

28-07-95

## 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, F.C.I.B.

Director of Brockhampton Holdings plc, Roadchef Holdings and other companies. Former Chairman of Bournemouth and West Hampshire Water Companies and merchant banker. A Governor of Bournemouth University.

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 and partner of Bramsdon and Childs. Director of Brockhampton Holdings plc and Brockhampton Property Investments Limited.

### PROFESSIONAL ADVISERS

#### AUDITORS

GRANT THORNTON,  
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

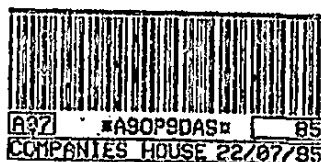
FRESHFIELDS,  
Whitefriars,  
65, Fleet Street,  
London.  
EC4Y 1HS.

#### STOCKBROKERS

BUTTERFIELD  
SECURITIES,  
24, Chiswell Street,  
London.  
EC1Y 4TY.

#### INSURANCE BROKERS

ALEXANDER AND  
ALEXANDER (UK)  
LIMITED,  
Richmond House,  
College Street,  
Southampton,  
Hants.  
SO14 4ZB.



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## DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and Accounts for the year ended 31st March 1995.

### PRINCIPAL ACTIVITY

The Company is a water undertaking supplying 278,000 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 £6.599m. After deducting £1.017m. for taxation and £2.474m. for dividends paid and proposed, a balance of £3.108m. has been transferred to reserves.

The Directors recommend the payment of a final dividend on the Ordinary Share Capital of £1.150m., payable on 1st September 1995.

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 1994 by 3.4%. This increase was in accordance with the system of price control imposed by the Water Industry Act 1991.

The Company has referred the Director General of Water Services' proposals for regulation of its charges over the next ten years to the Monopolies and Mergers Commission. Its decision is to be published during August 1995 and, therefore, charges will be increased in line with the Director General's original determination for the charging year commencing 1st July 1995.

### FIXED ASSETS

Capital expenditure on tangible fixed assets was £5.243m. (1994 - £5.509m.). The features of this investment programme include the construction of a new service reservoir at Farlington, pumping station refurbishments at Northbrook, Worlds End and Havant and the development of a new operational depot at Maindell. Information relating to these and other changes in fixed assets is shown in Note 12 to the accounts on page 12. In addition, £3.270m. was spent on infrastructure renewals (1994 - £3.237m.) 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

The issued share capital of the Company is detailed in Note 17 to the accounts on Page 14.

The £4m. 13% Debenture Stock was redeemed at par on 30th June 1994. The redemption was made out of the proceeds of a new £5m. Bank Loan, which is unsecured, repayable on 29th July 2004 and bears interest at 9.6225% per annum.

During the year, the Company cancelled £10,723 3% Perpetual Debenture Stock, £4,533 3½% Perpetual Debenture Stock and £4,681 4% Perpetual Debenture Stock for a total consideration of £7,565. The Directors decided to provide all holders of Perpetual Debenture Stock with the opportunity of allowing their Stock to be cancelled, free of all dealing costs and in consideration of a cash payment, because the cost of administering the Stock and communicating with holders was disproportionately high in comparison with the small component of funding it represented.

## DIRECTORS' REPORT

### DIRECTORS

The Directors who held office at 31st March 1995 are Mr. J. F. Batty, Mr. T. Jackson, Mr. N. J. Roadnight, Mr. G. Slater, Mr. F. A. Bailey, Mr. M. C. Copp, Mr. J. D. King and Mr. H. J. Y. Pringle. Other than Mr. T. Jackson and Mr. N. J. Roadnight, who were appointed to the Board on 1st October 1994, all the Directors served throughout the year. Mr. G. Slater and Mr. M. C. Copp, who retire by rotation, Mr. T. Jackson and Mr. N. J. Roadnight offer themselves for re-election. Mr. T. Jackson and Mr. N. J. Roadnight both have service contracts with the Company, which are subject to termination by the Company giving them 48 months' notice or by them giving the Company not less than six months' notice.

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 Company has effected insurance indemnifying the Directors against liability in respect of the carrying out of their functions and responsibilities.

