2014

ANNUAL REPORT AND FINANCIAL STATEMENTS

jerseywater.je

Jersey Water

2014 TURNOVER INCREASED BY 1.8%

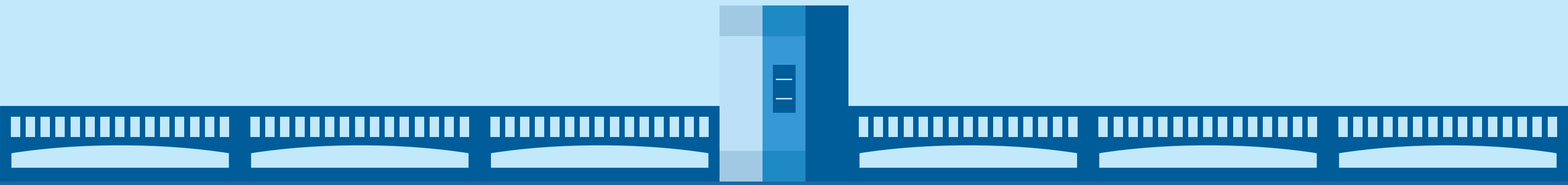
£15,184,000

2014 EQUITY DIVIDEND

19.555 PENCE PER SHARE

2014 PROFIT BEFORE TAXATION

£4,575,000



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DIRECTORS, OFFICERS AND ADVISERS

NON-EXECUTIVE DIRECTORS

Chairman

Peter Yates
BSc, FCA

Senior Independent Director

Anthony Cooke
BA(Hons) Econ, CEnv, FCIWEM, HIWater

Mary Curtis
MA, Chartered FCIPD, MIoD

Timothy Herbert
MA(Oxon)

Stephen Kay
BSc (Eng), CdipAF, MICE, MCIWEM, MIWater

Elizabeth Vince
BA (Hons), CPFA, MICA, Dip IoD

EXECUTIVE DIRECTORS

Managing Director and Engineer

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

Chief Operating Officer and Finance Director

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

OFFICERS AND ADVISERS

Secretary

Natalie Passmore
MA(Hons), ACA, CMgr MCMI, Dip IoD

Independent Auditors

PricewaterhouseCoopers CI LLP
37 Esplanade, St Helier, Jersey, JE1 4XA

Registered Office

Mulcaster House, Westmount Road
St Helier, Jersey, JE1 1DG

LEVEL OF RESERVOIRS
99.6%
JANUARY 2014

LEVEL OF RESERVOIRS
59.5%
SEPTEMBER 2014

LEVEL OF RESERVOIRS
92.6%
DECEMBER 2014

BOARD OF DIRECTORS

Peter Yates
BSc, FCA

Peter Yates was appointed to the Board in May 2009. Mr Yates, a Chartered Accountant, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for over thirty-one years. He is a Non-Executive Director and Chairman of the Audit Committee of Invesco Perpetual Enhanced Income Fund Plc and also a Non-Executive Director of Bathroom Brands Plc and Bathroom Brands Distribution Ltd.

Mr Yates is Chairman of the Board and chairs the Nomination 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 (Jersey) Law 1996.

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

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. Mr Cooke is a Trustee of Utilities and Service Industries Training Ltd, a Trustee of a pension fund and an independent utilities consultant.

Mr Cooke is the Board's 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 chairs the Remuneration Committee and is a member of the Nomination Committee.

Tim Herbert
MA(Oxon)

Tim Herbert was appointed to the Board in January 2015 as a Non-Executive Director. Mr Herbert is a Jersey Advocate. He was a partner at Mourant Ozannes for over twenty-five years including a term as Managing Partner and since July 2012 has been retained as a consultant to the firm. He chairs the Jersey Innovation Fund Advisory Board and holds a number of other roles in the community.

Mr Herbert is a member of the Remuneration Committee and the Nomination Committee.

Stephen Kay
BSc (Eng), CdipAF, MICE, MCIWEM, MIWater

Stephen Kay, a Chartered Engineer, joined the Board as a Non-Executive Director in April 2013. Mr Kay is a Non-Executive Director of South Staffordshire Water Plc and was previously Managing Director of Cambridge Water Plc. He is Chairman of Iceni Waters Limited, Chairman of the Water UK Standards Board and Chairman of the Water Regulations Advisory Scheme (WRAS).

Mr Kay is a member of the Audit Committee and the Nomination Committee.

Liz Vince
BA (Hons), CPFA, MICA, Dip IoD

Liz Vince was appointed to the Board with effect from 1 January 2015. Mrs Vince is a qualified accountant and the Finance Director and Company Secretary for Jersey Post. Previously Mrs Vince was the Chief Internal Auditor for the States of Jersey and originally qualified as an accountant with the National Audit Office in London. Mrs Vince holds a number of qualifications including both the Institute of Directors Certificate and Diploma in Company Direction.

Mrs Vince chairs the Audit Committee and is a member of the Nomination Committee.

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

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. He became a Fellow of the Chartered Management Institute in 2012.

CHAIRMAN'S STATEMENT

It gives me great pleasure to publish my first Chairman's statement for Jersey Water by announcing that 2014 was another very good year for the Company. Water quality was the best it has ever been. We renewed 3.5km of water mains and reduced leakage by 6%. We have achieved 83% metering penetration, kept our price increases below inflation for the 12th consecutive year and achieved a 6% increase in profit before tax.

Turnover for the year increased by 1.8% to £15,184k, mainly as a result of a below inflation 1% tariff increase in April 2014 and an increase in rechargeable works income. Operating costs for the year were £10,213k, slightly above that for 2013.

The Company is reporting a profit before tax of £4,575k. The increase of £257k (6.0%) is due to an increase in operating profit of £171k and a reduction in net financing costs of £264k, all offset by a reduction in profits on the disposal of fixed assets of £178k.

"THE COMPANY CONTINUES TO INVEST IN ITS INFRASTRUCTURE AND IN 2014 SPENT £2,880K ON CAPITAL WORKS."

In December 2014, the Directors declared and paid an interim dividend for 2014 of 6.555 pence per share ('pps'). The Directors are recommending a final dividend for the year of 13.000pps for consideration and approval by shareholders at the Annual General Meeting. The combined dividend for 2014 is 19.555pps, representing an increase of 3.2% over the 2013 dividend of 18.942pps.

One piece of disappointing news is the change in the FRS17 valuation of the Defined Benefit section of the Jersey Water Pension Plan. The position at the end of 2014 shows a net deficit of £981k compared to a modest surplus of £227k in 2013. The deterioration in the year was due to changes in market driven discount rates and investment return assumptions, plus the effects of improved longevity. The actuarial funding of the Plan is due for review in 2015 when contribution rates for the next three years will be set. It is expected that the actuarial valuation will also show a change in funding position from modest surplus to deficit.

The Company continues to invest in its infrastructure and in 2014 spent £2,880k on capital works. The majority of spend relates to the replacement and rehabilitation of our mains network and the installation of meters as part of our Island-wide metering programme. In 2014 we replaced 3.5km of mains network and installed 2,800 new meters. Capital expenditure is budgeted to increase in 2015 and 2016 as the £6 million extension of the desalination plant gets underway as discussed further below.

The Company continues to encourage trading in Jersey Water shares and we sponsor an over-the-counter share trading scheme operated by Jersey stockbrokers, Vestra Wealth (Jersey) Limited, whereby willing sellers are matched with those interested in buying Jersey Water shares. In 2014, there was improved liquidity in both equity and preference share classes, with 38 and 15 trades for value in each respectively.

In 2014, the States of Jersey published their budget statement for 2015 which included the plan to ask Jersey Water to redeem the 10% cumulative fifth preference share class. The shares have a nominal value of £4,500k and the States of Jersey included a provisional redemption value of £6,800k in their budget figures. The key factors affecting the redemption are the redemption valuation and the funding of the consideration amount. The Company has secured "in-principle" bank funding on flexible terms to finance a potential redemption and is in ongoing discussions with the States of Jersey regarding a redemption value. In the event that a valuation is determined, the Board will consider whether the redemption of this class of share is, taking all factors in to account, in the long term interests of the Company and make recommendations to shareholders such that they may vote on the details of any proposed transaction.

Our metering programme is now in its fifth year and continues to show beneficial effects on consumption of water and leakage. With 83% of connections now metered, the Company has seen a reduction of 6% in leakage during 2014 and demand for water remaining at levels significantly lower than before the metering programme started. There has also been a reduction in demand during the summer months when traditionally consumption of water has been highest.

Whilst it is satisfying to see the favourable effects of the Company's demand management measures, the Board remain acutely sensitive to the fact that Jersey is an Island with finite, rainfall dependent, surface-type water resources and useable reservoir storage limited to approximately 120 days at average demand. The effects of climate change appear to involve less predictable weather patterns and more frequent extremes of weather. For the last three consecutive years this has resulted in rainfall levels well above the norm, which have been beneficial from a water resource perspective.

TREATED WATER SUPPLY WAS

99.99% COMPLIANT

CHAIRMAN'S STATEMENT (CONTINUED)

However, we continue to be alert to the possibility that the patterns could change resulting in prolonged dry periods.

In last year's Chairman's statement, we indicated that in addition to reducing the demand for water, we were also considering ways to supplement water available for use by extending the desalination plant, which was reaching the end of its economic life. In 2014, we announced plans to renew much of the plant with new technology and take the opportunity to increase the desalination capacity from 6Ml/day to 10.8Ml/day. The new plant will also be considerably cheaper to operate due to a 36% improvement in energy efficiency. This important project will be undertaken during the winter of 2015/16 and is anticipated to cost £6 million. The project is being funded from working capital balances and will not affect customer bills.

"THE NEW PLANT WILL ALSO BE CONSIDERABLY CHEAPER TO OPERATE DUE TO A 36% IMPROVEMENT IN ENERGY EFFICIENCY."

From a water quality perspective, 2014 was an excellent year in which the Company saw its best ever set of water quality results. Overall compliance with water quality regulations stood at 99.99%; underpinning this were over 12,000 individual tests for water quality of which just one was outside of the regulatory parameter.

Nitrate levels in the treated water supply during 2014 remained within the regulatory limit of 50mg/l despite much higher concentrations being seen in water sources. The very heavy rains in January and February 2014 delayed the potato planting season and this helped us to keep levels in supply below the 50mg/l limit by careful blending and dilution of water resources. This is in stark contrast to the previous year when nitrates in the treated water supply peaked at 58.2mg/l and exceeded 50mg/l on 22 occasions during the spring.

Diffuse nitrate pollution in raw water is sensitive to the scale and timing of fertiliser application and rainfall during the winter and spring. Both of these factors are outside of our control. There are years when the Company's ability to blend and dilute water resources to achieve the 50mg/l is limited. We are therefore reliant on dispensations under the Water (Jersey) Law 1972 which permit a small number of samples to exceed the 50mg/l subject to an overriding maximum concentration of 65mg/l.

The nitrates dispensation expires in December 2016 and we are concerned that unless there are changes in the application of fertilisers, to reduce nitrate pollution, there will be an ongoing need for dispensations. The option of removing nitrates through treatment is costly and presents its own significant environmental problems, effectively rendering it an uneconomic solution for Jersey in the long term. In order to arrive at a sustainable solution which deals with the problem at source, the Company has joined with other stakeholder representatives to form a Nitrate Working Group (NWG), which has been tasked by the States of Jersey to develop a set of proposals to reduce the diffuse nitrate pollution and improve water quality. It is important that, once the NWG recommendations are published, there is the support and backing of the States of Jersey to implement them and seize the opportunity to resolve this long running Island-wide issue once and for all.

