Clear investment. Pure energy.

INVESTMENT TO POWER A SUSTAINABLE FUTURE
INTERIM REPORT 2015

6 months ended 31 March 2015

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
Aaron Le Cornu BSc, ACA

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
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 2015	6 months 2014
Electricity Sales – kWh (000)	357,362	353,729
Revenue	£55.8m	£55.0m
Profit before tax pre-exceptional items	£8.0m	£4.8m
Profit in Energy business	£7.4m	£3.6m
Earnings per share pre-exceptional items	20.75p	12.46p
Final dividend paid per ordinary share	7.20p	6.80p
Proposed interim dividend per share	**5.25p**	5.00p
Net debt	**£21.9m**	£19.5m

Overall trading performance

Group revenue, at £55.8m, was 2% higher for the first half year of 2015 than the same period in 2014 and profit before tax, pre-exceptional items, was £8.0m in the first half of 2015 against £4.8m in the equivalent period last year. This returns profit to a level commensurate with a regulatory rate of return and a quantum needed to maintain our continued investment in infrastructure. Cost of sales decreased by £4.1m to £35.7m due mainly to the reduced use of oil for on-island generation in our Energy business because of the commissioning of a new submarine cable to France in September 2014. Operating expenses at £11.4m were £1.1m above last year with an increase of £1.0m in depreciation charges, associated mainly with the commissioning of our new subsea cable. In the corresponding period last year we had exceptional costs of £0.6m and £1.1m incurred in restructuring our Retail operation and selling the shareholding in Foreshore, our data hosting joint venture, respectively. Profit before tax in 2014 was £3.1m post such exceptional costs. Earnings per share, pre-exceptional costs, rose to 20.75p from 12.46p in 2014. In 2014 the post-exceptional costs earnings per share figure was 7.36p. Net debt on balance sheet at 31 March 2015 was £21.9m (2014: £19.5m) with the year-on-year rise driven mainly by our continued investment in infrastructure assets in our Energy business. At the last year end a provision for £1.8m was established for a likely repair to the subsea cable between Jersey and Guernsey. This preventative repair was successfully performed during January with the cost fully covered by the provision.

Energy Division

Unit sales of electricity rose by 1%, from 354m to 357m kWh, compared with the same period in the prior year. Mild weather, compared with long-term average temperatures, has been experienced in the first half of the last two financial years, resulting in a reduced use of electricity primarily in the heating of residential properties. Revenues in our Energy Division rose by 2% from £44.5m to £45.5m as a result of the increased unit sales and the small rise in tariffs in April 2014. Operating profit rose in Energy to £7.4m from £3.6m in the same period last year. As reported previously, until we installed a new submarine cable to France, we were 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 profit in this half year is driven by a combination of less use of oil and a higher level of invested capital on which we need to achieve a sustainable return. We imported 94% of our on-Island requirement from France (up from 75% in 2014) and only generated 2% of our electricity in Jersey (compared to 20% last year). The remaining 4% (2014: 5%) of our electricity came from the Energy from Waste plant, owned by the States of Jersey.

Investment in Infrastructure

The Normandie 3 (N3) subsea cable to France was successfully commissioned in late September 2014 ahead of schedule and the cable network has generally performed well in the early post-commissioning period where problems are more likely to surface. The N3 network was out of service for 8 days during March when a technical problem occurred with a joint on the land cable in France but this was successfully resolved at no cost to the Company and without any disruption to customer supplies in Jersey. The original projected cost of N3 was £70m but the final cost was closer to £64m including the capitalisation of associated financing costs. The project was a joint one between Jersey Electricity and Guernsey Electricity and the net cost to the Company was in the region of £48m.

Capital expenditure was £9.2m in the first 6 months of the financial year, with the most material spend being on final contractor payments for the N3 project. We are moving forward with plans to install an additional undersea supply cable to France known as Normandie 1 (N1). The 27km, 100MW cable is a direct replacement for EDF1, Jersey's first subsea cable installed in 1984 and which came to the end of its life in June 2012 after 28 years' service. The project, expected to cost in the region of £40m, is a joint venture with Guernsey Electricity as partners in the Channel Islands Electricity Grid. We expect to lift the old cable from the seabed before the installation of N1. Tenders for the manufacture of N1 are currently being considered. Planning permission in both France and Jersey is nearing completion and if there are no delays, the installation of N1 is scheduled for 2016/17.

Non-energy performance

Trading conditions remain challenging for our other business units. Retailing year-on-year revenue, as expected, fell by 12% because of a restructuring of this business unit as reported last year and it is now trading from a smaller footprint. Encouragingly profitability improved to £0.3m from £0.1m.

