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INVESTMENT TO POWER A SUSTAINABLE FUTURE

REPORT AND ACCOUNTS 2016

Jersey Electricity

OUR YEAR

KEY ACHIEVEMENTS 2016

ENERGY GROWTH/SOLUTIONS

- 625 million units of electricity sold.
- 49,532 customers on supply.
- Won 98% of new developments.
- Doubled fuel switch conversion rate.
- New E20+ Tariff launched.

RECORD TURNOVER

- Best ever Group performance with revenues of £103m, generating the profit to fund on-going investment.
- Group pre-tax profits up 6% at £13m.
- Retail turnover up 8% to £11.9m.

PEAK DEMAND

- 149MW recorded on 19 January 2016 at 9.30pm. Close to last year's 148MW but well below our record 161MW set on 2 February 2012.

NORMANDIE 1

- Primary project completed on time and under budget.
- Feb: EDF1 cable beach recovery starts.
- March: EDF1 offshore recovery.
- April: EDF1 recovery completed.
- July: N1 cable leaves Naples.
- Aug: Marine installation.
- Dec: N1 circuit live.

HEALTH AND SAFETY

- Just one minor Lost Time Accident (LTA) despite three major on-going infrastructure projects involving multi-national contractors.

ST HELIER WEST

- Good progress made on a difficult site.
- Dec 2015: Civil works contract signed.
- Jan 2016: Civil works start.
- Jun 2016: INEO contract signed.
- Sept 2016: Foundation piling starts.

SUPPLY SECURITY

- 24 Customer Minutes Lost (CMLs).
- Black start Diesel 5 in position and expected in service early 2017.

50 YEARS OF LA COLLETTE

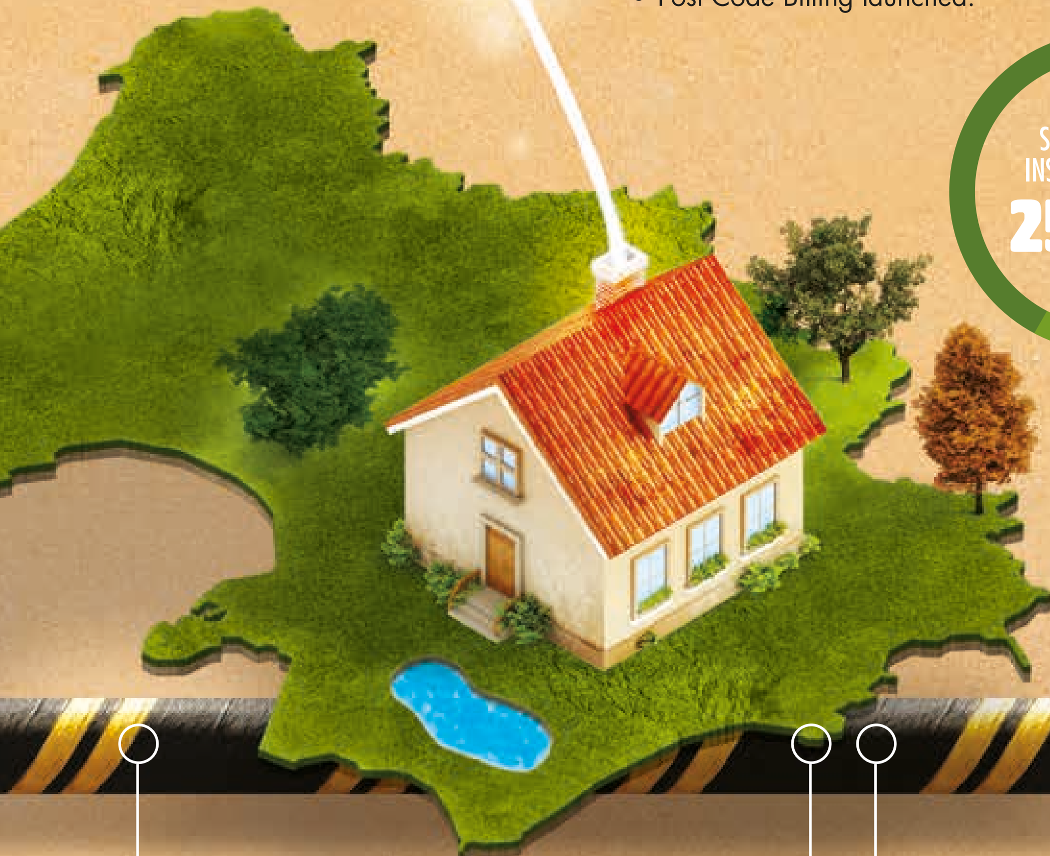
- 29 September marked 50 years of generation at La Collette Power Station.

SMARTSWITCH

- Over half the Island switched to Smart Meters.
- 25,296 meters installed.
- Post Code Billing launched.

SMART METERS INSTALLED SO FAR

25,296



ENVIRONMENT

- Delivered power at a carbon intensity level of 47g CO_2e / kWh.
- One ninth of the UK grid.
- One fifth of local fossil fuels.

AFFORDABILITY

- No tariff increase since April 2014.
- Prices to be frozen throughout 2017.
- Within target of +/-10% of EU15 Average.

ELECTRIC TRANSPORT

- 215 electric vehicles registered.
- Jersey Post starts to electrify fleet.

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DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS
Geoffrey Grime FCA (Chairman)
Michael Liston OBE FREng, BSc, CEng, FIEE, CIMgt
Aaron Le Cornu BSc, ACA
Alan Bryce MSc, CEng, FIET
Phil Austin MBE, FCIB, FCMI
Wendy Dorman BA (Hons), ACA

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

SECRETARY
Peter Routier BSc, FCIS

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

PLACE OF INCORPORATION
Jersey

AUDITORS
Deloitte LLP, PO Box 403, 44 The Esplanade, St. Helier, Jersey

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

BROKERS
Canaccord Genuity Wealth Management,
PO Box 3, 37 The Esplanade, St. Helier, Jersey

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

CHAIRMAN'S STATEMENT

I am pleased to report that Jersey Electricity has delivered another excellent year's performance in 2015/16. The Company has continued to make great progress in implementing its infrastructure strategy, at the centre of which was the successful delivery of another 100MW interconnector, Normandie 1(N1), installed between Jersey and France, and delivered ahead of schedule and materially below budget. A shared investment with our partners Guernsey Electricity, N1 is the replacement for EDF1, Jersey Electricity's first interconnector, which came to the end of its life in 2012. This new cable link gives Jersey and Guernsey the benefit of three submarine cables between Jersey and France, across two diverse routes. The primary project was completed in just four years at a cost of around £30m, representing another notable achievement.

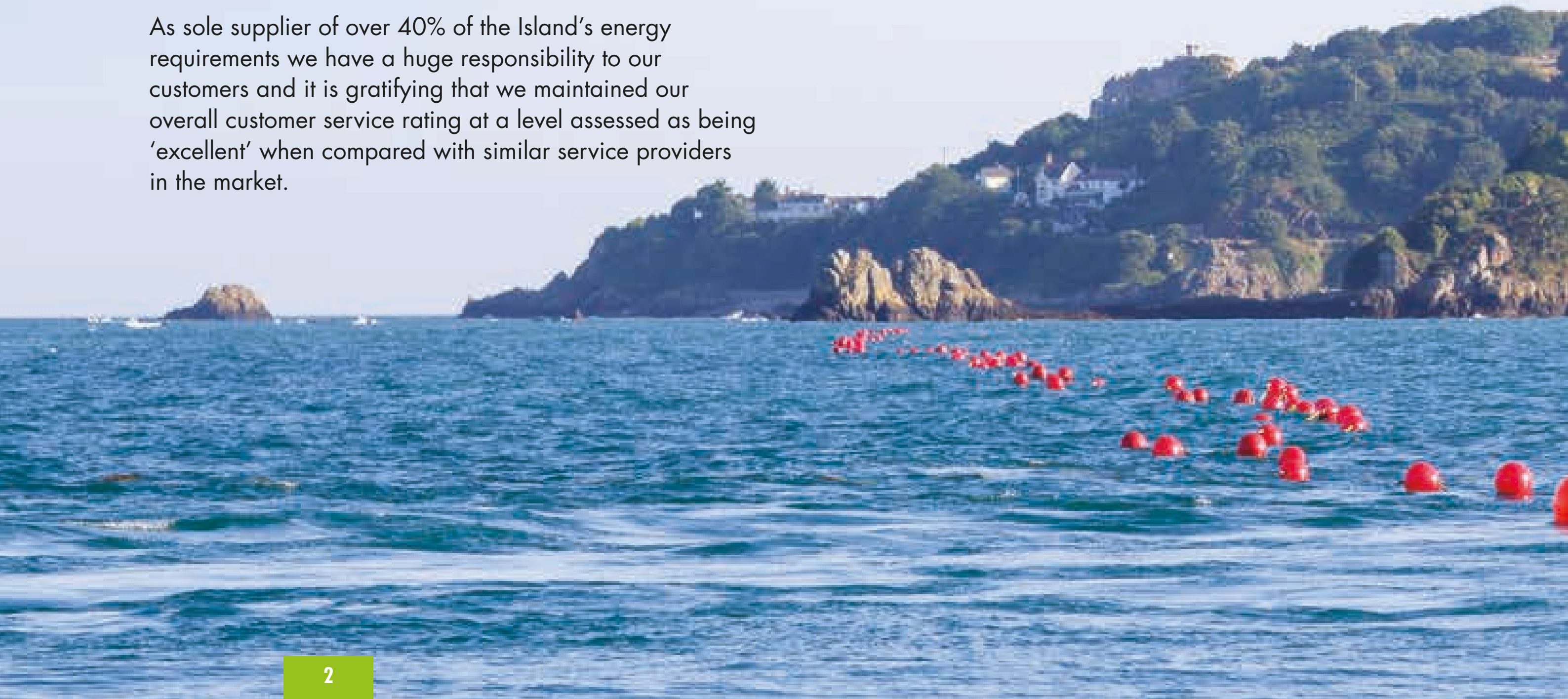
The Company's success this year is not limited to delivering capital projects. It has also produced its best ever Group financial performance supported by strong improvements in its non-Energy businesses. In the Energy supply business, Jersey Electricity has built on the good progress made last year, maintaining profitability at a level needed to support on-going investment and commensurate with a rate of return that we see in regulated entities elsewhere. Importantly, despite the recent period of sustained investment, we have been able to maintain prices at current levels for nearly three years and we remain competitively priced relative to other islands and even larger EU countries. Furthermore, we have announced that electricity prices will not increase until 1 January 2018 at the earliest. Our supply reliability, health and safety and environmental performance, including the carbon intensity of supplied electricity, remain strong relative to peers which is notable given the particular challenges of operating in an island context.

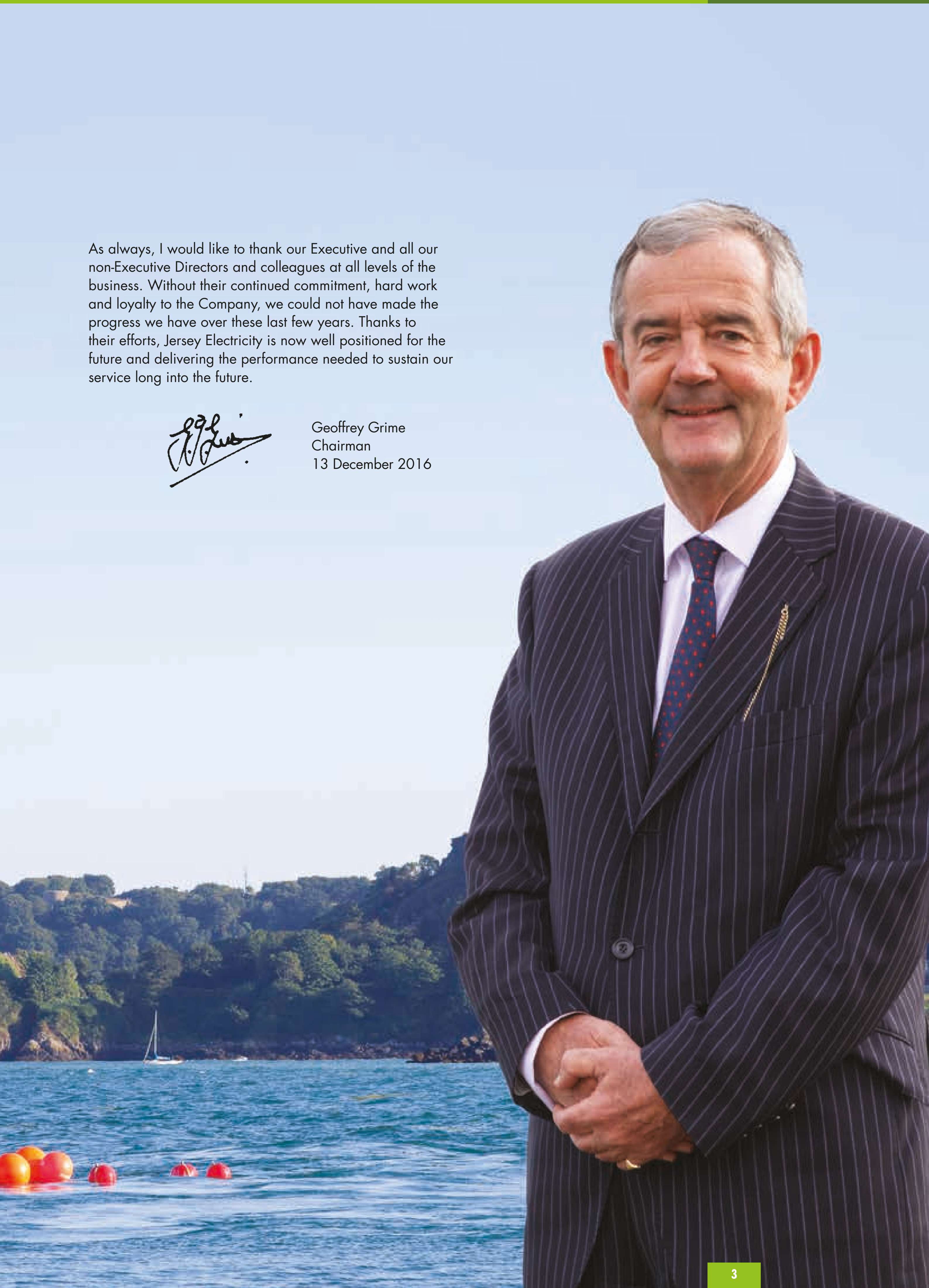
As sole supplier of over 40% of the Island's energy requirements we have a huge responsibility to our customers and it is gratifying that we maintained our overall customer service rating at a level assessed as being 'excellent' when compared with similar service providers in the market.

Group revenue for the year to 30 September 2016 at £103m was 3% higher than in the previous financial year and profit before tax, before exceptional items, at just over £13m, reached a level 6% higher than last year – both supported by stable underlying performance in the Energy business and increased activity in our non-Energy businesses, especially our retail business, Powerhouse.je which continues to show improvement. Unit sales volumes of electricity held up given the challenges of energy efficiency and the mild weather this year – only marginally behind last year at 625 million units, in part reflecting our success at fuel switching customers to electricity. Profits in our Energy business rose from £11.5m to £11.6m with higher supply margins partially offset by a £1.1m rise in pension costs of which £0.7m was of a non-recurring nature associated with the granting of an ex-gratia rise in pensions in service.

I am therefore pleased to report a proposed final dividend for this year of 8.00p payable on 30 March 2017, being a 5% increase on last year.

We have continued our programme of Board renewal that we announced last year, welcoming two new non-Executive Directors in Phil Austin MBE and Wendy Dorman. Phil joined us in May after a long career in banking with HSBC followed by appointments in the Jersey financial services sector. Wendy joined us in July from PwC where she led its Channel Islands Tax Practice. Finally, Mike Liston, our former Chief Executive, who also served as a non-Executive director over the last eight years, retired in December 2016. Mike has served Jersey Electricity from 1986 and has made an extraordinary contribution to the Company, greatly influencing its success over the last 30 years, and to whom I would like to extend our sincere thanks.





As always, I would like to thank our Executive and all our non-Executive Directors and colleagues at all levels of the business. Without their continued commitment, hard work and loyalty to the Company, we could not have made the progress we have over these last few years. Thanks to their efforts, Jersey Electricity is now well positioned for the future and delivering the performance needed to sustain our service long into the future.

Geoffrey Grime
Chairman
13 December 2016

CHIEF EXECUTIVE'S REVIEW

As a Group, I am delighted to report that we have delivered our best ever financial performance, with a 6% increase in profits, before exceptional items, to £13.1m on a turnover of £103m. This reflects strong performances in all our business units and importantly has not been delivered at the expense of operational performance and customer service. Though unit sales of electricity at 625 million (kWhs) were marginally down on last year due to a mild 2015/16 winter and the impact of increased energy efficiency, our Energy business delivered profits of £11.6m, £0.1m ahead of last year. But it was our non-Energy business units that delivered most of our profit increase. In particular, our retail arm, Powerhouse.je has gone from strength to strength, turning a loss of £0.1m in 2014 into a £0.5m profit this year.

The level of profitability in our Energy business is necessary to finance our long-term investment programme and this has continued this year with the successful installation of our third undersea supply cable to France, Normandie 1 (N1). This was a complex project delivered ahead of schedule and below budget. At a cost of around £30m, shared with Guernsey Electricity (GEL) under the oversight of the Channel Islands Electricity Grid (CIEG), N1 replaces EDF1, our first cable that was decommissioned in 2012. It was less costly than N3, laid in 2014, as it follows the same route as its predecessor from Surville, Normandy, to Archirondel on Jersey's east coast and connects to much existing on-land infrastructure. N1 represents the next step in our continued subsea cable investment programme and will enable us to securely meet Jersey's full electricity requirements with low carbon imports.

This year we imported 92% of our energy requirements from France, generated 3% on-Island with the remaining 5% from the States of Jersey-owned Energy from Waste plant. Though we had two submarine cables to France in operation throughout 2015/16, Normandie 2 (N2) and Normandie 3 (N3), the higher level of local generation was due mainly to increased training at our La Collette Power Station.

This small rise in on-Island generation has, in turn, slightly increased the carbon intensity of our distributed power in Jersey from 33g CO_2e / kWh last year to 47g CO_2e / kWh. This is still well within target and at a level that is one ninth of the carbon intensity of UK's electricity system and less than one fifth of that of local fossil fuels. The completion of N1 will enable us to virtually decarbonise Jersey's electricity supply as well as enhance the security of that supply. We measure supply reliability in Customer Minutes Lost (CMLs) which is the average duration of interrupted supplies during the year experienced by each customer. This year our CMLs were 24. Although higher than last year, due mainly to the all-Island failure on 9 May, Jersey Electricity's lost minutes of supply was still around a third of the normal UK average.

We have also enhanced our emergency on-Island generation capabilities. The 5MW 'black start' Sulzer diesel generator the Board approved last year is in the process of being installed at La Collette and is scheduled to be commissioned in early 2017. The importance of the Power Station to supply security was recognised when we marked 50 years since the first units of electricity were generated at La Collette on 29 September 1966.

The year saw progress on our £17m St Helier West primary substation. Preparations for the actual build are nearing completion. Our civil contractors have removed 27,000 tons of material from the old quarry site and began piling for the foundation and new retaining wall at the end of the financial year. French specialist contractors INEO are expected to start work in summer 2017, with the facility in service the following year.

