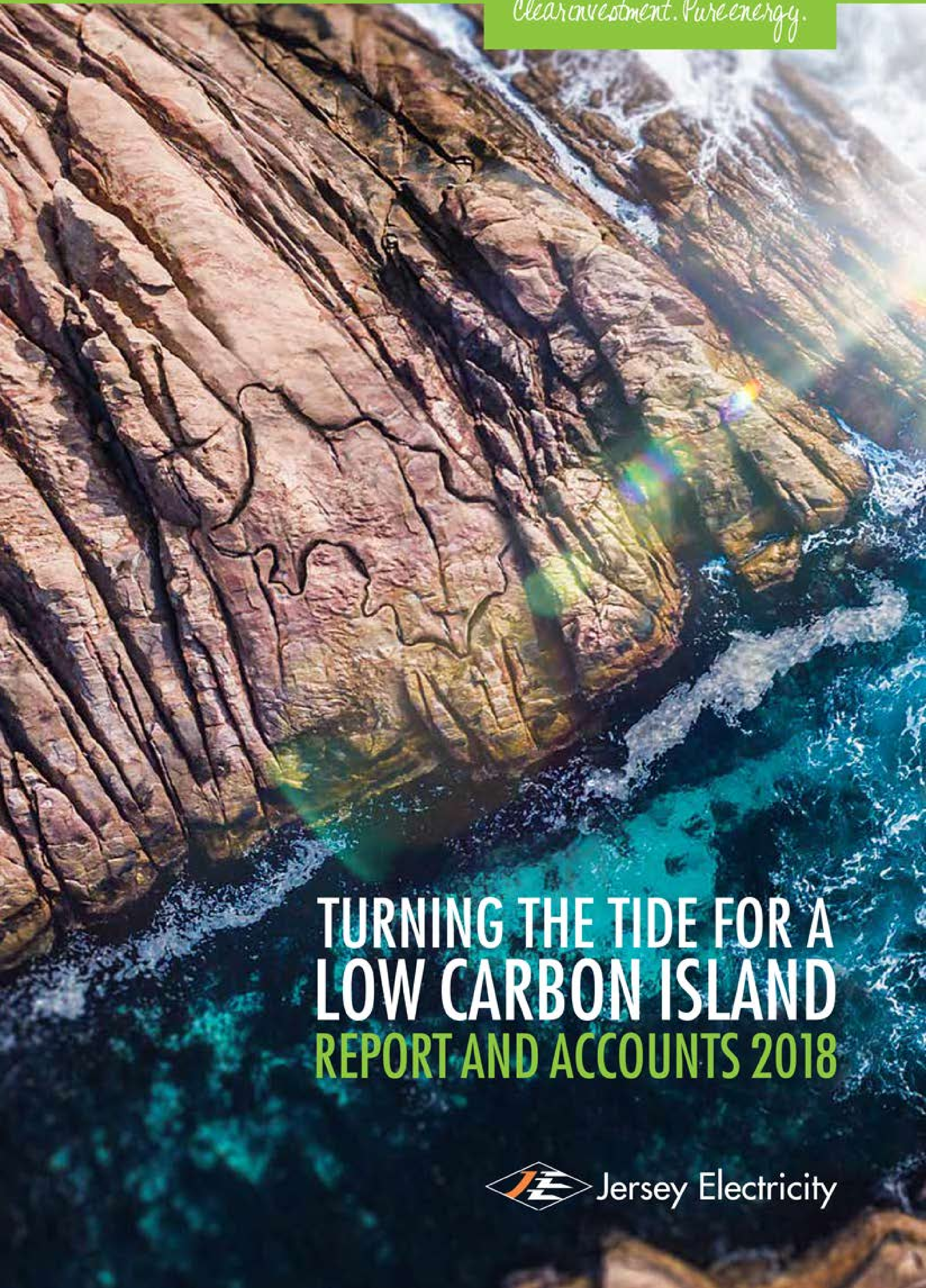
Clear investment. Pure energy.



TURNING THE TIDE FOR A LOW CARBON ISLAND

REPORT AND ACCOUNTS 2018

Jersey Electricity

OUR YEAR
KEY ACHIEVEMENTS 2018

RECORD PROFITS

- Group revenues of £105.9m
- Group pre-tax profits up 14% to record £15.3m
- Powerhouse Retail turnover up 7% to £13.6m
- Powerhouse Retail profit levels up 11% to £0.8m

ENERGY GROWTH/SOLUTIONS

- 634 million units of electricity sold
- 50,561 customers on supply, an increase of 767
- 98% of new developments going all-electric
- 17,587 customers now on discounted space and water heating tariffs, an increase of 725
- 1,169 customers benefiting from uninterrupted E20+ heating tariff
- Smarter Living launched

HEALTH AND SAFETY

- Awarded British Safety Council Five-Star Rating
- One Lost Time Accident (LTAs) despite major infrastructure projects involving international teams of contractors

ST HELIER WEST

- Excellent progress since civil works completed September 2017
- Ducts laid in February 2018 for 90kV cables to be laid and connected to existing network
- French specialist contractors Engie INEO completed build August 2018
- 90kV cable-laying works completed
- Facility in service mid-December 2018

RENEWABLES

- Announced larger scale solar opportunity for partners

PEAK DEMAND

- 178MW recorded on 1 March 2018 at 12.30pm. Well above our previous record of 161MW set on 2 February 2012 and last year's 158MW

SUPPLY SECURITY

- Just six Customer Minutes Lost (CMLs)
- Over ten times more reliable than UK average
- £1m project to upgrade Normandie 2 circuit French-side land cable
- Further improvements to the Channel Islands Electricity Grid (CIEG) System Integrity Protection System (SIPS)

AFFORDABILITY

- Below-inflation 2% tariff rise in June first for four years
- Standard tariff 21% below UK average and 15% below the EU average – outperforming target of +/-10% EU15.

SMARTSWITCH

- 44,000 Smart enabled meters now installed
- 87% of customer base now covered
- Twin element Liberty 140 rolled out
- Three phase Smart Meters being rolled out
- Pay As You Go option scoped ready for roll-out early 2019

ENVIRONMENT

- Delivered power at our lowest ever carbon intensity level of 24g CO_2e /kWh
- One tenth of UK grid carbon levels
- 90% less carbon than local gas
- 92% less carbon than local heating oil

PEOPLE

- New Head of HR Operations appointed
- 50 employees completed HOW TO . . . Management Development programme
- 59 employees, including Board members, attended Living Leader programme
- Performance self-assessments on new HR Enterprise System JE Connect
- 79% response to employee survey
- Actions being taken on employee survey results
- Two major restructures in Energy and Procurement
- Financial Wellbeing event
- Four 21-years' service awards
- Three 40-years' service awards

ELECTRIC TRANSPORT

- 383 pure electric vehicles now registered in Jersey
- Jersey Post continued de-carbonisation of delivery fleet with further 18 EVs
- Jersey Electricity increased EV fleet to 17 and installed 19 charge points at La Collette Power Station
- Latest smart charger trialled for roll out in 2019

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS
Geoffrey Grime FCA (Chairman)
Aaron Le Cornu BSc, ACA
Alan Bryce MSc, CEng, FIET
Phil Austin MBE, FCIB, FCMI
Wendy Dorman BA (Hons), ACA
Tony Taylor BSc

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
Limited company incorporated in Jersey

AUDITORS
Deloitte LLP, PO Box 403, 66-72 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

This year is my last on the Board and I am extremely pleased with the enormous progress made by the team at Jersey Electricity over my 10 years as Chairman.

Our Company has substantially completed a significant and sustained programme of investment over the last decade which has involved the construction of two new submarine cables laid between Jersey and France, three major primary substations, three reconditioned diesel generators as well as a series of other critical projects led by our functions and business units focused on delivering an affordable, secure and sustainable supply of electricity over the long term.

Jersey now benefits from a unique energy platform that is virtually completely decarbonised and is substantially 'future proofed' for many years to come – and importantly, it is an energy system that has the potential to underpin a 'smart', zero carbon view of the future.

I am delighted that our investments are creating value for consumers and for the business. Not only are we strategically well positioned for the future but we have recorded our best ever financial performance this year and this is matched by an operational performance that is the envy of many jurisdictions large and small.

Our 2% tariff rise introduced in June 2018 was the first rise in over four years and our tariffs remain very competitive compared with other jurisdictions, including the EU and UK, the latter of which saw average power prices increase by almost a quarter in the last two years. Supply reliability is our best for 10 years and is at a level that is 10 times better than the UK on average. In addition, our energy system is delivering power into homes and businesses that is not only virtually completely decarbonised but one third of which is from certificated renewable sources.

Group revenue for the year 2017/18 was £105.9m, 4% higher than 2017, and profit before tax increased to £15.3m, up from the £13.5m achieved last year. This was supported by strong underlying performance in the Energy business, which saw a new record peak demand of 178MW set and a 2% increase in unit sales volumes from 621 million to 634 million units. Our retail business Powerhouse.je also achieved continued strong growth in a challenging sector, with profits up 11% to £0.8m on an increased turnover of £13.6m, up 5% on last year.

We have made excellent progress on all our major investment projects during the year. St Helier West Primary Substation is about to be commissioned. Our Smart Metering programme, SmartSwitch, is entering its final phase, with 87% of our customers now converted and benefits already being realised. We successfully launched an innovative 'smart home' demonstration concept, 'Smarter Living', embedded in the Powerhouse retail store which is receiving great interest from customers. In France, we completed an important £1m upgrade, funded jointly with Guernsey Electricity, on our Normandie 2 circuit to increase both import capacity and security of supply.

As the Island's leading energy supplier, we bear an enormous responsibility to our customers and we continue to seek feedback from them. We are aware there is more to do to promote energy efficiency, local renewables and electric transportation, but it is reassuring that we continue to receive positive feedback from stakeholders. Once again, I am pleased to report that our ratings in both our supply service and overall customer service showed improvements on last year.

Maintaining profitability is essential to continued investment in infrastructure and to providing a sustainable electricity service for everyone, including all our stakeholders. I am also pleased to report a proposed final dividend for this year of 8.8p, a 5% rise on the previous year, payable on 28 March 2019.

My thanks, as always, go to our Executive and non-Executive Directors and colleagues throughout the business for their commitment, hard work and loyalty that have made Jersey Electricity the great success it is today.

I will be formally stepping down as Chairman at the AGM on 28 February 2019 and I am delighted to be handing over to Phil Austin a Company that is well-positioned for the future, and I wish Phil and the whole Board the very best in continuing to steer Jersey Electricity through the many exciting opportunities ahead.

13 December 2018

"I step down leaving the Company well-positioned for the future and the exciting opportunities ahead."

CHIEF EXECUTIVE'S REVIEW

2017/18 has been an exceptional year in terms of both service delivery and financial performance. Our major investment in network assets over recent years is now paying dividends for our customers in terms of supply reliability, price and carbon reduction, and for the business in terms of increased unit sales and profits. Buoyed by the coldest snap of weather since 2013, our unit sales increased to 634 million kilowatt hours off the back of our highest electricity demand ever of 178MW on 1 March 2018. This helped support a rise in Energy profits from £11.7m to £13.4m off the back of revenues of £82.3m.

Other business units also performed well and, when combined with Energy, produced a Group turnover of £105.9m, a 4% rise on last year's £102.1m, resulting a profit of £15.3m being a 14% increase from the previous year's £13.5m and a return that is commensurate with our Energy asset base of £180m.

"Our vision includes locally generated renewables delivered on a fair basis for all."

Maintaining profitability is essential considering that we have substantially completed a ten-year programme of significant infrastructure investment.

Investment continued this year with a £1m upgrade of the Normandie 2 (N2) French-side land cable from the beach at Surville to the substation at St Rémy des Landes. This work will allow us to draw additional capacity from the submarine cable network system in a more secure configuration and will further protect the Island in the event of a loss of any one cable. On-Island, our new £17m primary substation St Helier West will shortly be brought into service and will relieve pressure on the network in St Helier; future proofing it to meet increasing demand.

Beyond our Energy business, our retail arm, Powerhouse and the online powerhouse.je, continued to show strong growth with profits moving up 11% to £0.8m in 2018 compared with £0.7m last year on a 5% higher turnover of £13.6m (2017: £12.9m). This is an excellent achievement in a highly competitive sector both on-Island and online. Revenue from JEBS, our contracting and building services business, rose £0.8m from levels experienced in 2017 to £4.8m, but in a challenging year, incurred a loss of £0.2m against a profit of £0.1m in 2017. Plans are being implemented to improve performance in this business unit. Jersey Energy, Jendev and Jersey Deep Freeze all collectively produced profits of £0.6m, being 12% higher than last year. Profits in our Property division, excluding the impact of investment property revaluation, at £1.8m, were £0.2m above last year.

Having laid a solid foundation in terms of infrastructure investment, the business is able to import even more low carbon power than ever before, with importation rising to 95% of total Island demand. This has yielded increased supply security and better affordability as well as our lowest ever average carbon intensity for distributed electricity of 24g CO_2e/kWh. With a largely future-proofed importation platform substantially in place, we are now shifting our focus even further to the demand side – a focus that will deepen our relationships with customers 'beyond the meter' and optimise those assets to yield higher efficiencies. We expect technology and digital opportunities to have an increasingly important role in facilitating efficient operation of our business and in creating new energy solutions for customers.

As an illustration of this, in July, we unveiled 'Smarter Living', a physical energy hub in the heart of our Powerhouse retail store showcasing the most energy efficient heating technologies, smart controls and other smart tech in real home settings. The area is an invaluable tool for our Energy Solutions team that spearheads our load growth strategy of fuel switching customers from fossil fuels to electric heating by enabling them to show first-hand how systems will work and look in customers' homes. This is already leading to a richer source of fuel switching opportunities.

The area also features Smart Meters, another technology that brings benefits to both customers and the business. While the ambitious Smart Meter roll-out on mainland UK has faltered, Jersey's £11m SmartSwitch programme is due for completion mid-2019. More than 87% of the Island, around 44,000 premises, are already enjoying the benefits. Looking ahead, our 4,500 Pay As You Go (PAYG) customers will have their key meters replaced by Smart PAYG Meters next year, enabling them to 'top up' their meters remotely as easily as they do a mobile phone.

We also continue to encourage electric transport that we see as another potential load growth area. Transport accounts for a third of the Island's total carbon emissions and is largely untapped. This is therefore the next 'big step' for the Island in reducing emissions. We are leading further development of Jersey's EV charging network and are in the process of upgrading our current Rolec public charging infrastructure with the latest smart chargers from Chargemaster. Our aim is to extend Jersey's public charging network to around 50 chargers.

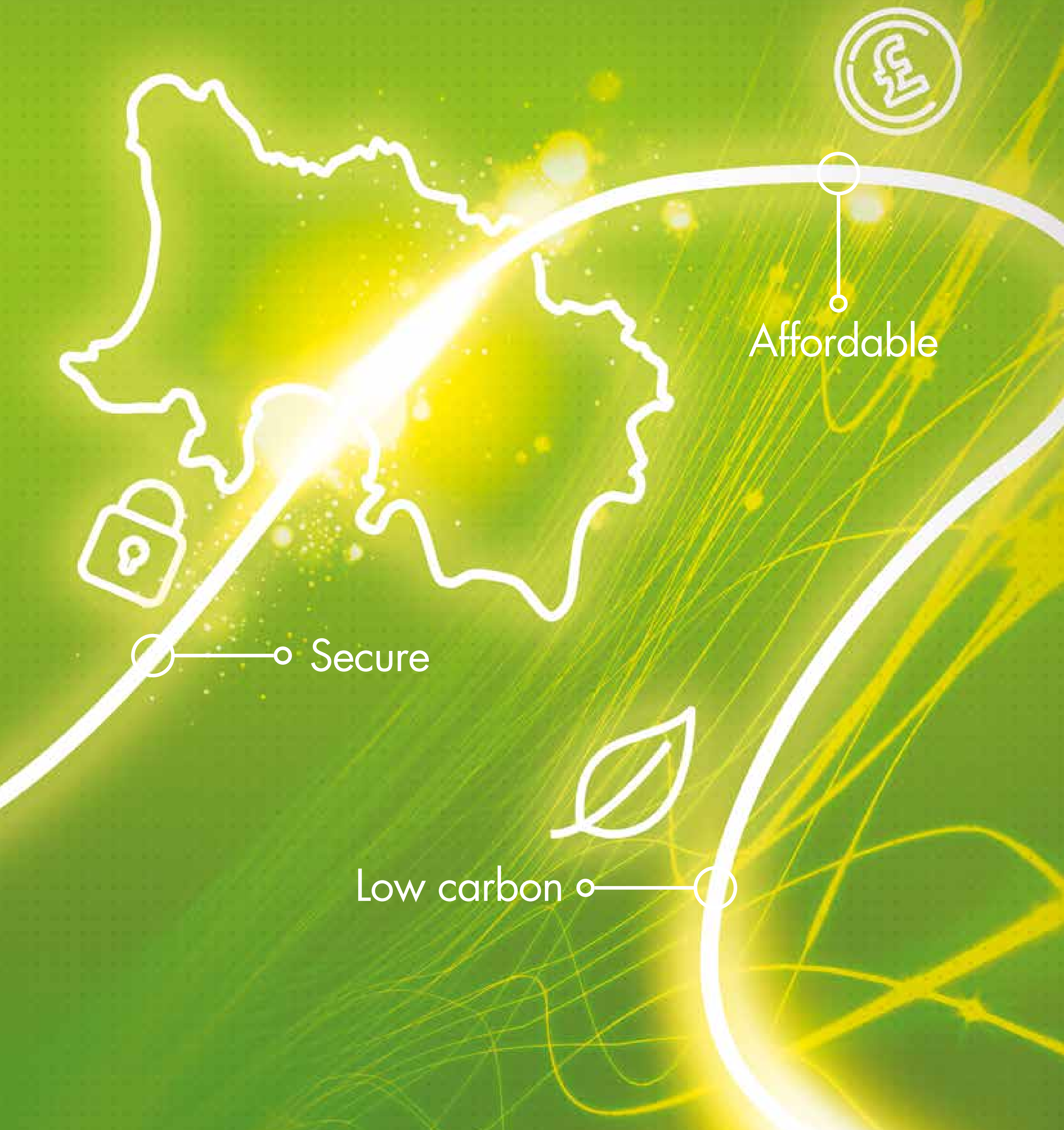
Despite having already virtually completely decarbonised the Island's electricity supply, we recognise the appetite among the community for local renewable generation. Our vision for the future includes renewables delivered on a fair and economically sustainable basis for all customers and not just a few. We believe the best opportunity for Jersey at present is ground-based solar PV that is close to or at grid parity (ie competitive in cost terms with imported electricity). In July, we announced plans to enable the establishment of small ground-mounted solar farms on brownfield sites with the security of long-term purchase contracts with Jersey Electricity, and we are making some progress with the first pilot. We are encouraged by the policy focus of the new Government in Jersey which is prioritising the environment and renewables, and we are looking forward to unlocking new renewable opportunities with them.

Providing affordable electricity for everyone is one of our core objectives and a very challenging one for a business of our scale. We were encouraged by the support we received from the recent independent States of Jersey review into the Standby Charge to be extended to cover all new commercial embedded generators. The review concluded that a charge for backup services taken by embedded generators was justifiable on commercial grounds and that without it, prices would rise for all other customers many of whom are not in a position to install solar PV, thermal or wind generators. As well as reviewing how this charge should now be implemented, we will examine how we can most effectively support a renewable industry without creating artificial subsidies.

The 2% tariff rise from 1 June 2018 was our first price rise for four years, however, our tariffs for most customers remain competitive with other jurisdictions, including the UK which saw average rises of 24% in the last two years across the 'Big Six suppliers'. We are well within our target of +/- 10% of the EU15.

