

2536455



19  
97



EDX \*EG81E00Y\* 20  
COMPANIES HOUSE 131699

REPORT AND  
ACCOUNTS

## CONTENTS

**Page**

2.	Directors and Professional Advisers
3.	Directors' Report
6.	Auditors' Report
7.	Profit and Loss Account
8.	Balance Sheet
9.	Notes to the Accounts
19.	Area of Supply
20.	Notice of Meeting

# DIRECTORS AND PROFESSIONAL ADVISERS

## DIRECTORS

### EXECUTIVE

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

TIMOTHY JACKSON, B.Sc., F.I.C.E., M.C.I.W.E.M.  
(Technical Director)

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

### NON-EXECUTIVE

GEORGE SLATER, B. Eng., F.I.C.E., F.C.I.W.E.M.  
(Chairman)

Former Chief Engineer of the Company, Chairman of Brockhampton Holdings plc. Director of Brockhampton Property Investments Limited and Portsmouth Water Superannuation Fund Trustee Limited.

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 School Governor, councillor and 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

ALEXANDER AND  
ALEXANDER (UK)  
LIMITED,  
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 1997.

## PRINCIPAL ACTIVITY

The Company is a water undertaking supplying 281,000 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 £10.494m.. After deducting £2.223m. for taxation and £9.687m. for dividends paid and proposed, a deficit of £1.416m. has been transferred to reserves.

The Directors recommend the payment of a final dividend on the Ordinary Share Capital of £0.866m., payable on 14th August 1997.

Dividends have been paid on the Redeemable Preference Shares in accordance with the terms of issue.

## 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 1996 by 1.3%. 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 1997, charges will be further increased by 1%, this after surrendering 0.25% as a voluntary abatement. 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 £5.297m. (1996 - £3.132m.). The features of this investment programme include pumping station refurbishments at Bedhampton and Havant, the construction of a new pumping station at Aldingbourne, together with associated pumping mains, and the laying of link mains from Fir Down reservoir to West Meon pumping station to provide security of supply in the West Meon area. Information relating to these and other changes in fixed assets is shown in note 11 to the accounts on page 14. In addition, £3.741m. was spent on infrastructure renewals (1996 - £3.523m.) and charged to the profit and loss account.

During the year the Company disposed of land and buildings to Brockhampton Holdings plc for a consideration of £0.769m. and to Brockhampton Property Investments Limited for a consideration of £1.726m.

The Directors are of the opinion that the current market value of the remaining 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.

## SHARE CAPITAL AND DEBENTURE STOCK

The £8m. 10 5/8% Debenture Stock and £1.25m. 9.5% Preference Shares were both redeemed at par on 31st December 1996. The redemptions were made partly out of cash reserves and partly out of the proceeds of a new ten year £7m. revolving credit facility, £5m. of which had been drawn by the balance sheet date.

The issued share capital of the Company is detailed in note 16 to the accounts on page 16.

# DIRECTORS' REPORT

## DIRECTORS

The Directors who held office at 31st March 1997, all of whom served throughout the year, are shown on page 2. Mr. J. F. Batty and Mr. N. J. Roadnight, who retire by rotation, offer themselves for re-election. Both have five year rolling service contracts with the Company, which are subject to termination, without compensation, by the Company giving them not less than 48 months' notice or by them giving the Company not less than 6 months' notice. Mr. J. F. Batty's service contract will terminate on his retirement on 11th October 1997.

The Chairman, Mr. G. Slater, will retire following the Annual General Meeting on 24th July 1997. He will be succeeded by Mr. J. F. Batty, who will become executive Chairman until 11th October 1997, when he will retire and become non-executive Chairman. Mr. N. J. Roadnight, currently Finance Director, will become the new Managing Director.

Mr. T. Jackson resigned as Technical Director at the end of May 1997. With effect from 1st June 1997, Mr. A. R. Neve will become Technical Director and Mr. J. E. Cogley will be appointed to the new post of Customer Services Director.