Our other major investment project, SmartSwitch, has also moved forward this year with over 25,000 smart-enabled meters now installed. SmartSwitch has already enabled us to introduce Post Code Billing for a large number of customers by providing readings on the same date every quarter so our customers receive bills that cover four equal periods through the year. And, of importance to our load growth strategy, this new metering technology has enabled us to introduce our first 24-hour uninterrupted heating tariff, Economy 20 Plus (E20+) by automatically switching over to the higher General Domestic Rate during four peak hours of the day which were formerly an interruption to the heating supply.

This is already proving a huge incentive for customers we are encouraging to switch from fossil fuel-fired heating.

Elsewhere in the Group, both our retail interests, Powerhouse.je and JEBS, our contracting and building services business, continued to improve post restructuring and re-branding. JEBS produced a profit of £0.1m against a near breakeven position in 2015 and is making great inroads into building a foundation for the future. Other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had a profitable year. Profits in our Property division, excluding the impact of investment property revaluation, at £1.7m, rose by £0.1m from last year.

Internally, our new HR team has introduced an extensive programme of staff training, including a bespoke Management Development Programme, and IT has undertaken a major programme of upgrade works, all essential to meet the future needs of the business. All of our functions have had their own projects and challenges during the year in which they have made notable progress.

GROUP PURPOSE



Our purpose is to 'sustainably serve our community with affordable, secure, low carbon energy, today and long into the future, enabling quality of life for residents and economic prosperity for businesses'. Sustainability is at the centre of everything we do and we think of this more broadly than environmental sustainability and low carbon. For Jersey Electricity, sustainability is also about security and reliability in our services provision. It is about fair pricing for customers that ensures the business is economically viable and competes effectively with other fuels, enabling the business to make a fair profit, satisfy shareholders and fund new investment. It is about the safety and health of all the people that touch our business and it is also reflected in our corporate and social responsibility activities.

This year we have built further on the Purpose, Vision and Values work instigated in 2013, to ensure every employee understands our purpose, the part they play in helping us fulfil our purpose; the vision of where we are trying to get to as a business and the values that describe the way we go about our work.

A major part of this is understanding our customers and serving them in the fairest and most efficient way. In the absence of competition in electricity or formal regulation, it is customers who drive us and they feature heavily in our strategy:

- To 'sustainably serve our community … today and long into the future …' – Purpose
- 'Strengthening our relationships with customers by better understanding their needs and meeting them' – Vision
- By being customer focused in our behaviours: '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' – Values

Our vision

Is to responsibly and sustainably deliver value to customers by:

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

Our priorities

- Grow electricity's market share using resources in Energy Solutions, JEBS and Energy in a more efficient way.
- Continue our roll-out of the multi-year SmartSwitch Smart Metering programme safely and reliably, in a way that delivers more value to the consumer and the business.
- Keep our major St Helier West primary substation on track for delivery by winter 2018 and in accordance with budget.
- Design and develop new Queen's Road infrastructure, securing final Board consent for the investment.
- Deliver the Nav2016 enterprise system upgrade on time and on budget while minimising risk to services over the transition.
- Optimise La Collette Power Station to robustly protect supplies in the most efficient way; as part of this, complete installation of the Diesel 5 'black start' generator.
- Continue our programme of managed change, succession and people development across the business.

Our values

- Safety: We do everything safely and responsibly or not at all – nothing is more important than the safety of the public, our customers and our staff.
- Customer focus: We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty.
- Teamwork: We respect and value our colleagues as individuals and we believe we are stronger as a team, leading to better solutions and a more enjoyable and rewarding work life.
- Responsibility: We accept responsibility for everything we do, safeguarding the natural environment and the local community, as well as the interests of all our customers and staff.
- Excellence: We strive to work in a way that is both effective and efficient, continuously improving everything we do – innovating where we can but keeping things simple.
- Reliability: We are trustworthy, dependable and reliable, delivering on our commitments and always there when you need us.

49,532
total customers
212 increase in the year

2,000th
customer
on Economy20

360
new space/water heating customers

ENERGY GROWTH

While many utilities have witnessed reductions in unit sales due to energy efficiency and weaker economic growth, Jersey Electricity has broadly held volumes stable over recent years, with unit sales of 625 million being only marginally below last year's 627 million, largely due to a mild 2015/16 winter and, inevitably, increased energy efficiency. Our approach is to encourage customers to become more energy efficient, while developing value propositions that will help customers switch from fossil fuels to electricity. Our Energy Solutions Team is dedicated to this goal and has made good progress.

Energy Solutions

This small, specialist team is focused on achieving unit sales growth using traditional and new technologies in heating, cooling, cooking, lighting and transportation across commercial, residential and public sectors. In only its second full year, the team has made good progress in the domestic market. Having developed user-friendly propositions, streamlined the customer journey and enhanced the finance packages in support of fuel switching, the team has increased fuel switch conversion rate by almost 100%. Going forward, the team will be strengthening our relationships with the trade and leveraging a new Economy 20 Plus (E20+) tariff, our first 24-hour, uninterrupted low price heating tariff, offering a mix of off-peak rate and normal rate for approved heating systems.

We have also made progress in the commercial sector, with professional kitchens in particular continuing to switch to all electric solutions using energy efficient induction cooking technology as well as commercial scale, ultra-efficient heating and cooling heat pump technology.

We believe there are enormous opportunities to reduce both carbon emissions and costs within the States of Jersey portfolio of properties and we believe we are well positioned to assist in energy management. While engaging with the States has been difficult, we continue our efforts to persuade it of the significant financial opportunity across its building stock and its transportation needs.

New Build

Despite continued low oil prices, electricity remains the first choice for developers seeking energy efficient building designs. Indeed, with building standards that are continually being enhanced, little energy is needed for heating so most of the opportunity is in general light and power and cooling applications. We have maintained our position with over 98% of new build choosing electric solutions for heating and cooling.

Electric Transportation

While uptake of private electric vehicles remains slow without the government incentivisation we have seen in other developed economies, we are beginning to see growth off the back of technology development and a broader range of models from all the major car manufacturers. There were 215 all electric vehicles, of which 131 were all electric cars registered in Jersey at 30 September.

We are working on an exciting new development with a car sharing company that is committed to our all-electric solution having seen it successfully used elsewhere. We have also seen encouraging progress in the commercial and fleet sector. Working in conjunction with Nissan and its local dealer, we helped Jersey Post find a financially viable solution to electrify part of its fleet of delivery vans with a purchase of 15 Nissan ENV20s in August. The trial appears to be progressing extremely well, with good financial savings and excellent feedback from users. This is just the start of the de-carbonisation of Jersey Post's 110-vehicle fleet as the utility intends to replace other diesel vehicles as and when they come to the end of their warranty.

Our assistance included installing a new, independent and dedicated electricity supply and metering equipment at Jersey Post's Head Office, 270 metres of cable and eight dual outlet Rolec wall chargers that operate on our overnight discounted Commercial Economy 7 Tariff. Based on 46 miles (74km) a day, in use five and a half days a week, the vans will cost just 2p a mile or 92p a day to run and Jersey Post has identified a potential cost saving of up to 40% over four years.

Jersey Post's move to EVs has been widely publicised and we hope will encourage other businesses to electrify their transport. Without subsidy, the 'up front' costs of EVs have been prohibitive for some small companies and personal drivers. But the gap between electric and traditional vehicles is narrowing and we hope to see continued growth in this important area which will help us tackle a hitherto untouched transportation segment comprising around a third of total Island carbon emissions. Electric transport supports the States Clean Air Policy and the Sustainable Transport Plan and is essential if the Island is to stand any realistic chance of meeting its Energy Plan target of 5,579 Ultra Low Emission Vehicles registered with DVS by 2020.

PURE ELECTRIC VEHICLES REGISTERED IN JERSEY

131

29

15

37

OTHER

3

TOTAL

215

PLUS

424

'HYBRIDS'

Providing **40%** of Jersey's energy

MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

Energy price and price stability are still largely considered to be the most significant factors for customers in their choice of energy supply according to our independent research. As sole provider of over 40% of the Island's total energy needs we have a duty and responsibility to do everything we can to maintain an electricity supply that is affordable, not just today, but long into the future. It is one of our core objectives and one on which we dedicate much resource and effort.

With the considerable uncertainty in power and foreign exchange markets in recent times, we are particularly pleased to have been able to announce a price freeze until the end of 2017, meaning our prices will have been held for at least a three-year period since the last increase of 1.5% in April 2014. Our tariffs remain competitive despite our heavy on-going investment in infrastructure, such as the Normandie 1 (N1) project, on which we expect to earn a fair return to allow us to continue to invest in the Channel Islands. Although our price differential has reduced slightly against European comparators due mainly to foreign exchange movements - we are now marginally more expensive than the EU 15 Average – we continue to meet our target of keeping our standard domestic tariffs within 10% of the EU Average. We also maintain a strong position, with our power prices materially lower than comparable islands, and we remain marginally below the pricing of market leader British Gas in the UK.

Source: UK Energy Saving Trust

The UK vote for Brexit in June 2016 has seen Sterling heavily impacted against most currencies, including the Euro, the currency in which we procure power from France. Our ten-year power purchase agreement with EDF, which began in January 2013, combines a fixed price component with the ability to price fix future purchases over a rolling three-year period ahead based on a market related mechanism linked to the European Energy Exchange (EEX). This 'hedging' on power and foreign exchange enables us to provide our customers with a degree of near-term certainty in the volatile worlds of energy and foreign exchange markets.

While we invest considerable time examining our main tariffs, we are also developing more innovative, customer focused heating tariffs and this year launched Economy 20 Plus (E20+). This is our first 24-hour, uninterrupted heating tariff that offers a mix of off-peak rate and normal rate for approved heating systems improving comfort levels and equipment performance. Off-peak heating tariffs encourage customers to use electricity when imports are cheaper and also help to flatten peak demand, which is a significant driver of infrastructure costs. This year over 360 new domestic customers joined our discounted space and water heating tariffs bringing the total number of customers now on our off-peak tariffs to around 16,500.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Supply security is largely taken as a given by our customers but nevertheless crucial to our service and our reputation. Ensuring we have enough supply, whether from generation or importation assets, to meet demand is the first step. The installation of Normandie 1 (N1) this year gives us three links to France and access to 190MW of importation capacity across those three circuits, far in excess of our record peak demand of 161MW in February 2012, even excluding our on-Island generation sources. This headroom is known as 'supply margin' and is greater than most larger countries that tend to aim for a margin of around 10% above peak demand. We also have access to generation at La Collette Power Station and Queen's Road although these are largely maintained to meet demand during certain 'stress conditions' should imports be disrupted.

We work to an adapted 'N minus 1' standard. In essence, we seek to maintain supplies during the failure of the largest component in the system (see panel). We strive to minimise the risk of such an asset failure by also investing in the maintenance of our transmission and distribution networks, including undergrounding cables where cost effective, and we ensure are well prepared to restore supplies quickly when a failure does occur.

Like all public network operators we cannot guarantee security of supplies. We recorded 24 Customer Minutes Lost* (CMLs) this year due largely to only our fifth Island-wide outage in 10 years, which occurred on 9 May 2016 and to which 15 CMLs are attributed this year. Although disrupted supply is always inconvenient, our restoration procedures worked well in this instance with all customers back on supply within 27 minutes.

Following this incident, which also affected Guernsey supplies, we undertook remedial works on the Channel Islands Electricity Grid (CIEG) System Integrity Protection Scheme (SIPS), which was commissioned in late 2015 to provide cover and balance to the transmission network at times of stress. Further work is scheduled during 2017.

AVERAGE CUSTOMER MINUTES LOST (CMLs) DURING THE YEAR

SUPPLY SECURITY STANDARD

Jersey Electricity's system is designed to meet an 'adapted N minus 1 security standard' as follows:

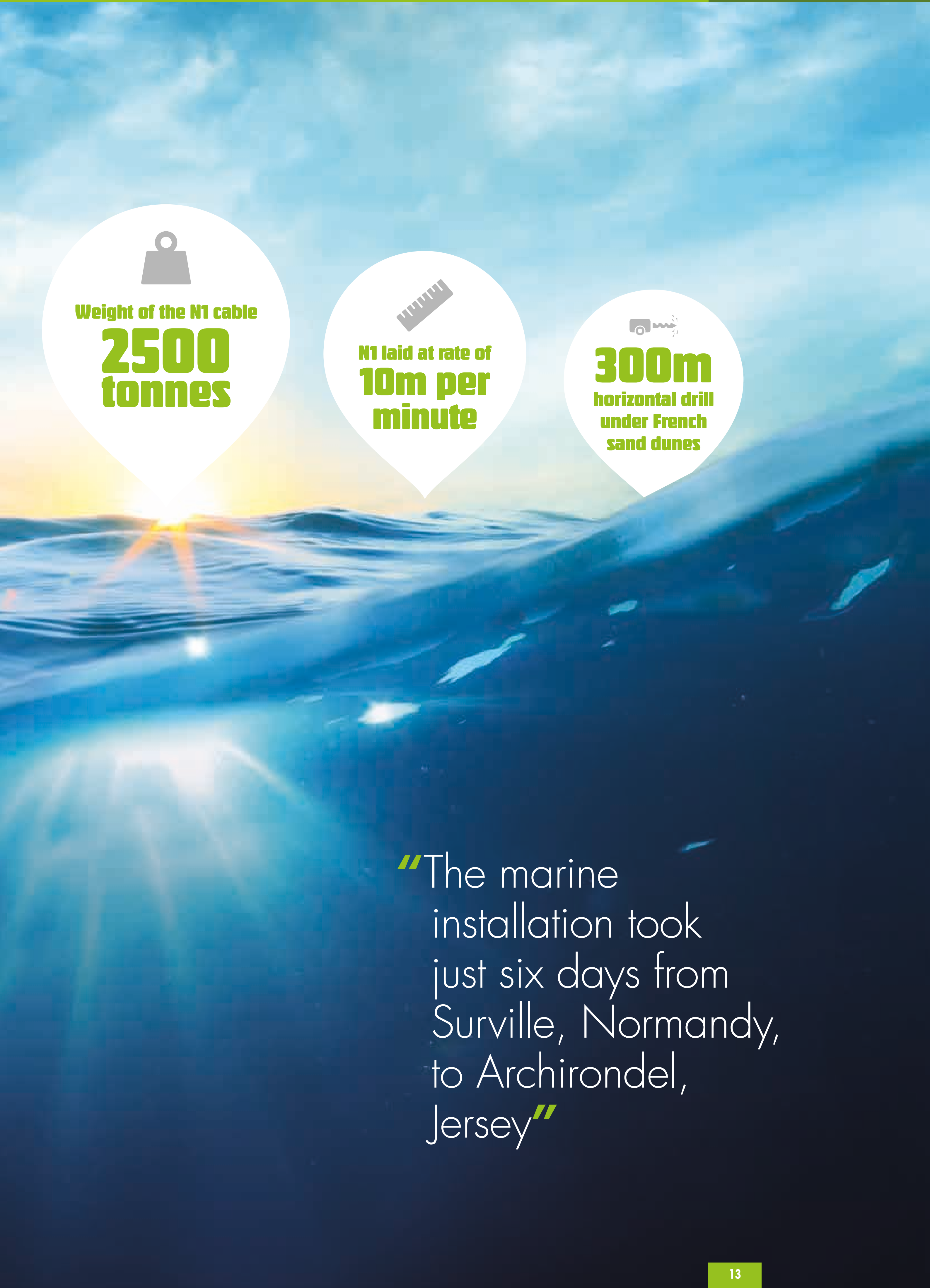
- A one-in-eight year winter peak demand.
- All normal load in the event of the loss of the single largest interconnector with France (N minus 1) plus a simultaneous failure of the largest:
  - o Diesel generator; and
  - o Gas turbine.
- 75% of peak winter load for 48 hours from on-Island generation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

*CUSTOMER MINUTES LOST (CMLs)
Is the aggregate average duration of interrupted supplies during the year faced by each customer.

NORMANDIE 1
SPECIAL REPORT

The successful installation of the Normandie 1 (N1) interconnector represents the next step in our subsea cable investment programme. Now with three cables on two different routes, N1 provides another major enhancement to supply security and when combined with our existing Normandie 2 (N2) and Normandie 3 (N3) cables, gives the Channel Islands access to 245MW of import capacity. At a cost of around £30m, shared with Guernsey Electricity (GEL) and overseen by the Channel Islands Electricity Grid (CIEG), N1 was less costly than N3 because it follows the same route alongside N2 as our first French link, EDF1, laid in 1984 and decommissioned in 2012, and it connects into existing on-land infrastructure. Also, unlike N3, which took almost nine weeks to install over a more southerly route, N1 took just six days because it was laid on the seabed rather than ploughed in beneath it.

N1 was energised on 1 December ready to be in service before the onset of winter 2016/17.



"The marine installation took just six days from Surville, Normandy, to Archirondel, Jersey"

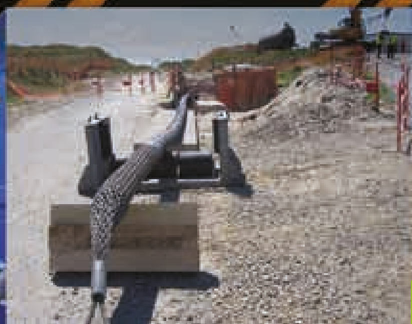
The project took just four years from initial Board approval to completion. Laid in parallel with N2, over the 27km route of EDF1, from Surville, Normandy, to Archirondel on the east coast of Jersey, our first task was to safely recover the old cable from the seabed. This began in earnest in early March after we signed contracts with Hughes Sub Surface Engineering of Merseyside for its recovery and disposal.

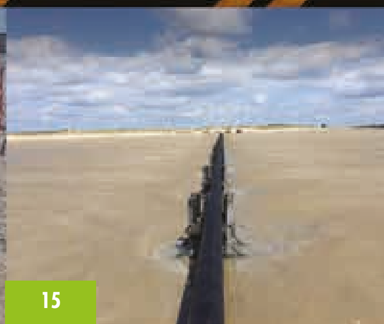
Beach works on both sides of the Channel were carried out by GPC of Cumbria.The team worked in the windows of low tide to excavate EDF1 from the beach to the low tide mark. They then relocated to Surville to carry out the same process on the French beach before Hughes SSE deployed the multi-cat MC Ailsa to carry out the recovery in shallow waters.

On completion of this section, the Atlantic Carrier passed along the remainder of the route to hoist the 55MW cable on board where it was cut into manageable sections and later taken to the UK to be responsibly disposed of with as much material as possible recycled. The substation at Surville Plage, known as 'Poste de Surville' which connected EDF1 to the French grid, will be dismantled and the land returned to nature in the spring of 2017.

While the recovery of EDF1 was underway, N1 was being produced by leading cable manufacturers Prysmian Powerlink in Naples. It was 'loaded out' of the factory on to the cable laying vessel Stemat Spirit on 23 July.

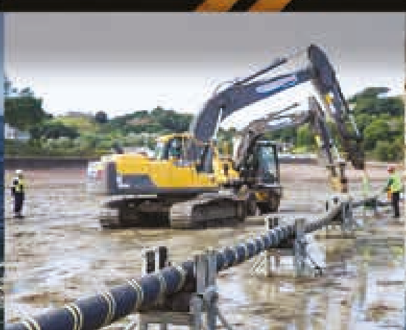
"The team worked in the windows of low tide to excavate EDF1 from the beach to the low tide mark"





"The work included two complex landfalls in difficult tidal conditions"






The installation was carried out by Dutch specialists VBMS with whom the CIEG already has a Power Cable Maintenance Agreement and an established relationship. The work included two complex landfalls in difficult tidal conditions. In France, VBMS performed a 300-metre horizontal drill under the dunes followed by the installation of the cable through a rocky gulley, close to where the existing N2 cable is routed. At Archirondel, the landfall was by means of 'float-out' and 'direct pull-in' into the onshore substation.

