

## JERSEY ELECTRICITY PLC - 2022 ANNUAL GENERAL MEETING VOTING INSTRUCTIONS

### 1. Purpose of Report

To consider the resolutions put forward for the Jersey Electricity PLC (JEC) Annual General Meeting (AGM) on 3 March 2022.

### 2. Background

The States of Jersey is holder of all of the Ordinary 5p shares which amounts to 62% of the ordinary share capital of the JEC. This represents 86.4% of the total voting rights. The Directors of the company have proposed 11 Ordinary resolutions to be considered at the AGM. These are outlined below and in the Notice of Annual General Meeting and Form of Proxy (**Appendix A**).

### 3. Resolutions

The following resolutions have been put forward for consideration at the AGM.

#### 3.1 Ordinary Resolution 1 -To receive the accounts and the reports of the Directors and the Auditors thereon for the year ended 30 September 2021

The company's Annual Report and Accounts contains the full Directors' Report, Accounts and Auditor's Report. A copy of the Report and Accounts for 2021 is attached as **Appendix B**. The following paragraphs summarise the key financial matters.

A high-level overview of JEC's KPI's is shown in the image below.

Jersey Electricity KPIs	2021	2020
Revenue (£m)	118.6	111.7
Profit before tax (£m)	19.1	14.8
Ordinary dividend paid per share (p)	16.9	16.1
Unit sales of electricity (m)	639	619
Lost Time Injuries	2	1
Return on energy assets (%)	5.9	6.8
Customer minutes lost	5	5
CO2 level (gCO2e/kWh)	23	24
Customer service score	78	77
Employee engagement score	8.1	8.3

Group Revenue for the year to 30 September 2021 at £118.6m was 6% higher than in the previous financial year. Energy revenues at £89.8m were 5% higher than the £85.1m achieved in 2020. Higher unit sales of electricity were linked to a recovery from the COVID-19 crisis in the retail and hospitality sectors, an uplift from increased home working, combined with colder than normal weather and a 2.5% tariff rise from October 2020.

Revenue in the Powerhouse retail business increased 11% from £17.8m in 2020 to £19.8m. Revenue in the Property business at £2.3m was marginally higher than last year. Revenue

from JEBS, their building services business, decreased from £3.8m in 2020 to £3.4m. Revenue in their other businesses at £3.3m, was above the £2.7m delivered in 2020.

Cost of Sales at £74.2m was £4.5m higher than last year with the increased revenue level in their Energy and Powerhouse Retail businesses.

Operating Expenses at £30.0m were £3.6m higher than last year. Of this increase, £1.8m related to the non-cash ex-gratia award for pensions in service, in their defined benefits pension scheme. The remainder of the rise is largely due to the increased investment in systems and people, associated with the de-carbonisation vision for the Island.

Profit before tax for the year to 30 September 2021 was £19.1m against £14.8m in 2020. However, if the non-cash upside from revaluation of investment properties is excluded in both years, along with the non-cash cost of £1.8m for the ex-gratia award for pensions in service in 2021, the underlying year-on-year profit before tax is £14.8m in 2021 against £14.3m in 2020, an increase of 3%.

Profit in their Energy business, at £10.7m, was below the £12.3m achieved in 2020, largely due to the non-cash £1.8m ex-gratia award for pensions in service in 2021. Their target return on assets employed continues to be in the 6%-7% range over the medium-term and was 5.9% in 2021 against 6.8% in 2020.

Unit sales volumes increased by 3% from 619m to 639m kilowatt hours, due to colder than normal weather, combined with a material proportion of customers continuing to work from home, due to COVID-19.

Units billed in the 2021 financial year increased by around 8% in the residential sector, but fell around 2% for commercial premises, compared with 2020. In the financial year they imported 95.2% of their requirements from France (2020: 94.7%) and generated 0.4% of electricity on-Island from their solar and diesel plant (2020: 0.2%). The remaining 4.4% (2020: 5.1%) of electricity was purchased from the local Energy from Waste plant. The planned 2.5% tariff rise from 1 April 2020, which was postponed due to the COVID-19 pandemic, took place on 1 October 2020.

The £1.4m profit in their Property division, excluding the impact of investment property revaluation, was £0.1m higher than last year. Their investment property portfolio moved up in value by £6.1m to £27.8m, based on advice from external consultants, who review the position annually. This increase was pronounced due primarily to a restructuring of the lease arrangement for their largest tenant, whereby the existing break clause was moved to a later date, post commercial discussions, which materially moved the valuation upwards. The value of residential properties contributed £1.2m of the total rise due to continued buoyant market conditions in Jersey.

The Powerhouse retail business saw profits rise by 30% from £1.2m to £1.5m during a period when COVID-19 continued to influence the behaviours, and spending patterns of local customers, for example, due to less travel taking place out of the Island over the last year.