There have been a number of changes in your Board of Directors since the 2014 Annual General Meeting. Kevin Keen retired from the Board with effect from 31 December 2014 after eight years on the Board and five as Chairman. Under Kevin's Chairmanship, the Company went from strength to strength and we achieved some significant objectives. On behalf of the Company I should like to formally thank him for his hard work and dedication during his term in office. On 1 January 2015, two new Non-Executive Directors, Tim Herbert and Liz Vince, joined the Board to fill the casual vacancies left by Kevin Keen and Stephen Marie, who retired at the 2014 AGM. Tim is a former partner of Mourant Ozannes and the current Chair of the Jersey Innovation Fund. He also holds a number of other Non-Executive Directorships and voluntary roles. Liz is the Finance Director and Company Secretary at Jersey Post and is the former Chief Internal Auditor of the States of Jersey. I have no doubt that both Tim and Liz will make fine additions to the Board and we will be recommending their formal election by shareholders at the AGM.

At this year's AGM it will be the turn of Tony Cooke and Mary Curtis to retire by rotation and seek re-election. In addition, Howard Snowden will retire from the Board of Director's and not seek re-election. Howard is retiring as Managing Director of the Company after 23 years of service (15 years in his current role). Under his leadership, Jersey Water has developed into the modern, efficient water company that it is today.

CHAIRMAN'S STATEMENT (CONTINUED)

During his time in office, Howard has been responsible for many changes and innovations, including modernising the Company's raw water network, reconfiguring the electrically pumped treated water network to one powered principally by gravity, upgrading water treatment processes and the introduction of reverse osmosis desalination technology to replace the old flash distillation plant. In addition, he has overseen the Island-wide rollout of water metering, a change that will pay dividends in terms of reduced waste and leakage for ever more. The very high quality of water supplied by the Company and the reliability of the water supply in Jersey are testament to Howard's significant contribution to Jersey's infrastructure. On behalf of the Board and Company I would like to thank him for his unwavering dedication and hard work and wish him a happy and healthy retirement. Howard will be succeeded as Managing Director by Helier Smith, our Chief Operating Officer, who joined Jersey Water in 2002 and has served on the Board as Finance Director for over eleven years. We wish him every success in his new role.

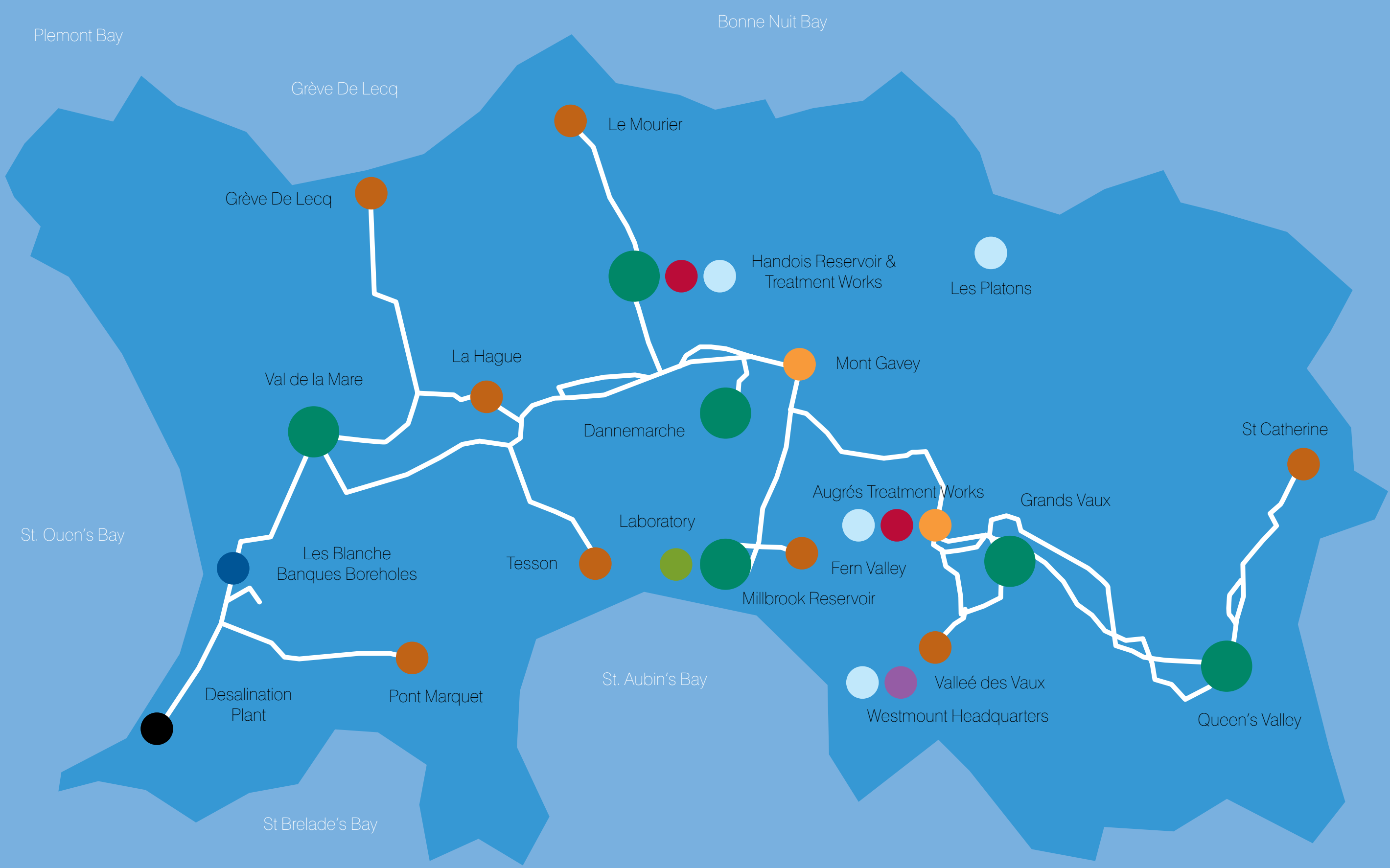
It is customary for the Chairman's Statement in the Jersey Water accounts to end with a section thanking the staff for their contribution. This year will be no exception as it is the collective dedication, effort and hard work of all Jersey Water employees that makes the Company the success it is and enables us to consistently deliver a high quality product, with good customer service at a reasonable price, all the while enhancing shareholder value. We have a loyal and dedicated workforce who think nothing of turning out at all hours every day of the year to ensure that our customers receive the service they have grown to expect. I should like to thank all of the Jersey Water team for their ongoing loyalty, support and hard work.

Peter Yates
26 February 2015

STRATEGIC REPORT

OUR BUSINESS

JERSEY WATER IS THE SOLE SUPPLIER OF POTABLE MAINS WATER TO THE ISLAND OF JERSEY. **IN 2014, WE SUPPLIED JUST OVER 7 BILLION LITRES OF MAINS WATER TO 38,000 HOMES AND BUSINESSES ACROSS THE ISLAND.** OUR TWO WATER TREATMENT WORKS FEED OUR 580KM NETWORK OF MAINS WHERE WE SUPPLY THE POPULATION WITH AN AVERAGE OF 19.4 MILLION LITRES (ML) OF WATER PER DAY.



STRATEGIC REPORT (CONTINUED)

Water resources

Jersey's water resources are nearly all derived from rainfall dependent surface waters. We capture and store raw (untreated) water in six storage reservoirs with a capacity of 2,687Ml, which holds approximately 120 days of useable supply. We also capture raw water from stream catchment ponds and abstraction pumping stations across the Island. The nature of rainfall patterns in Jersey means that we generally rely on rainfall in the autumn and winter to replenish water resources and keep them topped up for as long as possible.

To help protect against prolonged water shortages, the Company has a standby reverse osmosis (RO) desalination plant capable of producing 6 million litres per day, approximately one third of daily demand. The plant is operated where there is a risk that other water resources will be insufficient to meet demand. Plans are in place to upgrade the desalination plant in 2015 and extend its capacity to 10.8 million litres per day.

Jersey Water's plan for meeting the Island's future demand for water is set out in its 2010 Water Resource Management Plan. The Plan predicts that in 25 years' time, if no action is taken, there will be a shortfall in water available for use equivalent to approximately 26% of the forecast daily demand (6.5Ml/day). This shortfall arises from a forecast reduction in water available for use (due to global warming) of 11% and an increase in demand of 15% driven by population growth and lifestyle improvements. The Company has in place a number of projects to reduce this shortfall including its Island-wide metering programme, leakage reduction and demand management measures, and the extension of the desalination plant referred to above. The plan is scheduled to be updated in 2017, once the metering programme has been completed and its long term effects on demand and leakage are known.

- Stream Abstraction Point
- Raw Water Storage Tanks
- Laboratory Operations
- Raw Water Storage Reservoir
- Treated Water Storage Reservoir
- Ground Water Resources
- Headquarters
- Desalination Plant
- Water Treatment Plant

OUR OBJECTIVES

- **Jersey Water's purpose is simply to provide wholesome water for Jersey.**
- We do this by adopting a business model which seeks to create value by balancing the needs of our stakeholders over the long term.
- We work hard to provide a good service to **our customers**, ensuring that we have sufficient resources to meet reasonable demand and the water we supply is of a high quality. We achieve this while limiting price increases wherever possible.
- We manage the business prudently and aim to provide a sustainable real term return for **our shareholders**.
- **Our staff** are fundamental to our success. Ensuring Jersey Water continues to be a great place to work is a key ingredient in our future.
- Jersey is a close knit **community** in which we play an important role. Through our activities we aim to make a positive contribution to the Jersey way of life and minimise the effect that our operations may have on the **environment**.

STRATEGIC REPORT (CONTINUED)

Water quality

The water we supply is generally of a very high quality. Bacteriological quality is good and there are very few issues with pesticides and herbicides.

Both of our treatment works are designed to operate in the same manner; comprising chemically assisted sedimentation and rapid gravity filtration followed by two stages of disinfection using ultraviolet (UV) radiation and then using chlorine and ammonia. UV treatment plant was installed at Handois in 2013 and Augrès in 2015.

