

JERSEY GAS COMPANY LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

JERSEY GAS COMPANY LIMITED

CORPORATE INFORMATION

Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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

A R Nicholls BSc(Hons), CEng, MIGEM, FEI, MIAM, FIOD (resigned 12 December 2017)
S J Crossman BSc(Hons), CEng, MIGEM
J S Davies ENG TECH, IGEM
R S Gardner BEng(Hons), CEng, MIGEM
P K Wright FCA, BCom (resigned 31 March 2018)
I J A Plenderleith (appointed 12 December 2017)
D Owens (appointed 18 April 2018)
C Herriott (appointed 18 April 2018)

Secretary

P K Wright FCA, BCom (resigned 31 March 2018)
IEG Secretaries Limited (appointed 31 March 2018)

Auditor

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey

Registered Office

Energy House
La Rue Phillippe Durrell
La Collette
St Helier
Jersey

JERSEY GAS COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

Principal 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 financial statements.

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 Statement of Comprehensive Income on page 5.

Dividend

The directors do not recommend a final dividend. There were no interim dividends during the year.

Directors

The directors who served the company during the year are shown on page 1.

S Crossman and J Davies retire in accordance with By-Law 65 and, being eligible, offer themselves for re-election. In accordance with By-Law 69, I Plenderleith, D Owens and C Herriott retire and offer themselves for re-election.

Statement of Directors' Responsibilities

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

The Jersey Gas Company (Jersey) Law 1989 requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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.

Auditor

Ernst & Young LLP is the current auditor, a resolution to appoint an auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Director
27 April 2018

Director

JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED

Opinion

We have audited the financial statements of Jersey Gas Company Limited (the "company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102").

In our opinion, the financial statements:

- ▶ give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- ▶ have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102; and
- ▶ have been properly prepared in accordance with the requirements of the Jersey Gas Company (Jersey) Law, 1989.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- ▶ proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the financial statements are not in agreement with the company's accounting records and returns; or
- ▶ we have not received all the information and explanations we require for our audit.

JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED (continued)

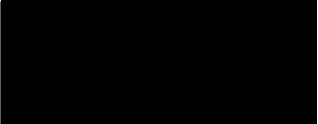

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.


Richard Le Tissier
for and on behalf of Ernst & Young LLP
St Peter Port, Guernsey
Date 

JERSEY GAS COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue		9,968,515	10,782,359
Cost of sales		(5,057,748)	(5,294,645)
Gross profit		4,910,767	5,487,714
Net operating expenses		(3,683,835)	(3,812,229)
Rental income		105,453	137,612
Operating profit		1,332,385	1,813,097
Interest payable and similar charges	3	(1,952,399)	(1,186,092)
Interest receivable		-	93
Other finance (expense) / income	11	(4,000)	30,000
Profit on disposal of property, plant and equipment		11,013	1,711,225
(Loss) / profit on ordinary activities before taxation		(613,001)	2,368,323
Tax credit on profit on ordinary activities	5	111,503	27,440
(Loss) / profit for the financial year		(501,498)	2,395,763
Gains / (losses) on remeasurement of net defined benefit asset / liability	11	546,000	(703,000)
Other comprehensive income		546,000	(703,000)
Total comprehensive income		44,502	1,692,763

The notes on pages 9 to 17 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017	Note	2017 £	2016 £
Non-current assets			
Property, plant and equipment	6	26,971,498	27,038,815
Current assets			
Inventories	7	631,350	743,339
Trade and other receivables			
amounts falling due within one year	8	8,601,696	10,294,984
amounts falling due after one year	8	886,778	386,094
Cash		462,580	557,782
		<u>10,582,404</u>	<u>11,982,199</u>
Current liabilities			
Trade and other payables	9	33,917,386	34,750,701
		<u>33,917,386</u>	<u>34,750,701</u>
Net current liabilities		<u>(23,334,982)</u>	<u>(22,768,502)</u>
Total assets less current liabilities		<u>3,636,516</u>	<u>4,270,313</u>
Amounts falling due after more than one year			
Called up preference shares	10	358,904	358,904
Deferred tax	5	2,508,847	2,634,431
Unfunded pension obligation		95,324	108,039
		<u>2,963,075</u>	<u>3,101,374</u>
Pension asset / (liability)	11	426,000	(114,000)
Net assets		<u>1,099,441</u>	<u>1,054,939</u>
Equity			
Called up share capital	10	915,000	915,000
Share premium account		962	962
Reserves		183,479	138,977
Shareholder's funds		<u>1,099,441</u>	<u>1,054,939</u>

The financial statements were approved by the Board of Directors and authorised for issue on 27 April 2018.
These were signed on its behalf by:

