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JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 2004

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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. (retired 15/07/04)
27 Les Cherfs, Cobo, Castel, Guernsey

D C MORGAN, F.C.A. (appointed 15/07/04)
Hafan Hedd, Rocques Barrees, Bordeaux, Vale, Guernsey

A SPRUCE, M.I. Gas E.
Sans Pareil, Le Picquerel, Vale, Guernsey

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

K J OLLIVIER
7 Parkinson Drive, St Lawrence, Jersey

S CROSSMAN, M.I. Gas E.
Ranworth, La Route Orange, St Brelade, 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 UK LLP
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 29 April 2005 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 2004.
- 4 Receive the Directors' Report and Accounts for the year to 31 December 2004.
- 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 2005

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 31 December 2004.

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 £1,252,502 (2003: £1,046,144). It is recommended that this be allocated as follows:-

	2004	2003
	£	£
Preference Dividends	11,844	11,844
Ordinary Dividends	1,240,000	1,100,000
Transfer (from) / to Reserves	658	(65,700)
	<hr/>	<hr/>
	1,252,502	1,046,144
	<hr/> <hr/>	<hr/> <hr/>

Directors

Mr P Fairclough retired on 15th July 2004 and Mrs DC Morgan was appointed on the same day. Messrs K J Ollivier 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)

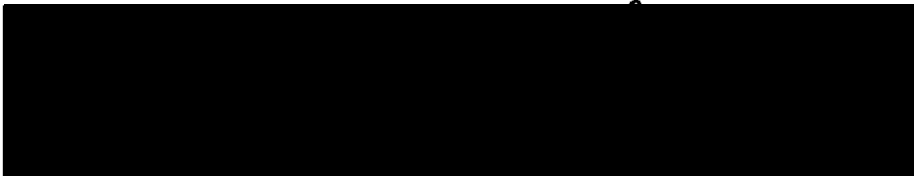
Directors' Responsibilities (continued)

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

HLB AV Audit plc and Grant Thornton UK LLP 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 2005

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 2004 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.

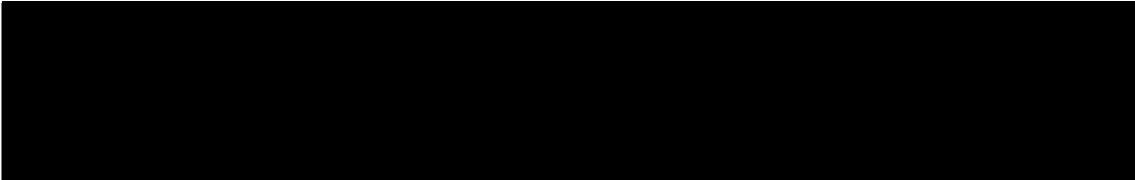
Basis of Audit Opinion

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 2004 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 UK LLP
Registered Auditors
Chartered Accountants
Fareham

30 March 2005

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	Note	2004 £	2003 £
TURNOVER	1(iv)	9,247,240	8,689,499
Cost of Sales		6,834,894	6,627,388
GROSS PROFIT		2,412,346	2,062,111
Net Operating Expenses	2	846,375	755,046
OPERATING PROFIT		1,565,971	1,307,065
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		1,565,971	1,307,065
Interest (net)	3	232	(381)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	1,565,739	1,307,446
Taxation	5	313,237	261,302
PROFIT ATTRIBUTABLE TO MEMBERS OF THE COMPANY		1,252,502	1,046,144
Dividends (net)	6	1,251,844	1,111,844
RETAINED PROFIT/(LOSS) FOR FINANCIAL YEAR		658	(65,700)

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 2004

	2004 £	2003 £
Profit for the financial year	1,252,502	1,046,144
Unrealised surplus on revaluation of properties	451,842	-
	<hr/>	<hr/>
Total recognised gains for the year	1,704,344	1,046,144
	<hr/> <hr/>	<hr/> <hr/>

NOTE OF HISTORICAL COST PROFITS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2004

