam with 3km of spare cable to be stored at Dordrecht. GPC beach team pull cable to within 50 metres of the duct under the sand.



2014 - JULY

18 - Cable winched through the ducting into the transition bay.
21-22 - GPC team bury cable on beach.
28 - Final section of cable at low water mark buried when Spring tides make it accessible.

30 - Horizontal Directional Drilling under dune at Armanville for French end of cable to be pulled to their joint bay.

22 - Final section of Jersey land cable pulled through from South Hill to Havre des Pas.
26 - French land cable jointed to subsea cable

7-21 - Jointing Jersey land cable to subsea cable.

2014 - SEPTEMBER

23 - Normandie 3 circuit first switched on and energised to 90kV.
24 - Normandie 3 circuit breaker closed to bring power into Jersey from the new circuit for the first time.

2014 - OCTOBER

14 - Normandie 2 circuit switched out for modifications and refurbishments to the protection and control systems.
16 - RTE grant permission to operate N2 and N3 in parallel up to 160MW. La Collette closed down.

Normandie 3

Designed from the outset with security paramount, N3 is installed along a more southerly route than our previous interconnectors, N2 and the now out-of-service EDF1, entering the sea at Pirou Plage, Armanville, and coming ashore at Long Beach, Gorey in Grouville Bay. Importantly, it connects to a different and more robust part of the French network at the Poste de Périers. As part of the Flamanville expansion and the Cotentin – Maine 400kV project, a new 400kV substation was built at Taut. This offered a perfect connection point for Réseau Transport d'Électricité's (RTE) upgraded substation at Périers which is N3's connection point. From here N3 runs underground 19km along the side of the road to the coast.

N3 was first 'switched on' at 11.40am on 23 September, 2014. It was left energised for 24 hours and at 1.17pm the following day Patrick Cooney, a trainee shift operator at La Collette, under the supervision of Chief Engineer and Project Manager John Duquemin, closed the N3 circuit breaker at South Hill Switching Station to bring power into Jersey from the new circuit for the first time.

We carefully balanced power between the N2 and N3 submarine cable circuits at just under 45MW each for the ensuing three weeks while engineers closely monitored the new circuit. We switched out N2 on 14 October for extensive modification works and refurbishments to the protection and control systems both here and in France. This provided the opportunity to run N3 at near full capacity.

Once RTE granted permission for this, John Duquemin, supported by Operations Manager Ian Crawley, closed the two circuits together at 9.26pm on 16 October. Since then, the 'new-look' Channel Island Electricity Grid (CIEG) network has been stable and operating well. The N2 and N3 system is now capable of delivering 160MW of parallel capacity. Generation plant at La Collette Power Station has been put into standby mode and generators in Guernsey are now closed down at night.

We are now back to a full importation regime from France, with only minimal support from La Collette and Guernsey generation to optimise the operation of the Guernsey-Jersey submarine cable (GJ1). The CIEG network from France to Jersey will now be run in parallel up to 160MW for the foreseeable future. It has a taken a decade, £70m and a great deal of hard work and dedication to get us to this point.

The cable has landed

The Enterprise first grounded out in Jersey on Friday 13 June 1km from the shoreline. Seven huge anchors had been pre-installed on the beach by contractors, GPC Ltd beach works team in readiness and a safety exclusion zone was set up around the perimeter of the anchors and wires with the co-operation of the Port of Jersey, Jersey Coastguard, and Grouville Parish.

There followed two days of gradual progress up the beach as spring tides helped place the Enterprise at her optimum position for off-loading the cable. With a tidal window of just four hours, this finally happened on the Sunday afternoon of 15 June, 200m from the seawall at Long Beach and the car park where the transition bay to the land cable is located.

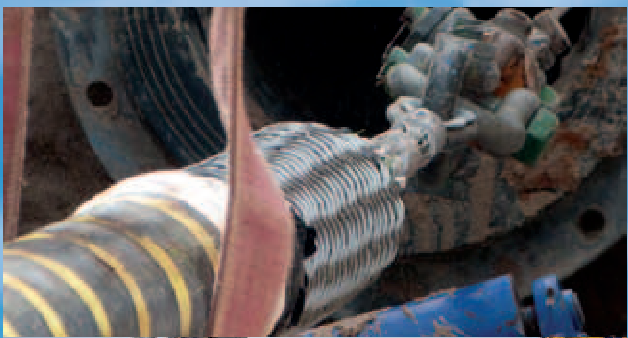
Following the falling tide out to the stern of the Enterprise, the cable was lowered to the GPC operatives at 2pm and secured by a quadrant that had been sheet piled into the sand. With a second quadrant held aloft by tracked excavators and a line of rollers in place, over 500m of cable was hauled away, more than enough to reach the transition bay. The operation was completed in just 120 minutes, allowing the team on board to cut the cable and seal the ends ready for the final hand-off at 4am the following morning.

At 9am, with the cable end secured away from the stern of the Enterprise and the tugs alongside her on the high tide, the beach anchors were released, tow wires secured and the giant barge, minus 32km of cable, eased away from Grouville. She sat in safe water while all equipment was sea-fastened and the beach anchors recovered before departing Jersey waters early the following day for Rotterdam. From there the remaining 3km of cable was taken for safe storage at the CIEG's dedicated strategic cable store in Dordrecht, alongside 1,400 metres of N2 and 1,700 metres of GJ1, from where it is easily accessible should it ever be required for a repair.

Meanwhile, the GPC beach team set about pulling the cable to within 50 metres of the duct that had previously been horizontally drilled under the sand dune leading to the transition bay. At low tide on Thursday 19 June, in a precision operation using rollers, diggers, slings and quadrants, which protect the bend radius of the cable, the team performed the giant equivalent of threading the eye of a needle. After 32km the 2,500-tonne cable met the ducting inch perfect and was winched through it into the transition bay ready for jointing to the land cable.

All that remained was to plough the cable into the beach from where it emerged from the seabed. In another textbook operation, GPC completed the task in four hours. In one smooth action, the plough made a two-metre-deep furrow and one excavator fed the cable up from the rollers on to the plough share while two other excavators helped pull the plough up the soft sand.

> "After 32km the 2,500 tonne cable met the ducting inch perfect and was winched through ready for jointing to the land cable"



South Hill Switching Station

Underground from Périers to South Hill

Of course, the N3 circuit comprises far more than the subsea cable. Extensive land works and equipment installation were on-going on both sides of The Channel long before, during and after the subsea installation, co-ordinated simultaneously in differing locations.

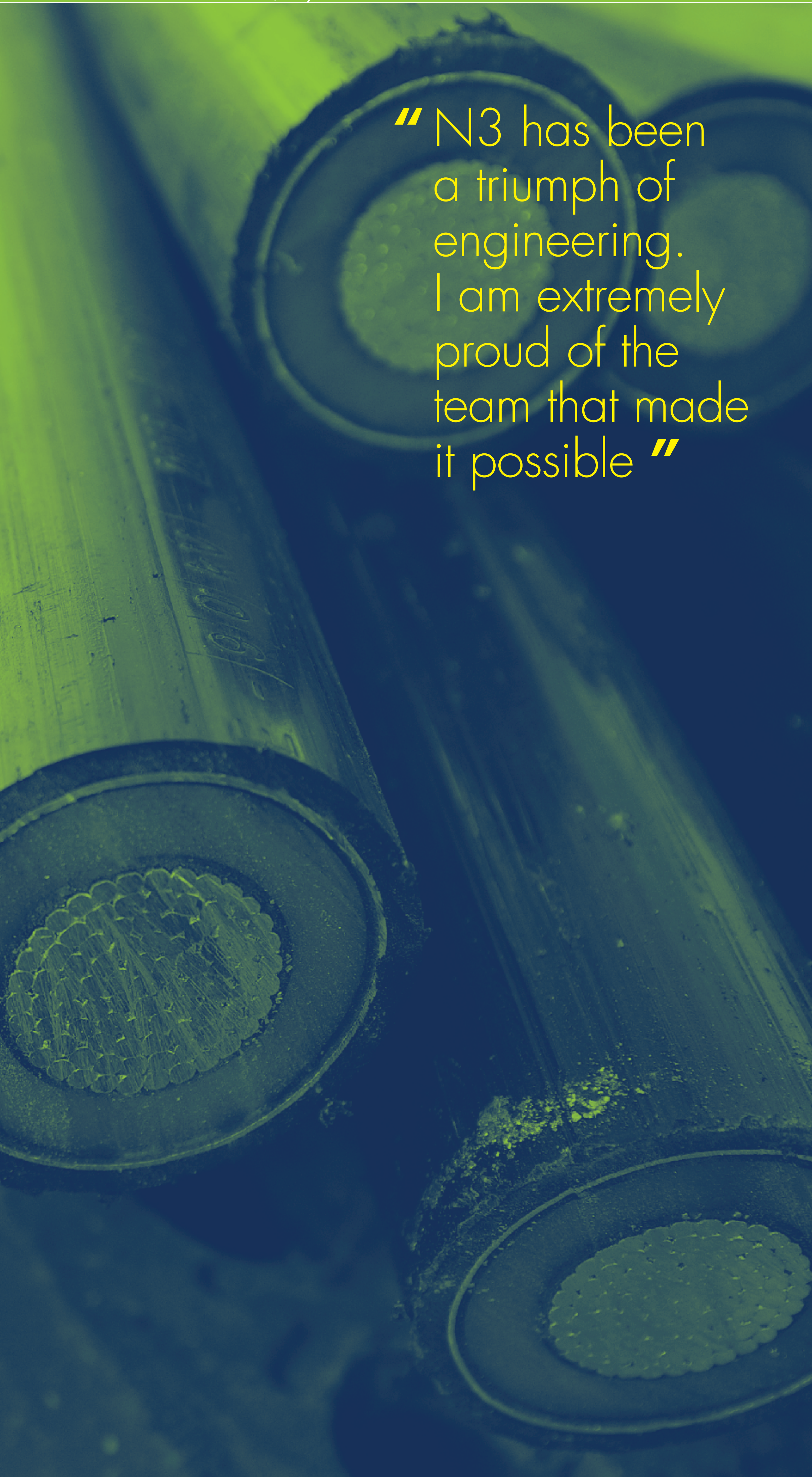
Prysmian UK subcontracted the Jersey civil works to local contractors Jayen Ltd who began work on the 7km route from Long Beach to South Hill Switching Station, St Helier, where N3 connects to our network, in March 2013, trenching and duct laying, to minimise traffic disruption and ease future replacement. The route was chosen to obtain separation from existing 90kV cabling to the north which helps to maintain network security. In addition, pre-installed ducting enables the cable to be 'pulled through' later in longer lengths, reducing 'jointing' and preserving the integrity of the cable. Only five joints, excluding connections, were needed on the route.

The 90kV land cable was delivered from Prysmian's factory in Gron, France, in December 2013. Work pulling the cable through started in March 2014 and work jointing the subsea cable to the land cable began on 7 August.

South Hill Switching Station, opened in April 2012, was designed to be the connection point for N3. Works preparing the facility for N3's regulator commenced in February 2014 and the installation was completed in August. Correspondingly, at Périers, an entire new switching station had to be built and equipped on the site of RTE's new 90kV substation. These works and the installation of the 19km French land cable was a turnkey project by RTE with whom our engineers have had a close working relationship since 1984 when our first interconnector was installed.

Once we had reached agreement on the type of equipment to be installed in France, in August 2013, RTE made excellent progress on several fronts. With the entire N3 circuit completed just 21 months after planning consent was given, the project entered the delicate commissioning and testing phase. Our engineers worked tirelessly on both sides of The Channel for several weeks to ensure the circuit could be successfully switched on by the 23 September, ahead of schedule and crucially before the onset of winter.

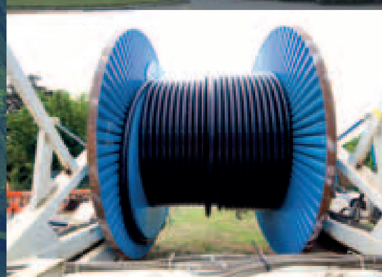
N3 has been a triumph of engineering. I am extremely proud of the team that made it possible and I thank them and our contract partners RTE and Prysmian Group for their efforts in achieving this in our 90th anniversary year.



"N3 has been a triumph of engineering. I am extremely proud of the team that made it possible"

Above: The 400kV substation deep in the French countryside is the connection point for Normandie 3 to the French network. The 19km route to the coast is all underground for added security in the transition.

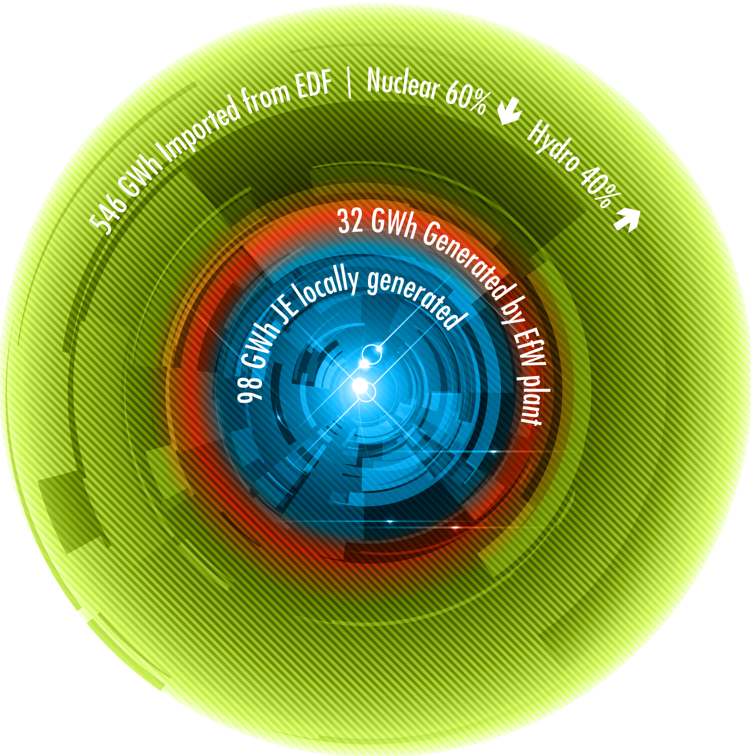
Below: Here in Jersey, the regulator arrived at South Hill in May and the subsea cable was jointed to 7kms of land cable in the transition bay at Long Beach car park by a specialist team of jointers from Prysmian.



ELECTRICITY SOURCES 2013-2014

ELECTRICITY SOURCES IN %

Year	JE	EfW	Import
		+1.0%	+4.8%
2008-09	6.6%	0.9%	92.5%
2009-10	5.9%	0.6%	93.5%
2010-11	1.8%	2.6%	95.6%
2011-12	2.5%	5.2%	92.3%
2012-13	20.7%	3.9%	75.4%
2013-14	14.9%	4.9%	80.2%
	-5.8%		



Generation

The successful installation of Normandie 3 has as anticipated, lead to the scaling back of generation at La Collette Power Station but our continued investment in and maintenance of this on-Island generation facility has proved essential this past two years, enabling us to maintain supplies pending the final stages of the N3 project.

Diversity of supply ensures security of supply and our earlier upgrades of La Collette plant, including the £12m project in 2012 to install two 11MW replacement Sulzer diesel generators, was money well spent – an investment in long-term security over short-term profits.

La Collette, coupled with our fast-start gas turbines located at our Queen's Road headquarters, offer sufficient locally generated power in Jersey, in excess of our all-time record peak winter demand of 161MW (power levels which the Island demands for only a few hours each year). During this financial year, with only N2 in service, we generated 15% of our electricity on-Island (compared with 21% last year and only 2% pre-loss of EDF1) and we imported 80% of our requirements up from last year's 75% as a milder winter resulted in a lower demand and a reduced need for local generation. The balance (5%) came from the States-run Energy from Waste plant.

Now we have two supply cables connecting to separate parts of the French grid and a third one planned for 2016/17, the risk of supply disruption is vastly reduced. The last two years, however, have been a clear demonstration of the importance of maintaining on-Island generation. We therefore plan to continue to maintain La Collette as insurance against future importation issues in accordance with our security of supply standards, notwithstanding the cost of doing so. La Collette will be a smaller, leaner and more flexible facility going forward, with an emphasis on fast-start generating plant. As well as an emergency back-up, La Collette has been designed to allow power trading into the French market as and when conditions allow. We hope that participating in such markets could reduce the costs of maintaining the facility in the future.

