

1017/3(65)



**JERSEY GAS COMPANY LIMITED**

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2009

**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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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	MRS D C MORGAN, F.C.A. Seaview, Ruelle St Clair, St Sampsons, Guernsey
	P M GARLICK, B. Eng., C. Eng., M.I.Gas E., M.I. Chem E. 4 Montague Park, Grande Rue, Vale, Guernsey
	S CROSSMAN, B.Sc. (Hons) C.Eng, MIGEM Ranworth, La Route Orange, St Brelade, Jersey
	N E SHAW, B.Sc. (Hons) C.Eng, MIGEM The Rosary, Four Ashes, Walsham le Willows, Bury St Edmunds, Suffolk
	K J OLLIVIER 7 Parkinson Drive, St Lawrence, Jersey
Secretary	K J OLLIVIER
Auditors	Deloitte LLP PO Box 403, Lord Coutanche House 66-68 Esplanade 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 17 December 2009 at 10.00 a.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 5 December 2008.
- 4 Receive the Directors' Report and Accounts for the year ended 30 June 2009.
- 5 Declare a Dividend.
- 6 Election of Directors.
- 7 To receive the 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

17 November 2009

**JERSEY GAS COMPANY LIMITED**

**REPORT OF THE DIRECTORS**

The Directors submit their report and the audited accounts for the year ended 30 June 2009.

Activities

The principal activity of the Company is gas production, distribution and related activities.

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Results

The results of the year are shown in the profit and loss account on page 5.

Dividend

The profit for the year after taxation amounted to £1,917,781 (2008: £1,755,252). It is recommended that this be allocated as follows:-

	2009 £	2008 £
Ordinary dividends	-	1,200,000
Transfer to reserves	1,917,781	555,252
	<hr/>	<hr/>
	1,917,781	1,755,252
	<hr/>	<hr/>

Directors

P M Garlick and K J Ollivier retire in accordance with By-Law 66 and, being eligible, offer themselves for re-election.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with 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

On 1 December 2008 Deloitte & Touche LLP changed their name to Deloitte LLP. Accordingly, Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

[Redacted Signature]

[Redacted Signature]

Director

17 November 2009

## 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 30 June 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 37 of 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 auditors' 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 Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### Basis of Audit Opinion

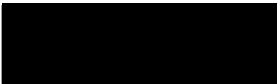

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2009 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Jersey Gas Company (Jersey) Law 1989.

  
Deloitte LLP  
Chartered Accountants  
St Helier  
Jersey  


**JERSEY GAS COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 £	2008 £
<b>TURNOVER</b>	1(iv)	11,902,647	12,130,932
Cost of sales		(8,449,067)	(9,481,381)
<b>GROSS PROFIT</b>		3,453,580	2,649,551
Net operating expenses	2	(1,031,672)	(1,046,782)
<b>OPERATING PROFIT</b>		2,421,908	1,602,769
Interest payable and similar charges	3	(17,249)	(16,143)
Interest receivable	3	2,060	2,289
Other finance income	15	28,000	11,000
Profit on disposal of property		-	151,055
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	2,434,719	1,750,970
Tax on profit on ordinary activities	5	(516,938)	4,282
<b>PROFIT FOR THE FINANCIAL YEAR</b>		1,917,781	1,755,252

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

A reconciliation of movements in shareholders' funds is set out in note 14 to the financial statements.

A statement of movements on reserves is given in note 13.

The notes on pages 8 to 19 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 £	2008 £
Profit for the financial year		1,917,781	1,755,252
Actuarial (loss) / gain (net)	15	(835,000)	473,000
Surplus on revaluation of property	7	-	2,014,374
Total recognised gains for the year		<u>1,082,781</u>	<u>4,242,626</u>

A reconciliation of movements in shareholders' funds is set out in note 14 to the financial statements.

A statement of movements on reserves is given in note 13.

The notes on pages 8 to 19 form an integral part of these financial statements.

