

1017/3 (54)



JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1997

JERSEY GAS COMPANY LIMITED

Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.

Directors

P FAIRCLOUGH, B.Sc., C.Eng., M.I. Gas E.
27 Les Cherfs, Cobo, Castel, Guernsey

A SPRUCE
Sans Pareil, Rue Sauvage, St Sampsons,
Guernsey

R B GRAHAM, F.C.A.
Cote du Nord, Clos des Emrais, Castel,
Guernsey

D H BIRD
Dandie, Le Dell Clos, Le Foulon,
St Peter Port, Guernsey

M J WILLIAMS, B.Sc., C.Eng., M.I. Gas E.
Kyrenia, Les Osmonds, St Sampsons,
Guernsey (deceased 9th September 1997)

R St C STADDON
1 Port de L'Ecluse, Mont Les Vaux,
St Brelade, Jersey

C VANE
Mill End, Clos du Moulin,
St Ouen, Jersey

Secretary

K J OLLIVIER

Auditors

BURNETT SWAYNE
Charter Court
Third Avenue
Southampton

Bankers

National Westminster Bank PLC
23 Broad Street
St Helier
JERSEY

Registered Office

Thomas Edge House
Tunnell Street
St Helier
JERSEY

JERSEY GAS COMPANY LIMITED

NOTICE OF MEETING

NOTICE is hereby given that the Annual General Meeting of the Company will be held at Thomas Edge House, Tunnell Street, St Helier, Jersey on 30th April 1998 at 3.00 p.m.

for the following purpose:-

1. Election of Chairman.
2. Read Notice convening the Meeting.
3. Approve the minutes of the Annual General Meeting held on 30th April 1997.
4. Receive the Directors' Report and Accounts for the year to 31st December 1997.
5. Declare a Dividend.
6. Election of Directors.
7. Auditors' Report.
8. Appoint Auditors and to fix their remuneration.
9. Transact any other ordinary business of the company.

By Order of the Board

K J OLLIVIER

Secretary

Thomas Edge House
Tunnell Street
St Helier
JERSEY

28 March 1998

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31st December 1997.

Activities

The principal activity of the company is gas production, distribution and related activities.

Results

The results of the year are shown in the profit and loss account on page 6.

Dividend

The profit for the year after taxation amounted to £1,176,676 (1996 £1,182,911). It is recommended that this be allocated as follows:-

	1997 £	1996 £
Preference Dividends	11844	11844
Ordinary Dividends	500000	1000000
Transfer to Reserves	664832	171067
	<u>1176676</u>	<u>1182911</u>

Directors

Messrs A Spruce and R B Graham retire in accordance with By-Law 66 and, being eligible, offer themselves for re-election.

Directors Responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period and are in accordance with applicable laws.

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS (continued)

Directors Responsibilities (continued)

In preparing those financial statements the directors are required to select suitable accounting policies and then apply them consistently, make judgements that are reasonable and prudent and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements have been properly prepared in accordance with generally accepted accounting principles and the Jersey Gas Company (Jersey) Law 1989. 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.

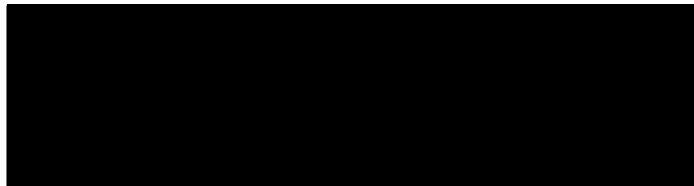
Auditors

The auditors, Burnett Swayne, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By Order of the Board



Director



Director

28 March 1998

JERSEY GAS COMPANY LIMITED

AUDITORS REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and the accounting policies set out on pages 10 and 11.

Respective Responsibilities of the Directors and Auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

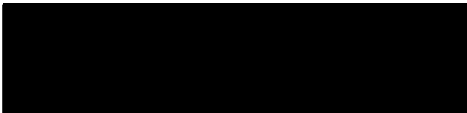
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1997 and of its profit for the year then ended and comply with the provisions regarding the financial administration of the company contained in article 37 of the Jersey Gas Company (Jersey) Law 1989.



