

JERSEY GAS COMPANY LIMITED

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

JERSEY GAS COMPANY LIMITED

CORPORATE INFORMATION

Incorporated under "Lois 1918 - 1965 Sur La Compagne Du Gaz", now repealed, continuing in existence under the provisions of the Jersey Gas Company (Jersey) Law 1989.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

A R Nicholls BSc(Hons), CEng, MIGEM, FEI, MIAM, FIOD
S J Crossman BSc(Hons), CEng, MIGEM
J S Davies ENG TECH, IGEM
R S Gardner BEng(Hons), CEng, MIGEM
P K Wright FCA, BCom
K J Ollivier (resigned 13 December 2016)

Secretary

K J Ollivier (resigned 13 December 2016)
P K Wright FCA, Bcom (appointed 13 December 2016)

Auditor

Ernst & Young LLP
Royal Chambers
St Julian's Avenue
St Peter Port
Guernsey

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 2 May 2017 at 10.30 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 22 March 2016.
- 4 Receive the Directors' Report and Financial Statements for the year ended 31 December 2016.
- 5 Declare a Dividend.
- 6 Election of Directors.
- 7 To receive the Auditor's Report for the year ended 31 December 2016.
- 8 Appoint Auditor and to fix their remuneration.
- 9 Transact any other ordinary business of the Company.

By Order of the Board

P WRIGHT

Secretary

Thomas Edge House
Tunnell Street
St Helier
Jersey

14 March 2017

JERSEY GAS COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 December 2016.

Principal Activities

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

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Results

The results of the year are shown in the Statement of Comprehensive Income on page 5.

Dividend

The directors do not recommend a final dividend. Interim dividends of £31,263,500 were paid during the year.

Directors

The directors who served the company during the year are shown on page 1.

R S Gardner and P K Wright retire in accordance with By-Law 65 and, being eligible, offer themselves for re-election.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

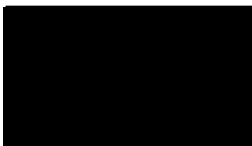
The Jersey Gas Company (Jersey) Law 1989 requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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.

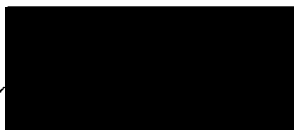
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Jersey 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.

Auditor

Ernst & Young LLP is the current auditor, a resolution to appoint an auditor will be proposed at the forthcoming Annual General Meeting.



Director
14 March 2017



Director

JERSEY GAS COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JERSEY GAS COMPANY LIMITED

We have audited the financial statements of Jersey Gas Company Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Audited Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Jersey Gas Company (Jersey) Law 1989

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Richard Le Tissier
Ernst & Young LLP
St Peter Port
Guernsey

14 March 2017

JERSEY GAS COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	Note	£	£
Revenue		10,782,359	10,875,556
Cost of sales		(5,294,645)	(6,476,877)
Gross profit		5,487,714	4,398,679
Net operating expenses		(3,812,229)	(2,957,998)
Rental income		137,612	248,714
Operating profit		1,813,097	1,689,395
Interest payable and similar charges	3	(1,186,092)	(20,630)
Interest receivable		93	131
Other finance income / (expenses)	11	30,000	(34,000)
Profit / (loss) on disposal of property, plant and equipment		1,711,225	(146,544)
Profit on ordinary activities before taxation		2,368,323	1,488,352
Tax credit / (charge) on profit on ordinary activities	5	27,440	(381,049)
Profit for the financial year		2,395,763	1,107,303
(Losses) / gains on remeasurement of net defined benefit asset / liability	11	(703,000)	1,510,000
Other comprehensive income		(703,000)	1,510,000
Total comprehensive income		1,692,763	2,617,303

