2013 ANNUAL REPORT AND FINANCIAL STATEMENTS

The Jersey New Waterworks Company Limited

R.66/2014

CONTENTS

2013 TURNOVER INCREASED BY 2.1%

£14,916,000

2013 PROFIT BEFORE TAXATION

£4,318,000

2013 EQUITY DIVIDEND

18.942 PENCE PER SHARE

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

NON-EXECUTIVE

Chairman

Kevin Keen
MBA, FCCA, FCMA, FCMI, CDir

Senior Independent Director

Anthony Cooke
BA(Hons) Econ, CEnv, FCIWEM, HIWater, FRSA

Mary Curtis
MA, MIoD, Chartered FCIPD

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

Stephen Marie
FICWCI, MBIFM, ACIOB, MIoD

Peter Yates
BSc, FCA

EXECUTIVE

Managing Director and Engineer

Howard Snowden
EurIng, BSc (Eng), MSc, CEng, FICE, FIMechE, FIET, MIWater

Finance Director

Helier Smith
BA(Hons), FCA, CDir, MIWater, FCMI

OFFICERS AND ADVISERS

Secretary

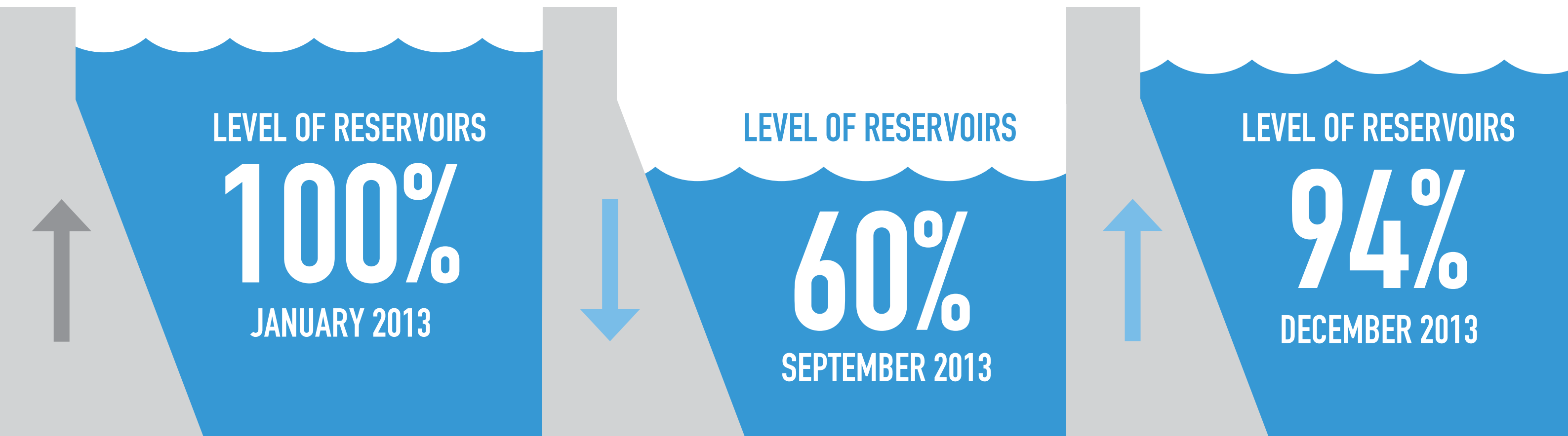
Margaret Howard
MSc, ACIB, ACIS

Independent Auditors

PricewaterhouseCoopers CI LLP
37 Esplanade, St Helier, Jersey, JE1 4XA

Registered Office

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



BOARD OF DIRECTORS

Kevin Keen
MBA, FCCA, FCMA, FCMI, CDir

Kevin Keen was appointed to the Board in May 2007 as a Non-Executive Director. Mr Keen is currently Chief Executive of Jersey Post Group. Prior to that he held leadership positions in a number of well-known local companies. Mr Keen is Chairman of the Board, chairs the Nomination Committee and is a member of the Remuneration Committee.

Howard Snowden
EurIng, BSc(Eng), MSc, CEng, FICE, FIMechE, FIET, MIWater

Howard Snowden joined the Company in 1992 as Senior Engineer and became Managing Director in May 2000. Mr Snowden has worked in the water industry since 1970 for a number of companies including Yorkshire Water Authority (the forerunner to Yorkshire Water Plc). He is a fellow of the Institution of Civil Engineers, the Institution of Mechanical Engineers, the Institution of Engineering and Technology and a member of the British Dam Society and is a Panel Supervising Engineer under the Reservoirs Act 1975.

Tony Cooke
BA (Hons) Econ, CEnv, FCIWEM, HIWater, FRSA

Tony Cooke became a Non-Executive Director of the Company in June 2008. Mr Cooke is an economist by background and he is the former Managing Director of Bournemouth & West Hampshire Water Plc. He has previously held a number of Chief Executive and senior management roles in the United Kingdom and internationally. Mr Cooke is a Trustee of Utilities and Service Industries Training Ltd, a Trustee of a Pension Fund and an independent utilities consultant.

Mr Cooke is the Board's Senior Independent Director and is a member of the Audit and Nomination Committees.

Mary Curtis
MA, MIoD, Chartered FCIPD

Mary Curtis joined the Board as a Non-Executive Director in June 2008. Mrs Curtis is a Fellow of the Chartered Institute of Personnel & Development and is a Director of a privately owned consultancy business, Calmera Business Consultancy. She formerly worked in London before moving to Jersey in the roles of Offshore Island Regional Human Resources Manager at Deloitte & Touche and then Director of Human Resources at Mourant du Feu & Jeune (now Mourant Ozannes).

Mrs Curtis is a member of both the Remuneration Committee and the Nomination Committee.

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

Stephen Kay, a Chartered Engineer, joined the Board as a Non-Executive Director in April 2013. Mr Kay is a Non-Executive Director of South Staffordshire Water Plc and was previously Managing Director of Cambridge Water Plc. He is Chairman of Iceni Waters Limited, Chairman of the Water UK Standards Board and Chairman of the Water Regulations Advisory Scheme (WRAS).

Mr Kay is a member of the Audit Committee and the Nomination Committee.

Stephen Marie
FICWCI, MBIFM, ACIOB, MIoD

Stephen Marie became a Non-Executive Director of the Company in 2002. Mr Marie is the Managing Director of ComProp (CI) Limited, a Channel Island commercial property development company and a Non-Executive Director to the Property Board of Fox International Property Holdings Limited (Fox Group). Mr Marie has been involved, at both senior executive and director levels, in the property industry for a number of years. He is a fellow of the Institute of Clerks of Works and Construction Inspectorate of Great Britain Inc., a member of the Institute of Facilities Management and an associate of the Chartered Institute of Building.

Mr Marie chairs the Remuneration Committee and is a member of the Nomination Committee.

Helier Smith
BA (Hons), FCA, CDir, MIWater, FCMI

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

Peter Yates
BSc, FCA

Peter Yates was appointed to the Board in May 2009. Mr Yates, a Chartered Accountant, was previously a partner of PricewaterhouseCoopers working in the United Kingdom and Jersey for over 31 years. He is a Non-Executive Director and Chairman of the Audit Committee of Invesco Perpetual Enhanced Income Limited and also a Non-Executive Director of Bathroom Brands Limited and European Bathroom Limited.

Mr Yates chairs the Audit Committee and is a member of the Nomination Committee.

CHAIRMAN'S STATEMENT

INTRODUCTION

The weather in 2013 was so very nearly a repeat of the extremely wet 2012. The first few months of the year were such that 2013 could easily have turned out to be another of the wettest years on record. Thankfully, more "normal" weather patterns returned for the summer before the onset of more rain at the end of the year. All of this meant that water resources throughout 2013 were healthy and we saw a modest increase in demand. However, the ongoing inconsistency of weather patterns and deviation from seasonal norms, especially evident since the start of 2014, does present a challenge in terms of planning for the future. Whilst the previous two years have been considerably wetter than normal, the Board remains alert to, and is planning for, the possibility that the cycle could reverse and result in prolonged dry periods.

Rainfall aside, 2013 could be considered one of steady progress for your company. We met all of the objectives we set ourselves in 2013, both in terms of financial and operational performance and we delivered substantially all of the capital expenditure projects that we set out to complete.

Turnover for the year increased by 2.1%. The increase is due to the effects of a below inflation tariff increase in April 2013 and an increase in the overall demand for water of 0.4%. These increases were offset by a small reduction in income from rechargeable works and other sources.

Your company is reporting a modest increase in operating profits of 0.8% to £4,800,000 (2012: £4,760,000). Operating costs increased by 2.7% during the year but this was below budget.

Profits before tax of £4,318,000 are some 3.7% down on the prior year. This is principally due to a reduction in profit on sale of fixed assets in 2013 offset by lower exceptional costs relating to the 130th Anniversary celebrations in 2012. Ignoring these items shows that performance remains positive with an underlying increase of 3.0%.

Your Board are pleased to recommend a final dividend for 2013 of 12.516 pence per share ("pps") for shareholder consideration and approval at the forthcoming Annual General Meeting. This is in addition to the interim dividend of 6.426 pence which was declared and paid during the year. The total declared and proposed dividend for 2013 is 18.942pps an increase of 3% on the 2012 dividend of 18.39pps.

In 2013, the Company invested a total of £2,878,000 (2012: £2,905,000) in its capital programme. The majority of this was spent on mains renewals (we replaced 2.5km of mains in the year) and our meter programme. In 2013, the Company installed 3,700 meters as part of its rollout of island wide water metering. We have been pleased with the results of this project, which is on time and within budget. It is also positive to note that approximately 60% of customers who have switched to pay by meter are paying less for their water than they were before. We have now started metering in St Helier, having completed the remainder of the Island, and plan to have installed meters on 90% of connections by mid-2015. Metering in St Helier is more challenging given the density of housing, the number of shared connections and the complexity of the private pipework. Accordingly, the rate of meter installation is anticipated to reduce in 2014 and 2015 but this has been factored in to our timetable.

Demand for the year was 7,047Ml (1 Megalitre (Ml) is 1,000,000 litres), some 2.5% below the average for the previous 5 years. Some of this reduction will have been weather related but, as noted above, metering is having a noticeable impact on the demand for water and our ability to detect leakage. The full effect of the metering programme will only be known once all meter installations have been completed and demand for water has been assessed over a number of years. With this in mind, the Board have deferred the five yearly update of the Company's Water Resources Management Plan which was due in 2014. It will now be reviewed in 2017, when the degree to which demand for water has changed as a result of metering will be clearer. In spite of the success of metering, regrettably it will not be sufficient to deal with the existing deficit in water available for use. The Company therefore continues to work on both demand management measures including metering, water efficiency and leakage control and supply side measures such as updating our desalination plant. The current plant is 15 years old and key components will need replacing within the next few years. There are opportunities for the plant to be modified to have a greater capacity (helping to improve the security of our water supply) and operate more efficiently. With rainfall over the last two years being unusually high, it is easy to lose sight of how quickly water resources can become depleted when the weather turns dry. Whilst it may not be used every year, our desalination plant is a vital resource upon which the Island depends and whose regular updating and improvement is in all of our long term interests.

60% OF CUSTOMERS WHO HAVE SWITCHED TO A WATER METER ARE PAYING LESS THAN BEFORE.

Last year I reported that the dry spring of 2012 meant that nitrate levels in the water supplied by the Company all met the statutory limit of 50mg/l. By contrast, the rainfall in early 2013 was heavy and prolonged. This meant that we had need to use the dispensations granted to us by the States of Jersey allowing up to 30% of samples to reach up to 70mg/l. During the year 22% of samples exceeded the limit of 50mg/l. Nitrates peaked at 58.2mg/l, well below the dispensation limit of 70mg/l and well within the margins of safety published by the World Health Organisation. The pattern in 2013 relative to that in 2012 is an excellent demonstration of the unfortunate correlation between the weather during the potato growing season (when fertilisers are being applied to the land) and the level of nitrates in the water we take for treatment.

