

The Directors of Portsmouth Water plc and Brockhampton Holdings plc, whose names appear in paragraph 2 of Part I of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of those Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document, which comprises Listing Particulars relating to Brockhampton Holdings plc in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

Application has been made to the Council of The Stock Exchange for the New Ordinary Shares, the New 'A' Ordinary Shares, the New 9.5 per cent. Redeemable Preference Shares 1996 and the New 'A' Ordinary Warrants in Brockhampton Holdings plc issued and to be issued pursuant to the Reorganisation to be admitted to the Official List.

Listing Particulars

of

BROCKHAMPTON HOLDINGS plc

relating to the issue of

Ordinary Shares of 10p each

Non-Voting 'A' Ordinary Shares of 10p each

Non-Voting 9.5 per cent. Redeemable Preference Shares 1996
of £1 each

and

'A' Ordinary Warrants

pursuant to a

Proposed Reorganisation

Share Capital following the Reorganisation

Authorised

£600,000	Ordinary Shares of 10p each
£1,000,000	Non-Voting 'A' Ordinary Shares of 10p each
£2,000,000	Non-Voting 9.5 per cent. Redeemable Preference Shares 1996
£2,000,000	7.75 per cent. Redeemable Preference Shares 1997 of £1 each

Issued and to be issued fully paid

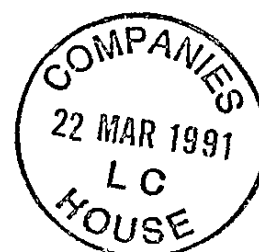
£346,518
£635,291

£1,250,000
£2,000,000

Indebtedness

At the close of business on 1st March, 1991, Portsmouth Water had total indebtedness as follows:

3 per cent. perpetual debenture stock	£'000
3½ per cent. perpetual debenture stock	117
4 per cent. perpetual debenture stock	251
14 per cent. debenture stock redeemable on 30th September, 1992	77
13 per cent. debenture stock redeemable on 30th June, 1994	4,000
10% per cent. debenture stock redeemable on 31st December, 1996	4,000
	8,000
	<u>16,445</u>



Save as aforesaid, as at the close of business on 1st March, 1991 neither Brockhampton Holdings nor Portsmouth Water had any loan capital (including term loans) outstanding or created but unissued or any outstanding mortgages, charges or other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances or acceptance credits, hire purchase commitments or obligations under finance leases, guarantees or other material contingent liabilities.

DEFINITIONS

“Portsmouth Water” or “the Company”	Portsmouth Water plc
“Brockhampton Holdings”	Brockhampton Holdings plc
“New Group”	Brockhampton Holdings and its subsidiary, Portsmouth Water, following the Scheme becoming effective
“Ordinary Shares”	the Ordinary Shares of 10p each in Portsmouth Water
“ ‘A’ Ordinary Shares”	the Non-Voting ‘A’ Ordinary Shares of 10p each in Portsmouth Water
“Redeemable Preference Shares 1996”	the Non-Voting 9.5 per cent. Redeemable Preference Shares 1996 of £1 each in Portsmouth Water
“Redeemable Preference Shares 1997”	the 7.75 per cent. Redeemable Preference Shares 1997 of £1 each in Portsmouth Water
“Ordinary Warrants”	the Ordinary Warrants of Portsmouth Water
“ ‘A’ Ordinary Warrants”	the ‘A’ Ordinary Warrants of Portsmouth Water
“New Ordinary Shares”	the Ordinary Shares of 10p each in Brockhampton Holdings
“New ‘A’ Ordinary Shares”	the Non-Voting ‘A’ Ordinary Shares of 10p each in Brockhampton Holdings
“New Redeemable Preference Shares 1996”	the Non-Voting 9.5 per cent. Redeemable Preference Shares 1996 of £1 each in Brockhampton Holdings
“New Redeemable Preference Shares 1997”	the 7.75 per cent. Redeemable Preference Shares 1997 of £1 each in Brockhampton Holdings
“New Shares”	the New Ordinary Shares, the New ‘A’ Ordinary Shares, the New Redeemable Preference Shares 1996 and the New Redeemable Preference Shares 1997
“New Ordinary Warrants”	the Ordinary Warrants of Brockhampton Holdings
“New ‘A’ Ordinary Warrants”	the ‘A’ Ordinary Warrants of Brockhampton Holdings
“New Warrants”	the New Ordinary Warrants and New ‘A’ Ordinary Warrants
“Effective Date”	the day on which the Scheme becomes effective in accordance with its terms
“Record Date”	the business day immediately preceding the Effective Date
“Reorganisation”	the Scheme and the proposals being put to warrant holders of Portsmouth Water described in the Scheme Document
“Scheme”	the Scheme of Arrangement set out on pages 12 to 14 of the Scheme Document
“Scheme Document”	the circular to shareholders and warrant holders of Portsmouth Water dated 22nd March, 1991 containing, <i>inter alia</i> , details of the Scheme
“The Stock Exchange”	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
“the Act”	the Companies Act 1985

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PART I

INFORMATION RELATING TO BROCKHAMPTON HOLDINGS

1. Incorporation

Brockhampton Holdings was incorporated in England on 24th December, 1990 as a public limited company under the Act, as Profitstake plc and changed its name on 20th March, 1991 to "Brockhampton Holdings plc". Brockhampton Holdings is registered in England and Wales with No. 2570616.

2. Officers and advisers

The Directors of Brockhampton Holdings (who are also the Directors of Portsmouth Water) and their functions are listed below:

Philip David Childs OBE, JP	Chairman (non-executive)
John Foster Glanville DSC, VRD	Deputy Chairman (non-executive)
Frederick Arthur Bailey FCIS, FSCA	Non-executive Director
John Francis Batty FCA, ATII	Director and Secretary
John David King BSc, FICE, FIWEM	Director and Chief Engineer
Eric Norman Laurence Guymner FCIS	Non-executive Director
Hugh James Young Pringle LLB	Non-executive Director
George Slater B.Eng, FICE, FIWEM	Non-executive Director

all of Brockhampton Springs, West Street, Havant, Hampshire.

Financial advisers: Close Brothers Limited, 36 Great St. Helen's, London EC3A 6AP.

Stockbrokers: Seymour Pierce Butterfield Limited, 10 Old Jewry, London EC2R 8EA.

Auditors: Grant Thornton, Chartered Accountants, Enterprise House, Isambard Brunel Road, Portsmouth, Hampshire PO1 2RZ.

Solicitors: Freshfields, Whitefriars, 65 Fleet Street, London EC4Y 1HS.

Registrar: The Company acts as its own registrar.

3. Registered and head office

Brockhampton Springs, West Street, Havant, Hampshire PO9 1LG.

4. Share capital

- (a) On incorporation, Brockhampton Holdings had an authorised share capital of £100,000, comprising 100,000 ordinary shares of £1 each, of which two ordinary shares were issued, nil paid, to the subscribers to the Memorandum of Association of Brockhampton Holdings.
- (b) On 22nd January, 1991 the subscribers to the Memorandum of Association of Brockhampton Holdings transferred one nil paid ordinary share of £1 in Brockhampton Holdings to Mr J F Batty and the other to Mr J D King.
- (c) On 25th February, 1991:
 - (i) the authorised share capital was increased from £100,000 to £600,000 by the creation of a further 500,000 ordinary shares of £1 each and each such ordinary share was then subdivided into 10 New Ordinary Shares, resulting in an authorised share capital of £600,000 divided into 6,000,000 New Ordinary Shares. The authorised share capital was then immediately further increased from £600,000 to £4,900,000 by the creation of 10,500,000 New 'A' Ordinary Shares, 1,250,000 New Redeemable Preference Shares 1996 and 2,000,000 New Redeemable Preference Shares 1997; and
 - (ii) the Directors of Brockhampton Holdings were generally and unconditionally authorised, pursuant to Section 80 of the Act, to allot relevant securities (within the meaning of that Section) (aa) up to an aggregate nominal amount of £4,327,434 for the purpose of enabling effect to be given to the Scheme and to the proposals for the Warrantholders and (bb) up to a further aggregate nominal amount of £327,269. In addition, the Directors were empowered to allot equity securities pursuant to the authority under Section 80 of the Act as if Section 89(1) of the Act did not apply, such power being limited to allotments in

connection with rights issues to shareholders and the allotment for cash of equity securities up to a maximum nominal value of £49,100 and to expire on the date of the first Annual General Meeting of Brockhampton Holdings.

- (d) On 21st March, 1991, the 10 New Ordinary Shares held by each of Mr J F Batty and Mr J D King were paid up in full and, save for those shares, no share capital of Brockhampton Holdings has been allotted or issued for cash or otherwise.
- (e) Under the Scheme such number of New Ordinary Shares, New 'A' Ordinary Shares, New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997 as correspond respectively to the Ordinary Shares, 'A' Ordinary Shares, Redeemable Preference Shares 1996 and Redeemable Preference Shares 1997 to be acquired by Brockhampton Holdings under the Scheme will be issued to the holders thereof at the close of business on the Record Date. The remaining New Ordinary Shares and New 'A' Ordinary Shares, representing approximately 42 and 39 per cent. respectively of the authorised capital of that class, will not be issued.
- (f) Following the implementation of the Reorganisation, no issue of shares will be made by Brockhampton Holdings which would effectively alter the control of Brockhampton Holdings without the prior approval of its shareholders in general meeting.
- (g) It is expected that dealings in shares and warrants of Brockhampton Holdings will commence on the first business day following the Effective Date.
- (h) No commission, discounts, brokerages or other special terms have been granted in connection with the issue of the shares or warrants of Brockhampton Holdings.
- (i) No unissued share capital of Brockhampton Holdings, or of any company which will become its subsidiary upon the Scheme becoming effective, is under option or agreed conditionally or unconditionally to be put under option.