**JERSEY GAS COMPANY LIMITED**

**BALANCE SHEET AT 30 JUNE 2009**

	Note	2009 £	2008 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	21,090,402	21,084,001
<b>CURRENT ASSETS</b>			
Stock and work in progress	8	682,816	675,142
Debtors	9	6,237,721	4,126,295
Cash at bank and in hand		475,693	250,349
		<u>7,396,230</u>	<u>5,051,786</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Creditors	10	6,528,043	6,067,204
States income tax		352,652	179,620
		<u>6,880,695</u>	<u>6,246,824</u>
<b>NET CURRENT ASSETS / (LIABILITIES)</b>		515,535	(1,195,038)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		21,605,937	19,888,963
<b>AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Called up preference shares	12	358,904	358,904
Other loans		-	180,000
Accruals and deferred income		227,853	269,281
Provisions for liabilities and charges	11	1,153,995	1,010,193
		<u>1,740,752</u>	<u>1,818,378</u>
<b>NET ASSETS EXCLUDING PENSION ASSET</b>		19,865,185	18,070,585
Net pension asset	15	5,000	718,000
Unfunded pension obligation	15	(178,115)	(179,296)
		<u>(173,115)</u>	<u>538,704</u>
<b>NET ASSETS INCLUDING PENSION ASSET</b>		19,692,070	18,609,289
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	915,000	915,000
Share premium account		962	962
Reserves	13	18,776,108	17,693,327
		<u>19,692,070</u>	<u>18,609,289</u>
<b>SHAREHOLDER'S FUNDS</b>	14		

The financial statements were approved by the Board of Directors and authorised for issue on 17 November 2009.  
These were signed on its behalf by:



Director  
17 November 2009



Director

The notes on pages 8 to 19 form an integral part of these financial statements.



JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2009

1 ACCOUNTING POLICIES

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

(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 certain buildings, and comply with applicable United Kingdom accounting standards.

The Company forms part of a group of companies ("IEG group") of which the ultimate parent company is Babcock & Brown Infrastructure Limited ("BBI"). The IEG group is dependent on support provided by BBI. On 6th November 2009, BBI agreed to amend the terms of the funding it has provided to the IEG Group by setting a repayment date for this funding of 1 June 2015 and as a result this funding cannot now be recalled within 12 months from the date of signing of the accounts. On 16th November 2009, the shareholders of BBI approved a resolution for the recapitalisation of that company.

The Company meets its day to day working capital requirements by cash generated through the normal course of business. The Company's forecasts, taking account of reasonably possible changes in trading performance, show that the Company should have adequate resources to continue in operational existence for the foreseeable future. Thus the Directors are of the opinion that the Company can continue to adopt the going concern basis in preparing the financial statements.

(ii) Tangible Fixed Assets

Depreciation is provided at rates calculated to write off the difference between the cost or valuation and residual value 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
Motor Vehicles	14.0 - 25.0

No depreciation is provided in respect of freehold land. No depreciation is provided in respect of domestic housing which have been let because the residual value is not less than cost.

A full valuation of all freehold property is carried out every five years with an interim valuation in year three of each period. All valuations are undertaken by qualified external valuers. Individual freehold properties are revalued with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated costs relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit or loss account. Ancillary costs in relation to the acquisition of domestic housing are not capitalised on the basis that they will not be recovered on the subsequent sale to employees.

(iii) Stock and Work in Progress

Stock is valued at the lower of cost and net realisable value. Work in progress is 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.

*Gas supplies*

The Company recognises revenue from gas supply when the customer is invoiced based on meter readings. Gas supplies to customers are invoiced on a continuous 30 to 90 day billing cycle. Financial Reporting Standard 5 requires that the company recognises revenue as it earns the right to consideration, being the date of the supply to customer, provided that such amounts can be measured as a monetary amount of sufficient reliability. The Company is not able to make an estimate of the amount of unread gas income at the balance sheet dates of sufficient reliability to satisfy the revenue recognition criteria of FRS 5. Accordingly, these financial statements do not include accruals for unread gas income at the balance sheet dates.

