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 2012. 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 2012 and 2011.

Financial statements of the Company for the year ended 31 December 2011 have been delivered to the Jersey Registrar of Companies. The financial statements of the Company for the year ended 31 December 2012 were approved by the Board of Directors on 27 February 2013 and will be delivered to the Jersey Registrar of Companies in April 2013.

The audit reports of the financial statements of the Company for both years ended 31 December 2012 and 31 December 2011 have been signed and were unqualified.

This preliminary announcement was approved by the Board of Directors on 27 February 2013.

Introduction from the Chairman

The 130th year of trading for the Company was an eventful one. Having begun 2012 deeply concerned about the lack of rainfall over the winter, Jersey ended up being 'treated' to one of the wettest years on record. Although the financial impact of this unusual weather and the increased number of meters in service was a slight reduction in operating profits. It is now very clear that Jersey's rainfall is becoming even more unpredictable and given our limited storage facilities even more precious. It confirms the wisdom of the Board's strategy of managing water resources prudently. The principal element of this strategy is the roll out of metering across the island which encourages consumers to conserve water and greatly assists our leakage reduction efforts. In 2012 we installed 3,700 meters which means around 65% of connections are now metered and we are still on target to complete this major project in 2015. In all other respects 2012 was a very good year, quality was excellent, leakage was further reduced, our tariff increases were kept below inflation for the 10th year in succession, we achieved silver standard for Investors in People and finally we were delighted to commemorate our 130th anniversary through the distribution of £130,000 to twenty Island charities.

Kevin Keen, Chairman

Financial Summary

- Turnover

  The Company generated a turnover for the year of £14,609,000 (2011: £14,811,000). The decrease of £202,000 or 1.4% on the prior year arose primarily due to a reduction of £132,000 in water related turnover and of £113,000 in rechargeable works income. Other income increased by £43,000.

  Water related turnover reduced by 1%, from £13,973,000 in 2011 to £13,841,000 in the year. This was in spite of a tariff increase of 2.5% in April 2012. The transition to metering has increased the variability of income and its dependence on the weather. The impact of metering on consumption and the significant rainfall experienced in 2012, particularly during the spring and summer months, meant that overall demand for water was 1.9% lower than the prior year.

  Metered water income increased by £946,000 to £9,497,000 (2011: £8,551,000). The increase of over 11% was after taking account of the reduction in overall demand for the year described above and was due to the combined effects of the 2.5% tariff increase in April, the addition of 349 new connections in the year and installation of over 3,700 meters on previously unmeasured supplies.

  Unmeasured water income reduced by £1,079,000; from £4,853,000 to £3,774,000 as a result of the transition to metering. The Island wide metering programme means that unmeasured income will reduce to below an estimated 10% of turnover by the end of 2015. Unmeasured charges now represent 27.3% of water related turnover.

  Rechargeable works income has decreased by £113,000 (24%) to £356,000 (2011: £469,000). The reduction in the year arises from the reduced demand for new water connections following the downturn in the construction sector in Jersey. In 2012, the company made 349 connections to the network, compared with 492 in the prior year.

- Operating expenditure

  Operating costs for the year fell by 1% to £9,849,000 (2011: £9,953,000). Non recurring expenditure in 2011 relating, in part, to the operation of the desalination plant meant a reduction in expenditure in 2012 of £340,000. Fewer new water connection installations in 2012, discussed above resulted in saving in the year of £83,000.

  The savings were offset by the planned increase of £224,000 in depreciation charges for the year corresponding to metering, mains renewals, the 2011 lining of Val de la Mare dam and other elements of the capital programme. In addition, one off costs totalling £107,000 relating to staff changes were incurred during the year.

  Aside from the changes referred to above total, underlying operating costs remained broadly in line with the prior year. Increases in power costs were offset by reductions in expenditure on contractors, advisory services, materials and staff costs.

- Operating profit before exceptional items

  Jersey Water generated an operating profit before exceptional items of £4,760,000, this was £98,000 (2%) lower than 2011. The reduction was due to the lower turnover in the year countered by reduced operating costs. Operating margins remained broadly in line with the previous year at 32.6% (2011: 32.8%).

- Profit on disposal of fixed assets

  During the year the Company disposed of 3 freehold properties and other assets generating profits on sale of £598,000 (2011: £918,000) and proceeds of £714,000 (2011: £1,275,000).

- Net finance costs

  Net finance costs for the year totalled £742,000, a reduction of £73,000 on the prior year. A reduction of £19,000 in net interest payable was coupled with an increase of £54,000 in net finance income arising from the FRS 17 valuation of the defined benefit pension scheme.

- Profit before taxation

  The Company generated a profit before tax of £4,486,000, a reduction of £475,000 or 9.6% on the prior year. The bulk of the reduction is attributable to reduced profit on the sale of fixed assets (£320,000) and the charitable contribution of £130,000 associated with the Company's 130th Anniversary Fund.

- Income tax

  The charge for tax for 2012 totals £789,000 compared with £380,000 in 2011. The increase of £409,000 is primarily due to higher levels of capital expenditure deductible for tax purposes in the prior year.

- Equity dividends

  The Directors are proposing a final dividend for 2012 of 12.09 pence per share on the Ordinary and 'A' Ordinary shares. Dividends paid and proposed in respect of 2012 total 18.39 pence per share, an increase of 3% on 2011.

