Jersey Electricity

INSPIRING A ZERO CARBON FUTURE

REPORT AND ACCOUNTS 2019

KEY ACHIEVEMENTS 2019

JERSEY ELECTRICITY KPIs	2019	2018
Revenue (£m)	110.3	106.6
Profit before tax (£m)	14.8	15.3
Ordinary dividend paid per share (p)	15.3	14.5
Unit sales of electricity (m)	627	634
Lost time accidents	1	1
Return on energy assets (%)	6.8	7.5
Customer minutes lost	6	6
CO_2 level (gCO_2e/kWh)	26	24
Customer service score	78%	N/A*
Employee engagement score	7.8	7.6

**Like for like data not available as new methodology adopted.*

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

PROFITS AND REVENUES

- Group revenues up 3% to £110.3m
- Group pre-tax profits down 3% to £14.8m
- Powerhouse.je revenue up 6% to £15.2m
- Powerhouse.je profit levels up by 10% to £0.9m

ST HELIER WEST PRIMARY SUBSTATION

- Commissioned and in service December 2018
- Relieves pressure on supplies to 80% of St Helier previously served by Esplanade and Queen's Road primary substations
- Future proofs network to meet increasing demand

ENERGY GROWTH AND SOLUTIONS

- 627 million units of electricity sold
- 51,103 customers on supply, an increase of 542
- Over 900 customers switched to discounted space and water heating tariffs
- Smarter Living aids the increase of fuel switch leads

HEALTH AND SAFETY

- Awarded British Safety Council Sword of Honour
- One minor Lost Time Accident (LTA)

RENEWABLES

- Installed largest solar PV array in Jersey on Power Station roofs
- 81kW peak array expected to generate over 90,000 kWhs a year
- Plans for first solar car-port installation
- Ground-mounted solar farm pilot plans advanced
- Dedicated Solar Projects Officer appointed

AFFORDABILITY

- 3.5% tariff increase only second rise in five years
- Standard domestic tariff 18% below UK average (and 30% below the Ofgem default maximum tariff) and 16% below EU average

SMARTSWITCH

- 46,522 Smart enabled meters installed
- Over 90% of customer base now covered
- Pay-as-you-go option roll-out imminent

ELECTRIC TRANSPORT

- 572 pure electric vehicles now registered in Jersey
- Almost 1,000 hybrid vehicles registered
- Entire public charger network upgraded to smart pay-as-you-go
- Public charger network extended to 22
- First public pay-as-you-go 50kW rapid charger installed at the Powerhouse

PEAK DEMAND

- 150MW recorded on 15 December 2018
- Last year's all-time record was 178MW

SUPPLY SECURITY

- Only six Customer Minutes Lost (CMLs)
- 13 times more reliable than UK average

ENVIRONMENT

- Delivered power at a carbon intensity level of 26g CO_2e /kWh
- Around one tenth of UK grid carbon levels
- 90% less carbon than local gas
- 92% less carbon than local heating oil

PEOPLE

- New Head of Digital Technology
- New Head of Customer Experience and Communications
- Employee Conference 'Power Up' held
- 85% response rate to employee survey and increase in rating from 7.6 to 7.8
- 150 employees now attended Living Leader programme
- Wellbeing Group established following successful pilot Wellbeing Week
- Mental Health Awareness course rolled out
- Five employees completed the INSEAD Gender Diversity course
- Improved recruitment process
- Ten 21-years' service awards
- Four 40-years' service awards

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)

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

SECRETARY
Peter Routier BSc, FCIS

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

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

AUDITORS
Deloitte LLP, PO Box 403, 66-72 The Esplanade, St. Helier, Jersey

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

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

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

CHAIRMAN'S STATEMENT

It was a privilege to be appointed Chairman of Jersey Electricity at the AGM in February. I would like to offer my sincere thanks to my predecessor Geoffrey Grime for his hard work and commitment during 10 years as Chairman throughout which he helped steer the Company through a significant and sustained programme of investment. That investment is today bearing fruit for customers in terms of supply reliability, competitive pricing and carbon reduction, and for shareholders in terms of sustained growth in dividends.

Jersey now benefits from an energy platform that is substantially 'future proofed' for years to come, and the business is strategically well positioned to meet the challenges and opportunities ahead.

Group revenue for 2018/19 was £110.3m, 3% higher than last year, however, profits were impacted by the mild winter which saw electricity unit sales fall 1% to 627 million from 634 million. Profit before tax fell 3% to £14.8m, down from the £15.3m achieved last year. The Board has recommended a final dividend for this year of 9.25p, a 5% rise on the previous year, payable on 26 March 2020.

Looking ahead, new technology and digitalisation are major global factors impacting virtually all companies, including utilities, and these have the potential to positively transform the customer experience. We therefore expect new services, technologies and digital to play an increasing role in our business.

Climate change presents us with both challenges and opportunities. While warmer temperatures may have some adverse impact on unit sales of electricity, Jersey Government's declaration of a climate emergency and ambition to push for net zero carbon by 2030 presents us with many opportunities for growing our share of the energy market. Given that electricity is now almost completely decarbonised, the main way the Island will reduce carbon emissions further is by displacing fossil fuels with electricity and energy efficiency. To adapt to this changing landscape we have reset our Vision to 'enable life's essentials and inspire a zero-carbon future' which recognises the importance of working with the community, customers and partners.We have made some key strategic management appointments this year and have also welcomed to the Board a new non-Executive Director in Peter Simon. We held a Board Away Day in March at which we established seven strategic themes to achieve that Vision.

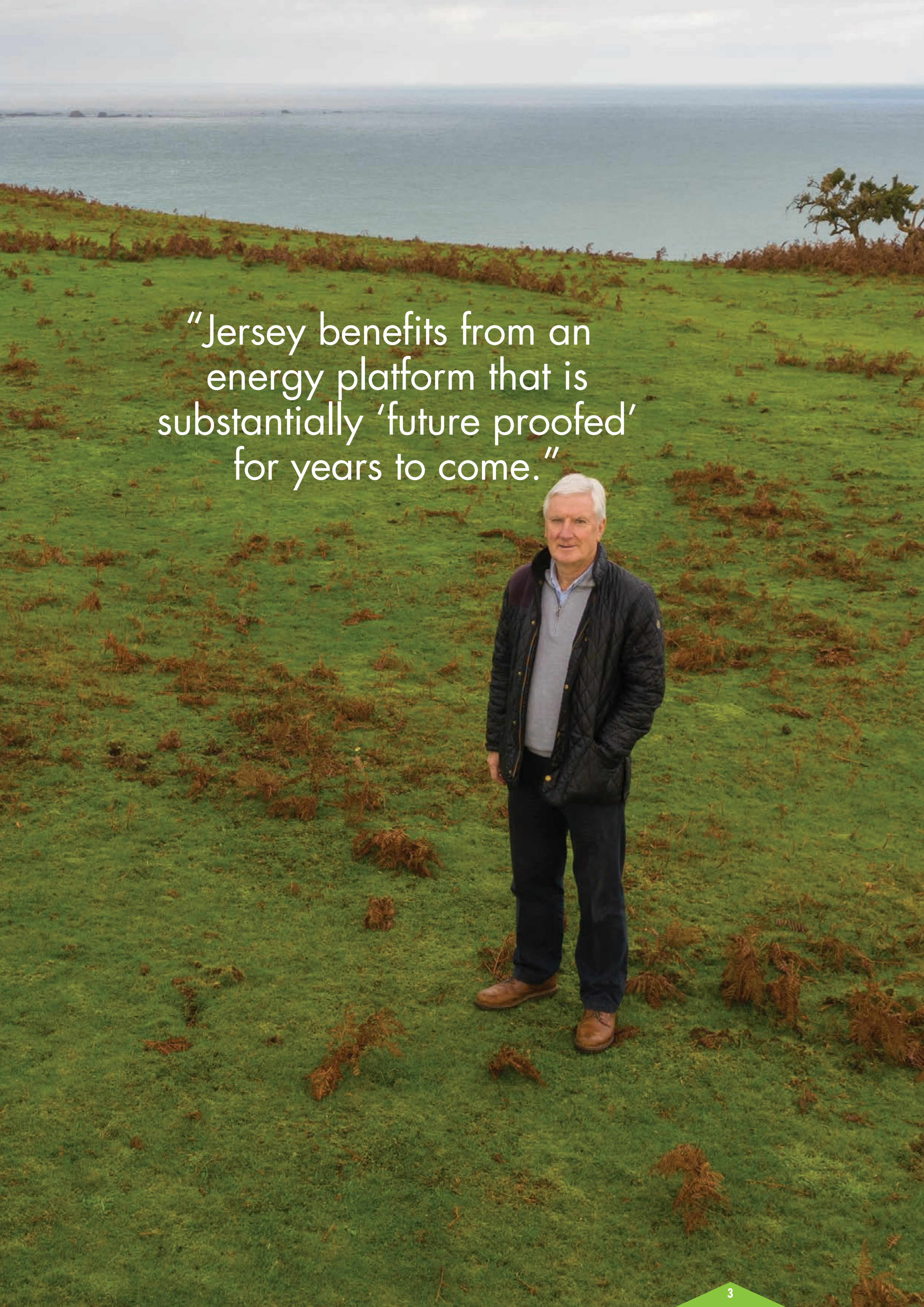
Our core objective, however, remains to serve our customers with secure, affordable and sustainable electricity now and long into the future. Our below inflation 3.5% tariff rise in April 2019 was only our second rise in five years and our tariffs remain very competitive compared with other jurisdictions, including the EU and UK. The electricity we supply is not only virtually completely decarbonised but one third of our imports is already from certificated renewable sources. Furthermore, this year we have invested in local renewables and brought solar PV on to the grid.

As well as performing better than many UK power companies at an operational level, this year we took part in the UK Customer Satisfaction Index (UKCSI), which for the first time has enabled us to benchmark ourselves against UK mainland utilities against various customer service and satisfaction attributes. With an overall rating of 78%, I am very pleased to report that we delivered a solid debut result and materially outperformed UK utilities, which averaged 72%.

These strong performance levels would not be possible without a highly skilled and dedicated team. My thanks go to our Executive and non-Executive Directors and, just as importantly, all colleagues throughout the business for their commitment, hard work and loyalty.

19 December 2019

"Jersey benefits from an energy platform that is substantially 'future proofed' for years to come."



CHIEF EXECUTIVE'S REVIEW

"We are now focusing on our Vision of 'inspiring a zero-carbon future' and helping the Island achieve its carbon ambitions."

Group pre-tax profits were down 3% to £14.8m from £15.3m on an increased turnover of £110.3m (£106.6m 2018). Revenues in our Energy business at £86.6m were 5% higher than 2018 (£82.3m), a drop in unit sales over winter being offset by the sale of heavy fuel oil to Guernsey Electricity (GEL) and the 3.5% price rise in April 2019, resulting in profits of £12.3m compared with £13.4m in 2018.

The seventh warmest winter since records began and a particularly mild February have, not unexpectedly, impacted unit sales of electricity – down 1% to 627 million kWhs from last year's 634 million. This was also reflected in a lower peak demand which fell 16% from an all-time record of 178MW in March 2018 to 150MW recorded on 15 December 2018.

Our Powerhouse store and online retail business continued to perform well. Revenue rose 6% to £15.2m from last year's £14.3m and operating profit rose 10% to £0.9m. Elsewhere, other business units performed at a similar level to last year. JEBS, our contracting and business services unit, was around break-even. Our Property business achieved profits at £1.7m, while other business units produced operating profit of £0.6m, similar to that delivered in 2018.

The year 2018/19, our 95th anniversary, however, marked a new chapter for Jersey Electricity. Not only have we welcomed a new Chairman and a new non-Executive Director to our Board, we are entering a new phase in the Company's development. We have refocused our Vision to reflect a greater sense of purpose and ambition to reduce Jersey's carbon levels in response to the climate emergency, changing customer attitudes, the emergence of new technologies and the digitalisation of power companies.

The impending and stark threats to the world due to climate change and Jersey Government's approval of proposition P27/2019 to declare a climate emergency on 2 May 2019, along with a Government commitment to explore how Jersey could deliver carbon neutrality by 2030, present Jersey Electricity with the opportunity to work with Islanders and the Government to reduce Jersey's carbon footprint.

As our investment in network assets continues to pay dividends for customers in terms of supply reliability (just six Customer Minutes Lost*), competitive pricing (around a third cheaper than the UK price cap) and a virtually completely decarbonised electricity supply (just 26g CO_2e/kWh), Jersey Electricity is now focused on 'inspiring a zero-carbon future'; working with partners to help facilitate the Island's carbon neutrality ambitions and giving the Island confidence that this is within reach – arguably at a lower cost and in a shorter timeframe than many other places.

Areas in which we are making progress include increasing investment in electric transportation and renewables, increasing our share of the domestic and commercial energy market, and enhancing our focus on digital technology to facilitate efficient operation of our business and create new, innovative energy propositions for our customers.

This year we have invested in extending and enhancing Jersey's public electric vehicle (EV) charging network to 22 chargers and we aim to have 75 public chargers across the Island by the end of the next financial year. Though the introduction of solar photovoltaic (PV) will not result in further carbon reductions in the electricity we supply, we installed the largest PV array in the Island to date on the roofs of La Collette Power Station in June, in response to growing public demand for on-Island renewable generation and to help diversify our energy sources and this is one of several we have been exploring during the year.

Providing affordable electricity for everyone is one of our core objectives and that means we must seek to make local renewables economically viable without artificial subsidy. We were encouraged by the conclusion of the Government review into our Standby Charge for commercial embedded generators published in February. This study, conducted by independent advisers NERA, found that Jersey Electricity was justified in recovering a fair contribution to the costs of providing grid and backup power services to developers benefiting from them. Not doing so, the report said, would lead to price rises for other customers. The report found that if anything, we erred on the side of caution in our calculations and our proposed Standby Charge of £3.25 per kWp per month, implemented on 1 May 2019 could, in fact, be much higher.

We increased customer tariffs by a below-inflation 3.5% from 1 April 2019 following the fall in the value of Sterling and other inflationary pressures. This was only our second price rise in five years and still means that following the introduction of the latest price cap introduced by UK energy regulator Ofgem at the beginning of 2019, our standard domestic tariff is one third cheaper than the equivalent standard capped tariff in the UK. We also remain within our target of +/- 10% of the EU15.

We understand that price and price stability are of utmost importance to our customers but as we seek to improve the customer experience across all business units, we this year reviewed our customer research processes. As a member of the Institute of Customer Service we took part in the UK's largest customer benchmarking study, the UK Customer Satisfaction Index (UKCSI). This has enabled us to benchmark ourselves against UK utilities and national leaders in other sectors for the first time. I am therefore pleased that we scored an excellent 78% in the Customer Satisfaction Index, well above the 72% averaged by utilities in the UK and just above the 'all sector' average of 77%.

Alongside price stability, supply reliability is also crucial to maintaining our reputation, franchise and trust as a monopoly provider. We have invested heavily in recent years in major infrastructure projects to achieve this. We commissioned our £17m new primary substation St Helier West in December 2018, bringing much needed relief to 80% of St Helier's network that had been under stress.

Though the final phase of our Smart Meter rollout, SmartSwitch, to replace our 4,500 Pay As You Go key meters with Smart Meters, met with delays from our vendor partner Payzone this summer, the live roll-out is due to start early in 2020 and is expected to be completed by next summer.

Investment in staff and succession planning continued with some key appointments, including a new Head of Digital Technology and Head of Customer Engagement and Communications, plus continued investment in training and development; most notably our personal leadership programme, Living Leader. We also conducted another Employee Survey with an uptick in results and held our Employee Conference using a new and successful format.

*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.

GROUP PURPOSE

Serving our community sustainably with affordable, secure, low carbon energy remains our core long-term objective. We have reset our Vision to 'enable life's essentials and inspire a zero carbon future' which recognises the importance of working with the community, customers and partners now that the core electricity service is virtually completely decarbonised. We created an employee consultation group, comprising employees at all levels across the business to help us test what this means and how we best engage our people. In June, we held an Employee Conference – *'Power Up'* – to communicate and explain this and give all employees the opportunity to discuss what it means for them. This was positively received with constructive feedback on how we might accelerate progress.

There are seven key themes of our Vision that help to describe what it means for stakeholders and what we are trying to achieve:

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

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

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.

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

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

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

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

We want to be seen as:

- Essential to delivering a decarbonised energy system
- The operator of a resilient network
- The preferred partner for Government and business
- A technology focused company
- A transparent and trusted service provider
- An employer of choice in Jersey
- Passionate about protecting the environment
- Progressive and innovative

We have established a number of workstreams to operationalise our Vision and help us achieve it. Areas include being a leader in renewables - by enabling more locally generated renewable power to be introduced to Jersey's energy mix cost effectively either directly or by providing third parties with Power Purchase Agreements (PPAs) that give them confidence to invest. We will continue to encourage electric transportation by investing in the latest public charging infrastructure. In addition, we aim to be a leader in the application of technology and digital for the benefit of our customers and the business.

Our Values remain unchanged and are now embedded in our culture:

- **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.
- **Customer focus:** We listen to our customers and seek to understand and respond to their needs, treating them the way we would wish to be treated, with respect and honesty.
- **Teamwork:** We 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.
- **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.
- **Excellence:** We continuously strive to work in a way that's 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.

CLIMATE EMERGENCY

The report by UN's Intergovernmental Panel on Climate Change (IPCC), commissioned at the Paris climate talks in 2016 and published in October 2018, caused a seismic shift in attitudes to climate change. An assessment of more than 6,000 scientific studies, the report laid out two scenarios: Earth's average temperature increasing by a) 1.5°C since pre-industrial temperatures and b) an increase of 2°C since pre-industrial temperatures.

It warned we have until 2030 to limit global warming to a maximum of 1.5°C, beyond which even half a degree will significantly worsen risks of drought, floods, extreme heat and poverty for hundreds of millions of people. Sea-level rise would affect 10 million more people by 2100 if the half-degree extra warming brought a forecast 10cm additional pressure on coastlines. But the greatest impact of the difference would be on nature. Insects for example, vital for pollination of crops, and plants are almost twice as likely to lose half their habitat at 2°C. Many animal species would become extinct and 99% of corals would be lost.

In this year's Climate Action and Support Trends, Patricia Espinosa, Executive Secretary of UN Climate Change wrote: 'Once a distant concern, climate change is now an existential threat and the greatest challenge facing this generation. It is abundantly clear that business as usual is no longer good enough. Rapid, deep and transformative change is needed throughout society – not only to reduce emissions and stabilise global temperatures, but to build a safer, healthier and more prosperous future for all. This must be done urgently and cooperatively; a global project requiring the best efforts from all nations, all businesses and all people.'

Like any power utility, climate change poses risks and opportunities for Jersey Electricity. Around the world, as we have seen, storms, wildfires, droughts, heat waves and rising seas, can directly lead to power outages, increased electricity prices and increased maintenance and capital costs. Evidence now suggests the energy supply chain, particularly power generation, transmission and distribution, is vulnerable to climate change and disaster events.

Acute physical risk to Jersey Electricity is mitigated by our Security of Supply Standard, diversification of supply, appropriate insurance and our Business Continuity Plan, which is tested regularly under various scenarios. Chronic, longer term physical risk from climate change is more likely due to rising sea levels. The Government is already acting by drafting a Shoreline Management Plan, which models the impact of sea water flooding and sets a range of policies to manage different parts of the Island's coast over the next 100 years.

As a business, flooding has been a consideration in the siting of our entire major infrastructure over the last two decades. For example, the strategic hub of our 90kV network and connection point for our Normandie 3 supply cable, South Hill Switching Station, commissioned in 2011, is sited high on Mount Bingham, clear of the flood zone, while in reasonable proximity to La Collette Power Station. The site of our latest primary substation, St Helier West, has been carved out of a former quarry on Westmount, a considerable height 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 that houses our emergency gas turbine generators is also on an elevated part of St Helier with good separation from other generators sited at La Collette Power Station. Archirondel, termination point for both Normandie1 and Normandie 2, though right on the coast, is adequately defended from the sea. A review is planned following long-term flood risk assessments (50-year horizon) carried out by the Government.

Disruption to supplies due to the extreme snow storms that struck in March 2013 was caused by damage to overhead lines and it has long been our policy to underground these where practicable. Less than 20km of overheads remain on the network and most of them serve sparsely populated, remote rural areas.