### DIRECTORS' INTERESTS

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

	Ordinary Shares	'A' Ordinary Shares	Options
T. Jackson	500	1,500	15,120
N. J. Roadnight	-	-	15,120

With the exception of Mr. T. Jackson, who acquired 126 'A' Ordinary Shares on 5th October 1994 and 500 'A' Ordinary Shares on 20th December 1994, these interests remain unchanged from the date of appointment. Neither Director has a holding of Redeemable Preference Shares.

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 £1.24 per share exercisable from January 1997 for a period of six months. No options were granted or exercised during the year.

### 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.

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## DIRECTORS' REPORT

### 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.

### HEALTH AND SAFETY

The maintenance of high standards of health and safety is considered essential in order to protect both employees and members of the public. The Company's Safety Committee meets regularly, while the Safety Officer is responsible for the regular inspection of all work places and equipment and for ensuring compliance with all relevant safety legislation.

### 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.

### CLOSE COMPANY STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company, nor did they at 31st March 1994.

### 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,  
20TH JULY 1995.

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

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## AUDITORS' REPORT

### REPORT OF THE AUDITORS TO THE MEMBERS OF PORTSMOUTH WATER plc

We have audited the financial statements on pages 6 to 16 which have been prepared under the accounting policies set out on Pages 8 and 9.

#### Respective Responsibilities of Directors and Auditors

As described on Page 3, 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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Grant Thornton*

GRANT THORNTON,  
REGISTERED AUDITORS,  
CHARTERED ACCOUNTANTS,  
PORTSMOUTH.  
20TH JULY 1995.

# **PROFIT AND LOSS ACCOUNT**

For the year ended 31st March 1995

	Notes	1995 £000	1994 £000
TURNOVER	2	27,367	25,688
COST OF SALES		<u>12,808</u>	<u>13,141</u>
GROSS PROFIT		14,559	12,547
Net operating expenses	3	5,659	5,524
Exceptional operating expenses	3	<u>773</u>	<u>-</u>
OPERATING PROFIT		8,127	7,023
Profit on sale of fixed assets	6	<u>37</u>	<u>210</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		8,164	7,233
Interest receivable	7	<u>387</u>	<u>384</u>
		8,551	7,617
Interest payable	8	<u>1,952</u>	<u>2,016</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	9	6,599	5,601
Taxation on profit on ordinary activities	10	<u>1,017</u>	<u>354</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,582	5,247
Dividends paid and proposed on equity and non-equity shares	11	<u>2,474</u>	<u>4,008</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	18	<u>3,108</u>	<u>1,239</u>

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

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

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## BALANCE SHEET

As at 31st March 1995

	Notes	1995 £000	1994 £000
<b>FIXED ASSETS</b>			
Tangible	12	47,431	43,919
<b>CURRENT ASSETS</b>			
Stores		1,213	1,186
Debtors	13	1,389	1,735
Investments	14	4	4
Cash and short-term deposits		<u>9,165</u>	<u>7,741</u>
		11,771	10,666
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	15	9,757	13,248
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>2,014</u>	<u>(2,582)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		49,445	41,337
<b>CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR</b>	16	<u>19,000</u>	<u>14,000</u>
		<u>30,445</u>	<u>27,337</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	4,328	4,328
Share premium account	18	1,539	1,539
Capital redemption reserve	18	280	260
Profit and loss account	18	<u>24,298</u>	<u>21,210</u>
<b>SHAREHOLDERS' FUNDS</b>	19	<u>30,445</u>	<u>27,337</u>
Equity shareholders' funds		27,195	24,087
Non-equity shareholders' funds		<u>3,250</u>	<u>3,250</u>
		<u>30,445</u>	<u>27,337</u>

The accounts on pages 6 to 16 were approved by the Board on 20th July 1995.

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

  
G. SLATER CHAIRMAN

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## NOTES ON THE ACCOUNTS

### 1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, except for the treatment of capital contributions as detailed in Notes 1. (c) and 12. The principal accounting policies remain unchanged from the previous year end 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 12 to the accounts on Page 12, 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 12 to the accounts on Page 12.

##### (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 12 to the accounts on Page 12.

#### (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.



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## 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 20 to the accounts on Page 15.

