Annual Report and Financial Statements 2011

The Jersey New Waterworks Company Limited

www.jerseywater.je

Contents

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, MIoD*

Stephen Marie *FICWCI, MBIFM, ACIOB*

Peter Yates *BSc, FCA*

Executive

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

Helier Smith *BA(Hons), FCA, CDir, MIWater*
Finance Director

Secretary

Helier Smith *BA(Hons), FCA, CDir, MIWater*

Independent Auditors

PricewaterhouseCoopers CI LLP
Twenty Two Colomberie
St Helier
Jersey
JE1 4XA

Registered Office

Mulcaster House
Westmount Road
St Helier
Jersey
JE1 1DG

Board of Directors

Kevin Keen MBA, FCCA, FCMA

Kevin Keen was appointed to the Board in May 2007 as a Non-Executive Director. Mr Keen is Chief Executive of Jersey Post Group and was previously Managing Director of Jersey Dairy and before that a Divisional Managing Director and Finance Director of Le Riche Group. Mr Keen holds the position of Chairman of the Company, chairs the Nomination Committee and is a member of the Remuneration Committee.

Howard Snowden EurIng, 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 Reservoirs Act 1975.

Helier Smith BA (Hons), FCA, CDir, MIWater

Helier Smith was appointed to the Board as Finance Director in October 2003 after joining the Company in 2002. He was previously employed by KPMG in the UK and Jersey where he worked for eleven years in the manufacturing, distribution and finance sectors. Mr Smith qualified as a Chartered Director in 2010.

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

Tony Cooke became a Non-Executive Director of the Company in June 2008. Mr Cooke is an economist by background and he is the former 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. Mr Cooke holds the position of Senior Independent Director and is a member of the Audit and Nomination Committees.

Mary Curtis MA, Chartered FCIPD, MIoD

Mary Curtis joined the Board as a Non-Executive Director in June 2008. Mrs Curtis is a Fellow of the Chartered Institute of Personnel & Development and is a Director of a privately owned consultancy business, Calmera Business Consultancy. She formerly worked in London before moving to Jersey in the roles of Offshore Island Regional Human Resources Manager at Deloitte & Touche and then Director of Human Resources at Mourant du Feu & Jeune (now Mourant Ozannes). Mrs Curtis is a member of both the Remuneration Committee and the Nomination Committee.

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

Carl Hinault

Carl Hinault first joined the Board as a Non-Executive States of Jersey nominated Director in July 1998. He stood down from the Board for a period of six months from October 1999 to March 2000 to Chair the then Public Services Committee of the States of Jersey. In 2002, following the removal of the requirement for States of Jersey nominated Directors, Mr Hinault was re-elected to the Board as an independent Director. 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 Publique for the Parish of St John for a number of years. Mr Hinault holds the position of Deputy Chairman, and is a member of the Audit and Nomination Committees.

Stephen Marie FICWCI, MBIFM, ACIOB

Stephen Marie became a Non-Executive Director of the Company in 2002. Mr Marie is the Managing Director of ComProp (CI) Limited, a Channel Island commercial property development company and has previously been involved, at both senior executive and director levels, in the property industry for a number of years. He is a fellow of the Institute of Clerks of Works and Construction Inspectorate of Great Britain Inc., a member of the Institute of Facilities Management and an associate of the Chartered Institute of Building. Mr Marie chairs the Remuneration Committee and is a member of the Nomination Committee.

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. Mr Yates chairs the Audit Committee and is a member of the Nomination Committee.

Chairman's Statement

I am pleased to report another good set of results for Jersey Water for 2011. In spite of a challenging year for water resources including the need to operate the desalination plant operating profits were only 4% down at £4.86 million. Profits before tax were enhanced by surpluses arising on the disposal of land and properties meaning that they ended up increasing by just under 20% on 2010 to £4.96 million.

Turnover for the year increased by 1% to £14,811,000. The increase arose mainly as a result of the effect of the modest 1.5% increase in unmeasured tariffs in 2011. Metered tariffs remained unchanged in 2011 for the third consecutive year. Subsequent to the year end, the Company has announced below inflation tariff increases of just 2.5% for both metered and unmeasured customers. For the past decade, the Company has applied its policy of keeping tariff increases at or below the rate of inflation and therefore, in real terms, charges for water (excluding the impact of GST) have reduced by 16% for metered customers and 9% for unmetered customers.

In the autumn, the Company operated its desalination plant as a result of unseasonal dry weather. Costing approximately £4,000 per day, the plant represents an expensive water resource, however it continues to be an indispensable backstop for the Company to help deal with dry weather. The running cost of the desalination plant amounted to approximately £240,000 and this is one of the main reasons for the 3.7% increase in operating expenditure. Underlying costs remained approximately in line with the previous year despite increases in depreciation arising on metering and other capital expenditure.

2011 was one of the busiest years for some time in terms of investment in our infrastructure. The Company spent over £5.5 million during the year compared to £3.5 million in 2010. The main reason for the increase was the lining of the dam at Val de la Mare, a £1.6 million project that was achieved within budget and within the scheduled timeframe. The lining will extend the life of the dam for at least the next 50 years. During the year we also undertook the renewal of 4km of water mains and installed over 3,200 meters as part of the Island wide metering programme. We have now reached the point where the majority of customers pay for water based upon usage, with over 20,000 meters installed out of a total customer base of 38,000. Looking ahead, we expect to spend between £2.5 million and £3.0 million each year over the next five years as we complete the process of metering all water connections in the Island and continue with the renewal of water mains. The Company sold a number of pieces of land and property during the year generating £1.28 million to partially fund further capital expenditure.

As I advised shareholders in last year's report, in 2011 with the objective of maximising total shareholder return we undertook a capital reorganisation to improve marketability in our shares involving a nine for one bonus issue and a two for one subdivision for each Ordinary and 'A' Ordinary share, leaving holders with twenty shares for every one they held. The latest trade in our shares was at a price of £4.65 reflecting a 16% increase on the equivalent price when the reorganisation was announced.

The Board are pleased to propose a final dividend for the year of 11.75 pence per Ordinary and 'A' Ordinary share. Total dividends for 2011 stand at 17.85 pence, representing an increase of 5% on 2010[1]. Shareholders will be interested to note that over the past 5 years, dividends have increased by 29% in real terms (i.e. after the effects of Jersey retail price inflation), despite a real terms reduction in charges for water. The Company has ensured that both shareholders and customers alike have benefitted from the efficiency improvements and resulting cost reductions achieved over the past five years.

2011 was one of the busiest years for some time in terms of investment in our infrastructure. The Company spent over £5.5 million during the year compared to £3.5 million in 2010.

Despite 2011 being a relatively dry year, we are pleased to report that annual water consumption was down 0.9% on the prior year and in line with the 10 year average. The measures taken by the Company to reduce demand for water through pressure reduction, leakage management, metering and promoting the wise use of water continue to show positive results and all help to defer the need for significant additional water resources for as long as reasonably prudent. However, the water shortages experienced in the autumn, highlight the vulnerability of Jersey's water resources to increasingly frequent unpredictable weather patterns and the potential need for additional storage or desalination capacity. Desalination technology has moved on considerably since the plant at La Corbière was designed 15 years ago and over the next few years we will be looking in to the design options available in advance of the five yearly review of our Water Resources Management Plan in 2015.

[1] *When restated to reflect the effects of the capital reorganisation on dividend per share*

Chairman's Statement - continued

I am pleased to report that water supplied by the Company continued to be of a very high standard with 99.81% of samples meeting quality parameters. The intensity and timing of rainfall in the spring meant that nitrate levels were higher than ideal. Maximum levels in supply reached 56.3mg/l, outside of the limit of 50mg/l set down in the Water (Jersey) Law 1972 but well within the dispensation limit of 70mg/l granted to the Company by the States of Jersey. It should be noted that there are no known risks to health with bacteriologically safe water for nitrates below 100 mg/l. The Company continues to work with the Environment Department to encourage the development of means by which the level of nitrates in sensitive areas of the Island can be reduced.

At the AGM in 2011, shareholders resolved to adopt a new set of memorandum and articles of association including amended provisions for the re-election of Directors by rotation. The new articles contain a requirement for any director who has completed three years on the Board to seek re-election. Previously a Director may have served four or occasionally five years on the Board before their turn for re-election came about. The Board has also implemented a requirement arising from the UK Corporate Governance Code whereby any director who has served nine years or more shall be required to seek re-election on an annual basis.

