DRIVING CHANGE FOR A ZERO-CARBON FUTURE

REPORT AND ACCOUNTS 2020

Jersey Electricity

OUR YEAR

KEY ACHIEVEMENTS 2020

JERSEY ELECTRICITY KPIs	2020	2019
Revenue (£m)	111.7	110.7
Profit before tax (£m)	14.8	14.8
Ordinary dividend paid per share (p)	16.1	15.3
Unit sales of electricity (m)	619	627
Lost time accidents	1	1
Return on energy assets (%)	6.8	6.8
Customer minutes lost	5	6
CO_2 level (gCO_2e/kWh)	24	26
Customer service score	77	78
Employee engagement score	8.3	7.8

Detail on why these items are viewed as key indicators of performance is contained in the relevant sections within the Annual Report.

REVENUES AND PROFITS

- Group revenues up 1% to £111.7m
- Group pre-tax profits maintained at £14.8m
- Powerhouse.je turnover up 17% to £17.8m, profits up 31% to £1.2m

SMARTSWITCH

- £10m Smart Meter roll-out completed
- 4,100 Pay As You Go customers converted
- Pay As You Go online payment portal developed and trialled

PEAK DEMAND

- 141MW recorded on 4 December 2019
- Below last year's 150MW and record 178MW in 2018

CUSTOMER SERVICE

- UK Customer Satisfaction Index score of 77
- Just one point down on last year
- Within top quartile of UK utilities

ENERGY GROWTH AND SOLUTIONS

- 619 million units of electricity sold
- 51,522 customers on supply, an increase of 419
- Over 1,000 customers switched to discounted space and water heating tariffs
- Record number of domestic fuel switches from gas and oil

NEW TRANSFORMERS

- Preparatory works on a £4m project to install a 90/33kV transformer at La Collette completed with delivery in November 2020
- Detailed planning on £4m project for new 90/11kV transformer at Queen's Road commenced

HEALTH AND SAFETY

- One minor RIDDOR Lost Time Accident (LTA)
- Executive Leadership Team (ELT) attended Institute of Safety and Health (IOSH) Leading Safely Course.

SUPPLY SECURITY

- Only five Customer Minutes Lost (CMLs)
- Best performance for 10 years
- 16 times more reliable than UK average

RENEWABLES

- Installed Jersey's first Solar Hub combining 53kWp solar PV array and two 22kW EV charge points
- 25-year lease agreement to install 255kWp array on farm warehouse to generate 270,000 units a year
- 25-year lease agreement to install 553kWp array on Jersey Dairy – largest in Channel Islands – to generate over half a million units a year

AFFORDABILITY

- No tariff rise in this financial year
- 2.5% rise planned for April 2020 postponed to 1 October 2020 due to COVID-19
- Only third rise in six years
- EU15 average standard tariff 17% higher, UK Ofgem default maximum 27% higher

ELECTRIC TRANSPORT

- Extended public charging network by 30 to 53 charging points
- Installed two more public Pay As You Go 50kW rapid chargers
- 835 pure electric vehicles now registered in Jersey
- Over 1,200 hybrid vehicles registered

ENVIRONMENT

- Delivered power at a carbon intensity level of 24g CO_2e /kWh
- Around one tenth of UK grid carbon levels
- 90% less carbon than local gas and heating oil

PEOPLE

- 81% response rate to employee survey and increased rating to 8.3
- Diversity and Inclusion Strategy implemented
- Two female employees join Senior Leadership Team
- Culture and Engagement Forum established with Board representation
- Mental Health First Aiders increased to 11

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS

Phil Austin MBE, FCIB, FCMI (Chairman)
Aaron Le Cornu BSc, ACA
Alan Bryce MSc, CEng, FIET
Wendy Dorman BA, ACA
Tony Taylor BSc
Peter Simon MA, MBA (Distinction)
Amanda Astall BA (Hons)

EXECUTIVE DIRECTORS

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

SECRETARY

Lisa Floris LLB (Hons)

REGISTERED OFFICE

Queen's Road, St. Helier, Jersey

PLACE OF INCORPORATION

Both Jersey Electricity plc ('the Company') and Jersey Deep Freeze Limited (together 'the Group') are incorporated in Jersey.

AUDITORS

PricewaterhouseCoopers CI LLP, 37 Esplanade, St Helier, Jersey, JE1 4XA

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,
13 Castle Street, St. Helier, Jersey

CHAIRMAN'S STATEMENT

Dear Shareholders

When we entered the year, we would not have imagined that the world could be so impacted by a virus. As I write, countries across the globe are battling COVID-19 and both lives and economies are being hugely disrupted, with tragic consequences. Even now, the world is far from through it.

Strong response to COVID-19

Though unprecedented, a critical service provider like Jersey Electricity should be prepared for such events. I am pleased to report that we were well prepared.

The Company has a well-tested contingency plan and had been closely monitoring the COVID-19 situation since the beginning of January, formally invoking its Business Continuity Plan in April. Throughout the crisis, we have taken rigorous steps to keep our people and the community safe, as well as maintaining continuity of electricity supplies and other essential services on which the Island so depends.

The response of the whole workforce has been exceptional and I'd particularly like to thank those who went out every day in the field, or into their place of work, to ensure that we continued to keep our organisation functioning and able to power homes, businesses and Government throughout this difficult period. Through our ongoing investment in technology, our people were able to successfully migrate to home working, such that overall productivity and performance levels have been remarkably unaffected.

As well as focusing on core services, we took immediate action to lessen any financial hardship of customers by deferring our 2.5% tariff rise by six months, at a cost of around £1m. We also adopted a more flexible approach to electricity customers and investment property tenants. Measures included a more sympathetic debt collection process and suspension of service terminations, and we worked closely with Government and charities to establish new processes to support vulnerable customers.

Given Jersey Electricity's scale and role, we offered the full strength of the Company in support of the community by providing, without charge and on a fast-track basis, new infrastructure, plumbing and electrical services for Jersey's Nightingale Hospital, including professional services support. In addition, Jersey Electricity has fulfilled all its own contractual obligations and has not taken advantage of any forms of Government furlough or other financial support schemes.

Leaders in clean energy

Last year we communicated our new Vision 'to enable life's essentials and inspire a zero-carbon future'. Whilst we continue to flesh out how we can best support the Island to deliver carbon neutrality, the COVID-19 pandemic has only re-emphasised the importance of this Vision to the Company and to the Island as a whole. There now seems to be a clear and widespread recognition of the climate issue and, crucially, a real appetite to take action. We have made considerable progress during the year transforming this Vision into tangible work streams including, for example, conducting a larger scale assessment of what investment is required to facilitate carbon neutrality by 2030. It is now well understood that our grid is substantially decarbonised and the only way Jersey can materially reduce its carbon emissions is by switching from high-carbon fossil fuels to low carbon imported or locally generated electricity.

Resilient performance

Despite the challenges of COVID-19, the Company's financial performance has been remarkably resilient. Revenue for 2019/20 was £111.7m, 1% higher than last financial year. Electricity unit sales initially fell 13% in the immediacy of lockdown, but largely recovered and for the full year were 619 million units, only 1% lower than those in the 2018/19 financial year.

Profit before tax was unchanged from the prior year at a level of £14.8m, with the cost impact of the deferred tariff being completely offset by outperformance in other areas, most notably our Powerhouse retail business, which saw profits increase by almost one third from £0.9m to £1.2m. The Board has therefore recommended a final dividend for the year of 9.70p, a 5% increase on the previous year, and payable on 25 March 2021.

Our core objective remains to deliver an affordable, secure and sustainable supply of electricity now and long into the future – and our performance this year, across all our key metrics, reflects real success.

Governance

In July 2018, The Financial Reporting Council published the revised UK Corporate Governance Code. During the year, the Board reviewed and embraced the changes recommended, particularly the increased emphasis on company culture and values, diversity and inclusion, and workforce and stakeholder engagement.

Much of the Board's work is carried out through its three sub-committees; the Nominations Committee, the Audit & Risk Committee and the Remuneration Committee. The composition and Terms of Reference of those committees have been reviewed and refreshed, in accordance with the new Code's principles and provisions. A summary of the Committees' activities is contained in their separate reports on pages 61, 64 and 67 respectively.

In the year ahead, the Board has identified the following areas for its continued attention;

- stakeholder engagement
- review of business model
- workforce diversity
- culture and engagement
- business efficiency and innovation
- risk and emerging risk

As in 2019, the Board has undertaken a rigorous self-assessment of its performance during the last 12 months. In 2021, the triennial, external assessment will be carried out by an independent third party.

Aaron Le Cornu, our Senior Independent Director and Chairman of the Remuneration Committee, joined the Board in 2011 and will be stepping down at the AGM in March 2021. In line with our succession plan, we are delighted to welcome Amanda Astall, who joined the Board with effect from 1 July 2020.

In May, Peter Routier retired as Company Secretary after 34 years' service. Peter's breadth of knowledge and experience will be greatly missed, but we are delighted that Lisa Floris, a qualified lawyer with extensive knowledge of corporate governance, joined as his successor.

Further aspects of the Company's governance are covered later in the report, commencing on page 52.

A force for good

On behalf of the Board, I'd like to end by expressing my thanks to the whole workforce who have shown great resilience, courage and flexibility in finding solutions to problems, and in many cases opportunities, out of this challenging situation and helping to deliver such a strong performance.

I'd also like to thank the Board for their hard work and commitment during the year – and you, our shareholders for your continued support. The next few years remain a critical period for Jersey Electricity and a huge opportunity for Jersey. Our destination is a zero-carbon future and one in which Jersey Electricity, through the roll-out of its strategy, can be a real force for good.

17 December 2020

"Throughout the crisis, we have taken rigorous steps to keep our people and the community safe"

CHIEF EXECUTIVE'S REVIEW

In an unprecedented year for everyone and a turbulent one for the business, I am pleased to report a solid set of results in financial and operational terms, and across our key strategic programmes. Despite the challenges the COVID-19 pandemic presented, Group revenue at £111.7m was 1% higher than last year and profit before tax was maintained at £14.8m being at the same level as 2019.

The lockdown in the second half of the financial year impacted unit sales, albeit levels recovered to be down only 1% at 619 million units compared with 627 million last year. Peak demand for the year was 141MW, well below last year's 150MW and our record of 178MW from 2018. Energy revenues at £85.1m were 2% lower than the £87m achieved in 2019 but profit, at £12.3m, remained on a par with last year. We had no tariff rise in this financial year, having postponed the 2.5% rise planned for 1 April 2020 by six months to 1 October 2020 to help customers experiencing economic uncertainly due to COVID-19. At a cost to the business of around £1m, this was one of several measures we took to help our community during the crisis albeit the reduction was offset by financial outperformance elsewhere.

> "I am particularly proud of the way our people stepped up to the challenge of COVID"

Our Retail business, the Powerhouse, was forced to temporarily close its doors for a period, however, flexibility in the business model and our strong online presence, aided this business during the crisis and it 'bounced back' extremely well, taking advantage of new opportunities. Profits increased by 31% from £0.9m in 2019 to £1.2m, on increased revenue of £17.8m, up 17% from £15.2m.

Revenue in our Property business at £2.3m was the same level at last year and profits of £1.3m were £0.4m down largely due to accelerated depreciation on certain services assets. Our investment property portfolio moved up in value by £0.5m to £21.8m due primarily to the growth in the value of residential properties. Despite the lockdown, revenue from JEBS, our building services business, increased from £3.3m to £3.8m year on year and moved the business unit into profit. Our other business units (Jersey Energy, Jendev and Jersey Deep Freeze) produced combined profits of £0.8m, up £0.2m on last year.

It is a mark of the resilience of our assets and flexibility of our people that despite the restrictions imposed by COVID-19, we not only achieved our highest supply reliability performance since 2008 – just five Customer Minutes Lost* – we also progressed several infrastructure projects, critical to future reliability. Our Engineers also played a vital role in the pro-bono provision of services for the construction of the 180-bed, COVID-19 emergency Nightingale Wing of the General Hospital.

Significantly, we completed our SmartSwitch Smart Meter rollout programme, making Jersey the first jurisdiction in the British Isles to be fully smart enabled. To give our pre-payment customers even more convenience, we have partnered Payzone and CityPay to develop Payzone's first online payment portal which we expect to launch before the end of 2020. Our customer and digital teams are also close to launching a new Jersey Electricity app and a more user-friendly website.

Electric transport and fuel switching continue to be areas of focus for growth. Despite activities being severely curtailed by the lockdown, we made good progress in both. In partnership with local businesses, we have installed an additional 30 public electric vehicle (EV) charge spaces in the financial year, bringing the total to 53, and we exceeded last year's fuel switching performance by switching 225 domestic premises (2019:186) from oil or gas to electric heating.

We put customers at the heart of our business and I am therefore pleased that we achieved the very good result of 77 in our second year participating in the UK Customer Satisfaction Index (UKCSI), the UK's most extensive cross-section customer benchmarking study. This is just one point down on last year and within the top quartile of utilities in the UK.

Equally, through our Employee Value Proposition, we want all our people to feel proud to work for an organisation that has such a key role in the community, and we want them to be engaged with and passionate about helping us achieve our Vision. Wellbeing emerged as a key driver of employee engagement in our 2018 and 2019 surveys and was never more important than during the COVID-19 lockdown during which half our workforce continued to work out in the field and their normal place of work. To measure the effectiveness of our response during the crisis, we launched a survey during April with questions related specifically to our handling of the pandemic. The results were positive, showing an improvement in employee engagement overall from 7.8 (September 2019) to 8.3 (May 2020).

Maintaining the right culture within Jersey Electricity remains a key priority. Employee surveys, people development and continued focus on safety are key to delivering this objective. Furthermore, we have created a Culture and Engagement Forum and are implementing our newly-established Diversity and Inclusion strategy to ensure our workforce is truly representative of the Island community we serve.

Despite COVID, we know climate change remains the biggest threat to mankind and our Vision is to inspire a zero-carbon future. We therefore fully support the Government of Jersey's ambitions to make the Island carbon neutral by 2030. This year, we delivered power to customers at a carbon intensity of 24g CO_2e/kWh – our joint lowest level ever. We also recognise the appetite for local renewables within our community. Following the 81kWp solar PV array we installed on our Power Station last year, we opened Jersey's first Solar Hub on our Powerhouse car park, combining a 53kWp array on a carport and two 22kW EV charge bays. By year-end we had signed two 25-year lease agreements with partners to install large arrays on two commercial rooftops, one of which at a capacity of 553kWp, is more than twice as large as the next biggest solar array in the Channel Islands.

Carbon sequestration will also have a role on our journey to zero-carbon and environmental renewal, and we see our support for the re-forestation of Mourier Valley in the North of the Island as a positive carbon reduction and community initiative. In partnership with Jersey Water, we are funding and have begun planting 6,000 trees over 20 acres with the National Trust for Jersey and Jersey Trees for Life. We are keen to do more in the community next year and have announced our support for all 12 Parishes to plant carbon-absorbing micro-forests.

I am proud of the way our people reacted and adapted during this challenging year to deliver the performance we have. I am particularly proud of the way our people stepped up to the challenge of COVID; how they have maintained services, found solutions to problems and even identified opportunities. As employers we stepped up to keep our people safe and they, in turn, stepped up to support our customers, each other and their families.

*Customer Minutes Lost (CMLs) represents the total supply interruption time in minutes experienced by our customers averaged across all customers connected to the network in a year.

COVID-19 RESPONSE

The COVID-19 pandemic presented unprecedented challenges to our business. Our focus, however, remained unchanged: the health and safety of our people, our customers and the general public, and maintaining reliable services.

I am therefore immensely proud of our performance. Our people and business systems demonstrated resilience and agility to cope with a fast-moving situation. We have weathered the initial storm. We have kept our people and customers safe. We have served and sought to reassure our community in multiple ways throughout the most uncertain times — not least by our part in the construction of the Nightingale Wing of the General Hospital — while also managing to progress important strategic infrastructure projects.

Early planning and communications

We began assessing the potential consequences of the pandemic for the business and our services in early January. By February, we already had a rhythm to our interactions and as the situation escalated, we invoked our Business Continuity Plan to ensure the continuation of our core services of keeping the Island supplied with electricity and attending to any loss of supplies. Importantly, we had regular dialogue about the Business Continuity Plans of our French suppliers EDF and the French transmission network operators Réseau de Transport d'Électricité (RTE), on whom we rely for 95% of our power, as well as other service providers.

We followed the advice of the Government of Jersey and the World Health Organisation. Daily meetings between the Executive Leadership Team and senior departmental heads reviewed the status of our preparedness, putting in place mitigating actions where appropriate. As the situation developed, we issued guidelines to all employees to ensure our response was appropriate in dealing with COVID-19 as it escalated in Jersey. This meant we had already drawn up extensive formal plans before the stay-at-home order in March.

Our Procurement Team worked to acquire the personal protection equipment (PPE) necessary to ensure the safety of our frontline people and those customers they may have contact with while attending an emergency repair or other issue at a premise where someone was self-isolating.

We reviewed all our operations to enable employees involved in critical activities to work securely and remotely from their homes. Procedures for working in sensitive locations were re-written and in some cases shared outside the Company to promote safest practice. We split essential service teams, such as engineers and Customer Care, across our two sites and, in some cases, in separate teams and with home-working to avoid cross-infection of critical personnel. We re-deployed people where necessary to assist other parts of the business. For example, when our Powerhouse retail store closed its doors on 26 March, many employees moved into logistics as the online business increased during the lockdown. Similarly, JEBS engineers who could no longer

work inside homes helped with Powerhouse deliveries, and a member of the administration team was seconded to the Government of Jersey to assist with the procurement of medical supplies at the height of the pandemic. We also deployed some members of our Energy Solutions team to help Finance with debt management and relief.

Part of an extensive IT operation was the acceleration of our roll-out of Microsoft Teams. This enabled dedicated communication channels to allow continuation of multiple work streams and teams, while also keeping all our people updated with the latest and relevant COVID-19 information wherever they were based.

We also quickly produced COVID-19 external communications for traditional and social media to reassure our customers of our ability to maintain essential services, while adhering to government guidelines, and to advise them how to contact us according to the urgency of their enquiry.

Support for our community

With many Islanders facing job losses and businesses forced to close, even if temporarily, we introduced a range of measures to help mitigate the impact of Coronavirus on the community.

In March, the Board decided to defer the 2.5% tariff rise due to take effect on 1 April 2020 by six months to 1 October 2020 at a cost to the Company of £1m. We also immediately suspended disconnection for non-payment.

We accelerated the final stage of our Smart Meter roll out to enable Jersey's 4,100 Pay As You Go (PAYG) key meter users to top up their electricity meters remotely without leaving their homes if self-isolating.

We prioritised PAYG customers on our Extra Care Register, and worked with government agencies, charities and parishes to identify other vulnerable customers to ensure we continued to prioritise those customers. We also deployed advisers with portable top-up machines to enable key top-ups at customers' homes.

We again partnered charities to help the neediest by developing an emergency charge card for those seeking charitable help with electricity payments. Employees from Finance, Customer Care, Communications, Internal Audit, Energy Solutions and our in-house billing provider Jendev collaborated to quickly devise a unique pre-paid card which charities distributed on a needs basis for people to redeem against their energy costs.

Nightingale Wing

I am immensely proud of the commitment and professionalism demonstrated by all of our teams involved in the Nightingale Wing, the 180-bed field hospital built in just four weeks to cope with the pandemic. From the moment the project was announced, we offered to provide our services without charge in what was not only a vital project for the Government but the whole Jersey community.

Our engineers worked with government officials and developers on supply capacity options at all sites being considered. Once Millbrook had been chosen, our Construction Engineers arrived on site on 11 April to provide a temporary power supply for the build. We provided a portable generator, and our team worked throughout Easter, building the substation kiosk, laying cable circuits and making the connections to the generator to provide the site with the correct supply.

At the same time, our Planning Engineers were hard at work with architects and site Construction Engineers on the power systems of the hospital itself. We agreed to fast-track and build an 11kV/450V substation to provide eight 400-Amp services for oxygen provision, HVAC (heating, ventilation and air-conditioning), critical services, power and lighting and other essential services for staff. In addition to the power supply works, Heating Engineers from our Building Services,

JEBS, worked on the hospital's internal functions.

Those not involved in the Nightingale Wing continued to carry out essential maintenance and network reinforcement across the Island to maintain supplies when much of the rest of the community was locked down at home. They have done a remarkable job while adhering to COVID-19 guidelines on social distancing and working safely to protect the public and themselves as the Island moved through the levels and restrictions eased.

In May, we created a Return To Work Task Force to make all our workplaces COVID-19 secure. The Task Force, led by the Head of HR Operations, conducted detailed Risk Assessments of all sites and implemented appropriate measures.

All workplaces had to enable one-metre physical distancing, the provision of hand sanitisation and limiting the number of people in various areas. We procured additional PPE for field-based operations and those entering customer premises.

We aligned our position to the Government's Safe Exit Framework and were able to react swiftly when it confirmed changes in restriction levels. The move to Level One signalled our Return To Work Plan and we declared all Jersey Electricity sites COVID-19 safe and open for business from 10 August.

GROUP PURPOSE

Providing Islanders with affordable, secure and sustainable energy continues to be our primary long-term objective. Our Vision is to 'enable life's essentials and inspire a zero-carbon future' – helping Jersey achieve its carbon neutrality aims.

We recognise we can only achieve this if we work together as one Island in partnership with the Government, community, customers and other partners. Together, we believe we can build a pathway to a greener, cleaner and sustainable future now we have a virtually completely decarbonised energy platform that is capable of meeting so much more of the Island's energy needs.

Our Vision consists of seven key themes that define what we need to have in place to reach our Vision.

In turn these are backed by strategies setting out how we mean to achieve it. These include:

- Converting domestic and commercial energy use to value-for-money, low-carbon electric solutions
- Developing local renewable energy and electric transportation solutions
- Providing integrated services and solutions 'beyond the meter'
- Applying technology and digital solutions internally and externally

VISION & VALUES

Our Vision is to
‘enable life’s essentials
and inspire a zero-carbon future’

LIFESTYLE

We aim to enhance the lifestyle of Islanders and power the economy by providing innovative, low carbon energy services and solutions.

PARTNERSHIPS

We aim to be the partner of choice for the Government of Jersey and the Island’s parishes, supporting all their energy needs.

TECHNOLOGY

We aim to be leaders in the application of technology, enhancing efficiencies, unlocking new services, and digitally enabling our employees and our customers.

INVESTORS

We provide fair returns to our investors over the medium to long term.

OUR PEOPLE

We aim to be an employer of choice in Jersey, where employees are engaged, supported, and developed.

ENVIRONMENT

We support the Government’s carbon neutrality objectives by growing electricity’s share of the energy market, reducing carbon emissions, helping to conserve resources and protect the environment.

CUSTOMERS

We put customers at the heart of our business, giving them choice, control, and value-for-money in a transparent and trusted way.

Our Values are key to our culture and describe the behaviours we always expect of each other:

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 people.

TEAMWORK

We value diversity and 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.

EXCELLENCE

We continuously strive to work in a way that is both innovative and simple to deliver cost effective solutions.

RELIABILITY

We are trustworthy, dependable, and reliable, delivering on our commitments and always there when our customers need us.

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 people.

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.

CLIMATE EMERGENCY

The UN's Intergovernmental Panel on Climate Change (IPCC) published its 1.5-degree report in 2018, outlining the consequences on ecosystems and human life of failing to limit global warming to 1.5 degrees above pre-industrial levels. The report also outlined the short time frame in which the world must achieve this; global greenhouse gas emissions need to reach net zero by 2050 in order to have a 50% chance. Campaigners, particularly among the young, around the globe, and hard-hitting TV documentaries have dramatically increased the profile of the climate emergency, with the 2020s dubbed 'the decade of action'. At time of writing, over 100 countries and 1,000 businesses, collectively now covering 49% of global GDP, have set bold net-zero by 2050 ambitions, or earlier. This sets the context for Jersey's ambition for carbon neutrality by 2030, 20 years earlier.

Climate change and related measures and policies introduced to combat it, present businesses with many challenges which could affect their financial performance by impacting the value of assets and future profits. The Taskforce on Climate-related Financial Disclosures (TCFD) seeks more transparency from companies on the risks and opportunities they face, either directly or indirectly, due to the climate emergency and the transition to net-zero. This is to help investors judge which companies are most at risk and how they have prepared. TCFD climate disclosures are already made by much of the UK energy sector. It is widely anticipated that UK premium listed companies will be required to disclose in line with the TCFD recommendations on a 'comply or explain' basis, sometime in 2021. Jersey Electricity supports these climate disclosures and intends to comply as far as possible.

