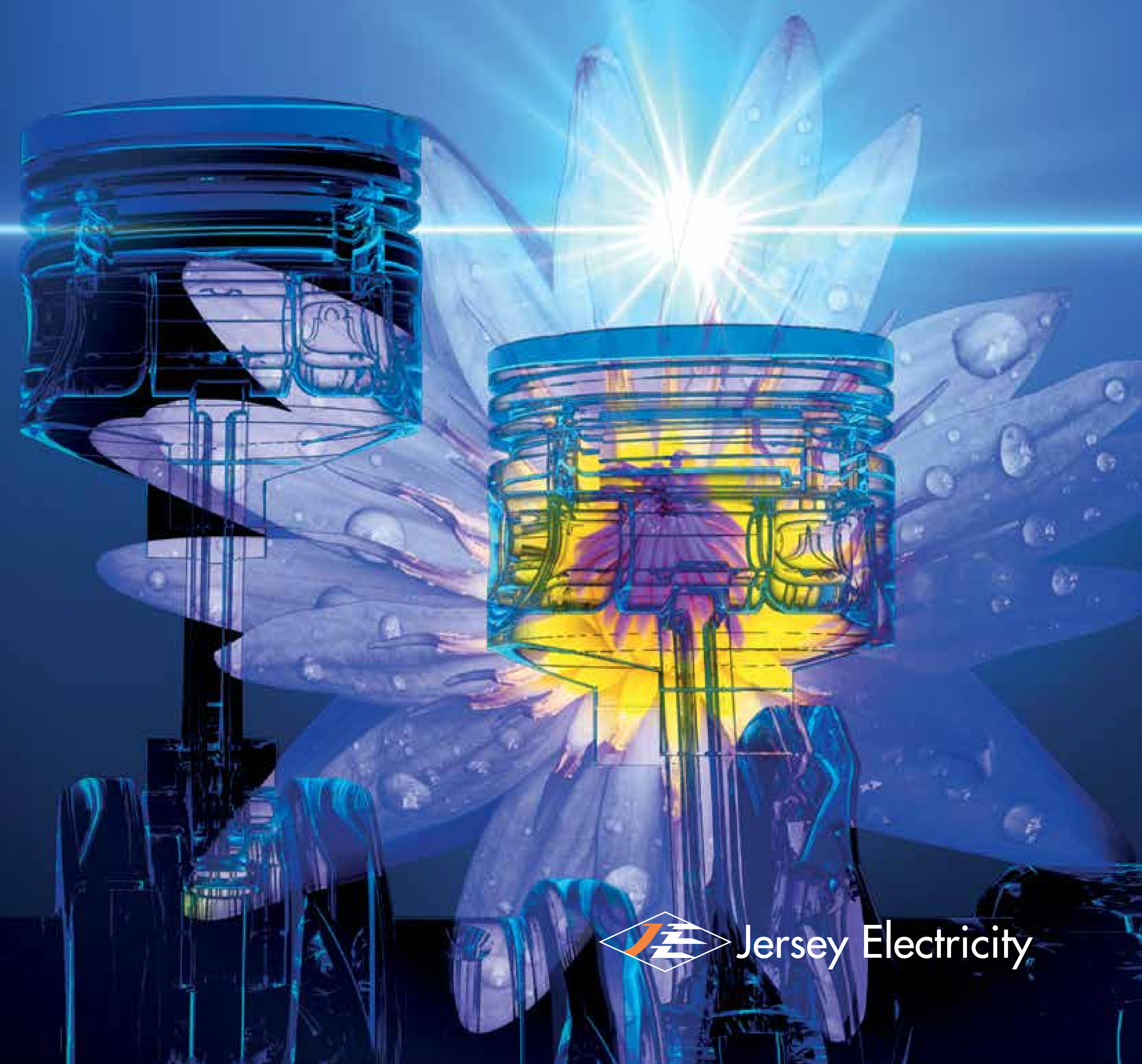
Clear investment. Pure energy.

