

Chairman's Statement

I am pleased to report that your Company generated profits before tax of £4,085,000 for the year, an increase of 1.3% on 2008. Revenue for the year increased by 2.4% mainly as a result of the below RPI tariff increase in April 2009. This means that on average our metered customers pay just 0.2 pence per litre for our very high quality product. A price that will remain unchanged for 2010 following our announcement of no tariff increases. Operating expenditure increased by just 2.5%. We benefitted from the financial effects of our recent reorganisation together with a reduction in depreciation charges. These benefits were countered by an increase in staff costs, higher energy costs and the need for provisions on certain stock items and an impaired fixed asset.

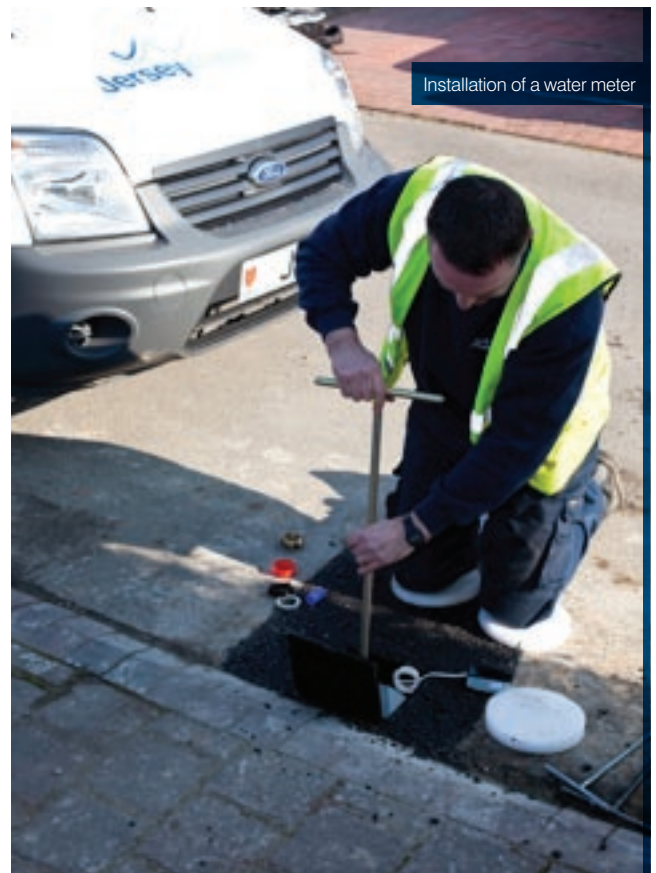
In the autumn of 2009, in a continuing effort to improve efficiency and reduce operating costs, your Board took the decision to outsource its main laying and service laying activities. The process of reorganisations such as these is rarely painless, especially for those affected. However, the need for change was in the long-term interests of the Company, its shareholders and its customers and accordingly could not be ignored. Throughout the process, the Company sought to deal with the staff affected by the changes in a fair and compassionate way.

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The Company continued to invest in the renewal and improvement of its infrastructure during the year, with an investment of £3.3 million, an increase on the £3 million last year. Continuing investment is crucial to provide water of the existing high quality and to improve efficiency wherever possible.

Your Board is pleased to propose a final dividend on ordinary and 'A' ordinary shares of £2.14 per share, bringing the ordinary dividend for the year to £3.19, an increase of 10% over 2008. In addition, following the sale over the past few years of various freehold properties, the Company is proposing to return an element of the proceeds on those sales to shareholders by way of a special dividend of £2.28 per ordinary and 'A' ordinary share.

I am also pleased to report that the water produced by the Company continues to be of a very high standard with a compliance rate of 99.84%. Disappointingly, because of the very wet weather in January 2009, nitrates in supply exceeded 50mg/l for a short period, reducing the overall water quality measure for the year from what would have been 99.96% compliance.



Installation of a water meter

The levels of nitrates experienced in 2009 were not unusual, have no health implications at the levels detected and are entirely outside of the Company's control. It is likely that similar levels of nitrates will continue to be seen in wet growing seasons until action is taken by the States of Jersey to protect water catchments from diffuse nitrate pollution.

The Company has recently published the details of its Water Resource Management Plan. The Plan looks ahead 25 years and explains how the Company will meet the predicted demand for water and address the effects of population and climate change on water resources. It clearly shows the need for additional future water resources and action to control the demand for water. A number of proposals are planned for implementation over the next five years, when the plan will be updated. The most far reaching of these will be the introduction of Island wide metering of mains water. This will help reduce average household demand for water and leakage on customer pipe work. Whilst metering is one of the key tools in managing demand for water and the right way to go, it brings with it the additional costs of managing a network of meters. It also introduces variability and uncertainty into the revenue stream, which has historically been largely fixed. Your Board will keep the effects of metering on revenue and costs under review.

Chairman's Statement - continued



Val de la Mare Reservoir

In the 2008 financial statements, your previous Chairman indicated that the Company would be seeking to address the lack of liquidity in the market for Jersey Water shares. I am pleased to report that the Company has recently teamed up with a local stock broking firm who will manage a matched bargain trading facility for shares of all classes in the Company. The scheme will help to ensure that sellers are able to achieve the best price available for their shares and provide buyers with access to shares available for sale. The objective of the scheme is to help the price at which shares trade reach a level that more fairly reflects the underlying value of your Company.

Your Board's previous Chairman, David Norman, retired from the Board at the AGM in May, after 15 years on the Board, 13 of them as Chairman. To record the Company's gratitude to David for all his hard work, the Board has implemented a student bursary award scheme in his name. The intention of the scheme is to provide financial assistance for Jersey students studying a subject related to water science, management or technology. The first bursary was awarded in late 2009 and we will shortly be inviting applications for 2010.

Your Company continues to take its responsibilities as a good corporate citizen of Jersey very seriously. One of the most obvious examples is open access for passive recreation to many of the Company's reservoirs.

These are popular venues for walkers and a haven for wildlife. Access to the reservoirs for the Jersey Freshwater Angling Association enables its members to enjoy their hobby whilst playing an important role in monitoring our reservoirs.

At the forthcoming annual general meeting, both Stephen Marie and Howard Snowden are due to retire by rotation and will be offering themselves for re-election. The Nomination Committee of your Board has considered these re-elections carefully and recommends them to shareholders.

Since becoming a Director and during my short time as Chairman, despite the upheaval during the recent reorganisation, I have observed the diligence and professionalism with which the staff at Jersey Water go about their business, making sure that the Company continues to produce high quality water and provide a first class service at all times. On behalf of the Board and the Company's shareholders I would like to thank them for their hard work and determination.

Kevin Keen
16 April 2010