2021
Annual Report and Financial Statements

The Jersey New Waterworks Company Limited

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.

2021 Highlights

100%
Water quality compliance
2020: 99.98%
+0.02%

91%
Employees think Jersey Water is a great place to work
2020: 90%

2.7%
Tariff Increase
2020: 0%
+2.7%

7,065Ml
Water supplied
2020: 7,061Ml
+4Ml

82.7
Customer Service Index
2020: 86.1%
-3.4%

3:56
Customer minutes lost
2020: 06:00
-2:04 minutes

£3,051k
Capital expenditure
2020: £3,553k
-£502k

£6,691k
Profit before tax
2020: £3,240k
+£3,451k

£18,356k
Turnover
2020: £17,627k
+£729k

£2,127k
Dividend paid
2020: £1,736k
+£391k

2021 Achievements

We delivered high quality water with an overall compliance rate of 100% meeting the requirements of the Water (Jersey) Law 1972.

We continued to manage the impact of the COVID-19 pandemic, prioritising the need to keep our people safe and maintain the essential supply of high quality water to the Island.

We began work on our property strategy to make more efficient use of our land with the sale of our head office and the submission of plans to redevelop our depot at Millbrook.

Our Connect Business Transformation Programme was completed with the implementation of our new Laboratory Information Management System and integrated Finance and Asset Management System.

We published our Water Resources and Drought Management Plan and consulted with key stakeholder and customers on our plan to address water shortages in the future.

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

If summing up the theme for 2020 became the year we adapted to COVID-19, the theme for 2021 would be learning to live with COVID-19. The pandemic continued to have an influence as we moved through various lockdowns, restrictions, and curbs on our ability to operate as we would normally. Whilst restrictions have eased as vaccinations have been rolled out, current high case rates suggest that the pandemic will continue to have an impact on our ability to operate freely for the coming months at least.

Chair's Introduction

Heather MacCallum
Chair

Throughout 2021, the team at Jersey Water showed tremendous team spirit and dedication. They continued to operate in a difficult and challenging working environment, intent on staying safe whilst maintaining the supply of high-quality water to the Island and delivering on several important strategic initiatives.

Despite the significant challenges presented by the various aspects of COVID-19, our performance during 2021 was strong. A key measure of our success is the high quality of the water we supply, and we were delighted to have achieved 100% compliance for 2021. Of equal importance is the service our customers experience. This year, we maintained our position amongst the highest performers with a score of 82.7% in the annual Institute of Customer Service's Customer Satisfaction Index (UKCSI) and exceeded the all-sector average and utilities sector by a considerable margin. Our customers are not able to choose their water supplier, so we go out of our way to ensure that if they were, they would choose us. Our financial results remain strong, dominated by the sale of our Westmount Road office to make way for the new hospital and other property sales creating an increase in profit before tax to £6,691k.

A key focus for the Board during the year has been the consideration of risk and resilience of Jersey Water and its operations. We are acutely conscious that our community depends on us for the clean water flowing from their taps and our resilience to the shocks and stresses that occur from time to time is necessary to protect the essential service we provide. Our response to COVID-19 demonstrated our ability to flex and adapt in exceptional circumstances and I am very proud of the way everyone at Jersey Water responded. However, as shown on pages 28 to 32, the list of external factors that could affect our operations is long and varied. Our focus as a Board is on ensuring that Jersey Water has the people and skills, assets and infrastructure and systems and finances to successfully address the risks and challenges faced by the Island so that we can continue to maintain the supply of high quality water on which the Island depends. Key elements of this work have been progressed during 2021 including the launch of the Water Resources Management Plan, the completion of our Connect Programme and development of our new Water Supply Target Operating Model. Further change and investment are planned over the short and medium term as we continue to build resilience and maintain our fitness for the future.

In the wake of the COP26 UN Climate Change Conference it is now abundantly clear that every organisation has a wider social responsibility to respond actively to the climate crisis and develop strategies that help address global warming and other environmental challenges. For us, climate change is already affecting our day to day working practices; introducing water quality issues, changing rainfall patterns and the way our customers use water. In the medium and long term these changes are going to be exacerbated, introducing further risks that will require significant investment to address. We already have a significant sustainability agenda focussed on our catchment management and water resources activity, educating and encouraging customers on water efficiency, reducing leakage, carbon sequestration and the ongoing transition to an all-electric vehicle fleet. We see that we have a key role to play in supporting the Government of Jersey's environmental targets. In 2022, we will see the consolidation of this and further activity in the development of Jersey Water's sustainability strategy.

Each year our Board undertakes a process of self-evaluation to assess its own performance. In 2021, for the first time in its history, the Board undertook an independent assessment using a third party to review the Board mechanisms, the performance of the Board as a whole and the performance of each individual Board member. Feedback from the process has been developed into an action plan to build on the Board's capability and performance. The overall assessment concluded that the Jersey Water Board is operating at a 'high performance' or top quartile standard.

During 2021, Jersey Water appointed its first Board apprentice Louise Clayson (Detective Inspector - Professional Standards and Counter Corruption at the States of Jersey Police), as part of the Government of Jersey's Inspiring Women into Leadership and Learning (I WILL) initiative. This local programme facilitated by the not-for-profit organisation 'Board Apprentice' provides hands-on Board experience for successful applicants and is an opportunity for Boards to focus on succession planning, diversity, and the innovation and growth that they can bring.

At the AGM on 3 February 2022, we will say goodbye to two long serving Non-Executive Directors, Stephen Kay and Tim Herbert. I am grateful to both for their significant contribution, counsel and support during their time on the Board. I am pleased to announce that Anthony Ferrar will succeed Stephen Kay in the role of Senior Independent Director from that date. Julie Taylor, our Operations Director was appointed by the Board as an Executive Director on 1 November 2021 and will retire and seek election at the forthcoming AGM, which I am delighted to report will return to the normal 'in person' format (COVID-19 regulations permitting).

Finally, I should like to end by thanking the executive team and all employees at Jersey Water for their hard work and dedication during what was a very trying year as we dealt with the ongoing and varied effects of the pandemic. Through their focus and perseverance, we ensured that our customers continued to enjoy both a high standard of service and supply of high quality mains drinking water - upon which we all rely. Furthermore, I extend our thanks to customers, shareholders and other stakeholders for their continued support.

Heather MacCallum
Chair
8 December 2021

Operating Review

Helier Smith
Chief Executive

I would like to join Heather in commending the strength of our people throughout 2021. Company culture shone through as we adapted and flexed to the requirements imposed by the ongoing impact of the pandemic on our lives. Operationally, a range of additional safety measures were required to maintain a safe working environment to protect our people and the resilience of the organisation - maintaining water supplies to the Island during some trying times. I am extremely proud of everyone at Jersey Water and how as a team, they rose to the challenge for the second consecutive year and ensured we got through it successfully. The effects of COVID-19 on our 2021 objectives were mitigated to a great extent thanks to our adaptation, drawing from experiences in the previous year.

£6,691k
Profit before tax
2020: £3,240k

£18,356k
Turnover
2020: £17,627k

The financial results for the year show a profit before tax of £6,691k up by £3,451k on the prior year. The increase is mainly attributable to the £2,144k profit on the disposal, at market value, of the Company's head office at Westmount Road and the profit of £1,871k on the sale of a residential property. Both properties had been owned by the Company for well over 40 years and were held at historic cost. Turnover increased by £729k to £18,356k in the year due to the combined effect of an increase in income from the installation of new connections and additional water revenue (increasing by 85.4% and 3.3% respectively in 2021). The opportunity to dispose of Mulcaster House meant that we had to reprioritise some of our objectives and resources. However, during the year, we successfully refinanced our bank loans securing a replacement £15,000k revolving credit facility at preferential rates, completed the restructuring of our change team and consulted with employees on the closure to accrual of the Company's Defined Benefit Pension Scheme (closure effective 1 January 2022). The one off costs of these initiatives, higher activity driven contractor costs, and the ongoing investment in our systems and processes offset the increase in turnover resulting in a reduction in operating profit (before disposal of property) from £3,926k to £3,418k for the year, better than target

Our operational performance continues to be robust, especially when held against UK standards. For the first time in our collective memory we achieved 100% water quality compliance against all regulatory parameters; exceptional performance compared to the most recent UK average of 99.96%. Cold weather during the winter increased our burst frequency and leakage but we managed to recover the position ending with an overall reduction in leakage for the year. Our leakage rate of 58.47l/p/d outperforms all UK water suppliers and is nearly half the rate of the sector

(where the average is 112l/p/d). Despite the increase in burst frequency our customers experienced a high level of reliability in their water supply with an average of just under 4 minutes loss of service per customer during the year; a top quartile performance significantly outperforming the UK average of 12 minutes. The service our customers experience remains amongst the best, despite a slight reduction in our scores this year. For the 5th consecutive year, we maintained our position in the top quartile of utility service providers, outperforming the overall UK and utility CSI indexes by a significant margin. Importantly, relative to other utilities and service providers, our customers find us exceptionally easy to do business with, view the service they receive as providing good value for money and have a great deal of trust in the Jersey Water brand.

Last year I reported on the progress of our IT transformation programme, 'Connect'. This year I am pleased to report that the programme was completed during 2021 with the launch of the new enterprise asset management system and replacement accounting system. The two systems are integrated and permit a greater degree of control and performance monitoring of our asset base. Over time, the systems will inform our capital and maintenance investment programmes, improving efficiency and enhancing resilience. Overall, our capital expenditure totalled £3,051k (2020: £3,553k) as we continued to invest in our water supply infrastructure laying nearly 5km of new and replacement water mains, in turn connecting 470 new properties to the mains water network. A key feature of 2021 was the development of a resilience framework around which we can enhance the ability of our assets, infrastructure and processes to resist and respond to events and incidents that threaten their operation.

During 2021 we published our Water Resources and Drought Management Plan which highlights a forecast potential shortfall of 8 million litres per day during severe drought conditions by 2045 - driven principally by forecast population increases and climate change. We consulted with key stakeholders and customer focus groups on our plan to address the forecast deficit which focuses on both demand reduction and providing additional water resources. During 2021 we progressed both aspects with the development of a leakage reduction strategy, which will be delivered from 2022 onwards, and a feasibility study into the further extension of the desalination plant which is due to be delivered by 2025.

In 2021, building on the success of Connect, we embarked on a further people and skills focussed transformation programme within the Water Supply team. The programme concentrates on addressing skills, succession and resilience risks and ensuring the team are best placed to address the water resource and quality challenges facing us in the future. The output of the Target Operating Model adopts a 'Catchment to Tap' approach supported by Technical and Project Services to ensure we continue to capture, store, treat and distribute the highest quality water. The roll out of the Target Operating Model will be phased and will focus on implementing the correct structure, attracting the necessary talent and developing the skills of our people.

The sale, during 2021, of our head office to the Government of Jersey in support of the planned 'Our Hospital' project enabled the Company to progress its property strategy. We secured leasehold premises in St Helier for our Corporate Services teams and will take up residence in Q1 2022. We submitted plans to redevelop our depot at Millbrook and build new office space, storage and workshops to create a water supply hub for our Operational Teams. Subject to planning and other consents it is envisaged that the site will be ready for use during 2024.

Company culture remains our core strength which enables our close-knit team of hardworking and dedicated individuals to work together, live the values and deliver the strong operational performance reported above. We were delighted with our recent silver level accreditation to the Investors in People Framework, placing us among the top 5% of companies and demonstrating our commitment to best practice in all areas of people and performance management. Even more valuable is the feedback from the process to guide our people and performance initiatives going forward. The output from the process placed us ahead of the IIP and industry sector benchmark standards.

During the year we developed and implemented a new employee performance management framework designed to embed our company values and reinforce our culture. The project was supported by the 'It's our Vibe' campaign, aimed at embedding our values and behaviours across the organisation.

During 2021, Jersey Water commenced a consultation with current active members of the Defined Benefit pension plan on the closure to future accrual to address the rising costs of providing the scheme and other factors. Significant work was undertaken to identify all potential alternatives and our members actively contributed to the consultation process, which resulted in a decision in October 2021 to close the scheme to future accrual from 1 January 2022.

Working safely and employee wellbeing is always a key priority. We undertake a wide variety of proactive steps to protect our people, contractors and the public on our sites from harm. During 2021, we installed defibrillators across our sites including the public access points to our reservoirs. During the year we experienced two (2020: 0) lost time accidents; both related to manual handling issues. Each incident that we experience is investigated and remedial action taken to address any areas for improvement. This year has seen the introduction of a new Occupational Health Check programme to reduce the risk of ill health and enhance wellbeing in our workforce. The service is offered to all employees and provides additional health surveillance for those in high-risk operational roles, ensuring that our greatest asset (our people) are cared for.

We remain firmly a Company with a purpose; supplying the water for our Island to thrive, today and every day. And as such we have a busy agenda as we address challenges to the resilience of our water supply, play our part through our sustainability strategy to support Jersey's journey to net zero and maintain our position as a provider of choice for our customers and community through great quality water and customer service. I am, as ever, indebted to the Board, Leadership team and everyone at Jersey Water for their support, hard work and trust as we continue to make significant progress towards our goals.

Helier Smith
Chief Executive


HIGH QUALITY WATER SUPPLY
GREAT CUSTOMER EXPERIENCE
Supplying the water for our Island to thrive today and every day
JerseyWater
for Island life
FAIR & AFFORABLE BILLS
ENVIRONMENT & COMMUNITY BENEFIT

Our Business

Our Purpose

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

What We Do

We collect, treat and supply 19.4 million litres of clean water every day to more than 42,000 households and businesses in our community.

Our Values

We Care

We care internally for colleagues, externally for our customers and more widely for the environment 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 teamwork, internally and externally.

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

Customer Outcomes

In 2020 we developed four customer outcomes on which to focus the activities of the Company over the five years to 2025. 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.

Great Customer Experience

We prioritise high standards of service, always. Our customers are unable to choose their water supplier but if they could, we want it to be us.

Fair & Affordable Bills

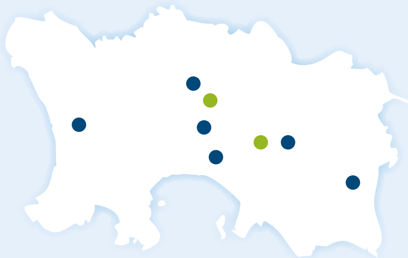
Every customer should feel we offer good value for money and keep charges for water fair and affordable.

Environment & Community Benefit

We have a wider responsibility to future generations for the decisions we make today. We strive to have a positive impact on the environment and Island community we serve.

Statistics

88
Jersey Water employees



6
Raw Water Storage Reservoirs

2
Water Treatment Works

119.7
Litres used per person per day

19.4m
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 challenges

- Population growth & demographics
- Economic uncertainty
- Climate change
- Skills shortage & succession
- Planning for generations to come
- Technological advances
- Intensive farming practices
- Pressures on land use
- Biodiversity loss
- Affordability & customer expectations

The action we take

- Ensure we meet the needs of our customers by providing a great customer experience
- Develop and deploy drinking water safety plans that protect water quality from catchment to tap
- Plan for and implement additional water resources to address future needs
- Maintain our network assets so as to reduce bursts and leakage and enhance water quality
- Support community events and protect the environment
- Challenge ourselves to keep prices for water down whilst protecting our ability to invest for the future
- Develop our company culture and remain a great place to work so that we can attract the necessary skills and talent
- Use technology to drive efficiency, improve service and build resilience
- Manage the risks that could challenge our business both now and in the future
- Work with stakeholders to deliver community and island benefit

The outcomes we deliver

Listening to our customers and stakeholders

Community benefit

Access to a reliable safe water supply for everyone in Jersey

Make Jersey resilient to the risks of drought

Improve the ecological quality of our land, water catchments and island streams

Help Jersey meet net zero targets by reducing our environmental impact

Meeting the needs of our stakeholders

In developing our plans for the future we are collaborative, considering the needs of key stakeholders gathered from a variety of formal and informal sources - ensuring we understand the environment within which we operate and the wider expectations of the local community we serve.