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

## 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 1997, the Company's creditor days were 29.

## SUBSTANTIAL SHAREHOLDER

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

# DIRECTORS' REPORT

## 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 those people.

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

## DONATIONS

There were no charitable or political donations during the year. 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.

## 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,  
12TH JUNE 1997.



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 as at 31st March 1997 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.  
12TH JUNE 1997.

# PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1997

	Notes	1997 £000	1996 £000
<b>TURNOVER</b>	2	27,694	27,365
<b>COST OF SALES</b>		<u>13,221</u>	<u>13,128</u>
<b>GROSS PROFIT</b>		14,473	14,237
Net operating expenses	3	<u>5,132</u>	<u>5,240</u>
<b>OPERATING PROFIT</b>		9,341	8,997
Profit on sale of fixed assets	5	<u>2,476</u>	<u>25</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		11,817	9,022
Interest receivable	6	<u>492</u>	<u>645</u>
		12,309	9,667
Interest payable	7	<u>1,815</u>	<u>1,969</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	8	10,494	7,698
Taxation on profit on ordinary activities	9	<u>2,223</u>	<u>1,873</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		8,271	5,825
Dividends paid and proposed on equity and non-equity shares	10	<u>9,687</u>	<u>2,574</u>
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	17	<u>(1,416)</u>	<u>3,251</u>

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

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




# BALANCE SHEET

As at 31st March 1997

	Notes	1997 £000	1996 £000
<b>FIXED ASSETS</b>			
Tangible	11	52,779	49,202
<b>CURRENT ASSETS</b>			
Stores		1,171	1,037
Debtors	12	1,257	1,219
Investments	13	4	4
Cash and short-term deposits		<u>918</u>	<u>11,560</u>
		3,350	13,820
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	9,099	18,326
<b>NET CURRENT (LIABILITIES)</b>		<u>(5,749)</u>	<u>(4,506)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		47,030	44,696
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	15	<u>16,000</u>	<u>11,000</u>
		<u>31,030</u>	<u>33,696</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	3,078	4,328
Share premium account	17	1,539	1,539
Capital redemption reserve	17	1,250	-
Profit and loss account	17	<u>25,163</u>	<u>27,829</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>31,030</u>	<u>33,696</u>
Equity shareholders' funds		29,030	30,446
Non-equity shareholders' funds	16	<u>2,000</u>	<u>3,250</u>
		<u>31,030</u>	<u>33,696</u>

The accounts on pages 7 to 18 were approved by the Board on 12th June 1997.

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

  
G. SLATER CHAIRMAN

# 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.

### (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.

# 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.

## (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 pages 17 and 18.

2. TURNOVER	1997 £000	1996 £000
Unmeasured supplies	19,062	18,568
Measured supplies	7,848	7,913
Chargeable work	<u>784</u>	<u>884</u>
	<u>27,694</u>	<u>27,365</u>

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

3. NET OPERATING EXPENSES	1997 £000	1996 £000
Administrative expenses	5,336	5,421
Other operating income	<u>(204)</u>	<u>(181)</u>
	<u>5,132</u>	<u>5,240</u>

## 4. DIRECTORS AND EMPLOYEES

### Employment costs :

Remuneration	5,262	5,215
Social security costs	443	432
Other pension costs	<u>17</u>	<u>34</u>
	<u>5,722</u>	<u>5,681</u>

### Average numbers employed during year :

	Number	Number
Industrial employees	121	126
Non-industrial employees	<u>160</u>	<u>163</u>
	<u>281</u>	<u>289</u>

# NOTES TO THE ACCOUNTS

<b>Directors' emoluments:</b>	1997 £000	1996 £000
Executive remuneration	233	223
Highest paid Director	87	83

## Emoluments are analysed by Director below:

	Salary £000	Benefits £000	Total 1997 £000	Total 1996 £000
<b>Executive:</b>				
J. F. BATTY	78	9	87	83
T. JACKSON	67	5	72	69
N. J. ROADNIGHT	67	7	74	71

Benefits comprise company cars and medical insurance.

