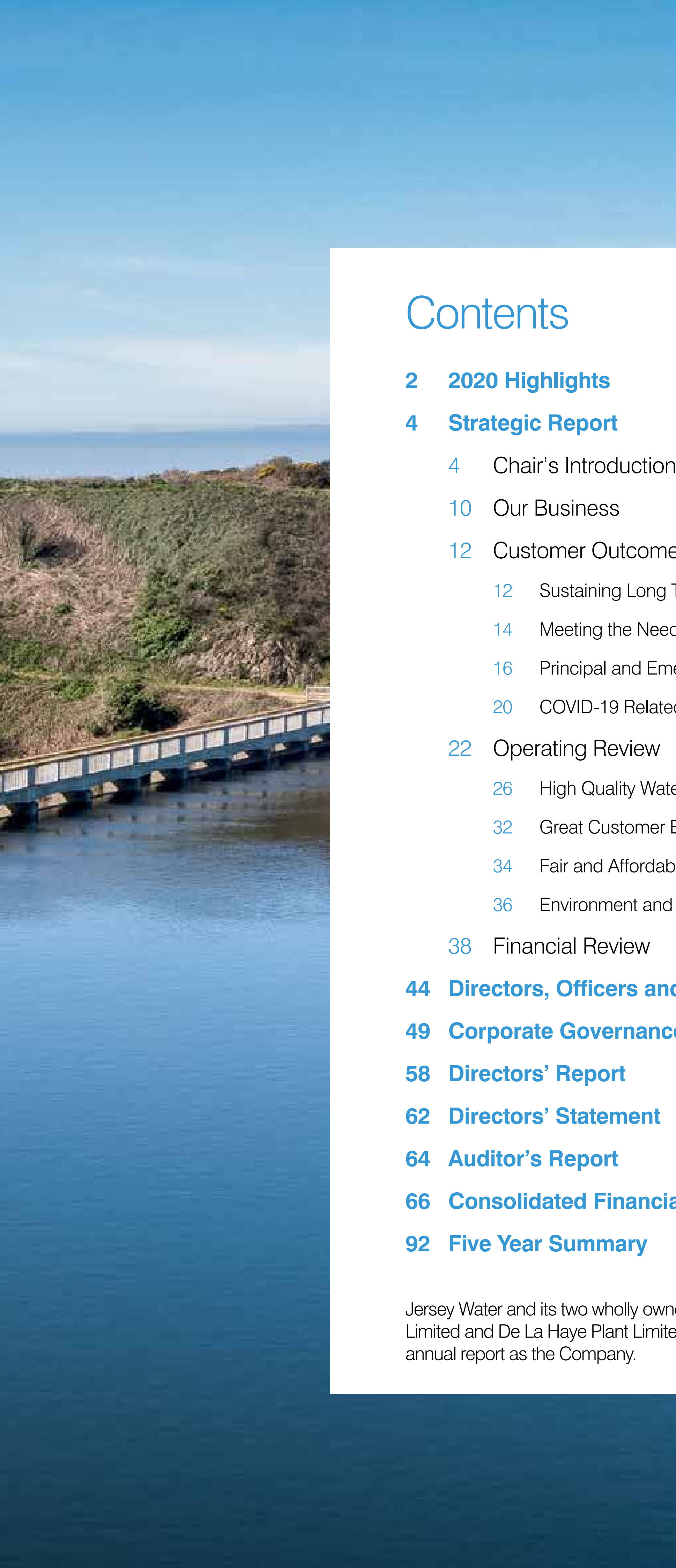
2020
Annual Report and Financial Statements

The Jersey New Waterworks Company Limited

JerseyWater
for Island life



Contents

Jersey Water and its two wholly owned subsidiaries, Handois Holdings Limited and De La Haye Plant Limited are referred to throughout the annual report as the Company.

2020 Highlights

99.98%
Water quality compliance
(2019: 99.97%)

83%
Employees thinking Jersey Water is a great place to work

0%
Tariff increase
(2019: 3.8%)

7,061Ml
Water Supplied
(2019: 7,001Ml*)

86.1%
Customer Service Index
(2019: 84%)

3
Supply interruptions greater than 3 hours
(2019: 4*)

£3,553k
Capital expenditure
(2019: £3,879k*)

£3,240k
Profit before tax
(2019: £2,792k*)

£17,627k
Turnover
(2019: £17,760k*)

£1,736k
Dividend paid
(2019: £1,913k)

*12 months equivalent

We developed a new company purpose and values, putting our customers and the community we serve at the heart of all we do.

We contributed to the Island Plan process and promoted the development of a water strategy for Jersey.

We responded to the COVID-19 pandemic by reorganising the way we work to keep our people safe and maintain the essential supply of high quality water to the Island.

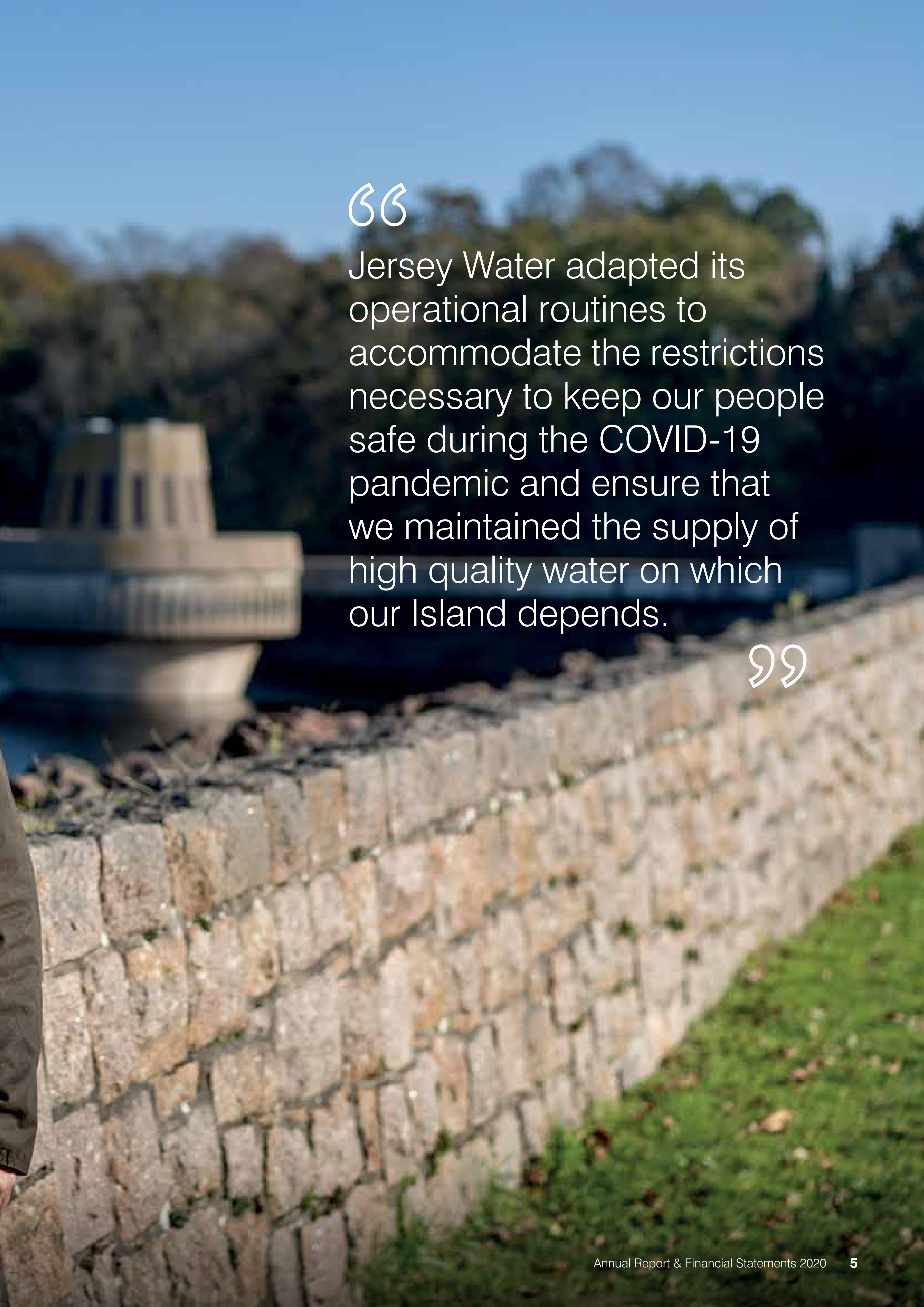
Our Connect Business Transformation Programme is ongoing. During the year we implemented a new suite of systems and processes to improve efficiency through the way we work.

We completed phase 2 of our Water Resource and Drought Management Plan setting out how we will address water shortages in the future.

We continued to work in partnership with the Farming Community and Government on improving water quality through the Action for Cleaner Water Group.

Chair’s Introduction

Heather MacCallum
Chair



> Jersey Water adapted its operational routines to accommodate the restrictions necessary to keep our people safe during the COVID-19 pandemic and ensure that we maintained the supply of high quality water on which our Island depends.

It was a great honour to be appointed Chair of the Board at Jersey Water in February 2020 and a privilege to introduce the Company's Annual Report and Financial Statements for the year ended 30 September 2020.

Whilst the year has been overshadowed by the COVID-19 pandemic, Jersey Water adapted its operational routines to accommodate the restrictions necessary to keep our people safe and ensure that we maintained the supply of high quality water on which our Island depends. We were also able to mitigate, to some extent, the effects of the pandemic on our financial performance and the important projects that we have underway, minimising delays and making meaningful progress on a broad front. We also took the opportunity to refresh our Company purpose, develop a new set of Company values and create a set of four customer outcomes that put our customers and Island community at the heart of everything we do (see further details on page 10).

From a financial perspective, overall performance was stronger than the prior year, with the Company generating profit before tax of £3,240k. This represents a 16% increase on the equivalent 12 month period in 2019 (£2,792k). The increase in profit was largely driven by a 3.4% (or £483k) reduction in operating costs offsetting a small decrease (0.8%) in turnover. The movement in turnover was a combination of a decrease in income from the installation of new connections and the receipt of insurance income in the prior year period offsetting additional water revenue from new customers and the 2019 tariff increase of 3.8%. The COVID-19 restrictions caused changes in water consumption patterns for our domestic, commercial and hospitality sector customers. However, overall consumption was in line with pre COVID-19 patterns. Throughout the pandemic, our Customer Services Team have worked proactively with customers experiencing financial hardship, minimising the impact of COVID-19 on payment arrears and bad debts.

Operating activities also needed to adapt to the impact of COVID-19, resulting in lower than planned expenditure despite continued investment in key strategic projects (being the Water Resources and Drought Management Plan and the Connect Programme). Overall operating costs also benefited from lower electricity costs, as less pumping was required following the wet start to the year. Profit for the year stands at £2,680k, a £520k increase on the same 12 month period for 2019 (£2,160k).

We spent a total of £3,553k (2019: £2,818k) on our capital expenditure programme for the year. This included investing £1,020k in our operating infrastructure to improve water quality and resilience and £1,188k on our network through the renewal of 1.2km of treated water mains, the extension of 2.0km of new water mains and by adding 470 connections. The remainder was invested into our business transformation project, the Connect Programme which aims to improve the efficiency of the way we work across the business.

Despite the challenges presented by the pandemic, a significant and sustained effort by the project team has meant that our Connect Programme delivered early benefits of working from home capability from November 2019 and remains on track for full delivery of remaining systems by 2021, only delayed by a short period. During the year we completed the replacement of our desktop computing platform for all employees and the implementation of our new human resources system. Our new laboratory information system went live in early December 2020 and our new asset management and accounting system goes live in February 2021. From the go-live of each system we have been tracking the delivery of business benefits which include additional resilience, improvements in customer service and greater efficiency.

Water quality continued to be of a very high standard, with an overall compliance rate of 99.98% (2019: 99.97%). The water we supplied was fully compliant with all regulations for nitrates and pesticides for the 7th and 4th consecutive years respectively. We maintained our work with the Action for Cleaner Water Group which continues to show its beneficial effects through improvements to the quality of water entering our reservoirs. We completed our field level catchment risk model during the year which will enable a much more targeted approach to catchment interventions. It was positive to note the long-awaited introduction by the Government of Jersey (Government) of the Water Code and related orders, establishing catchment areas and regulating the use of fertilisers in Jersey for the first time.

Also pleasing is the planned introduction of a dedicated catchment officer resource by the Government subject to approval of the Government Plan. Whilst these significant milestones pave the way for further water quality enhancements in the future, we continue to press for a much needed and long overdue review of the Pesticides (Jersey) Law 1991, which should be amended to enshrine in regulation the current voluntary catchment protection measures already in use within the farming community.

Jersey Water continues to participate within the Government's Technical Officer Group on Per- and Polyfluoroalkyl substances (including PFOS, PFOA, collectively PFAS).

The second interim report, which was published after the year-end, confirms the intention by the Government to undertake important hydrogeological studies of the pollution in St Ouen's Bay and Pont Marquet catchment, which will in turn inform the remediation options that are available. Both sources represent important water resources that the Company relies upon throughout the year. Given the Island's forecast water resources deficit, addressing the PFAS pollution within these sources should remain a priority outcome for the Government. In the meantime, the water supplied by Jersey Water continues to meet all of the PFAS related requirements of UK regulation, forthcoming EU regulation and the strict health based guidance in the USA, Canada and Australia although we note there continues to be concern within the public and the media.

From a water resources perspective, the year was once again unusual. A combination of heavy rainfall and testing of the desalination plant meant the reservoirs were full by late November 2019. Further heavy winter rainfall and saturated ground meant that reservoirs remained at over 90% capacity until July 2020 and then depleted slowly, reaching their minimum level of 65% at the end of September 2020. Subsequent to the year end, heavy autumn rainfall has again replenished the reservoirs leaving them at just over 90% capacity at the end of November 2020. With limited reservoir capacity and nearly full reservoirs early in the winter, any rainfall not used for treatment between now and when resources start to decline in spring will be lost to sea. Additional water storage capacity would allow us to capture and store additional winter rainfall and safeguard water resources more effectively.

During the year, we continued work on our Water Resources and Drought Management Plan which has highlighted that if no action is taken there will be a forecast shortfall by 2045 of 8 million litres per day between the demand for water and the water available for use in years of severe drought. The predicted shortfall is driven principally by the effects of climate change and anticipated population growth. The plan, which is due to be published in 2021, will include the optimal package of measures that we plan to deploy which will address the shortfall. The initial five-year phase of the plan will focus on creating additional desalination capacity through the extension of the existing plant and reducing demand for water, through the development of a Water Efficiency Strategy and further reductions in leakage. Subsequent phases of our plan will concentrate on increased resilience and additional reservoir capacity preferably by the conversion of part of Gigoulande Quarry for water storage.

The quarry, which is currently earmarked for inert waste landfill, is estimated to have a capacity on completion of approximately two thirds of Val De La Mare Reservoir, is well-located close to existing water infrastructure and is within a high yielding and reliable water catchment. As an Island with only 120 days of water storage when full, we are vulnerable to water shortages and drought, and at maximum capacity we also lose a considerable amount of water to the sea. The opportunity to create an additional reservoir at La Gigoulande represents a unique, once in a lifetime, opportunity to secure a key piece of infrastructure for the benefit of the Island that, if ignored, will never present itself again.

In 2020, the Company declared and paid an interim dividend of 7.137 pence per share (pps). The Board are recommending a final dividend for the year of 14.771 pps for consideration and approval by shareholders at the forthcoming Annual General Meeting (AGM). Dividends paid and proposed for the year to 30 September 2020 total 21.908 pps, compared to the dividends paid and proposed for the nine-month period ended 30 September 2019 of 16.188 pps.

At the AGM in February 2021, the Directors retiring by rotation and seeking re-election for further terms of three years are Tim Herbert and Michael Pocock. During the year we appointed Anthony Ferrar to fill the casual vacancy left by Peter Yates. In accordance with the articles of association, Anthony will also seek election to the Board at the forthcoming AGM. In order to protect the safety of employees and shareholders alike, comply with any COVID-19 restrictions that may be in place at the time of the AGM and ensure that the AGM process is fair to all shareholders, we have had to change the format of the AGM for 2021.

We made the difficult decision to make the AGM a closed meeting with just myself and one other shareholder present to create a quorum. Matters being considered will be limited to routine, administrative ordinary resolutions including receiving the report and financial statements, approving the appointment or re-election of directors, approving the final dividend and reappointing the auditors. Voting on resolutions will be by written proxy only and we will have a mechanism in place for answering questions. I am very conscious that the AGM is an important mechanism by which shareholders can engage directly with the Board and Senior Executives. Regrettably, this year, the requirements of the pandemic mean that we cannot operate the meeting as we would normally like and we hope that the pandemic will permit a return to restriction free, open AGMs by 2022.

During the year we saw some changes in Jersey Water's Senior Leadership Team. Malcolm Berridge, our Water Supply Manager and Chief Engineer, retired from the Company after 17 years' service. We would like to thank Malcolm for his expertise and dedication over this time. In August 2020, we welcomed Julie Taylor to the Company in the role of Operations Director and with overall leadership responsibility for the treatment operations, water quality, asset management and distribution teams. Julie is a Chartered Process Chemist and environmental scientist with a career that spans 38 years in the water industry, including Water Director for United Utilities and UK Water Director for Veolia.

I should like to close my statement with a word of gratitude to all of the team at Jersey Water. This year they have surpassed themselves in showing what true team spirit, great culture and a real focus on customer service can achieve. The Company's response to the COVID-19 pandemic was a great example of Jersey Water employees going the extra mile to ensure we maintained the supply of high quality water that is essential to the life and wellbeing of our community throughout the lockdown, whilst maintaining the customary high standard of service that our customers rightfully expect. We go out of our way to ensure that Jersey Water is a great, safe place to work, firmly of the belief that great people make great companies.

It was heartening to get such positive feedback from the team, confirming 83% of employees think we provide a great, safe place to work, indicating that we are on the right track. Our People Strategy is in its second year and it is rewarding to see the positive effects that it is delivering to our people and our business. Whilst the impact of COVID-19 on the 2021 financial year is unknown, I have every confidence that everyone at Jersey Water will do their utmost to maintain our high standards and continue to deliver an excellent service throughout what lies ahead.

Heather MacCallum
Chair
14 December 2020

Our Business

Our Purpose

Supplying the water for our Island to thrive today and every day.

What We Do

We collect, treat and supply 19.3 million litres of clean water every day to more than 40,000 households and businesses across Jersey.

Customer Outcomes

In 2020 we developed four customer outcomes on which to focus the activities of the Company over the coming five years. The outcomes ensure that our customers are at the heart of everything we do.

High Quality Water Supply
We aim to deliver a reliable supply of safe, high quality water to our customers now and in the future.

Fair & Affordable Bills
We aim to offer good value for money and keep charges for water fair and affordable.

Great Customer Experience
We aim to ensure our customers experience the high standards of service so that they would choose us if they had a choice.

Environment & Community Benefit
We aim to have a positive impact on the environment and the Island community we serve. We have a wider responsibility to future generations for the decisions we make today.

Our Values

We Care

We care internally for colleagues, externally for our customers and more widely for the environment and the community we serve.

We act thoughtfully and with kindness at all times.

We Are Ambitious

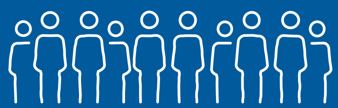
Good is not enough and we are constantly seeking to improve, tackle challenges and demonstrate excellence.

We are not afraid to innovate and take bold decisions that will benefit Jersey today and tomorrow.

We Work Together

We recognise the power, strength and solutions that come from team work, internally and externally.

We work with our colleagues, our customers and our stakeholders and are proud to be a partner for positive change.



93 Jersey Water Employees

6 Raw Water Storage Reservoirs

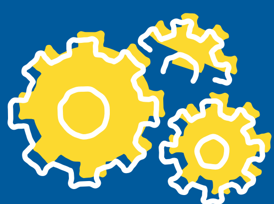
2 Water Treatment Works

118

Litres used per person per day

19.3m

Litres supplied per day to the Island



10.8m

Litres of water per day can be produced by our desalination plant

Sustaining Long Term Value for All Our Stakeholders

Our Inputs

Our Purpose

The reason we exist and why we do what we do.

Our Environment

The natural resources we rely on.

Our Assets & Infrastructure

The property, plant and equipment we use.

Our Suppliers

The partners we work with to deliver our objectives.

Our People

The experience, skills and expertise of our team.

Our Finances

The funding available to sustain our business.

Supplying the water for our Island to thrive today and every day.

