TREASURY AND RESOURCES MINISTER
THE JERSEY ELECTRICITY COMPANY LTD

REPORT ON THE ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2005

1. Purpose of Report
1.0 For the Treasury and Resources Minister to note the results of the Jersey Electricity Company Ltd (JEC) for the year ended 30th September 2005, to agree to vote by proxy on the resolutions being proposed at the Company’s Annual General Meeting on the 14th March.

2. Background
2.0 The States of Jersey is the holder of all the ordinary £1 shares of the JEC which represents 54% of the company’s share capital and 86.4% of voting rights. Annually the main details of company performance are reported to the Minister.

2.1 The Annual General Meeting will be held on Tuesday 14th March 2006 at 2.30pm at the Powerhouse, Queens Road.

3. Comments
A summary of the financial statistics for the last 5 years is attached at Appendix A.

3.1 Group turnover fell by 1% in 2005 due to market conditions affecting the non-core businesses. The electricity supply business saw unit sales increase by 1.3% despite a seventh successive winter of warmer than average temperatures and this, together with the 2.5% tariff increase on 1 January 2005 – the first price rise for four years – contributed to a 2.3% increase in turnover by that business, to £44.2m.

3.2 Profits for the Group as a whole rose by 5% to £7.4m before tax and exceptional costs, but in the electricity supply business, fell by just under 10%. This fall was a consequence of the increased costs of imported power arising mainly from unfavourable trends in the Sterling/Euro exchange rate. The Electrical Retailing and Building Services businesses both returned profits slightly below last year’s, at £0.1m each. In the Property business there was a 4% increase in core rental income but profits fell to £0.8m due to the book loss on sale of our Commercial House property in St. Helier at the end of the year, for £6.8m (against an original before revaluations cost of £0.7m).

3.3 The deficit in the pension scheme under FRS 17 has been reduced from £19.1m in 2002 to £0.6m in 2005.

3.4 In November 2005 the fixed-price power purchase agreement expired which has meant that the company has been affected by costly supply as electricity is traded as a commodity in Europe, in fact prices on the European wholesale market have risen by 55% from the last time the company had to source an electricity supply. The 55% increase in import costs will add £8m of costs to the electricity supply business in 2006. The Board has decided to pass on these increases to the customers and has announced a 9.7% increase in tariff charges from January 2006.

3.5 The final dividend for the year rose 11% from 92p in 2004 to a proposed 102p for 2005.
3.6 In January 2002, the States of Jersey requested the Company to amend its Articles of Association in order to remove the class of “States-nominated Directors”. The Articles have been amended as necessary, and in accordance with the Higgs and Smiths reports on Corporate Governance and Audit Committee, the following Directors served during the last financial year:

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<tr>
<th>Executive Directors</th>
<th>Non Executive Directors</th>
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<tr>
<td>MJ Liston</td>
<td>A J Arnold</td>
</tr>
<tr>
<td>MP Magee</td>
<td>CC Evans</td>
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<tr>
<td>DB Padfield</td>
<td>DR Maltwood</td>
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<tr>
<td>RA Plaster</td>
<td>JA Le Maistre</td>
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<td>GJ Grime</td>
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<td></td>
<td>CAC Chaplin</td>
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3.7 Further details about Directors’ appointments, remuneration and responsibilities can be found on Pages 23 to 34 of the Company’s Annual Report and Accounts.

Attached at Appendix B is a notice of the forthcoming Annual General meeting and the proposed re-elections and resolutions.

4. Recommendation

4.0 The Minister is asked to agree to vote by proxy in favour of the resolutions.

5. Reason for Decision

5.1 The resolutions at Appendix B are non-contentious, no new directors have been proposed and the Report and Accounts for the year shows a steady performance and future planning despite future energy supply difficulties.

States Treasury
26 January, 2010

Corporate Investments
for decision 9th March 2006