JEBS maintained profitability at £0.2m, being at the same level as 2020. Their other business units (Jersey Energy, Jendev, Jersey Deep Freeze and fibre optic lease rentals) produced profits of £0.6m being £0.2m lower than last year mainly due to accelerated depreciation in Jendev.

Net interest cost in 2021 was £1.4m being at the same level as in 2020. The taxation charge at £2.8m was lower than the previous year, despite increased profit, as the profit increase was largely non-taxable, being due to non-cash items.

Group basic and diluted earnings per share at 52.73p, compared to 37.94p in 2020 due to increased profitability.

Dividends paid in the year, net of tax, rose by 5%, from 16.05p in 2020 to 16.90p in 2021. The proposed final dividend for this year is 10.20p, a 5% rise on the previous year.

Dividend cover, at 3.1 times, was higher than the comparable 2.4 times in 2020 due mainly to the large non-cash increase in the revaluation of investment properties in 2021.

Ordinary Dividends		
	2021	2020
Dividend paid - final for previous year	9.70p	9.25p
- interim for current year	7.20p	6.80p
Dividend proposed - final for current year	10.20p	9.70p

Net Cash flows from operating activities at £22.4m was £4.5m lower than in 2020. Investing activities, at £9.3m was £1.8m lower than £11.1m last year. Dividends paid were £5.3m compared to £5.0m in 2020. The resultant position was that net cash at the year-end was £13.1m, being £30.0m of borrowings offset by £43.1m of cash and cash equivalents, which was £7.6m more than last year.

Cash Flows		
Summary cash flow data	2021	2020
Net cash inflow from operating activities	£22.4m	£26.9m
Capital expenditure and financial investment	£(9.3)m	£(11.2)m
Deposit interest received	£0.1m	£0.1m
Repayment of lease liabilities	£(0.3)m	£(0.2)m
Dividends	£(5.3)m	£(5.0)m
Increase in cash	£7.6m	£10.6m

Defined benefit pension scheme arrangements - As at 30 September 2021 the scheme surplus, under IAS 19 "Employee Benefits", was £15.0m, net of deferred tax, compared with a surplus of £5.9m at 30 September 2020. Assets rose 3% from £156.6m to £161.1m in the same period. Liabilities decreased 5% from £149.3m to £142.3m since the last year-end with the discount rate assumption, which heavily influences the calculation of liabilities, rising from 1.6% in 2020 to 2.1% in 2021 to reflect sentiments in prevailing financial markets.

**Appendix C** provides a more detailed summary of the Key Performance Indicators.

### **3.2 Ordinary Resolution 2 - To declare a dividend.**

The Directors are recommending a final dividend of 10.20 pence on the Ordinary and 'A' Ordinary shares for the year ended 30 September 2021 (30 September 2020: 9.70 pence).

If the recommended final dividend is approved, this will be paid on 24 March 2022 to shareholders who were on the register of members at the close of business on 17 February 2022. A participating dividend of 1.5% per annum less Income Tax on the Cumulative Participating Preference Share Capital for the period ended 30 September 2021 will also become payable, on the 1 July 2022, to Shareholders on the Register on 2 June 2022.

### **3.3 Note on Resolutions 3 - 9**

Biographical information on all of the Company's Directors is available on pages 60 to 63 of the Annual Report and Accounts. The Board has made the decision that all Directors will seek re-election annually at each AGM.

### **Ordinary Resolution 3 – To re-elect P J Austin as a Director of the Company**

Mr Austin joined the Board in May 2016 and took over as Chairman in February 2019. He currently sits on the Remuneration Committee and Nomination Committee.

#### **Ordinary Resolution 4 – To re-elect A A Bryce as a Director of the Company**

Mr Bryce joined the Board in 2015 and sits on the Nominations Committee as Chair and the Audit and Risk Committee.

#### **Ordinary Resolution 5 – To re-elect W J Dorman as a Director of the Company.**

Ms Dorman joined the Board in July 2016 and sits on the Audit and Risk Committee as Chair and the Nominations Committee.

#### **Ordinary Resolution 6 – To re-elect T Taylor as a Director of the Company**

Mr Taylor joined the Board in September 2017 and sits on the Remuneration Committee as Chair and the Nominations Committee.

#### **Ordinary Resolution 7 – To re-elect A Iceton as a Director of the Company**

Ms Iceton joined the Board as a Non-Executive Director in June 2020 and sits on the Audit and Risk Committee and the Remuneration Committee.

#### **Ordinary Resolution 8 – To re-elect C J Ambler as a Director of the Company**

Mr Ambler was appointed to the Board as Chief Executive in October 2008 and sits on the Nominations Committee.

