

1017/3 (62)



JERSEY GAS COMPANY LIMITED

REPORT AND ACCOUNTS

FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

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Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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. Flat 1, 73 Mount Durand, St Peter Port, Guernsey
	A SPRUCE, M.I. Gas E. (resigned 31 March 2006) Sans Pareil, Le Picquerel, Vale, Guernsey
	R St C STADDON, B.Sc. (Hons), M.I. Gas E. 1 Port de L'Ecluse, Mont Les Vaux, St Brelade, Jersey
	K J OLLIVIER 7 Parkinson Drive, St Lawrence, Jersey
	S CROSSMAN, M.I. Gas E. Ranworth, La Route Orange, St Brelade, Jersey
	M R RICHARDS, F.C.A. (resigned 30 September 2006) Spruce Cottage, Newbridge, Cadnam, Hants
	N E SHAW, B.Sc. (Hons) C.Eng, MIGEM (appointed 3 October 2006) The Rosary, Four Ashes, Walsham le Willows, Bury St Edmunds, Suffolk
Secretary	K J OLLIVIER
Auditors	Deloitte & Touche PO Box 403, Lord Coutanche House 66-68 Esplanade St Helier Jersey
Bankers	Royal Bank of Scotland International Ltd Trading as Natwest 23 Broad Street 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 29 December 2006 at 3.00 p.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 29 April 2005.
- 4 Receive the Directors' Report and Accounts for the period 1 January 2005 to 30 June 2006.
- 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

19 December 2006

JERSEY GAS COMPANY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the audited accounts for the period 1 January 2005 to 30 June 2006.

Activities

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

Results

Following the acquisition of the parent company, International Energy Group, by Babcock & Brown Infrastructure Limited, the Company's year end changed from 31 December to 30 June therefore necessitating these Financial Statements to be drawn up over an eighteen month period ended 30 June 2006.

The results of the period are shown in the profit and loss account on page 5.

Dividend

The profit for the period / year after taxation amounted to £2,701,439 (year ended 31 December 2004: £1,241,657). It is recommended that this be allocated as follows:-

	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 £
Ordinary dividends	2,160,000	1,240,000
Transfer to / (from) reserves	541,439	1,657
	<hr/>	<hr/>
	2,701,439	1,241,657
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Directors

Messrs N Shaw retires in accordance with By-Law 69 and R St C Staddon and S Crossman retire in accordance with By-Law 66 and, being eligible, offer themselves for re-election.

Directors' Responsibilities

The Directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period and are in accordance with applicable laws.


In preparing those 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 and prepare the financial statements on a 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 which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with generally accepted accounting principles and 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

During the year HLB AV Audit Plc and Grant Thornton UK LLP resigned as auditors of the company and Deloitte & Touche were appointed as auditors on 25 July 2005.

Following the transfer of their business to Deloitte & Touche LLP with effect from 1 October 2006, Deloitte & Touche have confirmed their intention to resign as auditors at the next annual general meeting, at which time a resolution to appoint their successors, Deloitte & Touche LLP as auditors will be proposed.

By Order of the Board



JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF JERSEY GAS COMPANY LIMITED

We have audited the financial statements of Jersey Gas Company Limited for the period 1 January 2005 to 30 June 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 20. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 40 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.

Respective Responsibilities of the Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). 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 of the state of the Company's affairs as at 30 June 2006 and its profit for the period from 1 January 2005 to 30 June 2006 regarding the financial administration of the Company contained in Article 37 of the Jersey Gas Company (Jersey) Law 1989.

Emphasis of matter - unread gas income

Without qualifying our opinion, we draw attention to the disclosures made in note 1 of the financial statements concerning the Company's accounting policy for the recognition of revenue from gas supply to customers. The company recognises such revenue when the customer is invoiced based on a meter reading. These financial statements do not include any adjustments (which may have been material to these financial statements) that would arise if the company was able to account for the unread meter income as required by FRS 5, as it is unable to make an estimate of the unread gas meter income with sufficient reliability to satisfy the revenue recognition criteria of FRS 5, paragraph 20 (b).

