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ARTESIAN RESOURCES CORP  
Form 11-K  
June 30, 2004

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2003

ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2003

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Independent Auditors' Report

Participants, Board of Trustees and  
Administrator of Artesian Resources Corporation  
Retirement Plan

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We have audited the accompanying statements of net assets available for benefits of Artesian Resources Corporation Retirement Plan as of December 31, 2003 and 2002, and the related statement of changes in net assets available for benefits for the year ended December 31, 2003. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Artesian Resources Corporation Retirement Plan as of December 31, 2003 and 2002, and the changes in net assets available for plan benefits for the year ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America.

### Independent Auditors' Report (Cont'd.)

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The fund information in the statements of net assets available for plan benefits and the statement of changes in net assets available for plan benefits is presented for purposes of additional analysis rather than to present the net assets available for plan benefits and changes in net assets available for plan benefits of each fund. The supplemental schedule and fund information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ McBride, Shopa & Co.

Wilmington, Delaware  
June 23, 2004

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF NET ASSETS  
AVAILABLE FOR BENEFITS  
DECEMBER 31, 2003

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|                                      | Participant Directed |                                |                                |                     |                         |            |
|--------------------------------------|----------------------|--------------------------------|--------------------------------|---------------------|-------------------------|------------|
|                                      | Columbia<br>Acorn Z  | Growth Fund<br>of America<br>A | Columbia<br>Mid Cap<br>Value A | Calamos<br>Growth A | Dodge & Cox<br>Balanced | Dodge<br>S |
| Assets:                              |                      |                                |                                |                     |                         |            |
| Cash                                 | \$ --                | \$ --                          | \$ --                          | \$ --               | \$ --                   | \$ --      |
| Registered Investment<br>Companies   | 284,331              | 3,322,330                      | 27,782                         | 234,059             | 28,946                  | 2,000      |
| Employer Securities                  | --                   | --                             | --                             | --                  | --                      | --         |
| Participant Loans                    | --                   | --                             | --                             | --                  | --                      | --         |
| Total Investments                    | 284,331              | 3,322,330                      | 27,782                         | 234,059             | 28,946                  | 2,000      |
| Amount due from employer             | --                   | 43,794                         | --                             | --                  | --                      | --         |
| Net assets available<br>for benefits | \$ 284,331           | \$ 3,366,124                   | \$ 27,782                      | \$ 234,059          | \$ 28,946               | \$ 2,000   |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF NET ASSETS  
AVAILABLE FOR BENEFITS  
DECEMBER 31, 2003

|                                    | Participant Directed  |                                   |                                  |                        |                   |                                |       |
|------------------------------------|-----------------------|-----------------------------------|----------------------------------|------------------------|-------------------|--------------------------------|-------|
|                                    | Davis NY<br>Venture A | PIMCO<br>Total<br>Return<br>Admin | Royce<br>Low-<br>Priced<br>Stock | Templeton<br>Foreign R | Liquidity<br>Fund | Managed<br>Income<br>Portfolio | R     |
| Assets:                            |                       |                                   |                                  |                        |                   |                                |       |
| Cash                               | \$ --                 | \$ --                             | \$ --                            | \$ --                  | \$ 14,691         | \$ 8,833                       | \$ -- |
| Registered Investment<br>Companies | 3,602,722             | 988,513                           | 222,538                          | 735,866                | --                | --                             | --    |
| Employer Securities                | --                    | --                                | --                               | --                     | --                | --                             | --    |
| Participant Loans                  | --                    | --                                | --                               | --                     | --                | --                             | --    |
| Total Investments                  | 3,602,722             | 988,513                           | 222,538                          | 735,866                | 14,691            | 8,833                          | --    |

