



Jersey Gas Company Limited

REPORT & ACCOUNTS 1990

Jersey Gas Company Limited

Report of the Auditors to the members of Jersey Gas Company Limited

We have audited the accounts on pages 8 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1990 and of the profit and source and application of funds for the year then ended and comply with the provisions regarding the financial administration of the company contained in article 37 of the Jersey Gas Company (Jersey) Law, 1989.

ERNST & YOUNG,
Chartered Accountants,
Jersey.

13th February 1991.

Jersey Gas Company Limited

Incorporated under "Lois 1918 - 1965 Sur La Compagnie Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law, 1989

Directors' Report and Statement of Accounts for the year ended 31st December 1990

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Directors, Officers and Advisers

Directors

Peter Gilroy Blampied, *Chairman*
 John Roland Christopher Riley, *Deputy Chairman*
 Ronald James Perkins, *Managing*
 Eric Ivor Messenger
 John Harold Vint
 John Clark Averty
 William James Bailhache

Engineer and Assistant Manager

R. St. C. Staddon, B.Sc. (Hons), C.Eng., M.I.GasE.

Secretary and Accountant

B. C. Le Cras

Auditors

Ernst & Young,
 Le Gallais Chambers,
 54 Bath Street,
 St. Helier, Jersey, C.I.

Bankers

Midland Bank plc,
 Library Place,
 St. Helier, Jersey, C.I.

Registered Office

Tunnell Street,
 St. Helier, Jersey, C.I.

Notes to the Accounts 31st December 1990 (continued)

12. RESERVES

	Retained Profit		Total
	Capital	Revenue	
	£	£	£
At 31st December 1989	3,460,100	2,197,509	5,657,609
Share issue	(610,000)	—	(610,000)
Retained profit for the year	—	261,531	261,531
At 31st December 1990	<u>£2,850,100</u>	<u>£2,459,040</u>	<u>£5,309,140</u>

13. BANK FACILITY

At the balance sheet date the company had an overdraft facility of £500,000 with its bankers, Midland Bank plc.

14. PENSION SCHEME

The company operates a number of pension schemes; the schemes are all of the defined benefit type. The scheme for current employees became effective from 1st July 1981. Prior to that date a number of other schemes were operated.

The current employee pension scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, incorporating a control period of 20 years. The most recent valuation was at 1st July 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. Another relevant factor is the future term over which the projected benefits are calculated (the "control period"). It was assumed that the investment return would be 9% per annum, and that salary increases would be 8% per annum.

The assets of the scheme are invested in a with-profits deferred annuity policy. The most recent actuarial valuation of the policy showed that it had a value of £1,135,000 for the purpose of determining the future rate of contributions. The contribution of the company has remained at 14.3% of total pensionable salaries. The deficit of the fund is £204,000. The actuarial valuation showed that a funding rate of 15.7% is required to remove this deficit over the control period. The pension charge for the year was £126,817 (1989 £129,200).

There are certain past employees whose pension had not been funded by the company's present or previous pension scheme arrangements. In 1989, a provision was made for the then present value of the capital costs of these pensions. The pensions paid during the year were £127,233 (1989 £131,095). Notional interest, at a rate of 11.1%, on the average provision balance has been charged to the profit and loss account.

Jersey Gas Company Limited

Notes to the Accounts 31st December 1990 (continued)

9. CAPITAL COMMITMENTS

At the balance sheet date the following future capital expenditure had been authorised:-

	1990	1989
Contracted	£591,000	£1,361,000
Not contracted	£297,000	£335,000

10. LOAN

	1990	1989
States of Jersey	£1,500,000	£1,500,000

The loan is interest free, secured on the company's freehold property, with the exception of three houses occupied by employees, and repayable in five equal annual instalments commencing on 31st March 1993.

11. SHARE CAPITAL

	Authorised £	1990 Issued & fully paid £	Authorised £	1989 Issued & fully paid £
Ordinary shares of £1 each	915,000	915,000	475,000	305,000
5% Cumulative preference shares of £1 each	3,000	1,904	3,000	1,904
3% Cumulative preference shares of £1 each	157,000	157,000	157,000	157,000
5% Cumulative 'A' preference shares of £1 each	200,000	200,000	200,000	200,000
	360,000	358,904	360,000	358,904
Total share capital	£1,275,000	£1,273,904	£835,000	£663,904

During the year the authorised share capital was increased to 915,000 ordinary shares of £1 each.

During the year 610,000 ordinary shares of £1 each were issued fully paid out of realised capital reserves.