SUSTAINABLE ENERGY POWERING OUR FUTURE
INTERIM REPORT 2014

6 months ended 31 March 2014



Jersey Electricity

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS
Geoffrey Grime FCA (Chairman)
Clive Chaplin BA
Michael Liston OBE FREng, BSc, CEng, FIEE, CIMgt
John Stares BSc, FCA
Aaron Le Cornu BSc, ACA

EXECUTIVE DIRECTORS
Christopher Ambler BA, MEng, CDipAF, CEng, MIMechE, MBA (Chief Executive)
Martin Magee CA (Finance)
Richard Plaster FCIPD, CDir, MIOD (Commercial and Human Resources)

SECRETARY
Peter Routier BSc, FCIS

REGISTERED OFFICE
Queens Road, St. Helier, Jersey

PLACE OF INCORPORATION
Jersey

AUDITORS
Deloitte LLP, 66-68 Esplanade, St. Helier, Jersey

BANKERS
Royal Bank of Scotland International Limited,
71 Bath Street, St. Helier, Jersey

BROKERS
Canaccord Genuity Wealth Management, 38-39 Esplanade,
St. Helier, Jersey

REGISTRAR
Computershare Investor Services (Jersey) Limited,
Queensway House, Hilgrove Street, St Helier, Jersey

DIRECTORS' STATEMENT

Financial Summary

	6 months 2014	6 months 2013
Electricity Sales – kWh (000)	353,729	381,266
Turnover	£55.0m	£56.8m
Profit before tax pre-exceptional items	£4.8m	£1.4m
Profit before tax	£3.1m	£1.4m
Profit in Energy business	£3.6m	£0.1m
Earnings per share pre-exceptional items	12.46p	3.71p
Earnings per share	7.36p	3.71p
Final dividend paid per ordinary share	6.80p	6.50p*
(Net debt)/cash	**£(19.5m)**	£1.2m

•paid on 4 April 2013

Overall trading performance

Group turnover, at £55.0m, was 3% lower for the first half year of 2014 than the same period in 2013 and profit before tax, pre-exceptional items, was £4.8m in the first half of 2014 against £1.4m in the equivalent period last year. Cost of sales decreased by £5.8m to £39.8m due mainly to the reduced use of oil for on-island generation compared to the previous year in our Energy business because of milder weather. Operating expenses at £10.3m were £0.6m above last year with an increase in manpower costs being the main reason. An exceptional cost of £0.6m was incurred in restructuring our Retail operation as this business has been facing increasing pressure on margins from UK on-line sales into Jersey. A large proportion of its previously used floor space has now been let to an external UK tenant. In addition, contracts have been exchanged to sell the shareholding in Foreshore, our data hosting joint venture, and an estimated loss of £1.1m has been recognized. Profit before tax was £3.1m post such exceptional costs. Earnings per share, pre-exceptional costs, rose to 12.46p (7.36p post-exceptional costs), from 3.71p in 2013. At this point last year we had £1.2m of cash on balance sheet (net of borrowings of £8.0m) but net debt at 31 March 2014, as anticipated, was £19.5m driven mainly by our continued investment in infrastructure assets in our Energy business.

Energy Division

Unit sales of electricity fell by 7%, from 381m to 354m kWh, compared to the same period in the prior year. This is consistent with the position indicated in our last Interim Management Statement issued in January 2014. Mild weather in the financial year to date, against lower than average temperatures in the comparable period last year, resulted in a reduced use of electricity primarily in the heating of residential properties. Revenues in our Energy Division fell only 3% as the tariff rise in January 2013 offset the volume shortfall. However profit rose in Energy to £3.6m from £0.1m in the same period last year. As reported previously, until we install a new interconnector to France, which is scheduled for early 2015, we are constrained on importation capacity and reliant on a heavier mix of more expensive on-island oil-fired generation, particularly in winter, when volumes are higher. The increase in Energy profitability this year is a combination of the full six months impact of the average 9% tariff rise from 1 January 2013 and the use of less oil due to the milder weather compared to last year. We generated 20% of our electricity in Jersey (compared to 31% last year) and imported 75% of our on-island requirement from France (up from 66% in 2013). The remaining 5% of our electricity came from the Energy from Waste plant, owned by the States of Jersey, compared with 3% in the same period in 2013. We announced a tariff rise of 1.5% from 1 April 2014 to aid the recovery of the additional costs associated with the loss of our original interconnector to France in June 2012. In spite of these price rises, our tariffs continue to remain competitive with other jurisdictions.

Investment

Capital expenditure was £20.0m in the first 6 months of the financial year, with £15.4m in respect of Normandie 3 (N3). This project, which involves cable laying in both Jersey and France, and the installation of a subsea cable, will provide a second diverse interconnection with continental Europe and continues on time and on budget. The target is still to have the project completed by early 2015.