We do all we reasonably can to keep nitrates as low as possible but neither the weather, nor the volume of fertiliser applied to the land, are within our control. We are therefore dependant on the actions of the States of Jersey to introduce measures to reduce the diffuse nitrate pollution.

The dispensations for nitrates referred to above expired on 31 December 2013. The Company has since been granted a new set of dispensations for a period of three years ending 31 December 2016. During that time it will be necessary to identify the means by which we can consistently supply water that meets the 50mg/l without the need for ongoing dispensations. Our preference is for a sustainable catchment based solution and we are working closely with the Environment Department of the States of Jersey with this in mind.

The water quality supplied during the year was of a very high standard with a compliance rate of 99.84%. Were it not for the nitrate levels referred to above, the water quality would have been in 100% compliance with the quality parameters of the Water (Jersey) Law 1972. This is testament to the ongoing work to ensure the water we supply continues to be wholesome. During the year we fitted Ultra-Violet (UV) disinfection equipment at our Handois Treatment Works, as an additional disinfection process to help protect against bacteria and water borne viruses. We are planning to install a similar plant at the Augrès Works in 2014.

At the Company's AGM in May Stephen Marie, Helier Smith and I shall be retiring from the Board by rotation. Helier Smith and I shall be seeking re-election. The Board has a policy of limiting the length of service to around 3 terms, this means that having served on the Board for 12 years, Stephen Marie, will not seek re-election. On behalf of the Company, I should like to thank Mr Marie for his hard work and the significant contribution that he has made to the success of the Company over that time.

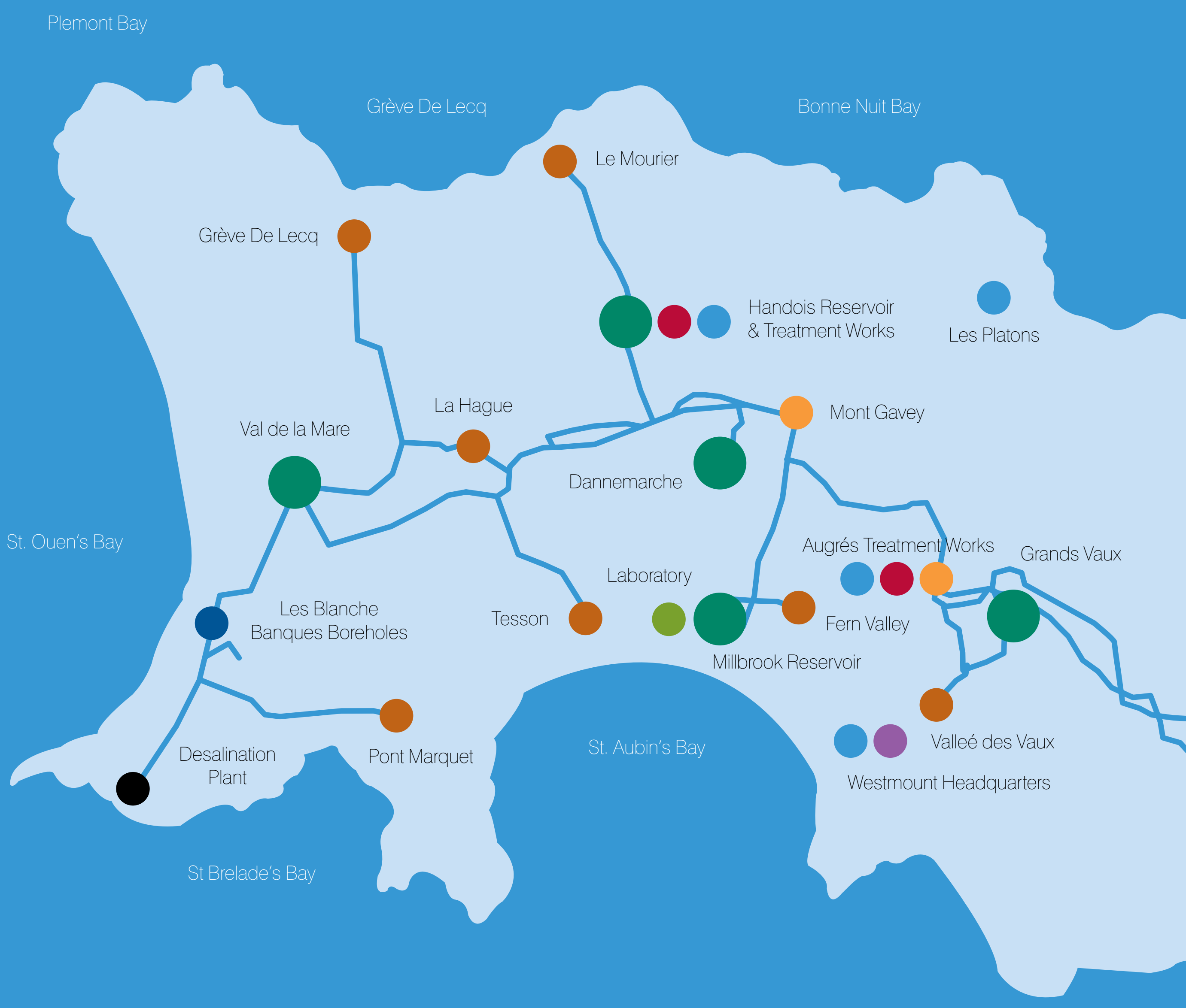
In 2013, we conducted the Company's first ever staff engagement survey with the purpose of measuring what our staff thought about working at Jersey Water and identifying areas where we could improve. We were delighted with the results that showed an engagement level of 94%. We want Jersey Water to be a great place to work and were very pleased that our staff agreed that it was. The success of the organisation depends on the enthusiasm and dedication of all of our people and we are grateful to them for the significant contribution that they make.

Kevin Keen
Chairman

28 February 2014

OUR BUSINESS

JERSEY WATER SUPPLIES WATER TO APPROXIMATELY 38,000 HOMES AND BUSINESSES ACROSS THE ISLAND OF JERSEY. FROM OUR TWO WATER TREATMENT WORKS WE SERVE A POPULATION OF NEARLY 100,000 IN AN AREA OF 120 SQUARE KILOMETRES. IN 2013, WE SUPPLIED 7,047ML THROUGH OUR 580KM OF NETWORK OF WATER MAINS. WE EMPLOY 80 STAFF AND OPERATE FROM OUR HEAD OFFICE IN ST HELIER



Water resources

Jersey's water resources are nearly all derived from rainfall dependent surface waters. We capture and store raw (untreated) water in six storage reservoirs with a capacity of 2,687Ml, which is equivalent to approximately 120 days of average demand. We also capture raw water from stream catchment ponds and abstraction pumping stations across the Island. The nature of rainfall patterns in Jersey means that we generally rely on rainfall in the Autumn and Winter to replenish water resources and keep them topped up for as long as possible.

The Company operates a reverse osmosis desalination plant capable of providing 6Ml/d, which is approximately one third of daily demand. We maintain the plant in standby mode, ready at short notice in the event of water resource shortages.

Our plan for meeting the demand for water is set out in Jersey Water's Water Resource Management Plan, which was last updated in 2010. The plan predicts that in 25 years' time there will be a shortfall in water available for use equivalent to approximately 26% of the forecast daily demand (6.5Ml/day). This shortfall being caused by a forecast increase in demand for water of 15% coupled with a reduction in water available for use of 11% over that period.

We have implemented a number of initiatives to meet this shortfall including the island wide roll out of water metering between 2010 and 2015. The plan will be updated in or around 2017, once the effects of metering are fully evident.

OUR OBJECTIVES

- **Jersey Water's purpose is simply to provide wholesome water for Jersey.**
- We do this by adopting a business model which seeks to create value by balancing the needs of our stakeholders over the long term.
- We work hard to provide a good service to **our customers**, ensuring that we have sufficient resources to meet reasonable demand and the water we supply is of a high quality. We achieve this while limiting price increases wherever possible.
- We manage the business prudently and aim to provide a sustainable real term return for **our shareholders**.
- **Our staff** are fundamental to our success. Ensuring Jersey Water continues to be a great place to work is a key ingredient in our future.
- Jersey is a close knit **community** in which we play an important role. Through our activities we aim to make a positive contribution to the Jersey way of life and minimise the effect that our operations may have on the **environment**.

Water quality

Our treatment works both use the same two-stage process for water treatment comprising chemically assisted sedimentation and rapid gravity filtration followed by disinfection using chlorine and ammonia.

Treated water quality is generally very high. Bacteriological quality is good and there are very few issues with pesticides and herbicides.

The diffuse nitrate pollution across the Island does mean the need for dispensations by the States of Jersey on water quality parameters for nitrates in treated water to cover the relatively minor exceedences at certain times of the year. The level of nitrates in raw water sources is outside of Jersey Water's control and is dependent on the rainfall, temperature and potato planting season. Accordingly, levels can increase above the regulatory limit of 50mg/l during the late winter and spring months. It is our objective to supply water that is fully compliant with all parameters of the Water (Jersey) Law 1972 and we are working with the Environment Department of the States of Jersey with this aim in mind.

Regulation

The supply of water in Jersey is regulated by the States of Jersey through various laws and regulations.

The Water (Jersey) Law 1972 sets out the service standards by which the Company must operate, the way in which it may charge for water and the minimum standards of the quality of the water that it must supply.

The Company's impact on the environment is controlled through the Reservoirs (Jersey) Law 1996, the Water Resources (Jersey) Law 2007 and the Water Pollution (Jersey) Law 2000.

2,687ML

COMBINED CAPACITY OF RAW WATER STORAGE RESERVOIRS

Principal strategic risks and uncertainties

Jersey Water's operations are subject to a number of risks and uncertainties that could, either individually or in combination, impact on our operations, performance and future prospects. The risks and uncertainties described in the box below are those that we believe to be of strategic importance to the future of the organisation.

We identify and manage these and other risks through our risk management processes (which are described further on page 21). The risk management processes described below are designed to manage and mitigate risk (rather than to eliminate it).

Unknown risks and those that the Directors believe are less significant may also have a material impact on the operations and performance of the Company.

RISK	DESCRIPTION	RISK MANAGEMENT
DEMAND FOR WATER	The Water Resources Management Plan identifies a shortfall in water available for use against projected demand developing to 6.5Ml/day over 25 years. The forecasts are dependent on assumptions regarding population growth, changing demand profiles for water and the effects of climate change on water available for use. There is the risk that without sufficient storage, or desalination capacity Jersey Water may be unable to meet the demand for water in the future.	The Water Resources Management Plan sets out the way in which the Company expects to meet projected demand. The existing plan (2010) describes the likely steps to increase resources (either through storage or desalination) and reduce demand (through metering and demand management) to maintain an adequate security of supply. The plan will next be reviewed in or around 2017 when the effects of updated assumptions will be incorporated.
NITRATES	Jersey Water has a dispensation for nitrates under the Water (Jersey) Law 1972, which allows a limited number of samples to exceed the statutory 50 mg/l limit. The dispensation runs from 1 January 2014 to 31 December 2016. There is the risk that dispensations may not be renewed on an on-going basis resulting in the potential for Jersey Water supplying water that does not meet quality requirements. Concentrations of nitrates in untreated water exceeding 50mg/l arise as a result of the diffuse pollution of catchment areas from the application of agricultural fertilisers. The pollution is outside of the Company's control.	There are provisions in the Water (Jersey) Law 1972 for the States of Jersey Environment Department to establish water catchment management areas to control the application of nitrates but these have not been implemented. We are currently considering a wide range of contingency measures to mitigate the impact of dispensations not being renewed in 2017.
DROUGHT	The Company's reservoirs have sufficient capacity to store approximately 120 days' average demand for water. The relatively low reservoir storage capacity coupled with the reliance of the Island on rainfall means that water resources in Jersey are particularly susceptible to periods of drought.	The Company manages its water resources prudently, ensuring that reservoirs are filled quickly in periods of rainfall and kept topped up. The Company maintains a standby desalination plant in case additional resources are required and further contingency measures are available should the need arise. Further desalination capacity is currently under consideration. The Company has an active programme of measures to reduce the demand for water including the Island wide metering of all connections, pressure reduction, leakage control and mains renewal.

