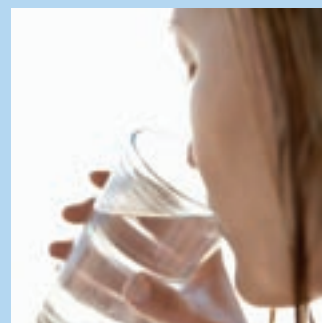
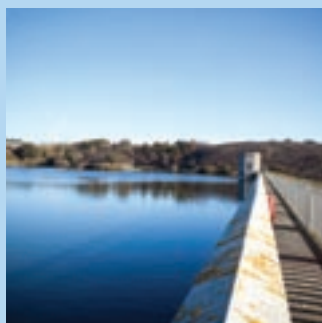


2009

Annual Report and Financial Statements

The Jersey New Waterworks Company Limited

2009




JerseyWater

www.jerseywater.je

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Directors, Officers and Advisers

Directors

Non Executive

Kevin Keen *MBA, FCCA, FCMA*
Chairman

Carlyle Hinault
Deputy Chairman

Anthony Cooke *BA(Hons) Econ, CEnv, FCIWEM, HIWater, FRSA*
Senior Independent Director

Mary Curtis *MA, Chartered FCIPD, MloD, AIBC*

Stephen Marie *FICW, MBIFM, ACIOB*

Peter Yates *BSc, FCA*

Executive

Howard Snowden *Eurlng, BSc (Eng), MSc, CEng, FICE, FIMechE, FIET, MIWater*
Managing Director and Engineer

Helier Smith *BA, ACA, Dip IoD.Cert IoD*
Finance Director

Secretary

Helier Smith *BA, ACA, Dip IoD.Cert IoD*

Auditors

Ernst & Young LLP
Liberation House
Castle Street
St Helier
Jersey
JE1 1EY

Registered Office

Mulcaster House
Westmount Road
St Helier
Jersey
JE1 1DG

Notice of Annual General Meeting

Notice is hereby given that the one hundred and twenty-eighth annual general meeting of the shareholders of The Jersey New Waterworks Company Limited will be held in the Leopold Suite at the Grand Hotel, St Helier, Jersey on 28 May 2010, at 9.00 am for the following purpose.

Ordinary Resolutions

1. To receive the Financial Statements for the year ended 31 December 2009.
2. To declare a final net dividend of 214 pence per share on the ordinary and 'A' ordinary shares of the Company.
3. To declare a special net dividend of 228 pence per share on the ordinary and 'A' ordinary shares of the Company.
4. To re-elect Mr Stephen Marie and Mr Howard Snowden, the Directors retiring by rotation.
5. To approve the Directors' fees for 2010 of £20,000 for the Chairman and £12,000 for other Non-Executive Directors (2009: £20,000 and £12,000 respectively).
6. To appoint PricewaterhouseCoopers CI LLP as auditors of the Company at a fee to be agreed by the Directors.

By Order of the Board

Helier Smith

Company Secretary

Registered Office:

Mulcaster House
Westmount Road
St Helier
Jersey
JE1 1DG

30 April 2010

To facilitate the preparation of dividend warrants the share transfer books of the Company will be closed from 17 May 2010 to 28 May 2010, both days inclusive, and, subject to the dividend being confirmed, dividend warrants will be posted on 28 May 2010 to all ordinary and 'A' ordinary shareholders registered on 28 May 2010.

A member of the Company entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and, on a poll, vote in his stead. A form of proxy is included with this annual report for use of members who are unable to attend the meeting. All shareholders are requested to complete and return the form of proxy, whether or not they intend to be present at the meeting in person. Proxies must be deposited at the registered office of the Company not less than 48 hours before the time of the meeting.

Board of Directors



From left to right: Stephen Marie, Kevin Keen, Howard Snowden, Mary Curtis, Peter Yates, Tony Cooke, Carl Hinault, Helier Smith.

Kevin Keen MBA, FCCA, FCMA

Kevin Keen was appointed to the Board in May 2007 as a Non-Executive Director. He was previously Managing Director of Jersey Dairy and prior to that a Divisional Managing Director and Finance Director of Le Riche Group. Mr Keen is a Fellow of both the Association of Chartered Certified Accountants and the Chartered Institute of Management Accountants.

Howard Snowden Eurlng, BSc(Eng), MSc, CEng, FICE, FIMechE, FIET, MIWater

Howard Snowden joined the Company in 1992 as Senior Engineer and became Managing Director in May 2000. Mr Snowden has worked in the water industry since 1970 for a number of Companies including Yorkshire Water Authority (the forerunner to Yorkshire Water Plc). He is a fellow of the Institution of Civil Engineers, the Institution of Mechanical Engineers, the Institution of Engineering and Technology and a member of the British Dam Society and is a Panel Supervising Engineer under the Reservoir Act 1975.

Tony Cooke BA (Hons) Econ, CEnv, FCIWEM, HIWater, FRSA

Tony Cooke became a Non-Executive Director of the Company on 12 June 2008. Mr Cooke is an economist by background and he is currently Managing Director of Bournemouth & West Hampshire Water Plc. He has previously held a number of Chief Executive and senior management roles in the United Kingdom and internationally. He is a Trustee of Utilities and Service Industries Training Ltd.

Mary Curtis MA, Chartered FCIPD, MloD, AIBC

Mary Curtis joined the Board as a Non-Executive Director on 12 June 2008. She is currently Director of a privately owned business consultancy firm, Calmera. She formerly worked in London before moving to Jersey in the roles of Offshore Island Regional Human Resources Manager at Deloitte & Touche and latterly Director of Human Resources at Mourant. She is Vice President of the Jersey loD Branch and Fellow of the Chartered Institute of Personnel & Development.

Carl Hinault

Carl Hinault joined the Board as a Non-Executive States of Jersey nominated Director in March 2000 and was re-elected to the Board in 2002 following the removal of the requirement for States of Jersey nominated Directors. Mr Hinault, a retired grower, was Connétable of the Parish of St John for six years until December 2000 and prior to that served as Deputy of St John for 12 years; he was also a Procureur du Bien Public for the Parish of St John for a number of years.

Stephen Marie FICW, MBIFM, ACIOB

Stephen Marie became a Non-Executive Director of the Company in 2002. Mr Marie is the Managing Director of ComProp (CI) Ltd, a Channel Island commercial property development company. He was previously Property Director of Sandpiper CI. He is a fellow of the Institute of Clerk of Works, a member of the Institute of Facilities Management and an associate of the Chartered Institute of Building.

Helier Smith BA, ACA, Dip loD, Cert loD

Helier Smith joined the Company in May 2002 as Financial Controller and became Company Secretary in July of that year. He was appointed to the Board as Finance Director in October 2003. Mr Smith, who qualified as a Chartered Accountant in 1994, was previously employed by KPMG where in the UK and Jersey he gained experience in the manufacturing, distribution and finance sectors.

Peter Yates BSc FCA

Peter Yates was appointed to the Board in May 2009. Mr Yates, a Chartered Accountant and former President of the Jersey Society of Chartered and Certified Accountants, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for over 31 years.

Chairman's Statement

I am pleased to report that your Company generated profits before tax of £4,085,000 for the year, an increase of 1.3% on 2008. Revenue for the year increased by 2.4% mainly as a result of the below RPI tariff increase in April 2009. This means that on average our metered customers pay just 0.2 pence per litre for our very high quality product. A price that will remain unchanged for 2010 following our announcement of no tariff increases. Operating expenditure increased by just 2.5%. We benefitted from the financial effects of our recent reorganisation together with a reduction in depreciation charges. These benefits were countered by an increase in staff costs, higher energy costs and the need for provisions on certain stock items and an impaired fixed asset.

In the autumn of 2009, in a continuing effort to improve efficiency and reduce operating costs, your Board took the decision to outsource its main laying and service laying activities. The process of reorganisations such as these is rarely painless, especially for those affected. However, the need for change was in the long-term interests of the Company, its shareholders and its customers and accordingly could not be ignored. Throughout the process, the Company sought to deal with the staff affected by the changes in a fair and compassionate way.

Your Company generated profits before tax of £4,085,000 for the year.

The Company continued to invest in the renewal and improvement of its infrastructure during the year, with an investment of £3.3 million, an increase on the £3 million last year. Continuing investment is crucial to provide water of the existing high quality and to improve efficiency wherever possible.

Your Board is pleased to propose a final dividend on ordinary and 'A' ordinary shares of £2.14 per share, bringing the ordinary dividend for the year to £3.19, an increase of 10% over 2008. In addition, following the sale over the past few years of various freehold properties, the Company is proposing to return an element of the proceeds on those sales to shareholders by way of a special dividend of £2.28 per ordinary and 'A' ordinary share.

I am also pleased to report that the water produced by the Company continues to be of a very high standard with a compliance rate of 99.84%. Disappointingly, because of the very wet weather in January 2009, nitrates in supply exceeded 50mg/l for a short period, reducing the overall water quality measure for the year from what would have been 99.96% compliance.



The levels of nitrates experienced in 2009 were not unusual, have no health implications at the levels detected and are entirely outside of the Company's control. It is likely that similar levels of nitrates will continue to be seen in wet growing seasons until action is taken by the States of Jersey to protect water catchments from diffuse nitrate pollution.

The Company has recently published the details of its Water Resource Management Plan. The Plan looks ahead 25 years and explains how the Company will meet the predicted demand for water and address the effects of population and climate change on water resources. It clearly shows the need for additional future water resources and action to control the demand for water. A number of proposals are planned for implementation over the next five years, when the plan will be updated. The most far reaching of these will be the introduction of Island wide metering of mains water. This will help reduce average household demand for water and leakage on customer pipe work. Whilst metering is one of the key tools in managing demand for water and the right way to go, it brings with it the additional costs of managing a network of meters. It also introduces variability and uncertainty into the revenue stream, which has historically been largely fixed. Your Board will keep the effects of metering on revenue and costs under review.