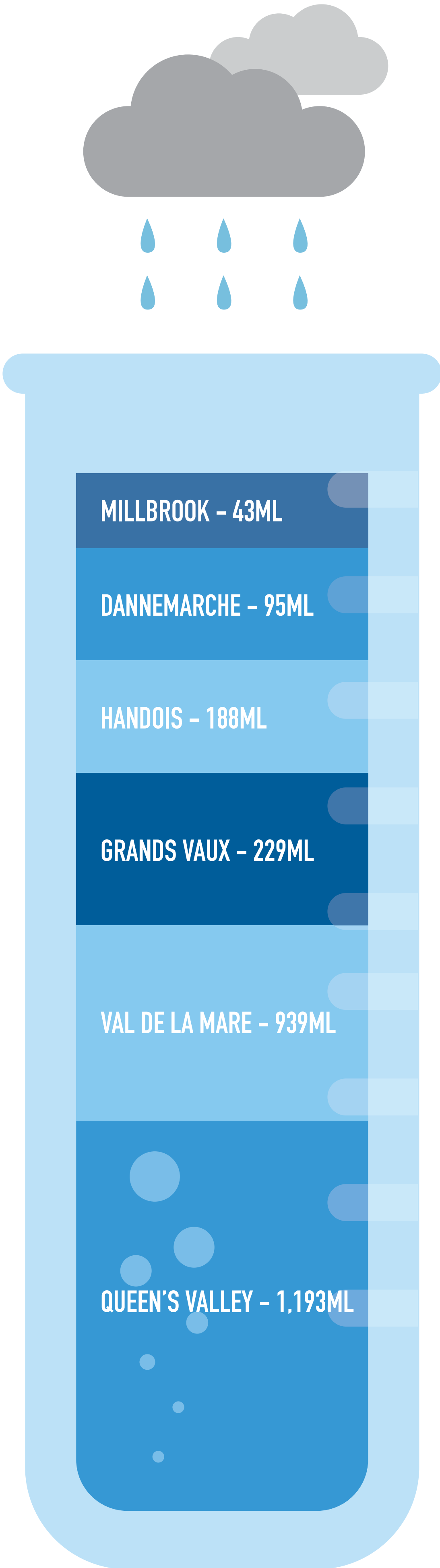
The Company relies on dispensations from the States of Jersey for compliance with water quality parameters relating to nitrates. The dispensation is necessary to cover the small number of seasonal exceedances of the regulatory limits caused by the diffuse pollution with nitrates of the Island's watercourses.

The levels of nitrates in raw water sources vary depending on rainfall, the season and agricultural activity and can result in the Company being forced to supply treated water which exceeds the regulatory limit of 50mg/l during the late winter and spring months.

The Company's objective is to supply water that meets all regulatory parameters and is not reliant on any quality dispensations. The Company is working closely with the Environment Department of the States of Jersey and other stakeholders to develop a long term solution to the nitrate issue.

Regulation

The supply of water in Jersey is mainly regulated through the Water (Jersey) Law 1972 which sets out, amongst other things, acceptable charging practices, service standards and the minimum water quality standards. In addition, the Company's activities are also regulated through mechanisms within the Reservoirs (Jersey) Law 1996, the Water Resources (Jersey) Law 2007 and the Water Pollution (Jersey) Law 2000.



2,687ML

COMBINED CAPACITY OF RAW WATER STORAGE RESERVOIRS

STRATEGIC REPORT (CONTINUED)

Principal strategic risks and uncertainties

Jersey Water's operations are subject to a number of risks and uncertainties that could, either individually or in combination, impact on our operations, performance and future prospects. The risks and uncertainties described in the box below are those that we believe to be of strategic importance to the future of the organisation.

We identify and manage these and other risks through our risk management processes (which are described further on page 21). The risk management processes described below are designed to manage and mitigate risk (rather than to eliminate it).

Unknown risks and those that the Directors believe are less significant may also have a material impact on the operations and performance of the Company.

RISK	DESCRIPTION	RISK MANAGEMENT
DEMAND FOR WATER	The Water Resources Management Plan identifies a shortfall in water available for use against projected demand developing to 6.5Ml/day over 25 years. The forecasts are dependent on assumptions regarding population growth, changing demand profiles for water and the effects of climate change on water available for use. There is the risk that without sufficient storage, or desalination capacity, Jersey Water may be unable to meet the demand for water in the future.	The Water Resources Management Plan sets out the way in which the Company expects to meet projected demand. The existing Plan (2010) describes the likely steps to increase resources (either through storage or desalination) and reduce demand (through metering, leakage reduction and demand management) to maintain an adequate security of supply. The Plan will next be reviewed in or around 2017 when the effects of updated assumptions will be incorporated.
NITRATES	Jersey Water has a dispensation for nitrates under the Water (Jersey) Law 1972, which allows a limited number of samples to exceed the statutory 50 mg/l limit. The dispensation runs from 1 January 2014 to 31 December 2016. There is the risk that dispensations may not be renewed on an on-going basis resulting in the potential for Jersey Water supplying water that does not meet quality requirements. Concentrations of nitrates in untreated water exceeding 50mg/l arise principally as a result of the diffuse pollution of catchment areas from the application of agricultural fertilisers. The pollution is outside of the Company's control.	Jersey Water is currently working closely with the States of Jersey Environment Department, the agriculture sector and other stakeholders to devise an action plan to reduce the diffuse nitrate pollution sufficiently to enable the Company to consistently meet regulatory limits. In addition, Jersey Water is currently considering a wide range of contingency measures to mitigate the potential impact of dispensations not being renewed in 2017.
DROUGHT	The Company's reservoirs have sufficient capacity to store approximately 120 days' average demand for water. The relatively low reservoir storage capacity coupled with the reliance of the Island on rainfall means that water resources in Jersey are particularly susceptible to periods of drought.	The Company manages its water resources prudently, ensuring that reservoirs are filled quickly in periods of rainfall and kept topped up. The Company maintains a standby desalination plant in case additional resources are required and further contingency measures are available should the need arise. Additional desalination capacity is planned for 2016. The Company has an active programme of measures to reduce the demand for water including the Island-wide metering of all connections, pressure reduction, leakage control and mains renewal.

STRATEGIC REPORT (CONTINUED)

FINANCIAL RESULTS

Turnover

Jersey Water's turnover in 2014 increased by 1.8% to £15,184k (2013: £14,916k). Income from the sale of water was £14,342k compared to £14,166k in 2013.

Metered income in 2014 was £12,140k (2013: £10,890k), an increase of 11.5% on 2013. The change in metered income is attributable to an increase in overall demand for water of 0.5%, increasing numbers of metered properties (2,800 during the year), 403 new connections and a 1% tariff increase. Metered water sales accounted for 85% of water related turnover compared with 77% in 2013.

Unmeasured water income totalled £1,639k, compared to £2,686k in 2013. The reduction of £1,047k corresponds with the transfer of customers to metered billing. Unmeasured charges now account for just 11% of water related turnover (2013: 19%).

Turnover in relation to rechargeable works was £484k (2013: £320k). Rechargeable works relate mainly to the installation of new water connections. The increase of £164k has arisen from the upturn in the construction industry with an increase in the number of larger new connections to the network in the year. Each job is individually priced and the nature of the specific works undertaken during 2014 meant a higher average price than in 2013.

Operating expenditure

Operating costs in 2014 were £10,213k, an increase of £97k compared with £10,116k in 2013. The increase is attributable to higher materials, chemicals and hired-in services expenditure offset by some efficiency savings and unplanned vacant employee positions.

Operating profit before exceptional items

Operating profit for 2014 was £4,971k (2013: £4,800k), 3.6% higher than the previous year.

Profit on disposal of fixed assets

There was less disposal activity in 2014, with the Company generating a profit of £1k on the sale of a small parcel of land, compared to profits of £179k in 2013.

Net finance costs

There was a 40% reduction in net finance costs in 2014. The charge reduced by £264k to £397k as a result of the combined effects of lower interest payable on debt and an increase in the notional net finance income arising from the Company's pension scheme.

Profit before taxation

In 2014, Jersey Water's profit before tax was £4,575k compared to £4,318k in 2013. The increase of 6.0% was principally due to lower net finance cost, increased water revenue and rechargeable works offsetting the increase in operating costs and the decrease in profit on disposal of fixed assets.

Income tax

The charge for tax for 2014 totals £919k compared with £880k in 2013. The increase of £39k comprises an increase in the current year's income tax charge of £93k, which was primarily due to the improved financial performance in the year with a £28k decrease in the deferred tax charge. The 2013 charge also included £26k in relation to 2012 profits - no such additional charge has occurred in the current year.

Equity dividends

The Directors are recommending a final dividend on the Ordinary and 'A' Ordinary shares of 13.000 pence per share (2013: 12.516 pence). This brings the total paid and proposed dividend for 2014 to 19.555 pence per share, an increase of 3.2% on the previous year's dividend of 18.942 pence.

Dividends declared and paid	2014 £'000	2013 £'000
Previous year - Final dividend	1,209	1,168
Current year - Interim Dividend	633	621
	£1,842	£1,789
Dividends proposed		
Current year - Final dividend	£1,256	£1,209

CAPITAL EXPENDITURE IN 2014

£2,880,000

STRATEGIC REPORT (CONTINUED)

FINANCIAL RESULTS

Cash flow

There was a net cash inflow during the year of £4,736k, in contrast to the outflow of £1,555k in 2013. The main reasons for the variance are the settlement of £3,500k from a fixed deposit, a reduction in outflows from returns on investments and servicing of finance of £192k, offset by a net increase in capital expenditure cash flows of £308k and a decrease on net cash in flows from operating activities of £486k. The Company ended the year with cash balances totalling £5,834k (2013: £4,598k), part of which the Company has earmarked for the upgrade of the desalination plant.

Capital expenditure

In 2014, capital expenditure totalled £2,880k, a small increase of £2k on the prior year amount of £2,878k.

The majority of the capital allocation for the year was spent on metering, £703k, and mains renewals, £902k, in line with our focus on these areas to reduce leakage and the discretionary use of water.

Investment properties

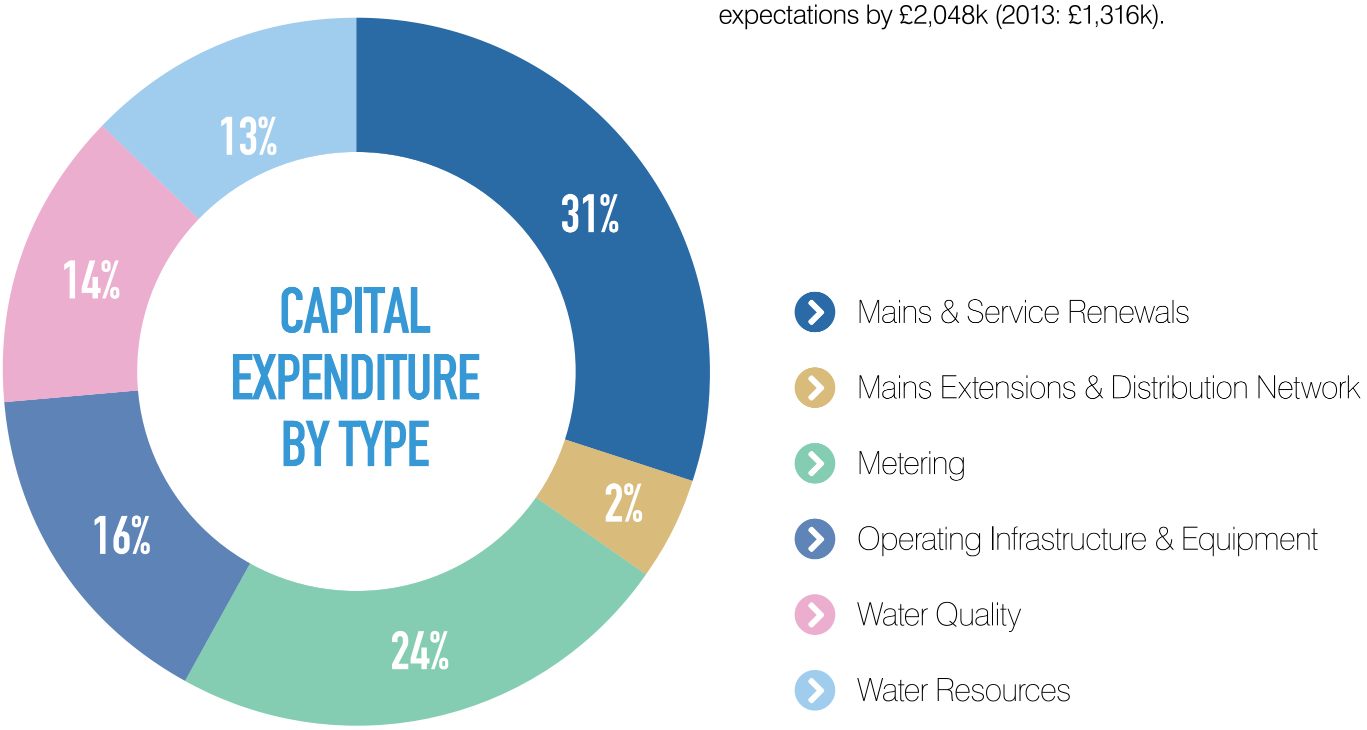
In 2014, the Company undertook an internal valuation of its investment properties. The valuation concluded that the market value of the investment property at the year-end remained unchanged at £1,070k. This compares with a decrease in value of £171k recorded in the Statement of Total Recognised Gains and Losses in 2013.

