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**JERSEY GAS COMPANY LIMITED**

REPORT AND ACCOUNTS

31<sup>st</sup> DECEMBER 2002

**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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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>P FAIRCLOUGH, B.Sc., C.Eng., M.I. Gas E. 27 Les Cherfs, Cobo, Castel, Guernsey</p> <p>A SPRUCE, M.I. Gas E. Sans Pareil, Rue Sauvage, St Sampsons, Guernsey</p> <p>R St C STADDON, B.Sc. (Hons), M.I. Gas E. 1 Port de L'Ecluse, Mont Les Vaux, St Brelade, Jersey</p> <p>K J OLLIVIER 7 Parkinson Drive, St Lawrence, Jersey</p> <p>S CROSSMAN, M.I. Gas E. Ranworth, La Route Orange, St Brelade, Jersey</p> <p>M R RICHARDS, F.C.A. Spruce Cottage, Newbridge, Cadnam, Hants</p>
Secretary	K J OLLIVIER
Joint Auditors	<p>HLB AV AUDIT plc Charter Court Third Avenue Southampton</p> <p>GRANT THORNTON Manor Court Barnes Wallis Road Segensworth Fareham</p>
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 30<sup>th</sup> April 2003 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 29<sup>th</sup> April 2002.
4. Receive the Directors' Report and Accounts for the year to 31<sup>st</sup> December 2002.
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

8<sup>th</sup> April 2003

## JERSEY GAS COMPANY LIMITED

### REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31<sup>st</sup> December 2002.

#### 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 7.

#### Dividend

The profit for the year after taxation amounted to £1,098,001 (2001: £1,152,500). It is recommended that this be allocated as follows:-

	2002 £	2001 £
Preference Dividends	11844	11844
Ordinary Dividends	1085000	1140000
Transfer to Reserves	1157	656
	-----	-----
	1098001	1152500
	=====	=====

#### Directors

Messrs A Spruce and M R Richards 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)

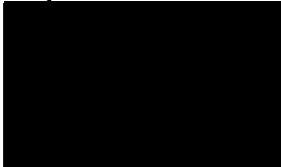
Directors Responsibilities (continued)

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.

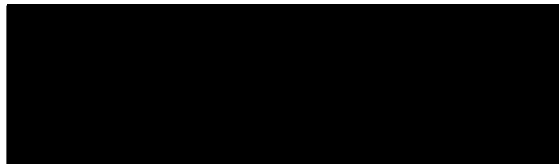
Auditors

The Directors appointed HLB AV Audit plc and Grant Thornton as joint auditors during the year. Both 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

8<sup>th</sup> April 2003

## INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF JERSEY GAS COMPANY LIMITED

We have audited the financial statements of Jersey Gas Company Limited for the year ended 31<sup>st</sup> December 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with the Jersey Gas Company (Jersey) Law 1989. 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.

### Respective Responsibilities of the Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Jersey Gas Company (Jersey) Law 1989. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

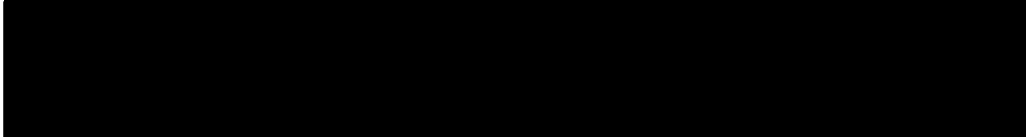
### Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 31<sup>st</sup> December 2002 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.