High Quality Water Supply

Great Customer Experience

Catchment

Jersey's water resources are nearly all derived from rainfall dependant surface waters spread across 21 catchment areas.

To help protect against prolonged water shortages, the Company has a standby reverse osmosis (RO) desalination plant which can produce 10.8 million litres per day.

Storage

Almost all of the water we use is collected from streams and stored in one of six reservoirs. We have storage capacity of 2687Ml or just 120 days' worth of supply.

Water Treatment

We have two water treatment works that clean raw water to the highest standard and make it safe to drink.

We maintain our assets to the highest standard.

A Great, Safe Place to Work

Financially Secure

Sustainable & Resilient

Fair & Affordable Bills | **Environment & Community Benefit**

Water Quality Testing

Our laboratory carries out 26,018 tests on 3,206 samples taken from source to tap each year to ensure that the water we supply is safe to drink.

Distribution

We operate approximately 580km of water mains reaching over 95% of properties in Jersey.

Jersey Water has one of the lowest levels of leakage in the British Isles.

All mains water connections in Jersey are metered.

Consumption

Our customers use an average of 19.3 million litres of water per day

We support our customers with all aspects of their water service.

Our success depends entirely on our people. To attract and retain the high calibre employees we seek to be an employer of choice. We do this by creating a clearly articulated performance culture underpinned by strong values in which employees feel safe, engaged and empowered to do their best work.

Our business requires substantial ongoing investment to maintain the standards of service and water quality that our customers expect. The nature of our business means that we need to sustain these activities over the long term and make investments now that are there for the benefit of future generations. Financial security is key for Jersey Water to be successful, continue to be able to invest in the water supply infrastructure and deliver the high-quality products and services to our customers.

To maintain our success over the long term, we need to remain resilient to the shocks and challenges that present themselves and maintain a sustainable operating model over generations to come. We achieve this through effective risk management to identify, assess and mitigate risk in accordance with our risk appetite and planning for the long term; building sustainability and resilience into our infrastructure, assets and how we operate.

Outputs for Stakeholders

Customers

We are meeting our customer needs by focussing on providing a safe and resilient supply of water at a fair and affordable price and a high standard of customer service.

Our People

We provide a workplace where people are valued and good work is recognised and rewarded. We invest in our people's skills and encourage personal development.

Island Community

We actively support Island community events and education through our school visits, open days, hydration station, charity fundraising and partnerships with local community interest groups. We are committed to do our bit to improve the environment and tackle climate change.

Government

We are trusted to deliver our services efficiently and to the highest standards in accordance with applicable laws and regulations. We are transparent and open about our performance and results.

Investors

We aim to be an investment of choice delivering real growth over time for our shareholders.

Meeting the needs of our stakeholders

In developing our plans for the future we consider the needs of key stakeholders, which are gathered from a variety of formal and informal sources, to ensure that we understand the environment within which we operate and the wider expectations of the community we serve.

Who are our stakeholders?	Why we focus on these stakeholders?	How do we engage them?
Customers	Our customers and consumers are central to our business. Without them we would not exist.	We engage with our customers and consumers in a number of ways including face to face meetings, community events, website and social media and our annual customer survey. We pay close attention to all of the customer feedback we receive including all compliments and complaints and in particular results of our ICS customer survey (see page 33). We track UK water sector consumer groups and use their large-scale research to inform the position in Jersey.
Our people	Our people are our most valuable asset and critical to our success. Our investment in them drives our culture and performance.	We have an inclusive approach to working with our people. We seek their opinion and ensure we consider their views in our decision making. We share our business strategy and plans with all employees. We track employee engagement and capture their opinions in our two-yearly survey and other more frequent 'Pulse' surveys. The results inform changes and improvements that we track and report on. Our leadership team engage with employees face to face, both individually, in teams and within forums and workshops.
Island Community	The public health of our community relies on us now and for generations to come. Engagement with the wider community and interest groups is critical to our long-term success.	We have regular and ongoing dialogue with special interest groups in Jersey to develop our understanding of emerging or topical areas of concern. We participate in numerous forums both locally and at a UK level to understand the latest thinking and industry perspective on community and societal matters.
Government	We provide public services that are essential to Island life. Key to our success is engagement with Government in their capacity as regulator and the provider of other public services.	We have a collaborative and transparent relationship with our regulators and government (in its non-regulatory capacity) where we work together to address the risks that threaten our success.
Investors	Meeting the needs of our investors ensures that the business remains successful over the long term which in turn means we can continue to meet the needs of our stakeholders.	We meet with our majority shareholder biannually to discuss performance, strategy and other matters. We also engage informally as and when required. Our AGM gives the Board the opportunity to engage with our shareholders, answer questions and receive feedback. Our annual report provides a comprehensive review of the performance of the Company. We engage with other providers of finance (i.e. banks) as necessary.

What do they tell us?	How do we respond to them?
Based on the feedback we get from our interactions with customers and wider industry research we know that customers want: • A reliable supply of high-quality water • Great customer service, getting things right first time • Fair and affordable prices for water • An environmentally conscious approach to the way we work These insights help us to shape our strategy and the service we provide.	In 2020, we developed four customer outcomes aimed at meeting the needs of our customers (see page 10). Our customer outcomes shape our business planning and are driven by targets and performance measures.
Our bi-annual employee engagement survey in 2019 indicated that: • Overall employee engagement was 90% • 83% agreed that Jersey Water was a great place to work • 88% of employees describe Jersey Water as an organisation that cares for its employees We use the feedback from employees to enhance our plans to ensure that Jersey Water remains a Great, Safe Place to Work.	Feedback from our employees is a key influence on how we operate. In 2020, in consultation with employees, we revised our Company values, performance review process and leadership framework. Our People Strategy was developed based on employee feedback. We keep everyone at Jersey Water aware of our plans and progress through several channels including town hall meetings, toolbox talks, team meetings, one to ones and internal social media.
Our feedback and research indicates there is an expectation that, as a water supplier providing a vital public service, we have a duty to act for the good not just of our customers, but wider society as well. On island stakeholder groups tell us that we have a role to play in protecting the environment and playing a positive role in the community.	In 2020, we revised our purpose statement in recognition of our wider community role and responsibility. The purpose drives our customer outcomes and strategic objectives. We work alone and in partnership with other stakeholders to deliver environmental benefit for generations to come. Our hydration station is a key tool in bringing water to community events and raising money for local charities.
We have an ongoing and open relationship with our regulators and other government departments, where the expectation is that we will operate on a transparent, no surprises basis. There is the expectation that Jersey Water will play a leading role in matters relating to the Island's public water supply.	Through partnerships with other stakeholder groups Jersey Water plays an instrumental role in addressing serious, water related issues affecting our Island including: • Promoting the need for an Island Water Strategy within the Island Plan to address the Island's forecast future water supply deficit • Working with the Action for Cleaner Water Group to address pesticide and nitrate pollution • Working with the PFAS technical officer group to resolve the PFAS pollution issue in St Ouen's Bay and Pont Marquet • Applying for fiscal stimulus funding to extend the mains water network to an additional 500 properties in 2021
Discussions with our majority shareholder continued through the year. Dialogue centred around: • Our financial performance • Risks and how we mitigate and resolve them • The focus on cost efficiency whilst maintaining a high standard of service and resilience to the Island community • The standards of governance to which we operate	To ensure transparency and openness, our financial reporting exceeds the level of disclosure required for companies the size of Jersey Water. New reporting in 2020 includes enhanced disclosures around: • Principal risks and uncertainties • Stakeholder engagement • Revised strategic review • Updated governance disclosure Our corporate governance framework operates at the standards required of the UK Corporate Governance Code.

Principal and Emerging Risks

Jersey Water's operations are subject to several risks and uncertainties that could, either individually or in combination, affect our operations, performance and future prospects.

The following pages identify the principal risks and uncertainties included within the Company's strategic risk register. In previous annual reports the Company has included details of the key strategic risks. This year the Company is providing a more comprehensive view of the risks included in its strategic risk register. An assessment of the impact of COVID-19 on our risk profile and the mitigation measures we have put in place are detailed on page 20. We identify and manage these and other risks through our risk management processes (which are described further on pages 17 to 19). These 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.

Brexit

At the time of writing, the terms of the UK's future trading relationship with the EU which start on 1 January 2021 (Brexit) remain uncertain. Brexit does not give rise to a new principal risk for Jersey Water. However, it does have the potential to impact risks in other areas of our operations and in particular our supply chain.

Preparation for Brexit has continued during the year. Jersey Water has established a Brexit Local Response Planning Team which covers all aspects of the business including incident response, people, procurement, logistics, customer service, operations, capital programme delivery, communications and finance. The Company continues to work closely with stakeholders including suppliers and the Government to understand and plan for the possible impact of various trading relationship scenarios, including 'no deal'. Whilst there remains significant uncertainty around the impact of Brexit, the Company has in place a plan to mitigate Brexit related risks, with continuity of supply of chemicals being a key factor. This includes increasing stock levels of chemicals and key consumables to mitigate the risk of disruption to supply lines. In addition, chemicals for treated water processes are included by the Government, along with food, fuel and medicine as top priorities for transportation to the Island should logistical problems arise. We will continue to monitor progress in the delivery of Brexit and update and amend our plans as the risks and uncertainties evolve.

Risk Area		Risk Management Measures Taken
Water Supply Failure	There is the risk of failing to comply with our legal requirement to maintain a supply of potable water sufficient to meet the reasonable needs of our customers. This could have adverse public health impacts and affect the financial performance and reputation of the Company. Our Water Resources and Drought Management Plan indicates that, under worst historical drought conditions, there is forecast to be a shortfall in water available for use against projected demand of 8.2Ml/day by 2045. The predictions are dependent on assumptions regarding population growth, changing demand for water and the effects of climate change on water available for use. There is the risk that, if no action is taken, Jersey Water may be unable to meet the demand for water in the future. Short-term events including drought, extremes of weather, pollution, changes in water quality, flooding and terrorism could result in insufficient water resources to meet demand increasing the risk of interruptions to supply or supply restrictions with a potentially adverse financial and reputational impact on the Company.	• Water Resources and Drought Management Plan • Spare treatment works capacity • Universal customer metering • Standby desalination capacity of 50% of daily demand • Raw water testing and monitoring • Operational flexibility of raw water network • Water efficiency strategy • Working with key stakeholders on Drought Action Group • Active leakage detection and repair • Pressure management of treated water network
Water Quality Failure	There is the risk of non-compliance with drinking water quality standards potentially resulting in public health impacts, a loss of public confidence in the water supply and legal and reputational issues for the Company.	• Robust water quality monitoring programme • Drinking Water Safety Plan approach to identify and address water quality risks in a systematic manner (currently being updated) • Partnership approach to address Island wide water quality issues through the Action for Cleaner Water Group and PFAS Technical Officer Working Group • 24/7 automated on-line quality monitoring for key parameters • Automated control of key water treatment processes • In house laboratory to test samples for compliance • 24-hour manned treatment works • Ultraviolet treatment plants at both treatment works • Ability to select and blend from 6 reservoirs • Temporary dispensations for Oxadixyl and Nitrates
Critical Infrastructure	There is the risk of failure of a critical asset causing interruptions to supply with potentially adverse financial and reputational consequences for the Company.	• Redundancy capability designed into critical assets • Standby desalination plant • Two treatment works with some redundancy • Online monitoring and alarm system using SCADA telemetry connecting sites • Standardisation of treatment processes and equipment across sites • 24-hour manned treatment works • Stock of critical spares • Robust asset management system in development • Cost-benefit of further resilience measures being investigated

Risk Area		Risk Management Measures Taken
Information Security	There is the risk of unauthorised access to the Company's systems potentially resulting in disruption to the business and/or a significant data breach.	• Controlled access to Company systems • Multiple layer physical and cyber security in place • External/independent scrutiny of security arrangements • New system implementations secure by design • Employee awareness and training • Regular testing and enhancement of security arrangements
Large Scale Employee Absence	There is the risk that events including widespread illness, pandemic, industrial action, civil unrest, and adverse weather could prevent a large number of employees from attending work resulting in disruption to the operations of the Company including the ability to maintain normal standards of service.	• Regular incident response exercises • Flexible working practices and mobile technology enable working from home • Healthcare and wellbeing benefits including annual flu vaccination • Active employee engagement and consultation • Mutual aid agreement with Guernsey Water and participation in UK water industry mutual aid scheme
Skills & Succession	There is the risk that over reliance on individuals with critical skills, knowledge or experience and failure to plan adequately for their succession could disrupt the activities of the Company upon their departure, adversely affecting the quality of service provided and preventing business objectives from being achieved.	• New IT systems designed to spread knowledge • Investor in People Silver standard • Training and employee development commitment • New performance development and leadership frameworks • Competitive remuneration and benefits package • Additional key technical resources recruited • Development of new Target Operating Model for Water Supply Teams in progress, including succession planning
Health & Safety	There is the risk of failure by the Company to prevent injuries and accidents to our people and the public resulting in legal, financial and reputational issues for the Company.	• Robust Health and Safety Framework • Employee Safety Forum • Regular independent review • Interaction with water industry health and safety forums • Mobile safety knowledge base accessible to all employees • Regular and topical training and updates • Wellbeing and other safety initiatives • Regular Senior Executive briefings and review of performance and completion of corrective actions
Supply Chain	There is the risk that events outside of the Company's control including Brexit, adverse weather and corporate failure could result in disruption to Jersey Water's supply chain. The lack of access to critical stocks or the inability to procure services from key contractors could adversely impact the ability to maintain the supply of water with consequential reputational, legal and financial implications.	• Participation in the South Staffordshire Water purchasing consortium • Large stocks of consumables and chemicals maintained on island • Mutual aid agreement Guernsey Water and participation in UK water industry mutual aid scheme • Long term arrangements with key contractors
Political	There is the risk that legislation or regulation may be introduced that has a material effect on the activities of the Company by introducing additional cost or placing additional compliance requirements.	• Self-governance model adopted • Best practice methodologies in place • Continuous improvement culture • Close engagement with Government • Active participation in public consultations on law or regulation change

Risk Area		Risk Management Measures Taken
Emerging Risk – Net Zero Strategy	In 2019, the Government resolved to adopt a policy for Jersey to become carbon neutral by 2030. In the absence, at the time of writing, of any published policy or strategy as to how this will be achieved there is the risk that policy or regulations will be enacted in support of the net zero target that have a negative financial or operational impact on the Company.	• Compliance with all applicable environmental laws and regulations • Investment in electric vehicle fleet • Inclusion of renewable energy consideration in all capital projects • Planned development of Jersey Water carbon neutral strategy to achieve government policy
Project Delivery	There is the risk that events may occur that disrupt the delivery of significant change, operational and capital projects within the business resulting in delays, additional costs and/or the ability to achieve the initial project objectives.	• Project governance for change programmes • Independent/external scrutiny of programmes • Professional skilled project management team • Risk logs, progress reports and remedial actions subject to review by leadership team and Board
Pension Liabilities	There is the risk that fluctuations in the value of the defined benefit scheme assets and liabilities (driven by movements in market indices) will result in volatility in the net funding position within the balance sheet, charges within the income statement and the cash contributions required from the Company.	• Scheme closed to new members on 31 December 2003 • Regular review of the scheme funding by the Board • Scheme funding strategy seeks to balance the investment growth opportunity with liability matching to reduce volatility
Liquidity & Funding	There is a risk of maintaining insufficient funds or facilities to finance the investment programme, service debt, cover the day to day operating cashflow requirements and pay dividends. This coupled with fluctuations in interest rates, may affect the cost of existing borrowing and the cost of securing any new borrowing.	• Low gearing capital structure maintaining adequate cash headroom and credit facilities • Maintaining the appropriate balance of fixed and variable interest debt through utilisation of an interest rate swap covering £5,250k of variable interest rate debt • Fixed interest long-term debt is 27% of borrowing • Effective processes for budgeting and stress testing capital investment, operating expenditure and cashflow requirements
Income & Profitability	There is the risk that exposure to rising costs, significant one-off costs or prolonged decrease in revenue may reduce profitability, affect financial performance and generate pressure to increase charges for water.	• Financial governance model sets financial targets and objectives • Efficiency targets built into annual budgets • Frequent and regular monitoring of financial performance • Asset management system in development • Comprehensive insurance cover in place

COVID-19 Related Risks

The COVID-19 pandemic affected Jersey Water's activities throughout the second half of the financial year and will likely have an impact well into 2021. Throughout the pandemic our key priorities have been to protect the health and wellbeing of our employees and customers whilst ensuring that we maintain the capacity to deliver a high-quality water supply and related services to the Island.

We invoked our COVID-19 response plan in February and within weeks had transformed the way we work together to maintain the essential service we provide in the community. Whilst a small number of employees were unable to work due to self-isolation, the vast majority have carried on with their jobs as essential workers. Jersey Water supported the Government's response to the pandemic through membership of the Bronze and Silver Tier Multi Agency Information Cell (MAIC) and in the building of the Nightingale Hospital through the installation of the mains water connection to the site provided free of charge.

This section identifies the changes in risks within our risk register arising from the COVID-19 pandemic and sets out how Jersey Water is addressing them.

New water mains installation at the Nightingale Hospital.

Risk Area		Risk Management Measures Taken
Employee Absence	COVID-19 has increased the risk of widespread employee absence (through illness or the need to self-isolate) which could threaten the ability of the Company to maintain minimum standards of service.	• Implementation of physical segregation between individuals and teams • Using technology to maintain effective communications • Reorganisation of working arrangements for all workers to comply with distancing regulations, protect employee health and maintain operational resilience including, working from home, split shifts and split teams • New virtual call centre enabling customer service agents to operate from home
Employee Engagement & Wellbeing	As a result of the reorganisation of working arrangements and more working from home there is a risk of decreased engagement and wellbeing concerns arising from physical isolation of colleagues, less face to face unstructured communication and/or their adjusted working environment.	• Increase in frequency of team and individual catch-ups • Online delivery of key communications through virtual meetings and video briefings • Safety and wellbeing surveys to assess home working environments and provide support where needed • Provision of the necessary equipment and allowance to assist employees working from home
Customer Financial Hardship	The economic consequences of COVID-19 have increased the risk that customers may be unable to pay their water bills resulting in an increase in bad debts.	• Deferral of planned price increase from 1 April 2020 to 1 October 2020 • Cessation of disconnections from 1 March 2020 to 30 September 2020 • Introduction of new debt repayment plans for customers in financial hardship • Proactive and more frequent communication with customers who are in arrears with their water bills
Travel Disruption	COVID-19 has resulted in disruption to transport links between Jersey and the UK increasing the risk of being unable to get supplies to the Island or get laboratory samples to UK laboratories.	• Implementing alternative back up travel arrangements to get water quality samples to the UK laboratories • Maintaining higher than usual levels of stocks of critical supplies including chemicals • Working with suppliers to get contractors and supplies to Jersey to ensure that essential maintenance is completed • Completing maintenance and capital works using Jersey Water employees and on island contractors rather than UK based suppliers
Customer Experience	Our need to take water samples from customer taps for water quality monitoring purposes increases the risk of customer dissatisfaction and complaints and potential for non-compliance with Government restrictions and social distancing requirements.	• Modification of water quality monitoring plan to undertake network sampling from readily accessible fixed points, avoiding the need to enter customer properties for routine testing
Long-term Impact	The long-term impacts of the COVID-19 pandemic on the economy and community are unknown. There is the risk that long term negative economic and societal consequences of the pandemic may impact the financial performance of the Company.	• Closely monitoring the short-term impacts of COVID-19 on demand, debt recovery, cost base and capital delivery programme and assessing their effect on the Jersey economy and prognosis for the future • Maintaining a flexible and adaptive approach to water resources, reassessing water resources planning every five years to ensure that the action taken is proportionate to the medium-term view

Operating Review

Helier Smith
Chief Executive

“I am immensely proud of the way in which our team at Jersey Water responded to the COVID-19 pandemic.”


JerseyWater

2020 was a busy year for Jersey Water in which we saw a substantial amount of change within the business.

Despite the significant disruption and operational challenges presented by COVID-19, we made substantial progress on the implementation of our Connect Programme; successfully completing the replacement of our desktop computing environment for all employees and the implementations of both our new human resources platform and Laboratory Information Management System. Work is ongoing with the implementation of our replacement accounting and new asset management system which is due to go live over the next few months. This process includes an extensive review and revision of all working processes to leverage the system capabilities, maximise automation through electronic workflows and minimise manual handling of routine transactional data; helping us provide enhanced customer service, build resilience and deliver efficiency in the way we work.