STRATEGIC REPORT

FINANCIAL RESULTS

Turnover

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

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

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

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

Operating expenditure

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

Operating profit before exceptional items

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

Profit on disposal of fixed assets

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

Net finance costs

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

Profit before taxation

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

Income tax

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

Equity dividends

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

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

£2,878,000

CAPITAL EXPENDITURE IN 2013

FINANCIAL RESULTS (CONTINUED)

Cash flow

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

Capital expenditure

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

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

Investment properties

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

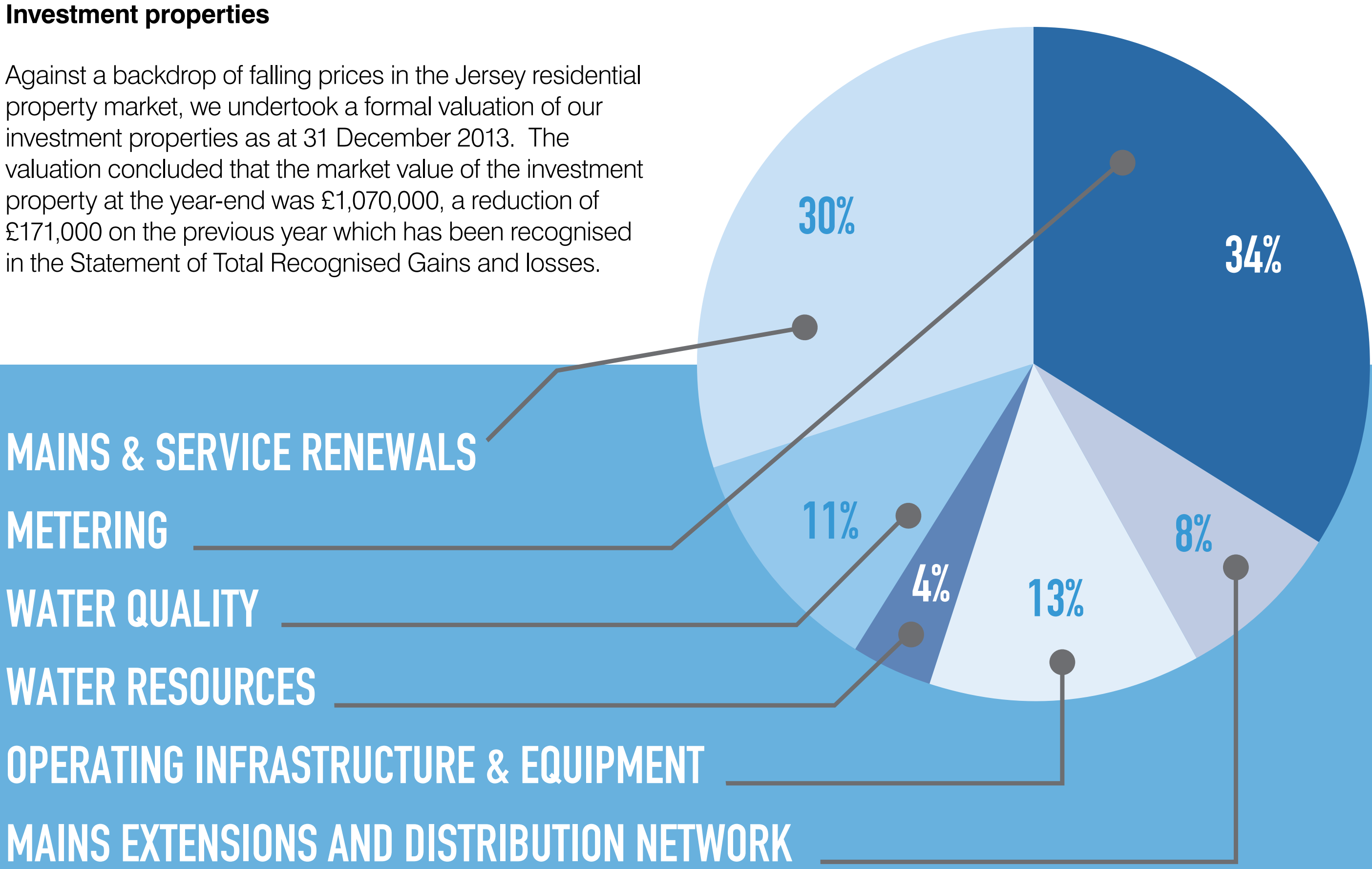
Loans and borrowing

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

Defined benefit pension scheme

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

CAPITAL EXPENDITURE BY TYPE



STRATEGIC REPORT

CONNECTIONS, METERING AND CHARGES

In 2013, we installed 3,700 (2012: 3,700) meters as part of our universal metering project bringing the total number of metered connections to just under 28,000 (2012: 24,000). At the end of 2013 approximately 74% of connections are metered. The majority of the Island is now fully metered with just areas of St Helier remaining. We are on track to meet our target of metering 90% of connections by mid-2015 and will continue until all connections are metered.

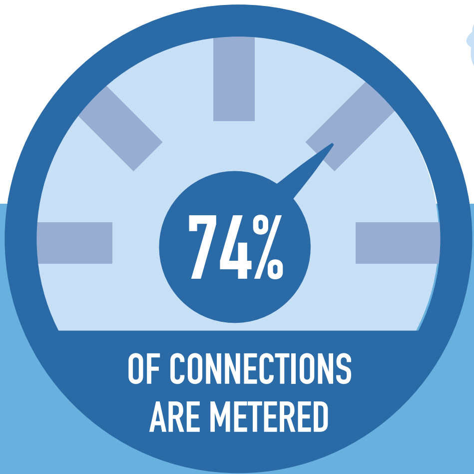
The metering program in St Helier will inevitably progress at a slower pace due to the number of services, the complexity of the plumbing arrangements and the large number of multiple occupancy buildings. However, the process will be facilitated by our mains renewals programme which has ensured that large areas of town, where mains have been renewed, are ready for metering without the need for excavation. In 2014, we intend to install approximately 3,500 meters.

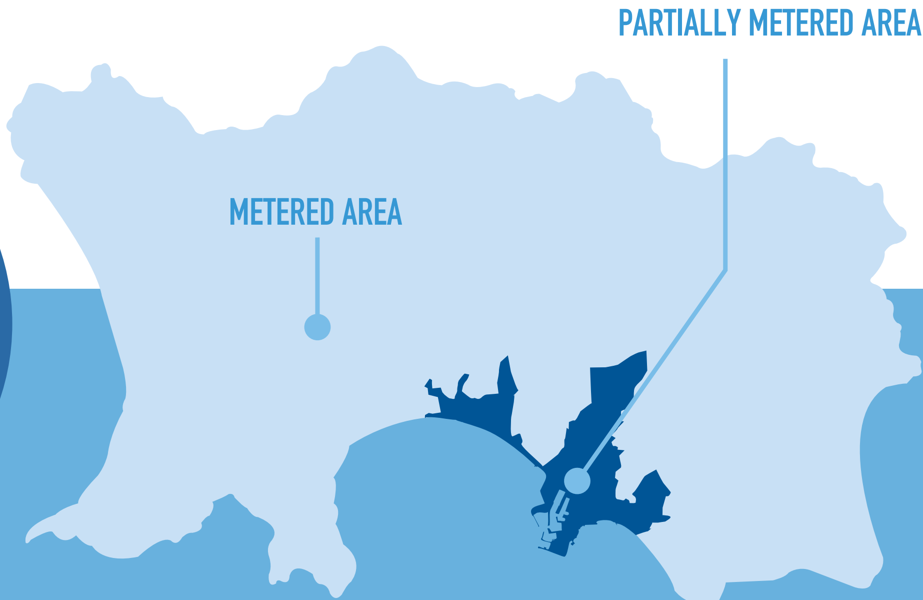
In 2013, the Company overhauled its billing processes. Historically, the company billed all customers on the same day, once per quarter. We have introduced a cyclical billing process whereby we bill a small number of customers each day, spreading the workload and improving customer service.

Our customers now receive their bills soon after the meter is read; improving their ability to monitor the volume of water they are using. Jersey Water has also benefitted through more efficient meter reading and billing processes and improved working capital.

During the year we installed 406 new water connections, an increase of 57 on the previous year and a positive sign that there has been a modest increase in activity in the building sector during the year.

The Company has recently announced a tariff increase of 1% which takes effect on 1 April 2014. This is the 12th consecutive year in which our tariff increase has been kept at or below the rate of inflation. In the absence of economic regulation of the water supply in Jersey, the Company applies a policy of limiting price increases wherever possible. This is achieved by focussing on cost efficiency. The policy has been very effective; over the past decade, the price of metered water has fallen by 16% after taking inflation into account. In 2013, a 2% increase took effect from 1 April and accompanied the introduction of tiered standing charges dependant on the size of the meter installed.





3,700 NEW METER INSTALLATIONS WERE MADE DURING 2013

STRATEGIC REPORT

WATER SUPPLY

Rainfall patterns in 2013 continued the seemingly increasing habit of bucking the trend. Total rainfall for the year was 939mm, lower than the exceptional 1,089mm in 2012, but still 13% higher than the five year average of 835mm. The pattern of rainfall during the year was also unusual, with a wetter winter, spring and autumn than normal and a drier than usual summer.

Demand for water during 2013 was 7,047Ml, an increase of 0.4% on the prior year but a reduction of 2.5% on the five year average. The reduction is partly due to the wet first half of the year but will also be a result of the success of the Company's metering programme in reducing discretionary use of water. The effects of metering will only become fully apparent once a number of years have passed but it is clear from the trend that demand for water is reducing, despite an increase in the number of new connections and the population of the Island.

We started the year with full reservoirs and they stayed that way until April when the high stream flows and abundance of rainfall meant that we could safely reduce pumping. Levels in the reservoirs then declined steadily until September, when after reaching a low point of 60% full, they started to replenish. The above average rainfall in the fourth quarter meant that we ended the year with reservoirs nearly full at 94%.

In 2013, work continued on the planned replacement of the Desalination Plant at La Rosière. As reported last year, the current plant was designed in 1997 and desalination technology has moved on considerably since then as a result of the proliferation of reverse osmosis desalination plants in the Middle East and elsewhere. As our plant reaches the point at which key elements must be replaced, we are currently investigating how the latest technology could be deployed in Jersey to take advantage of improvements in operating efficiency and capacity.

Current indications suggest the existing plant could be modified to produce nearly double the output on the same footprint and with the same power requirement as the existing plant. Work will continue on this important project in 2014.

WATER QUALITY

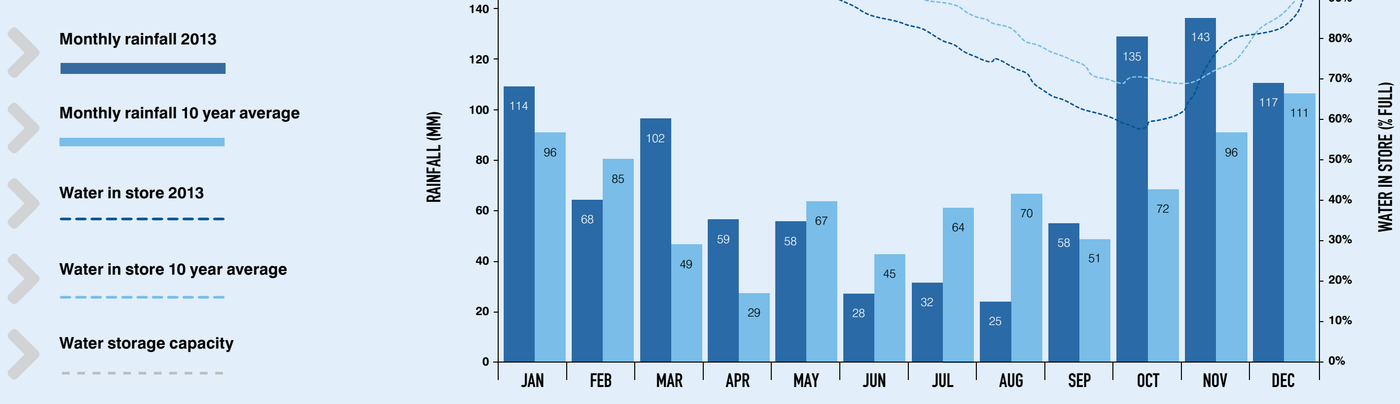
During 2013, the Company produced water that was 99.84% (2012: 99.99%) compliant with the water quality requirements of the Water (Jersey) Law 1972.