5. Memorandum and Articles of Association

The Memorandum of Association of Brockhampton Holdings provides that its principal objects are to acquire the whole of the issued share capital of Portsmouth Water and to carry on the business of a holding company. The objects of Brockhampton Holdings are set out in full in clause 4 of the Memorandum of Association.

The Articles of Association (the "Articles") contain provisions, *inter alia*, to the effect set out below:

(A) Share rights

(i) New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997

(a) Income

The New Redeemable Preference Shares 1996 and the New Redeemable Preference Shares 1997 confer on the respective holders thereof the rights, in priority to any other class of share, to receive out of the profits available for distribution and resolved to be distributed a fixed cumulative preferential dividend of 9.5 per cent. per annum and 7.75 per cent. per annum respectively on the amounts for the time being paid up thereon (exclusive of any associated tax credits) ("preferential dividends"). The preferential dividends shall rank *pari passu* for payment and shall be payable half-yearly in equal amounts on 31st March and 30th September (or, in the event of any such date being a Saturday or Sunday or a day which is a public holiday in England, on the next day which is not such a day) ("fixed dividend dates") in each year in respect of the half-year ending on those respective dates, save that the first such dividend in respect of each New Redeemable Preference Share 1996 and each New Redeemable Preference Share 1997 respectively which is issued shall be paid on the fixed dividend date next succeeding the date of allotment thereof (or such other fixed dividend date as the Directors may determine) and shall be made on a pro rata basis in respect of the period from such date as the Directors may determine to such fixed dividend date. Payments of the preferential dividends shall be made to holders on the register at any date selected by the Directors up to 42 days prior to the relevant fixed dividend date. The New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997 shall not confer on the holders thereof any further or other right to participation in the profits of Brockhampton Holdings.

(b) *Capital*

The New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997 shall on a winding-up or other return of capital (other than a redemption or purchase of shares by Brockhampton Holdings) entitle the respective holders thereof to have the assets of Brockhampton Holdings available for distribution amongst the members applied, in priority to any other class of shares, in paying to them *pari passu*, first, a sum equal to all arrears and accruals of the preferential dividends whether or not such dividends have been earned or declared, calculated down to and including the date of the commencement of the winding-up (in the case of a winding-up) or the return of capital (in any other case) and, secondly, the capital paid up or credited as paid up on such New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997. The New Redeemable Preference Shares 1996 and New Redeemable Preference Shares 1997 shall not entitle the holders thereof to any further or other right of participation in the assets of Brockhampton Holdings.

(c) *Voting*

The holders of the New Redeemable Preference Shares 1996 shall, by virtue of or in respect of their holdings of such shares, have the right to receive notice of all general meetings of Brockhampton Holdings but not to attend, speak or vote at any general meeting of Brockhampton Holdings unless the business of the meeting includes the consideration of any resolution abrogating, varying or modifying any of the special rights or privileges attached to such shares, in which case such holders shall have the right to attend the relevant general meeting but shall be entitled to speak and vote only on such resolution. The special rights or privileges attached to the New Redeemable Preference Shares 1996 are not abrogated, varied or modified by the allotment of further shares of any class which confer on the holders voting rights more favourable than those conferred by the New Redeemable Preference Shares 1996.

The holders of the New Redeemable Preference Shares 1997 shall, by virtue of or in respect of their holdings of New Redeemable Preference Shares 1997, have the right to receive notice of and attend, speak and vote at all general meetings of Brockhampton Holdings.

(d) *Redemption*

Subject to the provisions of the Companies Acts (as defined in the Articles), Brockhampton Holdings shall redeem the whole of the New Redeemable Preference Shares 1996 on 31st December, 1996 (or so soon thereafter as the provisions of the Companies Acts can be complied with). The amount payable upon redemption shall be the sum of £1 per New Redeemable Preference Share 1996, together with a further sum equal to all arrears and accruals of the preferential dividends thereon to be calculated down to and including the date fixed for redemption which shall be payable irrespective of whether or not such dividends have been earned or declared.

Subject to the provisions of the Companies Acts, Brockhampton Holdings shall redeem the whole of the New Redeemable Preference Shares 1997 on 30th June, 1997 (or so soon thereafter as the provisions of the Companies Acts can be complied with). The amount payable upon redemption thereof shall be the sum of £1 per New Redeemable Preference Share 1997, together with a further sum equal to all arrears and accruals of the preferential dividends thereon to be calculated down to and including the date fixed for redemption which shall be payable irrespective of whether or not such dividends have been earned or declared.

(ii) New 'A' Ordinary Shares and New Ordinary Shares

(a) *Income*

If, after making payment or provision for the payment of all arrears and accruals of the preferential dividends up to and including the date of the relevant resolution, there are surplus profits available for distribution and resolved to be distributed, then such profits shall be distributed *pari passu* amongst the holders of the New 'A' Ordinary Shares and the New Ordinary Shares rateably according to the amounts paid up or credited as paid up on such shares.

(b) *Capital*

The New 'A' Ordinary Shares and New Ordinary Shares shall on a winding-up or other return of capital (other than a redemption or purchase of shares by Brockhampton

Holdings) entitle the respective holders thereof to have the assets of Brockhampton Holdings available for distribution amongst the members, after payment of the amounts referred to in paragraph (A) (i) (b) above, distributed *pari passu* amongst them rateably according to the amount paid up or credited as paid up on such New 'A' Ordinary Shares and New Ordinary Shares.

(c) *Voting*

The holders of the New 'A' Ordinary Shares shall, by virtue of or in respect of their holdings of such shares, have the right to receive notice of all general meetings of Brockhampton Holdings but not to attend, speak or vote at any general meeting of Brockhampton Holdings unless the business of the meeting includes the consideration of any resolution abrogating, varying or modifying any of the special rights or privileges attached to such shares, in which case such holder shall have the right to attend the relevant general meeting but shall be entitled to speak and vote only on such resolution. The special rights or privileges attached to the New 'A' Ordinary Shares are not abrogated, varied or modified by the allotment of further shares of any class which confer on the holders voting rights more favourable than those conferred by the New 'A' Ordinary Shares.

The holders of the New Ordinary Shares shall, by virtue of or in respect of their holdings of such shares, have the right to receive notice of and attend, speak and vote at all general meetings of Brockhampton Holdings.

(iii) *General*

(a) *Voting*

On a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy has one vote for every share held by him.

(b) *Dividends*

Any dividend unclaimed for a period of 12 years after having been declared will, if the Board so resolves, be forfeited and will revert to Brockhampton Holdings.

(c) *Transfer of shares*

Any member may transfer all or any of his shares by an instrument of transfer in the usual form or in any other form which the Board may approve. Every transfer must be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An instrument of transfer need not be under seal. The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. The Board may refuse to register a transfer unless it is lodged, duly stamped, at the registered office of Brockhampton Holdings or at such other place as the Board may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; is in respect of only one class of shares; and is in favour of not more than four transferees.

(d) *Variation of class rights and alteration of share capital*

(i) Whenever the capital is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated or modified, whether or not Brockhampton Holdings is being wound up, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). Unless otherwise provided by the rights attached to any shares or class of shares, these rights are deemed to be varied by the reduction of the capital paid up on the shares (other than by a redemption or purchase of such shares by Brockhampton Holdings) and by the allotment of further shares ranking in priority for payment of a dividend or in respect of capital or which confer on the holders voting rights more favourable than those conferred by such first-mentioned shares, but shall not otherwise be deemed to be varied by the creation or issue of further shares.

(ii) Subject to the provisions of the Companies Acts and without prejudice to any rights attached to any existing shares or class of shares, Brockhampton Holdings may issue shares with such rights or restrictions as it may by ordinary resolution determine or,

subject to and in default of such determination, as the Board determines. Redeemable shares may be issued on such terms and in such manner as may be provided by the Articles.

(iii) Brockhampton Holdings may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, subdivide its share capital into shares of smaller amount (subject to the provisions of the Companies Acts) or cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

(iv) Subject to and in accordance with the provisions of the Companies Acts, Brockhampton Holdings may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way. Subject to and in accordance with the provisions of the Companies Acts and without prejudice to any relevant special rights attached to any class of shares, Brockhampton Holdings may purchase its own shares.

(e) Disclosure of interests in shares

In the event of failure by a member or any other person appearing to be interested in shares to give the Company information required by a notice under Section 212 of the Act, the Board may by notice direct that the following restrictions apply, if such shares comprise 0.25 per cent. or more in nominal value of the class concerned, or that the restriction in (i) below applies, if such shares comprise less than 0.25 per cent. of the class concerned, in relation to the holder of the shares which are the subject of the notice under Section 212 (the "specified shares"):

- (i) the shares held by the holder of the specified shares shall be disenfranchised;
- (ii) except on a winding up, no payment shall be made of any sums due from Brockhampton Holdings on the specified shares whether in respect of capital or dividend or otherwise;
- (iii) no other distribution shall be made on the specified shares;
- (iv) no transfer of the shares held by the holder of the specified shares shall be registered.

