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REPORT AND ACCOUNTS

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DIRECTORS AND PROFESSIONAL ADVISERS

DIRECTORS

EXECUTIVE

NICHOLAS JOHN ROADNIGHT, F.C.A.
(Managing Director)

JOHN EDWARD COGLEY, B.Sc., C.Eng., M.I.C.E.,
(Customer Services Director) M.C.I.W.E.M.

ANDREW RICHARD NEVE, B.Sc., C.Eng.,
(Technical Director) M.I.C.E., M.C.I.W.E.M.,
M.I.Mgt.

NEVILLE SMITH, B.A., A.C.M.A.
(Finance Director)

NON-EXECUTIVE

JOHN FRANCIS BATTY, F.C.A., A.T.I.I.
(Chairman)

Former Managing Director of the Company and Brockhampton Holdings plc. Chairman of Brockhampton Holdings plc. Director of Brockhampton Property Investments Limited, Seven Springs Limited and Portsmouth Water Superannuation Fund Trustee Limited. Chairman of Emsworth Community Association.

MARTIN CECIL COPP, D.Litt., F.C.I.B.

Director of Brockhampton Holdings plc. Former Chairman of Bournemouth and West Hampshire Water Companies and other companies, and merchant banker. A Governor of Portsmouth University and the Southern Theological Training Scheme.

JOHN DAVID KING, B.Sc., F.I.C.E., F.C.I.W.E.M.

Former Chief Engineer of the Company. Director of Brockhampton Holdings plc.

HUGH JAMES YOUNG PRINGLE, LL.B.

Solicitor. Director of Brockhampton Holdings plc, Brockhampton Property Investments Limited and Wessex Solicitors Chambers Limited.

PROFESSIONAL ADVISERS

AUDITORS

GRANT THORNTON,
REGISTERED AUDITORS,
CHARTERED ACCOUNTANTS,
Enterprise House,
Isambard Brunel Road,
Portsmouth,
Hants.
PO1 2RZ.

BANKERS

LLOYDS TSB BANK PLC,
4, West Street,
Havant,
Hants.
PO9 1PE.

FINANCIAL ADVISERS

CLOSE BROTHERS
LIMITED,
10, Crown Place,
London.
EC2A 4FT.

CORPORATE SOLICITORS

BLAKE LAPTHORN,
New Court,
1, Barnes Wallis Road,
Segensworth,
Fareham,
Hants.
PO15 5UA.

INSURANCE BROKERS

AON RISK SERVICES,
Richmond House,
College Street,
Southampton,
Hants.
SO14 3PS.

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Accounts for the year ended 31st March 2000.

PRINCIPAL ACTIVITY

The Company is a water undertaking supplying 285,000 domestic and commercial customers within an area of 868 square kilometres in Hampshire and West Sussex.

FINANCIAL RESULTS AND DIVIDENDS

The Company profit before taxation amounts to £9.246m. After deducting £2.073m. for taxation and £2.897m. for dividends paid and proposed, a balance of £4.276m. has been transferred to reserves.

The Directors recommend the payment of a final dividend on the ordinary share capital of £1.609m., payable on 17th August 2000.

BUSINESS REVIEW

The Company has operated throughout the year without the need to implement supply restrictions and water supplied was of a high quality. Charges were increased on 1st July 1999 by 1.5%. Following the determination of future price limits by the Director General of Water Services, charges will be reduced by 1.6% on 1st July 2000. The Company has operated satisfactorily under the regulatory constraints for the year and will continually strive for greater efficiency in complying with its statutory obligations.

FIXED ASSETS

Capital expenditure on tangible fixed assets was £7.354m. (1999 - £8.218m.), including £2.897m. on infrastructure renewals (1999 - £3.316m.). The features of this investment programme include refurbishment schemes at the River Itchen Treatment Works and Farlington Treatment Works and a pumping station refurbishment at Lovedean. Information relating to these and other changes in fixed assets is shown in note 10 to the accounts on page 14.