Voting rights:-

At a general meeting of the company where questions are to be decided by a show of hands, the vote of each individual shareholder will count as one vote only. Upon a poll, which may be demanded by any shareholder, the voting rights will be as follows:-

Ordinary shares and 5% cumulative preference shares, one vote for each share held up to five hundred shares and one additional vote for every additional five shares held.

3% cumulative preference shares and 5% cumulative 'A' preference shares, one vote for every ten shares held.

Jersey Gas Company Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventy-second Annual General Meeting of the Shareholders of this Company will be held at the Company's Offices, Tunnell Street, St. Helier, Jersey on Wednesday, 3rd April 1991, at 3 p.m. to transact the following business:-

1. To receive the Accounts together with the Report of the Directors for the year ended 31st December 1990.
2. To declare Final Dividends.
3. To re-elect Jurat P. G. Blampied as a Director.
4. To re-elect Mr. J. C. Averty as a Director.
5. To appoint Auditors and fix their remuneration.

Dated this 13th day of February 1991.

By Order of the Board,

B. C. LE CRAS,
Secretary and Accountant.

1. Should you be unable to attend this meeting, kindly complete the enclosed Proxy Form and return to the Offices of the Company, to arrive not later than 3 p.m. on the 1st April 1991.
2. The Registers of Transfers of the Company will be closed from Thursday, 21st March 1991, to Wednesday, 3rd April 1991, both days inclusive.
3. Subject to the dividend being confirmed, dividend warrants will be posted after the meeting.
4. Any change of address should be notified to the Secretary immediately.

Chairman's Statement to Shareholders

*"Finish every day and be done with it.
You have done what you could." – Ralph Emerson*

We are holding our 72nd Annual General Meeting in our new headquarters. We have been busy during the year preparing for our move and developing our plans for the future.

FINANCE

The sales of gas by meter were 3,476,432 therms compared with 3,507,201 therms in 1989. The average temperature for the year was 13.4 degrees centigrade compared with 13.5 degrees in 1989. Although the December sales of gas were a record for that month the very warm weather during the summer months had an adverse affect on demand. The water shortage also contributed to reduction in demand in 1990. However, the cold spell in February 1991 has resulted in a record amount of gas being produced and distributed throughout the island, and our sales for the beginning of the current year set a new record.

The price of gas to the consumer was increased on the 1st April by 8% and we did not anticipate another increase. The Gulf Crisis and the ensuing war have resulted in L.P.G. prices increasing dramatically. In order to cover our costs it became necessary to increase the price of gas to the consumer again on the 8th December by 12.5%. We believe that we have stabilised our prices by a system of forward buying for 1991 but our budgets for the current year are less optimistic than is generally the case.

Your Company's turnover for 1990 amounted to £5.1 million compared with £4.6 million in the previous year. You will see from the analysis of the turnover that there have been satisfactory increases in the revenue obtained from Consumer Service and Distribution and also in appliance sales.

After taking into account the interest receivable and payable the profit before taxation amounts to £329,204 compared with £520,520 in the previous year. The substantial capital allowances to which we have been entitled have for some years exceeded our profit and it has not accordingly been necessary to make provision for income tax. These surplus allowances have now been absorbed and you will observe that a provision for taxation has been made in the accounts of £8,249. In future years the liability to taxation is likely to approximate to 20% of the profit for the year.

Your Board recommends that the final dividend on the ordinary shares be increased from 4% to 5.5%, making a total dividend for the year of 6.5% gross compared with 5% gross in the previous year.

OUR NEW HEADQUARTERS IN TUNNELL STREET

I believe that our new headquarters in Tunnell Street demonstrate modern architecture at its best. They provide for your Company a modern and efficient administration centre, workshops, stores and showroom integrated in one spacious building. The move from the very old sprawling and outdated buildings, which we have been using for many years, will add to our ability to provide an efficient and economical service.

The seven two bedroom houses and the two bedsits that have been built as part of the development have been named "Thomas Edge Place" after the founder of the Company. We plan to value our land and to provide depreciation on the fabric of our buildings when the construction is complete and the final costs have been established. The 1991 accounts of your Company will reflect the value of the land on which the buildings have been constructed and will provide depreciation.