Revenue remained at £1.0m for our Property portfolio but profit rose by £0.1m to £0.8m as maintenance spend was lower than in the corresponding period last year. Our Building Services business saw a £0.7m increase in revenue to £2.3m but profitability remained around breakeven with the business currently undergoing a restructuring. Our remaining business units performed well but produced profits of £0.3m being £0.1m lower than in 2014 as Jendev is currently undergoing a period of upgrade and development of its utility billing product.

Forward hedging of electricity and foreign exchange and customer tariffs

Our tariffs to customers continue to remain competitive with other jurisdictions and the restoration of additional capacity between Jersey and France from September 2014, combined with our hedging programme, should enable us to continue to deliver stable pricing for our customers. Our electricity purchase requirements are materially hedged for the period 2015-18. As these are contractually denominated in the Euro we enter into foreign currency contracts to eliminate a large percentage of exposure to aid tariff planning. We have seen volatility in foreign exchange in the last six months which is why we seek to largely eliminate exposure. This has resulted in a fair value reduction of £4.4m (net of tax) against our Other Reserves due to the current strength of Sterling against the Euro. 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 low-carbon electricity supplies whilst maintaining an appropriate, fair return for our shareholders.

Debt and refinancing

The net debt figure, as expected, rose to £21.9m at 31 March 2015 compared to £19.5m at the last year end. If the N1 cable project proceeds as anticipated we have a bank facility in place to fund such investment. 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 for 2015 of 5.25p (2014: 5.00p). We continue to aim to deliver sustained real growth each year over the medium-term. The final dividend for 2014 of 7.20p, paid in late March in respect of the last financial year, was an increase of 6% on the previous year.

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.

C.J. AMBLER – Chief Executive

M.P. Magee – Finance Director

22 May 2015

Investor timetable for 2015

5 June	Record date for interim ordinary dividend
30 June	Interim ordinary dividend for year ending 30 September 2015
1 July	Payment date for preference share dividends
18 December	Preliminary announcement of full year results

FINANCIAL STATEMENTS

Condensed Consolidated Income Statement (Unaudited)

	Note	Six months ended 31 March 2015 £000	Six months ended 31 March 2014 £000	Year ended 30 September 2014 £000
Revenue	2	**55,840**	54,954	98,443
Cost of sales		**(35,705)**	(39,826)	(68,468)
Gross profit		**20,135**	15,128	29,975
Revaluation of investment properties		**-**	-	145
Operating expenses		**(11,408)**	(10,327)	(20,079)
Group operating profit before exceptional items		**8,727**	4,801	10,041
Exceptional items - disposal of investment		**-**	(1,100)	(1,178)
- provision for subsea cable repair		**-**	-	(1,800)
- restructuring costs in retail business		**-**	(576)	(570)
Group operating profit	2	**8,727**	3,125	6,493
Interest receivable/(payable)		**15**	7	(26)
Finance costs		**(786)**	(28)	(11)
Profit from operations before taxation		**7,956**	3,104	6,456
Taxation	3	**(1,583)**	(834)	(1,478)
Profit from operations after taxation		**6,373**	2,270	4,978
Attributable to:				
Owners of the Company		**6,357**	2,256	4,932
Non-controlling interests		**16**	14	46
Profit for the period/year attributable to the equity holders of the parent Company		**6,373**	2,270	4,978
Earnings per share				
- basic and diluted		**20.75p**	7.36p	16.10p
Dividends per share				
- paid	4	**7.20p**	6.80p	11.80p
- proposed	4	**5.25p**	5.00p	7.20p

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

	Six months ended 31 March 2015 £000	Six months ended 31 March 2014 £000	Year ended 30 September 2014 £000
Profit for the period/year	6,373	2,270	4,978
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on defined benefit scheme	1,329	2,575	(392)
Income tax relating to items not reclassified	(266)	(515)	78
	1,063	2,060	(314)
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on cash flow hedges	(5,487)	(730)	(4,567)
Income tax relating to items that may be reclassified	1,097	161	913
	(4,390)	(569)	(3,654)
Total comprehensive income for the period/year	3,046	3,761	1,010
Attributable to:			
Owners of the company	3,030	3,747	964
Non-controlling interests	16	14	46
	3,046	3,761	1,010