The bacteriological compliance of water leaving the treatment works was 100% and there were no herbicides or pesticides detected in the treated water supplied.

The wet weather during the winter and spring meant that there were a total of seven samples between January and May where the level of nitrates in treated water exceeded the regulatory limit of 50mg/l. The highest level recorded in the year was 58.2mg/l in February 2013, well below the World Health Organisation safety limit of 100mg/l for microbiologically safe water as supplied in Jersey. The results were also within the dispensation limit granted by the States of Jersey, which allows 33% of samples to exceed the statutory 50mg/l limit, but not to exceed 70mg/l.

The dispensation expired on 31 December 2013 and was replaced by a new, more restrictive, three year dispensation that reduces the maximum limit to 65mg/l and places additional restrictions on samples exceeding the 50mg/l limit. The new dispensation expires on 31 December 2016.

RESERVOIR LEVELS AND RAINFALL



The Company works hard to ensure that, wherever possible, we supply water that meets the 50mg/l regulatory limit for nitrates. We carefully select the best sources of water for treatment and blend water from different sources to reduce nitrate concentrations. The extent to which we are able to meet the regulatory limit is outside of our control.

Nitrate concentrations in raw water sources are directly dependent on the timing and volume of rainfall during the potato growing season coupled with the volume of fertiliser being applied to the land; factors over which we have no control. It is our view that measures need to be implemented by the States of Jersey, such as effective catchment management programmes, that reduce the nitrate pollution at source. We are working with the Environment Department of the States of Jersey to investigate the means by which measures can be introduced that will allow us to supply water that meets the 50mg/l limit.

During 2013, the Company installed an ultraviolet (UV) treatment plant at Handois Water Treatment Works. The UV plant acts as a primary disinfectant to protect against organisms including Cryptosporidium. A further UV plant will be installed at Augrès Water Treatment Works in 2014.

During the year the Company's Water Regulations Enforcement Officer carried out 573 inspections to customer premises to inspect and advise on correct plumbing installations to ensure compliance with the Water Fittings Byelaws. A total of 10 rectification notices were issued following those inspections.

MAINS NETWORK

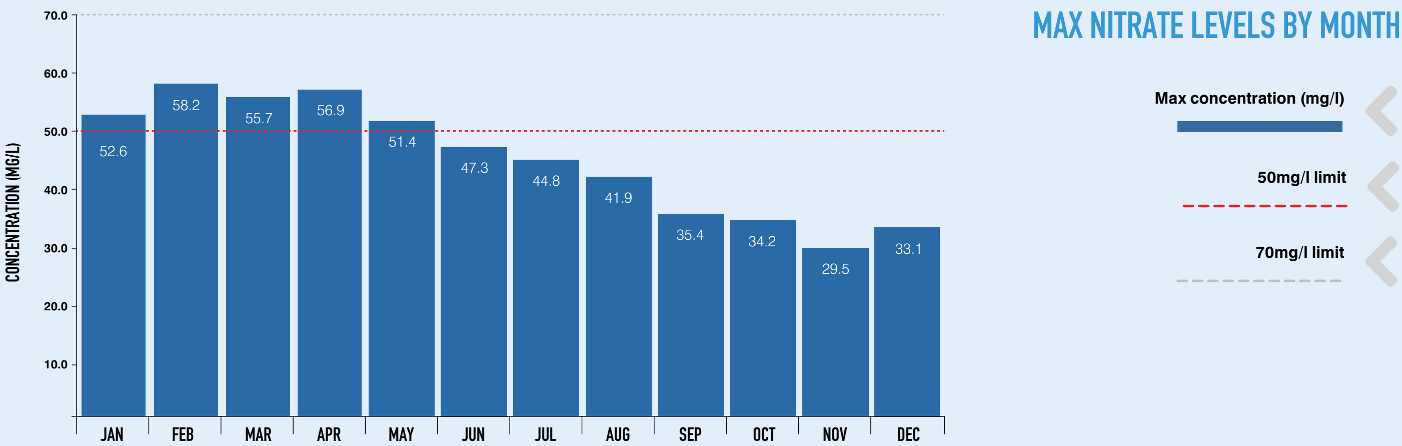
In 2013, we renewed 2.5km of water mains, predominantly in St Helier, the oldest part of our network. The renewal of mains involves not only the replacement of old, end of life, unlined cast iron or galvanised iron pipework but also the service connections in preparation for meter reading.

We also extended our network with the addition of just under 1.5km of new water mains connecting housing developments in line with the prior year.

The incidence of burst mains on Jersey Water's network is very low. In 2013, there were 14 bursts, below the 5 year average of 18 and compared to 21 the prior year. The burst frequency is one of the lowest in the British Isles and can be attributed to favourable ground conditions, the good condition of the mains network and the mains renewal programme.

One of our key goals over the next few years is to reduce leakage from our network so that we have the lowest rates in the British Isles. Our leakage rate for 2013 was 3.19Ml/d (2012: 3.35Ml/d), already one of the lowest. The reduction of 5% in the year is testament to the beneficial effects of our proactive approach to detecting and fixing bursts quickly and the impact our metering and mains renewal programmes are having in identifying and resolving leakage.

MAX NITRATE LEVELS BY MONTH



STRATEGIC REPORT

EMPLOYEES

Our employees are what make Jersey Water the success that it is. We employ 80 dedicated and loyal staff and rely on them to deliver a high quality product and service 24 hours per day, every day.

The nature of our work can sometimes be hazardous, so providing a safe working environment is our primary concern. During the year there was one Time Lost accident reported in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR). We review the circumstances surrounding all accidents to determine whether changes in practices or procedures are required to help prevent their reoccurrence.

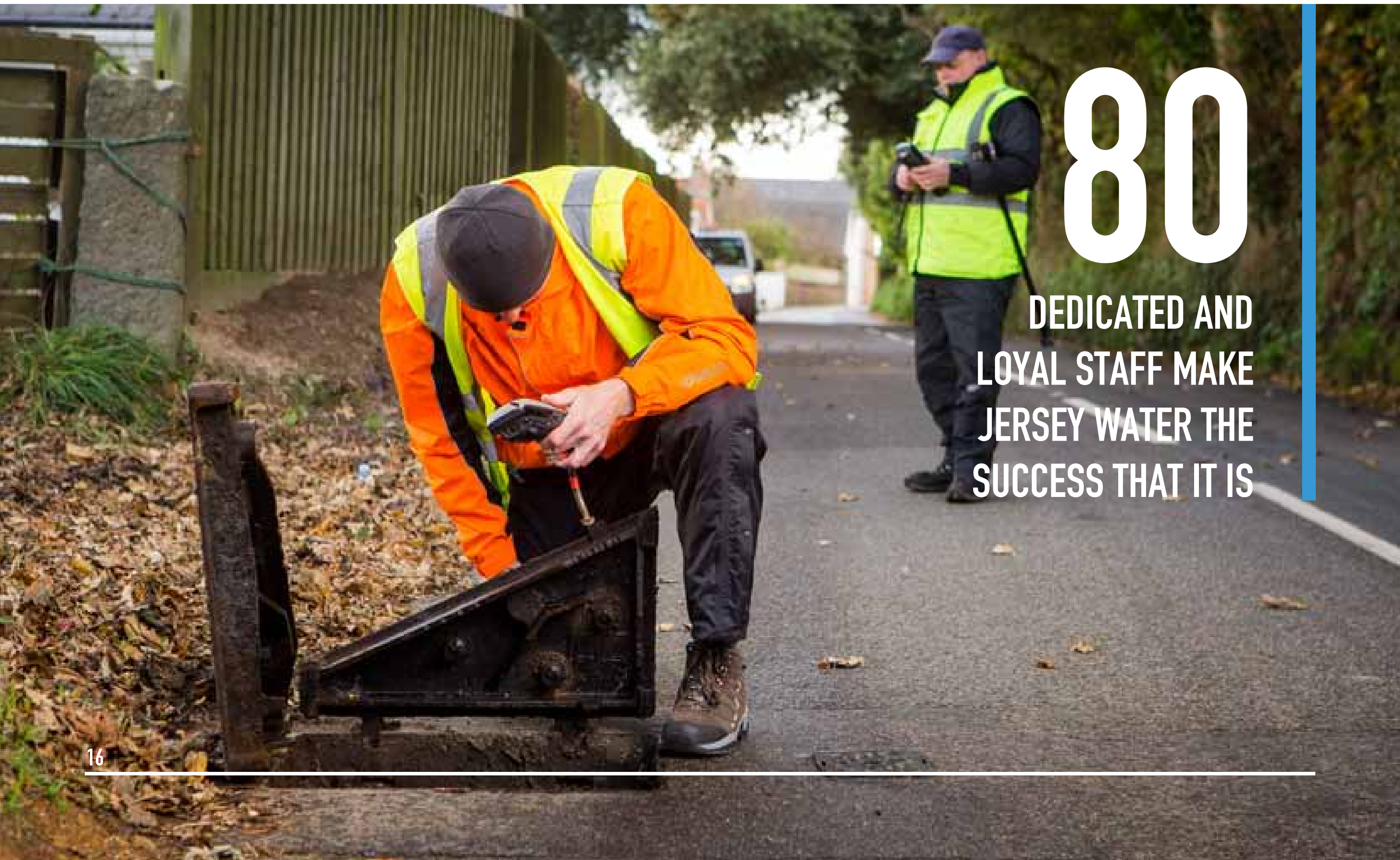
In 2013, we published a revised Safe Working Procedures Manual; with copies being provided to all staff. The Manual provides staff with practical guidance on the safe way to approach the many and varied tasks that are undertaken around the Company.

One of our key objectives is to ensure that Jersey Water is a great place to work. To measure this, we undertook our first ever staff engagement survey during 2013 and were delighted with the results which included an overall staff engagement score of 94%.

In December 2013, we launched our "Ideas on tap" staff suggestion scheme to encourage participation and involvement in the future of the organisation. The scheme rewards employees for submitting ideas and suggestions to improve customer service, efficiency and team work.

Long service awards were made to two members of staff in 2013; Peter Le Guilcher, Network Assistant Manager, and Edmund Huchet, a Treatment Works Plant Operator. Both have worked for Jersey Water for 30 years. The average length of service is 15 years and the average age of employees is 46.

Jersey Water actively supports staff wishing to develop new skills and we have a number of staff working towards professional qualifications. In 2013, we were proud to support our Infrastructure Manager, Hugo Willson, and our Water Supply Manager, Malcolm Berridge, who both achieved the Certificate in Company Direction from the Institute of Directors and our Procurement Supervisor, Terence Gasnier, who was awarded a Level 3 Certificate from the Chartered Institute of Purchasing and Supply. Malcolm Berridge was the recipient of a "Business Skills Award" by Utilities and Service Industries Training Limited (USIT), a UK charity providing grants and bursaries for education and training for the utilities industries.