Investment in staff development and succession planning has continued to ensure we not only have the energy of the future but a skilled, engaged and dedicated workforce to deliver it long into the future.

GROUP PURPOSE



We believe in energy for everyone and our purpose remains to serve our community sustainably with affordable, secure, low carbon energy, today and long into the future, enabling residents and businesses in Jersey to thrive and prosper. Having laid a solid foundation by providing a clean, secure and affordable electricity system that is already virtually decarbonised and is the envy of many larger jurisdictions, we are shifting our focus to the demand side with Smart Meters and related technologies, electric transport and renewables.

Our vision remains to 'responsibly and sustainably deliver value to customers by growing our share of the energy market, building services and solutions, enhancing our infrastructure and strengthening our relationships with customers'. We want to deliver even greater value to customers by enabling them to access the latest smart, energy efficient, home technologies that will give them more control, convenience and comfort as well as helping to save energy – and money.

In the absence of competition in the electricity supply market or formal regulation, we are acutely aware of our responsibilities to our customers and seek to put them at the heart of everything we do, serving everyone fairly and efficiently while striving to meet their changing needs and demands.

Our vision

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 or provide value added services to customers.
- 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 while managing our cost base.
- Complete our Smart Metering programme SmartSwitch safely and reliably, in a way that delivers more value to the consumer.
- Design and develop our replacement Queen's Road infrastructure, finalising approval process for the investment.
- Optimise the operation of La Collette Power Station as back-up to robustly protect supplies in the most efficient way.
- Find and deliver economically viable ways to develop on-Island renewables, socialising the benefits in a fair way across the community.
- Develop our digital strategy to broaden and deepen our use of technology, improving efficiencies and enhancing services to customers, building on 'Smarter Living'.
- Roll out the new electric vehicle smart charging solution across Jersey.
- Continue the development of our non-energy businesses so that they are sustainable and provide support to the core electricity business.
- 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 our customers need us.

total customers
50,561

17,587
customers on discounted tariffs

ENERGY GROWTH

Units sales, at 634 million, increased 2% on last year's 621 million buoyed by a period of severe temperatures in February and March that also resulted in our previous record peak demand of 161MW, set in February 2012, being exceeded three times in one week and culminating in a new record of 178MW on 1 March 2018. Nevertheless, the ever-increasing downward pressure of energy efficiency remains. While always advising our customers how to become more energy efficient, we also seek to counter the impact by developing propositions that encourage them to fuel switch from gas and oil to electricity in both domestic and commercial markets. Maintaining unit sales distributed across our network helps to unitise fixed costs and keep prices competitive.

Energy Solutions

Our team dedicated to load growth through fuel switching is Energy Solutions and this small team has again exceeded target by achieving over 160 fuel switches in the domestic market. To further aid this important work, we have this year invested in a new customer-facing asset, 'Smarter Living'. 'Smarter Living' is a one-stop 'Energy Hub' that is the most advanced energy-efficiency-promoting and Smart tech showcase in the Channel Islands, if not the UK. Built in the heart of our Powerhouse technology retail store, 'Smarter Living' enables our customers to examine and learn about the latest energy efficient, low carbon heating systems and other smart home technology in a real home environment so they can see how these technologies would look and feel in their own homes. During the official opening in July, UK smart city expert Joe Dignam commended 'Smarter Living', saying he had never seen a space that brought together so many different manufacturers of smart technology under one roof.

Bringing 'Smarter Living' to life in a short time frame also embodied our value of Teamwork by bringing together teams from right across the Group including Energy Solutions, Powerhouse retail, Customer Care, JEBS for the install, and Jersey Energy who delivered a comprehensive 12-week training programme that helped turn Customer Care Advisers into even more knowledgeable Home Energy Advisers.

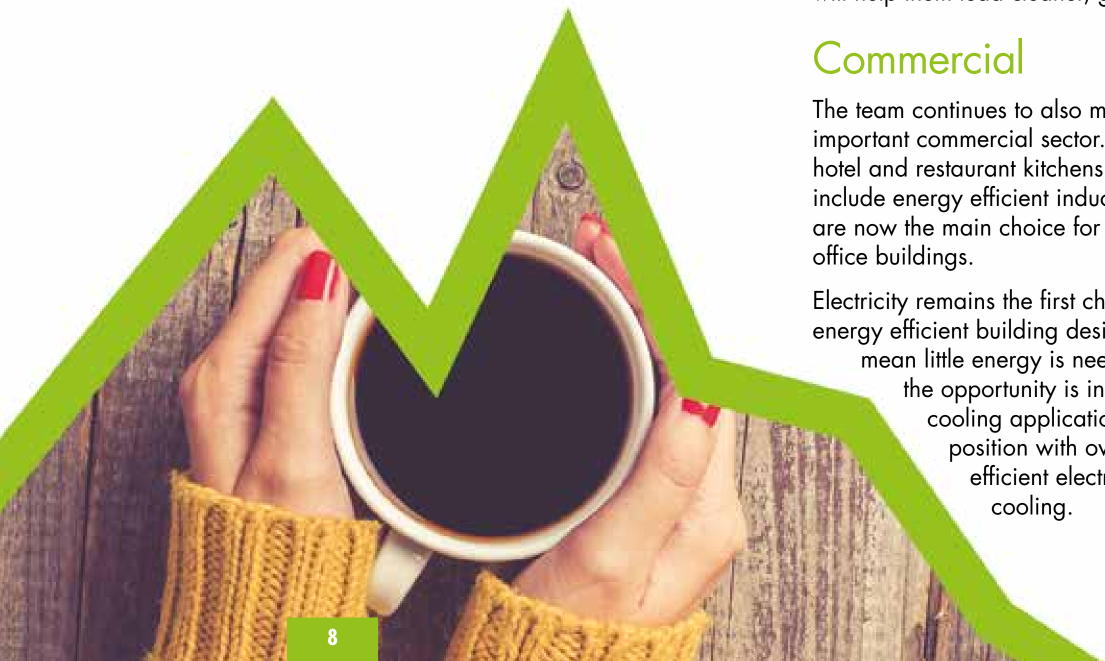
Already paying dividends, in August, 'Smarter Living's' first full month of operation, we saw a 50% increase in fuel switching leads to the Solutions team. The area is also hosting educational and promotional events for architects, contractors and the Island's associated tradesmen to encourage greater application of low carbon electricity in the most efficient ways possible. The smart and digital revolutions are upon us and we aim to be at the forefront by helping our customers understand and embrace these technologies that will help them lead cleaner, greener lives.

PEAK · 01 MARCH 2018
178MW

Commercial

The team continues to also make good progress in the important commercial sector. As well as converting many hotel and restaurant kitchens to all electric solutions that include energy efficient induction cooking, heat pumps are now the main choice for heating and cooling new office buildings.

Electricity remains the first choice for developers seeking energy efficient building designs. Building standards today mean 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 builds choosing efficient electric solutions for heating and cooling.




Heating
Hot Water


SMARTERLIVING


SMARTERLIVING
24/7 Online

Electric transportation

The total number of electric vehicles registered in Jersey at year end was 383, an increase of 112 on last year, which shows the tide is beginning to turn, albeit slowly, as advances in battery technology and an increased range of models and high-end marques entice owners off traditional combustion-engine vehicles. The number of commercial electric vans has also risen from 52 to 72 as more businesses wake up to the environmental and financial advantages of electrifying their transport.

Jersey Post has continued the de-carbonisation of its 110-vehicle fleet that Jersey Electricity helped to facilitate in 2016. This year, Jersey Post added another 17 Nissan ENV200s bringing the total to 47 Nissans plus one LDV (formerly Leyland DAF Vans) on a year's free trial and it plans to add at least a further 15 Nissans and an electric Renault Master Van in 2019.

Security company G4S is currently awaiting delivery of its first EV and on completion of a successful trial hopes to expand electrification of its extensive fleet over time. The BMW i3 is proving a success with law enforcement agencies. States of Jersey Police have taken the lead from the Irish Police Force and Czech Republic in ordering three BMW i3s following a successful trial in the Island.

Jersey Electricity has been at the forefront of increasing the awareness of the economic and environmental benefits of electric transportation and facilitating its uptake in Jersey since 2011 when we took part in a worldwide trial of zero-emission, all electric Mercedes smart cars, introduced the first Peugeot iOn to the Island and added the Nissan Leaf to our fleet.

By 2013 we had installed 14 public EV charging bays in town multi-storey car parks and our own Powerhouse car park. We also launched the Evolve EV owners' club to provide free access to these chargers and free installation of a home charger for a monthly fee. By 2014, registered EVs in Jersey topped 100, and we had increased public charge points to 18. By 2015, we were seeing increasing requests from developers to install EV charging points as part of their initial builds. Jersey now has over 70 EV charge points (private and public but excluding domestic).

Our focus on electric transport continues and this year we trialled the latest smart charger and portal system from Chargemaster at our Powerhouse headquarters and are now in the process of upgrading the existing public Rolec charge points. The system is designed with a modern back office and customer portal which will allow more flexible tariffs and charging access arrangements for Jersey residents and visitors. We have plans to extend the public charge network to 50 across the Island and we hope to secure parking places from the States of Jersey and Parishes to facilitate this.

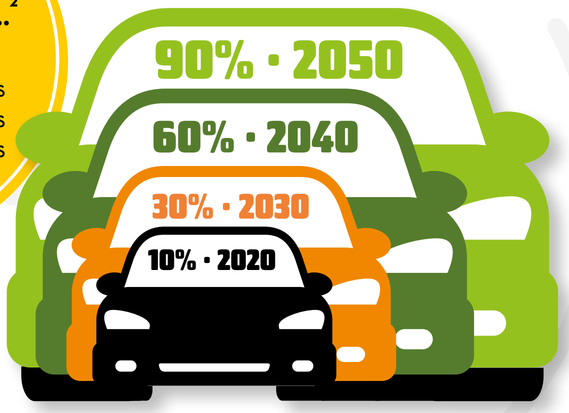
Transport still currently accounts for a third of Jersey's overall carbon emissions and the States of Jersey Energy Plan – Pathway 2050, ratified in 2014, states the following targets:

If these targets were met, the impact on CO_2 would be savings of...

by 2020 • 5,579 tonnes
by 2030 • 16,738 tonnes
by 2040 • 33,465 tonnes
by 2050 • 50,213 tonnes

% NEW CARS REGISTERED AS ULEVs

(ULTRA LOW EMISSION VEHICLES)



We know decarbonising transport is the next big step in helping Jersey further reduce its overall emissions and we look forward to engaging with government to bring this about.

ELECTRIC VEHICLES

ON JERSEY REGISTER (AS AT END 2018)

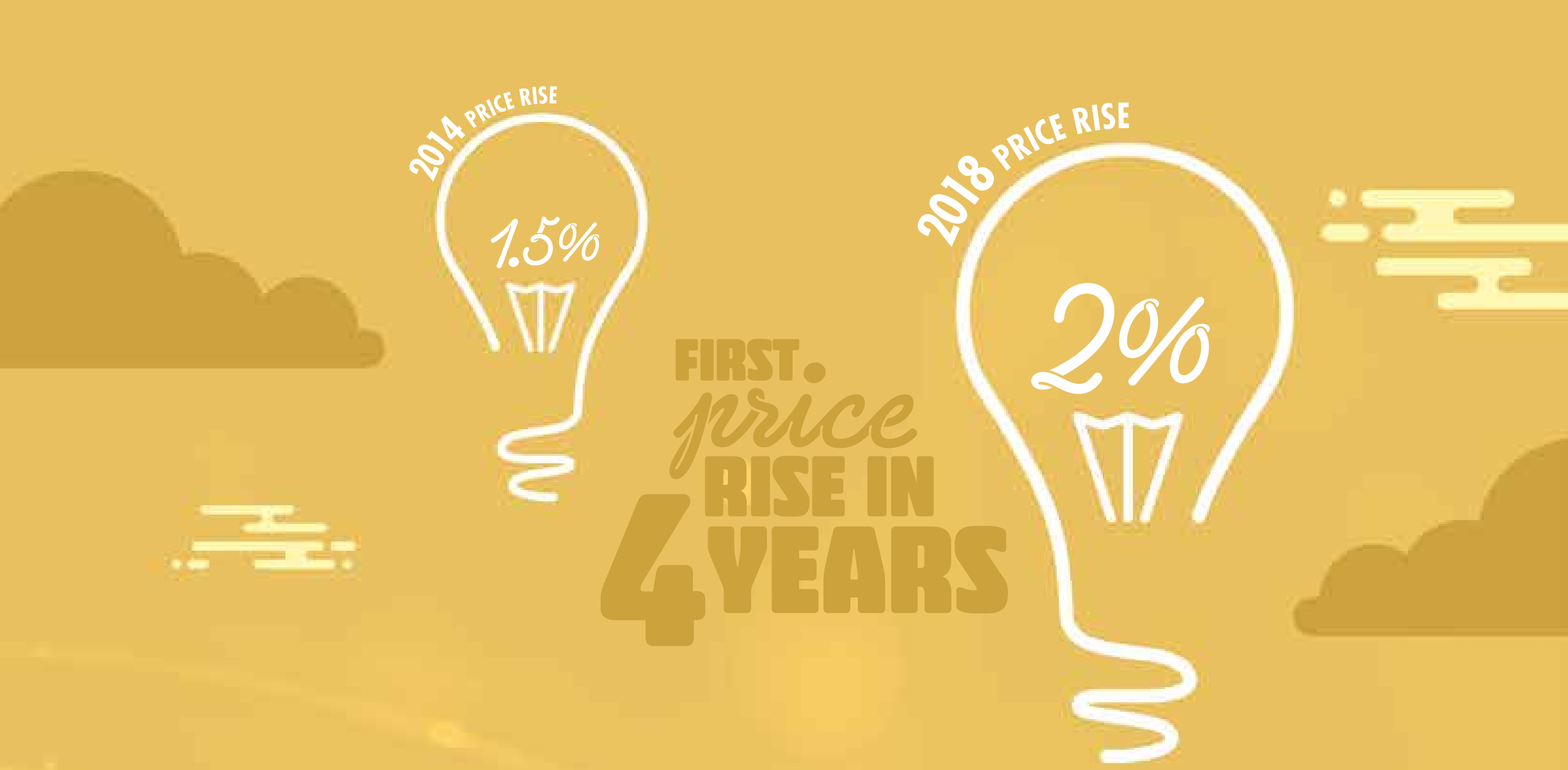
72

16

46

249

TOTAL 383



MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

The year brought our first tariff rise in four years, the last increase being 1.5% in April 2014. While any increase is regrettable, the below-inflation rise of 2% that came into effect in June 2018 was restrained and ensured our tariffs continue to remain competitive compared with similar and even larger jurisdictions, which benefit from economies of scale, and bettered our target of +/-10% of the EU15 average.

Prices and, importantly, price stability are rated by our customers as the most important factors in the provision of our service and we believe our record on price stability is commendable given our heavy investment in infrastructure in recent years and when set against the UK where the 'Big Six' suppliers have increased retail prices by an average 24% over the last two years.

In May 2017, we re-negotiated our supply agreement with EDF, extending our importation framework by five years to 2027 to help maintain a stable importation regime over a potentially uncertain Brexit period. EDF has since assured us that whatever the final terms of the UK's exit from the European Union in March 2019, this will not affect or impact our existing supply agreement. This agreement 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 European Energy Exchange (EEX).

This year we imported 95% of Jersey's electricity requirements from EDF. This represents a substantial portion of our cost base and is contractually denominated in Euro. To reduce our exposure to foreign exchange fluctuations and to aid tariff planning, we enter into forward currency contracts. Due to this hedging, the average Euro/Sterling rate underpinning our electricity purchases during this financial year was 1.27 €/£ against the average of 1.13 €/£ due to continuing volatility on foreign exchange markets brought about by Brexit. While our strategy does provide us with some degree of protection and foresight, we expect further turbulence in energy and foreign exchange markets going forward.

Our Smart Meter installation programme SmartSwitch has already enabled us to introduce the more customer focused, 24-hour uninterrupted heating tariff Economy 20 Plus (E20+) that supports our fuel switching strategy. Around 200 customers a year are joining this tariff. This year over 700 new domestic customers joined our various discounted space and water heating tariffs bringing the number of customers now on our off-peak tariffs to 17,587. With the SmartSwitch project due for completion in 2019, we hope to investigate more time-of-use tariffs to supplement the existing off-peak tariffs that could bring further economies for customers depending when they use electricity.

A States-of-Jersey-commissioned review by UK Economic Consultant NERA into the proposed extension of our Standby Charge for new Commercial customers installing embedded generators, but still requiring grid backup services, found that a charge was justified. NERA, however, suggested that other charging models might be considered in the longer-term and we have committed to considering options as we go forward.

77*

AVERAGE 'BIG' SIX UK ELECTRICITY DISTRIBUTER CMLs IN 2016-2017

6

JERSEY CUSTOMER MINUTES LOST (CMLs)

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Jersey is the envy of many island communities for its stability, standard of living and thriving mixed economy. Underpinning all those attributes, however, is an enviable, clean, affordable and importantly, secure electricity system.

After price, supply security is the most important aspect of our service to our customers. As an essential service provider operating in a monopoly position, it is also crucial to our reputation. We measure reliability in Customer Minutes Lost (CMLs). This represents the total supply interruption time in minutes experienced by our customers averaged across all customers connected to the network in a year. This year our CMLs were just six which again compares very favourably with the UK where the 'Big Six' distributers averaged 77 CMLs in 2016-17, the latest year for which figures are available.*

Ensuring we have enough capacity to meet demand ('supply margin') is fundamental to supply security. The importance of this was evident this year when our previous record demand of 161MW, which has stood for six years, was surpassed three times in one particularly cold week, culminating in a new record of 178MW on 1 March 2018.

Even with three supply links to France successfully operating now for two years, we continue to invest in security. In particular this year, and in partnership with French transmission operators Réseau de Transport d'Électricité (RTE), we have upgraded the French-side land cable of our Normandie 2 (N2) circuit, increasing our importation capacity and we have carried out further work on our System Integrity Protection Scheme (SIPS) that provides cover and balance to our entire transmission network in times of stress. Crucially, on-Island, we are about to commission our much-needed new primary substation St Helier West which will secure existing supplies and future proof the network in and around St Helier.

We work to an adapted 'N minus 1' standard. This means we seek to maintain supplies to all customers during the failure of the largest component in the system (see below) and we strive to minimise the risk of such an asset failure. When assets do fail, we seek to ensure we are well prepared to deal with this by restoring supplies safely and quickly.

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 on the single largest interconnector with France (N minus 1) plus a simultaneous failure of the largest:
    - Diesel generator; and
    - Gas turbine
- 75% of peak winter load for 48 hours from on-Island generation (no simultaneous loss of on-Island capacity)
- No coincidence of the above

*Source: Ofgem RIIO ED1 Annual Report 2016-17

Generation

This year we imported 95% of our electricity requirements from EDF and generated only 0.2% on-Island at La Collette Power Station. The remaining 5% came from the local Energy from Waste (EfW) Plant. In a year that saw our previous record demand exceeded three times in one week, however, the importance of maintaining La Collette generating assets is clear. The station was brought into action as a precautionary measure to supplement imports when temperatures plummeted at the end of February and start of March 2018. Our previous record demand of 161MW, that has stood since 2 February 2012, tumbled on 27 February 2018 when peak demand hit 165MW. This was surpassed the following day by 175MW only to be exceeded again on 1 March by 178MW and La Collette played an important role in meeting these extraordinary loads.

So while our main focus and investment this year has been on our transmission and distribution networks, the Energy team has undertaken considerable maintenance work at both La Collette and Queen's Road Primary Substation, which houses two fast-start gas turbines with a joint capacity of 47MW. A third 28MW gas turbine at La Collette underwent an upgrade of its control system. In addition, three of our five Sulzer Diesel Generators underwent major works.