HLB AV Audit plc  
Registered Auditors  
Southampton

8<sup>th</sup> April 2003

GRANT THORNTON  
Registered Auditors  
Chartered Accountants  
Southampton

## JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2002

	Note	2002 £	2001 £
TURNOVER	1(iv)	7944318	8154159
Cost of Sales		5760584	5935542
GROSS PROFIT		2183734	2218617
Net Operating Expenses	2	819782	789065
OPERATING PROFIT		1363952	1429552
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1363952	1429552
Interest (net)	3	( 1941 )	( 3689 )
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1365893	1433241
Taxation	5	267892	280741
PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		1098001	1152500
Dividends	6	1096844	1151844
RETAINED PROFIT FOR THE YEAR		1157	656
		=====	=====

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

The notes on pages 11 to 23 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 31<sup>st</sup> DECEMBER 2002

	2002	2001
	£	£
Profit for the financial year	1098001	1152500
Unrealised surplus on revaluation of properties	1519827	-
	-----	-----
Total recognised gains for the year	2617828	1152500
	=====	=====

NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2002

There is no material 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 31<sup>st</sup> DECEMBER 2002

	2002	2001
	£	£
Profit for the financial year	1098001	1152500
Dividends	( 1096844 )	( 1151844 )
Other recognised gains relating to the year	1519827	-
	-----	-----
Net addition to shareholders' funds	1520984	656
	-----	-----
Opening shareholders' funds	12911404	12910748
	-----	-----
Closing shareholders' funds	14432388	12911404
	=====	=====

JERSEY GAS COMPANY LIMITED  
BALANCE SHEET AT 31<sup>ST</sup> DECEMBER 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible Assets	1(ii) & 7	15347847	13601869
<b>CURRENT ASSETS</b>			
Stock and Work in Progress	1(iii) & 8	483481	400362
Debtors	9	2771543	4213270
Cash at Bank and in Hand		990	790
		3256014	4614422
		=====	=====
<b>CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors	10	1754383	1669474
Bank Overdraft & Short Term Loans	11	9758	70226
States Income Tax		256697	153257
Proposed Dividends	6	96844	1145922
		2117682	3038879
		=====	=====
<b>NET CURRENT ASSETS</b>		1138332	1575543
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		16486179	15177412
<b>AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
States Income Tax		246253	256697
Creditors	12	813899	1023927
Provision for Liabilities & Charges	13	993639	985384
		2053791	2266008
		-----	-----
<b>NET ASSETS</b>		14432388	12911404
		=====	=====
<b>CAPITAL AND RESERVES</b>			
<b>Equity Shareholders Funds</b>			
Called up Share Capital	14	915000	915000
Share Premium Account	15	962	962
Revaluation Reserve	15	4641072	3121245
Capital Reserve	15	2850100	2850100
Profit & Loss Account	15	5666350	5665193
		14073484	12552500
		-----	-----
<b>Non Equity Shareholders Funds</b>			
Called Up Share Capital	14	358904	358904
		14432388	12911404
		=====	=====

JERSEY GAS COMPANY LIMITED  
BALANCE SHEET AT 31<sup>st</sup> DECEMBER 2002 (continued)

The accounts on pages 7 to 23 were approved by the Board on 8<sup>th</sup> April 2003 and were signed on its behalf by:-



Directors



The notes on pages 11 to 23 form part of these financial statements.

JERSEY GAS COMPANY LIMITED  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2002

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 or valuation of fixed assets on the straight line method over their estimated useful economic lives.

The principal rates in use are:- %

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

No depreciation is provided in respect of freehold land or domestic housing which have been let.

A full valuation of all freehold property is carried out every 5 years with an interim valuation in year 3 of each period. Interim valuations will be undertaken on specific properties in other years where the Directors believe it is likely that there may have been a material change in value. All valuations are undertaken by qualified external valuers.

(iii) 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.

(iv) Turnover

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

(v) Deferred Taxation

Financial Reporting Standard 19 (FRS 19) 'Deferred Tax' has been adopted for the first time in these accounts. This standard requires full provision, subject to certain exceptions, for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and for tax purposes. Previously, SSAP 15 required recognition of deferred tax assets and liabilities to the extent it was probable timing differences would reverse in the foreseeable future. This change in accounting policy has not affected the accounts.

(vi) 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.

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 1. ACCOUNTING POLICIES (continued)

## (vi) Pension Contributions (continued)

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.