Director
27 April 2018

Director

The notes on pages 9 to 17 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Revaluation reserve £	Retained Earnings £	Total £
At 1 January 2016	915,000	962	4,404,004	25,305,710	30,625,676
Profit for the year	-	-	-	2,395,763	2,395,763
Other comprehensive income	-	-	-	(703,000)	(703,000)
Total comprehensive income	-	-	-	1,692,763	1,692,763
Dividends	-	-	-	(31,263,500)	(31,263,500)
Realised revaluation gain	-	-	(4,404,004)	4,404,004	-
At 31 December 2016	915,000	962	-	138,977	1,054,939
Profit for the year	-	-	-	(501,498)	(501,498)
Other comprehensive income	-	-	-	546,000	546,000
Total comprehensive income	-	-	-	44,502	44,502
Dividends	-	-	-	-	-
At 31 December 2017	915,000	962	-	183,479	1,099,441

The notes on pages 9 to 17 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

CASH FLOW STATEMENT

	2017	2016
	£	£
Cash flows from operating activities		
Operating profit	1,332,385	1,813,097
Depreciation and amortisation	1,428,684	1,624,119
Loss on sale of property, plant and equipment	(1,781)	-
Decrease in inventories	111,989	13,362
Decrease / (Increase) in trade receivables	1,192,604	(7,245,395)
Increase in trade payables	(575,880)	27,062,529
Adjustment for pension funding	4,000	137,000
Tax paid	(311,288)	(98,054)
Net cash flows from operating expenses	3,180,713	23,306,658
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	12,119	9,596,639
Purchase of property, plant and equipment	(1,360,691)	(883,619)
Interest received	-	93
Net cash flows from investing activities	(1,348,572)	8,713,113
Cash flow from financing activities		
Interest paid	(1,927,343)	(1,197,936)
Dividends paid	-	(31,263,500)
Net cash flows from financing activities	(1,927,343)	(32,461,436)
Net decrease in cash and cash equivalents	(95,202)	(441,665)
Cash and cash equivalents at beginning of period	557,782	999,447
Cash and cash equivalents at end of period	462,580	557,782

The notes on pages 9 to 17 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General Information and Basis of Presentation

Jersey Gas Company Limited is a limited liability company incorporated in Jersey. The registered office is Thomas Edge House, Tunnell Street, St Helier, Jersey.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements are presented in sterling which is also the functional currency of the Company.

b. Going concern

The Company meets its day to day working capital requirements by cash generated through the normal course of business after debt financing. The Company forecasts, taking account of reasonably possible changes in trading performance, show 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.

c. Property, plant and equipment

Except for freehold buildings, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold buildings are stated at revalued amounts less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

The principal rates in use are:-	%
Freehold Buildings	0.0 - 2.0
Plant & Machinery	2.5 - 20.0
Motor Vehicles	14.0 - 25.0

d. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Work in progress has been valued at cost of direct materials and labour. Cost is calculated using the first-in first-out method. Provision is made for obsolete, slow moving or defective items where appropriate.

e. Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and taxes.

f. 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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (Continued)

g. Employee benefits

The group operates two pension schemes; a defined benefit scheme and a defined contribution scheme. The defined benefit scheme is closed to new members and has ceased to accrue pensionable service.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments, which are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. The net interest cost on the net defined benefit liability is charged to the Statement of Comprehensive Income and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

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 credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other retirement benefits is the contributions payable in the year.

h. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

i. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset.

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition - unread meter income

Revenue in respect of unread meter income is accrued at the balance sheet date. Unread meter income is estimated by considering the unit outputs in the last 3 months of the year, applying a sales / output ratio and multiplying this by the average unit cost. A time factor in respect of the billing cycle is then applied. This estimate is subject to uncertainty given the assumptions that are made in the calculation.

Pension

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty.

Taxation

Taxation in the financial statements is based on actual or expected tax computations submitted to local tax authorities, which includes management's interpretations of laws that have been enacted or substantively enacted by the balance sheet date. Tax authorities may subsequently challenge the assumptions made by management in the tax computation, therefore taxation is subject to potential uncertainty given the assumptions that are made in the calculations.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

