

# Chairman's Statement

I am pleased to report that your Company generated profits before tax of £4,151,000, which was just ahead of last year. Comparison with our performance in 2009 is not straightforward due to a number of 'one off' costs and gains last year. When these are excluded our performance was in line with our budget and reflected the benefits of our efforts to reduce costs on a sustainable basis for the benefit of customers and shareholders alike.

Turnover of £14,652,000 was slightly lower than 2009 due to a reduced level of rechargeable works reflecting lower levels of development in the Island. Our customers benefited from our decision to freeze tariffs for 2010, the 8<sup>th</sup> successive year price increases have been maintained below inflation.

Operating expenditure was reduced by some 5% to £9,594,000, which was in part due to a one off impairment charge of £422,000 last year although the successful execution of our decision to outsource our mains and service laying operation is having a positive effect on overall costs.

The Company continued to invest in its infrastructure spending £3,460,000 on capital expenditure, including £1,200,000 on the introduction and rollout of the universal metering scheme which we anticipate will take approximately five years and involve capital investment of approximately £6m. It is hoped that the reduced water consumption from universal metering will delay the need for further major investment, such as the extension of the Val de La Mare Reservoir, for as long as possible and of course metering is the fairest way for consumers to pay for water. We also continued to invest in the renewal of our distribution network.

During 2011 the Company will invest approximately £1.6 million in extending the life of the Val de la Mare Reservoir, which has historically suffered from the effects of 'alkali aggregate reaction' (AAR).

Looking to the future, it is clear that the universal metering programme will change the nature of the Company's income profile with a further transition away from fixed income turnover, based on unmeasured charges, towards more variable demand driven income. To protect against the effects of this variability, the Company will continue to work on improving efficiency and streamlining the business so as to be able to maintain rates of capital investment and continue to provide a suitable return to investors, whilst at the same time meeting the needs of customers.

Your Board is pleased to propose a final dividend on ordinary and 'A' ordinary shares of £2.24 bringing the total dividends for the year to £3.40 per share, an increase of 6.6%.

As part of our commitment to creating value for shareholders we introduced a dealing service for shareholders in 2010 which has improved liquidity in the Company's share capital and seen ordinary shares trading at up to £80 per share. To further improve liquidity and to increase the fixed capital of the Company it has been decided to propose a bonus issue of shares and a share split to shareholders at the forthcoming annual general meeting. If approved, a holder of one ordinary £1 share would end up with 20 ordinary shares but with a reduced nominal value of 50p.

At the forthcoming Annual General Meeting, we will also be proposing that the Company adopts a new set of Memorandum and Articles of Association to bring these important documents completely up to date and compliant with both the Companies (Jersey) Law 1991 and best practice.

Both Helier Smith and I are due to retire by rotation at the coming Annual General Meeting and will be offering ourselves for re-election. The Nomination Committee, which on this occasion was chaired by Tony Cooke, our Senior Independent Director, has considered these re-elections carefully and recommends them to shareholders.

## Your Company generated profits before tax of £4,151,000 for the year.

I am pleased to report that the water produced by the Company continues to be of a very high standard with a compliance rate of 99.86%. This compliance level is slightly up on 2009 (99.84%). We remain concerned about the ongoing relatively high levels of nitrates in water resources. When rainfall levels are above average in the early months of the year, nitrate levels in all our surface water resources are greater than 50 mg/l. Whilst the Company has dispensations for 33% of samples taken for nitrates, this is a short-term measure. We continue to promote the need for the States Environment Department to implement an appropriate, sustainable and long-term solution to this ongoing diffuse pollution.

Finally it is traditional and entirely appropriate to pay tribute to the efforts of the staff who have worked even harder this year to deliver these results. They have responded positively to the many challenges faced by them delivering high quality water to Islanders on a sustainable basis and as efficiently as possible given the limited economies of scale available to us.

**Kevin Keen**  
8 April 2011