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 2004

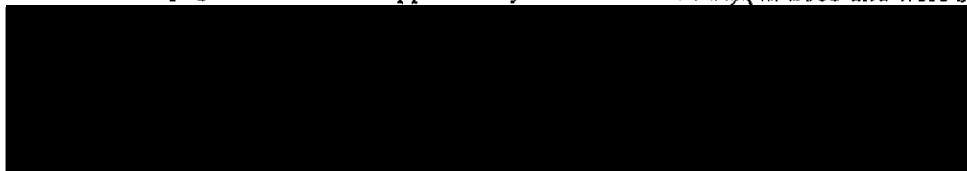
	2004 £	2003 £
Profit for the financial year	1,252,502	1,046,144
Dividends	(1,251,844)	(1,111,844)
Other net recognised gains relating to the year	451,842	-
	<hr/>	<hr/>
Net addition/(reduction) to shareholders' funds	452,500	(65,700)
	<hr/>	<hr/>
Opening shareholders' funds	14,366,688	14,432,388
	<hr/>	<hr/>
Closing shareholders' funds	14,819,188	14,366,688
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED
BALANCE SHEET AT 31 DECEMBER 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible Assets	1(ii) & 7	16,422,891	15,402,330
CURRENT ASSETS			
Stock and Work in Progress	1(iii) & 8	658,711	575,110
Debtors	9	2,107,572	2,204,932
Cash at Bank and in Hand		990	8,751
		<u>2,767,273</u>	<u>2,788,793</u>
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	2,122,615	1,508,202
Bank Overdraft & Short Term Loans	11	32,331	-
States Income Tax		237,733	246,253
Proposed Dividends	6	11,844	11,844
		<u>2,404,523</u>	<u>1,766,299</u>
NET CURRENT ASSETS		<u>362,750</u>	<u>1,022,494</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		<u>16,785,641</u>	<u>16,424,824</u>
States Income Tax	5	247,340	237,743
Creditors	12	660,333	810,141
Provision for Liabilities & Charges	13	1,058,780	1,010,252
		<u>1,966,453</u>	<u>2,058,136</u>
NET ASSETS		<u>14,819,188</u>	<u>14,366,688</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	5,092,914	4,641,072
Capital Reserve	15	2,850,100	2,850,100
Profit & Loss Account	15	5,601,308	5,600,650
		<u>14,460,284</u>	<u>14,007,784</u>
Non Equity Shareholders' Funds			
Called Up Share Capital	14	358,904	358,904
		<u>14,819,188</u>	<u>14,366,688</u>

JERSEY GAS COMPANY LIMITED
BALANCE SHEET AT 31 DECEMBER 2004 (continued)

The accounts on pages 7 to 24 were approved by the Board on 30 March 2005 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 2004

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	2.0
Plant & Machinery	2.5 - 20.0
Vehicles	20.0 - 25.0

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

The estimated useful economic life of mains has been reviewed based on actual experience and rates prevailing in the industry. As a result of this review it has been decided that an estimated 40 year life more accurately reflects the life expectancy of mains. The impact of the change in this estimate is to increase profits by £208,471 and increase deferred tax charge by £41,694 in the period.

A full valuation of all freehold property is carried out every five years with an interim valuation in year three 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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (continued)

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.

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

	2004	2003
	£	£
Administration costs	1,128,535	1,058,591
Net Rental Income	(282,160)	(303,545)
	<hr/>	<hr/>
	846,375	755,046
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

3	INTEREST	2004 £	2003 £
	Interest Payable and similar charges:		
	Bank loans and overdrafts	-	-
	Other	1,759	1,529
		<hr/>	<hr/>
		1,759	1,529
	Less: Interest receivable	(1,527)	(1,910)
		<hr/>	<hr/>
		232	(381)
		<hr/> <hr/>	<hr/> <hr/>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 £	2003 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation	520,404	739,329
	Amortisation of grant income	(41,428)	(41,428)
	(Profit) on disposal of Properties	-	(10)
	(Profit) on disposal of other fixed assets	(205)	(900)
	Operating Lease Rentals		
	- Land & Buildings	129,242	116,116
	- Plant & Machinery	-	-
	Auditors Remuneration	25,575	24,800
		<hr/> <hr/>	<hr/> <hr/>
5	TAXATION		
	a) ANALYSIS OF CHARGE IN THE YEAR	2004 £	2003 £
	Current tax:		
	States of Jersey Income Tax at 20% (2003: 20%) on the results for the year	247,340	237,743
	(Over) Provision in previous year	-	-
		<hr/>	<hr/>
	Total current tax (note 5b)	247,340	237,743
	Deferred Taxation Movement	65,897	23,559
		<hr/>	<hr/>
	Tax on profit on ordinary activities	313,237	261,302
		<hr/> <hr/>	<hr/> <hr/>

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% (2003: 20%)
The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	1,565,739	1,307,446
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2003: 20%)	313,148	261,489
Effects of:		
Capital profits not subject to taxation	-	-
Disallowable expenses	-	-
Capital allowances in excess of depreciation	(55,276)	(11,966)
Utilisation of tax losses	-	-
Adjustment to previous periods	-	-
Other tax adjustments	(10,532)	(11,780)
Current tax charge for the year (note 5a)	247,340	237,743