**JERSEY GAS COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**1 ACCOUNTING POLICIES (Continued)**

**(v) Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full in respect of timing differences arising from the recognition of gains and losses for tax purposes in different periods from those in which they are included in the financial statements. Provisions are made at rates expected to apply when they crystallise based on laws which have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**(vi) Pension Costs**

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the consolidated profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the consolidated statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resultant defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet.

**(vii) Operating Leases**

Costs in respect of operating leases are charged to the profit and loss account as they are incurred.

**(viii) Grants Receivable**

Grants that relate to tangible fixed assets are treated as deferred income in the balance sheet which are credited to the profit and loss account over the related assets useful economic lives. Other grants are credited to profit and loss account when received to match against related expenditure.

**(ix) Cash Flow Exemption**

The Company is exempt from producing a cash flow statement under Financial Reporting Standard 1, "Cash Flow Statements", on grounds that a consolidated cash flow statement is included in the financial statements of its ultimate parent company.

**(x) Historical cost profits and losses**

The Company is unable to produce a note of historical profits and losses given that full historical cost information is unavailable.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

2 NET OPERATING EXPENSES

	2009	2008
	£	£
Administration costs	1,395,372	1,399,016
Net rental income	(363,700)	(352,234)
	<u>1,031,672</u>	<u>1,046,782</u>

3 INTEREST

	2009	2008
	£	£
Interest payable and similar charges:		
Preference share dividends	11,844	11,844
Other	5,405	4,299
	<u>17,249</u>	<u>16,143</u>
Less: Interest receivable		
Other	(2,060)	(2,289)
	<u>15,189</u>	<u>13,854</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009	2008
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible fixed assets	652,300	606,899
Amortisation of grant income	(41,428)	(41,428)
Profit on disposal of other fixed assets	4,190	159,958
Operating lease rentals		
- Land & buildings	118,848	118,848
Fees payable to the Company's auditors for the audit of the Company's annual accounts	28,880	28,315
	<u>28,880</u>	<u>28,315</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) ANALYSIS OF CHARGE / (CREDIT) IN THE YEAR

	2009	2008
	£	£
Current tax:		
States of Jersey income tax on the results for the year	343,136	55,821
Total current tax (note 5b)	343,136	55,821
Deferred taxation movement	143,802	(79,103)
Deferred taxation in respect of Financial Reporting Standard 17	30,000	19,000
Tax charge / (credit) on profit on ordinary activities	516,938	(4,282)

b) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The differences between the total current tax shown above and the amount calculated by applying the standard rate of tax to the profit before tax is as follows.

	2009	2008
	£	£
Profit on ordinary activities before tax	2,434,719	1,750,970
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2008: 20%)	486,944	350,194
Effects of:		
Disallowable expenses	(3,000)	9,744
Capital allowances in excess of depreciation	(130,925)	26,893
Pension adjustment	(236)	(23,029)
Rate adjustment	-	(208,701)
Non-taxable income	(9,647)	(8,286)
Other tax adjustments	-	(90,994)
Current tax charge for the year (note 5a)	343,136	55,821

From 2009 the basis of assessment of trading income to Jersey Tax changed from a prior year basis to a current year basis. The trading profits shown in these accounts are subject to provisions under the Income Tax (Amendment No.28) (Jersey) Law 2007.

With effect from the 2009 year end the Company will make full provision for tax, based on the tax rate applicable to the Company, on its current year taxable profits.