## (vii) 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.

## (viii) 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. NET OPERATING EXPENSES

	2002 £	2001 £
Administration costs	1067567	1055536
Net Rental Income	( 247785 )	( 266471 )
	-----	-----
	819782	789065
	=====	=====

## 3. INTEREST

	2002 £	2001 £
Interest Payable		
Loans & overdrafts wholly repayable within 5 years	1710	1262
Bank	-	-
	-----	-----
	1710	1262
Less: Interest receivable	( 3651 )	( 4951 )
	-----	-----
	( 1941 )	( 3689 )
	=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

4. PROFIT ON ORDINARY ACTIVITIES  
BEFORE TAXATION

	2002	2001
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	688055	647877
Amortisation of grant income	( 41428 )	( 41428 )
(Profit)/Loss on disposal of other fixed assets	22973	( 1215 )
Operating Lease Rentals		
- Land & Buildings	97359	82381
- Plant & Machinery	-	9613
Auditors Remuneration	21150	20400
	=====	=====

## 5. TAXATION

## a) ANALYSIS OF CHARGE IN THE YEAR

	2002	2001
	£	Restated £
Current tax:		
States of Jersey Income Tax at 20% (2001: 20%) on the results for the year	246252	256697
(Over) Provision in previous year	-	( 306 )
	-----	-----
Total current tax (note 5b)	246252	256391
Deferred Taxation Movement	21640	24350
	-----	-----
Tax on profit on ordinary activities	267892	280741
	=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 5. TAXATION (continued)

## b) RECONCILIATION OF CURRENT TAX CHARGE

The standard rate of current tax for the year, based on the States of Jersey Income Tax is 20% (2001: 20%).

	2002 £	2001 £
Profit on ordinary activities before tax	1365893 =====	1433241 =====
Tax on profit on ordinary activities before tax	273177	286648
Capital profit	-	-
Disallowable expenses	-	-
Capital allowances in excess of depreciation	( 20324 )	( 18514 )
Tax losses utilised	-	-
Adjustment to previous periods	-	( 306 )
Other tax adjustments	( 6601 )	( 11437 )
	-----	-----
Current tax charge for the year	246252 =====	256391 =====
6. DIVIDENDS	2002 £	2001 £
Equity Shares:		
Ordinary Shares paid	1000000	-
Non-Equity Shares:		
5% Cumulative Preference Shares	-	38
3% Cumulative Preference Shares	-	1884
5% Cumulative A Preference Shares	-	4000
	-----	-----
	1000000	5922
	=====	=====
Equity Shares:		
Ordinary Shares proposed	85000	1140000
Non-Equity Shares:		
5% Cumulative Preference Shares	76	38
3% Cumulative Preference Shares	3768	1884
5% Cumulative A Preference Shares	8000	4000
	-----	-----
	96844	1145922
	-----	-----
	1096844	1151844
	=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 7. TANGIBLE FIXED ASSETS

	Investment Properties £	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation					
At 31 <sup>st</sup> December 2001	5345938	2453725	11919975	444528	20164166
Additions	-	-	904447	50528	954975
Disposals	-	-	(384292)	(26047)	(410339)
Reclassification	(5345938)	5345938	-	-	-
Revaluation adjustment	-	1474827	-	-	1474827
At 31 <sup>st</sup> December 2002	-	9274490	12440130	469009	22183629
Depreciation					
At 31 <sup>st</sup> December 2001	-	30000	6325815	206482	6562297
Accounts Charge	-	15000	584489	88566	688055
Disposals	-	-	(343523)	(26047)	(369570)
Revaluation adjustment	-	(45000)	-	-	(45000)
At 31 <sup>st</sup> December 2002	-	-	6566781	269001	6835782
Net Book Value					
31 <sup>st</sup> December 2002	-	9274490	5873349	200008	15347847
Net Book Value					
31 <sup>st</sup> December 2001	5345938	2423725	5594160	238046	13601869

An external interim valuation of the freehold properties was undertaken as at 31<sup>st</sup> December 2002 by Cushman & Wakefield Healey & Baker on the basis of existing use value, depreciated replacement cost and market value (where appropriate) in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuations on the basis of depreciated replacement cost are subject to the adequate potential profitability of the business compared with the value of the assets employed. The last full valuation of freehold properties, also undertaken by Cushman & Wakefield Healey & Baker was as at 31<sup>st</sup> December 1999.

