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 2013. 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 2013 and 2012.

Financial statements of the Company for the year ended 31 December 2012 have been delivered to the Jersey Registrar of Companies. The financial statements of the Company for the year ended 31 December 2013 were approved by the Board of Directors on 28 February 2014 and will be delivered to the Jersey Registrar of Companies in April 2014.

The audit reports of the financial statements of the Company for both years ended 31 December 2013 and 31 December 2012 have been signed and were unqualified.

This preliminary announcement was approved by the Board of Directors on 28 February 2014.

Introduction from the Chairman

The heavy rainfall in 2013 meant that the year was nearly a rerun of 2012, which was one of the wettest on record. Thankfully, the sun made an appearance over the summer which meant that there was a small increase in the demand for water in the year.

Rainfall aside, 2013 could be considered one of steady progress for the Company. We met substantially all of the objectives we set ourselves in 2013, both in terms of financial and operational performance and the delivery of capital expenditure.

Our financial performance shows modest increases in turnover and operating costs leading to a 0.8% increase in operating profit.

Water resources during the year were healthy and we produced water that was of a high quality. Due to rainfall patterns, nitrate levels were elevated during the first five months but remained well within dispensations granted by the States of Jersey and within limits which present no known risk to customers' health.

In 2013, the Company fitted 3,700 meters, increasing the proportion of metered connections to 74%. Our leakage management initiatives delivered a 5% reduction in leakage during the year and we renewed 2.5km of water main.

Looking to the future, the Company has a busy capital expenditure programme for 2014 and beyond that continues to focus on the roll out of metering, renewal of the mains network and enhancements to water quality. In addition, we continue to work on both demand management measures including metering, water efficiency and leakage control and water resources measures such as updating our desalination plant. Despite the rainfall over the past two years, the Company continues to make plans on the basis that water is increasingly becoming a scarce resource.

Kevin Keen, Chairman

Financial Summary

- Turnover

  Jersey Water's turnover in 2013 increased by 2.1% to £14,916,000 (2012: £14,609,000). Income from the sale of water was £14,166,000 compared to £13,841,000 in 2012.

  Metered income in 2013 was £10,890,000 (2012: £9,497,000), an increase of 15% on 2012. The change in metered income is attributable to an increase in overall demand for water of 0.4%, the addition of 3,700 metered properties, 406 new connections and a 2% tariff increase. Metered water sales accounted for 77% of water related turnover compared to 69% in 2012.

  Unmeasured water income totalled £2,686,000, compared to £3,774,000 in 2012. The reduction of £1,088,000 corresponds with the transfer of customers to metered billing. Unmeasured charges now account for just 19% of water related turnover (2012: 27%).

  Turnover in relation to rechargeable works was £320,000 (2012: £356,000). The modest reduction of £36,000 in the year was despite a 16% increase in the number of new connections to the network in the year. Rechargeable works relate mainly to the installation of new water connections. Each job is individually priced and the nature of the specific works undertaken during 2013 meant a lower average price than in 2012.

- Operating expenditure

  There was an increase of 2.7% in operating expenditure in 2013. Operating costs were £10,116,000 compared to £9,849,000 in 2012. The increase was principally attributable to electricity charges, advisory fees and planned increases in staff costs.

- Operating profit before exceptional items

  Operating profit for 2013 was £4,800,000 (2012: £4,760,000), 0.8% higher than the previous year.

- Profit on disposal of fixed assets

  In 2013, the company generated a profit on the sale of fixed assets of £179,000 (2012: £598,000) most of which was attributable to proceeds from the disposal of two small areas of land.

- Net finance costs

  There was an 11% reduction in net finance costs in 2013. The charge reduced by £81,000 to £661,000 as a result of the combined effects of lower interest payable on debt and an increase in the net finance income arising from the Company's pension scheme.

- Profit before taxation

In 2013, Jersey Water's profit before tax was £4,318,000 compared to £4,486,000 in 2012. The reduction of 3.7% was principally due to lower profits on the sale of fixed assets offset by lower exceptional items (relating to the 130th Anniversary celebrations in 2012), lower net finance costs and better underlying operating performance.

- Income tax

The charge for tax for 2013 totals £880,000 compared with £789,000 in 2012. The increase of £91,000 comprises an increase in the deferred tax charge of £3,000, additional provisions of £26,000 in respect of 2012 and an increase in the current year's income tax charge of £62,000, which was primarily due to the improved financial performance in the year.

- Equity dividends

The Directors are recommending a final dividend on the Ordinary and 'A' Ordinary shares of 12.516 pence per share (2012: 12.09 pence). This brings the total paid and proposed dividend for 2013 to 18.942 pence per share, an increase of 3% on the previous year's dividend of 18.39 pence.

	2013 £'000	2012 £'000
Dividends declared and paid		
Previous year - Final dividend	1,168	1,135
Current year - Interim Dividend	621	609
	£1,789	£1,744
Dividends proposed		
Current year - Final dividend	£1,209	£1,168

- Cash flow

There was a net cash outflow during the year of £1,555,000, in contrast to the inflow of £1,257,000 in 2012. The main reasons for the variance being a favourable increase in operating cash flows of £1,693,000 countered by the net increase in capital expenditure cash flows of £399,000 and the placement of £3,500,000 on fixed term deposit in 2013. The Company ended the year with cash balances totalling £4,598,000 (2012: £2,653,000), a sum which the Company has earmarked for capital expenditure currently in the planning stage.