Chairman's Statement - continued



Val de la Mare Reservoir

In the 2008 financial statements, your previous Chairman indicated that the Company would be seeking to address the lack of liquidity in the market for Jersey Water shares. I am pleased to report that the Company has recently teamed up with a local stock broking firm who will manage a matched bargain trading facility for shares of all classes in the Company. The scheme will help to ensure that sellers are able to achieve the best price available for their shares and provide buyers with access to shares available for sale. The objective of the scheme is to help the price at which shares trade reach a level that more fairly reflects the underlying value of your Company.

Your Board's previous Chairman, David Norman, retired from the Board at the AGM in May, after 15 years on the Board, 13 of them as Chairman. To record the Company's gratitude to David for all his hard work, the Board has implemented a student bursary award scheme in his name. The intention of the scheme is to provide financial assistance for Jersey students studying a subject related to water science, management or technology. The first bursary was awarded in late 2009 and we will shortly be inviting applications for 2010.

Your Company continues to take its responsibilities as a good corporate citizen of Jersey very seriously. One of the most obvious examples is open access for passive recreation to many of the Company's reservoirs.

These are popular venues for walkers and a haven for wildlife. Access to the reservoirs for the Jersey Freshwater Angling Association enables its members to enjoy their hobby whilst playing an important role in monitoring our reservoirs.

At the forthcoming annual general meeting, both Stephen Marie and Howard Snowden are due to retire by rotation and will be offering themselves for re-election. The Nomination Committee of your Board has considered these re-elections carefully and recommends them to shareholders.

Since becoming a Director and during my short time as Chairman, despite the upheaval during the recent reorganisation, I have observed the diligence and professionalism with which the staff at Jersey Water go about their business, making sure that the Company continues to produce high quality water and provide a first class service at all times. On behalf of the Board and the Company's shareholders I would like to thank them for their hard work and determination.

Kevin Keen

16 April 2010

Business Review

Financial Performance

• Turnover

Turnover for 2009 stood at £14.7 million, an increase of 2.4% on 2008.

Revenue from water sales was £13.8 million and increased by 2.3% on the previous year. Metered Water sales increased by 6% to £6.9 million, partly as a result of the 2.5% tariff increase in 2009 and in line with the transition of 1,272 customers from fixed unmeasured charges to the Company's variable metered tariff during the year. Metered water sales accounted for 50% of water sales in 2009. This proportion is expected to increase substantially over the next five years with the rollout of Island wide metering.

Metered water income varies with consumption and is therefore susceptible to the factors that influence the demand for water (e.g. rainfall, temperature, seasonality). These factors, coupled with the programme of universal metering and encouraging customers to waste less water all increase the likely variability of income in the future, relative to the predominantly fixed and predictable nature of unmeasured water charges.

Unmeasured water charges reduced by 2.5% to £6.3 million, despite a tariff increase of 2.5% during the year. This reduction is in line with expectation and consistent with the introduction of water metering on change of account holder. Unmeasured charges are expected to drop away in line with the programme of universal metering over the next five years. It is estimated that unmeasured charges will eventually account for just 10% of water charges, being charges for water on those properties where it is not possible to fit a meter.

• Operating expenditure

Operating expenditure increased by 2.5% in the year, from £9.9 million in 2008 to £10.2 million in 2009. The increase is after taking account of a number of factors, namely:

– Reorganisation costs

At the end of 2009, the Company undertook a reorganisation programme that resulted in the transfer of the mains laying and service laying functions to an external contractor. The programme involved the loss of 27 staff either through early retirement or redundancy and cost a total of £633,000. As a result of the reduction in staff numbers (many of whom were part of the defined benefit section of the Jersey Water Pension Plan) a curtailment gain of £782,000 was recognised on the pension liability in the year. The net gain arising in the financial statements for the year was therefore £149,000.

– Impairment provision

In 2002, the Company constructed a standby water quality improvement plant to enhance the quality of raw water collected from the Le Mourier catchment area through the use of reverse osmosis and ultra-filtration. Whilst the plant remains operational, changes in the Company's water capture, transfer and treatment processes since 2002 have reduced the likelihood of the use of the standby plant in the future. The Company now has the raw water pumping and transfer capacity, through its network of raw water transfer mains, to select water for treatment from the highest quality sources and to transfer water between reservoirs in order to blend out lower water quality to a much greater extent than could be achieved by the use of the water quality improvement plant alone. As a result of the consequent impairment review, a charge for impairment of £422,000 was recognised, writing off the remaining net book value of the plant.

After adjusting for the effect of the reorganisation and impairment, operating costs overall remained in line with the previous year and in line with budget. A reduction in depreciation on completed works of £635,000 arising partly as a result of assets becoming fully depreciated and partly as a result of a review and adjustment of the useful economic life of other assets was countered by increased staff costs, higher energy costs and stock provisions during the year.

• Operating profit

Operating profit for 2009 was £4.6 million, a 2.3% increase on 2008.

• Profit on disposal of fixed assets

During the year the Company sold areas of land, one residential property and various pieces of plant and equipment generating net proceeds of £708,000 and a profit on disposal of £638,000.

• Interest costs

The low base rate in 2009 had a beneficial effect on interest payable by the Company. Interest payable fell from £835,000 in 2008 to £646,000 in 2009. Conversely, the lower interest rates available on deposits meant that interest receivable fell from £178,000 in 2008 to £37,000 in 2009.

• Income tax

Income tax charges for 2009 were £786,000 compared to £4,000 in 2008. The variance is mainly due to the effects of the transitional arrangements in 2008 of moving the basis of assessment of trading income to Jersey tax from a prior year basis to a current year basis and the increase in deferred tax charge to £255,000, compared to a credit of £234,000 in 2008.

Business Review - continued

• Equity dividends

Dividends paid in 2009 totalled £1,444,000, an increase of 15% over dividends of £1,256,000 in 2008. A final dividend for 2009 of £2.14 is proposed bringing the dividend for 2009 to £1,541,000, an increase over the dividends for 2008 of 10%. In addition, a special dividend of £2.28 per ordinary and 'A' ordinary shares is proposed totalling £1,101,000.

	2009	2008
	£'000	£'000
Dividends paid		
Final dividend for the previous year	937	792
Interim dividend for the current year	507	464
	<u>£1,444</u>	<u>£1,256</u>
Dividends proposed		
Final dividend for the current year	1,034	937
Special dividend for the current year	1,101	-
	<u>£2,135</u>	<u>£937</u>

Financial position and liquidity

• Cash flow

There was a net cash outflow before financing and the use of liquid resources of £1,457,000 (2008: inflow of £1,989,000). The difference was mainly a result of the one off payment in 2009 to the Jersey Water Pension Plan of £1,065,000, reorganisation expenditure and the combined effects of increased operating cash flows, income tax payments and capital expenditure payments.

Net debt at the end of the year was £17,491,000 compared to £16,034,000 in 2008. The increase of £1,457,000 is consistent with the cash outflow before financing and the use of liquid resources for the year.

• Loans and borrowing

Total borrowing at the end of 2009 was unchanged at £20,282,000.

	2009	2008
	£'000	£'000
Bank loans - falling due within one year	3,650	-
- falling due between one and two years	5,250	8,900
- falling due after two years but less than five years	6,000	6,000
	<u>£14,900</u>	<u>£14,900</u>
Preference share capital	5,382	5,382
Total borrowing	<u>£20,282</u>	<u>£20,282</u>

Subsequent to the year end, the Board renewed the loan maturing in 2010 for a further five years. The loan now becomes due for payment in 2015.

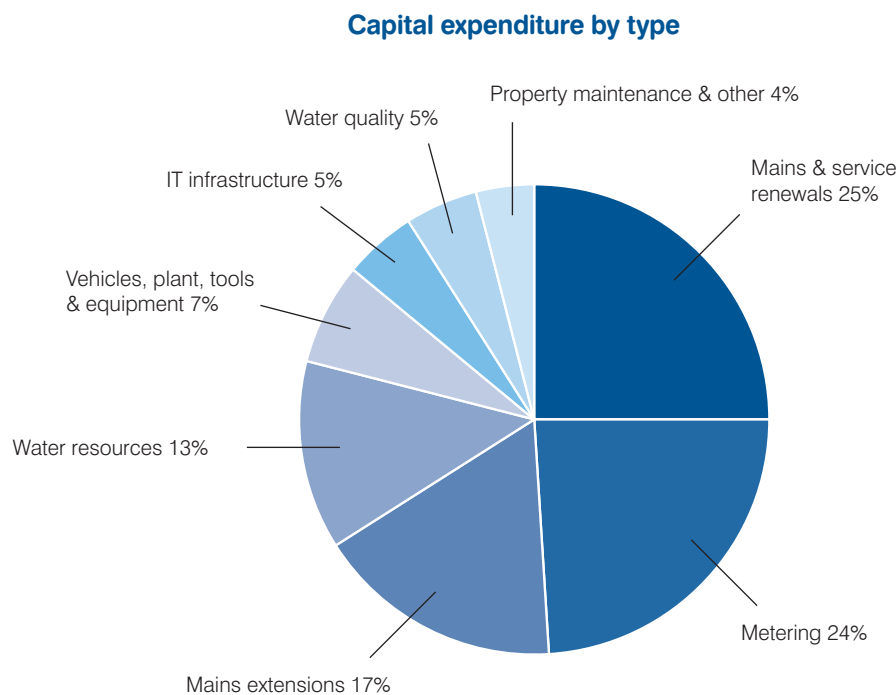
Business Review - continued

- **Defined benefit pension scheme**

The results of the FRS17 valuation of the Jersey Water Pension Plan indicate that the scheme deficit has reduced from £1,056,000 to £854,000. The main factors behind the reduction being the curtailment gain arising on the reorganisation coupled with the better than expected returns on scheme assets and effects of employer contributions. All countered by an actuarial loss arising as a result of the effects of changing discount rates and the adoption of updated longevity and other assumptions for the 2009 valuation.