Residential properties which the Company has undertaken to sell to the occupying employees at cost, subject to certain conditions, are included in freehold property at their cost of £1,139,490 (2001: £1,139,490). Loans of £474,500 (2001: £474,500) received from those employees towards the cost of the properties are included in creditors.



## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

8.	STOCKS	2002	2001
		£	£
	Work in Progress	37362	53423
	Other Stock	446119	346939
		-----	-----
		483481	400362
		=====	=====
9.	DEBTORS	2002	2001
		£	£
	Amounts falling due within one year:		
	Trade Debtors	1004330	1102632
	Amounts due from Group Companies	698207	2083207
	Other Debtors	155509	193358
	Prepayments and Accrued Income	112854	104509
		-----	-----
		1970900	3483706
	Amounts falling due after more than one year:		
	Trade Debtors	644826	508155
	Loans	155817	221409
		-----	-----
		800643	729564
		-----	-----
		2771543	4213270
		=====	=====
10.	CREDITORS	2002	2001
		£	£
	Amounts falling due within one year:		
	Trade Creditors	1100433	1212193
	Amounts due to Group Companies	-	-
	Other Creditors	96888	73171
	Other Loans	168000	-
	Accruals and Deferred Income	330449	324137
	Provision for Pensions	58613	59973
		-----	-----
		1754383	1669474
		=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 11. BANK OVERDRAFT AND LOANS

	2002	2001
	£	£
Repayable within one year:		
Bank - Overdraft	9758	70226
	=====	=====

## 12. CREDITORS

	2002	2001
	£	£
Amounts falling due after more than one year:		
Other Loans	316765	474500
Accruals and Deferred Income	497134	549427
	-----	-----
	813899	1023927
	=====	=====

## 13. PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Obligations	Deferred Taxation	Total
	£	£	£
At 1 <sup>st</sup> January 2002	326985	658399	985384
(Credited)/charged to profit and loss account	( 14745 )	21640	6895
Transfer from current liabilities	1360	-	1360
	-----	-----	-----
At 31 <sup>st</sup> December 2002	313600	680039	993639
	=====	=====	=====

Deferred taxation provided in the accounts is as follows:-

	2002	2001
	£	£
Accelerated Capital Allowances	754482	735791
Other Timing Differences	( 74443 )	( 77392 )
	-----	-----
	680039	658399
	=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

14. SHARE CAPITAL	2002	2001
	£	£
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 <sup>st</sup> December 2001	962	3121245	2850100	5665193
Retained Profit for Period	-	-	-	1157
Surplus on Revaluation	-	1519827	-	-
	-----	-----	-----	-----
At 31 <sup>st</sup> December 2002	962	4641072	2850100	5666350
	=====	=====	=====	=====

## 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 results of the most recent valuations were conducted as at 1st July 2000, and were as follows:

## Main Assumptions

Surplus of rate of return on investments over rate of salary increases (% per annum)	2.0
Market value of scheme assets (£'000)	3280
Level of funding:	
Market value of assets expressed as a percentage of the benefits accrued to members on current salaries (%)	171
Actuarial value of assets expressed as a percentage of benefits accrued after allowing for future assumed salary increases (%)	130

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 16. PENSION SCHEME (continued)

## FRS 17 disclosures

In November 2000, the Accounting Standards Board issued Financial Reporting Standard 17 'Retirement Benefits' which will replace the existing Statement of Standard Accounting Practice 24 'Accounting for Pension Costs' for periods ending after 22<sup>nd</sup> June 2003. Certain disclosures are required during a transitional period and are set out below.