### 2. TURNOVER

	1995 £000	1994 £000
Unmeasured supplies	18,166	17,201
Measured supplies	8,192	7,527
Chargeable work	1,009	960
	<u>27,367</u>	<u>25,688</u>

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

### 3. OPERATING EXPENSES

	1995 £000	1994 £000
Administrative expenses	6,618	5,680
Rents	(125)	(97)
Commission from Southern Water Services	(61)	(59)
	<u>6,432</u>	<u>5,524</u>

Included in administrative expenses are exceptional operating expenses incurred to the balance sheet date of £0.773m. (1994 - NIL) 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. STAFF NUMBERS AND COSTS

	1995 £000	1994 £000
Remuneration	5,239	5,184
Social security costs	431	412
Other pension costs	37	37
	<u>5,707</u>	<u>5,633</u>
Average numbers employed during year:	Number	Number
Industrial employees	134	136
Non-industrial employees	170	180
	<u>304</u>	<u>316</u>

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## NOTES ON THE ACCOUNTS

5. DIRECTORS' EMOLUMENTS	1995 £000	1994 £000
Executive remuneration	<u>145</u>	<u>79</u>
Chairman	<u>-</u>	<u>-</u>
Highest paid Director	<u>82</u>	<u>79</u>
Directors in the scale:	Number	Number
£0	5	6
£30,001 to £35,000	2	-
£75,001 to £80,000	-	1
£80,001 to £85,000	1	-

No pension contributions are paid for Directors. Their fees are paid by the parent undertaking, Brockhampton Holdings plc.

6. PROFIT ON SALE OF FIXED ASSETS	1995 £000	1994 £000
Land	11	252
Other fixed assets	<u>26</u>	<u>(42)</u>
	<u>37</u>	<u>210</u>

No tax liability is expected to arise from the sale of land due to the availability of roll-over relief.

7. INTEREST RECEIVABLE	1995 £000	1994 £000
Interest on short-term deposits	363	355
Other interest receivable	<u>24</u>	<u>29</u>
	<u>387</u>	<u>384</u>

### 8. INTEREST PAYABLE

#### Repayable within five years other than by instalments:

Debenture stocks	992	1,382
Bank loan	620	-
Other interest payable	<u>16</u>	<u>4</u>
	<u>1,628</u>	<u>1,386</u>

#### Repayable after five years other than by instalments:

Bank loan	324	620
Other interest payable	<u>-</u>	<u>10</u>
	<u>1,952</u>	<u>2,016</u>

## NOTES ON THE ACCOUNTS

**9. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1995 £000	1994 £000
After charging:		
Infrastructure renewals expenditure	3,270	3,237
Rates	1,745	1,760
Water abstraction charges	963	1,291
Depreciation	849	766
Auditors' remuneration:		
Audit services	19	18
Non-audit services	2	5
Hire of plant and machinery	23	30
Other operating leases	852	503
Provision for bad and doubtful debts	174	411

## 10. TAXATION

**The taxation charge is based on the profit for the year and comprises:**

Corporation tax at 33% (1994 - 33%)	1,547	1,154
Advance corporation tax recovered	<u>(530)</u>	<u>(787)</u>
	1,017	367
Adjustment for previous years	<u>-</u>	<u>(13)</u>
	<u>1,017</u>	<u>354</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:

	1995 £000	1994 £000
Accelerated capital allowances	12,872	11,731
Short-term timing differences	(18)	4
Unrelieved advance corporation tax	(601)	(1,103)
	<u>12,253</u>	<u>10,632</u>

## 11. DIVIDENDS PAID AND PROPOSED

**Equity:**

Ordinary/'A' Ordinary Shares- interim paid	1,050	2,509
- final proposed	<u>1,150</u>	<u>1,225</u>
	2,200	3,734

**Non-equity:**

9.5% Redeemable Preference Shares 1996 -paid	119	119
7.75% Redeemable Preference Shares 1997 -paid	155	155
	<u>2,474</u>	<u>4,008</u>

