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JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2003

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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, M.I. Gas E.
Sans Pareil, Rue Sauvage, St Sampsons, Guernsey

R St C STADDON, B.Sc. (Hons), M.I. Gas E.
1 Port de L'Ecluse, Mont Les Vaux,
St Brellade, Jersey

K J OLLIVIER
7 Parkinson Drive, St Lawrence, Jersey

S CROSSMAN, M.I. Gas E.
Ranworth, La Route Orange,
St Brellade, Jersey

M R RICHARDS, F.C.A.
Spruce Cottage, Newbridge, Cadnam, Hants

Secretary

K J OLLIVIER

Joint Auditors

HLB AV AUDIT plc
Charter Court
Third Avenue
Southampton

GRANT THORNTON
Manor Court
Barnes Wallis Road
Segensworth
Fareham

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 April 2004 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 30 April 2003.
- 4 Receive the Directors' Report and Accounts for the year to 31 December 2003.
- 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

30 March 2004

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31 December 2003.

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 £1,046,144 (2002: £1,098,001). It is recommended that this be allocated as follows:-

	2003 £	2002 £
Preference Dividends	11,844	11,844
Ordinary Dividends	1,100,000	1,085,000
Transfer (from) / to Reserves	(65,700)	1,157
	<hr/>	<hr/>
	1,046,144	1,098,001
	<hr/> <hr/>	<hr/> <hr/>

Directors

Messrs R St C Staddon and S Crossman 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)

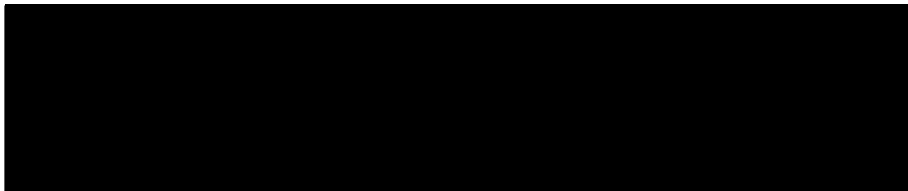
Directors Responsibilities (continued)

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

HLB AV Audit plc and Grant Thornton have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



Director

Director

30 March 2004

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 December 2003 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.

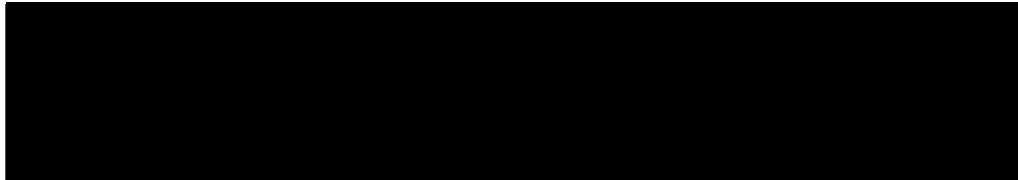
Basis of Audit Opinion

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 December 2003 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

GRANT THORNTON
Registered Auditors
Chartered Accountants
Fareham

30 March 2004

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
TURNOVER	1(iv)	8,689,499	7,944,318
Cost of Sales		6,627,388	5,760,584
GROSS PROFIT		2,062,111	2,183,734
Net Operating Expenses	2	755,046	819,782
OPERATING PROFIT		1,307,065	1,363,952
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,307,065	1,363,952
Interest (net)	3	(381)	(1,941)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,307,446	1,365,893
Taxation	5	261,302	267,892
PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		1,046,144	1,098,001
Dividends (net)	6	1,111,844	1,096,844
RETAINED (LOSS)/PROFIT FOR FINANCIAL YEAR		(65,700)	1,157

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

The notes on pages 11 to 24 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 DECEMBER 2003

	2003 £	2002 £
Profit for the financial year	1,046,144	1,098,001
Unrealised surplus on revaluation of properties	-	1,519,827
	<hr/>	<hr/>
Total recognised gains for the year	1,046,144	2,617,828
	<hr/> <hr/>	<hr/> <hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