During 2020, we took time to redefine our objectives that are outlined on page 10, dropping the concepts of vision and mission in favour of a clearly articulated purpose statement supported by a new set of core values designed to shape the performance culture we are working to develop. We also refined our strategic objectives selecting four customer outcomes that we will work hard to deliver over the coming years and that put the customer and the community we serve at the heart of all we do. Our progress on these four outcomes is detailed in the following pages of this operating report.

The safety of our employees is paramount and during 2020 there were zero (30 September 2019: zero) time lost accidents. We investigate all accidents and near misses reported to determine whether changes in practices or procedures are required to help prevent their recurrence. As part of our overall wellbeing strategy, we began the delivery of Mental Health First Aider training to the wider leadership team in support of the Company's mental health safety management system which was launched in November 2019.

I am immensely proud of the way in which our team at Jersey Water responded to the COVID-19 pandemic, going above and beyond and putting the needs of the community for a reliable supply of high quality water throughout lockdown above their own. There is nothing more important than the safety and wellbeing of our people and in order to keep everyone safe we implemented a range of measures and working practices that enabled a COVID-safe working environment ensuring that we could continue to provide a service that is essential to life. Whilst COVID-19 and our response to the pandemic caused delays in other work areas, everyone at Jersey Water made a significant effort to minimise those delays and catch up on projects as quickly as possible once lockdown was relaxed.

During 2020, we continued with the implementation of our People Strategy aimed at ensuring that Jersey Water continues to be a great place to work and addresses the people related risks and opportunities faced by the Company now and in the future. The strategy, which was developed with full consultation of employees, focusses on culture and values, leadership, enabling performance, reward and recognition and building capability. In 2020 we completed the development of a new Performance Development Process, new Leadership Framework and new employee handbook. In 2021, Jersey Water will be subject to its triennial Investors In People Assessment; Jersey Water currently holds the silver standard.

High Quality Water Supply

Measure of Practice	Actual 2020	Actual 2019
Water Quality Compliance %	99.98%	99.97%
Customer contact regarding acceptability of the water (Zonal Rate per 1,000)	1.22	0.97
Leakage – (Ml/d)	2.46	2.40
Water Consumption (Ml)	7,061	7,001*
Length of mains renewed (km)	1.2	1.5
Supply interruptions (Greater than 3 hours)	3	4*
Water restrictions	0	0
New connections	470	339*

Highlights for 2020

99.98% water quality compliance (2019: 99.97%)

Water Resources and Drought Management Plan completed

Zero nitrate or pesticide failures in treated water (2019: zero)

Island Plan submission regarding water resources

100% bacteriological compliance at treatment works (2019: 100%)

Developed a field scale catchment pollution risk model in conjunction with the Action for Cleaner Water Group

Replaced the powdered activated carbon dosing plant at Handois Water Treatment Works

165Ml produced by the desalination plant to supplement resources and test modifications

Key Initiatives for 2021

- Implementation of Laboratory Information Management System and Asset Management System
- Ongoing enhancement of water quality governance and drinking water safety plans
- Publication of Water Resources Management Plan
- Preliminary works on extension of desalination capacity
- Development of Leakage Reduction Strategy
- Development of Island Water Efficiency Strategy

*12 months equivalent.

The water supplied by the Company during 2020 was of a very high quality with an overall compliance rate of 99.98% with the water quality requirements of the Water (Jersey) Law 1972 (2019: 99.97%). There were no instances of pesticides or nitrates exceeding regulatory limits in the treated water during the year and the bacteriological compliance of water leaving the treatment works was 100% (2019: 100%).

In 2020, the Company undertook approximately 15,000 regulatory treated water analyses. Of these, just three were outside of the respective regulatory parameter but posed no risk to health. Full details are available in Jersey Water's 2020 Water Quality Report available from the Company's website.

For the seventh consecutive year, nitrate concentrations in treated water were fully compliant with the regulatory requirements and the maximum concentration of nitrates detected in treated water was 45.4mg/l; below the regulatory limit of 50mg/l but higher than the 2019 maximum of 34.5mg/l. The increase on the previous year is almost certainly attributable to the much greater rainfall in 2020 which will have increased the amount of runoff from land and made widespread use of mechanised fertiliser application and potato planting more difficult. 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 a dispensation 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 in December 2021 and will be the subject of discussion between the Company and the Government over whether and in what form the dispensation is renewed. Whilst there has clearly been an improvement in the nitrates issue in Jersey, there remain significant sources of water with nitrate concentrations of more than the drinking water limit; requiring blending and dilution to meet the regulatory standard.

In 2020, Jersey adopted a new risk-based approach to raw water quality monitoring for pesticides, focussing on analysing reservoir outlets using a 'broad sweep' analysis capable of identifying the presence of 450 different pesticides. The change in approach enabled the saving of approximately £107k through efficiency whilst maintaining a high level of vigilance over the quality of water taken for treatment. During the year there were 54 detections of pesticides in raw water 0.1µg/l or greater but by careful selection of which reservoir to use and PAC dosing, there were no breaches of the pesticide limit in treated water.

> Demand for water for the year was 7,061Ml, some 0.8% higher than the previous year (7,001Ml*).

During 2020, the Company continued, to work closely with the farming community and the Government within the Action for Cleaner Water Group (AFCW) in support of delivering water quality improvements as set out in the Water Plan for Jersey published in 2016. In 2020 the Company completed the development of a field scale catchment risk model whose purpose is to identify those fields that present the highest water quality risk so that catchment protection activity can be targeted and prioritised. The model was developed with assistance and input from the Government and the Jersey Royal Potato Company.

The Company welcomes the Water Pollution (Water Quality) (Jersey) Order 2020 and Water Pollution (Water Management)(Jersey) Order 2020 (the Orders) and the Water Pollution (Approval Of Code Of Practice) (Jersey) Order 2020 (the Code) issued by the States of Jersey in March 2020. The Orders establish water catchment areas across the Island, set out water quality objectives and, with effect from 1 February 2021, seek to control the use and application of fertilisers within the catchment areas. The Code provides guidance on a wider set of good practices to protect water quality across the Island. It is understood that the Government Plan for 2021 includes budget for the recruitment of a post to fulfil catchment protection duties and support the agriculture sector to become fully compliant with the Orders and Code.

In 2016, the Company was granted a dispensation under the Water (Jersey) Law 1972 for oxadixyl, a pesticide last used in 2003, following its detection in the Island's ground and surface water. Whilst the dispensation has yet to be used, it was renewed in 2020 following the refusal in 2019 of plans for a bypass at Val de la Mare Reservoir preventing Jersey Water from implementing a key control intended to mitigate the risks presented by oxadixyl. The dispensation was renewed for a further term of three years but at the lower limit of 0.2µg/l (1/150th of the health-based limit).

Jersey Water continues to be involved as a member of the Technical Officer Group investigating the issue of PFAS pollution in Jersey and has had the opportunity to contribute to the updated interim report published by the Government in November 2020. The drinking water supply in Jersey remains fully compliant with the most stringent water quality regulations relating to PFAS and the new limits being introduced within the European Union under the new Drinking Water Directive. However, on an Island facing significant potential future water shortages, priority must be given to resolving these long-standing pollution issues such that water resources are not jeopardised by virtue of being unusable due to quality considerations. There is an increasingly pressing need to complete hydrogeological studies into the PFAS pollution plumes in St Ouen's Bay and Pont Marquet catchment and develop a plan to remediate them.

The aquifer in St Ouen's Bay and the Pont Marquet catchments are important sources of water for the Island and their pollution with PFAS present a significant raw water quality challenge and directly affects quality of water in Val de la Mare Reservoir.

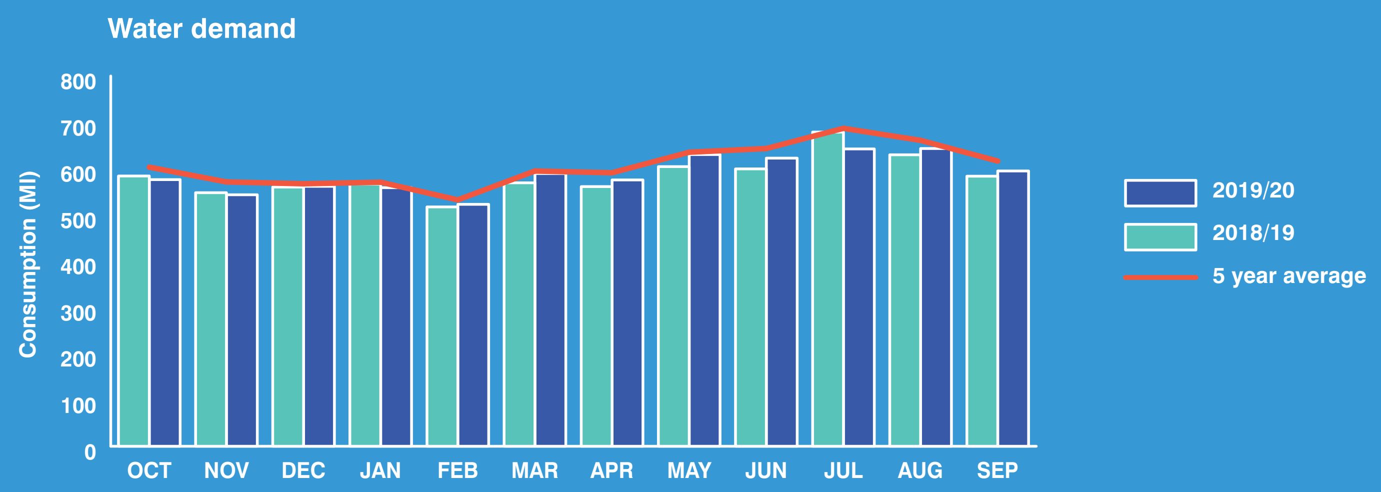
During the year, Jersey Water completed a £482k project to replace the existing powdered activated carbon (PAC) dosing plant at Handois Water Treatment Works. PAC treatment provides an effective means of reducing concentrations of oxadixyl and other pesticides in treated water. The new plant allows the use of more efficient grades of carbon and provides additional resilience of the treatment process. A similar plant is planned to be installed at Augrès Water Treatment Works in 2022. The Company also invested £398k in a project to renew the Motor Control Centre at Grands Vaux Pumping Station, including the installation of standby power generation. The work was completed shortly after the year end. The project provides additional resilience and ensures that important blending and dilution tools remain available in the event of power interruption.

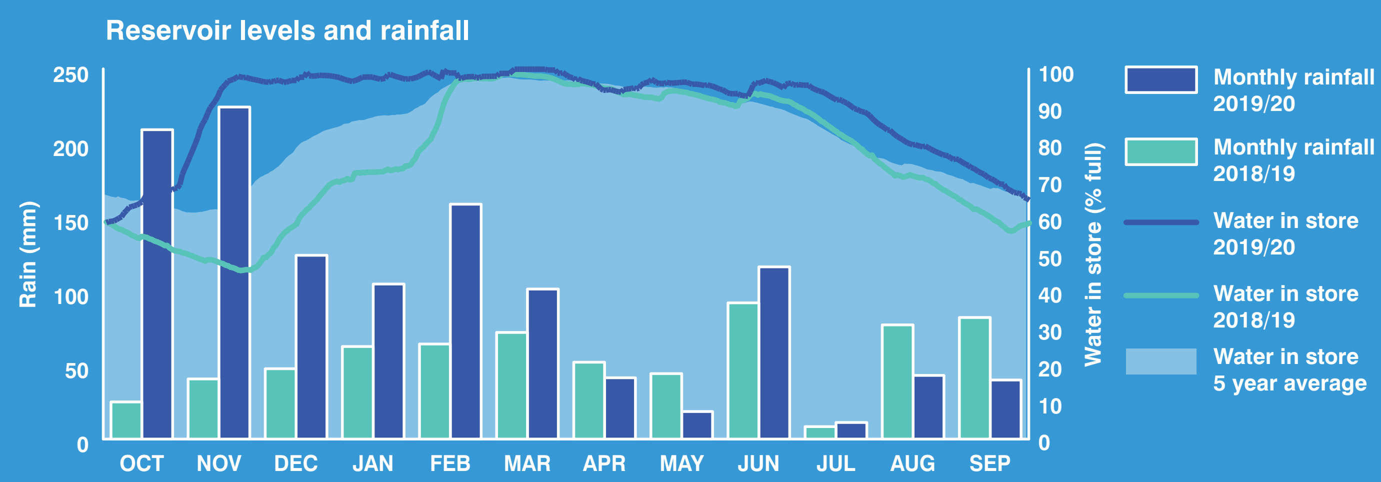
Demand for water for the year was 7,061Ml, some 0.8% higher than the previous year (7,001Ml) and 2.9% less than the five-year average. Rainfall in 2020 totalled 1,192mm, an increase of 78% on the previous year's total of 668mm and 29% above the 5-year average of 925mm. Water in store began the year at 58.5% full. The use of the standby desalination plant in October 2019, high rainfall in October and November 2019 and a wet winter meant that reservoirs filled quickly, reaching over 90% full by mid-November 2019 and remaining so until mid-July 2020 after which the dry summer months saw stocks of water reduce following the usual pattern, ending the year with reservoirs 64.6% full.

During the year, Jersey Water continued work on its Water Resources and Drought Management Plan. The key findings of Phase 1 of the project, completed in 2018, were:

- Estimated demand for water is forecast to increase by 17% to 24Ml/day in 2045. This growth in demand is driven primarily by the forecast population growth which assumes net inward migration of 700 people per year, in line with recent trends. The choice of population growth scenario has a substantial effect on the demand forecast.
- The water supply-demand balance forecast shows there would have been a supply deficit of 2.2Ml/day in 2018 had there been a repeat of the worst historic drought conditions. The potential deficit rises throughout the planning period to 8.2 Ml/day by 2045.

In 2020, the Company completed phase 2 of the plan and identified the package of measures that would be used to address the deficit. Publication of the plan has been delayed due to COVID-19 and it is expected that the full plan will be published in 2021. Key elements of the first five years of the plan include activity to reduce demand for water such as a Water Efficiency Strategy for Jersey and further leakage reduction. Additional water resources will be made available by the extension by 5Ml/day of the La Rosière Desalination Plant by 2025. Subsequent five year phases of the plan include enhanced catchment protection activities to build resilience for existing resources by safeguarding against pollution incidents, additional storage, preferably at La Gigoulande Quarry, and increasing the abstraction rate from the boreholes in St Ouen's Bay (assuming the resolution of the PFAS pollution by the Government in the meantime).





The Water Resources and Drought Management Plan will be reviewed every five years and is designed to be adaptive and altered as circumstances change. This ensures measures taken within the plan are proportionate to the needs of the Island's changing risk profile.

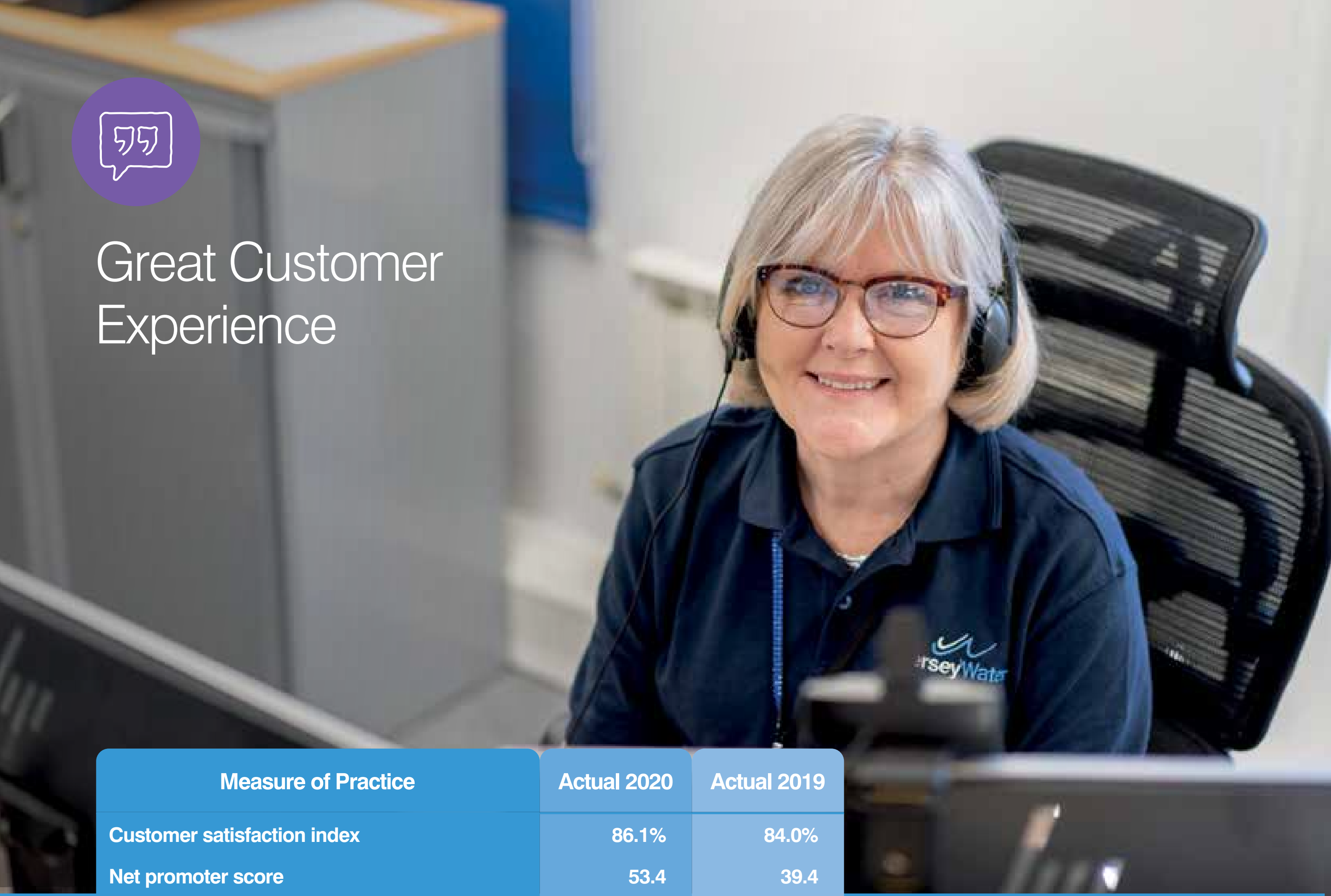
During 2020, Jersey Water has been working closely with the Government and their advisers supporting the development of a Water Strategy to sit alongside existing minerals, energy, waste and transport strategies within the forthcoming Island Plan. The strategy would translate the Island's needs for additional water resources into land-use issues which can be woven into the Island Plan and balanced with other infrastructure needs to provide a robust and forward-looking strategic position which protects both the quantity and quality of water. We have also presented our case within the forthcoming Island Plan for the repurposing of part of La Gigoulande Quarry as a potential water storage reservoir when extraction is complete.

The quarry, which is currently earmarked for inert waste landfill, is estimated to have a capacity on completion of approximately two thirds of Val De La Mare Reservoir, is well-located close to existing water infrastructure and is within a high yielding and reliable water catchment.

In 2020, the Company renewed 1.2km of mains enhancing the quality of water received by customers and addressing the enhanced risk of bursts and leakage caused by the old end of life mains. The Company extended the mains network by a total of 2km (including 0.2km funded by Jersey Water) and connected 470 additional properties to the mains network. During 2020, leakage increased marginally by 2.3% on the prior year and averaged 2.46Ml/day (2019: 2.4Ml/day). Promotion of water efficiency and leakage reduction remains a high priority for 2021.

In 2021, the Company plans to renew 2.1km of mains and extend the drinking water network to the area in St Peter, north of the airport, where in 2018 PFAS was identified in boreholes supplying private water supplies. The scheme, which is being fully funded by Jersey Water, will cost approximately £400k and will extend the mains network by 1.2km and bring our high-quality mains water to 72 additional properties in the area.

Jersey Water has submitted a £4m bid for funding from the Government's COVID-19 Fiscal Stimulus Package to extend the mains network. If successful, the funding would enable the connection of an additional 500 properties across the Island, creating jobs, helping stimulate the economy and bringing much needed mains water to properties across the Island who currently rely on borehole, rain or well water for their water supply.