Protecting the environment and reducing carbon emissions have been at the heart of everything we do at Jersey Electricity long before climate change and biodiversity loss became the crisis we see today. Our Board took the forward-thinking decision in the mid-Seventies to turn away from on-Island generation using heavy gas-oil and approved investment in our first undersea supply cable that connected Jersey to supplies of low carbon electricity from the European grid. Not without controversy at the time as this electricity was mainly nuclear in origin, this decision has proved both bold and insightful. Subsequent investments in further interconnectors in 2000, 2014 and 2016 have given Jersey a clean, reliable energy platform that is credited with helping the Island reduce its overall emissions by over 40% since 1990, and this is despite a 60% increase in the consumption of electricity over that same period. Over the life of Jersey Electricity's investments in submarine connections, the Island has avoided around 11 million tonnes of carbon emissions with its associated reduction in particulate emissions – reducing damage to both the environment and health.

But we intend to go much further. Our Vision today is to inspire a zero-carbon future and we want to encourage a low carbon economic recovery and transition post-COVID-19.

This transition to zero-carbon is not just a responsible action for us to take. As the Island's sole electricity supplier, this also presents a significant business opportunity. It is also, of course, not without risk and our focus is to mitigate those risks, whilst seizing the opportunities carbon neutrality presents. Our Company is already involved in several workstreams to investigate the implications of a carbon-neutral Jersey and we have mapped various scenarios including for a 2030 and 2040 carbon-neutral target.

Although delivery of carbon neutrality by 2030 will be an enormous challenge for Jersey, we believe carbon reduction could be achieved in Jersey faster and more cost effectively than many other countries. Our well-invested, low-carbon electricity platform is a key enabler of a zero-carbon future, with significant spare capacity but we stand ready to invest further. Conversion of all domestic and commercial premises, as well as road transport to electric solutions, will result in a significant increase in peak demand from typical levels of around 160MW as well as a significant increase in the energy demand from current levels of around 620 million units.

Meeting this whilst maintaining resilience will require increased investment but, importantly, we believe we can do this without driving a significant increase in electricity prices. This is because a higher volume of units distributed across the network, will lead to higher capital and operational efficiencies and much of this benefit can either be transferred to customers in the form of lower prices or be ploughed back into further investment.

It is possible that Jersey Electricity's strong position in the energy sector may lead to increased scrutiny and the possibility of regulation. In the event this were to happen, this could become a significant management distraction, lead to higher costs and also hamper subsequent investment. We expect that any such costs may well need to be recovered from customers in the form of higher prices.

Although the Company's current position is strong, a revised Government policy may also result in a rapid increase in demand. This may make optimised capital investment decisions difficult, with new technologies not sufficiently mature to provide a more cost-effective alternative.

We seek to mitigate the net-zero transition risks, whether arising from enhanced regulations, Government climate strategies or as a result of technological changes, by closely monitoring future Government policy and by senior management developing strategies in response as well as tracking market trends in emerging technologies and deploying them where cost-effective and practicable. We see demand-side management, vehicle-to-grid discharging (V2G), distributed and utility-scale renewable generation and electricity storage – all of which we are currently trialling – becoming mainstream, and our key focus is how we apply these technologies to make them cost effective.

In terms of physical risks, we have seen around the world how power generation, transmission and distribution, is vulnerable to climate change and disaster events. Natural shocks and climate change were responsible for 37% of power outages in Europe between 2000 and 2017, as well as 44% in the US during the same period.

We mitigate physical risk to Jersey Electricity by investing in and operating to a Security of Supply Standard; we build resilience through supply diversity; we put in place comprehensive insurance where we can cost effectively do so; and where we are unable to design out risks to zero, we put in place operational and maintenance procedures and business continuity plans. We test the latter regularly under various scenarios. As a small Island, the longer-term physical risk from climate change is more likely due to rising sea levels. The Government has already acted by drafting a Shoreline Management Plan, which models the impact of seawater flooding and sets a range of policies to manage different parts of the Island's coast over the next 100 years.

As a business, we consider flood risk when siting major infrastructure. The strategic hub of our 90kV network and connection point for our Normandie 3 supply cable, South Hill Switching Station, is sited high on Mount Bingham. Our latest primary substation, St Helier West, is raised above St Aubin's Bay. Western Primary is on high ground by the airport in St Peter, while Rue des Pres Primary, which serves the East of the Island, is a considerable distance inland.

Our Powerhouse headquarters and Queen's Road Primary Substation that houses our emergency gas turbine generators are also on an elevated part of St Helier with good separation from other generators sited at La Collette Power Station. Archirondel, the termination point for both Normandie1 and Normandie 2, though on the coast, is adequately defended from the sea, and Normandie 3 beaches at Longbeach in Grouville Bay and routed underground to South Hill Switching Station in St Helier.

"We believe carbon reduction could be achieved in Jersey faster and more cost effectively than many other countries"

JERSEY ELECTRICITY 24g

CO_{2E} / KWH

UK ELECTRICITY 233g

CO_{2E} / KWH*

JERSEY LPG 241g

CO_{2E} / KWH**

JERSEY HEATING OIL 298g

CO_{2E} / KWH**

We support the Government of Jersey's ambitions to make the Island carbon neutral by 2030 following its declaration of a climate emergency in May last year and subsequent publication of its Carbon Neutral Strategy. We therefore look forward to playing our part in the 2021 Citizens' Assembly designed to understand public opinion and debate how the Island can best achieve zero-carbon.

We believe that only by working together as a community can Jersey achieve the ambitious carbon-reduction targets in the desired timeframe. Jersey is fortunate in that it already has a well-invested grid with access to significant volumes of clean, virtually decarbonised electricity. A third of the electricity we distribute is already from renewable hydro sources in France, and we are now introducing locally-generated solar power into the energy mix.

This year we delivered power to customers at a carbon intensity of 24g CO2e/kWh. This continues to be around one-tenth of the emissions of the UK's electricity system, which is now 233g CO2e*, local gas (241g CO2e / kWh **), and local heating oil (298g CO2e / kWh**).

Our importation strategy helped the Island achieve over a 40% reduction in emissions between 1990 and 2017. The primary way the Island will decarbonise its energy system further is to displace fossil fuels with either imported grid electricity or locally generated renewables. Further use of low carbon electricity, coupled with energy-efficiency technologies and carbon sequestration could, therefore, see Jersey go further and faster than many jurisdictions on the road to carbon neutrality.

Two areas that need hard and fast action are heating and road transport. A third of the Island's emissions arise from heating residential, commercial and public sector buildings using fossil fuels, while road transport accounts for another third. We have been working in these areas for many years, fuel-switching domestic and commercial premises and installing electric vehicle (EV) charging infrastructure to encourage the uptake of electric transport.

As well as offering a free energy-saving advice service in customers' homes, we have also been searching for new technology that will help customers save more energy. In January, we partnered with Voltalis, a European leader in residential load management, to trial its smart heating, hot water system and EV charging control.

The Voltalis system suspends the operation of energy-intensive heaters or water heaters for just a few minutes with little or no impact in temperature or comfort levels. These short interventions added together over the year, however, result in significant savings in energy and running costs. Voltalis would also enable us to better control demand on our network at Super Peak times.

This year, we became the first company outside the UK to trial one of the latest domestic vehicle-to-grid (V2G) chargers that enable EV owners to sell excess energy stored in their car batteries back on to the grid. UK utility OVO, in partnership

*Department for Business, Energy and Industrial Strategy Greenhouse Gas Reporting - Conversion Factors 2020
**Building Bye-Laws (Jersey) Technical Guidance Document 11.1B 2016

with Nissan, installed the first 6kW V2G domestic charger as recently as December 2019. Working with OVO's technology partner, Indra Renewable Technologies, we installed four of the chargers to trial on our own EVs at La Collette Power Station. If the trial is successful, we hope to make the bi-directional chargers widely available in Jersey.

We have continued our own energy efficiency and carbon-reduction programme. Removal of heavy fuel oil and associated heating units at the Power Station and replacement lighting in the Generation Hall have resulted in the removal of around 90 tonnes of CO2e a year. Energy efficiency measures, such as replacement lighting, air conditioning and hand driers at the Powerhouse retail store and administration offices, have saved a further 18 tonnes of CO2e a year. As a business, we have reduced energy consumption and we strive to improve carbon and cost efficiencies still further.

Carbon sequestration will also have a role on our journey to zero-carbon, and although these initiatives sequester small amounts of carbon, we see our support for the re-forestation of Mourier Valley in the North of the Island and our plans for Parish micro-forests as very important carbon reduction initiatives that enhance understanding and engagement on climate change and the environment within the community.

Renewables

We are already the leading distributor of renewable electricity using imported hydro power from France, however, we are aiming to be at the forefront of locally generated renewables and have continued our expansion into on-Island solar PV generation. Although local solar is unlikely to result in further carbon reductions in Jersey's electricity, there is a great appetite in the community for on-Island renewables, and it sits comfortably alongside our low carbon imported power.

While local renewables cost more than imported power, we are working with partners to find ways to reduce costs and make local generation competitive with imported renewables, which already account for a third of Jersey's electricity requirements.

Following the 81kWp array we installed on the roofs of our Power Station last year, we have opened Jersey's first Solar Hub on our Powerhouse car park. This combines a 53kWp array on a specially-built carport and two 22kW EV charging bays.

In partnership with a local farmer, we signed a 25-year lease to install and operate the largest solar PV array in the Channel Islands on a warehouse roof at Woodside Farm, Trinity. Work on the 1,311-square-metre, 255kWp array began in September. Once operational in November it is expected to generate over 270,000 units a year.

By year-end, Jersey's Royal Court had also granted us a 25-lease for an even larger array in partnership with Jersey Dairy. This 2,500 square-metre, 553kWp array is expected to generate more than half a million units a year - enough to power almost 70 Jersey homes using an average 7,300 kWhs a year.

We seek to engage with other partners to accelerate the use of solar PV with a meaningful large-scale ground-based scheme. Longer-term, we are keen to work with government and other partners to enable inward capital investment which would see the development of a larger offshore wind scheme. We are re-examining work we conducted five years ago to assess changes in the viability of local offshore wind, which could potentially serve local electricity needs and possibly lead to an export arrangement back into Europe.

ENERGY GROWTH

Units sales, at 619 million, were 1.3% down on last year due to the impact of the COVID-19 lockdown. The year's peak demand, which at 141MW was below the previous year's 150MW and our record of 178MW. Lockdowns and weather apart, unit sales remain under downward pressure through energy efficiency. While we continue to actively offer customers free energy efficiency advice, we seek to counter its impact by encouraging fuel switching from gas and oil in both the domestic and commercial markets. We also continue to promote the uptake of electric transport, which we have long viewed as a big potential market for growth.

The Government of Jersey's ambition for carbon neutrality by 2030 and publication at the start of this year of its Carbon Neutral Strategy to achieve this, align with our Vision to 'inspire a zero-carbon future' and present substantial opportunity for future growth.

The Carbon Neutral Strategy includes proposals for:

- Investment in sustainable transport
- A reduction in government building emissions
- Energy efficiency minimum standards for rented properties
- Incentives to transition to electric heating
- Support for businesses to reduce emissions

We now look forward to the recommendations of the Citizens' Assembly on carbon neutrality postponed from this year, and currently scheduled to begin in March 2021. The Assembly, in which we expect to play an active part, will report to the Government and the States Assembly on what ambition the community feels is appropriate to deliver carbon neutrality in Jersey as well as views on how this can best be achieved.

SMARTERLIVING

Energy Solutions

Energy Solutions is the team dedicated to growth by developing propositions and new services and by promoting renewable technologies, such as heat pumps, and induction cooking that encourage fuel switching in both domestic and commercial markets.

Despite its activities being severely curtailed by the lockdown and lead up to it, the team exceeded last year's performance by fuel switching 225 domestic premises (2019:186). Over 1,000 customers joined one of our lower cost, off-peak heating tariffs with the most significant increase – 743 – in those joining our uninterrupted, 24-hour Economy 20 Plus (E20+) Tariff made possible by the introduction of Smart Meters.

Having focused on a smoother, faster customer journey through the fuel switch process last year, we have now simplified the available finance options that help customers spread the cost of fuel switching.

Our 'Smarter Living' energy hub and customer information centre within the Powerhouse retail area continues to support the work of the Solutions team. 'Smarter Living' is staffed by trained energy advisers and promotes low-carbon electric heating solutions and Smart home technology. The area helps customers gain a better understanding of how today's latest low-carbon, energy-saving technologies would work in their own homes.

The team has also had success in the all-important commercial sector where heat pumps are now the solution of choice in many situations for heating and cooling. The team has assisted the conversion of 10 commercial kitchens to all-electric, including energy-efficient induction cooking. They worked successfully with government to find a suitable all-electric solution for the new Les Quennevais School. Although many public buildings continue to be heated by oil, they present an important potential future growth and carbon reduction opportunity on Jersey's journey to zero-carbon.

The Government is presently considering licence applications from medicinal cannabis growers. This industry is another possible growth area, given the scale of the climate-controlled facilities required, and the team has already held discussions with growers about all-electric propositions for these plants.

Total customers
51,522
+419

Total customers on discounted tariffs
19,994
+1,034

Total customers on E20+
2,532
+743

Electric transportation

With road transport accounting for a third of Jersey's total emissions, we have long considered it an area for significant emissions reduction and growth for the business as the Island seeks to decarbonise. Though uptake has taken time, it is now beginning to accelerate, and we have seen the most significant year-on-year rise in electric vehicle registrations. At year-end, there were 835 all-electric vehicles registered in Jersey, up by 263 from last year.* Pure electric cars were up 204 to 578 and pure electric commercial vans rose by 30 to 141. Electric motorcycles are also gaining in popularity, almost doubling to 68. Hybrid vehicles have increased by over 200 to 1,209.

To keep pace with this rise and give confidence to those considering moving to electric transport, we have continued our investment in public EV charging infrastructure under our Evolve brand. We have also supported the Island's first privately owned electric mobility club EVie by providing Jersey's first on-street chargers for its electric hire car fleet.

In partnership with local businesses such as the Channel Islands Co-Operative Society (CICS), Sandpiper CI and the Jersey Development Company, we have installed an additional 30 charge spaces in the financial year. This brings the total to 53. We had hoped to have achieved more by the end of September 2020, but the pandemic lockdown impacted deliveries of charger units from the UK.

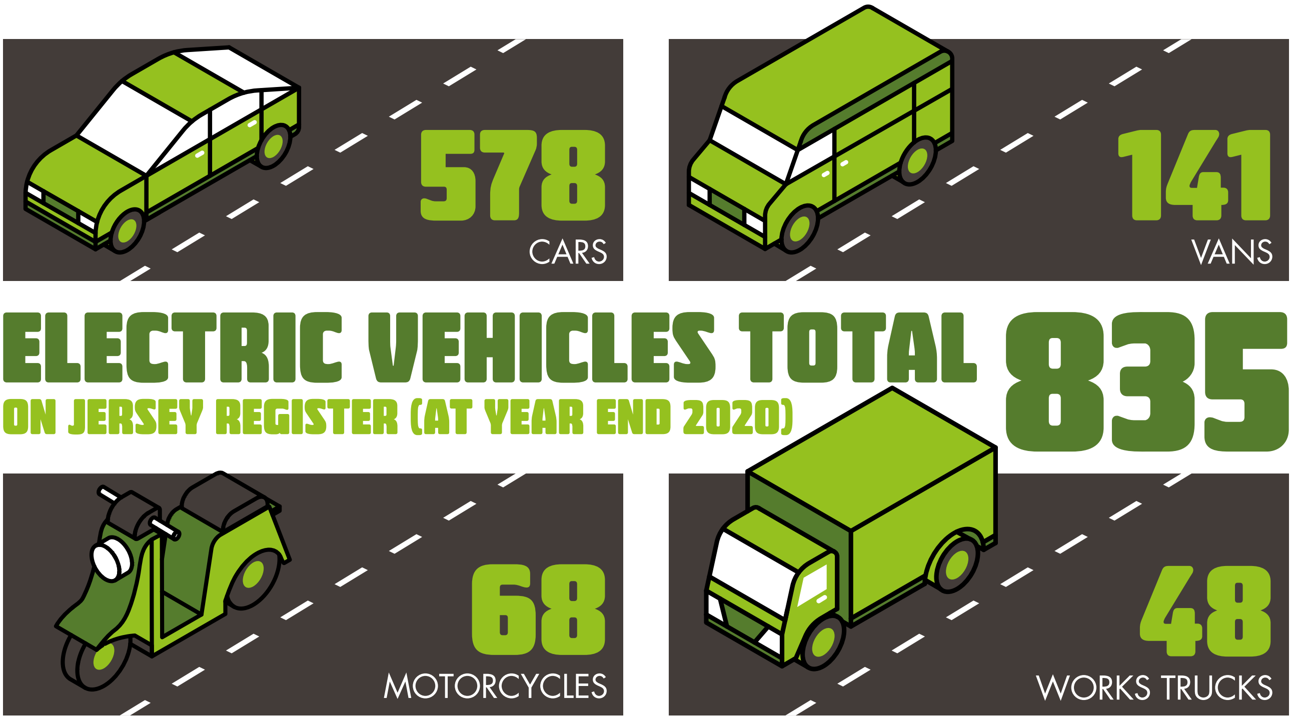
Despite the impact of lockdown, we completed the following installations in this financial year:

Nov 19	CICS Grand Marché St Peter	**4**
Dec 19	CICS En Route St Peter	**4**
Jan 20	St Aubin	**2**
Feb 20	St Brelade's Bay	**2**
Feb 20	First Tower	**2**
June 20	Longbeach	**1 Rapid**
June 20	Red Houses	**1 Rapid**
July 20	Waterfront	**4 +2 EVie**
Aug 20	St Saviour	**2**
Sept 20	Georgetown Iceland	**2**
Sept 20	Powerhouse Solar Hub	**2**
Sept 20	St Ouen	**2**
Sept 20	St Clement Marks & Spencer	**2**

To prepare the Island and our network for a future in which electric transport will play an increasing role, we collaborated with 30 EV owners to trial some of the most advanced home chargers.

One system on trial uses an app that allows drivers to select the amount of charge they need and the time they need it by – for example, 90% charge by 7am. The smart element of the charger ensures customers get the charge they need, while also prioritising our preferred charge times when demand on the network is low. This maximises network efficiency and means customers can save money.

This is just one demand-side management technology we are trialling that could have a role in our future operations as load growth continues on the road to carbon neutrality



*Figures supplied by DVS as of 30 September 2020

PRICE STABILITY AND AFFORDABILITY

Delivering secure, low-carbon supplies while maintaining affordable tariffs and price stability for our customers continues to be a key focus. We deferred our planned below-inflation rise of 2.5%, due to be implemented on 1 April 2020, by six months to help customers experiencing economic uncertainty and those forced to spend more time in their homes due to the Coronavirus pandemic. Therefore, we had no tariff increases during this last financial year as this rise was deferred to 1 October 2020. It is only our third price increase in six years and will add around 50p per week to the average domestic bill.

Our tariffs continue to benchmark well against other jurisdictions. The standard tariff is 23% higher in Guernsey, 17% higher in the Isle of Man and the EU15 countries' average. The UK price cap set by Ofgen (the UK Regulator) is 27% above our standard tariff.

We imported 95% of the electricity requirements of Jersey from Europe this year. We jointly purchased this power with Guernsey Electricity from EDF in France as overseen by the Channel Islands Electricity Grid, our joint venture. We have been importing electricity from Europe since 1984, and we extended our latest ten-year power purchase agreement with EDF, which commenced in 2013, by a further five years during 2017 to 2027. EDF has also assured us that whatever the final terms of the UK's exit from the EU are, this will not affect our existing supply agreement since Jersey is already operating outside the EU and UK. This agreement combines a fixed price component with a market-related mechanism that allows us to lock in some price certainty over a rolling three-year period. The goal is to provide our customers with a market-based price but with a degree of certainty in a volatile energy marketplace. Our electricity purchases are materially, albeit not fully, hedged for the period 2021-23.

We also enter forward currency contracts to reduce exposure and to aid tariff planning. The average Euro/Sterling rate underpinning our electricity purchases during the financial year, because of the hedging programme, was 1.13 €/£ which was very similar to the applicable spot rate during this financial year and in 2019.

Just under 20,000 (19,994) customers now benefit from our range of lower-cost heating tariffs that provide electricity for about a third of the price of our general rate for approved space and water heating fed on a dedicated supply. During the year, 743 customers joined our 24-hour uninterrupted heating tariff Economy 20 Plus (E20+) that supports our fuel switching strategy. We were able to introduce this popular tariff in 2016 off the back of our Smart Meter installation programme SmartSwitch. We completed the project this year following the change-out of 4,100 Pay As You Go Key Meters to remote charging Smart Liberty Meters.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Security of supply is crucial to the day-to-day wellbeing and comfort of Islanders and Jersey's multi-billion-pound economy. Providing the certainty of electricity supplies in a world of uncertainty is paramount.

We currently provide a third of the Island's energy needs. This will increase as Jersey transitions to carbon neutrality, making supply reliability more essential to give the community, businesses and government confidence in achieving its net-zero aims.

We measure supply reliability in Customer Minutes Lost (CMLs) which is the established industry measure in use around the world. This represents the total supply interruption time in minutes experienced by each customer on average in a year. This year our CMLs were just five, our lowest for 10 years, which continues to compare very favourably with the UK where distributors averaged 80 CMLs in 2018-19.*

To achieve this consistently good record (the previous two years we had six CMLs) we focus on ensuring our infrastructure is securely designed, well maintained and that our employees are trained to respond to adverse events quickly if they do occur.

We work to an 'adapted N minus 1 standard' for our Transmission system. This broadly means we seek to maintain supplies to all customers even if we suffer a significant system asset failure (see right). Whilst we strive to minimise the risk of any asset failures, we seek to ensure we are well prepared to repair and restore services as quickly as possible in the event of a failure.

Paramount to ensuring supply security, however, is having enough capacity to meet demand. Our three supply links to France have now been successfully operating together for four years, giving us an importation capacity of 202MW. This is well in excess of our record peak demand of 178MW recorded in March 2018. We also operate these interconnectors in the most secure configuration so that if one were to develop a fault, the load would seamlessly switch to the other two.

We also ensure our on-Island Distribution Network is well invested. An example of this is our latest £17m St Helier West Primary Substation which has been operating since December 2018, ensuring security to around 80% of customer supplies in St Helier that were previously under stress. This is being supplemented by the creation of additional capacity at La Collette and Queen's Road over the next two years to give additional resilience within St Helier and to the Parishes.

We also maintain and regularly test generation assets at La Collette Power Station and Queen's Road as added security in the unlikely event of disruption to our imports.

Jersey Electricity's system is designed to meet an 'adapted N minus1 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:
  - o Diesel generator; and
  - o Gas turbine
- 75% of peak winter load for 48 hours from on-Island generation (no simultaneous loss of on-Island capacity)
- No coincidence of the above

*Source: Ofgem

Generation

Although around one third of the electricity consumed in Jersey continued to come from renewable hydro sources in France, this is the first year we have commercial roof scale locally-generated solar power in our energy mix following our installations at our La Collette Power Station and Solar Hub on our Powerhouse car park. Further larger arrays were under construction or in planning at year end.

Imports from EDF accounted for 95% of our electricity requirements this year (614GWh). We generated only 0.2% on-Island at La Collette Power Station (1GWh) - our lowest ever. The remaining 5% of supplies (33GWh) came from the Government-run Energy from Waste (EfW) Plant. Another mild winter saw peak demand down to 141MW recorded on 4 December 2019, well below last year's 150MW and our record of 178MW of March 2018.

Transmission

We continue to maintain La Collette Power Station and generating assets at Queen's Road, for emergency back-up. The Energy team has this year progressed projects to install new transformers at both sites - 90/33kV at La Collette and 90/11kV at Queen's Road.

Contractors installed ducting for cable connections from our 90kV South Hill Switching Station, which is the connection point for our Normandie 3 interconnector, to La Collette Power Station in Spring during the lockdown. During this time, we modified the plinth, originally installed for the EDF1 transformer in 1984, to accommodate the new unit.

The 75 MVA transformer, has been factory tested by Tironi in Modena, Italy, and will be delivered in November, 2020. We have also placed contracts for 90kV and 33kV cabling along with those for the protection and control elements of the project. These are expected to be delivered and installed before the end of Q1 2021.

This project will improve the resilience of our on-Island network and by increasing capacity it removes the need for support from local generation should certain existing assets fail. It also facilitates the retirement of ageing 33kV cables between La Collette and Queen's Road.