At the AGM on 20 April 2012, Mr Tony Cooke, Mrs Mary Curtis, Mr Carl Hinault and Mr Stephen Marie shall retire by rotation and all except Carl Hinault shall seek re-election. Mr Marie, having completed 10 years on the Board, shall seek reappointment for a term of one year. On behalf of the Company I should like to express our gratitude for the substantial contribution to the running of the Company by Carl Hinault over his 13 years on the Board. He has been a great asset and will be missed.

This year will mark the 130th year in which we have served the Island of Jersey in what the Board believes is an excellent example of a public private partnership. The Board is immensely grateful for the support given to the Company over such a long period and will be making an announcement about how this important milestone will be marked later in the year.

Finally, I would like to again thank all of our staff for their significant contribution to the Company's successes in 2011. It has been a very busy year across all departments delivering our capital investment programme, managing water shortages and ensuring that we continue to provide water of the highest quality; all of this could not have been achieved without the skills and commitment of the team led by Howard Snowden.

Kevin Keen
28 February 2012

Val de la Mare Reservoir

Business Review

Financial Performance

- **Turnover**

  Turnover for 2011 was £14,811,000, an increase of 1% overall on 2010.

  Income from water sales increased by 1% to £13,973,000. Prices for metered water remained unchanged in 2011 whilst those for unmeasured water increased by 1.5% from 1 April 2011.

  Metered water income increased 15% to £8,551,000 as a result of the connection of 492 new water supplies and the installation in the year of new water meters on 3,200 existing connections.

  Unmeasured water sales for 2011 were £4,853,000 compared to £5,772,000. The overall reduction of 16% is despite the 1.5% tariff increase in April and is consistent with the transfer of customers to meter as part of the metering programme.

  Unmeasured income now represents just 35% of water related income. It is the Company's intention that by the end of 2015 over 90% of water charges will be based on consumption. This being achieved through the metering of the remaining unmetered water connections across the Island over the next four years.

- **Operating expenditure**

  Operating costs for 2011 were £9,953,000, an increase of £359,000 on 2010. Included within operating expenditure are the costs of £240,000 associated with the 2011 operation of the desalination plant and other one off charges in relation to staff changes totalling £128,000. After allowing for these items, ongoing operating expenditure totalled £9,585,000, in line with 2010. This was achieved despite the unavoidable increase in completed works depreciation of £196,000 associated with the roll out of metering, mains renewals and other important capital projects.

- **Operating profit**

  Operating profit for 2011 was £4,858,000 (2010: £5,058,000). After allowing for the one off items referred to above, operating profit amounts to £5,226,000, an increase of 3% on 2010.

- **Profit on disposal of fixed assets**

  In 2011, the Company disposed of a number of parcels of land and freehold property, generating profits on sale of fixed assets of £918,000 (2010: £93,000) and proceeds of £1,275,000 (2010: £169,000).

- **Net finance costs**

  Net finance costs for the year totalled £815,000, a reduction of 19% on the prior year amount of £1,000,000. The reduction was achieved through reduced bank interest costs arising as a result of the renewal of the £5,250,000 loan in the year on more favourable terms and additional FRS 17 financing income arising on the defined benefit pension scheme.

  During the year the Company took advantage of low interest rate swap rates and hedged its exposure to variable interest rates on the £5,250,000 loan maturing in 2021.

- **Income tax**

  The income tax charge for 2011 was £380,000 (2010:£830,000). The positive variance of £450,000 arises as a result of reductions in both the income tax charge for the year of £325,000 and a reduction in the deferred tax charge of £125,000. The income tax charge for 2011 is lower than that for 2010 primarily as a result of higher levels of expenditure deductible for tax purposes.

Val de la Mare Reservoir

Business Review - continued

- **Equity dividends**

  Dividends declared and proposed on equity shares for 2011 total £1,724,000, an increase of 5% over 2010. The Directors are proposing a final dividend for 2011 of 11.75 pence per share on the Ordinary and 'A' Ordinary shares. A summary of dividends paid and proposed in the year is set out below.

	2011	2010
	£'000	£'000
Dividends declared and paid		
Final dividend for the previous year	**1,082**	1,034
Special dividend for the previous year	**-**	1,101
Interim dividend for the current year	**589**	560
	£1,671	£2,695
Dividends proposed		
Final dividend for the current year	**£1,135**	£1,082

- **Cash flow**

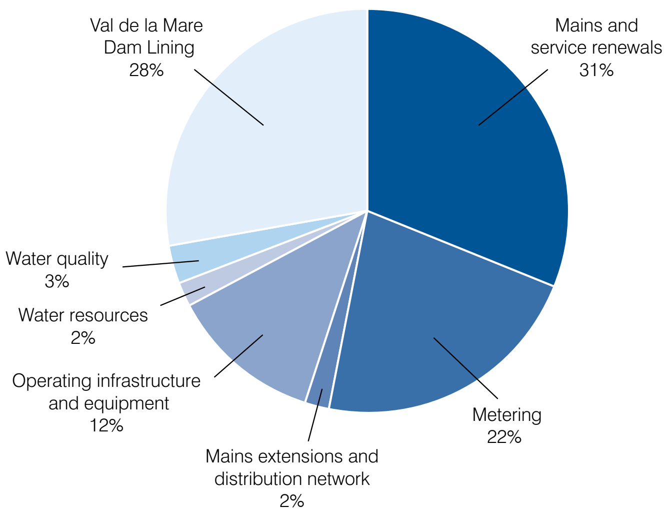
  In 2011, there was a net cash outflow of £252,000 compared to an outflow of £1,139,000 in 2010. The main reasons for the variance of £887,000 are the increase in the net cash inflow from operating activities of £1,006,000 (mainly as a result of the one off payment in 2010 of £1,000,000 into the pension scheme), an increase in the net cash outflow associated with capital expenditure of £1,161,000 and the special dividend in 2010 resulting in a reduction on equity dividends cash paid of £1,024,000.

  Net debt at the end of 2011 stood at £18,885,000, compared to £18,630,000 at the end of 2010.

- **Capital expenditure**

  In 2011, capital expenditure totalled £5,574,000 (2010: £3,460,000). The increase over 2010 was primarily as a result of the costs of £1,550,000 associated with the lining of the dam at Val de la Mare. Metering costs in 2011 totalled £1,261,000 in line with expectation and consistent with the previous year. Mains renewals' costs totalled £1,734,000 compared to £1,200,000 in 2010, the increase being due to the additional length of mains renewed in 2011. An analysis of expenditure by type is provided in the table below.

Capital expenditure by type



Business Review - continued

- **Loans and borrowing**

  Net debt at 31 December 2011 was £18,885,000 (2010: £18,630,000). During the year the Company renewed the loan of £5,250,000, which was due for repayment in 2011, for a further term of 10 years.

- **Defined benefit pension scheme**

  As at 31 December 2011, there was a net deficit on the FRS 17 valuation of the Company's defined benefit pension scheme of £307,000. This is in contrast to 2010 when there was a surplus in the scheme of £388,000.

  Scheme assets increased from £16,783,000 in 2010 to £17,524,000 in 2011. The increase of £741,000 was due to the return on scheme assets of £556,000 (2010: £1,552,000) and the surplus of contributions received over benefits paid of £185,000.

  The liabilities of the scheme at the end of 2011 stood at £17,908,000, an increase of £1,610,000 on 2010. The scheme benefitted from experience gains of £658,000 (2010: £90,000) arising on staff changes in the year but suffered an actuarial loss of £1,592,000 (2010: £624,000) arising on changes in the underlying assumptions used in the calculation of the present value of scheme liabilities. Small changes in the assumptions can have a significant effect on the value of the liabilities of the pension plan and many of the assumptions used are driven by market rates and are outside of the Company's control. In 2011, a reduction in the discount rate from 5.47% to 4.93% and an increase in longevity assumptions of one year and over for future pensioners have both contributed to the increased liabilities of the scheme.

  During 2012, the actuarial valuation of the scheme will be calculated (as at 31 December 2011) and used to set the funding rate for the scheme for the next three years.