We also completed the once-in-a-decade task of cleaning and inspecting the gas-oil storage tanks situated beneath the car park at Queen's Road and which supply the two gas turbines instantly in the event of an emergency or severe interruption to our imported supplies.

Transmission

On-going investment in maintenance of our 90kV transmission network is vital for supply security and to meet the increasing demand we witnessed in 2018. This year we completed an important £1m project to increase the capacity of our Normandie 2 (N2) French subsea supply cable that was installed in 2000. The upgrade of the 2km French-side land cable from the beach at Surville, Normandy, to the substation at St Rémy des Landes increases the joint capacity of N2 and Normandie 1 (N1), which follow identical routes from St Remy to Archirondel, from 145MW to 163MW. When combined with Normandie 3 (N3), installed in 2014 along a more southerly route from Périers to Gorey, the three links provide the Channel Islands with a total of 263MW of low carbon electricity or 225MW total capacity in a more secure, parallel configuration.

Like the cable installations themselves, the project was another joint Channel Islands Electricity Grid (CIEG) project between Jersey and Guernsey Electricity. The new cable was installed by French network operator Réseau de Transport d'Électricité (RTE) and the works involved shutting down the N2 circuit throughout August and September, and also involved uprating the switchgear at St Rémy des Landes. We also took the opportunity to enhance the reburial works done last year on the N2 circuit on the beach at Surville, by installing additional, environmentally friendly beach erosion prevention measures.

ELECTRICITY SOURCES 2017/2018 IN %

YEAR	JE	EfW	Import
			+2.9%
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%
2016-17	1.5%	5.8%	92.0%
2017-18	0.2%	4.9%	94.9%
	-1.3%	-0.9%	

St Helier West
October 2018

This year we installed around 28km of new cable, seven new substations and 883 new services. We also refurbished 11 substations and maintained 184 substations and 18km of overhead line. Substations on the network now number 787.

Distribution

It is over four years since we acquired the site for a much-needed new primary substation in St Helier and I am delighted to report that one of the most challenging infrastructure builds we have ever undertaken - St Helier West Primary Substation - is about to be commissioned and put into service. French specialist contractors Engie INEO finished the build works in August 2018 and Nexans began the 90kV cable works in September, ensuring this important £17m facility is operational, as scheduled, in December 2018.

The 10,000 sq ft, steeply sloping former coastal quarry was technically very challenging and we had to undertake protracted investigations throughout 2015 before the civil works could even be scoped. After extensive excavation and piling, the concrete slab was cast and civils works completed in September 2017. Engie INEO then moved in to begin the actual build.

In February 2018 we laid the ducts through St Aubin's Inner Road, Victoria Avenue and the Lower Park to the existing 90kV network in the promenade, which the site connects to. Two large transformers, built in Tironi, Italy, were delivered in March and by May the protection and control system was being installed, followed by the 11kV switchgear two months later.

It is the fourth time Jersey Electricity has used the French company on such a project. The Engie INEO design uses simple air insulated components integrated into the building's structure. This not only allows us to carry out our own maintenance and repairs, using the building this way also means a more aesthetically pleasing appearance can be achieved. Next year the façade and retaining wall will be clad in granite to blend into the surrounding landscape and the surrounding area re-landscaped to include a public viewing platform overlooking St Aubin's Bay.

St Helier West will give relief to around 70-80% of St Helier's network that had been under stress for some time due to heavy loads and aging cables. It also future proofs the network to meet the increasing demand for electricity as Jersey moves towards an increasing inter-connected and electrically driven world. Our objective is to leave the site in a better condition than we found it.

SMARTSWITCH

Digitilisation is one of the major global trends among utilities that has the potential to transform the customer experience in a way that was unimaginable a few years ago. Our investment in Smart Meter technology is a cornerstone project from which we can further our demand-side aims and accelerate our journey into a digital future.

We are already well ahead of the UK when it comes to the roll out of Smart Meters. Our £11m, four-year project SmartSwitch is due for completion mid-2019. At year end 87% of Jersey, or 44,000 premises are already enjoying the benefits that this technology brings. The technology also aids our long-term decarbonisation strategy by enabling new tariffs that encourage customers to move from fossil fuels to low carbon electric heating, a move now regarded in Europe as a major driver of lower carbon emissions.

Jersey's Smart Meters work in tandem with Smart Account, a secure online customer portal, specially designed for Jersey Electricity customers by our billing provider Swiss Post Solutions and our own in-house software developer Jendev, to give customers more insight and a better understanding of their energy consumption than ever before. Though currently still in the trial stage, over 1,400 Islanders have already signed up for Smart Account that enables them to view their electricity consumption profile in simple charts on their phone, tablet or PC and compare usage and with that of similar properties if they choose. They also receive and store their bills in Smart Account.

Looking ahead, our 4,500 Pay As You Go (PAYG) customers will next year benefit from the biggest enhancement to the Island's 'key meter' system for decades as the Smart Meter roll-out enters its final phase. Smart PAYG Meters will mean an end to the key charger, enabling customers to 'top up' their meters remotely as easily as they do a mobile phone. This means elderly or vulnerable customers, who have difficulty getting out to top up their keys, will be able to allow a relative or friend to credit their meters on their behalf without the inconvenience of having to return to the house with the key. There will also be the added convenience of more than 100 'top-up' locations to choose from compared with the current 20.

SmartSwitch has been and continues to be a hugely complex project logistically and technically. This was recognised by Digital Jersey at its inaugural Tech Awards where SmartSwitch was short listed in the Technical Project of the Year category. The project involved the sourcing and manufacture of meters specifically designed to work with our low carbon, twin element heating tariffs while being compatible with UK standards, and the introduction of a new internal powerline carrier network, the biggest network in Jersey outside the telecoms industry. Despite the challenges - planning, gaining access to premises, ensuring supply chain of meters, data gathering, data protection, data transmission - SmartSwitch brings multiple benefits to customers and the business.

As well as enabling the introduction of our first 24-hour uninterrupted heating tariff, Economy 20 Plus (E20+), other benefits to customers include:

- An end to the inconvenience of meter readers calling.
- The elimination of around 8,000 estimated readings a year.
- An end to pro-rata billing when tariffs change.
- Bills on the same date each quarter, giving four accurate and equal billing periods.
- Swift and remote change of tenancy with on-demand reads.
- Swift and remote change of tariffs.
- More information and a better understanding of consumption than ever before through the personal online Smart Account. www.smartaccount.je runs in tandem with Smart Meters, currently on trial pending further development to meet customer demands, already around 1,400 customers have signed up.
- A safety check of their installation carried out during the meter changeover.
- Possibility of new tariffs offering further economies depending on time of use.

For the business, SmartSwitch has meant:

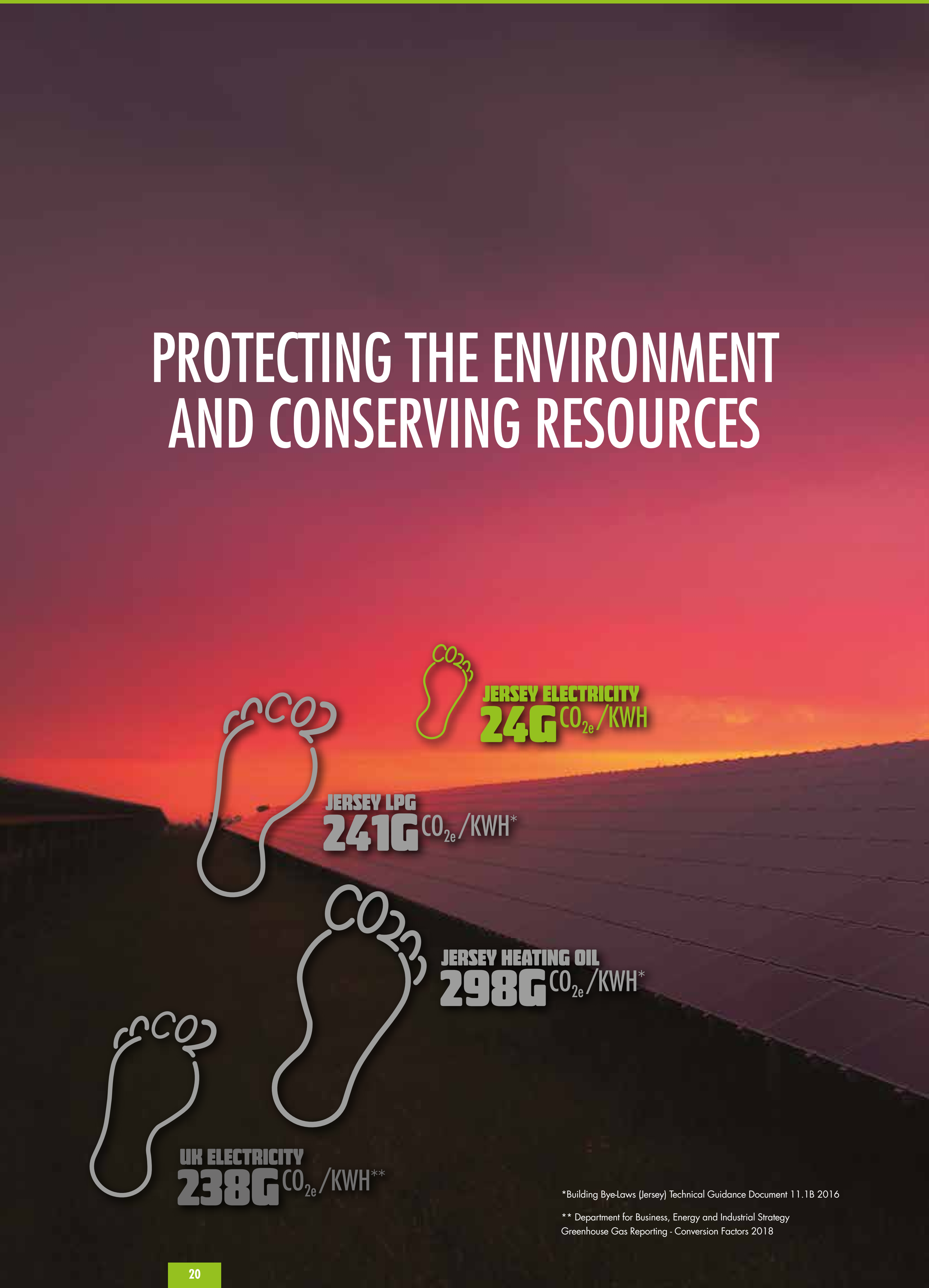
- More efficient usage mapping in real time to optimise and better maintain the distribution network.
- Reduction in meter reading staff leading to lower costs of operating the network.
- Reduced Health and Safety risk of meter readers having to access different properties.
- Elimination of difficult-to-access 'Must Be Reads'.
- Increased uptake of Direct Debit payment due to precision of consumption data.
- Potential future load growth encouraged by possible new time-of-use tariffs offering further economies.
- Further emissions reduction by subsequent growth in decarbonised heating.

Importantly, the end-to-end metering system and its customer interface have been designed to have a lifespan of 10 to 15 years with the flexibility to develop and change to meet the future needs of customers whose data viewing habits are constantly evolving.

44,000

SMART METERS
INSTALLED SO FAR

PROTECTING THE ENVIRONMENT AND CONSERVING RESOURCES



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

** Department for Business, Energy and Industrial Strategy Greenhouse Gas Reporting - Conversion Factors 2018

Jersey Electricity has long been committed to environmental excellence whether that be in the services we provide to customers or within our own business activities. Never has this been more important than today. Global warming continues to outstrip humanity's attempt to tame it. CO_2 levels rose around 3% a year between 2000 and 2013, and by about 0.4% a year between 2013 and 2016. A landmark report by the UN's Intergovernmental Panel on Climate Change (IPCC) has warned that the world has just 12 years to halt global warming before the planet is plunged into extreme heat, drought, floods and poverty. The IPCC warned that the planet is currently heading to warm by 3°C and to slash that to less than 1.5°C, as laid out in the Paris Agreement on Climate Change, would require the Earth to reduce the amount of CO_2 produced each year by 45% by 2030 and reduce CO_2 production to zero by 2050.

Everyone needs to play his or her part, however small. Here in Jersey, the States of Jersey Energy Plan 'Pathway 2050', approved in 2014, set a target of an 80% reduction on 1990 emissions levels by 2050. Jersey Electricity has already helped the Island make significant strides towards reaching that target. Between 1990 and 2014 Jersey achieved a 36% reduction in emissions (measured in tonnes of carbon dioxide equivalent, CO_2e), mainly due to Jersey Electricity's switch from local generation, using gas oil, to importing low carbon supplies from France. This year we delivered power to customers at the unprecedented low carbon intensity level of 24g CO_2e/kWh. This is one tenth of the emissions of the UK's electricity system, calculated at 238g CO_2e.

But we know there is more to be done. We are now setting our sights on helping to facilitate a 'zero carbon island', and the only way to achieve this is to intensify our efforts to replace gas and oil for heating and cooling and to further encourage the electrification of transport in Jersey. For this, we need the support of government with which we continue to work closely.

We encourage our customers to become more energy efficient as this also has a significant role to play. By next year all our customers will benefit from a Smart Meter which, when combined with the online Smart Account, will enable them to better understand and monitor their electricity and identify how to change consumption behaviours. We also want to encourage our customers to take advantage of the latest energy saving smart home technologies and low carbon heating systems that we now showcase in 'Smarter Living' where expert energy saving advice is also on hand from our trained advisers.

As an energy company, our own business activities can have a big environmental impact and we use the stringent standards of the British Safety Council (BSC) Five Star Environmental Audit to benchmark ourselves and ensure continual improvement. We were pleased to be awarded a very good Four Stars in a year in which we expanded our environmental risk assessment processes, improved internal benchmarking for environmental KPIs for plastic and paper reduction, and installed a £1.2m improved energy efficient heating, ventilation and air-conditioning system at our Powerhouse offices and store which is supported by our own 19kW photovoltaic array that we intend to expand next year.

Renewables

Although we meet a third of Jersey's electricity requirements with renewable hydro electricity from the French La Rance Tidal Barrage and Power Plant, we recognise a growing interest in producing local renewables and we are doing all we can to bring them into the energy mix as part of our 'zero carbon island' strategy.

Given the competitive price at which we can source electricity today however, and the relatively high cost of production from renewables, this remains challenging to achieve without subsidy in the form of higher prices or taxes. Large scale offshore wind power is closer to economic viability than tidal power although it still requires subsidy, while onshore wind is difficult due to planning, noise issues and land prices. Although Jersey Electricity is willing to provide some financial support to facilitate such schemes, the scale of investment requires a more coordinated approach involving the States of Jersey.

We believe large scale, ground-based solar PV is closer to grid parity and has potential in Jersey although we should note that it is not a reliable, dispatchable source of energy and would not replace other on-Island generation. In July we announced plans to enable farmers, developers, the States, parishes or any other landowner the opportunity to acquire a stake in a new renewables energy sector by inviting expressions of interest to participate in one or more pilot 'solar farm' projects of between 250 kilowatts and one to two megawatts. Jersey Electricity would guarantee to buy all the electricity generated at an agreed unit price for up to 20 years with the security of a long-term purchase contract. This has the merit of facilitating the most cost effective form of renewable generation that will not lead to increased prices or taxes, and can also be fairly distributed to customers in a socially equitable way.

We remain committed to connecting smaller scale embedded renewable generators to our network on terms that allow the Company to fairly recover the costs of grid backup services for situations where generators cannot or will not generate. Without such a charge, other customers, who cannot install renewables, would be burdened with an increasing proportion of grid costs in the form of higher retail prices as can already be seen in other jurisdictions. In November 2016, we gave a year's notice of our intention to extend Standby Charges to all new embedded generators requiring grid backup. We extended this by six months following a States proposition for a review into the charge. That review, by UK Economic Consultant NERA, found that a fair charge for backup services was justified albeit that other more far reaching mechanisms could be preferable. Jersey Electricity will consider this as we move forward.

CUSTOMER SERVICE STANDARDS

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

To understand their needs we seek to engage with them in various ways to obtain feedback on our services as well as predict and prepare for their changing needs and expectations. We believe that meeting or exceeding our customers' needs is important in protecting our franchise in the community. Two significant examples of where we have listened to our customers and acted this year are 'Smarter Living' and ground-mounted solar farms.

During a series of focus groups held in 2017 our customers said they would like to see a physical 'Energy Hub' in Jersey, a one-stop centre where they could see, touch and learn about heating technology first hand and obtain advice from trusted, trained advisers. Our answer was to build 'Smarter Living' our energy efficiency and smart tech showcase in the heart of our Powerhouse retail store.

Similarly, despite already distributing one third of our electricity from renewable sources, we have recognised a growing appetite for local renewable generation. After much research and installing our own solar PV rooftop system at the Powerhouse in 2013 we have concluded that ground-mounted solar is the most viable option in Jersey, and in response to customer demand, have this year put in motion a scheme to enable landowners and developers to acquire a stake in a local renewables sector in the form of small solar farms on brownfield sites.

As well as the renewables survey, our independent analytics company, Island Global Research (IGR), conducted our annual corporate survey and another specific to home heating. The 2018 corporate survey contained additional questions into our customers' perceptions of the business in general. A larger sample (635) was used and updated methodology applied. This means the average performance rating was calculated by assigning a value to the response where 1=very poor, 2=poor, 3=below average, 4=average, 5=above average, 6=good, 7=very good, and the value scaled to provide a value out of 10. Results of the past three years have been recalculated using this method and restated to enable accurate benchmarking.

As with previous years, however, customers were asked to 'weight' out of 100 the importance of four electricity supply functions:

- Running costs and price stability
- Security and quality of supply
- Customer and technical service support
- Environmental performance

then rate our performance against each element. Once again customers rated running costs and price stability as the most important attribute of our service.

Our overall performance score combines the individual performance ratings with the weight that reflects the importance customers give each element. Under the new methodology our overall rating is 6.5/10 or 65%. This reflects a consistent level of improvement over the last few years.

The updated methodology was also applied to questions about customer service. When applied to previous years, results show no significant changes although our overall customer service rating of 68% was marginally up on last year's 66%.

For the first time IGR created a sub-group of respondents who had been in contact with us for whatever reason and who had therefore experienced customer service first hand, during the past 12 months. Almost a third (31%) of this group rated our overall customer service 9 or 10 out of 10 and 65% gave 7 or above. This group's average performance ratings were higher than the group that had no direct contact with us on all dimensions of customer service. They rated overall customer service as 72%, helpfulness dealing with telephone requests 74%, speed of response dealing with a technical problem 71% and clarity of bills 68% – all above average ratings.

Of course, surveys are just one way we garner feedback. By far the most commonly used channels day to day are email, phone calls and visits to Customer Care which this year has been relocated to the 'Smarter Living' area inside the Powerhouse retail store. This is more convenient for customers, brings staffing efficiencies and increases footfall to 'Smarter Living' and the Powerhouse.

Approximately 350 interactions a month are recorded on our call logging software Microsoft Dynamics Customer Relationship Management System (CRM) and dealt with by the appropriate department in the timeframe set in Standard of Service 5. This year there have been no breaches of our Service Standards.

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

"...exceeding our customers' needs is important in protecting our franchise in the community."

Our overall performance score combines the individual performance ratings with the weight that reflects the importance customers give each element. Under the new methodology our overall rating is 6.5/10 or 65%. This reflects a consistent level of improvement over the last few years which have been restated using the new calculation methodology.

Our retail business, the Powerhouse and its online division powerhouse.je, continues to evolve and grow. It delivered its best financial performance for the second successive year, continuing a period of year-on-year growth that started in 2014. Revenues at £13.6m were up 5% on last year's £12.9m, with profits up 11% to £0.8m (2017: £0.7m).