(B) Directors

- (i) At every annual general meeting, the nearest number to one-third of the Directors for the time being, excluding any Director holding an executive office, shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who were re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the date of the notice convening the annual general meeting. Any Director appointed by the Board shall hold office only until the next following annual general meeting, when he shall be eligible for re-appointment but shall not be taken into account in determining the number of Directors to retire by rotation at that meeting.
- (ii) Save as provided in (iii) below, a Director may not vote (nor be counted in the quorum) on any resolution of the Board in respect of any matter in which he has, directly or indirectly, an interest or duty (other than by virtue of his interest in shares or debentures or other securities of or otherwise in or through Brockhampton Holdings) which is material. If he shall so vote his vote will not be counted. Brockhampton Holdings may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
- (iii) The prohibition in (ii) above does not apply to a Director in relation to:
 - (a) the giving to him of a guarantee, security or indemnity in respect of money lent by him to, or an obligation incurred by him, at the request of or for the benefit of, Brockhampton Holdings or of any of its subsidiaries;
 - (b) the giving to a third party of any guarantee, security or indemnity in respect of an obligation of Brockhampton Holdings or any of its subsidiaries for which the Director has assumed responsibility (in whole or in part, whether alone or jointly with others) under a guarantee or indemnity or by the giving of security;

- (c) the purchase or subscription by him of any shares, debentures or other securities of Brockhampton Holdings pursuant to any offer or invitation;
- (d) the subscription for or underwriting of any shares, debentures or other securities of Brockhampton Holdings or any of its subsidiaries by him;
- (e) any contract or arrangement concerning any other company in which he is interested directly or indirectly (not being a company in which he is beneficially interested in one per cent. or more of the equity share capital or voting rights);
- (f) any proposal relating in any way to a retirement benefits scheme which has been approved, or is conditional upon approval, by the Board of Inland Revenue for taxation purposes;
- (g) any proposal relating to any contract or arrangement for employees of Brockhampton Holdings or any of its subsidiaries which does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to whom the proposal relates; or
- (h) any proposal concerning any insurance which Brockhampton Holdings is empowered to purchase or maintain for or for the benefit of any Directors of Brockhampton Holdings or for persons who include Directors of Brockhampton Holdings, provided that for the purposes of this paragraph insurance shall mean only insurance against liability incurred by a Director in respect of any act or omission by him in the actual or purported execution or discharge of his duties or any exercise or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to Brockhampton Holdings or any other such company, subsidiary undertaking or pension fund, or any other insurance Brockhampton Holdings is empowered to purchase or maintain for or for the benefit of any groups of persons consisting of or including Directors of Brockhampton Holdings.

(iv) Remuneration

The non-executive Directors shall be paid out of the funds of Brockhampton Holdings by way of remuneration for their services as Directors such sum as the Board may determine, not exceeding £60,000 in aggregate per annum, or such larger sum as may from time to time be determined by ordinary resolution. Such remuneration shall be divided among the non-executive Directors in such proportion as the Board may determine, and in default of such determination within a reasonable period, equally. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings or otherwise in connection with the discharge of their duties. Any Director who by request of the Board performs special services or goes or resides abroad for any purpose of Brockhampton Holdings may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. Any Director who is appointed to any executive office shall be entitled to receive such remuneration, including benefits under pension and life assurance schemes, as the Board may determine.

(v) Pensions, benefits, etc.

The Board may (by establishment of or maintenance of schemes or otherwise) pay or procure the payment of pensions, gratuities and other benefits to, among others, any past or present Director or employee of Brockhampton Holdings or any of its subsidiary or associated companies or any business acquired by any of them, or to any person who is or was related to or dependent on any such Director or employee. The Board may, in accordance with Section 719 of the Act, make such provision as may seem appropriate for the benefit of persons employed or formerly employed by Brockhampton Holdings or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the undertaking of Brockhampton Holdings or any subsidiary.

(vi) Age limit

There shall not be any age limit for Directors and sub-Sections (1) to (6) of Section 293 of the Act which, *inter alia*, prevents the appointment and requires the retirement of Directors who have attained the age of 70 unless the contrary is decided by a resolution in general meeting of which special notice has been given, shall not apply to Brockhampton Holdings.

(C) *Borrowing powers*

The Board may exercise all the powers of Brockhampton Holdings to borrow money, and to mortgage or charge its undertaking, property and uncalled share capital, and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of

Brockhampton Holdings or any third party. The Board shall restrict the borrowings of Brockhampton Holdings and exercise all voting and other rights or powers of control exercisable by Brockhampton Holdings in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the principal amount outstanding of all moneys borrowed by Brockhampton Holdings and its subsidiaries (exclusive of amounts borrowed from Brockhampton Holdings or any of its subsidiaries) shall not, without the previous sanction of an ordinary resolution of Brockhampton Holdings, exceed two and one-half times the Adjusted Capital and Reserves (as defined in the Articles).

(D) Untraced shareholders

Subject to the requirements of The Stock Exchange, Brockhampton Holdings may sell any shares of a member who is untraceable if, during a period of 12 years, at least three dividends in respect of the shares in question have become payable and the cheques or warrants for all amounts payable to the member in respect of his shares have remained uncashed and Brockhampton Holdings has received no indication of the existence of such member. If during any such 12 year period further shares have been issued in right of those held at the beginning of such period or of any previously issued during such period and the requirements set out above (other than the requirement that they be in issue for 12 years) have been satisfied in regard to the further shares, Brockhampton Holdings may also sell the further shares.

6. Details of the New Warrants

Set out below are details of the New Warrants:

(a) The New Ordinary Warrants

The New Ordinary Warrants will be created by a resolution of the Board of Brockhampton Holdings and will be issued subject to and with the benefit of the following conditions:

Subscription rights

- (A) (i) A registered holder for the time being of a New Ordinary Warrant shall have rights ("subscription rights") to subscribe for New Ordinary Shares by subscribing in cash on any day of June ("subscription period") in any of the years 1993 to 1998 inclusive (or, if later, on any day of the first complete month after the date on which copies of the audited accounts of Brockhampton Holdings for its then immediately preceding financial year are despatched to shareholders), for all or any of the number of New Ordinary Shares specified in the warrant certificate at the price of £1.75 per New Ordinary Share (the "subscription price"), payable in full on subscription. The number and/or nominal amount of New Ordinary Shares to be subscribed pursuant to New Ordinary Warrants and/or the subscription price payable are subject to adjustment as provided in condition (B). To the extent not then exercised, all subscription rights shall lapse on the last day of the complete calendar month after the date on which copies of the audited accounts of Brockhampton Holdings for its then immediately preceding financial year are despatched to shareholders in the year 1998 ("final subscription date").
- (ii) In order to exercise the subscription rights in whole or in part, a registered holder of a New Ordinary Warrant or New Ordinary Warrants must lodge the relevant warrant certificate or certificates (or such other evidence as the Board may reasonably require as to the title of the person exercising the subscription rights) at the office of Brockhampton Holdings in or within 30 days prior to a subscription period, having completed the exercise notice thereon (or accompanied by such other written notice as the Board may approve) specifying the number of New Ordinary Shares in respect of which the subscription rights are to be exercised, accompanied by a remittance for the subscription price of the New Ordinary Shares being subscribed. Once lodged, an exercise notice shall be irrevocable save with the consent of the Board. Compliance must also be made with any statutory requirements for the time being applicable. The subscription rights will not be exercisable in respect of a fraction of a New Ordinary Share.
- (iii) Not earlier than six weeks nor later than four weeks before each subscription period, Brockhampton Holdings shall give notice in writing to the registered holders of the outstanding New Ordinary Warrants reminding them of their subscription rights.

- (iv) The New Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the last day of the relevant subscription period ("subscription date") and certificates in respect of such shares will be issued and despatched (at the risk of the persons entitled thereto) not later than 28 days after the relevant subscription date to the persons in whose names the New Ordinary Warrants are registered at the date of such exercise or to such other persons as may be named in the form of nomination on or attached to the warrant certificate. In the event of a partial exercise of the subscription rights comprised in a New Ordinary Warrant, Brockhampton Holdings shall at the same time as the issue of the relevant share certificate issue a new warrant certificate in the name of the registered holder for any balance of the subscription rights comprised in that New Ordinary Warrant which remain exercisable.
- (v) New Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid on the New Ordinary Shares in respect of any financial year of Brockhampton Holdings ended prior to the relevant subscription date nor shall they rank for any dividend or other distribution declared, made or paid on a date (or by reference to a record date) prior to the relevant subscription date, but subject thereto will rank in full for all dividends and other distributions declared, made or paid after the relevant subscription date and *pari passu* in all respects with the New Ordinary Shares of Brockhampton Holdings in issue on that date provided that on any allotment falling to be made pursuant to condition (C)(vi) the New Ordinary Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid on a date (or by reference to a record date) prior to such allotment.
- (vi) Brockhampton Holdings will apply to the Council of The Stock Exchange for the New Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List and use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant subscription date.
- (vii) If, immediately after any subscription date and after giving effect to the subscription rights exercised on that date, subscription rights under the New Ordinary Warrants shall have been exercised in respect of 75 per cent. or more of the New Ordinary Shares to which such rights relate and in any event following the final subscription date, Brockhampton Holdings shall be entitled on giving not less than 14 days' notice in writing to the holders of the New Ordinary Warrants then outstanding to appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall (and shall be entitled to) within the period of 14 days following the giving of such notice, but in any event, on or prior to 1st July, 1998, exercise such subscription rights as have not been exercised on the terms on which the same could have been exercised on the preceding subscription date (subject to any adjustments subsequent to such date, if any) and sell in the market the New Ordinary Shares acquired on such subscription. The trustee shall distribute pro rata the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale, provided that entitlements of £2.50 or less shall be retained for the benefit of Brockhampton Holdings.
- (viii) Subject to any exercise of subscription rights under condition (A)(vii), if not exercised prior to or on the final subscription date, the subscription rights comprised in the New Ordinary Warrants shall lapse.

