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JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2008

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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 & Touche LLP PO Box 403, Lord Coutanche House 66-68 Esplanade St Helier Jersey
Bankers	Royal Bank of Scotland International Ltd Trading as NatWest 16 Library Place 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 5 December 2008 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 6 December 2007.
- 4 Receive the Directors' Report and Accounts for the year ended 30 June 2008.
- 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

14 October 2008

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the year ended 30 June 2008.

Activities

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

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 £1,755,252 (2007: £1,334,940). It is recommended that this be allocated as follows:-

	2008 £	2007 £
Ordinary dividends	1,200,000	1,120,000
Transfer to reserves	555,252	214,940
	<hr/>	<hr/>
	1,755,252	1,334,940
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Directors

N E Shaw and S Crossman 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:

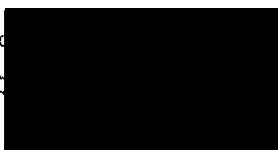
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

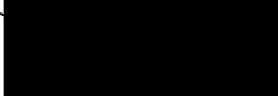
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Jersey Gas Company (Jersey) Law 1989. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Deloitte & Touche LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

Director 

Director 

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 2008 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 2008 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 & Touche LLP
Chartered Accountants
St Helier
Jersey

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2008

		2008	2007
	Note	£	£
TURNOVER	1(iv)	12,130,932	10,671,016
Cost of sales		(9,481,381)	(7,846,444)
GROSS PROFIT		<u>2,649,551</u>	<u>2,824,572</u>
Net operating expenses	2	(1,046,782)	(1,274,419)
OPERATING PROFIT		1,602,769	1,550,153
Interest payable and similar charges	3	(16,143)	(15,455)
Interest receivable	3	2,289	1,926
Other finance income	15	11,000	11,000
Profit on disposal of property		151,055	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>1,750,970</u>	<u>1,547,624</u>
Tax on profit on ordinary activities	5	4,282	(212,684)
PROFIT FOR FINANCIAL YEAR		<u><u>1,755,252</u></u>	<u><u>1,334,940</u></u>

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

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

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

JERSEY GAS COMPANY LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2008

		2008	2007
	Note	£	£
Profit for the financial year		1,755,252	1,334,940
Actuarial gain (net)	15	473,000	460,000
Surplus on revaluation of property	7	2,014,374	-
Total recognised gains for the year		<u>4,242,626</u>	<u>1,794,940</u>

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

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

JERSEY GAS COMPANY LIMITED

BALANCE SHEET AT 30 JUNE 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible fixed assets	1 (ii) & 7	21,084,001	18,682,831
CURRENT ASSETS			
Stock and work in progress	1 (iii) & 8	675,142	575,804
Debtors			
- due within one year	9	3,546,523	3,683,729
- due after one year	9	579,772	517,900
Cash at bank and in hand		250,349	50,118
		5,051,786	4,827,551
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	6,067,204	5,283,991
States income tax		179,620	374,366
		6,246,824	5,658,357
NET CURRENT LIABILITIES		(1,195,038)	(830,806)
TOTAL ASSETS LESS CURRENT LIABILITIES		19,888,963	17,852,025
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Called up preference shares	12	358,904	358,904
Other loans	7	180,000	380,000
Accruals and deferred income		269,281	312,438
States income tax		-	114,282
Provisions for liabilities and charges	11	1,010,193	1,089,296
		1,818,378	2,254,920
NET ASSETS EXCLUDING PENSION ASSET / (LIABILITY)		18,070,585	15,597,105
Net pension asset	15	718,000	171,000
Unfunded pension obligation	15	(179,296)	(201,442)
		538,704	(30,442)
NET ASSETS INCLUDING PENSION ASSET / (LIABILITY)		18,609,289	15,566,663
CAPITAL AND RESERVES			
Called up share capital	12	915,000	915,000
Share premium account		962	962
Reserves	13	17,693,327	14,650,701
SHAREHOLDERS' FUNDS	14	18,609,289	15,566,663

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

14 October 2008

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

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2008

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.

(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. FRS 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.

(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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

1 ACCOUNTING POLICIES (Continued)

(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

	2008	2007
	£	£
Administration costs	1,399,016	1,627,780
Net rental income	(352,234)	(353,361)
	<u>1,046,782</u>	<u>1,274,419</u>

3 INTEREST

	2008	2007
	£	£
Interest payable and similar charges:		
Preference share dividends	11,844	11,844
Other	4,299	3,611
	<u>16,143</u>	<u>15,455</u>
Less: Interest receivable		
Other	(2,289)	(1,926)
	<u>13,854</u>	<u>13,529</u>