Transmission

Since the repair to the Jersey-Guernsey cable (GJ1) in 2012, we, along with Guernsey Electricity (GEL), have carefully monitored the performance of this sole inter-island submarine cable. Regrettably, this year we have observed continuing deterioration in the fibre optics of the cable, which we believe could lead to the failure of the power system in a similar process to that which catalysed the 2012 fault. As a result, we have agreed that a pre-emptive repair be performed in January 2015. The repair takes advantage of the availability of a suitable vessel at relatively low cost when used with the Channel Islands Electricity Grid's (CIEG's) recently developed Power Cable Maintenance Agreement (PCMA) with Dutch cable installation specialists Visser and Smit Marine Contracting (VSMC) now VBMS (VolkerWessels Boskalis Marine Solutions). Jersey Electricity's share of this cost is £1.8m and suitable provision has been made in our Group results. CIEG is presently seeking permissions to install a second cable between the islands as soon as possible.

Distribution

The continued slowdown in the building trade has contributed to a 5% decrease in the number of new services being connected although the number of switching operations has remained the same as the previous year. This reflects the continued emphasis on asset replacement and maintenance as well as network reinforcement projects.

Overall, we installed almost 6MVA of new transformer capacity, around 27km of new cable, five new substations, 24 refurbished substations and 756 new services. We maintained 154 substations and patrolled almost 21km of overhead line. Substations under Jersey Electricity's management now number 760.

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

SmartSwitch

Our Smart Meter project, which was delayed in 2013 due to the uncertainty surrounding the standards in the UK's Smart Meter programme, has made good headway this year. Our meter supplier, Secure, has now supplied sufficient quantities of our new, chosen Liberty Smart Meter to facilitate adequate testing. This has started and will continue in the New Year, with full roll-out expected to commence in 2015. We now have 10,320 Smart Meters installed.

Local Data Concentrators (LDC) have been installed in all required substations and we continue to install and develop our own wide area network to communicate with LDCs over the distribution pilot cable network and fibre optic network. We have also developed a GPRS solution for communication to LDCs in conjunction with our partners Horstmann and Airtel.

The Meter Data Management warehouse, which will be able to take all the data provided by the new Liberty Smart Meter and our existing Horstmann Mainscom Smart Meters, is now complete. This consumption data will enable us to more efficiently map usage at the same time as enabling us to optimise and better maintain our distribution network.

The first phase of our exciting web-based customer interface Smart Account that we have developed with Swiss Post is also complete and undergoing final testing. Used in conjunction with our new Smart Meters, the Smart Account will enable customers to access and view their electricity consumption data, payment status and manage their account online. This web-enabled platform will also assist our customers to make informed decisions on how they can save energy and save money. This integrated system promises to transform our metering and billing operations, improve the efficiency of our metering system as well as create new opportunities to add more value to customers.

"We seek to meet EU legislation and in many cases exceed it"

PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES

ECO-ACTIVE BUSINESS LEADER

eurelectric

We are acutely aware that as a generator, distributor and supplier of energy, our influence on the environment is significant. By making 'sustainability' part of our business ethos, we do everything possible to make sure that influence is a positive one. We strive to reduce our environmental impact through three main channels; one, by helping our customers reduce their impact on the drivers of climate change by supplying them with low carbon power; two, by helping them reduce their overall energy consumption by using it more efficiently; and three, by improving our own business activities to reduce our indirect impact on the environment.

This year is the first full financial year calling off power under our new 10-year supply agreement with EDF. This arrangement guarantees that all imported electricity is generated exclusively from low carbon, nuclear and hydro-electric sources. Although it will be next year before we will enjoy the full benefits of Normandie 3 (N3) and return to full import capacity, 40% of our total imports of 546GWh this year came from pure hydro-electric sources.

The result is that our average carbon emission level this year was 144 g CO2e/ kWh compared with last year's level of 225 gCO2e/ kWh notwithstanding the restricted imports and additional oil-based on-Island generation. Next year, with the benefit of N3 in service, we expect this figure to significantly reduce further.

We work closely with the main European electricity industry group, Eurelectric, as well as other small island electricity companies, to respond to changes in EU environmental legislation on *Best Available Techniques for Power Stations*. Where possible and practical for an island system, we seek to meet EU legislation and in many cases exceed it.

We use the DEFRA '*Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance'* to voluntarily report our Green House Gas Emissions, in line with the *Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013*, and our assessments are reviewed by an independent third party.

These reportable Green House Gases are:

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

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

Following a British Safety Council 5-Star environmental pre-audit in 2012, we have taken steps to implement an Environmental Management System (EMS) which our Health, Safety and Environmental Engineer is dedicated full-time to applying throughout the business, aided by our Facilities Management Team. Our first full audit will be in 2015.

Energy saving measures and the installation of the largest photovoltaic (PV) array in the Channel Islands at the Company's headquarters have resulted in a reduction in electricity consumption from 5,000 units a day to around 3,300 - a 30% saving on the site. We have at the same time reduced our water consumption by around 35%. This year we have also installed a more sophisticated 'metering array' that separates supplies, helping us target specific areas for further reductions. We have also extended LED lighting throughout our Retail store and Distribution block as we work towards our overall target of a 50% combined reduction in water and energy use by 2015.

We have introduced voluntary environmental initiatives in which staff have undertaken beach cleans under the guidance of the Island's leading professional ecological consultancy. We hope to build further on this and other related activities by staff in the coming years.

Renewables

Jersey Electricity remains committed to exploring whether and how new renewable technologies could be deployed in Jersey that may simultaneously benefit the Island community and economy as well as have merit for the Company.

We believe tidal stream and barrage technology is some way from commercial viability and still high risk. However, from the extensive work completed so far, we are clear that Jersey has a considerable offshore wind resource and accessing this is both lower risk and closer to being economically viable. However, significant work must be done to capture this opportunity and our ability to access the necessary EU financial support could be time limited given the pace of development in the UK and on the Continent.

We continue to work closely with States of Jersey officers and politicians to help develop a partnership model that might unlock this potential resource. In particular, we welcome the recent approval by the States of the Energy Plan which sets out a clear commitment by the States to explore large scale renewables. With new States Members in place, we look forward to developing this further in the coming year.

In the meantime, we continue to explore other renewable technologies in parallel, including small scale onshore wind, as well as solar photovoltaic technology. While the scale of the opportunity for onshore wind in Jersey is limited due to the lack of suitable land and planning issues, we are more bullish about the prospects of deploying solar PV. This technology is not viable without subsidy and has other issues but it could play a role in our on-Island power generation portfolio since our security of supply standards require Jersey Electricity to maintain a given level of on-Island generation capacity.

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

CUSTOMER SERVICE STANDARDS

We are conscious that as the sole supplier of electricity in Jersey we have a huge responsibility to continually challenge ourselves to deliver great value. Our customers rely solely on us and that is why meeting their present and future needs is at the heart of everything we do. Customer satisfaction with our services, product choice and competitive pricing - and being able to demonstrate that satisfaction - is crucial to maintaining our position and defending ourselves against detractors.

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

Our Customer Charter and revised Service Standards, introduced in April this year, set out a series of promises and commitments on what customers can expect from their interactions with us. This includes all areas of the business and not just our dedicated, highly experienced Customer Care Team.

Following on from these twin initiatives we have this year launched a new, specially designed Microsoft Customer Relationship Management System (CRM) to more robustly measure our performance and track our interactions against the Charter and Service Standards. All three are inextricably linked to our Purpose, Vision and Values work, encouraging greater customer focus, excellence and reliability, while streamlining our interactions with customers in a seamless way.

The system, designed for us by Corefocus and Jendev, links customer interactions of all departments. The new software integrates with our core enterprise system Navision giving us a much clearer view of how we are performing.

Any customer enquiry is logged with a unique 'case' reference number, at points throughout the Company. Though Customer Care deals with over 90% of enquiries, now, when they pass on a query they can't immediately address, the relevant department is also measured against these criteria.

To provide further insight into our customers' needs and assess how we can further improve our services and performance we work with a specialist analytics company to undertake an annual market research study of both domestic and commercial customers. This year's overall customer service average rating of 7.60 is deemed 'very good'. It is an improvement on the previous year and places us higher than several high-profile benchmark organisations.

The overall customer service average rating encompasses:

- Clarity of bills
- Speed of response in dealing with a technical problem
- Helpfulness in dealing with telephone enquiries
- Helpfulness of showroom staff
- Support in bill payments
- Regular advice on energy conservation and
- Regular information on Jersey Electricity as a company

While our overall rating is important, the primary survey results comparing electricity heating against oil and gas heating, as well as our service quality and delivery of our general electricity supply, are particularly useful in support of business planning, marketing and resource allocation which, overall, help us to enhance customer service.

58%

OF OUR RESIDENTIAL CUSTOMERS WERE EITHER SATISFIED OR VERY SATISFIED WITH RUNNING COSTS

Running costs

As household incomes have remained fairly static in Jersey over the past four years, not surprisingly, energy price and affordability remain customers' main concern. Of those surveyed, customers using electricity as their primary heat sources were most happy with their running costs, with 58%, an increase of 5% on last year, either 'satisfied' or 'very satisfied' compared with 30% of gas users and 43% of oil users. 46% of gas users and 29% of oil users were 'dissatisfied' or very dissatisfied' with their running costs compared with just 20% of electricity users.

OVERALL CUSTOMER SERVICE RATINGS 2009-2014
SOURCE: ISLAND ANALYSIS

Comfort levels

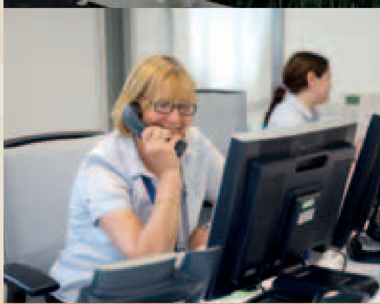
When it comes to heating comfort levels, there was little change in satisfaction levels from previous years, 80% of electricity users, 59% of gas users and 69% of oil users said they were either 'satisfied' or 'very satisfied' with their system.

Customer service and technical support

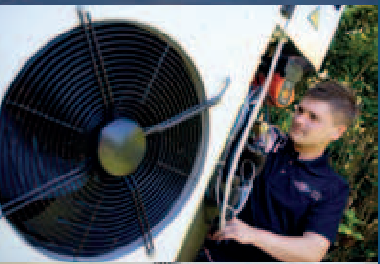
Similarly, little change was seen between the three fuel types in the satisfaction levels for customer and technical support service.

In addition, the customer experience visiting us in person has been greatly improved with a newly refurbished and modernised Customer Care and Business Reception area at our Queen's Road headquarters.

Also, many small customer focused outputs from our Purpose, Vision and Values workshops have already been implemented, enabling staff to make a difference from the ground up.



Our new modern Customer Care reception is a window for electric heating options while our new CRM system helps advisers channel enquires.



COMMERCIAL BUSINESS

Building Services (JEBS) and Energy Solutions

By growing our position and influence in energy services and solutions we will strengthen our relationships with customers 'beyond the meter'. To this end, we appointed a new Head of Commercial Services with responsibility for our contracting business, Jersey Electricity Building Services (JEBS), and a small new team focused on growth and solutions called Energy Solutions.

Our Energy Solutions team aims to grow the market for electricity by designing and developing compelling propositions across a range of applications, such as heating / cooling, cooking, and transportation, that fit the domestic and commercial markets – new build as well as retrofit. In particular, we hope this work will help build 'off-peak' load for our Energy business by switching customers from fossil fuel heating systems to electric options. The new Solutions team is already actively engaged with States of Jersey departments, developers and proprietors of higher energy private properties such as hotels, restaurants and leisure clubs where we believe there is a significant opportunity for customer savings and energy conservation. We are also engaging with new technology providers to assist in the development of customer propositions.

The aim of JEBS is to participate broadly in service delivery by securing works contracts, including installation, maintenance and repair and related services around new technologies such as renewables. While continuing to provide electrical and mechanical services, including public lighting, refrigeration and air conditioning, to residential customers, businesses and public sector organisations, JEBS is leveraging its core skills by expanding its contract maintenance services, facilities management and energy efficiency services. The installation team continues to support marketing initiatives and the Energy Solutions team that encourage fuel switching.

Overall, the contracting market is intensely competitive, with JEBS marginally loss-making off a similar revenue to the prior year although there are signs of increased activity going forward as JEBS builds for the future.

We intend for Energy Solutions and JEBS, which is itself undergoing re-structure and re-branding, to be at the forefront in the application of new, energy efficient technologies such as induction cooking, the latest 'lifestyle' storage heating, heat pumps, hybrid heat pumps, micro-renewables and LED lighting to further penetrate fossil fuels.

Retail

The major restructuring and rebranding process initiated towards the end of the last financial year was completed in February. Reducing staff numbers, changing terms of employment, simplifying our lines and improving our store layout and shopping experience has helped to improve our cost structure and efficiency although this has yet to fully materialise with improved trading performance. The restructured business and an enhanced online offering at powerhouse.je brings together all sections of the original business under a single brand, with next day delivery or 'click and collect'. In addition, around a half of the original retail floor space was let to a new tenant, SportsDirect.com, in May which has had a positive impact on footfall onto the site.

Retail revenues for the year were £11.4m, 6% down on last year and business marginally loss making. We expect the actions taken this year will lay the foundation that will help us compete more effectively with local competitors and UK online retailers going forward. That said, conditions remain challenging.

Jendev

Jendev, a Microsoft® certified Dynamics NAV™ Partner specialising in software development for small utilities, is a key in-house asset for Jersey Electricity and continues to be an important element of the Group's portfolio.

The sale of Foreshore to telecommunications company Sure (Jersey) Ltd, (which relocated all of its Jersey-based staff to the Queen's Road site), precipitated a move to a new office for Jendev's team. The opportunity was also taken to refresh Jendev's branding as the unit moves forward through a period of renewal and repositioning. Jendev's new logo and strapline *'Powerful Billing Solutions'* clearly reinforces its core focus on utility billing.

Jendev has played a crucial role in Jersey Electricity's major Smart Metering project SmartSwitch. Preparations for the roll out of Smart Meters and its related infrastructure have included automation of the meter change-out process, with data being transferred to and from hand held devices in the field. This project has also included development of a data warehouse to enable aggregation and analysis of electricity consumption data both at an Island-wide level and for individual customers.

Jendev serves external utility customers in Guernsey, the Isle of Man and the UK and again achieved revenues of over £1m this financial year. Once re-launched, Jendev will seek 'sustainable growth' in export markets via the Microsoft Partner Network. Apart from Jersey Electricity's SmartSwitch project, Jendev will play a leading role in the upgrade of Jersey Electricity's enterprise system, Navision, next year.

Jersey Energy

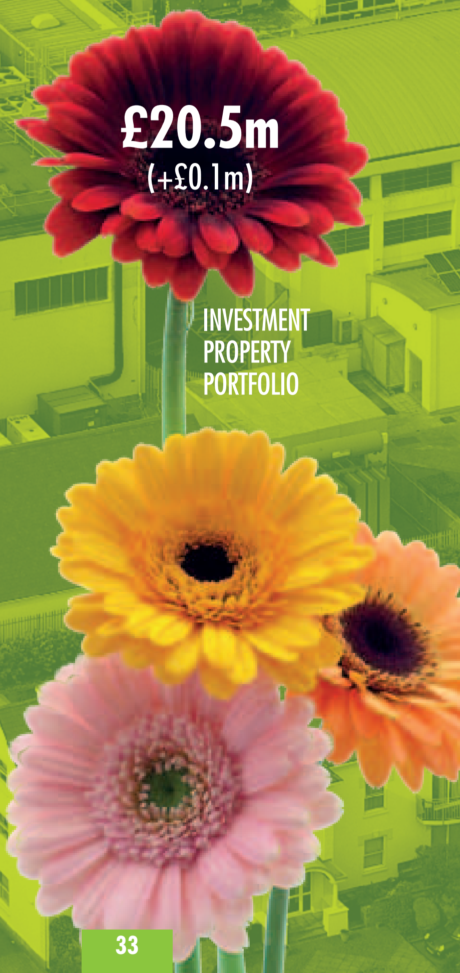
Jersey Energy and its Guernsey office, Channel Design Consultants (CDC), our Building and Environmental Design Consultancy, has maintained a strong market position in 2014. It returned profits ahead of expectations and has secured significant, high value commissions for the year ahead. Staff have worked closely with new and existing clients, continually improving the service and maintaining Jersey Energy's reputation as a leading consultancy within the Channel Islands. This, in turn, has led to repeat business.

To stay at the cutting edge of building design technology, investment in staff training and development is crucial. To this end the business has further developed its skills in 3D modelling and visualisations with stunning results that have led to new opportunities and commissions.