Loans and borrowing

Loans and borrowing at 31 December 2014 remained unchanged at £20,282k (2013: £20,282k). In February 2015, following the year end, £3,650k of this borrowing was refinanced for a further period of ten years. Net debt reduced to £14,448k (2013: £15,684k) as a result of an increase in cash balances of £1,236k.

Defined benefit pension scheme

As at 31 December 2014, there was a net deficit on the combined FRS17 valuations of the Company's defined benefit plans of £981k, compared with a net surplus of £227k in 2013. The decrease in value is mainly due to market driven changes in discount rate, investment return and longevity assumptions leading to an overall actuarial loss of £1,797k (2013: gain of £534k), despite investment returns exceeding expectations by £2,048k (2013: £1,316k).



STRATEGIC REPORT (CONTINUED)

CUSTOMER SERVICE

Jersey Water's Island-wide metering programme started in 2010 and the Company has installed over 16,000 meters since then (2,800 in 2014), bringing the total number of metered connections to just over 31,000, 83% of total connections. The Company is on track to achieve the 90% metered mark during 2015 in accordance with its original plan. Metering is having a favourable effect on reducing overall demand for water and is helping identify leakage, both primary aims of the metering programme. Customers are also benefitting from metering as 60% of customers are seeing their bills reduce when transferring to a meter.

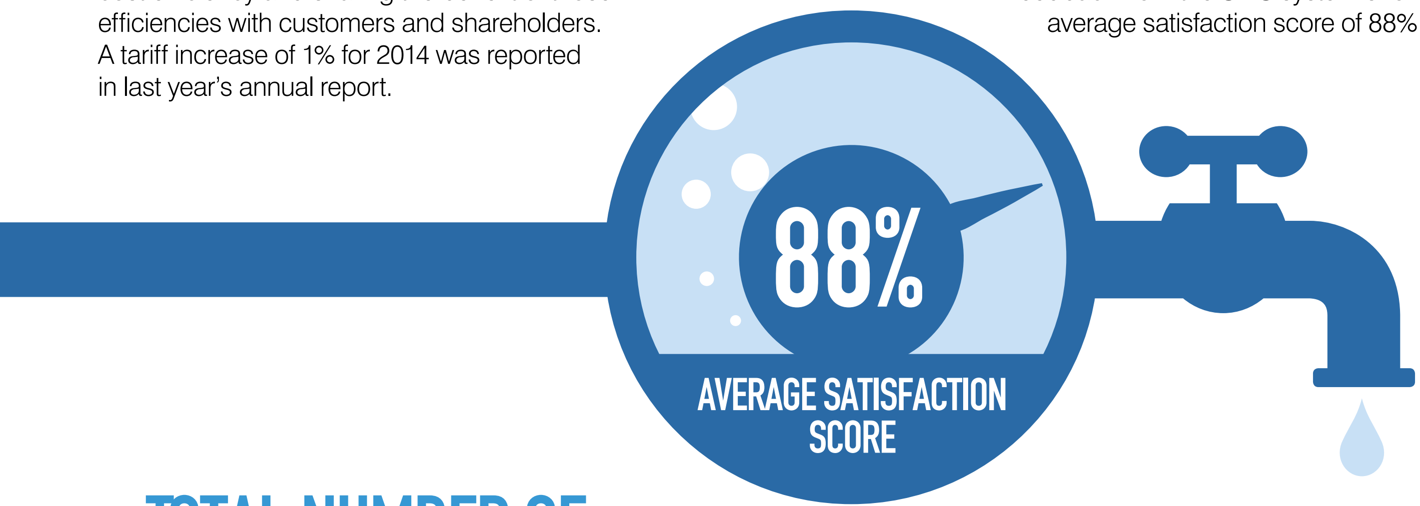
The Company installed 403 new water connections in 2014, consistent with both 2013 and the five year average.

The Company has applied a policy of keeping tariff increases at or below inflation for many years. The price of metered water over the past decade has reduced by 12% after taking inflation in to account. This is in contrast to the UK where prices in the same period have increased in real terms by 20%.The real terms reduction in the cost of water in Jersey has been made possible by the Company focussing on its cost efficiency and sharing the benefit of those efficiencies with customers and shareholders. A tariff increase of 1% for 2014 was reported in last year's annual report.

In January 2015, the Company announced an increase of 1.75%, effective from April 2015, which is the 13th year in which the tariff policy has been successfully applied.

Following on from the reorganisation of our customer billing cycle in 2013 (moving from a single quarterly billing run to a cyclical daily billing process), in 2014 the Company reorganised its payment offerings in order to increase the ease of payment of water bills. During 2014, we introduced paperless direct debit setup allowing customers to sign up for direct debit over the telephone and expanded the available direct debit payment dates from one to four optional dates per month. Two additional payment options are scheduled to go live in 2015.

During 2014, the Company revised its customer complaints processes, making it easier for customers to voice any concerns about the service they receive. In addition, we introduced an SMS text messaging feedback tool to measure customer service levels, whereby customers are sent an SMS text message after they have been in contact with us, requesting their views on the service they received. Feedback from the SMS system shows an average satisfaction score of 88%.



TOTAL NUMBER OF METER CONNECTIONS

31,000

In support of our objective of ensuring high customer service levels, during 2014 all staff undertook World Host accredited customer service training and achieved the required level for certification enabling Jersey Water to become a 'World Host' organisation.

Towards the end of 2014, the Company refurbished its call centre and customer reception area at its Mulcaster House offices. The new layout includes dedicated customer meeting rooms where customers can discuss their accounts with Jersey Water staff in private.

STRATEGIC REPORT (CONTINUED)

WATER SUPPLY

Demand for water in 2014 was 7,080Ml, a modest increase of 0.5% on the previous year but 0.7% down on the five-year average. Since the introduction of Island-wide metering five years ago, the overall consumption of water has reduced by 2.4%. This is despite the addition of 2,000 new water connections during that period and an increase in the population of at least 4,000 people.

For the third year in a row rainfall has been higher than average. In 2014, there was 1,045mm of rain compared to 947mm in 2013 and a five-year average of 826mm. The 27% increase in rainfall was concentrated in January and February and then again in the autumn months. Thankfully, the Island was treated to a drier than average summer which gave some respite from the predominantly wet remainder of the year.

Water resources in 2014 benefitted from the abundance of rain and high stream flows. We started the year with reservoirs at 94% capacity. Water in store remained in line with the five year average until May and the arrival of drier, warmer weather. The wet winter and spring meant that water resources were in a good position to cope with the summer during which one third less rain fell than normal. Reservoir levels reduced until October when they reached 58% before climbing steadily for the remainder of the year to end up at 93% full on 31 December.

As reported previously, the Company has been working on plans for the replacement of the ageing standby reverse osmosis (RO) desalination plant as it reaches the end of its operational life. In December 2014, the Company announced plans to upgrade the desalination plant, taking advantage of the latest desalination technology and taking the opportunity to increase the capacity from 6Ml/day to 10.8Ml/day. The proposed works comprise the installation of an additional pressure filter, replacement RO membranes, high pressure pumps and energy recovery equipment.

The new plant will use the latest energy recovery devices that will result in a 36% improvement in energy efficiency of the plant. The project will cost £6 million and is expected to commence in 2015 with completion in the spring of 2016. The additional capacity of the plant will mean that it will be capable of supplying up to half of the Island's average daily demand for water.

WATER QUALITY

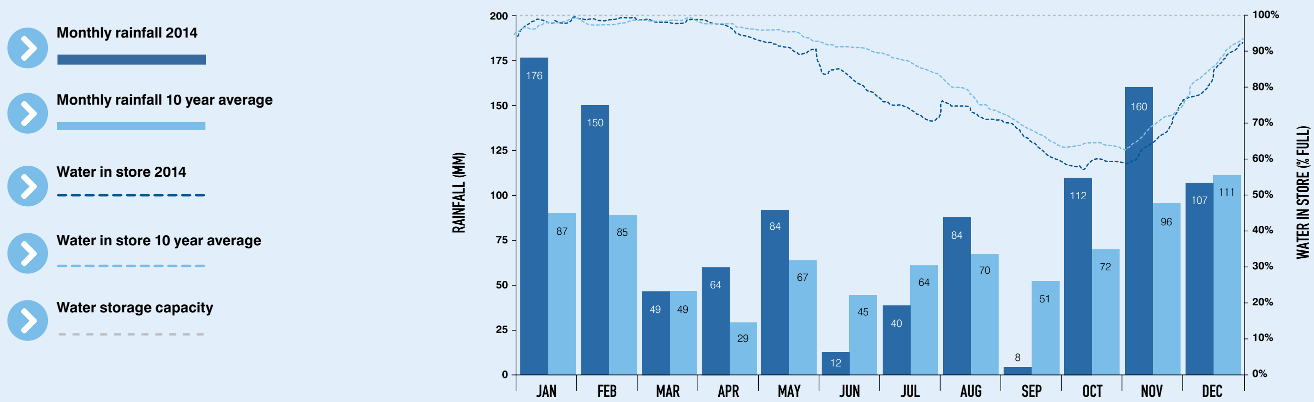
The quality of water supplied during 2014 was the highest in the Company's history. The treated water supplied during 2014 was 99.99% (2013: 99.84%) compliant with all physical, chemical and bacteriological standards under the Water (Jersey) Law 1972. Of the 12,126 analyses of treated water taken during the year, only one was outside of the regulatory quality parameter but posed no threat to health as levels were well within limits of safety.

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

Throughout 2014, nitrates in the treated water supply complied with the regulatory limit of 50mg/l. This was in contrast to 2013, when there were 22 instances where the levels increased to a maximum of 58.2mg/l. The maximum concentration of nitrates in treated water during 2014 was 46.9mg/l.

Weather patterns in late 2013 and early 2014 meant that the Company was able to manage resources to avoid any instances where concentrations of nitrates in supply exceeded the limit of 50mg/l. This is despite the levels of nitrates in streams and raw water sources exceeding the 50mg/l during this critical part of the year.