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## NOTES ON THE ACCOUNTS

12. 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 1994	23,584	24,806	2,655	3,770	54,815
Additions	2,993	1,122	734	394	5,243
Disposals	(1)	-	(130)	(155)	(286)
At 31st March 1995	<u>26,576</u>	<u>25,928</u>	<u>3,259</u>	<u>4,009</u>	<u>59,772</u>
<b>DEPRECIATION</b>					
At 1st April 1994	2,558	-	891	2,157	5,606
Charge for year	264	-	125	460	849
Disposals during year	-	-	(129)	(139)	(268)
At 31st March 1995	<u>2,822</u>	<u>-</u>	<u>887</u>	<u>2,478</u>	<u>6,187</u>
<b>NET BOOK VALUE</b>					
At 31st March 1995	<u>23,754</u>	<u>25,928</u>	<u>2,372</u>	<u>1,531</u>	<u>53,585</u>
At 31st March 1994	<u>21,026</u>	<u>24,806</u>	<u>1,764</u>	<u>1,613</u>	<u>49,209</u>
<b>CAPITAL CONTRIBUTIONS</b>					
At 1st April 1994	-	5,290	-	-	5,290
Received during year	-	864	-	-	864
At 31st March 1995	<u>-</u>	<u>6,154</u>	<u>-</u>	<u>-</u>	<u>6,154</u>
<b>NET BOOK VALUE AFTER DEDUCTING CAPITAL CONTRIBUTIONS</b>					
At 31st March 1995	<u>23,754</u>	<u>19,774</u>	<u>2,372</u>	<u>1,531</u>	<u>47,431</u>
At 31st March 1994	<u>21,026</u>	<u>19,516</u>	<u>1,764</u>	<u>1,613</u>	<u>43,919</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, 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

### 13. DEBTORS

	1995 £000	1994 £000
Trade debtors	950	1,288
Amounts owed by parent undertaking	-	14
Prepayments and accrued income	397	379
Other debtors	42	54
	<u>1,389</u>	<u>1,735</u>

All of the above amounts fall due within one year.

### 14. INVESTMENTS

Unlisted investments: £4,000 (1994 - £4,000).

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

13% Debenture Stock redeemable 30.6.94 at par	-	4,000
3% Perpetual debenture stock	90	101
3 1/2% Perpetual debenture stock	199	204
4% Perpetual debenture stock	49	53
Payments received on account	291	446
Trade creditors	1,391	875
Amounts owed to parent undertaking	414	-
Corporation tax	646	367
Social security and other taxation	265	321
Accruals	270	183
Water rates in advance	4,096	4,073
Proposed dividends	1,150	1,225
Other creditors	896	1,400
	<u>9,757</u>	<u>13,248</u>

During the year, the Company cancelled £10,723 3% Perpetual Debenture Stock, £4,533 3 1/2% Perpetual Debenture Stock and £4,681 4% Perpetual Debenture Stock for a total consideration of £7,565.

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

	1995 £000	1994 £000
Between one and two years:		
10 5/8% Debenture stock redeemable 31.12.96 at par	8,000	-
Between two and five years:		
10 5/8% Debenture stock redeemable 31.12.96 at par	-	8,000
Bank loan	6,000	-
In five years or more:		
Bank loan	5,000	6,000
	<u>19,000</u>	<u>14,000</u>

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

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## NOTES ON THE ACCOUNTS

<b>17. CALLED UP SHARE CAPITAL</b>	<b>1995</b>	<b>1994</b>
	<b>£000</b>	<b>£000</b>
Authorised:		
Equity:		
6,000,000 Ordinary Shares of 10p each	600	600
10,500,000 'A' Ordinary Shares of 10p each	1,050	1,050
	<u>1,650</u>	<u>1,650</u>
Non-equity:		
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>
Allotted, called up and fully paid:		
Equity:		
4,265,177 Ordinary Shares of 10p each	427	427
6,509,162 'A' Ordinary Shares of 10p each	651	651
	<u>1,078</u>	<u>1,078</u>
Non equity:		
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.

<b>18. RESERVES</b>	<b>Share Premium</b>	<b>Capital Redemption</b>	<b>Profit and Loss</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1st April 1994	1,539	260	21,210
Cancellation of perpetual debenture stock	-	20	(20)
Retained profit for the year	-	-	3,108
At 31st March 1995	<u>1,539</u>	<u>280</u>	<u>24,298</u>

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## NOTES ON THE ACCOUNTS

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1995 £000	1994 £000
Profit for the financial year	5,582	5,247
Dividends	2,474	4,008
	<u>3,108</u>	<u>1,239</u>
New share capital subscribed	-	1,635
Net addition to shareholders' funds	3,108	2,874
Shareholders' funds at 31st March 1994	<u>27,337</u>	<u>24,463</u>
Shareholders' funds at 31st March 1995	<u>30,445</u>	<u>27,337</u>

### 20. 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 R.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 9, 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 1995 amounted to £37,000 (1994 - £37,000).