- **Capital expenditure**

Capital expenditure for 2009 totalled £3,309,000. An analysis of expenditure by type is provided in the table below.



Connections, metering and charges

During 2009, an additional 412 connections were made to the water network, increasing the total number of connections to approximately 36,900.

With effect from 1 January 2009, the Company applied a policy of installing a water meter on all connections where there was a change of account holder. As a result, 1,056 existing unmeasured connections had meters installed. An additional 216 existing connections were metered at the request of the customer bringing the total number of metered connections to 13,188 by the end of the year (36% of the total connections).

Since the year end the Company has announced plans to meter all treated water mains connections, commencing in the spring of 2010. The project will involve the installation of approximately 17,500 meters over the next five years at a total cost of around £6,000,000.

It is estimated that average household demand can be reduced by between 10% and 20% through metering and the installation of water meters will help to identify water leakage on private pipe work which is estimated to account for as much as 25% of all leakage. Both factors helping to defer the cost of additional water resources identified within the Company's Water Resources Management Plan.

In 2009, the Company introduced a new assessed volume tariff applicable where it is not possible to install a water meter. This tariff, which bases the water charge for a property on the occupancy level and expected water usage, will mainly apply in properties with a shared supply pipe providing water to a number of dwelling units.

In 2010, the Company announced that tariffs would remain unchanged at 2009 levels for the year commencing 1 April 2010. Tariffs increases have been maintained at or below the RPI for eight consecutive years.

Business Review - continued

Water Supply and Demand

The demand for water in 2009 was 2% lower than in 2008, even though the year was relatively dry. The total annual demand was 7,253 million litres, compared to 7,402 in 2008. The total demand was at a similar level to that recorded in 1999. The stabilisation of water demand over the past ten years can be attributed to a number of demand measures implemented by the Company, including: pressure reduction, increased leakage surveillance and in more recent years metering and is despite an increase of 22% in the number of connections.

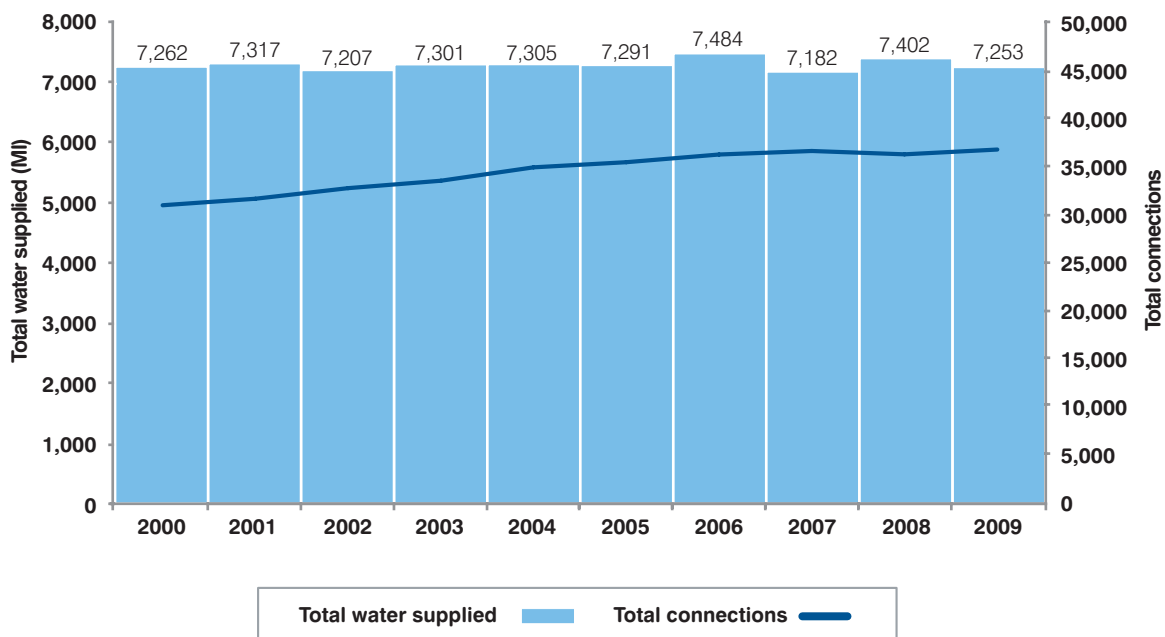
In general, 2009 was a relatively dry year. Rainfall levels were well below the long term average, with the exception of January, June and November. However, with rainfall 17% above average in January 2009, the Company started the year with full reservoirs and was able to maintain relatively high reservoir water levels until June.

Warm temperatures and below average rainfall in the late summer and early autumn months generated some concerns for water resources. The total rainfall experienced in August, September and October was less than 50% of average levels. With reservoir water levels falling below 50% capacity by mid October and the risk of a drier than normal winter period, the precautionary decision was made to prepare the Desalination Plant for operation. By the end of October the long-lasting high-pressure weather situation changed dramatically and the rain arrived.

The rainfall experienced in November was more than double the long-term average and reservoir water levels began to recover quickly. The sea water intake and primary treatment process at the Desalination Plant were shut down in mid-November and the plant was put back into preservation. By the end of 2009, reservoir levels were 94% full and on track to fill before the spring which they did in March 2010.

During 2009, the Company completed the preparation of its Water Resource Management Plan (WRMP) in conjunction with leading independent water and environmental experts, Montgomery Watson Harza Limited, and in consultation with the States' Planning and Environment Water Resources section. The plan, which was published in early 2010, predicts if nothing is done over the next 25 years, demand will increase by 15% whilst at the same time water available for use will decrease by 11%. The resulting shortfall will be just over a quarter (26%) of the Island's predicted daily demand, equating to 6.5 million litres per day in 25 years time. The Plan includes both measures to increase the supply of water available for use from existing and additional water resources, as well as measures aimed at managing the demand for water by reducing waste. It will involve a number of initiatives being rolled out over the next five years. The Company will concentrate initially on measures to reduce demand for water through the roll out of Island wide metering, measures to further control and reduce leakage and the promotion of water efficiency.

Total water supplied by year (MI)



Business Review - continued

Future projects to increase water resources include plans to abstract more water from the sand aquifer in St Ouen's Bay, where the Company already abstracts up to 3% of its total water resources. It is estimated that the current abstraction rate of 1 million litres per day represents just 20% of the total ground water flows to the sea and it is the intention, subject to obtaining Planning permission, to increase the abstraction rate to 2 million litres per day in order to capture more of this wasted resource.

The WRMP also includes longer-term proposals to increase the capacity of Val de la Mare Reservoir from 900 to 2,100 million litres by raising the height of the reservoir dam, providing an additional 60 days water storage. At present, the timescale is uncertain and will depend on many factors, including population increases, climate change and the effect of the measures undertaken by the Company to reduce demand. The WRMP is due for review every five years at which point the need for this additional resource will be reassessed. It is planned to undertake some preliminary design work over the next 5 years in order to determine construction design, timescale and costs.

The Water Resources (Jersey) Law 2007 was implemented on the 1st January 2010. This law requires the Company to have abstraction licences in place for all of its water resource sites. The total annual licence fee for the Company is just under £100,000.

Water Quality

The quality of water supplied by the Company in 2009 was very high with 99.84% of samples tested meeting or exceeding water quality standards. Whilst slightly down on the 2008 rate of 99.97%, the variance was entirely due to nitrate levels exceeding 50mg/l early in the year as a result of the heavy rainfall in January 2009.

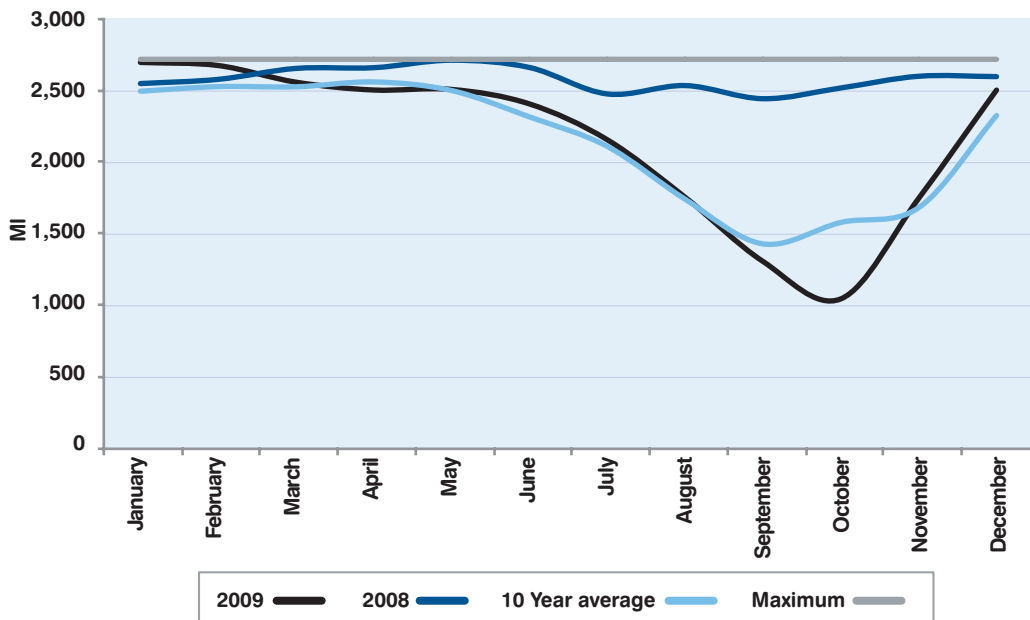
There was 100% bacteriological compliance of water leaving the treatment works and there were no herbicides or pesticides recorded in the treated water supplied.