We continued our focus started last year - consolidating our position after our restructure and refining what we do best. Having exited toys last year, this year we withdrew from greeting cards to make way for more investment in our core range of electrical products, including a move into the premium market, and, in particular, investing heavily in growing categories such as 'smart'/'interconnected' home technologies that complement our new 'Smarter Living' area and align with our strategy for a 'smart', electrically powered, digital future.

We continued our investment in technology that we have made in recent years. This, coupled with better use of data, has enabled us to enhance our margins while remaining competitive on price. We continue to enhance the shopping experience with new lighting and an improved air conditioning system.

We have also continued to invest in people with full-time members of the sales team now committed to 100 hours of training off the shop floor per year with a mix of face-to-face and computer-led schemes to further enhance customer service skills and product knowledge that our customers so value. All the retail team's efforts were rewarded when the Powerhouse received a Highly Commended Award in the 'best large independent retailer of consumer electronics' category at the UK's Innovative Electrical Retailing (IER) Awards. More recently and locally, the Powerhouse was 'highly commended' in the Jersey Customer Service Awards in Best Service in Retail category.

We recognise that there may be challenges ahead as the electrical retail market and consumer habits continue to evolve at pace. However, we believe that through continued investment in our people and technology, while also keeping the store itself a 'come to destination', we can remain relevant in the eyes of our customers and maintain sustainable growth.

Jendev

Jendev is our in-house specialist software developer that focuses on the utility industry using Microsoft technology. First established in 1998, this small, highly skilled team continues to be a strategically important asset in the Group's portfolio, serving Jersey Electricity as an internal resource while also making headway in its aspirations for sustainable growth among external clients.

Jendev identified several new international prospects this financial year and successfully acquired the Northumbrian Water Group plc account, which owns AquaGib, the Gibraltarian water authority. AquaGib purchased Microsoft Dynamics NAV™ and Jendev's flagship billing product Jenworks, which the team has recently re-engineered using the latest Microsoft technology.

Technology is of increasing importance within the utility industry and Jersey Electricity is no exception. Having an internal resource like Jendev strengthens Jersey Electricity's position and ability to flex and adapt to new challenges as they emerge. Building on Jersey Electricity's major ERP upgrade project in 2017, Jendev is now focused on helping the Company simplify its internal processes and associated technology – helping the business to drive efficiencies and improve services. The team continues to support a number of other business critical projects including the Smart Metering project, SmartSwitch, that has significant implications on accurate and timely billing and customer service.

Jendev has been through several years of renewal and this phase of the business unit's development is now largely complete. We have made new senior appointments to enhance technical knowledge and skills. This enables Jendev to move forward, supporting Jersey Electricity and selectively acquiring new utility clients in the British Isles and in international markets.

POWERFUL BILLING SOLUTIONS

JERSEY Energy
SUSTAINABLE ENGINEERING

Jersey Energy and its Guernsey office, Channel Design Consultants, provides premium environmental and building services advisory, detail design and site administration services to end user clients, architects, the States of Jersey and Guernsey, Parish Town Halls and developers.

As a leading pan-Channel Islands consultancy, the team is continually developing skillsets, intellectual knowledge and 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. Projects completed this past year include the new Channel Islands Co-operative Society's Charing Cross Locale store, the major refurbishment of the Health and Social Services department at Liberty House and the enabling works for the major development of a new class wing at Grainville School where the building services design by Jersey Energy is well underway. Contracts due to commence for the financial year ahead are the redevelopment of the former St. Martin's school, the new Westaway Court outpatients and administration building, a new restaurant at the Elizabeth Terminal and a housing development in the east of St Martin.

The Guernsey office has continued to perform well, serving clients in Guernsey, Alderney and Sark. Projects have included the new Alderney public swimming pool, the Channel Islands Co-operative Society's 'The Bridge' Locale and several high-end luxury residential properties. 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.

Jersey Energy has this year invested in the latest BIM software and has become the first Channel Island Mechanical, Electrical and Public Health consultancy to undertake design work using AutoDesk Revit. This is a highly complex tool which allows for three-dimensional engineering projects to be designed in conjunction with architects and structural engineers, ensuring projects are fully co-ordinated and offering a highly detailed visualisation aid for the client.

Although Jersey Energy is fuel neutral, the business has successfully broadened Jersey Electricity's services and solutions and has worked closely with the Energy Solutions team. Jersey Energy also developed and delivered a training course for the Jersey Electricity Customer Care team to aid the integration of the 'Smarter Living' philosophy.

Turnover in the year at £0.6m was at a similar level to 2017 and the business met its target.

JEBS
TECHNICAL SOLUTIONS
QUALITY SERVICE

Property

Our Property portfolio includes a B&Q store and Medical Centre situated on our Powerhouse retail and administration office site at Queen's Road as well as 29 private houses and flats that are rented on the open market. Commercial tenants leasing parts of the Powerhouse building are SportsDirect, which shares the ground floor with our own retail business Powerhouse, and telecoms operator Sure, which occupies the middle floor. We also lease mobile aerial sites and fibre optics to telecoms operators.

Profits in our Property division, at £1.8m excluding the impact of investment property revaluation, were £0.2m above the level last year due to a higher rental level and reduced costs. Our investment property portfolio was revalued upwards this year by £0.3m to £20.5m by the external consultants who review the position annually due primarily to the growth in the value of the residential properties that we rent to tenants.

Building Services (JEBS)

JEBS is our contracting and building services business that provides electrical, mechanical and plumbing installation and maintenance services, including air-conditioning, heating and refrigeration, to domestic and commercial customers. JEBS continues to develop its range of customer-focused services. Following a major re-structure two years ago, we this year re-located the team to one self-contained operations site on the first floor of the Queen's Road stores building to increase operational efficiencies and improve communications.

The team has again won several major contracts in a highly competitive marketplace. These have included the electrical, mechanical and air conditioning services installation at Eaton House, a four-storey office block in St Helier, and the installation of heating at First Tower School, community works at Cheshire Home and Acorn's new facility in Trinity.

JEBS have also been involved with the delivery of Jersey Electricity's new 'Smarter Living' facility located in the Powerhouse retail space, showcasing its installation services and the type of technology available for customers.

The business continues to support our Energy Solutions team in its load growth strategy by installing electric heating systems for customers switching from gas and oil-fired systems.

Revenue from JEBS rose £0.8m from levels experienced in 2017, but in a challenging year its profits have declined.

HEALTH AND SAFETY

Safety of our employees, contractors, customers and the public is our number one priority and we invest much time and effort in developing a health and safety culture right across the business and at all levels. This was again recognised with the award of Five-Star rating by the British Safety Council (BSC) following this year's Five-Star Audit of our Health and Safety Management Systems.

The Audit process involved an in-depth examination of our entire Health and Safety Management Systems and associated arrangements, focusing on the key aspects of our approach to managing occupational Health and Safety in the workplace and offers a structured path for continual improvement. This included inspections of work sites and buildings together with interviews with a wide range of employees. I am delighted to report that Jersey Electricity attained 98.93%, achieving the maximum Five-Star rating.

Electricity generation and transmission are hazardous activities if left unmanaged. It is testament to our vigilance that we experienced only one minor and avoidable Riddor Lost Time Accident (LTA) back in November 2017 due to poor manual handling technique. Our approach to Health, Safety and Environment (HSE) continues to be 'risk based'.

We ensure staff 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 the Chief Executive, senior management and Safety Representatives. Although it is the vigilance of all our employees that ensures such a good record on HSE, special thanks go to our dedicated HSE team and our Safety Representatives who do so much to create a culture for safe working among colleagues, contractors and the public.

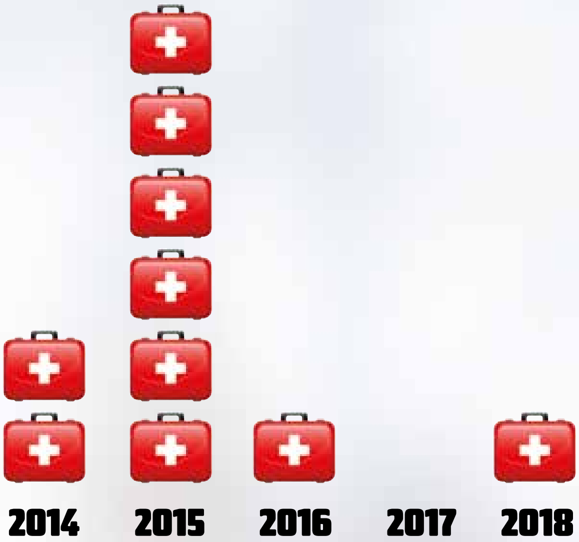
Major infrastructure projects in a busy public location such as St Helier West Primary Substation, involving international contractors, continue to make managing HSE challenging. Through extensive training, best practice working and careful risk assessment, we ensure our staff and the public are kept safe from the potential hazards inherent in our business. Our HSE team, alongside management at all levels, regularly conduct on-site inspections to closely monitor all our project teams, raise awareness of health and safety matters and then discusses any findings and learnings. Our team this year has built on the solid foundations we have in place by increasing our focus on proactive measures such as enhanced safety plans, more site inspections and revised incident investigation and reporting procedures.

We continue to work with the Health and Safety Inspectorate (HSI) to reinforce key safety messages to the community through initiatives such as radio campaigns 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.

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'. My thanks go to everyone for upholding this value by contributing to ensuring that Jersey Electricity and all the people the Company touches stay safe and healthy.

BRITISH SAFETY COUNCIL
Sword of Honour
2013 Winner

BRITISH SAFETY COUNCIL
Five Star Occupational Health and Safety Audit 2018



LOST TIME ACCIDENTS (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.

DAYS LOST (RIDDOR)

SUSTAINABILITY IN THE COMMUNITY

As a company with a long history in the Island, we are very much part of the community we serve. We support many charities, schools, volunteer groups, with an emphasis on health, education and the environment, both through corporate sponsorship and by supporting our employees in fundraising activities they choose to take part in as individuals.

Our time and expertise can be a potent force for good and when combined with corporate financial support, we can make a huge impact. Two areas of significant corporate sponsorship this year have been the Jersey Cheshire Home Big Build and the social enterprise Acorn Reuse Centre. Jersey Cheshire Home is the Island's only residential home for disabled adults. I am delighted that we were able to support such a marvellous and much loved charity by funding and carrying out works on the home's new all-electric staff block that forms part of extensive improvement works.

We were similarly able to help Acorn Enterprises extend its worthy operations by providing the electrical installation at its brand new 1,700sq ft recycling facility in the heart of Trinity. Acorn has been supporting Islanders with disabilities since 1991. Social enterprises Acorn Woodshack and Acorn Nursery were well established at the site. The new Reuse Centre follows the success of Acorn's Reuse Centre at La Collette which launched in January 2017 and has already saved thousands of unwanted items from going into the waste stream while helping many Islanders with disabilities or long-term health problems train for re-employment. The new Trinity Reuse Centre is expected to save 1,500 tonnes of waste in the next five years while giving training and employment opportunities to a further 80 clients.

We are a long-term supporter of Family Nursing and Homecare (FNHC), providing much needed equipment every Christmas for its nurses who do such vital work in the community. This year we took our green energy message to new extremes by sponsoring FNHC's annual Colour Run along the St Aubin's Bay at low tide. Our volunteers and their families delighted in pelting the 1,300 runners with green corn starch or braved the run itself.

We were also delighted to sponsor the inaugural Walk Into Light to raise awareness of the work of the Sanctuary Trust which provides support and accommodation for men who have hit a crisis and have nowhere else to turn. The first Walk Into Light was a great success and attracted around 200 people – and several dogs – who set out in the darkness from Corbiere at 4.30am to walk five miles into the sunrise at St Aubin.

It doesn't always take lots of money to make a difference in the community. When our Head of IT heard that Jersey Zoo had suffered a flood that damaged offices and equipment he quickly set about organising a consignment of surplus PCs to be prepared and delivered to the former Durrell Wildlife Conservation Trust.

We continue to recognise and reward others who are passionate about the environment with our sponsorship of the Jersey Evening Post-organised Pride of Jersey

Environmentalist Award and Jersey Construction Council's (JeCC) Sustainability Award. The former was this year won by Scottish mother-of-two Sheena Brockie who founded thegoodlifejersey.com website, which promotes and encourages environmentally friendly healthy living and has been at the forefront of eco-friendly initiatives. The JeCC Sustainability Award went to the Windsor Court housing development.

As well as supporting many charities at corporate level, we also support staff in charity events, including the Lions Club Swimarathon, the Round Island Walk, the Hawksford Castle Challenge and charity football matches. Our Monthly Staff Number Charity Draw, now in its fifth year, raises funds for employees-nominated charities which this year included Jersey Hedgehog Preservation Group, Donna Annand Melanoma Charity, Brighter Futures, Jersey Cancer Relief, Cystic Fibrosis, Bukit Lawang Charitable Trust, Jersey Cheshire Home, Headway Jersey, Jersey Alzheimer's Association, 7 Overseas Air Training Corp and Grace Trust Jersey.

As always, I am immensely proud of the hard work and commitment from all colleagues who invest their time and effort in charity fund raising and community work, while at the same time helping to raise the profile of Jersey Electricity within the community.

OUR PEOPLE

After several years of heavy investment in infrastructure assets, this year we have invested considerable effort in our most important asset – our people. The year has brought an intense programme of activity across the 'people agenda' as we have sought to progress our cultural change programme.

We have undertaken an extensive programme of management and leadership development, conducted our first employee engagement survey for four years and created opportunities for promotion and career progression through two major restructures in Energy and Procurement and changed our approach to Customer Care as part of our new 'Smarter Living' concept.

The new Energy structure created internal promotions to three new senior roles and a realignment of reporting lines. This has enabled improved focus on Asset Management to drive more holistic and effective strategic asset development. The Engineering Delivery department brings together the former Production and Distribution Maintenance and Protection, Control and Instrumentation teams into a single unit offering greater economies of scale and better flexibility. This has also helped to break down the cultural barriers that have existed between Distribution and Production. The Service Delivery function includes Metering, Distribution Planning, Construction and Faults which are all complementary and customer facing activities.

Part of the reorganisation has involved a staff relocation programme designed to not only improve operational efficiencies and customer service but also provide better communication among employees and facilitate closer working relationships. We have also redesigned our intranet to improve internal communication and staff engagement.

The Executive and Senior Leadership Teams are already acting on April's survey results to address employee feedback and build further on current engagement levels. Actions taken include the installation of secure bike stands at the Powerhouse, the provision of new computer monitors and more up-to-date equipment to improve comfort at work. Many teams have also started to have more regular team briefings to enable better communication.

Other actions planned as a direct result of employee feedback include:

- Improved break facilities
- Establishing focus groups for Employee Wellbeing and Recognition
- Further training for managers and supervisors on reward and compensation
- The promotion of career paths and career development

We have added to our HR team with the appointment of a new Head of HR Operations to support the new HR Director appointed last year. Together with the incumbent Head of Organisation Development they have instigated a broad programme of management and staff development as we prepare for the departure through retirement of around 40% of a highly skilled and experienced workforce in the next 10 years.

To give a new generation the best opportunity for promotion we're leveraging technology and have introduced a new online performance management tool. Our objective is to help everyone reach their full potential and fairly recognise and reward them for great performance. Having completed the first full year on our new HR Enterprise System – 'JE Connect', staff can now assess their own performance before completing appraisals on the new system that also provides access to a range of HR processes, learning events, discussion boards and feedback requests.

As the system develops, we will see the addition of new modules on Succession Management, Absence Management and eRecruitment modules made available to employees and managers to deliver a fully integrated HR system. The system will eventually track employee career aspirations ensuring we can better align development planning to individual employees and the future needs of the business.

The HOW TO… Management Development programme, piloted last year has now been rolled out to 50 employees aimed at providing a consistent approach to management across the Company. In addition, 59 employees have attended the Living Leader programme, which represented a major investment in leadership development right across the organisation including the Board of Directors. This is already positively impacting our people in a significant way and we plan to further cascade this right down the organisation.

OUTLOOK

> "We are immensely proud that we have helped the Island play its part in reducing its impact on climate change."

Over the last 10 years, Jersey Electricity has undergone a period of significant asset renewal and has successfully built a resilient energy system that has leveraged our capabilities in building and operating submarine cable systems and our strong relationships with our long-term partners in France.

This has led to the virtual complete decarbonisation of electricity distributed in Jersey and a reduction in overall Island carbon emissions of around one third over the last 20 years or so. We are immensely proud that we have helped the Island play its part in reducing its impact on climate change. But we recognise that there is more to be done. Whilst we already have access to one third of our energy from renewable sources in France, we also know that there is an emerging potential for on-Island local renewables that could become economically viable, and we recognise our customers want to see us do more to support a more independent energy future.

We also recognise the pace of change in other technologies in, for example, electric storage, energy efficiency and electric transportation, and see a real opportunity to help inspire a fully connected, smart, 'zero carbon' Jersey – giving customers better value for money, more comfort and control – and putting them at the heart of our proposition. Going forward, the Company will shift its focus from major 'asset deployment' to 'asset optimisation', enhancing and extending our services to customers and building on further demand-side measures such as fuel switching from fossil fuels to electricity, which is now the only way the Island can further decarbonise.

Of course, there needs to be continued focus on maintaining an affordable, secure and sustainable supply of electricity. Whilst we are hedged in the short term on foreign exchange and power, we are seeing some volatility and an uptick in wholesale prices that requires continued monitoring. We have examined Brexit risks in some detail, working with the States of Jersey, and we believe we have done all we can to manage any supply risk, noting that Jersey is today trading with France from outside the UK and EU. We also continue to monitor continued weakness and volatility of Sterling and the impact of this on importation costs. In an effort to respond to this and provide some 'transitionary' certainty through the Brexit period, in May last year, we extended our contract with EDF for a further five years to 2027. While this framework does not guarantee low prices, it offers the ability for the Company to better manage risk through regular price fixing. Importantly, we regularly benchmark prices using an external adviser and are, for the moment, competitive and stable compared with other jurisdictions.

The Company has reached an important stage in its development. There are some risks ahead, but these are outweighed by some significant and exciting opportunities. We expect services, new technologies (including renewables), and smart/digital to play an increasingly important role in our business. Jersey now has the benefit of a unique energy system with access to significant volumes of low carbon energy that is compatible with a renewable future. Our challenge is to embrace these opportunities in economically viable, value-adding ways that will meet broader stakeholder expectations – including socialising the benefits to the community as a whole.

Chris Ambler
Chief Executive
13 December 2018

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2018	2017
Revenue	**£105.9m**	£102.1m
Profit before tax	**£15.3m**	£13.5m
Earnings per share	**39.5p**	34.6p
Dividend paid per share	**14.5p**	13.8p
Final proposed dividend per share	**8.8p**	8.4p
Net debt	**£14.3m**	£21.9m

Group revenue for the year to 30 September 2018 at £105.9m was 4% higher than in the previous financial year. Energy revenues at £82.3m were 2% higher than the £80.4m achieved in 2017 with a 2% increase in the unit sales volumes of electricity, largely driven by weather, being the main factor. Turnover in the Powerhouse retail business, increased by 5% from £12.9m to £13.6m. Revenue in the Property business rose £0.1m to £2.3m due to higher rental income. Revenue from JEBS, our contracting and building services business, rose £0.8m from levels experienced in 2017 to £4.8m. Turnover in our other businesses rose £0.2m to £2.9m.

Cost of sales at £65.1m was £2.1m higher than last year with an increase in import costs in our Energy business and higher sales activity in the Powerhouse retail business being the main reasons.

Operating expenses at £24.4m were at the same level as in 2017.

Profit before tax for the year to 30 September 2018, at £15.3m, increased by 14% from £13.5m in 2017. Our Energy business unit sales saw volumes increasing from 621m to 634m kilowatt hours with strong winter period sales and the benefits of switching customers from other heating fuels more than offsetting the continued impact of energy efficiency measures employed by our customers.