Burnett Swayne
Chartered Accountants and Registered Auditors
Southampton

9 April 1998

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1997

	Note	1997 £	1996 £
TURNOVER	1(v) & 2	7044251	6556786
Cost of Sales		4753380	4500039
GROSS PROFIT		<u>2290871</u>	<u>2056747</u>
Net Operating Expenses:			
Administration Costs		828140	819152
		<u>828140</u>	<u>819152</u>
OPERATING PROFIT		1462731	1237595
Profit on disposal of fixed assets	3	-	156000
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		<u>1462731</u>	<u>1393595</u>
Interest (net)	4	(844)	(783)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1463575	1394378
Taxation	6	286899	211467
PROFIT FOR THE FINANCIAL YEAR		<u>1176676</u>	<u>1182911</u>
Dividends	7	511844	1011844
RETAINED PROFIT FOR THE YEAR		<u>664832</u>	<u>171067</u>

All of the company's operations are classed as continuing.

The notes on pages 10 to 19 form part of these financial statements. A statement of movements on reserves is given in note 16.

JERSEY GAS COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 1997

	1997	1996
	£	£
Profit for the financial year	1176676	1182911
Unrealised surplus on revaluation of properties	-	197939
	-----	-----
Total recognised profits relating to the year	1176676	1380850
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1997

	1997	1996
	£	£
Reported profit on ordinary activities before taxation	1463575	1394378
Realisation of property revaluation gains of previous years	-	172374
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	1100
	-----	-----
Historical cost profit on ordinary activities before taxation	1463575	1567852
	-----	-----
Historical cost profit retained after taxation and dividends	664832	344541
	-----	-----

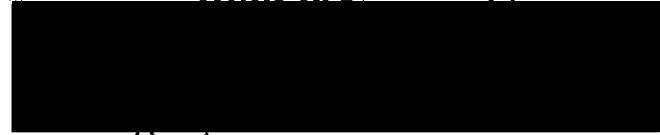
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1997

	1997	1996
	£	£
Profit for the financial year	1176676	1182911
Dividends	(511844)	(1011844)
Other recognised gains relating to the year	-	197939
	-----	-----
Opening shareholders' funds	664832	369006
	9795221	9426215
	-----	-----
Closing shareholders' funds	10460053	9795221
	=====	=====

JERSEY GAS COMPANY LIMITED
BALANCE SHEET AT 31st DECEMBER 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible Assets	1(ii) & 8	11002447	10902752
CURRENT ASSETS			
Stock and Work in Progress	1(iv) & 9	473706	491142
Debtors	10	2539645	2265408
Cash at Bank and in Hand		3666	36990
		-----	-----
		3017017	2793540
		=====	=====
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	11	1370939	1458030
Bank Overdraft & Short Term Loans	12	-	300000
States Income Tax		178512	141648
Proposed Dividends	7	5922	5922
		-----	-----
		1555373	1905600
		=====	=====
NET CURRENT ASSETS		1461644	887940
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		12464091	11790692
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
States Income Tax		221179	178512
Creditors	13	870773	912200
Provision for Liabilities & Charges	14	912086	904759
		-----	-----
		2004038	1995471
		-----	-----
NET ASSETS		10460053	9795221
		=====	=====
CAPITAL AND RESERVES			
Equity Shareholders Funds			
Called up Share Capital	15	915000	915000
Share Premium Account	16	962	962
Revaluation Reserve	16	1561248	1561248
Capital Reserve	16	2850100	2850100
Profit & Loss Account	16	4773839	4109007
		-----	-----
		10101149	9436317
Non Equity Shareholders Funds			
Called Up Share Capital	15	358904	358904
		-----	-----
		10460053	9795221
		=====	=====

The accounts on pages 6 to 19 were approved by the board of directors on 28th March 1998 and were signed on its behalf by:-



Directors

The notes on pages 10 to 19 form part of these financial statements.

JERSEY GAS COMPANY LIMITED
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER 1997

1. ACCOUNTING POLICIES

(i) Basis of Presentation

The accounts have been prepared under the historical cost convention, and modified by the revaluation of land and buildings, in accordance with applicable accounting standards.

(ii) Tangible Fixed Assets

Depreciation is provided at rates calculated to write off the cost of fixed assets on the straight line method over their estimated useful lives.