Transition risks posed by climate change, whether regulatory by Government climate strategies or technological, are mitigated by close monitoring of future Government policy and senior management co-operating in its formulation as well as tracking market trends in emerging technologies and deploying them where cost effective and practicable in a small offshore jurisdiction.

Jersey Electricity is adopting aspects of the Financial Related Disclosures to better inform our stakeholders on the actions we are taking to plan for climate change.

For the near future, climate change presents more opportunities for us as business than it does risks. The IPCC climate change report was the last wake-up call in Jersey and the Council of Ministers voted to approve a proposition to declare a climate emergency on 2 May 2019. The elected States Assembly have tasked Ministers with the need to evaluate and report on what it will take to become carbon neutral by 2030. Ministers are now drawing up an initial high-level policy impact assessment of how to achieve this by the end of 2019.


▲1.5ºC
▲2ºC
STOP COAL NOW!
Ther
NO Planet B
OUR

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

** Department for Business, Energy and Industrial Strategy Greenhouse Gas Reporting - Conversion Factors 2019

"This year we installed the largest photovoltaic (PV) array in Jersey"

Jersey Electricity is passionate about the environment and has long been committed to helping the Island reduce its carbon emissions by providing our customers with low carbon imported electricity and advising them how to use it efficiently. We therefore welcome the Government's response to last year's landmark report by the UN's Intergovernmental Panel on Climate Change (IPCC) which warned that the world was on track to reach a rise of 1.5°C above pre-industrial temperatures between 2030 and 2052 and that 2°C warming would have catastrophic consequences for all life on earth.

That response came in May with the declaration of a climate emergency and the aim of exploring what it would take to make Jersey carbon neutral by 2030 – a much more ambitious carbon reduction target than the Government had set out in its 2014 plan, Pathway 2050 – an Energy Plan for Jersey, which was to reduce emissions by 80% from 1990 levels by 2050.

Jersey Electricity has already helped the Island achieve a 48% reduction in emissions between 1997 and 2017 which was mainly due to the Company's switch from local generation, using heavy fuel oil, to importing low carbon supplies from France. This year we delivered power to customers at a carbon intensity of 26g CO2e/kWh. This is almost one tenth of the emissions of the UK's electricity system (calculated at 255g CO2e**), local gas (241g CO2e/kWh*), and local heating oil (298g CO2e/kWh*). With a third of the Island's emissions arising from heating residential, commercial and public sector buildings using fossil fuels, the main way the Island can achieve its carbon-neutrality ambitions is to replace fossil-fuel-fired heating and cooling systems with low carbon electric solutions. Similarly, with road transport, which accounts for another third of total emissions, we are investing heavily to facilitate a transition to electric mobility.

In partnership with Jersey Water, we are funding the biggest tree planting initiative the National Trust for Jersey has ever undertaken, covering 20 acres with 6,000 trees at Mourier Valley in the North of the Island. Working with the Trust and Jersey Trees for Life we see this as a positive carbon reduction initiative on the journey to deliver a zero-carbon future.

Energy efficiency also has a significant role in carbon reduction. We have always offered free energy efficiency advice and offer a service to visit customers in their homes to help them better understand how to get the most from their electric heating systems. Our investment in Smart Meters, when combined with our online Smart Account, enables customers to monitor their usage and change behaviours to reduce consumption. In addition, we have enabled customers to learn about the latest energy saving smart home technologies and low carbon heating solutions in the 'Smarter Living' area opened last year in our Powerhouse store.

Renewables

This year we installed the largest photovoltaic (PV) array in Jersey on the roofs of La Collette Power Station and have plans to install another on a specially built car port on the car park we lease to B&Q. The 81kWp La Collette installation went live in June generating local solar power on to the grid and giving all Islanders a share of local renewables.

We partnered local installer SunWorks to fit the array, which was four times the size of the one we installed as a trial on the Powerhouse roof in 2013. Consisting of 289 award-winning Norwegian REC solar panels, it is expected to generate over 90,000 kWhs a year. Data from the site is being transmitted via GSM and is being remotely monitored with information on each individual panel available for ease of performance monitoring and maintenance. The panels themselves have the lowest carbon footprint among leading manufacturers because the energy used in the silicon production process is low carbon as 96% of Norway's electricity is from hydro-electric sources.

Although introducing local solar will not result in further carbon reductions in the electricity supplied in Jersey, a third of which is already from renewable hydro-electric sources in France, it sits comfortably as an additional local source of energy alongside our existing imported decarbonised power. We intend it to be the first of a series that will diversify energy sources and have this year hired a dedicated Solar Project Manager to identify and progress potential sites.

We are also working with prospective partners on a larger scale pilot, export-only, ground-mounted solar farm and we remain committed to connecting smaller scale embedded renewable generators to our network on terms that allow us to fairly recover the costs of grid backup services using a Standby Charge. An independent Government review into these charges, concluded in February, confirmed that we are justified in recovering our costs via such a charge. We implemented the charge of £3.25 per kWp per month on 1 May for commercial embedded solar only and are currently reviewing charges for technology specific generation such as Combined Heat and Power (CHP) among other generation types, as recommended by the report.

We still believe large-scale renewables are not economically viable without subsidy given the competitive price at which we already source electricity, however we remain committed to connecting private generators and are willing to consider longer term Power Purchase Agreements to allow commercial scale developers to raise financing.

total customers

UP 542
FROM LAST YEAR

customers on discounted tariffs

UP 925
FROM LAST YEAR

ENERGY GROWTH

Units sales, at 627 million, were slightly down on last year due to an exceptionally mild winter. This was also reflected in the year's peak demand, which at 150MW was well below the previous year's all-time record of 178MW. Despite the vagaries of the weather, downward pressure on unit sales remains through energy efficiency and, though minimal at present, micro generation from domestic renewables. While we advise customers how to be more energy efficient and wish to encourage the deployment of local renewables in our energy mix, we continue to develop propositions and promote renewable technologies, such as heat pumps and induction cooking, that encourage Islanders to fuel switch from gas and oil to electricity in both domestic and commercial markets. The Government's declaration of a climate emergency and revised carbon reduction ambition to make Jersey carbon neutral by 2030 aligns with our own strategy and presents an opportunity for future growth as we help Jersey to further decarbonise.

Though we await the delivery of Jersey Government's carbon neutral strategy, the initial evaluation of which is to be presented in December 2019, we have been encouraged by the UK Government's announcement in March 2019, that gas boilers would be replaced by low-carbon heating systems in all new homes built on the mainland after 2025 in an attempt to tackle the escalating climate crisis. This is a clear acknowledgement of the need to find alternatives to fossil fuel for mainstream domestic heating in a major European country. Former Chancellor Philip Hammond said in his spring statement that a so-called future homes standard would be introduced 'mandating the end of fossil fuel heating systems' in the UK.

SMARTERLIVING

Energy Solutions

We have expanded our Energy Solutions team that is responsible for developing customer propositions and delivering load growth through fuel switching. We are streamlining the customer journey from initial enquiry to installation to make it faster and smoother. The Energy Solutions team has again met an increased internal target this year by fuel switching 186 domestic homes in Jersey. Aiding this important work is our 'Smarter Living' energy hub and customer information centre, opened in July 2018, within the Powerhouse retail area. 'Smarter Living' serves as a one-stop energy hub, staffed by trained energy advisers, promoting low carbon electric heating solutions and Smart home technology in a real home environment so customers can see how these technologies would look and feel in their own homes.

After its first full year in operation 'Smarter Living' has resulted in a 14% increase in fuel switching leads to the Solutions team. The team has also hosted educational and promotional events for architects, contractors and associated tradesmen to encourage greater understanding of our offering and increase the application of low carbon electricity. 'Smarter Living' also aligns with our revised Vision and strategic objectives of supporting the Government's environmental agenda and net zero-carbon future, enhancing the lives of Islanders and encouraging the use of digital technologies.

The Solutions team has also focused on the important commercial sector. As well as converting hotel and restaurant kitchens to all electric solutions that include energy efficient induction cooking, heat pumps are now the generally preferred choice for heating and cooling new office buildings.

Electric transportation

We have long considered electric transportation to be a signifcant area for emissions reduction and growth for the business and we have done much to raise awareness of the economic and environmental benefits while facilitating its uptake. This year has seen the sharpest year-on-year rise yet in all-electric and hybrid vehicles on Jersey's roads corresponding with our biggest investment in the Island's electric vehicle (EV) charging infrastructure, both public and private.

The total number of pure EVs registered in Jersey at year end was 572, an increase of 189 on last year. Significantly, the number of commercial electric vans has more than doubled in the past two years from 52 in 2017 to 111 as more businesses and organisations realise the financial and environmental benefits.*

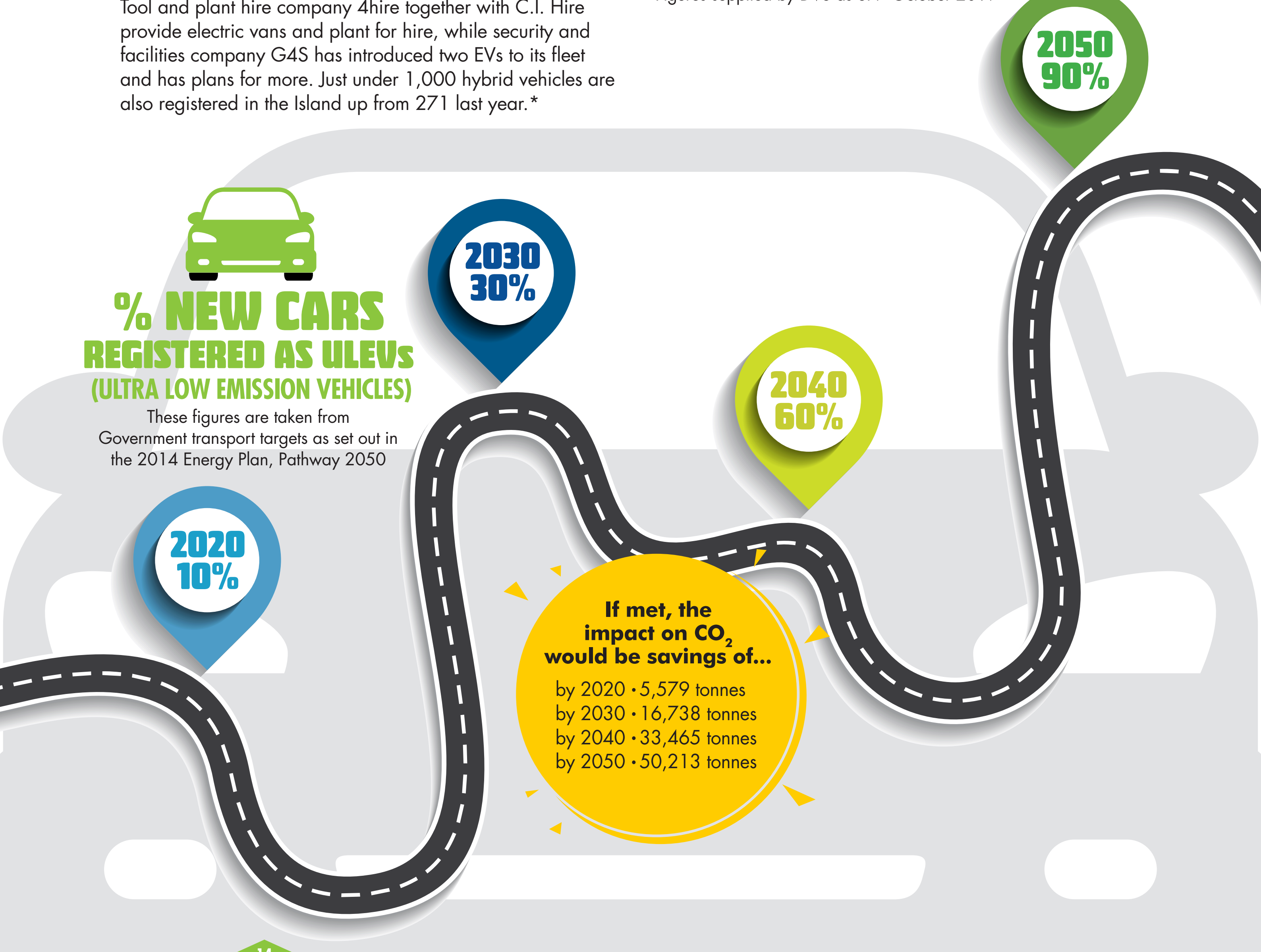
With support from Jersey Electricity, Jersey Post led the way and has continued the decarbonisation of its 110-vehicle fleet it began in 2016. Jersey Post now boasts 69 EVs, with a further 15-20 planned next year. We have also helped Jersey Police electrify its fleet by providing three Mennekes 22kW chargers at Police HQ in May. The installation allows for a further six chargers to be fitted as the Police plan to add a further five EVs to the three BMW i3s it acquired in February. The airport Fire and Rescue Service followed suit, also taking delivery of an i3 this year.

Tool and plant hire company 4hire together with C.I. Hire provide electric vans and plant for hire, while security and facilities company G4S has introduced two EVs to its fleet and has plans for more. Just under 1,000 hybrid vehicles are also registered in the Island up from 271 last year.*

This upsurge in EVs is mirrored by our own increased investment in infrastructure. In February, we completed the upgrade of all the original public charge points installed in multi-storey car parks in 2013 to smart Chargemaster units. In partnership with the UK's Charge-Your-Car public charging network we have now enabled 'pay-as-you-go' payments via an app or contactless card, while also giving drivers access to over 2,200 chargers in the UK. We also installed Jersey's first free-to-access contactless payment system – via debit or credit card – 50kW rapid charger at our Powerhouse HQ, capable of fully charging the average EV in well under one hour (and for many vehicles 80% of capacity in 25mins).

In June, the Government's Infrastructure Minister switched on an additional six charger bays we installed in the Pier Road multi-story car park – bringing the Island's overall number of public charging bays to 22 at year end. At the same time he opened a further four dedicated EV priority parking bays which have proved extremely popular with EV owners who do not need to charge. We have also reached agreement to install more chargers in public car parks at First Tower, St Aubin, Red Houses and St Brelade's Bay, and we are in talks with businesses across the Island to acquire further charge point sites similar to the successful, customised, surfboard-style installation at the El Tico Restaurant. Our aim is have installed 75 public charging bays by the end of 2020.

*Figures supplied by DVS as of 7 October 2019



ELECTRIC VEHICLES
ON JERSEY REGISTER
as at 7 October 2019

38

48

111

1

374

TOTAL 572

+ nearly 1,000 hybrids

"Our aim...
75 public charge points
by the end of 2020."

MAINTAINING AFFORDABLE ELECTRICITY AND PRICE STABILITY

We continue to focus on delivering secure, low carbon electricity supplies and maintaining relative stability in customer tariffs. Our below-inflation rise of 3.5% effective from 1 April 2019 was only our second price rise in five years following the 2% increase in June 2018. This more recent rise was largely driven by a weakening of Sterling relative to the Euro and other inflationary factors. Despite this, the most recent 'default maximum tariff' introduced by Ofgem, the UK electricity Regulator, to cap prices payable in the UK, is set at a level that is more than 30% higher than the average customer is paying in Jersey. Our domestic tariffs also continue to benchmark well against other jurisdictions, including the EU15, which is presently around 15%-20% higher than Jersey tariffs.

We have a long-term rolling importation framework with EDF which has been in place for 35 years since 1984 when we installed our first subsea cable between Jersey and France. We extended this by five years to 2027 in 2017 to help maintain a stable importation regime over a potentially uncertain Brexit period, with the intention that a similar contractual arrangement would be put in place post 2027. EDF has provided assurance that whatever the final terms of the UK's exit from the EU are, this will not affect our existing supply agreement. This agreement combines a fixed price component with a market related mechanism that allows us to price lock in future prices over a rolling three-year period. Our electricity purchases are materially, albeit not fully, hedged for the period 2019-22.

This year we imported 94% of Jersey's electricity requirements from EDF. This represents a substantial portion of our cost base and is contractually denominated in Euro. To reduce our exposure to foreign exchange fluctuations and to aid tariff planning, we also enter into forward currency contracts. Due to this hedging, the average Euro/Sterling rate underpinning our electricity purchases during this financial year was 1.19 €/£ against the average spot rate of 1.13 €/£ due to continuing volatility on foreign exchange markets brought about by Brexit. While our strategy provides us with some degree of protection and forward stability, we expect further turbulence in energy and foreign exchange markets going forward.

Though our Smart Meter installation programme SmartSwitch met with unavoidable third party delays this summer, we are pleased that the final phase to replace 4,500 Pay As You Go (PAYG) key meters is set to go live early in the New Year and is now expected to be completed by summer 2020. SmartSwitch has already brought efficiencies for the business and benefits for customers, including our 24-hour uninterrupted heating tariff Economy 20 Plus (E20+) that supports our fuel switching strategy. Around 200 customers a year are joining this tariff. This year, over 900 new domestic customers joined our various discounted space and water heating tariffs bringing the number of customers now on our off-peak tariffs to 18,910.

An independent Jersey Government review into our Standby Charge for commercial embedded generators published its findings in February. It concluded that we are justified in recovering our costs of providing grid and backup power services to these customers via such a charge. We implemented the charge of £3.25 per kWp per month on 1 May for embedded commercial solar generating facilities only and are currently reviewing charges for other embedded generating technologies such as Combined Heat and Power (CHP), as recommended by the report, to ensure they are fully cost reflective.

ENSURING SECURITY AND RELIABILITY OF SUPPLY

Jersey has an electricity system that many jurisdictions would envy in terms of decarbonisation, affordable and stable pricing and, importantly, its reliability.

As a provider of over a third of the Island's energy needs, security of supply is crucial to the day-to-day wellbeing and comfort of Islanders and Jersey's multi-billion pound economy, especially the thriving financial services sector and burgeoning digital economy. Supply reliability is also important to our standing and reputation in the community and with government. To achieve this we focus on ensuring our infrastructure is securely designed, well maintained and that our employees are trained to respond to adverse events if they do occur.

Having enough capacity to meet demand ('supply margin') is essential to supply security. With our three supply links to France successfully operating now for three years, our importation capacity is 202MW, well in excess of our record peak demand of 178MW recorded in March 2018. We also operate these links in the most secure configuration so that if one were to develop a fault, the load would seamlessly switch to the others. We also ensure our on-island distribution network is well invested. This year is the first full year with our newest primary substation St Helier West in operation. This has relieved pressure on Queen's Road and Esplanade primaries and around 80% of customer supplies in St Helier.