Stakeholder	Customers	Our People
Why do we focus on these stakeholders?	Our customers and consumers are central to our business. Without them we would not exist.	Our people are our most valuable asset and critical to our success. Investment in them drives our culture and performance.
How do we engage them?	We engage in a number of ways including face to face meetings, community events, our website and social media and annual customer survey. In 2021 we held a number of focus groups to gain customer insights for our Water Resource and Drought Management Plan (see pages 16 and 17). We pay close attention to all of the customer feedback we receive including compliments and complaints and in particular results of our ICS customer survey (see page 19). We track UK water sector consumer groups and use their large-scale research to inform the position in Jersey.	We have an inclusive and collaborative approach to working with our people, engaging with them to ensure their perspectives are considered in our decision making and planning whilst sharing our strategy and plans for the future. In 2021, we implemented quarterly pulse surveys so that we can track engagement over time and seek views on topical issues. Employee feedback is tracked and actions followed up through our “You Said - We Did” tracker. Our leadership team engage with employees face to face, both individually, in teams and within forums and workshops. We use the feedback from employees to enhance our plans ensuring that our Company remains a great, safe place to work.
What do they tell us?	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 • An environmentally conscious approach to the way we work	Our pulse surveys : • 91.1% agreed that Jersey Water was a great place to work • 97.7% employees consider themselves to be engaged, empowered and effective A recent Investors In People survey indicated that: • 58.6% felt appreciated for the work they do • 81.5% feel encouraged to perform to the best of their abilities • 61.4% feel that they have a say in decisions that affect their role
How do we respond to them?	In 2020, we developed four customer outcomes to meet the needs of our customers (see page 1). Our customer outcomes inform our business planning and are driven by targets and performance measures. Customer feedback and insights help shape our strategy and prioritise our plans and improvements.	Feedback from our employees is a key factor in determining how we run our organisation. We implemented quarterly Company updates, to replace the annual town hall meeting. Feedback from our people confirms that they feel informed and updated. We keep every employee aware of our plans and progress through several channels including all company updates, toolbox talks, team meetings, one to ones and internal social media.

Island Community

The health and wellbeing of our island community relies to a great extent on a reliable supply of clean water. Meeting the wider needs of the 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.

Our feedback and research indicates there is an expectation associated with the Company, as a water supplier providing a vital public service. We have a duty to act for the good, not only 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.

Through our purpose statement we recognise our wider community role and responsibility. This purpose drives our customer outcomes and strategic objectives.

We work alone and in partnership with other stakeholders to deliver community and environmental benefits for Jersey.

We aim to contribute through a wide range of initiatives (see pages 22 and 23 for more detail).

Government

We provide public services that are essential to Island life. The key to our success is engagement with the 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.

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 understanding that we will play a leading role in matters relating to the Island’s public water supply.

Through partnerships with other stakeholder groups we play an instrumental role in addressing serious, water related issues affecting our Island including:

- Promoting the need for an Island Water Strategy within the Bridging Island Plan to address Jersey’s forecast water supply deficit
- Working with the Action for Cleaner Water Group to improve water quality in our catchments
- Working with the PFAS Technical Officer Group to resolve the PFAS pollution issue in St Ouen’s Bay and Pont Marquet
- Consultation with key stakeholders on our plans to address the long term water shortages identified in our Water Resource and Drought Management Plan

Investors

Meeting the needs of our investors ensures that the business remains successful over the long term which in turn meets 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 and financial statements provide a transparent and comprehensive review of the financial and operational performance of the Company.

We engage with other providers of finance (i.e. banks) on an ad hoc basis to keep them informed on the performance and plans of the Company.

Discussions with our majority shareholder continue throughout the year. Dialogue centres around:

- The ongoing financial performance of the Company
- The way risks are mitigated and issues resolved
- 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 2021 includes enhanced disclosures around:

- Movements in Principal Risks and uncertainties
- Sustainability
- Updated strategic review to include actual versus target performance for the year
- Updated governance disclosure

Our corporate governance framework operates at the standards required of the UK Corporate Governance Code.

High Quality Water Supply

Measure of practice	Actual 2020	Actual 2021	Target 2021
Water Quality Compliance %	99.98	100	=> 99.97
Customer contact regarding acceptability of the water (Zonal Rate per 1,000)	1.22	0.75	<1.0
Leakage (Ml/d)	2.4541	2.4381	2.3353
Water Consumption (Ml)	7,061	7,065	N/A
Per capita consumption (PCC l/p/day)	117.4	119.7	N/A new measure in year
Length of mains renewed and extensions (km)	1.2	3.7	3.2
Supply Interruptions (Customer minutes lost)	6:00	3.56	6
Water restrictions	0	0	0
New connections made in year (No.)	470	470	350

2021 Highlights

100%
Water quality compliance
2020: 99.98%
+0.02%

ZERO
Nitrate or pesticides failures in treated water

100%
Bacteriological compliance at treatment works

Developed the **catchment operating philosophy** for the selection and blending of raw water sources

Delivered the **chemical dosing and filter improvement projects** at Handois Water Treatment works

Published the **Water Resource and Drought Management Plan** and held customer consultation sessions on expected levels of service

Engaged with the **Bridging Island Plan** regarding water resources management

Completed a **feasibility study into the extension of the Desalination plant** to increase production capacity to improve drought resilience

2022 Key initiatives

Completion of the treatment feasibility study for the remediation of PFAS pollution

Improved water quality governance through the introduction of drinking water safety plans to identify and manage water quality risks

Implementation of leakage strategy aimed at reducing leakage to address water resource shortage

Complete pilot trial of new Smart water meters and automated meter reading system

We have been delivering safe, high quality water to Islanders for 140 years: it's what we do best. And this year our supply continued to be of excellent quality with an overall compliance rate of 100% - meeting the requirements of the Water (Jersey) Law 1972. To monitor this performance we completed 12,000 sampling tests on untreated water from streams, storage reservoirs and the inlet to our treatment works. Plus, 15,000 laboratory tests were taken on treated water from our water treatment works, in the mains network.

As part of the Action for Cleaner Water Group, we continue to work closely with the Government and the farming community delivering water quality improvements and protecting the catchment from pollution risks. Our approach places more focus on proactive catchment management activities using technology to monitor raw water quality that protects and safeguards our water sources. For the eighth consecutive year, we have successfully treated and maintained nitrate concentrations below the regulatory limit in drinking water. Water quality was also fully compliant with limits for pesticides for the fifth year in a row.

We are working collaboratively with the Government of Jersey Technical Officer Group investigating the issue of PFAS pollution in the vicinity of the airport within the St. Ouen's Bay aquifer and Pont Marquet catchment. We monitor the level of PFAS at the treatment works and in the affected water sources through an extensive sampling and analysis programme. Results of our testing provides assurance that the drinking water supply in Jersey remains fully compliant with water quality limits for PFAS set by the EU Drinking Water Directive and UK regulations.

The drinking water supply in Jersey remains fully compliant with the most stringent water quality limits currently in place set by the EU Drinking Water Directive and UK regulations.

The aquifer in St Ouen's Bay and the Pont Marquet catchment are important sources of water for the Island. Their pollution with PFAS presents a significant raw water quality challenge which inhibits their use and our ability to extract water from them. It is important that a treatment solution is found to address the issue and reduce the risks to these sources presented by PFAS. We are continuing to work with the Government of Jersey to understand the extent of the pollution and the best treatment solution as remedial action.

Production Operational Performance

Despite the challenges highlighted in page 32 'COVID-19 Related Risks', the Production Operations team delivered several maintenance projects at Handois and Augres water treatment facilities to improve the reliability of the works and the quality of the treated water supply. The projects involved the replacement of the existing water quality monitoring equipment, chemical dosing system and filter processes resulting in greater asset reliability and resilience.

In 2020 we embarked on an engineering feasibility study to increase the production capacity of La Rosière

Desalination Plant. Our Operations team must always consider the risk of drought and output from the engineering study and plant performance trials are being used to inform the final design of the membrane upgrade and how it will be operated to alleviate drought conditions. The requirement to increase the production capacity of the Desalination plant was identified in the Water Resource Management Plan (WRMP) as one of the recommendations to address the water supply deficit the Island faces in the future caused by population growth and climate change.

The engineering study included a general condition assessment of the membrane plant and hydraulic pumping performance tests to assess the capability of the plant to provide the maximum treated water flow needed in a drought situation. A fundamental part of the project included a water quality impact assessment to determine the plant modifications needed to protect the marine environment from discharged membrane effluent to sea and limit any adverse water quality impact due to increasing the volume of desalinated water blended in Val de La Mare Reservoir. The final construction and completion of the membrane enhancement project is planned for 2025.

Network Strategy and Operational Performance

In early 2021 we produced our Network Strategy detailing our 5-year investment plan in water supply infrastructure with a focus on delivering improved service to our customers, reduce leakage, improve water quality and encourage water efficiency. Although we had a good year for operational performance, we narrowly missed our WRMP leakage target for 2021 due to an exceptional cold snap in February that resulted in a higher rate of mains bursts than normal. Despite this setback our results for 2021 were better than the previous year which puts our overall leakage performance in a good position to achieve our rolling average target for 2022.

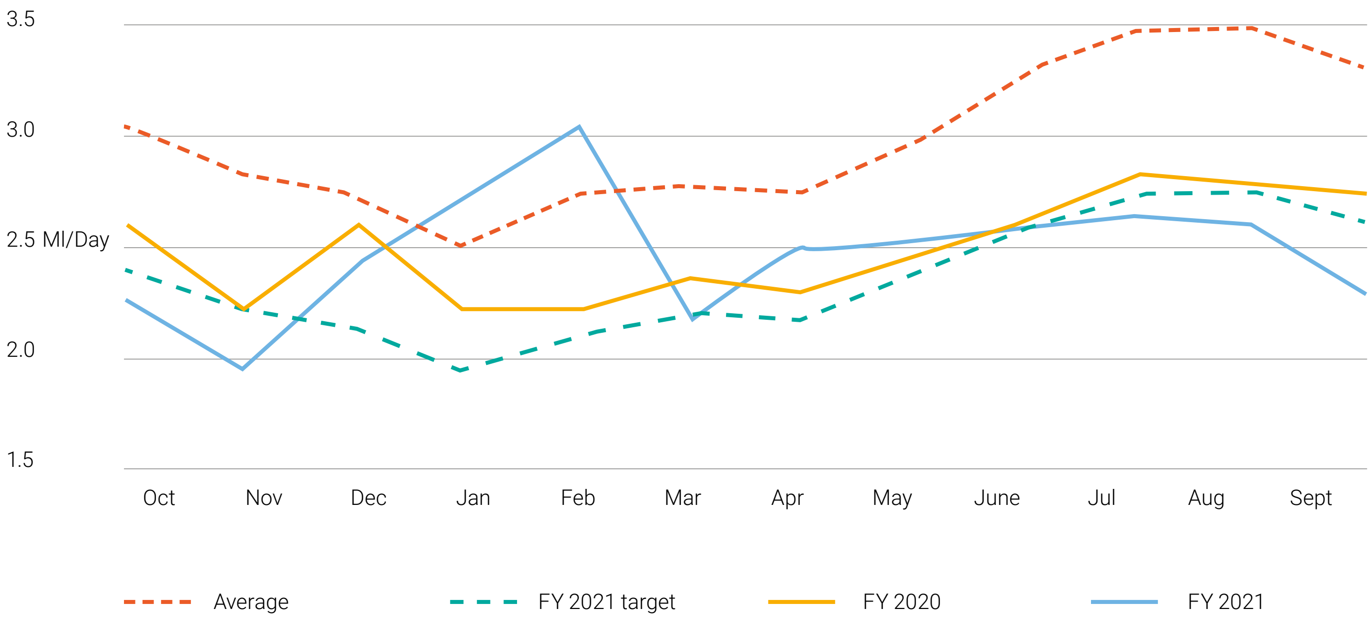
In addition to the investment to repair and replace our poor condition water mains, work has commenced to improve our operational performance to further reduce leakage levels over the next 5 years as set out in the Water Resource Management Plan. This work involves proactively monitoring our network system to accurately measure outbreaks of leakage, detect leaks earlier and intervene to repair them quickly to minimise loss of service.

Water Resource Management

The demand for water in the year was 7065 Ml, just 0.1 % higher than the previous year at 7061 Ml. The rainfall for the year measured 1,129 mm, a decrease in the previous year of 63mm but still 19.5% above the 5-year average of 1,005mm.

Water storage in our reservoirs began the year at 64.8% full and following a very wet October the reservoirs quickly filled by December. However, the wet winter was followed by an exceptionally dry spring which reduced the water in store position to below average by May. The desalination plant was started in May as part of a planned performance trial producing 100Ml over a 17-day period to supplement the water in store position. Further to this, the summer rainfall was broadly in line with average values and the water in store position remained healthy throughout with groundwater and surface water stream flows maintained by the previous two successive wet winters. We know our Island community is facing

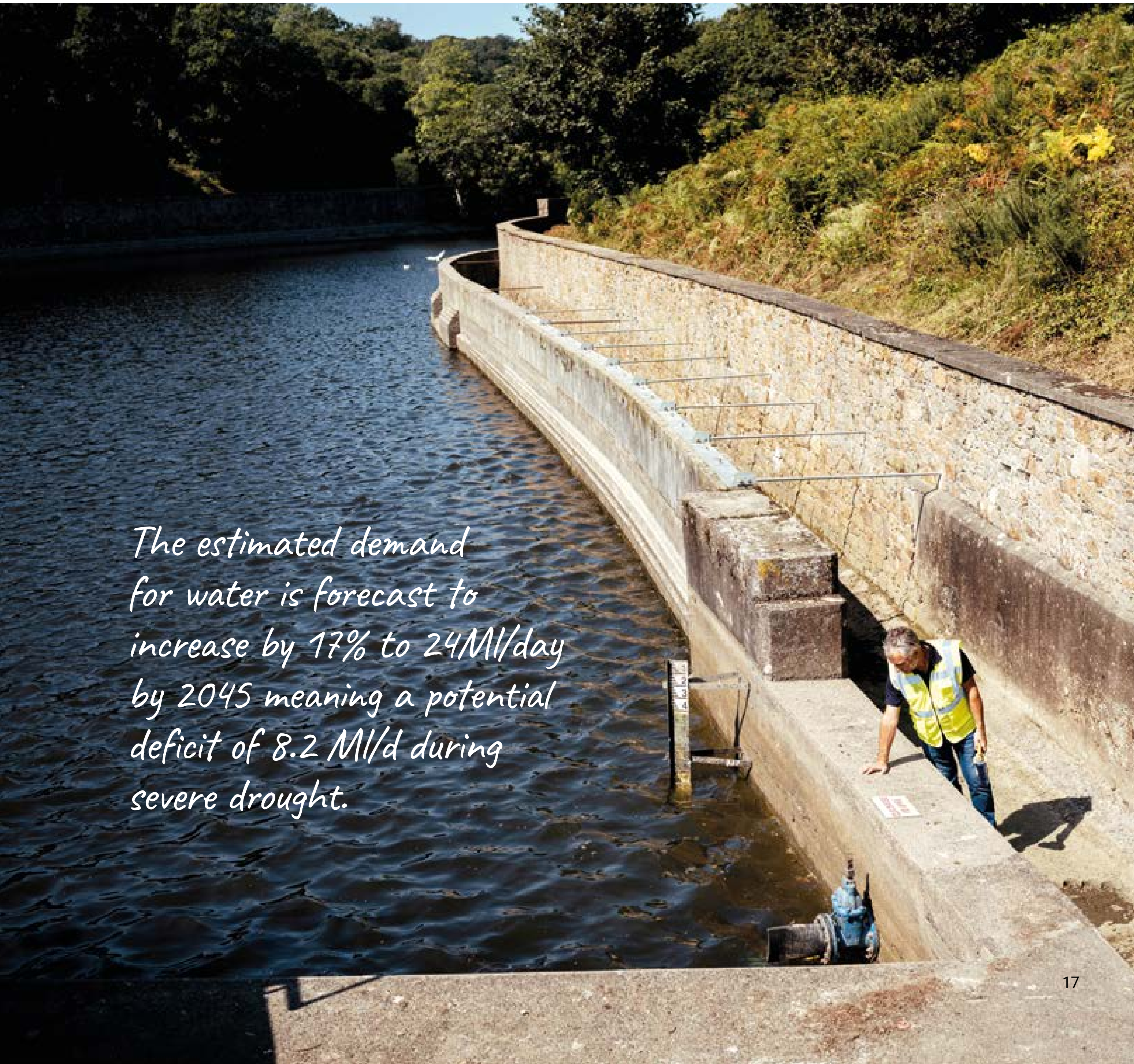
Leakage - 5 Year and Targets



a challenge regarding the availability of water resources in future years. The estimated demand for water is forecast to increase by 17% to 24Ml/day by 2045 meaning a potential deficit of 8.2 Ml/d during severe drought. In response to this challenge the development of the WRMP has identified a package of measures that will be put in place to address the future deficit. As mentioned above, our Water Resource Management Plan (WRMP, published in August 2021) addresses how we will manage our Island water supply for the next 25 years.