The operation began on 9 August when the Stemat Spirit set up on anchors on the Surville Beach. The VBMS team pulled the cable ashore with the aid of a 'mid support pontoon' in a two-hour tidal window between 9.15pm and 11.20pm. After two more tide cycles operating on anchors, the Stemat crew were able to deploy the vessel's full power and dynamic positioning system, which manages the thrusters to ensure the precise route is adhered to and begin the journey to Jersey at the rate of 10 metres a minute. On land, N1 had already been pulled through to the RTE joint bay where it was connected to a new 2km land cable that runs to St Remy des Landes and connection to the French Grid.

Operating within a 1,000-metre mobile exclusion zone, the 90-metre-long Stemat made excellent progress and eased into St Catherine's Bay on the rising tide of Monday 15 August to offload the cable in Jersey. The cable was marked by 126 buoys ready to be re-floated later in the week for the beach landing operation and 'pull in' to Archirondel substation. With around 60 metres to spare, the cable was cut and positioned for connection to the existing substation switch gear by jointers from Prysmian. Norwegian company Seatrench buried 1km of cable beneath the seabed, while, higher up, towards the sea wall, the rocky trench was filled and the sea wall itself reinstated.

At the start of October the two £750,000 Voltage Regulators built by ABB in Vassa, Finland arrived at St Remy des Landes for the final complex connections to be completed. N1 began importing power to Jersey at 3.17pm on 1 December 2016.

DIESEL

Generation

On 29 September 2016 we marked 50 years since the first units of electricity were generated at La Collette Power Station and we used the occasion to re-iterate the importance of our continued investment in the Power Station and the valuable role it continues to play in the supply security of the Island.

I reported last year that, after further analysis of our system resilience, we had decided to acquire a 'black start' diesel generator following all-Island supply failures on 25 September 2012 and 27 January 2014. The 5.5MW Sulzer, Diesel 5 is an eight-cylinder inline version of our four existing 11MW V16 Sulzers but importantly designed to start using compressed air.

Since being moved into place in July, the engine has been completely refurbished by specialist contractors who installed the two 11MW Sulzers we acquired in 2013.

Although we do not expect to use Diesel 5 heavily, its 'black start' capabilities will enable the Company to restore full electrical supplies to the Power Station and all its ancillary controls in the event of a major disruption to imported supplies, without itself being reliant on electrical power to start. It also enables us to continue to meet our published Security of Supply Standard by adding another 5.5MW of flexible generation. We expect Diesel 5 to be in service in early 2017.

On-Island supply security will be further enhanced over the next two years when we intend to replace ageing electrical plant at our Queen's Road primary substation. We intend to submit a Planning Application in 2017, with the installation of the replacement equipment commencing in 2018.

ELECTRICITY SOURCES 2015/2016 IN %

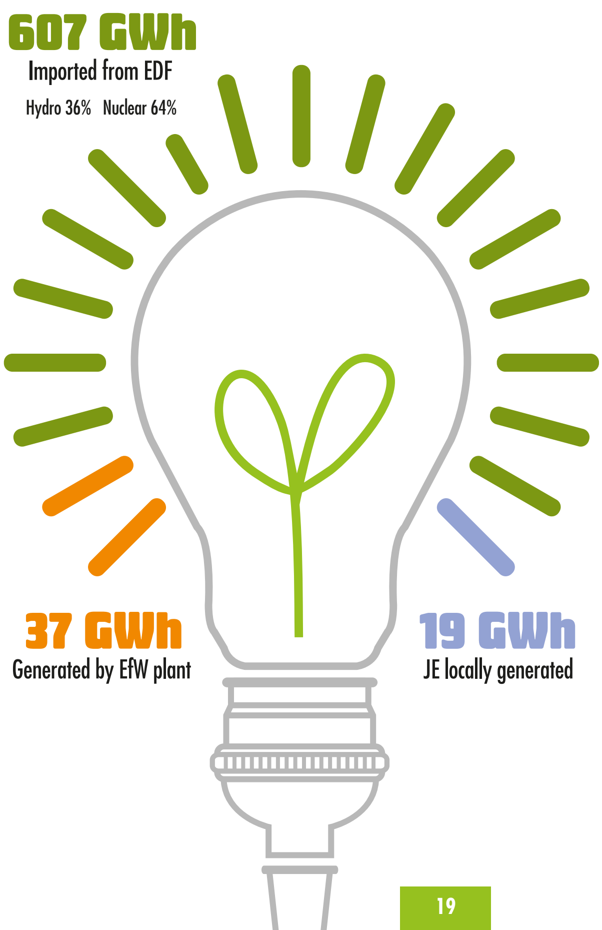
	+1.5%	+0.9%	
YEAR	JE	EfW	Import
2009-10	5.9%	0.6%	93.5%
2010-11	1.8%	2.6%	95.6%
2011-12	2.5%	5.2%	92.3%
2012-13	20.7%	3.9%	75.4%
2013-14	14.9%	4.9%	80.2%
2014-15	1.4%	4.6%	94.0%
2015-16	2.9%	5.5%	91.6%
			-2.4%

Peak demand this year was 149MW recorded at 9.30pm on 19 January, similar to last year's 148MW but still well below our all-time record of 161MW in February 2012. This year we imported 92% of our energy requirements from France compared with 94% in 2015 and generated 3% on-Island. The remaining 5% came from the States of Jersey-owned Energy from Waste plant.

Transmission

In addition to the successful installation of Normandie 1, we have also undertaken works on the Channel Islands Electricity Grid (CIEG) System Integrity Protection System (SIPS) installed in 2015 across the entire transmission network. SIPS has been in service throughout winter 2015/16 to provide cover and balance to the transmission network at times of stress such as after asset failures occur in the network.

Since the installation, SIPS has been out of service for one week during summer to have remedial works completed which could not be fully addressed last year. N1 has also had to be integrated into SIPS. This required the replacement of many protection schemes necessitating different interface signals that need to be catered for, integrated, tested and verified.



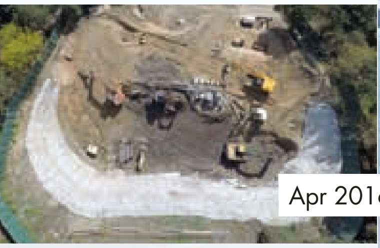
St Helier West primary substation

Progress so far

Apr 2014

Nov 2014

Jan 2016



Apr 2016

Aug 2016

Oct 2016

WHEN COMPLETED

Distribution

Maintaining and investing in our distribution network is vital to ensure supply security at a local level. This year we installed around 28km of new cable, 10 new substations and 910 new services. We also refurbished 16 substations and maintained 218 substations and almost 10km of overhead line. Substations on the network now number 774.

At £17m, our biggest network investment, however, is the construction of the new primary substation, known as St Helier West, on the site of a disused quarry at Westmount. Although we obtained planning permission in 2014, identifying the ground conditions of this old coastal quarry involved careful clearance and investigation of the site to ensure the specification for the civil works was properly scoped so that the old quarry wall could be safely removed while retaining the ground stability of the site. With this work completed, we were able to award the civils contract to local firm Jayen Ltd in December 2015 and the team has made good progress throughout the year.

Around 27,000 tons of material, including 5,000 tons of rock, have been removed and work on the new retaining wall is underway. Once this has been fully re-instated in spring 2017, our specialist French contractors INEO will begin the actual build. The substation is expected in service in 2018. The new retaining wall will blend into the surrounding landscape and provide a public viewing platform, while granite cladding and landscaping will further minimise its impact.

SMARTSWITCH

Our Smart Metering programme, SmartSwitch, has made significant progess in 2015/16. Following on from last year's pilot deployment we have this year launched a full scale roll-out by a dedicated team of installers working over and above our 'business as usual' replacement meter work by our Metering Technicians who have also made live 632 Local Data Collectors (LDCs) on the network.

At year end, we had switched over half the Island to the new meter system, with 25,296 Smart-enabled meters in operation, capable of automated control and remote reading. As well as avoiding the cost and inconvenience of Meter Readers visiting premises, estimated bills and self reads, the number of Smart Meters now in operation has enabled us to introduce Post Code Billing. This means that customers with Smart Meters will receive four equal quarterly bills each for a standard 90-day period, reducing the number of billing queries we receive. Our bespoke Pay As You Go option has been scoped and we expect to deploy over 4,700 of these meters in 2018.

Work on the customer facing online portal, Smart Account, that will enable us to present consumption data to customers, continues involving the Metering team, our in-house software and data specialists Jendev and our billing partner Swiss Post Solutions (SPS) as we work to enhance and upgrade our offering.

At a cost of £11m SmartSwitch is now expected to be completed at the end of 2018. It is very much in line with our strategy to enhance our infrastructure for a 'Smart' future, strengthens our relationships with customers and provides opportunities to develop new products and services.

25,296
SMART METERS INSTALLED SO FAR

PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES

"There is a possibility for Jersey to harness offshore wind and export the energy back into the French grid"

* Source: Building Bye-Laws (Jersey) Technical Guidance Document 11.1B 2016

** Defra Greenhouse Gas Reporting - Conversion Factors 2016

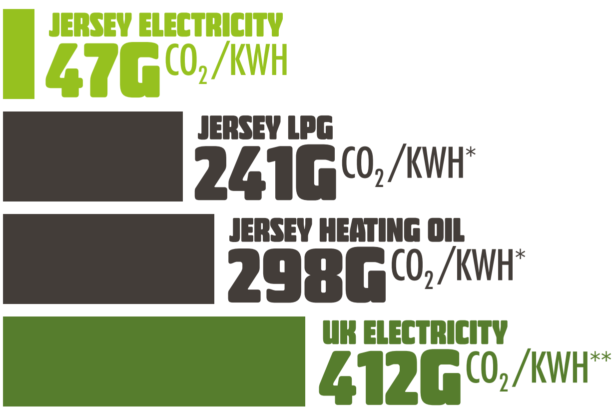
*** Due to improvements in the underlying calculation, discrepancies in the yearly averages will be seen when compared to previous ARAs, this is as a result of changes to the methodology and updating of the base year 2012/2013 calculations. All updates can be viewed on: www.jec.co.uk/about us/responsibility/environment.




We recognise that we are privileged to live and work on a beautiful island. And we also appreciate that as a major business in Jersey we have a significant responsibility in playing our part in looking after it. Minimising the impact of our activities on climate change and encouraging others to do the same is the obvious way in which we can do this and has been at the centre of our efforts for some time. It also aligns with the States of Jersey's Energy Plan - Pathway 2050, which was approved in the States Chamber in March 2014 and which commits Jersey to reducing its carbon emissions by 80% of 1990 levels by 2050.

We have made great progress on our decarbonisation agenda over the last three decades assisted by our importation strategy which has enabled us to access low carbon electricity from France. We are proud of the role we have played in helping the Island reduce its carbon emissions by around a third over the last 20 years despite a significant increase in the consumption of electricity.

Our ten-year supply agreement with EDF that came into force in January 2013, guarantees that our imports are from certified low carbon sources. This year low carbon imports, of which around two thirds came from nuclear sources and one third from hydro-electric sources, met 92% of our demand. Our importation levels were slightly down on last year's 94% import level, however, the addition of our third submarine cable, Normandie 1 (N1), will enable us to meet the Island's full power requirements, even during the winter peak. Using the DEFRA Greenhouse Gas (GHG) Reporting Guidelines in addition to adopting the principles of GHG Protocol for Electricity Emissions Reporting, this has meant that we have delivered power to customers for the financial year 2015/16 at 47g CO_2e /kWh, around one ninth of the UK Electricity system. Our four-year average is 105g CO_2e /kWh.***



As well as actively encouraging our domestic and commercial customers to become more energy efficient through self-help measures and our free and paid for advisory services, we also work hard to minimise our direct and indirect impact on the environment from our operations and we believe we need to continuously lead by example by continuing our own energy saving measures. The majority of LED lighting in the La Collette offices has been completed and proven a great success. LED lighting is now being installed in the main Powerhouse offices. We are also looking to enhance our existing solar installation to produce hot water for showers and basins in the wash rooms among a number of other measures.

The British Safety Council (BSC) Five Star Audit we undertook last year provided a structured path for continuous improvement of our already robust environmental management system. Though we were delighted to be awarded Four Stars or a 'very good' rating, we continue to refine and improve our systems in preparation for the next BSC audit in 2018.

Renewables

Over the last few years, we have invested significant effort in exploring the potential for wind and tidal power in Jersey. We believe economically viable tidal power is still many years away and carries very high development risk. We consider onshore wind to be an extremely difficult proposition in a small island like Jersey but a smaller venture at the La Collette Reclamation Zone could feasibly be consented albeit the economics are more difficult. However, there are opportunities for Jersey Electricity in 'facilitating' offshore wind. In the absence of government subsidies the economic opportunity of offshore wind remains difficult to unlock but we do believe there is a possibility for Jersey to harness offshore wind and export the energy back into the French grid in such a way where it could attract the subsidy it needs to make it viable. Such a project could produce a useful source of income for the States of Jersey and to this end, we have developed a proposal to work with them to take offshore wind forward, however it relies on active and significant engagement and commitment from the States which has thus far proven difficult to secure.

This year, therefore, we have focused on solar photovoltaic (PV), building on our knowledge developed from our own PV test array on the Powerhouse building which we installed in 2013. Solar PV technology has been widely installed in Europe, the US and Australia and off the back of this development we have seen significant reductions in panel costs leading to almost a complete withdrawal of subsidy in many locations. As a result of low installation costs, we do see some potential for solar PV in Jersey in the medium term albeit the economics are at best marginal without subsidy either at domestic or commercial scale. We are currently considering our corporate position on solar PV but we continue to connect private installations and we continue to offer a Buy Back Tariff for customers who wish to export surplus energy back into the grid.

"We maintained our overall customer service rating in the domestic market at 7.7 out of 10 which we are advised is an excellent result..."

CUSTOMER SERVICE STANDARDS

As the sole supplier of over a third of the Island's energy requirements we have a huge responsibility to our customers for all the services we provide and in our interactions dealing with their day-to-day needs and difficulties. In addition to our published Standards of Service and Customer Charter, one of our six core Values is: Customer Focus - 'We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty.'

Our latest call logging software, Microsoft Dynamics Customer Relationship Management System (CRM), designed to log and help us track every customer interaction against our Charter, right across the business is now in its second year. A review across the organisation on the way we use CRM resulted in further improvements in this system. This progress is now flowing into performance data, with no reported 'Charter failures' on response and resolution times for eight months. This has led to both a better overall understanding of the purpose of the software and tighter overall departmental management and monitoring of cases. The review also showed that structural and managerial changes in several departments since the original CRM design was implemented need to be reflected in further process changes and design updates which we are undertaking with our own in-house Microsoft Dynamics NAV team Jendev.

The CRM system has also enabled our dedicated fuel switching team, Energy Solutions, supported by Customer Care, to streamline the customer journey for those enquiring about and undergoing fuel switching. Further CRM enhancement will pull together all aspects of our fuel switch and heating enquiries offering under a single 'case' per customer.

Customer Care has also continued to support our Smart Metering project, SmartSwitch, facilitating the booking of meter change appointments to minimise inconvenience for customers. An additional customer benefit arising from this project has been the introduction of Post Code billing which provides customers with four equal quarterly billing periods of 90 days helping to smooth the burden of bills throughout the year. The project has enabled us to offer customers our first 24-hour uninterrupted heating tariff, Economy 20 Plus (E20+). Not only does this tariff provide greater comfort levels and control for existing heating customers, it is also proving attractive for fuel switching customers.

Due to changes in the survey methodology, discrepancies will be seen when compared to previous Annual Reports.

Our Energy Solutions team have gained many insights from customers during the year from a series of customer focus groups. We have invested in this exercise again this year to help us further develop our fuel switching strategy and make our corporate communications more effective. In response to our customer research we have developed a more visually engaging Energy Hub as part of our website platform, featuring a series of 'self-help' videos that advise and inform customers on energy saving and tariffs - topics on which they say they lacked information - as well as supporting our commercial growth strategy on fuel switching and electric transportation. We see the Hub as a precursor to further online developments to enable greater customer engagement and satisfaction.

We continue to monitor customer satisfaction and gather feedback using an external specialist analytics company to undertake annual market research. This enables us to compare our performance year-on-year as well as providing new insights into changing customer needs and expectations.

Overall Rating

In 2015/16 we maintained our overall customer service rating in the domestic market at 7.7 out of 10 which we are advised is an excellent result compared with similar service providers in the market.

This rating encompasses:

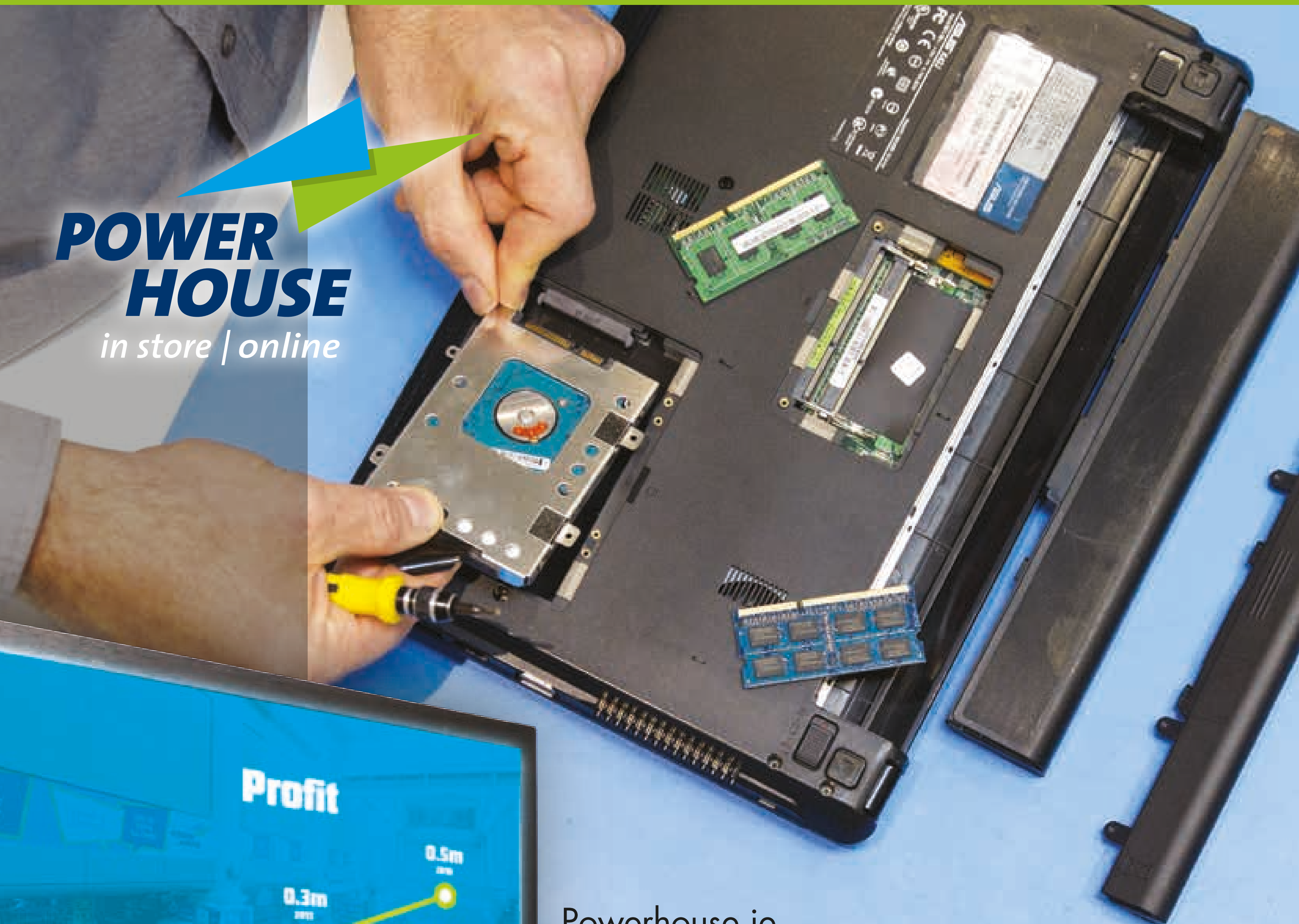
- Technical problem resolution - speed of response
- Clarity of electricity bills
- Helpfulness in dealing with telephone enquiries
- Helpfulness of showroom staff
- Support in electricity bill payments
- Regular advice on energy efficiency

Supply security

Domestic customers this year rated 'security and quality of supply' even more importantly than 'running costs and price stability'. Despite the all-Island power failure on 9 May which accounted for 15 of our total 24 Customer Minutes Lost, our security rating remained high at 8.2 out of 10, just marginally down on last year's 8.4.