In addition, a new strategic alliance with a large off-Island consultancy practice has enabled Jersey Energy to secure appointment for several large projects due to commence in 2015. This will help develop the business and its processes, enabling it to offer services for larger projects going forward.

Property

Our Property business comprises the Queen's Road Retail Park in Jersey, which includes a B&Q store and a large medical centre, as well as legacy residential property, originally built to house staff. Last year we reported that we were in active discussions with a major UK retailer, which we subsequently announced was SportsDirect.com. We were delighted to sign a new tenancy agreement with SportsDirect.com for around half of the ground floor space used previously by our own retail business. In addition, with the sale of our shareholding in offshore data hosting business Foreshore to Sure, the local telecoms operator decided to relocate its Jersey office to our Queen's Road site with a resultant increase in leased floor space and rental income. Overall, the business saw profits fall slightly from £1.6m to £1.4m, excluding the impact of investment property revaluation, largely reflecting movements in tenancy arrangements. Our investment property portfolio was revalued upwards by £0.1m to £20.5m this year.



The Production Team which marked five years without a Lost Time Accident (LTA) in January - a significant achievement considering the nature of their work and increased workload since La Collette was re-mobilised in 2012

HEALTH AND SAFETY

Safety is one of our six core values and a subject we take very seriously: *We do everything safely and responsibly or not at all – nothing is more important than the safety of the public, our customers and our staff.*

We are immensely proud of our Health and Safety culture. We employ over 330 people across the Powerhouse and La Collette Power Station, with many engaged in hazardous activities and we contract a number of third parties to carry out work. Contractors in particular can pose significant Health and Safety risk if not properly managed. Our Normandie 3 project posed risks on land and at sea and I am delighted that this major project, involving many international contractors and other parties, was successfully completed without incident.

As well as project work, our reliance on La Collette has meant steam, diesel and gas turbine assets have had to be safely operated and maintained throughout the year, activities that represent some of our most material risks in our business. I am therefore delighted to report that our Production Team marked five years without a Lost Time Accident (LTA) in January. This is a significant achievement considering the nature of their work and increased workload since La Collette was re-mobilised in 2012. Regrettably, our company-wide zero LTA record of three years had to be reset in June after two employees suffered injuries that required hospital treatment. Fortunately, the injuries were not major and the people involved made a full recovery.

These events are a reminder that we must never be complacent as our work places us at an increased level of risk to accident every day. Our approach is to be flexible and 'risk based' in the assessment and implementation of Health, Safety and Environmental (HSE) considerations. The HSE team also monitors key developments, legislation and best practice in areas relevant to us, taking guidance, where necessary, from the Health and Safety Inspectorate in Jersey and the UK's Health and Safety Executive. We take every opportunity to learn from the mistakes of others. We use the accident reports of UK Trade Associations applicable to generation and network operations to identify unknown hazards and risks in our business and take action to ensure such incidents do not happen in Jersey Electricity.

Our culture is to ensure all staff are fully competent in the work we ask them to do by offering focused and often nationally recognised training, complemented by supervised on-job experience. All employees are trained to recognise their own limits of competency and apply that to the flexible work culture. They are also expected to proactively identify hazards and take action to mitigate those hazards so that the risk of injury or damage is removed or reduced to an acceptable level. Help is always on hand from the HSE team to support hazard identification and risk mitigation. The team works with Senior Management to develop strategies for addressing issues in a timely manner. Safety representatives are appointed 'champions' within operational teams to help create the conditions and culture for safe working among all staff and contractors. This year 198 staff attended a total of 14 different courses related to health and safety.

Each year we produce a HSE plan that identifies our aims and determines how they will fit in with our business objectives. Governance is provided by various HSE committees and includes a forum for direct and unfettered communication between myself and Safety Representatives.

Our commitment to health and safety was recognised for the third year running in September when we were presented with the Jersey Construction Council's Health and Safety Award. This followed last year's British Safety Council (BSC) Sword of Honour and the BSC 5-Star Audit in 2012. Our next audit is scheduled for March 2015 and I hope we retain those Five Stars. My thanks go to all staff but particularly our Safety Representatives for their commitment, passion and professionalism in helping Jersey Electricity create such a positive HSE culture.

BRITISH SAFETY COUNCIL
Sword of Honour 2013 Winner

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

A Lost Time Accident (LTA) is an accident that results in the injured person being away from work or unable to do their normal work for more than seven days in the UK but we at Jersey Electricity apply the more stringent standard of 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.

"We do everything safely and responsibly or not at all..."

SUSTAINABILITY IN THE COMMUNITY

Sustainability defines how we achieve our aims as a business and reflects our responsibility to all our stakeholders. We support the community above and beyond our business activities and we focus that support on sustainable initiatives related to the environment, healthcare and education, especially initiatives which have a long-term benefit.

Though we have long been corporate sponsors of the National Trust for Jersey this year we made a substantial donation to the Trust's Save Plémont Campaign to clear the north coast headland of a derelict holiday camp and restore it to its natural state by removing and replacing old, yet in-service electrical infrastructure, including a substation and cabling. The restoration of Plémont will benefit Islanders today and future generations.

We were glad to be able to repay the community in Grouville in some small way for their co-operation during the install of Normandie 3. BeachAbility enables people with mobility problems to access beaches by the provision of specially designed balloon-wheeled wheelchairs and we were therefore delighted to join the Chefs Tenants of Grouville in funding such a facility at Long Beach where N3 comes ashore.

This year we also participated in the Community Public Access Defibrillator Cabinet scheme. We also supported St John's Ambulance Annual Schools First Aid Competition as well as the Jersey Hyperbaric Treatment Centre. Other healthcare-related charities that receive our on-going support included Jersey Hospice Care, Teenage Cancer Trust, After Breast Cancer Care, Headway, Macmillan Jersey, Urology Foundation, Cancer Research, Jersey Oncology Unit and Family Nursing and Home Care.

We are also corporate sponsors of Durrell, the wildlife trust, Jersey Heritage, Genuine Jersey Products Association and the Jersey Construction Council. In supporting Genuine Jersey we are supporting local producers and craftsmen who put local, sustainably produced products and services at the heart of their enterprises. As sponsors of the JeCC Sustainability Award, which was won by Morris Architects for the second successive year for another energy efficient refurbishment of the States housing, this time La Collette High Rise, and the Jersey Enterprise Environmental Award, which was won by Creepy Valley Adventure Park, we are recognising and rewarding those businesses that strive to preserve and protect our Island environment.

We also support our schools and students through Trident, Advance To Work, Undergraduate Work Experience and our own Apprentice Scheme. The Jersey Electricity Bursary Award Scheme is an extension of our commitment to the Island's youth.

Our staff, individually and collectively, raise a great deal of funds in support of local charities which the Company have matched. This year a monthly Staff Charity Draw has encouraged the collection of around £3,000 for staff-nominated charities. A team of 10 came third in a round-Island sports relay, raising over £1,000 for the drug and alcohol dependence charity, the Silkworth Group and our Charity Committee does marvellous fund-raising work throughout the business.

To us, sustainability means meeting our responsibilities, professionally and socially, over the long-term by investing in our people, our community, our environment and our business.

Top clockwise: Presenting the BeachAbility wheelchair, backing staff with the Across Group taking people to Lourdes, Jersey Enterprise Environmental Award, some of our Silkworth Challenge team, the annual Jersey Swimarathon, St John Ambulance Annual Schools First Aid Competition

Awards for Enterprise

JeCC jerseyconstructioncouncil

Jersey Hospice Care

Family Nursing & Home Care Established 1907

Product of Jersey Genuine Jersey

durrell

ECO-ACTIVE ENERGY EFFICIENCY SERVICE

Beach Ability

WE ARE MACMILLAN. CANCER SUPPORT

Jersey Trees for Life

Silkworth Charity Group

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

OUR PEOPLE

This year we celebrated our 90th anniversary, bringing an opportunity to reflect on the progress of the business since it was incorporated on 5 April 1924. Few companies are able to boast such a proud history and story of success that is Jersey Electricity; consistently creating demand for electricity and delivering it. Throughout our nine decades it is our people that have made that success possible. As the sole provider of electricity on a small and yet sophisticated island, our responsibility to customers is huge. We can only meet this responsibility with the loyalty, dedication and flexibility of well-trained, competent staff.

During the year we re-set our Purpose, Vision and Values (PVV). This was cascaded to all staff via workshops during which we invited staff to discuss how their role supports the Vision and to share ideas for how we might better deliver that Vision. I was immensely impressed with the quality of the ideas generated from across the business, many of which have already been implemented.

This year, like last, provided several examples of great teamwork, dedication and commitment. The delivery of Normandie 3 was a huge success to which many contributed, both from within our Energy business and across our support functions. Crucially, the project was achieved ahead of plan and below budget while continuing to meet present customer needs.

Retail staff had to face the challenge of a major re-structure and I am proud of the commitment they have shown since those difficult but necessary decisions were made. Similarly, our Building Services team are currently undergoing changes in their working practices following a new management structure.

The year saw the presentation of nine of long service awards – seven for 21 years' service and two for 40 years' service. At the year end, we employed 333 people across the Group of which 289 were full time and 44 part time. Staff turnover level is at a low level of just 4% and we also enjoy a low sickness rate of 2.7%. Average age is 43.5 and average length of service is 15 years.

While our many long-serving staff bring experience and essential skills to the business, succession planning is essential to maintain a first class service, particularly given the heavy technical content of many roles. We are also acutely aware of our aging workforce and the need to continually focus on investment in training and development. We have refreshed our succession plans and paid particular attention to mitigating actions to cover the loss of key staff. We also continue to invest in graduate and apprentice sponsorships. Training and development was raised during several PVV workshops and we can and will do more. Following the appointment of a new HR Director we expect to resource a new Training and Development Manager to drive this forward.

Our collective objective is to keep our customers supplied with reliable, affordable and sustainable electricity. Staff pride themselves on 'keeping the lights on' and everyone has played their part this year while ensuring the delivery of many important projects. My sincere thanks go to all staff.

OUTLOOK

The year 2013/14 has been a pivotal one for Jersey Electricity. The installation of Normandie 3 (N3) crucially restores importation capacity and a more sustainable cost structure. But our Group of businesses has delivered much more. We have restructured our Retail business powerhouse.je; we have reorganised and refocused Building Services (JEBS) and seeded a new team Energy Solutions; we have secured a new tenant, SportsDirect.com; we have successfully divested Foreshore, bringing Sure to our site as a new tenant; we have started work on the important St Helier West primary substation and made considerable progress in our Smart Metering project SmartSwitch.

Through our Purpose, Vision and Values work we have re-set and cascaded a new strategy built around services, growth, Smart infrastructure and putting customers at the centre of everything we do. The next few years will remain challenging but we have secured the building blocks that will enable our development.

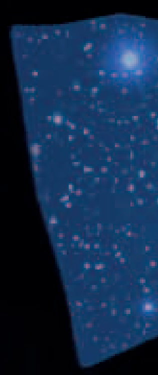
On the supply side, we focus our attention to Normandie 1, our fast-track replacement for EDF1, to be tackled in partnership with Guernsey Electricity. We look to further enhance and refine our generation assets, focusing on response times and asset and system reliability. Going forward, La Collette Power Station will revert to standby mode as we explore the potential for participation in export markets.

On the demand side, we expect to build on the actions we have started on unit sales growth. Energy Solutions and JEBS will have important roles in this, as will our energy and buildings advisory business, Jersey Energy. We also expect to launch SmartSwitch, a huge, multi-year programme that will introduce efficiencies in many parts of the business and create value for customers. Energy efficiency will continue to pressure sales; our focus on growth seeks to offset this and sell out the lower cost capacity restored by N3. We expect advances in electric vehicles to encourage uptake in the local market and we hope the States of Jersey commit resources to help facilitate this. Large and small scale renewable technologies are improving and Jersey Electricity is well positioned in the energy supply chain to develop all of these new technologies.

The Energy Plan has been endorsed by the States of Jersey and while it poses potential threats, it also raises many opportunities. It is hard to see how the Island authorities can deliver the Plan's goal to reduce carbon emissions by 80% by 2050 relative to 1990 without electricity playing a major role.

Our other commercial businesses, Powerhouse.je, Jendev and Jersey Deep Freeze will have their challenges but have shown a willingness to make tough decisions for long-term good. We hope that signs of an upturn in the economy will continue.

This year we celebrated 90 years during which our Company has consistently grown demand for electricity and met that demand. We remain excited by the opportunities across all our businesses and, most importantly, the opportunity to serve our community and create value for customers over another 90 years and beyond.



Chris Ambler
Chief Executive
17 December 2014

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

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Group Financial Results

Key Financial Information	2014	2013 (restated)	% movement
Revenue	**£98.4m**	£102.3m	(4)%
Profit before tax	**£6.5m**	£5.4m	21%
Earnings per share	**16.10p**	13.27p	21%
Dividend paid per share	**11.80p**	11.25p	5%

Group revenue for the year to 30 September 2014 at £98.4m was 4% lower than in the previous financial year. Unit sales volumes of electricity were 6% lower than last year due to mild weather with Energy revenues falling 3% to £79.5m as tariff rises reduced the impact of the units shortfall. Turnover in our Retail business decreased by 6% from £12.1m to £11.4m. The floor space utilised by the business was reduced as a substantial proportion was let to an external tenant from May 2014. Revenue in the Property business, including internal sales, fell from £2.9m to £2.6m mainly linked to changes in tenancy arrangements during the year including our disposal of Foreshore. Revenue in Building Services (JEBS), including internal sales, rose 3% from levels experienced in 2013 to £4.2m. Turnover in our Other Businesses, including internal sales, remained at £3.2m.

Cost of sales fell £7.5m to £68.5m associated mainly with the milder weather experienced this year compared with a colder than average comparable year in 2013. **Operating expenses excluding exceptional costs**, at £20.1m, were marginally lower than in 2013.

Profit before tax for the year to 30 September 2014 rose 21% to £6.5m from £5.4m reflecting a recovery in our Energy business. As indicated at the half year we expected to incur exceptional costs of around £0.6m and £1.2m in restructuring our Retail business and exiting our investment in Foreshore Ltd respectively. In addition, a £1.8m provision was made for our share of a preventative repair to the interconnector between Guernsey and Jersey which is scheduled to take place in January 2015. The cable which was repaired in 2012, has been showing similar issues to those experienced two years ago and the CIEG is currently also seeking permissions to lay a replacement cable as soon as possible. The 2013 profit figure was restated downwards by £1.1m to reflect the adoption of a new accounting policy to comply with changes to the revised International Accounting Standards revised (IAS) 19, "Employee Benefits", in respect of pension costs as highlighted in our 2013 Annual Report. The charge of £1.3m in 2013 was re-stated as £2.4m as explained in more detail on page 45. Profit before tax pre-exceptional items, and post the re-statement of the 2013 pension costs, rose from £5.9m last year to £10.0m in 2014.

Our Energy business saw unit sales volumes down 6%, falling from 663m to 621m kWh, due to a combination of the temperatures being above the seasonal norm last winter and the corresponding period in the 2012/13 financial year being particularly cold. Each of the six winter months in this financial year experienced higher temperatures than its corresponding month in 2012/13 and were at, or above, the long-term average level. Despite lower unit sales, profits in our Energy business rose from £3.2m, post the prior year re-statement of pension costs, to £8.0m a level commensurate with the recognised rate of return required to support sustainable investment in infrastructure assets. Two main factors contributed to this increase in performance – lower generation using expensive oil, and the impact of tariff rises. As reported previously, until the new interconnector to France was commissioned, which occurred at the end of this financial year, we have been capacity constrained on importation and reliant on a heavier mix of more expensive on-island oil-fired generation, particularly in winter, when volumes are higher. In the financial year we generated 15% of our electricity on-island (compared to 21% last year) and imported 80% of our requirements from France (up from 75% in 2013). The remaining 5% of our electricity came from the local Energy from Waste plant against 4% in the same period in 2013. The Energy revenue, and profitability, was also aided by an average 1.5% increase in customer tariffs from 1 April 2014 and the full year impact of the tariff increase in January 2013. In spite of these price rises, our tariffs continue to remain competitive with other jurisdictions.