The principal rates in use are:-

	%
Land & Buildings	
- freehold building	2
Plant & Machinery	5-33
Vehicles	20-25

(iii) Investment Properties

In accordance with SSAP 19, investment properties are revalued annually and any material surplus or deficit is transferred to a revaluation reserve. No amortisation is provided on the properties.

Where a revaluation deficit arises on a property, and this is considered by the directors to be a permanent deficit, then the deficit is charged to the profit and loss account.

Independent professional valuations are undertaken every three years and annual reviews of these valuations are carried out by qualified internal staff.

(iv) Stock and Work in Progress

Stock has been valued at the lower of cost and net realisable value. Work in progress has been valued at cost of direct materials and labour.

(v) Turnover

Turnover represents the value of sales and services invoiced to customers. The company does not account for gas sales until meters are read.

(vi) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect on all timing differences.

This is a departure from SSAP15 which requires provision to be made only to the extent that timing differences are likely to crystallise in the foreseeable future.

The directors have continued to adopt the full provision basis on the grounds of consistency and prudence.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

(vii) Pension Contributions

The Company operates a defined benefit pension scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable are determined by the actuary. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period the Company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The Company has certain past employees for whom pensions have not been funded externally. A provision for the capital cost of funding these pensions is renewed annually. The charge against profits represents the pensions paid net of any movement in the provision.

(viii) Finance and Operating Leases

Fixed assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The capital element of future payments is treated as a liability and the interest element is charged to profit and loss account as it accrues. Costs in respect of operating leases are charged to operating profit as they are incurred.

(ix) Grants Receivable

Grants that relate to fixed asset expenditure are treated as deferred income in the balance sheet which is then credited to the profit and loss account over the related assets useful life. Other grants are credited to profit and loss account when received.

2.	TURNOVER	1997	1996
		£	£
	The company turnover comprises:-		
	Trading Activities	6831277	6372280
	Rents	212974	184506
		-----	-----
		7044251	6556786
		=====	=====
3.	PROFIT ON DISPOSAL OF FIXED ASSETS	1997	1996
		£	£
	Profit on disposal of investment properties		156000
		=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

4. INTEREST

	1997 £	1996 £
Interest Payable		
Loans & overdrafts wholly repayable within 5 years	1621	1978
Bank	-	-
	-----	-----
	1621	1978
Less: Interest receivable	(2465)	(2761)
	-----	-----
	(844)	(783)
	=====	=====

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Release of provision for diminution in value of property	-	(35000)
Depreciation	514182	523499
Amortisation of grant income	(41428)	(41428)
(Profit)/Loss on disposal of other fixed assets	(2225)	52739
Operating Lease Rentals		
- Land & Buildings	66198	66198
- Plant & Machinery	17822	11080
Auditors Remuneration		
- Audit	17150	16500
- Other Services	-	-
Net Rental Income	(208087)	(179735)
	=====	=====

6. TAXATION

	1997 £	1996 £
The taxation charge for the year comprises:		
States of Jersey Income Tax at 20% (1996 20%) on the results for the year	220129	178512
Deferred Taxation	66770	32955
	-----	-----
	286899	211467
	=====	=====

JERSEY GAS COMPANY LIMITED
NOTES TO THE ACCOUNTS (continued)

7.	DIVIDENDS		1997	1996	
			£	£	
	Equity Shares:				
	Ordinary Shares paid		500000	1000000	
	Non-Equity Shares:				
	5% Cumulative Preference Shares		38	38	
	3% Cumulative Preference Shares		1884	1884	
	5% Cumulative A Preference Shares		4000	4000	
			-----	-----	
			505922	1005922	
			=====	=====	
	Equity Shares:				
	Ordinary Shares proposed		-	-	
	Non-Equity Shares:				
	5% Cumulative Preference Shares		38	38	
	3% Cumulative Preference Shares		1884	1884	
	5% Cumulative A Preference Shares		4000	4000	
			-----	-----	
			5922	5922	
			-----	-----	
			511844	1011844	
			=====	=====	
8.	TANGIBLE FIXED ASSETS				
		Investment	Freehold		
		Properties	Land and	Plant &	Motor
		£	Buildings	Machinery	Vehicles
			£	£	£
	Cost or Valuation				Total
	At 31.12.1996	2776500	2890000	8996523	179777
	Additions	-	-	607310	6567
	Disposals	-	-	(1165)	(13125)
	Revaluation adjustment	-	-	-	-
		-----	-----	-----	-----
	At 31.12.1997	2776500	2890000	9602668	173219
		-----	-----	-----	-----
	Depreciation				
	At 31.12.1996	-	-	3794048	146000
	Accounts Charge	-	12350	479762	22070
	Disposals	-	-	(1165)	(13125)
	Revaluation adjustment	-	-	-	-
		-----	-----	-----	-----
	At 31.12.1997	-	12350	4272645	154945
		-----	-----	-----	-----
	Net Book Value				
	31.12.1997	2776500	2877650	5330023	18274
		=====	=====	=====	=====
	Net Book Value				
	31.12.1996	2776500	2890000	5202475	33777
		=====	=====	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS (continued)

