

## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Accounts for the year ended 31st March 1996.

### PRINCIPAL ACTIVITY

The Company is a water undertaking supplying 279,000 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 £7.698m. After deducting £1.873m. for taxation and £2.574m. for dividends paid and proposed, a balance of £3.251m. has been transferred to reserves.

The Directors recommend the payment of a final dividend on the Ordinary Share Capital of £1.150m., payable on 15th August 1996.

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 1995 by 2.3%. This increase was in accordance with the decision of the Monopolies and Mergers Commission, following the Company's referral of permitted future price increases for the next ten years determined by the Director General of Water Services. Its decision left increases unchanged at 1.5% below inflation for the first five years, but significantly improved to 0.5% below inflation for the second five year period.

### FIXED ASSETS

Capital expenditure on tangible fixed assets was £3.132m. (1995 - £5.243m.). The features of this investment programme include pumping station refurbishments at Lavant and Westergate and a project to reduce the level of nitrates in water in the Littleheath area. Information relating to these and other changes in fixed assets is shown in note 11 to the accounts on page 14. In addition, £3.523m. was spent on infrastructure renewals (1995 - £3.270m.) 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.

### SHARE CAPITAL AND DEBENTURE STOCK

There were no new issues or redemptions during the year. The issued share capital of the Company is detailed in note 16 to the accounts on page 16.

### DIRECTORS

The Directors who held office at 31st March 1996, all of whom served throughout the year, are shown on page 2. Mr. F. A. Bailey, Mr. J. D. King 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.

No Director has, or has had, an interest at any time during the year in any significant contract in relation to the Company's business.

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



# **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.

## **SUBSTANTIAL SHAREHOLDER**

Brockhampton Holdings plc owns the entire voting capital in 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 operates a quota system under the Disabled Persons (Employment) Acts 1944 and 1958. Full and fair consideration is, wherever possible, given to disabled persons seeking employment with the Company. This includes persons who are disabled but have chosen not to register as such for personal or other reasons. Disabled persons employed by the Company receive training relevant and appropriate to their job.

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

# DIRECTORS' REPORT

## 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,  
13TH JUNE 1996.



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, of 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 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 1996 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.  
13TH JUNE 1996.

# PROFIT AND LOSS ACCOUNT

For the year ended 31st March 1996

	Notes	1996 £000	1995 £000
TURNOVER	2	27,365	27,367
COST OF SALES		<u>13,128</u>	<u>12,808</u>
GROSS PROFIT		14,237	14,559
Net operating expenses	3	<u>5,078</u>	<u>5,659</u>
Exceptional operating expenses	3	<u>162</u>	<u>773</u>
		<u>5,240</u>	<u>6,432</u>
OPERATING PROFIT		8,997	8,127
Profit on sale of fixed assets	5	<u>25</u>	<u>37</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		9,022	8,164
Interest receivable	6	<u>645</u>	<u>387</u>
		9,667	8,551
Interest payable	7	<u>1,969</u>	<u>1,952</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	8	7,698	6,599
Taxation on profit on ordinary activities	9	<u>1,873</u>	<u>1,017</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,825	5,582
Dividends paid and proposed on equity and non-equity shares	10	<u>2,574</u>	<u>2,474</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	17	<u><u>3,251</u></u>	<u><u>3,108</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.

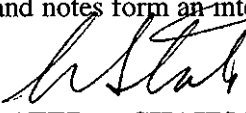
# BALANCE SHEET

As at 31st March 1996

	Notes	1996 £000	1995 £000
<b>FIXED ASSETS</b>			
Tangible	11	49,202	47,431
<b>CURRENT ASSETS</b>			
Stores		1,037	1,213
Debtors	12	1,219	1,389
Investments	13	4	4
Cash and short-term deposits		<u>11,560</u>	<u>9,165</u>
		13,820	11,771
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	18,326	9,757
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(4,506)</u>	<u>2,014</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		44,696	49,445
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	15	<u>11,000</u>	<u>19,000</u>
		<u>33,696</u>	<u>30,445</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	4,328	4,328
Share premium account	17	1,539	1,539
Capital redemption reserve	17	-	280
Profit and loss account	17	<u>27,829</u>	<u>24,298</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>33,696</u>	<u>30,445</u>
Equity shareholders' funds		30,446	27,195
Non-equity shareholders' funds	16	<u>3,250</u>	<u>3,250</u>
		<u>33,696</u>	<u>30,445</u>

The accounts on pages 7 to 18 were approved by the Board on 13th June 1996.