Great Customer Experience

Measure of Practice	Actual 2020	Actual 2019
Customer satisfaction index	86.1%	84.0%
Net promoter score	53.4	39.4
Right first time	74.5%	69.3%
Customer effort (/10)	2.4	2.7
Trust score (/10)	8.5	8.2
Customer complaints (per 1000 properties)	0.68	0.98*
Text Feedback Score (/10)	9.08	9.27*

Highlights for FY2020

36%
of customers now receiving e-bills
(2019: 28%)

93%
text feedback score
(2019: 93%)

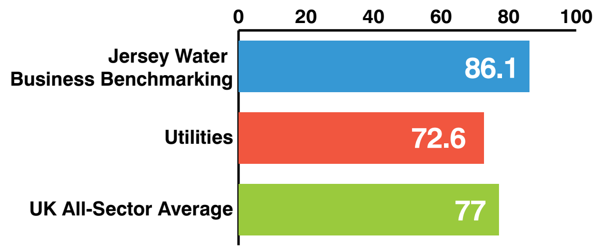
Deployed a virtual call centre to enable our customer service levels to be maintained during the COVID-19 response

Key Initiatives for 2021

- Development and implementation of new Customer Experience Strategy
- Deployment of water efficiency strategy and supporting customer information and resources

**12 months equivalent.*

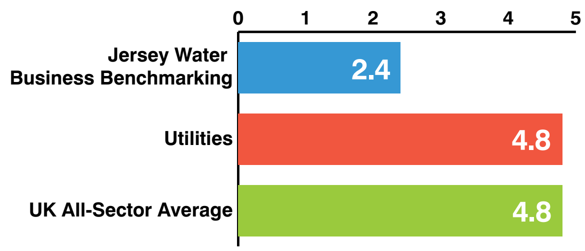
Business Benchmarking Compared To UK Customer Satisfaction Index (UKCSI)



Jersey Water Business Benchmarking survey data based on respondents from Jersey Water customer survey. The results are generated from a total of 306 customer respondents.[1]

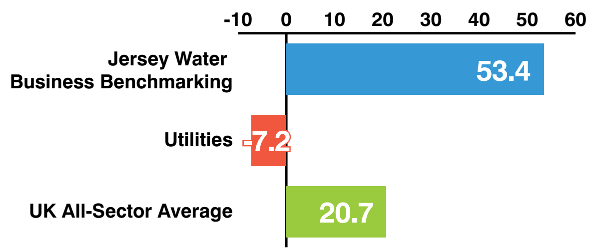
UKCSI July 2020 data sourced from nationwide ICS survey panel of 10,000 customers.

Customer Effort



Customer Effort is based on the question: 'How much effort did you have to make to complete your transaction, enquiry or request on this occasion' (1-10 scale). A lower score signifies less effort required on the part of the customer.[1] This score represents an improvement on 2019 (2.7).

Net Promoter Score



Net Promoter Score (NPS) is based on "likelihood to recommend' scores. Percentage of respondents scoring 9 or 10 (out of 10) on likelihood to recommend minus % of respondents scoring 0-6 on likelihood to recommend equals NPS.[1]

Despite the challenges presented by the COVID-19 pandemic, our customer satisfaction score increased to 86% from 84% last year.

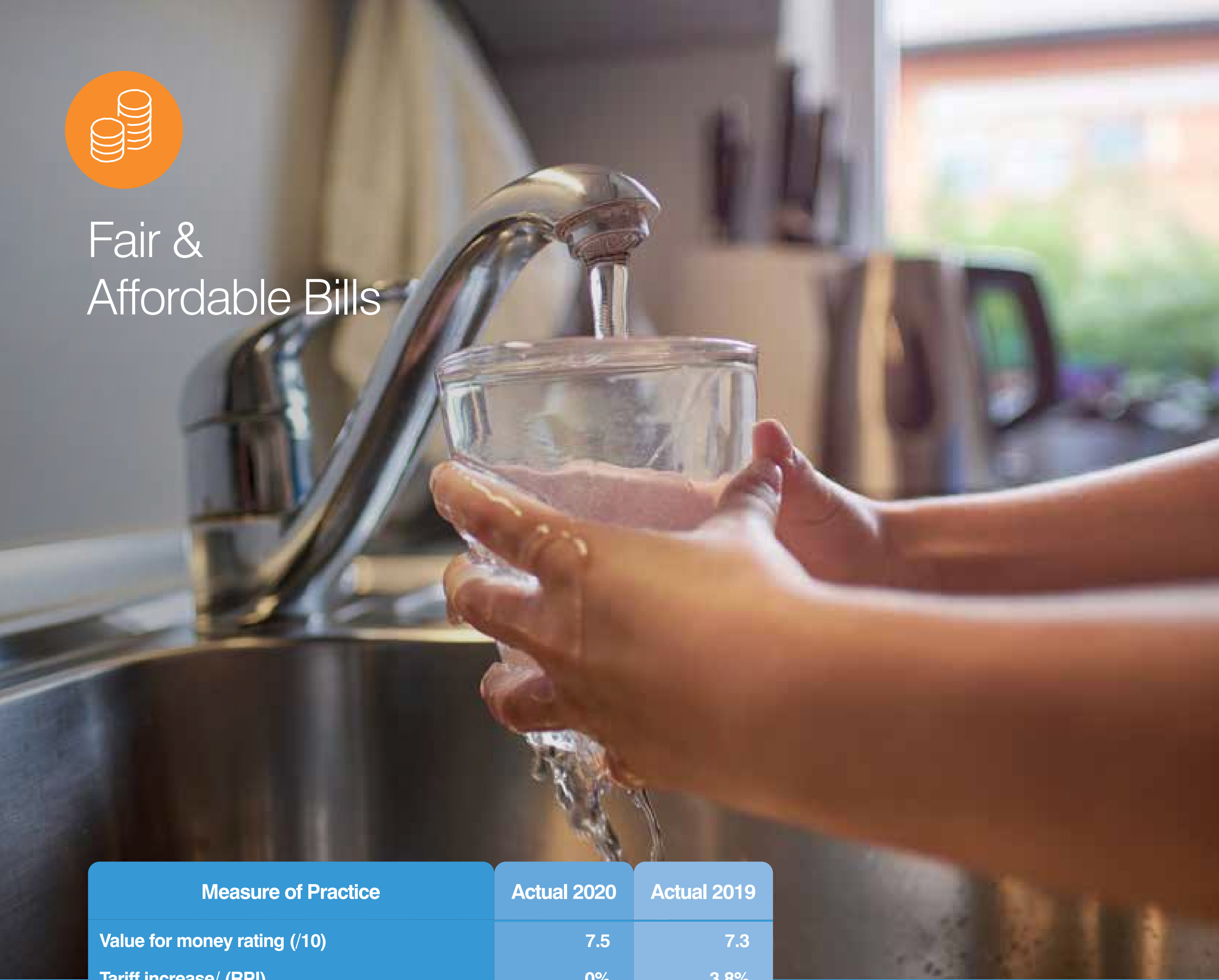
We also saw an increase in our Net Promoter Score (how many people would recommend Jersey Water) to 53.4, a significant increase on the prior year and significantly ahead of the standard benchmark for the utilities sector in the UK (-7.2). These external and other benchmarks of customer service are assessed independently by The Institute of Customer Service (ICS) with whom Jersey Water has been a member since 2017. The main results of our annual customer survey are shown in the table opposite and confirm that not only are customers very satisfied with the service they received from Jersey Water they would also overwhelmingly recommend us if they had a choice of water supplier.

These scores are corroborated by our own internal measures of customer satisfaction. We saw a favourable reduction in customer complaints from 0.98 per 1000 properties to 0.68 in 2020. Our in-house text feedback service scored 91%, slightly down on the prior year of 94%. We review all complaints and text feedback scores and seek to identify ways in which they can be improved for the future.

During the year, we made several enhancements to our website and processes to enable customers to deal with us online or over the telephone. In February, with the onset of the pandemic, our focus shifted to keeping Jersey Water employees safe whilst ensuring high standards of customer service were maintained throughout the forthcoming lock down. To enable our customer service agents to work remotely we implemented a virtual telephone call centre so that customers could continue to contact us throughout.

Our focus for 2021, is the development of a new customer experience strategy, with the customer at the centre and mapping out the new initiatives to deliver great customer service for the future. These include the development of greater online customer self-service functionality and the implementation of a new customer relationship management solution. Through our water efficiency strategy, we will also be developing further tools to support our customers in reducing their water consumption.

[1]*Survey data as provided by the ICS.*



Fair & Affordable Bills

Measure of Practice	Actual 2020	Actual 2019
Value for money rating (/10)	7.5	7.3
Tariff increase/ (RPI)	0%	3.8%
Bad debt as a percentage of turnover	0.24%	0.08%*

Highlights for 2020

97%
of customers paying for water by meter
(2019: 96%)

Supporting customers in arrears due to COVID-19

0%
tariff increase
(Planned increase deferred to October 2020)

Key Initiatives for 2021

- No further price increases until January 2022
- Continue working with all customers in financial hardship caused by COVID-19

*12 months equivalent.

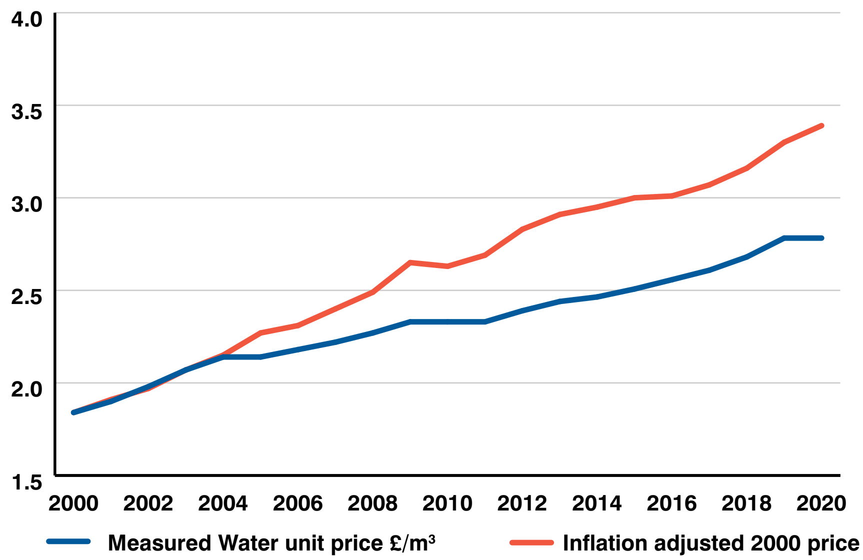
Within the Company's annual ICS survey, we have for the first time in 2020 asked customers for their views on the affordability and value for money of the service provided by Jersey Water.

The average score for value for money was 7.5 (out of 10) with affordability scoring 7.6 (out of 10). To ensure that water continues to be affordable and offer good value for money, Jersey Water has historically applied a policy of limiting price increases to at or below inflation. This policy has been successfully applied in all but two of the previous 20 years. Adjusting for the effects of inflation, the price of water has reduced, in real terms, by 17.8% over that period, made possible by the Company focussing on cost efficiency and sharing the benefit of those efficiencies with customers and shareholders.

Looking to the future, charges for water will continue to need to be cost reflective and make appropriate provision for investment required in the Island's water infrastructure as a result of the Water Resources and Drought Management Plan.

In January 2020, we announced our annual price increase of 2.7%, in line with RPI, due to take effect on 1 April. However, on 13 March 2020, in order to help mitigate the impact of lockdown on our customers and avoid any anxiety that an increase in charges might cause, we made the decision to defer the increase until 1 October 2020.

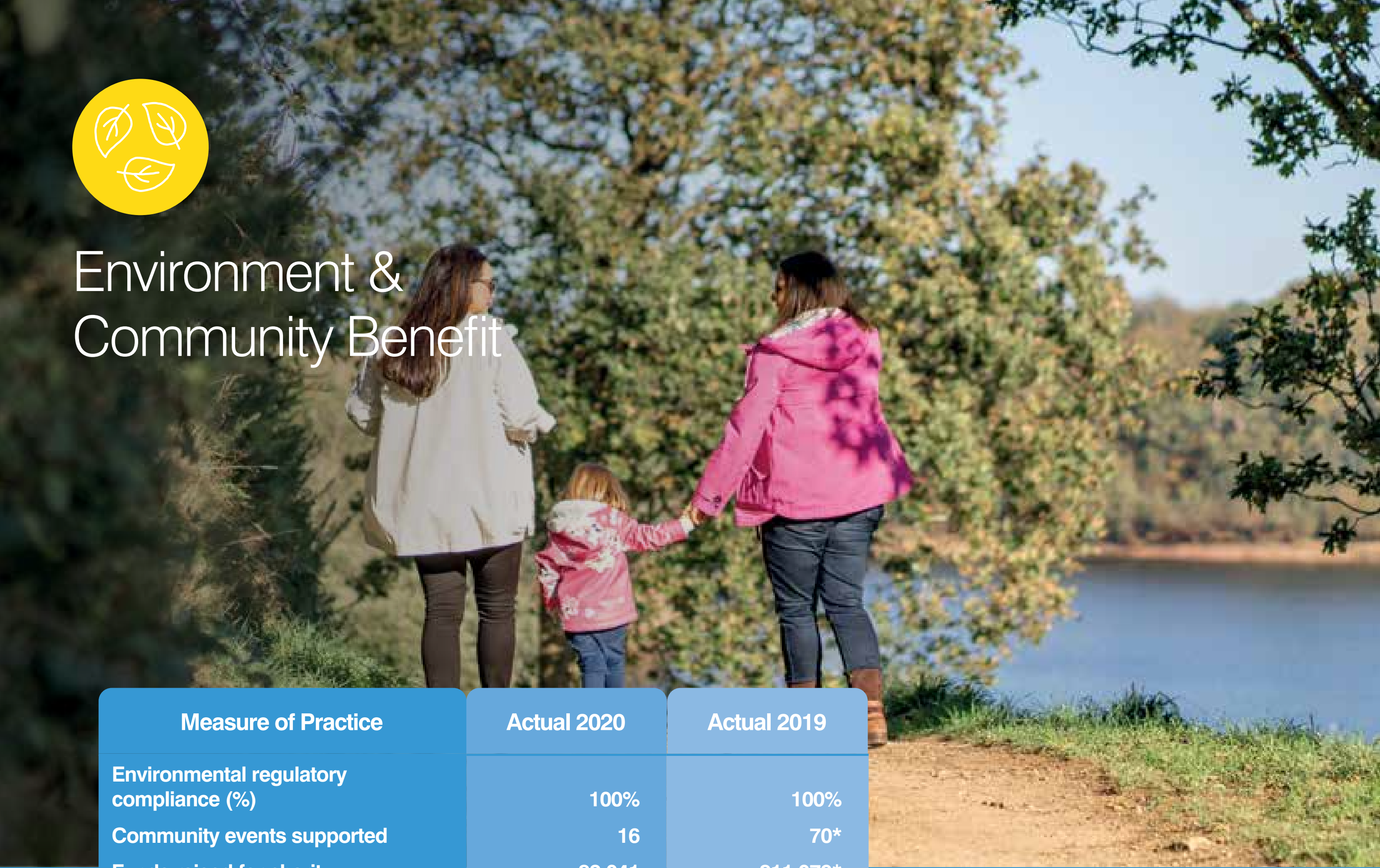
Price of Water: Real Term Tariff Charges



The deferral of the increase was well received by customers.

Following the introduction of COVID-19 restrictions in March 2020, the Company reviewed and amended its debt recovery processes to increase the support for customers facing financial hardship as a result of the pandemic. We encouraged all customers concerned about their ability to pay their water bill to contact us and discuss their circumstances. Our customer service team worked closely with each customer to create customised payment plans tailored to their circumstances. Throughout the pandemic, our focus continues to be supporting customers having difficulty paying their bills.

As a result of the change in timing of the 2020 price increase and following the change in Jersey Water's year end to September, the Company has taken the opportunity to review its price review cycle. In future the prices for water will normally be reviewed on an annual basis and any change in pricing will usually take effect on 1 January each year. Accordingly, there will be no further increases in the price of water until 1 January 2022, when our pricing will next be reviewed.



Environment & Community Benefit

Measure of Practice	Actual 2020	Actual 2019
Environmental regulatory compliance (%)	100%	100%
Community events supported	16	70*
Funds raised for charity	£2,041	£11,079*

Highlights for 2020

100%
compliance with environmental regulations

£23k
raised for Friends of SCBU
(Special Care Baby Unit)

One way system at our reservoirs during COVID-19 restrictions

12 years
of offering bursary placements

Ongoing support for community events on our land

700 **reusable water bottles & 11,000 litres of water in support of events**

6,000 tree
planting scheme for Le Mourier Valley began

(in partnership with Jersey Electricity Plc, National Trust for Jersey and Jersey Trees for Life)

Sponsored Jersey Farming Conference & National Trust for Jersey Autumn Walking Festival

Key Initiatives for 2021

- Continued 100% compliance with environmental regulation
- Ongoing provision of drinking water bottles and water supplies to events
- Key stage 1 school initiative
- Fundraising for JSPCA and Hedgehog Preservation Society
- Began conversion of vehicle fleet to electric vehicles
- Development of Carbon Neutral Strategy

**12 months equivalent.*

Whilst COVID-19 and the need for social distancing curtailed many organised events this year and limited the support we could provide to community organisations, we still managed to supply over 11,000 litres of water and 700 reusable bottles (including 300 to hospital workers during the pandemic) in support of schools and other organisations with events and activities. In February 2020, we were very proud to present a cheque for £22,960 to Friends of SCBU (our charity of Choice for 2019). The sum represented the highest amount raised by Jersey Water employees to date. Our employee nominated charities for 2020 are JSPCA and Hedgehog Preservation Society. Sadly due to COVID-19, our fundraising opportunities have been restricted but employee ingenuity has meant that we have raised a total of £2,041 to the end of September 2020 and we will continue to support both charities throughout 2021.

The popularity of exercising and getting out and about during the pandemic lockdown meant increased footfall at Val De La Mare and Queen's Valley Reservoirs. To maintain public access during the restrictions Jersey Water introduced a one-way system around each reservoir which ensured visitors remained socially distanced so that they could enjoy these beautiful open spaces safely. Jersey Water was proud to sponsor the National Trust for Jersey Autumn Walking Festival which provided guided walks at several locations around the Island including a walk around Handois Reservoir which is not normally open to the public.

"The popularity of exercising and getting out and about during the pandemic lockdown meant increased footfall at Val De La Mare and Queen's Valley Reservoirs."

We also welcomed several educational visits to our sites and permitted use of Company land for numerous third-party events run by the Jersey Freshwater Angling Association, Jersey Trees for Life, the Jersey Motorcycle and Light Car Club, the Caesarean Cycle Club and others.

Planting began in 2020 on the joint project with Jersey Electricity, National Trust for Jersey and Jersey Trees for Life to plant around 6,000 trees on over eight hectares of land (20 acres), including land belonging to Jersey Water, next to existing ancient woodland at Mourier Valley. The joint funded partnership is one of the biggest tree-planting initiatives the Island has seen and its objective is to safeguard biodiversity, offset carbon and help Jersey towards its aim of being carbon neutral by 2030.