Notes to the Accounts 31st December 1990 (continued)

8. FIXED ASSETS

	Land and buildings £	Plant machinery mains and motor vehicles £	Total £
AT COST OR VALUATION			
At 1st January 1990	1,833,434	5,199,105	7,032,539
Additions	1,725,421	652,757	2,378,178
Disposals	(4,428)	(64,348)	(68,776)
At 31st December 1990	<u>£3,554,427</u>	<u>£5,787,514</u>	<u>£9,341,941</u>
ANALYSIS			
At valuation	51,574	226,306	277,880
At cost	3,502,853	5,561,208	9,064,061
	<u>£3,554,427</u>	<u>£5,787,514</u>	<u>£9,341,941</u>
AMOUNTS WRITTEN OFF			
At 1st January 1990	—	1,320,785	1,320,785
Depreciation in year	—	284,853	284,853
Disposals	—	(38,307)	(38,307)
At 31st December 1990	<u>£ —</u>	<u>£1,567,331</u>	<u>£1,567,331</u>
NET BOOK VALUE			
At 31st December 1990	<u>£3,554,427</u>	<u>£4,220,183</u>	<u>£7,774,610</u>
At 31st December 1989	<u>£1,833,434</u>	<u>£3,878,320</u>	<u>£5,711,754</u>

The valuation above was based upon a professional survey carried out in 1954.

In 1988 the company concluded a contract for the construction of a new complex of buildings consisting of workshops, stores, showroom, office and staff accommodation at a cost of £2,369,730 of which £2,203,051 had been spent by 31st December 1990. Included in additions to land and buildings is an amount of £1,254,170 reflecting construction costs incurred during the current year.

The directors are of the opinion that the freehold land and buildings included at the 1954 valuation of £51,574 have a value in excess of this amount.

Also included in land and buildings are amounts totalling £362,438 in respect of houses purchased for occupation by essential employees. These employees will have the option to acquire the properties from the company at their original cost after ten years' employment with the company and after obtaining the permission of the Housing Committee.

Notes to the Accounts 31st December 1990 (continued)

3. ADMINISTRATIVE EXPENSES	1990	1989
	£	£
Administrative expenses include the following:—		
Audit fees	12,000	10,500
Directors' fees	10,098	9,938

4. STAFF COSTS	1990	1989
	£	£
Remuneration	1,447,811	1,211,080
Social security	68,664	59,089
Contribution to Pension Scheme	126,817	129,200

The average number of employees during the year was 107 (1989 – 105).

5. TAXATION

Provision is made for all Jersey taxation assessable on the net profit for the period. No provision has been made for deferred taxation as it is not expected that any liabilities in this respect will crystallise in the foreseeable future.

6. DIVIDENDS PAID AND PROPOSED (NET)	1990		1989	
	Paid	Proposed	Paid	Proposed
	£	£	£	£
Ordinary shares	7,320	40,260	7,320	29,280
5% Cumulative preference shares	38	38	38	38
3% Cumulative preference shares	1,884	1,884	1,884	1,884
5% Cumulative 'A' preference shares	4,000	4,000	4,000	4,000
	<u>£13,242</u>	<u>£46,182</u>	<u>£13,242</u>	<u>£35,202</u>
TOTAL DIVIDENDS PAID AND PROPOSED	<u>£59,424</u>		<u>£48,444</u>	

7. EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings, after deducting preference dividends, of £309,111 (1989 £508,676) and on 915,000 ordinary shares.

Chairman's Statement to Shareholders (continued)

9 WATERLOO STREET

During the year we purchased 9 Waterloo Street for £359,856. At the moment the property is in a derelict state, but I hope that it will soon become an important selling point for our appliances in the town. We believe that the acquisition of a showroom in a central part of the town will enable us to promote our activities in an area which will be more accessible to the public.

LA COLLETTE

The plant at La Collette has operated satisfactorily throughout the year and we have been able to make many product changes between propane and butane in order to utilise the cheaper product. New galvanised spray systems have been fitted to all six storage vessels which are above ground. In order to keep pace with demand during the winter months and particularly during the recent cold spell it has been necessary to operate all three boilers at La Collette. Your Board believes that it is desirable to have a standby boiler and we are currently seeking quotations so that this may be arranged.

Considerable damage was caused to the pipelines which run from the jetty to the plant when a crane fell from its track on to the pipes. Our staff were strenuous in their efforts in repairing the pipeline with great expedition.

BOTTLED GAS

I am delighted to be able to report that on the 31st October we received permission from the Island Development Committee for the construction of a bottling plant at La Collette. This is an important business expansion for us and I hope that we will soon be in a position to commence bottling gas for distribution throughout the island. At the same time we are planning to de-man the La Collette plant. When the necessary equipment is in place we will be discussing these arrangements with our employees who work there.

DISTRIBUTION, MARKETING AND SERVICING

We have experienced some difficulty in certain areas in maintaining the necessary pressure when peak demands have occurred during the bitterly cold weather. We are replacing some 1" supply mains with new 4" mains and we will be carrying out some further work during the summer to reduce the overall pressure losses on the high pressure system. We are also fitting some larger service governors and some larger diameter connections. The policy of your Board is to carry out a mains replacement programme. Some of the Company's mains are of considerable age, and this policy will involve the Company in further capital expenditure in the years to come.

