

02536455



1999



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 and Portsmouth Water Superannuation Fund Trustee Limited. Chairman of Emsworth Community Association and a School Governor.

FREDERICK ARTHUR BAILEY, F.C.I.S., F.S.C.A.

Former Secretary of the Company. Director of Brockhampton Holdings plc and Portsmouth Water Superannuation Fund Trustee Limited. A former School Governor and councillor. A panel member of Gas Consumers Southern.

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

Director of Brockhampton Holdings plc, Haydens Bakeries Ltd and other companies. Former Chairman of Bournemouth and West Hampshire Water 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 BANK PLC,  
4, West Street,  
Havant,  
Hants.  
PO9 1PE.

**FINANCIAL ADVISERS** CLOSE BROTHERS  
LIMITED,  
12, Appold Street,  
London.  
EC2A 2AA.

**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 1999.

## PRINCIPAL ACTIVITY

The Company is a water undertaking supplying 284,000 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 £8.419m. After deducting £2.078m. for taxation and £2.618m. for dividends paid and proposed, a balance of £3.723m. has been transferred to reserves.

The Directors recommend the payment of a final dividend on the ordinary share capital of £1.225m., payable on 12th August 1999.

## BUSINESS REVIEW

The Company has operated throughout the year without the need to implement supply restrictions and water supplied was of a high quality. To provide for the continuing high level of expenditure, charges were increased on 1st July 1998 by 2.2%. This increase was in accordance with the decision of the Monopolies and Mergers Commission, following the Company's referral of permitted future price increases determined by the Director General of Water Services. On 1st July 1999, charges will be further increased by 1.5%. 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 £4.902m. (1998 - £5.695m.). The features of this investment programme include pumping station refurbishments at the River Itchen Treatment Works and Hoads Hill, a project at the Farlington Treatment Works to ensure the future quality of water supplied to the Portsmouth area and a scheme to reduce the level of lead in water in the Chichester area of supply. Information relating to these and other changes in fixed assets is shown in note 11 to the accounts on page 14. In addition, £3.316m. was spent on infrastructure renewals (1998 - £3.647m.) and charged to the profit and loss account.

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 1999, all of whom served throughout the year, are shown on page 2. Mr. F. A. Bailey, Mr. J. E. Cogley and Mr. A. R. Neve, who retire by rotation, offer themselves for re-election. Mr. J. E. Cogley and Mr. A. R. Neve both have one year 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 1999, the Company's creditor days were 16.

## 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 recognise the far reaching implications of the millennium date change. Significant progress has been made during the year and work is already well advanced to ensure that the risk to business operations is minimised. A full assessment of computer systems and computer controlled processes, upon which the water supply function is dependent, has been completed across the Company. Where problem areas have been identified, upgrading or replacement has already been substantially effected. This programme of work, together with associated testing, will be completed by 30th June 1999. In addition, a full review of in-house computer systems has been carried out. All business critical systems have already been converted and tested.

The Directors continue to monitor work on the compliance programme on a regular basis and expect all systems and processes to be fully compliant by 30th June 1999. The overall cost of the programme will not be 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,  
17TH JUNE 1999.



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. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

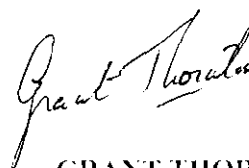
### Basis of Opinion

We conducted our audit in accordance with 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 1999 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.  
17TH JUNE 1999.

# PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1999

	Notes	1999 £000	1998 £000
<b>TURNOVER</b>	2	28,051	28,115
<b>COST OF SALES</b>		<u>12,667</u>	<u>13,070</u>
<b>GROSS PROFIT</b>		15,384	15,045
Net operating expenses	3	<u>5,884</u>	<u>5,799</u>
<b>OPERATING PROFIT</b>		9,500	9,246
Profit/(loss) on sale of fixed assets	5	<u>360</u>	<u>(7)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		9,860	9,239
Interest receivable	6	<u>46</u>	<u>24</u>
		9,906	9,263
Interest payable	7	<u>1,487</u>	<u>1,564</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	8,419	7,699
Taxation on profit on ordinary activities	9	<u>2,078</u>	<u>1,977</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		6,341	5,722
Dividends paid and proposed on equity and non-equity shares	10	<u>2,618</u>	<u>2,358</u>
<b>RETAINED PROFIT - CARRY FORWARD TO NEXT YEAR</b>	17	<u><u>3,723</u></u>	<u><u>3,364</u></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.

