

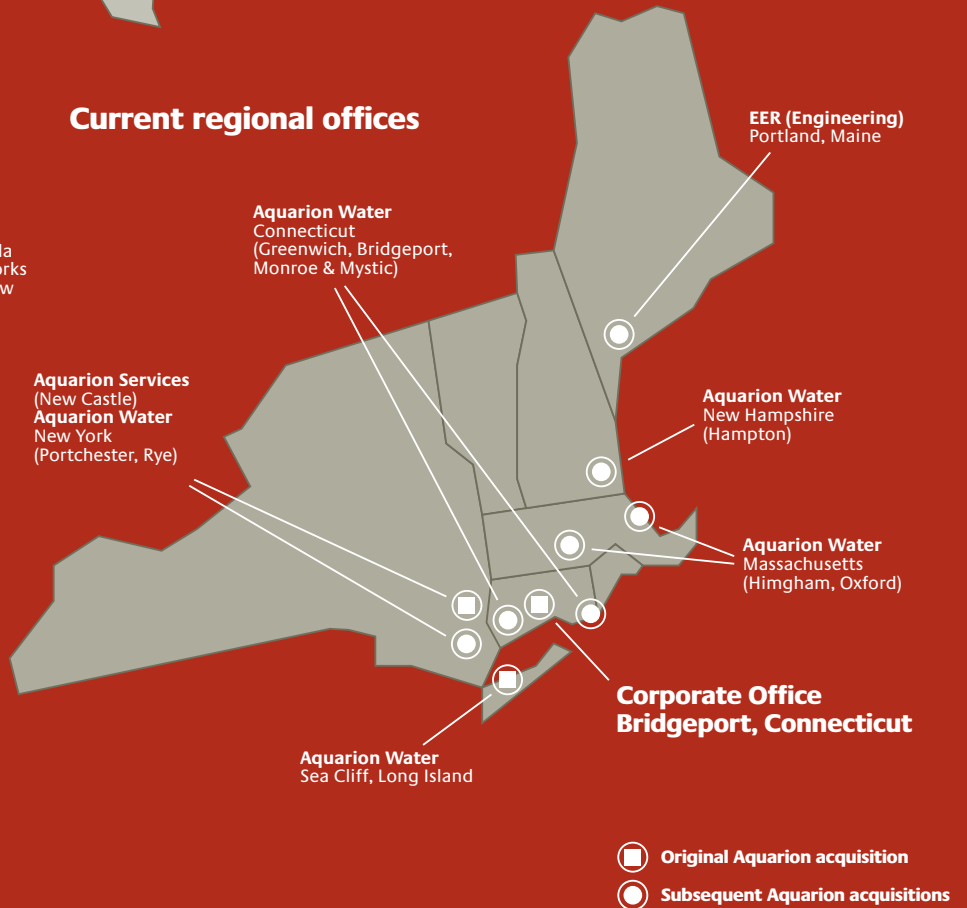
## Aquarion's regional presence in the US



New England

### Current regional offices

**US Operations** Since Kelda acquired Aquarion in January 2000, the group's US operations have grown by approximately 50%. In April 2002, Kelda acquired four subsidiaries of American Water Works in Connecticut, Massachusetts, New York and New Hampshire. The purchase added some 64,000 accounts - the equivalent of 177,000 residents in 17 towns - to Aquarion's customer base.



## Operating and financial review

**Aquarion** The company continued to expand its US water operations during the year, and realised an exceptional profit of £60m from the sale of land.

### Operating results

Turnover in Aquarion benefited from a dry summer and increased 5.1% to £81.7m (2001: £77.7m). Following an increase at the interim stage of 8.3%, the full year result was affected by a £1.8m write down in the carrying value of the assets of the US timber business with underlying operating profit higher at £28.1m (2001: £27.1m).

The company continued to expand its US water operations during the year. In April 2002 Aquarion acquired the New England operations of the American Water Works Company for \$120m in cash and the assumption of \$104m in debt. The transaction adds some 64,000 customer accounts, or 177,000 residents of Connecticut, Massachusetts, New Hampshire and New York, to Aquarion's existing customer base of about 147,000 customer accounts or 500,000 residents of Connecticut and New York. Utility operations in each state have been renamed Aquarion Water Company. This transaction increases Aquarion's water utility business by about 50%.

In March 2002 Aquarion completed the sale of rights and title to approximately 15,300 acres of land it owns in Connecticut to the state and the international conservation organisation, The Nature Conservancy. The transaction is the largest land deal for open space preservation in company and Connecticut history. The proceeds will be reinvested in Aquarion's water utility infrastructure. The sale realised an exceptional profit before tax of £60.3m.

### Customer service

Aquarion has continued to maintain and enhance its water delivery and customer service. Employees have introduced several initiatives to increase revenue and efficiency and to improve customer communication and emergency response. Most recently, an Aquarion team received a Connecticut state innovation award for converting chlorine gas to sodium hypochlorite for disinfection at an Aquarion water treatment works.

### Aquarion services

Aquarion strengthened the foundation for continued growth in its non regulated water sector. A new division was formed, Aquarion Services Company, to combine and leverage the many services the company offers to North Eastern US municipal water and waste water system operations. Among those services are operating management services, environmental engineering and an innovative customer service line protection plan.

### Community involvement

Aquarion's community relations, environmental and educational programmes continued to flourish during the year. Many employees mentor students and volunteer to assist environmental organisations, educational and charitable associations on Aquarion's behalf. As a result of its education and mentoring programmes, Aquarion received the prestigious Governor's Prevention Partnership Award for its outstanding contribution to mentoring in Connecticut as well as recognition of its business/education initiatives. Aquarion is also widely recognised in the communities it serves as a responsible environmental steward.