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

  
G. SLATER CHAIRMAN

# NOTES ON 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 notes 1. (c) and 11. 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 deducted from fixed assets, as more fully explained in note 11 to the accounts on page 14.

#### (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 11 to the accounts on page 14.

### (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.

# NOTES ON THE ACCOUNTS

## (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	1996 £000	1995 £000
Unmeasured supplies	18,568	18,166
Measured supplies	7,913	8,192
Chargeable work	884	1,009
	<u>27,365</u>	<u>27,367</u>

Turnover is wholly attributable to water supply and related activities in the United Kingdom. Turnover for the previous year from measured supplies included a one-off amount of £0.323m. arising from the switch to monthly billing of large commercial customers.

3. OPERATING EXPENSES	1996 £000	1995 £000
Administrative expenses	5,421	6,618
Rents	(117)	(125)
Commission from Southern Water Services	(64)	(61)
	<u>5,240</u>	<u>6,432</u>

Included in administrative expenses are exceptional operating expenses of £0.162m. (1995 - £0.773m.) relating to the Company's referral to the Monopolies and Mergers Commission of the Director General of Water Services' proposals for regulation of its charges over the next ten years.

4. DIRECTORS AND EMPLOYEES	1996 £000	1995 £000
<b>Employment costs:</b>		
Remuneration	5,215	5,239
Social security costs	432	431
Other pension costs	34	37
	<u>5,681</u>	<u>5,707</u>
<b>Average numbers employed during year:</b>	<b>Number</b>	<b>Number</b>
Industrial employees	126	134
Non-industrial employees	163	170
	<u>289</u>	<u>304</u>

# NOTES ON THE ACCOUNTS

<b>Directors' emoluments:</b>	1996 £000	1995 £000
Executive remuneration	<u>223</u>	<u>145</u>
Highest paid Director	<u>83</u>	<u>82</u>

Emoluments are analysed by Director below:

	Salary £000	Benefits £000	Total 1996 £000	Total 1995 £000
<b>Executive:</b>				
J. F. BATTY	75	8	83	82
T. JACKSON	64	5	69	33
N. J. ROADNIGHT	64	7	71	30

Mr. T. Jackson and Mr. N. J. Roadnight were appointed to the Board on 1st October 1994. Accordingly, the previous year totals include only their remuneration from that date. Benefits comprise company cars and medical insurance.

No pension contributions are paid for Directors. 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. The interests detailed below reflect the capitalisation issue made by Brockhampton Holdings plc on 5th January 1996 of four new 'A' Ordinary Shares of 10p each for each Ordinary Share and each 'A' Ordinary Share held at the close of business on 28th December 1995.

With the exception of Mr. T. Jackson, who acquired 5,500 'A' Ordinary Shares on 13th February 1996, these interests remain unchanged, other than for the effect of the capitalisation issue, from the beginning of the year.

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

	Ordinary Shares		'A' Ordinary Shares		Options	
	1996	1995	1996	1995	1996	1995
T. JACKSON	500	500	12,500	1,000	75,600	15,120
N. J. ROADNIGHT	-	-	-	-	75,600	15,120

Mr. T. Jackson and Mr. N. J. Roadnight have both been granted options under the Savings-Related Share Option Scheme for employees to subscribe for 'A' Ordinary Shares of Brockhampton Holdings plc at an option price of 24.8p per share exercisable from February 1997 for a period of six months.

Following the capitalisation issue detailed above, the terms of the offer under this Scheme were adjusted so that eligible employees are now entitled to apply for five times the original number of shares at one fifth of the original option price. No options were granted, other than to effect this adjustment, or exercised during the year.

The middle market quotation for an 'A' Ordinary Share on 29th March 1996 was 113p. The range during the year, adjusted to reflect the capitalisation issue, varied between a high of 118p and a low of 82p.

Neither Director has a holding of Redeemable Preference Shares. No changes in the above mentioned interests have been notified in the period up to 13th May 1996.

