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JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 1999

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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. (resigned 31.1.2000) Cote du Nord, Clos des Emrais, Castel, Guernsey
	D H BIRD Dandie, Le Dell Clos, Le Foulon, St Peter Port, Guernsey
	R St C STADDON 1 Port de L'Ecluse, Mont Les Vaux, St Brelade, Jersey
	C VANE (resigned 27.12.1999) Mill End, Clos du Moulin, St Ouen, Jersey
Secretary	K J OLLIVIER
Auditors	BURNETT SWAYNE Charter Court Third Avenue Southampton
Bankers	NatWest Offshore Limited 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 28th April 2000 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 1999.
4. Receive the Directors' Report and Accounts for the year to 31st December 1999.
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

5th April 2000

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31st December 1999.

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 £1,121,397 (1998 £997,819). It is recommended that this be allocated as follows:-

	1999 £	1998 £
Preference Dividends	11844	11844
Ordinary Dividends	750000	500000
Transfer to Reserves	359553	485975
	-----	-----
	1121397	997819
	=====	=====

Directors

Messrs P Fairclough and A Spruce 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)

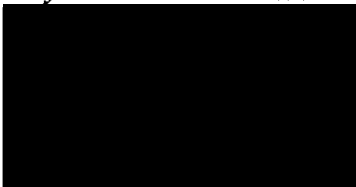
Directors Responsibilities (continued)

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.

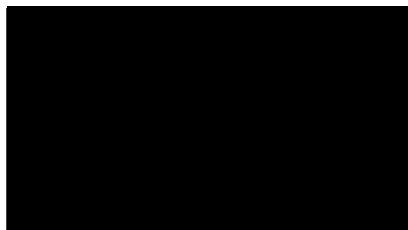
Auditors

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

5th April 2000

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.

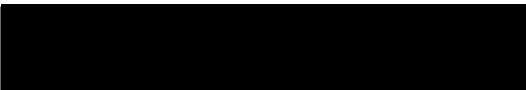
Basis of Opinion

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 1999 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

5th April 2000

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 1999

	Note	1999 £	1998 £
TURNOVER	1(v) & 2	7071116	6544348
Cost of Sales		4739384	4370803
GROSS PROFIT		2331732	2173545
Net Operating Expenses:			
Administration Costs		943152	934960
		943152	934960
OPERATING PROFIT		1388580	1238585
Profit on disposal of fixed assets		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1388580	1238585
Interest (net)	3	(5896)	(638)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1394476	1239223
Taxation	5	273079	241404
PROFIT FOR THE FINANCIAL YEAR		1121397	997819
Dividends	6	761844	511844
RETAINED PROFIT FOR THE YEAR		359553	485975

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 15.

JERSEY GAS COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31st DECEMBER 1999

	1999 £	1998 £
Profit for the financial year	1121397	997819
Unrealised surplus on revaluation of properties	1559997	-
	-----	-----
Total recognised profits relating to the year	2681394	997819
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 1999

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalent.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31ST DECEMBER 1999

	1999 £	1998 £
Profit for the financial year	1121397	997819
Dividends	(761844)	(511844)
Other recognised gains relating to the year	1559997	-
	-----	-----
Opening shareholders' funds	1919550	485975
	10946028	10460053
	-----	-----
Closing shareholders' funds	12865578	10946028
	=====	=====

JERSEY GAS COMPANY LIMITED

BALANCE SHEET AT 31st DECEMBER 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible Assets	1(ii) & 7	12604741	10723322
CURRENT ASSETS			
Stock and Work in Progress	1(iv) & 8	482421	420360
Debtors	9	3678735	3721269
Cash at Bank and in Hand		455	123065
		4161611	4264694
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	1525253	1863150
Bank Overdraft & Short Term Loans	11	46022	-
States Income Tax		208832	221179
Proposed Dividends	6	5922	5922
		1786029	2090251
NET CURRENT ASSETS			
		2375582	2174443
TOTAL ASSETS LESS CURRENT LIABILITIES			
		14980323	12897765
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
States Income Tax		238282	208408
Creditors	12	941966	769345
Provision for Liabilities & Charges	13	934497	973984
		2114745	1951737
NET ASSETS			
		12865578	10946028
CAPITAL AND RESERVES			
Equity Shareholders Funds			
Called up Share Capital	14	915000	915000
Share Premium Account	15	962	962
Revaluation Reserve	15	3121245	1561248
Capital Reserve	15	2850100	2850100
Profit & Loss Account	15	5619367	5259814
		12506674	10587124
Non Equity Shareholders Funds			
Called Up Share Capital	14	358904	358904
		12865578	10946028

The accounts on pages 6 to 19 were approved by the board of directors on 5th April 2000 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 1999

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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

(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.

