

DIRECTORS' REPORT

The Directors of the Company present the financial statements for the year ended 31 December 2002.

Activities of the Company

The Company was incorporated in 1882. The principal activities of the Company are the collection, treatment and supply of water for commercial and domestic use throughout the Island.

Results

The results for the year are set out on page 14.

Dividends

In 2002 the Company paid the dividends on preference shares totalling £380,665 (net) (2001: £380,665).

During the year, an interim dividend of 3.4 pence per share (gross) (2001: 3.30 pence) was paid on the Ordinary and 'A' Ordinary shares totalling £13,137 (net) (2001: £12,751(net)). The Directors recommend a final dividend of 5.65 pence (gross) (2001: 5.36 pence) totalling £21,832 (net) (2001: £20,711).

Directors

Changes in Directors

The Directors of the Company on the date the financial statements were approved and throughout the year ended 31 December 2002 were as detailed on page 2 except for Deputy Jennifer-Anne Bridge who resigned with effect from 19 April 2002 and Mr Stephen Marie who was appointed with effect from 19 April 2002.

In accordance with the provisions of Article 74(b), RJ Pirouet and HN Snowden will retire at the annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests

Particulars of the holdings of Directors, including family interests, in the share capital of the Company as at 31 December 2002 are:

	CJ Hinault	SJ Marie	DC Norman	HN Snowden
Ordinary shares				
<i>Beneficial</i>	100	100	190	200
<i>Non beneficial</i>	-	-	7,740	-

Of the many business interests of Mr DC Norman, he is a Director of Norman Limited, C.I. Traders Limited, Nicholl's Service Garage Limited and Iron Stores Jersey Limited. These are all companies with which the Company trades on a regular arms length basis.

Mr Stephen Marie is the Managing Director of Le Riche Property, a division of C.I. Traders Limited, a Group with which the Company transacts on an arms length basis.

Insurance of Directors and officers of the Company

The Company maintains an insurance policy on behalf of all its Directors and Company officers against liability arising from neglect, breach of duty and breach of trust in relation to the Company.

DIRECTORS' REPORT CONTINUED

Substantial holders of shares

Set out below is a table showing details of shareholders beneficially owning 3% or more of the Ordinary Share capital of the Company:

	Beneficial holding of Ordinary shares as at 31 December 2002	% of Ordinary shares held
<i>The States of Jersey</i>	126,000	50.0
<i>Jurat PG Blampied</i>	16,740	6.6
<i>Allied Mutual Insurance Services Limited</i>	13,975	5.5
<i>BR Querée</i>	10,061	4.0
<i>Nordar Limited</i>	7,740	3.1
<i>Lemasco Nominees Limited</i>	7,700	3.1

In addition to the holding above, the States of Jersey also own 100% of the issued 'A' ordinary shares and 100% of the issued 7.5% -10% cumulative fifth preference shares.

The Company enters into normal commercial transactions with the States of Jersey and entities controlled by the States, in that it pays income tax, telephone, electricity and various other charges. Conversely, the Company levies charges at its usual rates for the supply of water and the connection of services to States owned properties.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the profit or loss for the period. In preparing these financial statements the Directors have selected what they consider to be suitable accounting policies and have applied them consistently. They have made judgements and estimates which they believe are reasonable and prudent, and have followed applicable accounting standards. They have prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that proper accounting records are kept which 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 Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

HJB Smith
Secretary

7 March 2003