Commercial Customers continued to rate 'running costs and price stability' as most important and our overall rating (five-year average) increased from 6.59 to 6.62.

In addition to surveys and focus groups, since 2014, we have reviewed our Contact Centre phone response performance every six months against other providers, using the same industry benchmarks to measure and compare our relative performance and we appear to perform well.



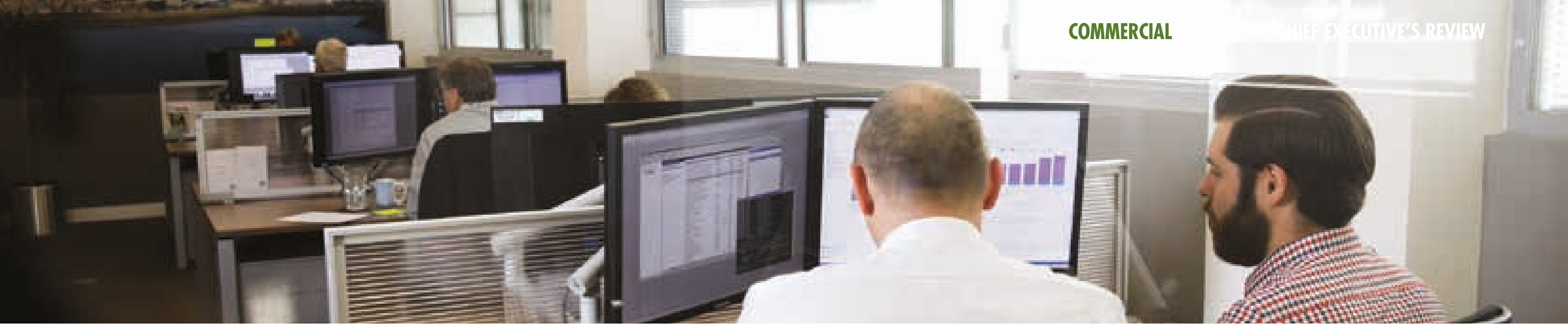
Powerhouse.je

Following a significant re-structuring and re-branding exercise in 2014, our retail business Powerhouse.je has continued to make good progress and this year, has delivered an excellent financial result. Turnover increased by 8% from £11.1m to £11.9m for the year ending 30 September 2016. The business has turned a loss of £0.1m in 2014 to a profit of £0.3m in 2015 and to almost £0.5m this year.

This is a significant achievement given the intense competition in the local marketplace and from online UK companies. The restructure has helped to reduce our cost base which when coupled with better procurement, has enabled the business to be more price competitive. Investment in training in sales and customer service skills, coupled with product training with support from brand manufacturers, has had a positive impact across this business. Better skilled and more engaged staff are now delivering even higher levels of customer service which is such an important differentiator in the local market and against the online threat. The positive feedback we have received from customers on both price and service has been notable during the year.

Our investment in the store itself has continued with the introduction of the largest display of built-in kitchen appliances in Jersey. We aim to champion new technologies and lead the way on smart appliances and products for the mid-market. We have also brought our Technical Support Services into the shop creating a bright, new easily accessible customer service point for those seeking technical repairs or general advice. This has enabled us to further promote our after sales support and service packages.

The rapid advancement of smart appliances and the inter-connected home present exciting opportunities for the future of electrical retailing and we intend to exploit these to the full with a dynamic store and online offering and well-trained motivated, knowledgeable staff.



Jendev

Jendev, a Microsoft® partner for Dynamics NAV™, specialises in software development and configuration for the utility industry with a focus on billing. A strategically important 'in-house asset', Jendev continues to play an important role in the Group's portfolio.

First established in 1998, Jendev is moving through a significant programme of renewal and Jersey Electricity has actively invested in redevelopment of the team, technology and commercial proposition. The business is now well-placed to target sustainable growth through its flagship product 'Jenworks Billing'.

Comprised of a small team of highly experienced utility industry IT professionals, Jendev continues to support Jersey Electricity in a number of strategically important activities, including the Smart Metering project, SmartSwitch. The business is also leading JE's enterprise system upgrade to the latest version of Microsoft Dynamics NAV™ technology, a major company-wide initiative.

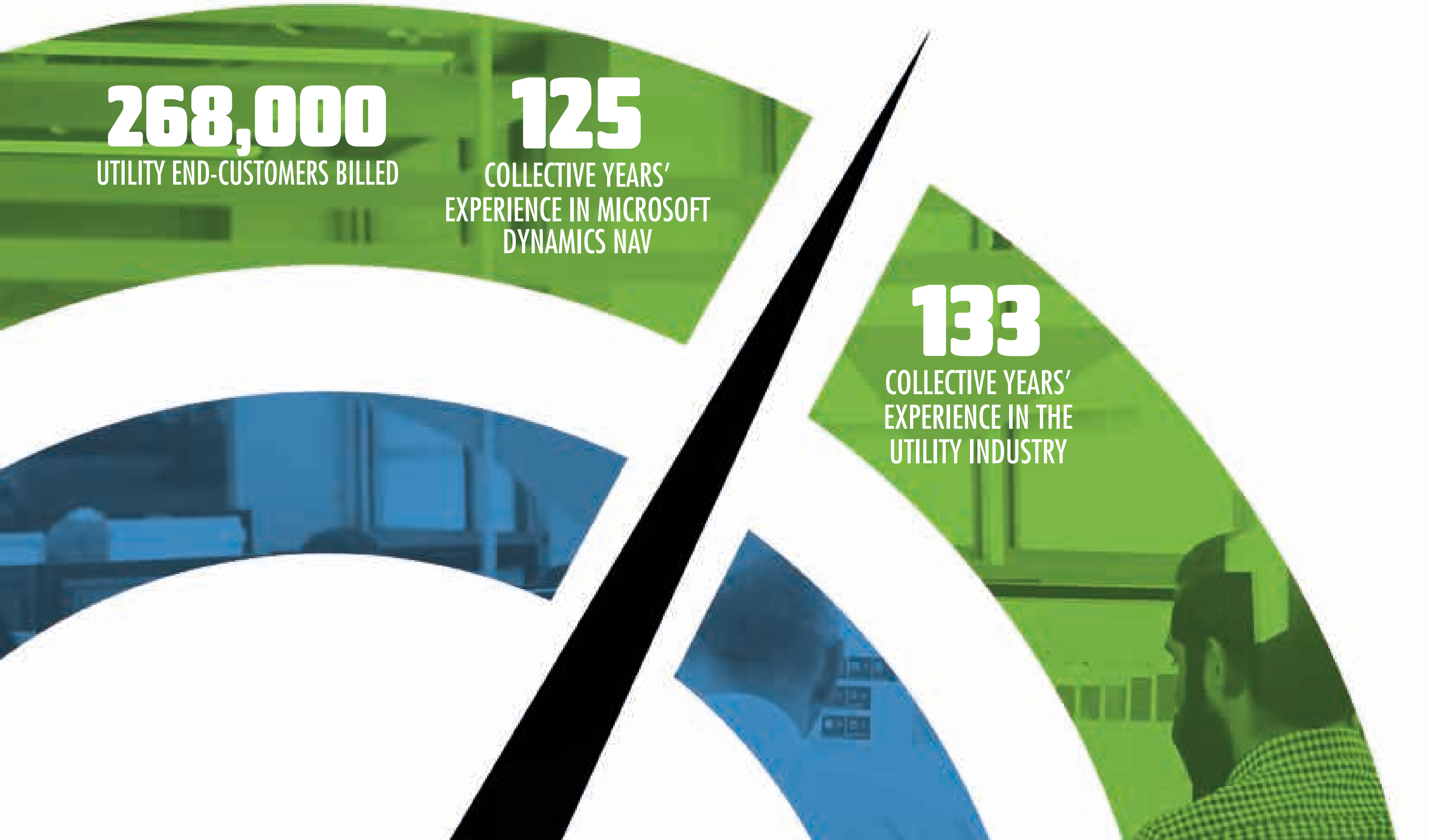
Jendev also serves external utility customers in Guernsey, the Isle of Man and the UK and generated revenues of over £1m this financial year. In line with its plans for sustainable revenue growth, Jendev has identified a number of strategic technology partners and the business is actively engaged in commercial opportunities in several export markets.

Property

Our Property portfolio comprises the Jersey Electricity Retail Park on Queen's Road and a number of residential properties as well as income from the leasing of mobile aerial sites and fibre optics to telecoms operators. The Retail Park comprises our main office and retail building, Jersey's B&Q store and a large medical centre. The ground floor of the main office building is home to our own retail store, Powerhouse.je, which occupies approximately half of the available space, with the other half being occupied by SportsDirect.com. The middle floor of the building is occupied by the telecoms operator Sure and their subsidiary, Foreshore, the data centre operator formerly owned by Jersey Electricity. The Company's offices are situated on the top floor of the building.

Profits in our Property Division, excluding the impact of investment property revaluation, at £1.7m, rose by £0.1m from last year with a higher rental level and lower maintenance costs being the main drivers.

POWERFUL BILLING SOLUTIONS



Building Services (JEBS)

Our continued development of JEBS, our contracting and building services division, into a more commercial and customer-focused business unit has this year started to pay dividends. JEBS provides electrical, mechanical and plumbing installation and maintenance services, including air-conditioning and refrigeration, to domestic and commercial customers. The appointment last year of a Contracts and Operations Manager, working under the Head of Commercial Services, to improve contract tendering and delivery has helped JEBS win several major contracts in a highly competitive marketplace. These have included the complete electrical, mechanical and refrigeration services installation at Pierre Arrivé House, 22 Colomberie which comprised 19 flats and ground floor retail units for the Channel Island Co-operative Society (CICS), the mechanical installation at the CICS new Bath Street Medical Centre and CICS St Peter new Grande Marche ground floor retail unit refurbishment and mechanical plant replacement.

JEBS was also awarded a second contract from Ports of Jersey. Having successfully completed the heat pump chiller installation at the Airport Departures Hall, JEBS this year undertook the full mechanical and electrical services installation for the Ports' refurbished Administration offices. On the domestic front, JEBS continues to support the Energy Solutions Team in load growth through heating installations that are growing year on year.

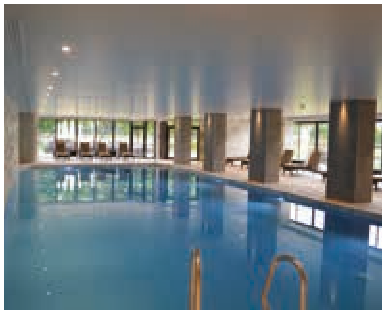
The Maintenance and Services team has also seen an increase in calls, with over 100 emergency callouts over three days in August alone. Staff recruitment remains a challenge although more active succession management processes are assisting us. A new team is now offering a wider range of Amenity Lighting and External Lighting Services to clients across the Island, including maintenance and repair of high-mast installations on car parks and private amenity spaces.

Operating in a challenging industry with strong competition for trade staff, JEBS revenue, including intercompany sales, rose 19% from levels experienced in 2015 to £5.9m. Although tough challenges remain in this marketplace, I am pleased to see the business moving toward a more commercial and sustainable footing.

Jersey Energy

Jersey Energy and its Guernsey office, Channel Design Consultants, provides high quality environmental and building services advisory work to end user clients, architects and developers serving predominantly the healthcare, retail, commercial and residential sectors. It has had a very successful year with revenue and profits ahead of expectations. As a leading pan-Channel Islands consultancy, staff are continually developing the services offered to meet increasing client expectations. They have been rewarded with a consistent work stream of repeat business from satisfied clients and, significantly, winning high value, long-term contracts. These have included Jersey Energy winning the new States of Jersey Central Administration building and States of Jersey Grainville School Music School extension. The Guernsey office has also had a full order book.

Their projects have included the refurbishment of Guernsey Grammar School and the installation of a new building management system within Trafalgar Court office development. The construction industry is particularly active in Jersey and we are hopeful of continued strong performance into next year, reflecting the business's respected and elevated position within the sector. We are continuing to develop the business by forming more strategic alliances with UK consultancies that enable Jersey Energy and Channel Design Consultants to increase their capacity as and when required to secure bigger commissions on a more cost effective, flexible basis.



HEALTH AND SAFETY

> "Nothing is more important than the safety of the public, our customers and our staff"

This year we have had three major on-going infrastructure projects involving international teams of contractors in which managing Health, Safety and Environment (HSE) has presented particular challenges and higher risks. The removal from the seabed of our 31-year-old EDF1 cable, followed by the installation of its replacement Normandie 1 (N1) involved contractors and crews from a range of countries operating in challenging waters and along a difficult route. The installation and refurbishment of Diesel 5 at La Collette Power Station has seen Madeiran, UK and local contractors working alongside our own production engineers, while local civil contractors have removed 27,000 tons of material from the difficult site of our new primary substation St Helier West in an old coastal quarry. I am delighted to report that all these projects have progressed without a significant HSE issue. This is testament to our commitment to HSE and culture throughout a business in which many staff work in hazardous conditions every day.

We invest considerable resource and senior management commitment in HSE. Safety is one of our six core values: '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'. Our approach is flexible and 'risk based'. We seek to address new and revised legislation and adapt to operational environments. We ensure all our colleagues are fully competent in the work we ask them to do and they recognise their own limits of competency. They are also expected to proactively identify hazards through regular risk assessments and take action to mitigate the risks associated with those hazards in their day-to-day work. Various HSE Committees provide governance. This includes a forum for direct communication between myself as Chief Executive, Senior Management and Safety Representatives who help to create the conditions and culture for safe working among all colleagues, contractors and the public.

We identify contractors and third party service providers as a particular risk that needs close management. With the high level of operational and construction activity this year our HSE team has increased the number of on-site visits, closely monitoring the project teams and then discussing its findings with contractors. This increased vigilance has resulted in no Lost Time Accidents (LTAs) in our Energy business or JEBS, our contracting and Building Services Division. Company-wide, we have had one minor LTA in retail.

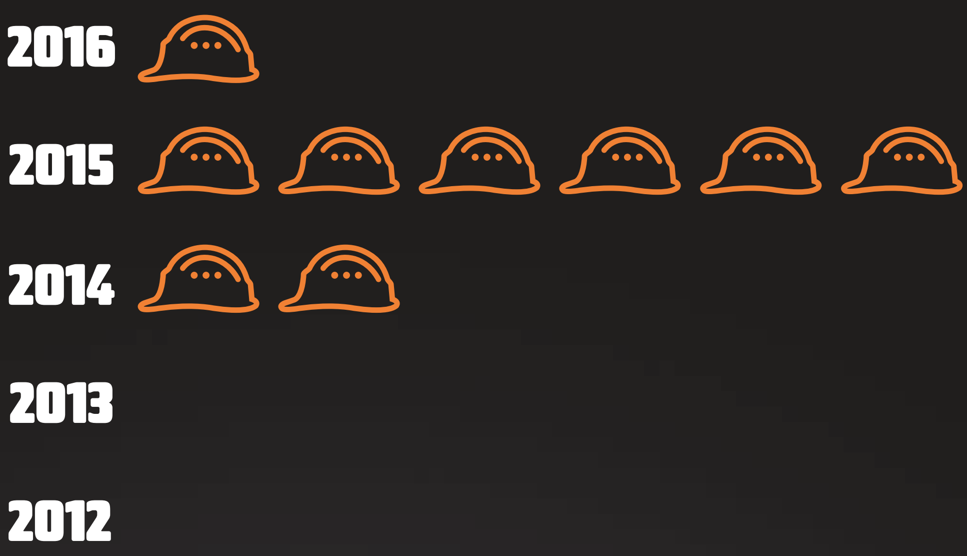
Working with the Health and Safety Inspectorate (HSI), we have also reintroduced a safety message to the community with a campaign warning of the dangers of working near electricity cables and urging building contractors and DIY enthusiasts to contact us before they start work to enable us to identify cables around their building sites and properties. This campaign included a radio campaign and issuing leaflets to all known contractors and outlets they frequent as well as over 20,000 domestic customers via electronic billing. Since the campaign's launch to year end our HSE team has not needed to investigate one single incident.

We face many hazards in our work and I am proud of the health and safety culture that we have developed. My thanks go to everyone for their individual contribution in making Jersey Electricity, and all the people the Company touches, safe and healthy.

RIDDOR

RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations) is the UK standard for reporting Accidents and Near Misses. In the UK, an LTA is defined as an accident that results in the injured person being away from work or unable to do their normal work for more than seven days. Jersey Electricity applies the more stringent standard of more than three days. This enables us to benchmark against other peer group entities and allows us better oversight on risk trends.

LOST TIME ACCIDENTS (RIDDOR)



DAYS LOST (RIDDOR)

BRITISH SAFETY COUNCIL
Sword of Honour 2013 Winner

SUSTAINABILITY IN THE COMMUNITY

As a company with a 92-year history in the Island, we consider Jersey Electricity to be very much a committed, long-term partner in our community, helping and supporting our staff, volunteer groups, charities and schools in fund raising and other activities that benefit worthwhile local causes. In a new move this year we 'married' one of our corporate environmental sponsorship initiatives (Durrell Wildlife Conservation Trust) with a staff CSR activity to launch our first Sustainability in the Community Event. The event was oversubscribed with volunteers resulting in 20 being chosen to spend half a day cleaning and weeding the moat that surrounds the Orang-utans' island enclosure at the world famous wildlife park. The event proved a huge success with staff and Durrell alike and we hope this is just the start of such initiatives.

Though we traditionally direct our support to health, education and environmental causes, this year we have also ventured into sport with a trial corporate sponsorship of Jersey Rugby Club which is seen here as very much a community based club, catering for children as young as seven and attracting support from across all social backgrounds. Our support is therefore welcomed by a large cross-section of the community while also raising our profile commercially.

Our continued long-term support for Jersey Construction Council (JeCC) brought an added bonus this year that dovetailed perfectly with our rugby sponsorship. As well as sponsoring the JeCC Sustainability Award, which recognises best practice in construction, we enabled Council to obtain former England Rugby Captain and 2003 World Cup winner Matt Dawson to be keynote speaker at the awards gala. Matt raised £3,500 for the Council's Brick Foundation Charity by kindly auctioning a signed shirt and the next morning he gave his time to spend three hours with junior rugby players.

The Sustainability Award 2016 itself was won by the National Trust for Jersey, another charitable organisation with which we have a long association. This year we extended our regular corporate sponsorship to fund a film celebrating 10 years of the Trust's vital Coastline Campaign and this autumn we have again teamed up with the Trust in its elm tree and hedge planting projects to mark its 80th anniversary. In line with our corporate strategy, we aim to encourage more customers to switch to ebilling by donating £5 for every one who does to these worthwhile environmental projects.