#### **Ordinary Resolution 9 – To re-elect MP Magee as a Director of the Company**

Mr Magee was appointed to the Board as Finance Director in May 2002.

#### **Ordinary Resolution 10 – To elect K O'Neill as a Director of the Company**

Ms O'Neill's biography is contained in the London Stock Exchange announcement that appears at **Appendix D**.

#### **3.4 Ordinary Resolution 11- To re-appoint the Auditors and authorise the Directors to agree their remuneration.**

Pricewaterhouse Coopers CI LLP ("PwC"), as the current auditors, have indicated that they are willing to be re-appointed as the auditors of the Company until the next AGM of the Company. The Directors have delegated the responsibility of setting the auditors' remuneration to the Board's Audit and Risk Committee.

The auditor fees for the year ended 30 September 2021 for the Group were £249,000, compared to £242,000 for 2020. PwC were appointed in 2020 following a tendering process and so this is the second year they have performed the audit on the JEC report and accounts.

### **4. Comptroller and Auditor General ("C&AG") reports on Annual Reporting**

The C&AG issued a report in August 2020 whereby she reviewed the annual reports of the States of Jersey and Jersey entities either controlled by the States of Jersey or established by the States Assembly and required to prepare an annual report and/or accounts. The C&AG reviewed the content of all such annual reports and accounts against a set of good practice criteria she had developed. The August 2020 report contained a number of recommendations, of which the following ostensibly would have applied to JEC:-

- improve the public annual reporting of performance to include all of the elements of best practice identified in the report.
- review the contents of the annual report to include best practice accountability reports including a directors' (or equivalent) report, a statement of responsibilities, a governance report and a remuneration and staff report.
- review and update the content of the next annual report to embrace the best practice principles noted in this report.
- develop the content of annual reports to include sustainability reporting using a framework appropriate to the entity.

The C&AG issued a follow up report on 3 November 2021 following a similar review of the annual reports and accounts of the same entities plus an additional 14, with the purpose of assessing

progress being made in improving annual reporting and to identify and share good practice examples.

JEC's 2020 annual report was cited as an example of best practice in the November 2021 report as :-

- it included benchmarking of service standards using the UK Institute of Customer Services as well as performance against previous years, therefore helping to ensure that performance is reported in a fair and balanced way;
- it set out clearly the direction of travel for the company's principle risks together with planned and implemented mitigations;
- the principal risks identified reflect the external as well as the internal environment and the commentary also considered the impact of Covid-19 on the risk profile;
- it set out a clear statement of responsibilities; and
- it included a specific commentary on climate related risks and opportunities.

JEC is a listed company and one rightly expects that their annual report complies with the requirements for UK listed companies. Nevertheless, in accordance with the C&G recommendations, the following improvements have been noted in the 2021 annual report relative to the 2020 version building on the best practice examples:-

- An improved "Our People" section covering areas such as the diversity, inclusion and equality of the workforce and employee engagement and wellbeing; and
- A separate section covering "Environment" with enhanced reports covering Climate, electric transport and Health and Safety.

## 5. Recommendation

The Assistant Minister for Treasury and Resources is recommended to instruct the Treasurer and Greffier of the States to vote by proxy, in favour of the resolutions to be put before the Annual General Meeting of the Jersey Electricity PLC on the 3 March 2022.

## 6. Reason for Decision

To fulfil the States' role as shareholder of the Jersey Electricity plc by exercising voting rights at the Annual General Meeting.

The States of Jersey is holder of all of the Ordinary 5p shares which amounts to 62% of the ordinary share capital of Jersey Electricity plc. This represents 86.4% of the total voting rights. The Directors of the Company have proposed 11 Ordinary resolutions to be considered at the AGM. These are outlined in the report and in the Notice of Annual General Meeting and Form of Proxy (**Appendix A**).

## 7. Resource Implications

There are no additional resource implications as a result of this decision.

Report author : <i>Advisor Shareholder Relations</i>	Document date : 7th February 2022
Quality Assurance / Review : Head of Shareholder Relations	File name and path: File name and path: L:\Treasury\Sections\Treasury Operations\2019 restructure\shareholder relations\07. Ministerial Decisions\JEC MDs\2022\AGM 2022
MD sponsor : <i>Director of Treasury Operations and Investments</i>	

## Appendix A

### Notice of Annual General Meeting



# Notice of Annual General Meeting

#### JERSEY ELECTRICITY PLC

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of the Company will be held on Thursday 3 March 2022 at 12.30pm at the Company's offices at The Powerhouse, Queens Road, St Helier, Jersey to transact the following business. Resolutions 1 to 11 inclusive will be proposed as ordinary resolutions.