# NOTES ON THE ACCOUNTS

<b>5. PROFIT ON SALE OF FIXED ASSETS</b>	<b>1996</b>	<b>1995</b>
	<b>£000</b>	<b>£000</b>
Land	-	11
Other fixed assets	<u>25</u>	<u>26</u>
	<u>25</u>	<u>37</u>
<b>6. INTEREST RECEIVABLE</b>		
Interest on short-term deposits	621	363
Other interest receivable	<u>24</u>	<u>24</u>
	<u>645</u>	<u>387</u>
<b>7. INTEREST PAYABLE</b>		
Debenture stocks	862	992
Bank loans and overdraft	1,107	955
Other interest payable	<u>-</u>	<u>5</u>
	<u>1,969</u>	<u>1,952</u>
<b>8. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		
<b>After charging:</b>		
Infrastructure renewals expenditure	3,523	3,270
Rates	1,723	1,745
Water abstraction charges	1,028	963
Depreciation	892	849
Auditors' remuneration:		
Audit services	20	19
Non-audit services	4	2
Hire of plant and machinery	24	23
Other operating leases	453	852
Provision for bad and doubtful debts	11	174

## NOTES ON THE ACCOUNTS

9. TAXATION	1996 £000	1995 £000
Corporation tax at 33% (1995 - 33%)	1,969	1,547
Advance corporation tax recovered	<u>-</u>	<u>(530)</u>
	1,969	1,017
Adjustment for previous years	<u>(96)</u>	<u>-</u>
	<u><u>1,873</u></u>	<u><u>1,017</u></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 as at 31st March 1995 has been restated to take due account of the effect of capital contributions received on accelerated capital allowances. The full potential liability for deferred taxation in respect of all timing differences is as follows:

	1996 £000	1995 £000
Accelerated capital allowances	11,324	10,694
Short-term timing differences	20	9
Unrelieved advance corporation tax	<u>-</u>	<u>(601)</u>
	<u><u>11,344</u></u>	<u><u>10,102</u></u>

## 10. DIVIDENDS PAID AND PROPOSED

### Equity:

Ordinary/'A' Ordinary Shares - interim paid	1,150	1,050
- final proposed	<u>1,150</u>	<u>1,150</u>
	2,300	2,200

### Non-equity:

9.5% Redeemable Preference Shares 1996 - paid	<u>119</u>	<u>119</u>
7.75% Redeemable Preference Shares 1997 - paid	<u>155</u>	<u>155</u>
	<u><u>2,574</u></u>	<u><u>2,474</u></u>

# NOTES ON THE ACCOUNTS

11. TANGIBLE FIXED ASSETS	Freehold land, buildings & reservoirs	Mains	Pumping plant	Vehicles, mobile plant & office equipment	TOTAL
<b>COST</b>	£000	£000	£000	£000	£000
At 1st April 1995	26,576	25,928	3,259	4,009	59,772
Additions	910	1,101	657	464	3,132
Disposals	-	-	(55)	(170)	(225)
At 31st March 1996	<u>27,486</u>	<u>27,029</u>	<u>3,861</u>	<u>4,303</u>	<u>62,679</u>
<b>DEPRECIATION</b>					
At 1st April 1995	2,822	-	887	2,478	6,187
Charge for year	273	-	151	468	892
Disposals during year	-	-	(54)	(151)	(205)
At 31st March 1996	<u>3,095</u>	<u>-</u>	<u>984</u>	<u>2,795</u>	<u>6,874</u>
<b>NET BOOK VALUE</b>					
At 31st March 1996	<u>24,391</u>	<u>27,029</u>	<u>2,877</u>	<u>1,508</u>	<u>55,805</u>
At 31st March 1995	<u>23,754</u>	<u>25,928</u>	<u>2,372</u>	<u>1,531</u>	<u>53,585</u>
<b>CAPITAL CONTRIBUTIONS</b>					
At 1st April 1995	-	6,154	-	-	6,154
Received during year	-	449	-	-	449
At 31st March 1996	<u>-</u>	<u>6,603</u>	<u>-</u>	<u>-</u>	<u>6,603</u>
<b>NET BOOK VALUE AFTER DEDUCTING CAPITAL CONTRIBUTIONS</b>					
At 31st March 1996	<u>24,391</u>	<u>20,426</u>	<u>2,877</u>	<u>1,508</u>	<u>49,202</u>
At 31st March 1995	<u>23,754</u>	<u>19,774</u>	<u>2,372</u>	<u>1,531</u>	<u>47,431</u>

The Directors consider it appropriate that, in order to present a true and fair view, capital contributions should be deducted from fixed assets. 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.