	2012 £'000	2011 £'000
Dividends declared and paid		
Final dividend for the previous year	1,135	1,082
Interim dividend for the current year	609	589
	£1,744	£1,671
Dividends proposed		
Final dividend for the current year	£1,168	£1,135

Financial Position

- Cash flow

  Cash balances at the end of 2012 were £2,653,000 (2011: £1,397,000). There was an increase in cash in the year of £1,256,000 in contrast to a decrease of £255,000 in 2011. The change in cash flows was due to a combination of the reduction in cash outflows associated with the higher level of capital expenditure in the previous year, reduced net operating cash flows (from changes in working capital balances) and lower proceeds on sale of fixed assets.

- Capital expenditure

  Capital expenditure during the year totalled £2,905,000 (2011: £5,574,000), the difference being mainly due to the expenditure in 2011 on the lining of the dam at Val de La Mare.

- Investment properties

  In 2012, the Company undertook an internal valuation of its investment properties reflecting the changes in the Jersey residential property market since the external valuation was completed in December 2010. The internal valuation valued the two properties at £1,241,000, a reduction of £94,000 on the previous valuation.

- Loans and borrowing

  Loans and borrowing at 31 December 2012 remained unchanged at £20,282,000 (2011: £20,282,000). An increase in cash at bank from £1,397,000 to £2,653,000 meant that net debt reduced to £17,629,000 (2011: £18,885,000).

- Defined benefit pension scheme

  The FRS17 valuation of the defined benefit pension scheme as at the year end indicated a net deficit of £385,000 (2011: £307,000). Higher than expected returns on scheme investments resulted in a positive actuarial variance of £1,235,000. However, changes in the assumptions used in the valuation resulted in an increase in present value of scheme liabilities of £1,523,000.

Summary Profit and Loss account

For the year ended 31 December 2012

	2012	2011
	£'000	£'000
Turnover	14,609	14,811
Operating expenditure	(9,849)	(9,953)
Operating profit before exceptional items	4,760	4,858
Charitable contributions	(130)	-
Operating Profit after exceptional items	4,630	4,858
Profit on disposal of fixed assets	598	918
Net finance charges	(742)	(815)
Profit before taxation	4,486	4,961
Jersey income tax	(789)	(380)
Profit for the financial year	£3,697	£4,581
Earnings per ordinary share of £0.5	£0.38	£0.47

Statement of total recognised gains & losses

For the year ended 31 December 2012

	2012	2011
	£'000	£'000
Profit for the year	3,697	4,581
Loss arising on pension liabilities	(231)	(1,111)
Loss arising on revaluation of investment property	(94)	-
Total recognised gains and losses for the year	£3,372	£3,470

Summary balance sheet

31 December 2012

	Note	2012		2011	
		£'000	£'000	£'000	£'000
Fixed assets			67,732		67,281
Current assets		7,865		6,684	
Creditors – Amounts falling due within one year		(8,856)		(3,061)	
Net current (liabilities) / assets			(991)		3,623
Total assets less current liabilities			66,741		70,904
Creditors – Amounts falling due after more than one year					
Bank loans		(8,900)		(14,900)	
Non-equity preference shares		(5,382)		(5,382)	
			(14,282)		(20,282)
Provisions for liabilities and charges					
Deferred taxation			(5,690)		(5,559)
Net assets excluding pension liability			46,769		45,063
Pension (liability) / asset			(385)		(307)
Net assets			£46,384		£44,756
Equity capital and reserves					
Equity share capital			4,830		4,830
Reserves			41,554		39,926
Shareholders' funds	3		£46,384		£44,756

Summary cash flow statement

For the year ended 31 December 2012

	2012		2011	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		6,286		6,762
Returns on investments and servicing of finance				
Interest received	6		9	
Interest paid	(536)		(593)	
Non-equity dividends paid	(381)		(381)	
Net cash outflow from returns on investments and servicing of finance		(911)		(965)
Taxation				
Jersey income tax paid		(73)		(180)
Capital expenditure				
Purchase of fixed assets	(3,015)		(5,473)	
Disposal of fixed assets	714		1,275	
		(2,301)		(4,198)
Equity dividends paid		(1,744)		(1,671)
Increase / (decrease) in cash		£ 1,257		£ (252)

Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase / (decrease) in cash	1,257	(252)
Foreign exchange currency movement	(1)	(3)
Movement in net debt	1,256	(255)
Net debt brought forward	(18,885)	(18,630)
Net debt carried forward	£(17,629)	£(18,885)

Reconciliation of operating profit to net cash flow from operating activities

	2012 £'000	2011 £'000
Operating profit after exceptional items	4,630	4,858
Depreciation	2,245	2,021
Change in order to bring pension charges onto a contribution basis	(19)	(402)
(Increase) / decrease in stock and work in progress	(1)	76
(Increase) / decrease in debtors	(2)	140
(Decrease) / increase in creditors	(567)	69
Net cash inflow from operating activities	£6,286	£6,762

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 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	Revaluation reserve £'000	Retained profit £'000	Total £'000
Brought forward	4,830	1,314	38,612	44,756
Profit for the financial year	-	-	3,697	3,697
Equity dividends	-	-	(1,744)	(1,744)
Deficit on revaluation of investment properties in year	-	(94)	-	(94)
Loss relating to pension plan recognised in the statement of total recognised gains and losses	-	-	(231)	(231)
Carried forward	£4,830	£1,220	£40,334	£46,384