The first 5 years of the plan includes initiatives to reduce the demand for water through customer water efficiency, further leakage reduction and investment to expand the water production capacity of La Rosière Desalination plant to 15.0 Ml/day by 2025. In addition to the above measures, the plan includes additional activity on our water catchment areas to protect our water sources from pollution. The medium term plan is to increase abstraction from the borehole supplies in St Ouen's Bay by working with the Government of Jersey to resolve the historic PFAS pollution in the aquifer.

To secure supplies into the future and provide increased drought resilience the long term plan includes the provision of additional water storage such as the extension of Val de La Mare Reservoir or the creation of a new water storage reservoir for Jersey. The WRMP has been designed to be adaptive, will be reviewed every five years and therefore altered if circumstances change, ensuring sustainable solutions proportionate to the Island's changing risk profile.



Great Customer Experience

Measure of practice	Actual 2020	Actual 2021	Target 2021
Customer satisfaction index	86.1%	82.7%	+/-3%
Net promoter score	53.4	43.1	Not reducing
Right first time	74.5%	68.6%	75%
How easy we are to do business with (/10)	8.7	8.5	Not decreasing
Trust score (/10)	8.5	8.1	Not reducing
Customer complaints (per 1000 properties)	0.68	0.45	Not increasing
Text Feedback Score (/10)	9.08	8.75	>9.0

2021 Highlights

42% of customers now receiving e-bills
2020: 36%
+6%

Development of a Customer Experience Strategy

2022 Key initiatives

Billing system improvements targeting automation of high frequency time consuming tasks

Promotion of the Get-Water-Fit tool to reduce demand for water and support our water efficiency campaigns

As the sole provider of water, our customers place their trust in us, and responsibility and high standards of service underpin everything we do. We demonstrate this commitment through stretching internal key performance indicators and benchmarks, designed to challenge us to "do better each year" in line with our value "We are Ambitious."

Jersey Water has been a member of the Institute of Customer Service (ICS) since 2017. Each year we commission an independent annual customer satisfaction benchmarking survey to compare ourselves to other companies in the UK. The three key metrics being the UK Customer Satisfaction Index (UKCSI), Net Promoter Score (how many people would recommend Jersey Water) and Customer effort (how much effort did you make to complete your transaction etc).

As shown, although close to our target performance, there have been small decreases across the customer metrics compared to prior year. Unfortunately, it is not possible to identify from the data whether there is a specific factor driving this year-to-year variance, highlighting to us the importance of continuing to improve the service we provide and the value of ongoing customer feedback during that process. However, despite these modest decreases, we are pleased to report that for the fifth consecutive year, we maintained performance above the UK all sector average and UK utilities across the metrics, as shown in the tables on page 19. Overall, these results confirm that not only are customers very satisfied with the service they received (regardless of communication channel), but they would also recommend us if there were alternate providers.

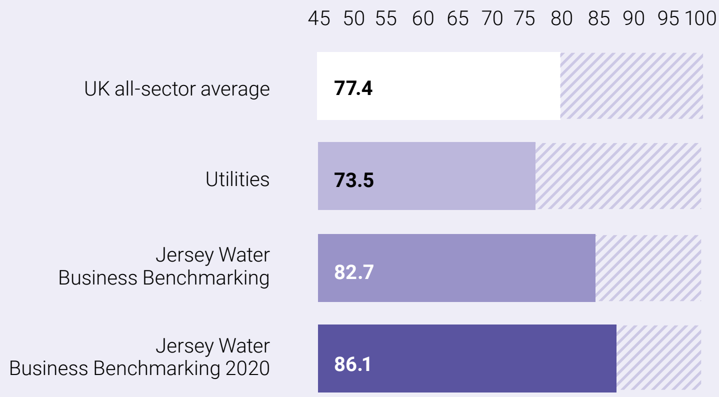
These external benchmarking outcomes were confirmed by our own internal measures of customer satisfaction. Our in-house text feedback service scored 8.75 out of ten, slightly down on the prior year of 9.08 and our target of 9.0. However, this was coupled with a favourable reduction in customer complaints from 0.68 per 1000 properties to 0.45 in 2021. We review all complaints and text feedback scores and seek to identify ways in which they can be improved for the future. One challenge we have is encouraging our customers to provide feedback with an average response rate of 29%. As feedback is so important to us as part of our customer experience improvements, we will be looking to increase the opportunities for this to be gathered.

Our focus for 2022 is making some improvements to our billing system and targeting automation of high frequency time consuming tasks, ultimately delivering greater efficiency in service to our customers. In addition, output from the 2021 customer consultation, ICS survey, metering and IT strategies will be used to enhance customer experience through greater online self-service functionality and to create more opportunities for customers to provide feedback on how we are doing.

Through our water efficiency strategy, we will continue to measure and monitor Per Capita Consumption (PCC) and promote the Get-Water-Fit online toolkit to support our customers in reducing their water consumption. Building on the success of the 2021 book launch in schools we will reinvigorate our school engagement programme through educational site visits to support our wider community and deliver important messages on protecting our water source for the next generation.

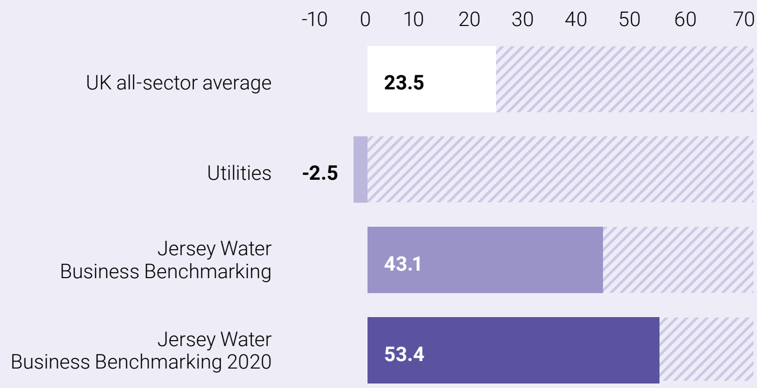
We are pleased to report that for the 5th consecutive year, we maintained performance above the UK all sector average and UK utilities across their three key metrics.

UK Customer Satisfaction Index (UKCSI)



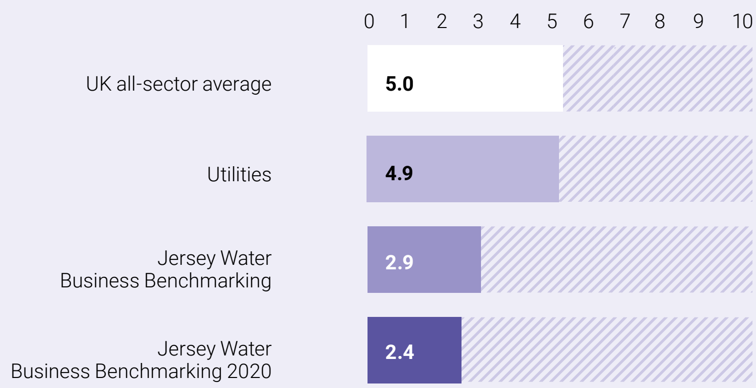
Our Business Benchmarking survey data based on respondents from Jersey Water customer survey. UKCSI September 2021 data sourced from nationwide ICS survey panel of 10,000 customers. The results are generated from a total of 322 customer respondents.[1]

Net Promoter Score



Net Promoter Score (NPS) is based on "likelihood to recommend' scores. % 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]

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]

[1] Survey data as provided by the ICS.

Fair and Affordable Bills

Measure of practice	Actual 2020	**Actual 2021**	Target 2021
Value for money rating (/10)	**7.5**	**7.2**	**not reducing**
Tariff increase/ (RPI)	**0%**	**2.7%**	**At or below RPI**
Bad debt as a percentage of turnover	**0.24%**	**0.08%**	**Pre Covid levels 0.08%**

2021 Highlights

97%
of customers pay for water by meter
2020: 97%

2.7%
tariff increase effective 1 October 2020
(deferred by 6 months in response to COVID-19)

Worked together with over 400 customers who contacted us with **financial hardship concerns due to COVID-19**, see page 32.

2022 Key initiatives

Continue working with all customers in financial hardship caused by COVID-19

Tariff increase of 3.5% effective 1 Jan 2022

Since 2020, within our annual ICS survey, we have asked customers for their views on the affordability and value for money of the service provided by us.

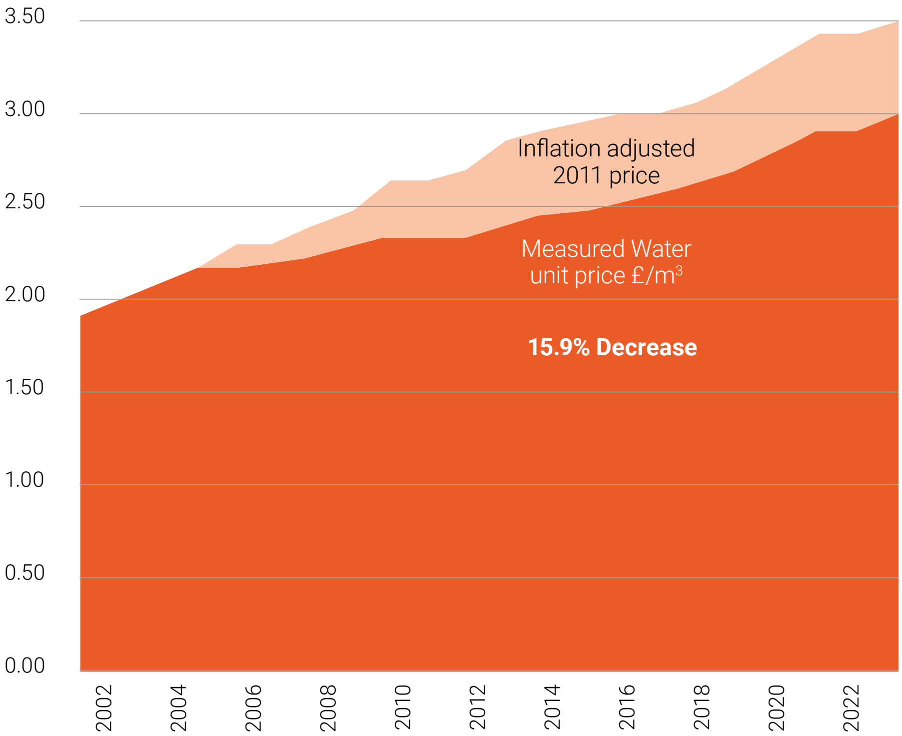
This year we saw a small (0.3) decrease in the average score for value for money to 7.2 (out of 10) with affordability also scoring 7.2, (out of 10) a 0.4 decrease since 2020. This decrease is in line with the general feedback trend in 2021 and may reflect the current increasing cost pressures being felt by businesses and households.

We understand the importance of ensuring our water is affordable and have historically applied a policy of limiting price increases to at or below inflation. A policy that 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 15.9% over that period, made possible by the Company focussing on cost efficiency and sharing the benefit of those efficiencies with customers and shareholders. In November we announced charges for water will increase by approximately 3.5% from January 2022 as a response to upward pressures on costs. The increase was in line with RPI as at June 2021 (against which our tariffs are benchmarked) but higher than the prevailing rate on the date the increase was announced.

Looking ahead, we remain committed to balancing the need to minimise increases in water charges with the need to continue to invest in the Island's water supply infrastructure and address risks facing the company listed on pages 28 to 32.

Water Price



Environment and Community Benefit

Measure of practice	Actual 2020	Actual 2021	Target 2021
Environmental regulatory compliance (%)	100	100	100
Community events supported	16	24	70
Funds raised for charity	£2k	£19k	£20k

2021 Highlights

100%
compliance with environmental regulations

Book
Early years book launch
'Water is all around me'

Launch of
Refill Jersey

Supported events with:
22,500
litres of water

595
reusable water bottles

Ongoing support for community events on our land

- Trail Monkey Running
- Jersey Classic and Modern Trials Club
- De La Salle College
- Heritage Longhouse Volunteers
- States of Jersey Fire Service
- Government of Jersey
- Caesarean Cycling Club
- Bel Royal School
- States of Jersey Police
- Jersey Bat Group
- Diabetes Jersey
- Visit Jersey

13th year
offering bursary placements

Sponsorship

- Jersey Farming Conference
- National Trust for Jersey Annual Walking Programme and Spring and Autumn Walking Festivals

2022 Key initiatives

Development of a sustainability strategy

Continued 100% compliance with environmental regulation

Ongoing provision of drinking water bottles and water supplies to community events

Bottle refill points

Educational school initiative

Fundraising for Dementia Jersey

Further conversion of vehicle fleet to electric vehicles

Electric Motor Efficiency Trial

Participation in Sustainability Stakeholder Group

Despite the ongoing challenges presented by the Pandemic during 2021, we maintained our active support for the community. A highlight of the year was the publication of the early years book “Water is all around me” which is showcased on pages 24 and 25.

In partnership with Plastic Free Jersey, in June we launched our Refill Jersey Campaign aimed at changing behaviour by encouraging people to ask for tap water refills in cafés, restaurants and commercial premises rather than buy water in single-use disposable plastic bottles. Businesses who sign up to the scheme and offer free refills can be found on the Refill App which helps people find the closest refill station for free drinking water. The Refill scheme is supported by the UK water industry including Jersey Water and Guernsey Water. Over 30,000 businesses have joined the campaign to reduce single-use plastic bottles. To date there are 29 refill stations signed up on the app in Jersey.

Our Chosen Charities for 2021 continued to be the Jersey Society for the Prevention of Cruelty to Animals (JSPCA) and Jersey Hedgehog Preservation Group; both charities were selected by Jersey Water employees. Through a variety of employee and company fundraising initiatives we raised a total of £21,824 during 2020 and 2021. To offset the limiting effects of the pandemic on our fundraising capability, we launched a postal charity appeal using a promotional leaflet in customers’ bills to seek donations.