Adjustment of subscription rights and/or price

- (B) (i) Upon any allotment of fully paid New Ordinary Shares by way of capitalisation of profits or reserves to holders of the New Ordinary Shares on the register of members on a date (or by reference to a record date) on or before the final subscription date or upon any sub-division or consolidation of the New Ordinary Shares on or before such date, the number of New Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights will be increased or, as the case may be, reduced in due proportion, and/or the subscription price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors for the time being of Brockhampton Holdings shall certify the appropriate adjustments and, within 28 days thereof, notice

will be sent to each holder of a New Ordinary Warrant together with a warrant certificate in respect of any additional New Ordinary Shares which that holder is entitled to subscribe in consequence of such adjustment, fractional entitlements being ignored.

- (ii) If, at any time on or before the final subscription date, Brockhampton Holdings makes any offer or invitation to holders of New Ordinary Shares (whether by way of rights or otherwise but not being an offer or invitation to which condition (C)(vi) or (C)(vii) applies) or any offer or invitation (not being an offer or invitation to which condition (C)(vi) or (C)(vii) applies) is made to such holders otherwise than by Brockhampton Holdings, then Brockhampton Holdings shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then registered holders of the New Ordinary Warrants as if their subscription rights had been exercisable and had been exercised on the day immediately before the record date of such offer or invitation on the terms on which the same could have been exercised as if such date were a subscription date provided that, if the Board so resolves in the case of any such offer or invitation made by Brockhampton Holdings, Brockhampton Holdings shall not be required to procure that the same offer or invitation is made to the then registered holders of the New Ordinary Warrants but the subscription price shall be adjusted (a) in the case of an offer of New Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of New Ordinary Shares in issue on the date of such announcement plus the number of New Ordinary Shares which the aggregate of the amount payable for the total number of New Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of New Ordinary Shares in issue on the date of such announcement plus the aggregate number of New Ordinary Shares offered for subscription; and (b) in any other case, in such manner as the auditors for the time being of Brockhampton Holdings shall certify to be appropriate. Any such adjustment shall become effective as at the record date for the offer or invitation. For these purposes, "market price" shall mean the average of the middle market quotations as derived from the Daily Official List of The Stock Exchange for one New Ordinary Share for the five consecutive business days ending on the business day immediately preceding the date on which the market price is to be ascertained. Brockhampton Holdings shall give notice to holders of the New Ordinary Warrants within 28 days of any adjustment made pursuant to this condition (B)(ii) and, if appropriate, despatch warrant certificates in the manner described in condition (B)(i).

Other provisions

(C) So long as any subscription rights remain exercisable:

- (i) Brockhampton Holdings shall not (except with the sanction of an Extraordinary Resolution of the holders of the New Ordinary Warrants) (a) make any distribution of capital profits or capital reserves (other than in relation to a redemption or purchase of any share capital of Brockhampton Holdings authorised pursuant to the Companies Acts and in accordance with the rules and regulations of The Stock Exchange) except by means of a capitalisation issue in the form of fully paid New Ordinary Shares and/or New 'A' Ordinary Shares or (b) issue securities by way of capitalisation of profits or reserves except fully paid New Ordinary Shares and/or New 'A' Ordinary Shares issued to the holders of its New Ordinary Shares and/or New 'A' Ordinary Shares or (c) on or by reference to a record date falling within the period of six weeks ending on the first day of any subscription period make any such offer or invitation as is referred to in condition (B)(ii) except by extending to the holders of the New Ordinary Warrants any such offer or invitation as may be made by a third party.
- (ii) Brockhampton Holdings shall not in any way modify the rights attached to the New Ordinary Shares as a class (but nothing herein shall restrict the right of Brockhampton Holdings to increase, consolidate, sub-divide or reduce its share capital).
- (iii) Brockhampton Holdings shall not issue any New Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer or invitation as is referred to in condition (B)(ii) above if as a result Brockhampton

Holdings would on any subsequent exercise of the subscription rights be obliged to issue New Ordinary Shares at a discount to nominal value.

- (iv) Brockhampton Holdings shall not (except with the sanction of an Extraordinary Resolution of the holders of the New Ordinary Warrants) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or any share premium account or capital redemption reserve (other than in relation to a redemption or purchase of any share capital of Brockhampton Holdings authorised pursuant to the Companies Acts and in accordance with the rules and regulations of The Stock Exchange) unless in either case the reduction does not involve either the diminution of liability of unpaid share capital or the repayment to any shareholder of any paid up share capital.
- (v) Brockhampton Holdings shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable.
- (vi) Subject to condition (C)(vii), if at any time an offer is made to all holders of New Ordinary Shares (or all holders of New Ordinary Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of Brockhampton Holdings and Brockhampton Holdings becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of Brockhampton Holdings has or will become vested in the offeror and/or such persons or companies as aforesaid, Brockhampton Holdings shall give notice to the holders of the New Ordinary Warrants within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms on which the same could have been exercised on the last preceding subscription date (subject to any adjustment pursuant to condition (B) above) and so that failing such exercise within such period such rights shall upon the expiry of such period cease and determine provided that if, during such period, such offeror (and/or such persons as aforesaid) become entitled to exercise rights of compulsory acquisition of New Ordinary Shares pursuant to Sections 428 to 430F of the Act and gives notice in writing to any holders of New Ordinary Shares that he intends to exercise such rights, the subscription rights shall be and remain exercisable whilst the offeror remains so entitled; and publication of a scheme of arrangement under the Companies Act providing, *inter alia*, for the acquisition by any person of the whole or any part of the issued share capital of Brockhampton Holdings shall be deemed to be the making of an offer for the purposes of this condition (C)(vi).
- (vii) If an offer is made as referred to in condition (C)(vi) whereunder the consideration consists solely of the issue of shares of the offeror and the offeror makes available an offer for warrants to subscribe for shares of the offeror in exchange for the New Ordinary Warrants which the financial advisers to Brockhampton Holdings consider in their opinion (acting as experts and not as arbitrators) is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers to be relevant), then any Director of Brockhampton Holdings shall be authorised as attorney for the holders of the outstanding New Ordinary Warrants: (a) to execute a transfer thereof in favour of the offeror in consideration of the issue of the warrants to subscribe for new shares of the offeror as aforesaid whereupon all the outstanding New Ordinary Warrants shall lapse and (b) to do such acts, deeds and things and execute such other deeds, transfers, instruments and documents as may be necessary or appropriate in connection therewith, subject in both (a) and (b) aforesaid and in all circumstances to the offer by the offeror as aforesaid becoming or being declared unconditional in all respects.
- (viii) If an order is made or an effective resolution is passed for winding up Brockhampton Holdings (except for the purpose of reconstruction, amalgamation or merger on terms sanctioned by an Extraordinary Resolution of the holders of the New Ordinary Warrants) each holder of a New Ordinary Warrant shall (if, in the event of such winding up and on the basis that all subscription rights then unexercised which have not lapsed had been exercised in full and the subscription monies for the relevant shares had been received in full by Brockhampton Holdings, there would be a surplus

available for distribution amongst the holders of the New Ordinary Shares which, on such basis, would exceed in respect of each New Ordinary Share a sum equal to the subscription price) be treated as if, immediately before the date of such order or resolution, his subscription rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on the day immediately before the date of such order or resolution as if such date were a subscription date and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the New Ordinary Shares such a sum as he would have become entitled to by virtue of such subscription after deducting a sum per share equal to the subscription price. Subject to the foregoing, all subscription rights shall lapse on the liquidation of Brockhampton Holdings.

- (ix) Brockhampton Holdings shall not change its accounting reference date from 31st March without giving to the holders of the New Ordinary Warrants not less than two months' notice thereof and shall not change such date so that there is not, or need not be, an Annual General Meeting in each calendar year prior to and including 1997.

Modification of rights

- (D) All or any of the rights for the time being attached to the New Ordinary Warrants may from time to time (whether or not Brockhampton Holdings is being wound up) be altered or abrogated with the sanction of an Extraordinary Resolution passed at a separate general meeting of the holders of the New Ordinary Warrants. All the provisions of the Articles of Association for the time being of Brockhampton Holdings as to general meetings shall *mutatis mutandis* apply to such separate general meetings as though the New Ordinary Warrants were a class of shares forming part of the capital of Brockhampton Holdings but so that (i) the necessary quorum shall be the holders (present in person or by proxy) entitled to exercise the subscription rights under the outstanding New Ordinary Warrants in respect of one third of the New Ordinary Shares to which such rights relate, (ii) every holder of a New Ordinary Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy at any such meeting shall be entitled on a poll to one vote for every New Ordinary Share for which he is entitled to subscribe, (iii) any holder of a New Ordinary Warrant (present in person or by proxy) may demand or join in demanding a poll, and (iv) at any adjourned meeting those holders of New Ordinary Warrants present in person or by proxy shall be a quorum.

Transfer

- (E) Each New Ordinary Warrant will be registered and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Board. Brockhampton Holdings may refuse to register any transfer of New Ordinary Warrants unless it is duly stamped and lodged at the office of the Registrars of Brockhampton Holdings (or such other place as the Board may appoint) accompanied by a certificate for the New Ordinary Warrants to be transferred and such other evidence as the Board may reasonably require to show the right of the intending transferor to make the transfer. No transfer of a right to subscribe for a fraction of a New Ordinary Share may be effected.