The Directors are of the opinion that the current market value of the land and buildings included in tangible fixed assets is in excess of the value shown in the balance sheet. As they are held for operational purposes, no professional valuation has been obtained and the excess has not, therefore, been quantified.

DIRECTORS

The Directors who held office at 31st March 2000, all of whom served throughout the year, are shown on page 2. Mr. F. A. Bailey retired as a Director on 18th November 1999.

Mr. J. F. Batty, Mr. M. C. Copp and Mr. H. J. Y. Pringle, who retire by rotation, offer themselves for re-election. None of the Directors offering themselves for re-election have service contracts with the Company.

The beneficial interests of the Directors in the shares of Brockhampton Holdings plc are detailed in note 4 to the accounts on pages 11 and 12.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period. In preparing those financial statements, the Directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the financial statements comply with the above requirements. The Directors are also responsible for maintaining proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CREDITOR PAYMENT POLICY

The Company does not intend to follow any specific code or standard in relation to payment practice. In the absence of dispute, bills will be settled in accordance with the suppliers' terms. Where such terms are considered unreasonable, the Company will seek to agree alternative payment arrangements to suit both parties. At 31st March 2000, the Company's creditor days were 20.

SUBSTANTIAL SHAREHOLDER

Brockhampton Holdings plc owns the entire voting capital of the Company.

REGULATORY ACCOUNTS

A set of accounts for regulatory purposes is required by the Director General of Water Services. These accounts relate solely to the regulated water supply business and copies may be obtained on request from the Registered Office.

EMPLOYEES

Joint Consultative Committees meet regularly and provide opportunities for employee involvement and exchange of information. The introduction of an Employee Share Scheme has further helped to promote a sense of involvement in and support for the Company's success.

The Company has adopted a policy which complies with the Disability Discrimination Act 1995. This policy deals with the recruitment, retention, training and promotion of disabled persons and is the basis upon which the Company carries out its obligations to them.

The pension scheme to which the Company's employees belong makes provision for retirement due to ill-health or disablement.

DIRECTORS' REPORT

DONATIONS

The Company actively supports the Water Industry charity WaterAid and during the year customers were invited to make donations to WaterAid at the time of paying their water bills.

MILLENNIUM COMPLIANCE

The Directors are pleased to report that the transition into the year 2000 was managed without disruption to customers, staff or businesses. The overall cost of the compliance programme was not material.

LICENCE REQUIREMENT

In accordance with its Instrument of Appointment under the Water Industry Act 1991, the Directors are of the opinion that the Company is in compliance with paragraph 3.1 of Condition 'K' of that Instrument.

AUDITORS

The Auditors, Grant Thornton, have expressed their willingness to continue in office and a resolution providing for their re-appointment will be proposed at the Annual General Meeting.



**HAVANT,
22ND JUNE 2000.**

**BY ORDER OF THE BOARD,
S. G. HALFORD,
SECRETARY.**

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE MEMBERS OF PORTSMOUTH WATER plc

We have audited the financial statements on pages 7 to 18 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 4, the Directors are responsible for the preparation of financial statements in accordance with acceptable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31st March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON,
REGISTERED AUDITORS,
CHARTERED ACCOUNTANTS,
PORTSMOUTH.
22ND JUNE 2000.

PROFIT AND LOSS ACCOUNT

For the year ended 31st March 2000

	Notes	2000 £000	1999 £000
TURNOVER	2	28,801	28,051
COST OF SALES		<u>12,378</u>	<u>12,667</u>
GROSS PROFIT		16,423	15,384
Net operating expenses	3	<u>6,125</u>	<u>5,884</u>
OPERATING PROFIT		10,298	9,500
Profit on sale of fixed assets		<u>220</u>	<u>360</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		10,518	9,860
Interest receivable	5	<u>57</u>	<u>46</u>
		10,575	9,906
Interest payable	6	<u>1,329</u>	<u>1,487</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	9,246	8,419
Taxation on profit on ordinary activities	8	<u>2,073</u>	<u>2,078</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		7,173	6,341
Dividends paid and proposed	9	<u>2,897</u>	<u>2,618</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	<u>4,276</u>	<u>3,723</u>

There are no recognised gains or losses other than the profit for the year.