The notes on pages 8 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016	Note	2016 £	2015 £
Non-current assets			
Property, plant and equipment	6	27,038,815	35,664,728
Current assets			
Inventories	7	743,339	756,701
Trade and other receivables			
amounts falling due within one year	8	10,294,984	3,026,540
amounts falling due after one year	8	386,094	409,144
Cash		557,782	999,447
		<u>11,982,199</u>	<u>5,191,832</u>
Current liabilities			
Trade and other payables	9	34,750,701	7,773,070
		<u>34,750,701</u>	<u>7,773,070</u>
Net current liabilities		(22,768,502)	(2,581,238)
Total assets less current liabilities		4,270,313	33,083,490
Amounts falling due after more than one year			
Called up preference shares	10	358,904	358,904
Deferred tax	5	2,634,431	2,663,627
Unfunded pension obligation		108,039	109,283
		<u>3,101,374</u>	<u>3,131,814</u>
Pension (liability) / asset	11	(114,000)	674,000
Net assets		<u>1,054,939</u>	<u>30,625,676</u>
Equity			
Called up share capital	10	915,000	915,000
Share premium account		962	962
Reserves		138,977	29,709,714
Shareholder's funds		<u>1,054,939</u>	<u>30,625,676</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2017.

Approved on behalf by:

Director
14 March 2017

Director

The notes on pages 8 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Revaluation reserve	Retained Earnings	Total
	£	£	£	£	£
At 1 January 2015	915,000	962	4,685,771	24,806,640	30,408,373
Profit for the year	-	-	-	1,107,303	1,107,303
Other comprehensive income	-	-	-	1,510,000	1,510,000
Total comprehensive income	-	-	-	2,617,303	2,617,303
Dividends	-	-	-	(2,400,000)	(2,400,000)
Realised revaluation gain	-	-	(281,767)	281,767	-
At 31 December 2015	915,000	962	4,404,004	25,305,710	30,625,676
Profit for the year	-	-	-	2,395,763	2,395,763
Other comprehensive income	-	-	-	(703,000)	(703,000)
Total comprehensive income	-	-	-	1,692,763	1,692,763
Dividends	-	-	-	(31,263,500)	(31,263,500)
Realised revaluation gain	-	-	(4,404,004)	4,404,004	-
At 31 December 2016	915,000	962	-	138,977	1,054,939

The notes on pages 8 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

CASH FLOW STATEMENT

	2016	2015
	£	£
Cash flows from operating activities		
Operating profit	1,813,097	1,689,395
Depreciation and amortisation	1,624,119	1,238,076
Decrease / (increase) in inventories	13,362	(60,526)
(Increase)/decrease in trade receivables	(7,245,395)	436,055
Increase in trade payables	27,062,529	495,532
Adjustment for pension funding	137,000	29,000
Tax paid	(98,054)	(27,939)
	<hr/>	<hr/>
Net cash flows from operating expenses	23,306,658	3,799,593
	<hr/>	<hr/>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	9,596,639	1,155,545
Purchase of property, plant and equipment-maintenance	(711,707)	(1,865,467)
Purchase of property, plant and equipment-growth	(171,912)	(5,008)
Interest received	93	131
	<hr/>	<hr/>
Net cash flows from investing activities	8,713,113	(714,799)
	<hr/>	<hr/>
Cash flow from financing activities		
Interest paid	(1,197,936)	(20,630)
Dividends paid	(31,263,500)	(2,400,000)
	<hr/>	<hr/>
Net cash flows from financing activities	(32,461,436)	(2,420,630)
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	(441,665)	664,164
Cash and cash equivalents at beginning of period	999,447	335,283
	<hr/>	<hr/>
Cash and cash equivalents at end of period	557,782	999,447
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The notes on pages 8 to 18 form an integral part of these financial statements.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General Information and Basis of Presentation

Jersey Gas Company Limited is a limited liability company incorporated in Jersey. The registered office is Thomas Edge House, Tunnell Street, St Helier, Jersey.