- **Capital Reorganisation**

  At the Annual General Meeting in 2011, shareholders approved a capital reorganisation designed to increase the number of equity shares in issue in order to reduce the price per share and facilitate the trading of Jersey Water shares.

  Shareholders resolved to capitalise the Company's capital redemption reserve, share premium account and a proportion of its retained profits by issuing, by way of a bonus issue, each holder of ordinary and 'A' ordinary shares with an additional nine fully paid shares for each share held by them. In addition, the number of ordinary and 'A' ordinary shares in issue was increased by subdividing each issued share of £1 each into 2 ordinary shares of £0.50 each. The Company's equity share capital now stands at £4,830,000 (2010: £483,000) with 9,660,000 equity shares in issue (2010: 483,000).

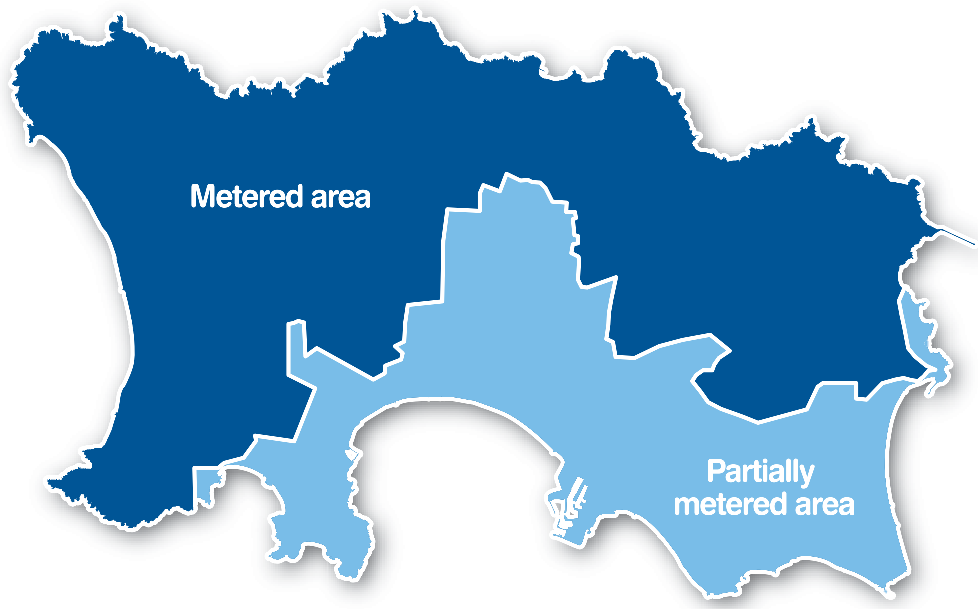
Over 3,200 water meters were installed in 2011

Business Review - continued

Connections, Metering and Charges

In 2011, the Company continued its Island wide metering programme and installed over 3,200 meters on properties that were previously unmetered, increasing the proportion of connections charged by meter to 55% (2010: 45%). By the end of 2011, the metering programme was substantially complete in the Northern and Western parishes. In 2012, attention will focus on parishes along the South Coast and East of the Island. The map below shows the extent of the metering programme at the end of 2011.

Metering programme at the end of 2011



During 2011 there were 482 new water connections installed to supply domestic dwellings (2010: 319) and 10 to supply new commercial customers (2010: 18).

In 2011, there was no increase in water charges for metered customers and a 1.5% increase for non-metered customers. Charges for metered customers have remained unchanged since 2009. For unmeasured customers, charges were increased by 1.5% in 2011. In February this year, the Company announced a modest 2.5% increase in both metered and unmetered tariffs taking effect from 1 April 2012. Tariff increases by the Company have remained at or below the prevailing rate of inflation for the past ten years.

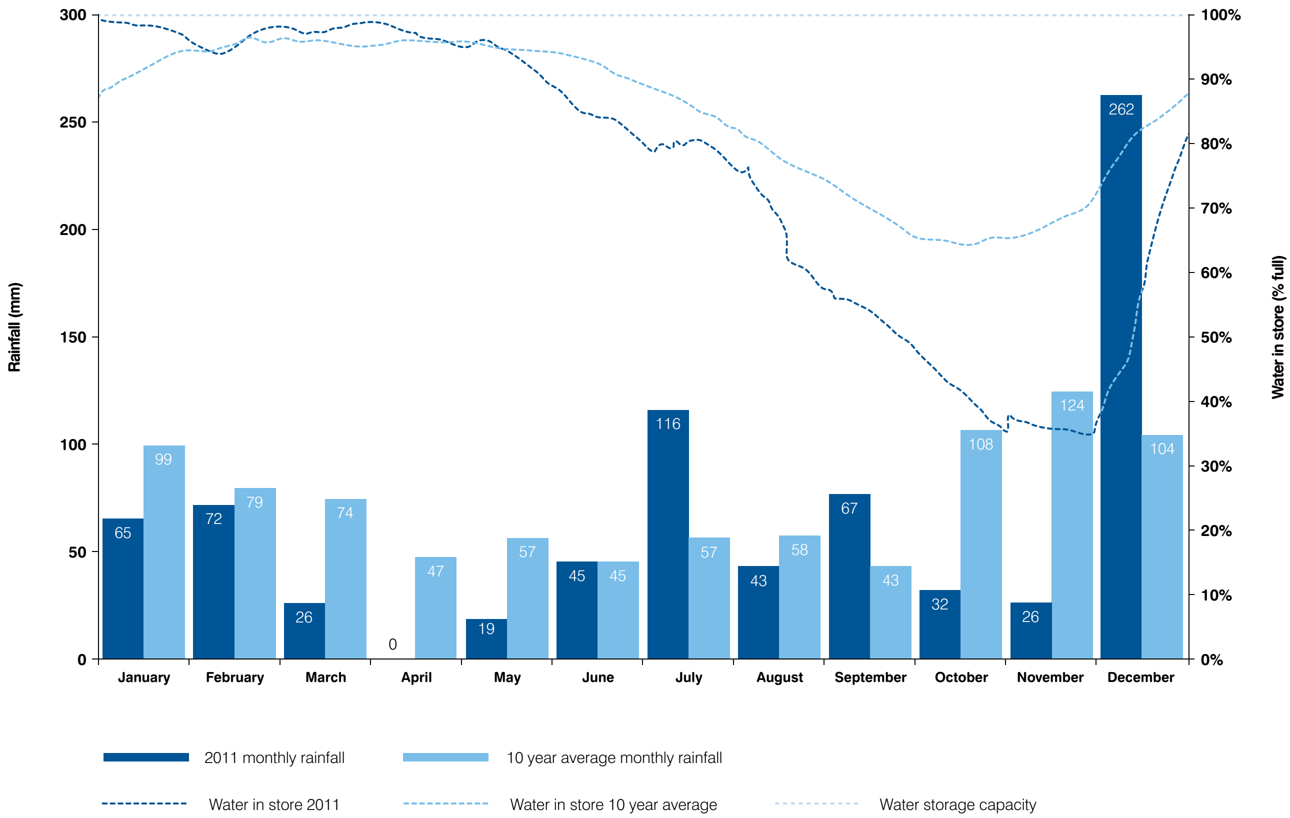
Water Supply and Demand

The demand for water in 2011 was 7,152 million litres, which is 1% lower than the 7,220 million litres supplied in 2010. With 492 new units being supplied and 2011 being a relatively dry year, the reduction in total demand can be attributed to the effect of the Company's universal metering programme and other demand side measures. The demand for water continues to remain consistent year on year despite the addition of new connections to the network each year. In the past 10 years, 6,273 additional connections have been made to the network and yet water supplied for 2011 was less than the ten year average despite 2011 being a dry year. This considerable achievement is testament to the work by the Company in reducing demand through metering, pressure management, leak detection, mains renewals and increased customer awareness.

Rainfall for 2011 was 773 mm, which is 13.5% below the 10 year average of 894mm. Exceptionally low rainfall was experienced in March, April, May, October and November; the latter two being traditionally the months with the highest rainfall. Conversely, rainfall in July and December was more than double the average, despite forecasts for December initially suggesting rainfall would be average.