We measure supply reliability in Customer Minutes Lost (CMLs). This represents the total supply interruption time in minutes experienced by each customer on average in a year. This year our CMLs were just six, our joint lowest for 10 years, and which continues to compare very favourably with the UK where the distributers averaged 78 CMLs in 2017-18.*

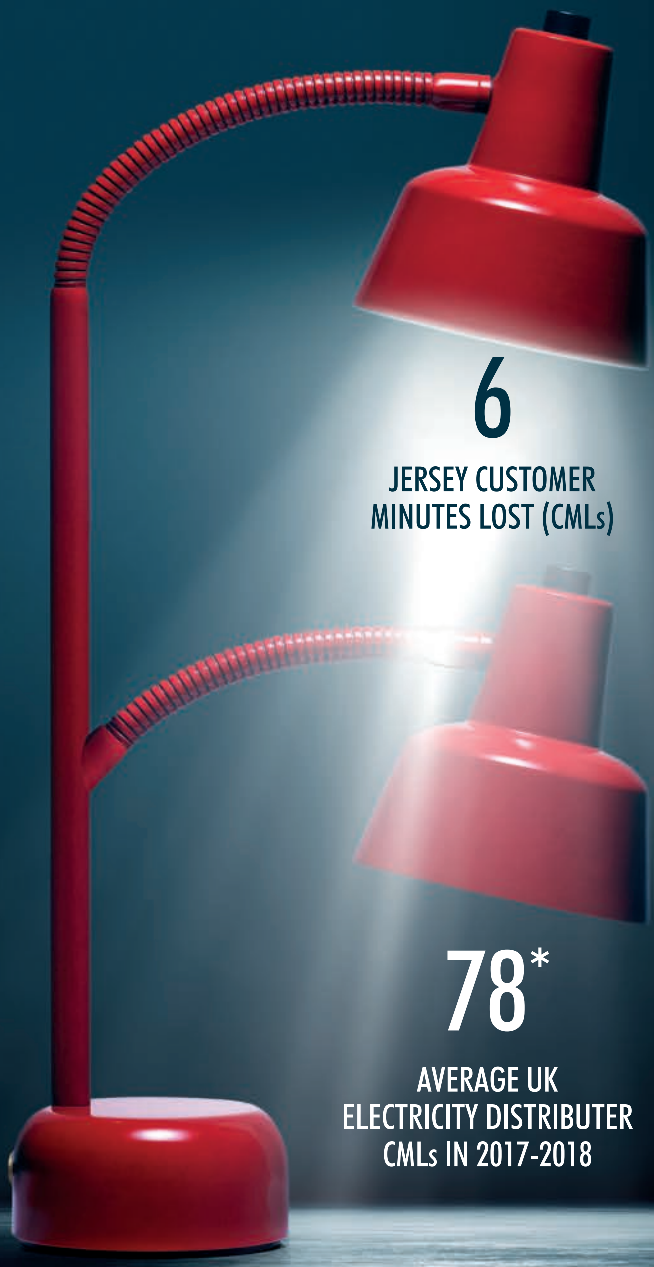
We work to an 'adapted N minus 1 standard'. This broadly means we seek to maintain supplies to all customers during the failure of the largest component in the system (see below) and we strive to minimise the risk of such an asset failure. When assets do fail, we seek to ensure we are well prepared to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

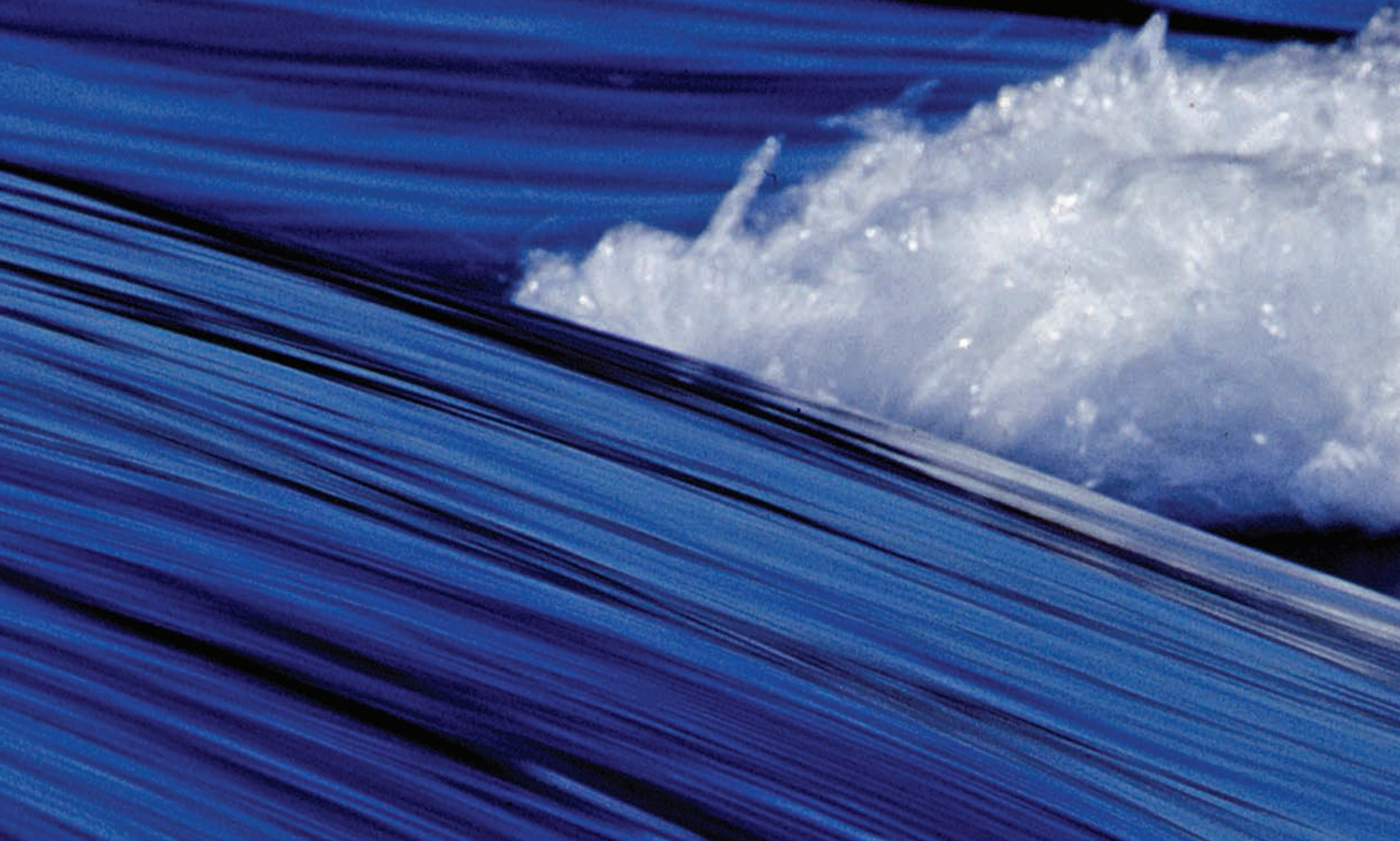
SUPPLY SECURITY STANDARD

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

- A one-in-eight year winter peak demand
- All normal load in the event of the loss on the single largest interconnector with France (N minus 1) plus a simultaneous failure of the largest:
    - 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

Imports from EDF account for 94% of our electricity requirements, a third of which are from renewable hydro-electric generation. We generated only 0.3% on-Island at La Collette Power Station. The remaining 6% of supplies again came from the Government-run Energy from Waste (EfW) Plant. The mild winter saw peak demand down 15% at just 150MW, recorded on 15 December 2018, well below our all-time record of 178MW set in March 2018.

We continue to maintain La Collette Power Station, however, for emergency back-up. Following Board approval for a project to install a second 90/33kV transformer at the Station, engineers have this year carried out detailed planning of the works and begun the procurement of the principal plant and equipment, including 90kV cabling and protection system.

Once completed in late 2020, the additional transformer will provide greater resilience on our 33kV network, which would otherwise require support from local generation should the existing transformer on this site fail. It will also permit the retirement of ageing cables between La Collette and Queen's Road. The unit will be supplied from our 90kV South Hill Switching Station where provision has already been made to connect into existing switchgear at the site.

The Energy team has also undertaken 90kV maintenance work at Queen's Road Primary Substation, where our two emergency fast-start gas turbines, with a joint capacity of 47MW, are located together with a 90/33kV transformer. Queen's Road is also the connection point on our network for the cable supplying Guernsey.

Transmission

Maintenance of our 90kV transmission network is vital for supply security and to meet future demand as Jersey moves from fossil fuels to low carbon electricity to meet its 2030 zero carbon ambitions. Last year, we reported the completion of the final phase of the upgrade of the 2km French-side land cable from the beach at Surville, Normandy, to the substation at St Rémy des Landes. During this outage we also took the opportunity to install beach stabilisation measures (Facines) to maintain cover over the cable and this year we can report that this has been extremely successful in not only maintaining cover over the cable but also in halting the dune erosion in the area. This project is an excellent example of the close co-operation and support we enjoy from our French partners and the community in Normandy.

With support from our own engineers, our partners in the CIEG, Guernsey Electricity (GEL), have been preparing for the emergency replacement of the GJ1 cable link between Jersey and Guernsey throughout the summer. The new 60MW, 37.4km cable, manufactured by NKT in Sweden, was installed between Grève de Lecq on Jersey's north coast and Guernsey's Havelet Bay early in October and was in service, with all site works and burial complete in both Islands, in November.

2 GWh
JE LOCALLY GENERATED

37 GWh
GENERATED BY EFW PLANT

ELECTRICITY SOURCES 2018/2019 IN %

YEAR	JE	EfW	Import
	+0.1%	+0.7%	
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%
			-0.8%

618 GWh
IMPORTED FROM EDF
HYDRO 38% NUCLEAR 62%

Distribution

Our biggest and most important on-Island infrastructure project for five years, our £17m St Helier West Primary Substation, was successfully commissioned and operational on schedule by mid-December 2018. The facility, which has been almost 10 years in the planning and building is the final piece in the jigsaw of our robust 90kV Distribution Network ring. It relieves pressure on supplies to 80% of St Helier previously served by Esplanade and Queen's Road primaries. It further enhances supply security and substantially future proofs the network to meet increasing demand.

It has been one of the most challenging infrastructure builds we have ever undertaken. The 10,000 sq ft steeply sloping site at Westmount was a former coastal quarry requiring extensive ground investigations throughout 2015 before complex civils works could begin. These were completed in September 2017 when French contractors Engie INEO took over to begin the build.

By August 2018, all major items of plant and equipment had been delivered and installed. Excavations for the 90kV cabling started the following month and the cables were installed, jointed and terminated into the substation and existing network throughout the autumn. After extensive commissioning and testing, including the crucial integration to existing control systems, and the re-arrangement of adjacent 11kV network, customer load was transferred on to facility. By Spring 2019, we had connected approximately 12MW of load.

The façade and retaining wall have been clad in granite to blend into the surrounding landscape and all that remains to be done is re-landscaping to include a public viewing platform overlooking St Aubin's Bay.

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

SMARTSWITCH

46,522
smart meters
INSTALLED TO DATE

Safe, efficient, reliable and affordable power has long been a driver of economic growth and rising living standards. Today, advances in information technology on both sides of the meter are transforming how energy companies distribute electricity and how their customers use it. The digitalisation of power providers combined with smart, intelligent controls and interactive appliances enables deeper, direct relationships with customers and new, automated services – both pillars of our new vision for the future. Smart Meter technology is the foundation of this transformation and a precursor to Smart Grids that manage supply and demand through a variety of generation sources, including renewables, and sometimes battery storage.

We are well ahead of the UK in the roll-out of Smart Meters. At year end we had installed a total of 46,522 Smart Meters. We also managed to achieve our first 100% smart parish, in St John, by replacing 100% of our 'dumb' credit meters at the beginning of September with a number of the other parishes down to single digits. The final phase of this £11m, multi-year project is the replacement of our 4,500 Pay As You Go (PAYG) key meters with smart-enabled PAYG meters. Smart PAYG enables customers to 'top up' their meters remotely as easily as they do a mobile phone. This means elderly or vulnerable customers, who have difficulty getting out to top up their keys, will be able to allow a relative or friend to credit their meters on their behalf without having to return to the house with the key. There is also the added convenience of over 80 'top-up' locations to choose from compared with the current 22.

Though delayed beyond our control in the summer by our vendor partner Payzone, the PAYG roll-out is due to start in 2020 following a trial among 190 States-owned Andium properties.

Once completed, we expect SmartSwitch to accelerate our journey into a digital future, with the second phase of the project scheduled to encompass the creation of a PAYG app that will enable customers to charge their meters at anytime from anywhere.

Smart technology also aids our long-term zero-carbon aims by enabling new tariffs that encourage customers to move from fossil fuels to low carbon electric heating. Already almost 19,000 customers are on our heating tariffs, aided by our first 24-hour uninterrupted heating tariff, Economy 20 Plus (E20+) that was made possible by Smart Metering.

Jersey's Smart Meters work in tandem with Smart Account, a secure online customer portal that stores bills and enables customers to view their electricity consumption profile in simple Beta version charts on their phone, tablet or PC. With a lifespan of 10 to 15 years, this end-to-end metering system has the flexibility to change to meet customers' future data viewing preferences as they too, embrace the digital age. We expect to provide enhanced data services as a next step in this process.

CUSTOMER SERVICE STANDARDS

Customer Focus continues to be one of our six core Values and is one of the pillars of our new strategy: *'We put customers at the heart of our business, giving them choice, control and value for money in a trusted and transparent way'*. Concentrating attention further on the demand side and deepening our relationships with customers 'beyond the meter' requires commitment to improving the customer experience across all business units.

This re-focused approach to Customer Care began last year with the launch of our Smarter Living concept store and re-organisation of our Energy Division to unite complementary customer facing activities such as Metering, Distribution Planning, Construction and Faults into one Service Delivery function. It has continued this year with several initiatives.

In September, we appointed a Head of Customer Experience and Communications. This new 'customer champion' is tasked with ensuring customer needs are understood and reflected seamlessly across our service offerings through the whole business and that efficiencies and improvements are implemented through all customer journeys.

To gain enhanced insights into our customers' needs and their feelings about us as a monopoly essential service provider, we reviewed and changed our annual customer research provider. We have now become a member of The Institute of Customer Service. 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.

Among the benefits of membership are training programmes to develop critical people skills and behaviours among employees that drive a consistent approach to service delivery and enhance the customer experience. Over 30 customer facing staff successfully completed the Institute's First Impressions training programme. This teaches how to have greater understanding and empathy surrounding customers' needs while reflecting our caring and environmental ethos.

But crucially, for us, the Institute undertakes the UK's largest cross-section customer benchmarking study, the UK Customer Satisfaction Index (UKCSI). This comprises 26 metrics of customer experience, involves 10,000 customers overall, 45,000 responses, measures customer interaction channel usage and satisfaction, complaint drivers and complaint handling. The Institute publishes its findings in January and July. Using participants from our own customer database, the UKCSI has enabled us to benchmark ourselves against UK utilities and national leaders in other sectors for the first time.

I am therefore very pleased to report that we achieved a very good result, scoring 78% in the Customer Satisfaction Index, well above the 72% averaged by utilities in the UK and just above the 'all sector' average of 77%. Only the water companies (Welsh, Northumbrian, Scottish) and one UK electricity supply company (OVO) scored higher.

Importantly, the UKCSI is divided into four overarching customer priorities:

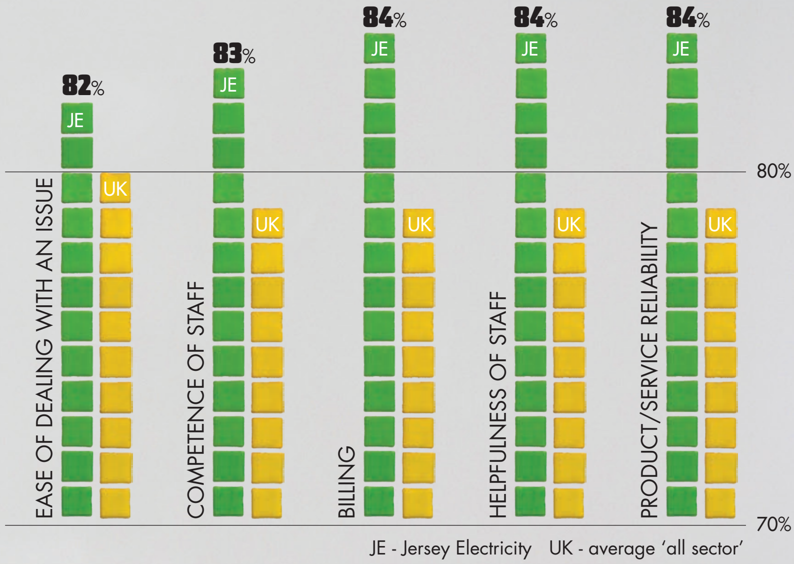
- Experience: Measures the quality of customers' experiences with us
- Complaints: Extent to which customers perceive that we genuinely care about them and build the experience and customer journeys around customers' needs
- Emotional Connection: Measures the extent to which we engender feelings of trust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

"We scored well above UK utilities in the Customer Satisfaction Index"

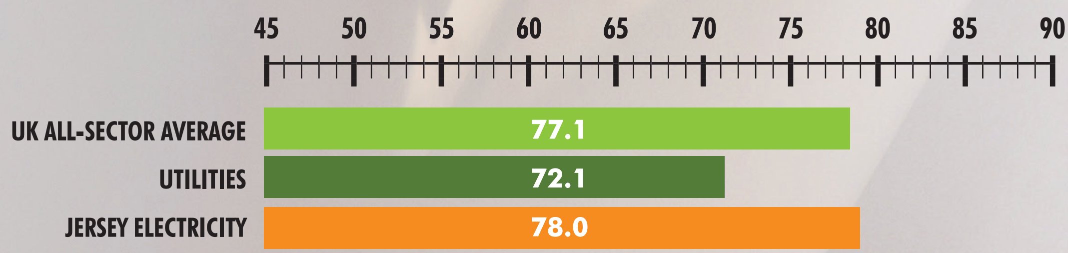
These are then broken down into further priority elements such as:

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

Although this UKCSI assessment gives some comfort that we benchmark well against the UK utility sector, we are not complacent. While we expect technological innovation and digitalisation in the power sector to transform how electricity is generated, used and paid for in coming years, we intend to ensure our customers reap the benefits of better services enabled by new, smarter technology.



UK CUSTOMER SATISFACTION INDEX (UKCSI)



Set against ALL UK UTILITIES, Jersey Electricty would sit in 5th position.

Jendev is our in-house software configuration business that focuses on developing and implementing solutions for the utility industry. Established as a Microsoft Partner in 1998, Jendev serves as an internal resource for Jersey Electricity as well as delivering solutions to a number of external clients in the utility industry.

Digital technology is at the heart of Jersey Electricity and Jendev is focused on helping to deliver simple, efficient solutions across the business and beyond. The team supports the implementation of business critical projects such as the Smart Metering project, SmartSwitch. Jendev also continues to implement and develop their flagship billing product, Jenworks.

Whilst Jendev will continue to support a diverse group of clients, which it has grown further over the last two years, there will in the short term be an increasing focus on internal projects given the scale of opportunity within Jersey Electricity. This will enable the team to develop further capability and experience that can subsequently be leveraged across third party clients.

Having this highly skilled team within the Group's portfolio allows Jersey Electricity to respond quickly to new business challenges and opportunities as they emerge. The Jendev business unit has undergone continued renewal, investing in new knowledge and skills to ensure we are well placed to deliver the latest technology in the utility industry space.

Turnover in the year at £1.3m was slightly higher than 2018 and the business met its profitability target for the year.

Jendev™
POWERFUL BILLING SOLUTIONS

Our Powerhouse store and online retail business powerhouse.je continued to consolidate its position as the number one electrical retailer in Jersey. This was a particularly pleasing result given the challenges being faced right across the retail sector in Jersey and elsewhere. Revenue rose 6% to £15.2m and operating profit rose 10% to £0.9m.

All core products categories - TVs, white goods, computing - grew year-on-year and newer categories such as smart home technology, although still in an early adopter stage of maturity, has the potential for significant growth in the future.

This year we made more inroads into the electric transport category by taking on an exciting range of electric mopeds and bicycles.

We have continued to work closely with our suppliers and brands to enhance the shopping experience by upgrading display fixtures and installing selected branded areas around the store where they fit with our positioning.

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 being 'highly commended' in three separate UK industry awards: PC Retail, Innovative Electrical Retail and Electrical Retail Times.

Training represents an important enabler of this and the entire retail team undertook the Institute of Customer Service First Impressions training course.

The overall business has been excellent in 2019. However, we should not be complacent. There are warning signs in the UK retail sector, with several big-name brands exiting the market or struggling to remain profitable.

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.

Profits in our Property division, excluding the impact of investment property revaluation, at £1.7m, were £0.1m lower than last year due to higher maintenance costs and increased depreciation charges, following re-roofing works on the Powerhouse and Medical Centre, and replacement of the air conditioning system on the ground floor of the Powerhouse. Further works on the air conditioning system for the remainder of the Powerhouse building will be carried out over the next year.

Our investment property portfolio was revalued upwards this year by £0.7m to £21.2m by the external chartered surveyors who review the position annually, primarily due to the growth in the value of the residential properties.

JEBS

TECHNICAL SOLUTIONS QUALITY SERVICE

Building Services (JEBS)

JEBS' skilled technicians provide a wide range of building and contracting services to domestic and commercial customers. This year we have restructured and refocused this business out of the highly competitive contracting services activities and into less competitive activities that more closely support our Group Vision. These include domestic and commercial electric heating and heat pump installations, together with street lighting and electric vehicle (EV) charging infrastructure.

Following the creation of our Smarter Living energy hub in the Powerhouse, we have seen a significant increase in customers enquiring about fuel switching to all-electric solutions and we are now responding to this increasing demand by deploying JEBS resources into these areas. In addition, the climate change agenda has increased focus on the harmful effects of burning fossil fuels and increased awareness among the general public of the need to fuel switch to low carbon electricity.

This year the team in JEBS delivered its highest number of fuel switches in any one year. Investment in specific training of our skilled technicians continues with more recent training in the installation, maintenance and commissioning of new heat pump services.

Revenue from JEBS fell £1.6m from 2018 levels to £3.3m as last year was influenced by one particularly large contract.