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|                                   |              |            |            |            |           |          |    |
|-----------------------------------|--------------|------------|------------|------------|-----------|----------|----|
| Amount due from employer          | --           | --         | --         | 43,793     | 31,725    | --       | -- |
| Net assets available for benefits | \$ 3,602,722 | \$ 988,513 | \$ 222,538 | \$ 779,659 | \$ 46,416 | \$ 8,833 | \$ |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF NET ASSETS  
AVAILABLE FOR BENEFITS  
DECEMBER 31, 2002

|                                                      | Participant Directed         |                      |            |                                |                   |
|------------------------------------------------------|------------------------------|----------------------|------------|--------------------------------|-------------------|
|                                                      | Fidelity Family of Mutual Fu |                      |            |                                |                   |
|                                                      | Equity<br>Income II          | Aggressive<br>Growth | Puritan    | Managed<br>Income<br>Portfolio | Intermedi<br>Bond |
| Assets:                                              |                              |                      |            |                                |                   |
| Cash                                                 | \$ 15,983                    | \$ 7,360             | \$ 1,426   | \$ 27,924                      | \$ 116,2          |
| Investments, at fair value--Common/Collective Trusts | --                           | --                   | --         | 980,704                        |                   |
| Registered Investment Companies                      | 3,625,183                    | 2,320,725            | 878,297    | --                             | 877,4             |
| Employer Securities                                  | --                           | --                   | --         | --                             |                   |
| Participant Loans                                    | --                           | --                   | --         | --                             |                   |
| Total Investments                                    | 3,641,166                    | 2,328,085            | 879,723    | 1,008,628                      | 993,7             |
| Amount due from employer                             | --                           | --                   | --         | 69,680                         |                   |
| Net assets available for benefits                    | \$ 3,641,166                 | \$ 2,328,085         | \$ 879,723 | \$ 1,078,308                   | \$ 993,7          |
|                                                      | Participant<br>Loans         | Total                |            |                                |                   |
| Assets:                                              |                              |                      |            |                                |                   |
| Cash                                                 | \$ --                        | \$ 172,706           |            |                                |                   |
| Investments, at fair value--Common/Collective Trusts | --                           | 980,704              |            |                                |                   |

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|                                   |            |               |
|-----------------------------------|------------|---------------|
| Registered Investment Companies   | --         | 8,136,307     |
| Employer Securities               | --         | 1,122,290     |
| Participant Loans                 | 320,720    | 320,720       |
| Total Investments                 | 320,720    | 10,732,727    |
| Amount due from employer          | --         | 85,394        |
| Net assets available for benefits | \$ 320,720 | \$ 10,818,121 |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2003

|                                                                   | Participant Directed            |                      |           |                                |                |
|-------------------------------------------------------------------|---------------------------------|----------------------|-----------|--------------------------------|----------------|
|                                                                   | Fidelity Family of Mutual Funds |                      |           |                                |                |
|                                                                   | Equity Income<br>II             | Aggressive<br>Growth | Puritan   | Managed<br>Income<br>Portfolio | Interme<br>Bon |
| Additions to Net Assets attributed to:                            |                                 |                      |           |                                |                |
| Investment income: Net appreciation (depreciation) of investments | \$ 195,956                      | \$ 99,549            | \$ 23,369 | \$ --                          | \$ (           |
| Dividends                                                         | --                              | --                   | --        | --                             |                |
| Interest                                                          | --                              | --                   | --        | 15,007                         |                |
| Contributions                                                     |                                 |                      |           |                                |                |
| Participants                                                      | --                              | --                   | --        | --                             |                |
| Employer                                                          | --                              | --                   | --        | (69,680)                       |                |
|                                                                   | 195,956                         | 99,549               | 23,369    | (54,673)                       | (              |
| Deductions from Net Assets attributed to:                         |                                 |                      |           |                                |                |
| Administrative expenses                                           | --                              | 2,596                | --        | --                             |                |
| Participant distributions                                         | 15,983                          | 7,360                | 1,426     | 3,215                          | 11             |
| Total deductions                                                  | 15,983                          | 9,956                | 1,426     | 3,215                          | 11             |
| Net increase (decrease)                                           |                                 |                      |           |                                |                |

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|                                                     |             |             |           |             |          |
|-----------------------------------------------------|-------------|-------------|-----------|-------------|----------|
| prior and inter-fund transfers                      | 179,973     | 89,593      | 21,943    | (57,888)    | (11,000) |
| Inter-fund transfers                                | (3,821,139) | (2,417,678) | (901,666) | (1,011,587) | (87,000) |
| Net increase (decrease) in plan assets              | (3,641,166) | (2,328,085) | (879,723) | (1,069,475) | (99,000) |
| Net assets available for benefits-beginning of year | 3,641,166   | 2,328,085   | 879,723   | 1,078,308   | 99,000   |
| Net assets available for benefits-end of year       | \$ --       | \$ --       | \$ --     | \$ 8,833    | \$ --    |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2003