Business Review - continued

Water in store and rainfall in 2011



The variability in both the timing and volume of rainfall during the year had an adverse effect on the reservoir water levels. The Company started the year with all reservoirs substantially full and these remained so until early April. The dry weather resulted in reservoir levels dipping to just 35% full at their lowest in November. The exceptional volume of rainfall in December meant that reservoirs were 80% full by the end of the year. Subsequent to the year end, reservoir levels continued to rise and were full by mid-February.

It is predicted that climate change will result in long dry periods interspersed with short periods of intense rainfall as was experienced in 2011. These weather patterns have a detrimental effect on water resources as seen in 2011 with the need to operate the desalination plant. Production of desalinated water commenced on 2 November 2011 and the Company produced 200 million litres of fresh water, halving the rate of decline in reservoir levels. The heavy rainfall in December meant that reservoir levels were restored to near normal levels very quickly. This, coupled with a revised long term weather forecast for the winter months suggesting average rainfall, meant that production of water at the desalination plant ceased on 16 December 2011. During the running of the desalination plant the opportunity was taken to train new staff in its operation and refresh the skills of those with prior experience.

As a contingency measure, the Company investigated alternative water supplies in the event that the long dry periods of October and November extended into December and beyond. Options included shipping in water by tanker and temporarily extending the capacity of the desalination plant with hired equipment. In the end, neither was required but the Company now has in place a process to hire in containerised desalination plant, should it be required in the future, as part of its routine approach to managing the risks associated with water shortages.

During 2011, the Company completed a major project to install a membrane lining on the dam at Val de la Mare Reservoir. The work will improve the performance of the dam and reduce the internal ‘uplift’ pressures which have resulted from the effects of ‘alkali aggregate reaction’ (AAR) which has taken place. Water from the reservoir was used for supply up until August, allowing the other reservoirs to remain full. Val de la Mare Reservoir was empty by early September and only 10% of the total volume, which was inaccessible for water supply, had to be drained. The specialist contractor installed the membrane on the dam and the Company began refilling the reservoir on 11 October. Val de la Mare Reservoir was brought back in to service in November 2011. The whole project was completed within budget and ahead of programme.

Business Review - continued

Water Quality

The overall quality of water supplied to customers in 2011 was of a very high standard with 99.81% (2010: 99.86%) of samples taken meeting or exceeding the quality requirements of the Water (Jersey) Law 1972. No herbicides or pesticides were detected in the treated water supplied and the water leaving the treatment works was fully compliant.

Due to the frequency and intensity of rainfall in the early months of 2011, there were 28 instances (2010: 23) during the first half of the year where nitrate levels in water resources were higher than the regulatory limit of 50mg/l, with the highest concentration being 56.3mg/l (2010: 56.7mg/l). These results are well within the dispensations for nitrates granted under the Water (Jersey) Law 1972 which allow 30% of samples to exceed the 50 mg/l limit, but not to exceed 70 mg/l. There are no known risks to health with bacteriologically safe water for nitrates below 100 mg/l.

The water resources available to the Company are almost wholly derived from surface waters. The levels of nitrates in these waters are sensitive to the interaction between rainfall and the agricultural application of fertiliser. The Company can, to some extent, reduce the concentration of nitrates in supply by the selection of water from sources with lower levels of nitrates and the blending of water from different sources. However, nitrate concentrations in treated water are ultimately dependant on the levels in water resources and are therefore outside of the Company's control.

Jersey Water has been working closely with the Environment Department with a view to establishing the effect of catchment management on the level of nitrate pollution in water resources. The Company looks forward to the conclusion of the trials and the introduction of measures to protect water catchment areas. The Company will be reliant on the dispensations from the limits governing nitrate concentrations in the law until such measures are introduced and the level of diffuse nitrate pollution is reduced.

During 2011, the Company undertook 600 inspections of new and existing water supplies to ensure conformity with the Water Fittings Byelaws and protect the treated water network from contamination caused by faulty or badly fitted plumbing installations.

Further details on water quality are available in the 2011 Water Quality Report available from the Company's website.


Water Quality Laboratory

Business Review - continued

Mains Network

In 2011, the Company renewed just under 4km of mains and installed approximately 2km of new mains to supply water to new housing developments.

The bulk of mains renewals in 2011 were in St Helier, the oldest part of our mains network. Whilst there can be considerable disruption in the vicinity of the road works for the few weeks of each project, the inconvenience is relatively short lived given that the replacement mains are likely to be there for at least the next century. The mains renewals programme also involves replacing the service connections. This helps to reduce leakage and prepare the way for the subsequent roll out of metering.

Treatment and Processing

The rapid gravity filters on Range 1 at Handois Water Treatment Works were refurbished during the year. The filter media was replaced, new nozzles installed and an air release system installed to the under-drainage system. It is planned to carry out similar works to the remaining rapid gravity filters (Range 2) in 2012.

As part of the filter refurbishment project the wash water pumps are being refurbished and improved. The pump refurbishment work, together with changes to the filter control system software will allow the wash water flow rates to be varied between summer and winter, in line with the water temperature, allowing improved fluidisation of the filter media and the washing process.

A new chemical storage shed was constructed at Augrès Water Treatment Works during the year. This will allow easier handling of Sodium Carbonate with improved mixing and batching for use. Sodium Carbonate is used to neutralise acidity in the water, post treatment.

Work continued on the commissioning of the second phase of the automatic control and optimisation of the treatment process plant at Handois Water Treatment Works and Augrès Water Treatment Works. This will provide the means for smoother and optimised operation of the treatment processes and reduce the manual input previously required to set and adjust water production outputs.

Community and Environment

In 2011, the Company supported a number of events in Jersey including the sale of branded water drinking bottles in aid of Jersey Hospice Care at their Dragon Boat Races, supporting the National Trust for Jersey's 75th Anniversary, sponsoring a gardening competition run by the Royal Jersey Agricultural and Horticultural Society and undertaking the restoration of the St Clement's Parish pump. In addition, the Company signed an agreement with Jersey Trees for Life enabling them to begin restoring the arboretum located on Company land at Val de la Mare.

The 'David Norman Bursary Award' scheme enjoyed its third year in 2011. The scheme is becoming popular as increasing numbers of students seek support to study subjects related to the environment and water supply. Bursary recipients also enjoy the opportunity for paid holiday employment where experience can be gained across all aspects of Jersey Water's business.

The Company is an active participant in various schemes designed to help those out of work gain workplace skills and actively supports the Jersey Employers Network on Disability (JEND) and the work of Jersey Enterprise Trust and the States of Jersey Skills Solutions Teams.

Jersey Water owns Val de la Mare Reservoir and Queen's Valley Reservoir, both of which are very popular amenities enjoyed by the general public for walking and jogging. They also provide a haven for wildlife. The Company was unfortunately forced to close the reservoir at Val de la Mare to the general public for the duration of the works on the dam in 2011 on health and safety grounds. The reservoir was reopened to the public in January 2012 once it was back in service and sufficiently full to minimise health and safety risks.

Corporate Governance

Compliance with the UK Corporate Governance Code June 2010 ('the Code')

The Company has adopted the principles of good corporate governance and best practice set out in the UK Corporate Governance Code June 2010 ('the Code'). The Board is of the opinion that, throughout the year under review, the Company has been in compliance with the Main Principles of the Code.

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 each 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 Company and execution of strategic plans 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 eleven 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 2011	**11**	**2**	**2**	**1**
Tony Cooke	11	2		1
Mary Curtis	11		2	1
Carl Hinault	10	2		1
Kevin Keen	11 (Chairman)		2	1 (Chairman)
Stephen Marie	11		2 (Chairman)	1
Peter Yates	11	2 (Chairman)		1
Helier Smith	11			
Howard Snowden	11			

Director independence

The Board considers all of the Non-Executive Directors to be independent in character and judgement. In determining independence, the Board considers the specific circumstances of each Director.

The Board has determined that notwithstanding their length of service on the Board exceeding nine years (one of the criteria for independence set down in the Code), both Mr Hinault and Mr Marie remain independent in character and judgement.

The size of the Company and the roles of the non-executive directors relative to their other personal and professional interests means that in the opinion of the Board independence has been maintained despite the length of service. The Board has therefore concluded that Tony Cooke, Mary Curtis, Carl Hinault, Stephen Marie and Peter Yates shall be deemed independent. Mr Keen, as Chairman of the Company, was considered independent on appointment and, in accordance with the Code, is not subject to the independence test thereafter.