RESERVOIR LEVELS AND RAINFALL



STRATEGIC REPORT (CONTINUED)

Nitrate concentrations in raw water sources are mainly dependent on the volume and timing of the application of fertiliser during the potato growing season and of rainfall in the winter and summer months; factors over which we have no control.

Jersey Water has dispensations for nitrates under the Water (Jersey) Law 1972, which allows for a maximum concentration of 65mg/l and places additional restrictions on the number of samples exceeding the 50mg/l limit. The dispensation expires on 31 December 2016.

During 2014, the Environment Department of the States of Jersey established a Nitrate Working Group comprising representatives from Jersey Water, the Environment Department, the Public Health Department, the Jersey Farmers, Union, the Farming Community and the Royal Jersey Agricultural & Horticultural Society. The objective of the Nitrate Working Group is to identify the means by which nitrates in raw water sources can be reduced such that both the public and private water supplies have nitrates concentrations within the 50mg/l limit. The work of the group to date is promising and it is encouraging to see all stakeholders working together to resolve this Island-wide issue. The challenge remains for the recommendations of the Nitrate Working Group to be implemented and achieve the required results. It is important that the States of Jersey seize this opportunity to support the recommendations of the Group when they are published, ensure that sufficient funding is available for the objectives to be achieved and ensure the resolution of this long running issue once and for all.

During 2014, the Company changed the way it records contacts from customers regarding water quality to bring the procedure in line with that used by the Drinking Water Inspectorate in England & Wales. In time, this methodology will allow improved benchmarking against England and Wales.

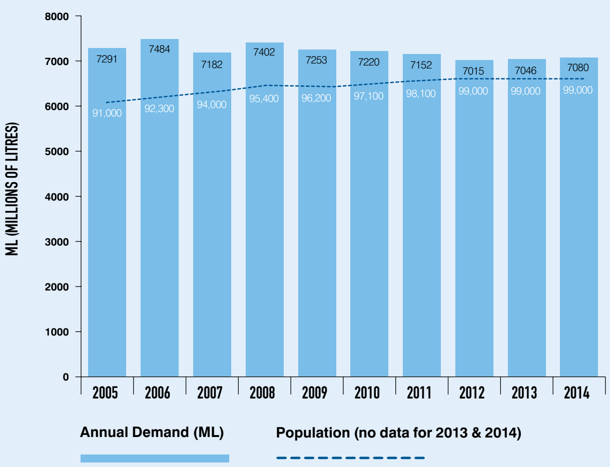
Water quality contacts during the year totalled 143 relating to concerns with the quality of the water supplied and 23 requesting information. The vast majority of quality contacts were in respect of discoloured water. Discolouration often occurs when rust sediments from unlined cast iron and galvanised water mains are disturbed as a result of planned works or bursts.
The discolouration presents no risk to health but is unsightly. One of the main benefits of the Company's mains renewal programme is the removal of pipework that causes these problems.

At the end of 2013, the regulatory limit for concentrations of lead in supply reduced from 25µg/l to 10µg/l. Lead in treated water is primarily caused by the historic use of lead pipework inside customer properties and for supply pipes. Regulatory testing of water supplied by the Company during 2014, which is measured from the stop tap, was fully compliant with the new lead limit.
To ensure the ongoing regulatory compliance and reduce the potential effects arising from lead pipework within private properties, the Company will consider and, if appropriate, implement additional treatment measures during 2015.

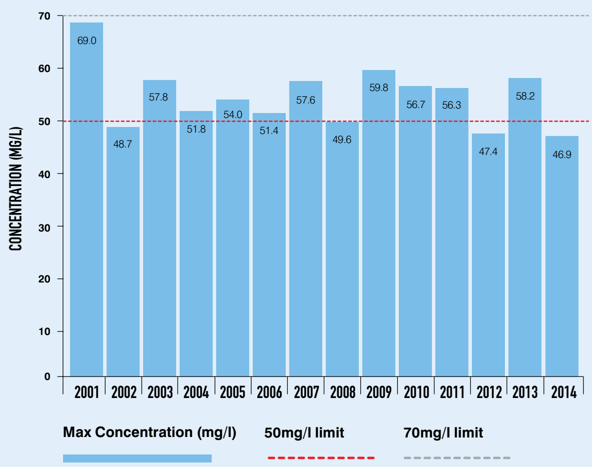
During 2014, the Company commissioned the ultraviolet (UV) treatment plant at Handois Water Treatment Works which had been installed in 2013. The UV plant acts as a primary disinfectant to protect against organisms including Cryptosporidium. Plans for a UV plant at Augrès Water Treatment Works were completed and the plant was installed early in 2015.

In 2014, Jersey Water's Water Regulations Enforcement Officer completed 515 inspections to customer premises to inspect and advise on correct plumbing installations to ensure compliance with the Water Fittings Byelaws. A total of 33 rectification notices were issued following those inspections.

DEMAND VS POPULATION



MAXIMUM NITRATE IN TREATED WATER (MG/L)



STRATEGIC REPORT (CONTINUED)

MAINS NETWORK

Our main laying works in 2014 focussed on the renewal of old unlined cast iron and galvanised iron mains, which were approaching the end of their useful life. During the year we replaced 3.5km (2013: 2.5km) of mains, together with all the associated service connections to properties.

The Company installed just over 1.6km (2013: 1.5km) of new mains supplying new housing developments, a figure consistent with the previous two years.

Leakage in 2014 was 3.013Ml/day (2013: 3.19Ml/day). The 6% reduction during 2014 is due to the ongoing beneficial effects of our metering, mains renewal and pressure management programmes. It is worth noting that since the introduction of Island-wide metering, five years ago, leakage has reduced by 40% or 2Ml/day. This significant reduction is equivalent to approximately 10% of daily demand and demonstrates the key benefits of the Company's demand management initiatives. Leakage rates on Jersey Water's network are now on a par with the lowest rates in the UK. Our objective over the next five years is to reduce leakage further to less than 2Ml/day or approximately 10% of average daily demand.

During 2015, work will begin on the zoning of St Helier and surrounding areas into District Metered Areas (DMAs). The creation of DMA's permits the measurement of water entering each discrete DMA and assists with the identification and management of leakage. At the same time, the opportunity will be taken to renew and install new isolation valves, permitting more targeted and localised shut-offs in the event of planned maintenance or bursts.

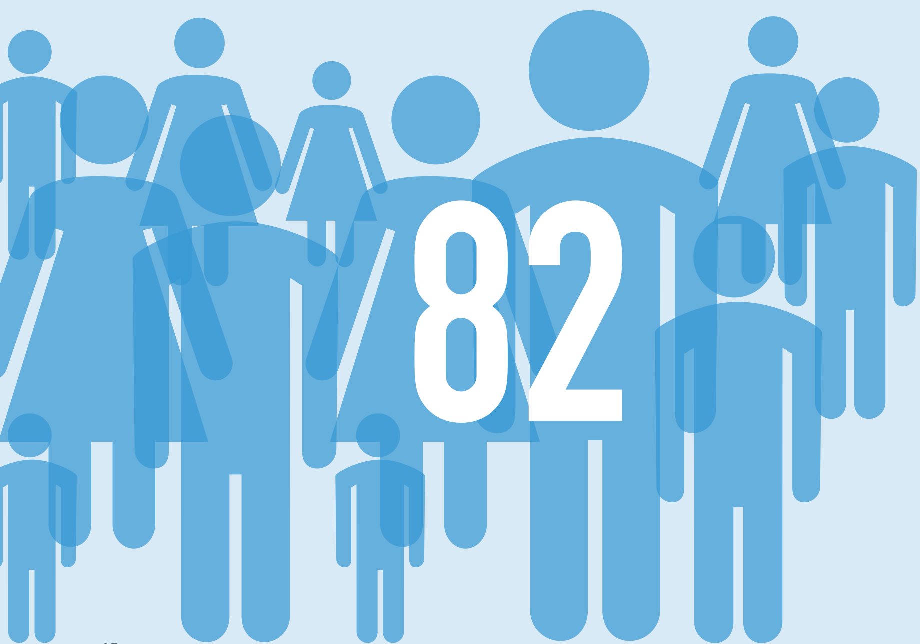
EMPLOYEES

At the end of 2014, Jersey Water employed 82 permanent staff (2013: 80) of which 3 work part time. Staff turnover remains low at 6.1% (2013: 6.3%) and our sickness absence rate in 2014 was 7% (2013: 3%).

The average length of service among Jersey Water staff is 15 years and the average age is 45. In 2014, long service awards were made to Robert Langford, a Laboratory Sampler with 40 years' service, David Mayman, our Laboratory Manager with 30 years' service and Sarah Le Sueur, our Assistant Laboratory Manager with 20 years' service.

Jersey Water actively supports staff wishing to develop new skills and we have a number of staff working towards professional qualifications. In 2014, Malcolm Berridge and Natalie Passmore achieved the Institute of Directors Diploma in Company Direction. Natalie Passmore also obtained Chartered Status with the Chartered Management Institute (CMI).

Providing a safe place for our staff and contractors to work is of the utmost importance. In 2014, the Company reviewed and updated procedures for managing the health and safety of contractors working on company sites as part of the regular review of the Company's health and safety policies and procedures. In 2014, there were no (2013: 1) time-lost accidents reported in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). We review the circumstances surrounding all accidents to determine whether changes in practices or procedures are required to help prevent their recurrence.



AT THE END OF 2014, JERSEY WATER EMPLOYED 82 PERMANENT STAFF (2013: 80) OF WHICH 3 WORK PART TIME.

STRATEGIC REPORT (CONTINUED)

ENVIRONMENT

Jersey Water encourages many local groups and associations to make use of the Company's land to pursue their chosen activities. These groups include the Jersey Freshwater Angling Association, Jersey Trees for Life, the Jersey Motorcycle and Light Car Club, the Battle of Flowers Association, the Caesarean Cycle Club and many more. Our reservoirs at Val De La Mare and Queen's Valley are very popular destinations for the public throughout the year and are maintained to a high standard by our land management team.

In 2013, the Company became a member of the States of Jersey Eco-Active scheme and we began the development of an Environmental Management System to promote sustainability in our operations. The environmental impact of the Company's offices at Westmount Road were highlighted as an area requiring attention and in 2014 we installed cavity wall insulation, replaced the central heating systems and upgraded all of the sanitary ware to improve our water efficiency.

In 2014, plans to demolish the property known as Millbrook Lodge and rebuild it on a new site to the north of Millbrook Reservoir were considered by the Planning Applications Panel. Whilst approval to demolish the building was granted, the panel sadly declined permission for Millbrook Lodge to be transferred to the new site. Accordingly, the building was demolished in 2014 and the site cleared bringing an end to the 20 year debate as to the future of the structure. Building materials from the demolition were salvaged for use by third parties in other construction projects around the Island.

COMMUNITY

Our David Norman Bursary Award is now in its sixth year and goes from strength to strength. The scheme is designed to assist local people embarking on a degree course in a subject related to the supply of water (e.g. engineering, environmental sciences, chemistry) and provides funding for one student each year towards the cost of study for the duration of their degree course. As well as the financial support, the bursary programme also includes paid work place experience.

In addition to the work experience provided for our bursary students each summer, in 2014 we supported several other schemes aimed at getting people back in to the workplace including Project Trident, Advance to Work, Workwise and Jersey Employment Trust.

Consistent with the Company's policy of developing its own staff, Jersey Water has, for the past three years sponsored the CIPD Jersey Branch awards ceremony. In 2014, the company sponsored the Award for the Best Learning and Development Strategy.