General

- (F) (i) Brockhampton Holdings will concurrently with the issue of the same to the holders of its shares send to each registered holder of a New Ordinary Warrant (or in the case of joint holders to the first named in the register of New Ordinary Warrantholders) a copy of each published annual report and accounts of Brockhampton Holdings, together with all documents required by law to be annexed thereto, and copies of all other documents issued by Brockhampton Holdings to shareholders.
- (ii) For the purposes of these particulars, "Extraordinary Resolution of the holders of the New Ordinary Warrants" means a resolution proposed at a separate meeting of the holders of the New Ordinary Warrants duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.
- (b) The New 'A' Ordinary Warrants
The New 'A' Ordinary Warrants will be created by a resolution of the Board of Brockhampton Holdings and will be issued subject to and with the benefit of the following conditions:

Subscription rights

- (A) (i) A registered holder for the time being of a New 'A' Ordinary Warrant shall have rights to subscribe for New 'A' Ordinary Shares by subscribing in cash on any day of June in any of the years 1992 to 1997 inclusive (or, if later, on any day of the first complete month after the date on which copies of the audited accounts of Brockhampton Holdings for its then immediately preceding financial year are despatched to shareholders) for all or any of the number of New 'A' Ordinary Shares specified in the warrant certificate at the price of £1.50 per New 'A' Ordinary Share, payable in full on subscription. The number and/or nominal amount of New 'A' Ordinary Shares to be subscribed pursuant to New 'A' Ordinary Warrants and/or the subscription price payable are subject to adjustment as provided in condition (B). To the extent not then exercised, all subscription rights shall lapse on the last day of the complete calendar month after the date on which copies of the audited accounts of Brockhampton Holdings for its then immediately preceding financial year are despatched to shareholders in the year 1997.
- (ii) The provisions of condition (A) (other than condition (A)(i)) of the New Ordinary Warrants shall apply *mutatis mutandis* to the New 'A' Ordinary Warrants.

Adjustment of subscription rights, etc.

- (B) The provisions of conditions (B), (C), (D), (E) and (F) of the New Ordinary Warrants shall apply *mutatis mutandis* to the New 'A' Ordinary Warrants, with the addition of the following as condition (C)(x):

Brockhampton Holdings and its subsidiaries shall have the right to purchase New 'A' Ordinary Warrants in the market or by tender available to all New 'A' Ordinary Warrant holders alike or by private treaty provided that the purchase shall be limited to a maximum price which in the case of purchases through the market or by tender, will not exceed the average of the middle market quotations for the New 'A' Ordinary Warrants (as derived from The Stock Exchange Daily Official List) for the ten business days before the purchase is made, or in the case of a purchase through the market, at the market price, provided that it is no more than 5 per cent. above such average. All New 'A' Ordinary Warrants so purchased shall forthwith be cancelled and not be available for re-issue or re-sale.

7. Directors' and other interests

For technical reasons Mr J F Batty and Mr J D King each hold 10 New Ordinary Shares in Brockhampton Holdings. Under the Scheme, they will each receive 10 less New Ordinary Shares than they would otherwise be entitled to.

The interests of the Directors and their families in the share capital of Brockhampton Holdings will be equivalent to their current interests in Portsmouth Water, set out in paragraph 3 of Part II of this document.

Those shareholders who will, as a result of the implementation of the Scheme, become interested, directly or indirectly, in 3 per cent. or more of each of the four classes of New Shares are listed in paragraph 3 of Part II of this document.

Mr J F Batty and Mr J D King have service contracts with Portsmouth Water, details of which are set out in paragraph 3(c) of Part II of this document. Except as disclosed therein, none of the Directors has an existing or proposed service contract with Brockhampton Holdings or Portsmouth Water other than a contract expiring or determinable by the relevant company without payment of compensation (other than statutory compensation) within one year.

8. Litigation

Brockhampton Holdings is not engaged in any litigation or arbitration proceedings and no litigation or arbitration proceedings are known to the Directors to be pending or threatened against Brockhampton Holdings which, in either case, may have, or have had during the twelve months prior to the date hereof, a significant effect on the financial position of Brockhampton Holdings.

9. Accountants' report

The following is a copy of a report received from Grant Thornton, auditors to Brockhampton Holdings:

“Enterprise House
Isambard Brunel Road
Portsmouth
Hampshire PO1 2RZ

The Directors
Brockhampton Holdings plc
Brockhampton Springs
West Street
Havant
Hampshire PO9 1LG
and

22nd March, 1991

The Directors
Close Brothers Limited
36 Great St. Helens
London EC3A 6AP

Gentlemen,

We report that Brockhampton Holdings plc was incorporated on 24th December, 1990 under the Companies Act 1985 as a public limited company with an authorised share capital of 100,000 ordinary shares of £1 each. On 25th February, 1991 the authorised share capital was increased from £100,000 to £600,000 by the creation of a further 500,000 ordinary shares of £1 each and each such ordinary share was then sub-divided into 10 Ordinary Shares of 10p each, resulting in an authorised share capital of £600,000 divided into 6,000,000 Ordinary Shares of 10p each. The authorised share capital was then immediately further increased from £600,000 to £4,900,000 by the creation of 10,500,000 Non-Voting 'A' Ordinary Shares of 10p each, 1,250,000 9.5 per cent. Non-Voting Redeemable Preference Shares 1996 of £1 each and 2,000,000 7.75 per cent. Redeemable Preference Shares 1997 of £1 each.

Since the date of its incorporation Brockhampton Holdings plc has not traded, made up any accounts or paid any dividends.

Yours faithfully,

Grant Thornton
Chartered Accountants”

PART II

INFORMATION RELATING TO PORTSMOUTH WATER

1. Incorporation

Portsmouth Water was incorporated in England as a public limited company under the Act on 31st August, 1990. The Company is registered in England and Wales with No. 2536455. Prior to that date, the Company was incorporated with limited liability by the Borough of Portsmouth Waterworks Act 1857.

2. Share capital

- (a) On registration as a public limited company, the Company reorganised its capital stock into new classes of share capital and also issued two classes of warrants. Details of Portsmouth Water's capital stocks in issue until 31st August, 1990 and its existing authorised and issued and fully paid share capital and warrants in issue are set out below:

- (i) Capital stocks in issue until 31st August, 1990:

	<i>Nominal value</i> £
3.5 per cent. ordinary stock	1,099,330
2.1 per cent. perpetual preference stock	55,729
8.75 per cent. redeemable preference stock 1996	1,250,000
7 per cent. redeemable preference stock 1997	2,000,000
	<hr/> 4,405,059 <hr/>

- (ii) The present authorised and issued and fully paid share capital is as follows:

	<i>Authorised</i> £	<i>Issued and fully paid</i> £
Ordinary Shares	600,000	346,518
'A' Ordinary Shares	1,050,000	635,291
Redeemable Preference Shares 1996	1,250,000	1,250,000
Redeemable Preference Shares 1997	2,000,000	2,000,000
	<hr/> 4,900,000 <hr/>	<hr/> 4,231,809 <hr/>

- (iii) Warrants in issue are as follows:

	<i>Issued</i>
Ordinary Warrants	800,000
A' Ordinary Warrants	156,249

- (b) On 28th February, 1991 the Company purchased 1,732,500 'A' Ordinary Shares from the trustees of Portsmouth Water Company Retirement Benefits Scheme for £1,992,375 which shares were subsequently cancelled.
- (c) Save as disclosed above, no change in the issued share capital has taken place since conversion on 31st August, 1990. No change in the capital stocks in issue took place in the three years prior to that date.

3. Directors' and other interests

- (a) At the date of this document, the interests of the Directors of the Company and their families in the share capital of the Company (all of which are beneficial except as stated below) which have been notified to the Company pursuant to Section 324 or 328 of the Act are as follows:

Name	Ordinary Shares	'A' Ordinary Shares
P D Childs	1,500	3,500
J F Glanville	1,500	3,500
F A Bailey	1,500	3,500
J F Batty	3,282	7,658
E N L Guymer	1,500	3,500
J D King	1,500	3,500
H J Y Pringle	1,500	3,500
G Slater		

- (b) Messrs Childs, Glanville, Bailey, Guymer and Slater are trustees of the Portsmouth Water Company Retirement Benefits Scheme. Accordingly, they have a non-beneficial interest in that Scheme's holdings which are set out in paragraph 3(f) below.
- (c) Mr J F Batty has entered into a service agreement with Portsmouth Water, dated 3rd October, 1989, which continues until terminated by Portsmouth Water, giving Mr Batty no less than 48 months' notice, or by Mr Batty giving no less than 6 months' notice to Portsmouth Water. Under this agreement, Mr Batty's current salary is £58,983.
- Mr J D King has entered into a service agreement with Portsmouth Water, dated 3rd October, 1989, which continues until the earlier of 15th October, 1992, when Mr King becomes 65 and retires, or the termination of the agreement by Mr King giving no less than 6 months' notice to Portsmouth Water. Under this agreement, Mr King's current salary is £58,983.
- Save as disclosed above, none of the Directors has an existing or proposed service contract with Portsmouth Water not being a contract expiring or determinable by Portsmouth Water without payment of compensation (other than statutory compensation) within one year.
- (d) There are no transactions which have been entered into by Portsmouth Water since incorporation in which any of the Directors is interested and which are or were unusual in their nature or conditions or significant to the business of Portsmouth Water.
- (e) The aggregate of the remuneration paid and benefits in kind granted to the Directors during the year ended 31st March, 1990 was £158,804 including pension contributions and bonuses. Implementation of the Reorganisation will not, of itself, give rise to any variation of the Directors' emoluments.
- (f) The interests of shareholders at 20th March, 1991 (being the latest practicable date prior to the printing of this document) owning greater than 3 per cent. of each class of the Company's share capital were as follows:

Shareholder	Ordinary Shares	Per Cent.	'A' Ordinary Shares	Per Cent.	Redeemable Preference Shares 1996	Per Cent.	Redeemable Preference Shares 1997	Per Cent.
Associated Insurance Pension Fund Limited and its subsidiary companies	207,359	6.0	502,171	7.9	—	—	—	—
Cleaning Tokens Ltd	—	—	—	—	50,000	4.0	—	—
Corrall-Montenay Ltd	—	—	—	—	100,000	8.0	—	—
GRE Nominees Ltd and its subsidiary companies	613,500	17.7	1,411,599	22.5	—	—	—	—
Portsmouth Water Superannuation Fund Trustees Limited	1,983,795	57.3	2,896,355	45.6	1,075,000	86.0	2,000,000	100.0
RLAM (Nominees) Ltd	108,000	3.1	252,000	3.97	—	—	—	—

Upon implementation of the Scheme, these interests in Portsmouth Water will cease and like interests will be acquired in the share capital of Brockhampton Holdings.