Corporate Governance - continued

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. The Board is currently in the process of rolling out performance evaluation of its audit, remuneration and nomination committees.

Other significant commitments

The Board has a process in place for reviewing the other significant commitments of Non-Executive Directors and their impact on the ability of the Non-Executive to discharge their duties to the Company.

During the year, the Chairman took on a full time role as Chief Executive of the Jersey Post Group. The Board has considered the impact of the new role on the time commitments of the Chairman and is satisfied that he is still fully able to discharge his duties.

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 one third, retire by rotation (based upon length of service) and, where eligible, seek re-election each year. No Director may serve a term of longer than three years without seeking re-election. The Company has adopted a policy of requiring Non-Executive Directors who have served on the Board for nine years or more to retire from the Board and seek re-election on an annual basis. Directors appointed to fill a casual vacancy must seek formal appointment by the Shareholders at the next Annual General Meeting.

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 of Jersey are passed on to the whole Board as necessary.

Audit Committee

The Audit Committee comprises Peter Yates (Chairman), Tony Cooke and Carl Hinault. The auditors, PricewaterhouseCoopers CI LLP, and the Executive Directors, Howard Snowden and Helier Smith, also attend the meetings by invitation.

The terms of reference of the Audit Committee 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 reviews 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 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.

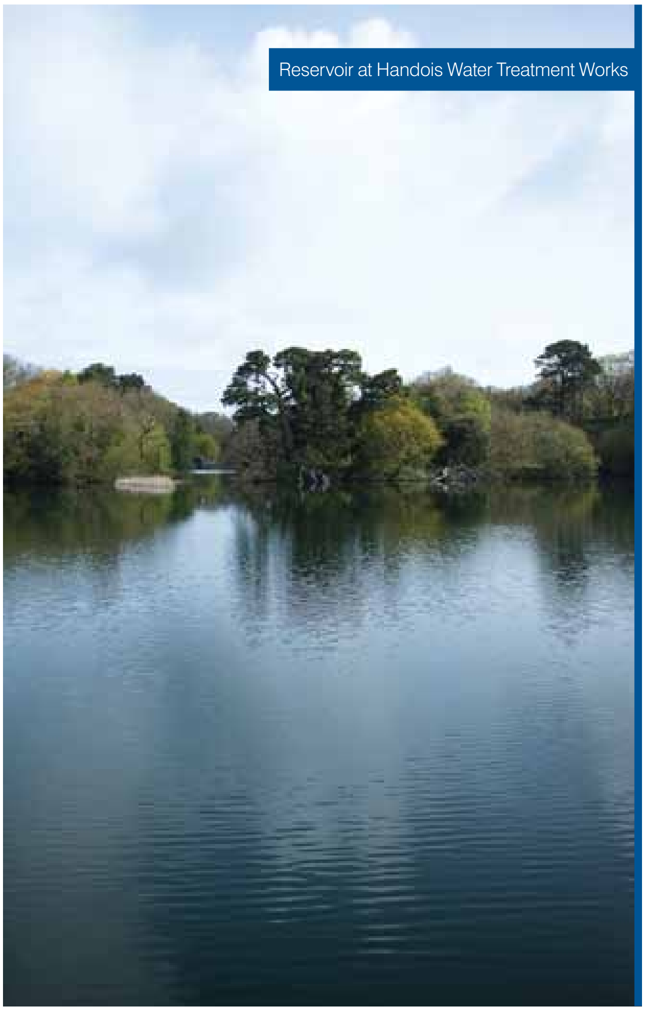
Corporate Governance - continued

Remuneration Committee

The Remuneration Committee comprises 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 their own remuneration.

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

- Review and determine the level of remuneration of Executive Directors.
- Review and determine the level of remuneration of the Senior Management Team.
- Review periodically the terms and conditions of employment of the Executive Directors and Senior Management Team.
- Review and make recommendations to the Board concerning the remuneration of the Chairman (subject to approval by shareholders at the Annual General Meeting).



Reservoir at Handois Water Treatment Works

Nomination Committee

The Nomination Committee comprises Kevin Keen (Chairman), Tony Cooke, Mary Curtis, Carl Hinault, Stephen Marie and Peter Yates. The Executive Directors, Howard Snowden and Helier Smith, may also attend the meeting by invitation. 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 including the balance of skills and attributes 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, including succession plans, 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 and mitigate (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 operational risk register detailing and risk grading 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 and operational 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.


Desalination Plant intake

Directors' Report

The Directors of the Company present the financial statements for the year ended 31 December 2011.

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 6 to 12.

Financial risk management

The Company's activities expose it to certain financial risks, including credit risk, cash flow risk, price risk and liquidity risk. The Company's operations are straightforward in nature and are funded through cash flows generated from the business and through long term borrowing. The Company does not make use of complex financial instruments and any financial instruments that are used are either for the purposes of funding the business or protecting against the risks arising from the volatility in financial markets.

Credit risk

The Company's financial assets comprise bank balances and trade and other receivables. Credit risk is primarily attributable to trade receivables. These receivables are spread across the Company's customers such that there are a large number of relatively low value amounts outstanding and concentration of risk in any one customer is limited.

Credit risk associated with cash balances and financial instruments is limited as the counterparty is a bank with a high credit rating.

Cash flow risk

The Company's funding structure exposes it to cash flow risks associated with the volatility of interest rates. The Company manages this risk through the use of fixed interest borrowing and an interest rate swap to hedge exposure to interest rate fluctuations. As at 31 December 2011, 77% (2010:77%) of debt was either on a fixed interest basis or protected from fluctuations in interest rates.

Price risk

The Company's main exposure to price risk is in respect of the purchasing of power. Electricity in Jersey is supplied by a single monopoly supplier and there is therefore limited scope for Jersey Water to mitigate price risk. However, given that electricity costs in 2011 amounted to just under 8% of operating expenditure, exposure to price risk is relatively limited.

Liquidity risk

The Company's operations generate a steady predictable cash flow and it is the Company's policy to use this cash flow to fund the working capital requirements of the Company as well as the ongoing capital expenditure programme. The Company maintains undrawn overdraft facilities in order to provide short term flexibility in funding options.

The Company makes use of long term borrowing to fund larger capital projects that cannot be funded from working capital.

Directors' Report - continued

Dividends

Ordinary and 'A' ordinary shares

Amounts are shown net of 20% tax	**2011 pence per share**	2010 pence per share	**2011 £'000**	2010 £'000
Interim dividend	**6.10[1]**	116.0	**589**	560
Proposed final dividend	**11.75[1]**	224.0	**1,135**	1,082
	17.85[1]	340.0	**£1,724**	£1,642

[1] *In June 2011, the Company undertook a capital reorganisation as a result of which the number of equity shares in issue increased by a factor of twenty. Accordingly, dividends declared and proposed since the capital reorganisation have been reduced to take the increase in shares into account.*

Preference shares

In 2011 the Company paid dividends on preference shares totalling £381,000 (2010: £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 were Directors of the Company throughout the year ended 31 December 2011.

In accordance with the provisions of Article 49 of the Company's Articles of Association, Mr Tony Cooke, Mrs Mary Curtis, Mr Carl Hinault and Mr Stephen Marie will retire at the forthcoming Annual General Meeting and except for Mr Carl Hinault, being eligible, offer themselves for re-election. Mr Hinault is retiring from the Board and will not be seeking re-election.

As described on page 14, the Board has undertaken a formal assessment of its performance and that of the individual Directors, including structured meetings between the Directors being assessed and the Chairman. 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' interests

Particulars of the holdings of Directors, including family and beneficial interests, in the share capital of the Company as at 31 December 2011 are:

	Tony Cooke	Mary Curtis	Carl Hinault	Kevin Keen	Stephen Marie	Helier Smith	Howard Snowden	Peter Yates
Ordinary shares	2,080	-	2,000	7,300	2,000	2,920	-	-
Preference shares	-	-	-	3,972	-	3,285	95	-

There have been no subsequent changes in Directors' interests up to the date of approval of the financial statements.

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.

Directors' Report - continued

Substantial shareholdings

Set out below are details of significant shareholdings (3% or more) in each class of share of the Company as at 28 February 2012.