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008	2007
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible fixed assets	606,899	551,973
Amortisation of grant income	(41,428)	(43,081)
Profit / (loss) on disposal of other fixed assets	159,958	(2,585)
Operating lease rentals		
- Land & buildings	118,848	136,273
Auditors' remuneration	28,315	27,400
	<u>831,592</u>	<u>669,080</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	2008	2007
	£	£
Current tax:		
States of Jersey income tax on the results for the year	55,821	114,282
Total current tax (note 5b)	55,821	114,282
Deferred taxation movement	(79,103)	96,402
Deferred taxation in respect of FRS17	19,000	2,000
Tax (credit) / charge on profit on ordinary activities	(4,282)	212,684

b) FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than the standard rate of income tax in Jersey of 20% (2007: 20%)
The differences are explained below:

	2008	2007
	£	£
Profit on ordinary activities before tax	1,750,970	1,547,624
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2007: 20%)	350,194	309,525
Effects of:		
Disallowable expenses	9,744	6,433
Capital allowances in excess of depreciation	26,893	(96,536)
Pension adjustment	(23,029)	(1,663)
Rate adjustment	(208,701)	(114,282)
Non-taxable income	(8,286)	(8,616)
Other tax adjustments	(90,994)	19,421
Current tax charge for the year (note 5a)	55,821	114,282

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

The profits chargeable to tax for the year of assessment 2008 will be the average of the tax adjusted profits for the 2007 and 2008 accounting periods.

Previously the Company accrued for the current tax based on the taxable profit or loss for that accounting period notwithstanding that tax was charged to the Company on a prior year basis. The accounting impact of the transition to an actual basis from 2008 is that only half of the year's profits for the 2007 and 2008 year ends will suffer tax at 20%.

To recognise the impact of the transition, the Company is no longer accruing current tax on a prior year basis and, for the 2007 and 2008 year ends, is providing for tax at an effective rate of 10% on the taxable profit arising in those years.

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

	2008	2008
	£	£
Ordinary shares	1,200,000	1,120,000
	<u>1,200,000</u>	<u>1,120,000</u>

7 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 30 June 2007	10,492,220	16,325,918	720,758	27,538,896
Additions	42,721	1,157,386	28,588	1,228,695
Revaluations	1,840,059	-	-	1,840,059
Disposals	(235,000)	(30,814)	(74,862)	(340,676)
At 30 June 2008	<u>12,140,000</u>	<u>17,452,490</u>	<u>674,484</u>	<u>30,266,974</u>
Depreciation				
At 30 June 2007	120,356	8,402,667	333,042	8,856,065
Accounts charge	53,959	422,162	130,778	606,899
Adjustments on revaluations	(174,315)	-	-	(174,315)
Disposals	-	(30,814)	(74,862)	(105,676)
At 30 June 2008	<u>-</u>	<u>8,794,015</u>	<u>388,958</u>	<u>9,182,973</u>
Net Book Value 30 June 2008	<u>12,140,000</u>	<u>8,658,475</u>	<u>285,526</u>	<u>21,084,001</u>
Net Book Value 30 June 2007	<u>10,371,864</u>	<u>7,923,251</u>	<u>387,716</u>	<u>18,682,831</u>

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.

Residential properties which the Company has undertaken to sell to the occupying employees at cost, subject to certain conditions, are included in freehold property at their cost of £855,000 (2007: £855,000). Loans of £380,000 (£200,000 due in less than one year and £180,000 due in more than one year) (2007: £380,000) received from those employees towards the cost of the properties are included in creditors. The loans are interest free and are repayable the earlier of the end of the J Category housing licence and the date the employee ceases employment with the Company.

8 STOCK AND WORK IN PROGRESS

	2008	2007
	£	£
Raw materials, consumables and finished goods	641,088	484,465
Work in progress	34,054	91,339
	<u>675,142</u>	<u>575,804</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

9 DEBTORS	2008	2007
	£	£
Amounts falling due within one year:		
Trade debtors	1,572,094	1,259,479
Amounts due from fellow group undertakings	1,513,757	2,347,585
Other debtors	455,035	61,976
Prepayments and accrued income	5,637	14,689
	<u>3,546,523</u>	<u>3,683,729</u>
Amounts falling due after more than one year:		
Trade debtors	522,970	495,206
Other debtors	56,802	-
Loans	-	22,694
	<u>579,772</u>	<u>517,900</u>
	<u>4,126,295</u>	<u>4,201,629</u>

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

10 CREDITORS	2008	2007
	£	£
Amounts falling due within one year:		
Trade creditors	797,083	1,286,141
Amounts due to immediate parent company	4,480,000	3,280,000
Amounts due to fellow group undertakings	37,741	26,025
Other creditors	436,768	381,813
Accruals and deferred income	315,612	310,012
	<u>6,067,204</u>	<u>5,283,991</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

	2008	2007
	£	£
Deferred taxation	1,010,193	1,089,296

Deferred taxation provided in the accounts is as follows:-

	2008	2007
	£	£
Accelerated capital allowances	1,058,252	1,129,584
Other timing differences	(48,059)	(40,288)
	<u>1,010,193</u>	<u>1,089,296</u>