The freehold properties, including those occupied by the company and investment properties, have been valued externally by Healey & Baker, International Real Estate Consultants, as at 31st December 1996 on the basis of existing use value and open market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

9. STOCKS

	1997	1996
	£	£
Work in Progress	59647	68744
Other Stock	414059	422398
	-----	-----
	473706	491142
	=====	=====

10. DEBTORS

	1997	1996
	£	£
Amounts falling due within one year:		
Trade Debtors	836663	757097
Amounts due from Group Companies	1120000	1070000
Other Debtors	137479	126450
Prepayments and Accrued Income	77801	74804
	-----	-----
	2171943	2028351
Amounts falling due after more than one year:		
Trade Debtors	331325	197285
Loans	36377	39772
	-----	-----
	367702	237057
	-----	-----
	2539645	2265408
	=====	=====

11. CREDITORS

	1997	1996
	£	£
Amounts falling due within one year:		
Trade Creditors	714514	826461
Amounts due to Group Companies	175000	175000
Other Creditors	83279	84382
Accruals and Deferred Income	323146	288478
Provision for Pensions	75000	83709
	-----	-----
	1370939	1458030
	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

12.	BANK OVERDRAFT AND LOANS	1997	1996	
		£	£	
	Repayable within one year:			
	Bank - Overdraft	-	-	
	States of Jersey Loan	-	300000	
	Loan	-	-	
		<u>-</u>	<u>300000</u>	
		<u>-</u>	<u>300000</u>	
13.	CREDITORS	1997	1996	
		£	£	
	Amounts falling due after more than one year:			
	States of Jersey Loan	-	-	
	Other Loans	166500	166500	
	Accruals and Deferred Income	704273	745700	
		<u>870773</u>	<u>912200</u>	
		<u>870773</u>	<u>912200</u>	
14.	PROVISIONS FOR LIABILITIES AND CHARGES			
		Pension	Deferred	
		Obligations	Taxation	Total
		£	£	£
	At 1st January 1997	435059	469700	904759
	(Credited)/charged to profit and loss account	(59443)	66770	7327
		<u>375616</u>	<u>536470</u>	<u>912086</u>
		<u>375616</u>	<u>536470</u>	<u>912086</u>
	Deferred taxation provided in the accounts is as follows:-			
		1997	1996	
		£	£	
	Accelerated Capital Allowances	626593	573454	
	Other Timing Differences	(90123)	(103754)	
		<u>536470</u>	<u>469700</u>	
		<u>536470</u>	<u>469700</u>	

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

15. SHARE CAPITAL	1997	1996
	£	£
Authorised:		
Equity Shares:		
Ordinary Shares of £1 each	915000	915000
Non Equity Shares:		
5% Cumulative Preference Shares of £1 each	3000	3000
3% Cumulative Preference Shares of £1 each	157000	157000
5% Cumulative 'A' Preference Shares of £1 each	200000	200000
	-----	-----
	1275000	1275000
	=====	=====
Alotted, Called Up and Fully Paid:		
Equity Shares:		
Ordinary Shares of £1 each	915000	915000
	-----	-----
Non Equity Shares:		
5% Cumulative Preference Shares of £1 each	1904	1904
3% Cumulative Preference Shares of £1 each	157000	157000
5% Cumulative 'A' Preference Shares of £1 each	200000	200000
	-----	-----
	358904	358904
	-----	-----
	1273904	1273904
	=====	=====

Dividends:

The three categories of preference shares are not entitled to participate in the profits of the company, other than to the extent of their fixed dividend.