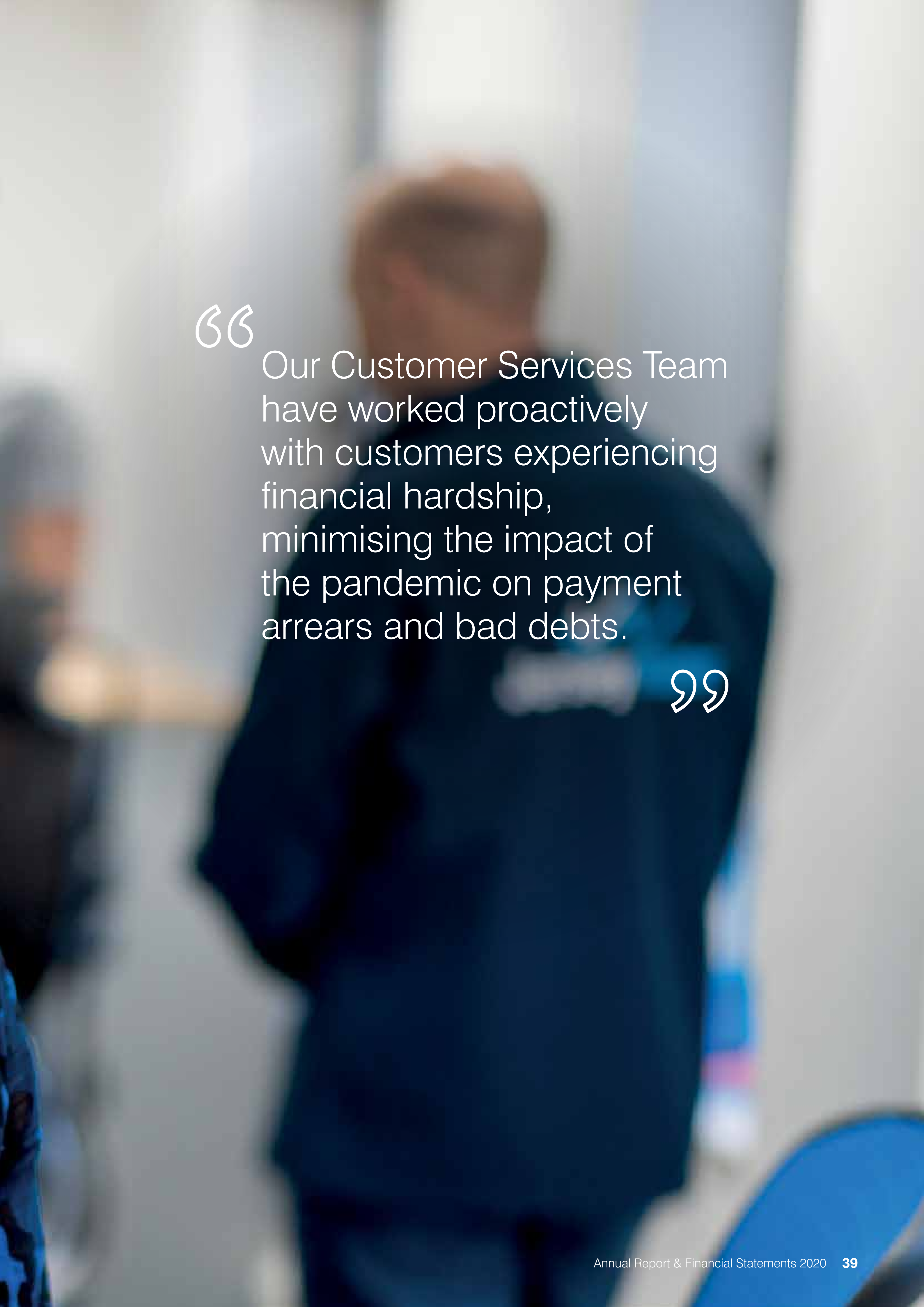
Having been in operation since 2008, the Jersey Water Bursary is now a well-established and popular scheme for students embarking on a degree course in a subject related to the supply of water (e.g. engineering, environmental sciences, chemistry). The scheme provides paid workplace experience and funding towards the cost of study for one student each year.


Jersey Water employees planting trees at Mourier Valley.


Friends of SCBU cheque presentation February 2020.

Financial Review

Natalie Passmore
Finance Director



"Our Customer Services Team have worked proactively with customers experiencing financial hardship, minimising the impact of the pandemic on payment arrears and bad debts."

The financial results summarise performance for the financial year ending 30 September 2020.

In order to demonstrate how the Company has performed against prior periods, comparative results for the 12 months to 30 September 2019 have been included in detail on page 92 with the income statement key financials summarised in the following table.

	12 months to 30 Sep 2020	Unaudited 12 months to 30 Sep 2019[1]	9 months to 30 Sep 2019
Turnover	**17,627**	17,760	13,229
Operating profit	**3,926**	3,576	2,586
Profit for the reporting year/period	**2,680**	2,160	1,593

Throughout the commentary the comparatives provided for income statement amounts represent the unaudited 12 months to 30 September 2019.

Turnover

Turnover decreased 0.8% to £17,627k when compared against income of £17,760k for the same time period in 2019. The decrease in turnover driven by lower rechargeable income rather than a variance in water revenue.

Overall, revenue from the sale of water contributed £16,701k compared with £16,400k[1] for the same period in 2019. The increase of £301k was driven mainly by new customers together with the impact of 2019 tariff increase. The onset of COVID-19 and the associated restrictions brought about changes in consumption patterns across all customer sectors. There was a significant decrease in water consumption by our commercial customers, most notably those in the tourism and hospitality sector. This reduction was offset by an increase in consumption by household customers, particularly over the period when working from home was the default and schools were closed. Throughout the period, our Customer Services Team have worked proactively with customers experiencing financial hardship, minimising the impact of the pandemic on payment arrears and bad debts.

Revenue relating to the installation of new water mains and connections was £294k, a decrease of 29% on the same period last year (£412k[1]). This reduction is due to work being postponed during the lockdown period and differences in the size and nature of each connection.

Operating expenditure

Operating costs of £13,701k were 3.4% or £483k lower during 2020 compared to prior year (£14,184k[1]).

Whilst investment continued on key strategic projects namely the Water Resources and Drought Management Plan and the Connect Programme, COVID-19 had an adverse impact on some normal business activities such as training, routine maintenance and timing of recruitment. This required planned work and investment to be reprioritised to adapt to the necessary changes in working environments and ensure resilience across the organisation. Overall, this resulted in lower than anticipated expenditure, the decrease being the net of the following key variances:

- Reduction in training, recruitment, consultancy and contractor costs due to deferral or extension of project work timelines in order to manage the impact of COVID-19 on internal resources, local suppliers and travel restrictions.
- Additional costs incurred in managing the impact of COVID-19 including PPE, tools and consumables, additional software and redeployment of resources usually focused on capital delivery.
- Increased expenditure in IT support and licensing costs to facilitate working from home and the virtual call centre.

Lower electricity costs further contributed to the decrease representing the reduced need to pump water between reservoirs, following the wet start to the year. The benefit of this was felt throughout the summer despite the dry weather. This contrasts with the previous year where low water levels at the beginning of the year resulted in a greater need for pumping to meet demand.

Operating profit

Operating profit increased by 9.8% (£350k), in comparison to the corresponding prior period principally due to the reduction in operating costs explained above.

Net interest expense

Net interest expense totalled £686k in 2020 which is a £98k decrease on the same period in 2019 (£784k[1]). The reduction is attributable to the decreases in base rate during the year resulting in lower interest payments on bank loans.

Profit before taxation

Profit before taxation for the year was £3,240k, which is £448k or 16.0% higher than the same period in 2019, driven by the increase in operating profit arising principally from lower operating costs.

Income tax

Income tax charged in the period has decreased by £72k on the prior period to £560k; the reduction arises from a refund of income tax charged in 2018 reducing the current year charge.

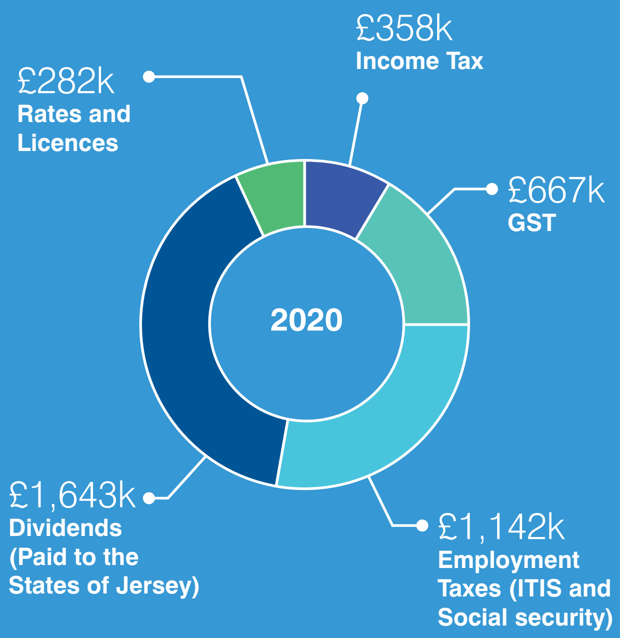
Earnings per share

Earnings per share for 2020 was £0.28 for each ordinary share, an increase of £0.12 on 30 September 2019. 73.91% of the ordinary share capital of the Company is owned by the States of Jersey (representing 83.33% of voting rights) with the remaining 26.09% held by around 165 private and institutional investors.

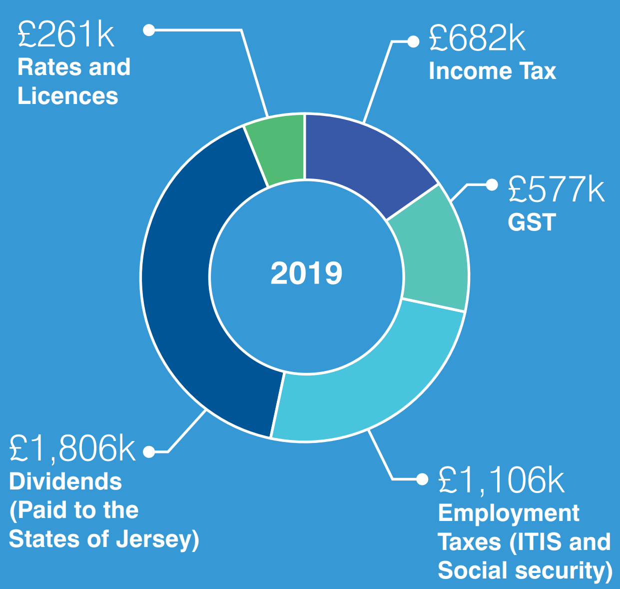
[1]12 month comparative period including prorated adjustments to present a like for like comparison

How every £1 of our customers' bills is used
9p
Paying taxes, rates and licences:
Income tax on profits, GST paid, employer's social security, rates and licences
4p
Paying back interest:
On money borrowed to improve services and invest in infrastructure (loan interest and preference share dividends)
17p
Building new assets:
Such as connecting new homes, upgrading the desalination plant and treatment works and replacing the mains network
7p
Net profit:
Retained to fund future investment
11p
Maintaining our equipment:
To ensure plant and equipment works efficiently
10p
Our shareholders:
Dividends paid to all ordinary shareholders
9p
Our suppliers:
Costs of suppliers' services
4p
Energy:
To cover day-to-day running of our operations
29p
Our people:
Wages, salaries, pensions and other benefits
£

Total contribution to the States of Jersey in 2020



Total contribution to the States of Jersey in 2019



Transactions with the States of Jersey

The total cash paid to the States of Jersey by Jersey Water during the year, including dividends was £4,092k (2019: £4,432k[1]).

Equity dividends and dividend policy

The Board aims to deliver real growth in dividends over time, recognising that short term adjustments may be necessary to allow for variations in financial performance, investment requirements, liquidity and other factors.

In 2018, the Company embarked on the Connect Programme, a portfolio of key strategic projects designed to enhance customer experience, build additional resilience, and deliver greater operating efficiency. The strong financial position of the Company has allowed the Board to maintain the dividend levels throughout the investment period; accepting a reduction in dividend cover caused by the temporary increase in Connect and compliance related operating costs. These costs are expected to reduce from 2022 when the Connect Programme is completed and business and customer benefits are delivered.

In determining the level of dividend in any year, in accordance with the policy, the Board considers a number of other factors that influence the proposed dividend payment, which include but are not limited to:

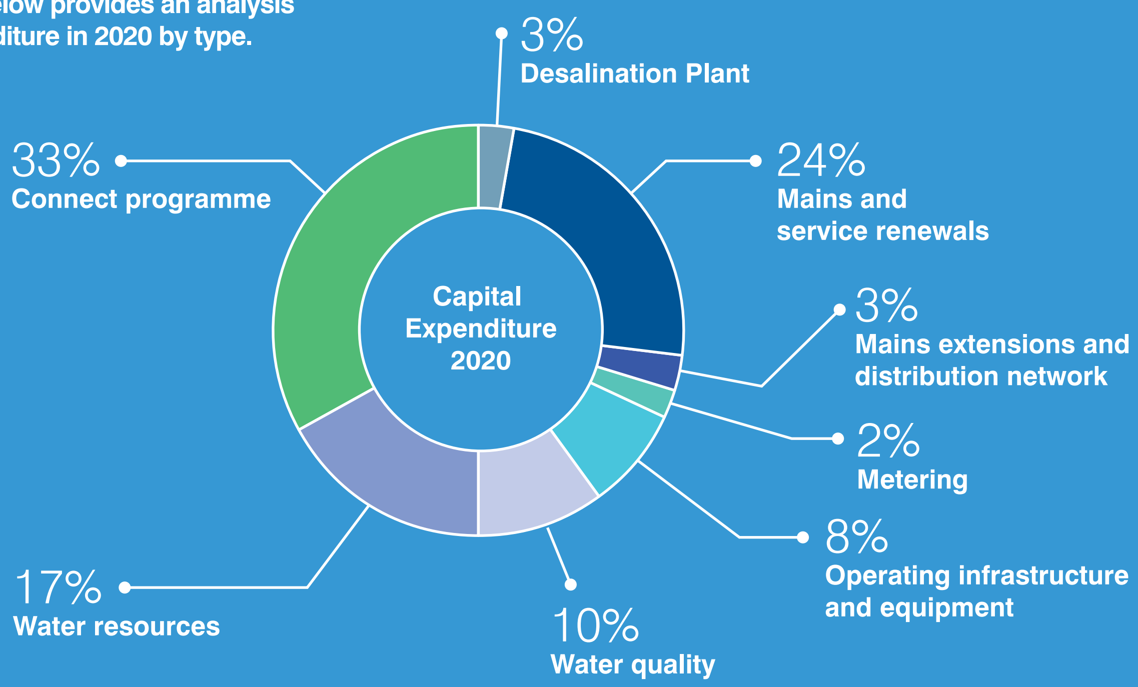
- operational and financial performance of the business
- the level of dividend cover
- available financial resources and distributable reserves
- future cash commitments and investment requirements to sustain delivery of our strategic outcomes
- any relevant external issues that may impact overall resilience, for the reporting year this included the impact of COVID-19

For 2020, the Directors are recommending a final dividend on the Ordinary and 'A' Ordinary shares of 14.771 pence per share (2019: 10.835 pence). This brings the total paid and proposed dividend for year to 30 September 2020 to 21.908 pence per share (2019: 16.188 pence).

	12 months to 30 September 2020	9 months to 30 September 2019
Dividends declared and paid	**£'000**	**£'000**
Previous period/year - Final dividend	1,047	1,396
Current year/period - Interim dividend	689	517
	£1,736	**£1,913**
Dividends proposed		
Current year/period - Final dividend	**£1,427**	**£1,047**

[1]12 month comparative period including prorated adjustments to present a like for like comparison

The graph below provides an analysis of the expenditure in 2020 by type.



Cash flow

There was a net cash inflow of £71k in the period compared to a prior year equivalent inflow of £283k[1]. The operating cash inflows are higher in the current period due higher turnover, timing of trade receivables and payables and lower operating expenditure. However, non-recurring cash received in the prior period from the disposal of investment property resulted in lower overall cash inflow year on year.

Fixed assets and capital expenditure

In 2020, the total capital expenditure was £3,553k. This figure includes £1,345k of expenditure on the Connect Programme.

During the year, the Company recognised credits to the overall investment in capital projects representing accrued expenses in a prior period ultimately not incurred. As a result there was a net £1,020k spent on new and upgraded assets throughout the business. A further £1,188k was spent on mains renewals and metering, continuing our work to reduce leakage and improve water quality throughout the network.

At the year end, the Company held assets with net book value of £77,429k (2019: £76,972k), with tangible assets making up 98% of the book value at £75,797k (2019: 99% £76,500k).

Loans and borrowing

Loans and borrowing at 30 September 2020 remained unchanged at £20,282k (2019: £20,282k).

The loan of £5,250k is due to mature in March 2021. At time of writing the Company intends to renew the loan and does not anticipate any significant issues with securing the appropriate facility.

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 £16,200k.

In order to hedge against interest rate exposure on £5,250k of the borrowing due to mature in 2021, the Company holds an interest rate swap contract for the same nominal value and maturity. Under FRS 102 this derivative liability is stated at fair value at the reporting date on the statement of financial position at £108k (2019: £180k) with a gain on the fair value of £79k being recognised in other comprehensive income for the year (2019: loss £6k).

Defined benefit pension scheme

Under FRS 102 the Company's defined benefit scheme net surplus increased by £36k during the year, resulting in a net surplus remaining of £456k (2019: £420k). The increase in the surplus is primarily due to market driven changes in the discount rate used to calculate the present value of the defined benefit obligations. As a result, the present value of the obligation increased by £725k, although this was more than offset against the continued performance on the value of the plan's assets which saw an increase of £761k in the year.

Deferred tax liability

The deferred tax liability increased in the year by £255k to £6,994k. The movement is primarily due to an increase to the amount charged to the income statement following an adjustment to the capital allowance pool for the short accounting period in the prior financial year.

Directors, Officers & Advisers

Non-Executive Directors

Heather MacCallum
Chair

BA (Hons), CA

Heather MacCallum was appointed to the Board in October 2016 as a Non-Executive Director and Chair of the Audit Committee. In February 2020, Heather was appointed as Chair of the Board of Directors and stood down as Chair of the Audit Committee.

Heather was a partner of KPMG, Channel Islands from 2001 until 2016 where she was based in their financial services practice, gaining a broad range of experience from companies with a premium listing on the London Stock Exchange through to private investment vehicles. Heather became a Member of the Institute of Chartered Accountants of Scotland in November 1995. She is a Non-Executive Director of a number of listed companies, namely Blackstone/GSO Loan Financing Limited, Aberdeen Latin American Income Fund Limited and City Merchants High Yield Trust Limited. She is also a Trustee of Lloyds Bank Foundation for the Channel Islands and Co-Chair of the Jersey Community Foundation.

Heather chairs the Nomination Committee and is a member of the Remuneration and Risk Committees.

Anthony Ferrar

FCMA, CGMA, ACIS

Anthony Ferrar was appointed to the Board in July 2020 as a Non-Executive Director. Anthony currently serves as Chair of Water UK and a trustee of the Water Companies Pension Scheme. Anthony previously held the position of Managing Director of SES Water for 11 years before retiring in February 2020. Prior to his term at SES Water, Anthony spent 15 years as Finance Director and Company Secretary of Bournemouth & West Hampshire Water plc.

Effective from 1 October 2020, Anthony chairs the Audit Committee and is a member of the Nomination and Risk Committees.

Tim Herbert

MA (Oxon)

Tim Herbert was appointed to the Board in January 2015 as a Non-Executive Director. Tim is a Jersey Advocate. He was a partner at Mourant for over 25 years including a term as Managing Partner and since July 2012 has been retained as a consultant to the firm. He had a broad commercial practice and now holds a number of other positions in the community.

Tim chairs the Remuneration Committee and is a member of the Nomination and Risk Committees. During the financial year Tim was also a member of the Audit 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. Stephen is a Non-Executive Director of South Staffordshire Water Plc. He was previously Managing Director of Cambridge Water Plc and Chair of both the Water UK Standards Board and the Water Regulations Advisory Scheme (WRAS). Stephen is a Trustee of the Water Companies' Pension Scheme and the Arthur Rank Hospice Charity (the 'Cambridge Hospice'). Since 2012 Stephen has been a Director of Watersafe Limited, a company limited by guarantee to promote the use of qualified plumbers.

Stephen is the Board's Senior Independent Director, and a member of the Audit, Nomination and Risk Committees.

Daragh McDermott

BBS, FCA, FCIS, GDL, CDir

Daragh McDermott was appointed to the Board in October 2016 as a Non-Executive Director. Daragh is the Managing Director of JT (Channel Islands), prior to which he qualified as a Chartered Accountant with KPMG, Ireland, and worked for PricewaterhouseCoopers, Management Consultants, London. Daragh is a Chartered Director and also holds a number of additional positions on the Island, which include being a Board Trustee for Autism Jersey.

During the financial year, Daragh was appointed as Chair of the Audit Committee, subsequently standing down as chair on 1 October 2020. He remains a member of the Audit Committee and a member of the Nomination and Risk Committees.

Michael Pocock

BSc (Hons), MBA, CEng, MICE, MCIWEM

Michael Pocock was appointed to the Board in May 2018 as a Non-Executive Director. Michael is a Chartered Civil Engineer with 45 years' experience in the water industry with Affinity Water and its predecessor company, Veolia, and Thames Water. Michael was also a trustee of the Affinity Water Pension Fund. In September 2018, Michael retired as an Executive Director of Affinity Water and Trustee of the Pension Fund. Since then, Michael has been an independent management consultant offering expert advice to the UK water industry.

Michael is Chair of the Risk Committee and is a member of the Nomination and Remuneration Committees.

Executive Directors

Helier Smith

BA (Hons), BFP, FCA, FIoD, CDir, MIWater, FCMI

Helier Smith was appointed to the Board as Finance Director in October 2003 after joining the Company in 2002. Since April 2015, Helier has held the position of Chief Executive. He was previously employed by KPMG in the UK and Jersey where he worked for 11 years in the manufacturing, distribution and finance sectors. Helier qualified as a Chartered Director in 2010 and became a Fellow of the Chartered Management Institute in 2012.

Helier also serves as a Director on both of Jersey Water's subsidiary companies, Handois Holdings Limited and De La Haye Plant Limited.