12 SHARE CAPITAL

	2008	2007
	£	£
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 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 2007	5,092,914	2,850,100	6,707,687	14,650,701
Retained profit for the year	-	-	1,755,252	1,755,252
Dividends	-	-	(1,200,000)	(1,200,000)
Surplus on revaluation of properties	2,014,374	-	-	2,014,374
Realised revaluation surplus	(233,500)	-	233,500	-
Actuarial gain	-	-	473,000	473,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 2008	6,873,788	2,850,100	7,969,439	17,693,327
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JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	1,755,252	1,334,940
Dividends	(1,200,000)	(1,120,000)
Retained profit for the year	<u>555,252</u>	<u>214,940</u>
Actuaries adjustments to defined benefit pension liabilities (net)	473,000	460,000
Surplus on revaluation of properties	2,014,374	-
Opening shareholders' funds	<u>15,566,663</u>	<u>14,891,723</u>
Closing shareholders' funds	<u><u>18,609,289</u></u>	<u><u>15,566,663</u></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 2008. Scheme assets are stated at the market value at 30 June 2008 of the insurance policies in which they are invested.

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

	2008	2007	2006	2004	2003
Valuation method - Projected Unit					
Discount rate	6.4%	5.6%	5.1%	5.2%	5.4%
Inflation rate assumption	4.1%	3.6%	3.5%	4.0%	3.5%
Rate of increase in pensionable salaries	5.1%	4.6%	4.5%	5.0%	4.5%
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:

	2008	2007	2006	2004	2003
% Rate of return	5.8%	5.5%	6%	6%	6.0%
Unitised with profits policy £	5,314,000	4,531,000	4,473,000	3,844,000	3,588,000
% Rate of return	5.0%	4.5%	6%	0%	0%
Other assets £	32,000	-	-	-	-
Total market value of assets £	5,346,000	4,531,000	4,473,000	3,844,000	3,588,000
Present value of scheme liabilities £	(4,448,000)	(4,317,000)	(4,827,000)	(4,324,000)	(3,470,000)
Surplus / (deficit) in scheme £	898,000	214,000	(354,000)	(480,000)	118,000
Related deferred tax £	(180,000)	(43,000)	71,000	96,000	(24,000)
Net pension asset / (liability) £	718,000	171,000	(283,000)	(384,000)	94,000
Unfunded pension obligation £	(179,296)	(201,442)	(210,758)	(343,510)	(354,738)
Total net pension asset / (liability) £	538,704	(30,442)	(493,758)	(727,510)	(260,738)

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

	2008 £	2007 £
Current service cost	(231,000)	(221,000)
Past service cost	-	-

Total operating charge

(231,000)	(221,000)
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Analysis of the amount included within other finance costs:

Expected return on pension scheme assets
Interest on pension scheme liabilities

	£	£
Expected return on pension scheme assets	258,000	248,000
Interest on pension scheme liabilities	(247,000)	(237,000)

Net financing return

11,000	11,000
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JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

15 PENSION SCHEME (continued)

Amounts included in the STRGL:

	2008 £	2007 £
Movement in surplus during the year:		
Surplus / (deficit) in scheme at the beginning of the year	214,000	(354,000)
Movement in the year:		
Current service costs	(231,000)	(221,000)
Contributions paid by the employer	313,000	204,000
Other finance income	11,000	11,000
Actuarial gain	591,000	574,000
	<u>898,000</u>	<u>214,000</u>

Surplus in scheme at the end of the year

History of experience gains and losses:

	2008	2007	2006	2004	2003
Difference between expected and actual return on scheme assets:					
Amount £	182,000	113,000	415,000	(26,000)	555,000
% of scheme assets	3.40%	2.00%	9.30%	-1.00%	5.30%
Experience gains and losses on scheme liabilities					
Amount £	3,000	(21,000)	16,000	(12,000)	(117,000)
% of scheme liabilities	0.10%	-1.00%	0.00%	-1.00%	-3.00%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities					
Amount £	406,000	482,000	(89,000)	(561,000)	(169,000)
% of scheme liabilities	9.13%	10.60%	1.70%	4.20%	1.80%
Total amount recognised in STRGL					
Amount £	<u>591,000</u>	<u>574,000</u>	<u>342,000</u>	<u>(599,000)</u>	<u>269,000</u>
% of scheme assets	11.05%	12.70%	11.00%	-14.00%	8.00%

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

16 COMMITMENTS

	2008 £	2007 £
Capital Commitments:- Expenditure contracted but not provided for	187,000	227,607

Lease Commitments:-

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

	Land & Buildings	
	2008 £	2007 £
Operating leases which expire:		
Within one year	-	13,000
Within two to five years	-	-
In over five years	118,848	123,273
	<u>118,848</u>	<u>136,273</u>

17 CONTINGENT LIABILITIES

The Company has given an unlimited guarantee to The Bank of Scotland and 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

The Company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "Related Party Disclosures", not to disclose transactions with parent or fellow group companies, 90% or more whose voting rights are controlled within the group.

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