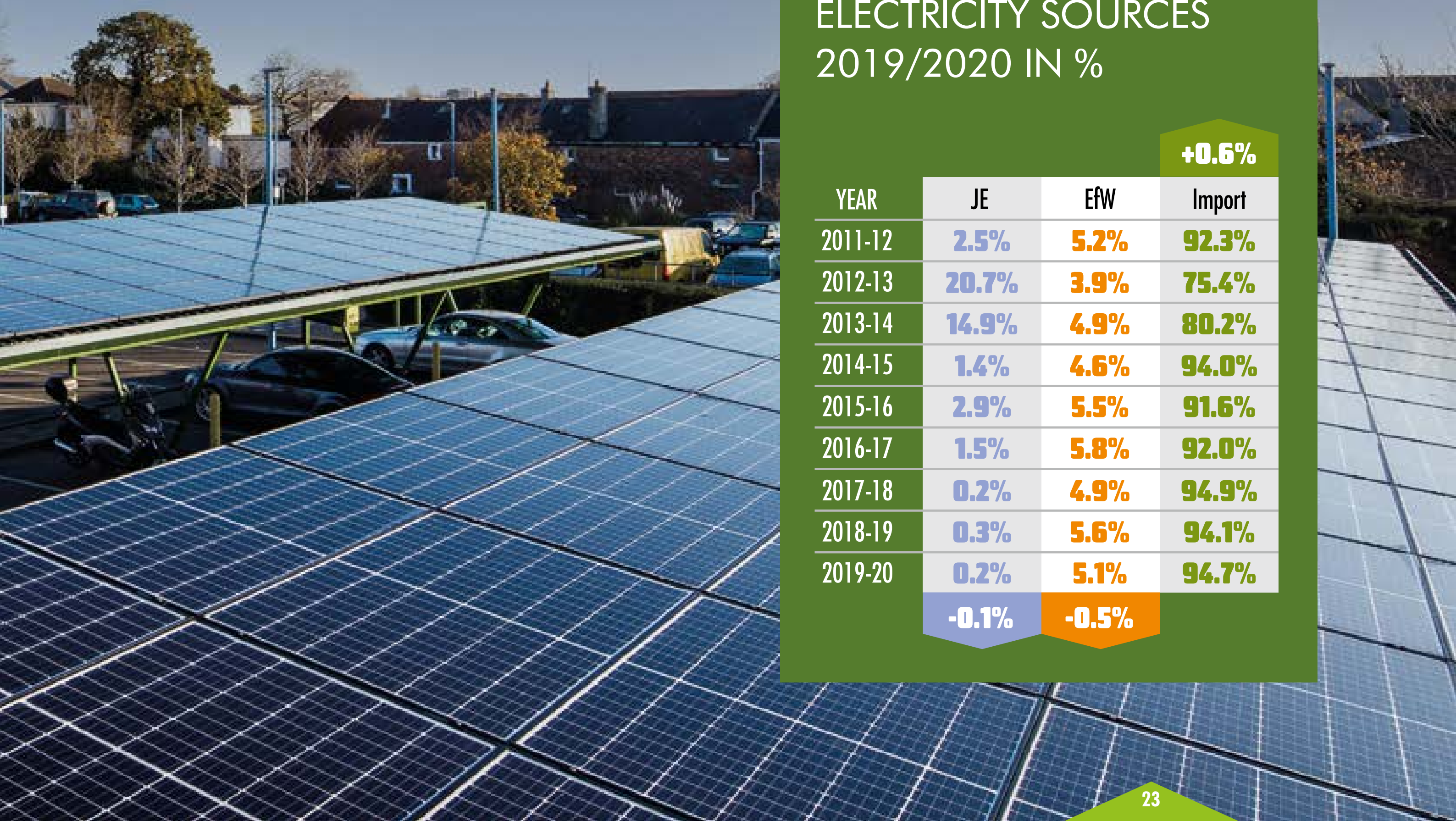
We have also commenced detailed planning on a £4m project for a new 90/11kV transformer at Queen's Road where our two emergency fast-start gas turbines, with a joint capacity of 47MW, are housed. We expect to tender this work during 2021. This project will relieve the load on the existing 33/11kV transformer at Queen's Road and again allow for the decommissioning of 33kV cables between La Collette and Queen's Road.

We have also started a £0.5m programme to replace ageing protection systems on the existing transformers at both sites. The first project will see the replacement of the protection on the existing La Collette 90/33kV transformer No.1 and reactor. We will then proceed to replace the Queen's Road 90/33kV transformer protection. Although we replaced some of this equipment as part of the Normandie 1 interconnector project in 2016, much of the original protection dates from 2000 and is becoming unreliable, with manufacturer support withdrawn.

1 GWh
JE LOCALLY GENERATED

33 GWh
GENERATED BY EFW PLANT

614 GWh
IMPORTED FROM EDF
HYDRO 36% NUCLEAR 64%



ELECTRICITY SOURCES 2019/2020 IN %

YEAR	JE	EfW	Import
			+0.6%
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%
2018-19	0.3%	5.6%	94.1%
2019-20	0.2%	5.1%	94.7%
	-0.1%	-0.5%	

Distribution

An important milestone for the Company and Island as a whole this year was the completion of our £10m Island-wide Smart Meter roll-out SmartSwitch. We have installed the latest technology allowing the remote reading of meters in around 51,000 premises, making Jersey the first jurisdiction in the British Isles to complete such a programme.

The final phase of this six-year programme was the replacement of 4,100 Pay As You Go (PAYG) key meters. Commencing in February following a successful trial among 150 social housing tenants, we accelerated the PAYG programme with the onset of the COVID-19 pandemic. Abiding by stringent safety protocols, our Metering Technicians continued this essential work throughout the lockdown to help vulnerable customers forced to self-isolate. The meters' remote charging capabilities mean customers can top up over the phone or family and friends can top up for them.

We removed the ageing key charging terminals that we can no longer support, from retail outlets at the end of September. At year end, we were also close to finalising an online PAYG payment scheme that will bring even more convenience for customers.

The completion of SmartSwitch is the foundation for the transformation of our energy system that will bring more control, comfort and convenience for customers and help Jersey on its journey to becoming zero-carbon. Smart Meters are a precursor to a Smart Grid and the increasing digitalisation of energy systems and home energy solutions, facilitating the integration of local renewables, micro-generation and time-of-use tariffs. Smart Meters have already brought benefits to customers.

Including:

- An end to the inconvenience of meter readers calling
- The elimination of around 8,000 estimated readings every year
- An end to pro-rata billing when tariffs change
- Bills on the same date each quarter, giving four equal billing periods
- Swift and remote change of tenancy with on-demand reads
- Rapid and remote change of tariffs
- More information on energy use

SmartSwitch was a complex project, both technically and logistically. It involved the sourcing and manufacture of meters specifically designed to work with our low-carbon heating tariffs, the use of Powerline Carrier communication technology (PLCs) to transfer data, an internal fibre network and Wide Area Networks which, when combined, make the biggest connected network in Jersey outside the telecoms industry. I am very grateful for all the teams that have brought this ground-breaking programme to a successful conclusion. We are now in the latter stages of developing an app that will enable customers to access and use the data Smart Meters collect to help them better manage their energy use and costs better than ever before.

51,000
smart meters
INSTALLED

Our biggest and most important on-Island infrastructure project for many years, was the £17m St Helier West Primary Substation. Though operational since December 2018 this year we completed the landscaping, that includes a public viewing platform looking out across St Aubin's Bay, and re-opened all the public walkways.

This year we installed around **27km of new cable, six new substations and 724 new services.**

We also refurbished **14 substations** and maintained **131 substations and 7km of overhead line.**

Substations on the network now number 797

CUSTOMER SERVICE STANDARDS

Customer expectations have greatly increased in recent years, in part, accelerated by social media and technology – two areas in which we have invested significantly this year. Customers not only expect us to meet the challenges of the energy trilemma by providing affordable, secure and sustainable energy, they also want smart, digital solutions giving them choice and control – as well as an ability to engage with and influence service providers.

As an essential service provider holding a monopoly position in a small offshore jurisdiction, maintaining a high level of customer service and meeting customers' expectations – now and into the future – is crucial to our reputation and standing in the community. It has been especially important this year as we sought to reassure customers through the uncertainty of the pandemic.

Customer Focus is one of our six core Values and central to our Vision. We are committed to improving the customer experience right across the business. We have continued to invest in this area following the appointments last financial year of a Head of Customer Experience and Communications and a Head of Digital Technology.

While we expect technological innovation and digitalisation in the power sector to transform how electricity is generated, distributed, used and paid for in coming years, we also intend to ensure our customers reap the benefits of better services enabled by new, smarter technology, especially around control and comfort.

At the end of this financial year we have greatly expanded our social media presence to enhance our relationships with customers. Work is also well advanced on a new, more customer-focused website, with the emphasis on smoother, swifter customer journeys, a new Jersey Electricity app and a new online payment portal for our 4,100 Pay As You Go customers who are now already benefiting from the completion this year of our SmartSwitch Smart Meter roll-out programme.

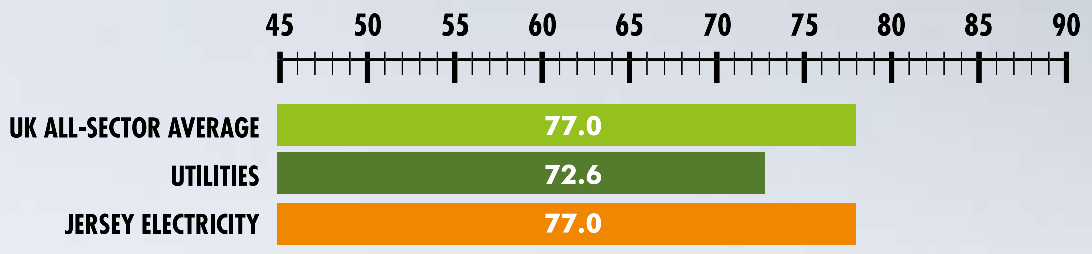
In 2018 we became a member of the UK's The Institute of Customer Service (ICS). This body provides organisations with an understanding of their current level of customer service via regular surveys and requires them to demonstrate a commitment to improving it.

The Institute also conducts the UK's most extensive cross-section customer benchmarking study, the UK Customer Satisfaction Index (UKCSI). This comprises 26 metrics of customer experience, measures customer interaction channel usage and satisfaction, complaint drivers and complaint handling. Using almost 4,000 randomly chosen participants from our customer database, the UKCSI has enabled us to benchmark ourselves against UK utilities and national leaders in other sectors for the second time this year. It also allows us to identify our strengths, weaknesses and track our improvements.

"The result puts us in the top quartile of UK utilities"

I am therefore very pleased to report that we achieved a very good result for the second year, scoring 77 in the UKCSI, just one point down on last year and within the top quartile of utilities in the UK, where results are broadly static, and on par with the 'all sector' average. Only Bulb and Octopus Energy scored higher in the power utility sector.

UK CUSTOMER SATISFACTION INDEX (UKCSI)



Set against ALL UK UTILITIES, Jersey Electricity would sit in 6th Position.

How the UKCSI works

The UKCSI score is an average of an organisation's customer satisfaction scores, weighted by importance based on customer priorities' research. These priorities are divided into five:

- Experience: Measures the quality of customers' experiences with us
- Complaints: Extent to which customers perceive that we genuinely care about them and build the experience and customer journeys around customers' needs
- Customer Ethos: Extent to which customers perceive that organisations genuinely care about customers and build the experience around their customers' needs
- Emotional Connection: Measures the extent to which we engender feelings of trust and reassurance
- Ethics: Measures our reputation, openness and transparency and the extent to which we are deemed to 'do the right thing'

These are then broken down into further priority elements such as:

- Ease of dealing with an issue
- Competence of staff
- Billing
- Helpfulness of staff
- Product/service reliability
- Complaint handling

Although some scores were fractionally down on last year, we are pleased to see a marked improvement on 'complaint handling' as we identified this as an area for improvement last year. Our Customer Care Team reached out to all other departments with the result that managers identified ways to improve complaint handling in their areas. By using our existing Customer Relationship Management (CRM) platform, Customer Care Advisers increasingly focused their efforts on ensuring that all CRM cases were acknowledged and resolved to the pre-defined standard and that cases were not closed without confirming they were resolved. Customer Care also notifies hot-desk administrators from each department when cases go near their last escalation level, which has helped with the 'speed of resolving a complaint'.

We have also utilised the Institute's training provision, with 36 Retail and Customer Care staff undertaking its First Impressions course, which also covered complaint handling, in 2019, and two Retail Managers completing a Complaint Handling Masterclass in London this year.


EASE OF DEALING WITH AN ISSUE
2020 81
2019 80
COMPETENCE OF STAFF
2020 82
2019 80
BILLING
2020 83
2019 83
HELPFULNESS OF STAFF
2020 82
2019 81
PRODUCT/SERVICE RELIABILITY
2020 83
2019 82
OUTCOME OF COMPLAINT
2020 58
2019 38
HANDLING OF COMPLAINT
2020 60
2019 37
ATTITUDE OF STAFF
2020 70
2019 48
SPEED OF RESOLVING COMPLAINT
2020 61
2019 41
30 40 50 60 70 80

Our Powerhouse store and online retail business powerhouse.je had a remarkable year, greatly outperforming prior years with an exceptional financial performance. This was also one of marked turbulence having to temporarily close its doors due to COVID-19. Our strong online presence and flexibility of employees in shifting from 'bricks and mortar' to online and logistics meant this business quickly moved to a solely ecommerce model and continued to trade during the crisis, 'bouncing back' strongly when restrictions were lifted.

Profits increased by 31% from £0.9m in 2019 to £1.2m, on increased revenue of £17.8m, up 17% from £15.2m.

All core products categories - TVs, white goods, computing - grew year-on-year and newer categories such as smart home technology and e-mobility continued to develop. Electric bike sales saw significant growth this year and we plan to develop the category by adding more products and services.

Closure during lockdown enabled us to pivot to complete some planned refurbishment projects quicker than would normally have been possible. These included a new floor that unifies the store, and various new displays including a central e-mobility stand.

The Powerhouse has an ambition to be recognised as one of the best independent electrical retailers in the British Isles. The team was rewarded this year by winning three awards: PC Retail (Best Independent Retailer), Innovative Electrical Retail (Best Superstore Showroom) and the individual award (Best Young Gun) for top new salesperson.

Training continues to be important as we strive to differentiate ourselves from both on-Island and UK online competition. After seeing the benefit of a group of Retail staff undertaking the Institute of Customer Service's First Impressions course last year, two Retail Managers this year completed the Institute's Complaint Handling Masterclass in London.

As our team of in-house digital solutions specialists, Jendev has been developing and supporting Jersey Electricity's business systems since 1998. In addition to being an important internal resource, Jendev has a strong history of delivering solutions to several external clients in the utility industry.

Jendev is focused on supporting Jersey Electricity in delivering its digital objectives to power efficient business processes and improved customer experiences. The team develops, implements and supports solutions in all areas of the business, delivering a mix of standard and bespoke systems. Jendev also continues to implement and develop their flagship billing product, Jenworks.

Whilst Jendev continues to support a diverse group of clients, its primary focus continues to be in support of Jersey Electricity's digital projects. In particular this year was the final Pay As You Go phase of SmartSwitch. The team continues to build on its expertise in the Microsoft Dynamics suite of business solutions and beyond, experience that can subsequently be leveraged across third party clients.

Having this highly skilled team within the Group allows us to manage change effectively, responding quickly to new business challenges and opportunities as they emerge. The Jendev team continues to broaden their digital skillset, investing in knowledge of emerging technologies and methodologies to ensure we are well placed to deliver the latest innovations in the utility industry space.

Jendev™

POWERFUL BILLING SOLUTIONS

JERSEY Energy

SUSTAINABLE ENGINEERING

Jersey Energy was established 26 years ago to promote energy and environmental solutions in building design and energy related services. Jersey Energy and Guernsey-based, Channel Design Consultants, provide premium environmental and building services advisory, design and project management services to end user clients, architects, the Government of Jersey and States of Guernsey, Parish Halls and private developers.

The seven-strong skilled team collaborates with planners, architects, builders and developers in the design process that balances environmental and commercial considerations to deliver high performance buildings, both in the domestic and commercial sectors. With the Government of Jersey's carbon neutrality target of 2030 (2050 in Guernsey) energy efficiency and carbon reduction increasingly feature in the latest Building Regulations and Jersey Energy's services are much in demand.

Although the year began as normal with a good revenue stream from existing and new projects, the closure of construction sites due to COVID-19 impacted operations in April and May. All the Jersey Energy team continued to work from home and they used any non-productive periods to focus on industry and in-house training to ensure the team maintains the highest standards and its engineers are up to date with the latest regulations and technical requirements.

As COVID-19 restrictions eased, the construction industry slowly returned to an element of normality. Work resumed with physical distancing measures in place. The majority of Jersey Energy's project meetings and communications continue to be carried out through remote virtual arrangements setup during lockdown. This has had the added benefit of reducing travel and associated costs.

Jersey Energy have provided much support to the Solutions team's 'Road To 75' project to expand Jersey electric vehicle (EV) public charging network to 75 by the end of 2020. Though delivery of the chargers was temporarily held up due to lockdown, the two teams progressed much groundworks during the restrictions, enabling the rapid completion of a further 30 charge points once deliveries resumed, bringing the total at year end to 53.

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.je, and telecoms operator Sure, which occupies the middle floor. We also lease mobile aerial sites and fibre optics to telecoms operators.

Revenue, at £2.3m, was at the same level as last year despite initial concerns that rental flows could be impacted by COVID-19. Profit, at £1.3m, excluding the impact of investment property revaluation, was £0.4m lower than last year due mainly to accelerated depreciation on air conditioning plant that was replaced during this year.

Our investment property portfolio moved up in value by £0.5m to £21.8m based on advice from our external consultants who review the position annually, due primarily to the growth in the value of residential properties despite COVID-19 challenges.

Building Services (JEBS)

JEBS, our building services business, has undergone a major restructuring programme and 2020 was the first year of this transition. The team refocused from former core activities of electrical and mechanical installations within construction and the installation and maintenance of refrigeration for the food retail sector, to activities that more closely support other business teams delivering our Group Vision, in particular Energy Solutions, Customer Care and Metering.

The result is the new streamlined more strategically focused JEBS achieved its best performance in recent years. It moved from a small loss last year into profit on increased revenue of £3.8m up from £3.3m.

The team helped Energy Solutions to deliver a record number of domestic fuel switches and 30 new electric vehicle charging points, while its amenity lighting team continued the supply, installation and maintenance of LED lighting columns across the Island.

The team also rose to challenges the pandemic presented. With their own activities greatly curtailed, JEBS assisted many other areas of the business, such as retail, with the delivery and installation of domestic appliances for vulnerable customers and supporting the Energy Division with essential maintenance duties at La Collette Power Station.

JEBS also provided the services of six mechanical engineers, at no cost, to assist with the installation of the plumbing services at the newly constructed Nightingale Wing of Jersey General Hospital. In addition, a member of the administration team was seconded to the Government of Jersey to assist with the procurement of medical supplies at the height of the pandemic.

HEALTH AND SAFETY

The safety of our employees, contractors and the public – all our customers – is our most important priority. In this unprecedented challenging year, I am pleased that we have weathered the initial COVID-19 storm well and kept our people and customers safe.

The very nature of our core activities of electricity generation, transmission and distribution can be extremely hazardous activities if they are not appropriately managed. We, therefore, have a vigorous Occupational Health and Safety Management System (OHSMS), in place and a very constructive and open Health, Safety and Environment (HSE) culture. Safety Representatives support our dedicated HSE team throughout the business and do much to create a distinctive and constructive culture for safe working among colleagues, contractors and the public.

Commitment to HSE in any organisation must come from the top, led by the Board and Executive Leadership Team (ELT), down to the people on the shop floor. This year that commitment was reinforced by all five ELT members and the Head of Digital Technology attending an Institute of Safety and Health (IOSH) Leading Safely Course. This course is designed to equip leaders and senior managers with the skills and knowledge necessary to safeguard their employees and business units through accredited health and safety practices. The course led to the implementation of personal action plans off the back of the course.

Board members also attended a presentation by health and safety specialists Coppolo and Coyde containing leading guidance issued jointly by the Institute of Directors (IoD) and the UK's Health and Safety Commission to reinforce their health and safety responsibilities in Jersey Electricity.

We have a good record on HSE as evidenced by our two awards of the British Safety Council's Sword of Honour in 2013 and 2019. Our approach to HSE follows a 'risk-based' process. We address new and revised legislation and adapt to operational environments. We ensure all employees are fully competent in the work we ask them to do and, importantly, that they recognise their own limits of competency. We also expect them 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.

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 away from normal work. This enables us to benchmark against other peer group entities and allows us better oversight of risk trends.

BRITISH SAFETY COUNCIL Sword of Honour 2019 Winner

BRITISH SAFETY COUNCIL Five Star Occupational Health and Safety Audit 2018

BRITISH SAFETY COUNCIL Sword of Honour 2013 Winner

We invest heavily in HSE training. Not unsurprisingly, however, our HSE training hours were severely curtailed during March through to September due to the restrictive COVID-19 measures. To mitigate this, the HSE team increased the number of Toolbox Talks and provided additional information to minimise COVID-19 risks and other HSE issues such as home working, display screen equipment assessments and the correct fitting and use of face masks and other PPE.

We are now seeing an increase in training levels as external HSE training providers resume courses under strict controls to ensure they comply with continuing government guidance related to the pandemic.

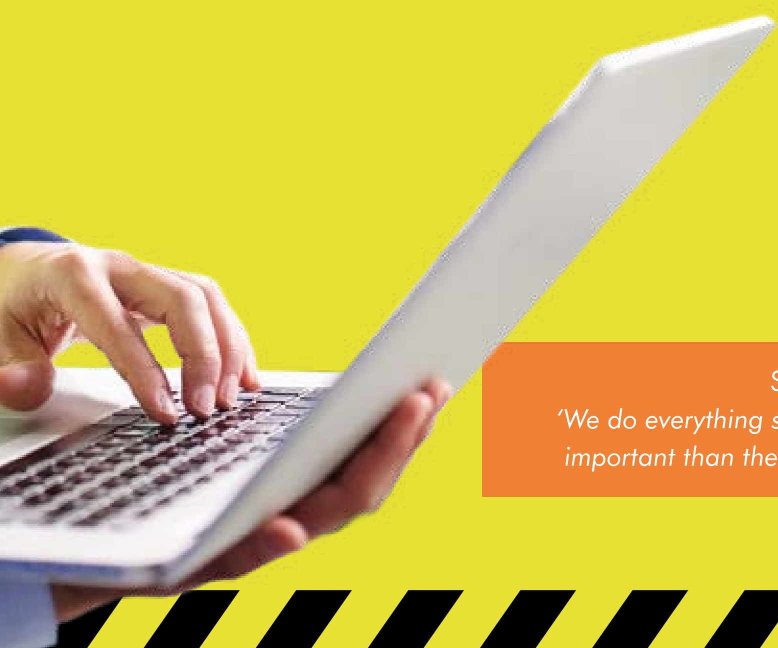
Jersey Electricity also recognises the importance of good mental as well as physical health. Our HSE Team, working with Human Resources (HR) and our team of 11 Mental Health First Aiders were especially vigilant during the lockdown ready to help colleagues suffering anxiety or other signs of mental stress during these difficult times. Wellbeing Wednesday Microsoft Teams calls to keep everyone in touch proved very popular until our employees were able to return to their regular places of work.

Externally, and as the Island's respected authority on electricity and energy, we have continued to work closely with the Health and Safety Inspectorate (HSI) and Jersey Construction Council (JeCC) to reinforce key safety messages to the community at large. Following several incidents involving third party contractors working dangerously around our services, we held a comprehensive safety campaign aimed explicitly at local builders and agricultural workers.

The reason for the latter is that we believe the use of aluminium pipes for irrigation purposes is becoming more common, and farming machinery, such as tractors and harvesters, is getting bigger, increasing the risk of equipment and machinery coming into contact with our overhead lines.