STRATEGIC REPORT

ENVIRONMENT

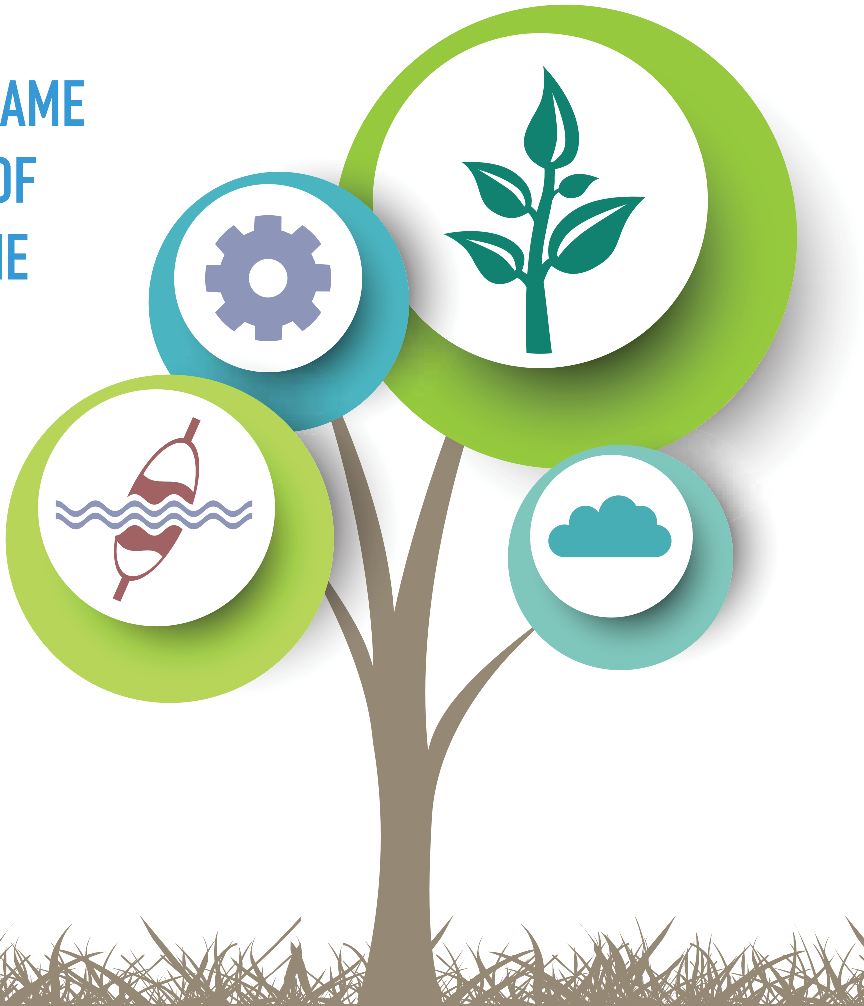
As a water supply company our activities will inevitably have an impact on the environment. In 2013, the Company became a member of the States of Jersey Eco-Active scheme and we began the implementation of an Environmental Management System to help us run our business in an increasingly sustainable manner.

Jersey Water is one of the largest landowners in Jersey, with property around the reservoirs and in our catchment areas. Many of these areas of land are open to the public or used by local clubs and associations for special events. We are proud to support organisations including Jersey Trees for Life, who manage the Arboretum at Val De La Mare, the Jersey Motor Cycle and Light Car Club, who use our tracks to stage events, and the Jersey Fresh Water Angling Association whose members use the Company's main reservoirs for fishing.

In 2013, we submitted plans to demolish the property known as Millbrook Lodge and rebuild it on a new site to the north of Millbrook Reservoir. The building, which is designated as a "Potential listed building" by the States of Jersey Planning & Environment Department, was built in c1890 on unstable ground and part of the foundations have subsided leaving the building with serious structural defects. The property has been uninhabited since the late 1990's.

After years of investigation into the options available, including demolition, repair and rebuilding, the Company has concluded that the most appropriate and financially viable course of action is the careful transfer of the building to a new site. The Company awaits the outcome of the planning decision which is expected in early 2014.

IN 2013, THE COMPANY BECAME A MEMBER OF THE STATES OF JERSEY ECO-ACTIVE SCHEME AND WE BEGAN THE IMPLEMENTATION OF AN ENVIRONMENTAL MANAGEMENT SYSTEM



STRATEGIC REPORT

COMMUNITY

In 2012, the Company celebrated its 130th Anniversary and offered grants of up to £10,000 to local charities. All of our winners have now received their awards which have been used to fund initiatives to help the local community. Jersey Water staff got to see first-hand how the awards were spent; each charity was teamed up with a member of staff who spent time with them to learn more about their activities and see how our funds were being put to good use.

To maintain some of the momentum created by the 130th Anniversary celebrations, the Company has established a Charity committee to raise funds for a nominated charity, chosen each year by the staff. In 2014, the charity we will be supporting is Friends of Jersey Oncology (www.Fojo.je), a local charity whose objective is to provide additional care, comfort and support for the Jersey Oncology Unit's patients and their families.

Following on from the success of previous fundraising events, Jersey Water's social club undertook another "Butt Push" in the summer, pushing a metric tonne water butt from West Park to St Aubin. Along the way, staff raised £500 for Jersey Cheshire Home.

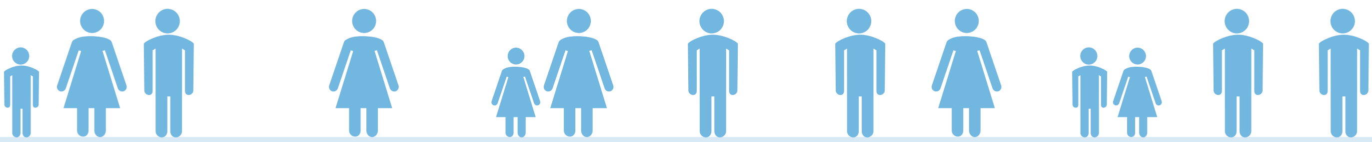
Our reusable water bottles were very popular at events during the year. We were pleased to support the De La Salle College Round Island Walk and Primary School Walk, the Le Rocquier School Walk and the Big Gig in the Park.

In 2013, the Company provided work experience placements and interview experience to clients of the Jersey Employment Trust, Project Trident, Workwise and Advance to Work scheme.

The David Norman Bursary Award is now in its fifth year and becoming increasingly popular. The scheme is designed to assist local people embarking on a degree course in a subject related to the supply of water (e.g. engineering, environmental sciences, chemistry) and provides funding for one student each year towards the cost of study for the duration of their degree course. As well as the financial support, the bursary programme also includes paid work-place experience.

The Strategic Report was approved by the board on 28 February 2014 and signed on its behalf by:

Howard Snowden
Managing Director



JERSEY CHILDREN'S CHARITY JERSEY YOUTH TRUST JERSEY CHILD CARE TRUST
PROJECT LINUS UK MULTIPLE SCLEROSIS SOCIETY OF JERSEY THE ANTOINE TRUST
ST JOHN AMBULANCE JERSEY JERSEY CANCER TRUST THE GRACE TRUST JERSEY
THE DONNA ANNAND MELANOMA CHARITY FRIENDS OF THE BRIDGE BROOK IN JERSEY
MACMILLAN CANCER SUPPORT (JERSEY) JERSEY FRIENDS OF ANTHONY NOLAN
LA MOTTE STREET YOUTH PROJECT PARKINSON'S UK JERSEY BRANCH EARSAY
JERSEY ALZHEIMER'S ASSOCIATION FREEDOM CHURCH JERSEY BRIGHTER FUTURES

DURING 2013 DEMAND FOR WATER WAS

7,047ML

WHICH WAS 2.5% DOWN ON THE FIVE YEAR AVERAGE

CORPORATE GOVERNANCE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE 2012

The Company has adopted the principles of good corporate governance and best practice set out in the UK Corporate Governance Code 2012 ('the Code'). The Board is of the opinion that, throughout the year under review, the Company has been in compliance with the Main Principles of the Code.

DIRECTORS AND THE BOARD

The Board

The Board comprises eight Directors, two of whom are Executive and six of whom are Non-Executive Directors. The Board meets regularly, normally eight to ten times each year and for ad hoc meetings as and when required.

The role of the Board is to set the overall operating strategy, approve detailed operating plans and budgets, monitor performance against plans and oversee the activities of the Executive Directors. The Board has delegated the day to day operation of the Company and execution of strategic plans to the Executive Directors. The Board is supplied with regular timely management information through which it can monitor the performance, activities and financial position of the Company and on which decisions can be based.

Meetings and Committee membership

During the year, the Board met eight times. Details of attendance at Board meetings are provided in the table below.

	BOARD MEETINGS
NUMBER OF MEETINGS IN 2013	**8**
Tony Cooke	8
Mary Curtis	8
Stephen Kay (appointed 26 April 2013)	6 of 6
Kevin Keen	8
Stephen Marie	8
Peter Yates	8
Helier Smith	8
Howard Snowden	8

Director independence

The Board considers all of the Non-Executive Directors to be independent in character and judgement. In determining independence, the Board considers the specific circumstances of each Director. The Board has determined that notwithstanding his length of service on the Board exceeding nine years (one of the criteria for independence set down in the Code), Mr Marie remains independent in character and judgement. The size of the Company and the role of Mr Marie on the board relative to his other personal and professional interests means that in the opinion of the Board, independence has been maintained. The Board has therefore concluded that Tony Cooke, Mary Curtis, Stephen Kay, Stephen Marie and Peter Yates shall be deemed independent.

Mr Keen, as Chairman of the Company, was considered independent on appointment and, in accordance with the Code, is not subject to the independence test thereafter.

Performance evaluation

In order to ensure that the Board continues to operate effectively, it has developed and implemented a process of performance evaluation. The process measures the performance of the Board as a whole against a set of predefined targets and of individual Directors by way of self and peer appraisal. The results of the performance assessments and appraisals are fed back to the individual Directors and the Board as a whole (as appropriate) and action taken accordingly. A similar approach is adopted to assess the performance of the Audit, Remuneration and Nomination committees.

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 the Company.

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. The Company has adopted a policy of requiring 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 the shareholders at the next Annual General Meeting.

CORPORATE GOVERNANCE

Relations with shareholders

The Company is in regular contact with its majority and controlling shareholder, the States of Jersey. Details of contact with and the views of the States of Jersey are passed on to the whole Board as necessary. The Company uses events such as the Annual General Meeting to interact with and hear the views of all shareholders.

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 business objectives are met. These systems are designed to manage and mitigate (rather than to eliminate) the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has developed and adopted corporate and operational risk registers detailing and risk grading the significant risks faced by the Company. Alongside the register is a process through which the significant risks faced by the business are identified and evaluated on a regular basis and the controls operating over those risks are assessed to ensure that they are adequate.

The process of risk assessment and reviewing the effectiveness of the systems of internal control is regularly reviewed by the Audit Committee, accords with Turnbull guidance and has been in place for the whole of the year, up to and including the date on which the financial statements were approved.

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

- The review of 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.
- The receipt of confirmation from Senior Management of the proper operation of controls throughout the period of the review.
- The review and approval during the year of terms of reference of Committees.
- The review and approval during the year of the schedule of matters specifically reserved for its attention.
- The review of reports received from the Audit Committee concerning the findings of the external auditors on the financial statements of the Company and the systems of internal control.

AUDIT COMMITTEE

The Audit Committee currently comprises Peter Yates (Chairman), Tony Cooke and Stephen Kay. Until Stephen Kay's appointment to the Committee in December 2013, Kevin Keen stood as an alternate. The auditors, PricewaterhouseCoopers CI LLP and the Executive Directors, Howard Snowden and Helier Smith, also attend the meetings by invitation. Attendance at Audit Committee meetings in 2013 are provided below.

	AUDIT COMMITTEE
NUMBER OF MEETINGS IN 2013	**2**
Tony Cooke	2
Stephen Kay (appointed 13 December 2013)	0 of 0
Peter Yates	2
Helier Smith*	2
Howard Snowden*	2

*by invitation

The terms of reference of the Audit Committee require it to meet at least twice per annum. 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 and provides the information necessary for shareholders to assess performance, the business model and strategy.
- To review and monitor the adequacy, operation and effectiveness of the Company's internal financial and other controls and make recommendations for improvement where necessary.
- To oversee the external audit process and manage the relationship with the external auditors.
- To make recommendations to the Board as to the re-election and remuneration of the auditors at the Annual General Meetings based upon its assessment of the performance of the auditors and giving due regard to their continued independence and any other regulatory or professional requirements.

The Committee regularly assesses the need for an internal audit function and has determined that the establishment of such a function is, at the present time, not cost effective.