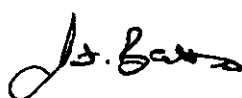
The accompanying accounting policies and notes form an integral part of these financial statements.

BALANCE SHEET

As at 31st March 2000

	Notes	2000 £000	1999 £000
FIXED ASSETS			
Tangible	10	62,201	60,049
CURRENT ASSETS			
Stores		854	911
Debtors	11	1,117	840
Investments	12	4	4
Cash and short-term deposits		<u>2,545</u>	<u>591</u>
		4,520	2,346
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	11,328	17,278
NET CURRENT LIABILITIES		<u>(6,808)</u>	<u>(14,932)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		55,393	45,117
CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	14	<u>15,000</u>	<u>9,000</u>
		<u>40,393</u>	<u>36,117</u>
CAPITAL AND RESERVES			
Called up share capital	15	1,078	1,078
Share premium account	16	1,539	1,539
Capital redemption reserve	16	3,250	3,250
Profit and loss account	16	<u>34,526</u>	<u>30,250</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>40,393</u>	<u>36,117</u>

The accounts on pages 7 to 18 were approved by the Board on 22nd June 2000.



J. F. BATTY CHAIRMAN

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and company law, except for the treatment of capital contributions as detailed in note 1.(c). The principal accounting policies remain unchanged from the previous year, with the exception of the accounting treatment for infrastructure renewals, and are as follows:

(a) Turnover

Turnover, which excludes value added tax, represents the income receivable for goods and services provided to external customers in the ordinary course of business.

(b) Fixed assets

(i) Infrastructure assets - mains

Expenditure on infrastructure assets relating to increases in capacity or enhancement of the network and on maintaining the operating capability of the network in accordance with defined standards of service is treated as an addition and included in tangible fixed assets at cost.

The depreciation charge on infrastructure assets is the estimated level of annual expenditure required to maintain the operating capability of the network, based on an independently certified asset management plan.

It has been necessary to change the method of accounting for infrastructure assets following the introduction of FRS15 : Tangible Fixed Assets. Expenditure on maintaining the operating capability of the network was previously classified as infrastructure renewals expenditure and charged as an operating cost. No depreciation was charged on infrastructure assets, because the network is required to be maintained in perpetuity and therefore has no finite economic life. As a consequence, the capitalised cost and accumulated depreciation relating to infrastructure assets as at 31st March 1999 has been restated to take account of necessary changes since the year to 31st March 1989, when infrastructure renewals accounting was first adopted. Further information is given in note 10 to the accounts on pages 14 and 15. There is no effect on the profit and loss account other than to reclassify the infrastructure renewals charge as depreciation.

(ii) Other assets

Depreciation is provided on all other fixed assets with the exception of freehold land. It is calculated to write off the cost of assets less estimated residual values over their estimated useful lives using the straight line method. Those lives are estimated as follows:

Buildings and Reservoirs	100 years
Pumping Plant	25 years
Vehicles and Mobile Plant	5-7 years
Office Equipment	7 years

(c) Capital contributions

(i) Mains contributions

In certain circumstances third parties make non-returnable contributions towards the cost of specific infrastructure assets. They are treated as capital contributions and the Directors consider it appropriate that, in order to present a true and fair view, they should be deducted from fixed assets, as shown in note 10 to the accounts on page 14. In accordance with the Companies Act 1985 requirement to include fixed assets at cost, such contributions would normally be treated as deferred income and released to the profit and loss account over the useful life of the corresponding assets. However, the assets to which they relate do not have determinable finite lives and, accordingly, no basis exists on which to recognise those contributions as deferred income.

(ii) Infrastructure charges

Infrastructure charges are made in respect of new connections in accordance with Condition 'C' of the Instrument of Appointment. These charges are treated as capital contributions and deducted from fixed assets, as more fully explained in note 1.(c)(i) above.