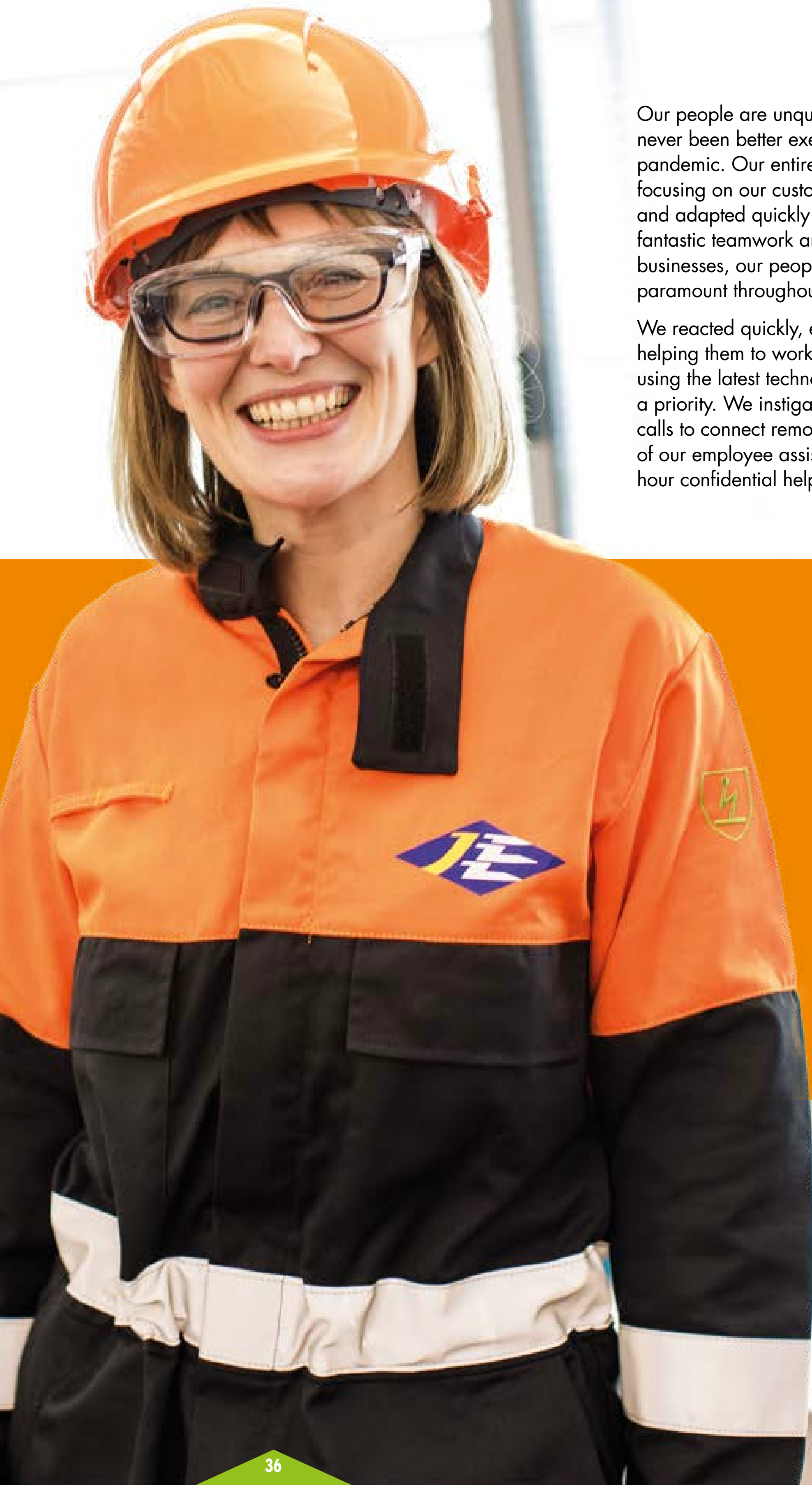
Going forward, our HSE Team will continue its focus on proactive measures such as more detailed safety plans, more site inspections and incident investigation and reporting procedures. Work in these areas is already reflected in the Company experiencing just one, minor RIDDOR Lost Time Accident this year which although disappointing, was neither major nor a result of any breach in procedures.

My thanks go to everyone for their vigilance in creating such a safety-conscious culture and the rigorous approach to dealing with the COVID crisis that has kept the business functioning but doing so safely.



Safety is one of our six core values:
'We do everything safely and responsibly or not at all – nothing is more important than the safety of the public, our customers and our staff'.

OUR PEOPLE



Our people are unquestionably our greatest asset and this has never been better exemplified than this year of the COVID-19 pandemic. Our entire workforce remained active in their roles focusing on our customers. Everyone rose to the challenges and adapted quickly to new working practices, demonstrating fantastic teamwork and flexibility. For our part, like many businesses, our people's health, safety and wellbeing was paramount throughout.

We reacted quickly, ensuring that we supported our people, helping them to work remotely from home or safely on site using the latest technology and PPE, with health and wellbeing a priority. We instigated Wellbeing Wednesday conference calls to connect remote workers and made our people aware of our employee assistance programme, Unum, offering 24-hour confidential help and advice.

COVID-SPECIFIC EMPLOYEE ENGAGEMENT SURVEY RESULT

May 2020

8.3

+0.5 Improvement since September 2019

To measure the effectiveness of our people-focused interventions, we launched a COVID-specific engagement survey during April. The results were very positive, showing an improvement in employee engagement overall from 7.8 (September 2019) to 8.3 (May 2020). Questions related specifically to our handling of the pandemic and tested employee opinion on drivers such as wellbeing, recognition and loyalty. This engagement level puts Jersey Electricity in the top 5% of Energy and Utility companies using the same survey provider. We also conducted a year-on-year audit of our annual appraisals, a process which we take very seriously and invest much time and effort. It too, revealed an improvement in quality.

All our people practices are designed to support one or more of our Vision people goals and they are to be an 'Employer of choice', a 'Great Place to Work' and a 'High Performing Organisation'. To achieve these goals we have done much this year to promote our Employee Value Proposition not only to attract the best new talent, but equally to engage, develop and retain the talent we have.

We want to be diverse and inclusive and celebrate individuality while working as 'one team' across all departments. Our cultural change programme instigated in 2018 focuses on creating an innovative, integrated organisation where people feel valued and inspired to perform at their best.

To do this, we believe employees have to be feel physically and mentally well and we continue to invest in employee wellbeing which we saw as a key driver of employee engagement in our 2018 and 2019 employee surveys. We have a Wellbeing Group of a cross section of employees to discuss and promote wellbeing. We have conducted further Mental Health Awareness training courses open to all employees and have increased our team of Mental Health First Aiders from three to 11 since last year. This team serves as a first point of contact for employees in need of help and support.

8
EMPLOYEES CELEBRATED
21 YEARS SERVICE

14
YEARS
AVERAGE LENGTH OF SERVICE

44
YEARS
AVERAGE EMPLOYEE AGE

To test our Employee Value Proposition externally in the community, we carried out further research by hosting a series of focus groups. The results gave us insight into the perceptions of the Company in the local market and led to a series of initiatives to present Jersey Electricity as an 'Employer of Choice'. This activity included liaison with schools and local skills development initiatives, a new careers section of our website, and a review of recruitment advertising campaigns to ensure gender balance.

In January, we became industry partners in the UK-wide Primary Engineer programme, aimed at working with local schools to generate interest in STEM subjects. The 'If you were an Engineer, what would you do?' competition was launched to ask school pupils to produce a design which solves an everyday issue. Jersey Electricity provided several Engineers at the event to help develop ideas and judge entries. Though the competition was curtailed due to COVID-19, feedback from schools at the launch was extremely positive and we look forward to participating again in 2021.

At the higher end of the age range, we have supported a student of Mechanical and Electrical Engineering from Bristol University on a work experience programme during which he designed and installed a small hydro-powered generator for an exhibition in an ancient water mill. He complemented this by making a video to run on a display solely powered by his generator.

Through Primary Engineer, other education initiatives and targeted recruitment campaigns, we hope to develop our Employer Value Proposition going forward. This also means developing our Diversity and Inclusion credentials.

We set out our intent to establish more inclusive people practices last year, beginning with training at Board level conducted by Inclusive Employers, and are now implementing our newly-established Diversity and Inclusion strategy. All our Senior Managers and anyone involved in recruitment this year undertook Unconscious Bias Training. This is designed to provide people with the tools to adjust automatic patterns of thinking and subsequently eliminate discriminatory behaviours particulalry in recruitment or promotion processes.

Many of our new starters have improved diversity at all levels. Two female employees joined our Senior Leadership Team, and we welcomed employees with diverse characteristics into customer-facing roles, helping us provide a workforce that is truly representative of the island community we serve.

To raise awareness of Diversity and Inclusion internally and externally we have established a Culture and Engagement Forum and have a calendar of events to promote and celebrate our differences and what they bring. In March, we marked International Women's Day with a lunch and talk by a local female entrepreneur and author about her experiences as a businesswoman. In September, we recognised Jersey Pride month. As we progress into the new financial year, we will continue to raise awareness of inclusivity through focused events and campaigns.

Despite the pandemic, HR activities continued, with nine new starters onboarded during lockdown and able to work effectively immediately as we embraced the use of new technologies. The team also implemented effective return-to-work strategies from the beginning of August and the business was functioning normally at year end.

SUSTAINABILITY IN THE COMMUNITY

Being a trusted partner in our community requires supporting our Island in many ways beyond delivering our core business activities. We have traditionally focused that support on charities, organisations and other beneficiaries in Jersey that concentrate their activities on health, education and the environment.

COVID-19 restrictions have this year, regrettably, caused the cancellation of many charitable fundraising events to which we have lent our support over the years either corporately or by the participation of individual employees. We have, nevertheless, continued our support where we could. For example, the donation of an electric bike enabled the charity Brightly to raise £15,000 to help care-experienced youngsters in an online raffle when its Family Fun Day had to be called off. We also provided Family Nursing and Home Care with our usual sponsorship funding when its Colour Festival had to be cancelled. To provide reassurance to some charities, we have pledged our continued support next year in the hope that their events will go-ahead.

Despite COVID-19, we have been able to deepen our relationship with our long-term partner, the National Trust for Jersey, whose small team does much to protect the environment and preserve Jersey's countryside. The charity shares our Vision for a zero-carbon future for Jersey.

At the end of last year, we announced two significant sponsorships aimed at protecting the environment and encouraging a zero-carbon Island. In partnership with Jersey Water, we are funding and physically helping to re-forest 20 acres of Mourier Valley in the North of Jersey by planting 6,000 trees over three years. Working with the Trust and Jersey Trees for Life, volunteers from Jersey Electricity and Jersey Water planted the first of over 600 trees during two volunteer days in December 2019 and January 2020. In September 2020, we returned to clear bracken in readiness for the next phase of planting in January and February 2021.

It is the most significant tree-planting programme the Trust has ever undertaken and covers 10 parcels of land owned variously by Jersey Water, Trust, The Crown and the Jersey Government. We believe this project is a small but symbolically important step on Jersey's journey to zero-carbon and will provide our community with the sense that we are 'out of the starting blocks' and already taking action on the ground.

We are also supporting the Trust's important Education Programme by sponsoring its full-time Education Officer for the next three years. Around 3,500 children a year engage with the programme which involves a wide range of activities that complement schools' science curricula and encourage children to 'reconnect with nature'. The focus of the new programme will be on biodiversity loss, recognising the causes and impacts of its loss and how to prevent this.

Under the banner 'We Have the Power', the programme aims to raise awareness of the causes of climate change and the small and largescale carbon reduction steps needed to curb it. As well as conducting a series of school assemblies, we have helped to make the Trust's historic Le Moulin de Quétivel a learning centre for climate change education events with an exhibition and demonstration hydroelectric generator, powered by the mill's water wheel, and connected to a video display.

We also again sponsored the Trust's #LoveNature Festival, which this year was successfully conducted virtually.

We continue to partner the Jersey Evening Post's ecoJersey initiative and have again supported the newspaper's Pride of Jersey Environmentalist Award which has attracted a record 14 nominations from the public in this its sixth year.

Despite being restricted in the number and type of charity events our employees have been able to participate in this year, their Monthly Staff Charity Draw has continued to raise funds for employee-nominated charities through donations paid directly from salaries. This year's nominated charities to benefit were: MacMillan Cancer Support (Jersey) Ltd, Channel Islands Air Search (CIAS), The Mission to Seafarers (Jersey Branch), Healing Waves, Guide Dogs for the Blind, Diabetes Jersey, Age Concern, Jersey Cancer Relief, Neil Hussey Heart Charity, Brooke Hospital for Animals, Autism Jersey and Friends of Special Care Baby Unit (SCBU).

We sincerely hope Jersey's charities return to their normal level of fundraising activities next year to help them continue their valuable work.

OUTLOOK

It is widely recognised more than ever that all our futures depend on finding solutions to address climate change. If anything, the COVID-19 crisis has created a new impetus within the community for taking action. We believe the Company remains well positioned to help facilitate the Island's transition to a carbon-neutral future and we are actively supporting an economic stimulus-led green recovery.

The Government of Jersey has responded well to the COVID-19 crisis, but has nevertheless been distracted by it. This inevitably, but unfortunately, led to the deferral of the planned Citizen's Assembly on Climate Change from mid-2020 to an expected March 2021. The Citizen's Assembly is a key event for Jersey Electricity and is intended to be an opportunity for the community to discuss the targets and approach to delivering carbon neutrality and present its conclusions to the States Assembly.

We have already been assisting the Government by exploring how the Island and the grid needs to change – and defining where further investment is needed – to enable carbon neutrality by 2030. It is clear that a low-carbon and sustainable Jersey should not solely be considered a cost to be borne, but can also be a source of differentiation for all sectors of Jersey's economy in a world that is increasingly focused on environment, social and governance-related matters.

Jersey has a very well invested 'zero-carbon platform' that has significant spare capacity. It is clear to many that the only way that Jersey can rapidly and meaningfully reduce carbon emissions further is by displacing fossil fuels with low-carbon alternatives, whether using dependable grid nuclear and imported renewables, or local renewables. We believe our grid could be a key component of an integrated solution compatible with the development of local renewables that could enhance supply and economic diversity as well as mitigate our dependency on imported resources.

This year, we have continued to allocate resources around 'no regrets' opportunities to facilitate this, including pump priming the local renewables sector, such as roof-based solar PV, as well as investing in fuel switching, smart metering and electric vehicle charging infrastructure. We have also greatly built out our technology, digital and data capabilities as this is critical to a new, low-carbon energy system and value creation for consumers.

We also seek to integrate our activities more effectively across the Jersey Electricity Group in a way that leverages broad capabilities and drives the creation of new, more innovative solutions for customers, for example, by using the strengths of our Powerhouse retail site, JEBS our Building Services business and our advisory businesses to better effect. We are seeking to shift our focus from being an 'electric utility supplier' to an 'integrated energy partner' focused on the development of viable new energy solutions and services for customers beyond the meter, and nurturing new energy relationships with new business models.

Our conviction and confidence in our strategy is strong, but our position is not without risk. We have a strong contract with EDF and RTE, our French partners, which was extended by five years to clear us through Brexit, but international energy and foreign exchange markets remain volatile. A higher focus on supply dependence and sovereignty will lead to a more intense examination of cost and efficiencies as well as risks in the supply chain. There also remains a risk that regulation and/ or competition may be imposed on the electricity market. This may be done with the best intentions, but may well lead to increased costs, reduced investment and reduced scale in the business, leading to higher electricity prices to customers, weaker services and reduced innovation.

Our best response to this is clear – to know and understand the needs and wants of our customers and serve them better than ever and in the absence of any external competition, act as though Jersey Electricity is its own competitor, by continuing to innovate products and services, offering new value-for-money solutions and constantly bettering what we do for customers. If we can demonstrate and deliver on this, the future for Jersey Electricity remains an exciting one with real growth and opportunity.

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2020	2019
Revenue	£111.7m	£110.7m
Profit before tax	£14.8m	£14.8m
Earnings per share	37.94p	38.42p
Dividend paid per share	16.05p	15.25p
Final proposed dividend per share	9.70p	9.25p
Net cash / (debt)	£5.5m	£(5.1)m

Group revenue for the year to 30 September 2020 at £111.7m was 1% higher than in the previous financial year. Energy revenues at £85.1m were 2% lower than the £87.0m achieved in 2019. Lower unit sales of electricity, linked to the COVID-19 crisis, combined with the sale of heavy fuel oil to Guernsey Electricity last year were the main reasons for the reduction. Revenue in the Powerhouse retail business increased 17% from £15.2m in 2019 to £17.8m. The business had a strong first half, but was impacted when the shop was forced to close due to COVID-19, but then recovered well, helped by the strong online offering. Revenue in the Property business at £2.3m was at the same level as last year despite initial concerns that rental flows could be impacted by COVID-19. Revenue from JEBS, our building services business, increased from £3.3m in 2019 to £3.8m. Revenue in our other businesses at £2.7m, was marginally lower than in 2019.

Cost of sales at £69.7m was £0.4m higher than last year with the increased revenue level in the Powerhouse Retail business being offset by a lower volume of imported units of electricity in 2020 and the costs associated with the sale of heavy fuel oil to Guernsey Electricity last year.

Other income was recognised during the previous year arising from the receipt of a £0.8m rebate for a subsea cable repair.

Operating expenses at £26.4m were £0.4m lower than 2019 primarily due to the pension cost in 2019 being £0.6m higher than in 2020.

Profit before tax for the year to 30 September 2020, at £14.8m, was maintained at the same level as 2019 despite the challenges of COVID-19.

Profits in our Energy business at £12.3m were at the same level as 2019. Unit sales volumes decreased from 627m to 619m kilowatt hours with the impact of COVID-19 in the second half of the financial year being the main reason. However, revenue from electricity sales was £0.8m higher due to the sales mix, with an increase in usage in domestic premises more than offsetting the fall in the commercial sector. In 2019, Energy had a £1m profit from the sale of heavy fuel oil, being a 'one-off' transaction. During this year overhead costs were £0.9m lower than in 2019 largely due to lower depreciation charges. In the financial year we imported 95% of our requirements from France (2019: 94%) and generated 0.2% of our electricity on island from our solar and diesel plant (2019: 0.3%). The remaining 5% (2019: 6%) of our electricity was purchased from the local Energy from Waste plant.

A planned 2.5% tariff rise from 1 April 2020 was postponed to 1 October 2020 to provide some further assistance to our customers in light of the COVID-19 pandemic.

The £1.3m profit in our Property division, excluding the impact of investment property revaluation, was £0.4m lower than last year due mainly to accelerated depreciation on air conditioning plant that was replaced during this year. Our investment property portfolio moved up in value by £0.5m to £21.8m based on advice from our external consultants who review the position annually, due primarily to the growth in the value of residential properties despite the wider COVID-19 challenges.

Our Powerhouse retail business saw profits rise by 31% from £0.9m to £1.2m in a turbulent year where flexibility in the business model, due to our strong on-line presence, aided this business during the COVID-19 crisis. The business was also helped by our customers appearing to have more spending power, due to less travel taking place, with some sales lines seeing material growth – such as electric bikes.

JEBS, our building services unit positively moved to a profit of £0.2m against a £0.1m loss in 2019 as a result of an increase in revenue, and a move to higher margin work.

Our other business units (Jersey Energy, Jendev, Jersey Deep Freeze and fibre optic lease rentals) produced increased profits of £0.8m being £0.2m above last year.

The net interest cost in 2020 was £1.4m being £0.1m higher than in 2019 due to the implementation of IFRS 16 ('Leases'). The **taxation charge** at £3.1m was marginally higher than the level in 2019.

Group basic and diluted earnings per share, at 37.94p, compared to 38.42p in 2019 due to profitability being similar in both years.

Dividends paid in the year, net of tax, rose by 5%, from 15.25p in 2019 to 16.05p in 2020. The proposed final dividend for this year is 9.70p, a 5% rise on the previous year. Dividend cover, at 2.4 times, was marginally lower than the comparable 2.5 times in 2019.

Ordinary Dividends

		2020	2019
Dividend paid	- final for previous year	9.25p	8.80p
	- interim for current year	6.80p	6.45p
Dividend proposed	- final for current year	9.70p	9.25p

FINANCIAL REVIEW

Net cash inflow from operating activities at £26.9m was £0.8m lower than in 2019. **Capital expenditure**, at £11.2m was £2.7m lower than £13.9m last year as there was material spend in 2019 in completing the St Helier West primary sub-station. Dividends paid were £5.0m compared to £4.7m in 2019. The resultant position was that **net cash** at the year-end was £5.5m, being £30.0m of borrowings offset by £35.5m of cash and cash equivalents, which was £10.6m more positive than last year.

Cash Flows

Summary cash flow data	2020	2019
Net cash inflow from operating activities	**£26.9m**	£27.7m
Capital expenditure and financial investment	**£(11.1)m**	£(13.8)m
Deposit interest received	**£0.1m**	£0.1m
Repayment of lease liabilities	**£(0.2)m**	-
Dividends	**£(5.0)m**	£(4.7)m
Decrease in net debt	**£10.6m**	£9.2m

Impact of new accounting standard

IFRS 16 was adopted from 1 October 2019, applying the "modified retrospective" approach whereby comparative figures are not restated. In adopting this approach, the results for the year to 30 September 2020 are not directly comparable with those reported in the prior year under the previous applicable accounting standard IAS 17 "Leases".

This adoption has resulted in an increase in Group operating profit of £86k, (a £189k reduction in rent expense has been partially offset by an increase of £103k in depreciation). Finance costs have increased by £131k, resulting in a decrease in profit from operations before taxation of £45k. At 30 September 2020 the net value of right of use assets under IFRS 16 totalled £2.9m with a corresponding lease liability of £2.9m. Whilst there is no impact on total cash and cash equivalents, there has been a reclassification of lease payments resulting in a deterioration of net cash flows arising from financing activities, whilst there is a corresponding increase in net cash flows from operating activities.

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 programme, was 1.13 €/£. The average applicable spot rate during this financial year was 1.14€/£ against 1.13€/£ during the 2019 financial year. In addition, we also materially hedge any foreign exchange exposure attributable to capital expenditure once planning consent, and firm pricing, is known and the commitment 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 2020 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. We have been importing electricity from Europe since 1984 and our latest 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 2020 the scheme surplus, under IAS 19 "Employee Benefits", was £5.9m, net of deferred tax, compared with a surplus of £8.3m at 30 September 2019. Assets rose 1% from £154.7m to £156.6m in the same period. However liabilities increased 4% from £144.2m to £149.3m since the last year end with the discount rate assumption, which heavily influences the calculation of liabilities, falling from 1.9% in 2019 to 1.6% in 2020 to reflect sentiments in prevailing financial markets.

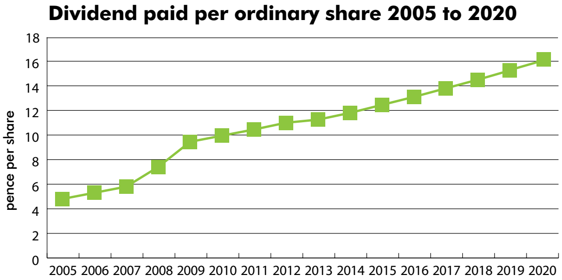
Our defined benefits pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If the discount rate applied to the liabilities had been 0.5% lower than the 1.6% assumed under IAS 19 for 2020, the net surplus of £5.9m would have moved to a deficit of £5.5m. Alternatively if the discount rate had been 0.5% higher the net surplus would have increased to £16.2m. In a bid to mitigate the impact of movements in interest rates and inflation the trustees of the scheme have adopted a Liability Driven Investment (LDI) approach which seeks to reduce the risk that asset and liability values change at different rates, or move in different directions. The proportion of scheme assets in LDI/UK Gilts products moved proportionately from 30% at the last year end, to 37% at 30 September 2020.

The most recent triennial actuarial valuation, as at 31 December 2018 showed a surplus of £3.7m. Unlike most UK schemes, the Jersey Electricity pension scheme is not funded to pay mandatory annual rises on retirement. The Pension Scheme Trustees, and the Company, agreed an ex-gratia award be made to pensioners in light of the surplus. The capital cost of this agreed 2.25% rise to pensions in service at 31 December 2018 was £1.1m and was paid by the scheme in the previous financial year. The cash funding rate by Jersey Electricity for future service is 20.6% of pensionable salaries and employees contribute an additional 6% to the pension scheme. The actuarial valuation recommended an increase to 25.4% but it was also agreed that around £1.2m of the surplus be used to maintain the existing funding rate for the 3 years until the next triennial valuation. 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 2021.