We have been busy in marketing our wares and took part in the Jersey Gas Food & Drink Extravaganza at the Trades Fair in October. The Living Flame fires continue to be one of our most popular and attractive products and we expect their popularity to continue. In the latter part of the year we converted the States Housing complex at Brighton Close from coal to gas firing and provide heat to over 100 tenants and this will grow to approximately 200 tenants over the course of the next two years. We are pleased that we have been able to quote for gas heating in other States projects.

TRAINING & SAFETY

We continue to spend time and money on training and your Board believes that benefits accrue from this investment. A Construction Industry Training Board course was provided by North Trafford Training College for the whole of our fitting force. Most of the training was carried out locally using

Chairman's Statement to Shareholders (continued)

Highlands College resources and all who attended the course spent the final week in Manchester. Our two apprentices are well into their second year of training with Wales Gas and ten members of the marketing department have grouped together using a distance learning package scheme which has proved very helpful. Wales Gas continues to provide courses and help for us.

The Safety Case has now been finally approved and is in use as a working document. Copies have been sent to the Social Security Department in Jersey and the Health & Safety Executive in England and favourable comments have been received from Social Security Department on your Company's Safety Case.

CONCLUSION

A warm and dry summer dampened the demand for gas and the crisis and war in the Gulf has increased the cost of production of gas by a very significant amount. The indications are that these pressures which bear adversely on your Company will continue into 1991. We contemplate considerable expenditure on the renewal of gas mains and we have to make adequate and secure provision for repayment of the States interest free loan of £1.5 million. However, your Board believes that its new working environment and the other changes to which I have referred in marketing our product will be of benefit in the years to come. We are also enthusiastic about our plans to bottle gas.

I am grateful to the executives of the Company who have been engaged in forming and implementing plans to modernise and expand all that we do. The recently bitterly cold weather has meant that many of our employees have worked long hours in difficult conditions to maintain the supply of gas and their contribution to the welfare of the island merits recognition in this statement.

13th February, 1991

P.G. BLAMPIED,
Chairman.

Notes to the Accounts 31st December 1990

1. ACCOUNTING POLICIES

(a) **Accounting convention**

The accounts are prepared under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with accounting principles generally accepted in the Channel Islands.

(b) **Sale of gas and liquid petroleum gas**

The sale of gas and liquid petroleum gas represents sales of manufactured gas according to meter readings carried out during the year together with sale of liquid petroleum gas during the year. The reading of gas meters is a continuous process so that each meter is read once in each quarter of the year. No credit is taken for gas consumed between the dates of the readings in the last quarter and 31st December.

(c) **Depreciation**

Fixed plant, motor vehicles, moveable plant, computer and office equipment — depreciation is provided to write off these assets in equal annual instalments over their estimated working lives commencing when an asset first comes into use.

The company's main rates of depreciation are as follows:-

Fixed plant	...	...	1.66% to 5%	per annum
Motor vehicles	...	...		20% per annum
Moveable plant	...	...	6.66% to 20%	per annum
Office equipment	...	...	10% to 20%	per annum
Computer hardware	...	...		20% per annum
Computer software	...	...		33.33% per annum

New buildings — depreciation will be provided at 2% per annum when they come into use.

(d) **Stocks**

Stocks are valued at the lower of cost and net realisable value.

2. TURNOVER

Turnover consists of:-

	1990 £	1989 £
Sale of gas and liquid petroleum gas	4,005,938	3,802,769
Appliance sales	494,054	386,038
Consumer service and distribution	644,582	468,210
	<u>£5,144,574</u>	<u>£4,657,017</u>

Jersey Gas Company Limited

Statement of Source and Application of Funds year ended 31st December 1990

	1990 £	1989 £
Source of Funds		
Profit before taxation	329,204	520,520
Adjustment for items not involving the movement of funds:		
Depreciation	284,853	260,865
Loss/(Profit) on disposal of fixed assets	24,936	(2,423)
Notional interest on pension provision	79,052	88,479
Tax deducted at source on loan interest	(276)	—
Total generated from operations	<u>717,769</u>	<u>867,441</u>
Funds from other sources:		
Proceeds from disposal of assets	5,533	7,600
Sale of land	—	2,600,000
	<u>723,302</u>	<u>3,475,041</u>
Application of Funds		
Purchase of fixed assets	2,378,178	1,301,785
Dividends paid	48,444	36,244
Pensions paid	127,233	131,095
	<u>2,553,855</u>	<u>1,469,124</u>
(Decrease)/Increase in working capital	<u>£(1,830,553)</u>	<u>£2,005,917</u>
Arising from movements in:		
Stocks	53,406	(79,979)
Debtors	(955,404)	1,456,314
Trade and other creditors	(163,820)	189,101
	<u>(1,065,818)</u>	<u>1,565,436</u>
Net liquid funds	<u>(764,735)</u>	<u>440,481</u>
	<u>£(1,830,553)</u>	<u>£2,005,917</u>

The notes on pages 11 to 15 form part of these accounts.

