

Directors' report

The Directors of the Company present the financial statements for the year ended 31 December 2004.

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. With effect from 8 November 2004 the Company adopted 'Jersey Water' as its trading name.

Review of business and future developments

The results for the year are set out on page 21. A review of the Company's business during the year and an indication of the likely future development of the business are provided in the Chairman's statement on pages 5 to 10.

Dividends

In 2004 the Company paid dividends on preference shares totalling £380,665 (net) (2003: £380,665). During the year, an interim dividend of 3.7 pence per share (gross) (2003: 3.5 pence) was paid on the Ordinary and 'A' Ordinary shares totalling £14,297 (net) (2003: £13,524). The Directors recommend a final dividend of 255.1 pence (gross) (2003: 5.91 pence) totalling £985,703 (net) (2003: £22,837).

Directors

Changes in Directors

The Directors of the Company on the date the financial statements were approved and throughout the year ended 31 December 2004 were as detailed on page 2.

In accordance with the provisions of Article 74(b), David Norman and Carlyle Hinault will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

As described on page 13, the Company has undertaken a formal assessment of its performance and that of the individual Directors, including structured meetings between the Director being assessed, the Chairman and the Senior Independent Director. Following this review, the Chairman (or in the case of the Chairman, the Senior Independent Director) has confirmed that the Directors standing for re-election at the Annual General Meeting continue to perform effectively and to demonstrate commitment to their roles.

Directors' interests

Particulars of the holdings of Directors, including family interests, in the share capital of the Company as at 31 December 2004 are:

	Carlyle Hinault	Stephen Marie	David Norman	Howard Snowden	Helier Smith
Ordinary shares					
<i>Beneficial</i>	100	100	190	200	146
<i>Non-beneficial</i>	-	-	7,740	-	-
Preference shares					
<i>Beneficial</i>	-	-	-	-	210

Of the many business interests of David Norman, he is a Director of Norman Limited, CI Traders Limited and Iron Stores Jersey Limited. These are all companies with which the Company trades on a regular arms length basis.

Stephen Marie is the Managing Director of CIT Estates, a division of CI Traders Limited, a Group with which the Company transacts on an arms length basis.

Directors' report *continued*

Insurance of Directors and Officers of the Company

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

Substantial shareholdings

Set out below are details of significant shareholdings (3% or more) in each class of share of the Company as at 11 April 2005.

Name	Ordinary shares of £1	'A' ordinary shares	5%	3.5% second	3% third	3.75% third	5% third	2% fourth	10% fifth
			Cumulative preference shares of £5 each						
Allied Mutual Insurance Services Limited	6%								
PJ Amy				3%					
BE Anderson							4%		
PJ Audrain							4%		
PG Blampied	7%		19%	31%	7%	23%	26%	10%	
RM Clarke	3%								
Deenbee Limited			11%	13%	7%	15%	11%	10%	
Forest Nominees Limited								11%	
BF Foster				23%	6%				
JMS Hobbs					4%		4%		
James Capel (Channel Islands) Nominees Limited			25%			11%		4%	
PE Le Couteur			5%		17%		3%	6%	
JH Le Cras			9%	3%	20%		4%	18%	
EJ Morcombe			8%			14%	12%	5%	
FN Morcombe				11%	6%	9%	7%	6%	
The Estate of M Le Marquand Morel							4%		
DF Parlett							4%		
Nordar Limited	3%								
BR Querée	4%								
The States of Jersey	50%	100%							100%

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' report continued

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

Helier Smith

Company Secretary

11 April 2005