Returns to shareholders

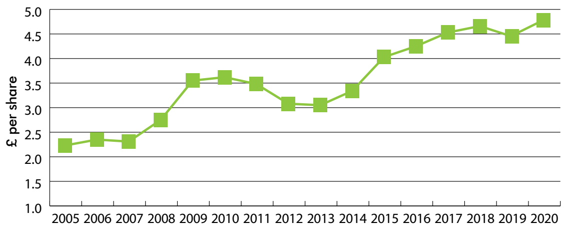
62% of the ordinary share capital of the Company is owned by the Government of Jersey with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees Limited owns 5.2m (45%) of our 'A' Ordinary shares representing 17% 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 15.25p net of tax to 16.05p. The proposed final dividend for 2020, at 9.70p, 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 from 4.80p to 16.05p.

Dividend paid per ordinary share 2005 to 2020



The share price at 30 September 2020 was £4.82 against £4.45 at the 2019 year end. This gives a market capitalisation of £148m at 30 September 2020 compared with a balance sheet net assets position of around £206m. 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 £2.22 to £4.82.

'A' Ordinary share price movements 2005 - 2020



Our largest shareholder, the Government 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 Government of Jersey from Jersey Electricity in the last year was £11.4m (2019: £10.6m). The increase was due to a higher level of dividend and corporation tax paid.

	2020	2019
Ordinary dividend	**£3.1m**	£2.9m
Goods and Services Tax (GST)	**£4.7m**	£4.5m
Corporation tax	**£2.7m**	£2.3m
Social Security - employers contribution	**£0.9m**	£0.9m
	£11.4m	£10.6m

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 Treasury function within the Government of Jersey, ensuring there is a direct communication between the non-Executives and our largest shareholder.

Group Risk Management

Understanding and managing our risks is front of mind in everything we do. It helps us meet our strategic and operational objectives, whilst enabling us to make informed business decisions, in the best interest of our customers, the Group and our shareholders. It is an evolving framework as we continue to improve and enhance our risk management processes.

Board responsibilities

The Board has primary responsibility for the overall approach to risk management and the internal control framework and fulfils their role by:

- setting and regular review of the risk appetite statement by determining the type of risk the Group is prepared to accept whilst achieving strategic objectives;

- ensuring the risk management and internal control systems identify the principal risks faced by the Group
- undertaking robust assessment of the principal risks and agree how they should be managed

The Board has delegated responsibility for overseeing and assessing the effectiveness of the Group's system of internal controls and risk management to the Audit and Risk Committee. In support of this responsibility, the Audit and Risk Committee receives regular updates on the risk management processes as well as updates on the risk management activities undertaken within the business.

The Board recognises that the system of risk management is designed to manage, rather than eliminate, the Group's exposure to business risks, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

Identifying our principal risks and uncertainties

Our risk management process incorporates both top down and bottom up elements when identifying, challenging and evaluating risk. We begin with collating input from all business units on their most significant risks, having regard to their own priorities. This is consolidated into a Group view which is presented to our senior leaders to add their own input on strategic, functional and emerging risks. The proposed principal risks, including mitigation strategies, are then reviewed, challenged and agreed by the Executive Leadership Team, Audit and Risk Committee and the Board.

Risk appetite

Risk appetite is the nature and extent of risk that Jersey Electricity is willing to accept in relation to the pursuit of its objectives. We look at risk appetite from the context of severity of the consequences should the risk materialise, any relevant internal or external factors influencing the risk, and the status of management actions to mitigate or control the risk. A scale is used to help determine the limit of appetite for each risk, recognising that risk appetite will change over time.

Both management and the Audit and Risk Committee are responsible for the development, communication and oversight of the risk appetite framework. In addition, the Internal Audit function supports the oversight of the framework through monitoring activities to assess the consistent application and adherence with the risk appetite.

The Audit and Risk Committee regularly revisit and review the risk appetite in relation to how operations within the business may have changed. Further, each year, the Board review the principal risks facing the Company and approve the risk appetite.

Managing our risk

Our risk management framework is underpinned by the 'three lines of defence' accountability model, which comprises the following:

- First Line – Executive Leadership Team and senior managers are responsible for identifying, assessing and managing the risks for the systems and processes under their responsibility.
- Second Line – The Risk Management team and other second line functions (e.g. Health and Safety, Environment, and Data Protection) are responsible for assessing whether the front-line controls are properly designed, in place, and operating as intended.
- Third Line – The Internal Audit function provides comprehensive assurance based on the highest level of independence and objectivity on the effectiveness of governance, risk management, and internal controls.

Strengthening our risk management framework

We have implemented several initiatives in relation to our risk management framework, which have continued to drive an uplift in our risk management maturity; including:

- updating the way our risks are categorised. The new approach allows us to consider risks by strategic objective and by division.
- updating the risk registers to include more details around preventative, detective and other corrective action in place to manage / mitigate our risks; and
- strengthening the manner in which we monitor and track our assessment of key risks relative to our risk appetite statements.

Key improvements to risk management which are in progress include:

- enhancing the approach to assessing the impact of emerging risks
- understanding the interdependencies of our principal risks and analysing the potential impact of any correlation between these risks
- improving the way we collect and treat early signals in the internal and external environment by establishing and monitoring key risk indicators
- further enhancing our risk processes reflecting lessons learnt from the COVID-19 pandemic to be better prepared in the future.

The table on the next page summarises the Group's principal risks and how they are managed. The principal risks are considered by the Board 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.

Coronavirus (COVID-19) impact to our principal risks

The outbreak of COVID-19, which began to impact Jersey from mid-March 2020, resulted in an increased focus on the mitigation of a number of our existing principal risks.

We instigated our business continuity plan with the initial primary focus being on the health and welfare of our people and our customers.

We maintained high levels of productivity throughout the crisis to date with around one third of the workforce remaining in their normal place of work performing critical operational and customer care roles, and two thirds successfully working from home (using existing IT platforms that were quickly modified to accommodate the locational change).

Our critical teams were split, and segregated, to provide resilience if COVID-19 had resulted in rising illness levels. We also sought to mitigate the risk of customer service issues by deferring our planned 2.5% tariff rise from April to October 2020, suspended customer disconnections for non-payment of bills and extending payment periods.

The increased use of trending data throughout the period allowed us to better understand our exposure to reduced revenue, the management of cash and the monitoring of potential bad debts.

To effectively understand, and respond to the impact of the coronavirus on our operations and strategy, we have updated our principal risks to include descriptions of the threats and response action taken to ensure our principal risks remain within our risk appetite and tolerance.

Summary of our principal risks

Political and regulatory environment		**Risk movement: Increasing**
Risk Description	**How we manage the risk**	**COVID 19 threats and response**
Unfavourable political and regulatory change - 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. This risk also includes legislative changes or developments which cause a significant change to the operation of, or prospects for, the business.	• Find the correct balance associated with being a key service provider on an Island but recognising our responsibilities to a wide number of stakeholders. • Ensure transparency of objectives and regular communication with key stakeholders. • Benchmark ourselves against comparable Key Performance Indicators with other jurisdictions (e.g. Tariffs, Customer Minutes Lost, CO2 emissions, Lost Time Accidents). • Monitor political and legislative developments (e.g. the Government's Energy Plan). • Analyse opportunities and threats to enable us to respond effectively.	**Threat** - Potential down-turn in economy or increased taxes will reduce disposable income and possibly reduce revenue. **Response** - Monitoring ongoing political and regulatory developments related to the pandemic.
Protecting personal data - Failure to comply with laws and regulations could result in fines/penalties ("the Data Protection Law") (£10m or 10% of turnover), highly publicised investigations, enforced actions and/or regulatory censorship.	• Data protection policies and procedures. • Group wide training and induction for new staff. • Establishment of the Information Governance Committee. • Ongoing compliance programme (review of data library and monitoring of retention and destruction schedules).	**Threat** - Remote working and changes in processes to enable ongoing services during COVID 19 may increase the likelihood of staff unintentionally releasing data or bypassing security controls. **Response** - IT security protocols enhanced as part of the roll out of Office 365. Change management controls in place to oversee any significant changes to processes.

Financial		**Risk movement: Stable**
Risk Description	**How we manage the risk**	**COVID 19 threats and response**
Strategy and market disruptions - The energy market is facing a growth in disruptive technologies and calls for renewable energy by the public. Further, consumer energy demand may reduce due to energy efficient products or significantly increase due to initiatives such as the Government of Jersey zero carbon plans.	• The Director of Operations is busy with a programme to Protect the Business Model i.e. (Vision 2020 - new long-term strategic growth model to address potential disruptions in the energy market). • A dedicated team work on initiatives in these areas - including EV (establishing 75 stations on island, solar power and other renewable options). • There are also longer-term implications on load growth of widespread take up of solar panel technology combined with battery storage systems for homes and businesses (or similar renewable technologies).	**Threat** – Network grid not able to support load growth due to high volume switch to electric heating and significant increase in peak demands of our customers. **Response** – Roll out of smart meters (project is now complete/smart chargers for EVs is being trialled). Continuous monitoring in customer demand / switch rates.
Revenues - 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 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. • Scenario and sensitivity analysis as part of our long-term budgeting process.	**Threat** – Business consumers, in particular hospitality, are expected to reduce demand, which will be partially offset by an increase in domestic demand during lockdown. **Response:** Stress testing, usage modelling and monitoring of key indicators regarding reduction in load.
Market volatilities and affordable energy - 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.	**Threat:** Market reactions to the pandemic could include movements in the value of sterling and other financial instruments. **Response:** Continuous monitoring and assessments of market movements and impact to operating costs.
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. • A triennial valuation formally reports on performance.	**Threat:** Market reactions to the pandemic could impact the value of the investments or scale of liabilities of the pension fund. **Response:** Built in risk protection strategy of market movements within the DB pension scheme (LDI strategy).

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People		**Risk movement: Stable**
Risk Description	**How we manage the risk**	**COVID 19 threats and response**
Establishing a robust and capable workforce - If the Company is unable to achieve performance targets, maintain operations or provide adequate levels of customer service due to capability and capacity limits within the workforce.	• Long-range HR Strategy to attract and recruit new talent to enable planning for the future. • Frameworks in place to embed succession planning throughout the group. • Extensive networks have been built including access to UK (Utility) skills to enable best practice development. • Building skills resistance through training and development programmes. • Continually strive to build diversity across all types of role and all levels within our business. • Graduate and apprentice schemes, and ambassadors that work with schools and education institutes to encourage the younger generation to pursue STEM careers.	**Threat** - Availability of staff for critical roles due to social distancing rules and remote working may impact productivity and maintaining operations. **Response** - Cross training staff to help in non-technical roles. Continuous monitoring of staff wellbeing and productivity. Potential areas with skill shortages have been addressed and mitigated. Succession planning enacted where needed.

Operational		**Risk movement: Stable**
Risk Description	**How we manage the risk**	**COVID 19 threats and response**
Reliable and secure energy supply - Failure of ageing metering infrastructure. This risk also includes the unsuccessful delivery of our major projects resulting in inability to achieve overall project objectives and/or additional costs or delays.	• The EDF and RTE contracts are key to the continuity of supply of electricity to Jersey. We maintain a strong relationship with the network operators and engage in ongoing dialogue to understand any developments that might impact security of supply. • A strong cable repair capability and a programme of maintenance exists to optimise the life of assets. • Exploring potential options in the renewables space that would result in less dependence on importation. • The completion of Smart Switch project has resulted in a smarter more modern metering solution replacing legacy systems, thus reducing this risk. • Regular project progress updates issued to both management and the Board, including plans to address any issues.	**Threat** - Supply chain interruption due to delays to the receipt of products and equipment required to maintain the grid infrastructure, plants and assets. **Response** - Strategic spares and inventory management. Maintenance and repair program on going.
Business Continuity - Failure and/or unavailability of significant plant and/or importation assets which cause disruption to our operations which may result in a loss of electricity supplies to customers.	• Three subsea cables to France via different routes provide resiliency with regards supply importation cables. • On-Island back-up generation in the event of service disruption on importation from France. • Use of a comprehensive business continuity planning process including periodic testing under various scenario exercises.	**Threat** - The impact of the pandemic increases the risk of the group not being able to meet its operational obligations to maintain the continuity of electricity supply. **Response** - Business continuity plans enacted. Regular communications with EDF and RTE.
Health and Safety - There is a level of inherent health and safety risk due to the nature of the activities we undertake. Failure to manage these risks effectively could result in death or injury, regulatory action or litigation.	• 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 training. • Performance measures are explicitly presented as a separate agenda item at each Board meeting. • British Safety Council audits on our health and safety performance every three years. • A Health and Safety team sets standards and monitors performance against those standards.	**Threat** - Concerns regarding the health and well being of our staff, customers, suppliers, partners and the general public, as a result of the pandemic. **Response** - Proactively sourcing PPE, updated safety procedures, mental health calls and support, engagement survey during lockdown (focus on wellbeing), on-going site inspections.
Environment - Substantial and long-term environmental damage is caused as a direct result of JE processes, services and business activities.	• Environment policies and procedures in place. • Surveys and inspections of sites, assets, and materials. • British Safety Council audits on environmental performance every three years. • Commitment to supporting government environmental objectives, through renewable energy (solar power) and providing charging outlets for EVs.	**Threat** - Concerns that environment site inspections or monitoring program may be reduced or put on hold due to social distancing and other H&S obligations. **Response** - Ongoing site inspections and environment surveys, where safe to do so.
Cyber threat and Information Security risk - Due to the nature of our business, we recognise that our critical infrastructure and IT systems may be a potential target for cyber threats.	• 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. • Disaster recovery procedures are incorporated within our business continuity arrangements and periodic external reviews are undertaken. • Core applications are only accessible through a secure portal that require three factor authentications.	**Threat** - Instances of phishing emails and cyber-attack increasing due to criminals taking advantage of the general public's lack of focus on IT security due to pandemic distractions. Further, increase in IT vulnerabilities due to remote working. **Response** - Advanced security controls embedded within desktop computers provided for remote working. Enhanced IT security protocols and access controls applied to Office 365.

Emerging risk and unquantifiable threats

As with all businesses, we face a number of uncertainties where an emerging threat may potentially impact us in the longer term. Where there is insufficient information available to understand the likely scale, impact or velocity of the risk, we have classified these threats as emerging risks and added them to a watch list.

Due to the nature of emerging risks, we are not able to fully define a mitigation plan until we have a better understanding of the threat and impact to Jersey Electricity, however processes have been established to help identify and monitor these threats as they become material or the impact becomes quantifiable.

Through broad dialogues involving different and appropriate stakeholders, we have created a watchlist of emerging risks which are reviewed and assessed on a regular basis by both management and the Audit and Risk Committee. Some examples of these risk include:

UK's departure from the EU (Brexit)

Emerging risk description: 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.

Managing the risk:

- We have received confirmation that our long-term contractual agreements, which have been in place for 35 years, would not be affected.
- We extended the current supply arrangements with EDF by a further five years to the end of 2027. Foreign exchange considerations are also a risk, but as referred to on page 46, 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 now hold a higher stock level of items felt essential to our business units.

Climate change

Emerging risk description: There is clear evidence that global temperatures are rising rapidly and that climate change poses a number of risks. Given the wide range of outcomes, it is difficult to predict the exact impact of global warming, however we are planning well into the future to understand what changes are likely to be experienced in Jersey. It is likely that climate change will bring about changes to both the weather (such as storms and heatwaves) and regulatory obligations (new or strengthened carbon neutrality commitments).

Managing the risk:

- We continue to monitor political and legislative developments and assess the opportunities and threats to enable us to respond effectively.
- JE participation and involvement in the development and implementation of the States' Energy Plan.
- Monitor political and legislative developments (e.g. Carbon Neutrality by 2030) and analyse the opportunities and threats to enable us to respond effectively.
- As part of the Government's Energy Plan, an Energy Partnership was formed (ministerial energy executive and multi-stakeholder energy forum, including JE). This partnership is responsible for monitoring the progress of all the associated work streams for implementation of the plan.

Viability Statement

In accordance with provision 31 of the 2018 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 in September 2020. This included an assessment of how COVID-19 related risks might potentially impact matters on a longer-term basis.

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 over £200m 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 2025.

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.

Board of Directors

	Phil Austin MBE	Chris Ambler
Tenure on Board	Appointed 12 May 2016 and Chairman from 28 February 2019	Appointed as CEO 1 October 2008
Committee Memberships	Nominations Committee Remuneration Committee	Nominations Committee
Experience	Financial services background and board level experience across a wide range of listed and private companies	Chartered Engineer in various leadership and general management roles in blue chip multinationals Strategy consultancy experience MBA (INSEAD) Broad experience across global utility, chemicals and industrial sectors
Relevant Skills	Extensive experience in leadership and management Deep understanding of governance standards and requirements Good communication skills	Leadership and management Strategy development M&A and corporate finance
External Appointments	Chairman of Octopus Renewables Infrastructure Trust plc Non-Executive Director of Blackstone/ GSO Debt Funds (Europe) Ltd Non-Executive Director of City Merchants High Yield Trust Ltd Non-Executive Director of Ravenscroft Cash Management Ltd	Non-Executive Director of Apax Global Alpha Ltd Non-Executive Director of Foresight Solar Fund Ltd

Martin Magee

Appointed as Finance Director 8 April 2002

Chartered Accountant

Broad experience across a number of senior finance roles in UK listed plcs, including utilities

Strong financial analysis and planning skills

Commercial bias

Strong background in transactional activity

Chairman of Aberdeen Standard Capital Offshore Strategy Fund Ltd

Non-Executive Director of Jersey Post International Ltd

Aaron Le Cornu

Appointed 1 January 2011 and Senior Independent Director 3 March 2016

Remuneration Committee (Chairman)

Audit and Risk Committee

Chartered Accountant

Financial services and consultancy background

Board level experience across private equity and Fintech

Extensive financial skills

Corporate finance experience

Broad range of management and leadership experience

Alan Bryce

Appointed 17 December 2015

Nominations Committee (Chairman)

Audit and Risk Committee

Extensive board level experience in electricity generation, and transmission and distribution in the UK and USA

Non-executive experience in water industry and wind farm development

Wide range of roles in corporate strategy, M&A and utility regulation

Business leadership and governance

Chartered engineer with extensive knowledge of the utility industry

Asset and operational risk management

Non-Executive Director of Northern Ireland Electricity Networks Ltd

Board of Directors

		
	Wendy Dorman	**Tony Taylor**
Tenure on Board	Appointed 14 July 2016	Appointed 21 September 2017
Committee Memberships	Audit and Risk Committee (Chairman) Nominations Committee	Remuneration Committee Nominations Committee
Experience	Chartered Accountant with audit and tax experience Leadership positions including Head of Tax for PwC Channel Islands and company Non-Executive Director roles with audit chair experience for listed companies	Senior management roles in leading global advertising agencies
Relevant Skills	Leadership and management Infrastructure investment Accountancy, audit and taxation	Strategic planning Customer experience Stakeholder engagement Marketing and communications
External Appointments	Non-Executive Director of 3i Infrastructure plc Non-Executive Director of New City High Yield Fund Limited	Non-Executive Director of Jersey Milk Marketing Board Non-Executive Director of Jersey Sport

Peter Simon

Appointed 28 February 2019

Audit and Risk Committee

Remuneration Committee

Executive leadership across strategy and M&A advisory, financial services, energy supply, in-home services, and smart home consumer technology

UK retail and SME energy services and supply markets

Digital and data-led business transformation

Growth and scale-up business strategy

Non-Executive Director of EnergyUK

Amanda Astall

Appointed 1 June 2020

Audit and Risk Committee

Remuneration Committee

Executive leadership experience as Chair and Managing Director of global management consultancy Accenture UK/Ireland plc

Extensive experience of chairing Audit and Risk committees across UK Government and listed companies

Digital and cyber skills developed through work with CPNI and NCSC

Familiarity with UK and US GAAP accounting

Preparation/approval of UK government and company accounts internationally, including USA and South Africa

Non-Executive Director of Paragon ID

Non-Executive Director of Standard Bank Offshore Group Ltd

Non-Executive Director of VFS Global AG

Directors' Report

for the year ended 30 September 2020

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 2020.

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.

Section 172(1) statement

Section 172(1) statement Provision 5 of the Code states that, in the context of how the Board understands the view of key stakeholders, the Board should describe in the Annual Report how the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision making. As a Jersey incorporated company, the Board is not subject to section 172. Nevertheless, as a matter of good governance, the Board has set out how they deliver against these duties where appropriate. The Board of Jersey Electricity plc considers that they have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of all its stakeholders as a whole. In addition to its shareholders, the Board engages with Government, local Parishes, suppliers, customers, employees and pensioners. Our Vision is to 'enable life's essentials and inspire a zero-carbon future' which is aligned to a key goal of the Island to achieve carbon neutrality. In addition to pursuing organic and inorganic growth, strategic focus is on building a sustainable business, product development, customer service, investing in the development of new technology and in our workforce. The Board aims to ensure that our employees work in a safe environment, receive appropriate training and are sufficiently rewarded for their efforts.

Dividends

The Directors have declared and paid, and now recommend the following dividends in respect of the year ended 30 September 2020:

Preference dividends	2020 £	2019 £
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 6.80p net of tax for the year ended 30 September 2020 (2019: 6.45p net of tax)	2,083,520	1,975,641
Final proposed at 9.70p net of tax for the year ended 30 September 2020 (2019: 9.25p net of tax)	2,972,080	2,834,200
	5,055,600	4,809,841

Re-election of directors

Since 2018 all Directors 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 10 days (2019: 9 days).

Directors' Report

for the year ended 30 September 2020

Substantial shareholdings

As at 17 December 2020 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 Government 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. This is held as a strategic investment in their balance sheet and not consolidated.

'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 5,210,461 '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 PricewaterhouseCoopers CI LLP as auditor will be proposed at the next Annual General Meeting.

BY ORDER OF THE BOARD
L. FLORIS
Secretary
17 December 2020

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 2018 ("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 Government of Jersey, 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.

The Directors have reviewed, and applied, the latest UK Corporate Governance Code applicable to accounting periods beginning on or after 1 January 2019, together with the supporting Guidance on Board Effectiveness and applied it within these financial statements.

The Code is available at www.frc.org.uk.

Statement of Compliance

At the time of signing off the 2020 Annual Report the Board considers that it has complied with the Code.

The Board

The Board provides effective leadership and currently comprises seven 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 Officer 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 serving at the balance sheet date were Wendy Dorman, Amanda Astall, Aaron Le Cornu, Alan Bryce, Phil Austin, Tony Taylor and Peter Simon and they were all considered independent. Aaron Le Cornu, who has served on the Board since January 2011 is retiring from the Board at the 2021 AGM. The Board determined he remained independent, despite serving for more than 9 years. In making this determination, the Board took into account his breadth of experience, his financial independence and his other business interests. 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 49 and 50), 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 Jersey Electricity.

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	**8**	**4**	**4**	**2**
C.J. Ambler	8	4*	4*	2
A. Astell	2	2	2	-
P.J. Austin	8	1*	4	2
A.A. Bryce	8	4	-	2
W.J. Dorman	8	4	-	2
A.D. Le Cornu	8	4	4	-
M.P. Magee	8	4*	4*	-
P. Simon	8	4	3	-
T. Taylor	8	-	4	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 using The Trusted Advisors Partnership Ltd, an external recruitment consultancy firm which has no direct connection with the Company, the findings of which were reviewed and actions implemented. During 2019 and 2020 internal evaluations, including those of Board sub-Committees', were co-ordinated by the Chairman. As the policy is to have an external review every 3 years, the next one will take place in 2021. In addition, the non-Executive Directors meet at least twice a year, without the Executive Directors being present, with an explicit topic being the performance of the Executive Directors. Finally, the Senior Independent Director meets the other non-Executive Directors once a year to discuss the performance of the Chairman (without his presence).

Workforce Engagement

During the current year, a workforce engagement and culture forum was established with representatives from across the Company. The Chairman of the Remuneration Committee attended this forum which provided an opportunity to gain first hand feedback from the workforce.

In addition, the maintenance of the right culture within Jersey Electricity remains a priority. The use of staff surveys to collect data, the promotion of people development (through our 'Living Leader' and 'How To' programs) and a continued focus on the safety of both our staff and customers are key tools in the delivery of this objective.

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.

Corporate Governance

- 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

  Including material contracts, investments, capital expenditure and bank borrowings.
- 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. A Board Charter detailing the matters reserved and the roles and responsibilities of the officers of the Company is available on our website (www.jec.co.uk).
- 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

  These include policies on health and safety, share dealing and gender diversity.

Internal Audit/Risk Management

There is a permanent internal audit function 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 has direct access to the Audit and Risk Committee Chairman and also attends Audit and Risk Committee meetings, at which risk based internal audit 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 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 49 and 50). 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 Government of Jersey (which owns 62% of our Ordinary share capital) include both the non-Executive Chairman as well as the Chief Executive. The primary responsibility for relationship matters with listed shareholders lies with the Finance Director who reports to each Board meeting on investor relations. Jersey Electricity also has a number of other important stakeholders including Government, the local Parishes, suppliers, customers, employees and pensioners and a presentation was provided to the Board in May 2020 on how such relationships are managed and can be improved.