The Company has a popular and well-established scheme whereby it provides Jersey Water branded drinking water bottles and drinking water to schools and other organisations holding events in Jersey. During 2014, Jersey Water supported De La Salle College, Le Rocquier School, St Clement's Primary School, St Peter's primary school, The Great Charity Playathon (raising money for CLIC Sargent), the One World Group and the Sure Big Gig.

In 2013, the Company established a charity committee to raise funds for a nominated charity, chosen each year by the staff. In 2014, the charity we supported was Friends of Jersey Oncology (www.fojo.je), a local charity whose objective is to provide additional care, comfort and support for the Jersey Oncology Unit's patients and their families. During 2014, a wide variety of fundraising events were held and Jersey Water staff raised a total of £3,660 which was matched pound for pound by Jersey Water creating a total of £7,320 for FOJO.

For 2015, Jersey Water staff have elected to raise funds for the Donna Annand Melanoma Charity (www.damc.co). The objective of the Donna Annand Melanoma Charity is to assist in the prevention of and protection against melanoma in Jersey and promote its early detection.

The Company has a close working relationship with the National Trust for Jersey and we are very proud to have sponsored the Trust's 2015 Explore booklet which showcases the activities of the Trust and promotes their extensive calendar of events in 2015.

In 2015, the Company looks forward to sponsoring the NatWest Island Games. Jersey Water are supplying branded drinking water bottles to all of the athletes and are ensuring that drinking water will be available for competitors and officials throughout the week of the Games.

The Strategic Report was approved by the Board on 26 February 2015 and signed on its behalf by

Howard Snowden
Managing Director

CORPORATE GOVERNANCE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2012

The Company has adopted the principles of good corporate governance and best practice set out in the UK Corporate Governance Code 2012 ('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 has a schedule of regular meetings, normally between six and eight per year, with any additional meetings convened as and when required.

The Board is collectively responsible for the long term success of the Company. This is achieved by setting the overall operating strategy, approving detailed business plans and overseeing delivery of objectives by continually monitoring performance against those plans. The Board establishes the culture, standards and values of the Company. The Board oversees the management of risk, monitors financial performance and reporting and ensures that appropriate and effective succession planning and remuneration policies are in place.

Whilst maintaining oversight at regular meetings of the Board, the day to day operation of the Company has been delegated to the Executive Directors. The Board is supplied with a sufficient level of regular, detailed and timely management information to allow it to discharge its functions efficiently.

Meetings and Committee membership

During the year, the Board met seven times. Details of attendance at Board meetings are provided in the table below.

	BOARD MEETINGS
NUMBER OF MEETINGS IN 2014	**7**
Tony Cooke	7
Mary Curtis	7
Stephen Kay	7
Kevin Keen (retired 21 December 2014)	7
Stephen Marie (retired 14 May 2014)	3 of 3
Helier Smith	7
Howard Snowden	7
Peter Yates	7

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 concluded that Tony Cooke, Mary Curtis, Stephen Kay, Tim Herbert and Liz Vince shall be deemed independent.

Mr Yates, as Chairman of the Company, was considered independent on appointment and, in accordance with the Code, is not subject to the independence test thereafter.

Performance evaluation

In order to ensure that the Board continues to operate effectively, the Board, its Committees and each individual director are subject to rigorous annual performance evaluations. The process used measures the performance of the Board and its Committees against a set of predefined targets. Individual Directors are assessed 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.

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 Directors to discharge their duties to the Company.

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. The Company uses events such as the Annual General Meeting to interact with and hear the views of all shareholders.

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 corporate and operational risk registers 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 are 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 and control registers 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 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.

AUDIT COMMITTEE

The Audit Committee currently comprises Liz Vince (Chairman appointed 1 January 2015), Tony Cooke and Stephen Kay. Peter Yates was the Chairman of the Audit Committee until he was appointed Chairman of the Board on 1 January 2015. The auditors, PricewaterhouseCoopers CI LLP and the Executive Directors, Howard Snowden and Helier Smith, also attend the meetings by invitation. Attendance at Audit Committee meetings in 2014 are provided below.

	AUDIT COMMITTEE
NUMBER OF MEETINGS IN 2014	**2**
Tony Cooke	1
Stephen Kay	2
Peter Yates	2
Howard Snowden*	2
Helier Smith*	2

*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.
- To provide advice, when requested by the Board, on whether the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess performance, the business model and strategy.
- Ensure that arrangements are in place for the proportionate and independent investigation of concerns raised confidentially by whistle-blowers about possible improprieties in matters of financial reporting or any other matters.
- To review and monitor the adequacy, operation and effectiveness of the Company's internal financial and other controls and make recommendations for improvement where necessary.
- To oversee the external audit process and manage the relationship with the external auditors.
- 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.

CORPORATE GOVERNANCE (CONTINUED)

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, given the size and complexity of the Company, not cost effective.

Review of financial statements

To enable the Committee to discharge its responsibilities effectively in respect of the financial statements, a number of processes are in place.

The Committee is briefed by the Finance Director in advance of the year-end on the significant issues pertaining to the financial statements and how they will be dealt with. These issues are generally focused on the areas of subjectivity in the financial statements (income recognition, pension scheme valuation assumptions and property valuations), changes in accounting or disclosure requirements and the accounting or disclosure implications of one off events occurring in the year. Where necessary, the Committee considers evidence and independent third party advice on the key matters for consideration.

At the year end, the Committee reviews the financial statements and related announcements and considers them in the context of the significant issues identified, the suitability of any key assumptions and the extent that they have been disclosed. The whole process is completed in consultation with the auditors whose view is sought by the Committee. The Committee also consider, based on their knowledge of the business and issues arising, whether they can advise the Board that the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, the business model and strategy.

Auditor reappointment and additional services

The performance and effectiveness of the external auditors is monitored continually and formally considered by the Audit Committee before a recommendation is made to the Board regarding their reappointment. Length of service of the incumbent audit firm, effectiveness of the audit process, the independence and objectivity of the team, the depth and breadth of the audit approach, the level of fees and the quality of the service provided are all taken into account.

The Audit Committee considers the impact of the provision of any non-audit services by the external auditor on the objectivity and independence of the audit. The consideration has regard to the nature of the non-audit work, size of the fee relative to any audit, any potential involvement of the audit team in the work and the longer term effect of the non-audit services on the relationship with the audit firm, including an assessment of their continuing objectivity and independence. The fees paid to the auditors for non-audit services are detailed in note 13 of the accounts.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises Mary Curtis (Chairman appointed 15 May 2014), Tim Herbert (appointed 1 January 2015) and Peter Yates (appointed 1 January 2015). Stephen Marie and Kevin Keen were members of the Remuneration Committee until they retired as Directors on the 15 May 2014 and 31 December 2014 respectively. The Executive Directors, Howard Snowden and Helier Smith, may also attend the meeting by invitation.

No director is allowed to be party to discussions regarding, or play any role in, the determination of their own remuneration.

Details of meetings and attendance are provided below.

	REMUNERATION COMMITTEE
NUMBER OF MEETINGS IN 2014	**3**
Mary Curtis	3
Kevin Keen	3
Stephen Marie	2 of 2
Helier Smith*	3
Howard Snowden*	3

*by invitation

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. Executive directors' remuneration is designed to promote the long-term success of the Company and performance related elements are designed to be relevant and stretching, with the long-term success of the Company in mind.
- 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.
- Make recommendations to the Board on the Company's overall framework of salaried staff remuneration and costs.
- Review and make recommendations to the Board concerning the remuneration of the Chairman (subject to approval by shareholders at the Annual General Meeting).

CORPORATE GOVERNANCE (CONTINUED)

NOMINATION COMMITTEE

The Nomination Committee currently comprises Peter Yates (Chairman), Tony Cooke, Mary Curtis, Stephen Kay, Tim Herbert (appointed 1 January 2015), and Liz Vince (appointed 1 January 2015). Stephen Marie and Kevin Keen were members of the Nomination Committee until they retired as Directors on the 15 May 2014 and 31 December 2014 respectively. The Executive Directors, Howard Snowden and Helier Smith, may also attend the whole or parts of meeting by invitation. Details of meetings held and attendance in 2014 are included in the following table:

	NOMINATION COMMITTEE
NUMBER OF MEETINGS IN 2014	**3**
Tony Cooke	3
Mary Curtis	3
Stephen Kay	3
Kevin Keen (retired 31 December 2014)	3
Stephen Marie (retired 15 May 2014)	1 of 1
Peter Yates	3
Helier Smith*	3
Howard Snowden*	3

*by invitation

The Committee 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 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.

It is the policy of the Board to populate itself with Directors who have a diverse range of skills, attributes and backgrounds so that collectively, the Board is appropriately resourced to discharge its duties effectively and meet the changing needs of the business. A wide range of factors are considered in determining the appropriate composition of the Board including but not limited to technical expertise, local market knowledge and experience, independence, length of service on the Board and diversity including gender balance.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

ACTIVITIES OF THE COMPANY

The Company, which was incorporated in 1882, has adopted 'Jersey Water' as its trading name. Jersey Water is the sole supplier of treated water to the Island of Jersey.

DIVIDENDS

Ordinary and 'A' ordinary shares

The Company paid an interim dividend of 6.555 pence per share on 3 December 2014 (2013: 6.426p). The Directors are proposing a final dividend on ordinary and 'A' ordinary shares for 2014 of 13.000 pence (2013: 12.516p), bringing the total dividend for 2014 to 19.555 pence per share (2013: 18.942p).

	2014 £'000	2013 £'000
Interim dividend paid	**633**	621
Final dividend proposed	**1,256**	1,209
	£1,889	£1,830

Preference shares

In 2014, the Company paid dividends on preference shares totalling £381k (2013: £381k).

DIRECTORS

Changes in Directors

The Directors of the Company on the date the financial statements were approved are detailed on page 2. With the exception of Mr Tim Herbert and Mrs Liz Vince, all Directors were Directors of the Company throughout the year ended 31 December 2014. Mr Tim Herbert and Mrs Liz Vince were appointed to the Board on 1 January 2015 to fill casual vacancies.

In accordance with the provisions of Article 49 of the Company's Articles of Association Mr Tony Cooke, Mrs Mary Curtis and Mr Howard Snowden will retire by rotation at the forthcoming Annual General Meeting and except for Mr Howard Snowden, being eligible, offer themselves for re-election. Mr Snowden is retiring from the Board and will not be seeking re-election. Mr Tim Herbert and Mrs Liz Vince will retire and seek formal election at the forthcoming Annual General Meeting.

As described on page 20, the Board has undertaken an annual 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.

The Directors also recommend the election of Mr Tim Herbert and Mrs Liz Vince as Non-Executive Directors of the Company to fill the vacancies left by the retirement of Stephen Marie and Kevin Keen in 2014.

Advocate Tim Herbert is a former managing partner of Mourant Ozannes where he practiced Jersey law for over thirty years. He is now a consultant to that firm. He is the Chairman of the Jersey Innovation Fund and holds a number of other non-executive directorships and voluntary roles.

Liz Vince, is Finance Director and Company Secretary at Jersey Post and the former Chief Internal Auditor for the States of Jersey. She is a qualified accountant with the Chartered Institute of Public Finance & Accountancy and holds the Institute of Director's Certificate and Diploma in Company Direction.