Jersey Water employees have selected Dementia Jersey as the charity for 2022. The charity exists to provide advice, support and information to the community as a whole and since 2012 has seen an increase of over 235% in the amount of people seeking their support and accessing their activities. Jersey Water matches, pound for pound, funds raised by employees during the year for the charity of choice.

We continue to work closely with the National Trust for Jersey by sponsoring their Annual Walking Programme and two Walking Festivals in Spring and Autumn. The walks proved extremely popular and in many cases were oversubscribed. We were particularly pleased to be able to offer Islanders the chance to visit our reservoir at Handois which is not ordinarily open to the public. Jersey Water's sponsorship of the walking programme and festivals will continue for 2022.

A unique project we supported this year was sponsoring Jersey Heritage to enable them to restore a meadow at Hamptonne Country Life Museum. For many years they have struggled to maintain the meadow against invasive bracken and every year, hundreds of hours are spent pulling up the bracken by hand. Our sponsorship helped with the costs of making the meadow secure (with fencing) so the sheep could be safely contained.

Jersey Water Storybook

Water is all around me

In 2021, we published a specially commissioned children's storybook 'Water is all around me'.

In the story, a little girl called Lucy and her friend Colin the Crab discover why water is so special and how important it is they protect it. The book was aimed primarily at three to five year-olds but the message transcends age, as no one wants to live in a world without water.

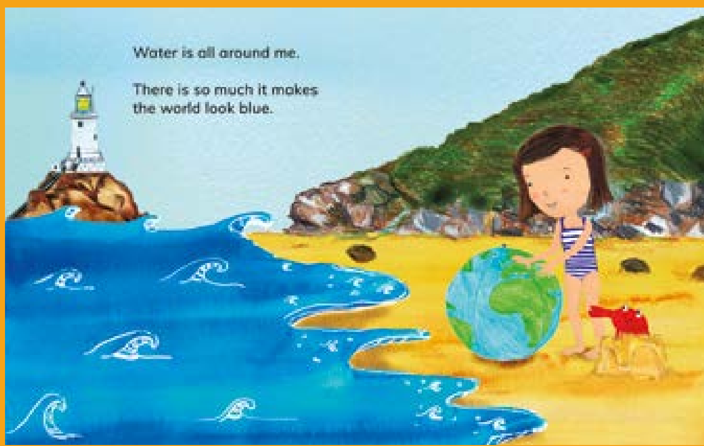
We launched the book in Island schools and nurseries with live story-telling sessions in June, delivered by two local actresses Estelle and Sophie Le Brun from Ever After Entertainment.

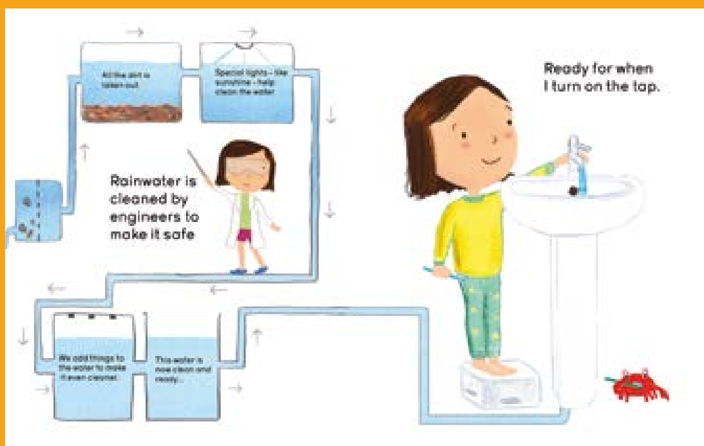
They brought the characters of Lucy and Colin the Crab to life. The children enjoyed interactive games using actions and phrases from the book to reiterate the message save water. Each child received a copy of the book to take home with them.

Children can spot lots of local landmarks such as Mont Orgueil Castle, Corbière Lighthouse and Val de la Mare Reservoir as well as learning the process of how water travels from sky to tap. Lucy and Colin explore all the places water is used at home and the different states water can appear in.

The duo explain how children and their families and friends can save water.

Zöe Hibbs, Marketing and Communications Manager at Jersey Water said, *"We are delighted to be able to bring the important message of how precious water is to children with our Storybook. Jersey Water is supplying the water for our Island to thrive today and every day and in order to do this, we all need to work together. Children are our future generation so the earlier we can get them forming good habits, the better."*





"Thank you so much for coming to St Peter's School. The story and Colin were a huge hit with the children (and staff!) and I think lots of parents will be told to turn off the tap!"

2,000
books printed

1,586
children seen

29
schools and nurseries visited

Widespread media coverage

"I just wanted to send a quick e-mail to say thank you very much to the team who came in today to present the assembly to us. The children thoroughly enjoyed themselves and haven't stopped talking about Colin the Crab for the rest of the day.

The presentation was pitched perfectly for the children's age and understanding, and the books are beautiful, with lots of important information for the children. The cast were able to keep the children engaged throughout and the information was shared clearly in a fun and exciting way for the children.

Thank you once again. It is definitely something the children will remember."

"The boys loved it and thought it was absolutely brilliant.

Thank you for all your time and effort in organising such as wonderful event and please thank the lovely actresses too. We look forward to future events!"

"Huge thanks to you and the team for a wonderful assembly today. It was entertaining, engaging and informative - and pitched just right for this age group. Well done to all involved in developing and delivering it, a brilliant project. Also, thank you to Jersey Water for the beautiful books which are a real quality product and so appealing to the children."

Spotlight on Sustainability

Throughout 2021 we continued to deliver a broad range of environmentally positive initiatives across the business to demonstrate a commitment to achieving our sustainable and resilient outcome.

We retained our **Eco-Active accreditation status** through the continued roll out of LED lighting and the promotion of biodiversity and habitats across our estate. Over the last 3 years, widespread investment has delivered electricity savings of approximately 250,000 kWh with the additional benefit of reduced maintenance costs and improved, safer lighting. To enhance biodiversity and provide improved habitats across our sites we took part and promoted the **Jersey Government No-Mow May campaign** by making changes to our ground's maintenance regime allowing nature to thrive. We have continued our gradual vehicle fleet migration to electric vehicles and now have a total of 8 electric vehicles in use. This is set to continue under a phased introduction as our fleet is renewed in the coming years.

In 2022 we will begin to measure the footfall at our sites and enhance the visitor experience by providing contextual information to educate islanders on the service we provide. Our land at these sites and our wider network of water catchment stations provides a valuable platform to deliver improvements to habitats supporting biodiversity across the Island. We continue to work with our partners and are seeking to further enhance our land-management practices for the benefit of our local flora and fauna through the promotion of wildlife corridors, native hedgerow, and tree planting schemes.

Delivering high quality water for our customers depends entirely on the standards of land management practices employed across the Island, particularly within the agricultural sector. Whilst most of

"Our visitor sites at Queen's Valley and Val de la Mare continue to provide environment and community benefit through recreational access for many individuals, schools, and community groups."

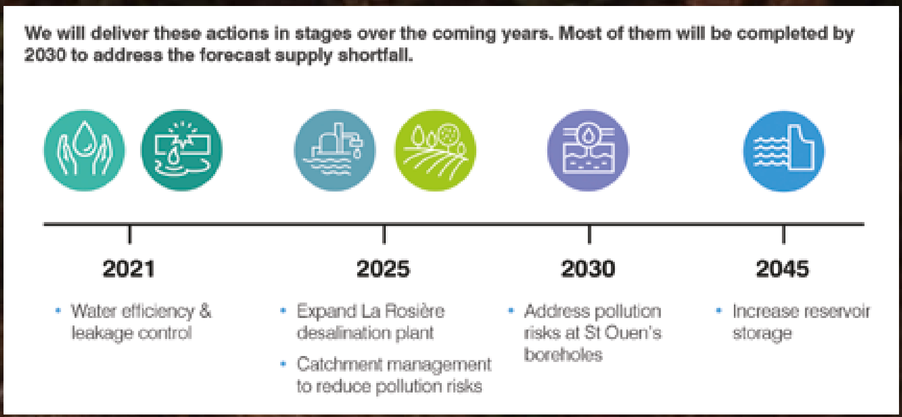
250,000kWh
electricity savings through LED lighting investment

Fleet of 8
electric vehicles

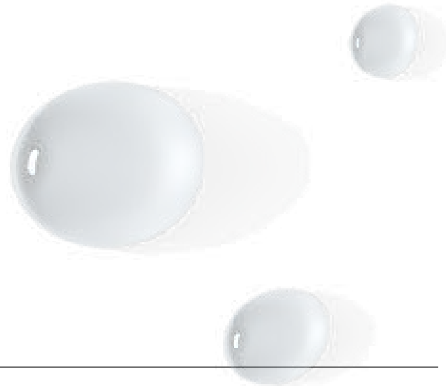
Eco-Active
Accreditation Status retained

the water catchment land is not under our control we have begun to form and foster close working relationships with the local farming community through the **Action for Cleaner Water partnership**. This work will continue to sustain the measurable improvements in water quality that we have seen in recent years and will be strengthened by a greater emphasis on water catchment management activities to minimise pollution risks and to protect the water that we capture. The supply and demand deficit identified in our recent **Water Resource Management Plan** *(see below)* emphasises and highlights the importance of protecting our limited supplies.

The development of a Water Strategy for Jersey will align and focus all stakeholders on a coherent and integrated strategy to value, enhance and protect our water supply for future generations. During 2022 our sustainability strategy will be developed and articulated into an overall plan which aligns with the industry-wide **Water UK Carbon Neutral Strategy** and supports the Government of Jersey's Carbon Neutral Strategy. We are committed to working with government, private sector and third sector stakeholders to provide leadership, aligning with local and global strategies to deliver positive sustainable change for our Island community.



Principal and emerging risks



Jersey Water's strategic outcomes are subject to a number of risks and uncertainties that could, either individually or in combination, affect our operations, performance and future prospects. We identify and manage these and other risks through our risk appetite framework, whereby the amount and type of risk that we are willing to take on in order to meet our strategic outcomes is articulated through qualitative statements and tolerance levels.

Our underlying appetite for risk will vary according to the nature of the business activity and be driven by the need to manage, avoid or mitigate the risk balanced by the cost of doing so, over the long term. Overall, we have a low appetite for risks that threaten the Company's ability to fulfil its statutory responsibilities as the provider of potable mains water to the Island of Jersey or that are likely to erode its trust and reputation with customers and the community.

As part of the risk framework, we also consider the connectivity of principal risks. This information is used to further risk management activity and to inform the viability scenarios as detailed on page 55.

The following pages identify the principal risks and uncertainties included within the Company's strategic risk register.

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.

Climate Change

The assessment and management of climate related risks and uncertainties is consistent with the approach used to manage risk through the business. The process for identifying and managing the impact of climate change on our principal risks is integrated within our strategic planning, resilience, and risk management processes. Climate change has significant influence on several principal risks associated with delivering 'High Quality Water Supply', 'Environment and Community Benefit' and the ability to be 'Sustainable and Resilient.' In particular, the risks of 'Water Supply Failure, Political, Income & Profitability and Environment & Community Impact. The table detailing risk management activities for each principal risk includes initiatives that incorporate climate change considerations (examples include the Drought and Water Resource Management Plan, investment in an electric vehicle fleet, and renewable energy consideration in all capital projects).

Whilst we have an extensive portfolio of environmentally positive initiatives, at present they are not embodied within an overarching sustainability strategy and there are currently no outcome objectives defined for our environmental improvements. During 2022, we will develop and articulate our sustainability strategy. This will include the timeline for developing such measures, baselining our carbon footprint and developing science-based targets for delivery between now and 2030. See more on sustainability on pages 26 and 27.

Risk

RAG STATUS KEY: = intolerable = undesirable = tolerable = acceptable = Climate Consideration

Water Supply Failure

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 Resource and Drought Management Plan indicates that, under worst historical drought conditions, there is a forecast 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, we may be unable to meet the demand for water.

Short term events including drought, extremes of weather, pollution, changes in water quality, flooding and terrorism could result in insufficient water resources, increasing the risk of interruptions to supply or supply restrictions with a potentially adverse financial and reputational impact on the Company.

Risk Management

- **Water Resource and Drought Management Plan**
- **Drought response planning**
- **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**

Movement in risk

This risk has increased over the year. There is the further need to mitigate the adverse impact on raw water quality from the introduction of greater volumes of desalinated water into Val de La Mare Reservoir. Indications are that the proposed extension of the desalination plant will need to incorporate re-mineralisation treatment to address low mineral content of desalinated water. Measures to address this risk are a key priority.

Key Skills

Over reliance on individuals with critical skills, knowledge or experience and the 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.

Access to individuals with the requisite skills and experience to deliver the technical roles within the water supply teams is limited and often reliant on overseas recruitment. The rising cost of property and living in Jersey reduces the attractiveness of the Island as a place to work increasing the risk that vacancies will remain unfilled. High competition on Island for these skills drives up salary inflation.

Risk Management

- **New IT systems designed to spread knowledge**
- **Achievement of Investor in People Silver standard**
- **Training and employee development commitment**
- **New performance development and leadership frameworks**
- **A competitive remuneration and benefits package**
- **Additional key technical resources recruited**
- **Active benchmarking of roles and remuneration**
- **Development of a new Target Operating Model for Water Supply teams in progress, including succession planning**

Movement in risk

Increased risk during the year driven by salary inflation, and shortage of technical skills on island. Cost of living in Jersey is deterring candidates from moving to Jersey. Projects to address this risk are a key priority in our business plan.

Information Security

Unauthorised access to the Company's systems potentially resulting in disruption to the business and/or a significant data breach.

Risk Management

- **External/independent scrutiny of security arrangements**
- **New system implementations secure by design**
- **Employee awareness and training**
- **Regular testing and enhancement of security arrangements**

Movement in risk

No change

Water Quality Failure

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.

Risk Management

- **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 treatment processes**
- **In house laboratory**
- **24-hour manned treatment works**
- **Ultraviolet treatment processes at both treatment works**
- **Ability to select and blend from several raw water reservoirs**
- **Temporary dispensations for Oxadixyl and Nitrates**

Movement in risk

No change

Risk	RAG STATUS KEY: = intolerable = undesirable = tolerable = acceptable = Climate Change Consideration		
Supply Chain	Events outside of the Company's control including Brexit impact on borders and increasing complexity in customs clearance, adverse weather, workforce availability and corporate failure could result in disruption to our 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.	**Risk Management** • **Participation in the South Staffordshire Water purchasing consortium** • **Large stocks of consumables and chemicals maintained on Island** • **Mutual aid agreement with Guernsey Water and participation in UK water industry mutual aid scheme** • **Close working relationships with key contractors** • **Active risk management**	**Movement in risk** Increase in risk due to reliance on a small number of haulage companies with capability to transport chemicals safely to Jersey, coupled with skills shortage and availability of labour.
Income & Profitability	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. **Risk Management** • **Financial governance model sets financial targets and objectives including keeping our tariff increases to a minimum** • **Efficiency targets built into annual budgets**	• **Frequent and regular monitoring of financial performance** • **Asset management system implemented in 2021 to enable a more robust, evidence-led long term asset investment strategy** • **Comprehensive insurance cover in place** • **Water Supply Target Operating Model**	**Movement in risk** Increase in risk due to a combination of inflation concerns, general upward pressure on operating and capital expenditure (particularly in relation to skills, experience, construction, compliance, and resilience) along with connectivity to movements in other principal risks where there is the potential requirement of significant expenditure to mitigate the risk.
Environment & Community Impact	Failure to have a positive impact on the environment and community as a result of non-compliance or not meeting the expectations of our stakeholders. Jersey has declared a climate emergency and the intention to be carbon neutral by 2030. There is a growing body of best practice around sustainability and related disclosure.	**Risk Management** • **Compliance with all applicable environmental laws and regulations** • **Reliance on largely decarbonised electricity supply to power most plant & equipment** • **Investment in an electric vehicle fleet** • **Inclusion of renewable energy consideration in all capital projects**	• **Planned development of Jersey Water's own sustainability strategy** • **No-Mow-May campaign** • **Refill Jersey Campaign** • **Biodiversity action plans** **Movement in risk** Increase in risk reflecting current readiness for carbon zero strategy and ahead of a formal sustainability strategy.
Critical Infrastructure	Failure of a critical asset causing interruptions to supply with potentially adverse financial and reputational consequences. **Risk Management** • **Redundancy capability designed into critical assets** • **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** • **Knowledge and experience of network among water supply team.** **Movement in risk** No change
Political	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.	**Risk Management** • **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** **Movement in risk** No change.