Nominations Committee Report

On behalf of the Board, I am pleased to report on the work of the Nominations Committee for the financial year ended 30 September 2020.

Membership

In compliance with the Code, the Committee comprises a majority of independent Non-Executive directors, the Chairman of the Board and the CEO. It is supported, when required, by the Human Resources Director and the Company Secretary. There were no changes to the membership during the reporting period, and the Committee met twice formally. Membership and attendance at meetings is shown below.

Attendance	Meetings Attended		
Alan Bryce (Chair)	2	2	100%
Phil Austin	2	2	100%
Chris Ambler	2	2	100%
Wendy Dorman	2	2	100%
Tony Taylor	2	2	100%

Key Focus

In fulfilling its duties, summarised in this report, the Committee has been particularly active on continuing to strengthen the skills and diversity in the Board Room, to ensure that we have the right ones to deliver JE's strategy and vision. During the year, this has been advanced through the appointment on 1 June 2020 of Amanda Astall as Non-Executive Director and the annual review of ELT succession. In addition, the Committee has focused on supporting the leadership of the Diversity and Inclusion (D&I) agenda at Board level, and on supporting and monitoring progress across the organisation.

Appointments

In line with our Board succession plan, our Senior Independent Director and Chair of the Remuneration Committee, Aaron Le Cornu is planning to retire at the AGM in 2021.

The recruitment of Amanda Astall, followed an extensive search conducted by island-based consultant Kendrick Rose. The decision to engage Kendrick Rose in September 2019 was based on a successful track record with similar appointments, knowledge of the island market, and independence, this being their first engagement with JE. Against a detailed role description, agreed with the Committee, over forty potential candidates were identified. These were all reviewed by the Committee in December, with input from Kendrick Rose, and candidates were interviewed in February by the whole Committee. The successful candidate then also met with the other board members.

Amanda brings new skills and diversity to the Board, in particular in the application of technology and digital to deliver transformational change, knowledge of IT and cyber, engaging with island stakeholders, and corporate governance gained across a range of public and private organisations. An induction program was arranged, including meetings with the CEO, Finance Director, Operations Director, and HR Director, and visits to key business locations.

Succession

The Board is now well balanced in terms of relevant specialist skills mix and tenure, with an improving gender balance, as shown in Table 1.

Succession plans for senior management roles are appropriate, taking into account the need for some specialist skills that are in short supply on island, and the benefits of appointing from both in-house and externally, based on merit, including contribution to diversity.

GOVERNANCE

Nominations Committee Report

Board Evaluation

The Committee works with the Chairman of the Board to lead the annual Board evaluation process. Our policy is to carry out an externally facilitated evaluation every three years and an internal one in other years. Our cycle is to carry out the evaluation of both the Board's and Committees' performance using a detailed questionnaire issued in July, which each director completes before a 1:1 meeting with the Chairman in September. The process ensures a two way dialogue which includes confirming that directors continue to be able to commit the required time to their duties, and that full opportunity is taken to optimise their contribution to the work of the Board and its Committees. The evaluation is discussed by the Board in December when actions are agreed. Actions taken forward in the period included the focus on Diversity and Inclusion, described below, and adopting a more formalised process to determine strategic Areas of Focus for the Board. The areas identified are in the Chairman's Report on page 3. In November, the Senior Independent Director carried out a separate evaluation of the Chairman of the Board, which included garnering input from directors by questionnaire, followed up by separate discussions with each Board member and feedback subsequently provided to the Chairman. The evaluation confirmed the Board was particularly welcoming of the positive changes introduced by the Chairman, since taking on the role in February 2019, including more discussion of strategy and an enhanced focus on governance.

Table 1: Board Mix of Specialist Skills, Tenure and Gender

Specialist skills		Tenure		Gender	
Board Governance	3	>1 year	1	Male	7
Engineering	2	1-4 years	2	Female	2
Digital and Cyber	2	4-7 years	3		
Finance and Accounting	4	7-9 years	-		
Strategy, M&A	3	>9 years	3*		
Customers and marketing	2				
Energy and renewables	3				

*The CEO and Finance Director are included in this figure.

Duties of the Committee

The Terms of Reference for the Committee and the Terms of the Appointment of non-Executive Directors are available on our website (www.jec.co.uk). A summary of the Committee's key duties, which include a new one on D&I, adopted this year is:

- To review regularly the structure, size, balance and overall composition of the Board, and to make recommendations with regard to any changes, with due regard to the skills needed for the future.
- To give full consideration to the pipeline of succession at Board level and Executive Leadership Team level, and to lead the process for any appointments to the Board.
- To support the annual Board evaluation process and to make recommendations arising, including the annual reappointment of NEDs; and
- To support the Board in its leadership of Company culture, in particular in pursuit of greater Diversity and Inclusion.

Diversity and Inclusion

The Committee recognises that we will benefit from greater levels of diversity both at Board level and in the Company as a whole, particularly in respect of gender-balance. The composition of our employees by gender is presented below:

	Male	Female
Company	79%	21%
First Line Reports	84%	16%
Senior leadership team	88%	12%
Executive leadership team	100%	0%
Board	78%	22%

Nominations Committee Report

During the year, the Board has considered how it can best lead and support Diversity and Inclusion (D&I). We have a very committed and stable workforce which makes it important to address D&I at three levels:

- Set a clear vision and policies for what D&I means, including realistic targets.
- Raise awareness, support and measure behavioural change in the organisation.
- Establish D&I friendly policies and outreach to attract into the Company, and retain, diverse candidates.

The Committee engaged Inclusive Employers, which JE has now joined, to run a workshop for directors and to inform changes we can make to decision-making in the Board and Committees, to address D&I.

The Committee worked with the Human Resources Director to bring a series of recommendations to the Board in July. In particular, we adopted a vision which embraces, all our staff understanding the need for a more diverse and inclusive workforce, driving a good balance of people with protected characteristics in leadership roles, family-friendly policies, and best practice in recruitment. As part of director awareness, all Board members undertook Unconscious Bias training. A practical process change we have made at the Board is to introduce D&I Impact Assessments, which will accompany future strategic options and decision papers.

More broadly, the Business is driving its D&I strategy through the four strands of Workforce Culture, Hiring, Schools Engagement, and Performance and Data. A change programme in Leadership culture has been underway in recent years, including the investment in “Living Leaders”, which has provided a sound foundation for taking D&I agenda forward. To track organisational progress, the Board now monitors a number of recognised diversity KPIs, mainly focused on recruitment processes, retention and progression of employees with D&I characteristics, and reach of D&I friendly policies. It is also introducing an “Inclusion Maturity Model” to measure how well D&I is becoming embedded in the business culture.

Finally, the Board appointed a new “board apprentice”, our second, in September and she will be attending Board meetings during 2020/21. By providing this opportunity to gain experience of a plc Board, we are looking to support the pipeline, of female candidates in particular, for future board positions in organisations and companies across the Jersey Economy.

On behalf of the Committee

Alan A. Bryce

A. BRYCE
Chairman
17 December 2020

GOVERNANCE

Audit and Risk Committee Report

Committee purpose

The purpose of the Committee is to support the Board with its responsibilities in relation to financial reporting, risk management and internal controls.

Membership and meetings

I took on the role of Audit and Risk Committee Chair in March 2019, replacing Aaron Le Cornu. Aaron remains on the Committee, together with Alan Bryce and Peter Simon. Amanda Astall, our new non-Executive also joined the Committee in June 2020. I would like to thank all Committee members for their support over the year.

Committee members bring a wealth of experience gained in commerce, private practice and other non-Executive roles as well as extensive experience of the utility sector and technological innovation and change. Full biographies of all members are provided on pages 52 to 55. 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 Officer, the Finance Director, the Financial Controller, the Company Secretary, and members of both the external audit and internal audit teams. The Committee members are all non-Executive Directors.

The Committee met four times in the last financial year.

The role of the Committee

The key responsibilities of the Committee are to:

- Monitor the integrity of the financial statements and to report to the Board on key judgements and significant issues contained therein
- Oversee the independence, effectiveness and remuneration of the external auditor
- Review and challenge the effectiveness of the Company's internal controls and risk management processes
- Monitor compliance with the UK Corporate Governance Code
- Monitor principal and emerging risks and the robustness of the risk management framework
- Ensure the effectiveness of the internal audit function

As part of the review of the annual and interim financial statements, the Committee reviews the likely significant issues and in particular any critical accounting judgements identified by both the Company and discussed with the external auditor, which are disclosed in Note 2 to the Financial Statements (Critical Accounting Judgements and key sources of estimation uncertainty). Comprehensive position papers on each key area are produced by the Finance team 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. In addition, provisioning for bad debts received focus due to the COVID-19 crisis. The Committee reviews any year-on-year changes in methodology for reasonableness, and assesses the impact of any new accounting policies.

The Committee 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 stakeholders. The Committee considers reports from the internal and external auditors and from management and provides comment on salient issues to the Board. During the year the Committee held a Risk and Governance session to which the whole Board was invited. The session focussed on principle and emerging risks, the impact of COVID 19, and compliance with the 2018 Corporate Governance Code. 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).

Whistleblowing policy

The Committee is responsible for reviewing the Company's Whistleblowing policy and management's response to any concerns raised through this channel. A revised policy, renamed Speak Up Policy, was approved by the Committee in May 2020.

External auditors

A tender process for the external audit was carried out in 2015 and Deloitte were successful in retaining the engagement. This year it was decided to retender the external audit and the retender process was carried out in early 2020. Three firms were invited to tender, of which two presented their proposal for the audit to the Committee. Following the process, as recommended by the Committee to the Board, PricewaterhouseCoopers CI LLP (PwC) replaced Deloitte as our auditor.

Audit and Risk Committee Report

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, no non-audit services were provided by PwC, or Deloitte prior to their resignation, in the year. The effectiveness of the external auditor is considered on an ongoing basis driven primarily by discussions with the external auditor and finance team on the maintenance of audit quality, and a meeting each January to discuss learnings from the audit process that has just been completed for the prior year. The surety of auditor independence was received from PwC during the tender process and again during the audit process.

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.

Fair, balanced and understandable

On behalf of the Board, the Committee considered whether the 2020 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 within 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.

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.

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.

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. Throughout the year, the majority of the internal audit reviews were undertaken by BDO or other specialist third party providers on an outsourced basis, directed by our in-house team. The review of reports provided by Internal Audit and the monitoring of action points relating to findings provides the Committee and the Board with comfort over the functioning of internal controls.

The COVID-19 pandemic and associated restrictions imposed in Jersey and France necessitated a change in working practices during the year, as well as negatively impacting our business and household customer base. The risks associated with COVID-19, and corresponding risk management controls put in place, were monitored by the Board and the programme of Internal Audit reviews was modified to include testing of the Company's response to the crisis.

During the year the Committee reported to the Board on how it has carried out its responsibilities and highlighted key matters arising at each Board meeting. All recommendations of the Committee were accepted by the Board.

On behalf of the Committee

W. DORMAN
Chairman
17 December 2020

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 81.

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
17 December 2020

M.P. MAGEE
Finance Director
17 December 2020

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee's (the Committee) report for the financial year ended 30 September 2020. I would like to thank the other Committee members for their valuable help during the last year, being Phil Austin, Tony Taylor, Peter Simon and Amanda Astall, our new non-Executive Director, who joined during this year.

The Chairman of the Board, Phil Austin, was appointed to the Committee.

The terms of reference for the Committee have been updated during the course of this year, and approved by the Board, and these are available on the Company's website (www.jec.co.uk). As part of this exercise, we carefully considered the 2018 changes to the UK Corporate Governance Code, which seeks to broaden the role of the Committee.

Four Committee meetings took place during the last financial year with 100% attendance by all Committee members.

Remuneration Policy

In line with the authority delegated by the Board, the Committee sets the Company's Remuneration Policy and is responsible for determining the remuneration terms and conditions of employment for the Executive Directors. The Committee also reviews the remuneration for the broader senior management team and the general pay policy for the wider workforce to ensure there is a degree of alignment across the organisation.

The Committee's key considerations in reviewing Executive Directors' remuneration includes alignment with the strategic objectives and the extent to which remuneration will attract, motivate and retain the talent needed to achieve the long-term success of the Company. The Committee aims to set remuneration packages for the Executive Directors that reflect the market for comparable roles and 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 membership of the pension scheme, a car or car allowance, private health care and a subsidised loan to assist with housing.

The salary and benefits for the Executive team are reviewed by the Committee each November. In recent years, we commissioned a third party provider to undertake a comprehensive review of the competitor landscape to benchmark the remuneration for our Executive Directors and to advise on the design of the Executive bonus scheme. This benchmarking made reference to comparable companies in the UK/EU, as this is considered the relevant labour market for the skills required. The Committee also makes use of locally focussed benchmarking data.

During the year, the Committee approved salary increases of 3% for the Executive Directors. These increases were in line with the increases awarded to the wider employee population.

Variable component of Executive remuneration

The Executive annual bonus is designed to promote the long-term success of Jersey Electricity and progress on delivering the vision and strategy. The bonus payable to the Executive Directors is performance related, taking account of delivery against both corporate and personal objectives which are agreed by the Remuneration Committee, using a Corporate Scorecard framework, and approved by the Board, before the start of the financial year. This structure is also shared across the wider management team to ensure alignment of understanding regarding priorities and covers the core measures of client service/satisfaction, employee engagement, health and safety, financial performance and delivery on key strategic objectives. For example, during the year to September 2020, key strategic objectives in the Corporate Scorecard included delivering renewable projects and enhancing the stakeholder management programme. Consideration was also given to the effectiveness of the contingency planning that was implemented during the COVID-19 crisis.

Each Executive Director has a maximum cap on their total variable pay. These maximum total variable awards are payable for outstanding performance only. The bonus scheme was amended in 2019 to allow 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 bonuses paid to the Executive Directors, as shown in the table below, exclude a 35% deferment of the total bonus for two years until November 2021. The deferred amounts were £47,250 and £29,750 for C.J Ambler and M.P. Magee respectively set when the share price was £4.40. The deferred element of the bonus is subject to malus and clawback provisions.

GOVERNANCE

Remuneration Committee Report

The remuneration paid, or estimated to be payable, to Directors for the year ended 30 September 2020 was as follows:

	Basic salary/fees £	Bonus awarded and paid in year £	Bonus awarded in year and deferred £	Benefits in kind £	**Total 2020 £**	Total 2019 (Re-stated) £
EXECUTIVE DIRECTORS						
C.J. Ambler	249,985	87,750	47,250	15,542	**400,527**	382,992
M.P. Magee	198,901	55,250	29,750	13,015	**296,916**	286,151
NON-EXECUTIVE DIRECTORS						
P.J. Austin	43,000	-	-	1,850	**44,850**	37,345
A.A. Bryce	28,500	-	-	1,850	**30,350**	31,745
W.J. Dorman	28,000	-	-	1,850	**29,850**	28,503
A.E. Astall (appointed 1 June 2020)	8,333	-	-	638	**8,971**	-
A.D. Le Cornu	27,000	-	-	1,850	**28,850**	29,159
P.M. Simon (appointed 28 February 2019)	28,500	-	-	1,850	**30,350**	16,356
A.H. Taylor	23,000	-	-	1,850	**24,850**	24,745
G.J. Grime (retired 28 February 2019)	-	-	-	-	**-**	19,207
Total	635,219	143,000	77,000	40,295	**895,514**	856,203

Service Contracts

The Executive Directors' service contracts provide for a notice period of six months and they are put forward for annual re-election at each Annual General Meeting (AGM). The non-Executive Directors' service contracts have no unexpired term at the time of election, or re-election, at the AGM.

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 30.9.2020[2]	Transfer value at 30.9.2020[3]	Transfer value at 30.9.2019[3]	Directors' contributions during year	Increase in transfer value less Directors contributions[4]
C.J. Ambler	£5,924	£64,208	£1,407,203	£1,229,610	-[6]	£177,593
M.P. Magee[5]	£6,176	£100,859	£2,453,132	£2,325,393	£11,934	£115,805

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. The employer cash contributions during the year were £66,496 and £40,974 for C.J. Ambler and M.P. Magee respectively.
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.
6. As highlighted in the table above, it was agreed by the Board at the time of Chris Ambler's appointment that he would participate in a non-contributory version of the Defined Benefit Pension scheme.

Remuneration Committee Report

Response to the COVID-19 crisis

Throughout the pandemic we have been very focussed on providing stability and security for our workforce through this difficult period by adapting our ways of working to keep our people as safe as possible while continuing to provide full business continuity. I am pleased to say that we have not made any redundancies or furloughed any of our employees or taken any other form of Government COVID-19 support. In recognition for the hard work of our employees during this challenging period, 265 employees were awarded 100 shares, subject to the normal three year vesting period. We also continue to pay our planned annual bonus for this year to our employees which will be awarded in December 2020.

Share Schemes

At the 2011 AGM approval was granted to launch an all-employee share scheme. To date, 4 tranches of shares have been issued to employees with total shares of 300 having vested and the last tranche of 100 shares issued during this financial year being due to vest in September 2023. There are no other share-based incentives such as option schemes or long-term incentive plans operated by the Company. However, 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 pay-out linked to movements in the listed share price in the period before vesting.

Workforce engagement

Under the most recent changes to the UK Corporate Governance Code, committees are required to disclose more details on workforce engagement and wider remuneration considerations. As detailed elsewhere in the Annual Report, the Company has conducted employee surveys for a number of years which provide very valuable data on employee engagement across a number of factors, including remuneration. Employee engagement is a key aspect of the Corporate Scorecard. In addition, each year the Committee is provided with a paper setting out details of all employee pay and workforce policies across the Company. The discussions on this topic provide us with helpful insights for framing executive pay considerations.

During the current year, a workforce engagement and culture forum has also been established with representatives from across the Company. I was pleased to be able to attend this forum which provided an ideal opportunity to gain first hand feedback from the workforce. In the course of these discussions, it was clear that employees valued the support and flexibility provided during the COVID-19 crisis.

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 Director 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. Alan Bryce and Peter Simon, who receive the travelling time allowance, voluntarily waived half of this annual allowance in the context they were unable to travel to Jersey due to COVID-19 for a period of time in this financial year.

External Appointments

The Company encourages Executive Directors to broaden their experience by accepting non-Executive appointments to companies or other organisations outside the Group. Such appointments are subject to prior approval by the Board, having taken into consideration the expected time commitments, and the Board 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

<u>Foresight Solar Fund Ltd and Apax Global Alpha Ltd</u>

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

M.P. Magee

<u>Aberdeen Standard Capital Offshore Strategy Fund Ltd and Jersey Post International Ltd</u>

The total non-Executive Director fees for such appointments was £37,917 of which £30,334 was retained by the individual, and the remainder paid to the Company.

Remuneration Committee Report

Directors' Loans

At the time of hiring the Executive Directors, and bringing them over to live in Jersey, the Company provided secured loans to assist them with the purchase of a residential property on the island. Since then, substantial repayments have been made by the Executive Directors and the balances on such loans were:

	30.9.2020	30.9.2019
C.J. Ambler	**£300,000**	£300,000
M.P. Magee	-	£79,071

Directors' Share Interests

The Directors' beneficial interests in the shares of the Company at 30 September 2020 were:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2020	2019	2020	2019
C.J. Ambler*	**7,620**	7,620	-	-
M.P. Magee*	**13,800**	13,800	**960**	960
P.J. Austin	**5,000**	5,000	-	-
A.A. Bryce	**4,500**	4,500	-	-
W.J. Dorman	**3,500**	3,500	-	-
A.H. Taylor	**5,000**	5,000	-	-
P.M. Simon	**2,210**	2,210	-	-
	41,630	41,630	**960**	960

*Both C.J. Ambler and M.P. Magee have a beneficial interest in a further 100 'A' Ordinary Shares that are due to vest in September 2023.

There have been no other changes in the interests set out above between 30 September 2020 and 17 December 2020.

This Annual Report on remuneration is approved by the Board and signed on its behalf by

A. LE CORNU
Chairman
17 December 2020

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Jersey Electricity plc (the "company") and its subsidiary (together "the group") as at 30 September 2020, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 September 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements of the group, as required by the Crown Dependencies' Audit Rules and Guidance. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- Overall group materiality was £740,000 which represents 5% of profit from operations before taxation.

Audit scope

- PwC were appointed as auditors in May 2020. We conducted our audit work in Jersey.
- We tailored the scope of our audit taking into account the operations of the group, the accounting processes and controls, and the industry in which the group operates.
- The group is based solely in Jersey and the consolidated financial statements are a consolidation of the company and Jersey Deep Freeze Limited, a subsidiary which also operates in Jersey.
- We have audited the consolidated financial statements of the company and its subsidiary (which does not require an audit itself).

Key audit matters

- Recognition of energy and retail revenue.
- Assessment of pension assumptions applied in the valuation of defined benefit obligation.
- Assessment by the Board of Directors of the company of the impact of COVID-19.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall group materiality	£740,000.
How we determined it	5% of profit from operations before taxation.
Rationale for the materiality benchmark	We believe that group profit from operations before taxation is the most appropriate benchmark because this is the key metric of interest to members. It is also a generally accepted measure used for companies in this industry.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £37,000, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recognition of energy and retail revenue *Refer to note 1 (Accounting policies), and note 3 to the financial statements.* The group recognised £85.1m of energy revenue (2019: £84.3m) and £17.8m of retail revenue (2019: £15.2m). Revenue from the energy segment comprises charges for the consumption of electricity by customers and service connections. Revenue from the retail segment is derived from the sale of consumer products in the company's "Powerhouse" store and online. Energy and retail revenue are material to the financial statements and revenue recognition was identified as a significant risk in the audit plan we presented to the Audit and Risk Committee.	We obtained an understanding and evaluated the overall control environment around the recognition of revenue from energy and retail. Our approach to revenue from the energy segment was based on a data analytics approach as follows: We reviewed the IT General Controls surrounding the smart meters, billing and general ledger systems. We traced data from the meter reading system to the general ledger system and reviewed the related interfaces ensuring this was completely and accurately transferred. We applied approved tariff rates to the readings from the general ledger system and recalculated the expected revenue. We reconciled the expected revenue to the invoices raised to customers from the general ledger system. For the retail segment, we performed a margin analysis on the data obtained from the general ledger system to ensure that there is a predictable relationship between cost of sales and revenue. To gain comfort on the cost of sales balances, we performed tests of detail of a sample of expenses to supporting documentation. For both energy and retail revenue, we matched revenue from the general ledger system to receipts in the bank statement using data analytics. Through this process, we traced the balance sheet movements to the transactions recorded in the income statement. We investigated unmatched items and performed tests of detail on them, and ensured they tied through to other asset accounts or were offset against other liability accounts (e.g customer deposits). Other than the reclassification of deferred income amortisation from Operating expenses to Revenue, no matters were identified that required reporting to those charged with governance.
Assessment of pension assumptions applied in the valuation of defined benefit obligation *Refer to note 1 (Accounting policies), note 2 (Critical accounting judgements and key sources of estimation uncertainty), and note 17 to the financial statements.* The group has a defined benefit pension plan that was recognised as a net surplus of £7.3m at the year-end (2019: £10.4m). This comprises estimated plan liabilities of £149.3m (2019: £144.2m) and plan assets of £156.6m (2019: £154.7m). The valuation of the plan liabilities requires significant levels of judgement and technical expertise including the use of actuarial assessment to support the directors in selecting appropriate assumptions. Changes in a number of key financial and demographic assumptions (including discount rates, salaries increase, inflation, and mortality rates) can have a material impact on the calculation of the pension obligation.	We obtained an understanding and evaluated the overall control environment around the defined benefit obligation. The group used an independent qualified actuary to assess the defined benefit obligation at year end. We used our own actuarial experts to evaluate the assumptions made in relation to the valuation of the scheme liabilities. We benchmarked the various assumptions used and compared them to our internally developed benchmarks; considered the consistency and appropriateness of methodology and assumptions applied compared to the prior year end and the most recent actuarial valuation. We tested the completeness and accuracy of the retirement benefit obligation disclosures. We confirmed that the group's actuarial experts are qualified, appropriately affiliated to third party industry bodies, and are independent of the group. No items were identified that required reporting to those charged with governance.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Key audit matter	How our audit addressed the Key audit matter
Assessment by the Board of Directors of the company of the impact of COVID-19 ***Refer to Chairman's Statement and the Chief Executive's Review*** The COVID-19 pandemic commenced before the financial year end, impacting the financial results of the company for the year and is expected to continue to impact the company for the remainder of the next financial year, albeit the severity of the impact is expected to reduce over time. In order to conclude that it is appropriate for the financial statements to be drawn up on a going concern basis and on the viability of the company, management have performed a detailed, bottom-up analysis of the impact of COVID-19. This includes its impact on revenue, including expected credit losses, cash flows, loan covenants and actions that management might take to mitigate any negative impacts. In doing so, management have made estimates and judgments that are critical to the assessment of the company's liquidity and consideration of future covenant compliance. The results of the severe but plausible downside modelling on liquidity and covenants have led the directors to conclude there is no material uncertainty regarding the company's ability to operate as a going concern. Disclosure of the risk to the company of COVID-19 and management's conclusions on going concern and viability have been included within the relevant sections of the Annual Report.	We assessed management's COVID-19 impact including base and worst case cash flow scenarios, and agreed key input assessments back to board approved revenue budgets. In doing so, we considered the historical accuracy of the budgeting process to assess the reliability of the data. We considered the adequacy of expected credit losses and obtained an understanding of the mitigating actions identified by management. We reviewed the methodology for calculating these provisions. The current year calculation has been produced by applying a methodology consistent with the prior years, which calculates a "regular provision" and then applying an additional adjustment to reflect the additional risks arising from the impact on the economic environment arising from COVID-19. We have challenged these assumptions based on our understanding of the business and our knowledge of the industry. In conjunction with the above we have reviewed management's analysis of both liquidity and loan covenant compliance to satisfy ourselves that no covenant breaches are anticipated over the period of assessment. In relation to covenant compliance we have assessed the stress testing performed on management's base case model and considered to what extent sufficient headroom exists to absorb any further downside risk after considering the impact of mitigating actions. Based on our procedures and the information available at the time of the Board's approval of the financial statements, we have not identified any matters to report with respect to the Board's consideration and disclosure of the impact of COVID-19 on the current and future operations of the group, albeit we also acknowledge that the situation continues to evolve.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Report and Accounts 2020 (the "Annual Report") but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of Jersey Law and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This independent auditor's report, including the opinions, has been prepared for and only for the members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Report on other legal and regulatory requirements

Company Law exception reporting

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;
- proper accounting records have not been kept; or
- the consolidated financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Listing Rules of the Financial Conduct Authority (FCA)

We have nothing material to add or draw attention to in respect of the following matters which we have reviewed based on the requirements of the Listing Rules of the FCA:

- The directors' confirmation that they have carried out a robust assessment of the principal and emerging risks facing the group, including a description of the principal risks, what procedures are in place to identify emerging risks, and an explanation of how those risks are being managed or mitigated.
- The directors' explanation 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 have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal and emerging risks facing the group and the directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and its environment obtained in the course of the audit.