NOTES TO THE ACCOUNTS

(d) Investments

Investments are stated at cost less amounts written off.

(e) Stores

Stores are valued at the lower of cost and net realisable value. In accordance with established practice in the water industry, no value is placed upon the water in reservoirs, mains or in course of treatment.

(f) Deferred taxation

Deferred taxation is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse, and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred taxation is disclosed as a contingent liability in note 20 to the accounts on page 18.

(g) Leases

Operating lease payments are charged to the profit and loss account on a straight line basis over the period of the lease.

(h) Pensions

The Brockhampton Pension Scheme (formerly Portsmouth Water Company Retirement Benefits Scheme) surplus is such that no contributions are likely to be needed from the Company in the foreseeable future. No other economic benefits are currently expected to flow to the Company from recognising any element of the surplus. In addition, the rules of the Scheme preclude any repayment of the overfunding. Therefore, no part of the surplus has been recognised in the balance sheet as an asset.

2. TURNOVER	2000	1999
	£000	£000
Unmeasured supplies	20,153	19,812
Measured supplies	7,852	7,487
Chargeable work	796	752
	<u>28,801</u>	<u>28,051</u>
Turnover is wholly attributable to water supply and related activities in the United Kingdom.		
3. NET OPERATING EXPENSES	2000	1999
	£000	£000
Administrative expenses	6,242	6,010
Other operating income	(117)	(126)
	<u>6,125</u>	<u>5,884</u>
4. DIRECTORS AND EMPLOYEES		
Employment costs:		
Remuneration	5,312	5,220
Social security costs	428	429
Contribution to employee share incentive scheme	150	147
	<u>5,890</u>	<u>5,796</u>
Average numbers employed during year:	Number	Number
Operations	191	196
Administration	76	74
	<u>267</u>	<u>270</u>

NOTES TO THE ACCOUNTS

Directors' emoluments:	2000 £000	1999 £000
Executive remuneration	<u>307</u>	<u>296</u>
Highest paid Director	<u>95</u>	<u>91</u>

Emoluments are analysed by Director below:

	Salary £000	Benefits £000	Total 2000 £000	Total 1999 £000
Executive:				
N. J. ROADNIGHT	85	10	95	91
J. E. COGLEY	64	7	71	68
A. R. NEVE	64	5	69	67
N. SMITH	64	8	72	70
	<u>277</u>	<u>30</u>	<u>307</u>	<u>296</u>

Benefits comprise company cars and medical insurance.

All current executive Directors are accruing pension benefits under the Brockhampton Pension Scheme, which is a defined benefits scheme. The accrued pension of the highest paid Director at 31st March 2000 was £39,000 (1999 - £36,000).

The fees of non-executive Directors, including the Chairman, are paid by the parent undertaking, Brockhampton Holdings plc.

Directors' interests:

With the exception of Mr. J. E. Cogley and Mr. A. R. Neve, whose interests are detailed below, all other Directors' interests in Brockhampton Holdings plc shares are disclosed in the Brockhampton Holdings plc accounts.

	SHARES				OPTIONS			
	Ordinary		'A' Ordinary		Ordinary		'A' Ordinary	
	2000	1999	2000	1999	2000	1999	2000	1999
J. E. COGLEY	3,000	3,000	101,139	99,232	1,472	1,472	19,519	19,519
A. R. NEVE	-	-	32,901	29,163	1,472	1,472	19,653	12,256

No Directors have any interest in Portsmouth Water plc shares.