The Company financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements are presented in sterling which is also the functional currency of the Company.

b. Going concern

The Company meets its day to day working capital requirements by cash generated through the normal course of business. The Company forecasts, taking account of reasonably possible changes in trading performance, show the Company should have adequate resources to continue in operational existence for the foreseeable future. Thus the Directors are of the opinion that the Company can continue to adopt the going concern basis in preparing the financial statements.

c. Property, plant and equipment

Except for freehold buildings, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold buildings are stated at revalued amounts less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

The principal rates in use are:-	%
Freehold Buildings	0.0 - 2.0
Plant & Machinery	2.5 - 20.0
Motor Vehicles	14.0 - 25.0

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Accounting policies (Continued)

d. Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Work in progress has been valued at cost of direct materials and labour. Cost is calculated using the first-in first-out method. Provision is made for obsolete, slow moving or defective items where appropriate.

e. Revenue recognition

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and taxes.

f. 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.

g. Employee benefits

The group operated two pension schemes; a defined benefit scheme and a defined contribution scheme. During the year the defined benefit scheme, which was already closed to new members, ceased to accrue pensionable service. Employer and employee contributions into this scheme were also ceased.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments, which are included as part of staff costs. Past service costs are recognised immediately in the Statement of Comprehensive Income if the benefits have vested. The net interest cost on the net defined benefit liability is charged to the Statement of Comprehensive Income and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

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 credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For defined contribution schemes the amount charged to the statement of comprehensive income in respect of pension costs and other retirement benefits is the contributions payable in the year.

h. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

i. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to assets are recognised over the expected useful life of the asset.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Revenue recognition - unread meter income

Revenue in respect of unread meter income is accrued at the balance sheet date. Unread meter income is estimated by considering the unit outputs in the last 3 months of the year, applying a sales / output ratio and multiplying this by the average unit cost. A time factor in respect of the billing cycle is then applied. This estimate is subject to uncertainty given the assumptions that are made in the calculation.

Pension

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of the plan, such estimates are subject to significant uncertainty.

3 Interest payable and similar charges

	2016 £	2015 £
Preference share dividends	11,844	11,844
Interest payable on deposits	35,964	8,786
Interest payable to fellow group undertakings (see note 9)	1,119,834	-
Other finance charges	18,450	-
	<u>1,186,092</u>	<u>20,630</u>

4 Profit on ordinary activities before taxation

	2016 £	2015 £
Profit on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation on property, plant and equipment	1,624,119	1,238,077
Amortisation of grant income	-	(41,428)
Operating lease rentals		
- Land & buildings	137,612	137,004
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	29,532	27,016
	<u>1,791,263</u>	<u>1,460,669</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Tax on profit on ordinary activities

a) Analysis of (credit) / charge in the year

	2016 £	2015 £
Current tax:		
States of Jersey income tax (credit) / charge on the results for the year	92,330	166,628
Over provision in previous periods	(68,574)	(9,936)
	<hr/>	<hr/>
Total current tax charge (note 5b)	23,756	156,692
Deferred taxation movement	(29,196)	237,357
Deferred taxation in respect of FRS 102 Section 28	(22,000)	(13,000)
	<hr/>	<hr/>
Tax (credit) / charge on profit on ordinary activities	<u>(27,440)</u>	<u>381,049</u>

b) Factors affecting tax charge for the year

The differences between the total current tax shown above and the amount calculated by applying the standard rate of tax to the profit before tax is as follows.

	2016 £	2015 £
Profit on ordinary activities before tax	2,368,323	1,488,352
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of income tax in Jersey 20% (2015: 20%)	473,665	297,670
Effects of:		
Over provision in previous years	(68,574)	(9,936)
Capital allowances in excess of depreciation	(55,542)	(160,453)
Profit on disposal of property	(342,245)	29,309
Pension adjustment	27,400	4,388
Non-taxable income	(5,573)	(8,286)
Other tax adjustments	(5,375)	4,000
	<hr/>	<hr/>
Current tax (credit) / charge for the year (note 5a)	<u>23,756</u>	<u>156,692</u>

c) Provision for deferred tax

	2016 £	2015 £
Deferred tax is provided as follows:		
Capital allowances in excess of depreciation	2,665,760	2,700,379
Other timing differences	(31,329)	(36,752)
	<hr/>	<hr/>
Provision for deferred tax	<u>2,634,431</u>	<u>2,663,627</u>