Additionally, we have nothing to report in respect of our responsibility to report when:

- The directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.
- The statement given by the directors that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group obtained in the course of performing our audit.
- The section of the Annual Report describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Lisa McClure.

LISA McCLURE
for and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants and Recognized Auditor
Jersey, Channel Islands
18 December 2020

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Revenue	3	**111,747**	110,709
Cost of sales		**(69,695)**	(69,282)
Gross profit		**42,052**	41,427
Other income		**-**	750
Revaluation of investment properties	11	**515**	689
Operating expenses	4	**(26,360)**	(26,784)
Group operating profit	3	**16,207**	16,082
Finance income		**139**	103
Finance costs		**(1,516)**	(1,365)
Profit from operations before taxation		**14,830**	14,820
Taxation	7	**(3,090)**	(2,969)
Profit from operations after taxation		**11,740**	11,851
Attributable to:			
Owners of the Company		**11,624**	11,773
Non-controlling interests	19	**116**	78
		11,740	11,851
Earnings per share			
- basic and diluted	9	**37.94p**	38.42p

In 2020 the Directors have made a classification change in relation to the amortisation of deferred infrastructure charges. In order to present the results in a consistent format, the Directors have reclassified the prior year reported results, increasing both Operating expenses and Revenue by £415k, with no impact to Group operating profit.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2020

	Note	2020 £000	2019 £000
Profit for the year		**11,740**	11,851
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on defined benefit scheme	17	**(1,663)**	7,643
Income tax relating to items not reclassified	7	**333**	(1,529)
		(1,330)	6,114
Items that may be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on cash flow hedges	22	**1,290**	(3,007)
Income tax relating to items that may be reclassified	7	**(258)**	601
		1,032	(2,406)
Total comprehensive income for the year		**11,442**	15,559
Attributable to:			
Owners of the Company		**11,326**	15,481
Non-controlling interests		**116**	78
		11,442	15,559

All results in the year have been derived from continuing operations.
The notes on pages 81 to 107 form an integral part of these accounts. The independent auditor's report is on pages 71 to 76.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 30 September 2020

	Note	2020 £000	2019 £000
Non-current assets			
Intangible assets	10	479	683
Property, plant and equipment	11	217,936	217,046
Right of use assets	11	2,899	-
Investment properties	11	21,755	21,240
Trade and other receivables	14	300	383
Retirement benefit surplus	17	7,315	10,417
Derivative financial instruments	22	277	208
Investments	12	5	5
Total non-current assets		250,966	249,982
Current assets			
Inventories	13	6,028	6,018
Trade and other receivables	14	16,645	17,995
Derivative financial instruments	22	960	197
Cash and cash equivalents		35,520	24,915
Total current assets		59,153	49,125
Total assets		310,119	299,107
Liabilities			
Trade and other payables	15	18,193	17,320
Current tax liabilities	7	2,742	2,714
Lease liabilities	16	65	-
Derivative financial instruments	22	143	298
Total current liabilities		21,143	20,332
Net current assets		38,010	28,793
Non-current liabilities			
Trade and other payables	15	22,714	21,757
Lease liabilities	16	2,879	-
Derivative financial instruments	22	-	303
Financial liabilities - preference shares	18	235	235
Borrowings	16	30,000	30,000
Deferred tax liabilities	7	27,209	26,936
Total non-current liabilities		83,037	79,231
Total liabilities		104,180	99,563
Net assets		205,939	199,544
Equity			
Share capital	18	1,532	1,532
Revaluation reserve		5,270	5,270
ESOP reserve		(120)	(45)
Other reserves		875	(157)
Retained earnings		198,259	192,882
Equity attributable to the owners of the Company		205,816	199,482
Non-controlling interests	19	123	62
Total equity		205,939	199,544

Approved by the Board on 17 December 2020

Philip Austin

P.J. AUSTIN
Director

Martin P. Magee

M.P. MAGEE
Director

The notes on pages 81 to 107 form an integral part of these accounts. The independent auditor's report is on pages 71 to 76.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2020

	Note	Share capital £000	Revaluation reserve £000	ESOP reserve £000	*Other reserves £000	Retained earnings £000	Total £000
At 1 October 2019		1,532	5,270	(45)	(157)	192,882	199,482
Total recognised income and expense for the year		-	-	-	-	11,624	11,624
Funding of employee share option scheme		-	-	(78)	-	-	(78)
Amortisation of employee share option scheme		-	-	3	-	-	3
Unrealised gain on hedges (net of tax)		-	-	-	1,032	-	1,032
Actuarial loss on defined benefit scheme (net of tax)		-	-	-	-	(1,330)	(1,330)
Equity dividends	8	-	-	-	-	(4,917)	(4,917)
At 30 September 2020		**1,532**	**5,270**	**(120)**	**875**	**198,259**	**205,816**
At 1 October 2018		1,532	5,270	(41)	2,249	179,666	188,676
Total recognised income and expense for the year		-	-	-	-	11,773	11,773
Funding of employee share option scheme		-	-	(20)	-	-	(20)
Amortisation of employee share option scheme		-	-	16	-	-	16
Unrealised loss on hedges (net of tax)		-	-	-	(2,406)	-	(2,406)
Actuarial gain on defined benefit scheme (net of tax)		-	-	-	-	6,114	6,114
Equity dividends	8	-	-	-	-	(4,671)	(4,671)
At 30 September 2019		**1,532**	**5,270**	**(45)**	**(157)**	**192,882**	**199,482**

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

The notes on pages 81 to 107 form an integral part of these accounts. The independent auditor's report is on pages 71 to 76.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 September 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Operating profit	16,207	16,082
Depreciation and amortisation charges	11,424	11,604
Share-based reward charges	3	16
Gain on revaluation of investment property	(515)	(689)
Pension operating charge less contributions paid	1,439	1,977
Profit on sale of fixed assets	(24)	(2)
Operating cash flows before movement in working capital	28,534	28,988
Working capital adjustments:		
(Increase)/decrease in inventories	(10)	1,074
Decrease/(increase) in trade and other receivables	1,433	(2,675)
Increase in trade and other payables	1,071	4,023
Net movement in working capital	2,494	2,422
Interest paid	(1,376)	(1,356)
Preference dividends paid	(9)	(9)
Income taxes paid	(2,714)	(2,300)
Net cash flows from operating activities	**26,929**	27,745
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,922)	(13,850)
Investment in intangible assets	(337)	(90)
Deposit interest received	139	103
Net proceeds from disposal of fixed assets	24	2
Net cash flows used in investing activities	**(11,096)**	(13,835)
Cash flows from financing activities		
Equity dividends paid	(4,917)	(4,671)
Dividends paid to non-controlling interest	(55)	(69)
Purchase of shares for employee benefit trust	(78)	-
Repayment of lease liabilities	(189)	-
Net cash flows used in financing activities	**(5,239)**	(4,740)
Net increase in cash and cash equivalents	10,594	9,170
Cash and cash equivalents at beginning of year	24,915	15,735
Effect of foreign exchange rate changes	11	10
Cash and cash equivalents at end of year	**35,520**	24,915

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.

Of the £35.5m cash and cash equivalents at 30 September 2020, £20.0m (2019: £21.0m) is on fixed term deposits with an average of 52 days remaining (2019: 66 days).

In 2020 the Directors have made a presentational change in relation to deposit interest received, presenting this within investing activities, in compliance with IAS 7 "Statement of Cash Flows". In the prior year deposit interest received was presented within financing activities. In order to present the consolidated cash flow statement in a consistent format, the Directors have reclassified prior year's deposit interest received of £103k. This adjustment has had no impact on the 2019 reported net increase in cash and cash equivalents.

The notes on pages 81 to 107 form an integral part of these accounts. The independent auditor's report is on pages 71 to 76.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2020 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 2020 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 105 (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 45 to 51). 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 including the impact of COVID-19. 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 51.

Foreign currencies

The functional and presentation currency of the Group is Pounds 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

The Group recognises revenue from the following services:

i) **Energy supply**

Energy sales revenue is recognised on the basis of energy supplied during the period. Revenue for energy supply is therefore accounted for on a "over time" basis and includes an estimated assessment of energy supplied to customers. This is between the date of the last meter reading and the balance sheet date, using historical consumption patterns.

Service connections revenue is derived from the provision of a connection to an existing mains cable, laying required infrastructure to the boundary of a customer's property and connecting to their domestic supply. Management considers that the combination of these activities comprise a distinct performance obligation to the customer. Service connection income is recognised at the point in time that the service is complete.

Capital contributions arise where charges are made to a developer when the Group provides a first-time supply for a property/properties. These charges cover the immediate infrastructure requirements as well as future investment needed to meet the extra demands which new connections put on existing network infrastructure. Management considers that the obligation to invest in the network is highly interrelated with the ongoing and future obligation to provide electricity supply services, particularly to maintain continuous supplies into the future. The investment in the network from the infrastructure charges enables the Group to continue providing value to the customer through the supply of electricity. The associated asset arises from the investment in the network and therefore the Group recognises infrastructure income through revenue on a straight line basis over the life of the associated asset. Deferred infrastructure charges are initially recorded within deferred income.

ii) **Retail**

Revenue resulting from the sales of goods within our retail business is recognised on sale to the customer at that point in time, as this is the point at which the company recognises the transfer of risks and rewards. Retail additionally sells service contracts to customers where the obligations to the customer are recognised as revenue on a monthly basis for the duration of the service contract.

The Group has applied the practical expedient available in IFRS 15 (paragraph 63) and has not made an adjustment for any impacts of financing since this is not significant and the customer will typically pay for the goods within one year or less.

iii) **Building Services**

Revenue within JEBS, our contracting and building services business, is recognised as the service is provided. As such JEBS recognises the revenue over time as an appropriate amount each month end, driven by the stage of completion for each contract (usually assessed by reference to costs incurred against budget to date).

iv) **Property**

Rental income is accrued on a monthly basis by reference to the agreements entered. Where applicable, contingent rental revenue is also recognised based on historic levels and in accordance with IFRS 16.

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 consolidated income statement as a gain/(loss) on disposal of fixed assets.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

Revenue continued

Income in Jendev arises from both ongoing support contracts as well as implementation contracts and small ad-hoc development. Across these revenue streams are elements that relate to both point in time and over time delivery of service to customers. With ongoing support contracts the obligation is to provide user support for the specified business systems for a time period and the transaction price is an annualised rate invoiced every six or 12 months. The contract provided that Jendev be on call should support be required, therefore the performance obligation is the time period over which this is provided. The revenue is recognised as the obligation is satisfied, each month recognising 1/12th of the annual rate as we have provided support over that period. With implementation contracts Jendev is deemed to be creating or enhancing an asset that the customer controls as the asset is being enhanced or created. As such revenue is recognised over time at an appropriate amount each month end, driven by the stage of completion for each contract. This can be assessed by completions of milestone obligations or by reference to development costs incurred.

Jersey Deep Freeze is a 51% (2019: 51%) controlled subsidiary. Revenues are derived from two workstreams. Firstly, service contracts where the obligation is satisfied over time and the customer is invoiced and revenue recognised as such, on a monthly basis. Secondly, provision of goods (refrigeration equipment) which is invoiced and revenue recognised at a point in time, upon delivery of the equipment to the customer.

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 four 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 2020

Property, plant and equipment continued

Depreciation is charged as follows:

Buildings	up to 50 years
Interlinks	up to 30 years
Plant, mains cables and services	up to 60 years
Fixtures and fittings	up to 15 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 consolidated income statement.

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, 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.

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, 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 consolidated 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 consolidated 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 consolidated balance sheet at cost as adjusted by changes in the Group's share of net assets, less any impairment.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

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.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Group's assessment for calculating expected credit losses is made by reference to its historical collection experience, including comparisons of the relative age of the individual balance and the consideration of the actual write-off history. The provisioning rates applied in the calculation are reviewed on an annual basis to reflect the latest historical collection performance data and management's expectation of future performance and industry trends. Furthermore, where the Group has assessed a known risk of recoverability relating to known customers these balances are provided for in full.

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.

Borrowings

Borrowings 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 consolidated 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 consolidated 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 consolidated 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 consolidated income statement.

Following the adoption of IFRS 9 and as permitted by this standard, 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.

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 consolidated 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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

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.

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 Consolidated 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 Consolidated 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.

Standards effective in current period

IFRS 16 'Leases' has been endorsed by the EU and became effective from 1 October 2019 for the Group and replaces IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases. This adoption requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

For the purposes of the transition when applying IFRS 16, the Group has adopted the modified retrospective approach, including the application of the following practical expedients:

- Reliance on the previous identification of a lease (under the previous IAS 17 standard) for all contracts that existed on the date of initial application;
- Reliance on previous assessments (under IAS 37) on whether leases are onerous rather than performing an impairment review;
- The application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- The measurement of the lease liability as at 1st October 2019 and the creation of an equal value right of use asset as at that date (where accrual and prepayment adjustments are not material).

Standards effective in current period continued

Furthermore, the Group has applied the exemptions within the standard whereby both leases with a contractual duration of 12 months or less and leases for assets which are deemed low value will continue to be expensed to the income statement over the remainder of the lease term.

Where the Group is lessor of freehold properties, these leases have been determined to be operating leases in accordance with the substance of such lease transactions. The accounting for these leases does not change following the adoption of IFRS 16 with lease revenue being recognised on a straight-line basis.

Where break and/or extension clauses exist, the Group has considered that where an internal decision has been made to break or extend the lease agreement, that decision shall be applied in determining the appropriate lease term. Where an internal decision has not been made, and where the non-cancellable element of the lease term has longer than five years remaining, it is considered that any clauses will not be triggered as any decision beyond that date is not reasonably certain. For all leases with less than five years remaining, an assessment is made at each reporting period on a lease-by-lease basis on whether the clause is reasonably certain to be triggered. Reassessment of break and/or extension judgements made in prior periods could result in recalculation of the lease liability and adjustments to associated balances.

The current lease charges have been used to establish a present value of the lease liabilities existing as at 1st October 2019. For the purposes of discounting, the Group has made use of the practical expedient in selecting the interest rate used. Given the portfolio of leases materially relate to long term leases of land for the Group's Energy division it has been determined that the rate of 4.47% on the £30m borrowings from Pricoa, which is considered to be incremental rate of borrowing for the Group, is used in the calculation of the lease liability.

On transition to IFRS 16 the Group recognised £2.9m right of use assets with directly corresponding lease liabilities.

The differences between the operating lease commitments under IAS 17 at 30 September 2019 and the lease liability recognised under IFRS 16 at 1 October 2019 relating to the same contracts are explained below:

Lease liabilities reconciliation:	£000
Operating lease commitments as at 30 September 2019	13,477
Recognition exemption for short term and low value leases on date of transition	(787)
Lease term adjustments and other reconciling items (net)	(5,683)
Non-discounted lease liability under IFRS 16	7,007
Discount effect	(4,106)
Lease liability recognised on 1 October 2019	2,901

The Group has two covenants with its lenders, neither of which will be materially impacted by IFRS 16.

IFRS 16 will have no accounting impact where the Group acts as a lessor (relevant to the Group's property portfolio).

There are no other new standards or interpretations effective for the year ended 30 September 2020, in addition to the above, which are considered to have a material impact on the Consolidated Financial Statements of the Group.

Standards in issue not yet effective

The following standard has been issued but not yet adopted by the Group within these financial statements, because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time:

IFRS 17 'Insurance Contracts' is effective from 1 January 2023 (1 October 2023 to the Group) and is subject to EU endorsement. IFRS 17 "Insurance contracts" was issued in May 2017, replaces IFRS 4 "Insurance Contracts" and sets out the requirements that a company should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It is not expected that this standard will have any impact on the Group.

In addition to IFRS 17 there are a number of other interpretations, amendments and annual improvement project recommendations that have been issued but not yet adopted by the Group because application is not yet mandatory or because adoption by the EU remains outstanding at this point in time. These are not anticipated to have a material impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

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 the 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 decommission 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.

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 2020 was 1.6% and in 2019 was 1.9%.

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:

	2020 External £000	2020 Internal £000	2020 Total £000	2019 External £000	2019 Internal £000	2019 Total £000
Revenue						
Energy - arising in the course of ordinary business	85,140	122	85,262	84,322	126	84,448
- arising from the sale of heavy fuel oil	-	-	-	2,723	-	2,723
Building Services	3,767	1,027	4,794	3,286	809	4,095
Retail	17,825	60	17,885	15,199	59	15,258
Property	2,266	645	2,911	2,262	612	2,874
Other*	2,749	891	3,640	2,917	898	3,815
	111,747	2,745	114,492	110,709	2,504	113,213
Intergroup elimination			(2,745)			(2,504)
Revenue			111,747			110,709
Operating profit						
Energy			12,257			12,281
Building Services			216			(79)
Retail			1,176			895
Property			1,270			1,679
Other			773			617
			15,692			15,393
Revaluation of investment properties			515			689
Operating profit			16,207			16,082
Finance income			139			103
Finance costs			(1,516)			(1,365)
Profit from operations before taxation			14,830			14,820
Taxation			(3,090)			(2,969)
Profit from operations after taxation			11,740			11,851
Attributable to:						
Owners of the Company			11,624			11,773
Non-controlling interests			116			78
			11,740			11,851

*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.

Revaluation of investment properties is shown separately from Property operating profit as income.

Revenues disclosed by the business segments above are recognised both on a point in time and over time basis. The treatment of revenue recognition in accordance with IFRS 15 is detailed for each of these business segments in note 1 to these financial statements.

In 2020 the Directors have made a classification change in relation to the amortisation of deferred infrastructure charges. In order to present the results in a consistent format, the Directors have reclassified the prior year reported results, increasing both Operating expenses and Revenue by £415k, with no impact to Group operating profit.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

4 Operating expenses

	2020 £000	2019 £000
Distribution costs	12,343	11,306
Administration expenses	14,017	15,478
	26,360	26,784

In 2020 the Directors have made a classification change in relation to the amortisation of deferred infrastructure charges. In order to present the results in a consistent format, the Directors have reclassified the prior year reported results, increasing both Operating expenses and Revenue by £415k, with no impact to Group operating profit.

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 67 to 70. The number of persons (full time equivalents) employed by the Group (including non-Executive Directors) at 30 September was as follows:

	2020 Number	2019 Number
Energy	199	188
Other businesses	97	94
Trainees	9	11
	305	293

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	17,441	16,109
Social security costs	941	914
Pension (note 17)**	3,163	3,756
	21,545	20,779
Capitalised manpower costs*	(1,868)	(1,911)
	19,677	18,868

* Capitalised manpower costs are included in note 11 under categories 'Mains cables and services', 'Fixtures, fittings, vehicles' etc. 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 £397,000 (2019: £454,000).

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

6 Group operating profit

Operating profit is after charging/(crediting):

	2020 £000	2019 £000
Fees payable to Group auditor		
Auditor's remuneration for audit services	242	140
Auditor's remuneration for non-audit services	-	-
Other operating charges		
Operating lease charges	1	246
Depreciation of property, plant, equipment and right-of-use assets	10,833	11,259
Amortisation of intangible assets	541	345
Maintenance and repairs	1,768	2,298
Marketing costs	618	802
Movement in expected credit losses	381	(72)
Administration costs	1,383	2,313

The adoption of IFRS 16 on 1 October 2019 has resulted in a significant reduction in operating lease charges. Only leases with a duration of less than 12 months or leases for assets that are deemed 'low value' continue to be expensed to the consolidated income statement on a straight-line basis over the lease term.

7 Taxation

	2020 £000	2019 £000
Current tax:		
Jersey Income Tax - ordinary activities	2,742	2,714
Total current tax	2,742	2,714
Deferred tax:		
Current year	348	255
Total tax on profit on ordinary activities	3,090	2,969

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:

	2020 £000	2019 £000
Profit from ordinary activities before tax	14,830	14,820
Tax on profit on ordinary activities at standard income tax rate of 20% (2019: 20%)	2,966	2,964
Effects of:		
Expenses not deductible for tax purposes	5	(1)
Income not taxable for tax purposes	(214)	(221)
Non-qualifying depreciation	333	227
Group current tax charge for year	3,090	2,969

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

7 Taxation (continued)

Deferred Tax

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

Group and Company	2020 £000	2019 £000
Accelerated capital allowances	25,527	24,892
Derivative financial instruments	219	(39)
Pensions	1,463	2,083
Provisions for deferred tax	27,209	26,936

Deferred tax movements in the year

Group and Company	2020 £000	2019 £000
At 1 October	26,936	25,753
Charged to profit and loss account	348	255
Charged to statement of comprehensive income	(75)	928
At 30 September	27,209	26,936

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% (2019: 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 Government of Jersey, the right to offset assets and liabilities allows the balance sheet to show the net deferred tax liability position.

There is no tax impact on the Group arising from the proposed dividend shown in note 8.

8 Dividends paid and proposed

Equity:

		Per Share		In Total	
		2020 pence	2019 pence	2020 £000	2019 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	9.25	8.80	2,834	2,695
	interim for current year	6.80	6.45	2,083	1,976
		16.05	15.25	4,917	4,671
Dividend proposed	final for current year	9.70	9.25	2,972	2,834

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 2020

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 37.94p (2019: 38.42p) are calculated on the Group profit, after taxation, of £11,624,000 (2019: £11,773,000), and on the 30,640,000 (2019: 30,640,000) Ordinary and 'A' Ordinary shares in issue during the financial year and at 30 September 2020. 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 2019	1,656
Additions	337
Disposals	(175)
At 30 September 2020	1,818
Amortisation	
At 1 October 2019	973
Charge for the year	541
Disposals	(175)
At 30 September 2020	1,339
Net book value	
At 30 September 2020	479

	Computer Software £000
Cost as at 1 October 2018	1,566
Additions	90
At 30 September 2019	1,656
Amortisation	
At 1 October 2018	628
Charge for the year	345
At 30 September 2019	973
Net book value	
At 30 September 2019	683

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

The gross carrying amount of intangible assets at net book value of zero at 30 September 2020 was £80k. The average remaining useful life of intangible assets is 3 years.