NOTES TO THE ACCOUNTS

Details of their options under the Savings-Related Share Option Scheme for employees to subscribe for shares of Brockhampton Holdings plc are as follows:

	AT 31ST MARCH 1999	GRANTED	EXERCISED	AT 31ST MARCH 2000	EXERCISE PRICE	EXERCISE DATE
J. E. COGLEY	1,472	-	-	1,472	164p	FROM FEBRUARY 2002 FOR 6 MONTHS (ORDINARY SHARES)
	19,519	-	-	19,519	76p	FROM MARCH 2003 FOR 6 MONTHS (‘A’ ORDINARY SHARES)
A. R. NEVE	1,472	-	-	1,472	164p	FROM FEBRUARY 2002 FOR 6 MONTHS (ORDINARY SHARES)
	12,256	-	-	12,256	76p	FROM MARCH 2003 FOR 6 MONTHS (‘A’ ORDINARY SHARES)
	-	7,397	-	7,397	73p	FROM FEBRUARY 2005 FOR 6 MONTHS (‘A’ ORDINARY SHARES)

The middle market quotation for an Ordinary Share on 31st March 2000 was 203p, the range having varied during the year between a high of 208p and a low of 195p.

The middle market quotation for an ‘A’ Ordinary Share on 31st March 2000 was 89.5p, the range having varied during the year between a high of 94.5p and a low of 89.5p.

No changes in the above mentioned interests have been notified in the period to 22nd May 2000.

5. INTEREST RECEIVABLE	2000	1999
	£000	£000
Interest on short-term deposits	30	13
Other interest receivable	27	33
	<u>57</u>	<u>46</u>

NOTES TO THE ACCOUNTS

6. INTEREST PAYABLE	2000 £000	1999 £000
Debenture stocks	11	11
Bank loans and overdraft	1,267	1,425
Loans from parent undertaking	39	39
Other interest payable	<u>12</u>	<u>12</u>
	<u>1,329</u>	<u>1,487</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

After charging:		(restated)
Depreciation - infrastructure assets	2,879	3,316
- non infrastructure assets	1,222	1,085
Rates	1,922	1,863
Water abstraction charges	1,328	1,284
Auditors' remuneration:		
Audit services	17	17
Non-audit services	6	6
Hire of plant and machinery	26	30
Other operating leases	447	447

8. TAXATION

Corporation tax at 30% (1999 - 31%)	2,138	2,078
Adjustment for previous years	<u>(65)</u>	<u>-</u>
	<u>2,073</u>	<u>2,078</u>

No provision is made for tax deferred by capital allowances as the continuing programme of capital expenditure makes it appear unlikely that such timing differences will reverse in the foreseeable future. The full potential liability for deferred taxation in respect of all timing differences is as follows:

	2000 £000	1999 £000
Accelerated capital allowances	<u>13,674</u>	<u>12,916</u>

9. DIVIDENDS PAID AND PROPOSED

Equity:

Ordinary/'A' Ordinary Shares - interim paid	1,288	1,393
- final proposed	1,609	1,225
	<u>2,897</u>	<u>2,618</u>

NOTES TO THE ACCOUNTS

10. TANGIBLE FIXED ASSETS	Freehold land, buildings & reservoirs	Mains	Pumping plant	Vehicles, mobile plant & office equipment	TOTAL
COST	£000	£000	£000	£000	£000
At 1st April 1999	31,245	32,191	8,586	5,243	77,265
Prior year adjustment	-	31,136	-	-	31,136
At 1st April 1999 restated	31,245	63,327	8,586	5,243	108,401
Additions	806	3,597	2,142	809	7,354
Disposals	(2)	(211)	(127)	(551)	(891)
At 31st March 2000	32,049	66,713	10,601	5,501	114,864
DEPRECIATION					
At 1st April 1999	3,840	-	1,635	3,513	8,988
Prior year adjustment	-	31,136	-	-	31,136
At 1st April 1999 restated	3,840	31,136	1,635	3,513	40,124
Charge for year	312	2,879	419	491	4,101
Disposals during year	(2)	(211)	(126)	(495)	(834)
At 31st March 2000	4,150	33,804	1,928	3,509	43,391
NET BOOK VALUE					
At 31st March 2000	27,899	32,909	8,673	1,992	71,473
At 31st March 1999 restated	27,405	32,191	6,951	1,730	68,277
CAPITAL CONTRIBUTIONS					
At 1st April 1999	-	8,228	-	-	8,228
Received during year	-	1,044	-	-	1,044
At 31st March 2000	-	9,272	-	-	9,272
NET BOOK VALUE AFTER DEDUCTING CAPITAL CONTRIBUTIONS					
At 31st March 2000	27,899	23,637	8,673	1,992	62,201
At 31st March 1999 restated	27,405	23,963	6,951	1,730	60,049