**JERSEY GAS COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**6 DIVIDENDS**

	2009	2008
	£	£
Ordinary shares	-	1,200,000

**7 TANGIBLE FIXED ASSETS**

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 30 June 2008	12,140,000	17,452,490	674,484	30,266,974
Additions	-	1,399,330	115,625	1,514,955
Disposals	(855,000)	-	(61,187)	(916,187)
At 30 June 2009	11,285,000	18,851,820	728,922	30,865,742
Depreciation				
At 30 June 2008	-	8,794,015	388,958	9,182,973
Charge for the year	41,400	476,135	134,765	652,300
Disposals	-	-	(59,933)	(59,933)
At 30 June 2009	41,400	9,270,150	463,790	9,775,340
Net Book Value at 30 June 2009	11,243,600	9,581,670	265,132	21,090,402
Net Book Value at 30 June 2008	12,140,000	8,658,475	285,526	21,084,001

The freehold properties were last valued externally by Cushman & Wakefield LLP as at 30 June 2008 on the basis of existing use value, depreciated replacement cost and market value (where appropriate) in accordance with the RICS 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. The Directors are not aware of any material change in the value of the properties since the last valuation at 30 June 2008.

The residential properties, which were included in freehold property at their cost of £855,000 (2008: 855,000) were sold during the year to the occupying employees at cost. Loans of £380,000 were received from those employees towards the cost of the properties and were included in creditors in 2008. The loans of £380,000 have now been repaid.

**8 STOCK AND WORK IN PROGRESS**

	2009	2008
	£	£
Raw materials, consumables and finished goods	648,246	641,088
Work in progress	34,570	34,054
	682,816	675,142

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

9 DEBTORS	2009	2008
	£	£
Amounts falling due within one year:		
Trade debtors	1,283,280	1,572,094
Amounts due from fellow group undertakings	4,225,234	1,513,757
Other debtors	73,449	455,035
Prepayments and accrued income	3,812	5,637
	<u>5,585,775</u>	<u>3,546,523</u>
Amounts falling due after more than one year:		
Trade debtors	558,313	522,970
Other debtors	93,633	56,802
Loans	-	-
	<u>651,946</u>	<u>579,772</u>
	<u>6,237,721</u>	<u>4,126,295</u>

Amounts due from fellow group undertakings are interest free, unsecured and repayable on demand.

10 CREDITORS	2009	2008
	£	£
Amounts falling due within one year:		
Trade creditors	911,241	797,083
Amounts due to immediate parent company	4,480,000	4,480,000
Amounts due to fellow group undertakings	412,363	37,741
Other creditors	410,074	436,768
Accruals and deferred income	314,365	315,612
	<u>6,528,043</u>	<u>6,067,204</u>

The amounts due to the immediate parent company are interest free, unsecured and repayable on demand.  
The amounts due to fellow group undertakings are interest free, unsecured and repayable on demand.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

11 PROVISIONS FOR LIABILITIES AND CHARGES

	2009	2008
	£	£
Deferred taxation	1,153,995	1,010,193

Deferred taxation provided in the accounts is as follows:-

	2009	2008
	£	£
Capital allowances in excess of depreciation	1,198,818	1,058,252
Other timing differences	(44,823)	(48,059)
	<u>1,153,995</u>	<u>1,010,193</u>

12 CALLED UP SHARE CAPITAL

	2009	2008
	£	£
Authorised:		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Preference 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>360,000</u>	<u>360,000</u>
Allotted, called up and fully paid		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
Preference 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>

**JERSEY GAS COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**12 CALLED UP SHARE CAPITAL (Continued)**

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.

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.