3	Interest payable and similar charges	2017 £	2016 £
	Preference share dividends		
	Interest payable on deposits	11,844	11,844
	Interest payable to fellow group undertakings (see note 9)	8,011	35,964
	Other finance charges	1,883,160	1,119,834
		49,384	18,450
		<u>1,952,399</u>	<u>1,186,092</u>
4	Loss / (profit) on ordinary activities before taxation	2017 £	2016 £
	(Loss) / profit on ordinary activities before taxation is stated after charging / (crediting):		
	Depreciation on property, plant and equipment		
	Operating lease rentals	1,428,684	1,624,119
	- Land & buildings		
		471,474	137,612
	Fees payable to the Company's auditor for the audit of the Company's annual financial statements	34,000	29,532
		<u>34,000</u>	<u>29,532</u>
5	Tax on (loss) / profit on ordinary activities		
	a) Analysis of credit in the year		
		2017 £	2016 £
	Current tax:		
	States of Jersey income tax charge on the results for the year	21,091	92,330
	Over provision in previous periods	(5,010)	(68,574)
		<u>16,081</u>	<u>23,756</u>
	Total current tax charge (note 5b)		
		16,081	23,756
	Deferred taxation movement		
	Deferred taxation in respect of FRS 102 Section 28	(125,584)	(29,196)
		(2,000)	(22,000)
		<u>(127,584)</u>	<u>(51,196)</u>
	Tax credit on (loss) / profit on ordinary activities	(111,503)	(27,440)

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Tax on (loss) / profit on ordinary activities (continued)

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.

	2017 £	2016 £
(Loss) / profit on ordinary activities before tax	(613,001)	2,368,323
(Loss) / profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2016: 20%)	(122,600)	473,665
Effects of:		
Over provision in previous years	(5,010)	(68,574)
Capital allowances in excess of depreciation	146,068	(55,542)
Profit on disposal of property, plant and equipment	(2,203)	(342,245)
Pension adjustment	-	27,400
Non-taxable income	-	(5,573)
Other tax adjustments	(174)	(5,375)
Current tax charge for the year (note 5a)	16,081	23,756
c) Provision for deferred tax		
Deferred tax is provided as follows:	2017 £	2016 £
Capital allowances in excess of depreciation	2,530,807	2,665,760
Other timing differences	(21,960)	(31,329)
Provision for deferred tax	2,508,847	2,634,431

6 Property, plant and equipment

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 1 January 2017	50,058	42,888,395	721,032	43,659,485
Additions	857,572	483,078	20,042	1,360,692
Disposals	-	(562,812)	(23,980)	(586,792)
At 31 December 2017	907,630	42,808,661	717,094	44,433,385
Depreciation				
At 1 January 2017	-	16,115,991	504,679	16,620,670
Charge for the year	-	1,347,948	80,736	1,428,684
Disposals	-	(563,487)	(23,980)	(587,467)
At 31 December 2017	-	16,900,452	561,435	17,461,887
Net Book Value at 31 December 2017	907,630	25,908,209	155,659	26,971,498
Net Book Value at 31 December 2016	50,058	26,772,404	216,353	27,038,815

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Inventories

	2017 £	2016 £
Raw materials, consumables and finished goods	589,420	742,945
Work in progress	41,930	394
	<u>631,350</u>	<u>743,339</u>

Inventories recognised as an expense in the period were £1,304 (2016: £12,491).

8 Trade and other receivables

	2017 £	2016 £
Amounts falling due within one year:		
Trade receivables	430,513	913,782
Amounts due from fellow group undertakings	6,983,105	8,009,107
Unread meter income	998,176	978,934
Other receivables	31,990	99,005
Prepayments and accrued income	157,912	294,156
	<u>8,601,696</u>	<u>10,294,984</u>
Amounts falling due after more than one year:		
Trade receivables	636,455	362,717
Other receivables	250,323	23,377
	<u>886,778</u>	<u>386,094</u>
	<u>9,488,474</u>	<u>10,681,078</u>

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

9 Trade and other payables

	2017 £	2016 £
Amounts falling due within one year:		
Trade payables	1,414,662	1,185,389
Amounts due to fellow group undertakings (non interest bearing)	279,492	227,419
Amounts due to fellow group undertakings (interest bearing)	32,000,000	32,000,000
Other payables	400,660	364,941
Accruals and deferred income	(50,324)	783,355
GST	75,773	97,267
States Income Tax	(202,877)	92,330
	<u>33,917,386</u>	<u>34,750,701</u>

The amounts due to fellow group undertakings and to the immediate parent company are unsecured and repayable on demand. Interest bearing borrowings from group undertakings have been charged interest at a weighted average interest rate of 5.80% for the year.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Share capital

	2017 £	2016 £
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>

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:

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

- (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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The Company provides 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 Statement of Comprehensive Income 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 October 2015. 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 4.8% (2012: 5.1%), the yield after retirement would be 3.0% (2012: 3.5%) and salary increases would average 4.15% (2012: 4.0%) per annum.