|                                                                   | Participant Directed |                                |                                |                     |                         |            |
|-------------------------------------------------------------------|----------------------|--------------------------------|--------------------------------|---------------------|-------------------------|------------|
|                                                                   | Columbia<br>Acorn Z  | Growth Fund<br>of America<br>A | Columbia<br>Mid Cap<br>Value A | Calamos<br>Growth A | Dodge & Cox<br>Balanced | Dodge<br>S |
| Additions to Net Assets attributed to:                            |                      |                                |                                |                     |                         |            |
| Investment income: Net appreciation (depreciation) of investments | \$ 71,851            | \$ 752,448                     | \$ 4,183                       | \$ 55,394           | \$ 3,127                | \$ 4,000   |
| Dividends                                                         | 252                  | 820                            | --                             | --                  | 635                     | --         |
| Interest                                                          | --                   | --                             | --                             | --                  | --                      | --         |
| Contributions                                                     |                      |                                |                                |                     |                         |            |
| Participants                                                      | 18,406               | 192,375                        | 7,742                          | 30,742              | 13,281                  | --         |
| Employer                                                          | 30,401               | 136,335                        | 2,661                          | 33,924              | 4,212                   | --         |
|                                                                   | 120,910              | 1,081,978                      | 14,586                         | 120,060             | 21,255                  | 6,000      |
| Deductions from Net Assets attributed to:                         |                      |                                |                                |                     |                         |            |
| Administrative expenses                                           | --                   | --                             | --                             | --                  | --                      | --         |
| Participant distributions                                         | 5,104                | 113,515                        | 46                             | 3,928               | 2,164                   | --         |
| Total deductions                                                  | 5,104                | 113,515                        | 46                             | 3,928               | 2,164                   | --         |
| Net increase (decrease) prior to inter-fund                       |                      |                                |                                |                     |                         |            |

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|                                                     |            |              |           |            |           |        |
|-----------------------------------------------------|------------|--------------|-----------|------------|-----------|--------|
| transfers                                           | 115,806    | 968,463      | 14,540    | 116,132    | 19,091    | 6      |
| Inter-fund transfers                                | 168,525    | 2,397,661    | 13,242    | 117,927    | 9,855     | 1,4    |
| Net increase (decrease) in plan assets              | 284,331    | 3,366,124    | 27,782    | 234,059    | 28,946    | 2,0    |
| Net assets available for benefits-beginning of year | --         | --           | --        | --         | --        | --     |
| Net assets available for benefits-end of year       | \$ 284,331 | \$ 3,366,124 | \$ 27,782 | \$ 234,059 | \$ 28,946 | \$ 2,0 |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
STATEMENT OF CHANGES IN NET ASSETS  
AVAILABLE FOR BENEFITS  
YEAR ENDED DECEMBER 31, 2003

|                                                                   | Participant Directed  |                                   |                                  |                        |                   |              |
|-------------------------------------------------------------------|-----------------------|-----------------------------------|----------------------------------|------------------------|-------------------|--------------|
|                                                                   | Davis NY<br>Venture A | PIMCO<br>Total<br>Return<br>Admin | Royce<br>Low-<br>Priced<br>Stock | Templeton<br>Foreign R | Liquidity<br>Fund | A<br>Re<br>C |
| Additions to Net Assets attributed to:                            |                       |                                   |                                  |                        |                   |              |
| Investment income: Net appreciation (depreciation) of investments | \$ 772,181            | \$ 2,779                          | \$ 61,984                        | \$ 148,794             | \$ --             | \$           |
| Dividends                                                         | 23,935                | 42,182                            | 958                              | 12,138                 | 48,567            |              |
| Interest                                                          | --                    | --                                | --                               | --                     | --                |              |
| Contributions                                                     |                       |                                   |                                  |                        |                   |              |
| Participants                                                      | 117,597               | 82,734                            | 19,533                           | 30,449                 | 71,163            |              |
| Employer                                                          | 151,832               | 101,658                           | 29,653                           | 64,605                 | 43,435            |              |
|                                                                   | 1,065,545             | 229,353                           | 112,128                          | 255,986                | 163,165           |              |
| Deductions from Net Assets attributed to:                         |                       |                                   |                                  |                        |                   |              |
| Administrative expenses                                           | --                    | --                                | --                               | --                     | --                |              |
| Participant distributions                                         | 136,410               | 21,822                            | 4,142                            | 22,994                 | 8                 |              |
| Total deductions                                                  | 136,410               | 21,822                            | 4,142                            | 22,994                 | 8                 |              |
| Net increase (decrease) prior and inter-fund                      |                       |                                   |                                  |                        |                   |              |