Profits in our Energy business moved up to £13.4m from £11.7m last year. The higher level of sales resulted in an improved gross margin and this was supplemented by ongoing initiatives to reduce both manpower and maintenance costs. Customer tariffs rose by 2% in June 2018 yet remained competitive with other jurisdictions but this accounted for only £0.4m of the increase in profits with the remainder driven by cost efficiencies and increased unit sales of electricity. The UK saw material increases in retail electricity prices for their customers during both 2017 and 2018 with an average rise of 24% across the 'Big 6' suppliers.

In the financial year we imported 95% of our requirements from France (2017: 93%) and generated only 0.2% of our electricity on-island at La Collette Power Station (2017: 1%). The remaining 5% (2017: 6%) of our electricity came from the local Energy from Waste plant being marginally below that seen in 2017.

Profits in our Property division, excluding the impact of investment property revaluation, at £1.8m, were £0.2m above the level last year due to a higher rental level and reduced costs. Our investment property portfolio was revalued upwards this year by £0.3m to £20.5m by the external consultants who review the position annually, due primarily to the growth in the value of the residential properties that we rent to tenants.

Our Powerhouse retail business saw continued strong growth in sales with profits moving up 11% to £0.8m in 2018.

JEBS, our contracting and business services unit had a challenging year and incurred a loss of £0.2m against a profit of £0.1m in 2017 as the business was impacted by both a decline in margins and some exceptional costs. Plans are being implemented to improve performance in this business unit.

Our other business units (Jersey Energy, Jendev, Jersey Deep Freeze and fibre optic lease rentals) produced profits of £0.6m being 12% higher than last year.

Net interest in 2018 was £1.3m being £0.1m higher than last year because in 2017 there was still an element of capitalisation of interest associated with the new N1 subsea cable. The **taxation charge** at £3.2m was £0.3m higher than 2017 due to the increase in profit.

Group earnings per share rose to 39.5p compared to 34.6p in 2017 due mainly to increased profitability.

Dividends paid in the year, net of tax, rose by 5%, from 13.8p in 2017 to 14.5p in 2018. The proposed final dividend for this year is 8.8p, a 5% rise on the previous year. Dividend cover at 2.7 times was higher compared to 2.5 times in 2017.

Ordinary Dividends

		2018	2017
Dividend paid	- final for previous year	**8.4p**	8.0p
	- interim for current year	**6.1p**	5.8p
Dividend proposed	- final for current year	**8.8p**	8.4p

Net cash inflow from operating activities at £27.0m was £0.5m higher than in 2017 with higher operating profit being the primary driver. **Capital expenditure**, at £14.9m was marginally lower than £15.1m last year with spend on the St Helier West primary sub-station being the most material project in 2018. In the 2017 financial year the most material primary spend was on the N1 subsea cable project prior to commissioning in December 2016. The resultant position was that **net debt** at the year-end was £14.3m, being £30.0m of borrowings less £15.7m of cash and cash equivalents, which was £7.6m lower than last year.

FINANCIAL REVIEW

Cash Flows

Summary cash flow data	2018	2017
Net cash inflow from operating activities	£27.0m	£26.5m
Capital expenditure and financial investment	£(14.9)m	£(15.1)m
Dividends	£(4.5)m	£(4.3)m
Payment for foreign exchange option	£(0.3)m	£ -
Decrease in net debt	£7.6m	£7.1m

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 electricity purchases during the financial year, as a result of the hedging program, was 1.27 €/£. The average applicable spot rate during this financial year was 1.13 €/£ against 1.15€/£ during our 2017 financial year. The average spot level was 1.28 €/£ in 2016 which was largely prior to the UK decision to leave the EU which brought a higher degree of volatility to foreign exchange markets. 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 all 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. We also employ a policy of diversification through use of a number of counterparties.

In the 2018 financial year Jersey Electricity imported 95% of the electricity requirements of Jersey from Europe. It 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, was extended by a further five years during 2017 to 2027. This 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 2018 the scheme surplus, under IAS 19 "Employee Benefits", was £3.8m, net of deferred tax, compared with a deficit of £3.4m at 30 September 2017. Scheme liabilities decreased 2% from £133.5m to £131.4m since the last year end with the discount rate assumption, which heavily influences the calculation of liabilities, rising from 2.7% in 2017 to 2.9% in 2018 to reflect sentiments in prevailing financial markets. In addition scheme assets rose 5% from £129.3m to £136.2m in the same period.

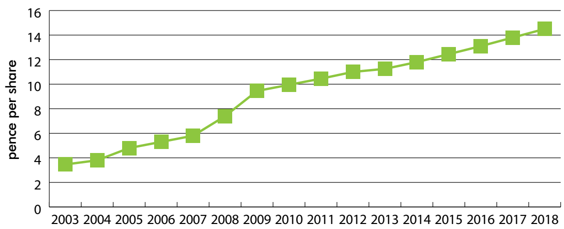
Our defined benefits pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If the discount rate applied to the liabilities had been either 0.5% lower or higher than the 2.9% under IAS 19 for 2018, the net surplus of £3.8m would have risen to £12.2m, or moved to a deficit of £5.8m, respectively. In a bid to mitigate the impact of movements in interest rates and inflation the trustees of the scheme adopted a Liability Driven Investment (LDI) approach in the prior year with the goal of reducing funding volatility. It does this by reducing the risk that asset and liability values change at different rates, or even move in different directions.

The last triennial actuarial valuation as at 31 December 2015 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 cash funding rate by Jersey Electricity is 20.6% of pensionable salaries and employees 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 will have an effective date of 31 December 2018.

Returns to shareholders

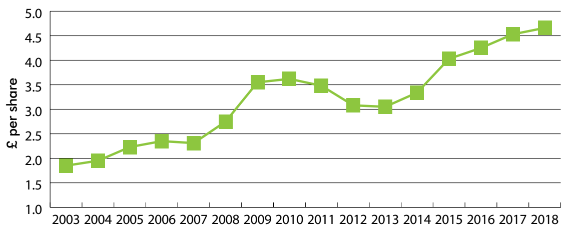
62% of the ordinary share capital of the Company is owned by the States of Jersey with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees Limited owns 5.3m (46%) of our 'A' Ordinary shares representing 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 13.8p net of tax to 14.5p. The proposed final dividend for 2018, at 8.8p, 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 chart below shows the evolution of the ordinary dividend payments over the last 15 years (excluding additional special dividends) that have risen fourfold from 3.5p to 14.5p.

Dividend paid per ordinary share 2003-2018



The share price at 30 September 2018 was £4.66 against £4.53 at the 2017 year end. This gives a market capitalisation of £143m as at 30 September 2018 compared with a balance sheet net assets position of £189m. 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. We use Edison (an investment research firm) to produce regular research on our performance to aid the understanding of our value proposition to a wider body of potential investors in the quest to improve our longer-term liquidity. The chart below shows the trending of our listed share price over the last 15 years that has risen from £1.75 to £4.66.

'A' Ordinary share price movements 2003-2018



Our largest shareholder, the States of Jersey, also owns holdings in other utilities in Jersey. It holds 100% of JT Group, Ports of Jersey, Andium Homes 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 £9.3m (2017: £7.9m). Lower amounts of corporation tax were paid in 2017 than 2018 due to capital allowances associated with our recent heavy investment spend in infrastructure and this will trend upwards.

	2018	2017
Ordinary dividend	**£2.7m**	£2.6m
Goods and Services Tax (GST)	**£4.7m**	£4.0m
Corporation tax	**£1.0m**	£0.4m
Social Security - employers contribution	**£0.9m**	£0.9m
	£9.3m	£7.9m

The Company regularly communicates with its largest shareholders and details of discussions, including any concerns are reported to the Board. The Chairman meets twice a year with the States of Jersey, and ensures there is a direct communication between the non-Executives and our largest shareholder.

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 been 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.

We have 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 or head office department, together with the Executive Leadership Team (ELT), 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 and Risk Committee and Board. The output from this exercise forms the basis of the key principal risks.

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 ELT and the Board;
- Training for both management and staff e.g. cyber-security and GDPR;
- Established and documented risk management policies including a schedule of matters reserved for the Board;
- Systems and tools to monitor keys risks with the aim of providing regular and succinct information to the Board and ELT; and
- A comprehensive insurance programme.

FINANCIAL REVIEW

Principal risks

Brexit

As noted in the last two Annual Reports we continue to maintain a watching brief on Brexit developments. Although Jersey is not in the EU, the UK decision to exit has created uncertainty for the Island. The most material individual trading relationship we have is our electricity importation arrangements with EDF and RTE in France. We received confirmation in 2016 that our long-term contractual agreements would not be impacted and that is still our understanding having again received recent confirmations. Furthermore, we extended the current supply arrangements with EDF by a further five years, during 2017, to the end of 2027. Foreign exchange considerations are also a risk, but as referred to elsewhere, we continue to hedge on an on-going basis. In addition, we have examined our supply chain, and existing contractual arrangements, for all our business units and have proactively engaged with the Jersey Government to ensure any concerns we have are voiced and understood. Uncertainty remains on what a 'no deal' situation might mean to supply chain arrangements and as mitigation we intend holding a higher stock level of items felt essential to our business units.

The General Data Protection Regulation (GDPR)

In advance of the changes to EU data protection legislation in May 2018 we implemented changes to our processes, and will continue to monitor going forward, to ensure compliance with GDPR. This was supplemented by training for staff in areas where such changes were applicable. Although this requires careful management, we do not feel it represents a material risk, having considered the type of data we hold and the controls we have in place.

The table below summarises the Group's principal risks and how they are managed in addition to the two aforementioned risks that attracted focussed attention during the year. 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.

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, CO_2 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.
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. Three subsea cables to France on two diverse routes provide resiliency along with a strong cable repair capability.
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.	The prime defence against falling volumes from the 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 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 and a triennial valuation formally reports on performance.
Volatility	A significant proportion of our profitability and price competitiveness is dependent upon our ability to manage exposure to increasingly volatile power and foreign exchange markets.	Power and foreign exchange are hedged in accordance with the agreed strategies which are reviewed and approved by the Board on a periodic basis.

Security of Supply / Supply Chain / Asset & Plant Management		
Business Continuity	Failure and/or unavailability of significant plant and/or importation assets which cause disruption to our operations including major emergency, incident or loss of electricity supplies to customers. The EDF and RTE contracts are key to the continuity of supply of electricity to Jersey.	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. The supply contract with EDF was extended by a further 5 years in 2017 to 2027. We have built a strong relationship with EDF that has existed since 1984 and also with RTE (the network operator in France). We maintain ongoing dialogue to ensure we understand any current or potential future developments that might impact security of supply. We are also exploring potential options in the renewables space that would result in less dependence on importation.
Asset & Plant Management	Failure of ageing metering infrastructure.	The SmartSwitch project has resulted in a smarter more modern metering solution replacing legacy systems. As at 30 September 2018 around 87% of our customers had such new meters installed and therefore this risk has reduced. The replacement of the current 'Pay as you go' system in the coming year will complete the replacement of the legacy infrastructure.
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 sets standards and monitors 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. Performance measures are explicitly presented as a separate agenda item at each Board meeting. Use of British Safety Council for separate audits of both our safety and environmental performance every 3 years.
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 (both operationally and financially). Over 40% of the current work-force is anticipated to retire from the business in the next 15 years.	We have developed a long range HR Strategy. HR now has 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.
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 with all staff with 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 has been installed. 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 2016 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 presented to the Board on 20 September 2018. 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. We have a strong balance sheet with net assets of around £190m supported by £30m of long-term debt funding which expires in 2034 and 2039.

Stress testing of the cost base of our Energy business was performed to establish the impact of material movements in both foreign exchange and wholesale electricity prices. A reduction in the volume of unit sales of electricity through, for example, energy efficiency is being mitigated by switching existing customers, who use gas/oil as their primary heating source, to all-electric solutions. A dedicated team work on initiatives in this area. However as we employ a 'user pays' model the Board has comfort on the longer term consequences of a reduction in the volume of electricity sales, a permanent weakening in Sterling, or a material rise in European wholesale power prices (albeit we continue to strive to deliver price stability for our customer base).

Based on the results of this analysis, and on the basis that the fundamental regulatory and statutory framework of the market in which the Company operates does not substantially change, the Directors have a reasonable expectation that the Company will be able to continue to operate, and meet its liabilities as they fall due, over the five-year period of their assessment through to 2023.

In making this statement the Directors have considered the resilience of the Company taking into account its current position, its principal risks and the control measures in place to mitigate each of them. In particular, the Directors recognise the significance of the strong Jersey Electricity plc balance sheet, and committed lending facilities, that will be available in most circumstances.

GOVERNANCE

Board of Directors

Geoffrey Grime
Chairman
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 2014 he was elected as a Jurat of the Royal Court of Jersey where he sits as a lay judge.

Chris Ambler
Chief Executive
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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.

Martin Magee
Finance Director

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 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
A/R

Aaron was appointed to the Board as a non-Executive Director in January 2011 and is currently the Chief Operating Officer of GLI Finance, an alternative finance provider and strategic investor in numerous Fintech platforms. Aaron left his previous role as Chief Financial Officer of Elian, a Fiduciary Firm, headquartered in Jersey and with operations in 17 countries, following the sale of the business to Intertrust Group in 2016. Prior to this, 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 and Spencer Money). Aaron is a Chartered Accountant having qualified with Andersen in London. He also has a First Class Honours Degree in European Management Science from Swansea University.

Alan Bryce
Non-Executive Director
A/N

Alan was appointed to the Board as a non-Executive Director in December 2015 and is currently a non-Executive Director at NIE Networks Ltd, Chair of the wind-farm developer Viking Energy and an advisor in the utilities industry. He is a former non-Executive Director of Scottish Water, Infinis Energy plc and 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 was also Strategy and Planning Director for Scottish Power's UK Division, which included the company's Generation, Energy Management and Retail businesses. He is a Chartered Engineer and Fellow of the Institution of Engineering and Technology.

Phil Austin MBE
Non-Executive Director
R

Phil was appointed to the Board in May 2016 and spent most of his career in banking with HSBC in London and, ultimately, Jersey where, from 1997 to 2001, he was Deputy Chief Executive of the Bank's business in the Offshore Islands. In 2001, he became the founding CEO 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. In 2009, he took on a portfolio of non-Executive directorships – a portfolio consisting of both public and privately-owned businesses. Phil 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. Phil is currently a non-Executive Director of City Merchants High Yield Trust, a publicly quoted company.

Wendy Dorman
Non-Executive Director
A/N

Wendy was appointed to the Board as a non-Executive Director in July 2016. 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. Wendy is a non-Executive Director of 3i Infrastructure plc and CQS New City High Yield Fund Limited, both listed companies, as well as Jersey Finance Limited.

Tony Taylor
Non-Executive Director
R/N

Tony joined the Board as a non-Executive Director in September 2017.
His career spans over 35 years in marketing and communications, having worked for three of the world's leading global advertising agency networks, in senior management roles. Most recently, Tony has been a Regional Director at J Walter Thompson, part of WPP plc.
Born in Jersey, Tony has lived in the UK and Singapore and has worked with numerous blue-chip companies around the world.
Tony is also a Director of Jersey Sport and Jersey Dairy. He has a BSc in Psychology from the City University, London.

Key to membership of committees

A Audit and Risk Committee
R Remuneration Committee
N Nominations Committee

Directors' Report

for the year ended 30 September 2018

The Directors present their annual report and the audited financial statements of Jersey Electricity plc ("the Company") and Jersey Deep Freeze Limited (together "the Group") for the year ended 30 September 2018.

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 2018:

	2018 £	2017 £
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
	8,973	8,973
Ordinary dividends		
Ordinary and 'A' Ordinary Shares		
Interim paid at 6.1p net of tax for the year ended 30 September 2018 (2017: 5.8p net of tax)	1,868,772	1,777,120
Final proposed at 8.8p net of tax for the year ended 30 September 2018 (2017: 8.4p net of tax)	2,696,320	2,573,760
	4,565,092	4,350,880

Re-election of directors

The Board has made the decision that all Directors will in future seek re-election annually at each AGM.

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 8 days (2017: 16 days).

Directors' Report
for the year ended 30 September 2018

Substantial shareholdings
As at 13 December 2018 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 (CI) Nominees Limited is the largest shareholder of our listed shares and hold 5,327,562 'A' Ordinary shares which represent 5% 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 2018

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 April 2016 ("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.

During the next financial year, the Directors will be reviewing the latest UK Corporate Governance Code issued in July 2018, together with the supporting Guidance on Board Effectiveness. The new code applied to accounting periods on or after 1 January 2019 and we will be reviewing the changes against our existing governance arrangements to ensure that we meet the expectations of the new code.

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 FTSE 350. Throughout the financial year ended 30 September 2018 the Board considers that it has complied with the Code, with the following exceptions: 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 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 is the Senior Independent Director.

Independence

The non-Executive Directors during the year were Geoffrey Grime, Wendy Dorman, Aaron Le Cornu, Alan Bryce, Phil Austin and Tony Taylor and they were all considered independent. The Board have determined that Geoffrey Grime remained independent notwithstanding that he has served on the Board for more than fifteen years. In making this determination, the Board took into account his breadth of experience, his financial independence and his other business interests. In addition, he has also served less than nine years on the Board prior to his appointment as Chairman. On appointment to the Board the required time commitment is established and any significant changes to time commitments are notified to the Board. An induction process is in place for all newly appointed Directors. The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly to set and monitor strategy, review trading performance, perform a robust assessment of the principal risks that could threaten the business model, future performance, solvency or liquidity (see Principal Risks section on pages 40 and 41), examine business plans and capital and revenue budgets, formulate policy on key issues and review the 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	**5**	**4**	**2**	**2**
G.J. Grime	5	-	2	2
A.D. Le Cornu	5	4	2	-
P.J. Austin	5	-	2	-
A.A. Bryce	5	4	-	2
W.J. Dorman	5	4	-	2
C.J. Ambler	5	3*	1*	2
M.P. Magee	5	4*	-	-
T. Taylor	5	-	2	2

* attendees by invitation

Performance Evaluation

The effectiveness of the Board is vital to the success of the Company. An external evaluation took place during 2018 following two internal evaluations that were undertaken by the Chairman in both 2016 and 2017. The Trusted Advisors Partnership Ltd, an external recruitment consultancy firm which has no direct connection with the Company, conducted the 2018 evaluation, the findings of which are currently being reviewed in order to determine any emerging actions to be taken.

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

- 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.

- Approval of contracts

  Major capital projects.

  Major contracts.

  Major investments.

Corporate Governance

- **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 annual evaluation 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 risk based internal audit's plans are discussed and approved.

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

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

Audit 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 (see the Principal Risks section on pages 40 and 41). The Audit and Risk Committee also reviews and monitors the independence of the external auditors and the non-audit services provided to the Group.

Stakeholder Engagement
The Company maintains an active dialogue with its largest shareholders and meetings between States of Jersey (which owns 62% of our Ordinary share capital) include both the non-Executive Chairman as well as the Chief Executive.

Nominations Committee Report

As Chair of the Nominations Committee (the Committee), I am grateful for the support of my fellow members Geoffrey Grime, Wendy Dorman, Tony Taylor and Chris Ambler, a majority of whom are independent non-Executive Directors. During the last financial year the Committee formally met twice.

The principle responsibilities of the Committee are to:

- consider and make recommendations to the Board on all new appointments of Directors having regard to the overall balance and composition of the Board;
- consider succession planning for both the Board and for senior positions in the wider organisation; and
- make recommendations to the Board concerning the reappointment of any non-Executive Director following conclusion of his or her specified term of office.

During the year, Geoffrey Grime advised the Board of his intention to step down from the Chair at the next AGM, and a significant part of the Committee's activities has focused on identifying his successor. The Committee appointed an external advisor, the Trusted Advisors' Partnership Ltd (TAP), to develop a process for the selection and to advise both the Committee and the Board, leading to the outcome. This included a detailed assessment of the needs of the business and in-depth canvassing of directors and senior management over a period of three months. At the conclusion of this process the Committee recommended, and the Board confirmed, our decision to appoint Phil Austin as our new Chair when Geoffrey stands down. Phil Austin was absent from all Board discussions relating to his candidacy.