Directors' interests

Particulars of the holdings of Directors, including family and beneficial interests, in the share capital of the Company as at 31 December 2014 are:

	ORDINARY SHARES	PREFERENCE SHARES
Mary Curtis	3,938	-
Tony Cooke	4,080	-
Stephen Kay	500	
Kevin Keen	11,238	8,257
Helier Smith	3,450	-
Howard Snowden	-	95
Peter Yates	3,938	-

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 FOR THE YEAR ENDED 31 DECEMBER 2014

SIGNIFICANT SHAREHOLDINGS

Set out below are details of the significant voting rights (3% or more) in shares of the Company as at 26 February 2015.

SHAREHOLDER	% OF TOTAL VOTING RIGHTS HELD
The States of Jersey	83.33%

The States of Jersey owns 4,620,000 (100%) 'A' Ordinary shares, 2,520,000 (50%) Ordinary shares and 900,000 (100%) 10% cumulative fifth preference shares. The 'A' Ordinary shares, whilst in their ownership, have voting rights that confer twice the number of votes than those cast in respect of all other shares.

THE QUALITY OF WATER SUPPLIED DURING 2014 WAS THE HIGHEST IN THE COMPANY'S HISTORY.

THE COMPANY INSTALLED 403 NEW WATER CONNECTIONS IN 2014.

IN 2014, WE SUPPLIED JUST OVER 7 BILLION LITRES OF MAINS WATER.

DURING THE YEAR WE REPLACED 3.5KM (2013: 2.5KM) OF MAINS.

INDEPENDENT AUDITORS

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

For and on behalf of the Board

Natalie Passmore
Company Secretary

26 February 2015

DIRECTORS' RESPONSIBILITY STATEMENT

STATEMENT OF 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 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 of accounting 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.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that, having taken all of the matters considered by the Board and brought to its attention during the year into account and to the best of our knowledge, the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholder's to assess the Company's position and performance, business model and strategy.

Approved by the board on 26 February 2015 and signed on its behalf by

Peter Yates
Chairman

"THE AVERAGE LENGTH OF SERVICE AMONG JERSEY WATER STAFF IS 15 YEARS AND THE AVERAGE AGE IS 45."

15 YEARS

THE AVERAGE LENGTH OF SERVICE AMONG JERSEY WATER STAFF

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE JERSEY NEW WATERWORKS COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Jersey New Waterworks Company Limited (the "Company") which comprise the balance sheet as of 31 December 2014, the profit and loss account, the statement of total recognised gains and losses and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors, Officers and Advisers, Board of Directors, Chairman's Statement, Strategic Report, Corporate Governance, Directors' Report, the Directors' Responsibilities Statement and the Five Year Summary.

In our opinion the information given in the Directors' Report is consistent with the financial statements.

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.

Mark James
For and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

27 February 2015

BALANCE SHEET
31 DECEMBER 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets	2		68,893		68,222
Current assets					
Stock and work in progress		476		555	
Debtors	3	3,226		3,555	
Bank and cash		5,834		4,598	
		9,536		8,708	
Creditors - Amounts falling due within one year					
Creditors and accruals	4	(1,790)		(2,062)	
Bank loans	6	(3,650)		-	
Income tax		(781)		(700)	
		(6,221)		(2,762)	
Net current assets			3,315		5,946
Total assets less current liabilities			72,208		74,168
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		(5,930)		(5,824)
Net assets excluding pension liability			49,646		48,062
Pension (liability) / asset	8		(981)		227
Net assets			£48,665		£48,289
Equity capital and reserves					
Called up equity share capital	9a		4,830		4,830
Reserves	10		43,835		43,459
Shareholders' funds	11		£48,665		£48,289

The financial statements on pages 29 to 47 were approved by the Board of Directors on 26 February 2015 and were signed on its behalf by:

Peter Yates
Chairman

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Turnover	12		**15,184**		14,916
Operating Expenditure	13		**(10,213)**		(10,116)
Operating Profit			**4,971**		4,800
Profit on disposal of fixed assets			**1**		179
Interest					
- payable	15	**(371)**		(518)	
- receivable		**20**		10	
Non-equity dividends	16	**(381)**		(381)	
Other finance income	8	**335**		228	
			(397)		(661)
Profit before taxation			**4,575**		4,318
Jersey income tax	5		**(919)**		(880)
Profit for the financial year			**£3,656**		£3,438
Earnings per ordinary share of £0.5	18		**£0.38**		£0.36

There is no material difference between the reported profit for 2014 and 2013 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 2014

	Note	2014	2013
		£'000	£'000
Profit for the financial year		3,656	3,438
(Loss) / gain arising on pension liabilities	8	(1,438)	427
Loss arising on revaluation of investment property	2	-	(171)
Total recognised gains and losses for the year		£2,218	£3,694

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014		2013	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	19		7,493		7,979
Returns on investments and servicing of finance					
Interest received		20		10	
Interest paid		(371)		(554)	
Non-equity dividends paid		(381)		(381)	
Net cash outflow from returns on investments and servicing of finance			(732)		(925)
Taxation					
Jersey income tax paid			(675)		(620)
Capital expenditure					
Purchase of fixed assets		(3,009)		(2,886)	
Disposal of fixed assets		1		186	
			(3,008)		(2,700)
Equity dividends paid			(1,842)		(1,789)
Cash inflow before the use of liquid resources			1,236		1,945
Management of liquid resources					
Term deposit			3,500		(3,500)
Increase / (decrease) in cash	20		£4,736		£(1,555)

Reconciliation of net cash flow to movement in net debt

	Note	2014	2013
		£'000	£'000
Increase / (decrease) in cash	20	4,736	(1,555)
Liquid resources movement	20	(3,500)	3,500
Movement in net debt	20	1,236	1,945
Net debt brought forward	20	(15,684)	(17,629)
Net debt carried forward	20	£(14,448)	£(15,684)

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 Strategic Review Section on pages 8 to 19 and in notes 6 and 20. The Company has 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 of accounting in preparing the financial statements.

Turnover

Turnover represents the total value of water charges net of goods and service tax (GST), 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 charges are 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 water 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 - 15 years
Motor vehicles	5 - 8 years
Mobile plant and tools	3 - 10 years
Reverse osmosis membranes	10 years

During the year the Company reviewed the useful economic lives of desalination assets in light of the planned upgrade of the plant. Accordingly the useful economic life of several assets marked for retirement has been revised with effect from 1 November 2014. The effect of this revision is an increase in the depreciation charge for the year of £26k. The remaining net book value of £141k as at 31 December 2014 will be fully depreciated to coincide with retirement on 1 October 2015.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Fixed Assets

	Property and completed works	Freehold investment property	Uncompleted works	Motor vehicles, mobile plant & equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
Brought forward	95,156	1,070	306	2,507	**99,039**
Additions	2,076	-	590	214	**2,880**
Disposals	-	-	-	(29)	**(29)**
Transfers	163	-	(177)	14	**-**
Carried forward	**£97,395**	**£1,070**	**£719**	**£2,706**	**£101,890**
Depreciation					
Brought forward	(28,902)	-	-	(1,915)	**(30,817)**
Charge for the year	(1,940)	-	-	(269)	**(2,209)**
Disposals	-	-	-	29	**29**
Carried forward	**£(30,842)**	**£ -**	**£ -**	**£(2,155)**	**£(32,997)**
Net book value					
Brought forward	**£66,254**	**£1,070**	**£306**	**£592**	**£68,222**
Carried forward	**£66,553**	**£1,070**	**£719**	**£551**	**£68,893**

Included within fixed assets is £145k (2013: £114k) relating to internal labour costs capitalised in the year.

At 31 December 2014 capital commitments contracted for amounted to £212k (2013: £37k).

Market value of freehold investment properties

The Company owns two freehold residential investment properties.

The freehold investment properties were valued in 2013 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 properties, which had a combined net book value of £1,241k, were revalued as at 31 December 2013 at £1,070k.

Based on an assessment of the condition of the properties and of market conditions as at 31 December 2014, the Company has determined that there is no indication of any material change in value of any of the investment properties since the 2013 valuation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 Debtors

	2014 £'000	2013 £'000
Trade debtors	**1,479**	1,513
Prepayments	**276**	399
Accrued income and other debtors	**1,471**	1,643
	£3,226	£3,555

4 Creditors and accruals

	2014 £'000	2013 £'000
Trade creditors	**574**	751
Other creditors	**472**	452
Contract retentions	**4**	7
Accruals and deferred income	**740**	852
	£1,790	£2,062

5 Jersey income tax

	2014 £'000	2013 £'000
Current tax		
Income tax on the profit for the year	**813**	720
Income tax on the profit for prior year	**-**	26
	813	746
Deferred tax		
Charge for the year	**106**	134
Total tax charge for the year	**£919**	£880

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:

	2014 £'000	2013 £'000
Profit before tax	**£4,575**	£4,318
Profit before tax multiplied by the standard rate of Jersey income tax of 20%	**915**	864
Tax at 20% on:		
Depreciation for the period in excess of capital allowances	**22**	(13)
Capital expenditure, deductible for tax purposes	**(200)**	(171)
Profit on sale of fixed assets	**-**	(36)
Dividends on non-equity shares - non deductible	**76**	76
Current tax charge for year	**£813**	£720

6 Bank loans

	Repayment Dates	2014 £'000	2013 £'000
Facilities drawn down			
HSBC Bank plc	2015	**3,650**	3,650
HSBC Bank plc	2021	**5,250**	5,250
HSBC Bank plc	2023	**6,000**	6,000
		£14,900	£14,900
Loans falling due within one year		**3,650**	-
Loans falling due between one and two years		**-**	3,650
Loans falling due after five years		**11,250**	11,250
		£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 programmes.

After the year end, facilities totalling £3,650k due for repayment in February 2015 were renewed for a further period of ten years and are now due for repayment in 2025.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Deferred taxation

	2014 £'000	2013 £'000
Accelerated capital allowances	**5,930**	5,824
Net liability	**£5,930**	£5,824
Brought forward	**5,824**	5,690
Amounts charged in the profit and loss account	**106**	134
At 31 December	**£5,930**	£5,824

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 2014 totalled £86k (2013: £78k).

Defined benefit section and unfunded scheme

The full FRS17 actuarial valuation as at 31 December 2014 shows a net deficit of £981k compared to a surplus of £227k at 31 December 2013.