Deloitte & Touche
Chartered Accountants
St Helier
Jersey

19 December 2006

JERSEY GAS COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

	Note	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 (as restated) £
TURNOVER	(iv)	16,867,347	9,247,240
Cost of Sales		(11,615,345)	(6,834,894)
GROSS PROFIT		5,252,002	2,412,346
Net Operating Expenses	2	(1,600,171)	(892,375)
OPERATING PROFIT		3,651,831	1,519,971
Interest Payable	3	(21,389)	(13,603)
Interest Receivable	3	2,863	1,526
Other Finance Income	16	6,000	47,000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	3,639,305	1,554,894
Tax on profit on ordinary activities	5	(937,866)	(313,237)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,701,439	1,241,657
Dividends (net)	6	(2,160,000)	(1,240,000)
RETAINED PROFIT FOR FINANCIAL PERIOD / YEAR		541,439	1,657

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 14.

JERSEY GAS COMPANY LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006**

		1 Jan 05 to 30 Jun 06	1 Jan 04 to 31 Dec 04 (as restated)
		£	£
Profit for the financial period / year		2,701,439	1,241,657
Unrealised surplus on revaluation of properties		-	451,842
Actuarial gains and (losses) (net)	16	274,000	(479,000)
Total recognised gains and losses relating to the period / year		<u>2,975,439</u>	<u>1,214,499</u>
Prior year adjustments	16	(384,000)	-
Total recognised gains for the period / year		<u>2,591,439</u>	<u>1,214,499</u>

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the period / year stated above, and their historical cost equivalent.

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

A statement of movements on reserves is given in note 14.

JERSEY GAS COMPANY LIMITED

BALANCE SHEET AT 30 JUNE 2006

	Note	30 Jun 06 £	31 Dec 04 (as restated) £
FIXED ASSETS			
Tangible assets	1 (ii) & 7	17,410,557	16,422,891
CURRENT ASSETS			
Stock and work in progress	1 (iii) & 8	616,917	658,711
Debtors			
- due within one year	9	3,185,196	1,429,513
- due after one year	9	541,343	678,059
Cash at bank and in hand		1,007	990
		<hr/>	<hr/>
		4,344,463	2,767,273
CURRENT LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	10	3,666,032	2,080,234
Bank overdraft & short term loans	11	38,645	32,331
States income tax		387,729	237,733
		<hr/>	<hr/>
		4,092,406	2,350,298
		<hr/>	<hr/>
NET CURRENT ASSETS		252,057	416,975
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		17,662,614	16,839,866
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Called up preference shares	13	358,904	358,904
Other loan		200,000	246,055
Accruals and deferred income		355,597	414,278
States income tax		371,738	247,340
Provisions for liabilities and charges	12	990,894	769,495
		<hr/>	<hr/>
		2,277,133	2,036,072
		<hr/>	<hr/>
NET ASSET EXCLUDING PENSION LIABILITY		15,385,481	14,803,794
Pension liability	16	(493,758)	(727,510)
		<hr/>	<hr/>
NET ASSETS INCLUDING PENSION LIABILITY		14,891,723	14,076,284
CAPITAL AND RESERVES			
Equity shareholders' funds			
Called up share capital	13	915,000	915,000
Share premium		962	962
Reserves	14	13,975,761	13,160,322
		<hr/>	<hr/>
		14,891,723	14,076,284
		<hr/>	<hr/>

THE BOARD OF DIRECTORS

Director

Director

19 December 2006

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

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

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 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
Vehicles	14.0 - 25.0

No depreciation is provided in respect of freehold land or domestic housing which have been let.

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.

(iii) Stock and Work in Progress

Stock has been valued at the lower of cost and net realisable value. Work in progress has been 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.

It is noted that due to the extended period of account it is likely that the results for the 18 month period ended 30 June 2006 include unread meter income as at 31 December 2004, which exceeds unread meter income excluded at 30 June 2006. Consequently, the results for the 18 month period ended 30 June 2006 are favourably impacted by unread meter income.

(v) Deferred Taxation

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 FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

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) Finance and Operating Leases

Fixed assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over the related asset's useful economic life. The capital element of future payments is treated as a liability and the interest element is charged to profit and loss account as it accrues. Costs in respect of operating leases are charged to operating profit as they are incurred.