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 DECEMBER 2003

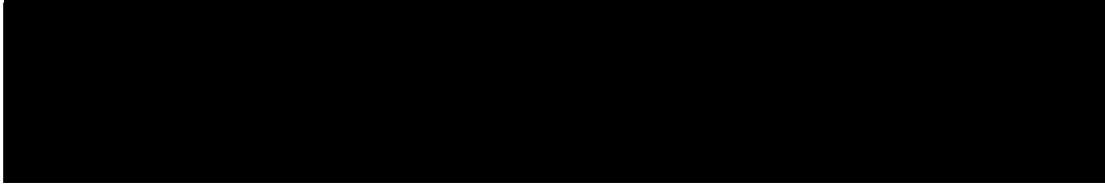
	2003 £	2002 £
Profit for the financial year	1,046,144	1,098,001
Dividends	(1,111,844)	(1,096,844)
Other net recognised gains relating to the year	-	1,519,827
	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	(65,700)	1,520,984
	<hr/>	<hr/>
Opening shareholders' funds	14,432,388	12,911,404
	<hr/>	<hr/>
Closing shareholders' funds	14,366,688	14,432,388
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED
BALANCE SHEET AT 31 DECEMBER 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible Assets	1(ii) & 7	15,402,330	15,347,847
CURRENT ASSETS			
Stock and Work in Progress	1(iii) & 8	575,110	483,481
Debtors	9	2,204,932	2,771,543
Cash at Bank and in Hand		8,751	990
		<u>2,788,793</u>	<u>3,256,014</u>
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	1,508,202	1,754,383
Bank Overdraft & Short Term Loans	11	-	9,758
States Income Tax		246,253	256,697
Proposed Dividends	6	11,844	96,844
		<u>1,766,299</u>	<u>2,117,682</u>
NET CURRENT ASSETS		<u>1,022,494</u>	<u>1,138,332</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		16,424,824	16,486,179
States Income Tax		237,743	246,253
Creditors	12	810,141	813,899
Provision for Liabilities & Charges	13	1,010,252	993,639
		<u>2,058,136</u>	<u>2,053,791</u>
NET ASSETS		<u>14,366,688</u>	<u>14,432,388</u>
CAPITAL AND RESERVES			
Equity Shareholders' Funds			
Called up Share Capital	14	915,000	915,000
Share Premium Account	15	962	962
Revaluation Reserve	15	4,641,072	4,641,072
Capital Reserve	15	2,850,100	2,850,100
Profit & Loss Account	15	5,600,650	5,666,350
		<u>14,007,784</u>	<u>14,073,484</u>
Non Equity Shareholders' Funds			
Called Up Share Capital	14	358,904	358,904
		<u>14,366,688</u>	<u>14,432,388</u>

JERSEY GAS COMPANY LIMITED
BALANCE SHEET AT 31 DECEMBER 2003 (continued)

The accounts on pages 7 to 24 were approved by the Board on 30 March 2004 and were signed on its behalf by:-



Directors

The notes on pages 11 to 24 form part of these financial statements.

JERSEY GAS COMPANY LIMITED
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 ACCOUNTING POLICIES

The significant policies adopted in the preparation of the accounts are as follows:

1(i) Basis of Presentation

The accounts have been prepared on a consistent basis with previous years, using the historical cost convention modified for revaluations of land and buildings, and comply with applicable accounting standards.

1(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.

1(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.

1(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.

1(v) Deferred Taxation

Deferred tax is provided in full, 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. Deferred tax assets and liabilities are not discounted.

1(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)

1(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.

1(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.

1(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 economic life. Other grants are credited to profit and loss account when received to match against related expenditure.