As a leading pan-Channel Islands consultancy, Jersey Energy and its Guernsey office, Channel Design Consultants, provide premium environmental and building services advisory, design and site administration services to end user clients, architects, the Government of Jersey and States of Guernsey, Parish Town Halls and developers.

Established 25 years ago to promote energy and environmental solutions in building design and energy related services, Jersey Energy has enjoyed a busy year with a consistent, high quality work stream from repeat business and new clients as buildings and their services become ever more complex in this environmentally conscious age, and energy efficiency and carbon reduction increasingly feature in more stringent Building Regulations.

The six-strong highly 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 market. The team this year was rewarded with the Jersey Construction Council Award for Business of the Year with under 10 Employees which is a significant achievement amongst tough competition. This accolade was followed by the award for Best Landscape Architecture Project in relation to the built environment for the lighting on the Pitt Street re-development, St Helier.

Jersey Energy completed its first full design project, Grainville School Phase V, using the new AutoDesk Revit design software. The whole project team, architectural, structural and building services were involved with the integrated 3D design tool that provides a completely fully co-ordinated construction model for the proposed end product.

Working alongside Energy Solutions, Jersey Energy has also been heavily involved with the roll out of electric vehicle (EV) chargers at a number of locations around the Island.

Ongoing investment in training ensures the team maintains the highest standards and its engineers are up to date with the latest regulations and technical requirements.

Channel Design Consultants in Guernsey has continued to maintain a good client base and has worked on a number of challenging projects this year, including drafting in a helicopter to install replacement chillers on an existing building.

Turnover in the year at £0.6m was at a similar level to 2018 and the business met its profitability target for the year.

HEALTH AND SAFETY

Nothing is more important to us as a business than the safety of our employees, contractors, customers and the public at large - all our stakeholders - and it is an area in which we invest much time and resource.

Electricity generation, transmission and distribution can be extremely hazardous activities if not managed properly. 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. This includes a forum for direct communication between the Chief Executive, senior management and Safety Representatives, who are largely made up of frontline employees.

LOST TIME ACCIDENTS (RIDDOR)

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

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 people'.

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

Our HSE performance and culture was recognised in October by the award of the British Safety Council's prestigious Sword of Honour. This is the second time we have been honoured following our success in 2013. The award is only open to organisations from around the world that have achieved the maximum Five Stars in the British Safety Council Audit programme, as we did last year, and is designed to celebrate and recognise health and safety management excellence. Recipients must demonstrate to an independent adjudication panel 'a culture of best practice for health, safety and welfare throughout the business from the boardroom to the shop floor'.

Our approach to HSE follows a 'risk-based' process. We seek to 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. They are also expected to proactively identify hazards through regular risk assessments and take action to mitigate the risks associated with those hazards in their day-to-day work. Last year's BSC Five Star Audit provided guidance for continual improvement and our dedicated HSE Team has built on the solid foundations we have in place by increasing focus on proactive measures such as more detailed safety planning, more site inspections and incident investigation and reporting procedures. This is reflected in the Company experiencing just one, minor Riddor Lost Time Accident this year which although disappointing, was not serious.

Working in conjunction with Human Resources (HR), the HSE Team has implemented mechanisms to aid the recognition of and support for employees' mental health and the management of psychosocial hazards. A new stress policy sets out the aims and objectives of JE's approach and attitude towards mental health. New processes are being established as the business recognises the importance of good mental health and wellbeing and strives to help and support employees who may experience problems in this area.

We continue to work with the Health and Safety Inspectorate (HSI) to reinforce key safety messages to the community at large. This year initiatives have included another radio campaign and bill mailings warning of the dangers of working near electricity cables and urging building contractors and DIY enthusiasts to contact us before they start work to enable us to identify cables around their building sites and properties. We have also held a Safety Seminar with the Jersey Construction Council and updated and published guidance for farmers and agricultural workers, building contractors and scaffolders on working near overhead power lines.

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

DAYS LOST (RIDDOR)

SUSTAINABILITY IN THE COMMUNITY

As an essential service provider with a natural monopoly, being regarded by our customers as a trusted partner in our small community is hugely important to us. We have incorporated trust into our new Vision and aspire to be 'the trusted partner for all things energy'. However, with almost 100 years of history and around 300 employees, we support our community in so many ways that go beyond our normal business activities.

Through corporate sponsorships, employee fundraising and CSR activities, we help many charities and organisations. We have a policy to focus our resources on charities and other beneficiaries in Jersey, concentrating on health, education and the environment - and the latter has dominated the community's conscience this year, particularly climate change.

As long-term partners of the National Trust for Jersey we have supported many Trust initiatives that are aligned to our own environmental and sustainability ethos. We will be deepening our relationship with the Trust over the next three years, having recently announced two significant sponsorships aimed at protecting the environment and encouraging a zero carbon Island.

In partnership with Jersey Water, we have agreed to re-forest a large section of Mourier Valley in the North of the Island by planting up to 6,000 trees. Working with the National Trust and Jersey Trees for Life, we are very excited by this project. This project will make a small but meaningful contribution to carbon reduction, create a new habitat for wildlife and the whole community to enjoy, and we hope helps our community start the vital journey to deliver a zero-carbon future.

We will also be supporting the Trust's Education Programme by funding its two part-time Education Officers for the next three years. The Programme's aims are two-fold. Firstly, to develop awareness of the causes and impacts of climate change and the steps that can be taken to reduce these. Second, to encourage children to reconnect with nature and understand the causes and impacts of biodiversity loss and the steps to protect habitats.

We also combined education and environment with sponsorship for the second year of the Trust's five-day Love Nature Festival, which featured a packed calendar of events set in and around St Ouen's Bay in Jersey's National Park.

As Jersey's leading low carbon energy supplier, it was entirely appropriate that we partnered the Jersey Evening Post's EcoJersey environmental initiative. We also sponsored the launch event itself, which brought together over 100 influential Islanders, providing us with an ideal opportunity to convey an ambition for the Island of inspiring a zero carbon future. We built on the launch by supporting the EcoJersey Countryside Clean-up at which employees volunteered to remove invasive species and litter from one of the Island's picturesque headlands. A Coastal Clean-up followed in July.

We continue to recognise and reward others who are passionate about the environment with our sponsorship of the Jersey Evening Post-organised Pride of Jersey Environmentalist/s Award and Jersey Construction Council's (JeCC) Sustainability Award. The former was this year won by SCOOP an organic food co-operative to promote sustainability and reduce waste. The JeCC Sustainability Award went to the Jersey Development Company for the International Finance Centre 5 which showcases the latest sustainable materials and energy saving technologies.

We brought together corporate sponsorship and CSR activity at three events. Employees were in action in the dark, small hours in April complementing our sponsorship of the second Walk Into Light which raised £10,000 for the Sanctuary Trust. Almost 300 people – twice as many as last year - formed a 'candle-lit snake' walking 5km from Corbière at 4.30am and










emerging into sunrise at St Aubin. Employees also took part in the annual Family Nursing & Homecare (FNHC) Colour Festival at which we sponsored the colour green. We have supported FNHC for many years, providing much needed equipment every Christmas for nurses who work in the community. The Colour Festival attracted over 1,500 runners and raised funds for a Paediatric Palliative Care Worker.

Child Accident Prevention Jersey (CAPJ) is another branch of FNHC that we have long supported. CAPJ's Safety In Action sees over 1,000 Year 5 pupils receive safety training during eight days of workshops at Highlands College. This year five of our engineers carried out 32 talks on electrical safety in the home.

A sponsored cycle challenge formed part of an employee wellbeing event and raised funds for Mind Jersey.

This is the third year we have sponsored Jersey Rugby Club, seen here as very much a centre of community and our long-standing support for the Jersey stopover of the Tour des Ports Regatta and Race Week continued. We also supported the inaugural Inter-Parish Round-the-Island Yacht Race.

As well as supporting charities at corporate level, we also support staff in team and individual charity fund raising events. Employees also raise funds for their nominated charities through our Monthly Staff Number Charity Draw. This year's nominated charities were: JSPCA, British Heart Foundation Appeal, Jersey Arthritis Care, The Antoine Trust, Cat Action Trust 1977 Jersey, Multiple Sclerosis Society of Jersey, Jersey Action Against Rape, Glanville Home for Infirm & Aged Women, Driving for the Disabled, Holidays for Heroes Jersey, Cry Jersey and Jersey Christmas Appeal.

I am always grateful to community partners and proud of colleagues who give their time and effort in charity fund raising and community work, while at the same time enhancing the profile and reputation of Jersey Electricity within the community we serve.

OUR PEOPLE

Our People is one of the key pillars of our revised Vision: *'We aim to be an employer of choice'*, that is positively promoted within our community and attracts a highly engaged workforce. Only by recruiting, engaging and retaining the best can we deliver our Vision to *'enable life's essentials and inspire a zero carbon future'*.

This means developing a customer-oriented, performance-driven, commercial culture and instilling 'one team', cross-departmental working practices. To achieve this and progress our cultural change programme which we began last year, we continue to invest in our 'people agenda' and we are putting in place tools and technologies to enable new, more effective and collaborative ways of working.

During the year we held an important employee conference in June to highlight where we have come in our 95-year history in business and where we hope our Vision will take us. Entitled, 'Power Up', every employee attended in one of two half-day sessions. Armed with iPads, employees were able to pose questions to the Executive Leadership Team (ELT) anonymously and vote for those they most wanted answered. Feedback was positive, with requests for the event to be held more frequently. Importantly, prior to the conference itself, we held several workshops to gather feedback from a broad range of colleagues on our revised Vision, how best to present it at conference to gain maximum understanding and allow discussion of changes needed for us to succeed.

Over 150 employees have now attended the Living Leader programme aimed at helping employees develop personal leadership skills that we would like to see widespread across the organisation. We have also conducted department specific training on providing energy advice to customers and consultative selling techniques. Following last year's employee engagement survey results, other initiatives aimed at improving employee engagement included training on conversations about reward and compensation, our first Wellness Week, Total Reward Statements and the refurbishment of break facilities at the Powerhouse and La Collette sites.

To measure the effect of these actions, we conducted a second employee engagement survey in August. The results were encouraging, with 85% of the workforce responding to show an overall increase in employee engagement from 7.6 to 7.8. Managers have now drawn up action lists to address areas still requiring improvement. These include:

- Further review of reward practices and how compensation is communicated to employees
- A review of wellbeing facilities for employees
- Initiatives to improve internal communication frameworks and team briefings

A key driver of engagement evident in both surveys is employee wellbeing in which we are also investing. A Wellbeing Working Group has established a calendar of events following the success of a pilot Wellness Week, which included sessions on mental health awareness, lower back pain, resilience, nutrition and fitness, and financial wellbeing. A half-day Mental Health Awareness course has been rolled out and three employees trained as Mental Health First Aiders, with a further four employees selected to complete the training in the near future.

We have improved the recruitment process for internal and external applicants via an application called Pinpoint, which we hope will become one of the main 'routes to market' for recruitment and careers campaigns. The introduction of Textio analyses how appealing the tone of the language we use in policies, HR documents and recruitment advertising is to a diverse audience.

Five employees completed the INSEAD Gender Diversity course to help promote diversity in the workplace and establish inclusive people practices to attract a richer pool of talent. We are now building out a Diversity plan to complement activities aimed at making us an employer of choice.

4 AWARDS FOR 40 YEARS OF SERVICE

10 AWARDS FOR 21+ YEARS OF SERVICE

14.5 YEARS
AVERAGE LENGTH OF SERVICE

45 YEARS
AVERAGE EMPLOYEE AGE


Jersey Electricity
IN THE COMMUNITY FOR A CLEANER,
GREENER FUTURE
VIRTUALLY DE-CARBONISED SUPPLY
Quest
WE GOT CURSED

OUTLOOK

"To be successful, we will need to be even more customer focused, getting 'beyond the meter'..."

On 2 May this year the States Assembly in Jersey declared a climate emergency and made a commitment to examine what it would take to deliver a carbon neutral Jersey by 2030. Jersey Electricity has been assisting these assessments and it is clear that Jersey is well placed to follow the direction of travel across the world to an electric future.

Jersey's electricity grid, including its transmission and distribution infrastructure, is well invested and entirely compatible with – and supportive of – a zero-carbon future. Jersey's French imported power consists of two thirds nuclear and one third renewable hydro-electric power. Crucially, this power is available on demand, is competitively priced and is substantially more reliable than our experience of on-Island generation. In our view, therefore, Jersey faces the potential of being able to deliver carbon neutrality earlier and at a lower cost than many other jurisdictions if we work together across the community.

Given that the electricity system in Jersey is substantially decarbonised, it is now clear to most if not all stakeholders that the main way Jersey can decarbonise is by displacing fossil fuel use with decarbonised electricity. In addition, this outcome could be facilitated by Jersey Electricity retaining its current business model – meeting the needs of all stakeholders, including delivering fair, risk-adjusted returns for shareholders while maintaining competitive retail prices to customers.

Over the last 12 months, Jersey Electricity has refreshed its vision to 'enable life's essentials and inspire a zero carbon future' – our challenge, among others, is to work with our customers and the community to create products, propositions and solutions that facilitate carbon neutrality.

To be successful, we will need to be even more customer focused, getting 'beyond the meter' and understanding customers' emerging needs better than ever before. We will also need to innovate and embrace digital technology – creating new products, propositions and services – offering our network as an electrical testbed. We expect to focus on e-mobility, home heating and local renewable solutions, including a local green tariff.

Despite the prospect of more extensive use of electricity in Jersey, the future is not without risk to the business. We have a solid long-term supply contract, good risk management frameworks and are well hedged in the short term but there is continued volatility in energy markets and foreign exchange markets, not helped by the continued uncertainty of Brexit. Our competitors in oil and gas are unlikely to stand by and are already looking at broadening their own offers.

Increased legislation or even regulation poses a threat to the Company, as well as all our stakeholders (including customers). As the Island becomes more dependent on electricity, we expect greater scrutiny on supply security and costs. We have already responded with increased infrastructure investments and an increased focus on costs, including better line of sight to efficiency and performance.

The natural retirement of employees is an opportunity to broaden skillsets into new areas and to better deploy technology to drive efficiency, productivity and new services for customers. As our market share increases, we also look to pursue alternative solutions that can give Islanders and the authorities comfort over security of supply.

Our response to these risks and opportunities is clear. We need to serve customers in a way that satisfies their emergent needs in what we expect will be an increasingly competitive marketplace. This means identifying customer trends, shifting behaviours and changing preferences; keeping close to technological developments including digital; developing responses to changing markets and Government regulation; and building capabilities for the next wave of Jersey Electricity's future. We are investing resources in all these areas to take full advantage of what has the potential to be an exciting future for the Company.

Chris Ambler
Chief Executive
19 December 2019

FINANCIAL REVIEW

Group Financial Results

Key Financial Information	2019	2018
Revenue	£110.3m	£106.6m
Profit before tax	£14.8m	£15.3m
Earnings per share	38.42p	39.54p
Dividend paid per share	15.25p	14.50p
Final proposed dividend per share	9.25p	8.80p
Net debt	£5.1m	£14.3m

Group revenue for the year to 30 September 2019 at £110.3m was 3% higher than in the previous financial year. Energy revenues at £86.6m were 5% higher than the £82.3m achieved in 2018. The sale of heavy fuel oil to Guernsey Electricity (amounting to £2.7m) and a 3.5% rise in tariffs from 1 April 2019 were offset by a 1% decrease in the unit sales volumes of electricity due to milder weather. Revenue in the Powerhouse retail business increased by 6% from £14.3m to £15.2m. Revenue in the Property business at £2.3m was at the same level as last year. Revenue from JEBS, our contracting and building services business, fell £1.6m from levels experienced in 2018 to £3.3m as the previous year was influenced by one exceptionally large contract. Revenue in our other businesses remained at £2.9m.

Cost of sales at £69.3m was £3.4m higher than last year with an increase in imported cost of electricity, costs associated with the sale of heavy fuel oil to Guernsey Electricity and higher sales activity in the Powerhouse retail business being the main reasons.

Other Income was recognised during the year arising from the receipt of a £0.8m rebate for a subsea cable repair in 2014.

Operating expenses at £26.4m were £2.0m higher than 2018 primarily due to a £1.1m increase in the IAS 19 pensions cost as explained in more detail later in this report and an increase of £0.6m in depreciation charges.

Profit before tax for the year to 30 September 2019, at £14.8m, decreased by 3% from £15.3m in 2018 largely due to lower profits in our Energy business. A £0.7m upward revaluation of our investment property portfolio (against £0.3m in 2018) was another material year-on-year movement.

Profits in our Energy business fell from £13.4m in 2018 to £12.3m this year. Unit sales volumes decreased from 634m to 627m kilowatt hours with a milder winter period being the main reason. Adverse foreign exchange, and rising wholesale prices, impacted the cost of imported electricity. Customer tariffs rose by 3.5% in April 2019 yet remained competitive with other jurisdictions. During the year we sold our remaining stock of heavy fuel oil to Guernsey Electricity which produced a profit of around £1.0m. The oil was no longer required post the decommissioning of our legacy on-Island steam plant. We also impaired assets associated with this change of operating regime at a cost similar to the quantum of such profit. In the 2014 financial year, a repair was performed to the subsea cable between Jersey and Guernsey and Jersey Electricity made a contribution of £1.8m towards the total cost. In March 2019 a cash payment of £0.8m was received which in effect was a rebate towards the repair costs. A non-cash pension cost of £1.1m was incurred in the year associated with the granting of an ex-gratia rise in pensions in service. Further details are provided in the section dealing with pension matters within this report.

In the financial year we imported 94% of our requirements from France (2018: 95%) and generated only 0.3% of our electricity on-island at La Collette Power Station (2018: 0.2%). The remaining 6% (2018: 5%) of our electricity was purchased from the local Energy from Waste plant.

The £1.7m profits in our Property division, excluding the impact of investment property revaluation was £0.1m lower than last year due to higher maintenance and depreciation costs. Our investment property portfolio was revalued upwards this year by £0.7m to £21.2m based on advice from our external consultants who review the position annually, due primarily to the growth in the value of the residential properties that we rent to tenants as yields have increased in Jersey in the last year.

Our Powerhouse retail business saw continued strong growth in sales with profits also improving by 10% to £0.9m in 2019.

JEBS, our contracting and business services unit had a challenging year with a £0.1m loss, against a loss of £0.2m in 2018, and a plan is underway to re-focus, and improve performance, in this business unit.

Our other business units (Jersey Energy, Jendev, Jersey Deep Freeze and fibre optic lease rentals) produced profits of £0.6m being at a similar level to last year.

Net interest paid in 2019 was £0.1m lower than last year at £1.3m due to interest received on higher cash balances. The **taxation charge** at £3.0m was £0.2m lower than 2018 due to the decrease in taxable profit.

Group basic and diluted earnings per share fell to 38.42p compared to 39.54p in 2018 due mainly to reduced profitability.

Dividends paid in the year, net of tax, rose by 5%, from 14.50p in 2018 to 15.25p in 2019. The proposed final dividend for this year is 9.25p, a 5% rise on the previous year. Dividend cover, at 2.5 times, was lower than the comparable 2.7 times in 2018.

Ordinary Dividends

		2019	2018
Dividend paid	- final for previous year	8.80p	8.40p
	- interim for current year	6.45p	6.10p
Dividend proposed	- final for current year	9.25p	8.80p

FINANCIAL REVIEW

Net cash inflow from operating activities at £27.7m was £0.7m higher than in 2018 with the impact on working capital from the sale of heavy fuel oil stock being a primary driver. **Capital expenditure**, at £13.9m was £1.0m lower than £14.9m last year with spend on the St Helier West primary sub-station being the most material project in 2019. The resultant position was that **net debt** at the year-end was £5.1m, being £30.0m of borrowings less £24.9m of cash and cash equivalents, which was £9.2m lower than last year.

Cash Flows

Summary cash flow data	2019	2018
Net cash inflow from operating activities	**£27.7m**	£27.0m
Capital expenditure and financial investment	**£(13.9)m**	£(14.9)m
Deposit interest received	**£0.1m**	-
Dividends	**£(4.7)m**	£(4.5)m
Decrease in net debt	**£9.2m**	£7.6m

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 1.19 €/£. The average applicable spot rate during this financial year was 1.13€/£ being at the same level as that during our 2018 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 2019 financial year Jersey Electricity imported 94% 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 2019 the scheme surplus, under IAS 19 "Employee Benefits", was £8.3m, net of deferred tax, compared with a surplus of £3.8m at 30 September 2018. Assets rose 14% from £136.2m to £154.7m in the same period. However liabilities increased 10% from £131.4m to £144.2m since the last year end with the discount rate assumption, which heavily influences the calculation of liabilities, falling from 2.9% in 2018 to 1.9% in 2019 to reflect sentiments in prevailing financial markets.