- Capital expenditure

In 2013, capital expenditure totalled £2,878,000, a small reduction of £27,000 on the prior year amount of £2,905,000.

The majority of the capital allocation for the year was spent on metering, £994,000, and mains renewals, £882,000, in line with our focus on these areas to reduce leakage and the discretionary use of water.

- Investment properties

Against a backdrop of falling prices in the Jersey residential property market, we undertook a formal valuation of our investment properties as at 31 December 2013. The valuation concluded that the market value of the investment property at the year-end was £1,070,000, a reduction of £171,000 on the previous year which has been recognised in the Statement of Total Recognised Gains and losses.

- Loans and borrowing

During the year, we renewed loans totalling £6,000,000 with HSBC Plc for a term of ten years. Accordingly, total debt at 31 December 2013 was consistent with the previous year at £20,282,000 (2012: £20,282,000). Net debt reduced to £15,684,000 (2012: £17,629,000) as a result of an increase in cash balances of £1,945,000.

- Defined benefit pension scheme

As at 31 December 2013, there was a net surplus on the combined FRS17 valuations of the Company's defined benefit plans of £227,000, compared with a net deficit of £385,000 in 2012. The improvement in 2013 is mainly due to strong investment performance in the year, partially offset by market driven changes in inflation rate assumptions leading to an overall actuarial pre-tax gain of £534,000 (2012: loss of £288,000).

Summary Profit and Loss account
For the year ended 31 December 2013

	2013	2012
	£'000	£'000
Turnover	14,916	14,609
Operating expenditure	(10,116)	(9,849)
Operating profit before exceptional items	4,800	4,760
Charitable contributions	-	(130)
Operating Profit after exceptional items	4,800	4,630
Profit on disposal of fixed assets	179	598
Net finance charges	(661)	(742)
Profit before taxation	4,318	4,486
Jersey income tax	(880)	(789)
Profit for the financial year	£3,438	£3,697
Earnings per ordinary share of £0.5	£0.36	£0.38

Statement of total recognised gains & losses
For the year ended 31 December 2013

	2013	2012
	£'000	£'000
Profit for the year	3,438	3,697
Gain / (Loss) arising on pension liabilities	427	(231)
Loss arising on revaluation of investment property	(171)	(94)
Total recognised gains and losses for the year	£3,694	£3,372

Summary balance sheet

31 December 2013

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets			68,222		67,732
Current assets		8,708		7,865	
Creditors – Amounts falling due within one year		(2,762)		(8,856)	
Net current assets / (liabilities)			5,946		(991)
Total assets less current liabilities			74,168		66,741
Creditors – Amounts falling due after more than one year					
Bank loans		(14,900)		(8,900)	
Non-equity preference shares		(5,382)		(5,382)	
			(20,282)		(14,282)
Provisions for liabilities and charges					
Deferred taxation			(5,824)		(5,690)
Net assets excluding pension liability			48,062		46,769
Pension asset / (liability)			227		(385)
Net assets			£48,289		£46,384
Equity capital and reserves					
Equity share capital			4,830		4,830
Reserves			43,459		41,554
Shareholders' funds	3		£48,289		£46,384

Summary cash flow statement

For the year ended 31 December 2013

	2013		2012	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities		7,979		6,286
Returns on investments and servicing of finance				
Interest received	10		6	
Interest paid	(554)		(536)	
Non-equity dividends paid	(381)		(381)	
Net cash outflow from returns on investments and servicing of finance		(925)		(911)
Taxation				
Jersey income tax paid		(620)		(73)
Capital expenditure				
Purchase of fixed assets	(2,886)		(3,015)	
Disposal of fixed assets	186		714	
		(2,700)		(2,301)
Equity dividends paid		(1,789)		(1,744)
Cash inflow before the use of liquid resources		1,945		1,257
Management of liquid resources				
Fixed term deposit		(3,500)		-
(Decrease) / Increase in cash		£(1,555)		£1,257

Reconciliation of net cash flow to movement in net debt

	2013	2012
	£'000	£'000
(Decrease) / increase in cash	(1,555)	1,257
Liquid resources movement	3,500	-
Foreign exchange currency movement	-	(1)
Movement in net debt	1,945	1,256
Net debt brought forward	(17,629)	(18,885)
Net debt carried forward	£(15,684)	£(17,629)

Reconciliation of operating profit to net cash flow from operating activities

	2013	2012
	£'000	£'000
Operating profit after exceptional items	4,800	4,630
Depreciation	2,210	2,245
Change in order to bring pension charges onto a contribution basis	(4)	(19)
Decrease / (increase) in stock and work in progress	67	(1)
Decrease / (increase) in debtors	1,053	(2)
(Decrease) / increase in creditors	(147)	(567)
Net cash inflow from operating activities	£7,979	£6,286

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	1,220	40,334	46,384
Profit for the financial year	-	-	3,438	3,438
Equity dividends	-	-	(1,789)	(1,788)
Deficit on revaluation of investment properties in year	-	(171)	-	(171)
Gain relating to pension plan recognised in the statement of total recognised gains and losses	-	-	427	427
Carried forward	£4,830	£1,049	£42,410	£48,289