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Property, plant and equipment

	Freehold Land and Buildings £	Plant & Machinery £	Motor Vehicles £	Total £
Cost or Valuation				
At 1 January 2016	7,940,761	42,270,157	800,030	51,010,948
Additions	66,136	707,462	110,021	883,619
Disposals	(7,956,839)	(89,224)	(189,019)	(8,235,082)
At 31 December 2016	50,058	42,888,395	721,032	43,659,485
Depreciation				
At 1 January 2016	69,560	14,684,111	592,549	15,346,220
Charge for the year	8,695	1,519,998	95,426	1,624,119
Disposals	(78,255)	(88,118)	(183,296)	(349,669)
At 31 December 2016	-	16,115,991	504,679	16,620,670
Net Book Value at 31 December 2016	50,058	26,772,404	216,353	27,038,815
Net Book Value at 31 December 2015	7,871,201	27,586,046	207,481	35,664,728

7 Inventories

	2016 £	2015 £
Raw materials, consumables and finished goods	742,945	752,105
Work in progress	394	4,596
	743,339	756,701

Inventories recognised as an expense in the period were £12,491 (2015: £5,500).

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Trade and other receivables

	2016 £	2015 £
Amounts falling due within one year:		
Trade receivables	913,782	1,051,275
Amounts due from fellow group undertakings	8,009,107	536,910
Unread meter income	978,934	706,570
Other receivables	99,005	108,753
Prepayments and accrued income	294,156	623,032
	<hr/> 10,294,984	<hr/> 3,026,540
Amounts falling due after more than one year:		
Trade receivables	362,717	402,105
Other receivables	23,377	7,039
	<hr/> 386,094	<hr/> 409,144
	<hr/> <hr/> 10,681,078	<hr/> <hr/> 3,435,684

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

9 Trade and other payables

	2016 £	2015 £
Amounts falling due within one year:		
Trade payables	1,185,389	1,159,775
Amounts due to immediate parent company (non interest bearing)	-	4,480,000
Amounts due to fellow group undertakings (non interest bearing)	227,419	162,449
Amounts due to fellow group undertakings (interest bearing)	32,000,000	-
Other payables	364,941	346,597
Accruals and deferred income	783,355	1,366,455
GST	97,267	91,166
States Income Tax	92,330	166,628
	<hr/> 34,750,701	<hr/> 7,773,070

The amounts due to fellow group undertakings and to the immediate parent company are unsecured and repayable on demand. Interest bearing borrowings from group undertakings have been charged interest at a weighted average interest rate of 5.80% for the year.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 Share capital

	2016 £	2015 £
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>

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:

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

(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.

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The Company provides 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 Statement of Comprehensive Income 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 October 2015. 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 4.8% (2012: 5.1%), the yield after retirement would be 3.0% (2012: 3.5%) and salary increases would average 4.15% (2012: 4.0%) per annum.

The most recent actuarial valuation at 1 July 2015 showed that the value of the scheme's assets was £5,871,000 (2012: £4,664,000) and the surplus was £445,000 (2012: deficit of £2,184,000). This equates to approximately 68% (2012: 68%) of the benefits that had accrued to members, after allowing for expected future increases in earnings. The Company has nil contributions (2012: 17.9%) and employees have ceased contributions (2012: 5%) with no additional contribution (2012: £217,500) per year from the Company to eliminate the deficit.

The valuation used for FRS 102 Section 28 disclosures (Section 28) 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 Section 28 in order to assess the liabilities of the scheme at 31 December 2016. Scheme assets are stated at the market value at 31 December 2016 of the insurance policies in which they are invested.

The Company has closed the defined benefit scheme to new members and to future accrual of pensionable service and provides a defined contribution retirement benefit scheme for all qualifying employees. There were contributions of £169,652 (2015: £20,464) payable to the scheme by the Company in the current year and at the balance sheet date there were no outstanding or prepaid contributions.