# NOTES ON THE ACCOUNTS

12. DEBTORS	1996 £000	1995 £000
Trade debtors	785	950
Prepayments and accrued income	374	397
Other debtors	60	42
	<u>1,219</u>	<u>1389</u>

All of the above amounts fall due within one year.

## 13. INVESTMENTS

Unlisted investments: £4,000 (1995 - £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	227	291
Trade creditors	997	1,391
Amounts owed to parent undertaking	1,080	414
Corporation tax	948	646
Social security and other taxation	268	265
Other creditors	788	896
Accruals	276	270
Water rates in advance	4,254	4,096
Proposed dividends	1,150	1,150
	<u>18,326</u>	<u>9,757</u>

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

**Repayable other than by instalments:**

**Between one and two years:**

10 5/8% Debenture stock redeemable 31.12.96 at par	-	8,000
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**Between two and five years:**

Bank loan	6,000	6,000
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**In five years or more:**

Bank loan	5,000	5,000
	<u>11,000</u>	<u>19,000</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.

In addition to the above, all debenture stocks totalling £8.338m. (1995 - £0.338m.) are repayable within one year, as shown in note 14 to the accounts.

# NOTES ON THE ACCOUNTS

16. CALLED UP SHARE CAPITAL	1996 £000	1995 £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	1,050	1,050
	<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	2,000	2,000
	<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	651	651
	<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	1,250
2,000,000 7.75% Redeemable Preference Shares 1997 of £1 each	2,000	2,000
	<u>3,250</u>	<u>3,250</u>
	<u>4,328</u>	<u>4,328</u>

The holders of the Redeemable Preference Shares 1996 and 1997 are entitled to receive, in priority to all other classes of share, a dividend at the rate of 9.5% per annum and 7.75% per annum respectively. 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 will be redeemed at par on 31st December 1996 and 30th June 1997 respectively.

The Ordinary Shares and the 7.75% 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 ON THE ACCOUNTS

## 17. RESERVES

	Share Premium £000	Capital Redemption £000	Profit and Loss £000
At 1st April 1995	1,539	280	24,298
Transfer of capital redemption reserve	-	(280)	280
Retained profit for the year	-	-	3,251
At 31st March 1996	<u>1,539</u>	<u>-</u>	<u>27,829</u>

It is no longer necessary to maintain a non-statutory capital redemption reserve for cancellation of perpetual debenture stocks and, accordingly, the balance on that reserve has been transferred to the profit and loss reserve.

## 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
Profit for the financial year	5,825	5,582
Dividends	2,574	2,474
Net addition to shareholders' funds	3,251	3,108
Shareholders' funds at 31st March 1995	30,445	27,337
Shareholders' funds at 31st March 1996	<u>33,696</u>	<u>30,445</u>

## 19. PENSIONS

The Company participates in the Portsmouth Water Company Retirement Benefits Scheme to provide defined benefits based on final pensionable pay for a majority of its employees. The Company also participates in the West Sussex County Council Superannuation Fund for a small number of employees. The assets of these schemes are held in separate trustee administered funds.

Contributions are determined by qualified actuaries on the basis of triennial 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. 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%

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.

Contributions to the West Sussex County Council Superannuation Fund for the year to 31st March 1996 amounted to £34,000 (1995 - £37,000).

## NOTES ON THE ACCOUNTS

### 20. CAPITAL COMMITMENTS

	1996 £000	1995 £000
Contracted for but not provided in these financial statements	<u>1,533</u>	<u>1,732</u>

The Company has a further commitment under operating leases relating to computer hardware and associated software of £0.480m. per annum (1995 - £0.563m.) which will expire as set out below:

	1996 £000	1995 £000
Within one year	45	11
Within two to five years	435	552

### 21. CONTINGENT LIABILITIES

The Company does not have any contingent liabilities, with the exception of unprovided deferred taxation (1995 - NIL).

### 22. HOLDING COMPANY

Portsmouth Water plc is a wholly-owned subsidiary of Brockhampton Holdings plc. Copies of the Group accounts can be obtained on request from the Registered Office.