We were also delighted to again sponsor the Pride of Jersey Environmentalist of the Year award following the success of last year's inaugural event. This award is part of a series of community awards organised by the Jersey Evening Post but nominated and voted for by the public to recognise the unsung heroes who make such a difference to our community.

It was a more historical environment project that had our support in summer when we sponsored Jersey Heritage's Ice Age Project, in conjunction with the National Trust and Société Jersiaise, by funding a portable solar powered rig to enable a team of international archaeologists to process work at the Ice Age dig site.

Importantly we have also supported passionate colleagues in their many and varied fund raising activities during the year including the Lions Club Swimarathon, the Dragon Boats Festival for Jersey Hospice Care, the Silkworth Extreme Team Challenge, the Jersey Marathon and football for Sports Relief. The Staff Charity Draw has also itself raised thousands of pounds for staff-nominated local charities. This year's beneficiaries were the Jersey Association for Youth & Friendship, Jersey Donkey Home, National Meningitis (Jersey) Trust, Cancer Research UK Jersey, Jersey Cheshire Home, Clic Sargent Cancer Care for Children, Jersey M.S. Therapy Centre, MIND Jersey, Donna Annand Melanoma Charity, Jersey Epilepsy Association, Jersey Cancer Trust and Jersey Action Against Rape.

"...We consider Jersey Electricity to be very much a committed, long-term partner in our community."

OUR PEOPLE

The 50th anniversary of the operation of La Collette Power Station on 29 September 2016 was made even more poignant by the presence of several pensioners who had served at the Power Station during its early years, including - incredibly - one of three shift engineers who completed the hand written generation ledger on the very first day in 1966. It was a reminder not only of our proud history but of the dedicated staff that have served the Company and our community so well over the decades.

That dedication is evident today. We have many long-serving employees who have acquired the skills and experience necessary to deliver a first class service over many years. But as the industry moves forward we must ensure that we continue to maintain a highly skilled, flexible and dedicated workforce to meet the demands of the future. In that respect we are committed to developing the potential of our existing staff and attracting the best new recruits that in both cases exemplify our values.

Our new HR team is now fully in place and has delivered year one of a multi-year HR strategy that aligns with business needs and builds on the Purpose, Vision and Values work instigated in 2013 to re-focus everyone on our objectives and chart the way we work together to achieve them.

A Talent Manager supports the HR Director in our cultural change programme covering training and development, succession management, career planning, reward and progression of our people. We have published a comprehensive annual training programme, created a brand new Management Development framework and associated Management Development training programme and initiated an Executive Coaching and Mentoring model. This has been met with enthusiasm from managers and once extended across our business, promises to significantly transform our management skills and capabilities at all levels in the organisation.

The Energy business has recruited seven new apprentices this year, our largest intake since 2012. We were met with an encouraging response at a Jersey Skills Fair where we had an interactive stand and aired our new recruitment video in which staff from all areas of the business play a part.

Staff wellbeing is another area in which we have invested resource and tried new ideas with the help of colleagues. The Health, Safety and Environment Team and HR Team have worked together on various trials to promote wellbeing in the workplace. To date these have included free fresh fruit, lunchtime yoga, Dress Down Fridays and Wellbeing Seminars. Unum our new Permanent Health Insurance provider supports employees with counselling services and pro-active wellbeing management.

Whilst we are clearly a capital intensive, asset driven business, it is our staff that delivers the services and makes us distinctive. Our objective is to help everyone reach their full potential and fairly recognise and reward them for great performance across the business. Our aim is to make Jersey Electricity the "employer of choice" in the fight for talent across the Channel Islands right across the skills levels.

352
EMPLOYEES

14.5 years
AVERAGE LENGTH OF SERVICE

5
EMPLOYEES AWARDED FOR 40 YEARS SERVICE

OUTLOOK

> "…we are well positioned to manage the risks, challenges and opportunities of the future"

In 2012 we declared a medium term objective to deliver a transmission network comprising three submarine cables between Jersey and France, across two separate routes, co-owned with our partners, Guernsey Electricity (GEL). By the end of 2016 we have achieved this. This puts power supplies into Jersey in a more resilient configuration than ever before – at the same time building in headroom for growth that should cover our interconnection requirements for the next decade or more.

Albeit at a lower monetary level, our infrastructure investment continues in 2017 with the completion of Diesel 5, further progress on our SmartSwitch programme, and the important St Helier West primary substation that will give relief to three quarters of St Helier, the economic hub of Jersey. This will be followed by a significant new investment which we are planning in our Queen's Road primary substation towards the end of the decade.

A significant part of what we do is focused on business risk and 'opportunity' management – of a strategic, financial and operational/supply nature. We live in an uncertain world. That has never been clearer with the surprise outcomes of Brexit and the US Election. Although these events may feel remote, they have the potential to indirectly impact our activities in material ways. Jersey Electricity is an importer of energy and a 'price taker'. The Brexit vote has immediately led to a significant weakening of Sterling relative to the Euro and Dollar, impacting the cost of imported energy and the cost of infrastructure (in which a material portion is generally denominated in Euro). Putting aside the impact on the markets, it is also unclear how Brexit, the US Election or other European elections (yet to take place), might impact our customers, the economy and Jersey as a jurisdiction.

As far as strategic risk and opportunity is concerned, we believe that our product is well positioned for the future. The Energy Plan promises an important role for electricity in the energy mix if Jersey is to have hope of meeting its decarbonisation objectives. We face new disruptive technologies, some of which will bring new opportunities, and we face pressures from energy efficiency, which we believe is right that we encourage, but we are offsetting this with real progress on fuel switching and we will continue to invest in this.

From the financial risk perspective, we have put in place strong risk management and hedging processes that have sheltered customers from much uncertainty and volatility in foreign exchange and energy markets over recent years. Our hedge book is strong over the short to medium term, and we have already declared a price freeze to customers for the calendar year 2017. But if Sterling stays weak relative to the Euro, and it is not clear it will, we can expect this to eventually flow into our cost of imported electricity and potentially capital projects. If Sterling stays weak relative to the Dollar, we could see this increase the price of oil, our primary feedstock for the power station albeit oil is also a product with which we compete in the heating market.

We believe our operational and supply risk, although can never be eliminated completely, has reduced over recent years. Jersey Electricity's network is now well invested and well positioned for the future. Although some of this investment aims to improve security of supply, as a commercial business that is self-funding, we are acutely aware we need to make a return to shareholders on every pound invested in infrastructure. I am delighted that we have been able to do so, whilst preserving a very competitively priced product into the local marketplace that compares favourably with EU average prices, UK prices and local Island comparators.

The energy sector and all the exogenous factors described above continue to present threats and opportunities. Although we are a capital intensive business, our assets are managed by people and we achieve nothing without them. I am confident that with the highly motivated, flexible and skilled workforce we are developing, we are well positioned to manage the risks, challenges and opportunities of the future.

Chris Ambler
Chief Executive
13 December 2016

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2016	2015
Revenue	**£103.4m**	£100.5m
Profit before tax pre-exceptional items	**£13.1m**	£12.4m
Earnings per share pre-exceptional items	**33.31p**	32.94p
Dividend paid per share	**13.10p**	12.45p
Final proposed dividend per share	**8.00p**	7.60p
Net debt	**£29.0m**	£17.5m

Group revenue for the year to 30 September 2016 at £103.4m was 3% higher than in the previous financial year. Unit sales volumes of electricity were marginally behind last year with Energy revenues at £81.2m against £80.7m in 2015 slightly higher due to some non-recurring installation work in the year. Turnover in Powerhouse.je, our retail business, increased by 8% from £11.1m to £11.9m. Revenue in the Property business rose by £0.1m to £2.1m due to a higher level of rental income. Revenue from JEBS, our contracting and building services business rose £1.0m from levels experienced in 2015 to £5.1m. Turnover in our Other Businesses rose £0.5m to £3.0m.

Overall cost of sales rose by £0.6m to £65.2m due mainly to additional costs in the non-Energy business units associated with the aforementioned rise in revenue, partially offset by a fall in the Energy business. **Operating expenses**, at £23.5m, rose by £1.6m from their 2015 level with an increase in IAS19 pension costs of £0.4m and a £0.7m ex-gratia award for current pensioners being the main items.

Profit before tax, pre-exceptional items, for the year to 30 September 2016, at £13.1m, increased by 6% from £12.4m in 2015. The rise was primarily generated from improved performance in our non-Energy business units. Profit before tax post-exceptional items, rose from £13.2m last year to £14.8m in 2016. The **exceptional credit** of £1.7m in 2016 was in respect of the release of a rent accrual that had been accumulated over many years for our La Collette Power Station site. As highlighted previously in the Related Party Transactions Note to the Accounts the lease had been subject to a rent review dispute which was settled by an arbiter (and confirmed by subsequent legal judgement) in our favour at the existing peppercorn rent, rather than at a higher level suggested by our landlord.

Our Energy business unit sales saw volumes falling marginally from 627m to 625m kilowatt hours after another relatively mild winter period with both the last two winters seeing temperatures above the long-term average. Profits in our Energy business rose from £11.5m to £11.6m. A lower cost of sales resulted in a higher margin but this was offset by higher pension costs. The main factor that contributed to the increase in such costs was a £0.7m charge of a non-recurring nature associated with the granting of an ex-gratia rise in pensions in service. Further details are provided in the section dealing with pension matters within this report.

In the financial year we imported 92% of our requirements from France (2015: 94%) and generated 3% of our electricity on-island at La Collette Power Station (2015: 1%). Additional generation for training was the main reason for the lower level of importation in 2016 compared to the previous year. The remaining 5% of our electricity came from the local Energy from Waste plant being at the same level as in 2015. Continuing with the trend since 2014 there were no tariff changes during 2016 and our prices continue to remain competitive with other jurisdictions. Our last tariff movement was an average 1.5% increase in April 2014.

Profits in our Property division, excluding the impact of investment property revaluation, at £1.7m, rose by £0.1m from last year with a higher rental level and lower maintenance costs being the main drivers. Our investment property portfolio was revalued downwards this year by £0.3m to £20.1m by the external consultants who review the position annually. The main reason for this 2% devaluation is that a break clause exercisable in 2023, for one of the leases, impacts such calculations between now and that date. Our retailing business, Powerhouse.je, had a strong year post the restructuring and re-branding of the business with a loss of £0.1m in 2014 moving to a profit of £0.3m in 2015 and to £0.5m in 2016. JEBS, our contracting and business services unit produced a profit of £0.1m compared with a near breakeven position in 2015 in a challenging industry with high competition for staff. Our other business units - Jersey Energy, Jendev and Jersey Deep Freeze all had profitable years ahead of internal targets.

The interest charge in 2016 was £1.1m against £1.5m in 2015 with capitalisation of interest associated with the new N1 subsea cable being the primary reason for the reduction. The **taxation charge** at £3.2m was £0.8m higher than 2015 due to a higher level of profitability.

Group earnings per share, pre-exceptional items, rose 1% to 33.31p compared to 32.94p in 2015 due mainly to an increase in profits. Earnings per share, before adjusting for exceptional items, increased from 35.00p in 2015 to 37.69p in 2016.

Dividends paid in the year, net of tax, rose by 5%, from 12.45p in 2015 to 13.10p in 2016. The proposed final dividend for this year is 8.00p, a 5% rise on the previous year. Dividend cover, pre-exceptional items, at 2.5 times fell marginally from 2.6 times in 2015. If exceptional items are included, dividend cover rose from 2.8 times last year to 2.9 times in this financial year.

Ordinary Dividends

		2016	2015
Dividend paid	- final for previous year	**7.60p**	7.20p
	- interim for current year	**5.50p**	5.25p
Dividend proposed	- final for current year	**8.00p**	7.60p

FINANCIAL REVIEW

Net cash inflow from operating activities at £25.2m was £1.9m higher than in 2015 with an increase in profit, prior to IAS 19 pension accounting, being the primary driver. **Capital expenditure**, at £32.4m rose from £16.8m last year as the N1 project spend dominated this year and resulted in **net debt** at the year-end of £29.0m being £11.5m higher than last year.

Cash Flows

Summary cash flow data	2016	2015
Net cash inflow from operating activities	**£25.2m**	£23.3m
Capital expenditure and financial investment	**£(32.4)m**	£(16.8)m
Dividends	**£(4.1)m**	£(3.9)m
Payment for foreign exchange option	**£(0.2)m**	-
(Increase)/Decrease in net debt	**£(11.5)m**	£2.7m

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 relates to the importation of power from Europe, which is contractually denominated in Euro, the Company enters into forward currency contracts to reduce exposure and 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 1.28 €/£ but the rate fell materially in the last quarter of the financial year due to the UK decision to leave the EU. We were substantially hedged for the 2017 and 2018 calendar years before the Brexit decision. In addition we also materially hedge any foreign exchange exposure attributable to capital expenditure once planning consents and firm pricing is known and the commitment is made to proceed with the project.

Interest rate exposure is an area of potential risk but is managed by the £30m of private placement monies received in July 2014 having a fixed coupon and represents the majority of our borrowings at present.

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 potential non-performance is monitored despite the high credit ratings (investment grade and above) of the established financial institutions with which we transact.

In the last financial year Jersey Electricity imported 92% of the electricity requirements of Jersey from Europe. The Company 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 power purchase agreement with EDF, which commenced in 2013, combines a fixed price component with the ability to price fix 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.

Defined benefit pension scheme arrangements

As at 30 September 2016 the scheme deficit, under IAS 19 "Employee Benefits" rules, was £9.2m, net of deferred tax, compared with a deficit of £5.8m at 30 September 2015. Scheme assets rose 20% from £106.8m to £127.8m since the last year end. However, liabilities increased 22% from £114.0m to £139.2m in the same period with the discount rate assumption, which heavily influences the scheme liabilities, falling from an assumed 3.6% in 2015 to 2.3% in 2016 to reflect sentiments in prevailing financial markets after the UK decision in June 2016 to leave the EU.

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 2.8%, rather than the 2.3% advised by our actuaries under IAS 19 for 2016, the net deficit of £9.2m would have been fully eliminated.

The last triennial actuarial valuation as at 31 December 2015 was completed during this last financial year and resulted in a surplus of £6.9m. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises on retirement. The Pension Scheme Trustees recommended an ex-gratia award be made to pensioners in light of the surplus and the Board approved this recommendation. The capital cost of this 1.5% rise to pensions in service as at 31 December 2015 was £0.7m and was paid by the Scheme but generated a £0.7m charge against the income statement of the Company. The last ex-gratia award was granted in 2011. The contribution rate by

Jersey Electricity was maintained at the previous rate of 20.6% of pensionable salaries. 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. The next triennial actuarial valuation of the defined benefit scheme has an effective date of 31 December 2018.

Returns to shareholders

62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares Huntress (CI) Nominees Ltd owns 5.4m (47%) of our 'A' Ordinary shares representing 18% of our overall Ordinary shares and around 5% of Voting Rights. This nominee company is held within the broker firm Ravenscroft which has placed our stock with a number of private clients, and a fund, residing largely in the Channel Islands. During the year the ordinary dividend paid increased by 5% from 12.45p net of tax to 13.10p. The proposed final dividend for 2016, at 8.00p, is a 5% 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 2016 stood at £4.25 against £4.50 at the 2015 year end. Before the decision was made by the UK electorate in June 2016 to exit the EU our share price was above the level seen at the last year end but like many small cap plc's in the UK we have seen a downward trending. This gives a market capitalisation of £130m as at 30 September 2016 compared with a balance sheet net assets position of around £160m. However the illiquidity of our shares, due mainly to having one large majority 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, to more closely align the interests of both employees and shareholders was approved, and during 2016, 275 qualifying staff received 100 shares which will vest in 2019 and this may be repeated going forward. We also use Edison (an investment research firm) to market our shares to a wider body of potential investors. 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 £7.9m (2015: £7.3m). Note that no corporation tax was paid in 2015 and a relatively small amount in 2016 due to capital allowances associated with our recent heavy investment spend.

	2016	2015
Ordinary dividend	**£2.5m**	£2.4m
Goods and Services Tax (GST)	**£4.1m**	£4.1m
Corporation tax	**£0.4m**	£ -
Social Security - employers contribution	**£0.9m**	£0.8m
	£7.9m	£7.3m

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

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 and Risk 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 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 management team has an established risk management framework which is designed to identify, assess and help manage 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 & Risk 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, which have been in place throughout the financial year, 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.

FINANCIAL REVIEW

Principal risks

The Directors have carried out a robust assessment of the principle risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The table below 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, ongoing performance and future strategy. 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.

In our Interim Report, issued in May 2016, we made reference to the forthcoming UK vote in June on EU membership. Although Jersey is not in the EU the Brexit decision has created a level of uncertainty for the Island. It is unclear, at this stage, what the full repercussions will be to both Jersey Electricity and its customers. However a watching brief will be maintained on this particular dynamic over the coming years.

Risk	Description and possible impact	Mitigation activities
Regulatory / Political or Legislative change		
Regulatory	Not acting in line with 'expectations of 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 recognising our responsibilities to a wide number of stakeholders. Ensure transparency of objectives and regular communication with key 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, or prospects for, the business.	Monitor political and legislative developments (e.g. the Government's Energy Plan) and analyse the opportunities and threats 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 and/or additional costs or delays.	Project milestones, costs and risks are recorded and monitored and regular progress updates issued to both management and the Board, including plans to address any issues.
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 and where it can be cost effective. Effective monitoring and maintenance of the plant/assets.
Financial	Reduction in unit sales of electricity due to, for example, energy efficiency and the corresponding impact on the competitiveness of electricity in the heating marketplace.	In principle the 'user pays' model implies that if unit sales of electricity fell then Jersey Electricity would raise tariffs to retain our target return on assets. However one of our prime defences to offset an expected continued focus on energy efficiency is to migrate existing customers who use gas/oil as their primary heating source to all-electric solutions. A dedicated team work on initiatives in this area.
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 Trustees have recently implemented an LDI strategy to reduce the exposure to movements in the value of pension liabilities. The Defined Benefit scheme was closed to new members in 2013. A triennial valuation formally reports on performance, allowing any appropriate action to be taken.
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 themselves 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 including major emergency, incident or loss of electricity supplies to customers.	A Security of Supply standard has been developed and published and we seek to design the system to meet those standards. A programme of maintenance exists to optimise the life of assets. Use of a comprehensive business continuity planning process including periodic testing under various scenario exercises. A number of diverse sources of supply have been developed such as importation cables and on-Island generation (deploying various technologies) to ensure that we are not over-reliant on any single source, fuel or technology.

Asset & Plant Management	Failure of ageing metering infrastructure.	The SmartSwitch project will result in a smarter more modern metering solution replacing legacy systems. Contingency plans are under continuous development to enable the Company to mitigate the failure of the key systems.
Health, Safety & Environment		
H,S & E	Non-compliance with relevant legislation, regulations and accepted codes of practice resulting in unnecessary exposure to our staff, customer, member of the general public or our plant and equipment.	A Health, Safety and Environment team has been resourced to put in place standards and monitor performance against those standards. A proactive safety culture has been nurtured throughout the organisation supported by a safety management structure, Safety Representatives, programmes of site inspections, regular training and induction amongst other areas.
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 is anticipated to retire from the business in the next 10-15 years.	The HR Director has developed a long range HR Strategy. HR now have the resource and capability to provide frameworks for developing succession plans, development plans and attracting new talent to enable planning for the future and mitigate and reduce the talent drain from Jersey Electricity. Extensive networks have been built including access to UK (Utility) skills to enable best practice development. We are currently recruiting for a new Operations Director for the Energy business as the incumbent retires in 2017.
Cyber Security		
Catastrophic breach of our systems	Due to the nature of our business we recognise that our critical infrastructure systems may be a potential target for cyber threats. We must protect our business assets, infrastructure and sensitive customer data and be prepared for any malicious attack.	We continue to use industry best practices as part of our cyber security policies, processes and technologies. Cyber awareness training has been carried out for all staff who have access to corporate IT systems and there is a programme of follow-up monitoring and training. Following a review by external cybercrime security consultants, additional security appliances with enhanced mitigation technologies are being installed. An external review has recently been carried out on our operational systems and a prioritised action plan is now being drawn up. Additional cyber security hardware was incorporated in a recently replaced SCADA system and similar hardware will be incorporated in a further SCADA system replacement scheduled for 2017. Disaster recovery procedures are incorporated within our business continuity arrangements and periodic external reviews are undertaken.

