Jersey Electricity

INSPIRING A ZERO CARBON FUTURE

INTERIM REPORT 2020

6 months ended 31 March 2020

CONTENTS

DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

NON-EXECUTIVE DIRECTORS

Phil Austin MBE, FCIB, FCMI (Chairman)
Alan Bryce MSc, CEng, FIET
Aaron Le Cornu BSc, ACA
Wendy Dorman BA(Hons), ACA
Tony Taylor BSc
Peter Simon MA, MBA

EXECUTIVE DIRECTORS

Christopher Ambler BA, MEng, CDipAF, CEng, MIMechE, MBA (Chief Executive)
Martin Magee CA (Finance)

SECRETARY

Peter Routier BSc, FCIS

REGISTERED OFFICE

Queens Road, St. Helier, Jersey

PLACE OF INCORPORATION

Jersey

AUDITORS

PricewaterhouseCoopers CI LLP, 37 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 2020	6 months 2019
Electricity Sales in kWh	**371.4m**	356.7m
Revenue	**£64.0m**	£58.9m
Profit before tax	**£10.0m**	£9.3m
Earnings per share	**25.95p**	23.83p
Final dividend paid per ordinary share	**9.25p**	8.80p
Proposed interim dividend per ordinary share	**6.80p**	6.45p
Net debt	**£2.9m**	£12.1m

COVID-19 – impact on trading performance

Due to the timing of the Interim Report, the period to end March was not materially impacted by the potential impacts of the COVID-19 outbreak. A Stock Exchange announcement in response to the crisis was issued to the market on 31 March. We are continuing to assess trending data on how revenue, working capital and bad debt provisioning might be impacted but it is still too early to establish a clear picture. In our Energy business we are working closely with customers to provide a level of flexibility on payment terms considering each situation on a case-by-case basis where those customers have been directly affected. Bad debts have historically not been a material issue and in the past we have carried specific provisioning against known payment issues of around £0.1m. We have increased this by a further £0.5m to £0.6m in these financial statements and will refine our methodology as the duration and impact of the COVID-19 crisis becomes clearer. Our other business units generally had a strong first six months, but we expect there to be a consequential reduction in revenue in the second half of the year. For example, our Powerhouse Retail saw a spike in activity around the time of lockdown but closed its doors at the end of March and is now trading predominantly online. In our Property business, some tenants have sought flexibility in rental payments, and we have again considered each situation on a case-by-case basis. We will continue to closely monitor the impact of COVID-19 on our full business but our balance sheet, with cash balances and low levels of gearing, remains strong.

Overall trading performance in the 6 months to 31 March

Group revenue, at £64.0m, was 9% higher for the first half of 2020 compared to the same period last year mainly due to a rise in both Energy and Retail revenue. Profit before tax at £10.0m was £0.8m higher than 2019 with a rise in Energy profits associated with higher unit sales of electricity, at a slightly higher price, being the main reasons. Cost of sales at £39.3m was £2.6m higher than last year with the rise in Energy and Retail revenue being the main factor. Operating expenses at £13.9m were £0.9m higher driven primarily by a £0.5m increase in bad debt provisioning in our Energy business and £0.4m of additional depreciation in our Property business. The taxation charge in the period of £2.1m was £0.2m higher than last year due to increased profits. Earnings per share, at 25.95p, were ahead of 23.83p in 2019 due to higher profits. Net debt on the balance sheet, which comprises borrowings less cash and cash equivalents, at 31 March 2020 was £2.9m compared to £12.1m at this time last year (and £5.1m at our last year end on 30 September 2019).