(viii) Grants Receivable

Grants that relate to fixed asset expenditure are treated as deferred income in the balance sheet which is then credited to the profit and loss account over the related assets useful economic life. Other grants are credited to profit and loss account when received to match against related expenditure.

(ix) Changes in Accounting Policies

Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) supersedes Statement of Standard Accounting Practice 24 "Pension costs" (SSAP 24). All the disclosure requirements of FRS 17 were adopted by the company in its 2005 and 2004 financial statements. In November 2002, the Accounting Standards Board deferred the effective date of the recognition and measurement elements of the standard to accounting periods beginning on or after 1 January 2005. The company has implemented the recognition and measurement provisions of FRS 17 in the current year. The effect of this change in accounting policy for the year ended 31 December 2004 has been a reduction in net assets of £384,000.

FRS 17 requires assets in a defined benefit scheme to be measured at their fair value at the balance sheet date. Scheme liabilities are measured using the projected unit method, which takes account of projected earnings increases, using actuarial assumptions that are mutually compatible and lead to the best estimate of the future cash flows. These cash flows are discounted at the interest rate applicable to high quality corporate bonds of the same currency and term as the liabilities. The surplus/(deficit) in a defined benefit scheme is the excess/shortfall of the value of the assets in the scheme over/below the value of the scheme liabilities. A surplus is recognised as an asset to the extent that the employer is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. A deficit is recognised as a liability to the extent of the employer's legal or constructive obligation to fund it.

The current service cost (the increase in scheme liabilities arising from employee service in the current period), past service costs (the cost of improvements to benefits for service relating to prior periods) and interest cost (the unwind of the discount on the scheme liabilities) net of the expected return on scheme assets are charged to the consolidated profit and loss account. Actuarial gains and losses (changes in surpluses or deficits due to experience gains and losses and to changes in actuarial assumptions) are recognised in full in the statement of total recognised gains and losses for the period.

The Company has adopted Financial Reporting Standard 25 "Financial Instruments: Disclosures and Presentation" (FRS 25) with effect from 1 January 2005. The adoption of this standard represents a change in accounting policy and the figures have been restated accordingly. In accordance with the presentation requirements of FRS 25, many preference shares are required to be shown as liabilities, rather than as equity and therefore dividends on preference shares are treated as interest expense.

This has led to the reclassification of the Company's preference shares from equity to debt and accordingly the preference share dividends are reclassified from dividends to interest expense. The net assets from 2004 to 2006 have been reduced by £358,904.

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

(x) 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 parent company.

(xi) Comparatives

Comparatives for the year ended 31 December 2004 have been restated as a result of the adoption, in full, of Financial Reporting Standard Number 17, Retirement Benefits.

2 NET OPERATING EXPENSES	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 (as restated) £
Administration costs	2,063,915	1,174,535
Net rental income	(463,744)	(282,160)
	<hr/>	<hr/>
	1,600,171	892,375
	<hr/>	<hr/>
3 INTEREST	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 (as restated) £
Interest payable and similar charges:		
Preference share dividends	17,766	11,844
Other	3,623	1,759
	<hr/>	<hr/>
	21,389	13,603
Less: Interest receivable		
Other	(2,863)	(1,526)
	<hr/>	<hr/>
	18,526	12,077
	<hr/>	<hr/>
4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 (as restated) £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	780,297	520,404
Amortisation of grant income	(62,142)	(41,428)
Profit on disposal of other fixed assets	(5,839)	(205)
Operating lease rentals		
- Land & buildings	174,963	129,242
Auditors remuneration	36,911	25,575
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JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

a) ANALYSIS OF CHARGE IN THE PERIOD / YEAR	1 Jan 05 to 30 Jun 06	1 Jan 04 to 31 Dec 04 (as restated)
	£	£
Current tax:		
States of Jersey income tax at 20% (2004: 20%) on the results for the period / year	759,467	247,340
Total current tax (note 5b)	759,467	247,340
Deferred taxation movement	221,399	65,897
Deferred tax movement in respect of FRS 17	(43,000)	-
Tax on profit on ordinary activities	937,866	313,237

b) FACTORS AFFECTING TAX CHARGE FOR THE PERIOD / YEAR

The tax assessed for the period / year is lower than the standard rate of income tax in Jersey of 20% (2004: 20%)
The differences are explained below:

	1 Jan 05 to 30 Jun 06	1 Jan 04 to 31 Dec 04 (as restated)
	£	£
Profit on ordinary activities before tax	3,639,305	1,554,894
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2004: 20%)	727,861	310,979
Effects of:		
Disallowable expenses	(45,759)	-
Capital allowances in excess of depreciation	(167,759)	(55,276)
Pension adjustment	43,200	(200)
Other tax adjustments	201,924	(8,163)
Current tax charge for the period / year (note 5a)	759,467	247,340

6 DIVIDENDS

	30 Jun 06	31 Dec 04 (as restated)
	£	£
Equity shares:		
Ordinary shares paid	2,160,000	1,240,000
	2,160,000	1,240,000

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

7 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 31 December 2004	9,916,372	13,889,440	557,969	24,363,781
Additions	732,348	1,337,176	324,677	2,394,201
Disposals	(586,500)	(122,540)	(234,221)	(943,261)
At 30 June 2006	10,062,220	15,104,076	648,425	25,814,721
Depreciation				
At 31 December 2004	-	7,524,456	416,434	7,940,890
Accounts charge	71,408	596,255	112,634	780,297
Disposals	-	(91,148)	(225,875)	(317,023)
At 30 June 2006	71,408	8,029,563	303,193	8,404,164
Net Book Value 30 June 2006	9,990,812	7,074,513	345,232	17,410,557
Net Book Value 31 December 2004	9,916,372	6,364,984	141,535	16,422,891

The freehold properties were last valued externally by Cushman & Wakefield Healey & Baker as at 31 December 2004 on the basis of existing use value, depreciated replacement cost and market value (where appropriate) in accordance with the RCIS Appraisal and 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 £425,000 (2004: £1,011,500). Loans of £200,000 (2004: £346,500) received from those employees towards the cost of the properties are included in creditors.

8 STOCKS

	30 Jun 06 £	31 Dec 04 (as restated) £
Stocks	566,085	629,837
Work in progress	50,832	28,874
	616,917	658,711

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

9 DEBTORS	30 Jun 06	31 Dec 04 (as restated)
	£	£
Amounts falling due within one year:		
Trade debtors	1,329,578	1,225,706
Amounts due from fellow subsidiary companies	106,017	-
Amounts due from holding company	1,336,207	-
Other debtors	116,404	194,271
Prepayments and accrued income	296,990	9,536
	<u>3,185,196</u>	<u>1,429,513</u>
Amounts falling due after more than one year:		
Trade debtors	484,276	551,360
Loans	57,067	126,699
	<u>541,343</u>	<u>678,059</u>
	<u>3,726,539</u>	<u>2,107,572</u>

Amounts due from fellow subsidiary companies and holding company are interest free, unsecured and repayable on demand.

10 CREDITORS	30 Jun 06	31 Dec 04 (as restated)
	£	£
Amounts falling due within one year:		
Trade creditors	990,474	1,399,204
Amounts due to fellow subsidiary companies	2,198,693	183,793
Other creditors	147,162	79,057
Other loans	-	106,500
Accruals and deferred income	329,703	311,680
	<u>3,666,032</u>	<u>2,080,234</u>

The amounts due to fellow subsidiary companies are interest free, unsecured and repayable on demand.