Natalie Passmore

MA (Hons), BFP, FCA, CMgr, MCMI, Dip IoD

Natalie Passmore was appointed to the Board as Finance Director in May 2017 after joining the Company in 2010 where she held the position of Financial Controller and more recently Chief Financial Officer. She previously worked in a number of commercial roles in Jersey and overseas. Natalie is a Chartered Accountant, Chartered Manager and holds a Diploma in Company Direction from the Institute of Directors.

Natalie also serves as a Director on both of Jersey Water's subsidiary companies, Handois Holdings Limited and De La Haye Plant Limited.

Officers & Advisers

Louisa McInnes
Company Secretary

TEP

Independent Auditor

Deloitte LLP
Gaspé House
66-72 Esplanade, St Helier
Jersey, JE2 3QT

Registered Office

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

Bankers

HSBC Bank PLC
HSBC House, Esplanade
St Helier, Jersey, JE1 1HS

Corporate Governance

Compliance with the UK Corporate Governance Code

The Company has chosen to adopt the principles of good corporate governance and best practice set out in the UK Corporate Governance Code (the Code) as updated in 2018. The Board is of the opinion that the Company has complied with the main principles of the Code throughout the year under review.

Directors and the Board

The Board

The Jersey Water Board currently comprises eight directors, two of whom are Executive Directors and six of whom are Non-Executive Directors. The Board has a schedule of regular board meetings, normally between six and eight per financial year, with any additional meetings convened as and when required together with one to two formal strategy sessions.

Owing to the exceptional circumstances which have arisen this financial year, the Board held regular board sessions in the early months of the COVID-19 pandemic in order to support the Senior Leadership Team in their implementation of the Company's pandemic action plan.

Neither Executive Director holds any non-executive directorship positions.

The Board is collectively responsible for the long-term resilience and 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. The Chair is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Non-Executive Directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Board has Audit, Nomination, Risk and Remuneration Committees in place; the terms of reference of the Committees are available on request from the Company Secretary.

In December 2019, following a review of its Committees, the Board recognised the need to establish a Risk Committee, independent to the Audit Committee. The Risk Committee is primarily an advisory committee to the Board. Its aim is to facilitate focused and informed board discussion on risk and related matters to ensure the Company is able to meet its resilience objectives. The Board retains ultimate accountability for the organisation's principal risks and for the overall effectiveness of its risk management. The Committee will review and report on the Company's risk management strategy (embracing principles, policies, framework and people), considering current, new and emerging risks and provide a formal mechanism of reporting risk matters to the Board.

Whilst maintaining oversight at regular meetings of the Board, the day-to-day strategic operations of the Company have been delegated to the Executives. The Board is supplied with a sufficient level of regular, detailed and timely management information to allow it to discharge its functions effectively.

Meetings and Committee membership

The table below sets out the number of meetings (including Committee meetings) held and attended during the financial year.

	Board	Audit	Remuneration	Risk	Nomination
Number of meetings in the financial year	**7**	**2**	**3**	**1**	**2**
Anthony Ferrar (appointed 1 July 2020)	2/2	-	-	-	-
Tim Herbert	7	1/1	3	1	2
Stephen Kay	7	2	-	1	2
Heather MacCallum	7	1/1	2/2	1	2
Daragh McDermott	7	2	-	1	2
Natalie Passmore	7	-	-	-	-
Michael Pocock	7	-	3	1	2
Helier Smith	7	-	-	-	-
Peter Yates (retired 6 February 2020)	2/2	-	2/2	-	1/1

Director independence

The Board considers all the Non-Executive Directors to be independent in character and judgement. In determining independence, the Board considers the specific circumstances of each director, inclusive of those directors who have served more than nine years on the Board. The Board has concluded that Anthony Ferrar, Tim Herbert, Stephen Kay, Daragh McDermott and Michael Pocock shall be deemed independent.

Heather MacCallum, as Chair 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, each individual board member and its Committees are subject to annual performance evaluations. The process 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 collectively (if required) and, if necessary, appropriate action is taken, where development needs have been identified.

The Board concluded that it possesses the mix of skills, experience and knowledge required in developing and delivering the strategies and address the challenges, opportunities and the principal risks facing the Company.

The Board concluded that no corrective action was considered necessary for the reporting year and that the Board is fully effective.

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 Jersey Water.

It is the opinion of the Board that all Non-Executive Directors are able to effectively discharge their duties to Jersey Water.

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. Jersey Water has adopted a policy of requiring the Chair and 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 shareholders at the next Annual General Meeting.

Stakeholder engagement

The long-term sustainable success of our business is dependent on our engagement and the support we receive from our key stakeholders. Building positive relationships with our stakeholders that share our purpose and values is important to us and working towards shared goals assists us in delivering long-term sustainable success. This is explained in more detail on pages 12 to 15 of the Strategic Review.

Workforce engagement

The Board has regular contact with the Jersey Water workforce. The adopted approach to workforce engagement is on an informal basis, with round-table style meetings taking place when the need to consult on specific topics arises. Outputs from such meetings are reported back to the Board as necessary.

Relations with shareholders

Jersey Water is in regular contact with its majority and controlling shareholder, the States of Jersey, with whom it meets at least twice a year. Details of contact with and the views of the States of Jersey are cascaded to the Board. Jersey Water uses events such as the Annual General Meeting to interact with and hear the views of all shareholders. Due notice of the Annual General Meeting stating the business of the meeting is circulated to all shareholders in advance of the meeting in accordance with Companies (Jersey) Law, 1991, as amended. The Company monitors and reviews votes received and considers the need to further engage with shareholders in the event of significant opposing votes.

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 the Company is financially resilient and that strategic 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.

Jersey Water has developed and adopted corporate and operational risk registers detailing and 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 Board has regular contact with the Jersey Water workforce.”

The process of risk assessment and reviewing the effectiveness of the systems of internal control is regularly reviewed by the Audit Committee in accordance with FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and has been in place for the whole of the year, up to and including the date on which the financial statements are approved.

The process has also been strengthened by the establishment of the Risk Committee.

Controls adopted by the Board (or its Committees) to ensure the effectiveness of the systems of internal control include the following:-

- Review and approve the Risk Management Policy and Risk Appetite Statements;
- Review 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;
- Receive confirmation from senior management of the proper operation of controls throughout the reporting period;
- Review and approve the terms of reference of committees;
- Review and approve schedule of matters specifically reserved for its attention; and
- Review 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

Throughout the financial year, the Audit Committee was chaired by Daragh McDermott supported by Stephen Kay and Tim Herbert as members of the Committee. Daragh is a Chartered Accountant with wealth of experience within the utilities sector and Stephen is a Chartered Engineer with extensive experience of the water industry.

Effective from 1 October 2020, Daragh McDermott retired as Chair of the Audit Committee, remaining as a Committee member and Anthony Ferrar was appointed as Chair of the Committee. Anthony is a Fellow of the Chartered Global Management Accountants who also has extensive experience of the water industry. Tim Herbert resigned from the Committee on 1 October 2020.

The Executive Directors, Natalie Passmore and Helier Smith and the Company Secretary may also attend the whole or parts of the meetings by invitation. During this financial year, the Audit Committee met twice.

The composition of the Committee ensures that there are sufficient skills, experience, knowledge, professional qualifications, utility and water industry expertise to discharge the Committee's responsibilities effectively. Biographical information and qualifications of each of the members can be found on pages 44 to 46.

The external auditors, Financial Controller and Company Secretary also attend the meetings by invitation.

The terms of reference of the Audit Committee require it to meet at least twice per financial year. Additional meetings may be called where deemed necessary.

> Jersey Water is in regular contact with its majority and controlling shareholder, the States of Jersey, with whom they meet at least twice a year.

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;
- To 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 risk management and internal control systems, including internal financial controls, and make recommendations for improvement where necessary;
- To review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement;
- To oversee the external audit process and manage the relationship with the external auditors;
- To compile a report on its activities to be included in the Company's annual report;
- To exercise judgement in deciding which of the issues it considers in relation to the financial statements to be significant; and
- To make recommendations to the Board as to the re-election and remuneration of the auditors at the annual general meeting based upon its assessment of the performance of the auditors and giving due regard to their continued independence and any other regulatory or professional requirements.

The Committee regularly assesses the need for an internal audit function and has determined that the establishment of such a function is, at the present time not required, given the size and complexity of the Company. Assurance is undertaken on a risk focussed basis including external reviews of controls designed to mitigate risks associated with operational, financial and cyber matters as and when required. The internal audit function and the level of external assurance over specific controls is considered by the Committee on at least an annual basis.

Performance evaluation of the Audit Committee is described on page 50.

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. For the 2020 year end, these included, defined benefit pension scheme valuation, the interest rate swap, accounting for Connect Programme costs and the impact of COVID-19 to include deferred income. Further details can be found in notes 3 and 4 of the financial statements. Changes in accounting or disclosure requirements and the accounting or disclosure implications of one-off events occurring in the year end were also considered by the Committee. Where necessary, the Committee considers evidence and independent third-party advice on the key matters for consideration.

At the end of the reporting year, the Committee reviews the annual report, related announcements, going concern assumption and viability statement 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 process is completed in consultation with the auditors whose view is sought by the Committee. The Committee also considers, based on their knowledge of the business and issues arising, whether they can advise the Board that the annual report, 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.

External Auditors

Each year the Committee considers the external auditors' proposed approach and approves fees for the year-end statutory audit. 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. Fees paid to the auditor for the statutory audit of the Company are detailed in note 16 of the financial statements.

The current auditor is Deloitte LLP with Kate Hadley as Lead Audit Partner. This will be Deloitte LLP's fourth term as auditor.

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 audit fees, any potential involvement of the audit team in the work and the longer term effect of any 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 16 of the financial statements.

Remuneration Committee

The Remuneration Committee is chaired by Tim Herbert, with Michael Pocock, Peter Yates (retired on 6 February 2020) and Heather MacCallum (appointed on 6 February 2020) as committee members. The Executive Directors, Natalie Passmore and Helier Smith along with the Company Secretary, may also attend meetings by invitation.

No Executive Director is allowed to determine their own remuneration.

During the financial year, the Remuneration Committee met three times.

Employee AGM February 2020.

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

- To determine the policy on executive director and senior manager remuneration and consider specific remuneration packages (including incentives) for individual executive directors and senior management, having regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals so that rewards are linked to improvements in overall performance (corporate and individual) and efficiency of the business;
- To review and approve not less than once a year specific remuneration packages for all members of the Senior Leadership Team and the Executive Directors;
- To review the terms of executive directors and senior management's service agreements from time to time;
- To maintain contact as required with its principal shareholder regarding remuneration through the Chair of the Board; and
- At least once per year, or as required by the Board, the Committee will review its own performance, constitution and terms of reference to ensure it is operating effectively at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

In execution of its role the Remuneration Committee takes into account external benchmarking data where appropriate.

Risk Committee

In December 2019, the Risk Committee was formally established, with its inaugural meeting held in May 2020. Michael Pocock was appointed as Chair of the Committee. The Committee members consist of Anthony Ferrar (appointed on 1 July 2020), Tim Herbert, Stephen Kay, Heather MacCallum and Daragh McDermott. The Executive Directors, Natalie Passmore and Helier Smith and the Company Secretary may also attend the whole or parts of the meetings by invitation.

The terms of reference of the Risk Committee require it to meet at least twice per financial year. Additional meetings may be called where deemed necessary. The Committee is charged by the Board with the following main responsibilities:-

- To oversee the development, implementation and monitoring of the Company's overall risk management framework and its risk strategy, principles and policies to ensure that they are robust and in line with emerging regulations, corporate governance and industry best practice and are effective;
- To oversee the Company's risk exposure and proposed improvements to the Company's risk management framework, strategy, principles and policies. This will include proposed changes to risk governance, risk appetite and risk policy frameworks, and the organisation's risk universe;
- To review the adequacy of the Company's risk management framework and the resources available to the Company to appropriately manage risk;

- To review and assess the principal and emerging risks which have been identified and determine how these may affect the likely achievement of the organisation's strategic objectives and continued viability of its business model;
- To review risk principles, policies and material amendments to such risk principles and policies, as recommended by the Executives, for approval by the Board;
- To oversee adherence to risk principles, policies and standards and any action taken resulting from material policy breaches;
- To review and approve the statements to be included in the annual report concerning internal control, risk management and the viability statement from a non-financial perspective; and
- To report to the Board as to whether the organisation's purpose, values and board-approved risk culture expectations are appropriately embedded in the organisation's risk strategy and risk appetite and are reflected in observed behaviours and decisions.

Nomination Committee

The Nomination Committee is chaired by Heather MacCallum, with, Anthony Ferrar (appointed on 1 July 2020), Tim Herbert, Stephen Kay, Daragh McDermott, Michael Pocock and Peter Yates (retired on 6 February 2020) being the other members. The Executive Directors, Natalie Passmore and Helier Smith and the Company Secretary may also attend the whole or parts of the meetings by invitation.

In the reporting period, the Nomination Committee met once.

The Committee is primarily responsible for the selection and appointment of the Company's Executives 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;
- To make recommendations to the Board for the re-appointment of any non-executive director at the conclusion of their specified term of office having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;
- To regularly review the structure, size and composition of the Board (including the balance of skills and attributes required of the Board compared to its current position) and make recommendations to the Board with regard to any changes; and
- Keeping under review the leadership needs of the organisation, both executive, non-executive and other senior executives, including succession plans, with a view to ensuring the continued ability of the organisation to operate effectively, and make recommendations to the Board.

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. As a matter of policy, the Chair of the Board is not permitted to chair the Committee when it is dealing with the matter of succession to the Chair.

The Nomination Committee makes recommendations to the Board considering 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. Terms and conditions of appointment of non-executive directors are available for inspection at the Company's registered address during normal business hours and at the AGM.

It is the policy of the Board to appoint directors who have a diverse range of skills, attributes and backgrounds so that the Board, as a whole, 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 age and gender balance.

The Committee recognises the important contribution the Board makes to the long-term sustainable success of the Company. At least annually, the Committee formally considers the structure, size and composition required of the Board in order to meet the current and future needs of the Company. In accordance with the Company's articles of association, at each annual general meeting one-third of the directors in office, retire by rotation and seek re-election, with no director remaining in office for longer than three years since their last re/election.

A rigorous recruitment process is in place for the appointment of non-executive directors to ensure that the policy of the Board to populate itself with directors who have a diverse range of skills and attributes is achieved.

The current board profile is as follows:

Gender		Tenure (Years)		Age		Sector	
Male	6	<1	1	41-50	3	Utilities / Engineering	6
Female	2	1-3	1	51-60	1	Professional / Financial	2
		4-9	5	61-70	4		
		9+	1				
Total	8		8		8		8

Directors' Report

Louisa McInnes
Company Secretary

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.

Both Handois Holdings Limited, a private Jersey holding company and De La Haye Plant Limited, a water tanker company, are wholly owned by Jersey Water. Together all three companies form the Company.

Dividends

Ordinary and 'A' ordinary shares

The Company paid an interim dividend of 7.137 pence per share on 12 June 2020 (2019: 5.353 pence). The Directors are proposing a final dividend on ordinary and 'A' ordinary shares for 2020 of 14.771 pence per share (2019: 10.835 pence), bringing the total dividend for the 12 months to 21.908 pence per share (2019: 16.188 pence).

	12 months to 30 September 2020	9 months to 30 September 2019
Interim dividend paid	689	517
Final dividend proposed	1,427	1,047
	£2,116	**£1,564**

Preference shares

In the 2020 reporting year, Jersey Water paid dividends on preference shares totalling £381k, (9 months to 30 September 2019: £191k).

Directors

Changes in Directors

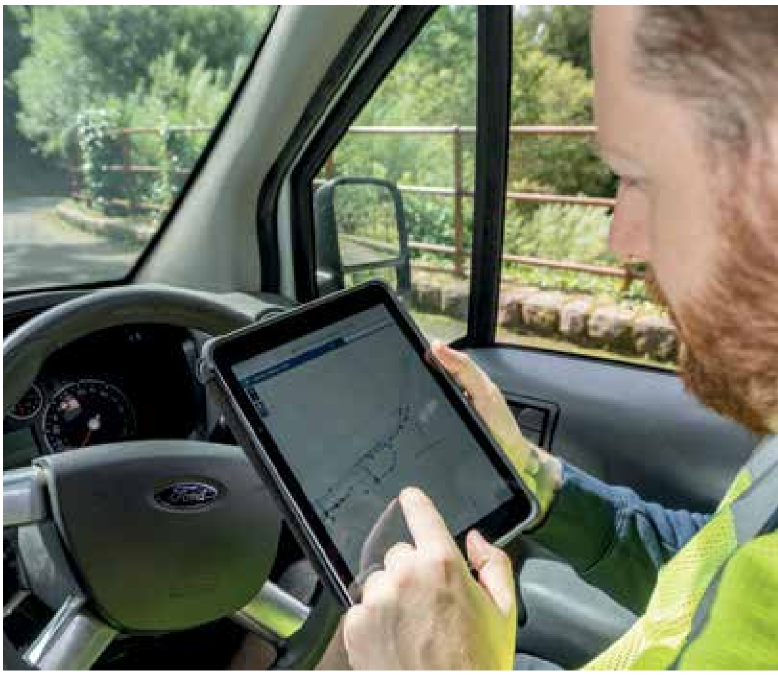
The Directors of the Company on the date the consolidated financial statements were approved are detailed on pages 44 to 46. With the exception of Peter Yates and Anthony Ferrar, all Directors were Directors of the Company throughout the reporting period to 30 September 2020. Peter Yates retired from the Board on 6 February 2020 and Anthony Ferrar was appointed to the Board on 1 July 2020.

In accordance with the provisions of Article 49 of Jersey Water's Articles of Association, Tim Herbert and Michael Pocock will retire by rotation at the forthcoming Annual General Meeting (AGM) and offer themselves for re-election.

> "Jersey Water is the sole supplier of treated water to the Island of Jersey."

The process of identifying a new Non-Executive Director to fill the casual vacancy arising following Peter's retirement was successfully completed, with Anthony Ferrar being appointed to the Board of Directors on 1 July 2020. Anthony will stand for election at the 2021 AGM.

As described on page 50, 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 Chair. Following this review, the Chair and Senior Independent Director have confirmed that the Directors standing for re-election at the AGM continue to perform effectively and demonstrate commitment to their roles.



Directors' interests

Particulars of the holdings of the Directors, including family and beneficial interests, in the share capital of the Company as at 30 September 2020 are:

	Ordinary shares	Preference shares
Tim Herbert	3,500	-
Stephen Kay	500	-
Heather MacCallum	18,000	3,045
Natalie Passmore	800	-
Helier Smith	700	589
Michael Pocock	650	-

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

The States of Jersey is the Company's majority and controlling shareholder. JT Group Limited is wholly owned by the States of Jersey. Daragh McDermott is the Managing Director of JT Group Limited.

Change in financial year end

On 13 December 2018, the Company's board of directors resolved to change the Company's financial year end to the 30 September in order to align the publication of the Company's financial results with its majority shareholder's revised reporting timetable. The new year end was effective from 30 September 2019.

Insurance of Directors and Officers of the Company

Jersey Water 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 Group.

Significant shareholdings

Set out below are details of the significant voting rights (3% or more) in shares of Jersey Water as at 9 December 2020:-

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.

Independent Auditors

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

For and on behalf of the Board

Louisa McInnes
Company Secretary
14 December 2020

Directors' 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.

The Companies (Jersey) Law 1991 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 judgements and estimates that are reasonable and prudent;
- Specify which generally accepted accounting principles have been adopted in their preparation;
- Notify its Shareholders of the use of disclosure exemptions, if any, used in the preparation of the financial statements; 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 report

We confirm that, having taken into account all of the matters considered by the Board brought to its attention during the year 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 shareholders to assess the Company's position and performance, business model and strategy.

Review of risk management and internal control systems

We confirm that we have carried out a review of the Company's risk management and internal control systems. We are satisfied that the systems are aligned with our strategic objectives and these systems are being developed, applied and maintained appropriately.

We are satisfied that the Company has effective processes in place to monitor and review material financial, operational and compliance controls.

Statement of viability

The Directors are responsible for assessing and expressing their view on the longer term viability of the Company taking into account the Company's current position and principal risks. The Code requires that Directors should explain this process and outcome in the annual report

In accordance with the Code, the Directors' have assessed the prospect for the Company over a longer period than the 12 months required by the 'Going Concern' provision. The Board considered a number of factors in determining the period to be covered by assessment. This included balancing the long term nature of the business, it's relatively stable revenue and its financial resources with the uncertainty that can arise in forecasts due the variability of outcomes as the period extends. The Board concluded that a review of five years in line with the Company's five year strategic business plan would be an appropriate period on which to assess its viability. Within the five year plan there are sufficiently robust financial forecasts which are made up of detailed plans for the year's one and two with indicative forecasts for year's three to five. Capital investment plans are detailed for the full five years.