All 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 1997 was £53,000 (1996 - £49,000). The highest paid Director exercised options during the year for Brockhampton Holdings plc shares and full details are provided in those accounts.

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. T. Jackson and Mr. N. J. Roadnight, whose interests are detailed below, all other Directors' interests in Brockhampton Holdings plc shares are disclosed in the Brockhampton Holdings plc accounts.

Mr. T. Jackson and Mr. N. J. Roadnight do not have any interest in Portsmouth Water plc shares.

	Ordinary Shares		'A' Ordinary Shares		Options	
	1997	1996	1997	1996	1997	1996
T. JACKSON	500	500	88,100	12,500	1,472	75,600
N. J. ROADNIGHT	-	-	75,600	-	1,472	75,600

During the year, Mr T. Jackson and Mr. N. J. Roadnight both exercised their options under the Savings - Related Share Option Scheme for employees for 75,600 'A' Ordinary Shares of Brockhampton Holdings Plc at an option price of 24.8p per share. At the date of exercise, the middle market quotation for an 'A' Ordinary Share was 85p. The middle market quotation on 27th March 1997 was 82p, the range having varied during the year between a high of 120p and a low of 82p.

In addition, Mr T. Jackson and Mr N. J. Roadnight were both granted options during the year under the Savings - Related Share Option Scheme for employees to subscribe for Ordinary Shares of Brockhampton Holdings plc at an option price of 164p per share exercisable from February 2002 for a period of six months. The middle market quotation for an Ordinary Share on 27th March 1997 was 182p, the range having varied during the year between a high of 215p and a low of 182p.

Neither Director has a holding of Redeemable Preference Shares. No changes in the above mentioned interests have been notified in the period up to 12th May 1997.

# NOTES TO THE ACCOUNTS

<b>5. PROFIT ON SALE OF FIXED ASSETS</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Land	1,320	-
Other fixed assets	1,156	25
	<u>2,476</u>	<u>25</u>

Profits of £2.263m. relate to disposals of land and properties to Group companies. No tax liability is expected to arise on the other land disposal due to the availability of roll-over relief.

<b>6. INTEREST RECEIVABLE</b>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Interest on short-term deposits	463	621
Other interest receivable	29	24
	<u>492</u>	<u>645</u>

<b>7. INTEREST PAYABLE</b>		
Debenture stocks	649	862
Bank loans and overdraft	1,159	1,107
Other interest payable	7	-
	<u>1,815</u>	<u>1,969</u>

## **8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

### **After charging:**

Infrastructure renewals expenditure	3,741	3,523
Rates	1,793	1,723
Water abstraction charges	1,057	1,028
Depreciation	920	892
Auditors' remuneration:		
Audit services	20	20
Non-audit services	5	4
Hire of plant and machinery	25	24
Other operating leases	503	606
Provision for bad and doubtful debts	16	11

# NOTES TO THE ACCOUNTS

9. TAXATION	1997 £000	1996 £000
Corporation tax at 33% (1996 - 33%)	2,224	1,969
Adjustment for previous years	<u>(1)</u>	<u>(96)</u>
	<u>2,223</u>	<u>1,873</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. The full potential liability for deferred taxation in respect of all timing differences is as follows :

	1997 £000	1996 £000
Accelerated capital allowances	11,833	11,324
Short-term timing differences	<u>-</u>	<u>20</u>
	<u>11,833</u>	<u>11,344</u>

## 10. DIVIDENDS PAID AND PROPOSED

### Equity:

Ordinary/'A' Ordinary Shares - interim paid	8,577	1,150
- final proposed	<u>866</u>	<u>1,150</u>
	9,443	2,300