Non-energy performance

Trading conditions remain challenging for our other business units. Retailing year-on-year revenues remained strong, being 3% ahead of the same period last year, but margins were under pressure. A restructuring of this business unit took place during this period and resulted in an exceptional cost of £0.6m being incurred mainly for costs of redundancy and stock write-off. The business has been re-branded and is now trading from a smaller footprint.

Turnover fell 9% in our Property portfolio with profit falling from £0.9m to £0.7m. We recently signed a lease with UK retailer, Sports Direct, to take an area of space vacated by our own Retail business when it was restructured and rental flows commence in May. Our Building Services business saw a 9% reduction in turnover with profit remaining around breakeven. Our remaining business units performed well and produced profits of £0.4m being £0.2m higher than in 2013.

Forward hedging of electricity, oil and foreign exchange

Our power purchase requirements are materially hedged for the period 2014-17 and foreign exchange out to 2016. Our goal, through use of our power purchase contract and associated hedging policies, continues to be the delivery of competitive and stable customer tariffs, along with secure electricity supplies whilst maintaining an appropriate, fair return for our shareholders.

Debt and refinancing

The net debt figure, as expected, rose to £19.5m at 31 March 2014 compared to £5.2m at the last year end. A total of £31m had been drawn from our loan facility which was offset by cash of £11.5m (which was due to be utilised shortly after the balance sheet date). The rise in debt was primarily associated with capital expenditure with most of this being in relation to our N3 interconnector. A two year 'bridging' £60m Revolving Credit Facility was formalised in February 2013 to fund the new interconnector to Europe. It was always anticipated that this would be replaced with a portion of longer-term financing that more closely matched the asset lives of our investments, with the remainder providing us with the flexibility to continue investing in the infrastructure within Jersey. The work stream to finalise this position is nearing completion and an update will be provided in our next Interim Management Statement when it is issued in July 2014. It is the aim of the Board that Jersey Electricity continues to maintain a prudent level of debt in the context of our overall balance sheet, which remains strong.

Dividend

Your Board proposes to pay an interim net dividend of 5.00p (2013: 4.75p). We continue to aim to deliver sustained real growth each year over the medium-term. The final dividend for 2014 of 6.80p, paid in late March in respect of the last financial year, was an increase of 5% on 2013.

Risk and outlook

The principal risks and uncertainties identified in our last Annual Report have not materially altered in the interim period.

Your Board is satisfied that Jersey Electricity plc has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, we continue to adopt the going concern basis in preparing the condensed financial statements.

Responsibility statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rule DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Interim Management Report includes a fair review of the information required by the Disclosure and Transparency Rule DTR 4.2.8R (disclosure of related party transactions and changes therein); and

(d) this half yearly financial report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Company. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this half yearly financial report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this half yearly financial report should be construed as a profit forecast.

G.J. GRIME – Chairman

C.J.AMBLER – Chief Executive

13 May 2014

Investor timetable for 2014

6 June	Record date for interim ordinary dividend
30 June	Interim ordinary dividend for year ending 30 September 2014
1 July	Payment date for preference share dividends
End July	Interim Management Statement – nine months to 30 June 2014
18 December	Preliminary announcement of full year results

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement (Unaudited)

	Note	Six months ended 31 March 2014 £000	Six months ended 31 March 2013 £000	Year ended 30 September 2013 £000
Revenue	2	54,954	56,788	102,338
Cost of sales		(39,826)	(45,622)	(75,992)
Gross profit		15,128	11,166	26,416
Profit on revaluation of investment properties		-	-	155
Operating expenses		(10,327)	(9,686)	(19,469)
Group operating profit before share of loss of joint venture		4,801	1,480	7,102
Share of loss of joint venture		-	(70)	-
Exceptional items - restructuring costs		(576)	-	-
- impairment of investment		-	-	(600)
- impairment of joint venture assets		(1,100)	-	-
Group operating profit	2	3,125	1,410	6,502
Interest receivable		7	41	53
Finance costs		(28)	(5)	(11)
Profit from operations before taxation		3,104	1,446	6,544
Taxation	3	(834)	(294)	(1482)
Profit from operations after taxation		2,270	1,152	5,062
Attributable to:				
Owners of the Company		2,256	1,138	5,022
Non-controlling interests		14	14	40
Profit for the period attributable to the equity holders of the parent Company		2,270	1,152	5,062
Earnings per share				
basic and diluted		7.36p	3.71p	16.39p
Dividends per share				
paid	4	6.80p	0.00p	11.25
proposed	4	5.00p	4.75p	6.80p