The Board have considered the impact that the principal risks or combination of risks may have on the business including those that would threaten its business model, future performance, solvency or liquidity. A summary of the principal risks are summarised on pages 16 to 21.

Where relevant, the financial forecasts were subject to sensitivity analysis to illustrate the potential effects of significant risks and identify whether any could represent serious threats to the Company's liquidity or operation.

The following sensitivities were used in stress testing the forecasts:

- A climate event resulting in the need to restrict water use;
- An operational failure impacting our ability to produce water thus requiring increased expenditure from the operation of the desalination plant for a significant period of time;
- Increased operating and financing costs as a result of increasing inflation and higher interest rates;
- Persistently low profitability resulting from higher than anticipated costs;
- Prolonged period managing the impacts of the COVID-19 pandemic; and
- The potential impact of Brexit upon turnover and operating expenses.

These were considered along with the Company's financial resources, the Water Resources and Drought Management Plan, its wide and varied customer base within Jersey, the steady demand for its products and services and its stable and well established treatment and distribution network.

The Board have also considered the impacts of COVID-19, Brexit and climate change for the period under review. More details on the management of these risks can be found on pages 16 to 21 in the strategic review.

Based on the assessment of prospects and viability described, we confirm that we have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period ending 30 September 2025.

Going Concern

We also consider it appropriate to prepare the financial statements on the going concern basis, as explained in note 3 of the financial statements 'Basis of preparation'.

Approved by the Board on 14 December 2020 and signed on its behalf by

Heather MacCallum
Chair

Independent Auditor's Report to the Members of The Jersey New Waterworks Company Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of The Jersey New Waterworks Company Limited (the 'Company') and its subsidiaries (the 'group') as at 30 September 2020 and its financial performance and its cash flows for the year ended 30 September 2020 in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

We have audited the financial statements which comprise:

- the consolidated statement of financial position;
- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 29.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UK and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Jersey) Law 1991 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Kate Hadley
For and on behalf of Deloitte LLP
St Helier, Jersey
15 December 2020

Consolidated Financial Statements

Consolidated statement of financial position
30 September 2020

	Note	30 September 2020	30 September 2019
		£'000	**£'000**
Fixed assets			
Intangible assets	5	1,512	302
Tangible assets	6	75,797	76,500
Goodwill	5	120	170
		77,429	**76,972**
Current assets			
Inventories	7	500	535
Trade receivables	8	4,679	4,415
Cash and cash equivalents		4,277	4,206
		9,456	**9,156**
Creditors – Amounts falling due within one year			
Bank loans	10	(5,250)	-
Derivative financial liability	11	(108)	-
Creditors and accruals	9	(2,858)	(3,381)
Income tax		(505)	(583)
		(8,721)	**(3,964)**
Net current assets		735	5,192
Total assets less current liabilities		**78,164**	**82,164**
Creditors – Amounts falling due after more than one year			
Bank loans	10	(9,650)	(14,900)
Derivative financial liability	11	-	(180)
Non-equity preference shares	12b	(5,382)	(5,382)
		(15,032)	**(20,462)**
Provisions for liabilities and charges			
Deferred taxation	13	(6,994)	(6,739)
Net assets excluding pension asset		**56,138**	**54,963**
Pension asset	14	456	420
Net assets		**£56,594**	**£55,383**
Capital and reserves			
Called up equity share capital	12a	4,830	4,830
Reserves		51,764	50,553
Total equity		**£56,594**	**£55,383**

The financial statements on pages 66 to 91 were approved by the Board of Directors on 14 December 2020 and were signed on its behalf by:

Heather MacCallum
Chair

Consolidated income statement
For the year ended 30 September 2020

	Note	12 months to 30 September 2020	9 months to 30 September 2019*
		£'000	**£'000**
Turnover	15	17,627	13,229
Operating expenditure	16	(13,701)	(10,643)
Operating profit		**3,926**	**2,586**
Interest			
- receivable and similar income	18a	20	38
- payable and similar charges	18b	(325)	(342)
Net interest expense		**(305)**	**(304)**
Non-equity dividends	19	(381)	(285)
		(686)	**(589)**
Profit before taxation		**3,240**	**1,997**
Income tax	20a	**(560)**	**(404)**
Profit for the reporting year/period		**£2,680**	**£1,593**
Basic and diluted earnings per ordinary share of £0.50	21	**£0.28**	**£0.16**

The results for the current year and prior period all relate to continuing operations.

Consolidated statement of comprehensive income
For the year ended 30 September 2020

	Note	12 months to 30 September 2020	9 months to 30 September 2019*
		£'000	**£'000**
Profit for the reporting year/period		**2,680**	**1,593**
Fair value movement on swap	11	79	(6)
Annual/period re-measurements of defined benefit obligations	14	254	(379)
Total income tax on components of other comprehensive income	20b	(66)	73
Other comprehensive income/(expense) for the year/period net of tax		**£267**	**£(312)**
Total comprehensive income for the year/period		**£2,947**	**£1,281**

**A 12 month comparison figure can be found on page 92.*

Consolidated statement of changes in equity
For the year ended 30 September 2020

	Note	Called-up equity share capital	Revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2019		4,830	675	(139)	50,649	56,015
Profit for the reporting period		-	-	-	1,593	1,593
Other comprehensive income for the period		-	-	(9)	(303)	(312)
Total comprehensive income for the period		-	-	(9)	1,290	1,281
Equity dividends	22	-	-	-	(1,913)	(1,913)
Balance as at 30 September 2019		**£4,830**	**£675**	**£(148)**	**£50,026**	**£55,383**
Balance as at 1 October 2019		4,830	675	(148)	50,026	55,383
Profit for the reporting year		-	-	-	2,680	2,680
Other comprehensive income for the year		-	-	63	204	267
Total comprehensive income for the year		-	-	63	2,884	2,947
Equity dividends	22	-	-	-	(1,736)	(1,736)
Balance as at 30 September 2020		**£4,830**	**£675**	**£(85)**	**£51,174**	**£56,594**

Consolidated cash flow statement
For the year ended 30 September 2020

	Note	12 months to 30 September 2020	9 months to 30 September 2019*
		£'000	**£'000**
Net cash inflow from operating activities	23	7,340	5,003
Income tax paid		(450)	(582)
Net cash generated from operating activities		**6,890**	**4,421**
Cash flow used in investing activities			
Purchase of fixed assets	5, 6	(3,846)	(3,019)
Purchase of subsidiary		-	(87)
Disposal of fixed assets		12	906
Net cash used in investing activities		**(3,834)**	**(2,200)**
Cash flow used in financing activities			
Interest paid		(363)	(297)
Interest received		10	14
Non-equity dividends paid		(379)	(191)
Equity dividends paid		(2,253)	(1,396)
Net cash used in financing activities		**(2,985)**	**(1,870)**
Net increase in cash and cash equivalents	24	71	347
Cash and cash equivalents at the beginning of the year/period		4,206	3,867
Effect of foreign exchange rate changes		-	(8)
Cash and cash equivalents at the end of the year/period		**£4,277**	**£4,206**

The results for the current year and prior period all relate to continuing operations.

Reconciliation of net cash flow to movement in debt

	Note	12 months to 30 September 2020	9 months to 30 September 2019*
		£'000	**£'000**
Increase in cash and cash equivalents	24	71	347
Movement in liquid resources	24	72	(6)
Effect of foreign exchange rate changes	24	-	(8)
Movement in net debt	24	143	333
Net debt as at 1 October/1 January	24	(16,256)	(16,589)
Net debt as at 30 September	24	**£(16,113)**	**£(16,256)**

A 12 month comparison figure can be found on page 92.

Notes to the Consolidated Financial Statements

1 General information

The Jersey New Waterworks Company Limited (the Company) supplies potable mains water to the Island of Jersey. Its 100% owned subsidiary, Handois Holdings Limited, is a holding company which in turn owns 100% of the issued share capital of De La Haye Plant Limited. De La Haye Plant Limited supplies tankered water, swimming pool filling and refilling and building site bulk water supply services.

The Company is a public company limited by shares and is incorporated and domiciled in Jersey. The address of its registered office is Mulcaster House, Westmount Road, St Helier, JE1 1DG.

In order to accommodate the change in the year-end reporting timetable of our majority shareholder, the States of Jersey, the financial year end of the Company was changed during the prior period. The financial statements present the results for the year ended 30 September 2020 and the comparative period represents the nine-month period to 30 September 2019. As a result these two periods are not directly comparable.

2 Statement of compliance

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ('FRS 102') and Companies (Jersey) Law 1991.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

Basis of preparation

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified for non-basic financial instruments measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas and estimates involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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 Report on pages 4 to 43, Financial Review on pages 38 to 43, and in notes 10 and 11. In addition, assessment of COVID-19 impact can be found on page 20.The Company has a wide and varied customer base within Jersey, steady demand for the supply of drinking water 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 being 12 months from the date of approval of these financial statements and have therefore selected the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The Company's consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The subsidiaries held by the Company have the same accounting policies as the Company and no adjustments are required to be made to those subsidiary financial statements to apply the Company's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings acquired are included from, or up to, the dates of change of control or change of significant influence.

All intra-company transactions, balances, income and expenses are eliminated on consolidation.

Under Article 105 (11) of the Companies (Jersey) Law 1991, the directors of a holding company need not prepare separate company financial statements, if consolidated accounts for the company are prepared, unless required to do so by the members of the company by ordinary resolution. The members of the Company have not passed a resolution requiring separate accounts and, in the opinion of the Directors, the Company meets the definition of a holding company. As permitted by the law, the Directors have elected not to prepare separate financial statements for the Company.

Foreign currency

The Company financial statements are presented in pound sterling and rounded to thousands.

The Company's functional and presentation currency is the pound sterling.

The Company has a Euro bank account which holds a minimal working cash balance for the purposes of settling ad-hoc payments in Euros.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Turnover

Turnover is measured at the fair value of the consideration received or receivable when services are delivered. Turnover represents the total value of water charges net of goods and services tax (GST), together with minor contracts, rental income and income from the delivery of tankered water. Income from minor contracts (rechargeable works income) 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.

(i) 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 12 month period to 30 September 2020 (2019: for the nine-month period to 30 September 2019). All water meters are read on a cyclical basis approximately every 12 weeks, as a result there will be an element of water charges which are accrued for at the end of the financial period. All accrued water income is estimated based on historical consumption plus or minus a seasonal adjustment factor.

(ii) Third party funded works

Rechargeable works income relates to charges applied to offset costs of installing new service mains and services to properties across the Island.

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.

Inventory

Inventory is valued at the lower of cost and estimated selling price less costs to complete and sell which is the equivalent to the net realisable value. Inventory relates to consumables used in the provision of services and is therefore recognised as an expense in the income statement in the period in which it is used. Inventory may also be allocated to capital projects undertaken during the period.

Cost is determined on a weighted average cost basis, which includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period inventory is assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to sell and an impairment charge is recognised in the income statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the income statement.

Business combinations and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration paid, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable assets and liabilities acquired.

Goodwill is amortised over its expected useful life which is estimated to be five years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the income statement. No reversals of impairment are recognised.

Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful economic life of between three to ten years on a straight line basis.

The assets are reviewed for impairment if factors such as technological advancement or changes in market price, indicate that residual value or useful life have changed. If there is impairment the residual value, useful economic life or amortisation rate are amended prospectively to reflect the new circumstances. Any impairment is charged to the income statement in the period in which it arises.

Intangible fixed assets under construction or development are recognised as Intangible Uncompleted Works until such time as they are ready for use. Expenditure on intangible assets under construction or development will only be recognised once it has met the development criteria under FRS 102. Upon completion, the asset is transferred to its appropriate asset category and amortisation commences. Subsequent qualifying expenditure is transferred directly to its appropriate asset category.

Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use, dismantling and restoration costs.

Tangible fixed assets under construction are recognised within Tangible Uncompleted Works until such time as they are ready for use. At this point the asset is transferred to Property and Completed Works and depreciation commences. If the major components of a tangible asset have significantly different patterns of consumption of economic benefits the Company will recognise those components as separately identifiable assets. Subsequent qualifying expenditure is transferred directly to Property and Completed Works.

Expenditure incurred on a tangible fixed asset after the asset has been transferred to Property and Completed Works will be recognised as part of the carrying amount of the asset if it is specifically related to a major inspection, overhaul or contractual performance test provided it has met the asset recognition criteria within FRS 102.

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 and dams	60-100 years
Dam lining membranes	50 years
Pumping plant	10-40 years
Reinforced concrete structures	100 years
Water meters	15 years
Motor vehicles	5-8 years
Mobile plant and tools	3-10 years
Reverse osmosis membranes	3-10 years
Office equipment and IT hardware	3-5 years
IT software	3-10 years

Cash and cash equivalents

Cash and cash equivalents, includes cash in hand, at bank and held on deposit for fixed terms of up to three months. These items are included within Cash in the statement of financial position.

Financial instruments

The Company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments are initially recorded at transaction price, unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in the income statement or statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying value of the asset is increased such that the amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement or statement of comprehensive income.

Financial assets are derecognised when a) the contractual rights to the cash flows from the asset expire or are settled, or b) substantially all the risks and rewards of the ownership of the assets are transferred to another party or c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and preference shares that are classified as debt, are initially recognised at transaction price (including transaction costs), unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Preference shares, which result in fixed returns to the holder are classified as liabilities. The dividends on these preference shares are recognised in the income statement as non-equity dividends.

Derivatives such as interest rate swaps are not basic financial instruments.

(iii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The fair value assumes that the amount that would be paid to the counterparty to settle the liability would not incorporate changes in the Company's credit risk since the inception of the contract. Changes in the fair value of derivatives are recognised in the income statement as finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

The Company applies hedge accounting for transactions entered into to manage the cash flow exposures of borrowings. Interest rate swaps are held to manage the interest rate exposures and are designated as cash flow hedges of variable rate borrowings.

Changes in the fair values of derivatives designated as cash flow hedges, and which are effective, are recognised in other comprehensive income. Any ineffectiveness in the hedging relationship (being the excess of the cumulative change in fair value of the hedged item since inception of the hedge) is recognised in the income statement.

The gain or loss recognised in other comprehensive income is reclassified to the income statement when interest is incurred and when the hedge relationship ends. Hedge accounting is discontinued when the hedging instrument expires, no longer meets the hedging criteria, the forecast transaction is no longer highly probable, the hedge instrument is derecognised or the hedging instrument is terminated.

(iv) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amount and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods.

(ii) Deferred tax

Deferred tax arises from timing differences that are the difference between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Employee Benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension scheme

The Company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension plan under which the Company pays contributions into a separate entity. The contributions are recognised as an expense in the period they are due. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Defined benefit pension scheme

The Company operates a defined benefit scheme for certain employees. A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually depending upon several factors including age, length of service and remuneration. A defined benefit scheme is a pension plan that is not a defined contribution scheme.

The asset or liability recognised in the statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. The Company engages independent actuaries to calculate the annual year end obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (discount rate).

The fair value of scheme assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on scheme assets, less amounts included in net interest are disclosed as re-measurement of net defined benefit liability/asset.

The cost of the defined benefit scheme is recognised in the income statement as employee costs except where included in the cost of an asset and comprises:

(a) The increase in pension benefit liability arising from employee service during the period; and

(b) The cost of scheme benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of scheme assets. The cost is recognised in the income statement within net interest expense.

Share capital

Ordinary and 'A' ordinary shares are classified as equity. Incremental costs directly attributable to the issue of any new ordinary or 'A' ordinary shares would be shown in equity as a deduction, net of tax, from the proceeds.

Equity dividends

Equity dividends to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

Related party disclosures

The Company is applying the exemption available under FRS 102 section 33.11, which exempts the Company from reporting related party transactions, balances and commitments with a state that controls it, and with other entities that are related parties because the same state has control over them.

4 Critical accounting judgements, estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Critical accounting judgements

In the process of applying the Company's accounting policies the critical judgements applied by the Company in the current reporting period are detailed below.

(i) Tangible or intangible assets ready for use

Due to the nature of certain projects including timing delays, specific contractual obligations or payment schedules and the nature of the assets in question, the Company occasionally has to apply judgement in deciding the point at which the asset was deemed ready for use. See notes 3, 5 and 6 for further details on tangible and intangible assets.

(ii) Recognition criteria surrounding the Connect Programme

The Company initiated Connect in 2018 with the aim of enhancing the Company's digital landscape. This included upgrading, replacing and purchasing new software systems. These projects involve both research and development phases which, under FRS 102, must be treated as either expenditure or a directly attributable cost of the asset. Using clearly defined milestones and decision points the Company has applied judgement in determining when a project moved from the research phase to the development phase. See note 16 for details of the expenditure on Connect.

Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are addressed below.

(i) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depends on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management obtains estimates of these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends. See note 14 for disclosures relating to the defined benefit pension scheme and estimates used.

(ii) Unbilled income accrual

The Company invoices its customers daily on a cyclical basis. On average customers will receive a bill covering a 90 day period. The Company makes an estimate of income due on unbilled water consumption at the reporting date based on historic average consumption. As part of this process the Company considered the impact of COVID-19 on consumption using billing data to adjust the accrual where there has been significant variability in average consumption for example within the hospitality and tourism industry. See note 8 for the carrying amount of accrued income.

5 Intangible assets

	Goodwill	Software	Intangible uncompleted works	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 October 2019	252	795	-	1,047
Additions	-	14	1,404	1,418
Disposals	-	(7)	-	(7)
Transfers	-	672	(672)	-
As at 30 September 2020	**£252**	**£1,474**	**£732**	**£2,458**
Amortisation				
As at 1 October 2019	(82)	(493)	-	(575)
Charge for the year	(50)	(120)	-	(170)
Disposals	-	8	-	8
Impairment	-	(89)	-	(89)
As at 30 September 2020	**£(132)**	**£(694)**	**£ -**	**£(826)**
Net book value				
As at 1 October 2019	£170	£302	£-	£472
As at 30 September 2020	**£120**	**£780**	**£732**	**£1,632**

An impairment of £89k has been recorded for the network model software as it is not able to be used without further software development. The asset has been written down to its estimated value in use of nil.

The above amortisation charges are included within operating expenses in the consolidated income statement.

Please see note 16 for details of the pre-development costs incurred on the Connect Programme.

6 Tangible assets

	Property and completed works	Tangible uncompleted works	Motor vehicles, mobile plant & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 October 2019	113,194	2,405	2,754	118,353
Additions*	39	1,895	201	2,135
Disposals	(1,138)	(234)	(69)	(1,441)
Transfers	2,197	(2,522)	325	-
As at 30 September 2020	**£114,292**	**£1,544**	**£3,211**	**£119,047**
Depreciation				
As at 1 October 2019	(39,841)	-	(2,012)	(41,853)
Charge for the year	(2,213)	-	(325)	(2,538)
Disposals	1,056	-	85	1,141
As at 30 September 2020	**£(40,998)**	**£ -**	**£(2,252)**	**£(43,250)**
Net book value				
As at 1 October 2019	£73,353	£2,405	£742	£76,500
As at 30 September 2020	**£73,294**	**£1,544**	**£959**	**£75,797**

*Net of accrued expenses not incurred

The above depreciation charges are included within operating expenses in the consolidated income statement.

Included within fixed assets is £327k (2019: £151k) relating to internal labour costs capitalised in the year/period.

At 30 September 2020 capital commitments contracted for amounted to £454k (2019: £949k).

7 Inventories

	30 September 2020	30 September 2019
	£'000	£'000
Inventory as at 1 October 2019/1 January 2019	831	800
Inventory purchased in year/period	728	600
Inventory consumed in year/period	(752)	(569)
Inventory as at 30 September	807	831
Provision for impairment as at 1 October 2019/1 January 2019	(296)	(291)
Movement in provision in year/period	(11)	(5)
Provision for impairment as at 30 September	(307)	(296)
Net inventory balance as at 30 September	**£500**	**£535**

Inventory includes desalination plant spares, pipes and fittings, chemicals, meters, fuel and other materials which will be consumed in the course of daily operations.

8 Trade receivables

	30 September 2020	30 September 2019
	£'000	£'000
Trade debtors	1,885	1,240
Prepayments	667	576
Accrued income	2,021	2,370
Other debtors	106	229
	£4,679	**£4,415**

Accrued income relates solely to unbilled measured water. The movement in accrued income and trade debtors is related to cyclical and quarterly billing timing differences and variability in the seasonal adjustment. There has been a small increase in aged debt related to COVID-19 financial hardship.