**13 RESERVES**

	Revaluation Reserve £	Capital Reserves £	Profit & Loss Account £	Total £
At 1 July 2008	6,873,788	2,850,100	7,969,439	17,693,327
Profit for the year	-	-	1,917,781	1,917,781
Dividends	-	-	-	-
Surplus on revaluation of properties	-	-	-	-
Realised revaluation surplus	-	-	-	-
Amount recognised in Statement of Total Recognised Gains and Losses	-	-	(835,000)	(835,000)
At 30 June 2009	<u>6,873,788</u>	<u>2,850,100</u>	<u>9,052,220</u>	<u>18,776,108</u>



JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Profit for the financial year	1,917,781	1,755,252
Dividends	-	(1,200,000)
Retained profit for the year	<u>1,917,781</u>	<u>555,252</u>
Actuarial (loss) / gain (net)	(835,000)	473,000
Surplus on revaluation of properties	-	2,014,374
Net addition to shareholders' funds	1,082,781	3,042,626
Opening shareholders' funds	18,609,289	15,566,663
	<u>19,692,070</u>	<u>18,609,289</u>

15 PENSION SCHEME

The Company operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an assurance company.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service life of employees with the Company.

The contributions are determined by a qualified actuary on the basis of triennial valuations, using the Projected Unit Method. The most recent full actuarial valuation was at 1 July 2006. The assumptions that have the most significant effect on the results of the valuation are those relating to the yield up to retirement, the yield after retirement and the rates of increase in salaries. It was assumed that the yield up to retirement would be 5.75%, the yield after retirement would be 4.5% and salary increases would average 4.5% per annum.

The most recent actuarial valuation showed that the value of the scheme's assets was £4,176,000 (2003: £3,350,000) and the deficit was £189,000 (2003: surplus of £420,000). This equates to approximately 96% (2003: 106%) of the benefits that had accrued to members, after allowing for expected future increases in earnings. The report has recommended contributions of the Company and employees at 13.5% and 5% of earnings respectively with an additional £25,900 per year from the Company to eliminate the deficit. This has been adopted by the Company from 1 July 2007. Previously the rates were 9.2% and 5% respectively.

The valuation used for FRS17 disclosures has been based on the most recent actuarial valuation of the scheme detailed above and updated by the scheme actuaries to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 30 June 2009. Scheme assets are stated at the market value at 30 June 2009 of the insurance policies in which they are invested.

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

	2009	2008	2007	2006	2004
Valuation method - Projected Unit					
Discount rate	6.7%	6.4%	5.6%	5.1%	5.2%
Inflation rate assumption	3.6%	4.1%	3.6%	3.5%	4.0%
Rate of increase in pensionable salaries	4.6%	5.1%	4.6%	4.5%	5.0%
Rate of increase in pensions in payment -limited price indexation	0.0%	0.0%	0.0%	0.0%	0.0%

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

15 PENSION SCHEME (continued)

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

	2009	2008	2007	2006	2004
% Rate of return	5.8%	5.8%	6%	6%	6.0%
Unitised with profits policy £	4,277,000	5,314,000	4,531,000	4,473,000	3,844,000
% Rate of return	3.5%	5.0%	5%	6%	0%
Other assets £	34,000	32,000	-	-	-
<b>Total market value of assets £</b>	<b>4,311,000</b>	<b>5,346,000</b>	<b>4,531,000</b>	<b>4,473,000</b>	<b>3,844,000</b>
<b>Present value of scheme liabilities £</b>	<b>(4,305,000)</b>	<b>(4,448,000)</b>	<b>(4,317,000)</b>	<b>(4,827,000)</b>	<b>(4,324,000)</b>
<b>Surplus / (deficit) in scheme £</b>	<b>6,000</b>	<b>898,000</b>	<b>214,000</b>	<b>(354,000)</b>	<b>(480,000)</b>
Related deferred tax £	(1,000)	(180,000)	(43,000)	71,000	96,000
<b>Net pension asset / (liability) £</b>	<b>5,000</b>	<b>718,000</b>	<b>171,000</b>	<b>(283,000)</b>	<b>(384,000)</b>
<b>Unfunded pension obligation £</b>	<b>(178,115)</b>	<b>(179,296)</b>	<b>(201,442)</b>	<b>(210,758)</b>	<b>(343,510)</b>
<b>Total net pension (liability) / asset £</b>	<b>(173,115)</b>	<b>538,704</b>	<b>(30,442)</b>	<b>(493,758)</b>	<b>(727,510)</b>

The assets of the scheme are invested in insurance policies.