RAG STATUS KEY: = intolerable = undesirable = tolerable = acceptable = Climate Change Consideration

Risk	Description	Risk Management and Movement in risk
Large Scale Employee Absence	Events including widespread illness, industrial action, civil unrest, and adverse weather could prevent a large number of employees from attending work resulting in disruption to the operations including the ability to maintain normal standards of service.	**Risk Management** • **Regular incident response exercises** • **Flexible working practices and mobile technology enable rapid deployment to 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** • **COVID-19 mitigation measures (see page 32).** **Movement in risk** No change
Liquidity & Funding	Failure to maintain sufficient funds or facilities to finance the investment programme, service debt, cover the day to day operating cash flow 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.	**Risk Management** • **Low gearing capital structure maintaining adequate cash headroom and credit facilities** • **Hedging policy to regularly monitor and mitigate the impact of interest rate movements on credit facilities** • **Effective processes for budgeting and stress testing capital investment, operating expenditure and cash flow requirements** • **New RCF facility from 2021 including accordion element to provide further funding as required.** **Movement in risk** No change
Maintaining Customer Trust & Satisfaction	Failure to maintain the trust of our customers and deliver a great customer experience leading to lower satisfaction levels, along with, in the worst case, reputational and increasing regulatory consequences. To successfully navigate water resource challenges it is essential we maintain a good relationship with our customers so that we can work together to reduce water consumption (and bills), trust is essential in building that relationship.	**Risk Management** • **Participation in the Institute of Customer Service annual benchmarking survey** • **Communication and engagement strategy** • **Virtual call centre to enable our team to deliver resilient customer services** • **Regular monitoring of local and social media** • **Educational initiatives and open days** • **Customer consultations** • **Complaint monitoring and handling processes** **New to the risk register**
Project Delivery	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.	**Risk Management** • **Project governance for change programmes** • **Independent/external scrutiny of programme** • **Skilled project management professionals supporting delivery of key strategic projects** • **Risk logs, progress reports and remedial actions subject to review by leadership team and the Board** **Movement in risk** No change
Health & Safety	Failure to prevent injuries and accidents to our people and the public resulting in legal, financial and reputational issues.	**Risk Management** • **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, review of performance and completion of corrective actions** **Movement in risk** No change
Pension Liabilities	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.	**Risk Management** • **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** • **Closure to future accrual from 1 January 2022** **Movement in risk** Decrease in risk with closure to future accrual.

Emerging risks

Emerging risks are risks that could be a new, uncertain or changing risk which are not considered to be 'principal.' Emerging risks may, at a time in the future, impact our operations, performance, and future prospects. The uncertain nature of this type of risk means the timing and speed of impact can change. Emerging risks are identified through the strategic planning and risk management processes which include horizon scanning and scenario analysis. The risks identified may affect the assessment of longer-term horizon principal risks such as water supply risk and critical infrastructure risk where long term planning is an essential risk management activity, or they can shape our strategy through the challenge the uncertainty of the emerging risk creates. Pages 28 to 32 identify key challenges that we are trying to address through delivery of our strategic outcomes.

COVID-19 Related Risks

The COVID-19 pandemic continued to affect our activities throughout 2021, over which time our key priorities have been to protect the health and wellbeing of our employees and customers whilst ensuring that we maintain a high quality water supply and related services to the Island. In fact, trends of water usage last year saw a slight increase in usage by our customers mainly attributed to people working from home but offset by the reduction in transient visitors to the Island during the COVID-19 pandemic (overall usage increased by 0.1%). Despite the ongoing effects, our Queen's Valley and Val de la Mare sites were visibly more popular than ever and we sought to continue supporting our people though the pandemic by balancing their needs, ensuring our business received minimal disruption, with very few confirmed COVID-19 cases. This section identifies those risks which are still under frequent review.

Risk	Risk Area	Risk Management Activity
Employee Absence & Wellbeing	COVID-19 has increased the risk of widespread employee absence.	**• Implementation of physical segregation between individuals and teams when appropriate (E.g. the Water Supply Operations Department continued to work in an agile, flexible, and segregated way to mitigate the risk from COVID-19 pandemic.)** **• 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** **• Use of employee and individual PCR and lateral flow testing schemes** **• Ongoing safety and wellbeing surveys to assess working environments, providing support where necessary**
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.	**• Customised debt repayment plans for customers in financial hardship with the number of people requiring financial help falling from 444 to 87 (during 2021)** **• Proactive and more frequent communication with customers who are in arrears with their water bills and encouragement to get in touch to discuss their circumstances**
Long-Term Impact	There is the risk that long-term negative economic and societal consequences of the pandemic may impact our financial performance.	**• Closely monitoring the 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 planning every five years to ensure that the action taken is proportionate to the medium term view** **• Adapting our Business Plan priorities timelines to respond to the impacts of COVID-19**

"The COVID-19 pandemic continued to affect our activities throughout 2021, over which time our key priorities have been to protect the health and wellbeing of our employees and customers"

Our Financial Performance & Resources

Natalie Passmore
Finance Director

Key Results

	2020	2021	Target 2021
Turnover	**£17,627**k	**£18,356**k	**£17,554**k
Operating profit	**£3,926**k	**£7,446**k	**£3,286**k
Profit for the reporting year	**£2,680**k	**£5,976**k	**£1,868**k
Capital expenditure	**£3,553**k	**£3,051**k	**£3,177**k

Profit for 2021 totalled £5,976k (2020: £2,680k), which was higher than expected. The £3,296k increase was principally due to the profit on disposal of property of £4,015k.

The budget was approved prior to negotiating the sale of our head office to the Government of Jersey for the 'Our Hospital' project. As explained in Helier's review a number of initiatives had to be reprioritised in order to support delivery of our property programme as well as the Water Supply Target Operating Model. This resulted in differences to planned expenditure (operating and capital) through the investment required to accelerate implementation of these projects, and free up skilled resources to support the remainder of the Connect Programme and maintain quality of service, alongside managing the ongoing impact of the COVID-19 pandemic. The increased expenditure reflects the Company's commitment to invest for the future by building resilience and capability, addressing principal risks and delivering efficiencies in coming years.

Turnover

Turnover for the year was £18,356k (2020: £17,627k). The increase was £802k more than target and an increase of 4.1% or £729k on last year. The increase in turnover was a result of the following factors:

- COVID-19 continued to impact water consumption, see page 32, through higher household water usage and lower commercial and tourism consumption. This, along with the tariff increase and 2,402 new customers, resulted in additional water revenue of £556k (total £17,257k) when compared against the prior year (2020: £16,701k).
- Increase in revenue relating to the installation of new water mains and connections of 85.4% or £251k.
- Net decrease in other income reflecting lower one-off income from the sale of wayleaves in 2020 being partially offset by higher income from property search fees due to the increase in property transactions compared to the prior year.

Profit on the disposal of fixed assets

The profit on disposal of fixed assets totalled £4,028k (2020: £54k loss) with the sale of two properties (one of which was our head office, Mulcaster House) generating the majority of this amount with combined profits of £4,015k. Both properties had been owned for well over 40 years and had been held on the balance sheet at historic cost. The proceeds received from these sales are being reinvested in our property strategy which includes relocation of our customer and corporate services teams to a leased office in St Helier and planned redevelopment of our depot at Millbrook to create a water supply hub for all operational teams and stores.

Operating Expenditure

Operating expenditure of £14,938k was higher than anticipated and the prior year (£13,647k). The increase on the prior year is due to the following key variances:

- The impact of COVID-19 resulted in higher than budgeted expenditure on PPE, consumables, maintenance and cleaning expenses. However, this was partially offset by lower than normal training and travel costs.
- Increased depreciation charges in relation to key strategic assets.
- Higher than anticipated contractor costs due to increased bursts over the winter and higher third party funded water mains installations.
- One-off expenditure in relation to a team restructure and changes to the defined benefit pension scheme.
- Increased expenditure in IT and project management supporting the system transformation inherent in our Connect Programme, which enabled working from home capability and our forthcoming property moves.
- Costs in relation to key strategic projects namely the Water Resource and Drought Management Plan, property programme, Connect Programme and Water Supply Target Operating Model which also involved some redeployment of resources usually focused on capital delivery.

Operating profit

The sale of property resulted in an increase in operating profit of £3,520k (89.7%) in comparison to the prior year and £4,160k compared to plan. Operating profit excluding profit on disposal of fixed assets was £3,418k which is 3.9% higher than the target of £3,286k, largely due to higher than expected turnover.

Net interest expense

The refinancing costs associated with the change in our borrowing facilities resulted in an increase in our net interest expense of £69k to £374k. This was partially offset by savings on lower interest rates.

Profit before taxation

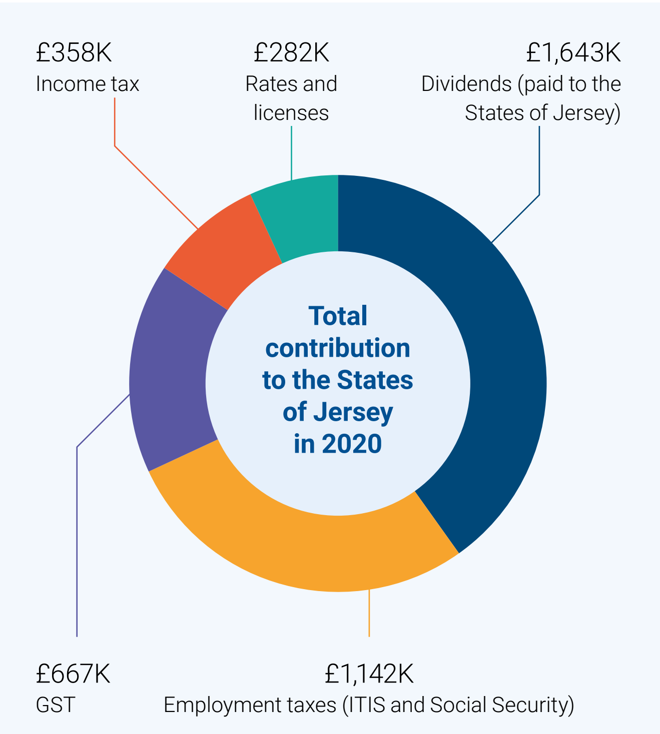
Profit before taxation for the year was £6,691k, which is £3,451k or 106.5% higher than in 2020, principally driven by the profit on disposal of our properties.

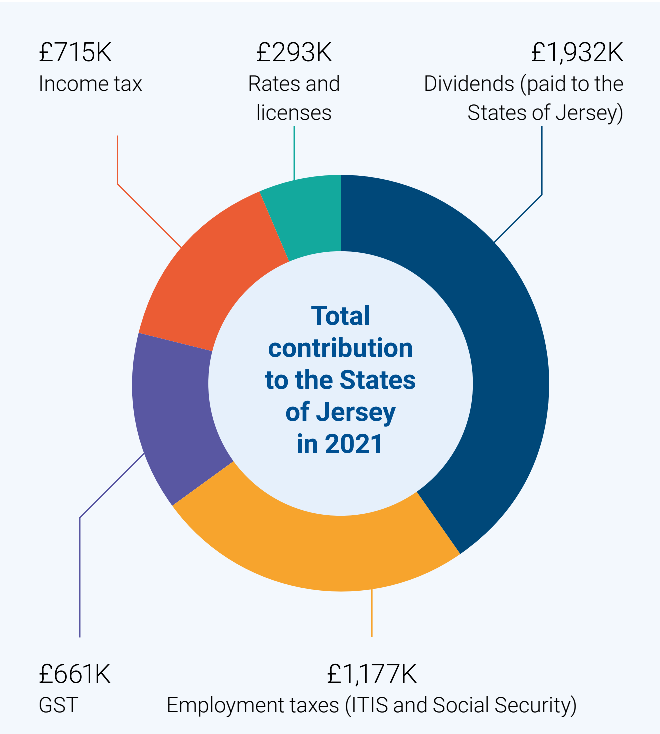
Income tax

Income tax charged in the period has increased by £155k on the prior period to £715k, primarily due to a reduction in the capital allowance pool caused by the disposal of a number of assets.

Earnings per share

Earnings per share for 2021 was £0.62 for each ordinary share, an increase of £0.34 on 2020. 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 182 private and institutional investors.





How every £1 of our customers' bills is used

4p Paying back interest:
On money borrowed to improve services and invest in infrastructure (loan interest and preference share dividends)

11p Paying taxes, rates and licences:
Income tax on profits, GST paid, employer's social security, rates and licences

12p Our shareholders:
Dividends paid to all ordinary shareholders

28p Our people:
Wages, salaries, pensions and other benefits

5p Energy:
To cover day-to-day running of our operations

19p Building new assets:
Such as connecting new homes, upgrading the desalination plant and treatment works and replacing the mains network

10p Maintaining our equipment:
To ensure plant and equipment works efficiently

11p Our suppliers:
Costs of supplier services

The above chart excludes profit generated from the sale of fixed assets.

	2020	2021
Dividends declared and paid	**£'000**	**£'000**
Previous period/year - Final dividend	1,047	1,427
Current year - Interim dividend	689	700
	£1,736	**£2,127**
Dividends proposed		
Current year - Final dividend	**£1,427**	**£1,480**

Transactions with the States of Jersey

The total cash paid to the States of Jersey by Jersey Water during the year, including dividends was £4,778k (2020: £4,092k).

Equity dividends and dividend policy

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

In determining the level of dividend in any year, in accordance with the policy, our 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 2021, we are recommending a final dividend on the Ordinary and 'A' Ordinary shares of 15.321 pence per share (2020: 14.771 pence). This brings the total paid and proposed dividend for year to 30 September 2021 to 22.565 pence per share, compared with (2020: 21.908 pence).

Fixed assets and capital expenditure

In 2021, the total capital expenditure was £3,051k. This figure includes £575k of expenditure on the completion of the Connect Programme.

During the year, the Company continued to focus on achieving best practice standards and resilience throughout our infrastructure. This meant spending £1,445k on new and upgraded assets throughout the business. We also continued our work on reducing leakage and improving water quality throughout our infrastructure by spending £927k on mains renewals and meters. The Connect Programme included the implementation of a Laboratory Information Management System and a fully integrated finance and asset management system.

The graph below provides an analysis of the expenditure in 2021 by type.