Review of financial statements

To enable the Committee to effectively discharge its responsibilities in respect of the financial statements a number of processes are in place.

The Committee is briefed by the Finance Director in advance of the year-end on the significant issues pertaining to the financial statements and how they will be dealt with. These issues are generally focused on the areas of subjectivity in the financial statements (income recognition, pension scheme valuation assumptions and property valuations), changes in accounting or disclosure requirements and the accounting or disclosure implications of one off events occurring in the year. Where necessary, the Committee considers evidence and independent third party advice on the key matters for consideration.

At the year-end, the Committee reviews the financial statements and related announcements 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 whole process is completed in consultation with the auditors whose view is sought by the Committee. The Committee also consider, based on their knowledge of the business and issues arising, whether they can advise the Board that the annual report taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess performance, the business model and strategy.

Auditor reappointment and additional services

The performance and effectiveness of the external auditors is monitored on an ongoing basis and formally considered by the Committee before recommendation is made to the Board regarding their reappointment. The Audit Committee considers the length of service of the incumbent audit firm, the 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 service received.

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 the audit, any potential involvement of the audit team in the work and the longer term effect of the 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 13 of the accounts.

REMUNERATION COMMITTEE

The Remuneration Committee comprises Stephen Marie (Chairman), Mary Curtis and Kevin Keen. The Executive Directors, Howard Snowden and Helier Smith, may also attend the meeting by invitation. No Director plays any role in the determination of their own remuneration. Details of meetings and attendance are provided below.

	REMUNERATION COMMITTEE
NUMBER OF MEETINGS IN 2013	**3**
Mary Curtis	3
Kevin Keen	3
Stephen Marie	3
Helier Smith*	3
Howard Snowden*	3

*by invitation

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

- Review and determine the level of remuneration of Executive Directors.
- Review and determine the level of remuneration of the Senior Management Team.
- Review periodically the terms and conditions of employment of the Executive Directors and Senior Management Team.
- Make recommendations to the Board on the Company's overall framework of salaried staff remuneration and costs.
- Review and make recommendations to the Board concerning the remuneration of the Chairman (subject to approval by shareholders at the Annual General Meeting).

NOMINATION COMMITTEE

The Nomination Committee comprises Kevin Keen (Chairman), Tony Cooke, Mary Curtis, Stephen Kay, Stephen Marie and Peter Yates. The Executive Directors, Howard Snowden and Helier Smith, may also attend the whole or parts of meetings by invitation. Details of meetings held and attendance in 2013 are included in the following table:

	NOMINATION COMMITTEE
NUMBER OF MEETINGS IN 2013	**2**
Tony Cooke	2
Mary Curtis	2
Stephen Kay (appointed 13 December 2013)	1 of 1
Kevin Keen	2
Stephen Marie	2
Peter Yates	2
Helier Smith*	2
Howard Snowden*	2

*by invitation

The Committee is primarily responsible for the selection and appointment of the Company's Executive and Non-Executive Directors as and when required.

The other duties of the Committee include:

- Making recommendations to the Board as to the re-election of Directors under the 'retirement by rotation' provisions in the Company's Articles of Association whilst giving due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required.
- Reviewing and making recommendations to the Board as to the succession planning for Executive and Non-Executive Directors.
- Regularly reviewing the structure, size and composition including the balance of skills and attributes required of the Board compared to its current position and making recommendations to the Board with regard to any changes.
- Keeping under review the leadership needs of the organisation, both Executive and Non-Executive, including succession plans, with a view to ensuring the continued ability of the organisation to operate effectively.

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. In 2013, the Company used an independent external recruitment consultancy, Thomas & Dessain Limited, to assist in the selection process for Board appointments.

The Nomination Committee makes recommendations to the Board taking into account the performance of the candidates at interview, their skills and experience and their ability to meet the specific needs of the Company.

It is the policy of the Board to populate itself with 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 experience, independence, length of service on the Board and diversity including gender balance.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

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.

DIVIDENDS

Ordinary and 'A' ordinary shares

The Company paid an interim dividend of 6.426 pence per share on 6 November 2013 (2012: 6.30p). The Directors are proposing a final dividend on ordinary and 'A' ordinary shares for 2013 of 12.516 pence (2012: 12.09p), bringing the total dividend for 2013 to 18.942 pence per share (2012: 18.39p).

	2013 £'000	2012 £'000
Interim dividend paid	**621**	609
Final dividend proposed	**1,209**	1,168
	£1,830	£1,777

Preference shares

In 2013, the Company paid dividends on preference shares totalling £381,000 (2012: £381,000).

DIRECTORS

Changes in Directors

The Directors of the Company on the date the financial statements were approved are detailed on page 1. With the exception of Mr Stephen Kay, all Directors were Directors of the Company throughout the year ended 31 December 2013. Mr Kay was appointed to the Board on 26 April 2013.

In accordance with the provisions of Article 49 of the Company's Articles of Association, Mr Kevin Keen, Mr Stephen Marie and Mr Helier Smith will retire by rotation at the forthcoming Annual General Meeting, and except for Mr Marie, being eligible, offer themselves for re-election. Mr Stephen Marie is retiring from the Board and will not be seeking re-election.

As described on page 20, 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 Chairman or, in the case of the Chairman, the Senior Independent Director. Following this review, the Chairman has confirmed that the Directors standing for re-election at the Annual General Meeting continue to perform effectively and demonstrate commitment to their roles. In the case of the Chairman's re-election, this confirmation has been made by the Senior Independent Director.

Directors' interests

Particulars of the holdings of Directors, including family and beneficial interests, in the share capital of the Company as at 31 December 2013 are:

	ORDINARY SHARES	PREFERENCE SHARES
Tony Cooke	2,080	-
Kevin Keen	7,300	5,072
Stephen Marie	5,300	-
Helier Smith	2,920	3,285
Howard Snowden	-	95

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

Insurance of Directors and Officers of the Company

The Company 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 & Officers of the Company.

SIGNIFICANT SHAREHOLDINGS

Set out below are details of the significant voting rights (3% or more) in shares of the Company as at 28 February 2014.

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 votes than those cast in respect of all other shares.

INDEPENDENT AUDITORS

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

For and on behalf of the Board:

Margaret Howard
Company Secretary

28 February 2014

OUR LEAKAGE RATE FOR 2013 WAS 3.19ML/D 5% LOWER THAN 2012

WE REPLACED 2.5KM OF MAINS IN THE YEAR

WE ADDED 406 NEW CONNECTIONS DURING 2013

WE EXTENDED OUR NETWORK OF WATER MAINS BY JUST UNDER 1.5KM

DIRECTORS' RESPONSIBILITY 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.

Jersey Company Law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors should:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping accounting records which are sufficient to show and explain its transactions and are such as to disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements prepared by the Company comply with the requirements of the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

We confirm that, having taken all of the matters considered by the Board and brought to its attention during the year into account and to the best of our knowledge, the financial statements, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

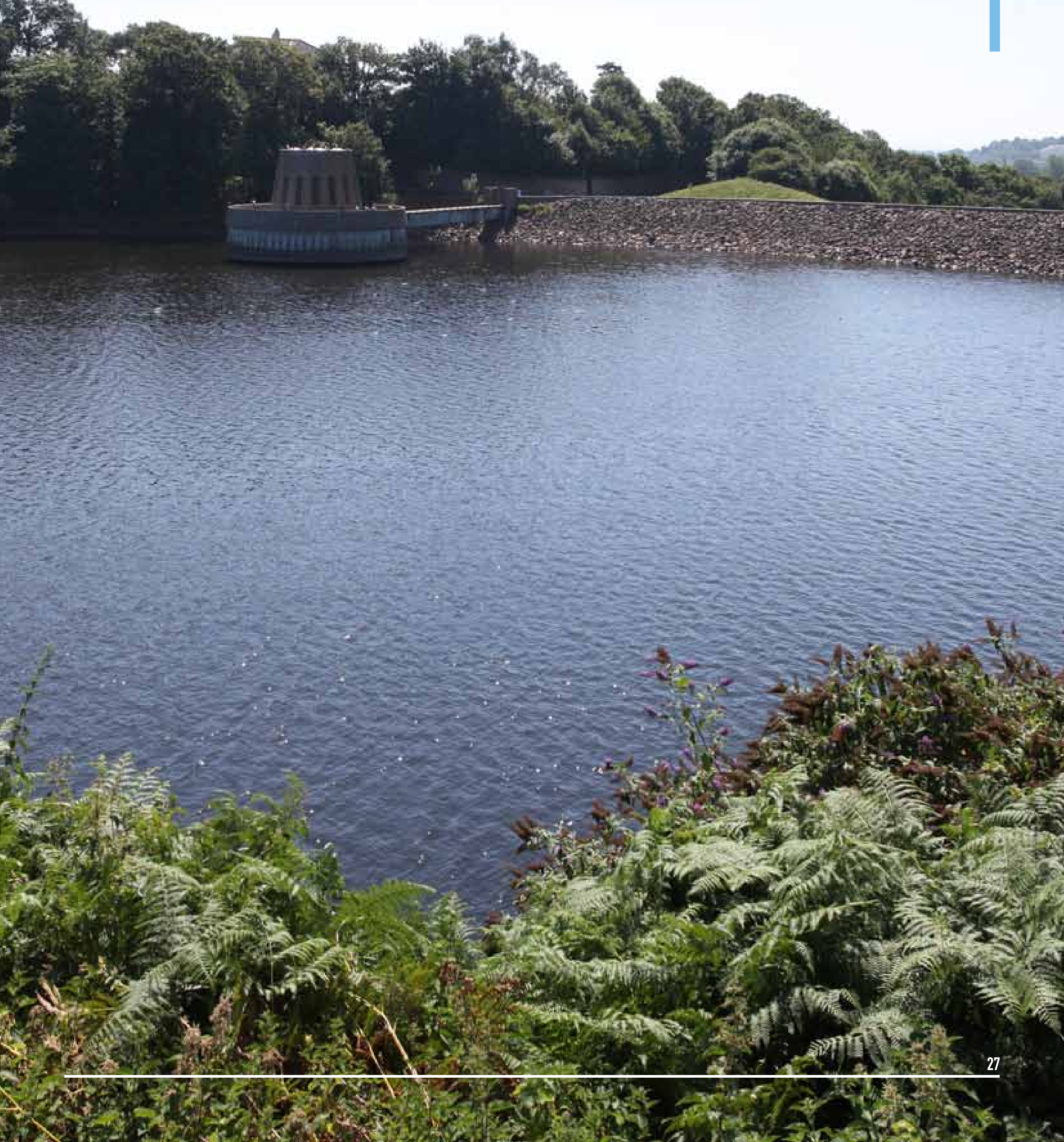
Approved by the board on 28 February 2014 and signed on its behalf by:

Kevin Keen
Chairman

THE COMPANY'S RESERVOIRS HAVE SUFFICIENT CAPACITY TO STORE APPROXIMATELY

120 DAYS

AVERAGE DEMAND FOR WATER



INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE JERSEY NEW WATERWORKS COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of The Jersey New Waterworks Company Limited (the "Company") which comprise the balance sheet as of 31 December 2013, the profit and loss account, the statement of total recognised gains and losses and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and with the requirements of Jersey law. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with United Kingdom Accounting Standards and have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' Report, the Directors' Responsibilities Statement and the Five Year Summary

In our opinion the information given in the Directors' Report is consistent with the financial statements.