(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

	1999	1998
	£	£
The company turnover comprises:-		
Trading Activities	6843455	6322670
Rents	227661	221678
	-----	-----
	<u>7071116</u>	<u>6544348</u>
	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

3.	INTEREST	1999	1998
		£	£
	Interest Payable		
	Loans & overdrafts wholly repayable within 5 years	1659	1613
	Bank	-	-
		-----	-----
		1659	1613
	Less: Interest receivable	(7555)	(2251)
		-----	-----
		(5896)	(638)
		=====	=====
4.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1999	1998
		£	£
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation	566885	535197
	Amortisation of grant income	(41428)	(41428)
	(Profit)/Loss on disposal of other fixed assets	2650	(604)
	Operating Lease Rentals		
	- Land & Buildings	91440	80191
	- Plant & Machinery	21118	19926
	Auditors Remuneration		
	- Audit	20700	18500
	- Other Services		1500
	Net Rental Income	(211819)	(218555)
		=====	=====
5.	TAXATION	1999	1998
		£	£
	The taxation charge for the year comprises:		
	States of Jersey Income Tax at 20% (1998 20%) on the results for the year	238282	208408
	Deferred Taxation	34797	32996
		-----	-----
		273079	241404
		=====	=====

JERSEY GAS COMPANY LIMITED
NOTES TO THE ACCOUNTS (continued)

6.	DIVIDENDS		1999	1998	
			£	£	
	Equity Shares:				
	Ordinary Shares paid		750000	500000	
	Non-Equity Shares:				
	5% Cumulative Preference Shares		38	38	
	3% Cumulative Preference Shares		1884	1884	
	5% Cumulative A Preference Shares		4000	4000	
			<u>755922</u>	<u>505922</u>	
	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	
			<u>5922</u>	<u>5922</u>	
			<u>761844</u>	<u>511844</u>	
7.	TANGIBLE FIXED ASSETS	Freehold			
		Investment	Land and	Plant &	Motor
		Properties	Buildings	Machinery	Vehicles
		£	£	£	£
	Cost or Valuation				
	At 31.12.1998	2441500	2890000	10154740	212219
	Additions	437053	-	317380	133874
	Disposals	-	-	-	(56286)
	Reclassification	100000	(100000)	-	-
	Revaluation adjustment	1862947	(340000)	-	-
		<u>4841500</u>	<u>2450000</u>	<u>10472120</u>	<u>289807</u>
	At 31.12.1999				
	Depreciation				
	At 31.12.1998	-	24700	4785883	164554
	Accounts Charge	-	12350	519219	35316
	Disposals	-	-	-	(56286)
	Revaluation adjustment	-	(37050)	-	-
		<u>-</u>	<u>-</u>	<u>5305102</u>	<u>143584</u>
	At 31.12.1999				
	Net Book Value				
	31.12.1999	<u>4401500</u>	<u>2890000</u>	<u>5167018</u>	<u>146223</u>
	Net Book Value				
	31.12.1998	<u>2441500</u>	<u>2865300</u>	<u>5368857</u>	<u>47665</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

7. 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 1999 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.

8.	STOCKS	1999	1998
		£	£
	Work in Progress	77461	71404
	Other Stock	404960	348956
		-----	-----
		482421	420360
		=====	=====
9.	DEBTORS	1999	1998
		£	£
	Amounts falling due within one year:		
	Trade Debtors	1347043	1352314
	Amounts due from Group Companies	1176207	1611207
	Other Debtors	429710	373767
	Prepayments and Accrued Income	83443	63495
		-----	-----
		3036403	3400783
	Amounts falling due after more than one year:		
	Trade Debtors	342324	290954
	Loans	300008	29532
		-----	-----
		642332	320486
		-----	-----
		3678735	3721269
		=====	=====
10.	CREDITORS	1999	1998
		£	£
	Amounts falling due within one year:		
	Trade Creditors	1024511	1064982
	Amounts due to Group Companies	-	180000
	Other Creditors	60296	182840
	Accruals and Deferred Income	365446	360328
	Provision for Pensions	75000	75000
		-----	-----
		1525253	1863150
		=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

