This preliminary announcement sets out a summary of the performance and financial position of The Jersey New Waterworks Company Limited for the year ended 31 December 2011. The information in this announcement does not constitute the financial statements of the Company but is derived from the full financial statements of the Company for the years ended 31 December 2011 and 2010.

Financial statements of the Company for the year ended 31 December 2010 have been delivered to the Jersey Registrar of Companies. The financial statements of the Company for the year ended 31 December 2011 were approved by the Board of Directors on 28 February 2012 and will be delivered to the Jersey Registrar of Companies in March 2012.

The audit reports of the financial statements of the Company for both years ended 31 December 2011 and 31 December 2010 have been signed and were unqualified.

This preliminary announcement was approved by the Board of Directors on 28 February 2012.

Introduction from the Chairman

I am pleased to introduce Jersey Water's first preliminary announcement. In order to ensure that shareholders are informed of the financial results of the Company at the earliest opportunity, the Company is making a preliminary announcement in advance of the publication in March of the Company's full financial statements for the year ended 31 December 2011. Similar preliminary announcements will become a feature of the Company's annual reporting cycle.

Kevin Keen, Chairman

- Turnover

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

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

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

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

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

- Operating expenditure

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

- Operating profit

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

- Profit on disposal of fixed assets

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

- Net finance costs

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

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

- Income tax

  The income tax charge for 2011 was £380,000 (2010:£830,000). The positive variance of £450,000 arises as a result of reductions in both the income tax charge for the year of £325,000 and a reduction in the deferred tax charge of £125,000. The income tax charge for

2011 is lower than that for 2010 primarily as a result of higher levels of expenditure deductible for tax purposes.

- Equity dividends

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

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

- Cash flow

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

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

- Capital expenditure

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

- Loans and borrowing

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

- Defined benefit pension scheme

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

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

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

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

- Capital Reorganisation

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

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

Summary Profit and Loss account

For the year ended 31 December 2011

	2011	2010
	£'000	£'000
Turnover	14,811	14,652
Operating expenditure	(9,953)	(9,594)
Operating profit	4,858	5,058
Profit on disposal of fixed assets	918	93
Net finance charges	(815)	(1,000)
Profit before taxation	4,961	4,151
Jersey income tax	(380)	(830)
Profit for the financial year	£4,581	£3,321
Earnings per ordinary share of £0.5	£0.47	£0.34[1]

Statement of total recognised gains & losses

For the year ended 31 December 2011

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

[1] Restated to reflect the revised number of shares in issue arising from the capital reorganisation.

Summary balance sheet

31 December 2011

	Note	2011		2010	
		£'000	£'000	£'000	£'000
Fixed assets			67,281		64,085
Current assets		6,684		7,052	
Creditors – Amounts falling due within one year		(3,061)		(8,180)	
Net current assets / (liabilities)			3,623		(1,128)
Total assets less current liabilities			70,904		62,957
Creditors – Amounts falling due after more than one year					
Bank loans		(14,900)		(9,650)	
Non-equity preference shares		(5,382)		(5,382)	
			(20,282)		(15,032)
Provisions for liabilities and charges					
Deferred taxation			(5,559)		(5,356)
Net assets excluding pension liability			45,063		42,569
Pension (liability) / asset			(307)		388
Net assets			£44,756		£42,957
Equity capital and reserves					
Equity share capital			4,830		483
Capital redemption reserve			-		124
			4,830		607
Share premium account			-		678
Reserves			39,926		41,672
Shareholders' funds			£44,756		£42,957

Summary cash flow statement

For the year ended 31 December 2011

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

Reconciliation of net cash flow to movement in net debt

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

Reconciliation of operating profit to net cash flow from operating activities

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

Notes

1. Basis of accounting

The full financial statements of the Company, upon which the disclosure in this preliminary announcement is derived, are prepared under the historical cost convention as modified for the revaluation of investment properties and in accordance with United Kingdom accounting standards.

2. Going concern

The Company has considerable financial resources, a wide and varied customer base within Jersey, steady demand for its products and services and a stable and well established treatment and distribution network. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore selected the going concern basis in preparing the full financial statements from which disclosure in this preliminary announcement has been extracted.

3. Reconciliation of movement in equity shareholder's funds

	Equity share capital £'000	Share premium account £'000	Capital Redemption Reserve £'000	Revaluation reserve £'000	Retained profit £'000	Total £'000
Brought forward	483	678	124	1,314	40,358	42,957
Bonus issue on Ordinary and 'A' Ordinary shares	4,347	(678)	(124)	-	(3,545)	-
Profit for the financial year	-	-	-	-	4,581	4,581
Equity dividends	-	-	-	-	(1,671)	(1,671)
(Loss)/ gain relating to pension plan recognised in the statement of total recognised gains and losses	-	-	-	-	(1,111)	(1,111)
Carried forward	£4,830	£ -	£ -	£1,314	£38,612	£44,756