Energy performance

Unit sales of electricity rose 4%, from 357m to 371m kWh, compared with last year. This had been anticipated as milder weather was experienced in the prior year period. Revenues in our Energy business at £49.9m were £3.3m higher than in 2019 with the year-on-year increase in unit sales and the 3.5% tariff rise in April 2019 being the primary drivers. Other income received was £0.8m lower than in 2019 when we received a rebate for subsea cable repair costs. Operating profit at £9.0m was £0.9m higher than in the same period last year due to higher gross margin associated with higher revenue. We imported 96% of our on-Island requirement from France and 4% from the Energy from Waste plant, owned by the Government of Jersey. Only 0.2% (less than 1m units) of electricity was generated in Jersey using our own plant due to the availability of our three subsea cables to France. These importation and generation levels were consistent with the same period last year.

Non-Energy performance

Year-on-year revenue in our Powerhouse retail business, rose by 18% to £9.6m (2019: £8.1m) and profits rose by £0.2m to £0.8m with very strong revenue achieved in March, linked to COVID-19, and the resultant need for many of our customers to acquire computer equipment to aid work homeworking. Profit for our Property portfolio at £0.5m was £0.4m lower than last year, due to accelerated depreciation of air conditioning equipment which is currently being replaced in our Powerhouse building. JEBS, our contracting and business services unit, saw a £0.3m increase in external revenue to £1.9m and a rise in profitability to £0.1m. Our remaining business units produced profits of £0.4m being at a similar level to that delivered in 2019.

Liquidity and cashflow

Net cash generated in the period was £2.2m (2019: £2.1m) post the continued investment in infrastructure of £5.1m (2019: £6.4m). The net debt figure fell to £2.9m at 31 March 2020 compared to £12.1m at this time last year (and £5.1m at 30 September 2019). Net debt consists of £30.0m of long-term debt offset by cash balances of £27.1m. We also have an unused £10m revolving credit facility and a £2m overdraft facility.

Forward hedging of electricity and foreign exchange, and customer tariffs

We continue with our focus on delivering secure low-carbon electricity supplies and our goal to maintain relative stability in customer tariffs, despite volatility in both European wholesale electricity, and foreign exchange markets. Our electricity purchases are materially, albeit not fully, hedged for the period 2020-23. As these are contractually denominated in the Euro we enter into forward foreign currency contracts to reduce the volatility of our cost base and aid tariff planning. In February 2020 we announced a below inflation average rise in tariffs of 2.5%, from 1 April, largely driven by a weakening of Sterling relative to the Euro and other inflationary factors. We subsequently deferred this rise to 1 October in response to the COVID-19 outbreak at an approximate cost of £1m for this financial year. The tariffs payable by an average customer continue to benchmark well against other jurisdictions. The 'default maximum tariff', introduced by Ofgem (the electricity Regulator) to cap prices payable in the UK, is set at a level that is over 30% higher than the average price a customer would pay in Jersey.

Pension scheme

The defined benefit pension scheme surplus (without deduction of deferred tax) on our balance sheet at 31 March 2020 stood at £14.3m, compared to a surplus of £10.4m level at 30 September 2019 (and a deficit of £3.4m at 31 March 2019). Since the last financial year end scheme liabilities have materially decreased by approximately £15m (to £129m). This fall was primarily due to a substantial widening of credit spreads in the past 6 weeks prior to 31 March resulting in a significant increase to the discount rate (from 1.9% at the last financial year end to 2.4% at 31 March 2020). Assets in the Scheme fell by around £13m (to £142m).

The defined benefit scheme has been closed to new members since 2013. The next triennial valuation of the pension scheme, as at 31 December 2021, will be performed in 2022.

Impact of new accounting standard

Adoption of IFRS 16 has resulted in an increase in Group operating profit of £43,000, (a £92,000 reduction in rent expense has been offset by an increase of £49,000 in depreciation). Finance costs have increased by £65,000, resulting in a decrease in profit from operations before taxation of £22,000. At 31 March 2020 the net value of right of use assets under IFRS 16 totalled £2.9m with a corresponding lease liability of £2.9m. There is no impact on total cash and cash equivalents.