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Mark James
For and on behalf of
PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

28 February 2014

BALANCE SHEET 31 DECEMBER 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Fixed assets	2		**68,222**		67,732
Current assets					
Stock and work in progress		**555**		622	
Debtors	3	**3,555**		4,590	
Bank and cash		**4,598**		2,653	
		8,708		7,865	
Creditors - Amounts falling due within one year					
Creditors and accruals	4	**(2,062)**		(2,236)	
Bank loans	6	**-**		(6,000)	
Income tax		**(700)**		(620)	
		(2,762)		(8,856)	
Net current assets / (liabilities)			**5,946**		(991)
Total assets less current liabilities			**74,168**		66,741
Creditors - Amounts falling due after more than one year					
Bank loans	6	**(14,900)**		(8,900)	
Non-equity preference shares	9b	**(5,382)**		(5,382)	
			(20,282)		(14,282)
Provisions for liabilities and charges					
Deferred taxation	7		**(5,824)**		(5,690)
Net assets excluding pension liability			**48,062**		46,769
Pension asset / (liability)	8		**227**		(385)
Net assets			**£48,289**		£46,384
Equity capital and reserves					
Called up equity share capital	9a		**4,830**		4,830
Reserves	10		**43,459**		41,554
Shareholders' funds	11		**£48,289**		£46,384

The financial statements on pages 29 to 47 were approved by the Board of Directors on 28 February 2014 and were signed on its behalf by:

Kevin Keen
Chairman

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Turnover	12		**14,916**		14,609
Operating Expenditure	13		**(10,116)**		(9,849)
Operating Profit before exceptional items			**4,800**		4,760
Charitable Contributions	15		**-**		(130)
Operating Profit after exceptional items			**4,800**		4,630
Profit on disposal of fixed assets			**179**		598
Interest					
- payable	16	**(518)**		(539)	
- receivable		**10**		6	
Non-equity dividends	17	**(381)**		(381)	
Other finance income	8	**228**		172	
			(661)		(742)
Profit before taxation			**4,318**		4,486
Jersey income tax	5		**(880)**		(789)
Profit for the financial year			**£3,438**		£3,697
Earnings per ordinary share of £0.5	19		**£0.36**		£0.38

There is no material difference between the reported profit for 2013 and 2012 and the profit prepared on the historical cost basis.

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		£'000	£'000
Profit for the year		3,438	3,697
Gain / (Loss) arising on pension liabilities	8	427	(231)
Loss arising on revaluation of investment property	2	(171)	(94)
Total recognised gains and losses for the year		£3,694	£3,372

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013		2012	
		£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities	20		**7,979**		6,286
Returns on investments and servicing of finance					
Interest received		**10**		6	
Interest paid		**(554)**		(536)	
Non-equity dividends paid		**(381)**		(381)	
Net cash outflow from returns on investments and servicing of finance			**(925)**		(911)
Taxation					
Jersey income tax paid			**(620)**		(73)
Capital expenditure					
Purchase of fixed assets		**(2,886)**		(3,015)	
Disposal of fixed assets		**186**		714	
			(2,700)		(2,301)
Equity dividends paid			**(1,789)**		(1,744)
Cash inflow before the use of liquid resources			**1,945**		1,257
Management of liquid resources					
Term deposit			**(3,500)**		-
(Decrease) / Increase in cash	21		**(£1,555)**		£1,257

Reconciliation of net cash flow to movement in net debt

	Note	2013	2012
		£'000	£'000
(Decrease) / Increase in cash	21	**(1,555)**	1,257
Liquid resources movement	21	**3,500**	-
Foreign exchange currency movement		**-**	(1)
Movement in net debt	21	**1,945**	1,256
Net debt brought forward	21	**(17,629)**	(18,885)
Net debt carried forward	21	**£(15,684)**	£(17,629)

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

The following statements outline the main accounting policies applied in the preparation of the financial statements.

Basis of accounting

The financial statements are prepared under the historical cost convention as modified for the revaluation of investment properties and in accordance with United Kingdom Accounting Standards.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and a summary of the financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the Strategic Review Section on pages 6 to 18 and in notes 6 and 21. The Company has a wide and varied customer base within Jersey, steady demand for its products and services and a stable and well established treatment and distribution network. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore selected the going concern basis in preparing the financial statements.

Turnover

Turnover represents the total value of water charges net of GST, together with minor contracts and rental income. Income from minor contracts 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.

Water charges

Water charges are billed either as a fixed rate (in advance) or as a metered charge (in arrears). Both fixed rate and metered water income is recognised for the year up to 31 December.

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.

Stock and work in progress

Stock and work in progress is valued at the lower of cost and net realisable value.

Fixed assets and depreciation

Fixed assets under construction are recognised within 'Uncompleted Works' until such time as they are first brought into use. At this point the asset is transferred to 'Property and Completed Works' and depreciation commences. Subsequent qualifying expenditure is transferred directly to 'Property and Completed Works'.

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

Investment property

Certain of the Company's properties originally acquired for business purposes, or otherwise used within the business, are no longer so used and are now held for investment purposes. These properties are treated as investment properties and accounted for in accordance with Statement of Standard Accounting Practice 19, Accounting for Investment Properties, and are included in the balance sheet at open market value. The surplus or deficit on revaluation is taken to the revaluation reserve. No depreciation is provided in respect of freehold investment property.

Interest rate swaps

Net interest payable or receivable under interest rate swap contracts entered into to hedge the interest rate risk exposure on borrowings is recognised in the profit and loss account within Interest Payable or Interest Receivable as appropriate. Accrued net amounts payable or receivable are carried in the balance sheet within Accruals and deferred income and Accrued income and other debtors respectively. No carrying value is recognised for interest rate swap contracts entered into to hedge the interest rate risk exposure on borrowings.

Deferred taxation

Deferred taxation is calculated on a full provision basis in accordance with Financial Reporting Standard 19 'Deferred Taxation'. As required by the standard, no provision is made for deferred tax in respect of expenditure on which all of the conditions for retaining tax allowances have been met. Deferred tax balances are not discounted to reflect the time value of money.

Retirement benefits

The Company values its liability in respect of defined retirement benefits in accordance with FRS 17 and following the projected unit cost method of calculation.

Any surplus or deficit in the defined benefit plan, being the difference between the value of the plan assets and the present value of the plan liabilities, is recognised in the balance sheet as an asset or liability to the extent that any surplus is recoverable through future reduced contributions or that, conversely, any deficit reflects a legal or constructive obligation. The defined benefit asset or liability is shown net of any related deferred tax liability or asset.

Cash at Bank and liquid resources

Included within liquid resources in the cash flow statement are cash balances held on fixed deposit for a term of one month or greater. These items are included within Bank and Cash in the balance sheet.

2 Fixed Assets

	Property and completed works	Freehold investment property	Uncompleted works	Motor vehicles, mobile plant & equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
Brought forward	93,421	1,241	141	2,405	**97,208**
Additions	2,348	-	299	231	**2,878**
Disposals	(747)	-	-	(129)	**(876)**
Transfers	134	-	(134)	-	**-**
Deficit on revaluation	-	(171)	-	-	**(171)**
Carried forward	**£95,156**	**£1,070**	**£306**	**£2,507**	**£99,039**
Depreciation					
Brought forward	(27,744)	-	-	(1,732)	**(29,476)**
Charge for the year	(1,905)	-	-	(305)	**(2,210)**
Disposals	747	-	-	122	**869**
Carried forward	**£(28,902)**	**£ -**	**£ -**	**£(1,915)**	**£(30,817)**
Net book value					
Brought forward	**£65,677**	**£1,241**	**£141**	**£673**	**£67,732**
Carried forward	**£66,254**	**£1,070**	**£306**	**£592**	**£68,222**

Included within fixed assets is £114,000 (2012: £101,000) relating to internal labour costs capitalised in the year.

At 31 December 2013 capital commitments contracted for amounted to £37,000 (2012: £11,000).

Market value of freehold investment properties

The Company owns two freehold residential investment properties.

The freehold investment properties were valued in 2013 by an external valuer, CB Richard Ellis Limited, on the basis of open market value in accordance with the requirements of the RICS Appraisal and Valuation Standards. The properties, which had a combined net book value of £1,241,000, were revalued as at 31 December 2013 at £1,070,000.

3 Debtors

	2013 £'000	2012 £'000
Trade debtors	1,513	3,138
Prepayments	399	354
Accrued income and other debtors	1,643	1,098
	£3,555	£4,590

4 Creditors and accruals

	2013 £'000	2012 £'000
Trade creditors	751	709
Other creditors	452	248
Contract retentions	7	25
Accruals and deferred income	852	1,254
	£2,062	£2,236

5 Jersey income tax

	2013 £'000	2012 £'000
Current tax		
Income tax on the profit for the year	720	658
Income tax on the profit for prior year	26	-
	746	658
Deferred tax		
Charge for the year	134	131
Total tax charge for the year	£880	£789

Factors affecting tax charge for year

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

	2013 £'000	2012 £'000
Profit before tax	**£4,318**	£4,486
Profit before tax multiplied by the standard rate of Jersey income tax of 20%	**864**	897
Tax at 20% on:		
Capital allowances for period in excess of depreciation	**(13)**	(38)
Capital expenditure, deductible for tax purposes	**(171)**	(157)
Profit on sale of fixed assets	**(36)**	(120)
Dividends on non-equity shares - non deductible	**76**	76
Current tax charge for year	**£720**	£658

6 Bank loans

	Repayment Dates	2013 £'000	2012 £'000
Facilities drawn down			
HSBC Bank plc	2013	**-**	6,000
HSBC Bank plc	2015	**3,650**	3,650
HSBC Bank plc	2021	**5,250**	5,250
HSBC Bank plc	2023	**6,000**	-
		£14,900	£14,900
Loans falling due within one year		**-**	6,000
Loans falling due between one and two years		**3,650**	-
Loans falling due after two years but less than five years		**-**	3,650
Loans falling due after five years		**11,250**	5,250
		£14,900	£14,900

The Company has a rolling overdraft facility with HSBC Bank plc. Unconditional guarantees have been given by the States of Jersey for the repayment of the principal and interest on loans up to a maximum of £16.2m taken out to fund the Company's capital works programme.

During the year facilities totalling £6,000,000 due for repayment in 2013 were renewed for a further period of ten years and are now due for repayment in 2023.

7 Deferred taxation

	2013 £'000	2012 £'000
Accelerated capital allowances	5,824	5,690
Net liability	£5,824	£5,690
Brought forward	5,690	5,559
Amounts charged in the profit and loss account	134	131
At 31 December	£5,824	£5,690

8 Pensions

The Company operates 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 contribution scheme and defined benefit scheme are both sections of The Jersey Water Pension Plan.

Defined contribution section

The defined contribution section of the plan was opened to new members on 1 May 2003. Employer contributions during the period to 31 December 2013 totalled £78,000 (2012: £70,000).

Defined benefit section and unfunded scheme

The full FRS17 actuarial valuation as at 31 December 2013 shows a net surplus of £227,000 compared to a deficit of £385,000 at 31 December 2012.

The major assumptions used by the actuary were:

	2013	2012
Rate of increase in salaries	3.80%	2.87%
Rate of increase in pensions accrued after 1 January 1999	3.50%	2.82%
Discount rate	4.46%	4.45%
Expected return on plan assets	6.02%	5.78%
Inflation assumption	3.80%	2.87%
Life expectancy assumptions		
Current pensioners at 65 - Male	88	88
Current pensioners at 65 - Female	91	91
Future pensioners at 65 - Male	91	90
Future pensioners at 65 - Female	93	93

The post-retirement mortality assumptions allow for expected increases 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.

	2013 £'000	2012 £'000
Reconciliation of the present value of scheme liabilities		
Opening scheme liabilities	**19,794**	17,908
Current service cost	**290**	298
Employee contributions	**82**	82
Interest cost	**881**	879
Actuarial losses	**782**	1,523
Past service costs	**70**	-
Benefits paid	**(701)**	(896)
Closing scheme liabilities	**£21,198**	£19,794
Analysis of funded and wholly unfunded scheme liabilities		
Funded scheme	**21,118**	19,679
Wholly unfunded scheme	**80**	115
Total present value of scheme liabilities	**£21,198**	£19,794
Reconciliation of the fair value of scheme assets		
Opening fair value of scheme assets	**19,312**	17,524
Expected return	**1,109**	1,051
Employer contributions	**364**	317
Employee contributions	**82**	82
Actuarial gains	**1,316**	1,235
Benefits paid	**(701)**	(896)
Closing fair value of scheme assets	**£21,482**	£19,313
Actual return on scheme assets	**£2,425**	£2,286
Analysis of amounts shown in the balance sheet		
Fair value of plan assets	**21,482**	19,313
Present value scheme liabilities	**(21,198)**	(19,794)
Surplus / (deficit)	**284**	(481)
Related deferred tax (liability) / asset	**(57)**	96
Net surplus / (deficit)	**£227**	£(385)

	2013 £'000	2012 £'000
Analysis of amounts recognised in the profit and loss account		
Current service cost	**(290)**	(298)
Expected return on pension plan assets	**1,109**	1,051
Interest on pension plan liabilities	**(881)**	(879)
Past service cost	**(70)**	-
Total	**£(132)**	£(126)

Current service costs, past service cost and curtailments are included within operating expenditure in the profit and loss account. Expected returns on pension plan assets and interest on pension plan liabilities are shown net within other finance income in the profit and loss account.