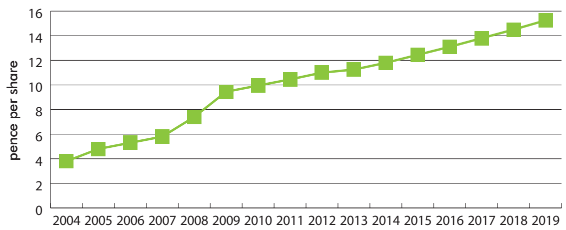
Our defined benefits pension scheme is an area of risk that continues to require careful monitoring as it is driven largely by movements in financial markets and materially impacted by relatively small movements in the underlying actuarial assumptions. If the discount rate applied to the liabilities had been 0.5% lower than the 1.9% assumed under IAS 19 for 2019, the net surplus of £8.3m would have moved to a deficit of £2.7m. Alternatively if the discount rate had been 0.5% higher the net surplus would have increased to £17.9m. 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 20% at the last year end to 30% at 30 September 2019.

The most recent triennial actuarial valuation, as at 31 December 2018, was finalised during this financial year and 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 but generated a £1.1m charge against the income statement of the Company. The last ex-gratia award was granted in 2016. 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 next 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

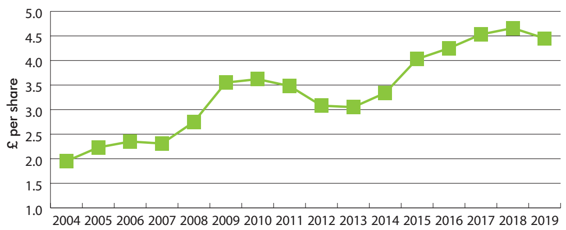
62% of the ordinary share capital of the Company is owned by the Government of Jersey with the remaining 38% held by around 600 shareholders via a full listing on the London Stock Exchange. Of the holders of listed shares, Huntress (CI) Nominees Limited owns 5.3m (45%) of our 'A' Ordinary shares representing 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 14.50p net of tax to 15.25p. The proposed final dividend for 2019, at 9.25p, is a 5% increase on last year and consistent with the underlying dividend pattern in recent years and with our stated policy to aim to deliver sustained real growth in the medium-term. The chart below shows the evolution of the ordinary dividend payments over the last 15 years (excluding additional special dividends) that have risen fourfold from 3.8p to 15.25p.

Dividend paid per ordinary share 2004-2019



The share price at 30 September 2019 was £4.45 against £4.66 at the 2018 year end. This gives a market capitalisation of £136m as at 30 September 2019 compared with a balance sheet net assets position of around £200m. However, the illiquidity of our shares, due mainly to having one large majority shareholder, combined with an overall small number in circulation, constrains the ability of the management team to influence the share price. We use Edison (an investment research firm) to produce regular research on our performance to aid the understanding of our value proposition to a wider body of potential investors in the quest to improve our longer-term liquidity. The chart below shows the trending of our listed share price over the last 15 years that has risen from £1.95 to £4.45.

'A' Ordinary share price movements 2004-2019



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 £10.6m (2018: £9.3m). The year-on-year increase is largely down to an increase in the corporation tax paid which was lower in previous recent years due to tax allowances for substantial capital project spend on subsea cables in the period 2012-2016.

	2019	2018
Ordinary dividend	**£2.9m**	£2.7m
Goods and Services Tax (GST)	**£4.5m**	£4.7m
Corporation tax	**£2.3m**	£1.0m
Social Security - employers contribution	**£0.9m**	£0.9m
	£10.6m	£9.3m

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 Government of Jersey, and ensures there is a direct communication between the non-Executives and our largest shareholder.

Group Risk Management

Our risks and uncertainties

Understanding and managing our risks is front of mind in everything we do. The Group risk management system is designed to ensure strategic and operational risks are identified, managed and reported in a consistent manner. This system also helps us 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.

Approach

The Board is responsible for managing the principal risks faced by the Group, maintaining a risk management and internal control framework and setting the Group's risk appetite when pursuing its strategic objectives. 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 mistreatment or loss.

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 risks management processes as well as updates on the risk management activities undertaken within the business.

Identifying our principal risks and uncertainties

Our risk management process incorporates both top down and bottom up elements to the identification, evaluations and management of 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 and agreed by the Executive Leadership Team, Audit and Risk Committee and the Board.

In additional we have included a risk watchlist detailing the emerging and developing risks which have the potential to impact our business in the longer term.

FINANCIAL REVIEW

Watchlist

UK's departure from the EU (Brexit)

We continue to maintain a watching brief on Brexit developments. Although Jersey is not in the EU, the UK decision to exit has created uncertainty for the Island. The most material individual trading relationship we have is our electricity importation arrangements with EDF and RTE in France. We received confirmation in 2016, that our long- term contractual agreements, which have been in place for 35 years, would not be impacted and that is still our understanding having again received recent confirmations. Furthermore, we extended the current supply arrangements with EDF by a further five years, during 2017, to the end of 2027. Foreign exchange considerations are also a risk, but as referred to on page 38, 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

There is clear evidence that global temperatures are rising rapidly and is considered by many politicians and the general public to be the biggest challenge facing society. Given the wide range of outcomes, it is difficult to predict the exact impact of global warming. We expect potential risks to be in the form of both physical in nature (i.e. extreme weather events such as storms and heatwaves) and regulatory obligations (new or strengthened carbon neutrality commitments). We continue to monitor political and legislative developments and assess the opportunities and threats to enable us to respond effectively.

The table below 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.

Principal risks

Risk	Description and possible impact	Mitigation activities
Regulatory / Political or Legislative change		
Regulatory	Not acting in line with 'expectations of behaviours' of a monopoly utility resulting in the introduction of sector specific regulation with the attendant cost of compliance and impact on public relations.	Ensure we find the correct balance associated with being a key service provider on an Island but recognising our responsibilities to a wide number of stakeholders. Ensure transparency of objectives and regular communication with key stakeholders. Benchmark ourselves against comparable Key Performance Indicators with other jurisdictions (e.g. Tariffs, Customer Minutes Lost, CO2 emissions, Lost Time Accidents).
Political	Unfavourable political and/or legislative developments which cause a significant change to the operation of, or prospects for, the business.	Monitor political and legislative developments (e.g. the Government's Energy Plan) and analyse the opportunities and threats to enable us to respond effectively.
Major Capital Project Management		
Project	Unsuccessful delivery of our major projects resulting in inability to achieve overall project objectives and/or additional costs or delays.	Project milestones, costs and risks are recorded and monitored and regular progress updates issued to both management and the Board, including plans to address any issues.
Financial - Treasury & Tax / Energy Portfolio Management / Pension Liabilities		
Asset failure	Financial implications associated with the loss of significant plant and/or importation assets.	Scenario and sensitivity analysis as part of our long-term budgeting process. Insurance obtained where appropriate and where it can be cost effective. Effective monitoring and maintenance of the plant / assets. Three subsea cables to France on two diverse routes provide resiliency along with a strong cable repair capability.
Financial	Reduction in unit sales of electricity due to, for example, energy efficiency and the corresponding impact on the competitiveness of electricity in the heating marketplace.	The prime defence against falling volumes from the expected continued focus on energy efficiency is to migrate existing customers who use gas/oil as their primary heating source to all-electric solutions. A dedicated team work on initiatives in this area.
Pension Liabilities	Volatility of markets impacting our Defined Benefit Pension Scheme position e.g. liabilities increase due to market conditions or demographic changes and/ or investments underperform.	The Board regularly monitors the latest position regarding the Scheme and the impact that it is having on the Company. The Trustees implemented an LDI strategy to reduce the exposure to movements in the value of pension liabilities. The Defined Benefit scheme was closed to new members in 2013 and a triennial valuation formally reports on performance.
Volatility	A significant proportion of our profitability and price competitiveness is dependent upon our ability to manage exposure to increasingly volatile power and foreign exchange markets.	Power and foreign exchange are hedged in accordance with the agreed strategies which are reviewed and approved by the Board on a periodic basis.

Security of Supply / Supply Chain / Asset & Plant Management		
Business Continuity	Failure and/or unavailability of significant plant and/or importation assets which cause disruption to our operations including major emergency, incident or loss of electricity supplies to customers. The EDF and RTE contracts are key to the continuity of supply of electricity to Jersey.	A Security of Supply standard has been developed and published and we seek to design the system to meet those standards. A programme of maintenance exists to optimise the life of assets. Use of a comprehensive business continuity planning process including periodic testing under various scenario exercises. A number of diverse sources of supply have been developed such as importation cables and on-Island generation (deploying various technologies) to ensure that we are not over-reliant on any single source, fuel or technology. The supply contract with EDF was extended by a further 5 years in 2017 to 2027. We have built a strong relationship with EDF that has existed since 1984 and also with RTE (the network operator in France). We maintain ongoing dialogue to ensure we understand any current or potential future developments that might impact security of supply. We are also exploring potential options in the renewables space that would result in less dependence on importation.
Asset & Plant Management	Failure of ageing metering infrastructure.	The SmartSwitch project has resulted in a smarter more modern metering solution replacing legacy systems. As at 30 September 2019 around 90% of our customers had such new meters installed and therefore this risk has reduced. The replacement of the current 'Pay as you go' system in the coming year will complete the replacement of the legacy infrastructure.
Health, Safety & Environment		
H, S & E	Non-compliance with relevant legislation, regulations and accepted codes of practice resulting in unnecessary exposure to our staff, customer, member of the general public or our plant and equipment.	A Health, Safety and Environment team sets standards and monitors performance against those standards. A proactive safety culture has been nurtured throughout the organisation supported by a safety management structure, Safety Representatives, programmes of site inspections, regular training and induction amongst other areas. Performance measures are explicitly presented as a separate agenda item at each Board meeting. Use of British Safety Council for separate audits of both our safety and environmental performance every 3 years.
People / Succession Planning		
People	The Group's strategy is largely dependent on the skills, experience and knowledge of its employees. The inability to retain executives and other key employees, or a failure to adequately plan for succession, could negatively impact Group performance (both operationally and financially).	We have developed a long range HR Strategy. HR now has the resource and capability to provide frameworks for developing succession plans, development plans and attracting new talent to enable planning for the future and mitigate and reduce the talent drain from Jersey Electricity. Extensive networks have been built including access to UK (Utility) skills to enable best practice development.
Cyber Security		
Catastrophic breach of our systems	Due to the nature of our business we recognise that our critical infrastructure systems may be a potential target for cyber threats. We must protect our business assets, infrastructure and sensitive customer data and be prepared for any malicious attack.	We continue to use industry best practices as part of our cyber security policies, processes and technologies. Cyber awareness training has been carried out with all staff with access to corporate IT systems and there is a programme of follow-up monitoring and training. Following a review by external cybercrime security consultants, additional security appliances with enhanced mitigation technologies has been installed. Disaster recovery procedures are incorporated within our business continuity arrangements and periodic external reviews are undertaken.

Viability Statement

In accordance with provision C.2.2 of the 2016 revision of the Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the 'Going Concern' provision. As disclosed last year, the Board conducted this review for a period of five years, selected because annually a refreshment of the Five Year Plan is performed with the latest version presented to the Board in September 2019.

This document considers our forecast investment, hedging policy for electricity procurement and linked foreign exchange requirements, debt levels and other anticipated costs, and the resultant impact on likely customer tariff evolution. In addition, material sensitivities to this base case are considered. We have a strong balance sheet with net assets of around £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 2024.

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

GOVERNANCE

Board of Directors

Phil Austin MBE
Chairman
R

Phil was appointed to the Board in May 2016 and took over as Chairman in February 2019. Most of his career was in banking with HSBC in London and, ultimately, in Jersey where, from 1997 to 2001, he was Deputy Chief Executive of the Bank's business in the Offshore Islands. In 2001, he became the founding CEO of Jersey Finance, the body set up as a joint venture between the Government of Jersey and its Finance Industry, to represent and promote the Industry at home and abroad. In 2009, he took on a portfolio of non-executive directorships, consisting of both public and privately-owned businesses. Phil is a Fellow of the Chartered Institute of Bankers and a Fellow of the Chartered Management Institute. In October 2015 he was awarded an Honorary Doctorate in Business from the University of Plymouth and in January 2016 an MBE in the Queen's New Year's Honours List. Phil is currently also a non-executive director of City Merchants High Yield Trust Ltd and Chairman of Octopus Renewables Infrastructure Investment Trust plc, both publicly listed companies.

Chris Ambler
Chief Executive
N

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

Martin Magee
Finance Director

Martin joined the Board as Finance Director in May 2002. He moved from Scottish Power plc, after nine years in a variety of senior finance roles. He previously worked for nine years with Stakis plc (now part of the Hilton Hotels Group). He is a Director of the Channel Islands Electricity Grid Limited. Externally, he is the non-Executive Chairman of Aberdeen Standard Capital Offshore Strategy Fund Limited and was recently appointed the Audit Committee Chairman for Jersey Post International Limited. He is a member of the Institute of Chartered Accountants of Scotland having qualified in 1984.

Aaron Le Cornu
Non-Executive Director
A/R

Aaron was appointed to the Board as a non-Executive Director in January 2011 and is currently the Chief Operating Officer of GLI Finance, an alternative finance provider and strategic investor in numerous Fintech platforms. Aaron left his previous role as Chief Financial Officer of Elian, a Fiduciary Firm, headquartered in Jersey and with operations in 17 countries, following the sale of the business to Intertrust Group in 2016. Prior to this, Aaron held a number of senior positions within HSBC, latterly as the Deputy CEO of HSBC International. During his 10 years with HSBC, he held a number of Board positions for HSBC subsidiaries and was also involved in acquisitions (such as the purchase of Marks and Spencer Money). Aaron is a Chartered Accountant having qualified with Andersen in London. He also has a First Class Honours Degree in European Management Science from Swansea University.

Alan Bryce
Non-Executive Director
A/N

Alan was appointed to the Board as a non-Executive Director in December 2015 and is currently a non-Executive Director at NIE Networks Ltd, and an adviser in the utilities industry. Until recently he was Chairman of the wind-farm developer Viking Energy, and is a former non-Executive Director of Scottish Water, Infinis Energy plc and Iberdrola USA. Prior to 2010, he held a number of senior positions at Scottish Power, including Managing Director of Energy Networks, and Managing Director of Generation. He was also Strategy and Planning Director for Scottish Power's UK Division, which included the company's Generation, Energy Management and Retail businesses. He is a Chartered Engineer and Fellow of the Institution of Engineering and Technology.

Wendy Dorman
Non-Executive Director
A/N

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

Tony Taylor
Non-Executive Director
R/N

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

Peter Simon
Non-Executive Director
A/R

Peter was appointed to the Board as a non-Executive Director in February 2019.
Peter is currently Managing Director, Centrica Home Solutions, where he leads their provision of home energy management, remote diagnostics and monitoring solutions through the Hive range of thermostats, cameras and other connected home services. Before this he was Customer, Product and Proposition Director for Centrica's UK Home business where he is responsible for a range of brands such as British Gas, Local Heroes and Dyno.
Prior to joining Centrica, Peter worked at Barclays in several roles across its retail, corporate and wealth businesses in strategy, transformation and leading the unsecured lending business before becoming Managing Director for Marketing, Analytics and Innovation. Prior to this he spent 15 years in strategy and M&A consulting, first with Deloitte and latterly with PwC Transaction Services.
Peter has an MA in Physics and Philosophy from Oxford University and an MBA (distinction) from London Business School. He is a non-Executive Director for SmartEnergy GB.

Key to membership of committees		**Chairmen of committees**
A Audit and Risk Committee	–	Wendy Dorman
R Remuneration Committee	–	Aaron Le Cornu
N Nominations Committee	–	Alan Bryce

Directors' Report
for the year ended 30 September 2019

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 2019.

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

Dividends
The Directors have declared and now recommend the following dividends in respect of the year ended 30 September 2019:

Preference dividends	2019 £	2018 £
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 6.45p net of tax for the year ended 30 September 2019 (2018: 6.10p net of tax)	1,975,641	1,868,772
Final proposed at 9.25p net of tax for the year ended 30 September 2019 (2018: 8.80p net of tax)	2,834,200	2,696,320
	4,809,841	4,565,092

Re-election of directors
The Board made the decision in 2018 that all Directors will in future seek re-election annually at each AGM.

Directors' and officers' insurance
During the year the Company maintained liability insurance for its Directors and Officers.

Policy on payment of creditors
It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. The number of creditor days in relation to trade creditors outstanding at the year end was 9 days (2018: 8 days).

Directors' Report

for the year ended 30 September 2019

Substantial shareholdings

As at 19 December 2019 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.

'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 5,252,316 'A' Ordinary shares which represent 5% of the total voting rights. It is understood that the underlying owners of these shares are substantially private investors based in the Channel Islands.

Auditor

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

BY ORDER OF THE BOARD
P.J. ROUTIER
Secretary
19 December 2019

GOVERNANCE

Corporate Governance

Corporate Governance

The Directors are committed to maintaining a high standard of Corporate Governance in accordance with The UK Corporate Governance Code April 2016 ("the Code"), as incorporated within The Listing Rules, issued by the Financial Conduct Authority. The Listing Rules require the Company to set out how it has applied the main principles of the Code and to explain any instances of non-compliance. In accordance with Listing Rule ("LR") 9.8.4 R, the agreement related to 'Independent business' required by LR 9.2.2A (2) (a) R has been entered into with the Government of Jersey, the controlling shareholder, with effect from 17 November 2014. The company has complied with the independence provisions included in the agreement during this financial year and believes the controlling shareholder is also compliant. The other applicable information required by LR 9.8.4 R (5)/(6) is disclosed in external appointments.

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

Statement of Compliance

The Board considers that the Company is a "smaller company" for the purposes of the Code as it is not a member of the FTSE 350. Throughout the financial year ended 30 September 2019 the Board considers that it has complied with the Code, with the following exceptions: The Main Principle B.7 states that all directors should be submitted for re-election at regular intervals, subject to satisfactory performance. Executive Directors are not subject to retirement by rotation but they are subject to the same periods of notice of termination of employment as other members of the Company's senior management. This is deemed appropriate by the Board because it is felt that our largest shareholders have sufficient powers to remove Executive Directors if they saw fit.

The Board

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

Independence

The non-Executive Directors serving at the balance sheet date were Wendy Dorman, Aaron Le Cornu, Alan Bryce, Phil Austin, Tony Taylor and Peter Simon and they were all considered independent. Geoffrey Grime retired from the Board in February but the Board determined he remained independent, up until his departure, notwithstanding that he had served on the Board for more than fifteen years. In making this determination, the Board took into account his breadth of experience, his financial independence and his other business interests. In addition, he had also served less than nine years on the Board prior to his appointment as Chairman. On appointment to the Board the required time commitment is established and any significant changes to time commitments are notified to the Board. An induction process is in place for all newly appointed Directors. The Board is responsible to the Company's shareholders for the proper management of the Company. It meets regularly to set and monitor strategy, review trading performance, perform a robust assessment of the principal risks that could threaten the business model, future performance, solvency or liquidity (see Principal Risks section on pages 40 and 41), examine business plans and capital and revenue budgets, formulate policy on key issues and review the reporting to shareholders. Board papers are circulated, with reasonable notice, prior to each meeting in order to facilitate informed discussion of the matters at hand. Members of the Board hold meetings with major shareholders to develop an understanding of the views they have about the Company.

Corporate Governance

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

	Board	Audit and Risk	Remuneration	Nominations
No of meetings	**5**	**4**	**4**	**2**
G.J. Grime	-	-	2	-
A.D. Le Cornu	5	4	4	1*
P.J. Austin	5	-	2	2
A.A. Bryce	5	4	-	2
W.J. Dorman	5	4	-	2
C.J. Ambler	5	1*	4*	2
M.P. Magee	5	4*	4*	1*
T. Taylor	5	-	4	2
P. Simon	3	3	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 an internal evaluation was performed by the Chairman.

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

Board Reports

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

Management Structure

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

- Strategy and Management including:

  Approval of the Company's long-term objectives and commercial strategy.

  Approval of the annual operating and capital expenditure budgets and any subsequent material changes to them.

- Changes in structure and capital of the Company
- Financial reporting and controls including:

  Approval of the Annual Report and Financial Statements.