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|                                                     |              |            |            |            |           |       |
|-----------------------------------------------------|--------------|------------|------------|------------|-----------|-------|
| transfers                                           | 929,135      | 207,531    | 107,986    | 232,992    | 163,157   |       |
| Inter-fund transfers                                | 2,673,587    | 780,982    | 114,552    | 546,667    | (116,741) |       |
|                                                     | -----        | -----      | -----      | -----      | -----     | ----- |
| Net increase (decrease) in plan assets              | 3,602,722    | 988,513    | 222,538    | 779,659    | 46,416    |       |
| Net assets available for benefits-beginning of year | --           | --         | --         | --         | --        | 1     |
|                                                     | -----        | -----      | -----      | -----      | -----     | ----- |
| Net assets available for benefits-end of year       | \$ 3,602,722 | \$ 988,513 | \$ 222,538 | \$ 779,659 | \$ 46,416 | \$ 1  |
|                                                     | =====        | =====      | =====      | =====      | =====     | ===== |

See accompanying notes to the financial statements.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 1 DESCRIPTION OF THE PLAN

GENERAL

Effective July 1, 1984, Artesian Resources Corporation (the "Company") established the Artesian Resources Corporation Retirement Plan (the "Plan") as a defined contribution retirement plan for its employees. Pursuant to Internal Revenue Code ("IRC") Section 401(k), the Plan permits employees to exclude contributions to the Plan from their current taxable income, subject to certain limits. The Plan is administered by a Committee of Trustees, which consists of five members appointed by the Company's Board of Directors. Plan administration expenses may be paid out of the plan unless paid by the Company. The Company paid all such expenses incurred during 2003.

PARTICIPATION, VESTING AND WITHDRAWALS

Generally, all employees are eligible for Plan participation after attaining age 21 and completing 1,000 hours of service during a one-year period. Employees may elect to make tax-deductible contributions up to a maximum of 15 percent of their compensation; however, such contributions may not exceed the IRC limitation of \$12,000 (\$14,000 for participants age 55 and older) for all deferrals under all plans in 2003 (basic contribution). For every dollar an employee contributes up to 6 percent of compensation, the Company will provide a 50 percent matching contribution. In each Plan year, the Company may make a discretionary contribution to the Plan based on up to 2 percent of compensation for all employees eligible to participate in the Plan. The full discretionary contribution was made for 2003.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

DESCRIPTION OF THE PLAN (CONT'D.)

PARTICIPATION, VESTING AND WITHDRAWALS (CONT'D.)

The Company's Board of Directors, at its sole discretion, may make an additional discretionary contribution. No additional discretionary contributions were made for 2003.

Participant contributions, and the related earnings, are fully vested. Company contributions, and the related earnings, vest as follows:

| Years of Service<br>----- | Vested Percentage<br>----- |
|---------------------------|----------------------------|
| Less than 2               | 0%                         |
| 2 but less than 3         | 20%                        |
| 3 but less than 4         | 40%                        |
| 4 but less than 5         | 60%                        |
| 5 but less than 6         | 80%                        |
| 6 years or more           | 100%                       |

Any forfeitures of non-vested contributions are offset against required Company contributions. Withdrawals may generally commence without penalty upon attaining age 59 1/2 or for situations involving hardship, as defined in the Plan and the IRC.

The Company also sponsored another defined contribution plan for its employees, the Supplemental Plan, which was merged into the Plan on March 31, 2000. The contribution and vesting guidelines for the participants of the Supplemental Plan continued and consist of the following:

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

DESCRIPTION OF THE PLAN (CONT'D.)

PARTICIPATION, VESTING AND WITHDRAWALS (CONT'D.)

- o Only employees as of April 26, 1994 are eligible for participation.

