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JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

31st DECEMBER 2000

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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
	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
	K J OLLIVIER (appointed 30.4.00) 7 Parkinson Drive, St Lawrence, Jersey
	S CROSSMAN (appointed 11.5.00) Ranworth, La Route Orange, St Brelade, 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 27th April 2001 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 2000.
4. Receive the Directors' Report and Accounts for the year to 31st December 2000.
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

11th April 2001

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31st December 2000.

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 £757,014 (1999 £1,121,397). It is recommended that this be allocated as follows:-

	2000 £	1999 £
Preference Dividends	11844	11844
Ordinary Dividends	700000	750000
Transfer to Reserves	45170	359553
	-----	-----
	<u>757014</u>	<u>1121397</u>

Directors

Messrs R S Staddon and S J Crossman retire in accordance with By-Law 66 and, being eligible, offer themselves for re-election. Mr D H Bird is not seeking 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)

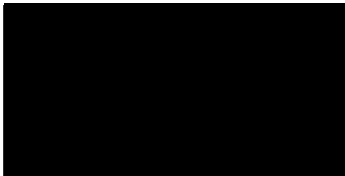
Directors Responsibilities (continued)

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.

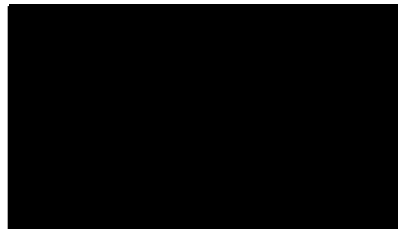
Auditors

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

11th April 2001

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.

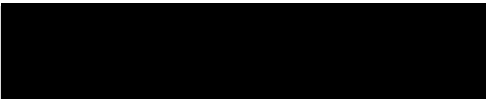
Basis of Opinion

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 2000 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

11th April 2001

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st DECEMBER 2000

	Note	2000 £	1999 £
TURNOVER	1(v) & 2	8083057	7071116
Cost of Sales		6133029	4739384
GROSS PROFIT		1950028	2331732
Net Operating Expenses: Administration Costs		1020131	943152
OPERATING PROFIT		929897	1388580
Profit on disposal of fixed assets		-	-
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		929897	1388580
Interest (net)	3	(10160)	(5896)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	940057	1394476
Taxation	5	183043	273079
PROFIT FOR THE FINANCIAL YEAR		757014	1121397
Dividends	6	711844	761844
RETAINED PROFIT FOR THE YEAR		45170	359553

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 2000

	2000 £	1999 £
Profit for the financial year	757014	1121397
Unrealised surplus on revaluation of properties	-	1559997
	-----	-----
Total recognised profits relating to the year	757014	2681394
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2000

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 2000

	2000 £	1999 £
Profit for the financial year	757014	1121397
Dividends	(711844)	(761844)
Other recognised gains relating to the year	-	1559997
	-----	-----
Opening shareholders' funds	45170 12865578	1919550 10946028
	-----	-----
Closing shareholders' funds	12910748	12865578
	=====	=====

JERSEY GAS COMPANY LIMITED

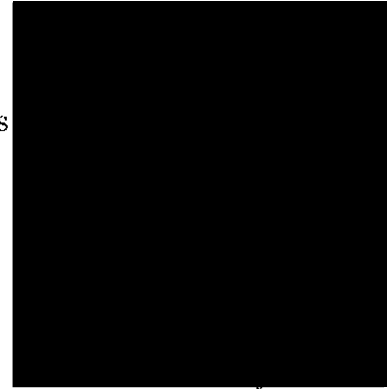
BALANCE SHEET AT 31st DECEMBER 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Tangible Assets	1(ii) & 7	13333965	12604741
CURRENT ASSETS			
Stock and Work in Progress	1(iv) & 8	527564	482421
Debtors	9	4310958	3678735
Cash at Bank and in Hand		555	455
		<u>4839077</u>	<u>4161611</u>
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	1919431	1525253
Bank Overdraft & Short Term Loans	11	201997	46022
States Income Tax		238589	208832
Proposed Dividends	6	705922	5922
		<u>3065939</u>	<u>1786029</u>
NET CURRENT ASSETS		<u>1773138</u>	<u>2375582</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		15107103	14980323
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
States Income Tax		153257	238282
Creditors	12	1069414	941966
Provision for Liabilities & Charges	13	973684	934497
		<u>2196355</u>	<u>2114745</u>
NET ASSETS		<u>12910748</u>	<u>12865578</u>
CAPITAL AND RESERVES			
Equity Shareholders Funds			
Called up Share Capital	14	915000	915000
Share Premium Account	15	962	962
Revaluation Reserve	15	3121245	3121245
Capital Reserve	15	2850100	2850100
Profit & Loss Account	15	5664537	5619367
		<u>12551844</u>	<u>12506674</u>
Non Equity Shareholders Funds			
Called Up Share Capital	14	358904	358904
		<u>12910748</u>	<u>12865578</u>