The major assumptions used by the actuary were:

	2014	2013
Rate of increase in salaries	**3.61%**	3.80%
Rate of increase in pensions accrued after 1 January 1999	**3.36%**	3.50%
Discount rate	**3.46%**	4.46%
Expected return on plan assets	**4.40%**	6.02%
Inflation assumption	**3.61%**	3.80%
Life expectancy assumptions		
Current pensioners at 65 - Male	**88**	88
Current pensioners at 65 - Female	**91**	91
Future pensioners at 65 - Male	**91**	91
Future pensioners at 65 - Female	**94**	93

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)

	2014 £'000	2013 £'000
Reconciliation of the present value of scheme liabilities		
Opening scheme liabilities	**21,198**	19,794
Current service cost	**332**	290
Employee contributions	**82**	82
Interest cost	**948**	881
Actuarial losses	**3,845**	782
Past service costs	**-**	70
Benefits paid	**(694)**	(701)
Closing scheme liabilities	**£25,711**	£21,198
Analysis of funded and wholly unfunded scheme liabilities		
Funded scheme	**25,668**	21,118
Wholly unfunded scheme	**43**	80
Total present value of scheme liabilities	**£25,711**	£21,198
Reconciliation of the fair value of scheme assets		
Opening fair value of scheme assets	**21,482**	19,312
Expected return	**1,283**	1,109
Employer contributions	**284**	364
Employee contributions	**82**	82
Actuarial gains	**2,048**	1,316
Benefits paid	**(694)**	(701)
Closing fair value of scheme assets	**£24,485**	£21,482
Actual return on scheme assets	**£3,331**	£2,425
Analysis of amounts shown in the balance sheet		
Fair value of plan assets	**24,485**	21,482
Present value scheme liabilities	**(25,711)**	(21,198)
(Deficit) / asset	**(1,226)**	284
Related deferred tax asset / (liability)	**245**	(57)
Net (deficit) / surplus	**£(981)**	£227

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2014	2013
	£'000	£'000
Analysis of amounts recognised in the profit and loss account		
Current service cost	**(332)**	(290)
Expected return on pension plan assets	**1,283**	1,109
Interest on pension plan liabilities	**(948)**	(881)
Past service cost	**-**	(70)
Total	**£3**	£(132)

Current service costs, past service cost and curtailments are included within operating expenditure 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.

	2014	2013
	£'000	£'000
Analysis of amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**2,048**	1,316
Experience gains arising on scheme liabilities	**223**	117
Changes in assumptions underlying the present value of scheme liabilities	**(4,068)**	(899)
Actuarial (loss) / gain recognised in the statement of total recognised gains and losses	**(1,797)**	534
Current tax relief	**57**	46
Movement in deferred tax relating to net liability	**302**	(153)
(Loss) / gain recognised in the statement of total recognised gains and losses	**£(1,438)**	£427
Cumulative amounts recognised in the statement of total recognised gains and losses	**£(5,506)**	£(4,068)

Analysis of scheme assets	**2014 % of total fair value of scheme assets**	2013 % of total fair value of scheme assets
Equities	**33%**	48%
Property	**6%**	6%
Corporate bonds	**58%**	44%
Cash and receivables	**3%**	2%
	100%	100%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

History of experience gains and losses

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Present value of scheme assets	**24,485**	21,482	19,313	17,524	16,783
Present value of scheme liabilities	**(25,711)**	(21,198)	(19,794)	(17,908)	(16,298)
Gross scheme (deficit) / (surplus)	**£(1,226)**	£284	£(481)	£(384)	£485
Experience gains / (losses) on scheme liabilities					
Amount	**223**	117	63	658	90
Difference between the expected and actual return on scheme assets					
Amount	**2,048**	1,316	1,235	(455)	640

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 £272k (2013: £348k).

Following the results of the last actuarial valuation as at 1 January 2012, the contribution rate for 2012, 2013 and 2014 was set at 12.6% of Pensionable Salaries plus a fixed contribution of £50k per annum to reduce the actuarial scheme deficit.

9 Share capital

a) Equity share capital

Authorised, issued & fully paid up

	Shares of £0.5 each	**2014**	2013
	'000	**£'000**	£'000
Ordinary shares	5,040	**2,520**	2,520
'A' Ordinary shares	4,620	**2,310**	2,310
Total	9,660	**£4,830**	£4,830

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Non-equity preference share capital

		2014 £'000	2013 £'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 the holder, irrespective of the number and class of such preference shares.

10 Reserves

	Revaluation reserve £'000	Retained profit £'000	Total £'000
Brought forward	1,049	42,410	**43,459**
Profit for the financial year	-	3,656	**3,656**
Equity dividends	-	(1,842)	**(1,842)**
Loss relating to pension plan recognised in the statement of total recognised gains and losses	-	(1,438)	**(1,438)**
Carried forward	**£1,049**	**£42,786**	**£43,835**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Reconciliation of movement in equity shareholders' funds

	2014 £'000	2013 £'000
Profit for the year	3,656	3,438
Equity dividends	(1,842)	(1,789)
Retained profit for the year	1,814	1,649
(Loss) / gain arising on pension plan	(1,438)	427
Deficit on revaluation of investment properties in year	-	(171)
Opening equity shareholders' funds	48,289	46,384
Closing equity shareholders' funds	£48,665	£48,289

12 Turnover

	2014 £'000	2013 £'000
Measured water charges	12,140	10,890
Unmeasured water charges	1,639	2,686
Service charges and other charges for water	563	590
Total water supply charges	14,342	14,166
Rechargeable works income	484	320
Other income	358	430
Turnover	£15,184	£14,916

13 Operating expenditure

	2014 £'000	2013 £'000
Included in operating expenditure are the following:		
Net employment costs	3,668	3,663
Depreciation	2,209	2,210
Materials, consumables, hired in services and other costs	4,176	4,077
Directors' fees	104	109
Auditors' fees - Statutory audit	45	46
- Other services (Tax compliance)	5	5
- Other services (Pension scheme audit)	6	6
Total operating expenditure	£10,213	£10,116

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Net employment costs

	2014 £'000	2013 £'000
Wages, salaries and other payments	**3,203**	3,152
Social Security	**192**	188
Pension contributions	**418**	437
	3,813	3,777
Less amount capitalised within fixed assets	**(145)**	(114)
Net employment costs	**£3,668**	£3,663

15 Interest payable

	2014 £'000	2013 £'000
Bank loans and overdrafts	**275**	421
Interest rate swap contract	**96**	97
	£371	£518

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Non-equity dividends

	2014 Paid £'000	2014 Payable £'000	2014 Charge for the year £'000	2013 Paid £'000	2013 Payable £'000	2013 Charge for the year £'000
5% cumulative preference shares	4	-	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	£380	£1	£381	£378	£3	£381

17 Equity dividends

Ordinary and 'A' Ordinary shares	2014 Pence per share	2013 Pence per share	2014 £'000	2013 £'000
Dividends paid				
Final dividend for the previous year	12.516	12.090	1,209	1,168
Interim dividend for the current year	6.555	6.426	633	621
	19.071	18.516	£1,842	£1,789
Dividends proposed				
Final dividend for the current year	13.000	12.516	£1,256	£1,209

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.

18 Earnings per ordinary share

Earnings per ordinary share of £0.38 (2013: £0.36) is based on earnings of £3,656k (2013: £3,438k), being the profit available for distribution to equity shareholders and 9,660,000 (2013: 9,660,000) ordinary and 'A' ordinary shares of £0.5 in issue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	2014 £'000	2013 £'000
Operating profit	4,971	4,800
Depreciation	2,209	2,210
Change in order to bring pension charges onto a contribution basis	48	(4)
Decrease / (increase) in stock and work in progress	79	67
Decrease / (increase) in debtors	382	1,053
(Decrease) / increase in creditors	(196)	(147)
Net cash inflow from operating activities	£7,493	£7,979

20 Analysis of changes in net debt

	At 1 January 2014 £'000	Cash Flows £'000	Other Changes £'000	At 31 December 2014 £'000
Bank and cash	1,098	4,736	-	5,834
Term deposit	3,500	(3,500)	-	-
Debt due within one year	-	-	(3,650)	(3,650)
Debt due after one year	(20,282)	-	3,650	(16,632)
Total	£(15,684)	£1,236	£-	£(14,448)

21 Directors' emoluments

	SALARY £'000	BONUS £'000	FEE £'000	BENEFITS £'000	TOTAL EMOLUMENTS (excluding pension contributions) 2014 £'000	2013 £'000
EXECUTIVES						
Howard Snowden	145	31	-	11	187	165
Helier Smith	128	26	-	4	158	153
NON-EXECUTIVES						
Kevin Keen	-	-	25	-	25	25
Tony Cooke	-	-	18	-	18	18
Mary Curtis	-	-	18	-	18	18
Stephen Kay	-	-	18	-	18	12
Stephen Marie	-	-	7	-	7	18
Peter Yates	-	-	18	-	18	18

During the year the Company made pension contributions of £15k in respect of Mr Snowden and £13k in respect of Mr Smith. Benefits for Mr Snowden consist of full expenses for the use of a motor car, private health care, prolonged disability and death in service insurance. Benefits for Mr Smith consist of motor fuel, private health care, prolonged disability and death in service insurance.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 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 FROM JERSEY WATER	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
The States of Jersey	**1,224**	1,166	**46**	39	**173**	112	**1**	31
Andium Homes Limited*	**1,124**	1,030	**-**	-	**296**	251	**-**	-
Jersey Electricity Plc	**113**	179	**886**	852	**10**	0	**88**	84
JT Group Limited	**23**	27	**67**	46	**2**	2	**5**	4
Jersey Post International Limited	**5**	7	**98**	30	**-**	0	**2**	5

*Formerly the States of Jersey Housing Department

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. Andium Homes Limited, JT Group Limited and Jersey Post International Limited are all 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 2014 was £29k (2013: £25k) (included in the above table), increases every five years in line with the movement on the Jersey Retail Price Index.

23 Ultimate controlling party

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

FIVE YEAR SUMMARY

	Units	2014	2013	2012	2011	2010
Balance sheet						
Equity shareholders' funds	£'000	**48,665**	48,289	46,384	44,756	42,957
Net debt	£'000	**14,448**	15,684	17,629	18,885	18,630
Profit and loss account						
Turnover	£'000	**15,184**	14,916	14,609	14,811	14,652
Operating profit (before exceptional items)	£'000	**4,971**	4,800	4,760	4,858	5,058
Profit before tax	£'000	**4,575**	4,318	4,486	4,961	4,151
Profit for the financial year	£'000	**3,656**	3,438	3,697	4,581	3,321
Equity dividends paid[1]	£'000	**1,842**	1,789	1,744	1,671	1,594
Financial statistics & ratios						
Capital expenditure	£'000	**2,880**	2,878	2,905	5,574	3,460
Net cash inflow / (outflow)	£'000	**4,736**	(1,555)	1,257	(252)	(1,139)
Earnings per share[2]	£	**0.38**	0.36	0.38	0.47	0.34
Dividend cover[1]	Times	**2.0**	1.9	2.1	2.7	2.1
Interest cover	Times	**6.6**	5.6	5.7	6.2	5.0
Gearing[3]	%	**42**	42	44	45	47
Operational statistics						
Total water supplied	Ml	**7,080**	7,047	7,015	7,152	7,220
Maximum daily demand	Ml	**24.0**	24.8	23.4	24.7	25.8
Annual rainfall	mm	**1,045**	939	1,089	773	982
New mains laid	km	**1.6**	1.5	1.5	2.0	1.7
Mains re-laid / relined	km	**3.5**	2.5	2.1	4.0	2.7
New connections	No	**403**	406	349	492	337
Live unmeasured supplies	'000	**6**	10	13	18	21
Live metered connections	'000	**31**	28	24	20	16.2
Employees	No	**82**	80	79	83	84
Water quality						
% Compliance with water quality parameters		**99.99%**	99.84%	99.99%	99.81%	99.86%

[1] *Equity dividends and the calculation of dividend cover exclude the special dividend paid in 2010*

[2] *Comparatives have been restated to reflect the bonus dividend and share subdivision in 2011*

[3] *Gearing = Debt (including preference share capital) / equity shareholders' funds*

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Jersey Water is the trading name of The Jersey New Waterworks Company Limited.