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. As disclosed last year, the Board conducted this review for a period of five years, selected because annually a refreshment of the Five Year Plan is performed with the latest version approved by the Board on 22 September 2016. This document considers our forecast investment, hedging policy for electricity procurement and linked foreign exchange requirements, debt levels and other anticipated costs, and the resultant impact on likely customer tariff evolution. In addition, material sensitivities to this base case are considered. The installation of Normandie 1 this year gives us three links to France and access to 190MW of importation capacity across those three circuits, in excess of our record peak demand of 161MW in 2012, even excluding our on-Island generation sources. This recent increase in supply margin decreases risk to the business. We also have access to generation at La Collette Power Station and Queen's Road although these are largely maintained to meet demand during certain 'stress conditions' should imports be disrupted.

The immediate weakening of Sterling against the Euro, after the Brexit Referendum, is a concern albeit it does not impact our cost base in the near-term due to our foreign exchange hedging policy. However as we employ a 'user pays' model the Board has comfort on the longer term consequences of a permanent weakening in Sterling.

Based on the results of this analysis the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

GOVERNANCE

Board of Directors

Geoffrey Grime
Chairman
(69) 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. In 2001, he became the founding Chairman of Jersey Finance Limited, the body set up as a joint venture between the Government of Jersey and its finance industry, to represent and promote the industry at home and abroad. 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
(47) 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 Apax Global Alpha Limited and Foresight Solar Fund Limited, both being listed funds 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 OBE
Non-Executive Director
(65) 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.

Martin Magee
Finance Director
(56)

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 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.

Aaron Le Cornu
Non-Executive Director
(46) 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.

Alan Bryce
Non-Executive Director
(56) A/N

Alan is a non-Executive Director of Scottish Water, Chair of the wind-farm developer Viking Energy Shetland, and an advisor in the utilities industry. He is a former non-Executive Director of Infinis Energy plc and at Iberdrola USA. Prior to 2010, he held a number of senior positions at Scottish Power, including Managing Director of Energy Networks, and Managing Director of Generation. He is a Chartered Engineer and Fellow of the Institution of Engineering and Technology.

Philip Austin MBE
Non-Executive Director
(67) R

Philip spent most of his career in banking with HSBC. In 1993 he moved to Jersey where, from 1997 to 2001, he was Deputy CEO of the Bank's business in the Offshore Islands. In 2001, he became the founding CEO of Jersey Finance Ltd, the body set up as a joint venture between the Government of Jersey and its finance industry, to represent and promote the industry at home and aborad. In 2006, Philip joined Equity Trust as CEO of its Channel Islands business, a position he held until 2009 when he left to take on a portfolio of non-executive positions – a portfolio that currently consists of both publicly listed and privately owned businesses. Philip is a Fellow of the Chartered Institute of Bankers and a Fellow of the Chartered Management Institute. In January 2016, he was awarded an MBE in the Queen's New Year's Honours list. Philip is a non-Executive Director of the following publically quoted companies: 3i Infrastructure plc, City Merchants High Yield Trust Ltd, Blackstone/ GSO Loan Financing Ltd.

Wendy Dorman
Non-Executive Director
(55) A/N

Wendy is a Chartered Accountant who began her career as an auditor and went on to specialise in financial services taxation. In 2001 she moved from London to Jersey and she led the Channel Islands tax practice of PwC until June 2015. Wendy has over twenty five years' experience in taxation gained both in the UK and the offshore environment, working both in practice and in industry. Wendy was Chairman of the Jersey branch of the Institute of Directors from 2014 to 2016 and is a former President of the Jersey Society of Chartered and Certified Accountants. She is a non-Executive Director of 3i Infrastructure plc, Jersey Finance Limited and CQS New City High Yield Fund Limited.

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 is still regarded as independent even though he is now in his 14th year as Director.

The Nominations 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 and Risk Committee
N Nominations Committee
R Remuneration Committee

Directors' Report

for the year ended 30 September 2016

The Directors present their annual report and the audited financial statements of Jersey Electricity plc for the year ended 30 September 2016.

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 2016:

	2016 £	2015 £
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 5.50p net of tax for the year ended 30 September 2016 (2015: 5.25p net of tax)	1,685,200	1,608,600
Final proposed at 8.00p net of tax for the year ended 30 September 2016 (2015: 7.60p net of tax)	2,451,200	2,328,640
	4,145,373	3,946,213

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, Philip Austin and Wendy Dorman will retire and, being eligible, offer themselves for re-election. Furthermore, Directors with more than 9 years' service should offer themselves for re-election on an annual basis. Accordingly, Geoffrey Grime will retire and, being eligible, will offer himself 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 12 days (2015: 19 days).

Directors' Report

for the year ended 30 September 2016

Substantial shareholdings

As at 13 December 2016 the Company has been notified of the following holdings of voting rights of 5% 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 5,410,429 'A' Ordinary shares which represent 4.9% 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.J. ROUTIER
Secretary
13 December 2016

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 2014 ("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 9.2.2A (2) (a) R has been entered into with the States of Jersey, the controlling shareholder, with effect from 17 November 2014. The company has complied with the independence provisions included in the agreement during this financial year and believes the controlling shareholder is also compliant. The other applicable information required by LR 9.8.4 R (5)/(6) is disclosed in external appointments and in note 11e.

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 2016 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 Nominations Committee should be independent non-Executive Directors. For a portion of the year, until the composition of the Nominations Committee was altered with the arrival of new independent non-Executive directors, this Committee comprised Mike Liston, Geoffrey Grime, Chris Ambler and Clive Chaplin. Whilst the Board acknowledges that Mike Liston cannot be considered independent as he was formally the Company's Chief Executive and due to his membership of the Company's pension scheme, he has 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 was considered eminently qualified to Chair the company's Nominations Committee until Alan Bryce assumed this role in July 2016.

The Main Principle B.7 states that all directors should be submitted for re-election at regular intervals, subject to satisfactory performance. 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. This is deemed appropriate by the Board because it is felt that our largest shareholders have sufficient powers to remove Executive Directors if they saw fit.

The Code (Provision D.2.1.) states that the Board should establish a Remuneration Committee of independent non-executive directors. During the year the Company's Remuneration Committee has comprised Mike Liston, Geoffrey Grime, Aaron Le Cornu, Alan Bryce, Clive Chaplin and Phil Austin. The Board acknowledges that Mike Liston cannot be considered independent.

The Board

The Board provides effective leadership and currently comprises six 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. Aaron Le Cornu succeeded Clive Chaplin, who retired at the AGM, as 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 and is in receipt of a company pension. The Board have determined that Geoffrey Grime and Clive Chaplin until his retirement remained independent notwithstanding that they have served on the Board for more than fourteen years. In making this determination, the Board took into account their breadth of experience, their financial independence and their other business interests.

Alan Bryce, Phil Austin and Wendy Dorman were appointed during the financial year and Clive Chaplin retired at the AGM. 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. Mike Liston will retire from the Board on 31 December 2016.

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 and Risk	Remuneration	Nominations
No of meetings	**7**	**4**	**2**	**1**
G.J. Grime	7	-	2	1
A.D. Le Cornu	7	4	2	-
M.J. Liston	6	-	2	1
P.J. Austin[1]	3	-	-	-
A.A. Bryce[2]	5	3	2	-
W.J. Dorman[3]	2	1	-	-
C.J. Ambler	7	2*	1*	1
M.P. Magee	7	4*	-	-
C.A.C. Chaplin[4]	3	1	2	1

* attendees by invitation
1 Appointed 12 May 2016
2 Appointed 17 December 2015
3 Appointed 1 July 2016
4 Retired 3 March 2016

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. An external evaluation took place during the course of the previous financial year and an internal evaluation was undertaken by the Chairman in 2016.

Nominations Committee

The Nominations Committee members are currently Alan Bryce (Chairman), Mike Liston, Geoffrey Grime, Wendy Dorman and Chris Ambler. 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.

Board diversity

Gender	
Male	7
Female	1

Tenure	
<1 year	3
1-3 years	0
4-9 years	2
>9 years	3

Age	
46-50	2
51-56	3
64+	3

Sector	
Utilities	4
Financial Services	3
Taxation	1

The Terms of Reference for the Nominations Committee and the Terms and Conditions of the Appointment of non-Executive Directors are available on request from the Company Secretary.

During 2015 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 and this began to be implemented during 2016.

Corporate Governance

Audit and Risk Committee

The Audit and Risk Committee's members are Aaron Le Cornu (Chairman), Alan Bryce and Wendy Dorman. 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 Financial Controller, the Company Secretary, and members of both the external audit and internal audit teams.

The Audit and Risk 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 and Risk 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. 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.

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 and Risk 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 and Risk Committee are available on request from the Company Secretary.

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

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 and Risk Committee has concluded that this is the case and has reported this to the Board.

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 up to the date of approval of the financial statements and is in accordance with The UK Corporate Governance Code. Whistleblowing arrangements are reviewed annually by the Audit and Risk Committee.

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 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 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 and Risk Committee Chairman and also attends Audit and Risk Committee meetings, at which internal audit's plans are discussed and approved. During this financial year an independent review was performed of the risk management processes within the organisation. This was largely positive with some recommendations for improvement which have, or will be, implemented.

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 and Risk Committee

The Audit and Risk 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. 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.

The Directors consider that the Group has adequate resources to continue in operational existance for the foreseeable future. The Financial Statements are therefore prepared on a going concern basis. Further details of the Group's going concern review are provided in note 1 of the financial statements on page 64.

Having taken advice from the Audit and Risk 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.J. AMBLER
Chief Executive Officer
13 December 2016

M.P. MAGEE
Finance Director
13 December 2016

Remuneration Report

Remuneration Committee

The Remuneration Committee (the Committee) is now chaired by Phil Austin, following the retirement of Clive Chaplin at the last AGM, and its membership includes three of the other non-executive directors. The Committee operates within terms of reference agreed by the Board and such terms are regularly reviewed and are available on request.

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 UK/EU, as this defines the relevant labour market for the skills required. 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 the report), the overall value of the remuneration package of the executive team members including bonus and other benefits matches, in broadest terms, relevant comparative benchmarks for Executive Director remuneration. The bonus payable to the Executive Directors is performance related taking account of their individual responsibilities within the Company and is dependent on the results of the group against expectations across a wide range of performance criteria.

The remuneration of individual Directors for the year ended 30 September 2016 was as follows:

	Basic salary/fees £	Bonus £	Benefits in kind £	**Total 2016 £**	Total 2015 £
EXECUTIVE DIRECTORS					
C.J. Ambler	212,310	80,402	14,474	**307,186**	406,654
M.P. Magee	176,007	51,632	12,242	**239,881**	308,448
NON-EXECUTIVE DIRECTORS					
G.J. Grime	36,500	-	3,412	**39,912**	34,904
M.J. Liston	20,000	-	1,712	**21,712**	19,552
A.D. Le Cornu	23,000	-	1,706	**24,706**	21,231
A.A. Bryce (appointed 17 December 2015)	18,187	-	1,350	**19,537**	-
P.J. Austin (appointed 12 May 2016)	6,973	-	663	**7,636**	-
W. Dorman (appointed 1 July 2016)	4,500	-	428	**4,928**	-
C.A.C. Chaplin (retired 3 March 2016)	9,350	-	720	**10,070**	21,552
J.B. Stares (retired 5 March 2015)	-	-	-	**-**	9,749
Total	506,827	132,034	36,707	**675,568**	822,090

Remuneration Report

Service Contracts

The Executive Directors' service contracts provide for a notice period of six months. Non-Executive Directors' service contracts have no unexpired term at the time of election, or re-election, at the Annual General Meeting.

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 30.9.2016[2]	Transfer value at 30.9.2016[3]	Transfer value at 30.9.2015[3]	Directors' contributions during year	Increase in transfer value less Directors contributions[4]
C.J. Ambler	£4,122	£38,657	£694,350	£471,932	-	£222,418
M.P. Magee[5]	£4,490	£77,515	£1,670,530	£1,294,971	£10,555	£365,004

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. The transfer values include any accrued Additional Voluntary Contributions (AVC) pensions.
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 AVC's to the Scheme to purchase additional final salary benefits. AVC's paid by the Directors during the year were nil.

All-Employee Share Scheme

At the 2011 Annual General Meeting approval was granted to launch an all-employee share scheme. During the 2015 and 2016 financial years 100 'A' Ordinary Shares were issued to all staff (subject to Scheme Rules) including the Executive Directors and these shares vest in February 2018 and February 2019 respectively.

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 of independent advice concerning comparable organisations and appointments and also taking into account the particular Committees in which they are involved. A small premium is paid to those who chair Committees (Audit and Risk: £5,000; Nominations/Remuneration: £2,000) for additional responsibility, and to Directors based off-Island (£5,000) for travelling time.

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 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.J. Ambler

Foresight Solar Fund Limited and Apax Global Alpha Limited. The total non-Executive Director fees for such appointments were £97,100 of which £77,680 was retained, and the remainder paid to the Company, by the individual. The fees received also include those from a previous directorship with Abbey National International Limited (which ceased on 15 September 2015).

M.P. Magee

Standard Life Wealth Offshore Strategy Fund Limited and Stanley Gibbons Group plc (retired 27 October 2016). The total non-Executive Director fees for such appointments were £50,000 of which £40,000 was retained, and the remainder paid to the Company, by the individual.

Remuneration Report

Directors' Loans

The Company provides secured loans to the Executive Directors which bear interest at base rate. The balances on such loans were:

	30.9.2016	30.9.2015
C. J. Ambler	£407,997	£440,157
M. P. Magee	£239,571	£290,571

Directors' Share Interests

The Directors' beneficial interests in the shares of the Company at 30 September 2016 are:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2016	**2015**	**2016**	**2015**
C.J. Ambler*	**5,005**	5,005	-	-
M.P. Magee*	**10,500**	8,984	**960**	960
G.J. Grime	**10,000**	10,000	-	-
M.J. Liston	**2,000**	2,000	-	-
C.A.C. Chaplin (retired from the Board on 3 March 2016)	-**	6,000	-	-
A.A. Bryce	**4,500**	-	-	-
	32,005	31,989	**960**	960

*Both C.J. Ambler and M.P. Magee have a beneficial interest in a further 200 'A' Ordinary Shares that are due to vest in equal quantities on February 2018 and February 2019.

**C.A.C. Chaplin still holds 6,000 'A' Ordinary Shares as at 30 September 2016 but was no longer a Director at that date.

During the financial year Martin Magee and Alan Bryce purchased 1,516 and 4,500 'A' Ordinary shares respectively. There have been no other changes in the interests set out above between 30 September 2016 and 13 December 2016.

On behalf of the Board
P. AUSTIN
Chairman
13 December 2016

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's affairs as at 30 September 2016 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 Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the group

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the Financial Review.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 42 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 42-43 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Directors' explanation on page 43 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. 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.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

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 (2015: £5.1m) which is included within revenue and trade receivables. This is because of the level of assumptions and judgement used in determining the number of units used by customers between their last billing date and the year-end date. The entity's considerations around this judgement are set out in the critical accounting judgements in note 2i.	We used an internal 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 inputs into the Model, which includes historical data and billing rates. We compared the output from the reconstructed model to management's calculation and investigated any material differences. We also tested the reconciliation of total units imported and generated, adjusted for units used internally by the Company and units lost through the network for technical and other reasons ("distribution loss") to the total units recorded as sold. We challenged the distribution loss percentage used by management through observing the external data they had used in determining the percentage. In addition, we assessed whether the revenue recognition policies adopted comply with IFRS.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Risk	How the scope of our audit responded to the risk
Hedge accounting, valuation of contracts and related disclosures	
The fair value of derivative financial instruments held at the year-end is an asset of £8.7m (2015: a liability of £5.1m). The accounting for the hedging of forward foreign exchange contracts entered into by the group 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 in the financial statements. Further details about this risk are given in note 22.	We engaged internal financial instrument specialists to challenge 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 for a sample of contracts. The specialists also independently challenged the valuation of contracts through using data from an independent source. We obtained and agreed external confirmations for contracts at the year end to the accounting records. We performed a review of the hedging and financial instrument related disclosures in the financial statements to assess whether the disclosures presented comply with IFRS.
Defined benefit pension scheme assumptions	
The group has a retirement benefit deficit at the year-end of £11.5m (2015: £7.3m). 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 defined 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 and corroborating with management's actuarial expert.

Last year our report included two other risks which are not included in our report this year: the Normandie 1 contract and the La Collette site rental provision. The first matter was concluded in the prior year and the La Collette matter was concluded prior to year-end so there was little judgement or complexity involved in testing this. Therefore these two risks did not have a significant effect on our current year audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team and are not included in our report in the current year.

The description of risks above should be read in conjunction with the significant issues considered by the Audit & Risk Committee discussed on page 51.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these 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 £900,000 (2015: £915,000), which is below 7.5% (2015: 7.5%) of adjusted pre-tax profit, and below 1% (2015: 1%) of equity. Pre-tax profit has been adjusted by removing the exceptional credit of £1.7m in relation to the La Collette site rental. In the prior year an adjustment was also made to the pre-tax profits in order to determine materiality through removing the £789,000 exceptional credits recognised in relation to compensation received from RTE and the reversal of the remaining EDF 1 provision as these were considered to be one-off events.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £18,000 (2015: £18,300), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk 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 Group audit was scoped by obtaining an understanding of the group and its environment, including internal control, and assessing the risks of material misstatement at the group level. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Consistent with the prior year, our Group audit scope focused primarily on the audit of the parent company as the balances of the subsidiary were not considered to be significant except for the revenue balance. The parent company represents the principal business unit within the Group and accounts for 100% (2015: 100%) of the Group's net assets, 99% (2015: 99%) of the group's revenue and 99% (2015: 99%) of the Group's profit before tax. We have only tested revenue of the other component as other balances were not considered to be significant. Our audit work on the Group was executed at the levels of materiality detailed above.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the financial information of the subsidiary not subject to audit or audit of specified account balances.

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 part of the Corporate Governance Statement relating to the company's compliance with certain 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 & Risk 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). 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.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

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.