4. Business, licences and additional information

The principal activity of Portsmouth Water is the supply of water to an area of 868 square kilometres in Hampshire and West Sussex. Portsmouth Water is required to and does hold abstraction licences and appointment as a water undertaker by the Secretary of State for the Environment under Sections 11 and 14 of the Water Act 1989.

The Water Supply (Water Quality) Regulations 1989 (SI 1989 No. 1147) incorporate the European Community Drinking Water Quality Directive (80/778/EEC) and prescribe, for the purposes of

determining the wholesomeness of water, requirements as to the concentrations or values of properties, elements, organisms and substances to be present in or absent from it. During the past year, tests have indicated that the Company has met these requirements with only minor exceptions.

The Company has co-operated with The Department of the Environment in a national survey for lead in water supply and twenty one samples in five water supply zones were found to be in excess of the permitted value in the regulations. Additionally two samples in two water supply zones have revealed a concentration of polyaromatic hydrocarbons in excess of the permitted value.

Consequently, the Company has given undertakings to the Secretary of State for the Environment under Section 20 of the Water Act 1989 that it will take measures to facilitate compliance with the said regulations with respect to lead by 31st December, 1996 and polyaromatic hydrocarbons by 28th February, 1997. The latter undertaking is awaiting acceptance by the Secretary of State for the Environment.

In common with most of the UK water industry, the Company is aware of some difficulties in complying with the said regulations on pesticides. Methods of compliance are being investigated but the Company believes that any expenditure which proves to be necessary to effect compliance with either lead, polyaromatic hydrocarbons or pesticides will be eligible for the "cost pass-through mechanism" associated with the industry regulation system.

5. Litigation

On or about 28th November, 1985 there was an escape of water from a watermain at Fontwell, Arundel, West Sussex and claims have been made against the Company as a result. The Company did not have insurance cover against those particular claims and in the opinion of the Directors made full provision in respect of them in the accounts of the Company for the year ended 31st March, 1989. Risks of this nature are now fully insured by Portsmouth Water. On 25th October, 1988 proceedings were issued in the High Court of Justice against the Company by Edward Clarence Fletcher claiming damages, on the highest basis claimed of £415,000, and interest in respect of substantial damage caused to his property at Fontwell as a result of the escape of water. A Statement of Claim was served on the Company on 18th October, 1990 and the Company served its Defence on 14th December, 1990. The proceedings are at an early stage and the Directors are not in a position fully to identify, consider and evaluate all the issues raised and any assessment of such proceedings is therefore subject to uncertainty. Other claims made against the Company arising out of the escape of water have, however, been settled at substantially lower levels than that claimed by Mr. Fletcher. The Directors are of the opinion, having regard to legal advice received and provisions currently held, that it is unlikely that the claim will have a material effect on Portsmouth Water's financial position.

Save as aforesaid, Portsmouth Water is not engaged in any litigation or arbitration proceedings and no litigation or arbitration proceedings are known to the Directors to be pending or threatened against Portsmouth Water which, in either case, may have, or have had during the twelve months prior to the date hereof, a significant effect on the financial position of Portsmouth Water.

6. Financial information

The financial information contained in this document relating to Portsmouth Water does not constitute statutory accounts within the meaning of Section 240(5) of the Act. Statutory accounts for Portsmouth Water for the three years ended 31st March, 1990 have been delivered to the Registrar of Companies in England and Wales.

The method of depreciation adopted in the audited accounts of Portsmouth Water referred to above was not in accordance with either the Act or SSAP 12 and consequently the Company's auditors, Grant Thornton, have issued qualified audit reports for all three years. The audit report for the year ended 31st March, 1990 is set out in paragraph 6(f) below. The Company adopted a revised method of depreciation with effect from 1st April, 1990.

The financial information set out in paragraphs 6(a) to 6(e) below is based on the audited accounts of Portsmouth Water referred to above and is after making such adjustments as Grant Thornton considered necessary in order to, *inter alia*, reflect a method of depreciation that is in accordance with the current accounting policies of the Company, the Act and SSAP 12.

(a) Accounting policies

The principal accounting policies adopted by Portsmouth Water which have been applied in arriving at the financial information in paragraphs 6(b) to 6(e) are set out below:

(i) Accounting convention

The financial information has been prepared under the historical cost convention in accordance with the following accounting policies.

(ii) Fixed assets

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 because the network is required to be maintained in perpetuity and therefore has no finite economic life.

Other assets

Depreciation is calculated to write off the cost of assets over a period being their estimated useful lives using the straight line method.

(iii) Stores

Stores, held mainly for capital purposes, 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.

(iv) Deferred taxation

No provision is made for deferred taxation as no mainstream corporation tax liability is expected to arise as a result of any annual shortfall in capital allowances.

(v) Leases

Operating lease payments are charged to the Revenue Account over the period of the lease.

(vi) Pensions

Contributions to pension schemes, based on independent actuarial advice, are charged to the profit and loss account on a basis that spreads the expected cost of benefits over the employees' working lives with the Company.

The financial statements only reflect the portion of the Portsmouth Water Company Retirement Benefit Scheme surplus that the Directors consider will be amortised by reductions in contributions payable in future years.

The funds of the schemes are administered by trustees and are separate from the Company.

(b) Revenue accounts

		Years ended 31st March,		
	Notes	1988 £'000	1989 £'000	1990 £'000
Turnover	(i)	13,130	14,177	18,372
Operational costs		(6,547)	(7,945)	(9,691)
Gross profit		6,583	6,232	8,681
Administration		(3,277)	(3,585)	(4,084)
Net operating profit		3,306	2,647	4,597
Interest charges	(ii)	(1,959)	(1,971)	(1,970)
Capital issue expenses		(3)	—	—
Interest receivable	(iii)	538	530	1,156
Exceptional item	(iv)	—	1,121	1,175
Profit on ordinary activity before taxation	(v)	1,882	2,327	4,958
Taxation	(vii)	(211)	(325)	(591)
Profit on ordinary activity after taxation		1,671	2,002	4,367
Dividends paid and recommended		(301)	(209)	(289)
Net profit		1,370	1,713	4,078

Statement of movement on revenue account

	Years ended 31st March,		
	1988 £'000	1989 £'000	1990 £'000
Balance at 1st April	2,267	11,042	17,035
Net profit for the year	1,370	1,713	4,078
Accumulated depreciation at 1st April	(2,096)	—	—
Opening contingency fund	8,940	—	—
Capital profit transfer	561	—	—
Prior year adjustment	—	4,280	—
Balance at 31st March	<u>11,042</u>	<u>17,035</u>	<u>21,113</u>

(c) Balance sheets

	Notes	Years ended 31st March,		
		1988 £'000	1989 £'000	1990 £'000
Fixed assets				
Tangible	(ix)	29,101	31,023	32,348
Current assets				
Stores		703	804	963
Debtors	(x)	1,643	6,170	6,498
Investments	(xi)	257	1,083	4
Cash and short-term deposits		5,819	5,898	10,000
Current liabilities				
Creditors due within one year	(xii)	(3,215)	(4,264)	(4,817)
Net current assets		<u>5,207</u>	<u>9,691</u>	<u>12,648</u>
Total assets less current liabilities		<u>34,308</u>	<u>40,714</u>	<u>44,996</u>
Creditors due after one year	(xiii)	(16,000)	(16,000)	(16,000)
		<u>18,308</u>	<u>24,714</u>	<u>28,996</u>
Capital and reserves				
Capital stocks	(xiv)	4,518	4,518	4,518
Perpetual debenture stocks	(xiv)	445	445	445
Capital contributions — mainlaying	(xv)	2,053	2,466	2,670
Reserve fund		250	250	250
Revenue account		<u>11,042</u>	<u>17,035</u>	<u>21,113</u>
		<u>18,308</u>	<u>24,714</u>	<u>28,996</u>

(d) Notes to the accounts

(i) Turnover

	1988 £'000	1989 £'000	1990 £'000
Unmeasured supplies	7,496	8,203	10,656
Measured supplies	4,481	4,703	6,284
Rechargeable work	1,042	1,155	1,266
Other income	111	116	166
	<u>13,130</u>	<u>14,177</u>	<u>18,372</u>

(ii) Interest charges

	1988	1989	1990
	£'000	£'000	£'000
Debenture stocks redeemable within 5 years	560	560	1,080
Debenture stocks redeemable after 5 years	1,385	1,385	865
Bank overdrafts and short-term loans	1	4	2
Main extension guarantee deposits	13	22	23
	<u>1,959</u>	<u>1,971</u>	<u>1,970</u>

(iii) Interest receivable

	1988	1989	1990
	£'000	£'000	£'000
Listed investments	22	11	8
Short-term deposits	516	519	1,148
	<u>538</u>	<u>530</u>	<u>1,156</u>

(iv) Exceptional items

These represent the profits arising from the sale of contingency fund investments.