Name	Ordinary shares of £0.5	'A' ordinary shares of £0.5	5%	3.5% second	3% third	3.75% third	5% third	2% fourth	10% fifth
			Cumulative preference shares of £5 each						
BE Anderson							4%		
PJ Audrain						3%	4%	13%	
PG Blampied	7%		19%	31%	7%	23%	26%	10%	
Capital Estates Limited				3%					
FA Clarke	4%								
Deenbee Limited			11%	13%	7%	15%	11%	10%	
Huntress (CI) Nominees Limited	5%								
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%				3%				
HJB Smith					6%				
UBS Jersey Nominees Limited			24%			11%		3%	
The States of Jersey	50%	100%							100%

Independent Auditors

A resolution to re-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
28 February 2012

Independent Auditors' Report

to the members of The Jersey New Waterworks Company Limited

We have audited the financial statements of The Jersey New Waterworks Company Limited for the year ended 31 December 2011 which comprise the balance sheet as at 31 December 2011, the profit and loss account, the statement of total recognised gains and losses, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 16, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

Opinion on other matters

In our opinion the information given in the Directors' Report for the financial year for which financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Mark James
For and on behalf of PricewaterhouseCoopers CI LLP
Chartered Accountants

Jersey, Channel Islands
28 February 2012

Balance Sheet

31 December 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Fixed assets	2		**67,281**		64,085
Current assets					
Stock and work in progress		**621**		698	
Debtors	3	**4,666**		4,702	
Bank and cash		**1,397**		1,652	
		6,684		7,052	
Creditors – Amounts falling due within one year					
Creditors and accruals	4	**(2,988)**		(2,720)	
Bank loans	6	**-**		(5,250)	
Income tax		**(73)**		(210)	
		(3,061)		(8,180)	
Net current assets / (liabilities)			**3,623**		(1,128)
Total assets less current liabilities			**70,904**		62,957
Creditors – Amounts falling due after more than one year					
Bank loans	6	**(14,900)**		(9,650)	
Non-equity preference shares	9b	**(5,382)**		(5,382)	
			(20,282)		(15,032)
Provisions for liabilities and charges					
Deferred taxation	7		**(5,559)**		(5,356)
Net assets excluding pension liability			**45,063**		42,569
Pension (liability) / asset	8		**(307)**		388
Net assets			**£44,756**		£42,957
Equity capital and reserves					
Called up equity share capital	9a		**4,830**		483
Capital redemption reserve	10		**-**		124
			4,830		607
Share premium account	10		**-**		678
Reserves	10		**39,926**		41,672
Shareholders' funds	11		**£44,756**		£42,957

The financial statements on pages 21 to 39 were approved by the Board of Directors on 28 February 2012 and were signed on its behalf by:

Kevin Keen
Chairman

Profit and Loss Account

For the year ended 31 December 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Turnover					
Water supply charges	12	13,973		13,854	
Rechargeable works income		469		475	
Other income		369		323	
			14,811		14,652
Cost of sales					
Pumping expenses		(545)		(645)	
Operation of reservoirs and works		(2,372)		(2,406)	
Distribution and analysis of water		(1,774)		(1,716)	
Desalination station expenses		(308)		(212)	
Miscellaneous		(285)		(326)	
		(5,284)		(5,305)	
Administration					
Administration expenses	13	(2,675)		(2,464)	
Insurances		(220)		(247)	
		(2,895)		(2,711)	
Depreciation					
Completed works	2	(1,774)		(1,578)	
Expenditure			(9,953)		(9,594)
Operating profit			4,858		5,058
Profit on disposal of fixed assets			918		93
Interest					
- payable	14	(561)		(654)	
- receivable		9		10	
Non-equity dividends	15	(381)		(381)	
Other finance income	8	118		25	
			(815)		(1,000)
Profit before taxation			4,961		4,151
Jersey income tax	5		(380)		(830)
Profit for the financial year			£4,581		£3,321
Earnings per ordinary share of £0.5	17		£0.47		£0.34[1]

[1] *Earnings per share for 2010 have been restated to reflect the bonus dividend and share subdivision in 2011 as described in note 9.*

There is no material difference between the reported profit for 2011 and 2010 and the profit prepared on 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 2011

	Note	**2011**	2010
		£'000	£'000
Profit for the year		**4,581**	3,321
(Loss) / gain arising on pension liabilities	8	**(1,111)**	84
Gain arising on revaluation of investment property	2	**-**	1,314
Total recognised gains and losses for the year		**£3,470**	£4,719

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		**6,762**		5,756
Returns on investments and servicing of finance					
Interest received		**9**		10	
Interest paid		**(593)**		(664)	
Non-equity dividends paid		**(381)**		(381)	
Net cash outflow from returns on investments and servicing of finance			**(965)**		(1,035)
Taxation					
Jersey income tax paid			**(180)**		(128)
Capital expenditure					
Purchase of fixed assets		**(5,473)**		(3,206)	
Disposal of fixed assets		**1,275**		169	
			(4,198)		(3,037)
Equity dividends paid			**(1,671)**		(2,695)
Decrease in cash	19		**£(252)**		£(1,139)

Reconciliation of net cash flow to movement in net debt

	Note	2011	2010
		£'000	£'000
Decrease in cash	19	**(252)**	(1,139)
Foreign exchange currency movement		**(3)**	-
Movement in net debt	19	**(255)**	(1,139)
Net debt brought forward	19	**(18,630)**	(17,491)
Net debt carried forward	19	**£(18,885)**	£(18,630)

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 as modified for the revaluation of investment properties 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 6 to 12 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.

Water charges

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

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.

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
Dam lining membranes		50 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

Investment property

Certain of the Company's properties originally acquired for business purposes, or otherwise used within the business, are no longer so used and are now held for investment purposes. These properties are treated as investment properties and accounted for in accordance with Statement of Standard Accounting Practice 19, Accounting for Investment Properties, and are included in the balance sheet at open market value. The surplus or deficit on revaluation is taken to the revaluation reserve. No depreciation is provided in respect of freehold investment property.

Interest rate swaps

Net interest payable or receivable under interest rate swap contracts entered into to hedge the interest rate risk exposure on borrowings is recognised in the profit and loss account within Interest Payable or Interest Receivable as appropriate. Accrued net amounts payable or receivable are carried in the balance sheet within Accruals and deferred income and Accrued income and other debtors respectively. No carrying value is recognised for interest rate swap contracts entered into to hedge the interest rate risk exposure on borrowings.

Deferred taxation

Deferred taxation is calculated on a full provision basis in accordance with Financial Reporting Standard 19 'Deferred Taxation'. As required by the standard, no provision is made for deferred tax in respect of expenditure on which all of the conditions for retaining tax allowances have been met. 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.

Notes to the Financial Statements - continued

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.

2 Fixed assets

	Property and completed works	Freehold investment property	Uncompleted works	Motor vehicles, mobile plant & equipment	Total
Cost or valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Brought forward	86,843	1,335	115	2,003	**90,296**
Additions	4,991	-	190	393	**5,574**
Disposals	(693)	-	-	(162)	**(855)**
Transfers	200	-	(200)	-	**-**
Carried forward	**£91,341**	**£1,335**	**£105**	**£2,234**	**£95,015**
Depreciation					
Brought forward	(24,751)	-	-	(1,460)	**(26,211)**
Charge for the year	(1,774)	-	-	(247)	**(2,021)**
Disposals	358	-	-	140	**498**
Carried forward	**£(26,167)**	**£ -**	**£ -**	**£(1,567)**	**£(27,734)**
Net book value					
Brought forward	**£62,092**	**£1,335**	**£115**	**£543**	**£64,085**
Carried forward	**£65,174**	**£1,335**	**£105**	**£667**	**£67,281**

Of the £2,021,000 depreciation charge for the year, £247,000 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.

At 31 December 2011 capital commitments contracted for amounted to £154,000 (2010: £Nil).

Market value of freehold investment properties

In 2010, the Company reclassified two freehold residential properties that are no longer held for use within the business as investment properties. The properties, which had a combined net book value of £21,000, were revalued as at 31 December 2010 at £1,335,000.

The freehold investment properties were valued in 2010 by an external valuer, CB Richard Ellis Limited, on the basis of open market value in accordance with the requirements of the RICS Appraisal and Valuation Standards. The valuation of freehold investment property as at 31 December 2011 was undertaken by the Company based on the results of the independent valuation in 2010 and factors affecting the residential property market in Jersey during 2011.