Dividend

Your Board proposes to pay an interim net dividend for 2020 of 6.80p (2019: 6.45p). As previously stated, we continue to aim to deliver sustained real growth each year over the medium-term. At this time we do not expect the COVID-19 outbreak to influence our dividend strategy, but we will continue to review the position as the impact of COVID-19 becomes clearer through the remainder of 2020. The final dividend for 2019 of 9.25p, paid in late March in respect of the last financial year, was an increase of 5% on the previous year.

Risk and outlook

The principal risks and uncertainties identified in our last Annual Report, issued in January 2020, have not materially altered in the interim period, except for matters associated with COVID-19 principally concerning reduced demand for electricity, and the ability of customers to pay. We reported on Brexit considerations in the 2019 Annual Report and in relation to Brexit, our view has not altered, since then.

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 approval 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:

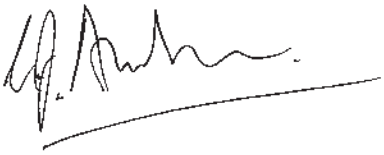
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the Interim Directors Statement 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 Directors Statement 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 interim report contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. 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.

C.J. AMBLER – Chief Executive



M.P. MAGEE – Finance Director

14 May 2020

Investor timetable for 2020

5 June	Record date for interim ordinary dividend
26 June	Interim ordinary dividend for year ending 30 September 2020
1 July	Payment date for preference share dividends
17 December	Preliminary announcement of full year results

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement (Unaudited)

	Note	Six months ended 31 March 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Revenue	2	63,977	58,945	110,294
Cost of sales		(39,287)	(36,689)	(69,282)
Gross profit		24,690	22,256	41,012
Other income		-	750	750
Profit on revaluation of investment properties		-	-	689
Operating expenses		(13,931)	(13,056)	(26,369)
Group operating profit	2	10,759	9,950	16,082
Finance income		89	39	103
Finance costs		(806)	(735)	(1,365)
Profit from operations before taxation		10,042	9,254	14,820
Taxation	3	(2,064)	(1,911)	(2,969)
Profit from operations after taxation		7,978	7,343	11,851
Attributable to:				
Owners of the Company		7,953	7,302	11,773
Non-controlling interests		25	41	78
		7,978	7,343	11,851
Earnings per share				
- basic and diluted		25.95p	23.83p	38.42

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Six months ended 31 March 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Profit for the period/year	**7,978**	7,343	11,851
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit scheme	**4,503**	(7,526)	7,643
Income tax relating to items not reclassified	**(901)**	1,505	(1,529)
	3,602	(6,021)	6,114
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedges	**(246)**	(5,210)	(3,007)
Income tax relating to items that may be reclassified	**49**	1,042	601
	(197)	(4,168)	(2,406)
Total comprehensive income for the period/year	**11,383**	(2,846)	15,559
Attributable to:			
Owners of the Company	**11,358**	(2,887)	15,481
Non-controlling interests	**25**	41	78
	11,383	(2,846)	15,559

FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheet (Unaudited)