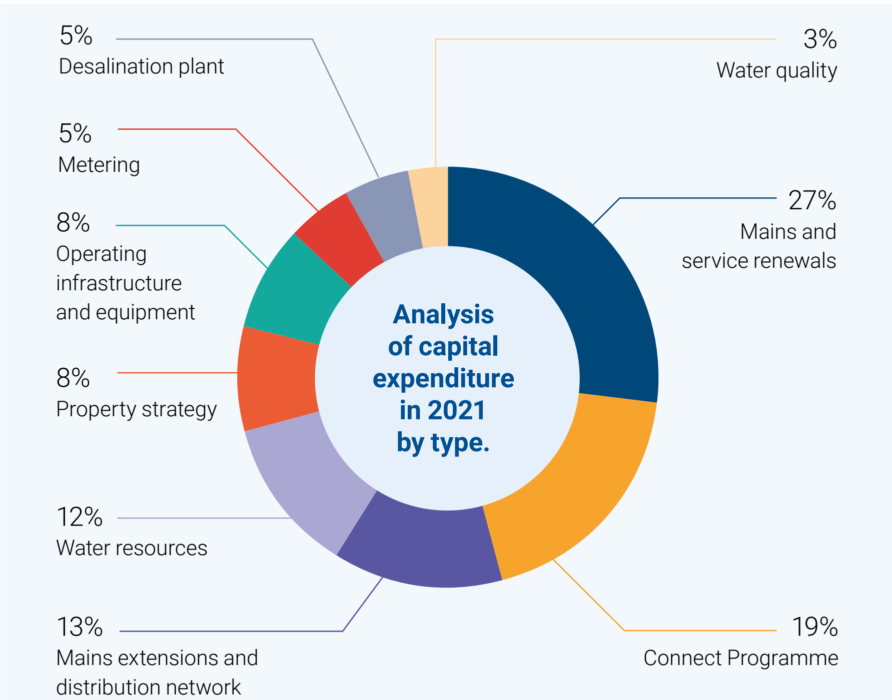
At the year end, the Company held assets with a net book value of £76,484k (2020: £77,429k), with tangible assets making up 98% of the book value at £74,625k (2020: 98% £75,797k).

Loans and borrowing

During 2021 we took the opportunity to refinance our bank loans and consolidated all our borrowing under one revolving credit facility. The revolving credit facility gives us the ability to proactively manage our level of borrowing, offsetting cash balances to reduce interest charges when there are timing differences between investment requirements. The sale of property over the summer therefore meant that we could offset cash generated on disposal to reduce our level of borrowing in line with the need for investment in our property strategy in 2022. The Company loans and borrowing at 30 September 2021 therefore reduced by £6,500k to £13,382k (2020: £20,282k).

Cash flow

There was a net cash outflow of £1,856k in 2021. Cash generated from operating activities in the year was £6,530k or £360k lower than 2020 arising from



higher levels of operating expenditure and timing of trade receivables and payables. There was a net inflow from investing activities of £1,445k, representing £3,590k investment in fixed assets and £5,035k in disposal of fixed assets, following the sale of property. As noted above, this allowed us to offset a total of £6,900k against our revolving credit facility to temporarily reduce our borrowing and associated interest costs, overall creating an outflow in financing activities of £9,831k in 2021.

Defined Benefit Pension Scheme

Under FRS 102 the Company's defined benefit scheme, net surplus increased by £2,363k during the year, resulting in a net surplus remaining of £2,819k (2020: £456k). The increase in the surplus is primarily due to actuarial gains arising from changes in financial and demographic assumptions used to calculate the present value of the defined benefit obligations. As a result, the present value of the obligation decreased by £1,844k. In addition, the continued performance on the value of the plan's assets saw an increase of £519k in the year.

Deferred tax liability

The deferred tax liability increased in the year by £592k to £7,586k. The movement is primarily due to the amount charged to the statement of other comprehensive income in relation to the increase in the fair value of the pension asset.

Natalie Passmore
Finance Director

Corporate Governance

Our Board

Heather MacCallum Chair

BA (Hons), CA

Tenure on Board

Appointed October 2016
and Chair from February 2020

Committee Memberships

- Nomination Committee - Chair
- Remuneration Committee
- Risk Committee

Experience

- Chartered Accountant
- 20 years audit and financial services experience gained in a global professional services firm
- Board level experience across a range of listed and private companies also including the third sector

External Appointments

Non-Executive Director:

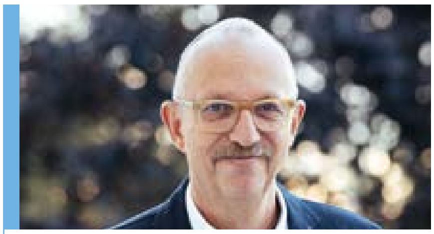
- Blackstone Loan Financing Limited
- Kedge Capital Fund Management Limited
- Kedge Focus Fund Limited
- Aberdeen Latin American Income Fund
- Invesco Bond Income Plus Limited

Trustee:

- The Lloyds Bank Foundation for the Channel Islands

Director and Co-Chair:

- Jersey Community Foundation Limited trading as Jersey Community Foundation



Stephen Kay Senior Independent Director

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

Tenure on Board

Appointed April 2013 and Senior
Independent Director from February 2018

Committee Memberships

- Audit Committee
- Nomination Committee
- Risk Committee

Experience

- Chartered Engineer
- Board experience across the UK water industry including national and European organisations

External Appointments

- Director South Staffordshire Water
- Trustee Water Companies Pension Scheme
- Trustee Arthur Rank Hospice Charity
- Director Watersafe Limited

Anthony Ferrar

FCMA, CGMA, ACIS

Tenure on Board

Appointed July 2020

Committee Memberships

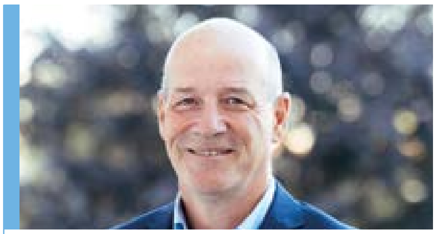
- Audit Committee– Chair from October 2020
- Nomination Committee
- Risk Committee

Experience

- Chartered Management Accountant
- Leadership and Board experience across the water industry

External Appointments

- Chair Water UK
- Trustee Water Companies Pension Scheme



Tim Herbert

MA (Oxon)

Tenure on Board

Appointed January 2015

Committee Memberships

- Nomination Committee
- Remuneration Committee - Chair
- Risk Committee

Experience

- Jersey Advocate
- Broad commercial legal background

External Appointments

- Holds several positions within the community

Daragh McDermott

BBS, FCA, FCIS, GDL, CDir, FIoD

Tenure on Board

Appointed October 2016

Committee Memberships

- Audit Committee
- Nomination Committee
- Risk Committee

Experience

- Chartered Accountant
- Managing Director of JT (Channel Islands)
- Chartered Director

External Appointments

- Trustee Autism Jersey
- Chair La Moye Golf Club

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

Tenure on Board
Appointed May 2018

Committee Memberships
- Audit Committee - Appointed 1 January 2021
- Nomination Committee
- Remuneration Committee
- Risk Committee - Chair

Experience
- Chartered Civil Engineer
- Board level experience within the water industry

Helier Smith **Chief Executive**
BA (Hons), BFP, FCA, FIoD, CDir, MIWater, FCMI

Tenure on Board
Appointed October 2003,
Chief Executive since April 2015

Experience
- Chartered Accountant
- Broad commercial experience in manufacturing, distribution and finance sectors
- Director of Jersey Water's subsidiary companies, Handois Holdings Limited and De La Haye Plant Limited
- Chartered Director

Natalie Passmore **Finance Director**
MA(Hons) BFP FCA, CMgr MCMI, CDir FIoD

Tenure on Board
Appointed May 2017, Finance Director

Experience
- Chartered Accountant
- Broad commercial experience in both Jersey and overseas
- Director of Jersey Water's subsidiary companies, Handois Holdings Limited and De La Haye Plant Limited
- Chartered Director

External Appointments
- Trustee Art House Jersey

Julie Taylor **Operations Director**
BSc (Hons), MBA, MCIWEM

Tenure on Board
Appointed November 2021

Experience
- Customer Experience Leader
- Technical expert with board level experience in the UK water industry and overseas.

External Appointments
- Technical advisor and coach to Gravity Water (charitable organisation)

Louisa McInnes **Company Secretary**
TEP

Auditors
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

We have 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

Our Board currently comprises of nine directors, three of whom are Executive Directors, following Julie Taylor's appointment to the Board as an additional Executive Director on 1 November 2021 and six of whom are Non-Executive Directors (NEDs). 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. Neither of the Executive Directors hold any non-executive directorship positions. However, Natalie is a Trustee of Art House Jersey, a registered charity.

The Board is collectively responsible for the long term resilience and success of Jersey Water. 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, while overseeing the management of risk, monitoring financial performance and reporting and ensuring 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 in all aspects of its role. The Non-Executive Directors constructively challenge and help develop proposals on strategy bringing 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.

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	Board appointed sub-committee	Audit	Remuneration	Risk	Nomination
Number of meetings in 2021	**9**	**1**	**2**	**2**	**2**	**2**
Anthony Ferrar	9	1	2	-	2	2
Tim Herbert	9	-	-	2	2	2
Stephen Kay	9	-	2	-	2	2
Heather MacCallum	9	1	-	2	2	2
Daragh McDermott	9	-	2	-	2	2
Natalie Passmore	9	1	-	-	-	-
Michael Pocock	9	-	1/1	2	1	2
Helier Smith	9	1	-	-	-	-
Julie Taylor (appointed post year-end)	N/A	N/A	N/A	N/A	N/A	N/A

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 and its Committees continue to operate effectively, an external evaluation took place during September 2021 using an external Corporate Governance specialist, who has no direct connection with Jersey Water. The findings from the evaluation have been compiled into an action plan for implementation. As part of the evaluation each Director has received peer appraisal and feedback.

The findings of the review indicate that Board effectiveness sits firmly inside the high performance quadrant. Areas for Board development that have been included in the action plan include induction processes, training and development for NEDs, enhancement of certain Board processes and ongoing consideration of Board composition in the light of the Company's strategic objectives.

Following the evaluation, the Board concluded that for the reporting year, it possesses the mix of skills, experience and knowledge required in developing and delivering the strategies, challenges, opportunities and the principal risks facing Jersey Water which it discharges satisfactorily. Board composition will be reviewed during 2022 following the retirements from the Board detailed on page 50.

"Our Board has regular contact with the Jersey Water workforce"

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. We have adopted a policy of requiring all 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 AGM.

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 26 and 27 of the Strategic Review.

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

Relations with shareholders
We are in regular contact with our majority and controlling shareholder, the States of Jersey, with whom we meet at least twice a year. Details of contact and the views of the States of Jersey are cascaded to the Board. We use events such as the Annual General Meeting to interact with and hear the views of all shareholders. Due notice of the AGM 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. We monitor and review the votes received and consider 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 we are operationally and financially resilient, with our strategic business objectives 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.

We have developed and adopted corporate and operational risk registers detailing and grading the significant risks faced by us. 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 by the Risk Committee to ensure that they are adequate.

The process of financial 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 reporting period, up to and including the date on which the financial statements are approved.

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 Statement;
- 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 the 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 audit of the financial statements of the Company and the systems of internal control.

Audit Committee

Throughout the financial year, the Audit Committee was chaired by Anthony Ferrar supported by Stephen Kay, Daragh McDermott and Michael Pocock, (appointed on 1 January 2021), as committee members. The collective Committee brings a wealth of experience and knowledge of the UK water industry and wider utility sector.

The external auditors, the Executive Directors, Operations Director, Financial Controller and Company Secretary also attend 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 40 and 41.

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. 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 whilst providing 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) 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. Having taken into account current systems in place including inspections and other third party assurance work, the Committee has determined that the establishment of such a function is, at the present time, given the size and complexity of Jersey Water, not cost effective. This function is considered by the Committee on at least an annual basis.

Performance evaluation of the Audit Committee is described on page 43.

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 Natalie Passmore, 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 2021 year-end, these include: defined benefit pension scheme valuation, the revolving credit facility, the sale of Company property, and accounting for the remainder of Connect Programme costs. 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 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 our position and performance, the business model and strategy.

External Auditors

Each period 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 6 of the financial statements.

The current auditor is Deloitte LLP with Kate Hadley as Lead Audit Partner. This will be Deloitte LLP's fifth year 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 6 of the financial statements.

Remuneration Committee

The Remuneration Committee is chaired by Tim Herbert, with Michael Pocock, and Heather MacCallum as committee members. The Executive Directors 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 twice.

The terms of reference of the Remuneration Committee allow it to meet as and when necessary 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;
- Review and approve (once a year as mandatory), specific remuneration packages for all members of the Senior Leadership Team and the Executive Directors;
- Review the terms of executive directors and senior management's service agreements from time to time;
- 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 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

During the financial year, the Risk Committee was chaired by Michael Pocock, with Anthony Ferrar, Tim Herbert, Stephen Kay, Heather MacCallum and Daragh McDermott, acting as committee members. The Executive Directors and the Company Secretary may also attend the whole or parts of the meetings by invitation.

During the financial year reporting period, the Risk Committee met twice.

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-finance risk 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, Tim Herbert, Stephen Kay, Daragh McDermott, and Michael Pocock being the other members. The Executive Directors and the Company Secretary may also attend the whole or parts of the meetings by invitation.

In the reporting period, the Nomination Committee met twice.

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:-

- To make 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

- To keep 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.

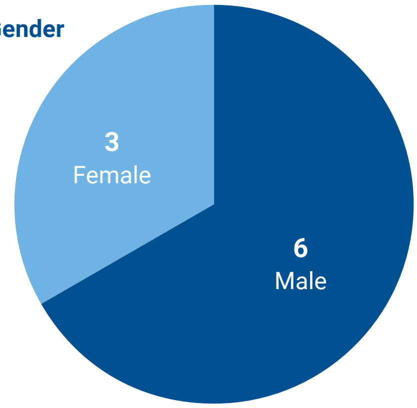
It is the policy of the Board to appoint directors who have a diverse range of skills, attributes and backgrounds so that collectively, the Board is appropriately resourced to discharge its duties effectively and meet the changing needs of the business. A wide range of factors are considered in determining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

The Committee recognises the important contribution the Board makes to the long-term sustainable success of Jersey Water. 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 our 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 election/re-election.

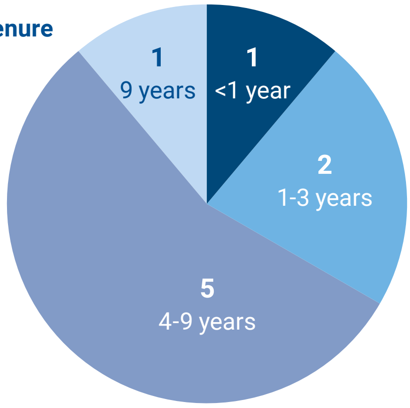
A rigorous recruitment process is in place for the appointment of non-executive directors to ensure that the policy of the Board to populate itself with directors who have a diverse range of skills and attributes is achieved.

The current board profile is as follows:

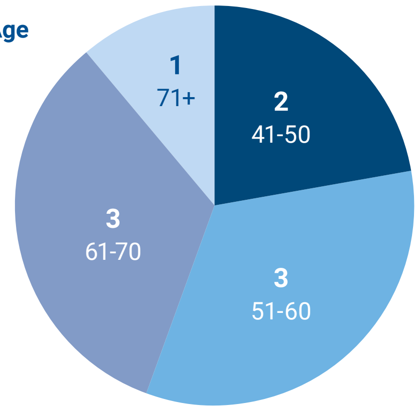
Gender



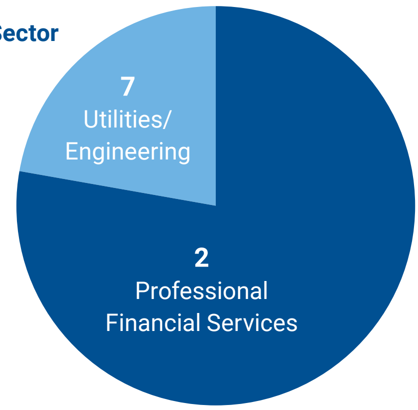
Tenure



Age



Sector



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 (the Company). Together all three companies form the Company.