Profits in our Property business, excluding the impact of investment property revaluation, fell from £1.6m to £1.4m with changes in tenancy arrangements being the main driver. It has been a positive year with 11,000 sq ft of space previously used by our internal Retail business (Powerhouse.je) now being let to a UK retailer with a good covenant (SportsDirect.com). In addition, with the sale of our shareholding in Foreshore, we now have the local telecom operator, Sure (Jersey) Ltd, as tenants with a larger footprint than previously let. Our investment property portfolio was revalued upwards by £0.1m to £20.5m this year. Our Retailing business had a challenging year with turnover falling from £12.1m to £11.4m albeit the space utilised has reduced. A profit of £0.2m last year moved to a loss of £0.1m. As reported at the half year an exceptional cost of £0.6m was incurred in restructuring the Retail operation as the business has been facing increasing pressure on margins from UK on-line sales into Jersey. The Building Services business produced a marginal loss, being £0.1m behind last year due to competitive pressures on margin. Our other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year. Our shareholding in Foreshore, a data centre joint venture in which we have been involved since 2000, was sold in July and, as reported at the half year, an exceptional cost of £1.2m was associated with this exit.

Interest paid in 2014 was negligible as most of this cost was capitalised up to the date of commissioning of our new interconnector. The **taxation charge** at £1.5m was higher than in 2013 due to higher profits. **Group earnings per share**

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increased 21% to 16.10p (24.26p pre-exceptional costs) compared to 13.27p in 2013 due mainly to an increase in profitability.

Dividends paid in the year, net of tax, rose by 5%, from 11.25p in 2013 to 11.80p in 2014. The proposed final dividend for this year is 7.20p, a 6% rise on the previous year. Dividend cover rose from 1.2 times in 2013 to 1.8 times (and to 2.1 times if exceptional costs are excluded) due to a higher level of profits.

Ordinary Dividends

		2014	2013
Dividend paid	- final for previous year	**6.80p**	6.50p
	- interim for current year	**5.00p**	4.75p
Dividend proposed	- final for current year	**7.20p**	6.80p

Net cash inflow from operating activities at £20.1m was £9.2m higher than in 2013 with increased profitability, and a working capital benefit from a lower level of oil stock, being the main reasons. **Capital expenditure**, at £33.0m rose from £26.9m last year with Normandie 3 project spend at £24.0m being the most material project spend. Net proceeds of £1.6m were received from the sale of assets associated with our Foreshore disposal. **Net debt**, at the year-end was £20.2m being £15.0m higher than last year.

Cash Flows

Summary cash flow data	2014	2013 (restated)
Net cash inflow from operating activities	**£20.1m**	£10.9m
Capital expenditure and financial investment	**£(33.0)m**	£(26.9)m
Net proceeds from assets disposal	**£1.6m**	-
Dividends	**£(3.7)m**	£(3.5)m
Increase in net debt during year	**£(15.0)m**	£(19.5)m

Refinancing arrangements

Jersey Electricity has moved from a period of having cash resources on balance sheet into debt in the last two years due to continued investment in infrastructure assets, and in particular the N3 interconnector to France. In late 2012, a two-year banking facility was established to cover the expected period when the new interconnector was being manufactured and commissioned. It was always planned that when the final project cost and the participation of Guernsey Electricity in the project were clearer that longer-term financing would be put in place to largely mirror the expected life of the assets in which Jersey Electricity was investing. During this financial year a tender process was undertaken to obtain £30m of long-term funding via a private placement. This was successfully completed in April and £15m of 20 year money and £15m of 25 year funding was received in July from Pricoa Capital Group (an affiliate of Prudential Financial, Inc.). This was supplemented with a 5 year £40m revolving credit facility from The Royal Bank of Scotland International Limited which provides flexibility as the timing of further planned capital expenditure is variable depending largely on planning consents in Jersey and in France.

Decommissioning provisions

In the 2013 Annual Report mention was made of potential contingent liabilities in relation to subsea cables. During the 2014 financial year this continued to be a topic which was explored both with the Audit Committee and our external auditor. The Company still believes that it does not have any set obligation to decommission any of our material assets but a risk exists that costs may be incurred in the future. We could potentially incur such costs in facilitating planning applications, for example to install replacement subsea cables on the same routes. The assets concerned are our power station at La Collette, which is leasehold with a current end date of 2056, and our subsea interconnectors to France and Guernsey. None of the assets have a definitive planning or legal obligation to decommission at the end of life but obligations could develop over time, for example, for environmental reasons. There are varying external opinions as to whether subsea cables should be left in place, or removed, at the end of their useful life as over time the interconnector asset becomes an integral part of the marine environment. We had looked at this topic in some depth around ten years ago and reached the same conclusion but it is an area where a watching brief will be maintained going forward.

Treasury matters and hedging policies

Operating within policies approved by the Board and overseen by the Finance Director, the treasury function manages liquidity, funding, investment and risk from volatility in foreign exchange and counterparty credit risk.

As a substantial proportion of the cost base 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 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 1.20 €/£. The average applicable spot rate during this financial year was 1.22 €/£. In addition we also materially hedge any foreign exchange exposure attributable to capital expenditure once planning consents and firm pricing is known.

Interest rate exposure is a new area of potential risk but is managed by the £30m of private placement monies received in July 2014 having a fixed coupon.

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.

The Company generally imports over 90% of the electricity requirements of Jersey from Europe albeit interconnector issues reduced this to 80% in this last financial year. It has jointly purchased this power, with Guernsey Electricity, through the Channel Islands Electricity Grid, from EDF in France. The supply contract allows power prices to be fixed in Euros in advance of decisions being made on customer tariffs. A ten year contract power purchase agreement with EDF commenced in 2013 which combines a fixed price component with the ability to hedge future purchases over a rolling three year period based on a market related mechanism linked to the EEX European Futures Exchange. The goal is to provide our customers with a market based price but with a degree of certainty in a volatile energy marketplace. A Risk Management Committee exists, consisting of members from Jersey Electricity, Guernsey Electricity and an independent energy market adviser and follows guidelines approved by the Board.

In recent years, due to the loss of one of our interconnectors to France, we generated a proportion of our electricity requirements using oil to fuel our on-island plant. We established a policy to hedge around 80% of the oil cost, using a financial derivative product. With the successful commissioning of our new interconnector, the use of generation facilities in Jersey is expected to be minimal and therefore we have not placed any oil hedges for future financial years.

Defined benefit pension scheme arrangements and restatement

As at 30 September 2014 the scheme deficit, under IAS 19 “Employee Benefits” rules, was £1.1m, net of deferred tax, compared with a deficit of £0.8m at 30 September 2013. Although the year-on-year movement was relatively small there were material swings in both assets and liabilities which largely offset each other. Scheme assets rose 11% from £94.0m to £104.8m since the last year end and liabilities increased 12% from £95.0m to £106.1m. The discount rate utilised, which heavily influences the scheme liabilities, fell from 4.4% in 2013 to 3.9% in 2014 to reflect sentiments in prevailing financial markets.

Our defined benefits pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If, for example, the discount rate applied to the liabilities had been 3.4%, rather than the 3.9% advised by our actuaries under IAS 19 for 2014, the net deficit of £1.1m would rise to a net deficit of £10.6 m.

An amended IAS 19 accounting standard came into force for financial periods beginning on or after 1 January 2013 and has impacted the calculation of the charge to the income statement in this financial year. The change has replaced the interest cost and expected return on scheme assets with a single net interest charge on the scheme deficit. This change means that the expected return on scheme assets is now calculated at the discount rate, instead of at an expected rate of return, on scheme assets held. The impact on the charge to the income statement has been a restatement of the previously disclosed cost of £1.3m for the 2013 financial year to £2.4m and resulted in a restatement of the profit before tax in 2013 from £6.5m to £5.4m. The charge for the 2014 financial year was £2.1m.

The last triennial actuarial valuation was performed as at 31 December 2012 and resulted in a deficit of £9.3m. The contribution rate by Jersey Electricity was increased to 20.6% of pensionable salaries from January 2013 (up from the previous level of 14.2%). Employees continue to contribute an additional 6% to the pension scheme. The final salary scheme was closed to new members in 2013, with new employees, since that time, being offered defined contribution pension arrangements. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises on retirement. The next triennial actuarial valuation of the defined benefit scheme has an effective date of 31 December 2015.

Returns to shareholders

During the year the ordinary dividend paid increased by 5% from 11.25p net of tax to 11.80p. The proposed final dividend for 2014, at 7.20p, is a 6% increase on last year and consistent with the underlying dividend pattern in recent years and with our stated policy to aim to deliver sustained real growth in the medium-term.

The share price at 30 September 2014, at £3.34, was 10% above the level of £3.05 at the 2013 year end. This gives a market capitalisation of £102m as at 30 September 2014 against a balance sheet net assets position of £146m. However the illiquidity of our shares, due mainly to having one large shareholder, combined with an overall small number in circulation, constrains the ability of the management team to influence the share price. At the 2011 Annual General Meeting an all-employee share scheme was approved, to more closely

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align the interests of both employees and shareholders was approved, and during 2012, 289 qualifying staff received 100 shares each at a value of around £300 at the time of issue and this is likely to be repeated in 2015. Such initiatives seek to improve our longer-term liquidity.

Our largest shareholder, the States of Jersey also owns holdings in other utilities in Jersey. It holds 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 £7.0m (2013: £7.7m) with the main reason for the fall being that no corporation tax was paid due to capital allowances associated with our heavy investment spend. This trend in tax payable will continue over coming years.

	2014	2013
Ordinary dividend	£2.2m	£2.1m
Goods and Services Tax (GST)	£3.9m	£3.9m
Corporation tax	£ -	£0.8m
Social Security - employers contribution	£0.9m	£0.9m
	£7.0m	£7.7m

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

It should also be noted that we will no longer produce Interim Management Statements in January and July going forward. The Financial Conduct Authority produced guidance in November 2014 which removed this requirement but we will continue to produce an Interim Report at our half year.

Group Risk Management

Approach

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

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

Other key features of our system of risk management include:

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

Key changes to the risk profile of the Group in FY2014

There have been a number of changes to the Group during the 2013/14 financial year including:

- The successful commissioning of Normandie 3 (N3) has eliminated a number of risks associated with both the potential operational loss of the existing interconnector to France (N2) or issues with on-Island generation plant. This was viewed as the largest existing risk which was largely mitigated when the N3 project was delivered on 24 September 2014.
- The sale of our shareholding in Foreshore to Sure (Jersey) Limited in July 2014 removed a loss-making joint venture from the Group and provided our Property business with a more secure external tenant with a larger space footprint.
- The restructuring of our Retail operation (Powerhouse.je) has established a more sustainable business and also provided our Property business with a new external tenant with a strong covenant (SportsDirect.com).
- Issues with the interconnector between Jersey and Guernsey resulted in a downwards review of its remaining useful life and creation of a provision for a preventative repair of £1.8m.

Principal risks

The following table summarises the Group's principal risks and how they are managed. The Board considers these to be the most significant risks that could materially affect the Group's financial condition, performance, strategies and prospects. The risks listed do not comprise all risks faced by the Group and are not set out in any order of priority. Additional risks not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business.

Risk	Description and possible impact	Mitigation activities
Regulatory / Political or Legislative change		
Regulatory	Not acting in line with 'expectations on behaviours' of a monopoly utility resulting in the introduction of sector specific regulation with the attendant cost of compliance and impact on public relations.	Ensure we find the correct balance associated with being a key service provider on an Island but having a wide number of stakeholders to satisfy. Regular communications with all stakeholders. Benchmark ourselves against comparable Key Performance Indicators with other jurisdictions (e.g. Tariffs, Customer Minutes Lost, CO2 emissions, Lost Time Accidents).
Political	Unfavourable political and/or legislative developments which cause a significant change to the operation of the business.	Monitor political and legislative developments (e.g. the Government's Energy Plan) and analyse this from an opportunities and threats perspective to enable us to respond effectively. Develop proposals for approval by the Board to address any specific risks identified.
Major capital project management		
Project	Unsuccessful delivery of our major projects resulting in inability to achieve overall project objectives.	Project risks are recorded and monitored and regular progress updates issued to both management and the Board.
Financial - Treasury & Tax / Energy Portfolio Management / Pension Liabilities		
Asset failure	Financial implications associated with the loss of significant plant and/or importation assets.	Scenario and sensitivity analysis as part of our long term budgeting process. Insurance obtained where appropriate/cost effective. Effective monitoring and maintenance of the plant/assets.
Financial / Reputational	Impact of the economic environment on the profitability of our Retail and Building Services operations.	Retail was restructured/rebranded during 2014 within a smaller footprint and with an online presence. Building Services now headed up by a new Head of Commercial Services and currently being restructured/rebranded.
Pension Liabilities	Volatility of markets impacting our Defined Benefit Pension Scheme position e.g. liabilities increase due to market conditions or demographic changes and/or investments underperform.	The Board regularly monitors the latest position regarding the Scheme and the impact that it is having on the Company. The Defined Benefit scheme was closed to new members in 2013. Obtain triennial valuation report to monitor the investments of the pension scheme.
Volatility	A significant proportion of our profitability and price competitiveness is dependent upon our ability to manage exposure to increasingly volatile power and foreign exchange markets.	Power and foreign exchange are hedged in accordance with the agreed strategies which are reviewed and approved by the Board on a periodic basis.
Security of Supply / Supply Chain / Asset & Plant Management		
Business Continuity	Failure and/or unavailability of significant plant and/or importation assets which cause disruption to our operations.	A range of predefined Security of Supply standards are published and adhered to. A programme of maintenance exists to optimise the life of assets. Use of a comprehensive business continuity planning process including periodic performance of scenario exercises. Existence of diverse sources of supply such as importation cables and on-Island generation to ensure that we are not over-reliant on any single source.
Asset & Plant Management	Failure of ageing metering infrastructure.	The SmartSwitch project will result in a smart metering solution replacing legacy systems.
Supply Chain	Impact on ability to generate due to availability, storage and transportation of heavy fuel oil.	Programme in place to ensure all fuel tank storage facilities are refurbished. Contract in place with Esso for supply of fuel to 31 December 2016. This is a reducing risk with the successful commissioning of the Normandie 3 cable.
Health, Safety & Environment		
H,S & E	Non-compliance with relevant legislation, regulations and accepted codes of practice resulting in unnecessary exposure to our staff, customers, members of the general public or our plant and equipment.	A proactive Health, Safety and Environment culture has been nurtured throughout the organisation supported by a safety management structure, safety representatives, programmes of site inspections, regular training, induction etc. Use of British Safety Council for external benchmarking.
People / Succession Planning		
People	The Group's strategy is largely dependent on the skills, experience and knowledge of its employees. The inability to retain executives and other key employees, or a failure to adequately plan for succession, could negatively impact Group performance. Around half the current work-force are anticipated to retire from the business in the next 10 years.	Succession plans have been recently updated for our Energy business and plans are also in place for other key areas within the wider business. The Group is in the process of appointing a new Human Resources Director to stimulate the impetus on development/training opportunities within Jersey Electricity.

GOVERNANCE

Board of Directors

Geoffrey Grime
Chairman
(67) 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 currently holds a number of professional appointments as both director and trustee. In November 2002 he was elected as a Deputy in the States of Jersey and he retired from that position in December 2005.
In September of 2014 he was elected as a Jurat of the Royal Court of Jersey where he sits as a lay judge.

Chris Ambler
Chief Executive
(45) N

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

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

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

Clive Chaplin
Non-Executive Director
(63) 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 of Jersey in 1985 and from 1994 until his retirement on 31 January 2012 was a partner of Ogier. He remained Chairman of its Fiduciary Services Holding Company until 31 January 2014. He is now Chairman of Bathroom Brands Plc and a director of a number of companies operating in the financial services sector. He is also Chairman of the Jersey Law Commission. He is Chairman of the Remuneration Committee.

Martin Magee
Finance Director
(54)

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

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

John joined the Board in 2009. Before moving to Guernsey in 2001 John was with Accenture for 23 years. During that period, he worked as a strategic, financial, change and IT consultant with major clients in most industry sectors and during his 15 year tenure as a partner held a wide variety of leadership roles in Accenture's Canadian, European and Global consulting businesses. John is also Chair of JT Group Limited (formerly Jersey Telecoms) and a Non-Executive Director of International Public Partnerships Limited (INPP) and the Guernsey entities of Terra Firma. He recently completed a 10 year term as the Managing Director of Guernsey Enterprise Agency and 5 year terms as a Non-Executive Consultant to the Ogier Group and a Non-Executive Director of Aurigny Airlines. John is Chairman of Governors of More House School, a Trustee of the Arts & Islands Foundation and New Philanthropy Capital. John is a graduate of Imperial College London, a Fellow of the Institute of Chartered Accountants of England & Wales and a Member of the Worshipful Company of Management Consultants.