	Note	As at 31 March 2020 £000	As at 31 March 2019 £000	As at 30 September 2019 £000
Non-current assets				
Intangible assets		589	826	683
Property, plant and equipment		216,589	215,533	217,046
Right of use assets	1	2,880	-	-
Investment property		21,240	20,460	21,240
Trade and other receivables		350	425	383
Retirement benefit surplus		14,320	-	10,417
Derivative financial instruments	6	514	-	208
Other investments		5	5	5
Total non-current assets		256,487	237,249	249,982
Current assets				
Inventories		5,590	7,423	6,018
Trade and other receivables		22,658	20,506	17,995
Derivative financial instruments	6	100	78	197
Cash and cash equivalents		27,080	17,939	24,915
Total current assets		55,428	45,946	49,125
Total assets		311,915	283,195	299,107
Current liabilities				
Trade and other payables		16,496	16,014	17,320
Lease liabilities	1	55	-	-
Derivative financial instruments	6	320	738	298
Current tax payable		3,463	4,047	2,714
Total current liabilities		20,334	20,799	20,332
Net current assets		35,094	25,147	28,793
Non-current liabilities				
Trade and other payables		21,949	20,471	21,757
Lease liabilities	1	2,847	-	-
Retirement benefit deficit		-	3,375	-
Derivative financial instruments	6	737	1,739	303
Financial liabilities – preference shares		235	235	235
Borrowings		30,000	30,000	30,000
Deferred tax liabilities		27,744	23,369	26,936
Total non-current liabilities		83,512	79,189	79,231
Total liabilities		103,846	99,988	99,563
Net assets		208,069	183,207	199,544
Equity				
Share capital		1,532	1,532	1,532
Revaluation reserve		5,270	5,270	5,270
ESOP reserve		(45)	-	(45)
Other reserves		(354)	(1,919)	(157)
Retained earnings		201,604	178,252	192,882
Equity attributable to owners of the Company		208,007	183,135	199,482
Non-controlling interests		62	72	62
Total equity		208,069	183,207	199,544

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 2019	1,532	5,270	(45)	(157)	192,882	199,482
Total recognised income and expense for the period	-	-	-	-	7,953	7,953
Unrealised loss on hedges (net of tax)	-	-	-	(197)	-	(197)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	3,602	3,602
Equity dividends paid	-	-	-	-	(2,833)	(2,833)
As at 31 March 2020	**1,532**	**5,270**	**(45)**	**(354)**	**201,604**	**208,007**
At 1 October 2018	1,532	5,270	(41)	2,249	179,666	188,676
Total recognised income and expense for the period	-	-	-	-	7,302	7,302
Funding of employee share option scheme	-	-	(22)	-	-	(22)
Amortisation of employee share scheme	-	-	63	-	-	63
Unrealised loss on hedges (net of tax)	-	-	-	(4,168)	-	(4,168)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	(6,021)	(6,021)
Equity dividends paid	-	-	-	-	(2,695)	(2,695)
As at 31 March 2019	**1,532**	**5,270**	**-**	**(1,919)**	**178,252**	**183,135**
At 1 October 2018	1,532	5,270	(41)	2,249	179,666	188,676
Total recognised income and expense for the period	-	-	-	-	11,773	11,773
Funding of employee share option scheme	-	-	(20)	-	-	(20)
Amortisation of employee share scheme	-	-	16	-	-	16
Unrealised loss on hedges (net of tax)	-	-	-	(2,406)	-	(2,406)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	6,114	6,114
Equity dividends paid	-	-	-	-	(4,671)	(4,671)
As at 30 September 2019	**1,532**	**5,270**	**(45)**	**(157)**	**192,882**	**199,482**

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Condensed Consolidated Cash Flow Statement (Unaudited)

	Six months ended 31 March 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Cash flows from operating activities			
Operating profit before exceptional items	10,759	9,950	16,082
Adjustments to add back / (deduct) non-cash items and items disclosed elsewhere on the CFS:			
Depreciation and amortisation charges	5,726	5,584	11,604
Share-based reward charges	-	63	16
Gain on revaluation of investment property	-	-	(689)
Pension operating charge less contributions paid	683	460	1,977
Profit on sale of property, plant and equipment	(20)	-	(2)
Operating cash flows before movements in working capital	17,148	16,057	28,988
Working capital adjustments:			
Decrease/(increase) in inventories	428	(331)	1,074
Increase in receivables	(4,700)	(5,226)	(2,675)
(Decrease)/increase in payables	(686)	1,442	4,023
Net movement in working capital	(4,958)	(4,115)	2,422
Interest paid	(802)	(731)	(1,356)
Preference dividends paid	(4)	(4)	(9)
Income taxes paid	(1,357)	-	(2,300)
Net cash flows from operating activities	10,027	11,207	27,745
Cash flows from investing activities			
Purchase of property, plant and equipment	(5,021)	(6,381)	(13,850)
Investment in intangible assets	(76)	(60)	(90)
Net proceeds from disposal of fixed assets	25	-	2
Net cash flows used in investing activities	(5,072)	(6,441)	(13,938)
Cash flows from financing activities			
Equity dividends paid	(2,833)	(2,695)	(4,671)
Dividends paid to non-controlling interest	(25)	(22)	(69)
Deposit interest received	89	39	103
Repayment of borrowings and lease liabilities	(27)	-	-
Net cash flows used in financing activities	(2,796)	(2,678)	(4,637)
Net increase in cash and cash equivalents	2,159	2,088	9,170
Cash and cash equivalents at beginning of the period/year	24,915	15,735	15,735
Effect of foreign exchange rate changes	6	116	10
Cash and cash equivalents at end of the period/year	27,080	17,939	24,915