6 DIVIDENDS

	2004 £	2003 £
Equity Shares:		
Ordinary Shares paid	1,240,000	1,100,000
Non-Equity Shares:		
5% Cumulative Preference Shares	-	-
3% Cumulative Preference Shares	-	-
5% Cumulative A Preference Shares	-	-
	1,240,000	1,100,000
Equity Shares:		
Ordinary Shares proposed	-	-
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	11,844
	1,251,844	1,111,844

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 2003	9,243,431	13,194,116	501,971	22,939,518
Additions	303,369	724,214	61,540	1,089,123
Disposals	-	(28,890)	(5,542)	(34,432)
Revaluation adjustment	369,572	-	-	369,572
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	9,916,372	13,889,440	557,969	24,363,781
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 31 December 2003	40,500	7,154,917	341,771	7,537,188
Accounts Charge	41,770	398,429	80,205	520,404
Disposals	-	(28,890)	(5,542)	(34,432)
Revaluation adjustment	(82,270)	-	-	(82,270)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	7,524,456	416,434	7,940,890
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
31 December 2004	9,916,372	6,364,984	141,535	16,422,891
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
31 December 2003	9,202,931	6,039,199	160,200	15,402,330
	<hr/>	<hr/>	<hr/>	<hr/>

The freehold and leasehold properties were last valued externally by Cushman & Wakefield Healey & Baker as at 31 December 2004 on the basis of existing use value, depreciated replacement cost and market value (where appropriate) in accordance with the RCIS Appraisal and Valuation standards. 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, as determined by the directors.

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 (2003:£1,011,500). Loans of £346,500 (2003: £346,500) 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	2004 £	2003 £
	Stocks	629,837	493,994
	Work in Progress	28,874	81,116
		<hr/>	<hr/>
		658,711	575,110
		<hr/> <hr/>	<hr/> <hr/>
9	DEBTORS	2004 £	2003 £
	Amounts falling due within one year:		
	Trade Debtors	1,225,706	1,021,511
	Amounts due from Group Companies	-	98,207
	Other Debtors	194,271	289,853
	Prepayments and Accrued Income	9,536	44,771
		<hr/>	<hr/>
		1,429,513	1,454,342
	Amounts falling due after more than one year:		
	Trade Debtors	551,360	588,025
	Loans	126,699	162,565
		<hr/>	<hr/>
		678,059	750,590
		<hr/>	<hr/>
		2,107,572	2,204,932
		<hr/> <hr/>	<hr/> <hr/>
10	CREDITORS	2004 £	2003 £
	Amounts falling due within one year:		
	Trade Creditors	1,399,204	1,034,853
	Amounts due to Group Companies	183,793	-
	Other Creditors	79,057	72,074
	Other Loans	106,500	-
	Accruals and Deferred Income	299,836	353,191
	Provision for Pensions	54,225	48,084
		<hr/>	<hr/>
		2,122,615	1,508,202
		<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

11	BANK OVERDRAFT AND LOANS	2004 £	2003 £
	Repayable within one year:		
	Bank - Overdraft	32,331	-
		<u>32,331</u>	<u>-</u>
12	CREDITORS	2004 £	2003 £
	Amounts falling due after more than one year:		
	Other Loans	246,055	354,435
	Accruals and Deferred Income	414,278	455,706
		<u>660,333</u>	<u>810,141</u>
13	PROVISIONS FOR LIABILITIES AND CHARGES		
		Pension Obligations £	Deferred Taxation £
		Total £	
	At 1 January 2004	306,654	703,598
	(Credited)/charged to profit and loss account	(17,369)	65,897
		<u>289,285</u>	<u>769,495</u>
	At 31 December 2004	289,285	769,495
		<u>289,285</u>	<u>769,495</u>
	Deferred taxation provided in the accounts is as follows:-		
		2004 £	2003 £
	Accelerated Capital Allowances	839,197	774,545
	Other Timing Differences	(69,702)	(70,947)
		<u>769,495</u>	<u>703,598</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14 SHARE CAPITAL	2004 £	2003 £
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
	<u>1,275,000</u>	<u>1,275,000</u>
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
	<u>358,904</u>	<u>358,904</u>
	<u>1,273,904</u>	<u>1,273,904</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 December 2003	962	4,641,072	2,850,100	5,600,650
Retained Profit for Period	-	-	-	658
Revaluation surplus	-	451,842	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	962	5,092,914	2,850,100	5,601,308
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 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 2004. Scheme assets are stated at their market value (surrender value) at 31 December 2004.