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

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

Directors

All non-executive directors are viewed as being independent with the exception of Mike Liston who was formerly the Company's Chief Executive. Geoffrey Grime and Clive Chaplin are still regarded as independent even though they are now in their 12th year as directors.

The Nomination Committee has formulated a plan for a controlled change in the constitution of non-executive directors going forward.

Key to membership of committees

A Audit Committee
N Nominations Committee
R Remuneration Committee

Directors' Report

for the year ended 30 September 2014

The directors present their annual report and the audited financial statements of Jersey Electricity plc for the year ended 30 September 2014.

Principal activities

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

Dividends

The directors have declared and now recommend the following dividends in respect of the year ended 30 September 2014:

	2014	2013
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 5.00p net of tax for the year ended 30 September 2014 (2013 - 4.75p net of tax)	1,532,000	1,455,348
Final proposed at 7.20p net of tax for the year ended 30 September 2014 (2013 - 6.80p net of tax)	2,206,080	2,083,520
	3,747,053	3,547,841

Re-election of directors

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

Directors' and officers' insurance

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

Policy on payment of creditors

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The number of creditor days in relation to trade creditors outstanding at the year end was 21 days (2013 - 14 days).

Directors' Report

for the year ended 30 September 2014

Substantial shareholdings

As at 17 December 2014 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 amounts to 62% of the ordinary share capital and represents 86.4% of the total voting rights.

'A' Ordinary Shares

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

Huntress Nominees (CI) Limited are the largest shareholder of our listed shares and hold 5,045,524 'A' Ordinary shares which represent 4.6% of the total voting rights. It is understood that the underlying owners of these shares are substantially private investors based in the Channel Islands.

Auditor

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

BY ORDER OF THE BOARD
P. ROUTIER
Secretary
17 December 2014

GOVERNANCE

Corporate Governance

Corporate Governance

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

In accordance with Listing Rule ("LR") 9.8.4 R, the agreement related to 'Independent business' required by LR 9.2.2.2A R has been entered into with the States of Jersey, the controlling shareholder, with effect from 17 November 2014. The other applicable information required by LR 9.8.4 R is disclosed in note 11e to the financial statements.

Statement of Compliance

The Board considers that the Company is a "smaller company" for the purposes of the Code as it is not a member of the FTSE350. Throughout the financial year ended 30 September 2014 the Board considers that it has complied with the Code, with the following exceptions:

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

The Main Principle B.6 states that annual board performance evaluations should take place. Whilst the Board is in total agreement that their effectiveness is vital to the success of the Company it has concluded that due to the stability and size of the business these do not necessarily have to be performed annually but it is planned that an external evaluation will take place during the course of the next financial year.

The Board

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

Independence

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

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

There have been no appointments to the Board during the financial year 2013/14. On appointment to the Board the required time commitment is established and any significant changes to their time commitments are notified to the Board. An induction process is in place for all newly appointed Directors. Richard Plaster, who was an executive director, resigned from the Board after a period of illness on 30 May 2014. John Stares, one of our non-executive directors, will not be standing for re-election at the forthcoming Annual General Meeting.

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

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

Corporate Governance

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

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

* attendees by invitation

** the meeting that ordinarily would have taken place in September 2014 took place in early October

Nominations Committee

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

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

A Company-wide policy exists on diversity. The Board recognises the benefits of diversity and will continue to appoint executive and non-executive directors to ensure diversity of background and on the basis of their skills and experience. The Terms of Reference for the Nominations Committee and the Terms and Conditions of the Appointment of Non-Executive Directors are available on request.

During the year a plan was formulated for a controlled change in the constitution of non-executive directors going forward in light of corporate governance requirements on independence.

Audit Committee

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

The Audit Committee is responsible for reviewing the annual and interim management statements and accompanying reports before their submission to the Board for approval and for the reporting of its findings to the Board. As part of the review process the Audit Committee reviews the likely significant issues in advance of the publication of both the half and full year results and in particular any critical accounting judgements identified by both the Company and the external auditor most of which are disclosed in Note 2 to the Financial Statements (Critical Accounting Judgements). Comprehensive position papers on each key area are produced by the Finance Director at both the half and full year. Some of the areas are recurring items such as revenue recognition, impairment of assets, retirement benefit obligations and hedge accounting. The Committee reviews any year-on-year changes in methodology for reasonableness. In addition there may be 'one-off' issues that surface. During the last year a focus of discussion was on whether specific decommissioning provisioning should be applied to certain material assets within the Energy business. The conclusion was no but that additional disclosure would be useful and this has been included in the Financial Review. In addition, comprehensive position papers on both the expected life of the interconnector between Jersey and Guernsey, and a potential preventative repair to the same, were examined in detail. This resulted in a reduction in the assumed remaining life, and creation of a provision for a repair of, this aforementioned interconnector. The Committee also takes comfort that the Finance Director liaises with our external auditor during the course of the year to establish a consensus opinion where possible.

GOVERNANCE

Corporate Governance

The Committee generally meets four times a year and is also responsible for monitoring the controls which are in force (including financial, operational and compliance controls and risk management procedures) to ensure the integrity of the financial information reported to the shareholders. It also considers reports from the internal and external auditors and from management. It reports and makes recommendations to the Board. In addition, the Audit Committee regularly reviews the scope and results of the work undertaken by both the internal and external auditors. The Terms of Reference for the Audit Committee are available on request.

The appointment of Deloitte LLP as the Group's external auditor (incumbents since 2003) is kept under review. The Committee has approved the external auditor's remuneration and terms of engagement and is fully satisfied with the performance, objectivity, quality of challenge and independence of the external auditor. Having performed a review of effectiveness, the Committee has recommended that a resolution to reappoint the external auditor as the Company's statutory auditor is to be proposed at the Company's forthcoming AGM. The 2012 version of the Code now requires FTSE350 companies to undertake a competitive tender for the role of external auditor on a comply or explain basis every ten years. The present audit partner's permitted fifth and final year is the year ended 30 September 2015. As a "smaller company" the tender process is not necessarily applicable to Jersey Electricity plc but it is the Committee's current intention to consider a competitive tender to select an external auditor for the year ending 30 September 2016.

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

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

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 2014 and is in accordance with The UK Corporate Governance Code.

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

Board Reports
Key strategic decisions are taken at Board meetings following due debate and with the benefit of Board papers circulated beforehand. The risks associated with such decisions are a primary consideration in the information presented and discussed by the Board who are responsible for determining the nature and extent of the significant risk it is willing to take to achieve the strategic objectives. Prior to significant investment decisions being taken, due diligence investigations include the review of business plans by the Board.

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

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

Corporate Governance

- Financial reporting and controls including:
  Approval of the annual report and financial statements.
  Declaration of the interim dividend and recommendation of the final dividend.
- Internal controls/Risk Management
  Reviewing the effectiveness of the Company's internal control and risk management systems. An external review of the risk management process is conducted every three years.
- Contracts approval of
  Major capital projects.
  Major contracts.
  Major investments.
- Board membership and other appointments
  Approval of changes to the structure, size and composition of the Board and key committees, following recommendations from the Nominations Committee.
- Remuneration
  Determining the remuneration policy for the directors and other senior management, following recommendations from the Remuneration Committee.
- Corporate governance matters
  Undertaking a formal and rigorous review every two years of its own performance, that of its committees and individual directors. Review of the Company's overall corporate governance arrangements.
- Approval of key Company policies

Internal Audit/Risk Management

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

Personnel

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

Budgetary Control

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

Audit Committee

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

Statement of Directors' Responsibilities

Directors' Responsibilities for the Financial Statements

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

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

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

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

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

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

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

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

C. AMBLER
Chief Executive Officer
17 December 2014

M. MAGEE
Finance Director
17 December 2014

Remuneration Report

Remuneration Committee

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

Remuneration Policy

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

The salary and benefits of the executive team are reviewed by the Committee annually and any adjustments take effect on 1 April. The Committee make use of a locally focussed benchmarking report as well as assessing the remuneration of the executive team by reference to comparable companies within the United Kingdom. The Committee seeks to ensure that, excluding any share based remuneration (of which there is none other than the all-employee share scheme disclosed later in this report), the overall value of the remuneration package of the executive team members including bonus and other benefits matches, in broadest terms, relevant comparative benchmarks for executive director remuneration. The bonus payable to the executive directors is performance related and this year we have developed more clearly defined criteria and constructed bonuses around key project milestones for the Company. One of the project milestones relates to the installation of Normandie 3 and if conditions surrounding the project are fully satisfied specific bonus payments will be made to the executive directors in early 2015. The criteria remain deliberately not profit related.

The remuneration of individual directors for the year ended 30 September 2014 was as follows:

	Basic salary/fees £	Bonuses £	Benefits in kind £	**Total 2014 £**	Total 2013 £
EXECUTIVE DIRECTORS					
C. Ambler	203,311	73,064	13,173	**289,548**	244,110
M. Magee	169,963	40,022	11,176	**221,161**	204,565
R. Plaster (resigned from the Board on 30 May 2014)	275,449[1]	22,789	10,080	**308,318[1]**	195,344
NON-EXECUTIVE DIRECTORS					
G. Grime	31,500	-	3,062	**34,562**	34,247
M. Liston[2]	17,850	-	1,531	**19,381**	19,199
C. Chaplin[3]	19,950	-	1,549	**21,499**	20,961
J. Stares[4]	21,000	-	1,531	**22,531**	22,249
A. Le Cornu[5]	17,850	-	1,549	**19,399**	18,887
Total	756,873	135,875	43,651	**936,399**	759,562

1 Includes compensation for loss of office of £153,000.

2 Includes fees as Chairman of the Nominations Committee - £2,100.

3 Includes fees as Member of the Audit Committee - £2,100 and as Chairman of the Remuneration Committee - £2,100.

4 Includes fees as Chairman of the Audit Committee - £5,250.

5 Includes fees as Member of the Audit Committee - £2,100.

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Remuneration Report

Service Contracts

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

Pension Benefits

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

	Increase in accrued pension during the year[1]	Accrued pension at 30.9.2014[2]	Transfer value at 30.9.2014[3]	Transfer value at 30.9.2013[3]	Directors' contributions during year	Increase in transfer value less directors contributions[4]
C. Ambler	£3,910	£30,532	£352,935	£304,867	-	£48,068
M. Magee[5]	£4,266	£68,532	£1,075,249	£967,533	£10,133	£97,583

Notes

1. The increase in accrued pension during the year represents the additional accrued pension entitlement at the year end compared to the previous year end.
2. The pension entitlement shown is that which would be paid annually on retirement at age 60, based on service at the year end.
3. The transfer values have been calculated using the basis and method appropriate at each accounting date. It is assumed that the deferred pension commences from the earliest age at which the member can receive an unreduced pension.
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. AVCs paid by the directors during the year were nil. The transfer values include the value of any accrued AVC pensions.

All-Employee Share Scheme

At the 2011 Annual General Meeting approval was granted to launch an all-employee share scheme. During the 2012 financial year 100 'A' Ordinary Shares were issued to all staff (subject to Scheme Rules) including the executive directors. These shares have an approximate value of £300 to each individual and vest on 2 July 2015. No further issues were made in the interim period.
There are no other share-based incentives such as option schemes or long-term incentive plans operated by the Company.

Non-Executive Directors' Remuneration

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

External Appointments

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

C. Ambler
Abbey National International Limited and Foresight Solar Fund Limited (total non-executive director fees £73,523 of which £58,818 retained)

M. Magee
Standard Life Wealth Offshore Strategy Fund Limited and Stanley Gibbons Group plc (total non-executive director fees £49,615 of which £39,692 retained)

Remuneration Report

Directors' Loans

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

	30.9.2014	30.9.2013
C. Ambler	£496,320	£632,426
M. Magee	£341,571	£392,571

Directors' Share Interests

The directors' beneficial interests in the shares of the Company at 30 September 2014 are:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2014	**2013**	**2014**	**2013**
C. Ambler	**4,905**	4,905	**-**	-
M. Magee	**8,884**	4,084	**960**	960
G. Grime	**10,000**	7,000	**-**	-
C. Chaplin	**6,000**	6,000	**-**	-
M. Liston	**2,000**	2,000	**-**	-
R. Plaster (resigned from the Board on 30 May 2014)	**-**	3,875	**-**	700
	31,789	27,864	**960**	1,660

There have been no other changes in the interests set out above between 30 September 2014 and 17 December 2014.

On behalf of the Board
C. CHAPLIN
Chairman
17 December 2014

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Opinion on financial statements of Jersey Electricity plc

In our opinion the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 30 September 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern

We have reviewed the directors' statement on page 67 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

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

Our assessment of risks of material misstatement

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

Risk	How the scope of our audit responded to the risk
Accrual for unbilled units of electricity	
There is a significant risk associated with the determination of the value of unbilled units of electricity of £5.9m which are included within revenue and debtors because of the level of estimation and judgement used in determining the number of units used by customers between their last billing date and the year end date.	We used a team of Information Technology specialists to reconstruct the model used by management to determine the level and value of unbilled units at the year end ("the Model"). We challenged the assumptions and judgements used in the Model and performed substantive procedures on the data used in the Model, which includes historical data. We compared the output from the reconstructed model to management's calculation and to a reconciliation of total units imported and generated, adjusted for amounts used internally by the Company and amounts lost through the network for technical and other reasons "distribution loss". We benchmarked the distribution loss percentage against comparable and historical data. In addition, we assessed whether the revenue recognition policies adopted complied with IFRS.
Accounting for the hedging of forward foreign exchange contracts	
The accounting for the hedging of forward foreign exchange contracts is considered a significant risk due to the complexity of the accounting treatment required for such transactions, the level of complexity involved in the valuation of such contracts and the detailed disclosure requirements required in the financial statements.	We engaged financial instrument specialists to review the accounting and hedging treatment applied to the forward foreign exchange contracts which included a review of the hedge effectiveness testing and the hedging documentation. Our specialists performed an independent review of the valuation of a sample of contracts. We also obtained and reviewed external confirmations for contracts in place at the year end. We performed a review of the hedging and financial instrument related disclosures in the financial statements to assess whether the disclosures presented complied with IFRS.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Defined benefit pension scheme assumptions and applicability of International Financial Reporting Interpretations Committee ("IFRIC") 14

The defined benefit pension scheme assumptions are considered a significant risk due to the level of judgement required in determining the assumptions most appropriate to the circumstances of the entity. *IFRIC 14, which addresses the interaction between minimum funding requirements and the measurement of the defined benefit liability, is also considered a significant risk due to the scheme being in deficit and the complexity in assessing whether or not the arrangements of the pension scheme include a minimum funding requirement.*	We considered the appropriateness of management's assumptions used in the determination of the pension scheme balances and disclosures, detailed in note 17 to the financial statements. We did this through comparison of the key assumptions to third party data for reasonableness and assessment of the competence and independence of management's actuarial expert who derived the balances and disclosures. We also assessed the basis for concluding that no additional liability was required in respect of IFRIC 14 through reviewing the minutes of meetings of the Trustees of the pension scheme and method by which it is intended to manage any existing deficit.

Provision for subsea cable repair

The provision relating to the repair of the subsea cable between Guernsey and Jersey is a new risk in the current year. A series of events and faults which occurred over a number of months, some of which were around the year end date, led to the repair being required. Due to the judgement required in determining if the factors existing as at 30 September 2014 gave rise to an obligation, and in distinguishing the nature of the liability between capital and revenue, this event is considered to be a significant risk.	We reviewed the legal agreements and legal advice in relation to the cable, and Board minutes and fault reporting in relation to the state of the cable throughout the year and post year end. We also reviewed the minutes of meetings documenting the discussion of the nature of the repair and the effects the actions would have on the cable.

Last year our report included two other risks which are not included in our report this year: the provision made for the La Collette site rental (there was no significant change in the circumstances which would affect the conclusions reached and therefore this risk did not have a significant effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team) and the interpretation and application of the group's accounting policy for investment property (the group's interpretation changed in the prior year and not in the current year).

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 53 to 54.