The maximum recorded concentration of nitrates was 59.8mg/l, well within the limit of 70mg/l in place as part of the five year dispensation from the Water (Jersey) Law 1972 approved by the Minister for Planning & Environment in 2008. The dispensation for nitrates allows 30% of samples to exceed the statutory 50 mg/l limit but not to exceed 70 mg/l.

The Company is almost wholly reliant on surface water for its water resources and the supply of water is therefore susceptible to fluctuating levels of nitrates depending on the season, the volume and timing of rainfall and the timing and rate of application of agricultural fertilisers. The Company therefore has no control over the level of nitrates in water resources but seeks to minimise concentrations by selecting water from low nitrate sources wherever possible. In the longer term, the Company supports the need to reduce diffuse nitrate pollution by the designation of Water Catchment Management Areas (WCMA) under the Water Pollution (Jersey) Law 2000.

Further details on water quality are produced in the Company's 2009 Water Quality Report.

Water in store by month



Business Review - continued

Mains Network

During 2009, 5km of water mains were laid with 1km of this total laid to supply new housing developments.

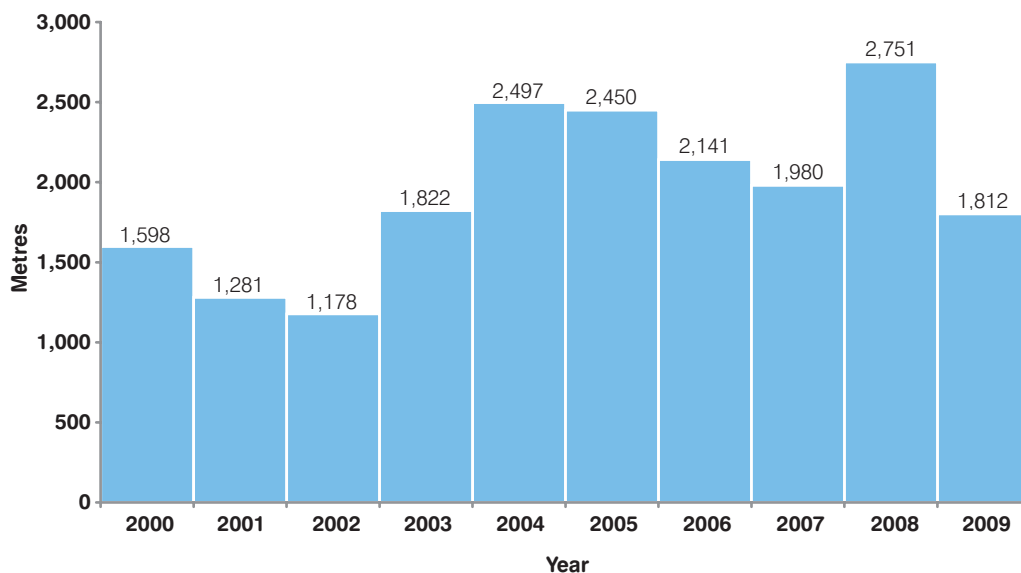
The second phase of the works designed to strengthen the supply network in the east of the Island was completed in 2009. This involved laying 0.9km of both trunk and service mains through Trinity and St Martin linking the Les Platons Service Reservoir to the north-east area of the mains network. The final phase of this work is planned to be undertaken in early 2010, with completion and commissioning planned for May 2010. The project, once completed, will allow improved management of water flows and, after the installation of additional pressure reducing valves, the abandonment of the booster pumping station at Gorey.

The Company also renewed 1.8 km of old water mains including the renewal of service connections which will assist future universal metering.

With the ever increasing cost, difficulty and inconvenience of renewing mains in roads congested with other services the Company has been investigating the possibility of using the latest mains rehabilitation and relining technology to restore existing mains rather than replacing them. The process has a number of advantages in that it is less costly, takes less time to complete and reduces inconvenience for customers and the general public. Pipe relining will be trialled in 2010 with a view to undertaking further relining projects in the future.

A specialist ground penetrating radar survey was undertaken in parts of St Helier at the end of 2009 to help determine the location and depth of trunk water mains and connections at strategic points of the network. The mains in these areas are very old and the accuracy of records is uncertain. The survey work is very cost-effective, compared to conventional trial holes and much less disruptive to the general public.

Mains renewals by year



Business Review - continued

Treatment and Processing

The project to replace the original pumping plant and provide standby power generation at the Queen's Valley Reservoir Pumping Station was completed at the beginning of 2009. The new pumps are driven by variable speed drive units allowing an increased rate of water flows and improved flexibility of operation.

The filter control system (hardware and software) at Handois Water Treatment Works was replaced during the year. The original system was installed in 1996 and was becoming increasingly difficult to support as software and control technology advanced. The opportunity was also taken to incorporate the control system for the clarifier de-sludging system. The new control system is identical to the system installed at Augrès Water Treatment Works, bringing the advantage of staff familiarisation and common spares being held for both treatment works. The installation was undertaken in planned stages, to enable continuous and uninterrupted operation of the treatment works process.

The construction of a tertiary treatment reed bed was completed downstream of the Wash Water Recovery Plant at Handois Water Treatment Works. The purpose of the reed bed is to provide additional treatment of the final waste water from the plant, should it encounter process failure. The system is in use as part of the normal process and the biological action of the reeds provides a polishing effect on the high quality waste water.

The Company staff and management

During the latter part of 2009 the Company implemented a major restructuring of the Distribution and Service Laying departments and transferred all main laying and service laying work to an external contractor. As a result, five long-serving employees who were close to retiring age were offered and accepted early retirement terms. A further 22 employees were made redundant following a period of consultation. Nearly all of the staff affected by the reorganisation had already secured full time employment by the time they left the Company.

In conjunction with the redundancy programme, the reorganisation also involved a reduction in the size of the management team, the reallocation of some departmental responsibilities and changes to working practices.



Corporate Governance

Introduction

In July 2003, the Board voluntarily resolved to adopt the requirements of the Combined Code on Corporate Governance issued by the Financial Reporting Council ('the Code').

The Board is of the opinion that, throughout the year under review, the Company has been in compliance with the Code provisions set out in Section 1 of the Code except for the following matter:

- The Code includes a requirement that Non-Executive Directors serving longer than nine years on the Board should be subject to annual re-election. One third of Directors are required to offer themselves for re-election each year and the Board is of the opinion that re-election once every three years is sufficient for the purposes of the Company.

Directors and the Board

The Board

The Board comprises eight Directors, two of whom are Executive and six of whom are Non-Executive Directors. The Board meets regularly, normally ten times per year and for ad hoc meetings as and when required. The role of the Board is to set the overall operating strategy, approve detailed operating plans and budgets, monitor performance against plans and oversee the activities of the Executive Directors. The Board has delegated the day to day operation of the activities of the Company to the Executive Directors.

The Board is supplied with regular timely management information through which it can monitor the performance, activities and financial position of the Company and on which decisions can be based.

Meetings and Committee membership

During the year, the Board met ten times. Details of Board meeting attendance, Committee membership and Committee meeting attendance are provided in the table below.

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in 2009	10	2	3	2
Tony Cooke	10	2		2
Mary Curtis	10		3	2
Carl Hinault	9	2		2
Kevin Keen³	10 (Chairman)	1 (of 1)	2 (of 2)	2 (Chairman)
Stephen Marie	10		3 (Chairman)	2
Peter Yates²	7 (of 7)	1 (of 1) (Chairman)		1 (of 1)
David Norman¹	3 (of 3)		0 (of 1)	1 (of 1)
Helier Smith	10			
Howard Snowden	10			

¹ David Norman retired from the Board on 22 May 2009.

² Peter Yates was appointed to the Board on 22 May 2009.

³ Kevin Keen ceased to be a member of the Audit Committee with effect from 22 May 2009 and became a member of the Remuneration Committee on 22 May 2009.

Corporate Governance - continued

Director independence

The Board considers all Non-Executive Directors to be independent in character and judgement. However, Carl Hinault has been a Board member for more than nine years and does not therefore meet the criteria of independence set down in the Combined Code. Accordingly, the Board has determined that Tony Cooke, Mary Curtis, Stephen Marie and Peter Yates shall be deemed independent.

Performance evaluation

In order to ensure that the Board continues to operate effectively, it has developed and implemented a process of performance evaluation. The process measures the performance of the Board as a whole against a set of predefined targets and of individual Directors by way of self and peer appraisal. The results of the performance assessments and appraisals are fed back to the individual Directors and the Board as a whole (as appropriate) and action taken accordingly.

Reappointment

Except where a Director is appointed to fill a casual vacancy, all Directors are appointed by the Shareholders at the Annual General Meeting. One third of the Directors, or where the number of Directors is not a multiple of three, the number nearest to but not exceeding one third, retire by rotation (based upon length of service) and, where eligible, seek re-election. Directors appointed to fill a casual vacancy must seek formal appointment by the Shareholders at the Annual General Meeting. Biographical notes of all Directors are included on page 4.

Relations with shareholders

The Company is in regular contact with its majority and controlling shareholder, the States of Jersey. Details of contact with and the views of the States are passed on to the whole Board as necessary.