(v) Profit on ordinary activity before taxation

Profit on continuing activities is stated after charging

	1988	1989	1990
	£'000	£'000	£'000
Auditors' fees	10	14	16
Leasing payments	88	134	27
Hire of plant and machinery	17	34	35
Other operating leases	48	117	280

(vi) Directors' emoluments

	1988	1989	1990
	£'000	£'000	£'000
Fees	30	36	36
Other	48	35	5
Chairman (included above)	7	8	8
Highest paid director (included above)	44	32	—
	Number	Number	Number
Other	—	—	2
Not more than £5,000	4	4	4
£5,001 to £10,000			

(vii) Taxation

The taxation charge based on the profits for the relevant years is made up as follows:

	1988	1989	1990
	£'000	£'000	£'000
Corporation tax @ 35 per cent.	410	801	1,726
Advance corporation tax	(205)	(476)	(1,135)
	<u>205</u>	<u>325</u>	<u>591</u>
Prior year adjustment	6	—	—
	<u>211</u>	<u>325</u>	<u>591</u>

Recoverable ACT charged to revenue amounts to £1.467m (1989: £2.627m), (1988: £3.106m).

No provision is made for deferred taxation as no mainstream corporation tax liability is expected to arise as a result of any annual shortfall in capital allowances. The potential liability for deferred taxation in respect of all timing differences is £3.348m.

(viii) Earnings per share

The ordinary stock is subject to a statutory maximum rate of dividend and the stockholders have no further interest in the earnings of the Company. It is not considered that a statement of earnings per share is relevant.

(ix) Tangible fixed assets

Tangible fixed assets at 31st March, 1990 comprised:

	<i>Freehold land, buildings and reservoirs £'000</i>	<i>Mains £'000</i>	<i>Pumping plant £'000</i>	<i>Vehicles, mobile plant & office equipment £'000</i>	<i>Total £'000</i>
COST					
At 1st April, 1989 restated	11,963	19,339	1,293	2,038	34,633
Additions	107	1,210	—	426	1,753
Disposals	—	—	—	(57)	(57)
At 31st March, 1990	<u>12,070</u>	<u>20,549</u>	<u>1,293</u>	<u>2,417</u>	<u>36,329</u>
DEPRECIATION					
At 1st April, 1989	1,717	—	692	1,201	3,610
Charge for year	118	—	40	263	421
Disposals during year	—	—	—	(50)	(50)
At 31st March, 1990	<u>1,835</u>	<u>—</u>	<u>732</u>	<u>1,414</u>	<u>3,981</u>
NET BOOK VALUE					
At 31st March, 1990	<u>10,235</u>	<u>20,549</u>	<u>1,170</u>	<u>1,003</u>	<u>32,348</u>
At 31st March, 1989 restated	<u>10,246</u>	<u>19,339</u>	<u>601</u>	<u>837</u>	<u>31,023</u>

(x) Debtors

	<i>1988 £'000</i>	<i>1989 £'000</i>	<i>1990 £'000</i>
Trade	1,257	1,508	1,897
Other	60	47	61
Prepayments and accrued income	326	335	347
Pension Scheme	—	4,280	4,193
	<u>1,643</u>	<u>6,170</u>	<u>6,498</u>

The debtor in respect of the Pension Scheme is not receivable within one year.

(xi) Investments

Unlisted investments at cost: £0.004m.

(xii) Creditors due within one year

	<i>1988 £'000</i>	<i>1989 £'000</i>	<i>1990 £'000</i>
Payments received on account	270	397	298
Trade creditors	428	657	544
Taxation and social security	686	632	942
Accruals and water rates in advance	1,199	1,142	1,717
Proposed dividends	145	145	145
Other creditors	487	1,291	1,171
	<u>3,215</u>	<u>4,264</u>	<u>4,817</u>

(xiii) Creditors due after one year

	<i>1988 £'000</i>	<i>1989 £'000</i>	<i>1990 £'000</i>
14% debenture stock redeemable 30.9.1992	4,000	4,000	4,000
13% debenture stock redeemable 30.6.1994	4,000	4,000	4,000
10% debenture stock redeemable 31.12.1996	8,000	8,000	8,000
	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>

(xiv) Issued capital

(£50m authorised by the Portsmouth Water Acts and Orders 1857 to 1986)

	1988 £'000	1989 £'000	1990 £'000
Capital stocks			
3.5% (formerly 5%) ordinary	1,099	1,099	1,099
2.1% (formerly 3%) perpetual preference	56	56	56
8¾% preference redeemable 31.12.1996	1,250	1,250	1,250
7% preference redeemable 30.6.1997	2,000	2,000	2,000
Premiums	113	113	113
	<u>4,518</u>	<u>4,518</u>	<u>4,518</u>
Debenture stocks	1988 £'000	1989 £'000	1990 £'000
3% Perpetual	117	117	117
3½% Perpetual	251	251	251
4% Perpetual	77	77	77
	<u>445</u>	<u>445</u>	<u>445</u>
Redeemable			
Falling due after one year	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>

All stock redemptions are made at par. The Portsmouth Water Company Retirement Benefits Scheme is the beneficial owner of 84 per cent. of the voting stock of the Company.

(xv) Capital contributions — mainlaying

	1988 £'000	1989 £'000	1990 £'000
Balance at 1st April	1,810	2,053	2,466
Received during the year	243	413	204
Balance at 31st March	<u>2,053</u>	<u>2,466</u>	<u>2,670</u>

(xvi) Commitments

At 31st March, 1990 there were outstanding commitments on capital account of approximately £0.960m (1989: £0.288m) (1988: £0.292m). Capital expenditure authorised by the directors but for which no contracts had been let amounted to £3.444m (1989: £2.608m) (1988: £0.994m).

At 31st March, 1990, the Company had future minimum finance lease commitments of £0.052m (1989: £0.011m) (1988: £0.268m) which will expire as set out below:

	1988 £'000	1989 £'000	1990 £'000
Agreements expiring within one year	—	1	1
Agreements expiring within two to five years	268	10	51

In addition, the Company had a commitment under an operating lease relating to computer hardware and associated software of £0.280m per annum.

(xvii) Pensions

The Company participates in the Portsmouth Water Company Retirement Benefits Scheme (PWCRBS) and the Water Companies' Association Pension Scheme (WCAPS) to provide defined benefits for a majority of its employees. The Company also participates in the West Sussex County Council Superannuation Fund for a small number of employees. Contributions to the schemes are charged to the Revenue Account so as to spread the cost of pensions over employees' working lives with the Company.

The contributions are determined by qualified actuaries on the basis of triennial valuations. The last actuarial valuations for the PWCRBS and the WCAPS were at 31st March, 1987 and 1st April, 1987 respectively. The actuarial valuation of the PWCRBS at 31st March, 1987 revealed a surplus of £0.902m. However, in view of the significance of the self investment and developments within the industry since that date, a review as at 31st March, 1989 has been undertaken by the Scheme's actuaries revealing a surplus of £8.900m. The Directors consider that the financial statements should reflect only the portion of the surplus that will be amortised by reductions in contributions payable by the Company in future years. The Directors estimate that the total of the surplus that will be amortised amounts to £4.280m. This amount has been treated as a prior year adjustment in accordance with the transitional provisions of SSAP 24. The most significant actuarial assumptions were as follows:

<i>Valuation method</i>	<i>PWCRBS Projected unit</i>	<i>WCAPS Entry age</i>
Rate of return on investment	10 per cent. p.a.	9 per cent. p.a.
Rate of increase in pay	8 per cent. p.a.	7 per cent. p.a.
Rate of increase in pensions in payment	6 per cent. p.a.	5.5 per cent. p.a.
Valuation of assets	Market value notionally reinvested in the F.T.-Actuaries' All-Share Index and allowing for growth in dividends at 5 per cent. p.a.	85 per cent. of market value
Market value	£26,100m	£2,628m
Level of funding	168 per cent.	170 per cent.

The total pension cost for 1990 was £0.557m. The 1990 pension cost allows for reduction in cost of £0.023m in respect of the amortisation over a period of 25 years of assets in excess of accrued liabilities in the WCAPS. This excess has arisen largely because past investment performance has been better than originally assumed.

Statement of Standard Accounting Practice No. 24 (Accounting for Pension Costs) has been applied for the first time to the accounts to 31st March, 1990 by spreading forward the cumulative adjustment over a period equivalent to the average remaining working lives of scheme members for the WCAPS and by including a prior year adjustment for the PWCRBS.

(e) *Statements of source and application of funds*

	<i>Years ended 31st March,</i>		
	<i>1988</i>	<i>1989</i>	<i>1990</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Source of funds			
Profit on ordinary activity before taxation	1,882	2,327	4,958
Items not involving movement of funds:			
Depreciation	363	385	421
Profit on sale of fixed assets	(62)	(266)	(5)
Funds generated from operations	2,183	2,446	5,374
Funds from other sources:			
Capital contributions received	243	413	204
Proceeds of sales of fixed assets	44	312	11
Proceeds of capital issues	2,000	—	—
	4,470	3,171	5,589
Application of funds			
Dividends paid	301	289	289
Taxation paid	164	367	311
Expenditure on fixed assets	1,334	2,353	1,753
Redemption of preference stocks	2,000	—	—
	3,799	3,009	2,353
Movement in working capital			
Stores	(90)	101	159
Debtors	(346)	247	328
Current liabilities	(184)	(1,091)	(274)
Investments	6	826	(1,079)
Cash and short-term deposits	1,285	79	4,102
	4,470	3,171	5,589

(f) *Auditors' report*

The audit report for the year ended 31st March, 1990 is reproduced below:

"We have audited the financial statements on pages 7 to 16 in accordance with auditing standards.