Jersey Gas Company Limited

Report of the Directors year ended 31st December 1990

The Directors present their Report and audited Statement of Accounts for the year ended 31st December 1990.

1. Activities

The principal activity of the company is the sale of manufactured gas and liquid petroleum gas.

2. Results

The sale of gas by meter for 1990 amounted to 3,476,432 therms. The net profit after taxation was £320,955.

3. Dividends

As disclosed in note 6, interim net dividends have been paid during the year amounting to £13,242.

The following final net dividends are proposed to be paid:—

5½% on Ordinary shares making 6½% total for the year	40,260
2½% on 5% Cumulative preference shares making 5% total for the year	38
1½% on 3% Cumulative preference shares making 3% total for the year	1,884
2½% on 5% Cumulative 'A' preference shares making 5% total for the year	4,000
	<u>£46,182</u>

4. Directors

In accordance with By-Law 68, Peter Gilroy Blampied and John Clark Averty retire from the Board but, being eligible, offer themselves for re-election.

5. Directors' Interests

The Directors' interests in the share capital of the company as at 31st December 1990 were as follows:

	3% Preference	5% 'A' Preference	Ordinary
P. G. Blampied	6,568	5,379	26,161
J. R. C. Riley	—	400	600
R. J. Perkins	—	400	1,950
E. I. Messenger	700	—	—
J. H. Vint	—	—	1,200
J. C. Averty	—	—	2,823
W. J. Bailhache	—	—	1,200

6. Auditors

The Shareholders will be asked to re-appoint Ernst & Young, Chartered Accountants, as Auditors for the year ending 31st December 1991 and to authorise the Directors to determine their remuneration.

13th February 1991.

By Order of the Board,
B. C. LE CRAS
Secretary and Accountant.

Jersey Gas Company Limited

Profit and Loss Account for the year ended 31st December 1990

	Note	1990 £	1989 £
Turnover	2	5,144,574	4,657,017
Cost of sales		(2,313,541)	(1,953,527)
Gross Profit		2,831,033	2,703,490
Distribution costs		(1,477,089)	(1,275,118)
Administrative expenses	3	(827,139)	(774,058)
Depreciation		(309,789)	(258,442)
Professional fees		(74,282)	(37,112)
Other operating income		41,258	34,299
Net operating income		183,992	393,059
Interest receivable		147,202	129,501
Interest payable		(1,990)	(2,040)
Profit before taxation		329,204	520,520
Taxation	5	(8,249)	—
Profit after taxation		320,955	520,520
Dividends	6	(59,424)	(48,444)
Retained profit for the year		£261,531	£472,076
Earnings per ordinary share of £1 each	7	33.8p	55.6p

Movements on reserves are set out in Note 12.

The notes on pages 11 to 15 form part of these accounts.

Jersey Gas Company Limited

Balance Sheet as at 31st December 1990

	Note	1990 £	1989 £
Fixed assets	8	7,774,610	5,711,754
Current assets			
Stock		533,540	480,134
Debtors		942,727	1,898,131
Cash at bank and in hand		468,997	1,233,732
		1,945,264	3,611,997
Creditors — amounts falling due within one year			
Trade creditors		529,506	392,792
Other creditors		324,588	297,482
Provision for pensions		127,000	131,000
Proposed dividends	6	46,182	35,202
		1,027,276	856,476
Net current assets		917,988	2,755,521
Total assets less current liabilities		8,692,598	8,467,275
Creditors — amounts falling due after more than one year			
States of Jersey loan	10	1,500,000	1,500,000
Future taxation		7,973	—
Provision for pensions		600,619	644,800
		2,108,592	2,144,800
		£6,584,006	£6,322,475
Capital and reserves			
Called-up share capital	11	1,273,904	663,904
Share premium account		962	962
Reserves	12	5,309,140	5,657,609
		£6,584,006	£6,322,475

P. G. BLAMPIED, *Chairman*

R. J. PERKINS, *Managing Director*

13th February 1991.

The notes on pages 11 to 15 form part of these accounts.