Amounts included in the profit and loss account:

Analysis of amount charged to operating profit:

Current service cost  
Past service cost

	2009	2008
	£	£
Current service cost	(208,000)	(231,000)
Past service cost	-	-
<b>Total operating charge</b>	<b>(208,000)</b>	<b>(231,000)</b>

Analysis of the amount included within other finance costs:

Expected return on pension scheme assets  
Interest on pension scheme liabilities

	2009	2008
	£	£
Expected return on pension scheme assets	312,000	258,000
Interest on pension scheme liabilities	(284,000)	(247,000)
<b>Net financing return</b>	<b>28,000</b>	<b>11,000</b>

**JERSEY GAS COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**15 PENSION SCHEME (continued)**

Amounts included in the STRGL:

	2009	2008
	£	£
Movement in surplus during the year:		
Surplus in scheme at the beginning of the year	898,000	214,000
Movement in the year:		
Current service costs	(208,000)	(231,000)
Contributions paid by the employer	332,000	313,000
Other finance income	28,000	11,000
Actuarial (loss) / gain	(1,044,000)	591,000
	<u>6,000</u>	<u>898,000</u>

History of experience gains and losses:

	2009	2008	2007	2006	2004
Difference between expected and actual return on scheme assets:					
Amount £	(1,565,000)	182,000	113,000	415,000	(26,000)
% of scheme assets	-36.30%	3.40%	2.00%	9.30%	-1.00%
Experience gains and losses on scheme liabilities					
Amount £	24,000	3,000	(21,000)	16,000	(12,000)
% of scheme liabilities	0.56%	0.10%	-1.00%	0.00%	-1.00%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount £	497,000	406,000	482,000	(89,000)	(561,000)
% of scheme liabilities	11.54%	9.13%	10.60%	1.70%	4.20%
Total amount recognised in STRGL					
Amount £	<u>(1,044,000)</u>	<u>591,000</u>	<u>574,000</u>	<u>342,000</u>	<u>(599,000)</u>
% of scheme assets	-24.22%	11.05%	12.70%	11.00%	-14.00%

**16 COMMITMENTS**

	2009	2008
	£	£
Capital Commitments:-		
Expenditure contracted but not provided for	91,558	187,000
	<u>91,558</u>	<u>187,000</u>

Lease Commitments:-

The Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings	
	2009	2008
	£	£
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	-
In over five years	123,273	118,848
	<u>123,273</u>	<u>118,848</u>

**JERSEY GAS COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**17 CONTINGENT LIABILITIES**

The Company has given an unlimited guarantee to The Bank of Scotland and Commerzbank AG (formerly Dresdner Kleinwort Wasserstein Limited) for all monies owing to the bank by BBI Networks (UK) No 1 Limited and its fellow group undertakings.

**18 RELATED PARTY TRANSACTIONS**

As all the issued share capital of the Company is owned by a group whose consolidated financial statements are publicly available it is not required to disclose transactions with other group undertakings that would otherwise be required under Financial Reporting Standard 8 'Related Party Disclosures'.

**19 ULTIMATE PARENT COMPANY**

The Company's immediate parent company is BBI (Jersey) Holdings Limited, which is incorporated in Guernsey. The Company's ultimate parent company is Babcock & Brown Infrastructure Limited, which is registered in Australia. The smallest group in which the results of the Company are consolidated is BBI IEG Australia No 1 Pty Limited, which is incorporated in Australia, and the largest group in which the results of the Company are consolidated is Babcock & Brown Infrastructure Limited. Babcock & Brown Infrastructure Limited's accounts can be obtained from:

Babcock & Brown Infrastructure  
The Chifley Tower  
2 Chifley Square  
Sydney  
NSW 2000  
Australia