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuations of the scheme detailed above and updated by the schemes actuaries to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31<sup>st</sup> December 2002. Scheme assets are stated at their market value (surrender value) at 31<sup>st</sup> December 2002.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

	2002	2001
Valuation method – projected unit		
Discount rate	5.5%	5.9%
Inflation rate assumption	3.5%	3.5%
Rate of increase in pensionable salaries	4.5%	4.5%
Rate of interest of pensions in payment	n/a	n/a

The assets and liabilities of the scheme together with the expected rates of return on the scheme assets are shown below:

	% rate of return		2002 £	2001 £
	2002	2001		
With profits insurance policies - conventional and unitised			2907000	3020000
			-----	-----
Total market value of assets			2907000	3020000
Present value of scheme liabilities			3045000	2750000
			-----	-----
(Deficit)/ surplus in scheme			( 138000 )	270000
Related deferred tax			28000	( 54000 )
			-----	-----
Net pension (liability)/asset			( 110000 )	216000
			=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 16. PENSION SCHEME (continued)

The assets of the scheme are invested in insurance policies where the FRS 17 investment analysis would not be appropriate.

Had FRS 17 been fully in place:	£
(a) Amounts which would have been charged to operating profit:	
Current service cost	167000
Past service cost	-
	-----
Total operating charge	167000
	=====
(b) Amounts which would be credited to other finance income:	£
Expected return on pension scheme assets	190000
Interest on pension scheme liabilities	( 152000 )
	-----
Net return	38000
	=====
(c) Amount which would be recognised in the statement of total recognised gains and losses (STRGL):	£
Actual return less expected return on pension scheme assets	( 102000 )
Experience gains and losses arising on the scheme liabilities	( 68000 )
Changes in assumptions underlying the present value of the scheme liabilities	( 214000 )
	-----
Actuarial deficit recognised in STRGL	( 384000 )
	=====
(d) Movement in the surplus during the year:	£
Surplus in scheme at 1 <sup>st</sup> January 2002	270000
Movement in the year:	
Current service cost	( 167000 )
Contributions	105000
Past service cost	-
Other finance income	38000
Actuarial surplus	( 384000 )
	-----
Deficit in scheme at 31 <sup>st</sup> December 2002	( 138000 )
	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

## 16. PENSION SCHEME (continued)

## (e) History of experience gains and losses

Difference between the expected and actual return on the scheme assets:

Amount	£ ( 102000 )
Percentage of scheme assets	3.5%

Experience gains and losses on scheme liabilities

Amount	£ ( 68000 )
Percentage of the present value of scheme liabilities	2.2%

Total amount recognised in statement of total recognised gains and losses:

Amount	£ ( 384000 )
Percentage of the present value of scheme liabilities	12.6%

NET ASSETS	2002	2001
	£	£
Net assets excluding pension asset/(liability)	14432388	12911404
Net pension asset/(liability)	( 110000 )	216000
	-----	-----
Net assets including pension asset/(liability)	14322388	13127404
	=====	=====
<b>RESERVES</b>		
Profit and loss reserve excluding pension asset/(liability)	5666350	5665193
Net pension asset/(liability)	( 110000 )	216000
	-----	-----
Profit and loss reserve including pension asset/(liability)	5556350	5881193
	=====	=====

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 £372,213 (2001 £386,958). The decrease in the provision of £14,745 (2001 decrease of £14,546) has been credited to the amounts paid to pensioners in 2002.

Pension costs comprise:	2002	2001
	£	£
Funded scheme	88516	82527
Unfunded scheme	43868	45427
	-----	-----
	132384	127954
	=====	=====

## JERSEY GAS COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

17. COMMITMENTS	2002	2001
	£	£
Capital Commitments:-		
Expenditure contracted		
but not provided for:	22533	-
	-----	-----
	22533	-
	=====	=====

## Lease Commitments:-

At 31<sup>st</sup> December 2002 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	-	-	-
In over five years	89870	89870	-	-
	-----	-----	-----	-----
	89870	89870	-	-
	=====	=====	=====	=====

## 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 31<sup>st</sup> December 2002 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 31<sup>st</sup> December 2002, fixed assets included properties occupied by employees at a cost of £1,139,490 (2001: £1,139,490), with associated loans of £474,500 (2001: £474,500) included in Creditors.

## 20. ULTIMATE PARENT COMPANY

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