Audit Committee

The Audit Committee is made up of Peter Yates (Chairman), Tony Cooke and Carl Hinault. The auditors, Ernst & Young LLP, and the Executive Directors, Howard Snowden and Helier Smith also attend the meetings by invitation.

The terms of reference of the Audit Committee, which are available upon request, require it to meet at least twice per annum. Additional meetings may be called where deemed necessary. The Committee is charged by the Board with the following main responsibilities:

- To monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. The Committee is briefed on changes to reporting requirements and provided with information on any accounting or reporting issues that arise. The Audit Committee review in detail the financial statements before making a recommendation to the Board as to whether or not they should be formally approved.
- To review the operation and effectiveness of the Company's internal financial and other controls and make recommendations for improvement where necessary. During the year, the Committee continued its process of risk assessment and evaluation of effectiveness of the systems of internal control.
- To oversee the external audit process and manage the relationship with the external auditors. The Committee formally considers the performance and independence of the external auditors on a regular basis taking into consideration all applicable professional and regulatory requirements. The Committee also has procedures in place to protect auditor independence and control the extent to which the auditors may be retained for non audit services and the basis upon which such services are purchased.
- To make recommendations to the Board as to the re-election and remuneration of the auditors at the Annual General Meetings and do so based upon its assessment of the performance of the auditors and giving due regard to their continued independence and any other regulatory or professional requirements.

The Committee regularly assesses the need for an internal audit function and has determined that the establishment of such a function is, at the present time, not cost effective.

Corporate Governance - continued

Remuneration Committee

The Remuneration Committee is made up of Stephen Marie (Chairman), Mary Curtis and Kevin Keen. The Executive Directors, Howard Snowden and Helier Smith may also attend the meeting by invitation. No Director plays any role in the determination of his own remuneration.

The terms of reference of the Remuneration Committee allow it to meet as and when necessary to:

- Review the remuneration of salaried staff.
- Review and determine the level of remuneration of Executive Directors.



Nomination Committee

The Nomination Committee comprises Kevin Keen (Chairman), Tony Cooke, Mary Curtis, Carl Hinault, Stephen Marie and Peter Yates. It is primarily responsible for the selection and appointment of the Company's Executive and Non-Executive Directors as and when required.

The other duties of the Committee include:

- Making recommendations to the Board as to the re-election of Directors under the 'retirement by rotation' provisions in the Company's Articles of Association whilst giving due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.
- Reviewing and making recommendations to the Board as to the succession planning for Executive and Non-Executive Directors.
- Regularly reviewing the structure, size and composition required of the Board compared to its current position and making recommendations to the Board with regard to any changes.
- Keeping under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to operate effectively.

When selecting candidates for potential appointment as a Non-Executive Director, the Committee evaluates the needs of the Company and identifies the necessary skills and experience required by candidates for consideration. The Nomination Committee makes recommendations to the Board taking into account the performance of the candidates at interview, their skills and experience and their ability to meet the specific needs of the Company. Consideration is given to the use of external recruitment consultants and open advertising in the recruitment process. However, this is weighed against the cost of doing so and the specialist needs of the Company as a water supplier.

Corporate Governance - continued

Internal controls

The Board is responsible for ensuring that there are effective systems of internal control in place to reduce the risk of misstatement or loss and to ensure that business objectives are met. These systems are designed to manage (rather than to eliminate) the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has developed and adopted a corporate and departmental risk register detailing and risk grading all of the significant risks faced by the Company. Alongside the register is a process through which the significant risks faced by the business are identified and evaluated on a regular basis and the controls operating over those risks assessed to ensure that they are adequate.

The process of risk assessment and reviewing the effectiveness of the systems of internal control is regularly reviewed by the Audit Committee, accords with Turnbull guidance and has been in place for the whole of the year, up to and including the date on which the financial statements were approved.

Controls adopted by the Board (or its Committees) to ensure the effectiveness of the systems of internal control include the following:

- The review of the corporate risk register maintained and updated by the Company and of the status of any actions arising from their regular review.
- The receipt of confirmation from Senior Management of the proper operation of controls throughout the period of the review.
- The review and approval during the year of terms of reference of sub committees.
- The review and approval during the year of the schedule of matters specifically reserved for its attention.
- The review of reports received from the Audit Committee concerning the findings of the external auditors on the financial statements of the Company and the systems of internal control.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with any generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Report

The Directors of the Company present the financial statements for the year ended 31 December 2009.

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. The Company has adopted 'Jersey Water' as its trading name.

Review of business and future developments

The results for the year are set out on page 22. 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 business review on pages 7 to 13.

Dividends

Ordinary and A ordinary shares <i>Amounts are shown net of 20% tax</i>	2009	2008
	£'000	£'000
Interim dividend for the year ended 31 December 2009 of £1.05 (2008: £0.96) paid on 1 October 2009.	507	464
Proposed final dividend for the year ended 31 December 2009 of £2.14 (2008: £1.94).	1,034	937
Proposed special dividend of £2.28 (2008: £-)	1,101	-
	<u>£2,642</u>	<u>£1,401</u>

Preference shares

In 2009 the Company paid dividends on preference shares totalling £381,000 (2008: £381,000).

Directors

Changes in Directors

The Directors of the Company on the date the financial statements were approved are detailed on page 2. All Directors except for Peter Yates were Directors of the Company throughout the year ended 31 December 2009. On 22 May 2009, David Norman retired from the Board and Peter Yates was appointed to the Board.

In accordance with the provisions of Article 74, Stephen Marie and Howard Snowden will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

As described on page 15, the Company has undertaken a formal assessment of its performance and that of the individual Directors, including structured meetings between the Directors being assessed, the Chairman and the Senior Independent Director. Following this review, the Chairman has confirmed that the Directors standing for re-election at the Annual General Meeting continue to perform effectively and demonstrate commitment to their roles.

Directors' Report - continued

Directors' interests

Particulars of the holdings of Directors, including family and beneficial interests, in the share capital of the Company as at 31 December 2009 are:

	Tony Cooke	Mary Curtis	Carl Hinault	Kevin Keen	Stephen Marie	Helier Smith	Howard Snowden	Peter Yates
Ordinary shares	-	-	100	-	100	146	200	-
Preference shares	-	-	-	3,972	-	3,235	95	-

Insurance of Directors and Officers of the Company

The Company maintains an insurance policy on behalf of all Directors and Officers of the Company against liability arising from neglect, breach of duty and breach of trust in relation to their activities as Directors and Officers of 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 16 April 2010.

Name	Ordinary shares of £1	'A' ordinary shares of £1	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%								
BE Anderson							4%		
PJ Audrain						3%	4%		
PG Blampied	7%		19%	31%	7%	23%	26%	10%	
Capital Estates Limited				3%					
FA Clarke	4%								
Deenbee Limited			11%	13%	7%	15%	11%	10%	
Forest Nominees Limited								11%	
JMS Hobbs					4%		4%		
Keen's Pension Fund Limited				23%					
SA Le Couteur	3%		5%		17%		3%	6%	
JH Le Cras			9%	3%	20%		4%	18%	
EJ Morcombe			10%	12%	7%	24%	23%	13%	
DF Parlett							4%		
Nordar Limited	3%								
BR Querée	4%								
HJB Smith					6%				
UBS Jersey Nominees Limited			24%			11%		3%	
The States of Jersey	50%	100%							100%

Auditors

A resolution to appoint PricewaterhouseCoopers CI LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Helier Smith

Company Secretary
16 April 2010

Independent Auditors' Report

to the members of The Jersey New Waterworks Company Limited

We have audited the Company's financial statements for the year ended 31 December 2009 which comprise the Balance Sheet, Profit and Loss Account, Statement of Total Recognised Gains and Losses, Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Jersey law as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises the details of Directors, Officers and Advisers, the Notice of the Annual General Meeting, the Board of Director profiles, the Chairman's statement, the Business review, the Corporate governance report, the Directors' report and Five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom accounting standards, of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Christopher Barry ACA

For and on behalf of Ernst & Young LLP
Jersey

19 April 2010

Notes

- 1 The maintenance and integrity of The Jersey New Waterworks Company Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- 2 Legislation in both Jersey and the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Balance Sheet

31 December 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
Fixed assets	2		61,170	Restated 60,303	
Current assets					
Stock and work in progress		957		1,110	
Debtors	3	4,942		4,579	
Bank and cash		2,791		4,248	
			8,690	9,937	
Creditors – Amounts falling due within one year					
Creditors and accruals	4	(2,667)		(4,079)	
Bank loans	6	(3,650)		-	
Income tax		(96)		(501)	
			(6,413)	(4,580)	
Net current assets			2,277		5,357
Total assets less current liabilities			63,447		65,660
Creditors – Amounts falling due after more than one year					
Bank loans	6	(11,250)		(14,900)	
Non-equity preference shares	9b	(5,382)		(5,382)	
			(16,632)		(20,282)
Provisions for liabilities and charges					
Deferred taxation	7		(5,028)		(4,560)
Net assets excluding pension liability			41,787		40,818
Pension liability	8		(854)		(1,056)
Net assets			£40,933		£39,762
Equity capital and reserves					
Called up equity share capital	9a		483		483
Capital redemption reserve			124		124
			607		607
Share premium account			678		678
Reserves	10		39,648		38,477
Shareholders' funds	11		£40,933		£39,762

The financial statements on pages 21 to 38 were approved by the Board of Directors on 16 April 2010 and were signed on its behalf by:

Kevin Keen
Chairman

Profit and Loss Account

For the year ended 31 December 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
Turnover					
Water supply charges	12	13,766		13,463	
Rechargeable works income		640		613	
Other income		322		302	
			14,728		14,378
Cost of sales					
Pumping expenses		(748)		(671)	
Operation of reservoirs and works		(2,489)		(2,238)	
Distribution and analysis of water		(1,728)		(1,721)	
Desalination station expenses		(234)		(140)	
Miscellaneous		(375)		(316)	
			(5,574)		(5,086)
Administration					
Administration expenses	13	(2,271)		(2,265)	
Insurances		(307)		(343)	
			(2,578)		(2,608)
Depreciation					
Completed works	2	(1,577)		(2,212)	
Provision for impairment	2	(422)		-	
			(1,999)		(2,212)
Expenditure					
			(10,151)		(9,906)
Operating profit					
			4,577		4,472
Profit on disposal of fixed assets					
			638		493
Interest					
- payable	14	(646)		(835)	
- receivable		37		178	
Non-equity dividends					
	15	(381)		(381)	
Other finance (expense) / income					
	8	(140)		107	
			(1,130)		(931)
Profit before taxation					
			4,085		4,034
Jersey income tax					
	5	(786)		(4)	
Profit for the financial year					
			£3,299		£4,030
Earnings per ordinary share of £1					
	17		£6.83		£8.34

There is no material difference between the reported profit for 2009 and 2008 and the profit prepared under the historical cost basis.