2 NET OPERATING EXPENSES

	2003 £	2002 £
Administration costs	1,058,591	1,067,567
Net Rental Income	(303,545)	(247,785)
	<hr/>	<hr/>
	755,046	819,782
	<hr/> <hr/>	<hr/> <hr/>

3 INTEREST

	2003 £	2002 £
Interest Payable and similar charges:		
Bank loans and overdrafts	-	-
Other	1,529	1,710
	<hr/>	<hr/>
	1,529	1,710
Less: Interest receivable	(1,910)	(3,651)
	<hr/>	<hr/>
	(381)	(1,941)
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003	2002
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	739,329	688,055
Amortisation of grant income	(41,428)	(41,428)
(Profit) on disposal of Properties	(10)	-
(Profit)/Loss on disposal of other fixed assets	(900)	22,973
Operating Lease Rentals		
- Land & Buildings	116,116	97,359
- Plant & Machinery	-	-
Auditors Remuneration	24,800	21,150
	<u> </u>	<u> </u>

5 TAXATION

a) ANALYSIS OF CHARGE IN THE YEAR

	2003	2002
	£	£
Current tax:		
States of Jersey Income Tax at 20% (2002: 20%) on the results for the year	237,743	246,252
(Over) Provision in previous year	-	-
	<u> </u>	<u> </u>
Total current tax (note 5b)	237,743	246,252
Deferred Taxation Movement	23,559	21,640
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u> </u>	<u> </u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

5 TAXATION (continued)

b) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of income tax in Jersey of 20% (2002: 20%)

The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	1,307,446	1,365,893
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2002: 20%)	261,489	273,177
Effects of:		
Capital profits not subject to taxation	-	-
Disallowable expenses	-	-
Capital allowances in excess of depreciation	(11,966)	(20,324)
Utilisation of tax losses	-	-
Adjustment to previous periods	-	-
Other tax adjustments	(11,780)	(6,601)
Current tax charge for the year (note 5a)	237,743	246,252

6 DIVIDENDS

	2003 £	2002 £
Equity Shares:		
Ordinary Shares paid	1,100,000	1,000,000
Non-Equity Shares:		
5% Cumulative Preference Shares	-	-
3% Cumulative Preference Shares	-	-
5% Cumulative A Preference Shares	-	-
	1,100,000	1,000,000
Equity Shares:		
Ordinary Shares proposed	-	85,000
Non-Equity Shares:		
5% Cumulative Preference Shares	76	76
3% Cumulative Preference Shares	3,768	3,768
5% Cumulative A Preference Shares	8,000	8,000
	11,844	96,844
	1,111,844	1,096,844

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

7 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 31 December 2002	9,274,490	12,440,130	469,009	22,183,629
Additions	386,931	770,362	54,509	1,211,802
Disposals	(417,990)	(16,376)	(21,547)	(455,913)
At 31 December 2003	9,243,431	13,194,116	501,971	22,939,518
Depreciation				
At 31 December 2002	-	6,566,781	269,001	6,835,782
Accounts Charge	40,500	604,512	94,317	739,329
Disposals	-	(16,376)	(21,547)	(37,923)
At 31 December 2003	40,500	7,154,917	341,771	7,537,188
Net Book Value				
31 December 2003	9,202,931	6,039,199	160,200	15,402,330
Net Book Value				
31 December 2002	9,274,490	5,873,349	200,008	15,347,847

The freehold properties were last valued externally by Cushman & Wakefield Healey & Baker as at 31 December 2002 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 total assets employed.

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 £1,011,500 (2002: £1,139,490). Loans of £346,500 (2002: £474,500) received from those employees towards the cost of the properties are included in creditors.

The net book value of freehold land and buildings on a historic cost basis is £4,602,359 (2002: £4,648,418).