- o A service contribution is made by the Company to the Plan for all eligible participants each quarter based upon each employee's years of service and current compensation in accordance with the following schedule:

| Years of Service<br>----- | % of Compensation<br>----- |
|---------------------------|----------------------------|
| 1-5                       | 2%                         |
| 6-10                      | 4%                         |
| 11-20                     | 5%                         |
| over 20                   | 6%                         |

- o Participant contributions, and the related earnings thereon, are fully vested at all times. Company contributions, and the related earnings thereon, vest as follows:

| Years of Service<br>----- | Vested Percentage<br>----- |
|---------------------------|----------------------------|
| Less than 2               | 0%                         |
| 2 but less than 3         | 20%                        |
| 3 but less than 4         | 40%                        |
| 4 but less than 5         | 60%                        |
| 5 but less than 6         | 80%                        |
| 6 years or more           | 100%                       |

- o Forfeitures are offset against required Company contributions. Any participant who separates from the Company for any reason, shall be entitled to receive the vested interest in their account.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

DESCRIPTION OF THE PLAN (CONT'D.)

INVESTMENT ELECTIONS

Participants may allocate basic and matching contributions among the various mutual fund investments and/or Artesian Resources Class A non-voting common stock.

Participants may elect an allocation among one or more of the investment funds in multiples of one (1) percent with a minimum investment of one (1) percent in any selected fund. Discretionary Company contributions are invested by the Trustee in a uniform manner for all participants.

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## LOANS

Participants may borrow from the Plan under the following guidelines:

- A participant may borrow as much as 50 percent of his or her account balance, subject to certain minimum and maximum limitations as defined in the Plan.
- Loans are repaid over a period not to exceed 5 years, unless the loan is to buy, build or substantially rehabilitate the borrower's principal residence.
- The participant's account balance is secured as collateral when the loan is executed. If a participant defaults on a loan, the loan is treated as a distribution from the plan to the participant.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

## DESCRIPTION OF THE PLAN (CONT'D.)

### LOANS (CONT'D.)

- Interest rates on loans are prime plus one percent at the date of the loan.
- As loans are repaid to the plan, the total payment, principal plus interest, is credited back to the participants account.

As disclosed in the Statement of Changes in Net Assets Available for Benefits, the net interfund transfer into Participant Loans for the year ended December 31, 2003 was made up of:

|                             | 2003      |
|-----------------------------|-----------|
|                             | -----     |
| New loans                   | \$131,589 |
| Loan repayments             | (93,415)  |
| Transfer of interest income | (23,279)  |
|                             | -----     |
|                             | \$ 14,895 |
|                             | =====     |

## BENEFITS

Participants are entitled to a benefit payment equal to the

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amount credited to their accounts upon retirement, upon permanent disability, at age 59 1/2, or upon termination of employment or death. In the event of death of a participant, a death benefit payment is made to the participant's beneficiary. In the event of termination, distributions of less than \$5,000 must be made in a lump sum. All other distributions may be made in the form of a joint and survivor annuity, installments or in a lump sum subject to certain restrictions as defined in the Plan.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

### DESCRIPTION OF THE PLAN (CONT'D.)

#### TERMINATION

The Company may amend or terminate the Plan. In the event of Plan termination, the accounts of all participants affected shall become fully vested and nonforfeitable. Assets remaining in the Plan may be immediately distributed to the participants, inactive participants and beneficiaries in proportion to their respective account balances; or the trust may be continued with distributions made at such time and in such manner as though the Plan had not been terminated.

#### CHANGE IN AVAILABLE FUNDS AND RECORDKEEPERS

During 2002, the Plan's Committee of Trustees unanimously approved changing the investment funds and third-party administrators (TPA). On January 7, 2003, the funds were sold, and most of the cash was transferred to the new TPA as of December 31, 2003, \$8,833 remained in Fidelity Cash Reserves of the Fidelity Managed Income Portfolio (the former TPA).

NOTE 2

#### SIGNIFICANT ACCOUNTING POLICIES

##### BASIS OF ACCOUNTING

For financial reporting purposes, the assets and liabilities of the Plan are reflected on the accrual basis of accounting.

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RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

### SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### INVESTMENT VALUATION AND INCOME RECOGNITION

Plan assets held in mutual fund investments and Artesian Resources Corp. Class A non-voting common stock are unsecured and are valued at fair value based on quoted market prices.

In accordance with the policy of stating investments at fair value, net unrealized appreciation (depreciation) for the year is included in the statement of changes in net assets available for benefits. Participant loans are valued at cost which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

### SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### PARTICIPANT DISTRIBUTIONS

Participant distributions are recorded when paid.