11.	BANK OVERDRAFT AND LOANS	1999	1998	
		£	£	
	Repayable within one year:			
	Bank - Overdraft	46022	-	
	States of Jersey Loan	-	-	
	Loan	-	-	
		<u>46022</u>	<u>-</u>	
		<u><u>46022</u></u>	<u><u>-</u></u>	
12.	CREDITORS	1999	1998	
		£	£	
	Amounts falling due after more than one year:			
	States of Jersey Loan	-	-	
	Other Loans	306500	106500	
	Accruals and Deferred Income	635466	662845	
		<u>941966</u>	<u>769345</u>	
		<u><u>941966</u></u>	<u><u>769345</u></u>	
13.	PROVISIONS FOR LIABILITIES AND CHARGES			
		Pension	Deferred	
		Obligations	Taxation	Total
		£	£	£
	At 1st January 1999	404518	569466	973984
	(Credited)/charged to profit and loss account	(74284)	34797	(39487)
		<u>330234</u>	<u>604263</u>	<u>934497</u>
	At 31st December 1999	<u>330234</u>	<u>604263</u>	<u>934497</u>
	Deferred taxation provided in the accounts is as follows:-			
		1999	1998	
		£	£	
	Accelerated Capital Allowances	685310	665370	
	Other Timing Differences	(81047)	(95904)	
		<u>604263</u>	<u>569466</u>	
		<u><u>604263</u></u>	<u><u>569466</u></u>	

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14. SHARE CAPITAL	1999	1998
	£	£
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
	=====	=====
Allotted, 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)

14. 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.

15. RESERVES	Share Premium £	Revaluation Reserve £	Capital Reserve £	Profit & Loss a/c £
At 31.12.1998	962	1561248	2850100	5259814
Retained Profit for Period	-	-	-	359553
Revaluation Surplus	-	1559997	-	-
Transfer	-	-	-	-
Realised revaluation surplus on sale of investment property	-	-	-	-
At 31.12.1999	<u>962</u>	<u>3121245</u>	<u>2850100</u>	<u>5619367</u>

16. 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 1997 were as follows:

Main Assumptions

Annual Rate of return on investments	8.0%
Annual rate of salary increases	6.5%
Market value of scheme assets (£000)	2392
Level of funding being the actuarial value of assets expressed as a percentage of the benefits accrued to members:	
on current salaries	236%
after allowing for future assumed salary increases	146%

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)

16. 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 £405,234 (1998 £479,518). The decrease in the provision of £74,284 (1998 increase of £28,902) has been credited to the amounts paid to pensioners in 1999. The reason for the decrease in pension costs for the year is principally due to the movement in the provision year on year.

Pension costs comprise:	1999 £	1998 £
Funded scheme	86290	78000
Unfunded scheme	(9944)	97755
	<u>76346</u>	<u>175755</u>

17. COMMITMENTS

	1999 £	1998 £
Capital Commitments:-		
Expenditure contracted but not provided for:	-	-
	<u>-</u>	<u>-</u>

Lease Commitments:-

At 31st December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	1999 £	1998 £	1999 £	1998 £
Operating leases which expire:				
Within one year	-	-	8700	6480
Within two to five years	-	-	-	13474
In over five years	91440	66198	-	-
	<u>91440</u>	<u>66198</u>	<u>8700</u>	<u>19954</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

18. CONTINGENT LIABILITIES

The company has given an unlimited guarantee to NatWest Offshore Limited for all monies owing to the bank by International Energy Group Limited and its other subsidiary undertakings. The amount as at 31st December 1999 is disclosed in the parent undertakings consolidated accounts.

19. 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 1999, fixed assets included properties occupied by employees at a cost of £721,500 (1998: £296,500), with associated loans of £306,500 (1998: £106,500) included in Creditors falling due after more than one year. The movement in the year reflects the exercise of options on two properties.

20. ULTIMATE PARENT COMPANY

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