NOTES TO THE ACCOUNTS

PRIOR YEAR ADJUSTMENT

As explained in note 1 to the accounts on page 9, the balance sheet as at 31st March 1999 has been restated, following the introduction of FRS15 : Tangible Fixed Assets.

The effect of the restatement is to include infrastructure renewals expenditure of £32.815m. for the ten year period ended 31st March 1999 within both the cost of mains assets and accumulated depreciation on those assets. An adjustment has also been made to the capitalised cost and accumulated depreciation to remove the carrying amount of parts of the system replaced or restored by the infrastructure renewals expenditure. This adjustment is treated as a deemed disposal and amounted to £1.679m. for the ten years ended 31st March 1999.

11. DEBTORS	2000 £000	1999 £000
Trade debtors	681	671
Prepayments and accrued income	404	135
Other debtors	32	34
	<u>1,117</u>	<u>840</u>

All of the above amounts fall due within one year.

12. INVESTMENTS

Unlisted investments: £4,000 (1999 - £4,000).

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loan	-	6,000
3% Perpetual debenture stock	77	77
3½% Perpetual debenture stock	198	198
4% Perpetual debenture stock	39	39
Payments received on account	444	248
Trade creditors	805	712
Amounts owed to group companies	151	541
Corporation tax	1,320	1,443
Social security and other taxation	157	170
Other creditors	1,895	1,958
Accruals	358	364
Water rates in advance	4,275	4,303
Proposed dividends	1,609	1,225
	<u>11,328</u>	<u>17,278</u>

NOTES TO THE ACCOUNTS

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR	2000 £000	1999 £000
Between two and five years:		
Bank loan	5,000	-
In five years or more:		
Bank loans	10,000	9,000
	<u>15,000</u>	<u>9,000</u>

The £5m. bank loan is unsecured, repayable on 29th July 2004 and bears interest at 9.6625% per annum.

Two bank loans of £6m. and £4m. respectively are repayable in five years or more. The new £6m. bank loan is unsecured, repayable on 23rd September 2009 and bears interest fixed at 6.93% by way of an interest rate swap with Lloyds TSB Bank PLC. Under this agreement, the loan must not exceed £5.5m. on 23rd September 2006, £5m. on 23rd September 2007 and £4.5m. on 23rd September 2008.

The £4m. bank loan is part of an unsecured £7m. revolving credit facility, which expires on 25th March 2007, and bears interest based on London Interbank rates. Under this agreement, the loan must not exceed £6m. on 25th March 2004, £5m. on 25th March 2005 and £4m. on 25th March 2006.

In addition to the above, all debenture stocks totalling £0.314m. (1999 - £0.314m.) are repayable within one year, as shown in note 13 to the accounts on page 15.

15. CALLED UP SHARE CAPITAL	2000 £000	1999 £000
Authorised:		
Equity:		
6,000,000 Ordinary Shares of 10p each	600	600
10,500,000 'A' Ordinary Shares of 10p each	1,050	1,050
	<u>1,650</u>	<u>1,650</u>
Non-equity:		
3,250,000 Redeemable Preference Shares of £1 each	3,250	3,250
	<u>4,900</u>	<u>4,900</u>
Allotted, called up and fully paid:		
Equity:		
4,265,177 Ordinary Shares of 10p each	427	427
6,509,162 'A' Ordinary Shares of 10p each	651	651
	<u>1,078</u>	<u>1,078</u>

The Ordinary and 'A' Ordinary Shareholders are entitled to receive dividends pari passu according to the amount paid up or credited as paid up on their shares. The Ordinary Shares are the only class of share to carry voting rights.