FINANCIAL STATEMENTS

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for the year ended 30 September 2020

11 Property, plant, equipment, right-of-use assets and investment properties

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Mains cables and services £000	Fixtures, fittings, vehicles etc. £000	Interlinks £000	Total £000	Right-of-use assets £000	Investment properties* £000
Cost or valuation									
At 1 October 2019	34,461	16,990	108,577	94,189	23,096	98,007	375,320	-	21,240
Recognition on adoption of IFRS 16	-	-	-	-	-	-	-	2,901	-
Expenditure/lease additions	2,006	-	4,273	3,350	1,873	175	11,677	25	-
Modification/revaluation	-	-	-	-	-	-	-	76	515
Disposals	-	-	(280)	-	(2,051)	-	(2,331)	-	-
At 30 September 2020	36,467	16,990	112,570	97,539	22,918	98,182	384,666	3,002	21,755
Depreciation									
At 1 October 2019	10,092	7,283	66,353	32,931	11,403	30,212	158,274	-	-
Charge for the year	1,096	367	2,812	1,371	1,996	3,138	10,780	103	-
Disposals	-	-	(280)	-	(2,044)	-	(2,324)	-	-
At 30 September 2020	11,188	7,650	68,885	34,302	11,355	33,350	166,730	103	-
Net book value at 30 September 2020	25,279	9,340	43,685	63,237	11,563	64,832	217,936	2,899	21,755

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Mains cables and services £000	Fixtures, fittings, vehicles etc. £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 2018	30,998	17,048	105,173	91,369	22,014	97,218	363,820	20,460
Expenditure	3,535	-	3,101	3,142	2,676	789	13,243	-
Reclassification**	(72)	-	303	(322)	-	-	(91)	91
Revaluation	-	-	-	-	-	-	-	689
Disposals	-	(58)	-	-	(1,594)	-	(1,652)	-
At 30 September 2019	34,461	16,990	108,577	94,189	23,096	98,007	375,320	21,240
Depreciation								
At 1 October 2018	9,568	6,934	62,244	31,730	11,205	26,986	148,667	-
Charge for the year	514	407	4,011	1,309	1,792	3,226	11,259	-
Reclassification	10	-	98	(108)	-	-	-	-
Disposals	-	(58)	-	-	(1,594)	-	(1,652)	-
At 30 September 2019	10,092	7,283	66,353	32,931	11,403	30,212	158,274	-
Net book value at 30 September 2019	24,369	9,707	42,224	61,258	11,693	67,795	217,046	21,240

**In the prior year, items reclassified related to Land and Buildings elements of the West of St Helier Substation. There was no depreciation charge against these during 2019 as the assets were under construction.

*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 Directors consider the assumptions and sensitivities in those assumptions would unlikely result in a material difference in valuation. If residential properties were valued 5% below or above the level assumed this would amount to a differential of £0.5m whilst the same variance for commercial properties would result in a movement in valuation of around £1m. 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 receivable are detailed in note 21.

11 Property, plant, equipment, right-of-use assets and investment properties (continued)

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

b The investment properties were valued as at 30 September 2020 by independent professionally qualified valuers who hold a recognised relevant professional qualification and are based in Jersey so have knowledge of our location. At each financial year-end the finance department verifies major inputs to the independent valuation report, assesses property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer. Changes in Level 2 and 3 fair values are analysed at each reporting year end and movements are explained. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances. The valuations for the non-residential investment properties, are therefore reported on the basis of 'material valuation uncertainty' per VPS 3 and VGPA 10 of the RICS Red Book – Global. Consequently, less certainty – and higher degree of caution – should be attached to our valuation than would normally be the case. For the avoidance of doubt, the inclusion of 'material valuation uncertainty' declaration above does not mean that the valuations cannot be relied upon. Rather, the phrase is used to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The material uncertainty clause is to serve as a precaution and does not invalidate the valuation. In accordance with IAS40 investment properties are not depreciated.

The rental income arising from the properties during the year was £1,440k (2019: £1,419k) with maintenance and repair cost of £85k (2019: £81k). 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 £48k (2019: £39k) at cost and a net book value of £8k (2019: zero).

d The gross carrying amount of tangible assets still in use at net book value of zero at 30 September 2020 was £60.0m (2019: £58.3m).

e The Group leases land and buildings as part of its Energy business. Following the adoption of IFRS 16 during the financial year, this has resulted in the creation of right of use assets as disclosed in note 1. During the year an additional lease was signed for offices of Jersey Energy whilst a rental increase on one area of land resulted in a modification to the opening lease asset balance and corresponding liability. In addition to the depreciation expense relating to right of use assets of £103k, the finance costs included in the consolidated income statement arising from the lease liability was £131k. The Group's financial commitments to short term and low value operating leases is shown in note 20. The maturity analysis of lease liabilities is presented in note 16.

12 Other investments

	2020 £000	2019 £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	30 September

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for the year ended 30 September 2020

12 Other investments (continued)

Channel Islands Electricity Grid Limited (CIEG)

The joint arrangement between the Company and Guernsey Electricity Limited for the installation of a second interconnector system between France, Jersey and Guernsey required a control point through which the interconnector project manager could communicate and also, to be the customer which Électricité de France (EDF) 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' and included in these financial statements. CIEG has a reporting period end of 30 November based on the Company inception date.

Jersey Deep Freeze Limited

The Company owns 51% (2019: 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 a reporting period end of 30 September.

13 Inventories

The amounts attributed to the different categories are as follows:

	2020 £000	2019 £000
Fuel oil	2,206	2,378
Commercial stocks and work in progress	2,854	2,818
Generation, distribution spares and sundry	968	822
	6,028	6,018

During the year £14.1m (2019: £12.5m) was recognised directly in cost of sales in respect of inventories sold or used in operations or production.

14 Trade and other receivables

	2020 £000	2019 £000
Amounts receivable within one year:		
Trade receivables (includes unbilled units)	15,025	15,865
Prepayments and other receivables	1,620	2,130
	16,645	17,995
Amounts receivable after more than one year:		
Secured loan accounts	300	383

Unbilled revenues included within trade and other receivables in the balance sheet relating to such customers at 30 September 2020 amounted to £5.6m (2019: £5.6m).

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 70 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.

15 Trade and other payables

	2020 £000	2019 £000
Amounts falling due within one year:		
Trade payables	1,948	1,669
Other payables including taxation and social security	8,458	8,028
Accruals	7,340	7,039
Deferred income	447	584
	18,193	17,320
Amounts falling due after more than one year:		
Accruals	183	209
Deferred income	22,531	21,548
	22,714	21,757

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 covenants require a net debt to regulated asset value ratio to be calculated bi-annually not greater than 50% and an EBITDA to borrowings cost ratio not less than 4%, as defined in the loan agreement. The Group continues to meet these covenants.

	2020 £000	2019 £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 five year £10m 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. This was renewed for a further five year period in July 2019.

This facility bears the same externally imposed capital requirements as detailed above. A one year £2m overdraft facility also exists with RBSI. Neither RBSI Facility was drawn at 30 September 2020.

The fair value of the loan obtained from private placement at 30 September 2020 is considered to be £38.3m (2019: £39.3m).

Lease liabilities

IFRS 16 was adopted during the year under a 'Modified Retrospective' approach, whereby comparative figures are not restated. Instead, the cumulative effect of initially applying IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings as at 1 October 2019. See note 1 for further detail on adoption of IFRS 16. Amounts charged under lease arrangements are detailed within note 6, and right of use assets recognised under lease arrangements are detailed within note 11.

	2020 £000
At 1 October 2019	
Lease liability recognised on adoption of IFRS 16	2,901
Additions during the year	363
Unwind of discount	(131)
Repayment in the year	(189)
As at 30 September 2020	2,944

16 Borrowings (continued)

As discussed in note 1, the weighted average incremental borrowing rate applied to lease liabilities during the year was 4.47%. The Group has additional committed payments under short-term and low value leases of £2k at 30 September 2020. The maturity of future lease liabilities are as follows:

	2020 £000
Payable within one year	195
After one year but within five years	763
After five years	6,160
	7,118
Less: future finance charge	(4,174)
Present value of lease obligations	2,944

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 50% of the liabilities are attributable to current employees, 10% to former employees and 40% to current pensioners.

The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is around 17 years reflecting the approximate split of the defined benefit obligation.

Funding requirements

The last funding valuation of the Scheme was carried out by a qualified actuary as at 31 December 2018 and showed a surplus of £3.7m. 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 2021 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.

The actuaries had recommended that the Company contribution rate rise to 25.4% but it was agreed by the Trustees that around £1.2m of the surplus as at 31 December 2018 be utilised to maintain the contribution rate at 20.6%. This will be reviewed again at the next triennial valuation.

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.

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17 Pensions (continued)

Risk management

The Company and Trustees have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities of the Scheme.

The Trustees insure certain benefits which are payable on death before retirement.

Reporting at 30 September 2020

The results of the latest funding valuation at 31 December 2018 have been adjusted to the balance sheet date taking account of experience over the period since 31 December 2018, 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.

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

Main financial assumptions:	**2020 % pa**	2019 % pa
Inflation	**2.9**	3.1
Rate of general increase in salaries		
- short term (year 1)	**3.0**	3.8
- long term (year 2 onwards)	**3.9**	4.1
Pension increases in payment		
- short term (year 1)	**-**	2.3
- long term (year 2 onwards)	**-**	-
Pension increases in payment for pensions purchased with AVCs	**2.9**	3.1
Discount rate for scheme liabilities	**1.6**	1.9

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

	30 September 2020	30 September 2019
Post-retirement mortality assumption - base table	**SAPS "S2" tables with scaling factors of 90% for males and females**	SAPS "S2" tables with scaling factors of 90% for males and females
Post-retirement mortality assumption - future improvements	**CMI 2018 projections (A = 0.0%, Sk = 7.0) with long-term improvement rate of 1.25% p.a. for males and females**	CMI 2018 projections with long-term improvement rate of 1.25% p.a. for males and females
Life expectancy for male currently aged 60	**27.0**	26.9
Life expectancy for female currently aged 60	**29.0**	28.9
Life expectancy at 60 for male currently aged 40	**28.5**	28.4
Life expectancy at 60 for female currently aged 40	**30.6**	30.5
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 2020 £000	Value at 30 September 2019 £000
LDI/UK Gilts	**58,280**	46,088
Equities	**44,584**	46,361
Diversified Growth Funds	**53,652**	62,005
Cash and Commitments	**122**	198
	156,638	154,652

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17 Pensions (continued)

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

Reconciliation of funded status to balance sheet:	2020 £000	2019 £000
Fair value of Scheme assets	156,638	154,652
Present value of funded defined benefit obligations	(149,323)	(144,235)
Funded Status and asset recognised on the balance sheet	7,315	10,417
Related deferred tax liability	(1,463)	(2,083)
Net pension asset	5,852	8,334

Breakdown of amounts recognised in profit and loss and other comprehensive income	2020 £000	2019 £000
Operating cost		
Service costs:		
Current service cost	3,030	2,532
Past service cost (including curtailments)	-	1,080
Administration expenses	344	303
Financing cost		
Interest on net defined benefit asset	(211)	(159)
Total pension expense recognised in profit and loss	3,163	3,756
Remeasurements in OCI:		
Return on plan assets in excess of that recognised in net interest	(3,766)	(18,449)
Actuarial losses due to changes in financial assumptions	6,107	22,385
Actuarial gains due to changes in demographic assumptions	-	(6,428)
Actuarial gains due to liability experience	(678)	(5,151)
Total amount recognised in OCI	1,663	(7,643)
Total debit/credit recognised in profit and loss and OCI	4,826	(3,887)

Changes to the present value of the defined benefit obligation during the year	2020 £000	2019 £000
Opening defined benefit obligation	144,235	131,412
Current service cost	3,030	2,532
Interest expense on scheme liabilities	2,686	3,738
Contributions by scheme participants	501	514
Actuarial losses on scheme liabilities arising from changes in financial assumptions	6,107	22,385
Actuarial gains due to changes in demographic assumptions	-	(6,428)
Actuarial gains on scheme liabilities arising from experience	(678)	(5,151)
Net benefits paid out	(6,558)	(5,847)
Past service costs (including curtailments)	-	1,080
Closing defined benefit obligation	149,323	144,235

Changes to the fair value of Scheme assets during the year	2020 £000	2019 £000
Opening fair value of Scheme assets	154,652	136,163
Interest income on Scheme assets	2,897	3,897
Remeasurement gains on scheme assets	3,766	18,449
Contributions by the employer	1,724	1,779
Contributions by scheme participants	501	514
Net benefits paid out	(6,558)	(5,847)
Administration costs incurred	(344)	(303)
Closing fair value of scheme assets	156,638	154,652

17 Pensions (continued)

Actual return on scheme assets	2020 £000	2019 £000
Interest income on scheme assets	2,897	3,897
Remeasurement gain on scheme assets	3,766	18,449
Actual return on scheme assets	6,663	22,346

Analysis of amounts recognised in comprehensive income (SoCI)	2020 £000	2019 £000
Total remeasurement (losses)/gains in other comprehensive income	(1,663)	7,643

Discount rate sensitivity

To show sensitivity of the results to the choice of 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. lower or higher than the current assumption.

Following a 0.5% p.a. decrease in the discount rate	Change	New value
Pension expense for the following year	692	4,025
DBO at 30 September 2020	14,233	(163,556)

Following a 0.5% p.a. increase in the discount rate	Change	New value
Pension expense for the following year	(758)	2,575
DBO at 30 September 2020	(12,883)	(136,440)

18 Share capital

	Authorised 2020 £000	Issued and fully paid 2020 £000	Authorised 2019 £000	Issued and fully paid 2019 £000
'A' Ordinary shares 5p each (2019: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2019: 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 2020 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 (2019: £9,000) and are recorded in finance costs in the consolidated 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 2020, 72,700 shares have been awarded to employees who met the three year vesting period requirements. The Trust currently holds 26,600 shares which will vest in August 2023. The shares have been purchased in instalments since the inception of the Trust at an average of £4.64 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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

19 Non-controlling interests

Equity	2020 £000	2019 £000
At 1 October	62	53
Share of profit on ordinary activities after taxation	116	78
Dividends paid	(55)	(69)
At 30 September	123	62

Non-controlling interests represent 49% (2019: 49%) ownership of the issued ordinary share capital of Jersey Deep Freeze Limited.

20 Financial commitments

	2020 £000	2019 £000
a Five year capital expenditure approved by the directors:		
Contracted	6,610	1,485
Not contracted*	67,146	67,790
	73,756	69,275

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

b Future minimum lease payments under non-cancellable operating leases are as follows:	2020 £000	2019 £000
Lease payments under operating leases recognised as an expense in the year	1	246
Payable within one year	1	235
After one year but within five years	1	776
After five years	-	12,466
	2	13,477

The adoption of IFRS 16 on 1 October 2019 has resulted in a significant reduction in operating lease charges. Only leases with a duration of less than 12 months or leases for assets that are deemed 'low value' continue to be expensed to the consolidated income statement on a straight line basis over the lease term.

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:

	2020 £000	2019 £000
No later than 1 year	1,799	1,755
Later than 1 year and no later than 2 years	1,654	1,557
Later than 2 years and no later than 3 years	1,224	1,557
Later than 3 years and no later than 4 years	369	1,187
Later than 4 years and no later than 5 years	369	327
Later than 5 years	1,440	1,468
	6,855	7,851

22 Derivatives and financial instruments and their risk management

Categories of financial instruments

The carrying values of the financial assets and liabilities of the Group are as follows:

Financial assets	2020 £000	2019 £000
Fair value through other comprehensive income		
Derivative financial instruments	1,237	405
Amortised cost		
Secured loan accounts	300	383
Trade and other receivables (excluding prepayments)	15,025	15,865
Cash and cash equivalents	35,520	24,915
	50,845	41,163

Financial liabilities	2020 £000	2019 £000
Fair value through other comprehensive income		
Derivative financial instruments	143	601
	143	601
Amortised cost		
Borrowings	30,000	30,000
Trade and other payables	10,406	9,697
Preference shares	235	235
	40,641	39,932

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

The Group's currency exposure at 30 September 2020, taking into account the effect of forward contracts placed to manage such exposures, was £2.6m (2019: £2.5m) being the translated Euro liability due for imports made in September but payable in October.

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

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

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

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

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

Categories of financial instruments continued

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.

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.

Due to the nature of the Euro denominated purchases being largely underpinned by contracted amounts the Group has accurate expectations of the values and timings of future liabilities, reducing the risk of exposure to hedge ineffectiveness which could only arise if units imported were to vary by more than 20% from established patterns.

Foreign exchange hedging instruments are contracted to mature as the liabilities fall due and so minimise any timing or other uncertainties of future cash flows.

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	2020 £000	2019 £000
Less than one year - operational expenditure	34,473	32,295
Less than one year - capital expenditure	-	-
Greater than one year and less than three years	45,360	45,567
	79,833	77,862

At 30 September 2020, the fair value of the Group's currency derivatives is estimated to be a net asset of approximately £1.1m over the next three years (2019: £0.2m liability). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to an asset of £1.1m (2019: £0.2m liability) 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 (2019: £nil). In the current period amounts of £1.3m were debited (2019: £3.0m credit) to equity and £1.3m credit (2019: £3.0m debit) recycled to the consolidated income statement. Gains and losses on the derivatives are recycled through the consolidated income statement at the time the purchase of power is recognised.

Fair value of currency hedges	2020 £000	2019 £000
Derivative assets		
Less than one year	960	197
Greater than one year	277	208
Derivative liabilities		
Less than one year	(143)	(298)
Greater than one year	-	(303)
Total net assets/(liabilities)	1,094	(196)

Commodity risk

Power purchases

The Group has power purchase agreements with EDF in France. As at 30 September 2020, the import prices, but not volumes, have been substantially fixed for 2021. The Group entered into a 10 year framework agreement with EDF on 1 January 2013 which has a commitment to procure around 35% of expected 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.

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 consolidated balance sheet are net of allowances for expected credit losses which are set out below. The trade and other receivables at 30 September 2020 outside agreed credit terms are as follows:

	2020 £000	2019 £000
Less than 30 days	925	944
Greater than 30 days	154	268
Greater than 60 days	149	152
Greater than 90 days	757	30
	1,985	1,394

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 £33.3m (2019: £36.1m).

Expected credit losses provision

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which assesses if a material expectation exists for lifetime expected loss allowances against all trade receivables based on historic realised write-downs. Where specific customers are viewed to be at risk of default due to known or expected economic circumstances, their receivable balances at the balance sheet date are provided for in full.

An explanation of the Group's assessment for calculating expected credit losses and balance write-offs is detailed in note 1.

An expected credit losses provision is recorded against assets which are past due but for which no individual provision is made. This is calculated based on historical experience of levels of recovery.

Movements in the expected credit losses were as follows:	2020 £000	2019 £000
At 1 October	122	225
Charge for expected credit losses - included within operating costs	381	72
Amounts written back	(27)	(175)
At 30 September	476	122

Ageing of impaired receivables is as follows:	2020 £000	2019 £000
0 - 30 days	269	93
31 - 60 days	151	2
61 - 90 days	5	5
Greater than 90 days	51	22
	476	122

Notes to the Consolidated Financial Statements

for the year ended 30 September 2020

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

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 five 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	2020 £000	2019 £000
Less than one year	19,741	18,958
More than one year and less than five years	31,186	27,653
More than five years	46,785	48,125
	97,712	94,736

Financial liabilities shown above include interest payments due on the £30m private placement.

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September 2020 of £12.0m (2019: £12.0m) in respect of which all conditions precedent had been met. The overdraft facility of £2.0m is annually renewable, and the Revolving Credit Facility was renewed in July 2019 for a further five years.

Maturity of financial assets and liabilities

The financial assets of the Group comprise deposits placed 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	2020 £000	2019 £000
Less than 3 months: cash and cash equivalents and short-term investments	30,520	19,915
Greater than 3 months: short-term investments	5,000	5,000

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 2020

23 Ultimate controlling party and related party transactions

The Government of Jersey (the "Government") treats the Company as a strategic investment. Whilst it holds the majority voting rights in the Company the Government does not view the Company as being under its control and as such, it is not consolidated within the Government accounts. The Government is understood by the Directors to have significant influence but not control of the Company. The Company has elected to take advantage of the disclosure exemptions available in IAS 24, paragraphs 25 and 26. All transactions are undertaken on an arms-length basis in the course of ordinary business.

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 Government and to share existing facilities with the Energy from Waste plant. This gives rise to the most significant value transactions with the Government during the year with the value of electricity purchased from the facility during the year being £1.5m (2019: £1.5m) whilst the value of services provided to the plant was £0.4m (2019: £0.4m).

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 67 to 70.

	2020 £000	2019 £000
Short-term employee benefits	697	617
Post-employment benefits	184	177
Non-Executive Director's benefits	198	187
	1,079	981

Five Year Group Summary (unaudited)

Financial Statements	2020	2019	2018	2017	2016
Income Statement (£m)					
Revenue	**111.7**	110.7	105.9	102.1	103.4
Operating profit	**16.2**	16.1	16.7	14.7	15.9
Profit before tax	**14.8**	14.8	15.3	13.5	14.8
Profit before tax (pre-exceptional items)	**14.8**	14.8	15.3	13.5	13.1
Profit after tax	**11.7**	11.9	12.2	10.6	11.6
Dividends paid (£m)	**4.9**	4.7	4.4	4.2	4.0
Balance Sheets (£m)					
Property, plant and equipment	**217.9**	217.0	215.2	211.9	209.2
Net current assets	**37.8**	28.8	22.7	18.2	9.8
Non-current liabilities	**(83.0)**	(79.2)	(76.4)	(78.5)	(81.8)
Net assets	**205.9**	199.5	188.7	176.3	164.1
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**37.9**	38.4	39.5	34.6	37.7
Earnings per ordinary share (pre-exceptional costs) (pence)	**37.9**	38.4	39.5	34.6	33.3
Gross dividend paid per ordinary share (pence)	**20.1**	19.1	18.1	17.3	16.4
Net dividend paid per ordinary share (pence)	**16.1**	15.3	14.5	13.8	13.1
Dividend cover (times)	**2.4**	2.5	2.7	2.5	2.9
Dividend cover (pre-exceptional costs) (times)	**2.4**	2.5	2.7	2.5	2.5
Cash at bank/(net debt) (£m)	**5.5**	(5.1)	(14.3)	(21.9)	(29.0)
Capital expenditure (£m)	**12.0**	13.3	14.3	14.4	31.6
Electricity Statistics					
Units sold (m)	**619**	627	634	621	625
% movement	**-1.2%**	-1.1%	2.1%	-0.6%	-0.3%
% of units imported	**94.7%**	94.1%	94.9%	92.6%	91.6%
% of units generated	**0.2%**	0.3%	0.2%	1.5%	2.9%
% of units from Energy from Waste plant	**5.1%**	5.6%	4.9%	5.8%	5.5%
Maximum demand (megawatts)	**141**	150	178	154	149
Number of customers	**51,522**	51,103	50,561	49,894	49,532
Customer minutes lost	**5**	6	6	8	24
Average price per kilowatt hour sold (pence)	**13.6p**	13.3p	12.9p	12.9p	12.8p
Manpower Statistics (full time equivalents)					
Energy	**199**	188	186	201	203
Other	**97**	94	102	116	114
Trainees	**9**	11	14	9	10
Total	**305**	293	302	326	327
Units sold per energy employee (000's)	**3,112**	3,336	3,411	3,091	3,079
Number of customers per energy employee	**259**	272	272	248	244

In 2020 the Directors have made a classification change in relation to the amortisation of deferred infrastructure charges. In order to present the results in a consistent format, the Directors have reclassified the prior year reported results, increasing both Operating expenses and Revenue by £415k, with no impact to Group operating profit.

Financial Calendar

4 January 2021	Preference share dividend
19 February 2021	Record date for final dividend
4 March 2021	Annual General Meeting
25 March 2021	Final dividend for year ended 30 September 2020
13 May 2021	Interim Management Statement – six months to 31 March 2021
4 June 2021	Record date for interim ordinary dividend
25 June 2021	Interim dividend for year ending 30 September 2021
1 July 2021	Preference share dividend
15 December 2021	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 4 March 2021 at 12:30pm. Details of the resolutions to be proposed are contained in the Notice convening the Meeting.

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

Jersey Electricity

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