The results for the current and prior year all relate to continuing operations.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the year		3,299	4,030
Loss arising on pension liabilities	8	(471)	(1,581)
Reversal of other deferred tax timing differences	7	(213)	-
Total recognised gains and losses for the year		<u>£2,615</u>	<u>£2,449</u>
Prior period adjustment (note 1)			
- Recognition of deferred tax asset on Pension Plan Creditor		213	
Total gains and losses recognised since last annual report		<u>£2,828</u>	

Cash Flow Statement

For the year ended 31 December 2009

	Note	2009		2008	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		4,142		6,842
Returns on investments and servicing of finance					
Interest received		114		102	
Interest paid		(640)		(848)	
Non-equity dividends paid		(381)		(381)	
Net cash outflow on returns on investments and servicing of finance			(907)		(1,127)
Taxation					
Jersey income tax paid			(501)		(165)
Capital expenditure					
Purchase of fixed assets		(3,455)		(2,834)	
Disposal of fixed assets		708		529	
Equity dividends paid			(2,747)		(2,305)
			(1,444)		(1,256)
Net cash (outflow) / inflow before use of liquid resources and financing			(1,457)		1,989
Management of liquid resources					
Net cash withdrawn from / (placed on) fixed deposit			2,000		(2,000)
Increase / (decrease) in cash			£543		£ (11)
Reconciliation of net cash flow to movement in net debt					
	Note		2009		2008
			£'000		£'000
Increase / (decrease) in cash			543		(11)
Net cash (withdrawn from) / placed on fixed deposit			(2,000)		2,000
Movement in net debt	19		(1,457)		1,989
Net debt brought forward	19		(16,034)		(18,023)
Net debt carried forward	19		£(17,491)		£(16,034)

Notes to the Financial Statements

1 Accounting policies

The following statements outline the main accounting policies applied in the preparation of the financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom accounting standards.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and a summary of the financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Business Review Section on pages 7 to 13 and in notes 6 and 19. The Company has considerable financial resources, a wide and varied customer base within Jersey, steady demand for its products and services and a stable and well established treatment and distribution network. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore selected the going concern basis in preparing the financial statements.

Turnover

Turnover represents the total value of water charges together with minor contracts and rental income. Income from minor contracts is recognised within turnover upon completion of the contracted works. Income arising on minor contracts to be provided in the future is treated as deferred income.

Stocks of water

In accordance with normal industry practice, no value is placed on stocks of water held within reservoirs, treatment works or the mains network.

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Water charges

Water is billed either as a fixed rate (in advance or arrears) or as a metered charge (in arrears). Both fixed rate and metered water income is recognised for the year up to 31 December.

Fixed assets and depreciation

Fixed assets under construction are recognised within 'Uncompleted Works' until such time as they are first brought into use. At this point the asset is transferred to 'Property and Completed Works' and depreciation commences. Subsequent qualifying expenditure is transferred directly to 'Property and Completed Works'. Depreciation is charged on a straight line basis in accordance with the rates of depreciation set out below for each major asset type. No depreciation is provided on freehold land.

Asset type	Depreciation period
Water mains - Ductile Iron.....	80 years
- Others.....	50 years
Buildings.....	30-100 years
Impounding reservoirs & dams.....	60-100 years
Pumping plant.....	10-40 years
Reinforced concrete structures.....	100 years
Water Meters.....	10 years
Motor vehicles.....	5-8 years
Mobile plant and tools.....	3-10 years
Reverse osmosis membranes.....	10 years

Deferred taxation

Deferred taxation is calculated on a full provision basis in accordance with Financial Reporting Standard 19 'Deferred Taxation'. As permitted under Financial Reporting Standard 19, deferred tax balances are not discounted to reflect the time value of money.

Retirement benefits

The Company values its liability in respect of defined retirement benefits in accordance with FRS 17 and following the projected unit cost method of calculation.

Any surplus or deficit in the defined benefit plan, being the difference between the value of the plan assets and the present value of the plan liabilities, is recognised in the balance sheet as an asset or liability to the extent that any surplus is recoverable through future reduced contributions or that, conversely, any deficit reflects a legal or constructive obligation. The defined benefit asset or liability is shown net of any related deferred tax liability or asset.

Cash at Bank and liquid resources

Included within liquid resources in the cash flow statement are cash balances held on fixed deposit for a term of one month or greater. These items are included within Bank and Cash in the balance sheet.

Restatement

In the 2007 financial statements, the Company recognised a liability of £1,065,000 in respect of an amount payable to the Jersey Water Pension Plan in 2009. A deferred tax asset of £213,000 arising on the liability was incorrectly not recognised in the 2007 financial statements. Accordingly, the 2008 balance sheet has been restated to take account of the deferred tax asset. The effect of the restatement is to increase net assets in 2008 by £213,000 and introduce a charge of £213,000 in the statement of total recognised gains and losses upon the reversal of the timing difference in 2009. There is no effect on the net assets of the Company as at 31 December 2009.

Notes to the Financial Statements - continued

2 Fixed assets

	Property and completed works	Uncompleted works	Motor vehicles, mobile plant & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
Brought forward	80,002	693	2,421	83,116
Additions	1,948	1,140	221	3,309
Disposals	(10)	-	(444)	(454)
Transfers	1,790	(1,728)	(62)	-
	<u>£83,730</u>	<u>£105</u>	<u>£2,136</u>	<u>£85,971</u>
Depreciation				
Brought forward	(21,148)	-	(1,665)	(22,813)
Charge for the year	(1,577)	-	(336)	(1,913)
Provision for impairment	(422)	-	-	(422)
Disposals	1	-	346	347
Transfers	(55)	-	55	-
	<u>£(23,201)</u>	<u>£ -</u>	<u>£(1,600)</u>	<u>£(24,801)</u>
Net book value				
Brought forward	<u>£58,854</u>	<u>£693</u>	<u>£756</u>	<u>£60,303</u>
Carried forward	<u>£60,529</u>	<u>£105</u>	<u>£536</u>	<u>£61,170</u>

Of the £1,913,000 depreciation charge for the year, £336,000 relating to motor vehicles, mobile plant and equipment has been allocated to various cost centres included within the Cost of Sales and Administration Expense categories in the Profit and Loss Account.

During the year, certain assets with a cost of £62,000 and a net book value of £7,000 were re-categorised from motor vehicles, mobile plant and equipment to property and completed works.

At 31 December 2009 capital commitments contracted for amounted to £50,000 (2008: £348,000).

Revision of useful economic life

During the year the useful economic life of certain assets within Property and completed works were reviewed and amended. The effect of the change has been to reduce the depreciation charge for the year by £175,000.

Provision for impairment

In 2002, the Company constructed a standby water quality improvement plant to enhance the quality of raw water collected from the Le Mourier catchment area through the use of reverse osmosis and ultra-filtration. Whilst the plant remains operational, changes in the Company's water capture, transfer and treatment processes since 2002 have reduced the likelihood of the use of the standby plant in the future. As a result of the consequent impairment review a charge for impairment of £422,000 was recognised, writing off the remaining net book value of the plant.

Notes to the Financial Statements - continued

Market value of freehold property

Whilst the Company has not adopted a policy of revaluation and continues to account for fixed assets at depreciated historical cost as permitted by FRS15 - Tangible Fixed Assets, a valuation of freehold property in use within the business (excluding dams, reservoirs, treatment works and storage tanks) was undertaken as at 31 December 2008.

Valuation basis	Property Type	£'000	£'000
Market value	Residential property		2,875
Existing use value	Commercial property (non specialist)	2,007	
	Commercial property (specialist)	208	
	Other freehold land	1,364	
			3,579
Combined total			£6,454

The historical cost net book value of these assets included within Property and Completed Works as at 31 December 2009 was £2,190,000.

The valuation was completed by an external valuer, B Sarre Bsc MSc MRICS of CB Richard Ellis Limited in accordance with the requirements of the RICS Appraisal and Valuation Standards and FRS 15.

