

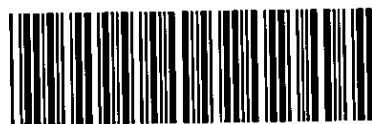
Registered no 2366623 (England & Wales)

Thames Water Limited
(formerly Thames Water plc)
(formerly RWE Thames Water plc)

Annual Report and Financial Statements

For the 15 month period ended 31 March 2007

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Thames Water Limited

Annual Report for the period ended 31 March 2007

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Thames Water Limited

Directors and advisors

Directors

Sir Peter Mason KBE

P S Antolik

M W Baggs

C R Deacon

Dr P Dyer

R J Gregor

C Lynam

G J Matthews

A F C DeP Santos

M S W Stanley

L Webb

Registered auditors

PricewaterhouseCoopers LLP

9 Greyfriars Road

Reading

Berkshire

RG1 1JG

Registered office

Clearwater Court

Vastern Road

Reading

RG1 8DB

Thames Water Limited

Directors' report

The directors present their report and the audited financial statements for the fifteen month period ended 31 March 2007

The Company's accounting reference date was extended to 31 March 2007 in order to coincide with Kemble Water Limited, its new owner. As a result, this report and the financial statements cover a 15 month period and financial and related information linked to the period may not, therefore, be directly comparable with the figures for the previous financial year ended 31 December 2005

Review of business, principal activities and future developments

The principal activity of Thames Water Limited is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies. The results for the period are set out in the profit and loss account on page 8

On 4 October 2006, the Company - as parent of the Thames Water group of companies - was acquired by Thames Water Holdings Limited (formerly Thames Water Holdings plc) from Thames Water Aqua Holdings GmbH. On 1 December 2006, Thames Water Holdings Limited was acquired by Kemble Water Limited from the German utility group RWE AG. Kemble Water Limited is an investment vehicle for a consortium comprising Macquarie European Infrastructure Funds I and II and certain other Macquarie-managed funds, together with a number of long-term investors made up largely of pension funds and other institutional investors

Under new ownership, the Group's strategy will focus on the regulated business within the Company's subsidiary Thames Water Utilities Limited. This will be achieved through the disposal of the Company's unregulated interests, with the exception of the property business, the Company's share in Metronet, and other minor interests, which will be retained. During the period, the Company continued with its restructuring and divestment process and disposed of its interests in St James Group Limited and Aguas Nuevo Sur Maule SA (ANSM) as shown in note 5

Kemble Water Holdings Limited has announced its decision to divest the Company's interests in Thames Water Services Limited. As part of this sale process, asset management services provided by Thames Water Services Limited for its sister company Thames Water Utilities Limited will be retained, together with the Company's investment in Trans4m Limited

On 1 December 2006, the Company changed its name from RWE Thames Water plc to Thames Water plc. On 4 June 2007, the Company changed its name from Thames Water plc to Thames Water Limited

On 28 June 2007, the Company executed deeds of indemnity for the benefit of each director of the Company. These provisions are qualifying third party indemnity provisions as defined by s 309B of the Companies Act 1985

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of the group, which include those of the Company, are discussed in the group's annual report which does not form part of this report

Dividends

The total dividend paid in the period of £225.0m compares with a total dividend of £325.0m for the year ended 31 December 2005

Thames Water Limited

Directors' report (continued)

Directors and their interests

Following the acquisition by Kemble Water Limited on 1 December 2006, all of the Directors serving at that time, whose details are included in the first table below, relinquished their appointments. With the exception of J Forbes, who was appointed to the Board on 1 July 2006, T P Weller, who resigned from the Board on 6 April 2006 and S G Batey who was appointed to the Board on 11 August 2006, all Directors served throughout the period 1 January 2006 to 1 December 2006. S G Batey remains with the Company in an executive capacity. Details of the members of the newly constituted Board are shown in the second table.

All members of the Board from 1 December 2006 onwards were non-executive Directors throughout the period, with the exception of Peter Antolik who took on executive duties as from 1 February 2007. Three Directors have formally been appointed Alternate Directors to represent them when they are unavailable, namely P E D Crone (Alternate to G J Matthews), R D Israel (Alternate to C R Deacon until 28 June 2007) and J Santos (Alternate to A F C DeP Santos).

The directors who held office during the period are given below.