#### Ordinary Resolutions (see Explanatory Notes overleaf)

1. To receive the accounts and the reports of the Directors and the Auditors thereon for the year ended 30 September 2021
2. To declare a dividend
3. To re-elect P Austin as a Director of the Company
4. To re-elect A Bryce as a Director of the Company
5. To re-elect W Dorman as a Director of the Company
6. To re-elect T Taylor as a Director of the Company
7. To re-elect A Icton as a Director of the Company
8. To re-elect C Ambler as a Director of the Company
9. To re-elect M Magee as a Director of the Company
10. To elect K O'Neill as a Director of the Company
11. To re-appoint the Auditors and authorise the Directors to agree their remuneration

#### Recommendation

The Board considers the Resolutions will promote the success of the Company and are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their own beneficial holdings.

#### BY ORDER OF THE BOARD

**L Floris**

Company Secretary

20 January 2022

Registered Office:

The Powerhouse, Queens Road, St Helier, Jersey, JE4 8NY

Registered in Jersey No. 67

## **Appendix B**

**Annual report and accounts for the year ended 30 September 2021**

## Appendix C

### Summary of the Key Performance Indicators

#### Five Year Group Summary (unaudited)

Financial Statements	2021	2020	2019	2018	2017
<b>Income Statement (£m)</b>		Restated	Restated	Restated	Restated*
Revenue	118.6	111.7	110.7	105.9	102.1
Operating profit	20.5	16.2	16.1	16.7	14.7
Profit before tax	19.1	14.8	14.8	15.3	13.5
Profit after tax	16.3	11.7	11.9	12.2	10.6
Dividends paid (£m)	5.2	4.9	4.7	4.4	4.2
<b>Balance Sheets (£m)</b>					
Property, plant and equipment	216.6	217.9	217.0	215.2	211.9
Net current assets*	45.3	37.1	27.9	22.5	17.3
Non-current liabilities	(87.5)	(83.0)	(79.2)	(76.4)	(78.5)
Net assets*	225.4	205.0	198.6	187.8	175.4
<b>Financial Ratios and Statistics</b>					
Earnings per ordinary share (pence)	52.7	37.9	38.4	39.5	34.6
Gross dividend paid per ordinary share (pence)	21.1	20.1	19.1	18.1	17.3
Net dividend paid per ordinary share (pence)	16.9	16.1	15.3	14.5	13.8
Dividend cover (times)	3.1	2.4	2.5	2.7	2.5
Cash at bank/(net debt) (£m)	13.1	5.5	(5.1)	(14.3)	(21.9)
Capital expenditure (£m)	9.9	12.0	13.3	14.3	14.4
<b>Electricity Statistics</b>					
Units sold (m)	639	619	627	634	621
% movement	3.3%	-1.2%	-1.1%	2.1%	-0.6%
% of units imported	95.2%	94.7%	94.1%	94.9%	92.6%
% of units generated	0.4%	0.2%	0.3%	0.2%	1.5%
% of units from Energy from Waste plant	4.4%	5.1%	5.6%	4.9%	5.8%
Maximum demand (megawatts)	170	141	150	178	154
Number of customers	51,912	51,522	51,103	50,561	49,894
Customer minutes lost	5	5	6	6	8
Average price per kilowatt hour sold (pence)	13.9p	13.6p	13.3p	12.9p	12.9p
<b>Manpower Statistics (full time equivalents)</b>					
Energy	238	199	188	186	201
Other	88	97	94	102	116
Trainees	21	9	11	14	9
Total	347	305	293	302	326
Units sold per energy employee (000's)	2,686	3,112	3,336	3,411	3,091
Number of customers per energy employee	218	259	272	272	248

\* See note 2 for prior year adjustment with respect to trade and other receivables.



## Appendix D

### London Stock Exchange announcement of directorate change

#### JERSEY ELECTRICITY PLC

4 January 2022

#### Directorate Change - Appointment of non-executive Director

The Board of Jersey Electricity Plc is pleased to announce the appointment of Kayte O'Neill as a non-executive Director at our forthcoming AGM on 3 March 2022.

Kayte is Head of Markets for National Grid Electricity System Operator (ESO), accountable for developing markets to enable future operation of the UK's electricity system on the path to net zero.

She joined National Grid PLC in 2002 and has held a wide variety of senior roles across the business, most recently as Head of Strategy and Regulation for the ESO. Prior to that she spent three years in Boston with National Grid's US electricity distribution businesses.

Kayte holds a first class degree in Business Economics and is a graduate of the Harvard Business School Program for Leadership Development.

The Company also makes the following statements:

- Effectiveness: Kayte's biography is above. Her background and skillset will bring diversity to the Board.
- Independence: The Board considers that Kayte is independent in character and judgment, and that there are no relationships or circumstances that are likely to affect her judgment.
- Selection: Kayte was selected through a process overseen by the Nominations Committee with the use of an external recruitment consultant.

Enquiries:

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