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## NOTES ON THE ACCOUNTS

21. CAPITAL COMMITMENTS	1995 £000	1994 £000
Contracted for but not provided in these financial statements	1,732	2,382
Authorised by the Directors but not contracted for	<u>101</u>	<u>4,783</u>
	<u>1,833</u>	<u>7,165</u>

The Company has a further commitment under operating leases relating to computer hardware and associated software of £0.746m. per annum (1994 - £0.933m.) which expire within two to five years.

## 22. CONTINGENT LIABILITIES

The Company does not have any contingent liabilities, with the exception of unprovided deferred taxation (1994 - NIL).

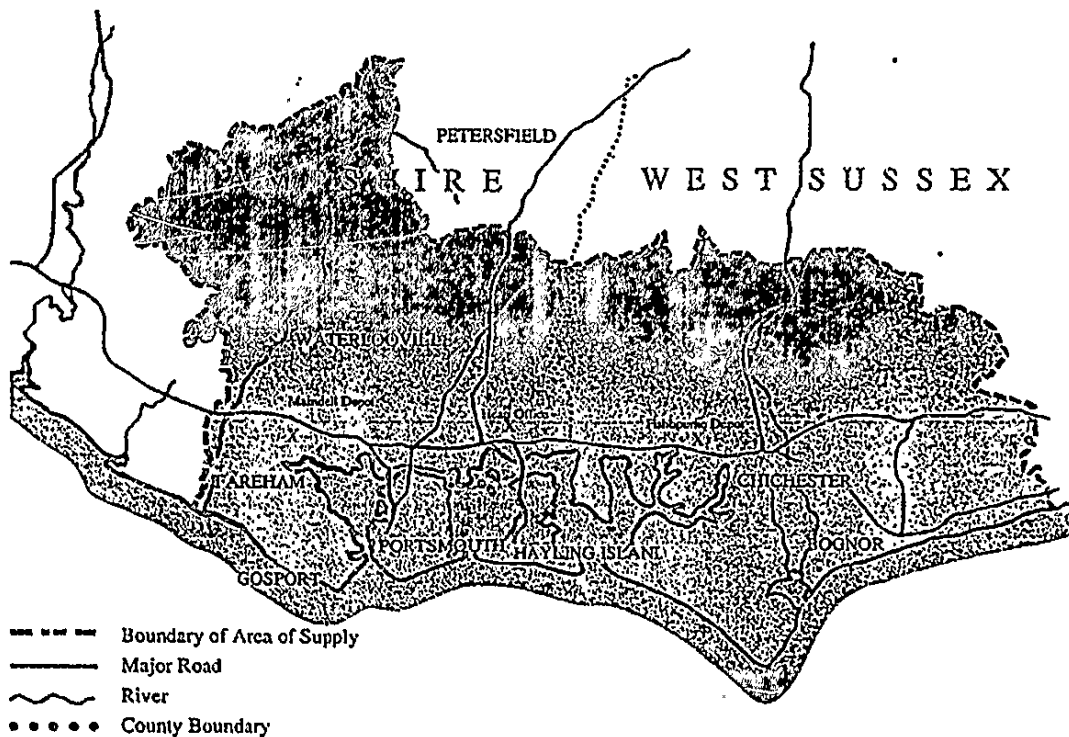
## 23. HOLDING COMPANY

Portsmouth Water plc is a wholly-owned subsidiary of Brockhampton Holdings plc, which is registered in England and Wales. Copies of the Group accounts can be obtained on request from the Registered Office.



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## AREA OF SUPPLY



## FINANCIAL INFORMATION

## Capital

Year to 31 March	Ordinary £000	Preference £000	Loan £000	Total £000	Fixed Assets £000	Reserves £000
1986	930	9,537	10,320	20,787	26,485	5,810
1987	930	3,419	16,445	20,794	27,022	6,518
1988	930	3,419	16,445	20,794	28,079	11,602
1989	930	3,419	16,445	20,794	29,620	15,838
1990	930	3,419	16,445	20,794	32,348	17,123
1991	982	3,250	16,445	20,677	36,481	16,946
1992	982	3,250	16,367	20,599	40,772	18,050
1993	982	3,250	18,364	22,596	44,547	20,231
1994	1,078	3,250	18,358	22,686	49,209	23,009
1995	1,078	3,250	19,338	23,666	53,585	26,117