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

Dividends

Ordinary and 'A' ordinary shares

Jersey Water paid an interim dividend of 7.244 pence per share on 7 June 2021 (2020: 7.137 pence). The Directors are proposing a final dividend on ordinary and 'A' ordinary shares for 2021 of 15.321 pence per share (2020: 14.771 pence).

	2021	2020
	£'000	**£'000**
Interim dividend paid	700	689
Final dividend proposed	1,480	1,427
	£2,180	£2,116

Preference shares

In the 2021 reporting year, Jersey Water paid dividends on preference shares totalling £381k.

Directors

Changes in Directors

The directors of Jersey Water on the date the consolidated financial statements were approved are detailed on pages 40 and 41, Stephen Kay has completed more than 9 years on the Board and will be retiring at the 2022 Annual General Meeting (AGM), along with Tim Herbert, both of whom will not be seeking re-election and re-appointment. Upon Stephen's retirement, Anthony Ferrar will be appointed as Senior Independent Director.

In accordance with the provisions of Article 49 of Jersey Water's Articles of Association, the Board have resolved that the casual vacancy arising following Tim's retirement, will not be filled until after the 2022 AGM.

As described on page 43, 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 2021 are:

	Ordinary Shares	Preference Shares
Tim Herbert	3,500	-
Stephen Kay	500	-
Heather MacCallum	24,100	3,045
Natalie Passmore	915	-
Helier Smith	925	589
Michael Pocock	650	-

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

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.

Significant shareholdings

Set out below are details of the significant voting rights (3% or more) in shares of Jersey Water as at 8 December 2021:

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
8 December 2021

Board Apprentice Louise Clayson

In 2021, we appointed our first board apprentice Louise Clayson, as part of the Government of Jersey's Inspiring Women into Leadership and Learning (I WILL) initiative. This local programme facilitated by the not-for-profit organisation 'Board Apprentice' provides hands-on board experience for successful applicants and is an opportunity for boards to focus on succession planning, diversity, and the innovation and growth that can bring.

Heather MacCallum, Jersey Water Chair said, *"We're delighted to welcome Louise as an apprentice to our Board. The role brings an opportunity for Louise to gain real life board experience. At Jersey Water our purpose is supplying the water for our Island to thrive today and every day and to do that we recognise the power, strength and solutions that come from teamwork."*

Louise reflects on her time on the Board so far: *"I have gained valuable experience and knowledge on how a board performs its functions, in line with corporate governance. I have also been able to observe the important relationships between the Chair, Chief Executive and Directors that ensures the Company's successful operation.*

I have particularly enjoyed the one-to-one discussions with other experienced Non-Executive Directors (NEDs) on the board, learning from their experiences in the water industry and as NEDs both locally and nationally. This opportunity has certainly broadened my knowledge of board dynamics, NED responsibilities and the technical elements of Jersey Water's operations.

I look forward to continuing and completing my apprenticeship with Jersey Water into 2022.

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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements 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 are required to:

- 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; 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 to disclose with reasonable accuracy at any time the financial position of the Company, therefore enabling 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.

They are further 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 conducted this review for a period of five years in line with the Company's five-year strategic business plan, for which the Company has sufficiently robust financial forecasts. Within the five-year plan there are sufficiently robust financial forecasts; these are made up of detailed plans for years one and two with indicative forecasts for years 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 28 to 32. Where relevant, 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 over a two year period;
- An operational failure impacting our ability to produce water for example loss of treatment works;
- Changes in water quality regulations requiring additional treatment processes;
- Increased operating and financing costs as a result of increasing inflation and higher interest rates;
- Persistently low profitability resulting from higher than anticipated costs;
- The operational and financial impact of significant supply chain disruption; and
- Prolonged period managing the impacts of the COVID-19 pandemic.

The stress testing included (but was not limited to) various combinations of the following risk mitigation:

- Operating the desalination plant for a significant period of time;
- Replacement of critical infrastructure;
- Alternative water treatment processes;
- Re-prioritisation of investment;
- Tariff changes;
- Reduction in discretionary expenditure; and
- Insurance we have in place for material adverse events.

Scenario outcomes were also considered along with the Company's financial resources, the Water Resource Management Plan, its wide and varied customer base within Jersey, the steady demand for its products and services, the ability to raise finance, and its stable and well-established treatment and distribution network.

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 2026.

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 Going Concern.

Approved by the Board on 8 December 2021 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 of The Jersey New Waterworks Company Limited and its subsidiaries (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 30 September 2021 and of the Company's profit for the year then ended;
- have been properly prepared 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"; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

We have audited the financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Company'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 Company 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- Conclude on the appropriateness of management's 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 Company'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 audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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
Birmingham, UK
9 December 2021

Consolidated Financial Statements

Consolidated income statement
For the year ended 30 September 2021

	Note		2021		2020
		£'000	£'000	£'000	£'000
Turnover	5		18,356		17,627
Gain/(loss) on disposal of fixed assets			4,028		(54)
Operating expenditure	6		(14,938)		(13,647)
Operating profit			**7,446**		**3,926**
Interest					
- receivable and similar income	8a	8		20	
- payable and similar charges	8b	(382)		(325)	
Net interest expense		**(374)**		**(305)**	
Non-equity dividends	9	(381)		(381)	
			(755)		**(686)**
Profit before taxation			**6,691**		**3,240**
Income tax	10a		**(715)**		**(560)**
Profit for the reporting year			**£5,976**		**£2,680**
Basic and diluted earnings per ordinary share of £0.50	11		**£0.62**		**£0.28**

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 2021

	Note	2021	2020
		£'000	£'000
Profit for the reporting year		**5,976**	**2,680**
Fair value movement on swap		101	79
Annual re-measurements of defined benefit obligations	22	2,650	254
Total income tax on components of other comprehensive income	10b	(547)	(66)
Other comprehensive income for the year net of tax		**£2,204**	**£267**
Total comprehensive income for the year		**£8,180**	**£2,947**

Consolidated statement of financial position
30 September 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Intangible assets	13	1,790		1,512	
Tangible assets	14	74,625		75,797	
Goodwill	13	69		120	
			76,484		**77,429**
Current assets					
Inventories	15	501		500	
Trade receivables	16	4,714		4,679	
Cash and cash equivalents		2,420		4,277	
		7,635		**9,456**	
Creditors – Amounts falling due within one year					
Bank loans	18	–		(5,250)	
Derivative financial liability	19	–		(108)	
Creditors and accruals	17	(2,464)		(2,858)	
Income tax		(859)		(505)	
		(3,323)		**(8,721)**	
Net current assets			4,312		735
Total assets less current liabilities			**80,796**		**78,164**
Creditors – Amounts falling due after more than one year					
Bank loans	18	(8,000)		(9,650)	
Non-equity preference shares	20b	(5,382)		(5,382)	
			(13,382)		**(15,032)**
Provisions for liabilities and charges					
Deferred taxation	21		(7,586)		(6,994)
Net assets excluding pension asset			**59,828**		**56,138**
Pension asset	22		2,819		456
Net assets			**£62,647**		**£56,594**
Capital and reserves					
Called up equity share capital	20a		4,830		4,830
Reserves			57,817		51,764
Total equity			**£62,647**		**£56,594**

The financial statements on pages 58 to 78 were approved by the Board of Directors on 8 December 2021 and were signed on its behalf by:

Heather MacCallum
Chair

Consolidated statement of changes in equity
For the year ended 30 September 2021

	Note	Called-up equity share capital	Revaluation reserve	Cash flow hedge reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
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	12	–	–	–	(1,736)	(1,736)
Balance as at 30 September 2020		**£4,830**	**£675**	**£(85)**	**£51,174**	**£56,594**
Balance as at 1 October 2020		**4,830**	**675**	**(85)**	**51,174**	**56,594**
Profit for the reporting year		–	–	–	5,976	5,976
Other comprehensive income for the year		–	–	85	2,119	2,204
Total comprehensive income for the year		**–**	**–**	**85**	**8,095**	**8,180**
Equity dividends	12	–	–	–	(2,127)	(2,127)
Balance as at 30 September 2021		**£4,830**	**£675**	–	**£57,142**	**£62,647**

Consolidated cash flow statement
For the year ended 30 September 2021

	Note	2021 £'000	2020 £'000
Net cash inflow from operating activities	23	6,846	7,340
Income tax paid		(316)	(450)
Net cash generated from operating activities		**6,530**	**6,890**
Cash flow from/(used in) investing activities			
Purchase of fixed assets		(3,590)	(3,846)
Disposal of fixed assets		5,035	12
Net cash generated from/(used in) investing activities		**1,445**	**(3,834)**
Cash flow used in financing activities			
Loans received	18	15,000	–
Loans repaid	18	(21,900)	–
Interest paid and similar charges		(423)	(363)
Interest received		–	10
Non-equity dividends paid		(381)	(379)
Equity dividends paid		(2,127)	(2,253)
Net cash used in financing activities		**(9,831)**	**(2,985)**
Net (decrease)/increase in cash and cash equivalents	24	(1,856)	71
Cash and cash equivalents at the beginning of the year		4,277	4,206
Effect of foreign exchange rate changes		(1)	–
Cash and cash equivalents at the end of the year		**£2,420**	**£4,277**

The results for the current and prior years all relate to continuing operations

Reconciliation of net cash flow to movement in debt

	Note	2021 £'000	2020 £'000
(Decrease)/increase in cash and cash equivalents	24	(1,856)	71
Net movement in borrowings	24	6,900	–
Movement in derivative financial liability	24	108	72
Effect of foreign exchange rate changes	24	(1)	–
Movement in net debt	24	5,151	143
Net debt as at 1 October	24	(16,113)	(16,256)
Net debt as at 30 September	24	**£(10,962)**	**£(16,113)**

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.

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 and liquidity position are described in the Strategic Report on pages 2 to 34, Financial Review on pages 35 to 39, and in notes 18 and 19. During the year the Company refinanced its borrowing facilities repaying its outstanding loans and replacing them with a revolving credit facility. This is described in the Financial Review on page 38. In addition, the assessment of the impact of COVID-19 can be found on page 32. 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 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.

3 Summary of significant accounting policies (continued)

Foreign currency

The 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 are recognised for the years ended 30 September 2021 and 30 September 2020. 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 year.

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.

3 Summary of significant accounting policies (continued)

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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

(i) Financial assets (continued)

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. In line with the Company's hedging policy interest rate swaps may be 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.

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 years.

(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.

3 Summary of significant accounting policies (continued)

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, 13 and 14 for further details on tangible and intangible assets.

(ii) Core accounting, asset management and laboratory information systems (Core systems)

The Company has contractual rights to the Core systems implemented during the financial year for a period of five years with the option to extend for a further five years. Based on historical experience the Company has judged that it would expect to use the Core systems for the full ten-year period and that costs associated with creating these intangible assets are therefore to be depreciated on a straight-line basis over a period of ten years.

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 22 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 historical average consumption. As part of this process the Company considered the impact of COVID-19 on consumption and concluded that no adjustment was required. See note 16 for the carrying amount of accrued income.

5 Turnover

	2021	2020
	£'000	£'000
Measured water charges	16,277	15,666
Unmeasured water charges	342	348
Service charges and other charges for water	638	687
Total water supply charges	17,257	16,701
Rechargeable works income	545	294
Other income	554	632
Turnover	**£18,356**	**£17,627**

6 Operating expenditure

	Note	2021 £'000	2020 £'000
Included in operating expenditure are the following:			
Net employment costs	7	5,210	4,983
Impairment of inventory	15	15	11
Amortisation and depreciation	13/14	2,966	2,708
Impairment of intangible assets		–	89
Materials, consumables, hired in services and other costs		6,489	5,623
Directors' fees		137	128
Auditors' fees			
- Statutory audit		88	88
- Other services (Tax compliance)		19	7
- Other services (Pension scheme audit)		13	10
Foreign exchange loss		1	–
Total operating expenditure		**£14,938**	**£13,647**

Included within materials, consumables, hired in services and other costs are non-cancellable lease payments amounting to £17k. (2020: £nil)

The total future minimum lease payments under non-cancellable operating leases for each of the following periods are:

	2021 £'000	2020 £'000
Not later than one year	104	–
Later than one and not later than five years	417	–
Later than five years	400	–

7 Net employment costs

	2021 £'000	2020 £'000
Wages, salaries and other payments	4,570	4,462
Social security	259	246
Pension costs of defined benefit scheme	380	377
Pension costs of defined contribution scheme	234	225
	5,443	5,310
Less amount capitalised within fixed assets	(233)	(327)
Net employment costs	**£5,210**	**£4,983**

As at 30 September 2021 the Company had 88 employees (2020: 93). Details of Directors' emoluments can be found in note 25.

8 Net interest expense

a) Interest receivable and similar income

	2021 £'000	2020 £'000
Bank interest received	–	10
Net interest income on pension obligations	8	10
Total interest receivable and similar charges	**£8**	**£20**

b) Interest payable and similar charges

	2021 £'000	2020 £'000
Bank loans, revolving credit facility and overdrafts	184	223
Refinancing costs	121	–
Interest rate swap contract	77	102
Total interest payable and similar charges	**£382**	**£325**

9 Non-equity dividends

	2021			2020		
	Paid	Payable	Charge for the year	Paid	Payable	Charge for the year
	£'000	£'000	£'000	£'000	£'000	£'000
5% cumulative preference shares	3	1	3	3	1	3
3.5% cumulative second preference shares	3	–	3	2	–	3
3% cumulative third preference shares	3	1	3	3	1	3
3.75% cumulative third preference shares	3	1	3	2	1	3
5% cumulative third preference shares	2	1	2	2	1	2
2% cumulative fourth preference shares	7	2	7	7	2	7
10% cumulative fifth preference shares	360	90	360	360	90	360
Total dividends on non-equity shares recognised in the year	**£381**	**£96**	**£381**	**£379**	**£96**	**£381**

10 Income tax

a) Tax expense included in the income statement

	2021	2020
	£'000	£'000
Current tax		
Income tax on the profit for the year	611	328
Deferred tax		
Charge for the year	104	232
Total tax on profit from ordinary activities	**£715**	**£560**

b) Tax expense included in other comprehensive income

	2021	2020
	£'000	£'000
Current tax		
Movements relating to pension surplus	59	43
Deferred tax		
Movement on deferred tax relating to interest rate swap	16	16
Movement on deferred tax relating to pension surplus	472	7
Total tax income included in other comprehensive income	**£547**	**£66**

Reconciliation of tax charge for the year

The tax assessed for the year is lower than the standard rate of Jersey income tax (20%) (2020: 20%) applicable to utility companies. The differences are explained below:

	2021	2020
	£'000	£'000
Consolidated profit before tax	6,691	3,240
Profit before tax multiplied by the standard rate of Jersey income tax of 20%	1,339	648
Tax at 20% on:		
Depreciation for the year in excess of capital allowances	250	297
Capital expenditure, deductible for tax purposes	(155)	(198)
(Gain)/loss on disposal of fixed assets	(805)	11
Dividends on non-equity shares – non-deductible	76	76
Non-deductible expenses	3	5
Adjustment for prior year tax charge	7	(279)
Total tax charge for year	**£715**	**£560**

11 Basic and diluted earnings per ordinary share

Basic and diluted earnings per ordinary share of £0.62 (2020: £0.28) is based on earnings of £5,976k (2020: £2,680k), being the profit available for distribution to equity shareholders and 9,660,000 (2020: 9,660,000) ordinary and 'A' ordinary shares of £0.50 in issue.

12 Equity dividends

Ordinary and 'A' Ordinary shares	2021 Pence per share	2020 Pence per share	2021 £'000	2020 £'000
Dividends paid				
Final dividend for the previous year/period	14.771	10.835	1,427	1,047
Interim dividend for the current year	7.244	7.137	700	689
	22.015	**17.972**	**£2,127**	**£1,736**
Dividends proposed				
Final dividend for the current year	**15.321**	**14.771**	**£1,480**	**£1,427**

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.