The Company does not provide depreciation in accordance with the requirements of The Companies Act 1985 and Statement of Standard Accounting Practice No. 12, except so far as vehicles, mobile plant and office equipment are concerned. If full provision had been made, the additional depreciation charge for the year would have been £0.158m. Note 5 discloses the effect on both the revenue account and fixed assets as at 31st March, 1990. Note 5 also compares this with the Company's policy regarding the contingency fund.

Except for the matter referred to above, in our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st March, 1990 and of its net surplus and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985 in so far as it is applicable to the Company.

Grant Thornton
Chartered Accountants
Enterprise House
Portsmouth
24th May, 1990"

7. Interim statement

The following is extracted from the text of an announcement issued on 22nd November, 1990:

"During the six months to 30th September, 1990 the Company concentrated successfully on its core business of public water supply, operating under the terms of its licence as a water undertaker. The programme of higher capital expenditure necessary to maintain and improve levels of service and meet future water quality requirements continued to progress. In the absence of unforeseen circumstances the results for the remainder of the financial year are expected to be similarly satisfactory.

The unaudited interim results for the six months ended 30th September, 1990 and the comparatives for the six months ended 30th September, 1989 are as follows:

		6 months ended 30.9.1990 £'000	6 months ended 30.9.1989 £'000
	Notes		
Turnover		9,771	8,776
Operating profit	(1)	1,903	2,766
Exceptional item	(2)	—	1,175
Interest receivable		688	475
Interest payable		(986)	(984)
Profit on ordinary activities before taxation		1,605	3,432
Taxation	(3)	270	350
Profit on ordinary activities after taxation		1,335	3,082
Dividends	(4)	300	144
Net profit for the period		1,035	2,938
Earnings per share	(5)	10.4p	

Notes

1. The Company now charges depreciation on all fixed assets, with the exception of mains, and no longer provides for the cost of renewal and replacement of fixed assets by annual transfer to the contingency fund. Comparative figures have been adjusted to reflect this change.
2. The exceptional item for the six months ended 30th September, 1989 related to the surplus arising on the sale of investments. Income arising from the investment of contingency fund monies is no longer transferred to that fund but is included in the profit statement. Comparative figures have been adjusted to reflect this change.
3. The charge to corporation tax is after relief for A.T. brought forward.
4. The dividends for the six months ended 30th September, 1990 include an end dividend at the rate of 4.4486% on the 8.75 per cent. Redeemable Preference Stock 1996, and 3.5712% on the 7 per cent. Redeemable Preference Stock 1997, together with a dividend at the rate of 1.4571% on the 3.5 per cent. Ordinary Stock and 0.8803% on the 2.1 per cent. Perpetual Preference Stock (both for a five-month period), and an interim dividend of 1.35p per Ordinary and 'A' Ordinary Share.
5. Earnings per share have been calculated on the basis of the 11,550,590 Ordinary and 'A' Ordinary Shares in issue following conversion of Portsmouth Water Company to a public limited company and earnings attributable to the Ordinary and 'A' Ordinary Shares of £1.267 million. No comparative figures are shown because, as a statutory company with restricted dividends, earnings per share are not considered relevant.

8. Current trading and prospects

During the second half of the current financial year, the Company has continued to concentrate on its core business of public water supply. The Company's capital expenditure programme has progressed in line with budget. The Directors of the Company look forward to a satisfactory outcome for the current financial year as a whole.

9. Properties

The Company's principal properties, the freeholds of all of which are owned by Portsmouth Water, are as follows:

	<i>Location</i>	<i>Size (sq. ft.)</i>
Head office and springs	Havant	29,000
Depot	Fishbourne	4,000
Depot	Gosport	4,000
Treatment works	Farlington	5,000
Treatment works	Southampton	16,000

The Company also owns 434 hectares of land in various locations throughout its area of supply.

10. Material contracts

On 28th February, 1991 Portsmouth Water entered into a contract to purchase 1,732,500 'A' Ordinary Shares from the trustees of Portsmouth Water Company Retirement Benefits Scheme for £1,992,375. Save as aforesaid, Portsmouth Water has not since 22nd March, 1989 (being the date two years prior to the date of this document) entered into any contract (not being a contract entered into in the ordinary course of business) which is or may be material.

11. Material changes

Except for the purchase and cancellation of share capital referred to in paragraphs 2 and 10 of this Part II of this document, there has been no material change in the financial or trading position of Portsmouth Water since 22nd November, 1990, the date on which the interim results for the six months ending 30th September, 1990 were published.

12. Employees

The average number of persons (including executive Directors) employed by Portsmouth Water during the years ending 31st March, 1988, 1989 and 1990 were 300, 297 and 300 respectively.

PART III

FURTHER INFORMATION

1. Consents

Grant Thornton and Close Brothers Limited have given and not withdrawn their written consents to the issue of this document and/or the Scheme Document with the inclusion of their letters and/or names in the form and context in which they respectively appear.

2. United Kingdom taxation

Under current United Kingdom taxation legislation, no tax will be withheld from dividend payments by Brockhampton Holdings. However, when paying a dividend, Brockhampton Holdings is required to account to the Inland Revenue for an amount of Advance Corporation Tax ("ACT") at a rate which is related to the basic rate of income tax and is currently $\frac{25}{100}$ ths of the dividend paid. Accordingly, the ACT currently equals 25 per cent. of the sum of the cash dividend plus the ACT.

A United Kingdom resident individual shareholder will be entitled to a tax credit in respect of any dividend received from Brockhampton Holdings. The credit will be equal to such proportion of the dividend as corresponds to the rate of ACT in respect of that dividend. The dividend and the associated tax credit are included in calculating the individual shareholder's total income for United Kingdom taxation purposes. The tax credit is set against the shareholder's overall income tax liability. To the extent that his total tax credits exceed his overall income tax liability, the shareholder may claim to have the excess paid to him by the Inland Revenue.

A United Kingdom resident corporate shareholder will not generally be liable to United Kingdom corporation tax on any dividends received from Brockhampton Holdings. Such a shareholder will be able to treat any dividend received and the related tax credit as franked investment income.

Shareholders who are not resident in the United Kingdom will not be entitled to claim repayment of any part of the tax credit representing the ACT paid unless relieving provisions are included in an applicable double taxation agreement or if the shareholder, being an individual, is a Commonwealth citizen or falls into certain other categories. A shareholder who is not resident in the United Kingdom should consult his own tax adviser concerning any United Kingdom taxation on dividends received, on whether he is entitled to reclaim any part of the tax credit, on the procedure for claiming repayment and on the reliefs and/or credits available in the jurisdiction in which he is subject to taxation. A shareholder who is not resident in the United Kingdom may also be subject to foreign taxation on dividend income.

If shareholders are in any doubt as to their tax position they should consult their professional advisers.

3. Principal differences between the respective Articles of Association of Portsmouth Water and Brockhampton Holdings

Brockhampton Holdings has adopted Articles of Association which are in substantially the same form as the Articles of Association of Portsmouth Water except where they have been amended to take into account the provisions of the Companies Act 1989 and other recent developments. The principal differences by reference to the Articles of Association of Brockhampton Holdings are as follows:

- (i) Article 115 authorises Brockhampton Holdings to purchase insurance for Directors in respect of liabilities incurred by them in the course of their duties. Article 123 relating to Directors' interests in contracts reflects this.
- (ii) Articles 130 to 134 relating to the company seal take account of changes in the law. They provide that the new power introduced by the Companies Act 1989 for a company to execute a deed under hand may only be exercised with the authority of the Board (or a committee of the Board), and that deeds executed by Brockhampton Holdings shall not be deemed to be delivered by it solely as a result of their having been executed.
- (iii) Article 148 permits Brockhampton Holdings to deliver summary financial statements to shareholders who wish to receive them and do not wish to receive the full accounts.

4. Working capital

The Directors of Brockhampton Holdings are of the opinion that, as at the Effective Date and upon the Reorganisation becoming effective, the New Group will have sufficient working capital available for its then present requirements.

5. General

- (a) The expenses of and incidental to the Scheme, estimated to be £215,000 exclusive of VAT, will be borne by Portsmouth Water.
- (b) None of the New Shares or New Warrants is being made available to the public.
- (c) The New Shares and New Warrants will be in registered form.

6. Documents available for inspection

Copies of the following documents are available for inspection at the offices of Freshfields, Whitefriars, 65 Fleet Street, London EC4Y 1HS at any time during usual business hours on any weekday (Saturdays and public holidays excepted) until 15th April, 1991:

- (a) the Memorandum and Articles of Association of Portsmouth Water;
- (b) the Memorandum and Articles of Association of Brockhampton Holdings;
- (c) the published Report and Accounts of Portsmouth Water for the two years ended 31st March, 1989 and 1990 and the interim statement for the six months ended 30th September, 1990;
- (d) the Scheme Document and these Listing Particulars;
- (e) the Directors' service contracts referred to in paragraph 3(c) of Part II of this document;
- (f) the Statement of Adjustments prepared by Grant Thornton referred to in paragraph 6 of Part II of this document;
- (g) the material contract referred to in paragraph 10 of Part II of this document;
- (h) the letters of Grant Thornton and Close Brothers Limited and their consents referred to in paragraph 1 above; and
- (i) the working capital letter from Seymour Pierce Butterfield Limited to The Stock Exchange dated 20th March, 1991.

Dated 22nd March, 1991 ✓