In a distribution on the winding up of the Company, the Ordinary and 'A' Ordinary Shareholders are entitled to share the balance of any surplus assets pari passu according to the amount paid up or credited as paid up on their shares.

NOTES TO THE ACCOUNTS

16. RESERVES	Share Premium £000	Capital Redemption £000	Profit and Loss £000
At 1st April 1999	1,539	3,250	30,250
Retained profit for the year	-	-	4,276
At 31st March 2000	<u>1,539</u>	<u>3,250</u>	<u>34,526</u>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2000 £000	1999 £000
Profit for the financial year	7,173	6,341
Dividends	<u>2,897</u>	<u>2,618</u>
	4,276	3,723
Shareholders' funds at 31st March 1999	<u>36,117</u>	<u>32,394</u>
Shareholders' funds at 31st March 2000	<u>40,393</u>	<u>36,117</u>

18. PENSIONS

Portsmouth Water plc is a participating employer in the Brockhampton Pension Scheme (formerly Portsmouth Water Company Retirement Benefits Scheme). This Scheme provides defined benefits based on final pensionable earnings. The assets of the Scheme are held in a separate trustee administered fund.

Contributions are determined by qualified actuaries on the basis of periodic investigations. The Company, on the advice of its actuaries, has not made contributions to the Scheme since 1st April 1990. The latest actuarial investigation of the Scheme was made as at 31st March 1999 and full details are contained in the Brockhampton Holdings plc accounts.

19. CAPITAL COMMITMENTS	2000 £000	1999 £000
Contracted for but not provided in these financial statements	<u>2,433</u>	<u>1,244</u>

The Company has a further commitment under operating leases relating to computer hardware and associated software of £0.447m. per annum. (1999 - £0.447m.) which will expire as set out below:

	2000 £000	1999 £000
Within two to five years	447	447

NOTES TO THE ACCOUNTS

20. CONTINGENT LIABILITIES

At 31st March 2000 and 31st March 1999, the Company did not have any contingent liabilities, with the exception of unprovided deferred taxation, as shown in note 8 to the accounts on page 13.

21. HOLDING COMPANY

Portsmouth Water plc is a wholly-owned subsidiary of Brockhampton Holdings plc and has, therefore, taken advantage of the exemption under FRS 8 : Related Party Disclosures not to provide information on related party transactions with other undertakings within the Group. Copies of the Group accounts can be obtained on request from the Registered Office.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Portsmouth Water plc will be held at the Company's Registered Office, P. O. Box 8, West Street, Havant, Hants., at 9.45 a.m. on Thursday, the 27th day of July 2000, on the following business:

1. To receive and consider the Directors' Report and Accounts for the year ended 31st March 2000 and the Auditors' Report thereon.
2. To confirm a final dividend.
3. To re-elect Mr. J. F. Batty a Director of the Company.
4. To re-elect Mr. M. C. Copp a Director of the Company.
5. To re-elect Mr. H. J. Y. Pringle a Director of the Company.
6. To re-appoint Grant Thornton as Company Auditors and to authorise the Directors to fix their remuneration.

**REGISTERED OFFICE,
P. O. BOX 8,
WEST STREET, HAVANT,
HANTS. PO9 1LG.
22ND JUNE 2000.**

**BY ORDER OF THE BOARD,
S. G. HALFORD,
SECRETARY.**

Notes:

- i) Debentureholders are reminded that the holding of debenture stock does not entitle them to attend or vote at the meeting.
- ii) Shareholders are reminded that no voting rights attach to the 'A' Ordinary Shares. 'A' Ordinary Shareholders are not entitled to attend the meeting.
- iii) A proxy form is enclosed for Shareholders entitled to vote at the meeting.
- iv) To be valid proxies must reach the Company's Registered Office not later than forty-eight hours before the time fixed for the meeting.
- v) Final dividend payable on 17th August 2000 to Shareholders registered at close of business on 30th June 2000.