11 BANK OVERDRAFT AND LOANS	30 Jun 06	31 Dec 04 (as restated)
	£	£
Repayable within one year:		
Bank - overdraft	38,645	32,331
	<u>38,645</u>	<u>32,331</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

12 PROVISIONS FOR LIABILITIES AND CHARGES

	30 Jun 06	31 Dec 04 (as restated)
	£	£
Deferred taxation	990,894	769,495
	<hr/>	<hr/>
At 30 June 2006	990,894	769,495
	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation provided in the accounts is as follows:-

	30 Jun 06	31 Dec 04 (as restated)
	£	£
Accelerated capital allowances	1,033,046	839,197
Other timing differences	(42,152)	(69,702)
	<hr/>	<hr/>
	990,894	769,495
	<hr/> <hr/>	<hr/> <hr/>

13 SHARE CAPITAL

	30 Jun 06	31 Dec 04 (as restated)
	£	£
Authorised, Allotted, Called Up and Fully Paid		
Equity Shares:		
Ordinary Shares of £1 each	915,000	915,000
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	358,904	358,904
	<hr/> <hr/>	<hr/> <hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

13 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 of going into liquidation, had been actually paid up on their said shares respectively.

14 RESERVES

	Revaluation Reserve £	Capital Reserves £	Profit & Loss £	Total £
At 31 December 2004 as previously reported	5,092,914	2,850,100	5,601,308	13,544,322
Prior year adjustment - FRS 17	-	-	(384,000)	(384,000)
At 31 December 2004 restated	5,092,914	2,850,100	5,217,308	13,160,322
Retained profit for the period	-	-	541,439	541,439
Actuarial gain	-	-	274,000	274,000
At 30 June 2006	5,092,914	2,850,100	6,032,747	13,975,761

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1 Jan 05 to 30 Jun 06 £	1 Jan 04 to 31 Dec 04 £
Shareholders' funds at the beginning of the period/year as previously reported	14,819,188	14,366,689
Prior year adjustment - FRS 17	(384,000)	94,000
Prior year adjustment - FRS 25	(358,904)	(358,904)
Shareholders' funds at the beginning of the period/year as restated	<u>14,076,284</u>	<u>14,101,785</u>
Profit for the financial period / year	2,701,439	1,241,657
Dividends	(2,160,000)	(1,240,000)
Actuaries adjustments to defined benefit pension liabilities	274,000	(479,000)
Unrealised revaluation surplus	-	451,842
Closing shareholders' funds	<u><u>14,891,723</u></u>	<u><u>14,076,284</u></u>

16 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 valuation was at 1 July 2003. (The renewed valuation for the next three years will be as 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 6.5%, the yield after retirement would be 4.5%, salary increases would average 4% per annum and that the limited price and early leaver indexation would increase at the rate of 2.5% per annum.

The most recent actuarial valuation showed that the value of the scheme's assets was £3,350,000 and the surplus was £200,000. This equates to approximately 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 9.2% and 5% of earnings respectively, and this has been adopted by the Company from 1 July 2004. Previously the rates were 8.9% and 5% respectively.

Financial Reporting Standard 17 Disclosures

The Company has implemented Financial Reporting Standard Number 17, Retirement Benefits, in full for the eighteen month period ended 30 June 2006. Previously the transitional period rules under this standard had been applied. This has necessitated a prior year adjustment to account for the pension fund deficit. This has resulted in a reduction in the net assets and reserves of the company at 31 December 2004 amounting to £384,000 and a reduction in the profit and loss account for the period ended 30 June 2006 of £173,000 (31 December 2004: increase in profit and loss account of £1,000).

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 2006. Scheme assets are stated at the market value at 30 June 2006 of the insurance policies in which they are invested.

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

	2006	2004	2003	2002
Valuation method - Projected Unit				
Discount rate	5.1%	5.2%	5.4%	5.5%
Inflation rate assumption	3.5%	4.0%	3.5%	3.5%
Rate of increase in pensionable salaries	4.5%	5.0%	4.5%	4.5%
Rate of increase in pensions in payment				
-limited price indexation	0.0%	0.0%	0.0%	0.0%

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

16 PENSION SCHEME (continued)

The assets and liabilities of the scheme together with the expected rates of return on scheme assets are shown below:

	2006	2004	2003	2002
% Rate of return	6%	6%	6%	6.50%
Unitised with profits policy	4,473,000	3,844,000	3,588,000	-
% Rate of return	6%	0%	0%	6%
Red Plan	-	-	-	2,907,000
Total market value of assets	4,473,000	3,844,000	3,588,000	2,907,000
Present value of scheme liabilities	(4,827,000)	(4,324,000)	(3,470,000)	(3,045,000)
(Deficit)/Surplus in scheme	(354,000)	(480,000)	118,000	(138,000)
Related deferred tax	71,000	96,000	(24,000)	28,000
Net pension (liability)/asset	(283,000)	(384,000)	94,000	(110,000)
Unfunded Pension Obligation	(210,758)	(343,510)	(354,738)	(372,213)
Total Net pension (liability)/asset	(493,758)	(727,510)	(260,738)	(482,213)

The assets of the scheme are invested in insurance policies.