The accounts on pages 6 to 19 were approved by the board of directors on 11th April 2001 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 2000

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

	2000	1999
	£	£
The company turnover comprises:-		
Trading Activities	7841491	6843455
Rents	241566	227661
	-----	-----
	<u>8083057</u>	<u>7071116</u>
	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

3.	INTEREST	2000	1999
		£	£
	Interest Payable		
	Loans & overdrafts wholly repayable within 5 years	1704	1659
	Bank	-	-
		-----	-----
		1704	1659
	Less: Interest receivable	(11864)	(7555)
		-----	-----
		(10160)	(5896)
		=====	=====
4.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2000	1999
		£	£
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation	558623	566885
	Amortisation of grant income	(41428)	(41428)
	(Profit)/Loss on disposal of other fixed assets	(3595)	2650
	Operating Lease Rentals		
	- Land & Buildings	89870	91440
	- Plant & Machinery	22411	21118
	Auditors Remuneration		
	- Audit	19820	20700
	- Other Services	1625	-
	Net Rental Income	(229454)	(211819)
		=====	=====
5.	TAXATION	2000	1999
		£	£
	The taxation charge for the year comprises:		
	States of Jersey Income Tax at 20% (1999 20%) on the results for the year	153257	238282
	Deferred Taxation	29786	34797
		-----	-----
		183043	273079
		=====	=====

JERSEY GAS COMPANY LIMITED
NOTES TO THE ACCOUNTS (continued)

6.	DIVIDENDS		2000	1999
			£	£
	Equity Shares:			
	Ordinary Shares paid		-	750000
	Non-Equity Shares:			
	5% Cumulative Preference Shares		38	38
	3% Cumulative Preference Shares		1884	1884
	5% Cumulative A Preference Shares		4000	4000
			-----	-----
			5922	755922
			=====	=====
	Equity Shares:			
	Ordinary Shares proposed		700000	-
	Non-Equity Shares:			
	5% Cumulative Preference Shares		38	38
	3% Cumulative Preference Shares		1884	1884
	5% Cumulative A Preference Shares		4000	4000
			-----	-----
			705922	5922
			-----	-----
			711844	761844
			=====	=====
7.	TANGIBLE FIXED ASSETS	Freehold		
		Investment	Land and	Plant &
		Properties	Buildings	Machinery
		£	£	£
	Motor			
	Vehicles			
	Total			
	£			
	Cost or Valuation			
	At 31.12.1999	4841500	2450000	10472120
	Additions	472410	32028	765619
	Disposals	-	-	(39298)
	Reclassification	-	-	-
	Revaluation adjustment	-	-	-
		-----	-----	-----
	At 31.12.2000	5313910	2482028	11198441
		-----	-----	-----
	Depreciation			
	At 31.12.1999	-	-	5305102
	Accounts Charge	-	16581	502496
	Disposals	-	-	(39298)
	Revaluation adjustment	-	-	-
		-----	-----	-----
	At 31.12.2000	-	16581	5768300
		-----	-----	-----
	Net Book Value			
	31.12.2000	5313910	2465447	5430141
		=====	=====	=====
	Net Book Value			
	31.12.1999	4841500	2450000	5167018
		=====	=====	=====