### Non-equity:

9.5% Redeemable Preference Shares 1996 - paid	89	119
7.75% Redeemable Preference Shares 1997 - paid	<u>155</u>	<u>155</u>
	<u>9,687</u>	<u>2,574</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 1996	27,486	27,029	3,861	4,303	62,679
Additions	1,153	2,412	1,040	692	5,297
Disposals	(321)	-	(61)	(228)	(610)
At 31st March 1997	<u>28,318</u>	<u>29,441</u>	<u>4,840</u>	<u>4,767</u>	<u>67,366</u>
<b>DEPRECIATION</b>					
At 1st April 1996	3,095	-	984	2,795	6,874
Charge for year	255	-	178	487	920
Disposals during year	(88)	-	(48)	(197)	(333)
At 31st March 1997	<u>3,262</u>	<u>-</u>	<u>1,114</u>	<u>3,085</u>	<u>7,461</u>
<b>NET BOOK VALUE</b>					
At 31st March 1997	<u>25,056</u>	<u>29,441</u>	<u>3,726</u>	<u>1,682</u>	<u>59,905</u>
At 31st March 1996	<u>24,391</u>	<u>27,029</u>	<u>2,877</u>	<u>1,508</u>	<u>55,805</u>
<b>CAPITAL CONTRIBUTIONS</b>					
At 1st April 1996	-	6,603	-	-	6,603
Received during year	-	523	-	-	523
At 31st March 1997	<u>-</u>	<u>7,126</u>	<u>-</u>	<u>-</u>	<u>7,126</u>
<b>NET BOOK VALUE AFTER DEDUCTING CAPITAL CONTRIBUTIONS</b>					
At 31st March 1997	<u>25,056</u>	<u>22,315</u>	<u>3,726</u>	<u>1,682</u>	<u>52,779</u>
At 31st March 1996	<u>24,391</u>	<u>20,426</u>	<u>2,877</u>	<u>1,508</u>	<u>49,202</u>

# NOTES TO THE ACCOUNTS

<b>12. DEBTORS</b>	1997 £000	1996 £000
Trade debtors	921	785
Amounts owed by parent undertaking	3	-
Prepayments and accrued income	294	374
Other debtors	39	60
	<u>1,257</u>	<u>1,219</u>

All of the above amounts fall due within one year.

## 13. INVESTMENTS

Unlisted investments: £4,000 (1996 - £4,000).

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

10 5/8% Debenture stock redeemable 31.12.96 at par	-	8,000
3% Perpetual debenture stock	90	90
3 1/2% Perpetual debenture stock	199	199
4% Perpetual debenture stock	49	49
Payments received on account	399	227
Trade creditors	646	997
Amounts owed to parent undertaking	-	1,080
Corporation tax	624	948
Social security and other taxation	171	268
Other creditors	1,395	788
Accruals	334	276
Water rates in advance	4,326	4,254
Proposed dividends	866	1,150
	<u>9,099</u>	<u>18,326</u>

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

Between two and five years :

Bank loan	6,000	6,000
-----------	-------	-------

In five years or more :

Bank loans	<u>10,000</u>	<u>5,000</u>
	<u>16,000</u>	<u>11,000</u>

The £6m. Bank Loan is unsecured, repayable on 23rd September 1999 and bears interest at 10.3325% per annum. The £5m. Bank Loan is also unsecured, repayable on 29th July 2004 and bears interest at 9.6225% per annum.

The new £5m. Bank Loan, repayable by instalments, is part of an unsecured £7m. revolving credit facility, which expires on 25th March 2007 and bears interest based on London Interbank rates.

In addition to the above, all debenture stocks totalling £0.338m. (1996 - £8.338m.) 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>	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
<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>		
1,250,000 9.5% Redeemable Preference Shares 1996 of £1 each	1,250	1,250
2,000,000 7.75% Redeemable Preference Shares 1997 of £1 each	<u>2,000</u>	<u>2,000</u>
	<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>
<b>Non-equity:</b>		
1,250,000 9.5% Redeemable Preference Shares 1996 of £1 each	-	1,250
2,000,000 7.75% Redeemable Preference Shares 1997 of £1 each	<u>2,000</u>	<u>2,000</u>
	<u>2,000</u>	<u>3,250</u>
	<u>3,078</u>	<u>4,328</u>

The holders of the Redeemable Preference Shares 1997 are entitled to receive, in priority to all other classes of share, a dividend at the rate of 7.75% per annum. After provision has been made for dividends on the Redeemable Preference Shares, the holders of the Ordinary and 'A' Ordinary Shares are entitled to receive dividends pari passu according to the amount paid up or credited as paid up on their shares.