13 Intangible assets

	Goodwill	Software	Intangible uncompleted works	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 October 2020	252	1,474	732	2,458
Additions	–	–	579	579
Disposals	–	(46)	(15)	(61)
Transfers	–	1,274	(1,274)	–
As at 30 September 2021	**£252**	**£2,702**	**£22**	**£2,976**
Amortisation				
As at 1 October 2020	(132)	(694)	–	(826)
Charge for the year	(51)	(240)	–	(291)
As at 30 September 2021	**£(183)**	**£(934)**	**£–**	**£(1,117)**
Net book value				
As at 1 October 2020	£120	£780	£732	£1,632
As at 30 September 2021	**£69**	**£1,768**	**£22**	**£1,859**

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

14 Tangible assets

	Property and completed works	Tangible uncompleted works	Motor vehicles, mobile plant & equipment	Total
	£'000	£'000	£'000	£'000
Cost				
As at 1 October 2020	114,292	1,544	3,211	119,047
Additions	1,229	1,084	159	2,472
Disposals	(1,116)	(23)	(272)	(1,411)
Transfers	1,610	(1,646)	36	–
As at 30 September 2021	**£116,015**	**£959**	**£3,134**	**£120,108**
Depreciation				
As at 1 October 2020	(40,998)	–	(2,252)	(43,250)
Charge for the year	(2,349)	–	(326)	(2,675)
Disposals	138	–	304	442
As at 30 September 2021	**£(43,209)**	**£–**	**£(2,274)**	**£(45,483)**
Net book value				
As at 1 October 2020	£73,294	£1,544	£959	£75,797
As at 30 September 2021	**£72,806**	**£959**	**£860**	**£74,625**

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

Included within tangible and intangible fixed assets is £233k (2020: £327k) relating to internal labour costs capitalised in the year.

At 30 September 2021 capital commitments contracted for amounted to £353k (2020: £454k).

15 Inventories

	2021	2020
	£'000	£'000
Inventory as at 1 October	807	831
Inventory purchased in year	787	728
Inventory consumed in year	(771)	(752)
Inventory as at 30 September	823	807
Provision for impairment as at 1 October	(307)	(296)
Movement in provision in year	(15)	(11)
Provision for impairment as at 30 September	**(322)**	**(307)**
Net inventory balance as at 30 September	**£501**	**£500**

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

16 Trade receivables

	2021 £'000	2020 £'000
Trade debtors	2,017	1,885
Prepayments	700	667
Accrued income	1,976	2,021
Other debtors	21	106
	£4,714	**£4,679**

Accrued income relates solely to unbilled measured water. The movement in accrued income and trade debtors balances 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.

17 Creditors and accruals

	2021 £'000	2020 £'000
Trade payables	234	1,314
GST, taxation and social security	362	260
Other creditors	698	706
Contract retentions	–	4
Accruals and deferred income	1,170	574
	£2,464	**£2,858**

Trade payables and accruals relate to amounts owed to various suppliers through the normal course of business. There was £92k deferred income as at 30 September 2021 (2020: £94k).

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.

18 Bank loans

	Interest rate	Repayment Dates	2021 £'000	2020 £'000
Facilities drawn down				
HSBC Bank plc	1.35%	2021	–	5,250
HSBC Bank plc	1.63%	2023	–	6,000
HSBC Bank plc	1.30%	2025	–	3,650
HSBC Bank plc	0.80%	2024	8,000	–
			£8,000	**£14,900**
Loans falling due within one year			–	5,250
Loans falling due between one and two years			–	–
Loans falling due after two years but less than five years			8,000	9,650
			£8,000	**£14,900**

The Company has a rolling overdraft facility with HSBC Bank plc.

During the year the Company refinanced its borrowing facilities. On 4 June 2021, the Company entered into an unsecured £15m revolving credit facility (RCF) with HSBC Bank plc. The termination date of the RCF is 4 June 2024 with the option to extend for two consecutive years.

On 8 June 2021 an amount of £15,000k was drawn down on the RCF. On the same date the existing three loans with HSBC Bank plc totalling £14,900k were repaid in full. The unconditional guarantees given by the States of Jersey in relation to these loans were released on repayment of the loans. At 30 September 2021 £7,000k had been repaid on the RCF. The accrued interest payable on loans drawn down as at 30 September 2021 is £4k (2020: £25k). The accrued interest on the undrawn portion of the facility is £1k (2020: £nil).

The borrowings have been taken out to fund the renewal of the loan portfolio and future capital expenditure.

19 Financial Instruments

The Company has the following financial instruments:

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost	2,396	2,293
Financial liabilities at fair value through profit or loss	–	108
Financial liabilities that are measured at amortised cost	15,467	23,018

Derivative financial instruments

The interest rate swap contract with a nominal value of £5,250k held in order to hedge against the interest rate exposure of the Company on the loan of £5,250k matured on 31 May 2021 and was not renewed as part of the Company's refinancing arrangements.

The Company is actively reviewing its interest rate exposure risk in accordance with its interest rate hedging policy. The trigger levels which would require the Company to formally consider whether a hedge is required are:

- 3-year interest rate swap breaches 1.25%;
- consecutive months of 3-year swap rate increases; and
- total drawdowns of above £15,000k and interest rate swap levels rising.

As at 30 September 2021, the trigger levels set out in the policy had not been met and therefore the Company did not hold any derivative financial instruments at the balance sheet date.

20 Share capital

a) Called up equity share capital

	Shares of 0.50 each '000	2021 £'000	2020 £'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

		2021 £'000	2020 £'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.

21 Deferred taxation

	Note	2021 £'000	2020 £'000
Accelerated capital allowances		7,022	6,919
Derivative financial liabilities		–	(16)
Asset arising from pension surplus		564	91
Net liability		**£7,586**	**£6,994**
As at 1 October		6,994	6,739
Amounts charged in the income statement	10a	104	232
Amounts charged in comprehensive income	10b	488	23
At 30 September		**£7,586**	**£6,994**

There are no unrecognised deferred tax assets.

22 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 year ended 30 September 2021 totalled £234k (2020: £225k). There are no unpaid contributions at year end (2020: £nil).

Defined benefit section and unfunded scheme

The FRS 102 valuation as at 30 September 2021 shows a net asset of £2,819k (2020: £456k).

The major assumptions used by the independent actuary were:

	2021	2020
Rate of increase in salaries	3.72%	3.12%
Rate of increase in pensions accrued after 1 January 1999	3.45%	3.02%
Discount rate	2.00%	1.59%
Inflation assumption	3.72%	3.12%
Life expectancy assumptions		
Current pensioners at 65 - Male	87	87
Current pensioners at 65 - Female	89	88
Future pensioners at 65 - Male	89	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.

22 Pensions (continued)

	Assets £'000	Liabilities £'000	Total £'000
Reconciliation of the present value of scheme assets and liabilities			
At 1 October 2020	30,532	(30,076)	456
Benefits paid	(1,475)	1,475	–
Employer contributions	93	–	93
Current service costs	–	(380)	(380)
Employee contributions	53	(53)	–
Past service costs	–	–	–
Interest income/(expense)	474	(466)	8
Life assurance premiums	(8)	–	(8)
Re-measurement gains/(losses)			
- Actuarial gains	–	1,268	1,268
- Return on plan assets excluding interest income	1,382	–	1,382
As at 30 September 2021	**£31,051**	**£(28,232)**	**£2,819**

	Assets £'000	Liabilities £'000	Total £'000
Analysis of funded and wholly unfunded scheme assets and liabilities			
Funded scheme	31,051	(28,227)	2,824
Wholly unfunded scheme	–	(5)	(5)
Total present value of scheme liabilities	**£31,051**	**£(28,232)**	**£2,819**

Total cost recognised as an expense within the income statement	2021 £'000	2020 £'000
Current service cost	(380)	(377)
Life assurance premiums	(8)	(10)
Income within net interest expense	8	10
Total	**£(380)**	**£(377)**

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	2021 £'000	2020 £'000
Re-measurement gains/(losses)		
- Actuarial gains/(losses)	1,268	(766)
- Return on plan assets excluding interest income	1,382	1,020
Total re-measurement gains	**£2,650**	**£254**

22 Pensions (continued)

Analysis of scheme assets	2021 % of total fair value of scheme assets	2020 % of total fair value of scheme assets
Equities	39%	37%
Corporate bonds	59%	62%
Liability driven investments	1%	1%
Cash and receivables	1%	–
	100%	**100%**

The fair value of the plan assets was:	2021 £'000	2020 £'000
Equities	12,043	11,282
Corporate bonds	18,318	18,780
Liability driven investments	255	387
Cash and receivables	435	83
	£31,051	**£30,532**

Return on plan assets:	2021 £'000	2020 £'000
Interest income	474	538
Return on plan assets excluding interest income	1,382	1,020
Total return on plan assets	**£1,856**	**£1,558**

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 £93k (2020: £160k).

Following the results of the last triennial valuation as at 1 January 2021, the contribution rate for 2021, 2022 and 2023 was set at 5.1% 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 2.00% which is considered to be a reasonable approximation of a potential change in the assumptions. 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

Value at the end of 30 September 2021 if:	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 approximately one year	Life expectancy decreased by approximately one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	31,051	29,562	32,702	31,051	31,051	31,051	31,051
Present value of funded defined benefit obligations	(28,227)	(25,977)	(30,775)	(28,828)	(27,631)	(29,501)	(26,975)
Net defined benefit asset	**£2,824**	**£3,585**	**£1,927**	**£2,223**	**£3,420**	**£1,550**	**£4,076**

22 Pensions (continued)

Sensitivity Analysis (continued)

Impact on the income statement to 30 September 2022	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 approximately one year	Life expectancy decreased by approximately one year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Service cost	304	265	339	315	284	310	289
Death in service premiums	10	10	10	10	10	10	10
Interest on the net defined benefit liability/(asset)	(58)	(91)	(30)	(46)	(69)	(32)	(83)
Total expense recognised in the income statement	**£256**	**£184**	**£319**	**£279**	**£225**	**£288**	**£216**

On 18 November 2021, following a period of consultation with the active members, the trustees of the Plan received notice from the board of directors of the Company that a decision had been made to close the pension plan to future accrual with effect from 1 January 2022. Note 22 does not consider the decision to close the scheme to future accrual.

23 Notes to the consolidated statement of cash flows

	2021	2020
	£'000	£'000
Profit for the reporting year	5,976	2,680
Tax on profit on ordinary activities	715	560
Non-equity dividends	381	381
Net interest expense and similar charges	374	305
Operating profit	7,446	3,926
(Gain)/loss on disposal of fixed assets	(4,028)	54
Depreciation, amortisation and impairment	2,966	2,797
Change in order to bring pension charges onto a contribution basis	292	217
(Increase)/decrease in inventories	(1)	35
Increase in trade receivables	(134)	(282)
Increase in creditors	305	593
Net cash inflow from operating activities	**£6,846**	**£7,340**

24 Analysis of changes in net debt

	At 1 October 2020	Cash flows	Net repayments	Derivative movement	Effect of foreign exchange movement	At 30 September 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Bank and cash	4,277	(1,856)	–	–	(1)	2,420
Debt due within one year	(5,358)	–	5,250	108	–	–
Debt due after one year	(15,032)	–	1,650	–	–	(13,382)
Total	**£(16,113)**	**£(1,856)**	**£6,900**	**£108**	**£(1)**	**£(10,962)**

25 Directors' emoluments

	Salary	Bonus	Fee	Benefits	Total Emoluments (Excluding pension contributions)	
					2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Executives						
Helier Smith	180	32	–	12	224	201
Natalie Passmore	125	20	–	5	150	137
Non-Executives						
Anthony Ferrar	–	–	24	–	24	5
Tim Herbert	–	–	21	–	21	21
Stephen Kay	–	–	21	–	21	22
Heather MacCallum	–	–	29	–	29	27
Daragh McDermott	–	–	21	–	21	23
Michael Pocock	–	–	21	–	21	20
Peter Yates	–	–	–	–	–	10

During the year the Company made pension contributions of £28k (2020: £27k) in respect of Helier Smith and £19k (2020: £19k) 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 a car allowance and 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 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 the Company paid pension benefits on behalf of the Jersey Water Pension Plan amounting to £nil (2020: £76k) on the basis it would be fully reimbursed by the Scheme. At 30 September 2021, the net balance owed by the Plan is £14k (2020: £92k).

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

On 18 November 2021, following a period of consultation with the active members, the trustees of the Jersey Water Pension Plan received notice from the Board of Directors of the Company that a decision had been made to close the Plan to future accrual with effect from 1 January 2022.

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 (unaudited)

	Units	12 months to 30 Sep 2021	12 months to 30 Sep 2020	12 months to 30 Sep 2019[2]	9 months to 30 Sep 2019	12 months to 31 Dec 2018	12 months to 31 Dec 2017[1]
Statement of financial position							
Total equity	£'000	62,647	56,594	55,383	55,353	56,015	53,805
Net debt	£'000	10,962	16,113	16,256	16,256	16,589	16,900
Income statement							
Turnover	£'000	18,356	17,627	17,760	13,229	17,199	15,960
Operating profit (before exceptional items)	£'000	7,446	3,926	3,576	2,586	4,566	4,852
Profit before tax	£'000	6,691	3,240	2,792	1,997	3,821	4,107
Profit for the reporting year/period	£'000	5,976	2,680	2,160	1,593	2,969	3,296
Equity dividends paid/payable	£'000	2,127	1,736	1,913	1,913	2,035	1,978
Financial statistics & ratios							
Capital expenditure	£'000	3,051	3,553	3,879	2,818	3,910	3,275
Net cash (outflow)/inflow	£'000	(1,856)	71	283	347	215	1,061
Earnings per share	£	0.62	0.28	0.25	0.16	0.31	0.34
Dividend cover	Times	2.8	1.5	1.3	0.8	1.5	1.7
Interest cover	Times	11.4	5.6	4.6	4.4	6.1	6.1
Gearing[3]	%	15	22	23	23	23	24
Operational statistics							
Total water supplied	Ml	7,065	7,061	7,001	5,309	7,180	7,327
Maximum daily demand	Ml	24.7	23.6	23.8	23.8	25.1	25.9
Annual rainfall	mm	1,129	1,192	815	554	862	1,027
New mains laid	km	1.5	2.0	3.2	1.3	2.5	1.9
Mains re-laid/relined	km	2.2	1.2	1.5	0.7	2.0	2.1
New connections	No	470	470	339	276	340	303
Live metered connections	'000	34	34	33	33	33	33
Desalination plant output	Ml	61.2	165	65	180	338	N/A[4]
Customer satisfaction index[5]	No	82.7	86.1	84.0	86.5	83.2	N/A
% Employee engagement	%	90	90	89	89	89	93
Employees	No	88	93	91	91	90	83
Water quality							
% Compliance with water quality parameters	%	100	99.98	N/A	99.97	99.99	99.98

[1] From 2018 the Company's results are presented on a consolidated basis following the acquisition of De La Haye Plant Limited. The 2017 results are for The Jersey New Waterworks Company Limited only.
[2] 12 month comparative period including prorated adjustments to present a like for like comparison.
[3] Gearing = Debt/(debt + equity).
[4] The desalination plant was in construction during this period so no comparator is available.
[5] Customer satisfaction index is measured by the Institute of Customer Service annual survey of Jersey Water customers. The index is out of 100 are calculated on the same basis as the UK Customer Satisfaction Index (UKCSI).

for Island life

Mulcaster House, Westmount Road,
St. Helier, Jersey, JE1 1DG
T: 01534 707300
E: customerservices@jerseywater.je
www.jerseywater.je

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