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Six months ended 31 March 2014 £000	Six months ended 31 March 2013 £000	Year ended 30 September 2013 £000
Profit for the period/year	**2,270**	1,152	5,062
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain on defined benefit scheme	**2,575**	5,098	4,304
Reclassification of investment properties	**-**	-	4,822
Income tax relating to items not reclassified	**(515)**	(978)	(1,010)
	2,060	4,120	8,116
Items that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on cash flow hedges	**(730)**	6,841	3,809
Income tax relating to items that may be reclassified	**161**	(1,287)	(842)
	(569)	5,554	2,967
Total comprehensive income for the period/year	**3,761**	10,826	16,145
Attributable to:			
Owners of the company	**3,747**	10,812	16,105
Non-controlling interests	**14**	14	40
	3,761	10,826	16,145

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Share capital £000	Revaluation reserve £000	ESOP reserve £000	Other reserves £000	Retained earnings £000	Total reserves £000
At 1 October 2013	1,532	5,270	(58)	139	141,925	148,808
Total recognised income and expense for the period	-	-	-	-	2,256	2,256
Unrealised loss on hedges (net of tax)	-	-	-	(569)	-	(569)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	2,060	2,060
Equity dividends paid by Jersey Electricity plc	-	-	-	-	(2,083)	(2,083)
As at 31 March 2014	**1,532**	**5,270**	**(58)**	**(430)**	**144,158**	**150,472**
At 1 October 2012	1,532	-	(100)	(2,381)	137,097	136,148
Total recognised income and expense for the period	-	-	-	-	1,138	1,138
Amortisation of employee share scheme	-	-	33	-	(33)	-
Unrealised gain on hedges (net of tax)	-	-	-	5,554	-	5,554
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	4,120	4,120
Equity dividends paid by Jersey Electricity plc	-	-	-	-	-	-
As at 31 March 2013	**1,532**	**-**	**(67)**	**3,173**	**142,322**	**146,960**
At 1 October 2012	1,532	-	(100)	(2,381)	137,097	136,148
Reclassification of reserves	-	448	-	(448)	-	-
Total recognised income and expense for the period	-	-	-	-	5,022	5,022
Amortisation of employee share scheme	-	-	42	-	(42)	-
Unrealised gain on hedges (net of tax)	-	-	-	2,968	-	2,968
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	3,294	3,294
Reclassification of investment properties	-	4,822	-	-	-	4,822
Equity dividends paid by Jersey Electricity plc	-	-	-	-	(3,446)	(3,446)
As at 30 September 2013	**1,532**	**5,270**	**(58)**	**139**	**141,925**	**148,808**

Other reserves consist of foreign exchange hedge reserves and oil hedge reserves.

Condensed Consolidated Balance Sheet (Unaudited)

	Note	As at 31 March 2014 £000	As at 31 March 2013 £000	As at 30 September 2013 £000
Non-current assets				
Intangible assets		**77**	40	26
Property, plant and equipment		**170,839**	144,833	155,191
Investment property		**20,360**	14,865	20,360
Other investments		**5**	5	5
Long-term loans		**-**	400	-
Retirement benefit surplus		**1,557**	-	-
Total non-current assets		**192,838**	160,143	175,582
Current assets				
Inventories		**9,260**	6,113	9,434
Trade and other receivables		**21,028**	22,508	16,498
Derivative financial instruments	7	**242**	2,434	1,273
Cash and cash equivalents		**11,456**	9,175	4,798
Total current assets		**41,986**	40,230	32,003
Total assets		**234,824**	200,373	207,585
Current liabilities				
Trade and other payables		**18,774**	13,205	14,332
Derivative financial instruments	7	**724**	-	952
Borrowings		**31,000**	8,000	10,000
Current tax payable		**412**	685	-
Total current liabilities		**50,910**	21,890	25,284
Net current (liabilities)/assets		**(8,924)**	18,340	6,719
Non-current liabilities				
Trade and other payables		**18,057**	17,613	17,851
Retirement benefit deficit		**-**	970	1,018
Financial liabilities – preference shares		**235**	235	235
Deferred tax liabilities		**15,141**	12,710	14,365
Total non-current liabilities		**33,433**	31,528	33,469
Total liabilities		**84,343**	53,418	58,753
Net assets		**150,481**	146,955	148,832
Equity				
Share capital		**1,532**	1,532	1,532
Revaluation reserve		**5,270**	-	5,270
ESOP reserve		**(58)**	(67)	(58)
Other reserves		**(430)**	3,173	139
Retained earnings		**144,158**	142,322	141,925
Equity attributable to owners of the Company		**150,472**	146,960	148,808
Non-controlling interests		**9**	(5)	24
Total equity		**150,481**	146,955	148,832

