

## Chairman's statement

I am delighted to report to shareholders another satisfactory financial year for Jersey Water. Your Company generated profits before tax of £4,034,000, an increase of 14% on the previous year, in excess of budget and achieved whilst keeping tariff increases below inflation for the seventh consecutive year.

Although operating expenditure increased by 6%, this was better than budget and included expenditure on the Company's Water Resource Plan of £102,000, the operation of the desalination plant for three weeks to test the new control systems installed in the year and increased depreciation charges consistent with the Company's continued investment in its infrastructure, having invested a further £3 million on capital projects in 2008.

**Your Company generated profits before tax of £4,034,000, an increase of 14% on the previous year.**

Your Board are recommending a final net dividend for 2008 of 194 pence bringing the total dividend for the year to 290 pence, an increase of 15% on 2007.

I am also pleased to report that the quality of water we supplied to our customers in 2008 was once again of a very high standard with the overall compliance level consistent with 2007 at 99.97%, slightly better than the 2007 average figure for water companies in England and Wales. Our water quality results for 2008 are explained in detail in the 2008 Water Quality report.

As previously reported, on 1 January 2009 the Company implemented a policy of requiring that where there was a change of account holder, a water meter be fitted and the property charged for water based on the volume of water consumed. The number of meters installed in 2009 to date has been lower than expected due to the recent downturn in the housing market. However, we still expect to install approximately 1,000 additional meters by the end of 2009 as a result of the new policy. Whilst the process of metering is costly, the benefits of reduced consumption and leakage on customer pipe work clearly outweigh those costs and help defer the need for additional water resources to be introduced.



**Handois Treatment Works**

In last year's Chairman's statement I mentioned your Board's decision to commission a formal Water Resource Plan based on guidelines set out by the UK Environment Agency and followed by UK Water Companies. The plan, which will be updated every five years, will set out the means by which the likely demand for water over the next twenty five years will be met by the Company, taking into account predictions concerning both climate change and population. The plan is due for completion in 2009 and we intend to publish the summary findings.

In 2009, the Water Resources (Jersey) Law 2007 will come in to force. This new law, which was supported by your Company, is important for the future as it will provide the means for gathering information on water resources across the Island, thus giving data on consumption from sources not provided by the Company. The Company, as with other commercial water abstractors, will be required to pay for abstraction of water and shareholders should note that the licence fee is expected to be in the region of £100,000 per annum.

Given there is currently no method for the sale or purchase of shares in the Company (other than via private transfer), during 2009 the Board will be considering ways in which liquidity in the market for Jersey Water shares can be improved allowing shareholders to sell their shares in a cost effective manner at a price which more fairly reflects the value of the business.

At the Annual General Meeting both Mr Carl Hinault and I will be retiring by rotation in accordance with Article 74. Mr Hinault is offering himself for re-election. I will not be seeking re-election, having served nearly 15 years on the Board, 13 of them as Chairman of your Company.

## Chairman's statement (continued)



Queen's Valley Reservoir

As this is my last Chairman's statement I am taking the opportunity to put on record my view that Jersey Water is a tremendous asset to the Island, focusing, as it does, on the provision of high quality treated mains water; it has an infrastructure in extremely good condition, with detailed plans for the continued maintenance and enhancement of its processing and distribution capability for the future. Water supplied by the Company is of excellent quality and the Company has a professional and well trained workforce eager to meet the needs of customers. Consistently low tariff increases have resulted in a reduction in water charges in real terms of 12% for metered water and 5% for unmetered water since 2000, whilst for shareholders, the Company continues to provide a good return and strong dividend growth. The future will inevitably hold challenges and changes for Jersey Water, however, it is, in my view, important that external distractions and pressure for short term gains are not pursued at the expense of the Company's ability to provide for the needs of all of its stakeholders and specifically the focus on providing a first class water supply for our customers.

I am delighted that following my retirement from the Board, Kevin Keen has agreed to take over from me as Chairman and I am confident that the Company will continue to prosper under his stewardship.

We have been fortunate in recruiting Peter Yates as a prospective Director. Peter is a recently retired partner of PricewaterhouseCoopers and if elected will take over from Kevin Keen as Chairman of the Audit Committee. I shall be proposing his election at the AGM.

I continue to be impressed with the very positive attitude of our staff to their work throughout the Company and on behalf of my colleagues on the Board, as well as Shareholders, I take this opportunity to thank all of them for their continued support and commitment to your Company.

**David Norman**

3 April 2009