	2013 £'000	2012 £'000
Analysis of amounts recognised in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	**1,316**	1,235
Experience gains arising on scheme liabilities	**117**	63
Changes in assumptions underlying the present value of scheme liabilities	**(899)**	(1,586)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	**534**	(288)
Current tax relief	**46**	38
Movement in deferred tax relating to net liability	**(153)**	19
Gain / (loss) recognised in the statement of total recognised gains and losses	**£427**	£(231)
Cumulative amounts recognised in the statement of total recognised gains and losses	**£(4,068)**	£(4,495)

Analysis of scheme assets	2013 % of total fair value of scheme assets	2012 % of total fair value of scheme assets
Equities	**48%**	48%
Property	**6%**	7%
Corporate bonds	**44%**	44%
Cash and receivables	**2%**	1%
	100%	100%

History of experience gains and losses

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Present value of scheme assets	21,482	19,313	17,524	16,783	14,316
Present value of scheme liabilities	(21,198)	(19,794)	(17,908)	(16,298)	(15,383)
Gross scheme surplus / (deficit)	£284	£(481)	£(384)	£485	£(1,067)
Experience gains / (losses) on scheme liabilities					
Amount	117	63	658	90	(310)
Difference between the expected and actual return on scheme assets					
Amount	1,316	1,235	(455)	640	914

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 profit and loss account under Financial Reporting Standard 17. During the year, the Company made scheduled retirement benefit contributions into the defined benefit scheme totalling £348,000 (2012: £300,000).

Following the results of the latest actuarial valuation as at 1 January 2012, the contribution rate for 2012, 2013 and 2014 was set at 12.6% of Pensionable Salaries plus a fixed contribution of £50,000 per annum to reduce the actuarial scheme deficit.

9 Share capital

a) Equity share capital

Authorised, issued & fully paid up

	Shares of £0.5 each	2013	2012
	'000	£'000	£'000
Ordinary shares	5,040	2,520	2,520
'A' Ordinary shares	4,620	2,310	2,310
Total	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

		2013 £'000	2012 £'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.

10 Reserves

	Revaluation reserve £'000	Retained profit £'000	Total £'000
Brought forward	1,220	40,334	**41,554**
Profit for the financial year	-	3,438	**3,438**
Deficit on revaluation of investment properties in the year	(171)	-	**(171)**
Equity dividends	-	(1,789)	**(1,789)**
Gain relating to pension plan recognised in the statement of total recognised gains and losses	-	427	**427**
Carried forward	**£1,049**	**£42,410**	**£43,459**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Reconciliation of movement in equity shareholders' funds

	2013 £'000	2012 £'000
Profit for the year	3,438	3,697
Equity dividends	(1,789)	(1,744)
Retained profit for the year	1,649	1,953
Gain / (loss) arising on pension plan	427	(231)
Deficit on revaluation of investment properties in year	(171)	(94)
Opening equity shareholders' funds	46,384	44,756
Closing equity shareholders' funds	£48,289	£46,384

12 Turnover

	2013 £'000	2012 £'000
Measured water charges	10,890	9,497
Unmeasured water charges	2,686	3,774
Service charges and other charges for water	590	570
Total water supply charges	14,166	13,841
Rechargeable works income	320	356
Other income	430	412
Turnover	£14,916	£14,609

13 Operating expenditure

	2013 £'000	2012 £'000
Included in operating expenditure are the following:		
Net employment costs	3,663	3,648
Depreciation	2,210	2,245
Materials, consumables, hired in services and other costs	4,077	3,814
Directors' fees	109	88
Auditors' fees - Statutory audit	46	42
- Other services (Tax compliance)	5	7
- Other services (Pension scheme audit)	6	5
Total operating expenditure	£10,116	£9,849

14 Net employment costs

	2013 £'000	2012 £'000
Wages, salaries and other payments	**3,152**	3,206
Social Security	**188**	175
Pension contributions	**437**	368
	3,777	3,749
Less amount capitalised within fixed assets	**(114)**	(101)
Net employment costs	**£3,663**	£3,648

15 Charitable contributions

In the year ending 31 December 2012, to mark Jersey Water's 130th Anniversary, the Company granted awards totalling £130,000 to 20 local charities.

16 Interest payable

	2013 £'000	2012 £'000
Bank loans and overdrafts	**421**	442
Interest rate swap contract	**97**	97
	£518	£539

In October 2011, the Company entered into an interest rate swap contract with HSBC Bank Plc in order to hedge against the interest rate risk exposure of the Company on the loan of £5,250,000 maturing in 2021. The interest rate swap contract has a nominal value of £5,250,000 and also matures in 2021.

17 Non-equity dividends

	2013 Paid £'000	2013 Payable £'000	2013 Charge for the year £'000	2012 Paid £'000	2012 Payable £'000	2012 Charge for the year £'000
5% cumulative preference shares	**2**	**2**	**4**	2	2	4
3.5% cumulative second preference shares	**2**	**1**	**3**	2	1	3
3% cumulative third preference shares	**3**	**-**	**3**	3	-	3
3.75% cumulative third preference shares	**2**	**-**	**2**	2	-	2
5% cumulative third preference shares	**2**	**-**	**2**	2	-	2
2% cumulative fourth preference shares	**7**	**-**	**7**	7	-	7
10% cumulative fifth preference shares	**360**	**-**	**360**	360	-	360
Total dividends on non-equity shares recognised in the year	**£378**	**£3**	**£381**	£378	£3	£381

18 Equity dividends

Ordinary and 'A' Ordinary shares	**2013 Pence per share**	2012 Pence per share	**2013 £'000**	2012 £'000
Dividends paid				
Final dividend for the previous year	**12.090**	11.75	**1,168**	1,135
Interim dividend for the current year	**6.426**	6.30	**621**	609
	18.516	18.05	**£1,789**	£1,744
Dividends proposed				
Final dividend for the current year	**12.516**	12.09	**£1,209**	£1,168

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.

19 Earnings per ordinary share

Earnings per ordinary share of £0.36 (2012: £0.38) is based on earnings of £3,438,000 (2012: £3,697,000), being the profit available for distribution to equity shareholders and 9,660,000 (2012: 9,660,000) ordinary and 'A' ordinary shares of £0.5 in issue.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20 Reconciliation of operating profit to net cash flow from operating activities

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

21 Analysis of changes in net debt

	At 1 January 2013 £'000	Cash Flows £'000	Other Changes £'000	At 31 December 2013 £'000
Bank and cash	2,653	(1,555)	-	1,098
Term deposit	-	3,500	-	3,500
Debt due within one year	(6,000)	-	6,000	-
Debt due after one year	(14,282)	-	(6,000)	(20,282)
Total	£(17,629)	£1,945	£-	£(15,684)

22 Directors' emoluments

	SALARY	BONUS	FEE	BENEFITS	TOTAL EMOLUMENTS (excluding pension contributions)	
	£'000	£'000	£'000	£'000	2013 £'000	2012 £'000
EXECUTIVES						
Howard Snowden	129	25	-	11	165	158
Helier Smith	122	25	-	6	153	141
NON-EXECUTIVES						
Kevin Keen	-	-	25	-	25	23
Tony Cooke	-	-	18	-	18	15
Mary Curtis	-	-	18	-	18	15
Carl Hinault	-	-	-	-	-	5
Stephen Kay	-	-	12	-	12	-
Stephen Marie	-	-	18	-	18	15
Peter Yates	-	-	18	-	18	15

During the year the Company made pension contributions of £15,000 in respect of Mr Snowden and £12,000 in respect of Mr Smith.

Benefits for Mr Snowden consist of full expenses for the use of a motor car, private health care, prolonged disability and death in service insurance. Benefits for Mr Smith consist of motor fuel, private health care, prolonged disability and death in service insurance.

23 Related party transactions

The Company has identified the following material related party transactions:

COUNTERPARTY	VALUE OF GOODS & SERVICES SUPPLIED BY JERSEY WATER		VALUE OF GOODS & SERVICES PURCHASED BY JERSEY WATER		AMOUNT DUE TO JERSEY WATER		AMOUNT DUE BY JERSEY WATER	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
The States of Jersey	**2,195**	1,950	**39**	37	**363**	498	**31**	1
Jersey Electricity Plc	**179**	129	**852**	817	**-**	41	**84**	52
JT Group Limited	**27**	22	**46**	55	**2**	1	**4**	5
Jersey Post International Limited	**7**	5	**30**	51	**-**	1	**5**	2

The States of Jersey is the Company's majority and controlling shareholder. Jersey Electricity Plc is majority owned and controlled by the States of Jersey. JT Group Limited and Jersey Post International Limited are both wholly owned by the States of Jersey. All transactions are undertaken on an arm's length basis.

In addition to the transactions included above with the States of Jersey, the Company made payments of income tax, social security, GST, water resource licence fees and other statutory payments.

The Company leases the site of the La Rosière Desalination plant from the States of Jersey on a 99 year lease ending in 2067. Under the terms of the lease, the rental, which for 2013 was £25,000 (2012: £25,000) (included in the above table), increases every five years in line with the movement on the Jersey Retail Price Index.

24 Ultimate controlling party

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

FIVE YEAR SUMMARY

	Units	2013	2012	2011	2010	2009
Balance sheet						
Equity shareholders' funds	£'000	**48,289**	46,384	44,756	42,957	40,933
Net debt	£'000	**15,684**	17,629	18,885	18,630	17,491
Profit and loss account						
Turnover	£'000	**14,916**	14,609	14,811	14,652	14,728
Operating profit (before exceptional items)	£'000	**4,800**	4,760	4,858	5,058	4,577
Profit before tax	£'000	**4,318**	4,486	4,961	4,151	4,085
Profit for the financial year	£'000	**3,438**	3,697	4,581	3,321	3,299
Equity dividends paid[1]	£'000	**1,789**	1,744	1,671	1,594	1,444
Financial statistics & ratios						
Capital expenditure	£'000	**2,878**	2,905	5,574	3,460	3,309
Net cash (outflow) / inflow	£'000	**(1,555)**	1,257	(252)	(1,139)	543
Earnings per share[2]	£	**0.36**	0.38	0.47	0.34	0.34
Dividend cover[1]	Times	**1.9**	2.1	2.7	2.1	2.3
Interest cover	Times	**5.6**	5.7	6.2	5.0	5.1
Gearing[3]	%	**42**	44	45	47	50
Operational statistics						
Total water supplied	Ml	**7,047**	7,015	7,152	7,220	7,253
Maximum daily demand	Ml	**24.8**	23.4	24.7	25.8	25.7
Annual rainfall	mm	**939**	1,089	773	982	843
New mains laid	km	**1.5**	1.5	2.0	1.7	3.1
Mains re-laid / relined	km	**2.5**	2.1	4.0	2.7	1.8
New connections	No	**406**	349	492	337	412
Live unmeasured supplies	'000	**10**	13	18	21	23.8
Live metered connections	'000	**28**	24	20	16.2	13.2
Employees	No	**80**	79	83	84	80
Water quality						
% Compliance with water quality parameters		**99.84%**	99.99%	99.81%	99.86%	99.84%

[1] *Equity dividends and the calculation of dividend cover exclude the special dividend paid in 2010*

[2] *Comparatives have been restated to reflect the bonus dividend and share subdivision in 2011*

[3] *Gearing = Debt (including preference share capital) / equity shareholders' funds*

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