The key assumptions used are:	2016	2015
Discount rate	2.6%	3.9%
Pensionable salary growth	3.5%	3.5%

Amounts recognised in the Statement of Comprehensive Income in respect of this defined benefit scheme are as follows:

	2016 £	2015 £
Analysis of amount charged to operating profit:		
Current service cost	4,000	228,000
Net interest	(30,000)	34,000
Total operating cost	(26,000)	262,000
Recognised in other comprehensive income	(703,000)	1,510,000
Total (cost) / income relating to defined benefit scheme	(729,000)	1,772,000

JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Employee benefits

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit retirement scheme is as follows:

	2016 £	2015 £
Present value of defined benefit obligations	(10,026,000)	(9,096,000)
Fair value of scheme assets	9,884,000	9,939,000
Related deferred tax	28,000	(169,000)
	<hr/>	<hr/>
Net (liability) / asset recognised in the statement of financial position	<u>(114,000)</u>	<u>674,000</u>

Movements in the present value of defined benefit obligations were as follows:

	2016 £
At 1 January	
Interest cost	9,096,000
Actuarial gains and losses	341,000
Benefits paid	1,308,000
	<hr/>
At 31 December	<u>10,026,000</u>

Movements in the fair value of scheme assets were as follows:

	2016 £
At 1 January	
Interest income	9,939,000
Return on scheme assets	371,000
Benefits paid	430,000
Contributions by employer	(719,000)
Administration fee	(133,000)
	<hr/>
At 31 December	<u>9,884,000</u>

The assets of the scheme are invested in insurance policies.

12 Commitments

	2016 £	2015 £
Capital Commitments:-		
Expenditure contracted but not provided for	-	66,897
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JERSEY GAS COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 Commitments (continued)

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land & Buildings	
	2016	2015
	£	£
Operating leases which expire:		
Within one year	353,273	123,273
Within two to five years	1,452,192	493,092
In over five years	6,880,752	6,964,925
	<u>8,686,217</u>	<u>7,581,290</u>

13 Related party transactions

The total remuneration for key management personnel for the year is set out below.

	2016	2015
	£	£
Directors remuneration	<u>72,344</u>	<u>75,108</u>

During the year the Company sold goods in the ordinary course of business to Kosangas (Jersey) Limited, a fellow group undertaking, for £262,905.

The following balances were owed to fellow group undertakings at the year end:

Company	2016	2015	Nature
IEG Holdings Limited	601	-	Recharge of management expenses
Guernsey Gas Limited	22,973	350	Recharge of costs incurred
International Energy Group Limited	19,873	148,615	Recharge of management expenses
Kosangas (Jersey) Limited	31,977	-	Recharge of costs incurred
Manx Gas Limited	146,691	9,936	Recharge of costs incurred
Kosangas (Guernsey) Limited	5,304	-	Recharge of costs incurred
Manx Gas Limited	27,000,000	-	Borrowings (note 9)
Kosangas (Jersey) Limited	5,000,000	-	Borrowings (note 9)
IEG Jersey Holdings Limited	-	4,480,000	Borrowings (note 9)
The Gas Transportation Company Limited (a related party for 2015, but not in 2016)	-	3,548	Recharge of costs incurred

The following balances were owed by fellow group undertakings at the year end:

Company	2016	2015	Nature
IEG Holdings Limited	7,872,209	438,417	Recharge of management expenses and borrowings (note 8)
Guernsey Gas Limited	439	-	Recharge of costs incurred
Kosangas (Guernsey) Limited	3,650	-	Recharge of costs incurred
Kosangas (Jersey) Limited	132,599	48,701	Recharge of costs incurred
Manx Gas Limited	210	49,792	Recharge of costs incurred

There were no provisions for uncollectible receivables at the reporting date (2015: nil) and there was no expense recognised in respect of bad or doubtful debts (2015: nil).

14 Ultimate parent

The Company's immediate parent company is IEG Jersey Holdings Limited, a company incorporated in Guernsey. The Company's ultimate parent is Seabird Acquisitions Topco Limited, which is registered in Jersey. The smallest group in which the results of the Company are consolidated is Seabird Acquisitions Holdco Limited, which is incorporated in Jersey.