The fair value of trade and other receivables is considered by the Directors to be equivalent to its carrying value because of their short-term nature.

9 Creditors and accruals

	30 September 2020	30 September 2019
	£'000	£'000
Trade payables	1,314	997
GST, taxation and social security	260	269
Other creditors	706	603
Contract retentions	4	252
Accruals and deferred income	574	1,260
	£2,858	**£3,381**

Trade payables and accruals relate to amounts owed to various suppliers through the normal course of business. There was £94k deferred income as at 30 September 2020 (2019: nil).

The fair value of creditors and accruals is considered by the Directors to be equivalent to their carrying value because of their short-term nature.

10 Bank loans

	Interest Rates	Repayment Dates	30 September 2020	30 September 2019
			£'000	£'000
Facilities drawn down				
HSBC Bank plc	1.35%	2021	5,250	5,250
HSBC Bank plc	1.63%	2023	6,000	6,000
HSBC Bank plc	1.30%	2025	3,650	3,650
			£14,900	**£14,900**
Loans falling due within one year			5,250	-
Loans falling due between one and two years			-	5,250
Loans falling due after two years but less than five years			9,650	6,000
Loans falling due after five years			-	3,650
			£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 £16,200k taken out to fund the Company's capital works programmes. There is no expiration date on the States of Jersey guarantee. It is the intention of the Company to renew the loan of £5,250k on expiry of the term of the loan in 2021. The accrued interest payable on the loans as at 30 September 2020 is £25k (2019: £74k).

11 Financial Instruments

	30 September 2020	30 September 2019
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	2,293	1,785
Financial liabilities at fair value through profit or loss	108	180
Financial liabilities that are measured at amortised cost	23,018	23,656

Derivative financial instruments

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. The fair value used by the Company to value the swap is provided by HSBC Bank Plc and is calculated as the net present value of future cash flows expected to be paid or received under the swap contract. In accordance with FRS 102 no adjustment is made to cash flows to reflect credit risk.

HSBC Bank plc valued the derivative on 30 September 2020 as a liability of £108k (2019: £180k), generating a fair value movement of £79k (2019: £(6)k) which has been recognised in other comprehensive income. The Company did not reclassify any amount relating to the derivative financial instrument from equity to the income statement during the year (2019: nil). The Company also did not recognise any excess of the fair value of the hedging instrument over the change in fair value of the expected cash flows to the income statement in the year (2019: nil). The income statement is charged each quarter in line with interest payments resulting from the derivative financial instrument.

12 Share capital

a) Called up equity share capital

	Shares of £0.50 each	30 September 2020	30 September 2019
	'000	£'000	£'000
Authorised, issued & fully paid up			
Ordinary shares	5,040	2,520	2,520
'A' Ordinary shares	4,620	2,310	2,310
	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.

b) Non-equity preference share capital

		30 September 2020	30 September 2019
		£'000	£'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.

13 Deferred taxation

	Note	30 September 2020	30 September 2019
		£'000	**£'000**
Accelerated capital allowances*		6,919	6,687
Derivative financial liabilities		(16)	(32)
Asset arising from pension surplus		91	84
Net liability		£6,994	£6,739
As at 1 October/1 January		6,739	6,856
Amounts charged in the income statement	20a	232	(1)
Amounts charged in comprehensive income	20b	23	(116)
At 30 September		**£6,994**	**£6,739**

*There are no unrecognised deferred tax assets.

14 Pensions

During the year the Company operated 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 benefit scheme is a section of The Jersey Water Pension Plan (the Plan). The Plan is administered by trustees who are responsible for ensuring that the Plan is sufficiently funded to meet current and future obligations. The Company has agreed a funding plan with the trustees, whereby ordinary contributions are made into the scheme based on a percentage of active employees' salary. Additional contributions are agreed with the trustees to reduce the funding deficit where necessary.

The defined contribution scheme was opened to new members on 1 May 2003. It was a section of the Plan until March 2016 when it was transferred under a Master Trust arrangement to the Blue Riband Channel Islands Retirement Plan, established and administered by BWCI Pension Trustees Limited.

Defined contribution section

Employer contributions during the period to 30 September 2020 totalled £225k (2019: £139k). There are no unpaid contributions at year end (2019: nil).

Defined benefit section and unfunded scheme

The FRS 102 valuation as at 30 September 2020 shows a net asset of £456k (2019: £420k).

The major assumptions used by the independent actuary were:

	30 September 2020	30 September 2019
	£'000	£'000
Rate of increase in salaries	3.12%	3.30%
Rate of increase in pensions accrued after 1 January 1999	3.02%	3.15%
Discount rate	1.59%	1.83%
Inflation assumption	3.12%	3.30%
Life expectancy assumptions		
Current pensioners at 65 - Male	87	87
Current pensioners at 65 - Female	88	88
Future pensioners at 65 - Male	88	88
Future pensioners at 65 - Female	90	90

The post-retirement mortality assumptions allow for expected changes 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.

	Assets	Liabilities	Totals
	£'000	£'000	£'000
Reconciliation of the present value of scheme assets and liabilities			
At 1 October 2019	29,771	(29,351)	420
Benefits paid	(1,002)	1,002	-
Employer contributions	159	-	159
Current service costs	-	(377)	(377)
Employee contributions	56	(56)	-
Past service costs	-	-	-
Interest income/(expense)	538	(528)	10
Life assurance premiums	(10)	-	(10)
Re-measurement gains/(losses)			
- Actuarial losses	-	(766)	(766)
- Return on plan assets excluding interest income	1,020	-	1,020
As at 30 September 2020	**£30,532**	**£(30,076)**	**£456**
Analysis of funded and wholly unfunded scheme assets and liabilities			
Funded scheme	30,532	(30,071)	461
Wholly unfunded scheme	-	(5)	(5)
Total present value of scheme liabilities	**£30,532**	**£(30,076)**	**£456**

Total cost recognised as an expense within the income statement	12 months to 30 September 2020 £'000	9 months to 30 September 2019 £'000
Current service cost	(377)	(351)
Life assurance premiums	(10)	(8)
Expense within net interest expense	10	24
Total	**£(377)**	**£(335)**

Current service cost, past service cost and curtailments are included within operating expenditure in the income statement. Net interest income/(expense) on pension plan assets and interest on pension plan liabilities are shown within interest receivable or payable in the income statement.

Total income recognised within other comprehensive income	12 months to 30 September 2020 £'000	9 months to 30 September 2019 £'000
Re-measurement gains/(losses)		
- Actuarial losses	(766)	(4,025)
- Return on plan assets excluding interest income	1,020	3,646
Total re-measurement gains/(losses)	**£254**	**£(379)**

Analysis of scheme assets	30 September 2020 % of total fair value of scheme assets	30 September 2019 % of total fair value of scheme assets
Equities	37%	31%
Corporate bonds	62%	62%
Liability driven investments	1%	0%
Cash and receivables	0%	7%
	100%	**100%**

The fair value of the plan assets was:	30 September 2020 £'000	30 September 2019 £'000
Equities	11,282	9,155
Corporate bonds	18,780	18,759
Liability driven investments	387	-
Cash and receivables	83	1,857
	£30,532	**£29,771**

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Return on plan assets:		
Interest Income	538	564
Return on plan assets excluding interest income	1,020	3,646
Total return on plan assets	**£1,558**	**£4,210**

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 income statement under FRS 102. During the year, the Company made scheduled retirement benefit contributions into the defined benefit scheme totalling £160k (2019: £121k).

Following the results of the last triennial valuation as at 1 January 2018, the contribution rate for 2018, 2019 and 2020 was set at 12.5% of pensionable salaries.

Discount rate sensitivity

The following tables show the impact on the statement of financial position and income statement of adopting a discount rate of 0.5% per annum higher and lower than the current assumption of 1.59% which is considered to be a reasonable approximation of a potential change in the assumptions. The discount rate (%) is considered to be the key assumption and accordingly a sensitivity analysis has only been presented for this assumption. The plan surplus is recoverable by the Company and no adjustment to the asset value is required to be made in accordance with FRS 102 paragraph 28.22.

Sensitivity Analysis	Base Position	Discount rate increased by 0.50% p.a.	Discount rate decreased by 0.50% p.a.	Inflation increased by 0.50%* p.a.	Inflation decreased by 0.50%* p.a.	Life expectancy increased by approx. one year	Life expectancy decreased by approx. one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Value at the end of 30 September 2020 if:							
Fair value of scheme assets	30,532	28,995	32,232	30,532	30,532	30,532	30,532
Present value of funded defined benefit obligations	(30,071)	(27,576)	(32,907)	(31,165)	(29,039)	(31,429)	(28,731)
Net defined benefit asset/(obligation)	**£461**	**£1,419**	**£(675)**	**£(633)**	**£1,493**	**£(897)**	**£1,801**
Impact on the income statement to 30 September 2021							
Service cost	377	332	429	402	354	391	362
Death in service premiums	10	10	10	10	10	10	10
Interest on the net defined benefit asset/(liability)	(9)	(32)	6	8	(25)	13	(30)
Total expense recognised in the income statement	**£378**	**£310**	**£445**	**£420**	**£339**	**£414**	**£342**

15 Turnover

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Measured water charges	15,666	11,771
Unmeasured water charges	348	285
Service charges and other charges for water	687	512
Total water supply charges	16,701	12,568
Rechargeable works income	294	301
Insurance compensation	-	39
Other income	632	321
Turnover	**£17,627**	**£13,229**

16 Operating expenditure

	Note	12 months to 30 September 2020	9 months to 30 September 2019
		£'000	£'000
Included in operating expenditure are the following:			
Net employment costs	17	4,983	3,564
Impairment of inventory	7	11	5
Amortisation & depreciation	5/6	2,708	2,095
Accelerated depreciation		-	229
Pre-development expenditure on Connect Programme including employee time*		8	227
Loss/(gain) on disposal of fixed assets		54	(11)
Impairment of intangible assets	5	89	-
Gain on disposal of investment property		-	(110)
Materials, consumables, hired in services and other costs		5,615	4,439
Directors' fees		128	110
Auditors' fees			
- Statutory audit		88	66
- Other services (Tax compliance)		7	13
- Other services (Pension scheme audit)		10	8
Foreign exchange loss		-	8
Total operating expenditure		**£13,701**	**£10,643**

**There were no Connect pre-development employee time costs for the year (2019: £79k). Costs in the prior period are shown within pre-development expenditure on Connect in this note.*

17 Net employment costs

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	**£'000**
Wages, salaries and other payments	4,462	3,110
Social security	246	180
Pension costs of defined benefit scheme	377	351
Pension costs of defined contribution scheme	225	139
	5,310	3,780
Less amount capitalised within fixed assets	(327)	(137)
Net employment costs	**£4,983**	**£3,643**

As at 30 September 2020 the Company had 93 employees (2019: 91). Details of Directors' emoluments can be found in note 25. Total net employment costs of £4,983k (2019: £3,643k) include £nil (2019: £79k) of time spent on Connect pre-development work.

18 Net interest expense

a) Interest receivable and similar income

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	**£'000**
Bank interest received	10	14
Net interest income on pension obligations	10	24
Total interest receivable and similar charges	**£20**	**£38**

b) Interest payable and similar charges

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	**£'000**
Bank loans and overdrafts	223	272
Interest rate swap contract	102	70
Total interest payable and similar charges	**£325**	**£342**

19 Non-equity dividends

	12 months to 30 September 2020			9 months to 30 September 2019		
	Paid	Payable	Charge for the year	Paid	Payable	Charge for the period
	£'000	£'000	£'000	£'000	£'000	£'000
5% cumulative preference shares	3	1	3	3	-	3
3.5% cumulative second preference shares	2	-	3	2	-	2
3% cumulative third preference shares	3	1	3	1	1	2
3.75% cumulative third preference shares	2	1	3	1	1	2
5% cumulative third preference shares	2	1	2	-	1	1
2% cumulative fourth preference shares	7	2	7	4	1	5
10% cumulative fifth preference shares	360	90	360	180	90	270
Total dividends on non-equity shares recognised in the year/period	**£379**	**£96**	**£381**	**£191**	**£94**	**£285**

20 Income tax

a) Tax expense included in the income statement

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Current tax		
Income tax on the profit for the year/period	328	405
Deferred tax		
Charge for the year/period	232	(1)
Total tax on profit from ordinary activities	**£560**	**£404**

b) Tax expense included in other comprehensive income

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Current tax		
Movements relating to pension surplus	43	43
Deferred tax		
Movement on deferred tax relating to interest rate swap	16	3
Movement on deferred tax relating to pension surplus	7	(119)
Total tax income included in other comprehensive income	**£66**	**£(73)**

Reconciliation of tax charge for the year/period

The tax assessed for the year/period is lower than the standard rate of Jersey income tax (20%) (2019: 20%) applicable to utility companies. The differences are explained below:

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Consolidated profit before tax	3,240	1,997
Profit before tax multiplied by the standard rate of Jersey income tax of 20%	648	399
Tax at 20% on:		
Depreciation for the year/period in excess of capital allowances	297	92
Capital expenditure, deductible for tax purposes	(198)	(198)
Loss/(gain) on disposal of fixed assets	11	(24)
Dividends on non-equity shares - non-deductible	76	57
Non-deductible expenses	5	1
Adjustment for prior year tax charge	(279)	77
Total tax charge for year/period	**£560**	**£404**

21 Basic and diluted earnings per ordinary share

Basic and diluted earnings per ordinary share of £0.28 (2019: £0.16) is based on earnings of £2,680k (2019: £1,593k), being the profit available for distribution to equity shareholders and 9,660,000 (2019: 9,660,000) ordinary and 'A' ordinary shares of £0.5 in issue.

22 Equity dividends

	12 months to 30 September 2020	9 months to 30 September 2019	12 months to 30 September 2020	9 months to 30 September 2019
	Pence per share	Pence per share	£'000	£'000
Dividends paid/payable				
Final dividend for the previous period/year	10.835	14.447	1,047	1,396
Interim dividend for the current year/period	7.137	5.353	689	517
	17.972	**19.800**	**£1,736**	**£1,913**
Dividends proposed				
Final dividend for the current year/period	**14.771**	**10.835**	**£1,427**	**£1,047**

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.

23 Notes to the consolidated statement of cash flows

	12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000
Profit for the reporting year/period	2,680	1,593
Tax on profit on ordinary activities	560	404
Non-equity dividends	381	285
Net interest expense	305	304
Operating profit	3,926	2,586
Gain on revaluation of investment property	-	(110)
Loss/(gain) on disposal of fixed assets	54	(11)
Depreciation, amortisation and impairment	2,797	2,324
Change in order to bring pension charges onto a contribution basis	217	226
Decrease/(increase) in inventories	35	(26)
Increase in trade receivables	(282)	(398)
Increase in creditors	593	412
Net cash inflow from operating activities	**£7,340**	**£5,003**

24 Analysis of changes in net debt

	At 1 October 2019	Cash Flows	Derivative Movement	Other Changes	At 30 September 2020
	£'000	£'000	£'000	£'000	£'000
Bank and cash	406	3,871	-	-	4,277
Term deposit	3,800	(3,800)	-	-	-
Debt due within one year	-	-	(108)	(5,250)	(5,358)
Debt due after one year	(20,462)	-	180	5,250	(15,032)
Total	**£(16,256)**	**£71**	**£72**	**£-**	**£(16,113)**

25 Directors' emoluments

	Salary	Bonus	Fee	Benefits	Total Emoluments (Excl. pension contributions) 12 months to 30 September 2020	9 months to 30 September 2019
	£'000	£'000	£'000	£'000	£'000	£'000
Executives						
Helier Smith	175	22	-	4	201	157
Natalie Passmore	120	14	-	3	137	104
Non-Executives						
Mary Curtis	-	-	-	-	-	8
Anthony Ferrar	-	-	5	-	5	-
Tim Herbert	-	-	21	-	21	15
Stephen Kay	-	-	22	-	22	16
Heather MacCallum	-	-	27	-	27	18
Daragh McDermott	-	-	23	-	23	16
Michael Pocock	-	-	20	-	20	15
Peter Yates	-	-	10	-	10	22

During the year the Company made pension contributions of £27k (2019: £20k) in respect of Helier Smith and £19k (2019: £14k) in respect of Natalie Passmore. Benefits for Helier and Natalie consist of private health care, prolonged disability and death in service insurance. Helier also receives motor fuel benefit.

Peter Yates retired as Chair on 6 February 2020. Anthony Ferrar was appointed as a Non-Executive Director on 1 July 2020.

26 Related parties

The Company shares a common controlling shareholder, the States of Jersey, with Jersey Post Company, Jersey Telecom, Jersey Electricity, Andium Homes, Ports of Jersey and Jersey Development Company. During the year/period the Company provided water services and mains and service installations to these entities and several departments of the States of Jersey and purchased services from Jersey Electricity, Jersey Post Company, Ports of Jersey and Jersey Telecom. All transactions were undertaken on an arm's length basis during the normal course of business.

During the year/period the Company paid pension benefits on behalf of the Jersey Water Pension Plan amounting to £76k (2019: £205k) on the basis it would be fully reimbursed by the Scheme. At 30 September 2020, the net balance owed by the Plan is £92k (2019: £166k).

The remuneration of key management (which is defined as the Executive and Non-Executive Directors) is set out in note 25 above.

27 Ultimate controlling party

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

28 Events after the end of the reporting date

In November 2020, the States Assembly approved Overdale Hospital as the preferred site for the future hospital. The proposed site includes Jersey Water's head office Mulcaster House, Westmount. At the date of signing the official go ahead by the States of Jersey to negotiate the possible purchase of the site is still subject to further approvals. As such there is no impact on these financial statements on the accounting treatment of the Westmount site.

29 Subsidiaries

Name	Registered office address	Nature of business	Interest
Handois Holdings Limited	Mulcaster House, Westmount Road, St Helier, Jersey, JE1 1DG	Holding company	100% ordinary shares
De La Haye Plant Limited	Mulcaster House, Westmount Road, St Helier, Jersey, JE1 1DG	Water haulage	100% ordinary shares

Five year summary

	Units	12 months to 30 Sep 2020[1]	12 months to 30 Sep 2019[1,2]	9 months to 30 Sep 2019[1]	12 months to 31 Dec 2018[1]	12 months to 31 Dec 2017	12 months to 31 Dec 2016
Statement of financial position							
Total equity	£'000	56,594	55,383	55,353	56,015	53,805	49,978
Net debt	£'000	16,113	16,256	16,256	16,589	16,900	18,105
Income statement							
Turnover	£'000	17,627	17,760	13,229	17,199	15,960	15,720
Operating profit	£'000	3,926	3,576	2,586	4,566	4,852	5,024
Profit before tax	£'000	3,240	2,792	1,997	3,821	4,107	4,256
Profit for the reporting year/period	£'000	2,680	2,160	1,593	2,969	3,296	3,334
Equity dividends paid/payable	£'000	1,736	1,913	1,913	2,035	1,978	1,936
Financial statistics & ratios							
Capital expenditure	£'000	3,553	3,879	2,818	3,910	3,275	4,589
Net cash inflow/(outflow)	£'000	71	283	347	215	1,061	(860)
Earnings per share	£	0.28	0.25	0.16	0.31	0.34	0.35
Dividend cover	Times	1.5	1.3	0.8	1.5	1.7	1.7
Interest cover	Times	5.6	4.6	4.4	6.1	6.1	7.2
Gearing[3]	%	22	23	23	23	24	27
Operational statistics							
Total water supplied	Ml	7,061	7,001	5,309	7,180	7,327	7,567
Maximum daily demand	Ml	23.6	23.8	23.8	25.1	25.9	25.6
Annual rainfall	mm	1,192	815	554	862	1,027	986
New mains laid	km	2.0	3.2	1.3	2.5	1.9	2.3
Mains re-laid/relined	km	1.2	1.5	0.7	2.0	2.1	2.0
New connections	No	470	339	276	340	303	374
Live metered connections	'000	34	33	33	33	33	33
Employees	No	93	91	91	90	83	81
Water quality							
% Compliance with water quality parameters		99.98%	N/A	99.97%	99.99%	99.98%	99.99%

[1]For 2020, 2019 and 2018 the results are presented on a consolidated basis.
[2]12 month comparative period including prorated adjustments to present a like for like comparison.
[3]Gearing = Debt/(debt + equity). The Company has changed its method of calculating gearing in 2020 and the comparative data for previous periods has been restated accordingly.

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To find out more please email: **JWShares@Jerseywater.je**.

JerseyWater
for Island life

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

T: 01534 707300 E: customerservices@jerseywater.je
www.jerseywater.je