3 Debtors

	2009 £'000	2008 £'000
Trade debtors	3,836	3,458
Prepayments	394	352
Accrued income and other debtors	712	769
	£4,942	£4,579

4 Creditors and accruals

	2009 £'000	2008 £'000
Trade creditors	509	661
Other creditors	340	477
Defined benefit pension scheme contributions	-	1,065
Contract retentions	8	6
Accruals and deferred income	1,810	1,870
	£2,667	£4,079

Notes to the Financial Statements - continued

5 Jersey income tax

	2009	2008
	£'000	£'000
Current tax		
Income tax on the profits for the year	531	240
Over provision for previous years	-	(2)
	<hr/>	<hr/>
Total current tax	531	238
	<hr/>	<hr/>
Deferred tax		
Charge / (Credit) for the year	255	(234)
	<hr/>	<hr/>
Total deferred tax	255	(234)
	<hr/>	<hr/>
Total tax charge for the year	£786	£4
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of Jersey income tax (20%).
The differences are explained below:

	2009	2008
	£'000	£'000
Profit before tax	£4,085	£4,034
	<hr/> <hr/>	<hr/> <hr/>
Profit before tax multiplied by the standard rate of Jersey income tax of 20%.	817	807
Tax at 20% on:		
Capital allowances for period in excess of depreciation	(175)	(84)
Capital expenditure, deductible for tax purposes	(143)	(172)
Profit on sale of fixed assets	(128)	(99)
Dividends on non-equity shares - Non deductible	76	76
Provision for impairment of fixed assets	84	-
Effect of transitional provisions	-	(288)
	<hr/>	<hr/>
Current tax charge for year	£531	£ 240
	<hr/> <hr/>	<hr/> <hr/>

With effect from the 2009 year of assessment the standard rate of income tax for Jersey companies has changed. For the year ended 31 December 2009, the Company will be taxable at the rate applicable to utility companies of 20%. The comparative figures have been prepared using the previous standard rate of tax of 20% based on average profits under the provisions for transition to a current year basis of taxation.

Notes to the Financial Statements - continued

6 Bank loans

	Repayment Dates	2009 £'000	2008 £'000
Facilities drawn down			
HSBC Bank plc	2010	3,650	3,650
HSBC Bank plc	2011	5,250	5,250
HSBC Bank plc	2013	6,000	6,000
		£14,900	£14,900
Loans falling due within one year		3,650	-
Loans falling due between one and two years		5,250	8,900
Loans falling due after two years but less than five years		6,000	6,000
		£14,900	£14,900

The Company has a rolling overdraft facility with HSBC Bank plc. Unconditional guarantees have been given by the States of Jersey for the repayment of the principal and interest on loans up to a maximum of £16.2m taken out to fund the Company's capital works programme.

Subsequent to the year end, the facility for £3,650,000 due for repayment in 2010 was renewed for an additional five years and is now due for repayment in 2015.

7 Deferred taxation

	2009 £'000	2008 £'000
		Restated
Accelerated capital allowances	5,028	4,773
Other timing differences	-	(213)
Net liability	£5,028	£4,560
Brought forward	4,560	4,794
Amounts charged / (credited) in the profit and loss account	255	(234)
Amounts charged in the statement of total recognised gains and losses	213	-
At 31 December	£5,028	£4,560

Notes to the Financial Statements - continued

8 Pensions

The Company operates two formal pension schemes; a defined contribution scheme and a defined benefit scheme. There are also certain past employees whose pension or pension supplements, which are of a defined benefit nature, have not been funded by the Company's present or previous pension agreements (the 'unfunded scheme'). Where applicable, the liability of the Company in respect of the unfunded scheme is included within the disclosure below relating to the defined benefit section. The defined benefit section of the scheme was closed to new entrants with effect from 1 January 2003.

The defined contribution scheme and defined benefit scheme are both sections of The Jersey Water Pension Plan.

Defined contribution section

The defined contribution section of the plan was opened to new members on 1 May 2003. Employer contributions during the period to 31 December 2009 totalled £54,000 (2008: £37,000).

Defined benefit section and unfunded scheme

The full FRS17 actuarial valuation as at 31 December 2009 shows a decrease from the 2008 deficit of £1,056,000 to a deficit of £854,000 in 2009.

The major assumptions used by the actuary were:

	2009	2008
Rate of increase in salaries	4.94%	3.93%
Rate of increase in pensions accrued after 1 January 1999	3.50%	2.88%
Discount rate	5.80%	6.10%
Expected return on plan assets	6.18%	5.52%
Inflation assumption	3.94%	2.93%
Life expectancy assumptions		
Current pensioners at 65 - Male	86	86
Current pensioners at 65 - Female	88	88
Future Pensioners at 65 - Male	87	87
Future pensioners at 65 - Female	89	89

The post-retirement mortality assumptions allow for expected increases in longevity.

The overall expected rate of return is based on the weighted average return of each class of asset at the start of each accounting period.

	2009	2008
	£'000	£'000
Reconciliation of the present value of scheme liabilities		
Opening scheme liabilities	13,508	13,966
Current service cost	230	272
Employee contributions	113	55
Interest cost	828	825
Actuarial losses / (gains)	1,769	(1,085)
Past service costs	248	-
Gains on curtailment	(782)	-
Benefits paid	(531)	(525)
	<hr/>	<hr/>
Closing scheme liabilities	£15,383	£13,508
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Notes to the Financial Statements - continued

	2009	2008
	£'000	£'000
Analysis of funded and wholly unfunded scheme liabilities		
Funded scheme	15,263	13,389
Wholly unfunded scheme	120	119
	<hr/>	<hr/>
Total present value of scheme liabilities	£15,383	£13,508
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of the fair value of scheme assets		
Opening fair value of scheme assets	12,188	14,191
Expected return	688	932
Employer contributions	926	532
Employee contributions	113	55
Actuarial gains / (losses)	914	(3,013)
Benefits paid	(513)	(509)
	<hr/>	<hr/>
Closing fair value of scheme assets	£14,316	£12,188
	<hr/> <hr/>	<hr/> <hr/>
Actual return / (loss) on scheme assets	£1,602	£(2,081)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of amounts shown in the balance sheet		
Fair value of plan assets	14,316	12,188
Present value scheme liabilities	(15,383)	(13,508)
	<hr/>	<hr/>
Deficit	(1,067)	(1,320)
Related deferred tax asset	213	264
	<hr/>	<hr/>
Net deficit	£(854)	£(1,056)
	<hr/> <hr/>	<hr/> <hr/>
Analysis of amounts recognised in the profit and loss account		
Current service cost	(230)	(272)
Expected return on pension plan assets	688	932
Interest on pension plan liabilities	(828)	(825)
Past service cost	(248)	-
Curtailments	782	-
	<hr/>	<hr/>
Total	£164	£(165)
	<hr/> <hr/>	<hr/> <hr/>

Current service costs, past service cost and curtailments are included within administration expenses in the profit and loss account. Expected returns on pension plan assets and interest on pension plan liabilities are shown net within other finance income in the profit and loss account.

Notes to the Financial Statements - continued

	2009	2008
	£'000	£'000
Analysis of amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	914	(3,013)
Experience (losses) / gains arising on scheme liabilities	(310)	185
Changes in assumptions underlying the present value of scheme liabilities	(1,459)	900
Actuarial loss recognised in the statement of total recognised gains and losses	(855)	(1,928)
Current tax relief	435	38
Movement in deferred tax relating to net liability	(51)	309
Loss recognised in the statement of total recognised gains and losses	£(471)	£(1,581)
Cumulative amounts recognised in the statement of total recognised gains and losses	£(3,237)	£(2,766)

Analysis of scheme assets

	2009	2008
	% of total fair value of scheme assets	% of total fair value of scheme assets
Equities	46%	48%
Property	8%	-
Corporate bonds	43%	43%
Cash and receivables	3%	9%
	100%	100%

History of experience gains and losses

	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Present value of scheme assets	14,316	12,188	14,191	12,514	11,655
Present value of scheme liabilities	(15,383)	(13,508)	(13,966)	(15,043)	(15,532)
Gross scheme (deficit) / surplus	£(1,067)	£(1,320)	£225	£(2,529)	£(3,877)

Experience (losses) / gains on scheme liabilities

Amount	(310)	185	241	290	136
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Difference between the expected and actual return on scheme assets

Amount	914	(3,013)	(288)	(22)	1,108
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Notes to the Financial Statements - continued

Funding of the defined benefit pension scheme

The actual funding of the defined benefit pension scheme is determined by the triennial actuarial valuation and this differs from the amount that is required to be charged to the profit and loss account under Financial Reporting Standard 17. During the year, the Company made scheduled retirement benefit contributions into the defined benefit scheme totalling £926,000 (2008: £532,000), no special contributions were made during the year.

Following the results of the latest actuarial valuation as at 1 January 2009, the contribution rate for 2009, 2010 and 2011 was set at 9.9% of Pensionable Salaries plus £445,000 per annum, of which £445,000 represents contributions to reduce the scheme deficit.

9 Share capital

a) Equity share capital

	2009	2008
	£'000	£'000
Authorised		
252,000 ordinary shares of £1	252	252
231,000 'A' ordinary shares of £1	231	231
	£483	£483
	<u> </u>	<u> </u>
Issued and fully paid		
252,000 ordinary shares of £1	252	252
231,000 'A' ordinary shares of £1	231	231
	£483	£483
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Ordinary and 'A' ordinary shares carry no right to fixed income and rank after preference shares and other liabilities. Each ordinary share carries one vote in the event of a poll. Each 'A' ordinary share, whilst in the ownership of the States of Jersey, entitles the holder to such additional votes at a poll as brings the total number of votes attaching to the 'A' ordinary shares to twice the number of votes cast in respect of all other shares.

b) Non-equity preference share capital

	2009	2008
	£'000	£'000
Authorised		
20,000 cumulative preference shares of £5	100	100
20,000 cumulative second preference shares of £5	100	100
100,000 cumulative third preference shares of £5	500	500
100,645 cumulative fourth preference shares of £5	503	503
900,000 cumulative fifth preference shares of £5	4,500	4,500
	£5,703	£5,703
	<u> </u>	<u> </u>
Issued and fully paid		
17,261 5% cumulative preference shares of £5	86	86
17,402 3.5% cumulative second preference shares of £5	87	87
23,509 3% cumulative third preference shares of £5	118	118
16,036 3.75% cumulative third preference shares of £5	80	80
11,400 5% cumulative third preference shares of £5	57	57
90,877 2% cumulative fourth preference shares of £5	454	454
900,000 10% cumulative fifth preference shares of £5	4,500	4,500
	£5,382	£5,382
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

Notes to the Financial Statements - continued

Preference shares bear interest at the rates indicated above and rank, in the order listed, above ordinary and 'A' ordinary equity shares in the event of winding up.