Notes to the Condensed Interim Accounts (Unaudited)

1 Accounting policies

Basis of preparation

The interim financial statements for the six months ended 31 March 2020 have been prepared on the basis of the accounting policies set out in the 30 September 2019 annual report and accounts using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard 34 'Interim Financial Reporting'. There has been one change to accounting standards during the current financial period that has impacted the disclosures in these financial statements and the full year financial statements that will be prepared for 30 September 2020:

IFRS 16 'Leases' has been endorsed by the EU and is effective for periods commencing on or after 1 January 2019. It replaces IAS 17 'Leases' and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

For the purposes of the transition when applying IFRS 16, the Group has adopted the modified retrospective approach, including the application of the following practical expedients:

- Reliance on the previous identification of a lease (under the previous IAS 17 standard) for all contracts that existed on the date of initial application;
- Reliance on previous assessments (under IAS 37) on whether leases are onerous rather than performing an impairment review;
- The application of a single discount rate to a portfolio of leases with similar characteristics;
- Exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- The measurement of the lease liability as at 1 October 2019 and the creation of an equal value right of use asset as at that date (where accrual and prepayment adjustments are not material).

Furthermore, the Group has applied the exemptions within the standard whereby both leases with a contractual duration of 12 months or less and leases for assets which are deemed "low value" will continue to be expensed to the income statement over the remainder of the lease term.

Where the Group is lessor of freehold properties, these leases have been determined to be operating leases in accordance with the substance of such lease transactions. The accounting for these leases does not change following the adoption of IFRS 16 with lease revenue being recognised on a straight-line basis.

The current lease charges have been used to establish a present value of the lease liabilities existing as at 1 October 2019. For the purposes of discounting, the Group has made use of the practical expedient in selecting the interest rate used. Given the portfolio of leases materially relate to long term leases of land for the Group's Energy division it has been determined that the average rate of 4.47% on the £30m borrowings from Pricoa, which is considered to be incremental rate of borrowing for the Group, is used in the calculation of the lease liability.

Lease liabilities reconciliation:	£'000
Operating lease commitments as at 30 September 2019	13,477
Recognition exemption for short term and low value leases on date of transition	(787)
Lease term adjustments and other reconciling items (net)	(5,683)
Non-discounted lease liability under IFRS 16	7,007
Discount effect	(4,078)
Lease liability recognised on 1 October 2019	2,929

The Group has two covenants with its lenders, neither of which will be materially impacted by IFRS 16.

The directors have a reasonable expectation that the Group (being the Company, Jersey Electricity plc and its subsidiary, Jersey Deep Freeze Ltd) 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 interim financial statements.