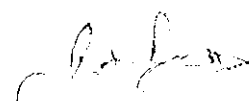


# BALANCE SHEET

As at 31st March 1999

	Notes	1999 £000	1998 £000
<b>FIXED ASSETS</b>			
Tangible	11	60,049	56,838
<b>CURRENT ASSETS</b>			
Stores		911	874
Debtors	12	840	1,175
Investments	13	4	4
Cash and short-term deposits		<u>591</u>	<u>416</u>
		2,346	2,469
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	17,278	11,913
<b>NET CURRENT (LIABILITIES)</b>		<u>(14,932)</u>	<u>(9,444)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		45,117	47,394
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	15	<u>9,000</u>	<u>15,000</u>
		<u>36,117</u>	<u>32,394</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	1,078	1,078
Share premium account	17	1,539	1,539
Capital redemption reserve	17	3,250	3,250
Profit and loss account	17	<u>30,250</u>	<u>26,527</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>36,117</u>	<u>32,394</u>

The accounts on pages 7 to 18 were approved by the Board on 17th June 1999.

  
J.E. 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 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 relating to increases in capacity or enhancement of the mains network is capitalised and included in tangible fixed assets at cost. Expenditure on maintaining the operating capacity of the network is classified as infrastructure renewals expenditure and charged as an operating cost. No depreciation is charged on infrastructure assets, as shown in note 11 to the accounts on page 14, because the network is required to be maintained in perpetuity and therefore has no finite economic life.

#### (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 11 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 are not depreciated 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.

#### (d) Investments

Investments are stated at cost less amounts written off.

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.

# NOTES TO THE ACCOUNTS

## (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 21 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 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. Detailed information regarding the surplus and the actuarial position of the Scheme is given in note 19 to the accounts on page 17.

2. TURNOVER	1999 £000	1998 £000
Unmeasured supplies	19,812	19,351
Measured supplies	7,487	7,699
Chargeable work	<u>752</u>	<u>1,065</u>
	<u>28,051</u>	<u>28,115</u>

Turnover is wholly attributable to water supply and related activities in the United Kingdom.

3. NET OPERATING EXPENSES	1999 £000	1998 £000
Administrative expenses	6,010	5,886
Other operating income	<u>(126)</u>	<u>(87)</u>
	<u>5,884</u>	<u>5,799</u>

## 4. DIRECTORS AND EMPLOYEES

### Employment costs:

Remuneration	5,229	5,206
Social security costs	429	427
Contribution to employee share incentive scheme	<u>147</u>	<u>149</u>
	<u>5,805</u>	<u>5,782</u>

### Average numbers employed during year:

	Number	Number
Operations	196	197
Administration	<u>74</u>	<u>74</u>
	<u>270</u>	<u>271</u>

# NOTES TO THE ACCOUNTS

Directors' emoluments:	1999 £000	1998 £000
Executive remuneration	296	292
Highest paid Director	91	83

## Emoluments are analysed by Director below:

	Salary £000	Benefits £000	Total 1999 £000	Total 1998 £000
<b>Executive:</b>				
N. J. ROADNIGHT	83	8	91	83
J. E. COGLEY	62	6	68	55
A. R. NEVE	62	5	67	54
N. SMITH	62	8	70	12
J. F. BATTY (retired 11/10/97)	-	-	-	72
T. JACKSON (resigned 30/05/97)	-	-	-	16
	<u>269</u>	<u>27</u>	<u>296</u>	<u>292</u>

Benefits comprise company cars and medical insurance.

All current executive Directors are accruing pension benefits under the Portsmouth Water Company Retirement Benefits Scheme, which is a defined benefits scheme. The accrued pension of the highest paid Director at 31st March 1999 was £36,000 (1998 - £31,000).

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	
	1999	1998	1999	1998	1999	1998	1999	1998
J. E. COGLEY	3,000	-	99,232	-	1,472	1,472	19,519	19,519
A. R. NEVE	-	-	29,163	10,570	1,472	-	12,256	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 1998	GRANTED	EXERCISED	AT 31ST MARCH 1999	EXERCISE PRICE	EXERCISE DATE
J. E. COGLEY	1,472	-	-	1,472	164p	FROM FEBRUARY 2002 FOR 6 MONTHS
	19,519	-	-	19,519	76p	FROM MARCH 2003 FOR 6 MONTHS
A. R. NEVE	1,472	-	-	1,472	164p	FROM FEBRUARY 2002 FOR 6 MONTHS
	9,355	-	9,355	-	59p	FROM FEBRUARY 1999 FOR 6 MONTHS
	12,256	-	-	12,256	76p	FROM MARCH 2003 FOR 6 MONTHS

On the date of exercise, the middle market quotation for an 'A' Ordinary Share was 93p. The middle market quotation on 31st March 1999 was 94.5p, the range having varied during the year between a high of 100p and a low of 80p. The middle market quotation for an Ordinary Share on 31st March 1999 was 195p, the range having varied during the year between a high of 195p and a low of 182p.