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

8	STOCKS	2003 £	2002 £
	Stocks	493,994	446,119
	Work in Progress	81,116	37,362
		<u>575,110</u>	<u>483,481</u>
		<u><u>575,110</u></u>	<u><u>483,481</u></u>
9	DEBTORS	2003 £	2002 £
	Amounts falling due within one year:		
	Trade Debtors	1,021,511	1,004,330
	Amounts due from Group Companies	98,207	698,207
	Other Debtors	289,853	155,509
	Prepayments and Accrued Income	44,771	112,854
		<u>1,454,342</u>	<u>1,970,900</u>
	Amounts falling due after more than one year:		
	Trade Debtors	588,025	644,826
	Loans	162,565	155,817
		<u>750,590</u>	<u>800,643</u>
		<u><u>2,204,932</u></u>	<u><u>2,771,543</u></u>
10	CREDITORS	2003 £	2002 £
	Amounts falling due within one year:		
	Trade Creditors	1,034,853	1,100,433
	Amounts due to Group Companies	-	-
	Other Creditors	72,074	96,888
	Other Loans	-	168,000
	Accruals and Deferred Income	353,191	330,449
	Provision for Pensions	48,084	58,613
		<u>1,508,202</u>	<u>1,754,383</u>
		<u><u>1,508,202</u></u>	<u><u>1,754,383</u></u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

11	BANK OVERDRAFT AND LOANS	2003	2002
		£	£
	Repayable within one year:		
	Bank - Overdraft	-	9,758

12	CREDITORS	2003	2002
		£	£
	Amounts falling due after more than one year:		
	Other Loans	354,435	316,765
	Accruals and Deferred Income	455,706	497,134
		810,141	813,899

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Pension Obligations £	Deferred Taxation £	Total £
At 1 January 2003	313,600	680,039	993,639
(Credited)/charged to profit and loss account	(6,946)	23,559	16,613
At 31 December 2003	306,654	703,598	1,010,252

Deferred taxation provided in the accounts is as follows:-

	2003	2002
	£	£
Accelerated Capital Allowances	774,545	754,482
Other Timing Differences	(70,947)	(74,443)
	703,598	680,039

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14 SHARE CAPITAL	2003 £	2002 £
Authorised:		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Non Equity Shares:		
5% Cumulative Preference Shares of £1 each	3,000	3,000
3% Cumulative Preference Shares of £1 each	157,000	157,000
5% Cumulative 'A' Preference Shares of £1 each	200,000	200,000
	<hr/>	<hr/>
	1,275,000	1,275,000
	<hr/> <hr/>	<hr/> <hr/>
Allotted, Called Up and Fully Paid:		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Non Equity Shares:		
5% Cumulative Preference Shares of £1 each	1,904	1,904
3% Cumulative Preference Shares of £1 each	157,000	157,000
5% Cumulative 'A' Preference Shares of £1 each	200,000	200,000
	<hr/>	<hr/>
	358,904	358,904
	<hr/>	<hr/>
	1,273,904	1,273,904
	<hr/> <hr/>	<hr/> <hr/>

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 December 2002	962	4,641,072	2,850,100	5,666,350
Retained Loss for Period	-	-	-	(65,700)
	-----	-----	-----	-----
At 31 December 2003	962	4,641,072	2,850,100	5,600,650
	=====	=====	=====	=====

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 rates are determined with the advice of independent qualified actuaries on the basis of triennial valuations using both the current and projected unit method over a twenty year control period, being the expected average remaining service lives of employees. The results of the most recent valuations were conducted as at 1 July 2003, and were as follows:

Main Actuarial Assumptions

Surplus of rate of return on investments over rate of salary increases (% per annum)	2.0
Market value of scheme assets (£'000)	2,675
Level of funding:	
Actuarial value of assets expressed as a percentage of benefits accrued after allowing for future assumed salary increases (%)	106

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

Any surpluses or deficiencies calculated on the projected unit method will be eliminated by current contributions over the control period.

The triennial valuation of the scheme on 1 July 2003 had a surplus on both a current and future funding level of 6%.

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'. 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 December 2003. Scheme assets are stated at their market value (surrender value) at 31 December 2003.