The Preference Shares 1996 were redeemed at par on 31st December 1996. The Preference Shares 1997 will be redeemed at par on 30th June 1997.

The Ordinary Shares and the Redeemable Preference Shares 1997 are the only classes of share to carry voting rights.

The Redeemable Preference Shareholders take priority over the Ordinary and 'A' Ordinary Shareholders in a distribution on the winding up of the Company to the extent of all outstanding dividends and capital monies. Thereafter, 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

17. RESERVES	Share Premium £000	Capital Redemption £000	Profit and Loss £000
At 1st April 1996	1,539	-	27,829
Preference Shares redemption	-	1,250	(1,250)
Retained loss for the year	-	-	(1,416)
At 31st March 1997	<u>1,539</u>	<u>1,250</u>	<u>25,163</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1997 £000	1996 £000
Profit for the financial year	8,271	5,825
Dividends	<u>9,687</u>	<u>2,574</u>
	(1,416)	3,251
Preference Shares redemption	<u>(1,250)</u>	-
Net (decrease)/increase in shareholders' funds	(2,666)	3,251
Shareholders' funds at 31st March 1996	<u>33,696</u>	<u>30,445</u>
Shareholders' funds at 31st March 1997	<u>31,030</u>	<u>33,696</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 this scheme are held in a separate trustee administered fund.

Contributions are determined by qualified actuaries on the basis of periodic valuations. The Company, on the advice of its actuaries, has not made contributions to the Portsmouth Water Company Retirement Benefits Scheme since 1st April 1990. Furthermore, with effect from 1st October 1996, the Company ceased to make contributions to the West Sussex County Council Superannuation Fund and all members in service transferred to the Portsmouth Water Company Retirements Benefits Scheme. The latest actuarial investigation for the Scheme was at 31st March 1993 and the most significant actuarial assumptions were as follows:

Valuation Method	Aggregate
Rate of Return on Investment	10% per annum
Rate of increase in Pay	8% per annum
Rate of Increase in Pensions in Payment	6% per annum
Valuation of Assets	Market value notionally reinvested in the F.T. - Actuaries' All-Share Index and allowing for growth in dividends at 5% per annum
Market Value	£46.024m.
Level of Funding	167%

# NOTES TO THE ACCOUNTS

The actuarial investigation of the Scheme as at 31st March 1993, after allowing for all changes up to that date, revealed a surplus of £16.621m. 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 in respect of this Scheme.

The actuarial investigation as at 30th September 1996 is in hand.

Contributions to the West Sussex County Council Superannuation Fund for the six months to 30th September 1996 amounted to £17,000 (1996 - £34,000).

20. CAPITAL COMMITMENTS	1997 £000	1996 £000
Contracted for but not provided in these financial statements	<u>3,629</u>	<u>1,533</u>

The Company has a further commitment under operating leases relating to computer hardware and associated software of £0.429m. per annum. (1996 - £0.480m.) which will expire as set out below:

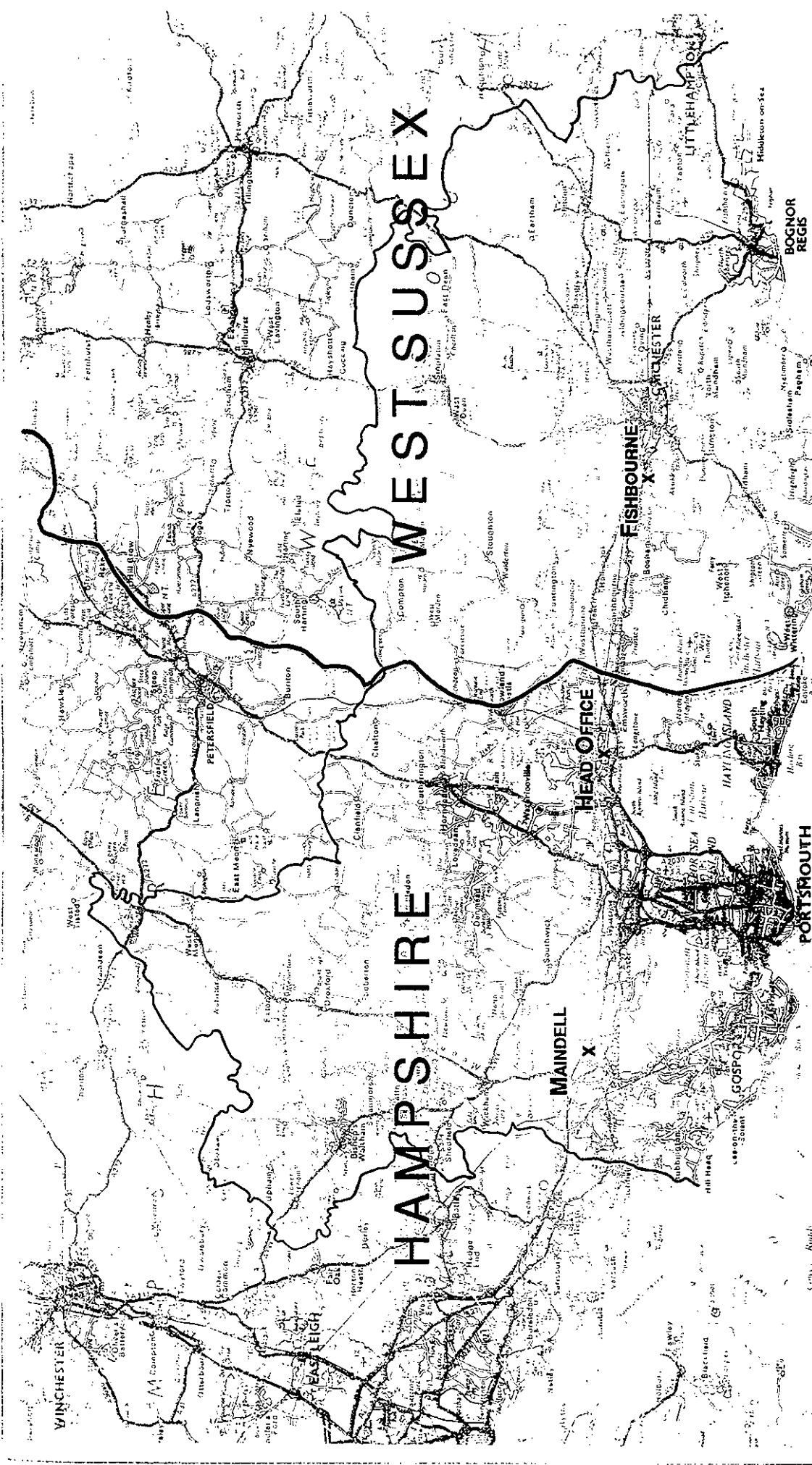
	1997 £000	1996 £000
Within one year	17	45
Within two to five years	412	435

## 21. CONTINGENT LIABILITIES

At 31st March 1997 and 31st March 1996, 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 24th day of July 1997, on the following business:

1. To receive and consider the Directors' Report and Accounts for the year ended 31st March 1997 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. N. J. Roadnight a Director of the Company.
5. To elect Mr. J. E. Cogley a Director of the Company.
6. To elect Mr. A. R. Neve a Director of the Company.
7. 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. P09 1LG.  
12TH JUNE 1997.

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.
- 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 14th August 1997 to Shareholders registered at close of business on 27th June 1997.