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Notes to the Condensed Interim Accounts (Unaudited)

2 Revenue and profit

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

	Six months ended 31 March 2020			Six months ended 31 March 2019			Year ended 30 September 2019		
	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000
Revenue									
Energy - arising in the course of ordinary business	49,917	68	49,985	46,663	58	46,721	83,907	126	84,033
Energy - arising from the sale of heavy fuel oil	-	-	-	-	-	-	2,723	-	2,723
Building Services	1,897	506	2,403	1,573	478	2,051	3,286	809	4,095
Retail	9,576	35	9,611	8,123	22	8,145	15,199	59	15,258
Property	1,137	322	1,459	1,133	302	1,435	2,262	612	2,874
Other	1,450	426	1,876	1,453	437	1,890	2,917	898	3,815
	63,977	1,357	65,334	58,945	1,297	60,242	110,294	2,504	112,798
Intergroup elimination			(1,357)			(1,297)			(2,504)
Revenue			63,977			58,945			110,294
Operating profit									
Energy			9,007			8,155			12,281
Building Services			106			13			(79)
Retail			824			632			895
Property			464			837			1,679
Other			358			313			617
			10,759			9,950			15,393
Revaluation of investment properties			-			-			689
Operating profit			10,759			9,950			16,082

Materially, all of the Group's operations are conducted within the Channel Islands. All transactions between divisions are on 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 2020.

3 Taxation

	Six months ended 31 March 2020 £000	Six months ended 31 March 2019 £000	Year ended 30 September 2019 £000
Current income tax	2,106	1,748	2,714
Deferred income tax	(42)	163	255
Total income tax	2,064	1,911	2,969

For the period ended 31 March 2020 and subsequent periods, the Company is taxable at the rate applicable to utility companies in Jersey of 20% (2019: 20%).

Notes to the Condensed Interim Accounts (Unaudited)

4 Dividends paid and proposed

	Six months ended 31 March 2020	Six months ended 31 March 2019	Year ended 30 September 2019
Dividends per share			
- paid	**9.25p**	8.80p	15.25p
- proposed	**6.80p**	6.45p	9.25p
	£000	£000	£000
Distributions to equity holders	**2,833**	2,695	4,671

The distribution to equity holders in respect of the final dividend for 2019 of £2,833,284 (9.25p net of tax per share) was paid on 26 March 2020.

The Directors have declared an interim dividend of 6.80p per share, net of tax (2019: 6.45p) for the six months ended 31 March 2020 to shareholders on the register at the close of business on 5 June 2020. This dividend was approved by the Board on 14 May 2020 and has not been included as a liability at 31 March 2020.

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 Financial instruments

The Group held the following derivative contracts, classified as level 2 financial instruments at 31 March 2020.

Fair value of currency hedges	31 March 2020 £000	31 March 2019 £000	30 September 2019 £000
Derivative assets			
Less than one year	**100**	78	197
Greater than one year	**514**	-	208
Derivative liabilities			
Less than one year	**(320)**	(738)	(298)
Greater than one year	**(737)**	(1,739)	(303)
Total net liabilities	**(443)**	(2,399)	(196)

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy. This hierarchy is based on the underlying assumptions used to determine the fair value measurement as a whole and is categorised as follows:

Level 1 financial instruments are those with values that are immediately comparable to quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 financial instruments are those with values that are determined using valuation techniques for which the basic assumptions used to calculate fair value are directly or indirectly observable (such as to readily available market prices);

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Notes to the Condensed Interim Accounts (Unaudited)

6 Financial instruments continued

Level 3 financial instruments are shown at values that are determined by assumptions that are not based on observable market data (unobservable inputs).

The derivative contracts for foreign currency shown above are classified as level 2 financial instruments and 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.

7 Related party transactions

Jersey Electricity plc conducts a variety of transactions with the Government of Jersey and its associated entities:

	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	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000	**2020 £000**	2019 £000
The Government of Jersey and related entities	**5,076**	4,707	**922**	963	**1,248**	947	**144**	473	**-**	10

The Government of Jersey is the Group's majority and controlling shareholder. Related entities include companies that remain wholly owned by, or controlled by, the Government of Jersey.