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

	2003	2002
Valuation method - projected unit		
Discount rate	5.4%	5.5%
Inflation rate assumption	3.5%	3.5%
Rate of increase in pensionable salaries	4.5%	4.5%
Rate of increase of pensions in payment	n/a	n/a

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

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

	2003 % rate of return	2002	2003 £	2002 £
With profits insurance policies - conventional and unitised	6.5	6.5	3,588,000	2,907,000
Total market value of assets			3,588,000	2,907,000
Present value of scheme liabilities			3,470,000	3,045,000
Surplus/(Deficit) in scheme			118,000	(138,000)
Related deferred tax			(24,000)	28,000
Net pension asset/(liability)			94,000	(110,000)

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:

	2003 £	2002 £
(a) Amounts which would have been charged to operating profit:		
Current service cost	171,000	167,000
Past service cost	-	-
Total operating charge	171,000	167,000
(b) Amounts which would be credited to other finance income:		
Expected return on pension scheme assets	187,000	190,000
Interest on pension scheme liabilities	(167,000)	(152,000)
Net return	20,000	38,000

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

	2003 £	2002 £
(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	555,000	(102,000)
Experience gains and losses arising on the scheme liabilities	(117,000)	(68,000)
Changes in assumptions underlying the present value of the scheme liabilities	(169,000)	(214,000)
	<hr/>	<hr/>
Actuarial surplus/(deficit) recognised in STRGL	269,000	(384,000)
	<hr/> <hr/>	<hr/> <hr/>
(d) Movement in the (Deficit)/surplus during the year:	2003 £	2002 £
(Deficit)/Surplus in scheme at 1 January	(138,000)	270,000
Movement in the year:		
Current service cost	(171,000)	(167,000)
Contributions	138,000	105,000
Past service cost	-	-
Other financial income	20,000	38,000
Actuarial surplus/(deficit)	269,000	(384,000)
	<hr/>	<hr/>
Surplus/(Deficit) in scheme at 31 December	118,000	(138,000)
	<hr/> <hr/>	<hr/> <hr/>
(e) History of experience gains and losses	2003	2002
Difference between the expected and actual return on the scheme assets:		
Amount	£555,000	(£102,000)
Percentage of scheme assets	15.0%	(3.5%)
Experience gains and losses on scheme liabilities		
Amount	(£117,000)	(£68,000)
Percentage of the present value of scheme liabilities	(3.0%)	(2.2%)
Total amount recognised in STRGL:		
Amount	£269,000	(£384,000)
Percentage of the present value of scheme liabilities	8.0%	(12.6%)

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

NET ASSETS	2003 £	2002 £
Net assets excluding pension asset/(liability)	14,366,688	14,432,388
Net pension asset/(liability)	94,000	(110,000)
	<hr/>	<hr/>
Net assets	14,460,688	14,322,388
	<hr/> <hr/>	<hr/> <hr/>
RESERVES	2003 £	2002 £
Profit and loss reserve excluding pension asset/(liability)	5,600,650	5,666,350
Net pension asset/(liability)	94,000	(110,000)
	<hr/>	<hr/>
Profit and loss reserve	5,694,650	5,556,350
	<hr/> <hr/>	<hr/> <hr/>

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 £354,738 (2002: £372,213). The decrease in the provision of £17,475 (2002: £14,745) has been credited to the amounts paid to pensioners in 2003.

Pension costs comprise:	2003 £	2002 £
Funded scheme	120,516	88,516
Unfunded scheme	36,317	43,868
	<hr/>	<hr/>
	156,833	132,384
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

17	COMMITMENTS	2003	2002
		£	£
	Capital Commitments:-		
	Expenditure contracted but not provided for	-	22,533
		<u> </u>	<u> </u>

Lease Commitments:-

At 31 December 2003 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	-	-	-
In over five years	129,238	89,870	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>129,238</u>	<u>89,870</u>	<u> </u>	<u> </u>

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 December 2003 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 December 2003, fixed assets included properties occupied by employees at a cost of £1,011,500 (2002: £1,139,490), with associated loans of £346,500 (2002: £474,500) included in Creditors.

20 ULTIMATE PARENT COMPANY

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