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

Our application of materiality

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

We determined materiality for the group to be £615,000 (2013: £489,000), which is below 7.5% (2013: 7.5%) of adjusted pre-tax profit and below 1% (2013: 1%) of equity. Pre-tax profit has been adjusted by removing the effect of the £1.8m provision in respect of the repair of the subsea cable between Jersey and Guernsey as this was considered to be a significant one-off event. In the prior year no adjustments were made to profit when determining materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13,000 (2013: £10,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
As in the prior year, our group audit scope focused primarily on the audit of the Company as the other components were not considered to be significant. The Company represents the principal business unit within the group and accounts for 100% (2013: 100%) of the group's net assets, 99% (2013: 99%) of the group's revenue and 98% (2013: 100%) of the group's profit before tax. It was also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work on the group was executed at the levels of materiality detailed above.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

GREGORY BRANCH, BSc, FCA
for and on behalf of
Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
17 December 2014

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2014

	Note	2014 £000	2013 £000
			(restated)
Revenue	3	**98,443**	102,338
Cost of sales		**(68,468)**	(75,922)
Gross profit		**29,975**	26,416
Revaluation of investment properties		**145**	155
Operating expenses	4	**(20,079)**	(20,663)
Group operating profit before exceptional items	6	**10,041**	5,908
Exceptional items - disposal of investment		**(1,178)**	(600)
- provision for subsea cable repair		**(1,800)**	-
- restructuring costs in retail business		**(570)**	-
Group operating profit	3	**6,493**	5,308
Interest (payable)/receivable		**(26)**	53
Finance costs		**(11)**	(11)
Profit from operations before taxation		**6,456**	5,350
Taxation	7	**(1,478)**	(1,243)
Profit from operations after taxation		**4,978**	4,107
Attributable to:			
Owners of the Company		**4,932**	4,067
Non-controlling interests	19	**46**	40
		4,978	4,107
Earnings per share			
- basic and diluted	9	**16.10p**	13.27p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2014

	Note	2014 £000	2013 £000
			(restated)
Profit for the year		**4,978**	4,107
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit scheme	17	**(392)**	5,498
Reclassification of investment properties		**-**	4,822
Income tax relating to items not reclassified	7	**78**	(1,249)
		(314)	9,071
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on cash flow hedges	22	**(4,567)**	3,809
Income tax relating to items that may be reclassified	7	**913**	(842)
		(3,654)	2,967
Total comprehensive income for the year		**1,010**	16,145
Attributable to:			
Owners of the Company		**964**	16,105
Non-controlling interests		**46**	40
		1,010	16,145

Note 17 provides details of the restatement of the prior year comparative figures.
All results in the year have been derived from continuing operations.
The notes on pages 67 to 90 form an integral part of these accounts. The independent auditor's report is on pages 60 to 62.

FINANCIAL STATEMENTS

Balance Sheets

as at 30 September 2014

	Note	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Non-current assets					
Intangible assets	10	**20**	26	**20**	26
Property, plant and equipment	11	**184,846**	155,191	**184,841**	155,177
Investment properties	11	**20,505**	20,360	**20,505**	20,360
Other investments	12	**5**	5	**482**	482
Total non-current assets		**205,376**	175,582	**205,848**	176,045
Current assets					
Inventories	13	**7,334**	9,434	**7,268**	9,365
Trade and other receivables	14	**16,750**	16,498	**16,576**	16,360
Derivative financial instruments	22	**-**	1,273	**-**	1,273
Cash and cash equivalents		**9,776**	4,798	**9,659**	4,621
Total current assets		**33,860**	32,003	**33,503**	31,619
Total assets		**239,236**	207,585	**239,351**	207,664
Current liabilities					
Trade and other payables	15	**24,113**	14,332	**24,049**	14,272
Derivative financial instruments	22	**4,246**	952	**4,246**	952
Total current liabilities		**28,359**	15,284	**28,295**	15,224
Net current assets		**5,501**	16,719	**5,208**	16,395
Non-current liabilities					
Trade and other payables	15	**18,279**	17,851	**18,279**	17,851
Retirement benefit deficit	17	**1,372**	1,018	**1,372**	1,018
Financial liabilities - preference shares	18	**235**	235	**235**	235
Borrowings	16	**30,000**	10,000	**30,000**	10,000
Deferred tax liabilities	7	**14,852**	14,365	**14,852**	14,365
Total non-current liabilities		**64,738**	43,469	**64,738**	43,469
Total liabilities		**93,097**	58,753	**93,033**	58,693
Net assets		**146,139**	148,832	**146,318**	148,971
Equity					
Share capital	18	**1,532**	1,532	**1,532**	1,532
Revaluation reserve		**5,270**	5,270	**5,270**	5,270
ESOP reserve	18	**(36)**	(58)	**(36)**	(58)
Other reserves		**(3,515)**	139	**(3,515)**	139
Retained earnings		**142,878**	141,925	**143,067**	142,088
Equity attributable to the owners of the Company		**146,129**	148,808	**146,318**	148,971
Non-controlling interests	19	**10**	24	**-**	-
Total equity		**146,139**	148,832	**146,318**	148,971

Approved by the Board on 17 December 2014

G.J. GRIME
Director

M.P. MAGEE
Director

All results in the year have been derived from continuing operations.
The notes on pages 67 to 90 form an integral part of these accounts. The independent auditor's report is on pages 60 to 62.

Statements of Cash Flow

for the year ended 30 September 2014

	Note	Group		Company	
		2014 £000	2013 £000	**2014 £000**	2013 £000
			(restated)		(restated)
Cash flows from operating activities					
Operating profit before exceptional items		**10,041**	5,908	**9,989**	5,901
Depreciation and amortisation charges		**8,259**	8,166	**8,256**	8,163
Profit on revaluation of investment properties		**(145)**	(155)	**(145)**	(155)
Pension operating charge less contributions paid		**(38)**	448	**(38)**	448
Adjustment for foreign exchange hedges		**63**	(513)	**63**	(513)
Loss on sale of fixed assets		**(11)**	(21)	**(11)**	(21)
Operating cash flows before movement in working capital		**18,169**	13,833	**18,114**	13,823
Decrease/(increase) in inventories		**2,100**	(2,189)	**2,097**	(2,199)
(Increase)/decrease in trade and other receivables		**(252)**	1,472	**(216)**	1,377
Increase/(decrease) in trade and other payables		**513**	(1,545)	**507**	(1,559)
Interest (paid)/received		**(28)**	97	**(28)**	97
Preference dividends paid		**(9)**	(9)	**(9)**	(9)
Cash amounts relating to exceptional item		**(353)**	-	**(353)**	-
Income taxes paid		**-**	(762)	**-**	(762)
Net cash flows generated from operating activities		**20,140**	10,897	**20,112**	10,768
Cash flows from investing activities					
Purchase of property, plant and equipment	11	**(33,048)**	(26,910)	**(33,048)**	(26,898)
Investment in intangible assets	10	**(6)**	(8)	**(6)**	(8)
Net proceeds from disposal of investment		**1,579**	-	**1,579**	-
Net proceeds from disposal of fixed assets		**16**	14	**16**	14
Short-term investments		**-**	9,020	**-**	9,020
Net cash flows used in investing activities		**(31,459)**	(17,884)	**(31,459)**	(17,872)
Cash flows from financing activities					
Equity dividends paid		**(3,703)**	(3,526)	**(3,615)**	(3,446)
Repayment of borrowings	16	**(10,000)**	-	**(10,000)**	-
Proceeds from borrowings	16	**30,000**	10,000	**30,000**	10,000
Net cash flows generated from financing activities		**16,297**	6,474	**16,385**	6,554
Net increase/(decrease) in cash and cash equivalents		**4,978**	(513)	**5,038**	(550)
Cash and cash equivalents at beginning of period		**4,798**	5,311	**4,621**	5,171
Net cash and cash equivalents at end of period		**9,776**	4,798	**9,659**	4,621

Note 17 provides details of the restatement of the prior year comparative figures.

The notes on pages 67 to 90 form an integral part of these accounts. The independent auditor's report is on pages 60 to 62.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 September 2014

The Group	Note	Share capital	Revaluation reserve	ESOP reserve	Other reserves*	Retained earnings	Total
		£000	£000	£000	£000	£000	£000
At 1 October 2013		1,532	5,270	(58)	139	141,925	148,808
Total recognised income and expense for the year		-	-	-	-	4,932	4,932
Amortisation of employee share scheme		-	-	22	-	(22)	-
Unrealised loss on hedges (net of tax)		-	-	-	(3,654)	-	(3,654)
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(314)	(314)
Equity dividends	8	-	-	-	-	(3,643)	(3,643)
At 30 September 2014		**1,532**	**5,270**	**(36)**	**(3,515)**	**142,878**	**146,129**
							(restated)
At 1 October 2012		1,532	-	(100)	(2,381)	137,097	136,148
Reclassification of reserves		-	448	-	(448)	-	-
Profit from operations after taxation		-	-	-	-	5,022	5,022
Retrospective application of IAS 19R		-	-	-	-	(955)	(955)
Amortisation of employee share scheme		-	-	42	-	(42)	-
Unrealised gain on hedges (net of tax)		-	-	-	2,968	-	2,968
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	4,249	4,249
Reclassification of investment properties		-	4,822	-	-	-	4,822
Equity dividends	8	-	-	-	-	(3,446)	(3,446)
At 30 September 2013		**1,532**	**5,270**	**(58)**	**139**	**141,925**	**148,808**

The Company	Note	Share capital	Revaluation reserve	ESOP reserve	Other reserves	Retained earnings	Total
		£000	£000	£000	£000	£000	£000
At 1 October 2013		1,532	5,270	(58)	139	142,088	148,971
Total recognised income and expense for the year		-	-	-	-	4,930	4,930
Amortisation of employee share scheme		-	-	22	-	(22)	-
Unrealised loss on hedges (net of tax)		-	-	-	(3,654)	-	(3,654)
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(314)	(314)
Equity dividends	8	-	-	-	-	(3,615)	(3,615)
At 30 September 2014		**1,532**	**5,270**	**(36)**	**(3,515)**	**143,067**	**146,318**
							(restated)
At 1 October 2012		1,532	-	(100)	(2,381)	137,227	136,278
Reclassification of reserves		-	448	-	(448)	-	-
Profit from operations after taxation		-	-	-	-	5,055	5,055
Retrospective application of IAS 19R		-	-	-	-	(955)	(955)
Amortisation of employee share scheme		-	-	42	-	(42)	-
Unrealised gain on hedges (net of tax)		-	-	-	2,968	-	2,968
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	4,249	4,249
Reclassification of investment properties		-	4,822	-	-	-	4,822
Equity dividends	8	-	-	-	-	(3,446)	(3,446)
At 30 September 2013		**1,532**	**5,270**	**(58)**	**139**	**142,088**	**148,971**

The profit before tax for the Company for the year ended 30 September 2014 was £6,404,000 (2013: £6,537,000). The revenue for the Company was £97,244,000 (2013: £101,104,000), with finance costs of £11,000 (2013: £11,000) and tax expense of £1,838,000 (2013: £1,243,000).

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

*The other reserve comprises the foreign currency and oil hedging reserve of £(3,515,000) (2013: £139,000).

Notes to the Financial Statements

for the year ended 30 September 2014

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2014 are based on all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and which have been adopted by the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The principal accounting policies which have been applied consistently are:

Basis of accounting

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

Basis of consolidation

The Group's consolidated financial information for the year ended 30 September 2014 comprises the Company and its subsidiary, and joint arrangement.

Subsidiaries are those entities over which the Group has the power to govern the financial and operating policies, accompanying a shareholding that confers more than half of the voting rights.
Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.
Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The consolidated financial information includes the Group's share of the post-tax results and net assets under IFRS of the jointly controlled entity using the equity method of accounting. Equity accounting is a method of accounting by which an equity investment is initially recorded at cost and subsequently adjusted to reflect the investor's share of the net profit or loss of the investee. Jointly controlled entities are those entities over which the Group has joint control with one or more other parties and over which there has to be unanimous consent by all parties to the strategic, financial and operating decisions.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement (see pages 2 to 3). The financial position of the Group, its cash flow and its liquidity position are described in the Financial Review (see pages 43 to 47). In addition, note 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. The Group has considerable financial resources together with a large number of customers both corporate and individual. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Foreign currencies

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

Notes to the Financial Statements

for the year ended 30 September 2014

Revenue

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

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

Energy supply

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

Indefeasible rights of use (IRU) sales

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

Taxation

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

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

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

Intangible assets

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

Property, plant and equipment

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

Depreciation is charged as follows:

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

Notes to the Financial Statements

for the year ended 30 September 2014

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

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

Impairment of tangible and intangible assets

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

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

Investment properties

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

Investment in joint venture

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

Operating leases

Lessee

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

Lessor

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

Inventories

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

Financial instruments

Cash and cash equivalents

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

Short-term investments

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

Trade and other receivables

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

Trade payables

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

Borrowings

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

Notes to the Financial Statements

for the year ended 30 September 2014

Financial instruments continued

Derivative financial instruments

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

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

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

Borrowing cost

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

Dividends

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

Share capital

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

Provisions

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

Retirement benefits

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

Share-based payments

In 2012, the Company introduced a new employee share scheme for eligible employees of the Group. The Jersey Electricity Employee Benefit Trust was established on 24 May 2012 and currently holds 26,000 shares. The shares to which these relate were purchased on 20 June and 22 June 2012 from the open market, at £3.20 per share. The Trust was funded by way of an interest free loan, and for accounting purposes is seen as an extension of the Group.

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

Notes to the Financial Statements

for the year ended 30 September 2014

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

Accounting developments

In preparing these Financial Statements, the Group has applied all relevant IFRS, IAS and Interpretations issued by the IFRIC which have been adopted by the EU as of the date of approval of these Financial Statements. The following new accounting standards, amendments to existing accounting standards and/or interpretations of existing accounting standards are mandatory for the current period and have been adopted by the Group. All other new standards, amendments to existing standards and new interpretations that are mandatory for the current year have no bearing on the operating activities and disclosure's of the Group and consequently have not been listed. The Group has not adopted any new standards or interpretations that are not mandatory.

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

Standards effective in current period:

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

IFRS 7 (amendment) *Disclosures: Offsetting Financial Assets and Financial Liabilities*, which is effective for annual periods beginning on or after 1 January 2013

IFRS 10 *Consolidated Financial Statements*, which is effective for annual periods beginning on or after 1 January 2013

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

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

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

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

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

IAS 28 (revised) *Investments in Associates and Joint Ventures*, which is effective for annual periods beginning on or after 1 January 2013

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

Standards in issue not yet effective:

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

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

IAS 36 (amendment) *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for annual periods beginning on or after 1 January 2014

IAS 39 (amendment) *Novation of Derivatives and Continuation of Hedge Accounting,* which is effective for annual periods beginning on or after 1 January 2014

IAS 19 (amendment) *Defined Benefit Plans: Employee Contributions*, which is effective for annual periods beginning on or after 1 July 2014

Annual Improvements to IFRSs: 2010-2012 Cycle, which is effective for annual periods beginning on or after 1 July 2014

Annual Improvements to IFRSs: 2011-2013 Cycle, which is effective for annual periods beginning on or after 1 July 2014

IFRS 15 *Revenue from Contracts with Customers,* which is effective for annual periods beginning on or after 1 January 2017

IFRS 9 *Financial Instruments*, effective date beginning on or after to be decided

Notes to the Financial Statements

for the year ended 30 September 2014

Accounting Developments continued

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

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for IFRS 9 which will introduce fair value hierarchy disclosure for non-financial assets and liabilities recognised at fair value. The amendments to IAS 19 (revised June 2011) was adopted by the Company during the year, the effect of which is detailed on page 45 in 'Defined benefit pension scheme arrangements and restatement'.

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 sheet relating to such customers at 30 September 2014 amounted to £5.9m (2013: £5.7m).

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. During the year an assessment was performed on the likely remaining economic life of the subsea interconnector between Jersey and Guernsey and this was reduced to six years.

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 2014 was 3.9% and in 2013 was 4.4%. If, for example, the discount rate applied to the liabilities had been 3.4%, rather than the 3.9% advised by our actuaries under IAS 19 for 2014, the IAS 19 net deficit of £1.1m would have been a net deficit of £10.6m.

iv Hedge accounting

The Group utilises currency derivatives to hedge its future purchases of power from France which currently extend to the next three calendar years. All such currency derivatives are fair valued, based on market values of equivalent instruments at balance sheet date.

v Provisions

A provision was made for a preventative repair to the subsea interconnector between Jersey and Guernsey which is scheduled to be performed in January 2015. The provision was created on the basis that issues had surfaced during the year ended 30 September 2014 and that due to a review of the likely economic life of the asset that such costs should not be capitalised.

vi Decommissioning

Our considerations on decommissioning provisions are set out on page 44.