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

	2004	2003	2002
Valuation method - projected unit			
Discount rate	5.2%	5.4%	5.5%
Inflation rate assumption	4.0%	3.5%	3.5%
Rate of increase in pensionable salaries	5.0%	4.5%	4.5%
Rate of increase of pensions in payment	n/a	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:

	2004	2003	2002	2004	2003	2002
	% rate of return			£	£	£
With profits insurance policies - conventional and unitised	6.0	6.5	6.5	3,844,000	3,588,000	2,907,000
Total market value of assets				3,844,000	3,588,000	2,907,000
Present value of scheme liabilities				4,324,000	3,470,000	3,045,000
(Deficit)/Surplus in scheme				(480,000)	118,000	(138,000)
Related deferred tax				96,000	(24,000)	28,000
Net pension(liability)/asset				(384,000)	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:

	2004	2003
	£	£
(a) Amounts which would have been charged to operating profit:		
Current service cost	182,000	171,000
Past service cost	-	-
Total operating charge	182,000	171,000
(b) Amounts which would be credited to other finance income:		
Expected return on pension scheme assets	235,000	187,000
Interest on pension scheme liabilities	(188,000)	(167,000)
Net return	47,000	20,000

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

	2004	2003	
	£	£	
(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	(26,000)	555,000	
Experience gains and losses arising on the scheme liabilities	(12,000)	(117,000)	
Changes in assumptions underlying the present value of the scheme liabilities	(561,000)	(169,000)	
	<hr/>	<hr/>	
Actuarial (deficit)/surplus recognised in STRGL	(599,000)	269,000	
	<hr/> <hr/>	<hr/> <hr/>	
(d) Movement in the (Deficit)/surplus during the year:	2004	2003	
	£	£	
Surplus/(Deficit) in scheme at 1 January	118,000	(138,000)	
Movement in the year:			
Current service cost	(182,000)	(171,000)	
Contributions	136,000	138,000	
Past service cost	-	-	
Other financial income	47,000	20,000	
Actuarial (deficit)/surplus	(599,000)	269,000	
	<hr/>	<hr/>	
(Deficit)/Surplus in scheme at 31 December	(480,000)	118,000	
	<hr/> <hr/>	<hr/> <hr/>	
(e) History of experience gains and losses	2004	2003	2002
Difference between the expected and actual return on the scheme assets:			
Amount	(£26,000)	£555,000	(£102,000)
Percentage of scheme assets	-1.0%	15.0%	(3.5%)
Experience gains and losses on scheme liabilities			
Amount	(£12,000)	(£117,000)	(£68,000)
Percentage of the present value of scheme liabilities	-1.00	(3.0%)	(2.2%)
Total amount recognised in STRGL:			
Amount	(£599,000)	£269,000	(£384,000)
Percentage of the present value of scheme liabilities	-14.0%	8.0%	(12.6%)

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 PENSION SCHEME (continued)

NET ASSETS	2004 £	2003 £
Net assets excluding pension (liability)/asset	14,819,188	14,366,688
Net pension (liability)/asset	(384,000)	94,000
	<hr/>	<hr/>
Net assets	14,435,188	14,460,688
	<hr/> <hr/>	<hr/> <hr/>
RESERVES	2004 £	2003 £
Profit and loss reserve excluding pension (liability)/asset	5,601,308	5,600,650
Net pension (liability)/asset	(384,000)	94,000
	<hr/>	<hr/>
Profit and loss reserve	5,217,308	5,694,650
	<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 £343,510 (2003:£354,738). The decrease in the provision of £11,228 (2003: £17,475) has been credited to the amounts paid to pensioners in 2004.

Pension costs comprise:	2004 £	2003 £
Funded scheme	143,514	120,516
Unfunded scheme	42,997	36,317
	<hr/>	<hr/>
	186,511	156,833
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

17 COMMITMENTS

	2004	2003
	£	£
Capital Commitments:-		
Expenditure contracted but not provided for	657,804	-

Lease Commitments:-

At 31 December 2004 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
Within two to five years	-	-	-	-
In over five years	129,238	129,238	-	-
	<u>129,238</u>	<u>129,238</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 2004 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 2004, fixed assets included properties occupied by employees at a cost of £1,011,500 (2003: £1,011,500), with associated loans of £346,500 (2003: £346,500) included in Creditors.

20 ULTIMATE PARENT COMPANY

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