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 2014	1,532	5,270	(36)	(3,515)	142,878	146,129
Total recognised income and expense for the period	-	-	-	-	6,357	6,357
Additional shares for employee share scheme	-	-	(93)	-	-	(93)
Amortisation of employee share scheme	-	-	26	-	-	26
Unrealised loss on hedges (net of tax)	-	-	-	(4,389)	-	(4,389)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	1,063	1,063
Equity dividends paid by Jersey Electricity plc	-	-	-	-	(2,206)	(2,206)
As at 31 March 2015	**1,532**	**5,270**	**(103)**	**(7,904)**	**148,092**	**146,887**
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 2013	1,532	5,270	(58)	139	141,925	148,808
Total recognised income and expense for the period	-	-	-	-	4,932	4,932
Amortisation of employee share scheme	-	-	22	-	(22)	-
Unrealised gain on hedges (net of tax)	-	-	-	(3,654)	-	(3,654)
Actuarial gain on defined benefit scheme (net of tax)	-	-	-	-	(314)	(314)
Equity dividends paid by Jersey Electricity plc	-	-	-	-	(3,643)	(3,643)
As at 30 September 2014	**1,532**	**5,270**	**(36)**	**(3,515)**	**142,878**	**146,129**

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

Condensed Consolidated Balance Sheet (Unaudited)

	Note	As at 31 March 2015 £000	As at 31 March 2014 £000	As at 30 September 2014 £000
Non-current assets				
Intangible assets		**80**	77	20
Property, plant and equipment		**183,377**	170,839	184,846
Investment property		**20,505**	20,360	20,505
Other investments		**5**	5	5
Retirement benefit surplus		**-**	1,557	-
Total non-current assets		**203,967**	192,838	205,376
Current assets				
Inventories		**6,173**	9,260	7,334
Trade and other receivables		**20,081**	21,028	16,750
Derivative financial instruments		**-**	242	-
Cash and cash equivalents		**8,106**	11,456	9,776
Total current assets		**34,360**	41,986	33,860
Total assets		**238,327**	234,824	239,236
Current liabilities				
Trade and other payables		**16,113**	18,774	24,113
Derivative financial instruments	6	**9,733**	724	4,246
Current tax payable		**-**	412	-
Total current liabilities		**25,846**	19,910	28,359
Net current (liabilities)/assets		**8,514**	22,076	5,501
Non-current liabilities				
Trade and other payables		**19,540**	18,057	18,279
Retirement benefit deficit		**193**	-	1,372
Financial liabilities – preference shares		**235**	235	235
Borrowings		**30,000**	31,000	30,000
Deferred tax liabilities		**15,603**	15,141	14,852
Total non-current liabilities		**65,571**	64,433	64,738
Total liabilities		**91,417**	84,343	93,097
Net assets		**146,910**	150,481	146,139
Equity				
Share capital		**1,532**	1,532	1,532
Revaluation reserve		**5,270**	5,270	5,270
ESOP reserve		**(103)**	(58)	(36)
Other reserves		**(7,904)**	(430)	(3,515)
Retained earnings		**148,092**	144,158	142,878
Equity attributable to owners of the Company		**146,887**	150,472	146,129
Non-controlling interests		**23**	9	10
Total equity		**146,910**	150,481	146,139

FINANCIAL STATEMENTS

Condensed Consolidated Cash Flow Statement (Unaudited)

	Note	Six months ended 31 March 2015 £000	Six months ended 31 March 2014 £000	Year ended 30 September 2014 £000
Cash flows from operating activities				
Operating profit before exceptional items		**8,727**	4,801	10,041
Depreciation and amortisation charges		**4,865**	3,961	8,259
Profit on revaluation of investment property		**-**	-	(145)
Pension operating charge less contributions paid		**150**	-	(38)
Adjustment for foreign exchange hedges		**-**	61	63
Profit/(loss) on sale of fixed assets		**4**	3	(11)
Restructuring costs		**-**	(476)	-
Operating cash flows before movements in working capital		**13,746**	8,350	18,169
Decrease in inventories		**1,160**	174	2,100
Increase in trade and other receivables		**(3,328)**	(5,233)	(252)
(Decrease)/increase in trade and other payables		**(1,016)**	4,511	513
Interest paid		**(767)**	(17)	(28)
Preference dividends paid		**(4)**	(4)	(9)
Cash amounts relating to exceptional items		**-**	-	(353)
Net cash flows generated from operating activities		**9,791**	7,781	20,140
Cash flows from investing activities				
Purchase of property, plant and equipment		**(9,160)**	(19,920)	(33,048)
Investment in intangible assets		**(67)**	(51)	(6)
Net proceeds from disposal of investment		**-**	-	1,579
Net proceeds from disposal of fixed assets		**-**	3	16
Net cash used in investing activities		**(9,227)**	(19,968)	(31,459)
Cash flows from financing activities				
Equity dividends paid	4	**(2,234)**	(2,155)	(3,703)
Repayment of borrowings		**-**	-	(10,000)
Proceeds from borrowings		**-**	21,000	30,000
Net cash (used in)/from financing activities		**(2,234)**	18,845	16,297
Net (decrease)/increase in cash and cash equivalents		**(1,670)**	6,658	4,978
Cash and cash equivalents at beginning of period/year		**9,776**	4,798	4,798
Net cash and cash equivalents at end of period/year		**8,106**	11,456	9,776