Notes to the Financial Statements

for the year ended 30 September 2014

3 Business segments

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

	2014 External £000	2014 Internal £000	2014 Total £000	2013 External £000	2013 Internal £000	2013 Total £000
Revenue						
Energy	79,459	141	79,600	81,962	166	82,128
Building Services (JEBS)	3,294	907	4,201	3,606	476	4,082
Retail	11,414	33	11,447	12,145	39	12,184
Property	1,957	616	2,573	2,191	687	2,878
Other	2,319	878	3,197	2,434	751	3,185
	98,443	2,575	101,018	102,338	2,119	104,457
Intergroup elimination			(2,575)			(2,119)
Revenue			98,443			102,338
Operating profit						(restated)
Energy			7,952			3,229
Building Services (JEBS)			(44)			104
Retail			(86)			188
Property			1,415			1,609
Other			659			623
			9,896			5,753
Revaluation of investment properties			145			155
Exceptional items - disposal of investment			(1,178)			(600)
- provision for subsea cable repair			(1,800)			-
- restructuring costs in retail business			(570)			-
Group operating profit			6,493			5,308
Other gains and losses						
Interest receivable			(26)			53
Finance costs			(11)			(11)
Profit from operations before taxation			6,456			5,350
Taxation			(1,478)			(1,243)
Profit from operations after taxation			4,978			4,107
Attributable to:						
Owners of the Company			4,932			4,067
Non-controlling interests			46			40
			4,978			4,107

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

Notes to the Financial Statements

for the year ended 30 September 2014

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

	2014 Assets £000	2014 Liabilities £000	2013 Assets £000	2013 Liabilities £000	2014 Net capital additions £000	2014 Depreciation/ amortisation £000	2013 Net capital additions £000	2013 Depreciation/ amortisation £000
Energy	**188,237**	**(72,383)**	159,271	(28,334)	**39,346**	**7,695**	25,644	7,475
Building Services	**615**	**(62)**	737	(55)	**20**	**45**	1	48
Retail	**3,582**	**(147)**	4,026	(266)	**101**	**67**	89	55
Property	**34,812**	**(413)**	36,685	(409)	**421**	**413**	4,744	316
Other	**804**	**(883)**	889	(862)	**31**	**36**	4	39
Unallocated	**11,186**	**(19,209)**	5,977	(28,827)	**-**	**-**	-	-
	239,236	**(93,097)**	207,585	(58,753)	**39,919**	**8,256**	30,482	7,933

Unallocated assets includes cash deposits, investments and the retirement benefit obligation surplus. Unallocated liabilities includes deferred taxation, current taxation and the retirement benefit obligation deficit. Capital additions for the 'Property' segment includes £145,000 (2013: £155,000) for revaluation of investment properties.

4 Operating expenses

	2014 £000	2013 £000
		(restated)
Distribution costs	**11,096**	11,910
Administration expenses	**8,983**	8,753
	20,079	20,663

5 Directors and employees

Detailed information in respect of directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Report on pages 57 to 59. The number of persons employed by the Group (including non-executive directors) at 30 September was as follows:

	2014 Number	2013 Number
Energy	**204**	201
Other businesses	**95**	117
Trainees	**9**	11
	308	329

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
		(restated)
Wages and salaries	**15,910**	15,779
Social security costs	**852**	858
Pension (note 17)	**2,057**	2,449
	18,819	19,086
Capitalised manpower costs *(note 11)	**(2,002)**	(1,698)
	16,817	17,388

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

Notes to the Financial Statements

for the year ended 30 September 2014

6 Group operating profit before exceptional items

Operating profit is after charging:

	2014 £000	2013 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	79	77
Auditor's remuneration for non-audit services	2	5
Other operating charges		
Operating lease charges	71	71
Depreciation of property, plant and equipment	8,248	8,133
Amortisation of intangible assets	14	33
Maintenance and repairs	2,907	3,253
Legal and professional	222	233
Bad debt write offs	80	100
Bad debt provisions	(19)	(48)

7 Taxation

	2014 £000	2013 £000
Current tax		(restated)
Jersey Income Tax - ordinary activities before exceptional items	-	-
- adjustments in respect of prior periods	-	2
Total current tax	-	2
Deferred tax		
Current year	1,478	1,241
Total tax on profit on ordinary activities	1,478	1,243

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:

	2014 £000	2013 £000
		(restated)
Profit from ordinary activities before tax	6,456	5,350
Tax on profit on ordinary activities at standard income tax rate of 20% (2013: 20%)	1,291	1,070
Effects of:		
Adjustments in respect of prior periods	-	2
Expenses not deductible for tax purposes	22	12
Income not taxable for tax purposes	(454)	(243)
Loss on sale/restructuring costs/impairment of investment	350	120
Non-qualifying depreciation	269	282
Group total tax charge for year	1,478	1,243

Notes to the Financial Statements

for the year ended 30 September 2014

Deferred Tax

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

	2014 £000	2013 £000
Group and Company		
Accelerated capital allowances	16,762	14,756
Derivative financial instruments	(849)	64
Pensions	(274)	(204)
Losses carried forward	(787)	(251)
Provisions for deferred tax	14,852	14,365

Deferred tax movements in the year

	2014 £000	2013 £000
Group and Company		(restated)
At 1 October 2013	14,365	11,033
Charged to profit and loss account	1,478	1,241
Charged to statement of comprehensive income	(991)	2,091
At 30 September 2014	14,852	14,365

The deferred tax asset arising on losses carried forward has been recognised to the extent that future profits are available for set off.

	2014 £000	2013 £000
Tax losses available for set off against future profits	3,935	1,255

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2014 pence	2013 pence	2014 £000	2013 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	6.80	6.50	2,083	1,992
	interim for current year	5.00	4.75	1,532	1,454
		11.80	11.25	3,615	3,446
Dividend proposed	final for current year	7.20	6.80	2,206	2,083

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

Notes to the Financial Statements

for the year ended 30 September 2014

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 16.10p (2013: 13.27p) are calculated on the Group profit, after taxation, of £4,932,000 (2013: £4,067,000), and on the 30,640,000 (2013: 30,640,000) Ordinary and 'A' Ordinary shares in issue during the financial year. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets (Group and Company)

	Computer Software £000
Cost as at 1 October 2013	306
Additions	8
At 30 September 2014	314
Amortisation	
At 1 October 2013	280
Charge for year (note 6)	14
At 30 September 2014	294
Net book value	
At 30 September 2014	20
Cost as at 1 October 2012	312
Additions	8
Disposals	(14)
At 30 September 2013	306
Amortisation	
At 1 October 2012	261
Charge for year (note 6)	33
Disposals	(14)
At 30 September 2013	280
Net book value	
At 30 September 2013	26

The above charges are included within operating expenses.

Notes to the Financial Statements
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11 Property, plant, equipment and investment properties

The Group & Company	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, vehicles etc £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2013	26,456	17,036	126,509	74,383	16,407	46,379	307,170	20,360
Expenditure	83	-	3,502	2,294	1,909	32,131	39,919	-
Revaluation	-	-	-	-	-	-	-	145
Disposals	(1,992)	-	(807)	(163)	(1,434)	-	(4,396)	-
At 30 September 2014	24,547	17,036	129,204	76,514	16,882	78,510	342,693	20,505
Depreciation								
At 1 October 2013	7,433	5,316	91,450	22,768	10,952	14,054	151,973	-
Charge for the year (note 6)	533	369	3,434	1,673	1,012	1,227	8,248	-
Disposals	(475)	-	(602)	(62)	(1,235)	-	(2,374)	-
At 30 September 2014	7,491	5,685	94,282	24,379	10,729	15,281	157,847	-
Net book value at								
30 September 2014	17,056	11,351	34,922	52,135	6,153	63,229	184,846	20,505

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

Change in estimated useful life

The Company invested in an asset (subsea cable between Jersey and Guernsey) in 2000 at a cost of £4.3 million with an estimated useful life of 25 years. During the year, on the basis of an independent technical review, the item of plant is now estimated to have a remaining useful life of 6 years. Consequently, the carrying amount of £1.9m is depreciated over the remaining 6 years on a straight line basis.

Notes to the Financial Statements

for the year ended 30 September 2014

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

b Investment properties, which are all freehold, were valued on an open market existing use basis at 30 September 2014 by qualified independent valuers Sarre and Company who have extensive experience in Jersey property market valuation.
Such properties are not depreciated. The rental income arising from the properties during the year was £1,175k, (2013: £1,099k) with maintenance and repair costs of £32k (2013: £62k).

c The Group and Company figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £34k (2013: £45k) at cost and a depreciated value of £29k (2013: £37k).

d The gross carrying amount of assets at net book value of zero at 30 September 2014 was £85.7m (2013: £58.4m).

e £50,312k (2013: £16,628k) classified in 'Interlinks' is expenditure, including interest of £429k and commitment fees of £387k for Normandie 3 which was commissioned at the end of September 2014. During this financial year £313k of interest and £234k of commitment fees were capitalised.

*Investment Properties
The B&Q lease is a fully-repairing lease with a 48-year term from May 2000 and a tenant-only break option on the 23rd anniversary.
The medical centre lease is an internal repairing lease with a 30-year term from May 2005 and break options at 15, 20 and 25 year anniversaries.
The residential properties comprise 29 units which are let out on licences or leases with terms no greater than one year.
The minimum lease payments are detailed in note 21.

12 Other investments

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Subsidiary undertaking (a)	**-**	-	**477**	477
Joint arrangement (b)	**5**	5	**5**	5
	5	5	**482**	482

Principal group investments

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

	Country of incorporation or principal business address	Principal activity	Shareholdings	% Holding	Financial year end
Subsidiary undertaking:					
Jersey Deep Freeze Limited	Jersey	Sale and maintenance of refrigeration equipment	60 Ordinary	60	31 January
Joint arrangement:					
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.

Notes to the Financial Statements
for the year ended 30 September 2014

Channel Islands Electricity Grid Limited (CIEG)

The joint arrangement between the Company and Guernsey Electricity Limited for the installation of a second interconnector system between France, Jersey and Guernsey required a control point through which the interconnector project manager could communicate and also, to be the customer which Électricité de France would invoice for their energy sales. CIEG, a company jointly owned and managed on a 50/50 basis by the Company and Guernsey Electricity Limited, was established in July 1998 to deal with these aspects and also to manage the way in which the second interconnector would be operated. In May 2013, Jersey Electricity and Guernsey Electricity signed an agreement to share the cost and capacity of the £70m Normandie 3 project. It also provided for cost and capacity sharing in the potential replacement for the original interconnector between Jersey and France that failed in June 2012. The Company's interest in CIEG is accounted for as a joint arrangement under IFRS 11 'Joint arrangements'.

a Subsidiary undertaking

Cost	£000
At 1 October 2013 and 30 September 2014	477

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

b Other investments

	Group and Company Other investments
Cost	£000
At 1 October 2013 and 30 September 2014	5

13 Inventories

The amounts attributed to the different categories are as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Fuel oil	**5,019**	6,506	**5,019**	6,506
Commercial stocks and work in progress	**1,459**	1,905	**1,393**	1,836
Generation, distribution spares and sundry	**856**	1,023	**856**	1,023
	7,334	9,434	**7,268**	9,365

At 30 September 2014 stocks are stated net of obsolete provisions of £321k (2013: £222k).

14 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Amounts receivable within one year:				
Trade receivables and accrued income	**7,701**	10,267	**7,527**	10,129
Prepayments	**1,883**	1,506	**1,883**	1,506
Other receivables	**6,328**	3,700	**6,328**	3,700
	15,912	15,473	**15,738**	15,335
Amounts receivable after more than one year:				
Secured loan accounts	**838**	1,025	**838**	1,025
Total trade and other receivables	**16,750**	16,498	**16,576**	16,360

Included within secured loan accounts are loans to directors. See the Remuneration Report on pages 57 to 59 in the Report of the Directors for disclosure of the Directors' loans.

Notes to the Financial Statements

for the year ended 30 September 2014

15 Trade and other payables

	Group		Company	
	2014 £000	2013 £000	2014 £000	2013 £000
Amounts falling due within one year:				
Trade payables	991	2,407	927	2,347
Other payables including taxation and social security	6,957	4,938	6,957	4,938
Accruals and deferred income	14,105	6,527	14,105	6,527
Provisions	2,060	460	2,060	460
	24,113	14,332	24,049	14,272
Amounts falling due after more than one year:				
Accruals	394	318	394	318
Deferred income	17,885	17,533	17,885	17,533
	18,279	17,851	18,279	17,851

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

Provisions held:	2014 £000	2013 £000
At 1 October	460	460
Provided - subsea cable repair	1,800	-
Utilised - decommission of old subsea cable	(200)	-
At 30 September	2,060	460

16 Borrowings

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

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

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

	2014 £000	2013 £000
Unsecured borrowing at amortised cost		
Loan obtained from private placement	30,000	-
Secured borrowing at amortised cost		
Bank loan	-	10,000
Total borrowings		
Amount due for settlement after one year	30,000	10,000

In addition the above borrowings are supplemented by a 5 year £40m revolving credit facility from the Royal Bank of Scotland International Limited (RBSI) which provides flexibility as the timing of further planned capital expenditure is variable. A one year £2m overdraft facility also exists with RBSI. Neither RBSI facility was drawn as at 30 September 2014 and like the Pricoa loans they are unsecured. The £10m drawn down in the prior year was repaid early and concluded the previous revolving credit facility with RBSI.

Notes to the Financial Statements

for the year ended 30 September 2014

17 Pensions

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

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

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

Profile of the Scheme

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

Broadly, about 54% of the liabilities are attributable to current employees, 8% to former employees and 38% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 16 years reflecting the approximate split of the defined benefit obligation.

Regular employer contributions to the Scheme in 2015 are estimated to be £2.4m.

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

Funding requirements

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2012 and showed a deficit of £9.3m. Investment returns are expected to make good this shortfall by 31 December 2023, albeit the deficit of that part has largely disappeared. In Jersey there are no legal or regulatory requirements governing pension schemes and therefore no imposed minimum funding requirement. The next funding valuation is due no later than 31 December 2015 at which progress towards full-funding will be reviewed. The Company pays contributions of 20.6% (26.6% for non-contributory members) of pensionable salaries (of which 19.0% is in respect of current accrual, 0.6% in respect of death in service lump sums and 1% in respect of expenses) with active members paying a further 6% of pensionable salaries.

Risks associated with the Scheme

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

Reporting at 30 September 2014

The results of the latest funding valuation at 31 December 2012 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2012, changes in the market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation, the related current service cost, and any past service costs were measured using the Projected Unit Credit Method.

IAS 19 (revised) 'Employee benefits' amends the accounting for employee benefits with the main change being the replacement of the interest cost on defined benefit obligations and the expected return on pension scheme assets with a net interest cost calculation on a net liability basis. This impacts upon the calculation of the charge to the income statement and a corresponding change is recognised through the statement of comprehensive income. The Group has applied the standard retrospectively in accordance with the transitional provisions and the comparatives have been restated accordingly.

Notes to the Financial Statements
for the year ended 30 September 2014

The restatement impact upon the Group can be summarised as follows:

	Year ended 30 September 2013 Reported £000	Impact of applying IAS 19R £000	Restated £000
Extract of Consolidated Income Statement			
Operating expenses	(19,469)	(1,194)	(20,663)
Group operating profit before exceptional items	7,102	(1,194)	5,908
Exceptional items	(600)	-	(600)
Group operating profit	6,502	(1,194)	5,308
Interest receivable	53	-	53
Finance costs	(11)	-	(11)
Profit from operations before taxation	6,544	(1,194)	5,350
Taxation	(1,482)	239	(1,243)
Profit from operations after taxation	5,062	(955)	4,107
Attributable to:			
Owners of the Company	5,022	(955)	4,067
Non-controlling interests	40	-	40
Earnings per share - basic and diluted	16.39p	(3.12)p	13.27p
Extract of Consolidated Statement of Comprehensive Income			
Profit for the year	5,062	(955)	4,107
Actuarial gain on defined benefit scheme	4,304	1,194	5,498
Income tax relating to items not reclassified	(1,010)	(239)	(1,249)
Extract of Statements of Cash Flow - Group			
Operating profit before exceptionals	7,102	(1,194)	5,908
Pension operating charge less contributions paid	(746)	1,194	448
Operating cash flows before movement in working capital	13,833	-	13,833

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

Main financial assumptions:	**2014 % pa**	2013 % pa
Inflation	**3.3**	3.4
Rate of general increase in salaries		
- short term (year 1)	**2.6**	2.5
- long term (year 2 onwards)	**4.3**	4.4
Rate of increase to pensions in payment	**-**	-
Increasing pensions purchased with AVCs	**3.3**	3.4
Discount rate for scheme liabilities	**3.9**	4.4

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

Notes to the Financial Statements

for the year ended 30 September 2014

	30 September 2014	30 September 2013
Post-retirement mortality assumption - base table	SAPS 'S1' tables with CMI 2011 improvements to the calculation date with suitable scaling actors applied	SAPS 'S1' tables with CMI 2011 improvements to the calculation date with suitable scaling factors applied
Post-retirement mortality assumption - future improvements	CMI 2011 core projections with long-term improvement rate of 1.25% p.a. for men and women	CMI 2011 core projections with long-term improvement rate of 1.25% p.a. for men and women
Life expectancy for male currently aged 60	28.2	28.1
Life expectancy for female currently aged 60	30.7	30.6
Life expectancy at 60 for male currently aged 40	30.2	30.1
Life expectancy at 60 for female currently aged 40	32.7	32.6
Cash commutation	Members assumed to exchange 15% of their pension for a cash lump sum at retirement	Members assumed to exchange 15% of their pension for a cash lump sum at retirement.