Notes to the Financial Statements - continued

3 Debtors

	2011 £'000	2010 £'000
Trade debtors	**3,315**	3,538
Prepayments	**328**	376
Accrued income and other debtors	**1,023**	788
	£4,666	£4,702

4 Creditors and accruals

	2011 £'000	2010 £'000
Trade creditors	**1,131**	698
Other creditors	**433**	422
Contract retentions	**23**	-
Accruals and deferred income	**1,401**	1,600
	£2,988	£2,720

5 Jersey income tax

	2011 £'000	2010 £'000
Current tax		
Income tax on the profit for the year	**177**	500
Under provision for previous years	**-**	2
Total current tax	**177**	502
Deferred tax		
Charge for the year	**203**	328
Total deferred tax	**203**	328
Total tax charge for the year	**£380**	£830

Notes to the Financial Statements - continued

Factors affecting tax charge for year

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

	2011 £'000	2010 £'000
Profit before tax	£4,961	£4,151
Profit before tax multiplied by the standard rate of Jersey income tax of 20%	992	830
Tax at 20% on:		
Capital allowances for period in excess of depreciation	(105)	(164)
Capital expenditure, deductible for tax purposes	(602)	(223)
Profit on sale of fixed assets	(184)	(19)
Dividends on non-equity shares - non deductible	76	76
Current tax charge for year	£177	£500

6 Bank loans

	Repayment Dates	2011 £'000	2010 £'000
Facilities drawn down			
HSBC Bank plc	2013	6,000	6,000
HSBC Bank plc	2015	3,650	3,650
HSBC Bank plc	2021	5,250	5,250
		£14,900	£14,900
Loans falling due within one year		-	5,250
Loans falling due between one and two years		6,000	-
Loans falling due after two years but less than five years		3,650	9,650
Loans falling due after five years		5,250	-
		£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.

During the year the facility for £5,250,000 due for repayment in 2011 was renewed for a further period of ten years and is now due for repayment in 2021.

Notes to the Financial Statements - continued

7 Deferred taxation

	2011 £'000	2010 £'000
Accelerated capital allowances	**5,559**	5,356
Net liability	**£5,559**	£5,356
Brought forward	**5,356**	5,028
Amounts charged in the profit and loss account	**203**	328
At 31 December	**£5,559**	£5,356

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 2011 totalled £62,000 (2010: £53,000).

Defined benefit section and unfunded scheme

The full FRS17 actuarial valuation as at 31 December 2011 shows a net deficit of £307,000 compared to a surplus of £388,000 in 2010.

The major assumptions used by the actuary were:

	2011	2010
Rate of increase in salaries	**4.21%**	4.69%
Rate of increase in pensions accrued after 1 January 1999	**3.11%**	3.39%
Discount rate	**4.93%**	5.47%
Expected return on plan assets	**6.08%**	5.78%
Inflation assumption	**3.21%**	3.69%
Life expectancy assumptions		
Current pensioners at 65 - Male	**87**	86
Current pensioners at 65 - Female	**89**	88
Future pensioners at 65 - Male	**88**	87
Future pensioners at 65 - Female	**91**	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.

Notes to the Financial Statements - continued

	2011 £'000	2010 £'000
Reconciliation of the present value of scheme liabilities		
Opening scheme liabilities	**16,298**	15,383
Current service cost	**272**	249
Employee contributions	**91**	92
Interest cost	**893**	887
Actuarial losses	**934**	534
Past service costs	**74**	17
Benefits paid	**(654)**	(864)
Closing scheme liabilities	**£17,908**	£16,298
Analysis of funded and wholly unfunded scheme liabilities		
Funded scheme	**17,802**	16,191
Wholly unfunded scheme	**106**	107
Total present value of scheme liabilities	**£17,908**	£16,298
Reconciliation of the fair value of scheme assets		
Opening fair value of scheme assets	**16,783**	14,316
Expected return	**1,011**	912
Employer contributions	**748**	1,671
Employee contributions	**91**	92
Actuarial (losses) / gains	**(455)**	640
Benefits paid	**(654)**	(848)
Closing fair value of scheme assets	**£17,524**	£16,783
Actual return on scheme assets	**£556**	£1,552
Analysis of amounts shown in the balance sheet		
Fair value of plan assets	**17,524**	16,783
Present value scheme liabilities	**(17,908)**	(16,298)
(Deficit) / surplus	**(384)**	485
Related deferred tax asset / (liability)	**77**	(97)
Net (deficit) / surplus	**£(307)**	£388

Notes to the Financial Statements - continued

	2011 £'000	2010 £'000
Analysis of amounts recognised in the profit and loss account		
Current service cost	**(272)**	(249)
Expected return on pension plan assets	**1,011**	912
Interest on pension plan liabilities	**(893)**	(887)
Past service cost	**(74)**	(17)
Total	**£(228)**	£(241)

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.

	2011 £'000	2010 £'000
Analysis of amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**(455)**	640
Experience gains arising on scheme liabilities	**658**	90
Changes in assumptions underlying the present value of scheme liabilities	**(1,592)**	(624)
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	**(1,389)**	106
Current tax relief	**104**	288
Movement in deferred tax relating to net liability / asset	**174**	(310)
(Loss) / gain recognised in the statement of total recognised gains and losses	**£(1,111)**	£84
Cumulative amounts recognised in the statement of total recognised gains and losses	**£(4,264)**	£(3,153)

Analysis of scheme assets	**2011 % of total fair value of scheme assets**	2010 % of total fair value of scheme assets
Equities	**46%**	43%
Property	**8%**	8%
Corporate bonds	**44%**	42%
Cash and receivables	**2%**	7%
	100%	100%

Notes to the Financial Statements - continued

History of experience gains and losses

	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Present value of scheme assets	**17,524**	16,783	14,316	12,188	14,191
Present value of scheme liabilities	**(17,908)**	(16,298)	(15,383)	(13,508)	(13,966)
Gross scheme (deficit) / surplus	**£(384)**	£485	£(1,067)	£(1,320)	£225
Experience gains / (losses) on scheme liabilities					
Amount	**658**	90	(310)	185	241
Difference between the expected and actual return on scheme assets					
Amount	**(455)**	640	914	(3,013)	(288)

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 £730,000 (2010: £671,000) and special contributions of £Nil (2010: £1,000,000).

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.

Notes to the Financial Statements - continued

9 Share capital

a) Equity share capital

Authorised, issued & fully paid up

	Shares of £1 each '000	Shares of £0.5 each '000	2011 £'000	2010 £'000
Ordinary shares				
Brought forward	252	-	**252**	252
Allotted under bonus issue	2,268	-	**2,268**	-
	2,520	-	**2,520**	252
Subdivision of each £1 share into two shares of £0.5 each	(2,520)	5,040	**-**	-
Carried forward	-	5,040	**£2,520**	£252

	Shares of £1 each '000	Shares of £0.5 each '000	2011 £'000	2010 £'000
'A' Ordinary shares				
Brought forward	231	-	**231**	231
Allotted under bonus issue	2,079	-	**2,079**	-
	2,310	-	**2,310**	231
Subdivision of each £1 share into two shares of £0.5 each	(2,310)	4,620	**-**	-
Carried forward	-	4,620	**£2,310**	£231
Total	-	9,660	**£4,830**	£483

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.

Bonus issue

On 10 June 2011, the Company resolved to increase the authorised share capital of the Company by the creation of an additional 2,268,000 Ordinary shares of £1 each and an additional 2,079,000 'A' Ordinary Shares of £1 each ranking pari passu in all respects with the existing Ordinary Shares and 'A' Ordinary Shares of £1 each in the capital of the Company. On the same date the Company resolved to capitalise the sum of £4,347,000 from reserves and apply the sum in paying up in full 2,268,000 ordinary shares of £1 each and 2,079,000 'A' ordinary shares of £1 each allotted and distributed, credited as fully paid, to the existing holders of ordinary and 'A' ordinary shares at the rate of 9 shares for every existing share held.

Share subdivision

On 10 June 2011, the Company resolved to subdivide each issued ordinary share of £1 each in the capital of the Company into 2 ordinary shares of £0.50 each and to subdivide each issued 'A' ordinary share of £1 each into 2 'A' ordinary shares of £0.50 each.