The most recent actuarial valuation at 1 July 2015 showed that the value of the scheme's assets was £5,871,000 (2012: £4,664,000) and the surplus was £445,000 (2012: deficit of £2,184,000). This equates to approximately 68% (2012: 68%) of the benefits that had accrued to members, after allowing for expected future increases in earnings. The Company has nil contributions (2012: 17.9%) and employees have ceased contributions (2012: 5%) with no additional contribution (2012: £217,500) per year from the Company to eliminate the deficit.

The valuation used for FRS 102 Section 28 disclosures (Section 28) 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 Section 28 in order to assess the liabilities of the scheme at 31 December 2017. Scheme assets are stated at the market value at 31 December 2017 of the insurance policies in which they are invested.

The Company has closed the defined benefit scheme to new members and to future accrual of pensionable service and provides a defined contribution retirement benefit scheme for all qualifying employees. There were contributions of £64,440 (2016: £169,652) payable to the scheme by the Company in the current year and at the balance sheet date there were no outstanding or prepaid contributions.

The key assumptions used are:

	2017	2016
Discount rate	2.6%	2.6%
Pensionable salary growth	3.0%	3.5%

Amounts recognised in the Statement of Comprehensive Income in respect of this defined benefit scheme are as follows:

	2017 £	2016 £
Analysis of amount charged to operating profit:		
Current service cost	-	4,000
Net interest	4,000	(30,000)
Total operating cost	4,000	(26,000)
Recognised in other comprehensive income	546,000	(703,000)
Total income / (cost) relating to defined benefit scheme	550,000	(729,000)

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit retirement scheme is as follows:

	2017 £	2016 £
Present value of defined benefit obligations	(9,391,000)	(10,026,000)
Fair value of scheme assets	9,923,000	9,884,000
Related deferred tax	(106,000)	28,000
	<hr/>	<hr/>
Net asset / (liability) recognised in the statement of financial position	426,000	(114,000)
	<hr/> <hr/>	<hr/> <hr/>

Movements in the present value of defined benefit obligations were as follows:

	2017 £
At 1 January	
Interest cost	10,026,000
Actuarial gains and losses	257,000
Benefits paid	(544,000)
	<hr/>
At 31 December	9,391,000
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Movements in the fair value of scheme assets were as follows:

	2017 £
At 1 January	
Interest income	9,884,000
Return on scheme assets	253,000
Benefits paid	138,000
Contributions by employer	(348,000)
Administration fee	-
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At 31 December	9,923,000
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The assets of the scheme are invested in insurance policies.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land & Buildings	
	2017	2016
	£	£
Operating leases which expire:		
Within one year	207,433	353,273
Within two to five years	601,912	1,452,192
In over five years	8,276,290	6,880,752
	<u>9,085,635</u>	<u>8,686,217</u>

13 Related party transactions

The total remuneration for key management personnel for the year is set out below.

	2017	2016
	£	£
Directors remuneration	-	72,344

During the year the Company sold goods in the ordinary course of business to Kosangas (Jersey) Limited, a fellow group undertaking, for £364,605.

The following balances were owed to fellow group undertakings at the year end:

Company	2017	2016	Nature
IEG Holdings Limited	-	601	Recharge of management expenses
Guernsey Gas Limited	2,343	22,973	Recharge of costs incurred
International Energy Group Limited	26,454	19,873	Recharge of management expenses
Kosangas (Jersey) Limited	28,477	31,977	Recharge of costs incurred
Manx Gas Limited	221,349	146,691	Recharge of costs incurred
Kosangas (Guernsey) Limited	869	5,304	Recharge of costs incurred
Manx Gas Limited	27,000,000	27,000,000	Borrowings (note 9)
Kosangas (Jersey) Limited	5,000,000	5,000,000	Borrowings (note 9)
IEG Jersey Holdings Limited	-	-	Borrowings (note 9)

The following balances were owed by fellow group undertakings at the year end:

Company	2017	2016	Nature
IEG Holdings Limited	6,789,433	7,872,209	Recharge of management expenses and borrowings (note 8)
Guernsey Gas Limited	606	439	Recharge of costs incurred
Kosangas (Guernsey) Limited	-	3,650	Recharge of costs incurred
Kosangas (Jersey) Limited	24,486	132,599	Recharge of costs incurred
Manx Gas Limited	168,580	210	Recharge of costs incurred

There were no provisions for uncollectible receivables at the reporting date (2016: nil) and there was no expense recognised in respect of bad or doubtful debts (2016: nil).

14 Ultimate parent

The Company's immediate parent company is IEG Jersey Holdings Limited, a company incorporated in Guernsey. The Company's ultimate parent is Seabird Acquisitions Topco Limited, which is registered in Jersey. The smallest group in which the results of the Company are consolidated is Seabird Acquisitions Holdco Limited, which is incorporated in Jersey.