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	2000 £	1999 £
Work in Progress	62192	77461
Other Stock	465372	404960
	-----	-----
	<u>527564</u>	<u>482421</u>
	=====	=====
9. DEBTORS	2000 £	1999 £
Amounts falling due within one year:		
Trade Debtors	1159126	1347043
Amounts due from Group Companies	2003207	1176207
Other Debtors	348339	429710
Prepayments and Accrued Income	85212	83443
	-----	-----
	3595884	3036403
Amounts falling due after more than one year:		
Trade Debtors	428980	342324
Loans	286094	300008
	-----	-----
	715074	642332
	-----	-----
	<u>4310958</u>	<u>3678735</u>
	=====	=====
10. CREDITORS	2000 £	1999 £
Amounts falling due within one year:		
Trade Creditors	1401829	1024511
Amounts due to Group Companies	-	-
Other Creditors	127105	60296
Accruals and Deferred Income	328628	365446
Provision for Pensions	61869	75000
	-----	-----
	<u>1919431</u>	<u>1525253</u>
	=====	=====

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

11.	BANK OVERDRAFT AND LOANS	2000	1999	
		£	£	
	Repayable within one year:			
	Bank - Overdraft	201997	46022	
	States of Jersey Loan	-	-	
	Loan	-	-	
		<u>201997</u>	<u>46022</u>	
		<u><u>201997</u></u>	<u><u>46022</u></u>	
12.	CREDITORS	2000	1999	
		£	£	
	Amounts falling due after more than one year:			
	States of Jersey Loan	-	-	
	Other Loans	474500	306500	
	Accruals and Deferred Income	594914	635466	
		<u>1069414</u>	<u>941966</u>	
		<u><u>1069414</u></u>	<u><u>941966</u></u>	
13.	PROVISIONS FOR LIABILITIES AND CHARGES			
		Pension	Deferred	
		Obligations	Taxation	Total
		£	£	£
	At 1st January 2000	330234	604263	934497
	(Credited)/charged to profit and loss account	(3730)	29786	26056
	Transfer from current liabilities	13131	-	13131
		<u>339635</u>	<u>634049</u>	<u>973684</u>
	At 31st December 2000	<u><u>339635</u></u>	<u><u>634049</u></u>	<u><u>973684</u></u>
	Deferred taxation provided in the accounts is as follows:-			
		2000	1999	
		£	£	
	Accelerated Capital Allowances	714350	685310	
	Other Timing Differences	(80301)	(81047)	
		<u>634049</u>	<u>604263</u>	
		<u><u>634049</u></u>	<u><u>604263</u></u>	

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14. SHARE CAPITAL	2000 £	1999 £
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
	<u>1275000</u>	<u>1275000</u>
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
	<u>358904</u>	<u>358904</u>
	<u>1273904</u>	<u>1273904</u>

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 31.12.1999	962	3121245	2850100	5619367
Retained Profit for Period	-	-	-	45170
Revaluation Surplus	-	-	-	-
Transfer	-	-	-	-
Realised revaluation surplus on sale of investment property	-	-	-	-
	-----	-----	-----	-----
At 31.12.2000	<u>962</u>	<u>3121245</u>	<u>2850100</u>	<u>5664537</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 £401,504 (1999 £405,234). The decrease in the provision of £3,730 (1999 decrease of £74,284) has been credited to the amounts paid to pensioners in 2000. The reason for the increase in pension costs for the year is principally due to the movement in the provision year on year.

Pension costs comprise:	2000	1999
	£	£
Funded scheme	119203	86290
Unfunded scheme	58139	(9944)
	-----	-----
	177342	76346
	=====	=====

17. COMMITMENTS

	2000	1999
	£	£
Capital Commitments:-		
Expenditure contracted		
but not provided for:	-	-
	-----	-----
	-	-
	=====	=====

Lease Commitments:-

At 31st December 2000 the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	4125	8700
Within two to five years	-	-	-	-
In over five years	89870	91440	-	-
	-----	-----	-----	-----
	89870	91440	4125	8700
	=====	=====	=====	=====

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 2000 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 2000, fixed assets included properties occupied by employees at a cost of £1,139,490 (1999: £721,500), with associated loans of £474,500 (1999: £306,500) included in Creditors falling due after more than one year. The movement in the year reflects the purchase of properties.

20. ULTIMATE PARENT COMPANY

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