Directors serving from 1 January 2006 to 1 December 2006

W U Böttcher
J Forbes (appointed 1 July 2006)
J D Pelczer
H J M Roels
K Sturany
T P Weller (resigned 6 April 2006)
R P Lindackers
S G Batey (appointed 11 August 2006)

Directors serving from 1 December 2006 to 31 March 2007

Sir Peter Mason - Chairman
P S Antolik
M W Baggs
C R Deacon
Dr P Dyer
R J Gregor
C Lynam
G J Matthews
A F C DeP Santos
M S W Stanley
L Webb

Throughout the period, none of the directors declared any interest in the shares or debentures of the Company or any other body corporate in the Group. In accordance with Statutory Instrument 1985/802 the directors' interests in the shares of RWE AG (the ultimate parent company until 1 December 2006) are not required to be disclosed.

Financial risk management

The Company has an Executive Management Team, which receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken.

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk, interest rate risk and exchange rate risk.

The operation of the Treasury function is governed by specific policies and procedures that set out specific guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. Treasury policy and procedures are incorporated within the financial control procedures of the Company.

Thames Water Limited

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and accounting standards, which in the case of these accounts is United Kingdom Generally Accepted Accounting Practice ("UK GAAP")

In the case of UK GAAP accounts, the directors are responsible for preparing financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors and disclosure of information to auditors

So far as they are aware, the directors at the date of this report confirm that there is no relevant audit information of which the Company's auditors are unaware, and that the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditors will be proposed at the Annual General Meeting

Approved by the Board of Directors on 28 June 2007 and signed on its behalf by



Simon Byrne
Company Secretary

Thames Water Limited

Independent auditors' report to the members of Thames Water Limited

We have audited the financial statements of Thames Water Limited for the 15 month period ended 31 March 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Thames Water Limited

Independent auditors' report to the members of Thames Water Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the 15 month period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Reading

28 June 2007

Thames Water Limited

Profit and loss account for the period ended 31 March 2007

	Note	Period ended 31 March 2007 £m	Year ended 31 December 2005 £m
Administrative expenses	2	<u>(93.4)</u>	<u>(148.7)</u>
Operating loss		(93.4)	(148.7)
Income from shares in group undertakings		696.9	184.6
Fundamental restructuring	3	<u>(32.8)</u>	<u>(4.0)</u>
Profit on sale of fixed assets	5	<u>67.4</u>	<u>22.5</u>
Profit on ordinary activities before interest		638.1	54.4
Net interest (payable)/receivable	6	<u>(0.5)</u>	<u>7.9</u>
Profit on ordinary activities before taxation		637.6	62.3
Taxation on profit on ordinary activities	7	<u>38.8</u>	<u>4.7</u>
Profit for the period		676.4	67.0
Dividends	8	<u>(225.0)</u>	<u>(325.0)</u>
Retained profit/(loss) for the period		<u>451.4</u>	<u>(258.0)</u>

All amounts above relate to continuing operations

The Company has no recognised gains and losses other than the profit above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the results for the periods stated above and their historical cost equivalents

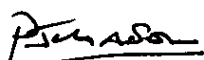
Thames Water Limited

Balance sheet at 31 March 2007

	Note	31 March 2007 £m	31 December 2005 £m
Fixed assets			
Tangible assets	9	-	0.4
Investments	10	<u>1,344.5</u>	<u>1,545.9</u>
		1,344.5	1,546.3
Current assets			
Debtors	11	16.9	93.4
Investments	13	14.0	-
Cash at bank and in hand		<u>80.0</u>	<u>29.6</u>
		110.9	123.0
Creditors amounts falling due within one year	12	<u>(257.9)</u>	<u>(826.0)</u>
Net current liabilities		<u>(147.0)</u>	<u>(703.0)</u>
Total assets less current liabilities		1,197.5	843.3
Provisions for liabilities and charges	14	<u>(19.3)</u>	<u>(116.5)</u>
Net assets		<u>1,178.2</u>	<u>726.8</u>
Capital and reserves			
Called up share capital	15	81.8	81.8
Share premium	16	104.5	104.5
Capital redemption reserve	16	320.8	320.8
Profit and loss reserve	16	<u>671.1</u>	<u>219.7</u>
Equity shareholder's funds		<u>1,178.2</u>	<u>726.8</u>