Amounts included in the profit and loss account:	30 June 2006	31 Dec 2004
	£	£
Analysis of amount charged to operating profit:		
Current service cost	(403,000)	(182,000)
Past service cost	-	-
Total operating charge	(403,000)	(182,000)
Analysis of the amount included within other finance costs:		
	£	£
Expected return on pension scheme assets	341,000	235,000
Interest on pension scheme liabilities	(335,000)	(188,000)
Net financing return	6,000	47,000

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

16 PENSION SCHEME (continued)

Amounts included in the STRGL:

Movement in deficit during the 18 month period:	£	£
Deficit in scheme at the beginning of the year	(136,490)	472,738
Movement in the year:		
Current service costs	(403,000)	(182,000)
Contributions paid by the employer	181,000	136,000
Other finance income	6,000	47,000
Actuarial gain/ loss	342,000	(599,000)
	<hr/>	<hr/>
Deficit in scheme at the end of the period/year	(10,490)	(125,262)
	<hr/>	<hr/>

History of experience gains and losses:

	2006	2004	2003	2002
Difference between expected and actual return on scheme assets:				
Amount £	415,000	(26,000)	555,000	(102,000)
% of scheme assets	9.30%	-1.00%	5.30%	-3.50%
Experience gains and losses on scheme liabilities				
Amount £	16,000	(12,000)	(117,000)	(68,000)
% of scheme assets	0.00%	-1.00%	-3.00%	-2.20%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities				
Amount £	(89,000)	(561,000)	(169,000)	(214,000)
% of scheme assets	1.70%	4.20%	1.80%	9.50%
Total amount recognised in STRGL	<hr/>	<hr/>	<hr/>	<hr/>
Amount £	342,000	(599,000)	269,000	(384,000)
	<hr/>	<hr/>	<hr/>	<hr/>
% of scheme assets	11.00%	-14.00%	8.00%	-13.00%

Analysis of Profit and Loss Account:

	30 June 2006	31 Dec 2004
	£	£
Profit and Loss Account excluding Pension reserve	13,692,761	12,776,322
Pension Reserve	283,000	384,000
	<hr/>	<hr/>
Profit and Loss Reserve as at 30 June 2006	13,975,761	13,160,322
	<hr/>	<hr/>

JERSEY GAS COMPANY LIMITED

NOTES TO THE ACCOUNTS FOR THE PERIOD 1 JANUARY 2005 TO 30 JUNE 2006

17 COMMITMENTS

	30 Jun 06	31 Dec 04
	£	£
Capital Commitments:-		
Expenditure contracted but not provided for	101,007	657,804

Lease Commitments:-

At 31 December 2004 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings	
	30 Jun 06	31 Dec 04
	£	£
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	-
In over five years	123,273	129,238
	<u>123,273</u>	<u>129,238</u>

18 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 (Channel Islands) Holdings Limited and its fellow subsidiary undertakings.

19 RELATED PARTY TRANSACTIONS

The Company is exempt from related party disclosures in respect of group transactions, on the grounds that the bank by BBI (Channel Islands) Holdings Limited and its fellow subsidiary undertakings.

20 ULTIMATE PARENT COMPANY

The company's immediate parent company is BBI (Jersey) Holdings Limited. The company's ultimate holding company is Babcock & Brown Infrastructure Limited. Both companies are registered in Australia. The smallest and largest group in which the results of the company are consolidated is Babcock & Brown Infrastructure. Its accounts can be obtained from:

Babcock & Brown Infrastructure
The Chifley Tower
2 Chifley Square
Sydney
NSW 2000
Australia