No changes in the above mentioned interests have been notified in the period to 17th May 1999.

5. PROFIT/(LOSS) ON SALE OF FIXED ASSETS	1999 £000	1998 £000
Land	349	37
Other fixed assets	11	(44)
	<u>360</u>	<u>(7)</u>

The profit on sale of land for the year relates to a disposal to a Group company.

6. INTEREST RECEIVABLE	1999 £000	1998 £000
Interest on short-term deposits	13	
Other interest receivable	33	
	<u>46</u>	

# NOTES TO THE ACCOUNTS

7. INTEREST PAYABLE	1999 £000	1998 £000
Debenture stocks	11	12
Bank loans and overdraft	1,425	1,464
Loans from parent undertaking	39	76
Other interest payable	12	12
	<u>1,487</u>	<u>1,564</u>

## 8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

### After charging:

Infrastructure renewals expenditure	3,316	3,647
Rates	1,863	1,793
Water abstraction charges	1,284	1,088
Depreciation	1,085	989
Auditors' remuneration:		
Audit services	17	20
Non-audit services	6	29
Hire of plant and machinery	30	29
Other operating leases	463	456

## 9. TAXATION

Corporation tax at 31% (1998 - 31%)	<u>2,078</u>	<u>1,977</u>
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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:

	1999 £000	1998 £000
Accelerated capital allowances	<u>12,916</u>	<u>11,805</u>

## 10. DIVIDENDS PAID AND PROPOSED

### Equity:

Ordinary/'A' Ordinary Shares - interim paid	1,393	1,075
- final proposed	1,225	1,244
	<u>2,618</u>	<u>2,319</u>

### Non-equity:

7.75% Redeemable Preference Shares 1997 - paid	-	-
	<u>2,618</u>	<u>2,319</u>

## NOTES TO THE ACCOUNTS

11. 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 1998	29,478	31,769	6,495	4,981	72,723
Additions	1,768	422	2,118	594	4,902
Disposals	(1)	-	(27)	(332)	(360)
At 31st March 1999	<u>31,245</u>	<u>32,191</u>	<u>8,586</u>	<u>5,243</u>	<u>77,265</u>
DEPRECIATION					
At 1st April 1998	3,533	-	1,328	3,363	8,224
Charge for year	307	-	334	444	1,085
Disposals during year	-	-	(27)	(294)	(321)
At 31st March 1999	<u>3,840</u>	<u>-</u>	<u>1,635</u>	<u>3,513</u>	<u>8,988</u>
NET BOOK VALUE					
At 31st March 1999	<u>27,405</u>	<u>32,191</u>	<u>6,951</u>	<u>1,730</u>	<u>68,277</u>
At 31st March 1998	<u>25,945</u>	<u>31,769</u>	<u>5,167</u>	<u>1,618</u>	<u>64,499</u>
CAPITAL CONTRIBUTIONS					
At 1st April 1998	-	7,661	-	-	7,661
Received during year	-	567	-	-	567
At 31st March 1999	<u>-</u>	<u>8,228</u>	<u>-</u>	<u>-</u>	<u>8,228</u>
NET BOOK VALUE AFTER DEDUCTING CAPITAL CONTRIBUTIONS					
At 31st March 1999	<u>27,405</u>	<u>23,963</u>	<u>6,951</u>	<u>1,730</u>	<u>60,049</u>
At 31st March 1998	<u>25,945</u>	<u>24,108</u>	<u>5,167</u>	<u>1,618</u>	<u>56,838</u>

## NOTES TO THE ACCOUNTS

<b>12. DEBTORS</b>	1999 £000	1998 £000
Trade debtors	671	1,023
Prepayments and accrued income	135	134
Other debtors	34	18
	<u>840</u>	<u>1,175</u>

All of the above amounts fall due within one year.

### 13. INVESTMENTS

Unlisted investments: £4,000 (1998 - £4,000).

### 14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Bank loan	6,000	-
3% Perpetual debenture stock	77	90
3½ % Perpetual debenture stock	198	198
4% Perpetual debenture stock	39	47
Payments received on account	248	548
Trade creditors	712	1,013
Amounts owed to group companies	541	696
Corporation tax	1,443	1,055
Social security and other taxation	170	166
Other creditors	1,958	2,187
Accruals	364	393
Water rates in advance	4,303	4,276
Proposed dividends	1,225	1,244
	<u>17,278</u>	<u>11,913</u>

The £6m. bank loan is unsecured, repayable on 23rd September 1999 and bears interest at 10.3325% per annum.