Phil brings a wealth of island and U.K. business experience to the Board and combines this with over two years of service to the Board and as Chair of the Remuneration Committee, having taken up both roles in 2016. As Geoffrey leaves the Board, we also intend to appoint a replacement non-Executive Director and the recruitment process, also using our advisor TAP, is nearing finalisation. This will essentially complete the plan formulated in 2015 for a controlled change of non-executive composition. Under that plan, four new non-executives have already joined the Company, and including recruitment of a fifth, we are well positioned in terms of best practice and corporate governance requirements on independence.

Drawing on work done by the Board on strategic options, the Committee also carried out its review of Board skills and composition against the challenges and opportunities the Company experiences in its rapidly changing environment. This is an important input into succession management and has immediately been used to inform the recruitment process referred to above.

The Committee is also involved in succession planning for Executive Directors and the wider management team within Jersey Electricity. This highlighted the importance of a mixed resourcing process, that both develops senior staff from within the organisation, and looks to external appointments where appropriate. As part of our commitment to development, a significant investment has been made during 2018 to roll out the Living Leader program across the business.

The Committee believes that the Board and senior management team has an adequate pipeline in place to manage its near and medium-term succession requirements.

The Committee recognises the benefits of diversity and will continue to appoint Executive and non-Executive Directors to ensure diversity of background based on attributes including gender, age, industry experience, background and race. The current profile of the Board is as follows:

Gender		Tenure		Age		Sector	
Male	7	1-3 years	4	41-50	2	Utilities	3
Female	1	4-9 years	2	51-60	4	Financial Services	3
		>9 years	2	61-70	1	Marketing	1
				>70	1	Taxation	1

The Board has put in place a Diversity Policy, which is taken fully into account in making appointments, as described above. It is not our policy to set measurable targets that involve diversity quotas, but we do measure our performance in terms of initiatives specifically focused on improving diversity. During 2018 the Board appointed a Board apprentice under the Jersey Board Apprentice scheme, which offers candidates Boardroom experience, designed to help equip them for a future non-executive position on the board of a company or other organisation.

The Terms of Reference for the Nominations Committee and the Terms and Conditions of the Appointment of non-Executive Directors are available on our website (www.jec.co.uk).

On behalf of the Committee

Alan A. Bryce

A. BRYCE
Chairman
13 December 2018

Audit and Risk Committee Report

The Audit and Risk Committee (the Committee) is chaired by Aaron Le Cornu supported by Wendy Dorman and Alan Bryce as members. Both Aaron and Wendy are Chartered Accountants with recent experience in both commerce and private practice. Alan is a Chartered Engineer with extensive experience of the utility sector and experience of serving on Audit Committees elsewhere. Full biographies of all members are provided on pages 42 and 43. The meetings provide a forum for discussions with both Company staff and 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 Committee is responsible for protecting the interests of shareholders and this includes reviewing the Annual and Interim Financial 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 Committee reviews the likely significant issues in advance of the preparation, and subsequent publication, of the external financial statements and in particular any critical accounting judgements identified by both the Company and the external auditor, 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.

The Committee formally met four times in the last financial year (aligned to the financial timetable) 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. In addition, a further meeting was facilitated by the Committee, inclusive of the wider Board members and an external consultant, to review in detail the key risks across the business to ensure they were appropriately captured, documented, monitored and mitigated. The Committee also considers reports from the internal and external auditors and from management and provides comment on salient issues to the Board. In addition, the 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 our website (www.jec.co.uk).

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. A full tender process for the external audit was carried out in 2015. Deloitte were successful in retaining the engagement and a new audit partner, Andy Isham, was appointed. The Committee will continue to keep under review all aspects of the relationship with the external auditor and will initiate its next tender process at what is deemed an appropriate time taking into consideration the period since the last tender. Non-audit services are reviewed on a case by case basis. As disclosed in Note 6 to the Financial Statements, fees for non-audit services are not material, represent less than 10% of the audit fee and are not considered to impact on the auditor's independence. The effectiveness of the external auditor is considered on an ongoing basis driven primarily by discussions with Deloitte on the maintenance of audit quality and their ability to handle key accounting and audit judgements.

On behalf of the Board, the Committee considered whether the 2018 Annual report and financial statements taken as a whole are fair, balanced and understandable, and whether the disclosures are appropriate. The Committee reviewed the Group's procedures around the preparation, review and challenge of the report and the consistency of the narrative sections with the financial statements and the use of alternative performance measures and associated disclosures. The Committee also considers any potential inconsistencies raised by the external auditor. Furthermore, the Committee requested internal audit to conduct a review of the various non-financial KPIs included in the Annual Report and no issues were identified in this regard.

Following its review, the Committee is satisfied that the Annual report is fair, balanced and understandable, and provides the information necessary for shareholders and other stakeholders to assess the Company's position and performance, business model and strategy, and has advised the Board accordingly.

Audit and Risk Committee Report

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 Committee.

The Committee members have regular meetings with Internal Audit to evaluate both performance, and any impediments that might exist, which would constrain their work. The Committee also approve the plan of work for the Internal Audit function in advance of the following year. In addition, independent reviews are undertaken on a regular basis. In 2015 a benchmarking exercise was performed, and in 2016 a review of the risk management process was undertaken by an external consultant. Such exercises provide further comfort to the Committee on the effectiveness of Internal Audit.

On behalf of the Committee

A. LE CORNU
Chairman
13 December 2018

GOVERNANCE

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 Group'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 existence 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 65.

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 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 2018

M.P. MAGEE
Finance Director
13 December 2018

Remuneration Committee Report

Remuneration Committee

The Remuneration Committee (the Committee) is chaired by Phil Austin who was supported throughout the last year by members Geoffrey Grime, Aaron Le Cornu and Tony Taylor. The Committee operates within terms of reference, agreed by the Board, which are regularly reviewed and available on the Company's website (www.jec.co.uk). Two formal Committee meetings took place during the last financial year.

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 Company. Remuneration packages comprise basic salary and benefits together with a performance related annual bonus. Benefits for Executive Directors principally consist of 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 historically adjustments were made in April, but the review has now been moved to November to coincide with the date for the rest of the Company.

The Committee commissioned an external review of Executive pay during the year and were advised by Mercer, an independent remuneration consultancy firm, who considered local benchmarking data alongside comparisons from the UK, including businesses within the energy sector, as well as listed companies of a similar size to Jersey Electricity. The key purpose of the review was to establish the competitiveness of the existing Executive package, and to seek advice as to how it should be positioned going forward.

As a result of the review, the salaries of the CEO and Finance Director were revised upwards, with effect from 1 April 2017, in accordance with Mercer's recommendations. Changes were also made to the executive bonus scheme, with effect from 2019, giving the Committee the discretion to defer up to 50% of the award for a period of two years with the ultimate pay-out linked to movements in the listed share price in the period before vesting. The bonus payable to the Executive Directors is performance related, taking account of their individual responsibilities within the business, together with the results of the Company as a whole, measured against a broad range of objectives.

The remuneration of Directors for the year ended 30 September 2018 was as follows:

	Basic salary/fees £	Bonus £	Benefits in kind £	**Total 2018 £**	Total 2017 £
EXECUTIVE DIRECTORS					
C.J. Ambler	238,877	75,900	15,230	**330,007**	378,570
M.P. Magee	186,470	60,390	12,338	**259,198**	285,276
NON-EXECUTIVE DIRECTORS					
G.J. Grime	43,000	-	3,456	**46,456**	39,946
A.D. Le Cornu	28,000	-	1,728	**29,728**	24,726
A.A. Bryce	30,000	-	1,728	**31,728**	27,155
P.J. Austin	25,000	-	1,728	**26,728**	22,155
W.J. Dorman	25,000	-	1,728	**26,728**	19,726
A.H. Taylor (appointed 21 September 2017)	23,625	-	1,775	**25,400**	-*
M.J. Liston (retired 31 December 2016)	-	-	-	**-**	4,500
Total	599,972	136,290	39,711	**775,973**	802,054

*Fees payable quarterly in arrears.

Remuneration Committee Report

Service Contracts

The Executive Directors' service contracts provide for a notice period of six months. The 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 30.9.2018[2]	Transfer value at 30.9.2018[3]	Transfer value at 30.9.2017[3]	Directors' contributions during year	Increase in transfer value less Directors contributions[4]
C.J. Ambler	£7,451	£52,051	£840,465	£699,966	-	£140,499
M.P. Magee[5]	£5,825	£87,779	£1,814,462	£1,653,399	£11,117	£149,946

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.

Share Schemes

At the 2011 Annual General Meeting approval was granted to launch an all-employee share scheme. During the 2016 financial year 100 'A' Ordinary Shares were issued to all staff (subject to Scheme Rules) including the Executive Directors and these shares vest in February 2019. There are no other share-based incentives such as option schemes or long-term incentive plans operated by the Company. However as indicated earlier in this report the Committee has the discretion to defer up to 50% of the performance bonus to Executive Directors for a period of two years with the ultimate payout linked to movements in the listed share price in the period before vesting.

Non-Executive Directors' Remuneration

The remuneration of the non-Executive directors is determined by the Executive directors with the assistance of independent advice concerning comparable organisations and appointments and also taking into account the particular Committees in which they are involved. As with executive pay, Mercer were used to provide such advice. A small premium was paid in the financial year to those who chaired Committees (Audit & Risk: £5,000; Nomination/Remuneration: £2,000) and to those who were members of the Audit & Risk Committee (£2,000) for additional responsibility, and to Directors based off-Island (£3,000) 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 the approval by the Board, which also determines the extent to which any fees may be retained by the Director. At the balance sheet date the external appointments held by Executive Directors, excluding those directly connected with their employment by the Company, were as follows:

C.J. Ambler

Foresight Solar Fund Limited and Apax Global Alpha Limited.

The total non-Executive Director fees for such appointments were £100,000 of which £80,000 was retained, and the remainder paid to the Company, by the individual.

M.P. Magee

Standard Life Wealth Offshore Strategy Fund Limited.

The total non-Executive Director fees for this appointment was £20,000 of which £16,000 was retained, and the remainder paid to the Company, by the individual.

Remuneration Committee Report

Directors' Loans

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

	30.9.2018	30.9.2017
C. J. Ambler	£343,949	£372,365
M. P. Magee	£135,321	£188,571

Directors' Share Interests

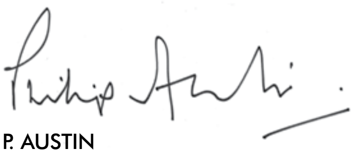
The Directors' beneficial interests in the shares of the Company at 30 September 2018 were:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2018	2017	2018	2017
C.J. Ambler*	7,520	7,420	-	-
M.P. Magee*	13,700	13,500	960	960
G.J. Grime	10,000	10,000	-	-
A.A. Bryce	4,500	4,500	-	-
P.J. Austin	5,000	5,000	-	-
	40,720	40,420	960	960

*Both C.J. Ambler and M.P. Magee received 100 'A' Ordinary Shares that vested during 2018. Additionally they have a beneficial interest in a further 100 'A' Ordinary Shares that are due to vest in February 2019. M.P. Magee also acquired a further 100 'A' Ordinary Shares during the year.

There have been no other changes in the interests set out above between 30 September 2018 and 13 December 2018.

On behalf of the Committee



P. AUSTIN
Chairman
13 December 2018

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Jersey Electricity plc (the 'parent company') and its subsidiary (together the 'group'):

- give a true and fair view of the state of the group's affairs as at 30 September 2018 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;
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows; 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • the accrual for unbilled electricity units; and • the discount rate assumption in the determination of the defined benefit pension scheme surplus. Within this report, any new audit matters are identified with ⊗ and any key audit matters which are the same as the prior year are identified with ⊗.
Materiality	The materiality that we used for the group financial statements was £1,000,000, which was determined on the basis of approximately 7.5% of profit before tax.
Scoping	The group includes three separate legal entities – one subsidiary and one joint arrangement - of which only Jersey Electricity plc was considered a significant component.
Significant changes in our approach	In our report for the prior year audit, we included the NAV upgrade project as a key audit matter including its description, our response to the matter and observations. Following the actions taken by management since our previous report, we no longer consider this to be a key audit matter for the purposes of the current year's audit report. Except of the above, there have been no changes to our approach since the audit of prior year financial statements.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Conclusions relating to principal risks, going concern and viability statement

Going concern

We have reviewed 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.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the group's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 40-41 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 40-41 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; or
- the directors' explanation on page 41 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 are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

Accrual for unbilled electricity units

Key audit matter description	The year-end process of calculating the number of unbilled units of electricity and the value of these units impacts total revenue for the Group. The value of the unbilled units at the year-end is £5.0 million (2017: £5.1 million) as disclosed in note 2(ii) of the financial statements. Approximately 85% of the customers are now on smart meters and for this population live meter readings are available as at year-end, significantly reducing the level of estimation required compared to previous years as no judgement is required for the smart meter population of unbilled units. However, the remaining 15% of the balance relates to the unbilled revenue accrual for non-smart meters. This is based on a model which uses historical customer and tariff data and uses automated calculations to generate the respective balance. There is judgement required by management when determining what historical data is appropriate to use to reflect unit usage and cost in the unbilled period. We therefore pinpointed the significant risk in relation to revenue recognition to accrued revenue in relation to unbilled units for non-smart meters which also represents the element of revenue with a potential for fraud.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

How the scope of our audit responded to the key audit matter	We have assessed the design and implementation of key controls relating to the unbilled units process. We engaged our data analytics specialists to build a model to estimate the unbilled units' accrual, which approximates the model used by Jersey Electricity plc. The historical data used in the model such as billed units data and tariff information was tested for completeness and accuracy through agreement to billing records and historical tariff data. We also assessed whether the historical data appropriately reflected consumption in the unbilled period and challenged the judgements applied by management, for example through assessing management's consideration around seasonality adjustments and any significant changes in the customer base or the nature of properties.
Key observations	As a result of our audit procedures we concluded that the assumptions in the revenue accrual were reasonable and that the amount recognised in revenue and trade debtors at the reporting date was appropriate and in accordance with the requirements of IAS 18.

Discount rate assumption in the defined benefit pension scheme

Key audit matter description	The group has a gross retirement benefit surplus at the year-end of £4.75m (2017: deficit of £4.2m). There is inherent uncertainty over the assumptions used by actuaries in assessing the present value of scheme liabilities due to those assumptions being long-term. We identified the most significant assumption and key audit matter to be the discount rate used of 2.9% (2017: 2.7%), as is disclosed in note 2(i) and note 17 in the financial statements. The assumption applied in determining the pension balances is subject to significant judgement and has the ability to materially affect the current surplus recognised on the balance sheet.
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation of key controls relating to the review of the assumptions used by management in determining the value of the scheme's obligations. We have assessed the independence, objectivity and qualifications of the expert which management engaged to support them in determining the pension assumption, balances and related disclosures. We have reviewed and challenged the discount rate used by the expert and approved by management, against independent data and consulted with our own internal experts to benchmark and rationalise the assumption.
Key observations	As a result of our audit procedures, we concluded that the discount rate used was reasonable.

Our application of materiality

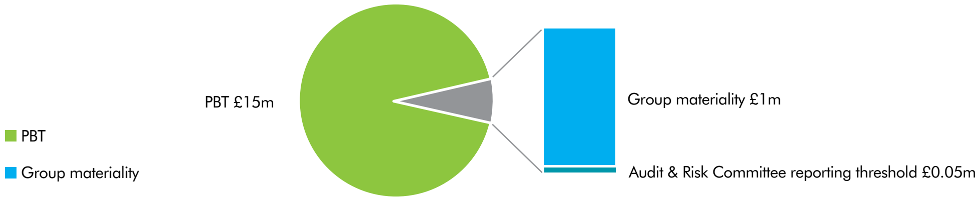
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£1,000,000 (2017: £1,000,000)
Basis for determining materiality	Approximately 7.5% of pre-tax profit (2017: 7.5% of pre-tax profit).
Rationale for the benchmark applied	Given that JEC is a trading group, we have considered profit before tax to be the most suitable benchmark to use, as it is the main driver of the key performance indicators used by investors.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc



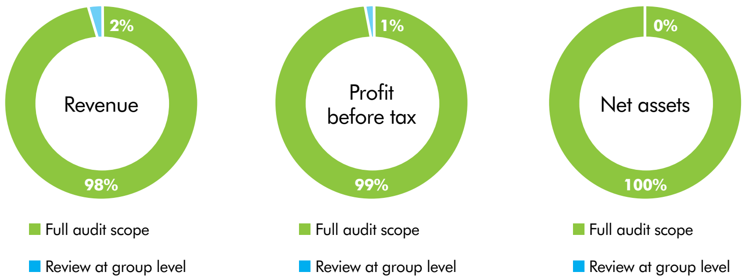
We agreed with the Committee that we would report to them all audit differences in excess of £50,000 (2017: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when 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.

Jersey Electricity plc as a stand-alone entity contributes approximately 98% of the revenue and 99% of profit before tax presented within the Consolidated Income Statement and a similar proportion of the net assets presented on the Consolidated Balance Sheet.

At the group level, we also tested the consolidation process and carried out analytical procedures to conclude that there were no significant risks of material misstatement of the financial information of the parent company's subsidiary, Jersey Deep Freeze Limited, and the parent company's joint arrangement, Channel Islands Electricity Grid Limited, which were not subject to a separate audit.



Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the Audit and Risk Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

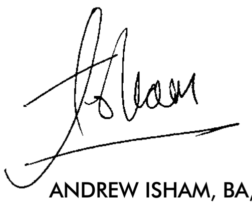
Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:

- 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.