Notes to the Condensed Interim Accounts (Unaudited)

1 Accounting policies

Basis of preparation

The interim accounts for the six months ended 31 March 2015 have been prepared on the basis of the accounting policies set out in the 30 September 2014 annual report and accounts using accounting policies consistent with International Financial Reporting Standards (IFRS) and in accordance with IAS 34 'Interim Financial Reporting'.

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. The directors have a reasonable expectation that the Group 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 2015			Six months ended 31 March 2014			Year ended 30 September 2014		
	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000	External £000	Internal £000	Total £000
Revenue									
Energy	45,510	46	45,556	44,499	72	44,571	79,459	141	79,600
Building Services	2,251	289	2,540	1,587	361	1,948	3,294	907	4,201
Retail	5,891	16	5,907	6,669	22	6,691	11,414	33	11,447
Property	962	299	1,261	1,000	316	1,316	1,957	616	2,573
Other	1,226	378	1,604	1,199	453	1,652	2,319	878	3,197
	55,840	1,028	56,868	54,954	1,224	56,178	98,443	2,575	101,018
Inter-segment elimination			(1,028)			(1,224)			(2,575)
			55,840			54,954			98,443
Operating profit									
Energy			7,354			3,631			7,952
Building Services			(4)			10			(44)
Retail			286			86			(86)
Property			798			684			1,415
Other			293			390			659
Operating profit before property revaluation			8,727			4,801			9,896
Gain on revaluation of investment properties			-			-			145
Exceptional items:									
Disposal of investment			-			(1,100)			(1,178)
Provision for subsea cable repair			-			-			(1,800)
Restructuring costs in retail business			-			(576)			(570)
Operating profit			8,727			3,125			6,493

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 2015.

Notes to the Condensed Interim Accounts (Unaudited)

3 Taxation

	Six months ended 31 March 2015 £000	Six months ended 31 March 2015 £000	Year ended 30 September 2015 £000
Current income tax	-	119	-
Deferred income tax	1,583	715	1,478
Total income tax	1,583	834	1,478

For the period ended 31 March 2015 and subsequent periods, the Company is taxable at the rate applicable to utility companies of 20%.

4 Dividends

	Six months ended 31 March 2015 £000	Six months ended 31 March 2014 £000	Year ended 30 September 2014 £000
Distributions to equity holders and by subsidiaries in the period	2,234	2,155	3,703

The distribution to equity holders in respect of the final dividend for 2014 of £2,206,080 (7.20p net of tax per share) was paid on 27 March 2015. Dividends of £28,000 were paid by subsidiaries to minority interests for the six months to 31 March 2015.

The Directors have declared an interim dividend of 5.25p per share, net of tax (2014: 5.00p) for the six months ended 31 March 2015 to shareholders on the register at the close of business on 5 June 2015. This dividend was approved by the Board on 22 May 2015 and has not been included as a liability at 31 March 2015.

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.

Notes to the Condensed Interim Accounts (Unaudited)

6 Financial Instruments

The Group held the following derivative contracts, classified as level 2 financial instruments at 31 March 2015.

	Six months ended 31 March 2015 £000	Year ended 30 September 2014 £000
Recurring fair value measurements		
Financial liabilities		
Foreign exchange currency hedges	**9,733**	4,246

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);

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

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	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000	**2015 £000**	2014 £000
The States of Jersey	**3,867**	3,793	**590**	517	**561**	758	**661**	773	**128**	1
JT Group Limited	**980**	906	**173**	116	**66**	29	**118**	153	**-**	-
Jersey Post Int Limited	**49**	68	**-**	1	**16**	15	**7**	9	**-**	-
Jersey New Waterworks Ltd	**417**	439	**47**	37	**55**	63	**63**	56	**-**	-

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. Foreshore Limited is no longer considered a related party due to the disposal of our investment during the year ended 30 September 2014.