INCOME TAXES

The Internal Revenue Service has determined and informed the Company by a letter dated March 19, 2002, that the original Plan plus amendments is qualified and the trust established under the Plan is tax-exempt, under the appropriate sections of the Internal Revenue Code.

NOTE 3 CREDIT RISK

The Plan has \$23,524 in mutual fund money market accounts at December 31, 2003 (\$172,706 in 2002). These funds are fully insured by the Securities Investor Protection Corporation (SIPC).

NOTE 4 MARKET RISK

All investments in the Plan, including holdings in Artesian "A" Common Stock, are subject to market risk.

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

NOTE 5 INVESTMENTS REPRESENTING 5% OR MORE OF NET ASSETS  
AVAILABLE FOR BENEFITS

The following investments each represent 5% or more of the net assets available for benefits at December 31, 2003:

American Funds Growth Fund of America A  
Dodge & Cox Stock  
Gartmore Morley Stable Adv  
Davis NY Venture  
PIMCO Total Return Admin  
Templeton Foreign R  
Artesian "A" Common Stock

Amounts allocated to withdrawing participants are reported on the Schedule H of Form 5500 for benefit claims that have been processed and approved for payment prior to December 31st but not yet paid as of that date.

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NOTE 6

RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H  
OF FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements at December 31, 2003 and 2002 to Schedule H of Form 5500:

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ARTESIAN RESOURCES CORPORATION  
RETIREMENT PLAN  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003

RECONCILIATION OF FINANCIAL STATEMENTS TO SCHEDULE H  
OF FORM 5500 (CONT'D.)

|                                                                   | 2003<br>-----         | 2002<br>-----         |
|-------------------------------------------------------------------|-----------------------|-----------------------|
| Net assets available for benefits per the financial statements    | \$14,969,215          | \$10,818,121          |
| Amounts allocated to withdrawing participants                     | (5,044)<br>-----      | (153,040)<br>-----    |
| Net assets available for benefits per Schedule H to the Form 5500 | \$14,964,171<br>===== | \$10,665,081<br>===== |

The following is a reconciliation of benefits paid to participants per the financial statements for the year ended December 31, 2003 to Schedule H of Form 5500:

|                                                                          |                    |
|--------------------------------------------------------------------------|--------------------|
| Benefits paid to participants per the financial statements               | \$ 641,638         |
| Add: Amounts allocated to withdrawing participants at December 31, 2003  | 5,044              |
| Less: Amounts allocated to withdrawing participants at December 31, 2002 | (153,040)<br>----- |
| Benefits paid to participants per Schedule H of Form 5500                | \$ 493,642         |

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SUPPLEMENTAL SCHEDULE

ARTESIAN RESOURCES CORPORATION  
 RETIREMENT PLAN  
 EIN: 51-0002090, PLAN NO.: 003  
 SCHEDULE H, PART IV, LINE 4i: SCHEDULE OF ASSETS HELD FOR  
 INVESTMENT PURPOSES AT END OF YEAR  
 AS OF DECEMBER 31, 2003

| (a) (b) Identity of issue, borrower,<br>lessor or similar party<br>----- | (c) Description of investment including maturity date,<br>rate of interest, collateral, par or maturity value<br>-----                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Invesmart Mutual Fund<br>Selections                                      | Columbia Acorn Z<br>Growth Fund of America A<br>Columbia Mid Cap Value A<br>Calamos Growth A<br>Dodge & Cox Balanced<br>Dodge & Cox Stock<br>Gartmore Morley Stable Adv<br>Lord Abbett Mid-Cap Value A<br>Davis NY Venture<br>PIMCO Total Return Admin<br>Royce Low-Priced Stock<br>Templeton Foreign R<br>Fidelity Cash Reserves<br>Invesmart Liquidity Fund<br><br>Total mutual funds |
| * Artesian Resources Corporation                                         | Class A non-voting common stock                                                                                                                                                                                                                                                                                                                                                         |
| Participant Loans                                                        | Interest rates range from 5.00% to 10.50%,<br>can borrow up to 50% of account balance,<br>repayment terms range from 5 to 15 years,<br>secured by account balance                                                                                                                                                                                                                       |

\* Identifies the party as a "Party in Interest".

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