FINANCIAL STATEMENTS

Condensed Consolidated Cash Flow Statement (Unaudited)

	Note	**Six months ended 31 March 2014 £000**	Six months ended 31 March 2013 £000	Year ended 30 September 2013 £000
Cash flows from operating activities				
Operating profit		**4,801**	1,480	7,102
Depreciation and amortisation charges		**3,961**	3,976	8,166
Loss on revaluation of investment property		**-**	-	(155)
Pension operating charge less contributions paid		**-**	(220)	(746)
Adjustment for foreign exchange hedges		**61**	(536)	(513)
Profit/(loss) on sale of fixed assets		**3**	5	(21)
Restructuring costs		**(476)**	-	-
Operating cash flows before movements in working capital		**8,350**	4,705	13,833
Decrease/(increase) in inventories		**174**	1,132	(2,189)
(Increase)/decrease in trade and other receivables		**(5,233)**	(4,483)	1,472
Increase/(decrease) in trade and other payables		**4,511**	(2,627)	(1,545)
Interest (paid)/received		**(17)**	86	97
Preference dividends paid		**(4)**	(5)	(9)
Income taxes paid		**-**	-	(762)
Net cash from/(used in) operating activities		**7,781**	(1,192)	10,897
Cash flows from investing activities				
Purchase of property, plant and equipment		**(19,920)**	(11,897)	(26,910)
Investment in intangible assets		**(51)**	(4)	(8)
Net proceeds from disposal of fixed assets		**3**	-	14
Short-term investments		**-**	9,020	9,020
Net cash used in investing activities		**(19,968)**	(2,881)	(17,884)
Cash flows from financing activities				
Equity dividends paid	4	**(2,155)**	(63)	(3,526)
Borrowings		**21,000**	8,000	10,000
Net cash from financing activities		**18,845**	7,937	6,474
Net increase/(decrease) in cash and cash equivalents		**6,658**	3,864	(513)
Cash and cash equivalents at beginning of period/year		**4,798**	5,311	5,311
Net cash and cash equivalents at end of period/year		**11,456**	9,175	4,798

Notes to the Condensed Interim Accounts (Unaudited)

1 Accounting policies

Basis of preparation

The interim accounts for the six months ended 31 March 2014 have been prepared on the basis of the accounting policies set out in the 30 September 2013 annual report and accounts using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'.

The Group have applied the following standards which became effective for annual periods beginning on or after 1 January 2013: IAS 19 (revised June 2011) Employee benefits and IFRS 13 Fair Value Measurement.

Jersey Electricity plc has considerable financial resources and, as a consequence, the directors believe that it is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2 Revenue and profit

The contributions of the various activities to Group revenue and profit are listed below:

	Six months ended 31 March 2014			Six months ended 31 March 2013			Year ended 30 September 2013		
	External £000	**Internal £000**	**Total £000**	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000
Revenue									
Energy	**44,499**	**72**	**44,571**	46,020	69	46,089	81,962	166	82,128
Building Services	**1,587**	**361**	**1,948**	1,933	200	2,133	3,606	476	4,082
Retail	**6,669**	**22**	**6,691**	6,489	21	6,510	12,145	39	12,184
Property	**1,000**	**316**	**1,316**	1,100	349	1,449	2,191	687	2,878
Other	**1,199**	**453**	**1,652**	1,246	380	1,626	2,434	751	3,185
	54,954	**1,224**	**56,178**	56,788	1,019	57,807	102,338	2,119	104,457
Inter-segment elimination			**(1,224)**			(1,019)			(2,119)
			54,954			56,789			102,338
Operating profit									
Energy			**3,631**			115			4,423
Building Services			**10**			63			104
Retail			**86**			146			188
Property			**684**			867			1,609
Other			**390**			219			623
Operating profit before property revaluation			**4,801**			1,410			6,947
Gain on revaluation of investment properties			**-**			-			155
Exceptional items:									
Restructuring costs			**(576)**			-			-
Impairment of investment			**-**			-			(600)
Impairment of joint venture assets			**(1,100)**			-			-
Operating profit			**3,125**			1,410			6,502

Materially, all the Group's operations are conducted within the Channel Islands. All transfers between divisions are at an arm's-length basis. The assets and liabilities of the Group are not reported on as there has been no significant movement in the values in the six months to 31 March 2014.