The ordinary shares rate and abate equally in respect of any distribution, but are specifically excluded from the fixed preference dividend distributions.

Voting Rights:

Ordinary Shares and
5% Cumulative Preference
Shares -

one vote for every share up to a maximum of
five hundred shares, and then one vote for every
five shares held thereafter;

3% Cumulative Preference
Shares and
5% Cumulative 'A'
Preference Shares -

One vote for every ten shares held.

JERSEY GAS COMPANY LIMITED
NOTES TO THE ACCOUNTS (continued)

15. **SHARE CAPITAL (continued)**

Rights on Winding Up of the Company:

If the Company was to be wound up, the assets available for distribution amongst the members shall be applied in the following order:-

- (i) Repay to all members the amounts paid up on shares held;
- (ii) Any excess to be distributed amongst the holders of Ordinary Shares in proportion to the amount which at the time of going into liquidation had been actually paid up on their said shares respectively.

16. RESERVES	Share Premium £	Revaluation Reserve £	Capital Reserve £	Profit & Loss a/c £
At 31.12.1996	962	1561248	2850100	4109007
Retained Profit for Period	-	-	-	664832
Revaluation Surplus	-	-	-	-
Transfer	-	-	-	-
Realised revaluation surplus on sale of investment property	-	-	-	-
	-----	-----	-----	-----
At 31.12.1997	962	1561248	2850100	4773839
	=====	=====	=====	=====

17. **PENSION SCHEME**

The company operates a defined benefit pension scheme. The scheme is funded and the assets held separately from those of the company and are invested with an insurance company. The contribution rate is determined with the advice of independent qualified actuaries on the basis of triennial valuations using both the current and projected unit method with a twenty year control period. The results of the most recent valuations which were conducted as at 1st July 1994 were as follows:

Main Assumptions	
Annual Rate of return on investments	9.0%
Annual rate of salary increases	8.0%
Market value of scheme assets (£000)	1344
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members:	
on current salaries	243%
after allowing for future assumed salary increases	114%

There are no deficiencies when the levels of funding are calculated on a current unit method. Any deficiencies calculated on the projected unit method will be eliminated by current contributions over the control period.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

17. PENSION SCHEME (continued)

The company has certain past employees whose pensions have not been funded by any schemes.

The provision for the present value of the capital costs of these pension amounts to £450,616 (1996 £518,768). The reduction in the provision of £68,152 (1996 £33,271) has been credited against the amounts paid to pensioners in 1997. The reason for the decrease in pension costs for the year is principally due to the change in the provision.

Pension costs comprise:	1997	1996
	£	£
Funded scheme	84348	84781
Unfunded scheme	9919	50438
	-----	-----
	94267	135219
	=====	=====

18. COMMITMENTS

	1997	1996
	£	£
Capital Commitments:-		
Expenditure contracted		
but not provided for:	-	-
	-----	-----
	-	-
	=====	=====

Lease Commitments:-

At 31st December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	6480	6480
Within two to five years	-	-	13026	9996
In over five years	66198	66198	-	-
	-----	-----	-----	-----
	66198	66198	19506	16476
	=====	=====	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

19. CONTINGENT LIABILITIES

The company has given an unlimited guarantee to National Westminster Bank PLC for all monies owing to the bank by International Energy Group Limited and its other subsidiary undertakings. The amount as at 31st December 1997 is disclosed in the parent undertakings consolidated accounts.

20. RELATED PARTY TRANSACTIONS

(i) Transactions with Group Undertakings

The company is exempt from related party disclosures in respect of group transactions, on the grounds that the consolidated financial statements in which the company is included are publicly available.

(ii) Transactions with Directors and Employees

Included in Creditors are loans received in respect of Company properties occupied by employees who have an option to purchase the property at cost after a qualifying period. At 31st December 1997, fixed assets included properties occupied by employees at a cost of £631,500, with associated loans of £166,500 included in Creditors falling due after more than one year.

21. ULTIMATE PARENT COMPANY

The company's ultimate parent company is International Energy Group Limited, a Guernsey registered company.