ANDREW ISHAM
for and on behalf of
Deloitte LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
13 December 2016

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Revenue	3	**103,361**	100,479
Cost of sales		**(65,249)**	(64,604)
Gross profit		**38,112**	35,875
Revaluation of investment properties	11	**(350)**	(45)
Operating expenses	4	**(23,498)**	(21,931)
Group operating profit before exceptional items	6	**14,264**	13,899
Exceptional items - La Collette rent accrual reversal		**1,676**	-
- RTE outage compensation		**-**	479
- impact of reversal of EDF1 related accrual		**-**	310
Group operating profit	3	**15,940**	14,688
Finance income		**22**	36
Finance costs		**(1,154)**	(1,555)
Profit from operations before taxation		**14,808**	13,169
Taxation	7	**(3,166)**	(2,397)
Profit from operations after taxation		**11,642**	10,772
Attributable to:			
Owners of the Company		**11,547**	10,725
Non-controlling interests	19	**95**	47
		11,642	10,772
Earnings per share			
- basic and diluted	9	**37.69**	35.00p

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2016

	Note	2016 £000	2015 £000
Profit for the year		**11,642**	10,772
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on defined benefit scheme	17	**(2,829)**	(5,706)
Income tax relating to items not reclassified	7	**566**	1,141
		(2,263)	(4,565)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on cash flow hedges	22	**13,865**	(874)
Income tax relating to items that may be reclassified	7	**(2,773)**	175
		11,092	(699)
Total comprehensive income for the year		**20,471**	5,508
Attributable to:			
Owners of the Company		**20,376**	5,461
Non-controlling interests		**95**	47
		20,471	5,508

All results in the year have been derived from continuing operations.
The notes on pages 64 to 87 form an integral part of these accounts. The independent auditor's report is on pages 56 to 59.

Consolidated Balance Sheet

as at 30 September 2016

	Note	2016 £000	2015 £000
Non-current assets			
Intangible assets	10	162	227
Property, plant and equipment	11	209,168	187,845
Investment properties	11	20,110	20,460
Trade and other receivables	14	683	731
Derivative financial instruments	22	5,957	414
Other investments	12	5	5
Total non-current assets		236,085	209,682
Current assets			
Inventories	13	5,962	6,239
Trade and other receivables	14	16,583	14,777
Derivative financial instruments	22	2,788	780
Cash and cash equivalents		1,925	12,503
Total current assets		27,258	34,299
Total assets		263,343	243,981
Current liabilities			
Trade and other payables	15	16,084	17,597
Bank overdraft		943	-
Current tax liabilities	7	420	404
Derivative financial instruments	22	-	3,892
Total current liabilities		17,447	21,893
Net current assets		9,811	12,406
Non-current liabilities			
Trade and other payables	15	19,600	18,884
Retirement benefit deficit	17	11,471	7,291
Derivative financial instruments	22	-	2,422
Financial liabilities - preference shares	18	235	235
Long-term borrowings	16	30,000	30,000
Deferred tax liabilities	7	20,482	15,529
Total non-current liabilities		81,788	74,361
Total liabilities		99,235	96,254
Net assets		164,108	147,727
Equity			
Share capital	18	1,532	1,532
Revaluation reserve		5,270	5,270
ESOP reserve		(155)	(97)
Other reserves		6,878	(4,214)
Retained earnings		150,523	145,223
Equity attributable to the owners of the Company		164,048	147,714
Non-controlling interests	19	60	13
Total equity		164,108	147,727

Approved by the Board on 13 December 2016

G.J. GRIME
Director

M.P. MAGEE
Director

The notes on pages 64 to 87 form an integral part of these accounts. The independent auditor's report is on pages 56 to 59.

FINANCIAL STATEMENTS

Consolidated Statement of Changes in Equity

for the year ended 30 September 2016

	Note	Share capital £000	Revaluation reserve £000	ESOP reserve £000	Other reserves £000	Retained earnings £000	Total £000
At 1 October 2015		1,532	5,270	(97)	(4,214)	145,223	147,714
Total recognised income and expense for the year		-	-	-	-	11,547	11,547
Funding of employee share option scheme		-	-	(114)	-	-	(114)
Amortisation of employee share scheme		-	-	56	-	-	56
Unrealised gain on hedges (net of tax)		-	-	-	11,092	-	11,092
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(2,263)	(2,263)
Adjustment arising from change in non-controlling interest		-	-	-	-	31	31
Equity dividends	8	-	-	-	-	(4,015)	(4,015)
At 30 September 2016		**1,532**	**5,270**	**(155)**	**6,878**	**150,523**	**164,048**
At 1 October 2014		1,532	5,270	(36)	(3,515)	142,878	146,129
Total recognised income and expense for the year		-	-	-	-	10,725	10,725
Funding of employee share option scheme		-	-	(112)	-	-	(112)
Amortisation of employee share scheme		-	-	51	-	-	51
Unrealised loss on hedges (net of tax)		-	-	-	(699)	-	(699)
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(4,565)	(4,565)
Equity dividends	8	-	-	-	-	(3,815)	(3,815)
At 30 September 2015		**1,532**	**5,270**	**(97)**	**(4,214)**	**145,223**	**147,714**

The notes on pages 64 to 87 form an integral part of these accounts. The independent auditor's report is on pages 56 to 59.

Consolidated Statement of Cash Flows

for the year ended 30 September 2016

	2016 £000	2015 £000
Cash flows from operating activities		
Operating profit before exceptional items	14,264	13,899
Depreciation and amortisation charges	10,295	9,926
Loss on revaluation of investment property	350	45
Pension operating charge less contributions paid	1,351	213
(Profit)/loss on sale of fixed assets	(6)	7
Operating cash flows before movement in working capital	26,254	24,090
Decrease in inventories	277	1,095
(Increase)/decrease in trade and other receivables	(1,758)	1,884
Increase/(decrease) in trade and other payables	2,359	(2,640)
Interest paid	(1,148)	(1,548)
Capitalised interest paid	(374)	(4)
Preference dividends paid	(9)	(9)
Cash amounts relating to exceptional item	-	479
Income taxes paid	(396)	-
Net cash flows from operating activities	25,205	23,347
Cash flows from investing activities		
Purchase of property, plant and equipment	(32,391)	(16,629)
Investment in intangible assets	(4)	(207)
Proceeds from part disposal of subsidiary	10	-
Net proceeds from disposal of fixed assets	9	3
Net cash flows used in investing activities	(32,376)	(16,833)
Cash flows from financing activities		
Equity dividends paid	(4,067)	(3,859)
Deposit interest received	22	36
Payment for foreign exchange option	(250)	-
Repayment of borrowings	5,500	-
Proceeds from borrowings	(5,500)	-
Net cash flows used in financing activities	(4,295)	(3,823)
Net (decrease)/increase in cash and cash equivalents	(11,466)	2,691
Cash and cash equivalents at beginning of year	12,503	9,776
Effect of foreign exchange rate changes	(55)	36
Overdraft	943	-
Cash and cash equivalents at end of year	1,925	12,503

The notes on pages 64 to 87 form an integral part of these accounts. The independent auditor's report is on pages 56 to 59.

Notes to the Financial Statements

for the year ended 30 September 2016

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2016 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 2016 comprises the Company and its subsidiary.

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.

Under Article 101 (11) of the Companies (Jersey) Law 1991 ("the Law"), the Directors of a holding company need not prepare separate financial statements if consolidated accounts for the company are prepared, unless required to do so by the members of the Company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the opinion of the Directors, the Company meets the definition of a holding company as set out in the Law. As permitted by the Law, the Directors have elected not to prepare separate financial statements.

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 39 to 43). In addition, note 22 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to risks. 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. 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 and in making the viability statement on page 43.

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.

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.

Notes to the Financial Statements

for the year ended 30 September 2016

Revenue continued

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.

Exceptional items

As permitted by IAS 1 "Presentation of financial statements", the Group has disclosed additional information in respect of exceptional items in the consolidated financial statements to aid understanding of the Group's financial performance.

An item is exceptional if it is considered unusual by nature and scale and of such significance that separate disclosure is required for the financial statements to be properly understood.

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

In accordance with IAS 16 costs are capitalised where it is probable that future economic benefits associated with the asset being purchased or constructed will flow to the entity; and the cost of the asset can be measured reliably.

For assets under construction, all costs incurred which are directly attributable to bringing the asset to a point of commissionable use, including direct materials and direct labour costs are capitalised once an executive decision has been taken to proceed with the construction of the asset.

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 from the year following acquisition. 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 2016

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

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

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimes the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 the income statement, 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 asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, 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.

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.

Notes to the Financial Statements

for the year ended 30 September 2016

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 amortised cost. Amortised cost 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. Interest expense is recognised by applying the effective interest rate.

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. Until 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 costs

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 shares or options are shown 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.

Notes to the Financial Statements
for the year ended 30 September 2016

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 benefit pension scheme.

Share-based payments

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 the income statement 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 in some cases, not adopted by the EU:

Standards effective in current period:

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

Annual Improvements to IFRSs: 2010-12 Cycle, which was effective for annual periods beginning on or after 1 July 2014

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

Standards in issue not yet effective:

IFRS 2 (amendment) *Classification and Measurement of Share-based Payment Transactions,* which is effective for annual periods beginning on or after 1 January 2018

IFRS 15 (clarification) *Revenue from Contracts with Customers,* which is effective for annual periods beginning on or after 1 January 2018

IAS 7 (amendment) *Disclosure Initiative,* which is effective for annual periods beginning on or after 1 January 2017

IAS 12 (amendment) *Recognition of Deferred Tax Assets for Unrealised Losses,* which is effective for annual periods beginning on or after 1 January 2017

IFRS 16 *Leases,* which is effective for annual periods beginning on or after 1 January 2019

IAS 1 (amendment) *Disclosure Initiative*, which is effective for annual periods beginning on or after 1 January 2016

Annual Improvements to IFRSs: 2012-2014 Cycle, which is effective for annual periods beginning on or after 1 January 2016

IAS 27 (amendment) *Equity Method in Separate Financial Statements*, which is effective for annual periods beginning on or after 1 January 2016

IFRS 9 *Financial Instruments,* which is effective for annual periods beginning on or after 1 January 2018

IFRS 15 *Revenue from Contracts with Customers,* which is effective for annual periods beginning on or after 1 January 2018

IAS 16 and IAS 38 (amendment) *Clarification of Acceptable Methods of Depreciation and Amortisation*, which is effective for annual periods beginning on or after 1 January 2016

IFRS 11 (amendment) *Accounting for Acquisitions of Interests in Joint Operations*, which is effective for annual periods beginning on or after 1 January 2016

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.

Notes to the Financial Statements

for the year ended 30 September 2016

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 and Risk 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 distribution 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 2016 amounted to £5.9m (2015: £5.1m).

ii Impairment of property, plant, equipment and investments

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

iii Retirement benefit obligations

The Group provides pensions through a defined benefits scheme for its employees which is accounted for in accordance with IAS 19 'Employee Benefits'. The expense and balance sheet items relating to the Group's accounting for pension schemes under IAS 19 are based on actuarial valuations. Inherent in these valuations are key assumptions, including discount rates, earnings' increases, mortality rates and inflation. These actuarial assumptions are reviewed annually in line with the requirements of IAS 19 and are based on prior experience, market conditions and the advice of the scheme actuaries. The Group chooses a discount rate which reflects yields on high quality, fixed-income investments. The discount rate used in 2016 was 2.3% and in 2015 was 3.6%. If, for example, the discount rate applied to the liabilities had been 2.8%, rather than the 2.3% advised by our actuaries under IAS 19 for 2016, the IAS 19 net deficit of £9.2m would have been a net surplus of £0.1m.

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 as well as for any foreign currency denominated capital contracts. All such currency derivatives are fair valued, based on market values of equivalent instruments at balance sheet date.

v Decommissioning

The Company still believes that it does not have any set obligation to de-commission any of our material assets but a risk exists that costs may be incurred in the future. 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 part of the marine infrastructure. We had looked at this topic in some depth and reached the conclusion that this is an area where a watching brief will be maintained going forward.

Notes to the Financial Statements

for the year ended 30 September 2016

3 Business segments

The business segments below are these reported to the Group's Chief Executive for the purposes of resource allocation and performance assessment:

	2016 External £000	2016 Internal £000	2016 Total £000	2015 External £000	2015 Internal £000	2015 Total £000
Revenue						
Energy	81,215	144	81,359	80,698	129	80,827
Building Services	5,120	786	5,906	4,148	808	4,956
Retail	11,933	45	11,978	11,087	40	11,127
Property	2,143	599	2,742	2,084	599	2,683
Other*	2,950	876	3,826	2,462	777	3,239
	103,361	2,450	105,811	100,479	2,353	102,832
Intergroup elimination			(2,450)			(2,353)
Revenue			103,361			100,479
Operating profit						
Energy			11,650			11,514
Building Services			134			(58)
Retail			452			334
Property			1,683			1,562
Other			695			592
			14,614			13,944
Revaluation of investment properties			(350)			(45)
Exceptional items - La Collette rent accrual reversal			1,676			-
- RTE outage compensation			-			479
- Reversal of over accrual			-			310
Operating profit			15,940			14,688
Finance income			22			36
Finance costs			(1,154)			(1,555)
Profit from operations before taxation			14,808			13,169
Taxation			(3,166)			(2,397)
Profit from operations after taxation			11,642			10,772
Attributable to:						
Owners of the Company			11,547			10,725
Non-controlling interests			95			47
			11,642			10,772

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 2016

3 Business segments (continued)

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

	2016 Assets £000	2016 Liabilities £000	2015 Assets £000	2015 Liabilities £000	2016 Net capital additions £000	2016 Depreciation/ amortisation £000	2015 Net capital additions £000	2015 Depreciation/ amortisation £000
Energy	213,851	(70,017)	190,652	(69,284)	31,203	(9,739)	13,025	(9,340)
Building Services	967	(384)	547	(233)	108	(35)	14	(56)
Retail	4,241	(777)	3,551	(459)	229	(50)	33	(73)
Property	32,979	(445)	34,136	(495)	(350)	(415)	(46)	(415)
Other*	944	(715)	1,073	(864)	20	(56)	87	(42)
Unallocated	10,361	(26,897)	14,022	(24,919)	-	-	-	-
	263,343	(99,235)	243,981	(96,254)	31,210	(10,295)	13,113	(9,926)

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 a £350k downward adjustment (2015: £45k downward adjustment) for revaluation of investment properties.

*Other segment includes Jersey Energy, Jendev and Jersey Deep Freeze.

4 Operating expenses

	2016 £000	2015 £000
Distribution costs	11,173	11,306
Administration expenses	12,325	10,625
	23,498	21,931

5 Directors and employees

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

	2016 Number	2015 Number
Energy	203	201
Other businesses	114	106
Trainees	10	12
	327	319

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	15,824	15,569
Social security costs	881	834
Pension (note 17)	3,286	2,165
	19,991	18,568
Capitalised manpower costs*	(1,865)	(1,799)
	18,126	16,769

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

Notes to the Financial Statements

for the year ended 30 September 2016

6 Group operating profit before exceptional items

Operating profit is after charging/(crediting):

	2016 £000	2015 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	80	80
Auditor's remuneration for non-audit services	4	1
Other operating charges		
Operating lease charges	247	470
Depreciation of property, plant and equipment	10,226	9,911
Amortisation of intangible assets	69	15
Maintenance and repairs	2,777	2,927
Legal and professional	206	357
Bad debt (write back)/write-offs	(49)	80
Bad debt provisions	72	(19)

7 Taxation

	2016 £000	2015 £000
Current tax:		
Jersey Income Tax - ordinary activities	420	404
- adjustments in respect of prior periods	-	-
Total current tax	420	404
Deferred tax:		
Adjustments in respect of prior periods	-	(414)
Current year	2,746	2,407
Total tax on profit on ordinary activities	3,166	2,397

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:

	2016 £000	2015 £000
Profit from ordinary activities before tax	14,808	13,169
Tax on profit on ordinary activities at standard income tax rate of 20% (2015: 20%)	2,962	2,634
Effects of:		
Adjustments in respect of prior periods	-	(414)
Expenses not deductible for tax purposes	54	26
Income not taxable for tax purposes	(122)	(114)
Non-qualifying depreciation	272	265
Group current tax charge for year	3,166	2,397

Notes to the Financial Statements

for the year ended 30 September 2016

7 Taxation (continued)

Deferred Tax

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

	2016 £000	2015 £000
Accelerated capital allowances	21,433	19,112
Derivative financial instruments	1,749	(1,024)
Pensions	(2,294)	(1,458)
Losses carried forward	(406)	(1,101)
Provisions for deferred tax	20,482	15,529

Deferred tax movements in the year

	2016 £000	2015 £000
At 1 October	15,529	14,852
Charged to income statement	2,746	1,993
Charged/(credited) to statement of comprehensive income	2,207	(1,316)
At 30 September	20,482	15,529

The deferred tax asset arising on losses carried forward has been recognised as it is considered likely that future profits will be available for set off.

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2016 pence	2015 pence	2016 £000	2015 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	7.60	7.20	2,330	2,206
	interim for current year	5.50	5.25	1,685	1,609
		13.10	12.45	4,015	3,815
Dividend proposed	final for current year	8.00	7.60	2,451	2,330

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

Dividends paid out to non controlling interests in relation to Jersey Deep Freeze are disclosed in note 19.

Notes to the Financial Statements
for the year ended 30 September 2016

9 Earnings per Ordinary share
Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 37.69p (2015: 35.00p) are calculated on the Group profit, after taxation, of £11,547,000 (2015: £10,725,000), and on the 30,640,000 (2015: 30,640,000) Ordinary and 'A' Ordinary shares in issue throughout the financial year and at 30 September 2016. There are no share options in issue and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets

	Computer Software £000
Cost as at 1 October 2015	398
Additions	4
Disposals	(5)
At 30 September 2016	397
Amortisation	
At 1 October 2015	171
Charge for year	69
Disposals	(5)
At 30 September 2016	235
Net book value	
At 30 September 2016	162
Cost as at 1 October 2014	219
Additions	222
Disposals	(43)
At 30 September 2015	398
Amortisation	
At 1 October 2014	199
Charge for year	15
Disposals	(43)
At 30 September 2015	171
Net book value	
At 30 September 2015	227

The above amortisation charges are included within operating expenses in the consolidated income statement.

Notes to the Financial Statements

for the year ended 30 September 2016

11 Property, plant, equipment and investment properties

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2015	24,677	17,002	133,520	79,154	18,828	80,664	353,845	20,460
Expenditure	239	-	9,079	2,773	3,019	16,446	31,556	-
Revaluation	-	-	-	-	-	-	-	(350)
Disposals/write offs	(12)	(50)	(41,155)	-	(1,564)	(789)	(43,570)	-
At 30 September 2016	24,904	16,952	101,444	81,927	20,283	96,321	341,831	20,110
Depreciation								
At 1 October 2015	8,010	6,020	96,400	26,115	11,131	18,324	166,000	-
Charge for the year	524	369	2,501	1,794	1,442	3,596	10,226	-
Disposals/write offs	(12)	(50)	(41,155)	-	(1,557)	(789)	(43,563)	-
At 30 September 2016	8,522	6,339	57,746	27,909	11,016	21,131	132,663	-
Net book value at								
30 September 2016	16,382	10,613	43,698	54,018	9,267	75,190	209,168	20,110

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Main cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2014	24,547	17,036	129,204	76,514	16,882	78,510	342,693	20,505
Expenditure	130	-	5,363	2,303	2,986	2,154	12,936	-
Reclassification	-	-	(337)	337	-	-	-	-
Revaluation	-	-	-	-	-	-	-	(45)
Disposals/write offs	-	(34)	(710)	-	(1,040)	-	(1,784)	-
At 30 September 2015	24,677	17,002	133,520	79,154	18,828	80,664	353,845	20,460
Depreciation								
At 1 October 2014	7,491	5,685	94,282	24,379	10,729	15,281	157,847	-
Charge for the year	519	369	2,836	1,728	1,416	3,043	9,911	-
Reclassification	-	-	(8)	8	-	-	-	-
Disposals/write offs	-	(34)	(710)	-	(1,014)	-	(1,758)	-
At 30 September 2015	8,010	6,020	96,400	26,115	11,131	18,324	166,000	-
Net book value at								
30 September 2015	16,667	10,982	37,120	53,039	7,697	62,340	187,845	20,460

*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.
Commercial properties have been valued on the basis of a yield between 7.5% and 8.75% before deductions for acquisition costs.
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.