Use of our report

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



ANDREW ISHAM, BA, FCA
for and on behalf of
Deloitte LLP
Recognised Auditor
St Helier, Jersey
13 December 2018

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Revenue	3	**105,874**	102,085
Cost of sales		**(65,110)**	(63,023)
Gross profit		**40,764**	39,062
Revaluation of investment properties	11	**310**	40
Operating expenses	4	**(24,380)**	(24,379)
Group operating profit	3	**16,694**	14,723
Finance income		**28**	3
Finance costs		**(1,377)**	(1,268)
Profit from operations before taxation		**15,345**	13,458
Taxation	7	**(3,152)**	(2,834)
Profit from operations after taxation		**12,193**	10,624
Attributable to:			
Owners of the Company		**12,115**	10,599
Non-controlling interests	19	**78**	25
		12,193	10,624
Earnings per share			
- basic and diluted	9	**39.54p**	34.59p

A presentational change to the 2017 figures has arisen as a result of elements previously embedded within cost of sales (£163,000) and finance costs (£72,000) being reclassified and shown in revenue. There has been no impact on profit.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Profit for the year		**12,193**	10,624
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit scheme	17	**10,166**	8,859
Income tax relating to items not reclassified	7	**(2,033)**	(1,772)
		8,133	7,087
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedges	22	**(4,261)**	(1,673)
Income tax relating to items that may be reclassified	7	**852**	335
		(3,409)	(1,338)
Total comprehensive income for the year		**16,917**	16,373
Attributable to:			
Owners of the Company		**16,839**	16,348
Non-controlling interests		**78**	25
		16,917	16,373

All results in the year have been derived from continuing operations.
The notes on pages 65 to 88 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 30 September 2018

	Note	2018 £000	2017 £000
Non-current assets			
Intangible assets	10	**938**	1,110
Property, plant and equipment	11	**215,153**	211,921
Investment properties	11	**20,460**	20,150
Trade and other receivables	14	**501**	592
Retirement benefit surplus	17	**4,751**	-
Derivative financial instruments	22	**682**	2,790
Investments	12	**5**	5
Total non-current assets		**242,490**	236,568
Current assets			
Inventories	13	**7,092**	6,825
Trade and other receivables	14	**15,202**	15,782
Derivative financial instruments	22	**2,338**	4,454
Cash and cash equivalents		**15,735**	8,076
Total current assets		**40,367**	35,137
Total assets		**282,357**	271,705
Liabilities			
Trade and other payables	15	**15,284**	15,885
Current tax liabilities	7	**2,299**	1,034
Derivative financial instruments	22	**120**	-
Total current liabilities		**17,703**	16,919
Net current assets		**22,664**	18,218
Non-current liabilities			
Trade and other payables	15	**20,348**	20,177
Retirement benefit deficit	17	**-**	4,219
Derivative financial instruments	22	**89**	172
Financial liabilities - preference shares	18	**235**	235
Borrowings	16	**30,000**	30,000
Deferred tax liabilities	7	**25,753**	23,719
Total non-current liabilities		**76,425**	78,522
Total liabilities		**94,128**	95,441
Net assets		**188,729**	176,264
Equity			
Share capital	18	**1,532**	1,532
Revaluation reserve		**5,270**	5,270
ESOP reserve		**(41)**	(84)
Other reserves		**2,249**	5,658
Retained earnings		**179,666**	163,862
Equity attributable to the owners of the Company		**188,676**	176,238
Non-controlling interests	19	**53**	26
Total equity		**188,729**	176,264

Approved by the Board on 13 December 2018

G.J. GRIME
Director

M.P. MAGEE
Director

The notes on pages 65 to 88 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2018

	Note	Share capital £000	Revaluation reserve £000	ESOP reserve £000	*Other reserves £000	Retained earnings £000	Total £000
At 1 October 2017		1,532	5,270	(84)	5,658	163,862	176,238
Total recognised income and expense for the year		-	-	-	-	12,115	12,115
Funding of employee share option scheme		-	-	(9)	-	-	(9)
Amortisation of employee share scheme		-	-	52	-	-	52
Unrealised loss on hedges (net of tax)		-	-	-	(3,409)	-	(3,409)
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	8,133	8,133
Equity dividends	8	-	-	-	-	(4,444)	(4,444)
At 30 September 2018		**1,532**	**5,270**	**(41)**	**2,249**	**179,666**	**188,676**
At 1 October 2016		1,532	5,270	(155)	6,878	150,523	164,048
Total recognised income and expense for the year		-	-	-	-	10,599	10,599
Funding of employee share option scheme		-	-	(2)	-	-	(2)
Amortisation of employee share scheme		-	-	73	-	-	73
Unrealised loss on hedges (net of tax)		-	-	-	(1,338)	-	(1,338)
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	7,087	7,087
Adjustment to reserves		-	-	-	118	(118)	-
Equity dividends	8	-	-	-	-	(4,229)	(4,229)
At 30 September 2017		**1,532**	**5,270**	**(84)**	**5,658**	**163,862**	**176,238**

*'Other reserves' represents the foreign currency hedging reserve.

The notes on pages 65 to 88 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 September 2018

	2018 £000	2017 £000
Cash flows from operating activities		
Operating profit	16,694	14,723
Depreciation and amortisation charges	11,242	10,695
Share-based reward charges	52	73
Gain on revaluation of investment property	(310)	(40)
Pension operating charge less contributions paid	1,196	1,607
Profit on sale of fixed assets	(1)	(4)
Operating cash flows before movement in working capital	28,873	27,054
Working capital adjustments:		
Increase in inventories	(267)	(863)
Decrease in trade and other receivables	671	892
Increase in trade and other payables	125	1,230
Net movement in working capital	529	1,259
Interest paid	(1,368)	(1,250)
Capitalised interest paid	-	(172)
Preference dividends paid	(9)	(9)
Income taxes paid	(1,045)	(421)
Net cash flows from operating activities	26,980	26,461
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,705)	(14,252)
Investment in intangible assets	(168)	(836)
Net proceeds from disposal of fixed assets	1	4
Net cash flows used in investing activities	(14,872)	(15,084)
Cash flows from financing activities		
Equity dividends paid	(4,444)	(4,229)
Dividends paid to non-controlling interest	(51)	(59)
Deposit interest received	28	3
Proceeds from borrowings	-	18,000
Repayment of borrowings	-	(18,943)
Net cash flows used in financing activities	(4,467)	(5,228)
Net increase in cash and cash equivalents	7,641	6,149
Cash and cash equivalents at beginning of year	8,076	1,925
Effect of foreign exchange rate changes	18	2
Cash and cash equivalents at end of year	15,735	8,076

A presentational change to the 2017 figures has arisen as a result of elements previously embedded within cost of sales and finance costs being reclassified and shown in revenue. There has been no impact on profit.

IAS 7 ' Statement of Cash Flows' requires the explanation of both cash and non-cash movements in assets and liabilities relating to financing activities. Note 16 shows there have been no movements in borrowings during the year. Therefore no additional disclosure has been applied.

The notes on pages 65 to 88 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2018 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 2018 comprises the Company and its subsidiary.

The subsidiary is an entity 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 37 to 41). In addition, note 22 to the financial statements includes 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 41.

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. Revenue excludes the goods and services tax levied on our customers.

i) 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. For the majority of customers who are on smart meters this is between the date of the last meter reading and the balance sheet date, using historical consumption patterns. For customers on traditional meters this is between the last billing date and the balance sheet date, again using historical consumption patterns.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

Revenue continued

ii) Retail

Revenue resulting from the sales of goods within our retail business is recognised on sale to the customer, as this is the point at which the company recognises the transfer of risks and rewards.

iii) Building Services

Revenue within JEBS, our contracting and building services business, is recognised as the service is provided, on a stage of completion basis according to expected profit margins on a project by project basis.

iv) Property

Rental income is accrued on a time basis by reference to the agreements entered.

v) Other

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

Taxation

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

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

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

Intangible assets

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

Property, plant and equipment

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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

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

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 estimates 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.

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 properties are stated at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment properties 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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

Inventories

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

Financial instruments

Cash and cash equivalents

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

Short-term investments

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

Trade and other receivables

Trade receivables are initially recognised at invoice value and do not carry any interest and are reduced by appropriate allowances for estimated irrecoverable amounts.

Trade and other payables

Trade and other 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.

Long-term borrowings

Loans that have fixed or determinable payments that are not quoted in an active market are classified as 'long-term 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 occurred.

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 Consolidated Financial Statements

for the year ended 30 September 2018

Retirement benefits

The Company 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 disclosures 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:

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

IAS 12 *Income Taxes*, which is effective for annual periods beginning on or after 1 January 2017

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 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018 including Amendments to IFRS 9: *Prepayment Features with Negative Compensation*

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

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 1 and IAS 28, which is effective for annual periods beginning on or after 1 January 2018

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, which is effective for annual periods beginning on or after 1 January 2018

Amendments to IAS 40: Transfers of Investment Property, which is effective for annual periods beginning on or after 1 January 2018

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

IFRS 17 *Insurance Contracts*, supersedes IFRS 4 Insurance Contracts as of 1 January 2021

IFRIC 23 Uncertainty over Income Tax Treatments, which is effective for annual periods beginning on or after 1 January 2019

Jersey Electricity plc is not permitted to adopt a standard until it has been adopted by the EU. The following changes to Standards and Interpretations that are considered to be most relevant to the Group:

IFRS 9 'Financial instruments' was endorsed by the European Union (EU) and has been effective from 1 January 2018 (1 October 2018 for the Group) and replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The impact of adopting this standard does not materially change the amounts recognised in relation to existing Euro forward currency hedging arrangements employed by the Group but does simplify the requirements for measuring hedge effectiveness, and thus the eligibility conditions for hedge accounting. The Group's review of the IFRS 9 hedge accounting model concluded that whilst adoption would not change the treatment of existing hedging arrangements, the changes made would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 appropriately reflects our risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. This policy choice will be periodically reviewed to consider any changes in our risk management activities. Upon adoption of IFRS 9, the Group intends to apply the exemption from the requirement to restate comparative information about classification and measurement, including impairment.

IFRS 15 'Revenue from contracts with customers' was endorsed by the EU and effective from 1 January 2018 (1 October 2018 to the Group) and replaces IAS 11 'Construction contracts', IAS 18 'Revenue', IFRIC 18 'Transfers of Assets from Customers' and a number of other revenue related interpretations previously adopted by the Group. The core principle of IFRS 15 is that an entity recognises revenue that reflects the expected consideration for goods or services provided to a customer under contract, over the performance obligations they are provided, especially where bundled services are provided. Due to the nature of our revenue generating transactions with customers, it is not expected that this will result in any material changes to revenue or profits of the Group.
IFRS 16 'Leases' has been endorsed by the EU and will be effective from 1 January 2019 (1 October 2019 to the Group) and replaces IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It is anticipated that where the Group is currently lessee, around £4.0m of additional "Right of Use" assets will be capitalised with a corresponding lease liability. The amortisation of the lease liability through the income statement is expected to be similar to the current rent charges and thus there is expected to be no material impact to profit.

2 Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are monitored on an ongoing basis. Changes to accounting estimates are recognised in the period in which an estimate is revised if the modification affects only that period (or also in future periods if applicable).

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

i Hedge accounting

The Group utilises currency derivatives to hedge a proportion of its future purchases of electricity from France which currently extend to the next three calendar years as well as for any foreign currency denominated capital contracts. Judgement is applied in establishing the quantum of these future foreign exchange commitments as the volume and price of imported electricity vary annually. All such currency derivatives are fair valued, based on market values of equivalent instruments at balance sheet date.

ii Decommissioning

A judgement has been made that the Company does not meet the recognition criteria (set out in IAS 37 Provisions) as 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.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation and uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

i Retirement benefit obligations

The Group provides pensions through a defined benefits scheme for a number of its employees which is accounted for in accordance with IAS 19 'Employee Benefits'. The benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. The discount rate used in 2018 was 2.9% and in 2017 was 2.7%. If the discount rate applied to the liabilities had been either 0.5% higher or lower than the 2.9% applied for 2018, the net surplus of £3.8m would have risen to around £12m, or moved to a deficit of £6m, respectively.

ii Revenue

The assessment of energy sales to customers is based on meter readings, which are carried out on a systematic basis throughout the year. Revenue for energy supply includes an estimated assessment of electricity supplied to customers between the date of the last meter reading, using historical consumption patterns. Unbilled revenues included within trade and other receivables in the balance sheet relating to such customers at 30 September 2018 amounted to £5.0m (2017: £5.1m). If the unbilled estimate at the year-end was misstated by 10% then profits would be impacted by around £0.5m.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

3 Business segments

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

	2018 External £000	2018 Internal £000	2018 Total £000	2017 External £000	2017 Internal £000	2017 Total £000
Revenue						
Energy	82,332	133	82,465	80,408	143	80,551
Building Services	4,823	876	5,699	3,976	915	4,891
Retail	13,571	56	13,627	12,888	37	12,925
Property	2,277	604	2,881	2,187	599	2,786
Other*	2,871	909	3,780	2,626	1,324	3,950
	105,874	2,578	108,452	102,085	3,018	105,103
Intergroup elimination			(2,578)			(3,018)
Revenue			105,874			102,085
Operating profit						
Energy			13,418			11,651
Building Services			(245)			131
Retail			812			731
Property			1,813			1,645
Other			586			525
			16,384			14,683
Revaluation of investment properties			310			40
Operating profit			16,694			14,723
Finance income			28			3
Finance costs			(1,377)			(1,268)
Profit from operations before taxation			15,345			13,458
Taxation			(3,152)			(2,834)
Profit from operations after taxation			12,193			10,624
Attributable to:						
Owners of the Company			12,115			10,599
Non-controlling interests			78			25
			12,193			10,624

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

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

A presentational change to the 2017 figures has arisen as a result of elements previously embedded within cost of sales (£163,000) and finance costs (72,000) being reclassified and shown in revenue. There has been no impact on profit.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

4 Operating expenses

	2018 £000	2017 £000
Distribution costs	11,862	12,222
Administration expenses	12,518	12,157
	24,380	24,379

5 Directors and employees

Detailed information in respect of Directors' shareholdings and emoluments, pensions and benefits is given in the Remuneration Committee 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:

	2018 Number	2017 Number
Energy	186	201
Other businesses	102	116
Trainees	14	9
	302	326

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	17,456	17,422
Social security costs	913	923
Pension (note 17)**	3,012	3,526
	21,381	21,871
Capitalised manpower costs*	(2,321)	(1,946)
	19,060	19,925

* Capitalised manpower costs are included in note 11 under categories 'Mains cables and services', 'Fixtures, fittings, computer equipment and vehicles' and 'Interlinks'.
** The pension costs above relate to the defined benefit pension scheme. The contributions recognised as an expense relating to the defined contribution scheme are included within wages and salaries and amount to £259,000 (2017: £181,000).

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

6 Group operating profit

Operating profit is after charging/(crediting):

	2018 £000	2017 £000
Fees payable to Group auditors		
Auditor's remuneration for audit services	90	94
Auditor's remuneration for non-audit services	5	4
Other operating charges		
Operating lease charges	254	231
Depreciation of property, plant and equipment	10,902	10,501
Amortisation of intangible assets	340	194
Maintenance and repairs	1,986	2,768
Legal and professional	146	126
Bad debt write-offs	30	1
Movement in bad debt provisions	19	(23)

7 Taxation

	2018 £000	2017 £000
Current tax:		
Jersey Income Tax - ordinary activities	2,299	1,043
- adjustments in respect of prior periods	-	(9)
Total current tax	2,299	1,034
Deferred tax:		
Used losses	-	406
Current year	853	1,394
Total tax on profit on ordinary activities	3,152	2,834

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:

	2018 £000	2017 £000
Profit from ordinary activities before tax	15,345	13,458
Tax on profit on ordinary activities at standard income tax rate of 20% (2017: 20%)	3,069	2,692
Effects of:		
Adjustments in respect of prior periods	-	(9)
Expenses not deductible for tax purposes	7	8
Income not taxable for tax purposes	(197)	(137)
Non-qualifying depreciation	273	280
Group current tax charge for year	3,152	2,834

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

7 Taxation (continued)

Deferred Tax

The following outlines the major deferred tax assets/liabilities recognised by the Group and Company:

Group and Company	2018 £000	2017 £000
Accelerated capital allowances	24,240	23,149
Derivative financial instruments	563	1,414
Pensions	950	(844)
Provisions for deferred tax	25,753	23,719

Deferred tax movements in the year

Group and Company	2018 £000	2017 £000
At 1 October	23,719	20,482
Charged to profit and loss account	853	1,800
Charged to statement of comprehensive income	1,181	1,437
At 30 September	25,753	23,719

The Company is taxed solely in Jersey as it has no legal presence in any other jurisdiction. The applicable rate of income tax for utility companies in Jersey is 20%, whilst the applicable rate for companies in general, such as Jersey Deep Freeze Limited is 0%. There are no current indications, political or otherwise, that these rates are expected to change in the foreseeable future. The effective tax rate on pre-tax profits is 21% (2017: 21%) due to the manner in which capital allowances are applied in place of depreciation expenses which are included in the pre-tax profit figure. As the tax liability rests with the States of Jersey, the right to offset assets and liabilities allows the balance sheet to show the net deferred tax liability position.

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2018 pence	2017 pence	2018 £000	2017 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	8.4	8.0	2,575	2,451
	interim for current year	6.1	5.8	1,869	1,777
		14.5	13.8	4,444	4,228
Dividend proposed	final for current year	8.8	8.4	2,696	2,574

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 Limited are disclosed in note 19.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 39.54p (2017: 34.59p) are calculated on the Group profit, after taxation, of £12,115,000 (2017: £10,599,000), and on the 30,640,000 (2017: 30,640,000) Ordinary and 'A' Ordinary shares in issue during the financial year and at 30 September 2018. There are no share options in issue nor any changes to the employee share option scheme and therefore there is no difference between basic and diluted earnings per share.

10 Intangible assets

	Computer Software £000
Cost as at 1 October 2017	1,398
Additions	168
At 30 September 2018	1,566
Amortisation	
At 1 October 2017	288
Charge for the year	340
At 30 September 2018	628
Net book value	
At 30 September 2018	938

	Computer Software £000
Cost as at 1 October 2016	397
Additions	836
Reclassification	306
Disposals	(141)
At 30 September 2017	1,398
Amortisation	
At 1 October 2016	235
Charge for year	194
Disposals	(141)
At 30 September 2017	288
Net book value	
At 30 September 2017	1,110

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

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

11 Property, plant, equipment and investment properties

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Mains cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2017	25,141	17,048	105,630	85,684	19,746	97,109	350,358	20,150
Expenditure	-	-	5,406	5,685	2,940	109	14,140	-
Reclassification**	5,857	-	(5,857)	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	310
Disposals/write offs	-	-	(6)	-	(672)	-	(678)	-
At 30 September 2018	30,998	17,048	105,173	91,369	22,014	97,218	363,820	20,460
Depreciation								
At 1 October 2017	9,030	6,565	59,585	29,773	10,333	23,151	138,437	-
Charge for the year	538	369	2,659	1,957	1,544	3,835	10,902	-
Disposals	-	-	-	-	(672)	-	(672)	-
At 30 September 2018	9,568	6,934	62,244	31,730	11,205	26,986	148,667	-
Net book value at 30 September 2018	21,430	10,114	42,929	59,639	10,809	70,232	215,153	20,460

**Items reclassified relate to Land and Buildings elements of the new West of St Helier Substation. There was no depreciation charge against these during the year as the assets were under construction.

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Mains cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2016	24,904	16,952	101,444	81,927	20,292	96,321	341,840	20,110
Expenditure	260	238	4,983	3,757	2,140	2,189	13,567	-
Reclassification to intangible assets	-	-	-	-	(306)	-	(306)	-
Revaluation	-	-	-	-	-	-	-	40
Disposals/write offs	(23)	(142)	(797)	-	(2,380)	(1,401)	(4,743)	-
At 30 September 2017	25,141	17,048	105,630	85,684	19,746	97,109	350,358	20,150
Depreciation								
At 1 October 2016	8,522	6,339	57,746	27,909	11,025	21,131	132,672	-
Charge for the year	531	368	2,636	1,864	1,681	3,421	10,501	-
Disposals/write offs	(23)	(142)	(797)	-	(2,373)	(1,401)	(4,736)	-
At 30 September 2017	9,030	6,565	59,585	29,773	10,333	23,151	138,437	-
Net book value at 30 September 2017	16,111	10,483	46,045	55,911	9,413	73,958	211,921	20,150

***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 Consolidated Financial Statements

for the year ended 30 September 2018

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 2018 by qualified independent valuers Sarre and Company who have extensive experience in Jersey property market valuation.
Such properties are not depreciated in accordance with IAS 40. The rental income arising from the properties during the year was £1,428k (2017: £1,396k), with maintenance and repair costs of £76k (2017: £119k). Under the terms of the lease arrangements with residential tenants, the Company is obliged to keep the rented premises in a good state of condition and repair. The Company is obliged to keep the Medical Centre wind and water tight and structurally sound, whilst no obligations exist to the Company with regards to the B&Q lease which is fully repairing.

c The Group figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £39k (2017: £42k) at cost and a depreciated value of £3k (2017: £12k).

d The gross carrying amount of tangible assets at net book value of zero at 30 September 2018 was £55.4m (2017: £49.5m).

e £12.8m (2017: £2.9m) for St Helier Primary is classified in interlinks and plant respectively and are assets under construction. During this financial year no interest was capitalised (2017: £172k at an average rate on borrowing of 4.42%).