Upon a poll, every holder of a preference share present at a general meeting in person or by proxy shall have one vote only for all the preference shares held by him, irrespective of the number and class of such preference shares.

10 Reserves

	Retained profit £'000
Brought forward per prior year financial statements	38,264
Prior year adjustment	213
Revised brought forward amount	38,477
Profit for the financial year	3,299
Equity dividends	(1,444)
Loss relating to pension plan deficit recognised in the statement of total recognised gains and losses	(471)
Reversal of other deferred tax timing differences	(213)
Carried forward	£39,648

11 Reconciliation of movement in equity shareholders' funds

	2009 £'000	2008 £'000 Restated
Profit for the year	3,299	4,030
Equity dividends	(1,444)	(1,256)
Retained profit for the year	1,855	2,774
Loss arising on pension plan	(471)	(1,581)
Reversal of other deferred tax timing differences	(213)	-
Opening equity shareholders' funds	39,762	38,569
Closing equity shareholders' funds	£40,933	£39,762

12 Water supply charges

	2009 £'000	2008 £'000
Measured water charges	6,874	6,487
Unmeasured water charges	6,262	6,421
Service charges and other charges for water	630	555
	£13,766	£13,463

Notes to the Financial Statements - continued

13 Administration expenses

	2009	2008
	£'000	£'000
Included in administration expenses are the following:		
Reorganisation costs	(633)	-
Gains on pension curtailment (note 8)	782	-
Net gain on reorganisation	149	-
Directors' fees (note 20)	(105)	(84)
Auditors' fees - Statutory audit	(34)	(30)
- Other services (Tax compliance)	(4)	(4)
- Other services (Pension scheme audit)	(8)	-

14 Interest payable

	2009	2008
	£'000	£'000
On loans and overdrafts from banks	£646	£835

15 Non-equity dividends

	2009			2008		
	Paid	Payable	Charge for the year	Paid	Payable	Charge for the year
	£'000	£'000	£'000	£'000	£'000	£'000
5% cumulative preference shares	2	2	4	2	2	4
3.5% cumulative second preference shares	2	1	3	2	1	3
3% cumulative third preference shares	3	-	3	3	-	3
3.75% cumulative third preference shares	2	-	2	2	-	2
5% cumulative third preference shares	2	-	2	2	-	2
2% cumulative fourth preference shares	7	-	7	7	-	7
10% cumulative fifth preference shares	360	-	360	360	-	360
Total dividends on non-equity shares recognised in the year	£378	£ 3	£381	£378	£ 3	£381

Notes to the Financial Statements - continued

16 Equity dividends

Ordinary and 'A' ordinary shares	2009	2008	2009	2008
			£'000	£'000
Dividends paid				
Final dividend for the previous year	£1.94	£1.64	937	792
Interim dividend for the current year	£1.05	£0.96	507	464
	<u>£2.99</u>	<u>£2.60</u>	<u>£1,444</u>	<u>£1,256</u>
Dividends proposed				
Final dividend for the current year	£2.14	£1.94	1,034	937
Special dividend for the current year	£2.28	-	1,101	-
	<u>£4.42</u>	<u>£1.94</u>	<u>£2,135</u>	<u>£937</u>

The proposed final dividend and special dividend are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in the financial statements.

17 Earnings per ordinary share

The calculation of earnings per ordinary share of £1 is based on earnings of £3,299,000 (2008: £4,030,000), being the profit available for distribution to equity shareholders and 483,000 ordinary and 'A' ordinary shares of £1 in issue.

18 Reconciliation of operating profit to net cash flow from operating activities

	2009	2008
	£'000	£'000
Operating profit	4,577	4,472
Depreciation	1,913	2,470
Provision for impairment	422	-
Change in order to bring pension charges onto a contribution basis	(1,248)	(278)
Decrease / (Increase) in stock and work in progress	153	(37)
Increase in debtors	(391)	(176)
(Decrease)/ Increase in creditors	(1,284)	391
	<u>£4,142</u>	<u>£6,842</u>
Net cash inflow from operating activities	<u>£4,142</u>	<u>£6,842</u>

Notes to the Financial Statements - continued

19 Analysis of changes in net debt

	At 1 January 2009 £'000	Cash Flows £'000	Other Changes £'000	At 31 December 2009 £'000
Bank and cash	2,248	543	-	2,791
Liquid resources	2,000	(2,000)	-	-
Total bank and cash per balance sheet	4,248	(1,457)	-	2,791
Debt due within one year	-	-	(3,650)	(3,650)
Debt due after one year	(20,282)	-	3,650	(16,632)
Total	£(16,034)	£(1,457)	£ -	£(17,491)

20 Directors' emoluments

	Salary	Fee	Benefits	Total Emoluments	
	<i>(excluding pension contributions)</i>				
	£'000	£'000	£'000	2009 £'000	2008 £'000
Executives					
Howard Snowden ¹	103	12	9	124	116
Helier Smith ²	94	12	4	110	103
Non-Executives					
Kevin Keen	-	17	-	17	10
Tony Cooke	-	12	-	12	6
Mary Curtis	-	12	-	12	6
Carl Hinault	-	12	-	12	10
Stephen Marie	-	12	-	12	10
David Norman	-	9	-	9	18
Richard Pirouet	-	-	-	-	4
Peter Yates	-	7	-	7	-

¹ For the year ended 31 December 2009 the Company's contribution in respect of Howard Snowden's pension was £9,000.

² For the year ended 31 December 2009 the Company's contribution in respect of Helier Smith's pension was £9,000.

Benefits for Mr Snowden consist of full expenses for the use of a motor car, private health care and prolonged disability and death in service insurance. Benefits for Mr Smith consist of motor fuel, private health care and prolonged disability and death in service insurance.

Notes to the Financial Statements - continued

21 Related party transactions

The Company has identified the following material related party transactions:

Counterparty	Value of goods & services supplied by Jersey Water		Value of goods & services purchased by Jersey Water		Amount due to Jersey Water		Amount due by Jersey Water	
	2009	2008	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
The States of Jersey	1,846	2,123	66	58	525	469	1	3
Jersey Electricity Plc	78	69	834	715	28	24	74	61
JT Group Limited	7	6	57	61	3	2	4	3
Jersey Post International Limited	8	8	73	77	2	2	1	1

The States of Jersey is the Company's majority and controlling shareholder. Jersey Electricity Plc 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 on an arm's length basis.

In addition to the transactions included above with the States of Jersey, the Company made payments of income tax, social security, GST, water resource licence fees and other statutory payments.

The Company leases the site of the La Rosiere Desalination plant from the States of Jersey on a 99 year lease ending in 2067. Under the terms of the lease, the rental, which for 2009 was £25,000 (2008: £21,000) increases every five years in line with the movement on the Jersey Retail Price Index.

22 Ultimate controlling party

The ultimate controlling party of The Jersey New Waterworks Company Limited is the States of Jersey.

Five Year Summary

	Units	2009	2008 ²	2007 ²	2006	2005 ¹
Balance sheet						
Equity shareholders' funds	£'000	40,933	39,762	38,569	35,306	32,024
Net debt	£'000	17,491	16,034	18,023	20,009	20,559
Profit and loss account						
Turnover	£'000	14,728	14,378	13,817	13,492	12,683
Operating profit	£'000	4,577	4,472	4,498	3,865	3,176
Profit before tax	£'000	4,085	4,034	3,526	3,130	2,439
Profit for the financial year	£'000	3,299	4,030	3,253	2,703	2,115
Equity dividends paid	£'000	(1,444)	(1,256)	(1,124)	(1,070)	(1,372)
Financial statistics & ratios						
Capital expenditure	£'000	3,309	2,980	2,546	2,970	3,713
Net cash inflow/ (outflow)	£'000	543	(11)	1,986	550	(326)
Earnings per share	£	6.83	8.34	6.73	5.60	4.38
Dividend cover	Times	2.3	3.2	2.9	2.52	1.54
Interest cover	Times	5.1	4.1	3.7	3.55	3.0
Gearing ³	%	50	51	53	57	63
Operational statistics						
Total water supplied	MI	7,253	7,402	7,182	7,484	7,291
Maximum daily demand	MI	25.7	26.2	25	29	27
Annual rainfall	mm	843	1,042	915	782	746
New mains laid	km	3.1	4.6	5.6	6.5	9.8
Mains re-laid	km	1.8	2.8	2.0	2.1	2.5
New connections	No	412	508	453	1,001	629
Live unmeasured supplies	'000	23.8	25.2	26.1	26.6	27.0
Live metered connections	'000	13.2	11.2	10.6	9.8	8.6
Employees	No	80	107	107	107	110
Water quality						
% Compliance with water quality parameters		99.84%	99.97%	99.86%	99.97%	99.84%

¹ In 2007, the Company adopted three changes in accounting policy concerning the recognition of unbilled income, capitalisation of expenditure on meter installation and changes to the valuation of pension scheme liabilities under FRS 17. The figures for 2005 have not been restated to reflect these changes in accounting policy.

² Relevant figures have been restated to show the effect of the prior year adjustment made in 2009. See note 1 of the financial statements for details.

³ Gearing = Debt (including preference share capital) / equity shareholders' funds.



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Jersey Water is the trading name of
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