Notes to the Financial Statements
for the year ended 30 September 2016

11 Property, plant, equipment and investment properties (continued)

a No depreciation is charged on freehold land. 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 2016 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 £1,392k (2015: £1,285k), with maintenance and repair costs of £37k (2015: £39k).

c The Group figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £36k (2015: £43k) at cost and a depreciated value of £33k (2015: £34k).

d The gross carrying amount of tangible assets at net book value of zero at 30 September 2016 was £52.2m (2015: £92.7m). Following a review of fully depreciated items in the balance sheet, assets with an original cost of £41.6m were removed from the asset register during this financial year.

e £19,953k (2015: £4,000k) for Normandie 1 and £5,036k (2015: £1,602k) for St Helier Primary is classified in interlinks and plant, respectively, and are assets under construction. During this financial year £374k of interest was capitalised using an average rate on borrowing of 4.37%.

12 Other investments

Principal group investments

	2016 £000	2015 £000
Joint arrangement	5	5

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
Joint venture:					
Channel Islands Electricity Grid Limited	Jersey	Association with Guernsey Electricity Limited	5,000 Ordinary	50	30 November
Subsidiary undertaking:					
Jersey Deep Freeze Limited	Jersey	Sale and maintenance of refrigeration and catering equipment	51 Ordinary	51	31 January

Notes to the Financial Statements
for the year ended 30 September 2016

12 Other investments (continued)

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 Normandie 3 project. It also provided for cost and capacity sharing of the Normandie 1 project as a replacement of the original EDF1 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'.

Jersey Deep Freeze Limited

The Company owns 51% (2015: 60%) having sold 9% in March 2016 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.

13 Inventories

The amounts attributed to the different categories are as follows:

	2016 £000	2015 £000
Fuel oil	3,724	4,134
Commercial stocks and work in progress	1,622	1,428
Generation, distribution spares and sundry	616	677
	5,962	6,239

During the year £11.3m (2015: £9.7m) was recognised directly in cost of sales in respect of inventories sold or used in operations or production.

14 Trade and other receivables

	2016 £000	2015 £000
Amounts receivable within one year:		
Trade receivables (includes unbilled units)	14,020	12,739
Prepayments	1,561	1,277
Other receivables	1,002	761
	16,583	14,777
Amounts receivable after more than one year:		
Secured loan accounts	683	731

The secured loan accounts include loans to Directors and to a shareholder in the subsidiary Jersey Deep Freeze Limited. See the Remuneration Report on page 55 in the Report of the Directors for disclosure of the Directors' loans.

The fair value of trade and other receivables is considered by the Directors to be equivalent to its carrying value.

Notes to the Financial Statements

for the year ended 30 September 2016

15 Trade and other payables

	2016 £000	2015 £000
Amounts falling due within one year:		
Trade payables	2,271	1,129
Other payables including other taxation and social security	6,275	5,921
Accruals and deferred income	7,538	10,547
	16,084	17,597
Amounts falling due after more than one year:		
Accruals	1,123	369
Deferred income	18,477	18,515
	19,600	18,884

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

Provisions held:	2016 £000	2015 £000
At 1 October	-	2,060
Utilisation of subsea cable repair	-	(1,800)
Release of subsea cable decommission	-	(260)
At 30 September	-	-

16 Borrowings

The long-term funding via a private placement is in place 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%

	2016 £000	2015 £000
Unsecured borrowing at amortised cost		
Loan obtained from private placement	30,000	30,000

In addition the above borrowings are supplemented by a 5 year 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. Following a review of future cash requirements this facility was reduced from £40m to £25m in October 2015. A one year £2m overdraft facility also exists with RBSI.

Notes to the Financial Statements

for the year ended 30 September 2016

17 Pensions

The Company sponsors a funded defined benefit pension plan for qualifying Jersey Electricity employees. The plan is administered by a separate 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 53% of the liabilities are attributable to current employees, 12% to former employees and 35% 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 17 years reflecting the approximate split of the defined benefit obligation.

Funding requirements

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2015 and showed a surplus of £6.9m. 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 2018 at which the funding level of the Scheme will be reviewed. The Company pays contributions of 20.6% (26.6% for non-contributory members) of pensionable salaries (including 1% in respect of expenses) with contributory 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 2016

The results of the latest funding valuation at 31 December 2015 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2015, changes in the market conditions, and differences in the financial and demographic assumptions. The present value of the defined benefit obligation and the related current service cost, were measured using the Projected Unit Credit Method.

Notes to the Financial Statements
for the year ended 30 September 2016

17 Pensions (continued)

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

Main financial assumptions:	2016 % pa	2015 % pa
Inflation	3.3	3.2
Rate of general increase in salaries		
- short term (year 1)	2.5	3.0
- long term (year 2 onwards)	4.3	4.2
Pension increases in payment	-	-
Pension increases in payment for pensions purchased with AVCs	3.3	3.2
Discount rate for scheme liabilities	2.3	3.6

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

	30 September 2016	30 September 2015
Post-retirement mortality assumption - base table	SAPS 'S2' tables with CMI 2015 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 2015 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	27.8	28.3
Life expectancy for female currently aged 60	29.9	30.8
Life expectancy at 60 for male currently aged 40	29.7	30.4
Life expectancy at 60 for female currently aged 40	31.9	32.9
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 2016 £000	Value at 30 September 2015 £000
UK Fixed Interest	24,227	24,933
UK Index Linked Gilts	12,787	-
UK Equities	38,355	21,398
Overseas Equities	-	38,519
Property Unit Trusts	-	1,597
Diversified Growth Funds	51,873	-
Other	-	8,811
Cash Instruments	-	1,668
Cash and Commitments	511	9,825
	127,753	106,751

Notes to the Financial Statements

for the year ended 30 September 2016

17 Pensions (continued)

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

Reconciliation of funded status to balance sheet:	2016 £000	2015 £000
Fair value of Scheme assets	127,753	106,751
Present value of funded defined benefit obligations	(139,224)	(114,042)
Funded Status and liability recognised on the balance sheet	(11,471)	(7,291)
Related deferred tax asset	2,294	1,458
Net pension liability	(9,177)	(5,833)

Breakdown of amounts recognised in profit and loss and other comprehensive income	2016 £000	2015 £000
Operating cost		
Service costs:		
Current service cost	2,142	2,023
Administration expenses	215	125
Past service cost (including curtailments)	700	-
Financing cost		
Interest on net defined benefit liability	229	17
Total pension expense recognised in profit and loss	3,286	2,165
Remeasurements in OCI:		
Return on plan assets (in excess of)/below that recognised in net interest	(19,326)	724
Actuarial losses due to changes in financial assumptions	27,980	4,790
Acturial gains due to changes in demographic assumptions	(2,541)	-
Actuarial (gains)/losses due to liability experience	(3,284)	192
Total amount recognised in OCI	2,829	5,706
Total amount recognised in profit and loss and OCI	6,115	7,871

Changes to the present value of the defined benefit obligation during the year	2016 £000	2015 £000
Opening defined benefit obligation	114,042	106,138
Current service cost	2,142	2,023
Interest expense on scheme liabilities	4,049	4,079
Contributions by scheme participants	569	542
Acturial gains due to changes in demographic assumptions	(2,541)	-
Actuarial losses on scheme liabilities arising from changes in financial assumptions	27,980	4,790
Actuarial (gains)/losses on scheme liabilities arising from experience	(3,284)	192
Net benefits paid out	(4,433)	(3,722)
Past service cost (including curtailments)	700	-
Closing defined benefit obligation	139,224	114,042

Changes to the fair value of Scheme assets during the year	2016 £000	2015 £000
Opening fair value of Scheme assets	106,751	104,766
Interest income on Scheme assets	3,820	4,062
Remeasurement gains/(losses) on scheme assets	19,326	(724)
Contributions by the employer	1,935	1,952
Contributions by scheme participants	569	542
Net benefits paid out	(4,433)	(3,722)
Administration costs incurred	(215)	(125)
Closing fair value of scheme assets	127,753	106,751

Notes to the Financial Statements

for the year ended 30 September 2016

17 Pensions (continued)

Actual return on scheme assets	2016 £000	2015 £000
Interest income on scheme assets	3,820	4,062
Remeasurement gain/(loss) on scheme assets	19,326	(724)
Actual return on scheme assets	23,146	3,338

Analysis of amounts recognised in other comprehensive income (SoCI)	2016 £000	2015 £000
Total remeasurement losses in other comprehensive income	(2,829)	(5,706)

Estimated profit and loss change for next year

We estimate the charge to the profit and loss account for the next financial year as shown in the table below. This is based on an estimated pensionable payroll of £9.5 million for next year.

Analysis of amount charged to income statement	For year ending 30 September 2017 £000
Current service cost	3,200
Administration expenses	220
Net interest on net defined benefit liability	241
Total estimated pension expense	3,661

The actual amount to be charged to the income statement for the next financial year might be different to that estimated above. This may be due to pensionable salaries or contributions differing from expected, changes to scheme benefits or settlement/curtailment events that are not yet known. The estimated income statement charge shown above is subject to change.

Discount rate sensitivity

To show sensitivity of the results to the discount rate, we have set out below the balance sheet and income statement impact of adopting a discount rate of 2.8% p.a. as at 30 September 2016.

Main financial assumptions	30 September 2016 % p.a.
Inflation	3.3
Rate of general increase in salaries	
- short term (year 1)	2.5
- long term (year 2 onwards)	4.3
Pension increases in payment	-
Pension increases in payment for pensions purchased with AVCs	3.3
Discount rate for scheme liabilities	2.8

Reconciliation of funded status to balance sheet	Value at 30 September 2016 £000
Fair value of scheme assets	127,753
Present value of funded defined benefit obligation	(127,625)
Funded status and asset/(liability) recognised on the balance sheet	128

Notes to the Financial Statements

for the year ended 30 September 2016

17 Pensions (continued)

Expected charge to income statement	30 September 2016 £000
Service cost	2,830
Total administration expenses	220
Interest on the net defined benefit liability	(31)
Expense recognised in income statement	3,019

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.

Regular employer contributions to the Scheme in 2017 are estimated to be £2.0m.

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 pensionable salaries or contributions differing from expected, changes to scheme benefits or settlement/curtailment events that are not yet known.

18 Called up share capital

	Authorised 2016 £000	Issued and fully paid 2016 £000	Authorised 2015 £000	Issued and fully paid 2015 £000
'A' Ordinary shares 5p each (2015: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2015: 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 2016 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 (2015: £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

The Jersey Electricity Employee Benefit Trust was established on 24 May 2012 when the Company introduced a new employee share scheme for eligible employees of the Group based on a three year vesting period. Over the course of the scheme 26,800 shares were awarded to employees who met the three year vesting period requirements. Subsequent schemes were set up in February 2015 and February 2016 with the same three year vesting requirement. The Trust currently holds 52,100 shares for both remaining active schemes. The shares have been purchased in instalments since the inception of the Trust at an average of £4.19 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.

19 Non-controlling interests

Equity	2016 £000	2015 £000
At 1 October	13	10
Share of profit on ordinary activities after taxation	95	47
Dividends paid	(48)	(44)
At 30 September	60	13

Notes to the Financial Statements
for the year ended 30 September 2016

20 Financial commitments

	2016 £000	2015 £000
a Five year capital expenditure approved by the directors:		
Contracted	12,635	13,799
Not contracted	49,087	68,351
	61,722	82,150
b Current rental commitments under operating leases are as follows:		
Lease payments under operating leases recognised as an expense in the year	246	470
Payable within one year	245	452
After one year but within five years	892	1,740
After five years	12,962	20,713
	14,099	22,905

21 Leasing

Operating leases with tenants

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:

	2016 £000	2015 £000
Less than one year	1,675	2,033
Greater than one year and less than five years	5,352	6,360
More than five years	2,326	3,853
	9,353	12,246

22 Derivatives and financial instruments and their risk management

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

The Group's currency exposure at 30 September 2016, taking into account the effect of forward contracts placed to manage such exposures, was £2.1m (2015: £2.5m) being the translated Euro liability due for imports made in September but payable in October.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. This hierarchy is based on the underlying assumptions used to determine the fair value measurement as a whole and is categorised as follows:

Level 1 financial instruments are those with values that are immediately comparable to quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 financial instruments are those with values that are determined using valuation techniques for which the basic assumptions used to calculate fair value are directly or indirectly observable (such as to readily available market prices);

Level 3 financial instruments are shown at values that are determined by assumptions that are not based on observable market data (unobservable inputs).

The derivative contracts for foreign currency shown above are classified as level 2 financial instruments and are valued using a discounted cash flow valuation technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the Financial Statements

for the year ended 30 September 2016

22 Derivatives and financial instruments and their risk management (continued)

Foreign exchange risk

The Group utilises currency derivatives to hedge the payment of its future purchases of power from France which currently extend to the next three calendar years, as well as to reduce exposure to currency movements for material capital projects.

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	2016 £000	2015 £000
Less than one year - operational expenditure	38,375	31,393
Less than one year - capital expenditure	-	15,216
Greater than one year and less than three years	45,851	49,860
	84,226	96,469

At 30 September 2016, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £8.7m over the next three years (2015: £5.1m liability). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to an asset of £8.7m (2015: £5.1m liability) 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 (2015: £nil). In the current period amounts of £13.9m were debited (2015: £0.9m) to equity and £2.6m (2015: £3.6m) 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	2016 £000	2015 £000
Derivative assets		
Less than one year	2,788	780
Greater than one year	5,957	414
Derivative liabilities		
Less than one year	-	(3,892)
Greater than one year	-	(2,422)
Total net asset/(liability)	8,745	(5,120)

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

Commodity risk

Power purchases

The Group has power purchase agreements with EDF in France. As at 30 September 2016, the import prices, but not volumes, have been substantially fixed for 2017. The Group entered into a 10 year framework agreement with EDF on 1 January 2013 which has a commitment to procure around 30% of volume requirements at known prices. The remainder of the requirement will be decided by a market pricing mechanism, but with no volume commitment, 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.

Notes to the Financial Statements

for the year ended 30 September 2016

22 Derivatives and financial instruments and their risk management (continued)

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 2016 outside the standard 30 day credit terms are as follows:

	2016 £000	2015 £000
Greater than 30 days	124	385
Greater than 60 days	98	69
Greater than 90 days	409	313
	631	767

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, changing customers to prepayment meters to manage credit risk and implementing payment plans for customers in arrears.

The Group has no other significant concentration of credit risk. Exposure is spread over a large number of counterparties and customers with a maximum credit exposure of £17.3m (2015: £15.5m).

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 £25m 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. The Group is subject to externally imposed capital requirements in respect of the borrowing facilities detailed in note 16. The Group has complied with these requirements throughout the year.

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	2016 £000	2015 £000
Less than one year	17,447	24,315
More than one year and less than five years	31,306	26,410
More than five years	30,000	30,000
	78,753	80,725

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September 2016 of £26.1m (2015: £42.0m) in respect of which all conditions precedent had been met. The overdraft facility of £2.0m is annually renewable, and the Revolving Credit Facility which expires on 30 May 2019, is expected to be renewable.

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	2016 £000	2015 £000
Less than 3 months: cash and cash equivalents and short-term investments	1,925	12,503
Greater than 3 months: short-term investments	-	-

Interest rate risk

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

Notes to the Financial Statements
for the year ended 30 September 2016

23 Related party transactions

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

Counterparty	Value of electricity services supplied by Jersey Electricity		Value of goods & other services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
The States of Jersey	**7,092**	7,223	**867**	1,549	**1,822**	1,211	**455**	568	**1**	-
JT Group Limited	**1,789**	2,059	**415**	392	**178**	141	**15**	558	**-**	-
Jersey Post International Limited	**97**	100	**-**	-	**33**	33	**11**	-	**-**	-
Jersey New Waterworks Limited	**1,132**	930	**100**	118	**121**	108	**84**	138	**-**	-

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

An Energy from Waste plant was commissioned in Jersey during 2011. Jersey Electricity signed a 25 year agreement in 2008 to purchase 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 purchased from the facility during the year was £1.1m (2015: £1.1m) and the value of services provided to the plant was £0.4m (2015: £0.4m).

c Remuneration of key management personnel

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

	2016 £000	2015 £000
Short-term employee benefits	**547**	715
Post-employment benefits	**154**	105
	701	820

FINANCIAL STATEMENTS

Five Year Group Summary (unaudited)

Financial Statements	2016	2015	2014	2013 (restated)*	2012
Income Statement (£m)					
Turnover	**103.4**	100.5	98.4	102.3	97.2
Operating profit	**15.9**	14.7	6.5	5.3	5.5
Profit before tax	**14.8**	13.2	6.5	5.4	5.7
Profit before tax (pre-exceptional items)	**13.1**	12.4	10.0	5.9	6.9
Profit after tax	**11.6**	10.8	5.0	4.1	3.9
Dividends	**4.0**	3.8	3.6	3.4	3.4
Balance Sheets (£m)					
Property, plant and equipment	**209.2**	187.8	184.8	155.2	138.1
Net current assets	**9.8**	12.4	4.7	16.7	17.7
Non-current liabilities	**(81.8)**	(74.4)	(64.7)	(43.5)	(35.0)
Net assets	**164.1**	147.7	146.1	148.8	136.2
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**37.69**	35.00	16.10	13.27	12.55
Earnings per ordinary share (pre-exceptional costs) (pence)	**33.31**	32.94	24.26	15.23	16.26
Gross dividend paid per ordinary share (pence)	**16.38**	15.56	14.75	14.06	13.70
Net dividend paid per ordinary share (pence)	**13.10**	12.45	11.80	11.25	11.00
Dividend cover (times)	**2.9**	2.8	1.4	1.2	1.1
Dividend cover (pre-exceptional costs) (times)	**2.5**	2.6	2.1	1.4	1.5
(Net debt)/Cash at bank (£m)	**(29.0)**	(17.5)	(20.2)	(5.2)	14.2
Capital expenditure (£m)	**31.6**	13.2	39.9	25.7	18.5
Electricity Statistics					
Units sold (m)	**625**	627	621	663	637
% movement	**(0.3%)**	0.9%	(6.3%)	4.1%	(2.1%)
% of units imported	**91.6%**	94.0%	80.2%	75.4%	92.1%
% of units generated	**2.9%**	1.4%	14.9%	20.7%	2.4%
% of units from Energy from Waste plant	**5.5%**	4.6%	4.9%	3.9%	5.5%
Maximum demand (megawatts)	**149**	148	139	155	161
Number of customers	**49,532**	49,320	48,941	48,623	48,452
Customer minutes lost	**24**	7	110	13	293
Average price per kilowatt hour sold (pence)	**12.8p**	12.8p	12.7p	12.3p	11.4p
Manpower Statistics (full time equivalents)					
Energy	**203**	201	204	201	203
Other	**114**	106	95	117	126
Trainees	**10**	12	9	11	12
Total	**327**	319	308	329	341
Units sold per energy employee (000's)	**3,079**	3,118	3,044	3,297	3,136
Number of customers per energy employee	**244**	245	240	242	239

* restated in the 2014 accounts following changes to IAS 19.

Financial Calendar

3 January 2017	Preference share dividend
24 February 2017	Record date for final dividend
2 March 2017	Annual General Meeting
30 March 2017	Final dividend for year ended 30 September 2016
19 May 2017	Interim Management Statement – six months to 31 March 2017
2 June 2017	Record date for Interim Ordinary dividend
30 June 2017	Interim dividend for year ending 30 September 2017
3 July 2017	Preference share dividend
14 December 2017	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 2 March 2017 at 2:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

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

Jersey Electricity

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