

7 April 2005

Our ref

DCN/HJS

Dear Shareholder

**Announcement by the Finance & Economics Committee of the States of Jersey**

I am pleased to inform you that on 6 April 2005, the Finance & Economics Committee of the States of Jersey (the 'States'), the Company's majority shareholder, announced that for the foreseeable future their shares in The Jersey New Waterworks Company Limited are not for sale.

This decision followed the Strategic Review of your Company which the States commissioned in 2004.

In my Chairman's statement in our 2003 Annual Report I mentioned that:

'our proposed capital expenditure programme, coupled with revenue increases at or marginally below RPI to cover increased costs and allow a return on capital investment, would allow the Company to continue improving and extending the existing water system and water quality and provide the Board with the flexibility to review the Company's capital structure. The underlying strength of the cash flow generation in the business could permit a meaningful return of value to shareholders as a reward for the significant investment they have made in the business to date. Implementing such a return will be influenced by the strategic review of the Company by the States...'

The purpose of this letter is to make you aware that your Board now intends to implement its plan to significantly improve returns to ordinary shareholders and accordingly have now adopted a new dividend policy to distribute to ordinary and A ordinary shareholders, subject to the provisions of Jersey Company Law, dividends broadly equal to one third of normal operating cash flows (assuming the annual operation of the desalination plant) adjusted for finance costs, tax and preference dividends. Interim dividends, which are normally declared in September, will equate to approximately 40% of the previous year's total dividend.

Shareholders are advised that the Directors will be recommending a final dividend for the year ended 31 December 2004 of 255.1 pence per share (gross), which after the interim dividend of 3.7 pence per share (gross) brings the total dividend for the year on Ordinary and A ordinary shares to 258.8 pence (gross). The final dividend is subject to shareholder approval at the AGM scheduled for 20 May 2005. Full details will be available in the convening notice and the financial statements which are due to be published towards the end of April 2005.

Yours sincerely

A handwritten signature in blue ink, appearing to read "David Norman".

David Norman  
Chairman