  Declaration of the interim dividend and recommendation of the final dividend.

- Internal controls/Risk Management

  Reviewing the effectiveness of the Company's internal control and risk management systems. An external review of the risk management process is conducted every three years.

- Approval of contracts

  Major capital projects.

  Major contracts.

  Major investments.

Corporate Governance

- **Board membership and other appointments**

  Approval of changes to the structure, size and composition of the Board and key Committees, following recommendations from the Nominations Committee.
- **Remuneration**

  Determining the remuneration policy for the directors and other senior management, following recommendations from the Remuneration Committee.
- **Corporate governance matters**

  Undertaking a formal and rigorous annual evaluation of its own performance, that of its Committees and individual Directors. Review of the Company's overall corporate governance arrangements.
- **Approval of key Company policies**

Internal Audit/Risk Management

There is a permanent 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 routinely reports to the Company Secretary with direct access to the Audit and Risk Committee Chairman and also attends Audit and Risk Committee meetings, at which risk based internal audit 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 40 and 41). The Audit and Risk Committee also reviews and monitors the independence of the external auditors and the non-audit services provided to the Group.

Stakeholder Engagement

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

Nominations Committee Report

As Chair of the Nominations Committee (the Committee), I am grateful for the support of my fellow members Phil Austin, Wendy Dorman, Tony Taylor and Chris Ambler, a majority of whom are independent non-Executive Directors. In February, Phil Austin replaced Geoffrey Grime when he stepped down, and I would particularly like to thank Geoffrey for his work on the Committee.

During the last financial year the Committee formally met twice. Its principle responsibilities are to:

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

As planned, Geoffrey Grime retired from the Board at the AGM, and Phil Austin was appointed as Chair. As reported last year, the Board engaged the Trusted Advisors' Partnership (TAP) to support the recruitment of a new NED, and this was completed this year, leading to the appointment of Peter Simon to the Board in February. Peter's appointment followed an assessment by the Committee of how best to augment the overall skills on the Board to deliver the Company's strategy. The extensive open recruitment process focused on skills and experience of energy markets, energy-related services and delivering these through multiple channels to a mass consumer market. Peter's background in energy services with the UK's market leader, and in formulating strategy and delivering transformational change across energy and financial services is an invaluable addition to the Board.

The Board is now well positioned in terms of best practice and corporate governance requirements on independence, and none of our non-Executives has served for more than nine years. The Committee has reviewed its Terms of Reference and has made some minor changes to take into account feedback from the Board Evaluation process.

In February, the opportunity was taken to review the membership of the other two Board Committees, resulting in Aaron Le Cornu moving from Chair of the Audit and Risk Committee (ARC) to take over as Chair of the Remuneration Committee, and Wendy Dorman replacing him as Chair of the ARC. Peter Simon was appointed both to the ARC and the Remuneration Committee.

Looking ahead, the Committee is starting a new open search process for a NED to join the Board as part of our on-going succession planning.

Succession planning for Executive Directors and the wider management team within Jersey Electricity was also considered in detail in a presentation from the Chief Executive and HR Director to the Board. The Board continues to believe in the value of having a mixed resourcing process, that offers opportunities to develop senior staff inside the Company, while enhancing Jersey Electricity as an Employer of Choice with a strong employment proposition to attract external appointees where appropriate.

Taking into account that the Company requires a number of specialist skills that are in short supply on-island, the Committee nevertheless believes that the Board and senior management team has an adequate pipeline in place to meet its needs.

The Board recognises the benefits to the Company of promoting diversity, based on attributes including gender, age, industry experience, background and race. We will seek opportunities to improve diversity in the appointment of Executive and non-Executive Directors. The current profile of the Board is as follows:

Gender		Tenure		Age		Sector	
Male	7	0-4 years	5	41-50	3	Utilities	4
Female	1	5-9 years	1	51-60	3	Financial Services	2
		>9 years*	2	61-70	2	Marketing	1
						Taxation	1

*no non-Executive director has served more than 9 years on the Board

The Committee was updated on the Company's refreshed Diversity and Inclusion Policy in July. This pursues a strategy of targeting improvement in diversity through the six key areas of Recruitment, Apprenticeships, Employee Value Proposition, Flexible Working Policies, External Benchmarking and Training in Diversity. It is not our policy to set measurable targets that involve diversity quotas, but we do measure our performance in terms of initiatives specifically focused on improving diversity, and for example, all directors will be participating in company diversity training. The Company participates in the Jersey Board Apprentice scheme, which offers candidates Boardroom experience, designed to help equip them for a future non-Executive position on the Board of a company or other organisation. The Board has agreed to seek another candidate when the current placement ends in December.

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

On behalf of the Committee

Alan A. Bryce

A. BRYCE
Chairman
19 December 2019

GOVERNANCE

Audit and Risk Committee Report

Membership and meetings

I took on the role of Audit and Risk Committee Chair on 1 March 2019, replacing Aaron Le Cornu. Aaron remains on the Committee, together with Alan Bryce and Peter Simon, who joined the Committee on 1 March. I would like to thank all Committee members for their support over the year, and in particular Aaron Le Cornu for his time as Chair.

Both Aaron and I are Chartered Accountants with recent experience gained in commerce, private practice and other non-Executive roles. Alan is a Chartered Engineer with extensive experience of the utility sector and experience of serving on Audit Committees elsewhere, and Peter has extensive relevant commercial experience and an MBA. Full biographies of all members are provided on pages 42 and 43. The meetings provide a forum for discussions with both Company staff and the external auditor. Meetings are also attended, by invitation, by the Chief Executive, the Finance Director, the Financial Controller, the Company Secretary, and members of both the external audit and internal audit teams. The Committee 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 the effectiveness of the Company's internal controls and risk management processes
- Monitor compliance with the UK Corporate Governance Code
- 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 the external auditor, which are disclosed in Note 2 to the Financial Statements (Critical Accounting Judgements). Comprehensive position papers on each key area are produced by the Finance 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. 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 several of the non-Executive Directors, with specific relevant experience, attended a number of risk workshops taking place across the organisation including the Energy business and the HR function. 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 was approved by the Committee in September 2019.

External auditors

A full tender process for the external audit was carried out in 2015 and Deloitte were successful in retaining the engagement. During the year, a new audit partner, John Clacy, was appointed. John replaces Andy Isham who was appointed in 2015. 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 Deloitte in the year. The effectiveness of the external auditor is considered on an ongoing basis driven primarily by discussions with Deloitte on the maintenance of audit quality.

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.

Audit and Risk Committee Report

Fair, balanced and understandable

On behalf of the Board, the Committee considered whether the 2019 annual report and financial statements taken as a whole are fair, balanced and understandable, and whether the disclosures are appropriate. The Committee reviewed the Group's procedures around the preparation, review and challenge of the report and the consistency of the narrative sections with the financial statements and the use of alternative performance measures and associated disclosures. The Committee also considers any potential inconsistencies raised by the external auditor.

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.

The Committee members have regular meetings with Internal Audit to evaluate both performance, and any impediments that might exist, which would constrain their work. The Committee also approve the plan of work for the Internal Audit function in advance of the following year. In addition, independent reviews are undertaken on a regular basis. Throughout the year, certain internal audit reviews were undertaken by BDO 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. We have appointed a new Head of Internal Audit who joined the Company in October 2019 and the Committee was actively involved in the recruitment process.

A triennial deep dive into the strategic risks facing our business is conducted, moderated by an external consultant, and the next review will be undertaken in 2020. Due to the enhanced granularity that such exercises provide to the Committee, additional comfort is generated on the effectiveness of risk management within the Company.

On behalf of the Committee

W. DORMAN
Chairman
19 December 2019

GOVERNANCE

Statement of Directors' Responsibilities

Directors' Responsibilities for the Financial Statements

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

Company Law requires the Directors to prepare Financial Statements for each financial year. The Directors are required by the IAS Regulation to prepare the Group Financial Statements under IFRS as adopted by the European Union. The Financial Statements are also required by Company Law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

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

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Financial Statements are therefore prepared on a going concern basis. Further details of the Group's going concern review are provided in note 1 of the financial statements on page 65.

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

Responsibility Statement

We confirm that to the best of our knowledge:

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

By order of the Board

C.J. AMBLER
Chief Executive Officer
19 December 2019

M.P. MAGEE
Finance Director
19 December 2019

Remuneration Committee Report

Remuneration Committee

Having served on the Committee since 2011, I took over the Chair of the Remuneration Committee (the Committee) on 1 March 2019, post the appointment of Phil Austin as Chairman of the Board. The other Committee members during the year were Phil Austin, Tony Taylor, Peter Simon and Geoffrey Grime (prior to his retirement on 28 February). The Committee operates within Terms of Reference, agreed by the Board, which are reviewed annually and available on the Company's website (www.jec.co.uk). Four meetings took place during the last financial year.

Remuneration Policy

The policy of the Committee is to ensure the provision of remuneration packages for the Executive directors that reflect the market for similarly sized 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 a car or car allowance, private health care and housing subsidy. The salary and benefits for the Executive team are reviewed by the Committee each November to coincide with the applicable date for the rest of the Company. The Committee makes use of locally focussed benchmarking data and assesses the remuneration of the Executive team using independent advisors by reference to comparable companies within the UK, as this defines the relevant labour market for the skills required.

As indicated in this report last year, a change was made to the Executive bonus scheme, with effect from 2019, giving the Committee the discretion to defer up to 50% of the award for a period of two years, with the ultimate pay-out linked to movements in the listed share price in the period before vesting. The bonuses paid to the executive directors, as shown in the table below, exclude a 25% deferment of the total bonus for two years until January 2021. The deferred amounts were £31,250 and £20,500 for C.J Ambler and M.P. Magee respectively set when the share price was £4.57. The bonus payable to the Executive Directors is performance related, taking account of their individual responsibilities within the business, together with the results of the Company as a whole, measured against a broad range of objectives. The remuneration of Directors for the year ended 30 September 2019 was as follows:

	Basic salary/fees £	Bonus* £	Benefits in kind £	**Total 2019 £**	Total 2018 £
EXECUTIVE DIRECTORS					
C.J. Ambler	242,665	93,750	15,327	**351,742**	330,007
M.P. Magee	193,077	61,500	11,074	**265,651**	259,198
NON-EXECUTIVE DIRECTORS					
P.J. Austin	35,600	-	1,745	**37,345**	26,728
A.A. Bryce	30,000	-	1,745	**31,745**	31,728
W.J. Dorman	26,758	-	1,745	**28,503**	26,728
G.J. Grime (retired 28 February 2019)	17,797		1,410	**19,207**	46,456
A.D. Le Cornu	27,414	-	1,745	**29,159**	29,728
P.M. Simon (appointed 28 February 2019)	15,311	-	1,045	**16,356**	-
A.H. Taylor	23,000	-	1,745	**24,745**	25,400
Total	611,622	155,250	37,581	**804,453**	775,973

* cash paid in the year

Remuneration Committee Report

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 each 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 30.9.2019[2]	Transfer value at 30.9.2019[3]	Transfer value at 30.9.2018[3]	Directors' contributions during year	Increase in transfer value less Directors contributions[4]
C.J. Ambler	£6,233	£58,284	£1,229,610	£840,465	-	£389,145
M.P. Magee[5]	£6,904	£94,683	£2,325,393	£1,814,462	£11,585	£499,346

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 £64,549 and £39,774 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.

Share Schemes

At the 2011 AGM approval was granted to launch an all-employee share scheme. During the 2016 financial year 100 'A' Ordinary Shares were issued to all staff (subject to Scheme Rules) including the Executive Directors and these shares vested in February 2019. 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.

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.

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 approval by the Board, which also determines the extent to which any fees may be retained by the Director. At the balance sheet date the external appointments held by Executive Directors, excluding those directly connected with their employment by the Company, were as follows:

C.J. Ambler

Foresight Solar Fund Limited and Apax Global Alpha Limited.

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

M.P. Magee

Aberdeen Standard Capital Offshore Strategy Fund Limited.

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

Remuneration Committee Report

Directors' Loans

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

	30.9.2019	30.9.2018
C.J. Ambler	**£300,000**	£343,949
M.P. Magee	**£79,071**	£135,321

Directors' Share Interests

The Directors' beneficial interests in the shares of the Company at 30 September 2019 were:

	'A' Ordinary Shares		5% and 3.5% Preference Shares	
	2019	**2018**	**2019**	**2018**
C.J. Ambler*	**7,620**	7,520	-	-
M.P. Magee*	**13,800**	13,700	**960**	960
P.J. Austin	**5,000**	5,000	-	-
A.A. Bryce	**4,500**	4,500	-	-
W.J. Dorman	**3,500**	-	-	-
A.H. Taylor	**5,000**	-	-	-
P.M. Simon	**2,210**	-	-	-
	41,630	30,720	**960**	960

*Both C.J. Ambler and M.P. Magee received 100 'A' Ordinary Shares that vested from the all-employee share scheme in February 2019.

There have been no other changes in the interests set out above between 30 September 2019 and 19 December 2019.

On behalf of the Board

A. LE CORNU
Chairman
19 December 2019

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's affairs as at 30 September 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- have been properly prepared in accordance with Companies (Jersey) Law, 1991.

We have audited the financial statements which comprise:

- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated Balance Sheet;
- the Consolidated Statement of Changes in Equity;
- the Consolidated Statement of Cash Flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • revenue recognition - the accrual for unbilled electricity units; and • accounting for revenue within Jersey Electricity Building Services ("JEBS"). Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year are identified with .
Materiality	The materiality that we used for the Group financial statements was £700,000 which was determined on the basis of 5% of profit before tax.
Scoping	The Group includes three separate legal entities – one subsidiary and one joint arrangement - of which only Jersey Electricity plc was considered a significant component.
Significant changes in our approach	The key changes to our approach since the audit of prior year have been the change of focus of the unbilled units risk to the accuracy of smart meters and the removal of one key audit matter relating to the pension assumptions which was no longer considered to be a significant risk. This risk was no longer considered significant following a detailed risk assessment of the balance. We also identified that there is complexity involved in the method by which management determines what level of revenue is attributable to each period and the estimation of the percentage of completion of the contracts within the JEBs business and consequently this has been identified as a key audit matter in the current year.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

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

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

Principal risks and viability statement

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

- the disclosures on pages 40 – 41 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 40 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 41 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R (3) is materially inconsistent with our knowledge obtained in the audit.

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

Key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Revenue recognition - accrual for unbilled electricity units

Key audit matter description	The year-end process of calculating the number of unbilled units of electricity and the value of these units impacts total revenue for the Group. The value of the unbilled units at the year-end is £5.6 million (2018: £5.0 million) as disclosed in note 14 of the financial statements. The unbilled units accrual at 30 September was primarily derived from smart meter readings. Approximately 95% (2018: 85%) of the customers are now on smart meters and therefore any issues with the completeness and accuracy of the data would have a significant impact on the accuracy of the unbilled units accrual. We changed our focus this year because a significant proportion of the accrual for unbilled electricity units is determined from smart meters, significantly reducing the level of estimation required compared to previous years as no judgement is required for the smart meter population of unbilled units.
How the scope of our audit responded to the key audit matter	We assessed the design, implementation and operating effectiveness of key controls relating to accuracy of smart meters and how they link into the determination of the year end unbilled units accrual. We engaged our specialists to review the general IT controls surrounding the smart meter, billing and accounting systems and also the accuracy of the interface and calculations between the systems and calculation of the revenue accrual associated with usage.
Key observations	As a result of our audit procedures, we concluded that the accrual for revenue was reasonable in relation to the completeness and accuracy of the smart meter data.

Accounting for revenue within JEBS

Key audit matter description	The Group applied IFRS 15 Revenue from contracts with customers for the first time in the current year. The Group has a number of different revenue streams as set out in the accounting policies in note 1 to the financial statements. For the JEBS segment, a number of these customer contracts span the current and prior accounting year ends. IFRS 15 states that revenue relevant to the accounting period in which the performance obligations are met should be recognised. There is some complexity involved in the method by which management determines what level of revenue is attributable to each period and the estimation of the percentage of completion of the contracts, which is where the key audit matter was focused. Revenue recognised in the year for JEBS was £3.3m (2018: £4.8m).
How the scope of our audit responded to the key audit matter	We obtained an understanding of the Group's process for recognising revenue within JEBS, including the different methods of revenue recognition applied to different types of contracts. We used substantive analytical procedures to determine if revenue had been recognised in the correct accounting period and to further assess if the percentage of completion of the customer contracts had been accurately reflected in the revenue and costs recognised.
Key observations	As a result of our audit procedures, we concluded that the accounting for revenue within JEBS was reasonable.

Our application of materiality

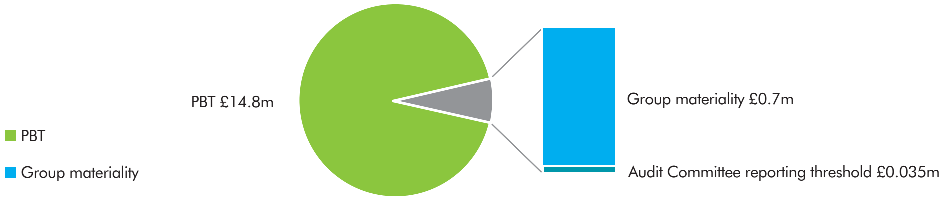
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our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

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

Group materiality	£700,000 (2018: £1,000,000)
Basis for determining materiality	Approximately 5.0% of pre-tax profit (2018: 7.5% of pre-tax profit). This change in percentage applied to the benchmark in the current year is to further align the basis to the industry.
Rationale for the benchmark applied	Given that JEC is a trading group, we have considered profit before tax to be the most suitable benchmark to use, as it is the main driver of the key performance indicators used by investors.

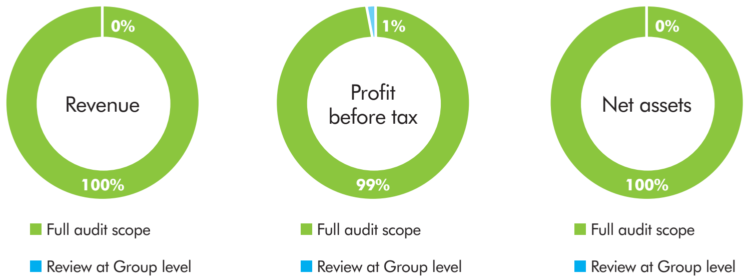
Independent Auditor's Report

to the Shareholders of Jersey Electricity plc



We agreed with the Committee that we would report to the Committee all audit differences in excess of £35,000 (2018: £50,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit



Our Group audit was scoped by obtaining an understanding of the entity and it environment, including internal control, and assessing the risk of material misstatement at the Group level. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

The account balances and classes of transaction subject to full audit scope contribute approximately 99% (2018: 98%) of the revenue and 99% (2018: 99%) of the profit before tax presented within the Consolidated Income Statement and 100% (2018: 100%) of the net assets presented on the Consolidated Balance Sheet.

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

Other information

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

We have nothing to report in respect of these matters.