Notes to the Financial Statements - continued

b) Non-equity preference share capital

		2011 £'000	2010 £'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
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

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

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Retained profit £'000	Total £'000
Brought forward	678	124	1,314	40,358	42,474
Bonus issue on Ordinary and 'A' Ordinary shares	(678)	(124)	-	(3,545)	(4,347)
Profit for the financial year	-	-	-	4,581	4,581
Equity dividends	-	-	-	(1,671)	(1,671)
(Loss) / gain relating to pension plan recognised in the statement of total recognised gains and losses	-	-	-	(1,111)	(1,111)
Carried forward	£-	£-	£1,314	£38,612	£39,926

Notes to the Financial Statements - continued

11 Reconciliation of movement in equity shareholders' funds

	2011 £'000	2010 £'000
Profit for the year	**4,581**	3,321
Equity dividends	**(1,671)**	(2,695)
Retained profit for the year	**2,910**	626
(Loss) / gain arising on pension plan	**(1,111)**	84
Surplus on revaluation of investment properties in year	**-**	1,314
Opening equity shareholders' funds	**42,957**	40,933
Closing equity shareholders' funds	**£44,756**	£42,957

12 Water supply charges

	2011 £'000	2010 £'000
Measured water charges	**8,551**	7,465
Unmeasured water charges	**4,853**	5,772
Service charges and other charges for water	**569**	617
	£13,973	£13,854

13 Administration expenses

	2011 £'000	2010 £'000
Included in administration expenses are the following:		
Directors' fees (note 20)	**80**	80
Auditors' fees - Statutory audit	**41**	40
- Other services (Tax compliance)	**2**	2
- Other services (Pension scheme audit)	**5**	9

Notes to the Financial Statements - continued

14 Interest payable

	2011	2010
	£'000	£'000
Bank loans and overdrafts	**538**	654
Interest rate swap contract	**23**	-
	£561	£654

In October 2011, the Company entered into an interest rate swap contract with HSBC Bank Plc in order to hedge against the interest rate risk exposure of the Company on the loan of £5,250,000 maturing in 2021. The interest rate swap contract has a nominal value of £5,250,000 and also matures in 2021.

15 Non-equity dividends

		2011			2010	
	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	2011 Pence per share	2010 Pence per share	2011 £'000	2010 £'000
Dividends paid				
Final dividend for the previous year	**224.00**	214.00	**1,082**	1,034
Special dividend for the previous year	**-**	228.00	**-**	1,101
Interim dividend for the current year	**6.10***	116.00	**589**	560
	230.10*	558.00	**£1,671**	£2,695
Dividends proposed				
Final dividend for the current year	**11.75***	224.00	**£1,135**	£1,082

* *As described in note 9, the Company undertook a capital reorganisation in 2011 as a result of which the number of equity shares in issue increased by a factor of twenty. Accordingly, dividends declared and proposed since the capital reorganisation have been reduced to take the increase in shares into account.*

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

17 Earnings per ordinary share

Earnings per ordinary share of £0.47 (2010: £0.34) is based on earnings of £4,581,000 (2010: £3,321,000), being the profit available for distribution to equity shareholders and 9,660,000 (2010: 9,660,000) ordinary and 'A' ordinary shares of £0.5 in issue. Earnings per share and the number of shares in issue for 2010 have been restated to reflect the bonus dividend and share subdivision in 2011 as described in note 9.

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

	2011 £'000	2010 £'000
Operating profit	**4,858**	5,058
Depreciation	**2,021**	1,820
Change in order to bring pension charges onto a contribution basis	**(402)**	(1,422)
Decrease in stock and work in progress	**76**	259
Decrease in debtors	**140**	222
Increase / (decrease) in creditors	**69**	(181)
Net cash inflow from operating activities	**£6,762**	£5,756

Notes to the Financial Statements - continued

19 Analysis of changes in net debt

	At 1 January 2011 £'000	Cash Flows £'000	Other Changes £'000	**At 31 December 2011 £'000**
Total bank and cash per balance sheet	1,652	(252)	(3)	**1,397**
Debt due within one year	(5,250)	-	5,250	**-**
Debt due after one year	(15,032)	-	(5,250)	**(20,282)**
Total	**£(18,630)**	**£(252)**	**£(3)**	**£(18,885)**

20 Directors' emoluments

	Salary	Bonus	Fee	Benefits *(excluding pension contributions)*	Total Emoluments	
					2011	2010
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Executives						
Howard Snowden	**122**	**42**[1]	**-**	**12**	**176**	126
Helier Smith	**112**	**39**[1]	**-**	**7**	**158**	112
Non-Executives						
Kevin Keen	**-**	**-**	**20**	**-**	**20**	20
Tony Cooke	**-**	**-**	**12**	**-**	**12**	12
Mary Curtis	**-**	**-**	**12**	**-**	**12**	12
Carl Hinault	**-**	**-**	**12**	**-**	**12**	12
Stephen Marie	**-**	**-**	**12**	**-**	**12**	12
Peter Yates	**-**	**-**	**12**	**-**	**12**	12

[1] *During 2010, a discretionary executive director bonus scheme was established for Mr Snowden and Mr Smith. In June 2011, the Company awarded bonuses of £21,000 and £19,000 to Mr Snowden and Mr Smith respectively in respect of the year ended 31 December 2010. In February 2012, the Company awarded Mr Snowden and Mr Smith bonuses of £21,000 and £20,000 respectively in respect of the year ended 31 December 2011.*

During the year the Company made pension contributions of £10,000 in respect of Mr Snowden and £11,000 in respect of Mr Smith. 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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
The States of Jersey	**1,977**	2,196	**66**	69	**512**	463	**3**	1
Jersey Electricity Plc	**92**	82	**863**	806	**21**	16	**147**	61
JT Group Limited	**21**	20	**55**	52	**3**	2	**5**	4
Jersey Post International Limited	**8**	8	**77**	77	**1**	2	**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 Rosière 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 2011 was £25,000 (2010: £25,000) (included in the above table), 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	2011	2010	2009	2008[1]	2007[1]
Balance sheet						
Equity shareholders' funds	£'000	44,756	42,957	40,933	39,762	38,569
Net debt	£'000	18,885	18,630	17,491	16,034	18,023
Profit and loss account						
Turnover	£'000	14,811	14,652	14,728	14,378	13,817
Operating profit	£'000	4,858	5,058	4,577	4,472	4,498
Profit before tax	£'000	4,961	4,151	4,085	4,034	3,526
Profit for the financial year	£'000	4,581	3,321	3,299	4,030	3,253
Equity dividends paid[2]	£'000	1,671	1,594	1,444	1,256	1,124
Financial statistics & ratios						
Capital expenditure	£'000	5,574	3,460	3,309	2,980	2,546
Net cash (outflow) / inflow	£'000	(252)	(1,139)	543	(11)	1,986
Earnings per share[3]	£	0.47	0.34	0.34	0.42	0.34
Dividend cover[2]	Times	2.7	2.1	2.3	3.2	2.9
Interest cover	Times	6.2	5.0	5.1	4.1	3.7
Gearing[4]	%	45	47	50	51	53
Operational statistics						
Total water supplied	Ml	7,152	7,220	7,253	7,402	7,182
Maximum daily demand	Ml	24.7	25.8	25.7	26.2	25
Annual rainfall	mm	773	982	843	1,042	915
New mains laid	km	2.0	1.7	3.1	4.6	5.6
Mains re-laid / relined	km	4.0	2.7	1.8	2.8	2.0
New connections	No	492	337	412	508	453
Live unmeasured supplies	'000	18	21	23.8	25.2	26.1
Live metered connections	'000	20	16.2	13.2	11.2	10.6
Employees	No	83	84	80	107	107
Water quality						
% Compliance with water quality parameters		99.81%	99.86%	99.84%	99.97%	99.86%

[1] Relevant figures have been restated to show the effect of the prior year adjustment made in 2009
[2] Equity dividends and the calculation of dividend cover exclude the special dividend paid in 2010
[3] Comparatives have been restated to reflect the bonus dividend and share subdivision in 2011
[4] Gearing = Debt (including preference share capital) / equity shareholders' funds

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