12 Other investments

	2018 £000	2017 £000
Joint arrangement	5	5

Principal group investments

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

	Country of incorporation or principal business address	Principal activity	Shareholding	% Holding	Financial Year End
Joint arrangement:					
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

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 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'. CIEG has a reporting period end of 30 November based on the Company inception date.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

12 Other investments (continued)

Jersey Deep Freeze Limited

The Company owns 51% (2017: 51%) 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, as the Group is considered to exert control under IFRS 10. Jersey Deep Freeze Limited has an historical reporting period end of 31 January which remains unchanged.

13 Inventories

The amounts attributed to the different categories are as follows:

	2018 £000	2017 £000
Fuel oil	3,800	3,943
Commercial stocks and work in progress	2,486	2,301
Generation, distribution spares and sundry	806	581
	7,092	6,825

During the year £11.8m (2017: £11.3m) was recognised directly in cost of sales in respect of inventories sold or used in operations or production.

14 Trade and other receivables

	2018 £000	2017 £000
Amounts receivable within one year:		
Trade receivables (includes unbilled units)	13,601	13,965
Prepayments and other receivables	1,601	1,817
	15,202	15,782
Amounts receivable after more than one year:		
Secured loan accounts	501	592

The secured loans include loans to Directors and to a shareholder in the subsidiary Jersey Deep Freeze Limited. See the Remuneration Committee 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 Consolidated Financial Statements

for the year ended 30 September 2018

15 Trade and other payables

	2018 £000	2017 £000
Amounts falling due within one year:		
Trade payables	1,405	1,601
Other payables including taxation and social security	6,991	7,510
Accruals and deferred income	6,888	6,774
	15,284	15,885
Amounts falling due after more than one year:		
Accruals	246	328
Deferred income	20,102	19,849
	20,348	20,177

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

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%

This facility includes externally imposed capital requirements. The financial covernants require a net debt to regulated asset value ratio not greater than 0.5% and an EBITDA to borrowings cost ratio not less than 4%.

	2018 £000	2017 £000
Unsecured borrowing at amortised cost		
Loan obtained from private placement	30,000	30,000

In addition the above borrowings are supplemented by an unsecured 5 year revolving credit facility (RCF) 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 the RCF was further reduced during the year from £15m to £10m in March 2018.

This facility bears the same externally imposed capital requirements as detailed above. The existing RCF expires in May 2019. Discussions are underway to replace this. A one year £2m overdraft facility also exists with RBSI.

The fair value of borrowings is considered by the Directors to be equivalent to its carrying value.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

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 52% of the liabilities are attributable to current employees, 12% to former employees and 36% 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 18 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 2018

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 Consolidated Financial Statements

for the year ended 30 September 2018

17 Pensions (continued)

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under IAS 19 are set out below:

Main financial assumptions:	**2018 % pa**	2017 % pa
Inflation	**3.5**	3.5
Rate of general increase in salaries		
- short term (year 1)	**4.2**	3.5
- long term (year 2 onwards)	**4.5**	4.5
Pension increases in payment	**-**	-
Pension increases in payment for pensions purchased with AVCs	**3.5**	3.5
Discount rate for scheme liabilities	**2.9**	2.7

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

	30 September 2018	30 September 2017
Post-retirement mortality assumption - base table	**SAPS 'S2' tables with CMI 2015 improvements to the calculations date with suitable scaling factors applied**	SAPS 'S2' tables with CMI 2015 improvements to the calculations 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 2015 core projections with long-term improvement rate of 1.25% p.a. for men and women
Life expectancy for male currently aged 60	**28.0**	27.9
Life expectancy for female currently aged 60	**30.1**	30.0
Life expectancy at 60 for male currently aged 40	**29.9**	29.8
Life expectancy at 60 for female currently aged 40	**32.1**	32.0
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:

	Value at 30 September 2018 £000	Value at 30 September 2017 £000
LDI/UK Gilts	**26,622**	33,155
Equities	**50,449**	43,512
Diversified Growth Funds	**58,914**	52,612
Cash and Commitments	**178**	(23)
	136,163	129,256

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

17 Pensions (continued)

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

Reconciliation of funded status to balance sheet:	2018 £000	2017 £000
Fair value of Scheme assets	136,163	129,256
Present value of funded defined benefit obligations	(131,412)	(133,475)
Funded Status and asset/(liability) recognised on the balance sheet	4,751	(4,219)
Related deferred tax (liability)/asset	(950)	844
Net pension asset/(liability)	3,801	(3,375)

Breakdown of amounts recognised in profit and loss and other comprehensive income	2018 £000	2017 £000
Operating cost		
Service costs:		
Current service cost	2,698	3,082
Administration expenses	221	200
Financing cost		
Interest on net defined benefit liability	93	244
Total pension expense recognised in profit and loss	3,012	3,526
Remeasurements in OCI:		
Return on plan assets in excess of that recognised in net interest	(5,907)	(1,300)
Actuarial gains due to changes in financial assumptions	(4,274)	(7,611)
Actuarial losses due to liability experience	15	52
Total gains recognised in OCI	(10,166)	(8,859)
Total credit recognised in profit and loss and OCI	(7,154)	(5,333)

Changes to the present value of the defined benefit obligation during the year	2018 £000	2017 £000
Opening defined benefit obligation	133,475	139,224
Current service cost	2,698	3,082
Interest expense on scheme liabilities	3,552	3,154
Contributions by scheme participants	527	566
Actuarial gains on scheme liabilities arising from changes in financial assumptions	(4,274)	(7,611)
Actuarial losses on scheme liabilities arising from experience	15	52
Net benefits paid out	(4,581)	(4,992)
Closing defined benefit obligation	131,412	133,475

Changes to the fair value of Scheme assets during the year	2018 £000	2017 £000
Opening fair value of Scheme assets	129,256	127,753
Interest income on Scheme assets	3,459	2,910
Remeasurement gains on scheme assets	5,907	1,300
Contributions by the employer	1,816	1,919
Contributions by scheme participants	527	566
Net benefits paid out	(4,581)	(4,992)
Administration costs incurred	(221)	(200)
Closing fair value of scheme assets	136,163	129,256

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

17 Pensions (continued)

Actual return on scheme assets	2018 £000	2017 £000
Interest income on scheme assets	3,459	2,910
Remeasurement gain on scheme assets	5,907	1,300
Actual return on scheme assets	9,366	4,210

Analysis of amounts recognised in comprehensive income (SoCI)	2018 £000	2017 £000
Total remeasurement gains in other comprehensive income	10,166	8,859

Estimated profit and loss charge 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 £9.0m for next year.

Analysis of amount charged to income statement	For year ending 30 September 2019 £000
Current service cost	2,704
Administration expenses	221
Net interest on net defined benefit liability	(162)
Total estimated pension expense	2,763

The estimated net interest on net defined benefit liabilities of £162k shown above is made up of:

- Interest income on defined benefit obligation of £3,918k; less
- Interest expense on scheme assets of £3,756k.

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

Discount rate sensitivity

To show sensitivity of the results to the discount rate, we have set out below the balance sheet and profit and loss impact of adopting a discount rate of 0.5% p.a. higher and lower than the current assumption, which is considered to be a reasonable approximation of a potential change in the assumptions. The discount rate is considered to be the key assumption and accordingly a sensitivity analysis has only been presented for this assumption.

Main financial assumptions at 30 September 2018	Discount rate 0.5% p.a. higher % p.a.	Discount rate 0.5% p.a. lower % p.a.
Inflation	3.5	3.5
Rate of general increase in salaries		
– short term (year 1)	4.2	4.2
– long term (year 2 onwards)	4.5	4.5
Pension increases in payment	-	-
Pension increases in payment for pensions purchased with AVCs	3.5	3.5
Discount rate for scheme liabilities	3.4	2.4

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

17 Pensions (continued)

Reconciliation of funded status to balance sheet	Value at 30 September 2018 (£k) Discount rate 3.4% p.a.	Discount rate 2.4% p.a.
Fair value of scheme assets	136,163	136,163
Present value of funded defined benefit obligations	(120,891)	(143,422)
Funded status - surplus/(deficit)	15,272	(7,259)
Adjustments due to the limit in para 64	-	-
Asset/(liability) recognised on the balance sheet	15,272	(7,259)

Expected charge to profit and loss account	Value at 30 September 2019 (£k) Discount rate 3.4% p.a.	Discount rate 2.4% p.a.
Service cost	2,391	3,065
Total administration expenses	221	221
Interest on the net defined benefit liability/(asset)	(548)	154
Expense recognised in profit and loss	2,064	3,440

18 Called up share capital

	Authorised 2018 £000	**Issued and fully paid 2018 £000**	Authorised 2017 £000	Issued and fully paid 2017 £000
'A' Ordinary shares 5p each (2017: 5p each)	**1,250**	**582**	1,250	582
Ordinary shares 5p each (2017: 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 2018 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 (2017: £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. As at 30 September 2018, 51,100 shares have been awarded to employees who met the three year vesting period requirements. The Trust currently holds 25,500 shares for the remaining active scheme. 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	**2018 £000**	2017 £000
At 1 October	**26**	60
Share of profit on ordinary activities after taxation	**78**	25
Dividends paid	**(51)**	(59)
At 30 September	**53**	26

Notes to the Consolidated Financial Statements

for the year ended 30 September 2018

20 Financial commitments

	2018 £000	2017 £000
a Five year capital expenditure approved by the directors:		
Contracted*	4,315	8,088
Not contracted**	60,461	66,066
	64,776	74,154
b Future minimum lease payments under non-cancellable operating leases are as follows:		
Lease payments under operating leases recognised as an expense in the year	254	246
Payable within one year	246	245
After one year but within five years	782	831
After five years	12,659	12,771
	13,687	13,847

*Of the contracted spend, £2.8m (2017: £7.5m) relates to St Helier West Primary. The remainder is for the acquisition, or construction of Energy assets or maintenance and repairs.

**Although this sum is approved it is still subject to formal business cases being reviewed in due course.

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:

	2018 £000	2017 £000
Less than one year	1,766	1,738
Greater than one year and less than five years	4,123	5,051
More than five years	567	1,275
	6,456	8,064

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 2018, taking into account the effect of forward contracts placed to manage such exposures, was £2.2m (2017: £2.2m) 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); and

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 Consolidated Financial Statements

for the year ended 30 September 2018

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

Foreign exchange risk

The Group utilises currency derivatives to hedge the payment of a proportion 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	2018 £000	2017 £000
Less than one year - operational expenditure	35,625	30,381
Less than one year - capital expenditure	-	1,541
Greater than one year and less than three years	44,532	47,552
	80,157	79,474

At 30 September 2018, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £2.8m over the next three years (2017: £7.1m asset). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to an asset of £2.8m (2017: £7.1m asset) and these amounts have 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 (2017: £nil). In the current period amounts of £4.3m were credited (2017: £1.6m) to equity and £4.3m credit (2017: £2.6m) 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	2018 £000	2017 £000
Derivative assets		
Less than one year	2,338	4,454
Greater than one year	682	2,790
Derivative liabilities		
Less than one year	(120)	-
Greater than one year	(89)	(172)
Total net assets	2,811	7,072

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 2018, the import prices, but not volumes, have been substantially fixed for 2019. 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. During 2017 this agreement was extended a further 5 years to 2027. 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 Consolidated Financial Statements

for the year ended 30 September 2018

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 and 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 and other receivables at 30 September 2018 outside the standard 30 day credit terms are as follows:

	2018 £000	2017 £000
Greater than 30 days	213	35
Greater than 60 days	91	15
Greater than 90 days	954	356
	1,258	406

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, moving customers to pay as you go 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 £34.5m (2017: £26.8m).

Capital management

Strong capital management is an integral part of the directors' strategy to achieve the Group's stated objectives. The capital managed by the Group consists of borrowings, cash and cash equivalents and equity of the Group. 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 £10m 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	2018 £000	2017 £000
Less than one year	17,703	16,919
More than one year and less than five years	20,672	24,803
More than five years	30,000	30,000
	68,375	71,722

Borrowing facilities

Following a reduction of £5m to the RCF the Group had undrawn borrowing facilities at 30 September 2018 of £12.0m (2017: £17.0m) 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 if required.

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	2018 £000	2017 £000
Less than 3 months: cash and cash equivalents and short-term investments	15,735	8,076

Interest rate risk

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

Notes to the Consolidated Financial Statements
for the year ended 30 September 2018

23 Ultimate controlling party and 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	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
The States of Jersey and related entities	**9,472**	10,324	**1,831**	1,699	**1,584**	1,606	**766**	596	**-**	11

The States of Jersey is the Company's majority and controlling shareholder. Related entities includes all corporatised entities that remain wholly owned by, or controlled by, the States of Jersey, which are all considered to be related parties. All transactions are undertaken on an arms-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 (2017: £1.1m) and the value of services provided to the plant was £0.4m (2017: £0.4m).

c Remuneration of key management personnel

The remuneration of key management personnel of the Group (which is defined as the Executive and non-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.

	2018 £000	2017 £000
Short-term employee benefits	**589**	664
Post-employment benefits	**148**	147
Non-Executive Director's benefits	**187**	138
	924	949

Five Year Group Summary (unaudited)

Financial Statements	2018	2017	2016	2015	2014
Income Statement (£m)					
Revenue	**105.9**	102.1	103.4	100.5	98.4
Operating profit	**16.7**	14.7	15.9	14.7	6.5
Profit before tax	**15.3**	13.5	14.8	13.2	6.5
Profit before tax (pre-exceptional items)	**15.3**	13.5	13.1	12.4	10.0
Profit after tax	**12.2**	10.6	11.6	10.8	5.0
Dividends paid (£m)	**4.4**	4.2	4.0	3.8	3.6
Balance Sheets (£m)					
Property, plant and equipment	**215.2**	211.9	209.2	187.8	184.8
Net current assets	**22.7**	18.2	9.8	10.4	4.7
Non-current liabilities	**(76.4)**	(78.5)	(81.8)	(71.9)	(64.7)
Net assets	**188.7**	176.3	164.1	147.7	146.1
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**39.5**	34.6	37.7	35.0	16.1
Earnings per ordinary share (pre-exceptional costs) (pence)	**39.5**	34.6	33.3	32.9	24.3
Gross dividend paid per ordinary share (pence)	**18.1**	17.3	16.4	15.6	14.8
Net dividend paid per ordinary share (pence)	**14.5**	13.8	13.1	12.5	11.8
Dividend cover (times)	**2.7**	2.5	2.9	2.8	1.4
Dividend cover (pre-exceptional costs) (times)	**2.7**	2.5	2.5	2.6	2.1
Net debt (£m)	**(14.3)**	(21.9)	(29.0)	(17.5)	(20.2)
Capital expenditure (£m)	**14.3**	14.4	31.6	13.2	39.9
Electricity Statistics					
Units sold (m)	**634**	621	625	627	621
% movement	**2.1%**	-0.6%	-0.3%	0.9%	-6.3%
% of units imported	**94.9%**	92.6%	91.6%	94.0%	80.2%
% of units generated	**0.2%**	1.5%	2.9%	1.4%	14.9%
% of units from Energy from Waste plant	**4.9%**	5.8%	5.5%	4.6%	4.9%
Maximum demand (megawatts)	**178**	154	149	148	139
Number of customers	**50,561**	49,894	49,532	49,320	48,941
Customer minutes lost	**6**	8	24	7	110
Average price per kilowatt hour sold (pence)	**12.9p**	12.9p	12.8p	12.8p	12.7p
Manpower Statistics (full time equivalents)					
Energy	**186**	201	203	201	204
Other	**102**	116	114	106	95
Trainees	**14**	9	10	12	9
Total	**302**	326	327	319	308
Units sold per energy employee (000's)	**3,411**	3,091	3,079	3,118	3,044
Number of customers per energy employee	**272**	248	244	245	240

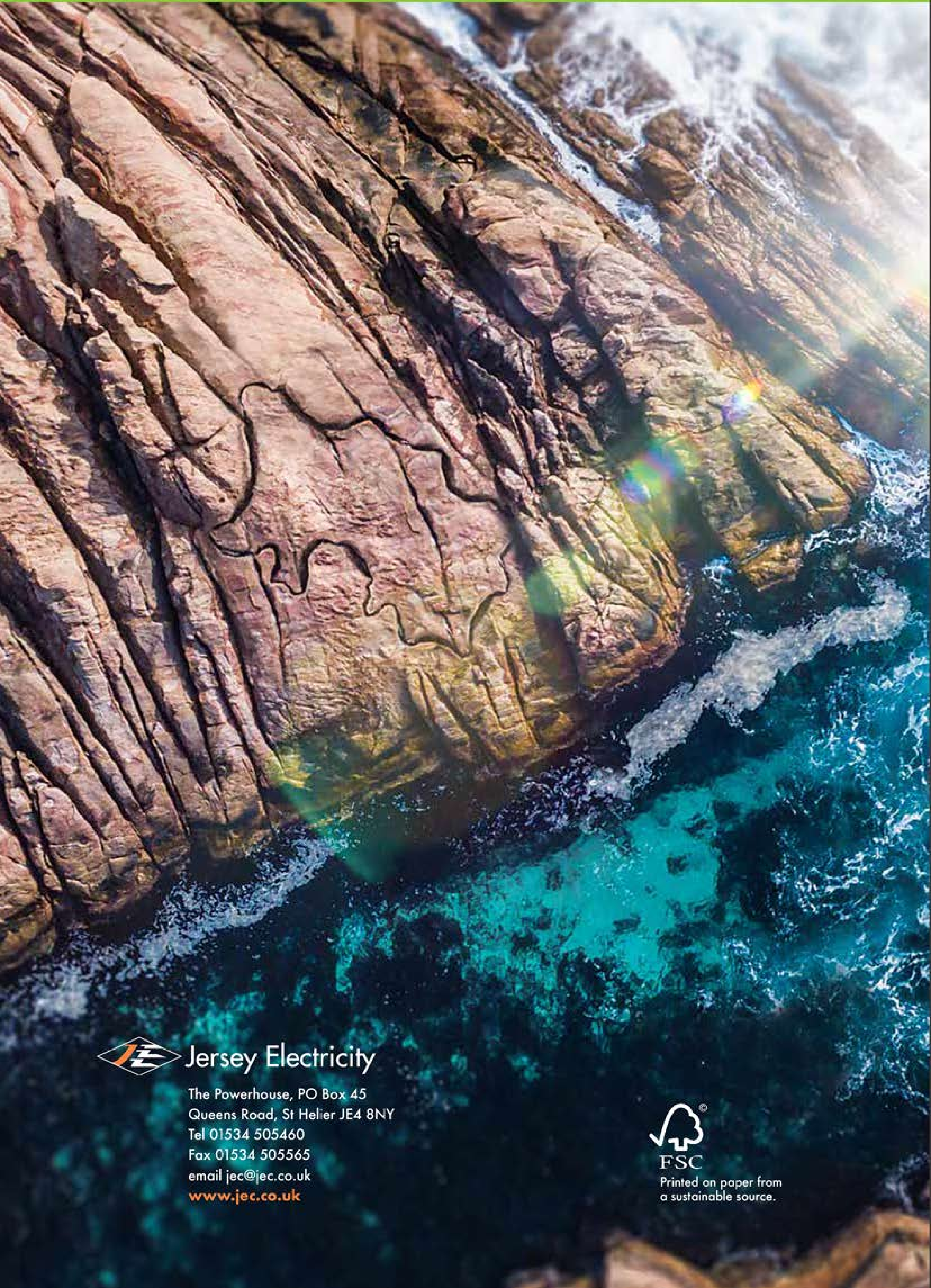
Financial Calendar

2 January 2019	Preference share dividend
22 February 2019	Record date for final dividend
28 February 2019	Annual General Meeting
28 March 2019	Final dividend for year ended 30 September 2018
17 May 2019	Interim Management Statement – six months to 31 March 2019
7 June 2019	Record date for interim Ordinary dividend
28 June 2019	Interim dividend for year ending 30 September 2019
1 July 2019	Preference share dividend
20 December 2019	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 28 February 2019 at 2:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

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



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