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

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

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

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

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

Independent Auditor's Report

to the Shareholders of Jersey Electricity plc

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Use of our report

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

JOHN CLACY, FCA
for and on behalf of
Deloitte LLP
Recognized Auditor
St Helier, Jersey
19 December 2019

FINANCIAL STATEMENTS

Consolidated Income Statement

for the year ended 30 September 2019

	Note	2019 £000	2018 £000
Revenue	3	**110,294**	106,641
Cost of sales		**(69,282)**	(65,877)
Gross profit		**41,012**	40,764
Other Income		**750**	-
Revaluation of investment properties	11	**689**	310
Operating expenses	4	**(26,369)**	(24,380)
Group operating profit	3	**16,082**	16,694
Finance income		**103**	28
Finance costs		**(1,365)**	(1,377)
Profit from operations before taxation		**14,820**	15,345
Taxation	7	**(2,969)**	(3,152)
Profit from operations after taxation		**11,851**	12,193
Attributable to:			
Owners of the Company		**11,773**	12,115
Non-controlling interests	19	**78**	78
		11,851	12,193
Earnings per share			
- basic and diluted	9	**38.42p**	39.54p

A presentational change to the 2018 figures has arisen as a result of elements previously embedded within cost of sales (£767k rebates credit) being reclassified and shown in revenue. Gross profit remains unchanged.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2019

	Note	2019 £000	2018 £000
Profit for the year		**11,851**	12,193
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit scheme	17	**7,643**	10,166
Income tax relating to items not reclassified	7	**(1,529)**	(2,033)
		6,114	8,133
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedges	22	**(3,007)**	(4,261)
Income tax relating to items that may be reclassified	7	**601**	852
		(2,406)	(3,409)
Total comprehensive income for the year		**15,559**	16,917
Attributable to:			
Owners of the Company		**15,481**	16,839
Non-controlling interests		**78**	78
		15,559	16,917

All results in the year have been derived from continuing operations.
The notes on pages 65 to 91 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

FINANCIAL STATEMENTS

Consolidated Balance Sheet

as at 30 September 2019

	Note	2019 £000	2018 £000
Non-current assets			
Intangible assets	10	**683**	938
Property, plant and equipment	11	**217,046**	215,153
Investment properties	11	**21,240**	20,460
Trade and other receivables	14	**383**	501
Retirement benefit surplus	17	**10,417**	4,751
Derivative financial instruments	22	**208**	682
Investments	12	**5**	5
Total non-current assets		**249,982**	242,490
Current assets			
Inventories	13	**6,018**	7,092
Trade and other receivables	14	**17,995**	15,202
Derivative financial instruments	22	**197**	2,338
Cash and cash equivalents		**24,915**	15,735
Total current assets		**49,125**	40,367
Total assets		**299,107**	282,857
Liabilities			
Trade and other payables	15	**17,320**	15,284
Current tax liabilities	7	**2,714**	2,299
Derivative financial instruments	22	**298**	120
Total current liabilities		**20,332**	17,703
Net current assets		**28,793**	22,664
Non-current liabilities			
Trade and other payables	15	**21,757**	20,348
Derivative financial instruments	22	**303**	89
Financial liabilities - preference shares	18	**235**	235
Borrowings	16	**30,000**	30,000
Deferred tax liabilities	7	**26,936**	25,753
Total non-current liabilities		**79,231**	76,425
Total liabilities		**99,563**	94,128
Net assets		**199,544**	188,729
Equity			
Share capital	18	**1,532**	1,532
Revaluation reserve		**5,270**	5,270
ESOP reserve		**(45)**	(41)
Other reserves		**(157)**	2,249
Retained earnings		**192,882**	179,666
Equity attributable to the owners of the Company		**199,482**	188,676
Non-controlling interests	19	**62**	53
Total equity		**199,544**	188,729

Approved by the Board on 19 December 2019

Philip Austin
P.J. AUSTIN
Director

Martin P. Magee
M.P. MAGEE
Director

The notes on pages 65 to 91 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

Consolidated Statement of Changes in Equity

for the year ended 30 September 2019

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

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

The notes on pages 65 to 91 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows

for the year ended 30 September 2019

	2019 £000	2018 £000
Cash flows from operating activities		
Operating profit	16,082	16,694
Depreciation and amortisation charges	11,604	11,242
Share-based reward charges	16	52
Gain on revaluation of investment property	(689)	(310)
Pension operating charge less contributions paid	1,977	1,196
Profit on sale of fixed assets	(2)	(1)
Operating cash flows before movement in working capital	28,988	28,873
Working capital adjustments:		
Decrease/(increase) in inventories	1,074	(267)
(Increase)/decrease in trade and other receivables	(2,675)	671
Increase in trade and other payables	4,023	125
Net movement in working capital	2,422	529
Interest paid	(1,356)	(1,368)
Preference dividends paid	(9)	(9)
Income taxes paid	(2,300)	(1,045)
Net cash flows from operating activities	27,745	26,980
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,850)	(14,705)
Investment in intangible assets	(90)	(168)
Net proceeds from disposal of fixed assets	2	1
Net cash flows used in investing activities	(13,938)	(14,872)
Cash flows from financing activities		
Equity dividends paid	(4,671)	(4,444)
Dividends paid to non-controlling interest	(69)	(51)
Deposit interest received	103	28
Net cash flows used in financing activities	(4,637)	(4,467)
Net increase in cash and cash equivalents	9,170	7,641
Cash and cash equivalents at beginning of year	15,735	8,076
Effect of foreign exchange rate changes	10	18
Cash and cash equivalents at end of year	24,915	15,735

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 £24.9m cash and cash equivalents at 30 September 2019, £21.0m (2018: £9.0m) is on fixed term deposits with an average of 66 days remaining (2018: 38 days).

The notes on pages 65 to 91 form an integral part of these accounts. The independent auditor's report is on pages 56 to 60.

Notes to the Consolidated Financial Statements
for the year ended 30 September 2019

1 Accounting policies

Basis of preparation

The Group's accounting policies as applied for the year ended 30 September 2019 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 2019 comprises the Company and its subsidiary.

The subsidiary is an entity over which the Group has the power to govern the financial and operating policies, accompanying a shareholding that confers more than half of the voting rights.

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

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

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement (see pages 2 to 3). The financial position of the Group, its cash flow and its liquidity position are described in the Financial Review (see pages 37 to 41). In addition, note 22 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to risks. The Group has considerable financial resources together with a large number of customers both corporate and individual. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements and in making the viability statement on page 41.

Foreign currencies

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

Revenue

IFRS 15 has replaced IAS 11 "Construction contracts", IAS 18 "Revenue" and IFRIC 18 "Transfers of Assets from Customers" as revenue related interpretations previously adopted by the Group. The core principle of IFRS 15 is that an entity recognises revenue that reflects the expected consideration for goods or services provided to a customer under contract, over the performance obligations they are being provided. This has resulted in a review of all of the Group's revenue streams to assess whether the obligations to the customers are to be viewed as taking place over time or at a point in time and that values of revenue recognised by the Group is representative of the consideration paid by customers.

Revenue continued

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. For the majority of customers (90%) who are on smart meters this is between the date of the last meter reading and the balance sheet date, using historical consumption patterns. For customers on traditional meters this is between the last billing date and the balance sheet date, again using historical consumption patterns.

There is no impact on the recognition of energy sales as a result of the adoption of IFRS 15.

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 in other operating income at the point in time that the service is complete.

There is no impact on the recognition of income from service connections as a result of the adoption of IFRS 15.

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 charges against depreciation on a straight line basis over the life of the associated asset. Deferred infrastructure charges are initially recorded within deferred income.

There is no impact on the recognition of income arising from capital contributions as a result of the adoption of IFRS 15.

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. As a result there is no impact on the recognition of our retail sales as a result of the adoption of IFRS 15.

iii) **Building Services**

Revenue within JEBS, our contracting and building services business, is recognised as the service is provided. On smaller jobs (typically those less than £10,000), revenue is recognised upon completion of works when the job is invoiced to the customer, being the point in time when the obligations to smaller works customers is met. For larger jobs, JEBS is deemed to be creating or enhancing an asset that the customer controls as the asset is being enhanced or created. 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).

There is no impact on the recognition of JEBS sales as a result of the adoption of IFRS 15.

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 IAS 17.

v) **Other**

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

Revenue continued

Income in Jendev accounts for 0.3% of group revenue (2018: 0.3%) and 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 1/12 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% (2018: 51%) controlled subsidiary. Revenues are derived from two workstreams. Firstly, service contracts where the obligation is 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.

There is no material impact on the recognition of other revenue as a result of the adoption of IFRS 15.

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.

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 income statement.

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

Impairment of tangible and intangible assets

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

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

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

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

Investment properties

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

Investment in joint venture

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

Operating leases

Lessee

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

Lessor

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

Notes to the Consolidated Financial Statements
for the year ended 30 September 2019

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

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

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

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and intercompany loans receivable. 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 Company 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.

Long-term borrowings
Loans that have fixed or determinable payments that are not quoted in an active market are classified as 'long-term borrowings'. Loans are measured at amortised cost using the effective interest method. Interest expense is recognised by applying the effective interest rate.

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

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

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

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 income statement in the period in which they occurred.

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

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

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

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

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

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

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

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

Standards effective in current period:
IFRS 9 *'Financial instruments'* was endorsed by the European Union (EU) and has been effective for periods on or after 1 January 2018 (1 October 2018 for the Group) and replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The impact of adopting this standard can be summarised with reference to the three project phases:

i) **Classification and measurement**

The standard adopts a principles-based approach to classify financial assets based on the business model within which they are held and their contractual cash flow characteristics. Following this approach, financial assets will be classified as measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income. For financial liabilities, the classification and measurement requirements under IAS 39 have been carried forward essentially unchanged, with the majority of financial liabilities being classified as measured at amortised cost. Adoption has not resulted in changes to the carrying value of these, or any other, financial instruments held by the Group. The Group will continue to measure equity instruments at fair value through other comprehensive income, as an election on an instrument by instrument basis on initial recognition.

ii) **Impairment**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (see note 22) which uses a lifetime expected loss allowance for all trade receivables, contract assets and intercompany loans receivable. 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 Company has assessed a known risk of recoverability relating to known customers these balances are provided for.

iii) Hedge accounting

The standard does not materially change the amounts recognised in relation to existing hedging arrangements but does simplify the requirements for measuring hedge effectiveness, and thus the eligibility conditions for hedge accounting. The new hedge accounting model is intended to enable companies to reflect better their risk management activities in the financial statements. As previously noted in the 2018 Annual Report, the Group's review of the IFRS 9 hedge accounting model concluded that whilst adoption would not change the treatment of existing hedging arrangements, the changes made would not result in any additional hedge designations either. As such, the existing hedge accounting model under IAS 39 appropriately reflects our risk management activities in the financial statements. Therefore, as permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39. This policy choice will be periodically reviewed to consider any changes in our risk management activities.

The Group has applied the exemption from the requirement to restate comparative information about classification and measurement, including impairment. The impact of adopting IFRS 9 on the Group's Balance Sheet and Retained Earnings was deemed to be immaterial and as such no adjustments have been recorded on transition.

IFRS 15 *'Revenue from contracts with customers'* was endorsed by the EU and effective for periods on or after 1 January 2018 (1 October 2018 for the Group) and replaces IAS 11 'Construction contracts', IAS 18 'Revenue', IFRIC 18 'Transfers of Assets from Customers' and a number of other revenue related interpretations previously adopted by the Group. The impacts of the introduction of IFRS 15 have been stated above in the section titled "revenue" above.

Clarifications to IFRS 15 *'Revenue from contracts with customers'* was endorsed by the EU and effective for periods on or after 1 January 2018.

IFRIC 22 *'Foreign currency transactions and advance consideration'* was endorsed by the EU and effective for periods on or after 1 January 2018.

Amendments to IFRS 2 *'Classification and measurement of share based payment transactions'* was endorsed by the EU and effective for periods on or after 1 January 2018.

Amendments to IFRS 4 *'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'* was endorsed by the EU and effective for periods on or after 1 January 2018.

Amendments to IAS 40 *'Transfers of investment property'* was endorsed by the EU and effective for periods on or after 1 January 2018.

Annual improvements to IFRSs: 2014-2016 Cycle *'Amendments to IFRS 1 and IAS 28'* was endorsed by the EU and effective for periods on or after 1 January 2018.

Standards in issue not yet effective:

Amendments to IFRS 9 *'Prepayment features with negative compensation'* was endorsed by the EU and effective for periods on or after 1 January 2019 (1 October 2019 for the Group).

Amendments to IAS 28 *'Long-term interests in associates and joint ventures'* was endorsed by the EU and effective for periods on or after 1 January 2019 (1 October 2019 for the Group).

Annual improvements to IFRSs: 2015-2017 Cycle *'Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23'* was endorsed by the EU and effective for periods on or after 1 January 2019 (1 October 2019 for the Group).

Amendments to IAS 19 *'Plan amendment, curtailment or settlement'* was endorsed by the EU and effective for periods on or after 1 January 2019 (1 October 2019 for the Group).

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

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

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

IFRS 16 'Leases' has been endorsed by the EU and will be effective for periods commencing on or after 1 January 2019 (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. It is anticipated that where the Group is currently lessee, around £4.0m of additional "Right of Use" assets will be capitalised with an initial corresponding and equal lease liability. These leases largely relate to land. As the year ended 30 September 2019 becomes the comparative year there will be some adjustments to the consolidated income statement when it is presented as the prior year due to depreciation charges and implied interest charges replacing lease payments. Operating expenses are expected to be around £130k lower, increasing operating profit by the same amount. However, interest charges will be around £180k more, reducing profit before tax by a net £50k and reducing earnings per share from 38.42p to 38.26p.

The reclassification of costs between operating costs and interest costs will also impact Group profit from operations before taxation, loading existing rental costs into both depreciation and interest charges. It is expected that Group profit from operations before taxation for the year ended 30th September 2019 will increase from £27.6m to £27.8m.

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).

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

2 Critical Accounting Judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements

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

i Hedge accounting

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

ii Decommissioning

A judgement has been made that the Company does not meet the recognition criteria (set out in IAS 37 Provisions) as it does not have any set obligation to de-commission any of our material assets but a risk exists that costs may be incurred in the future. The assets concerned are our power station at La Collette, which is leasehold with a current end date of 2056, and our subsea interconnectors to France and Guernsey. None of the assets have a definitive planning or legal obligation to decommission at the end of life but obligations could develop over time, for example, for environmental reasons. There are varying external opinions as to whether subsea cables should be left in place, or removed, at the end of their useful life as over time the interconnector asset becomes part of the marine infrastructure.

Key sources of estimation uncertainty

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

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 2019 was 1.9% and in 2018 was 2.9%. If the discount rate applied to the liabilities had been either 0.5% higher or lower than the 1.9% applied for 2019, the net surplus of £8.3m would have risen to around £18m, or moved to a deficit of £3m, respectively.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

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:

	2019 External £000	2019 Internal £000	2019 Total £000	2018 External £000	2018 Internal £000	2018 Total £000
Revenue						
Energy - arising in the course of ordinary business	83,907	126	84,033	82,332	133	82,465
- arising from the sale of heavy fuel oil	2,723	-	2,723	-	-	-
Building Services	3,286	809	4,095	4,841	876	5,717
Retail	15,199	59	15,258	14,320	56	14,376
Property	2,262	612	2,874	2,277	604	2,881
Other*	2,917	898	3,815	2,871	909	3,780
	110,294	2,504	112,798	106,641	2,578	109,219
Intergroup elimination			(2,504)			(2,578)
Revenue			110,294			106,641
Operating profit						
Energy			12,281			13,418
Building Services			(79)			(245)
Retail			895			812
Property			1,679			1,813
Other			617			586
			15,393			16,384
Revaluation of investment properties			689			310
Operating profit			16,082			16,694
Finance income			103			28
Finance costs			(1,365)			(1,377)
Profit from operations before taxation			14,820			15,345
Taxation			(2,969)			(3,152)
Profit from operations after taxation			11,851			12,193
Attributable to:						
Owners of the Company			11,773			12,115
Non-controlling interests			78			78
			11,851			12,193

*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 this income is reflected solely via reserves.

A presentational change to the 2018 fisgures has arisen as a result of elements previously embedded within cost of sales (£767k rebates credit, of which £18k is related to building services and £749k to retail) being reclassified and shown in revenue. Gross profit remains unchanged.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

4 Operating expenses

	2019 £000	2018 £000
Distribution costs	10,891	11,862
Administration expenses	15,478	12,518
	26,369	24,380

5 Directors and employees

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

	2019 Number	2018 Number
Energy	188	186
Other businesses	94	102
Trainees	11	14
	293	302

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	16,109	17,456
Social security costs	914	913
Pension (note 17)**	3,756	3,012
	20,779	21,381
Capitalised manpower costs*	(1,911)	(2,321)
	18,868	19,060

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

** The pension costs above relate to the defined benefit pension scheme. The contributions recognised as an expense relating to the defined contribution scheme are included within wages and salaries and amount to £454,000 (2018: £259,000).

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

6 Group operating profit

Operating profit is after charging/(crediting):

	2019 £000	2018 £000
Fees payable to Group auditor		
Auditor's remuneration for audit services	140	90
Auditor's remuneration for non-audit services	-	5
Other operating charges		
Operating lease charges	246	254
Depreciation of property, plant and equipment	11,259	10,902
Amortisation of intangible assets	345	340
Maintenance and repairs	2,298	1,986
Legal and professional	327	146
Net (gains)/losses in expected credit losses	(72)	30

7 Taxation

	2019 £000	2018 £000
Current tax:		
Jersey Income Tax - ordinary activities	2,714	2,299
Total current tax	2,714	2,299
Deferred tax:		
Current year	255	853
Total tax on profit on ordinary activities	2,969	3,152

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:

	2019 £000	2018 £000
Profit from ordinary activities before tax	14,820	15,345
Tax on profit on ordinary activities at standard income tax rate of 20% (2018: 20%)	2,964	3,069
Effects of:		
Expenses not deductible for tax purposes	(1)	7
Income not taxable for tax purposes	(221)	(197)
Non-qualifying depreciation	227	273
Group current tax charge for year	2,969	3,152

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

7 Taxation (continued)

Deferred Tax

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

Group and Company	2019 £000	2018 £000
Accelerated capital allowances	24,892	24,240
Derivative financial instruments	(39)	563
Pensions	2,083	950
Provisions for deferred tax	26,936	25,753

Deferred tax movements in the year

Group and Company	2019 £000	2018 £000
At 1 October	25,753	23,719
Charged to profit and loss account	255	853
Charged to statement of comprehensive income	928	1,181
At 30 September	26,936	25,753

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% (2018: 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	
		2019 pence	2018 pence	2019 £000	2018 £000
Ordinary and 'A' Ordinary:					
Dividend paid	final for previous year	8.80	8.40	2,695	2,575
	interim for current year	6.45	6.10	1,976	1,869
		15.25	14.50	4,671	4,444
Dividend proposed	final for current year	9.25	8.80	2,834	2,695

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 2019

9 Earnings per Ordinary share

Earnings per Ordinary and 'A' Ordinary share (basic and diluted) of 38.42p (2018: 39.54p) are calculated on the Group profit, after taxation, of £11,773,000 (2018: £12,115,000), and on the 30,640,000 (2018: 30,640,000) Ordinary and 'A' Ordinary shares in issue during the financial year and at 30 September 2019. 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 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

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

11 Property, plant, equipment and investment properties

	Freehold land and buildings £000	Leasehold buildings £000	Plant £000	Mains cables and services £000	Fixtures, fittings, computer equipment and vehicles £000	Interlinks £000	Total £000	Investment properties* £000
Cost or valuation								
At 1 October 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/write offs	-	(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

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

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

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

*Investment properties

The B&Q lease is a fully-repairing lease with a 48-year term from May 2000 and a tenant-only break option on the 23rd anniversary.

The Medical Centre lease is an internal repairing lease with a 30-year term from May 2005 and break options at 15, 20 and 25 year anniversaries.

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

The residential properties comprise 29 units which are let out on licences or leases with terms no greater than one year.

The minimum lease payments are detailed in note 21.

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

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

b Investment properties, which are all freehold, were valued as at 30 September 2019 by qualified independent valuers Sarre and Company who have extensive experience in the Jersey property market.

In terms of residential properties, the valuations are based on expectations driven by current market transactions whilst also assuming vacant possession, that the properties would be sold on a freehold basis, the properties are free of any onerous conditions and there are no other matters that might adversely affect the value that would be revealed by normal searches or enquiries.

The commercial properties are held for investment purposes in freehold ownership and the valuation is on the freehold interest based on Market Value, as defined by the Royal Institution of Chartered Surveyors Valuation – Global Standards 2017. The valuations are on the basis that each property possesses a good and marketable title, free of any unusually onerous restrictions, covenants or other encumbrances.

Management consider the assumptions used to be reasonable and sensitivities in those assumptions would unlikely result in a material difference in valuation.

Under the fair value hierarchy consideration (explained in more detail in note 22), investment properties are considered as using level 3 valuation techniques.

In accordance with IAS40 such properties are not depreciated.

The rental income arising from the properties during the year was £1,419k (2018: £1,428k) with maintenance and repair cost of £81k (2018: £76k). Under the terms of the lease arrangements with residential tenants, the Company is obliged to keep the rented premises in a good state of condition and repair. The Company is obliged to keep the Medical Centre wind and water tight and structurally sound, whilst no obligations exist to the Company with regards to the B&Q lease which is fully repairing.

c The Group figures are tabled together with fixtures, fittings and vehicles for our subsidiary of £39k (2018: £39k) at cost and a net book value of zero (2018: £3k).

d The gross carrying amount of tangible assets at net book value of zero at 30 September 2019 was £58.3m (2018: £55.4m).

e £15.3m (2018: £12.8m) for St Helier Primary is classified in interlinks and plant and is an asset under construction.

f During the year £1.5m relating to plant (2018: £0.3m of interlinks) was fully written down due to the assets no longer being required or used by the Group.