### 15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

#### Between one and two years:

Bank loan	-	6,000
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#### In five years or more:

Bank loans	9,000	9,000
	<u>9,000</u>	<u>15,000</u>

Two bank loans of £5m. and £4m. respectively are repayable in five years or more. The £5m. bank loan is unsecured, repayable on 29th July 2004 and bears interest at 9.6625% per annum. 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.(1998 - £0.335m.) are repayable within one year, as shown in note 14 to the accounts above.



## NOTES TO THE ACCOUNTS

<b>16. CALLED UP SHARE CAPITAL</b>	1999 £000	1998 £000
<b>Authorised:</b>		
<b>Equity:</b>		
6,000,000 Ordinary Shares of 10p each	600	600
10,500,000 'A' Ordinary Shares of 10p each	<u>1,050</u>	<u>1,050</u>
	<u>1,650</u>	<u>1,650</u>
<b>Non-equity:</b>		
3,250,000 Redeemable Preference Shares of £1 each	<u>3,250</u>	<u>3,250</u>
	<u>4,900</u>	<u>4,900</u>
<b>Allotted, called up and fully paid:</b>		
<b>Equity:</b>		
4,265,177 Ordinary Shares of 10p each	427	427
6,509,162 'A' Ordinary Shares of 10p each	<u>651</u>	<u>651</u>
	<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.

<b>17. RESERVES</b>	<b>Share Premium £000</b>	<b>Capital Redemption £000</b>	<b>Profit and Loss £000</b>
At 1st April 1998	1,539	3,250	26,527
Retained profit for the year	-	-	3,723
At 31st March 1999	<u>1,539</u>	<u>3,250</u>	<u>30,250</u>

## NOTES TO THE ACCOUNTS

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1999 £000	1998 £000
Profit for the financial year	6,341	5,722
Dividends	<u>2,618</u>	<u>2,358</u>
	3,723	3,364
Preference Shares redemption	<u>-</u>	<u>(2,000)</u>
Net increase in shareholders' funds	3,723	1,364
Shareholders' funds at 31st March 1998	<u>32,394</u>	<u>31,030</u>
Shareholders' funds at 31st March 1999	<u><u>36,117</u></u>	<u><u>32,394</u></u>

### 19. PENSIONS

The Company participates in the Portsmouth Water Company Retirement Benefits Scheme to provide defined benefits based on final pensionable pay for its employees. 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 Portsmouth Water Company Retirement Benefits Scheme since 1st April 1990. The latest actuarial investigation of the Scheme was made as at 30th September 1996, and the most significant actuarial assumptions were as follows:

Valuation Method	Projected Unit
Rate of Return on Investment	8¼ % per annum
Rate of Increase in Pay	6½ % per annum
Rate of Increase in Pensions in Payment	4½ % per annum
Early Retirement	50% of members in service to retire at the earliest age at which an unreduced pension can be taken and 50% at normal pension age
Valuation of Assets	Market value notionally re-invested in the Financial Times - Stock Exchange - Actuaries' All-Share Index, allowing for growth in dividends (taken net to reflect the loss of ACT credits) at 4½ % per annum

The market value of the Scheme's assets at 30th September 1996 was £73.050m. and the actuarial value of those assets represented 182% of the value of benefits accrued to members, allowing for expected future increases in earnings and pensions.

The actuarial investigation of the Scheme as at 30th September 1996 revealed a surplus of £30.002m. However, as stated in the accounting policy on pensions on page 10, the rules of the Scheme preclude any repayment of the overfunding. Consequently, no part of the surplus has been recognised as an asset and a nil pension cost has been charged to the profit and loss account.

## NOTES TO THE ACCOUNTS

20. CAPITAL COMMITMENTS	1999 £000	1998 £000
Contracted for but not provided in these financial statements	<u>1,244</u>	<u>974</u>

The Company has a further commitment under operating leases relating to computer hardware and associated software of £0.447m. per annum. (1998 - £0.461m.) which will expire as set out below:

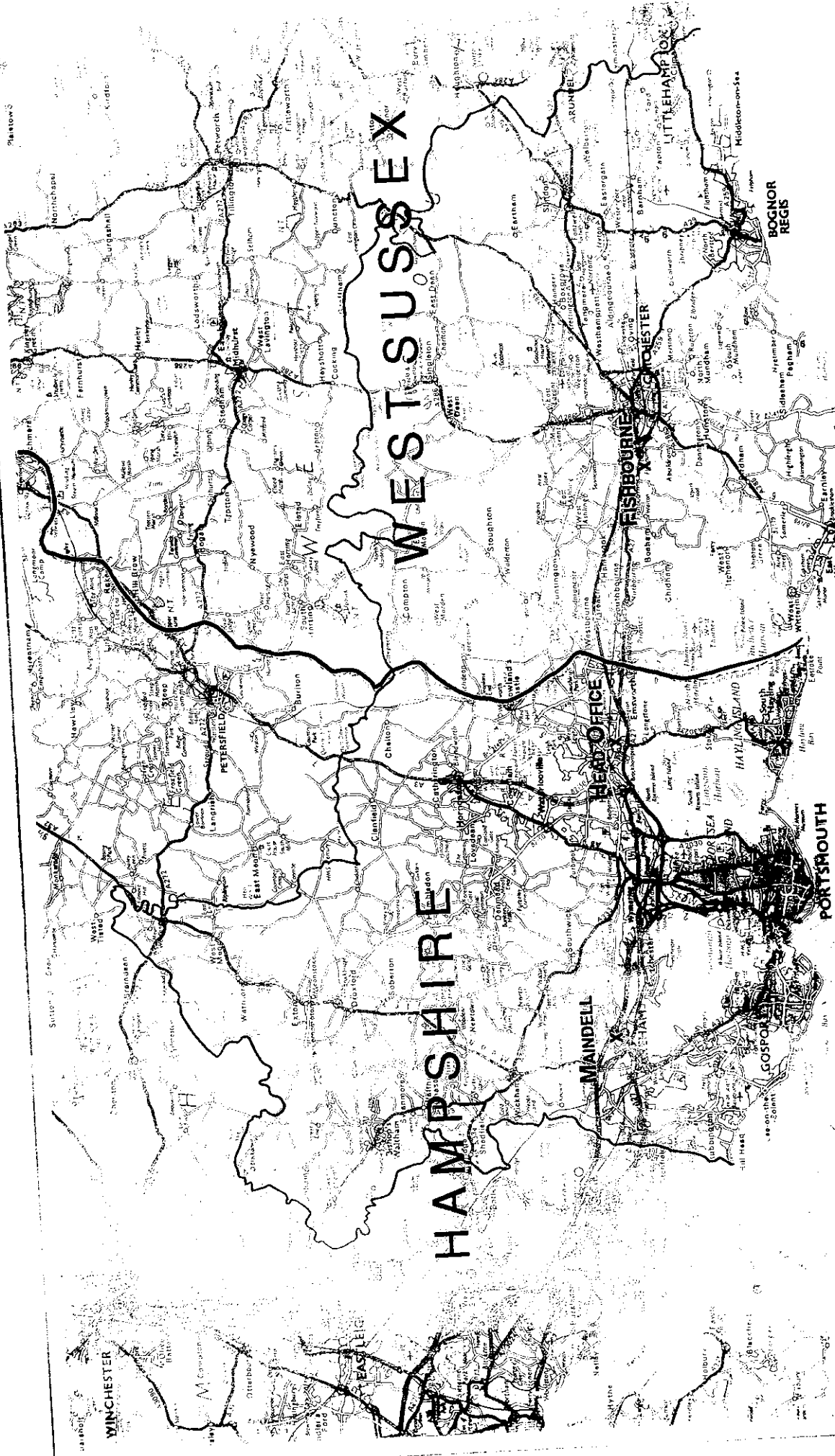
	1999 £000	1998 £000
Within one year	-	14
Within two to five years	447	447

### 21. CONTINGENT LIABILITIES

At 31st March 1999 and 31st March 1998, the Company did not have any contingent liabilities, with the exception of unprovided deferred taxation, as shown in note 9 to the accounts on page 13.

### 22. 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.



**AREA OF SUPPLY IN HAMPSHIRE & WEST SUSSEX**

**DISTRICTS**

East Hampshire (part)	Gosport	Winchester (part)
Eastleigh (part)	Havant	Arun (part)
Fareham (part)	Portsmouth	Chichester (part)



# 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 11.00 a.m. on Thursday, the 22nd day of July 1999, on the following business:

1. To receive and consider the Directors' Report and Accounts for the year ended 31st March 1999 and the Auditors' Report thereon.
2. To confirm a final dividend.
3. To re-elect Mr. F. A. Bailey a Director of the Company.
4. To re-elect Mr. J. E. Cogley a Director of the Company.
5. To re-elect Mr. A. R. Neve 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.  
17TH JUNE 1999.

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 12th August 1999 to shareholders registered at close of business on 25th June 1999.