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

	Value at 30 September 2014 £000	Value at 30 September 2013 £000
UK Fixed Interest	23,744	12,866
UK Equities	16,354	4,720
Overseas Equities	48,083	56,107
Property Unit Trusts	1,476	2,765
Other	6,293	7,581
Cash Instruments	3,321	4,282
Cash and Commitments	5,495	5,691
	104,766	94,012

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

Reconciliation of funded status to balance sheet:	2014 £000	2013 £000
Fair value of Scheme assets	104,766	94,012
Present value of Scheme liabilities	(106,138)	(95,030)
Deficit in Scheme	(1,372)	(1,018)
Related deferred tax asset	274	204
Net pension liability	(1,098)	(814)

Notes to the Financial Statements

for the year ended 30 September 2014

Breakdown of amounts recognised in profit and loss and other comprehensive income	2014 £000	2013 £000
Operating cost		
Service costs:		
Current service cost	1,925	2,007
Administration expenses	130	181
Past service cost (incl. curtailments)	-	55
Financing cost		
Interest on net defined benefit liability/(asset)	2	206
Total pension expense recognised in profit and loss	2,057	2,449
Remeasurements in OCI:		
Return on plan assets (in excess of)/below that recognised in net interest	(7,261)	(6,432)
Actuarial (gains)/losses due to changes in financial assumptions	7,633	(376)
Actuarial (gains)/losses due to changes in demographic assumptions	-	(1,093)
Actuarial (gains)/losses due to liability experience	20	2,403
Total amount recognised in OCI	392	(5,498)
Total amount recognised in profit and loss and OCI	2,449	(3,049)

Changes to the present value of the defined benefit obligation during the year	2014 £000	2013 £000
Opening defined benefit obligation	95,030	91,335
Current service cost	1,925	2,007
Interest expense on scheme liabilities	4,128	3,762
Contributions by scheme participants	592	599
Actuarial (gains)/losses on scheme liabilities arising from changes in demographic assumptions	-	(1,093)
Actuarial (gains)/losses on scheme liabilities arising from changes in financial assumptions	7,633	(376)
Actuarial (gains)/losses on scheme liabilities arising from experience	20	2,403
Net benefits paid out	(3,190)	(3,662)
Past service cost (incl. curtailments)	-	55
Closing defined benefit obligation	106,138	95,030

Changes to the fair value of Scheme assets during the year	2014 £000	2013 £000
Opening fair value of Scheme assets	94,012	85,267
Interest income on Scheme assets	4,126	3,556
Remeasurement gains/(losses) on scheme assets	7,261	6,432
Contributions by the employer	2,095	2,001
Contributions by scheme participants	592	599
Net benefits paid out	(3,190)	(3,662)
Administration costs incurred	(130)	(181)
Closing fair value of scheme assets	104,766	94,012

Actual return on scheme assets	2014 £000	2013 £000
Interest income on scheme assets	4,126	3,556
Remeasurement gain/(loss) on scheme assets	7,261	6,432
Actual return on scheme assets	11,387	9,988

Analysis of amounts recognised in other comprehensive income (SoCI)	2014 £000	2013 £000
Total remeasurement (losses)/gains in other comprehensive income	(392)	5,498

Notes to the Financial Statements

for the year ended 30 September 2014

To show sensitivity of the results to the discount rate, we have set out below the balance sheet and profit and loss impact of adopting a discount rate of 3.40% p.a. as at 30 September 2014.

Main financial assumptions	30 September 2014 % p.a.
Inflation	3.3
Rate of general increase in salaries	
- short term (year 1)	2.6
- long term (year 2 onwards)	4.3
Rate of increase to pensions in payment	-
Increasing pensions purchased with AVCs	3.3
Discount rate for scheme liabilities	3.4

Reconciliation of funded status to balance sheet	Value at 30 September 2014 £000
Fair value of scheme assets	104,766
Present value of funded defined benefit obligation	(115,321)
Funded status and asset/(liability) recognised on the balance sheet	(10,555)

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

18 Called up share capital

	Authorised 2014 £000	Issued and fully paid 2014 £000	Authorised 2013 £000	Issued and fully paid 2013 £000
'A' Ordinary shares 5p each (2013: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2013: 5p each)	1,500	950	1,500	950
	2,750	1,532	2,750	1,532
5% Cumulative participating preference shares £1 each	100	100	100	100
3.5% Cumulative non-participating preference shares £1 each	150	135	150	135
	250	235	250	235

Equity shares

'A' Ordinary shares entitle the holder to 1 vote for every 100 shares held whereas the Ordinary shares carry voting rights of 1 vote for every 20 shares held. At 30 September 2014 there were 11,640,000 'A' Ordinary and 19,000,000 Ordinary shares in issue.

Preference shares

Preference shares are classified as financial liabilities under IFRS. Dividends paid to preference shareholders in the year were £9,000 (2013: £9,000) and are recorded in finance costs in the income statement. 5% preference shares carry voting rights of 1 vote per 5 shares and 3.5% preference shares carry voting rights of 1 vote per 10 shares.

ESOP reserve

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

19 Non-controlling interests

Equity	2014 £000	2013 £000
At 1 October	24	63
Share of profit on ordinary activities after taxation	46	40
Dividends paid	(60)	(79)
At 30 September	10	24

Notes to the Financial Statements

for the year ended 30 September 2014

20 Financial commitments

	2014 £000	2013 £000
a Capital expenditure:		
Approved by the directors but not yet contracted for	20,839	56,304
b Current rental commitments under operating leases are as follows:		
Payable within one year	31	42
After one year but within five years	10	40
After five years	29	29
	70	111

21 Leases

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

	2014 £000	2013 £000
Less than one year	1,964	1,583
Greater than one year and less than five years	5,876	4,087
More than five years	5,323	4,739
	13,163	10,409

22 Derivatives and financial instruments and their risk management

Group and Company:

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

In the previous two financial years, oil derivatives were included in the financial statements. With the commissioning of the new interconnector the volume of oil consumed is expected to be immaterial and no hedges exist at this year end.

The Group's currency exposure at 30 September 2014, taking into account the effect of forward contracts placed to manage such exposures, was £1.8m (2013: £2.4m) being the translated Euro liability due for imports made in September but payable in October.

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

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

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

Level 3: Comprised of financial instruments whose values are determined by inputs that are not based on observable market data (unobservable inputs). The derivative contracts entered into by the Group are classified as Level 2 financial instruments on the basis that fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

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 2014

Foreign exchange risk

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

Currency derivatives

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

Forward foreign exchange contracts	2014 £000	2013 £000
Less than one year	34,241	31,076
Greater than one year and less than three years	48,638	31,474
	82,879	62,550

At 30 September 2014, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £4.2m over the next three years (2013: £0.9m asset). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to a liability of £4.2m (2013: £0.9m asset) and has been deferred in equity. Given the limited exposure to foreign exchange rate risk at the year end no sensitivity analysis has been presented.

The fair value of currency derivatives that are designated and ineffective as cash flow hedges amount to £nil (2013: £48k). In the current period amounts of £5.1m were debited (2013: £4.4m were credited) to equity and £0.1m (2013: £0.5m) recycled to the income statement. Gains and losses on the derivatives are recycled through the income statement at the time the purchase of power is recognised in the income statement.

Fair value of currency hedges	2014 £000	2013 £000
Derivative assets	-	1,273
Derivative liabilities	(4,246)	(343)
	(4,246)	930

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

Oil purchases

In the prior year, the Group utilised oil derivatives to hedge its future purchase of oil which extended to only the current financial year. No such derivatives exist at 30 September 2014.

Oil derivatives

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

Oil contracts	2014 £000	2013 £000
Less than one year	-	7,523

At 30 September 2014, the Group has no oil derivatives and therefore the fair value of the Group's oil derivatives was £nil (2013: £(0.6)m liability).

Fair value of oil hedges	2014 £000	2013 £000
Derivative assets	-	-
Derivative liabilities	-	(609)
	-	(609)

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

At 30 September the fair value of the Group's oil hedges which were deemed effective was £nil (2013: £(0.6)m liability). In the current period amounts of £0.6m were credited to equity (2013: £0.2m debited) and £nil recycled to the income statement (2013: £nil). Gains and losses on the derivatives are recycled through the income statement at the time the purchase of oil is recognised in the income statement. There were no ineffective oil derivatives designated as cash flow hedges at the year end (2013: £nil).

Commodity risk

Power purchases

The Group has power purchase agreements with EDF in France. As at 30 September 2014, the import prices, but not volumes, have been substantially fixed for 2015. The Group entered into a 10 year framework agreement with EDF on 1 January 2013 which has a

Notes to the Financial Statements
for the year ended 30 September 2014

commitment to procure around 30% of volume requirements at known prices. The remainder of the requirement will be decided by a market pricing mechanism, but with no volume commitment, with a goal to deliver a degree of stability in tariff pricing to our customers.

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

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 receivables at 30 September 2014 outside the standard 30 day credit terms are as follows:

	2014 £000	2013 £000
Greater than 30 days	255	226
Greater than 60 days	104	59
Greater than 90 days	242	488
	601	773

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group monitors its credit exposure to its counterparties via their credit ratings and through its treasury policy, thereby limiting its exposure to any one party to ensure that they are within Board approved limits and that there are no significant concentrations of credit risk.

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

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

Capital management

Strong capital management is an integral part of the directors' strategy to achieve the Group's stated objectives. The directors review financial capital KPI's on a monthly basis. The £30m private placement drawn down in July 2014 provides long-term funding to the Group supplemented by a 5 year £40m revolving credit facility. Liquid funds are managed on a daily basis and placed on short-term deposits maturing to meet liabilities when they fall due.

Liquidity risk

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

Maturity of financial liabilities at 30 September	2014 £000	2013 £000
Less than one year	28,359	15,284
More than one year and less than five years	34,566	43,469
More than five years	30,000	-
	92,925	58,753

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September 2014 of £42.0m (2013: £52.0m) in respect of which all conditions precedent had been met. The overdraft facility of £2.0m expires within one year, and the Revolving Credit Facility on 30 May 2019.

Maturity of financial assets and liabilities

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

Maturity of financial assets at 30 September	2014 £000	2013 £000
Less than 3 months: cash and cash equivalents and short-term investments	9,776	4,798
Greater than 3 months: short-term investments	-	-

Interest rate risk

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

Notes to the Financial Statements

for the year ended 30 September 2014

23 Related party transactions

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

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

Counterparty	Value of electricity services supplied by Jersey Electricity		Value of goods & services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
The States of Jersey	**7,095**	8,013	**1,104**	1,424	**1,577**	1,365	**525**	618	**17**	1
JT Group Limited	**2,042**	1,846	**258**	53	**156**	172	**138**	153	**-**	-
Jersey Post International Limited	**123**	129	**1**	-	**38**	35	**-**	-	**-**	-
Jersey New Waterworks Limited	**833**	738	**67**	70	**101**	191	**75**	66	**-**	-

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.

b Energy from Waste Plant

A new Energy from Waste plant was commissioned in Jersey during 2011. Jersey Electricity signed a 25 year agreement in 2008 to take electricity produced at the plant by the States of Jersey and to share existing facilities with the Energy from Waste plant. The value of electricity imported from the facility during the year was £1.2m (2013: £1.2m) and the value of services provided to the plant was £0.5m (2013: £0.5m).

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the executive directors) is set out below. Further information about the remuneration of individual directors is provided in the Remuneration Report on pages 57 to 59.

	2014 £000	2013 £000
Short-term employee benefits	**819**	644
Post-employment benefits	**92**	182
	911	826

24 Contingent liabilities

Potential legal costs

During 2010, the Company raised a contractual debt action against a customer for an amount due and payable to the Company.
A separate counterclaim was subsequently received by the Company. The Company's lawyers have advised that they do not consider that the counterclaim has merit, and they have recommended that it be contested. The matter is due to go to Court in September 2015.
No provision has been made in these financial statements as the Company's management do not consider that there is any probable loss under the counterclaim. However, the Company has a possible obligation in respect of legal costs if the matter proceeds to Court.
The legal costs which the Company would incur, if the matter proceeds to Court, are estimated to be up to £0.5m, however this amount may be reduced by any security for costs which the Company manages to achieve.

Five Year Group Summary (unaudited)

Financial Statements	2014	2013 (restated)	2012	2011	2010
Income Statement (£m)					
Turnover	**98.4**	102.3	97.2	100.5	98.9
Operating profit	**6.5**	5.3	5.5	10.8	14.2
Profit before tax	**6.5**	5.4	5.7	11.1	14.6
Profit before tax (pre-exceptional costs)	**10.0**	5.9	6.9	11.1	14.6
Profit after tax	**5.0**	4.1	3.9	8.6	12.4
Dividends	**3.6**	3.4	3.4	3.2	3.0
Special dividend	**-**	-	-	1.0	-
Balance Sheets (£m)					
Property, plant and equipment	**184.8**	155.2	138.1	128.3	120.9
Net current assets	**5.5**	16.7	17.7	29.1	30.4
Non-current liabilities	**(64.7)**	(43.5)	(35.0)	(33.0)	(28.1)
Net assets	**146.1**	148.8	136.2	140.9	141.7
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**16.10**	13.27	12.55	28.05	40.20
Earnings per ordinary share (pre-exceptional costs) (pence)	**24.26**	15.23	16.26	28.05	40.20
Gross dividend paid per ordinary share (pence)	**14.75**	14.06	13.70	13.06	12.44
Net dividend paid per ordinary share (pence)	**11.80**	11.25	11.00	10.45	9.95
Dividend cover (times)*1	**1.4**	1.2	1.1	2.1	4.0
Dividend cover (pre-exceptional costs) (times)*1	**2.1**	1.4	1.5	2.7	4.0
(Net debt)/Cash at bank (£m)	**(20.2)**	(5.2)	14.2	24.5	22.7
Capital expenditure (£m)	**39.9**	25.7	18.5	15.6	8.4
Electricity Statistics					
Units sold (m)	**621**	663	637	651	645
% movement	**(6.3%)**	4.1%	(2.1%)	0.9%	0.4%
% of units imported	**80.2%**	75.4%	92.1%	95.6%	93.5%
% of units generated	**14.9%**	20.7%	2.4%	1.9%	5.9%
% of units from Energy from Waste plant*2	**4.9%**	3.9%	5.5%	2.5%	0.6%
Maximum demand (megawatts)	**139**	155	161	154	158
Number of customers	**48,941**	48,623	48,452	47,990	47,494
Customer minutes lost	**110**	13	293	45	10
Average price per kilowatt hour sold (pence)	**12.7p**	12.3p	11.4p	11.4p	11.5p
Manpower Statistics					
Energy	**204**	201	203	191	192
Other	**95**	117	126	136	136
Trainees	**9**	11	12	10	5
Total	**308**	329	341	337	333
Units sold per energy employee (000's)	**3,044**	3,297	3,136	3,408	3,359
Number of customers per energy employee	**240**	242	239	251	247

*1 excludes the special dividend paid in 2011.

*2 Energy from Waste plant operational from 2011. Units for 2010 from previous facility at different location.

Financial Calendar

2 January 2015	Preference share dividend
20 February 2015	Record date for final dividend
5 March 2015	Annual General Meeting
27 March 2015	Final dividend for year ended 30 September 2014
22 May 2015	Interim Management Statement – six months to 31 March 2015
5 June 2015	Record date for Interim Ordinary dividend
30 June 2015	Interim dividend for year ending 30 September 2015
1 July 2015	Preference share dividend
18 December 2015	Preliminary announcement of full year results

Annual General Meeting

The Annual General Meeting will be held at the Powerhouse, Queens Road, St. Helier, Jersey on Thursday 5 March 2015 at 2:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

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

Jersey Electricity

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