12 Other investments

	2019 £000	2018 £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

Notes to the Consolidated Financial Statements
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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% (2018: 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 which had previously been 31 January.

13 Inventories

The amounts attributed to the different categories are as follows:

	2019 £000	2018 £000
Fuel oil	2,378	3,800
Commercial stocks and work in progress	2,818	2,486
Generation, distribution spares and sundry	822	806
	6,018	7,092

During the year £12.5m (2018: £11.8m) was recognised directly in cost of sales in respect of inventories sold or used in operations or production.

14 Trade and other receivables

	2019 £000	2018 £000
Amounts receivable within one year:		
Trade receivables (includes unbilled units)	15,865	13,601
Prepayments and other receivables	2,130	1,601
	17,995	15,202
Amounts receivable after more than one year:		
Secured loan accounts	383	501

Unbilled revenues included within trade and other receivables in the balance sheet relating to such customers at 30 September 2019 amounted to £5.6m (2018: £5.0m).

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

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

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

15 Trade and other payables

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade payables	1,669	1,405
Other payables including taxation and social security	8,028	6,991
Accruals	7,039	5,988
Deferred income	584	900
	17,320	15,284
Amounts falling due after more than one year:		
Accruals	209	246
Deferred income	21,548	20,102
	21,757	20,348

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 not greater than 50% and an EBITDA to borrowings cost ratio not less than 4%, as defined in the loan agreement.

	2019 £000	2018 £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 2019.

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

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.

Reporting at 30 September 2019

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.

17 Pensions (continued)

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

Main financial assumptions:	**2019 % pa**	2018 % pa
Inflation	3.1	3.5
Rate of general increase in salaries		
- short term (year 1)	3.8	4.2
- long term (year 2 onwards)	4.1	4.5
Pension increases in payment		
- short term (year 1)	2.3	-
- long term (year 2 onwards)	-	-
Pension increases in payment for pensions purchased with AVCs	3.1	3.5
Discount rate for scheme liabilities	1.9	2.9

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

	30 September 2019	30 September 2018
Post-retirement mortality assumption - base table	SAPS "S2" tables with scaling factors of 90% for males and females	SAPS 'S2' tables with CMI 2015 improvements to the calculations date with suitable scaling factors applied
Post-retirement mortality assumption - future improvements	CMI 2018 core projections with long-term improvement rate of 1.25% p.a. for males and females	CMI 2015 core projections with long-term improvement rate of 1.25% p.a. for males and females
Life expectancy for male currently aged 60	26.9	28.0
Life expectancy for female currently aged 60	28.9	30.1
Life expectancy at 60 for male currently aged 40	28.4	29.9
Life expectancy at 60 for female currently aged 40	30.5	32.1
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 2019 £000	Value at 30 September 2018 £000
LDI/UK Gilts	46,088	26,622
Equities	46,361	50,449
Diversified Growth Funds	62,005	58,914
Cash and Commitments	198	178
	154,652	136,163

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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:	2019 £000	2018 £000
Fair value of Scheme assets	154,652	136,163
Present value of funded defined benefit obligations	(144,235)	(131,412)
Funded Status and asset recognised on the balance sheet	10,417	4,751
Related deferred tax liability	(2,083)	(950)
Net pension asset	8,334	3,801

Breakdown of amounts recognised in profit and loss and other comprehensive income	2019 £000	2018 £000
Operating cost		
Service costs:		
Current service cost	2,532	2,698
Past service cost (including curtailments)	1,080	-
Administration expenses	303	221
Financing cost		
Interest on net defined benefit (asset)/liability	(159)	93
Total pension expense recognised in profit and loss	3,756	3,012
Remeasurements in OCI:		
Return on plan assets in excess of that recognised in net interest	(18,449)	(5,907)
Actuarial losses/(gains) due to changes in financial assumptions	22,385	(4,274)
Actuarial gains due to changes in demographic assumptions	(6,428)	-
Actuarial (gains)/losses due to liability experience	(5,151)	15
Total gains recognised in OCI	(7,643)	(10,166)
Total credit recognised in profit and loss and OCI	(3,887)	(7,154)

Changes to the present value of the defined benefit obligation during the year	2019 £000	2018 £000
Opening defined benefit obligation	131,412	133,475
Current service cost	2,532	2,698
Interest expense on scheme liabilities	3,738	3,552
Contributions by scheme participants	514	527
Actuarial losses/(gains) on scheme liabilities arising from changes in financial assumptions	22,385	(4,274)
Actuarial gains due to changes in demographic assumptions	(6,428)	-
Actuarial (gains)/losses on scheme liabilities arising from experience	(5,151)	15
Net benefits paid out	(5,847)	(4,581)
Past service costs (including curtailments)	1,080	-
Closing defined benefit obligation	144,235	131,412

Changes to the fair value of Scheme assets during the year	2019 £000	2018 £000
Opening fair value of Scheme assets	136,163	129,256
Interest income on Scheme assets	3,897	3,459
Remeasurement gains on scheme assets	18,449	5,907
Contributions by the employer	1,779	1,816
Contributions by scheme participants	514	527
Net benefits paid out	(5,847)	(4,581)
Administration costs incurred	(303)	(221)
Closing fair value of scheme assets	154,652	136,163

17 Pensions (continued)

Actual return on scheme assets	2019 £000	2018 £000
Interest income on scheme assets	3,897	3,459
Remeasurement gain on scheme assets	18,449	5,907
Actual return on scheme assets	22,346	9,366

Analysis of amounts recognised in comprehensive income (SoCI)	2019 £000	2018 £000
Total remeasurement gains in other comprehensive income	7,643	10,166

Estimated profit and loss charge for next year

We estimate the charge to the profit and loss account for the next financial year as shown in the table below. This is based on an estimated pensionable payroll of £8.1m for next year.

Analysis of amount charged to income statement	For year ending 30 September 2020 £000
Current service cost	3,030
Administration expenses	316
Interest on net defined benefit asset	(213)
Total estimated pension expense	3,133

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

Discount rate sensitivity

To show sensitivity of the results to the 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	780	4,164
Assets of the Scheme at 30 September 2019	-	154,652
DBO at 30 September 2019	13,749	(157,984)
Surplus/(deficit) at 30 September 2019		(3,332)

Following a 0.5% p.a. increase in the discount rate	Change	New value
Pension expense for the following year	(792)	2,592
Assets of the Scheme at 30 September 2019	-	154,652
DBO at 30 September 2019	(11,920)	(132,315)
Surplus/(deficit) at 30 September 2019		22,337

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

18 Called up share capital

	Authorised 2019 £000	Issued and fully paid 2019 £000	Authorised 2018 £000	Issued and fully paid 2018 £000
'A' Ordinary shares 5p each (2018: 5p each)	1,250	582	1,250	582
Ordinary shares 5p each (2018: 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 2019 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 (2018: £9,000) and are recorded in finance costs in the income statement. 5% preference shares carry voting rights of 1 vote per 5 shares and 3.5% preference shares carry voting rights of 1 vote per 10 shares.

ESOP reserve

The Jersey Electricity Employee Benefit Trust was established on 24 May 2012 when the Company introduced a new employee share scheme for eligible employees of the Group based on a three year vesting period. As at 30 September 2019, 72,700 shares have been awarded to employees who met the three year vesting period requirements. The Trust currently holds 9,900 shares. The shares have been purchased in instalments since the inception of the Trust at an average of £4.19 per share. The Trust was funded by way of an interest free loan and for accounting purposes is seen as an extension of the Group.

19 Non-controlling interests

Equity	2019 £000	2018 £000
At 1 October	53	26
Share of profit on ordinary activities after taxation	78	78
Dividends paid	(69)	(51)
At 30 September	62	53

Non-controlling interests represent 49% (2018: 49%) ownership of the issued ordinary share capital of Jersey Deep Freeze Limited.

20 Financial commitments

	2019 £000	2018 £000
a Five year capital expenditure approved by the directors:		
Contracted	1,485	4,315
Not contracted*	67,790	60,461
	69,275	64,776
b Future minimum lease payments under non-cancellable operating leases are as follows:		
Lease payments under operating leases recognised as an expense in the year	246	254
Payable within one year	235	246
After one year but within five years	776	782
After five years	12,466	12,659
	13,477	13,687

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

Notes to the Consolidated Financial Statements
for the year ended 30 September 2019

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:

	2019 £000	2018 £000
Less than one year	1,755	1,766
Greater than one year and less than five years	4,425	4,123
More than five years	1,671	567
	7,851	6,456

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	2019 £000	2018 £000
Fair value through other comprehensive income		
Derivative financial instruments	405	7,244
	405	7,244
Amortised cost		
Secured loan accounts	383	501
Trade and other receivables (excluding prepayments)	15,865	13,601
Cash and cash equivalents	24,915	15,735
	41,163	29,837

Financial liabilities	2019 £000	2018 £000
Fair value through other comprehensive income		
Derivative financial instruments	601	172
	601	172
Amortised cost		
Borrowings	30,000	30,000
Trade and other payables	9,697	8,396
Preference shares	235	235
	39,932	38,631

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

The Group's currency exposure at 30 September 2019, taking into account the effect of forward contracts placed to manage such exposures, was £2.5m (2018: £2.2m) being the translated Euro liability due for imports made in September but payable in October.

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

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

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

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

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	2019 £000	2018 £000
Less than one year - operational expenditure	32,295	35,625
Less than one year - capital expenditure	-	-
Greater than one year and less than three years	45,567	44,532
	77,862	80,157

At 30 September 2019, the fair value of the Group's currency derivatives is estimated to be a net liability of approximately £0.2m over the next three years (2018: £2.8m asset). The fair value of currency derivatives that are designated and effective as cash flow hedges amount to a liability of £0.2m (2018: £2.8m asset) and these amounts have been deferred in equity. Given the limited exposure to foreign exchange rate risk at the year end no sensitivity analysis has been presented.

The fair value of currency derivatives that are designated and ineffective as cash flow hedges amount to £nil (2018: £nil). In the current period amounts of £3.0m were debited (2018: £4.3m) to equity and £3.0m credit (2018: £4.3m) recycled to the income statement. Gains and losses on the derivatives are recycled through the income statement at the time the purchase of power is recognised in the income statement.

Fair value of currency hedges	2019 £000	2018 £000
Derivative assets		
Less than one year	197	2,338
Greater than one year	208	682
Derivative liabilities		
Less than one year	(298)	(120)
Greater than one year	(303)	(89)
Total net (liabilities)/Assets	(196)	2,811

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

Commodity risk

Power purchases

The Group has power purchase agreements with EDF in France. As at 30 September 2019, the import prices, but not volumes, have been substantially fixed for 2020. The Group entered into a 10 year framework agreement with EDF on 1 January 2013 which has a commitment to procure around 30% 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 balance sheet are net of allowances for expected credit losses which are set out below. The trade and other receivables at 30 September 2019 outside agreed credit terms are as follows:

	2019 £000	2018 £000
Less than 30 days	944	971
Greater than 30 days	268	264
Greater than 60 days	152	30
Greater than 90 days	30	575
	1,394	1,840

2018 figures have been updated to enhance compatability. There is no impact on the primary statements.

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 £36.1m (2018: £34.5m).

Expected credit losses provision

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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:	2019 £000	2018 £000
At 1 October	225	206
Charge for expected credit losses - included within operating costs	72	30
Amounts written back	(175)	(11)
At 30 September	122	225

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

*The Group has applied the exemption from the requirement to restate comparative information about classification and measurement, including impairment.

Notes to the Consolidated Financial Statements

for the year ended 30 September 2019

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	2019 £000	2018 £000
Less than one year	18,958	16,744
More than one year and less than five years	27,653	26,030
More than five years	48,125	49,465
	94,736	92,239

Financial liabilities shown above include interest payments due on the £30m private placement. This has resulted in a restatement of the 2018 figures.

Borrowing facilities

The Group had undrawn borrowing facilities at 30 September 2019 of £12.0m (2018: £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 on the money market with banks which all expire in less than one year. The maturity profile of the Group's financial assets and liabilities at 30 September was as follows:

Maturity of financial assets at 30 September	2019 £000	2018 £000
Less than 3 months: cash and cash equivalents and short-term investments	19,915	15,735
Greater than 3 months: short-term investments	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 2019

23 Ultimate controlling party and related party transactions

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

Counterparty	Value of electricity services supplied by Jersey Electricity		Value of goods & other services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
	2019 £000	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000	**2019 £000**	2018 £000
The Government of Jersey and related entities	**9,683**	9,472	**1,823**	1,831	**1,790**	1,584	**656**	766	**-**	-

The Government of Jersey is the Company's majority and controlling shareholder. Related entities includes all corporatised entities that remain wholly owned by, or controlled by, the Government of Jersey, which are all considered to be related parties. All transactions are undertaken on an arms-length basis.

b Energy from Waste Plant

An Energy from Waste plant was commissioned in Jersey during 2011. Jersey Electricity signed a 25 year agreement in 2008 to purchase electricity produced at the plant by the Government of Jersey and to share existing facilities with the Energy from Waste plant. The value of electricity purchased from the facility during the year was £1.5m (2018: £1.1m) and the value of services provided to the plant was £0.4m (2018: £0.4m).

c Remuneration of key management personnel

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

	2019 £000	2018 £000
Short-term employee benefits	**617**	589
Post-employment benefits	**177**	148
Non-Executive Director's benefits	**187**	187
	981	924

Five Year Group Summary (unaudited)

Financial Statements	2019	2018	2017	2016	2015
Income Statement (£m)					
Revenue	**110.3**	105.9	102.1	103.4	100.5
Operating profit	**16.1**	16.7	14.7	15.9	14.7
Profit before tax	**14.8**	15.3	13.5	14.8	13.2
Profit before tax (pre-exceptional items)	**14.8**	15.3	13.5	13.1	12.4
Profit after tax	**11.9**	12.2	10.6	11.6	10.8
Dividends paid (£m)	**4.7**	4.4	4.2	4.0	3.8
Balance Sheets (£m)					
Property, plant and equipment	**217.0**	215.2	211.9	209.2	187.8
Net current assets	**28.8**	22.7	18.2	9.8	10.4
Non-current liabilities	**(79.2)**	(76.4)	(78.5)	(81.8)	(71.9)
Net assets	**199.5**	188.7	176.3	164.1	147.7
Financial Ratios and Statistics					
Earnings per ordinary share (pence)	**38.4**	39.5	34.6	37.7	35.0
Earnings per ordinary share (pre-exceptional costs) (pence)	**38.4**	39.5	34.6	33.3	32.9
Gross dividend paid per ordinary share (pence)	**19.1**	18.1	17.3	16.4	15.6
Net dividend paid per ordinary share (pence)	**15.3**	14.5	13.8	13.1	12.5
Dividend cover (times)	**2.5**	2.7	2.5	2.9	2.8
Dividend cover (pre-exceptional costs) (times)	**2.5**	2.7	2.5	2.5	2.6
Net debt (£m)	**(5.1)**	(14.3)	(21.9)	(29.0)	(17.5)
Capital expenditure (£m)	**13.3**	14.3	14.4	31.6	13.2
Electricity Statistics					
Units sold (m)	**627**	634	621	625	627
% movement	**-1.1%**	2.1%	-0.6%	-0.3%	0.9%
% of units imported	**94.1%**	94.9%	92.6%	91.6%	94.0%
% of units generated	**0.3%**	0.2%	1.5%	2.9%	1.4%
% of units from Energy from Waste plant	**5.6%**	4.9%	5.8%	5.5%	4.6%
Maximum demand (megawatts)	**150**	178	154	149	148
Number of customers	**51,103**	50,561	49,894	49,532	49,320
Customer minutes lost	**6**	6	8	24	7
Average price per kilowatt hour sold (pence)	**13.3p**	12.9p	12.9p	12.8p	12.8p
Manpower Statistics (full time equivalents)					
Energy	**188**	186	201	203	201
Other	**94**	102	116	114	106
Trainees	**11**	14	9	10	12
Total	**293**	302	326	327	319
Units sold per energy employee (000's)	**3,336**	3,411	3,091	3,079	3,118
Number of customers per energy employee	**272**	272	248	244	245

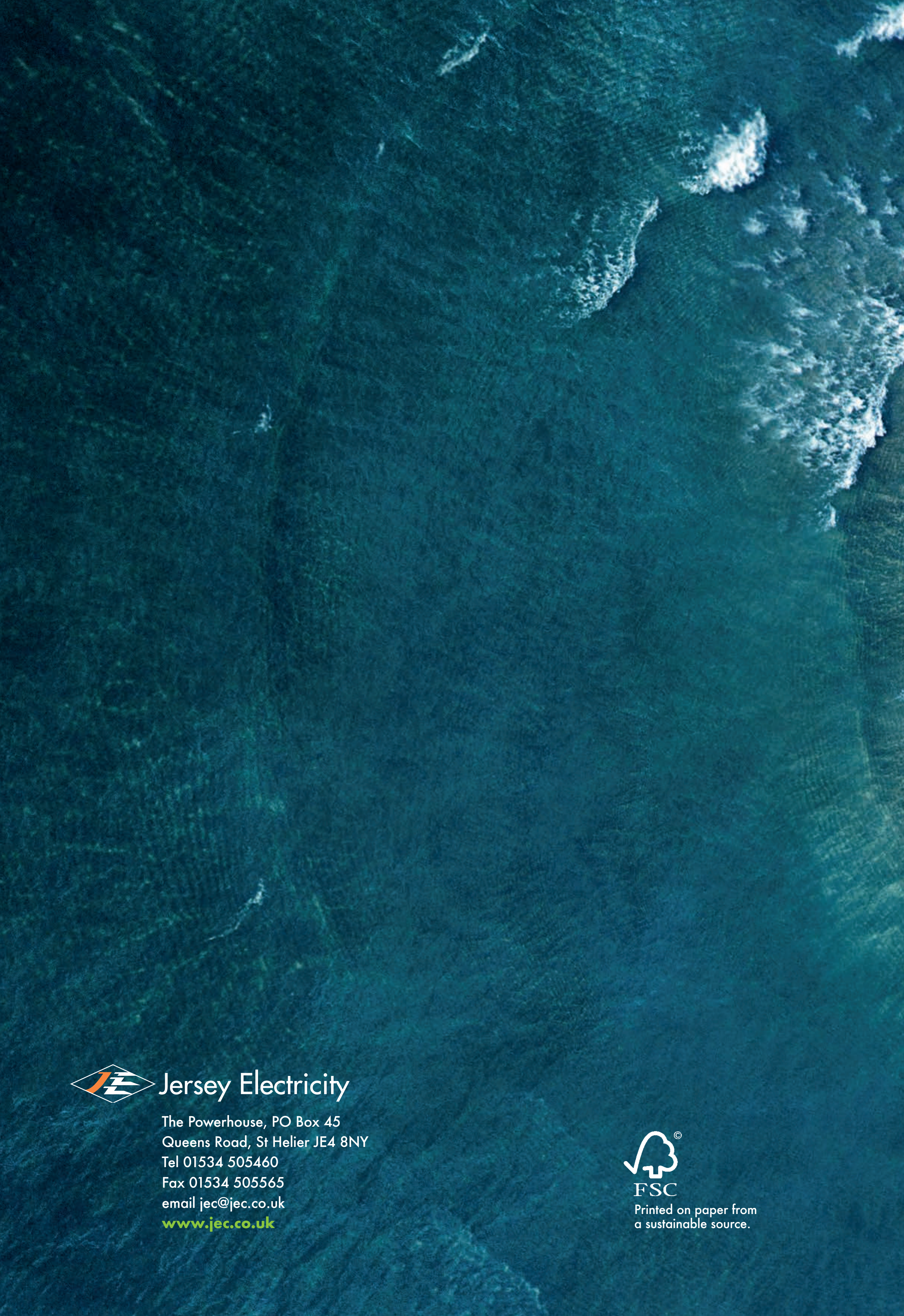
Financial Calendar

2 January 2020	Preference share dividend
21 February 2020	Record date for final dividend
5 March 2020	Annual General Meeting
26 March 2020	Final dividend for year ended 30 September 2019
14 May 2020	Interim Management Statement – six months to 31 March 2020
5 June 2020	Record date for interim ordinary dividend
26 June 2020	Interim dividend for year ending 30 September 2020
1 July 2020	Preference share dividend
17 December 2020	Preliminary announcement of full year results

Annual General Meeting

The Annual General Meeting will be held at the Powerhouse, Queens Road, St. Helier, Jersey on Thursday 5 March 2020 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).



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