FINANCIAL STATEMENTS

Notes to the Condensed Interim Accounts (Unaudited)

3 Taxation

	Six months ended 31 March 2014 £000	Six months ended 31 March 2013 £000	Year ended 30 September 2013 £000
Current income tax	119	(77)	295
Deferred income tax	715	371	1,187
Total income tax	834	294	1,482

Current and deferred income tax for the year ended 30 September 2013 have been reclassified, due to the fact that trading losses have not been allowed against property income for Jersey tax purposes. The total tax charge remains the same as the additional current tax charge is offset by an equal reduction to the deferred tax charge due to additional losses carried forward.

For the period ended 31 March 2014 and subsequent periods, the Company is taxable at the rate applicable to utility companies of 20%.

4 Dividends

	Six months ended 31 March 2014 £000	Six months ended 31 March 2013 £000	Year ended 30 September 2013 £000
Distributions to equity holders and by subsidiaries in the period	2,155	63	3,526

The distribution to equity holders in respect of the final dividend for 2013 of £2,083,520 (6.80p net of tax per share) was paid on 28 March 2014. Dividends of £71,924 were paid by subsidiaries to minority interests for the six months to 31 March 2014. The final dividend for 2012 was paid on 4 April 2013 and is therefore not in the half year comparative figures.

The Directors have declared an interim dividend of 5.00p per share, net of tax (2013:4.75p) for the six months ended 31 March 2014 to shareholders on the register at the close of business on 6 June 2014. This dividend was approved by the Board on 14 May 2014 and has not been included as a liability at 31 March 2014.

5 Pensions

In consultation with the independent actuaries to the scheme, the valuation of the pension scheme assets and liabilities has been updated to reflect current market discount rates, current market values of investments and actual investment returns applicable under IAS 19 ‘Employee Benefits’, and consideration has also been given as to whether there have been any other events that would significantly affect the pension liabilities.

6 Post balance sheet event

On 12 May 2014, the Company exchanged contracts to dispose of its joint venture interest in Foreshore Holdings Limited. Completion, subject to regulatory approval, is expected by July 2014.

Notes to the Condensed Interim Accounts (Unaudited)

7 Financial Instruments

The Group held the following financial instruments at fair value at 31 March 2014 in derivative contracts which are classified as level 2 financial instruments on the basis that fair value measurements are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. The Group has no financial instruments with fair values that are determined by quoted prices (unadjusted) in active markets for identical assets or liabilities that would be classified as level 1 or by reference to significant unobservable inputs i.e. those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy.

	Six months ended 31 March 2014 £000
Recurring fair value measurements	
Financial assets	
Foreign exchange currency hedges	242
Financial liabilities	
Foreign exchange currency hedges	674
Oil hedges	50
	724

The financial assets and liabilities whose fair values include the use of level 2 inputs are valued using a discounted cash flow valuation technique. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

8 Related party transactions

The Company currently leases the La Collette Power Station site from its largest shareholder, the States of Jersey, for a peppercorn rent of £1,000 per annum. This lease was subject to a rent review as at June 2006 and the Company is in dispute with its landlord, the States of Jersey, concerning the outstanding rent review. The information usually required by IAS 37 Provisions, 'Contingent liabilities and contingent assets', is not disclosed on the grounds that it may prejudice the outcome of the dispute.

	Value of electricity services supplied by Jersey Electricity		Value of goods & other services supplied by Jersey Electricity		Value of goods & services purchased by Jersey Electricity		Amounts due to Jersey Electricity		Amounts due by Jersey Electricity	
Six months ended 31 March	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000
The States of Jersey	**3,793**	4,217	**517**	691	**758**	912	**773**	933	**1**	1
JT Group Limited	**906**	841	**116**	107	**29**	76	**153**	38	**-**	-
Jersey Post Int Limited	**68**	57	**1**	-	**15**	19	**9**	9	**-**	-
Jersey New Waterworks Ltd	**439**	319	**37**	32	**63**	72	**56**	3	**-**	-
Foreshore Limited	**243**	291	**239**	408	**4**	5	**766**	109	**-**	-

The States of Jersey is the Company's majority and controlling shareholder. Jersey New Waterworks is majority owned and controlled by the States of Jersey. JT Group Limited and Jersey Post International Limited are both wholly owned by the States of Jersey. All transactions are undertaken at an arm's length basis.