

DIRECTORS' REPORT

The Directors of the Company present the financial statements for the year ended 31 December 2003.

Activities of the Company

The Company was incorporated in 1882. The principal activities of the Company are the collection, treatment and supply of water for commercial and domestic use throughout the Island.

Results

The results for the year are set out on page 19.

Dividends

In 2003 the Company paid dividends on preference shares totalling £380,665 (net) (2002: £380,665).

During the year, an interim dividend of 3.5 pence per share (gross) (2002: 3.4 pence) was paid on the Ordinary and 'A' Ordinary shares totalling £13,524 (net) (2002: £13,137). The Directors recommend a final dividend of 5.91 pence (gross) (2002: 5.65 pence) totalling £22,837 (net) (2002: £21,832).

Directors

Changes in Directors

The Directors of the Company on the date the financial statements were approved and throughout the year ended 31 December 2003 were as detailed on page 2 except for Connétable John Germain who resigned with effect from 19 September 2003 and Mr Helier Smith, who was appointed on 17 October 2003 to fill the casual vacancy arising from the resignation of Connétable John Germain.

In accordance with the provisions of Article 74(b), Senator Leonard Norman and Mr Stephen Marie will retire at the annual general meeting and, being eligible, offer themselves for re-election.

Directors' interests

Particulars of the holdings of Directors, including family interests, in the share capital of the Company as at 31 December 2003 are:

	CJ Hinault	SJ Marie	DC Norman	HN Snowden	HJB Smith
Ordinary shares					
<i>Beneficial</i>	100	100	190	200	145
<i>Non-beneficial</i>	-	-	7,740	-	-
Preference shares					
<i>Beneficial</i>	-	-	-	-	210

Of the many business interests of Mr DC Norman, he is a Director of Norman Limited, CI Traders Limited and Iron Stores Jersey Limited. These are all companies with which the Company trades on a regular arms length basis.

Mr Stephen Marie is the Managing Director of CIT Estates, a division of CI Traders Limited, a Group with which the Company transacts on an arms length basis.

Insurance of Directors and officers of the Company

The Company maintains an insurance policy on behalf of all its Directors and Company officers against liability arising from neglect, breach of duty and breach of trust in relation to the Company.

DIRECTORS' REPORT CONTINUED

Substantial holders of shares

Set out below is a table showing details of shareholders beneficially owning 3% or more of the Ordinary Share capital of the Company:

	Beneficial holding of Ordinary shares as at 31 December 2003	% of Ordinary shares held
<i>The States of Jersey</i>	126,000	50.0
<i>Jurat PG Blampied</i>	16,740	6.6
<i>Allied Mutual Insurance Services Limited</i>	13,975	5.5
<i>BR Querée</i>	10,061	4.0
<i>Nordar Limited</i>	7,740	3.1
<i>RM Clarke</i>	7,700	3.1

In addition to the holding above, the States of Jersey also own 100% of the issued 'A' ordinary shares and 100% of the issued 7.5% -10% cumulative fifth preference shares.

The Company enters into normal commercial transactions with the States of Jersey and entities controlled by the States, in that it pays income tax, telephone, electricity and various other charges. Conversely, the Company levies charges at its usual rates for the supply of water and the connection of services to States owned properties.

Auditors

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

By Order of the Board

HJB Smith
Company Secretary

4 May 2004