The notes on pages 10 to 20 form part of these financial statements

The financial statements were approved by the Board of Directors on 28 June 2007 and signed on its behalf by



Sir Peter Mason KBE
Director

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with the historical cost convention and with applicable Accounting Standards in the United Kingdom and with the Companies Act 1985

In accordance with the requirements of FRS 18, the Directors review the Company's accounting policies to ensure that they remain the most appropriate to its particular circumstances for the purpose of giving a true and fair view

The Company has not prepared consolidated Group financial statements, as permitted under section 228 of the Companies Act 1985. The Company and its subsidiaries are included in the consolidated accounts of its ultimate parent company Kemble Water Holdings Limited, a company registered in the United Kingdom

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements, which have been applied consistently are set out below

(a) Investments

Investments held as fixed assets are stated at cost less provisions for impairment in value

(b) Cash

Cash includes cash at bank and in hand, deposits, and other short-term highly liquid investments which are readily convertible on initial investment into known amounts of cash at any time without penalty or if a maturity or period of notice of not more than 24 hours or one working day has been agreed

(c) Taxation

The tax expense in the period represents the sum of current tax and deferred tax

Current taxation

Current tax, including UK corporation tax and foreign tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date

Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Consideration receivable or payable in respect of losses surrendered or claimed by way of group relief is dealt with in the profit and loss account

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

1 Principal accounting policies (continued)

(c) Taxation (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date

Deferred taxation is measured on a non-discounted basis. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in via Statement of Total Recognised Gains and Losses in Equity

(d) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the period in which they arise

(e) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated

(f) Cashflow

The Company is exempt from the requirements of FRS1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary and consolidated financial statements, which include the Company's financial statements, are publicly available

(g) Related party disclosures

The Company has taken advantage of the exemption under paragraph 3 (c) from the provisions of FRS 8 'Related party disclosures' which requires the disclosure of the details of material transactions between the reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of Kemble Water Holdings Limited, a company registered in the United Kingdom

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

2 Administrative expenses

Operating loss is stated after charging/(crediting)	Period end 31 March 2007 £m	Year end 31 December 2005 £m
Administration recharge paid to subsidiary undertaking	12.0	9.8
Exchange gain	(14.1)	(25.9)
Exchange loss	24.9	15.4
Fixed asset depreciation	0.4	0.4
Impairment of investments (see note 10)	50.7	141.7
Provisions (see note 17)	19.3	31.9
Auditors remuneration – in respect of audit services	-	-
Write back of debtor previously written off	-	(23.0)
Other expenses/(income)	0.2	(1.6)
	<u>93.4</u>	<u>148.7</u>

3 Fundamental restructuring

	Period end 31 March 2007 £m	Year end 31 December 2005 £m
Fundamental restructuring	<u>32.8</u>	<u>4.0</u>

Fundamental restructuring costs relate to professional fees and redundancy costs in relation to the restructuring of the Thames Water group

4 Directors' emoluments

	Period end 31 March 2007 £'000	Year end 31 December 2005 £'000
Aggregate emoluments	2,221	1,900
Aggregate emoluments receivable under long-term incentive schemes	914	2,757
Compensation for loss of office	3,868	230
	<u>7,003</u>	<u>4,887</u>

At 31 March 2007, no retirement benefits are accruing to directors (2005: 3) under a defined benefit pension scheme

During the period, no directors (Dec 2005: Nil) exercised share options

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

4 Directors' emoluments (continued)

Highest paid Director

	Period end 31 March 2007 £'000	Year end 31 December 2005 £'000
Emoluments	933	749
Emoluments receivable under long-term incentive schemes	-	1,684
Compensation for loss of office	-	230
	<u>933</u>	<u>2,663</u>

5 Profit on disposal of businesses

	Period end 31 March 2007 £m	Year end 31 December 2005 £'000
Profit on disposal of businesses during the period	<u>67.4</u>	<u>22.5</u>

The main transactions during the period were

On 7 November 2006 the Company sold its interests in its joint venture, St James Group Limited for consideration of £68.6m. The carrying investment value was £nil, giving a gross profit on disposal of £68.6m.

On 23 March 2006 the Company sold its indirect interests in Aguas Nuevo Sur Maule SA (ANSM) for consideration of £73.8m. The carrying investment value was £73.4m and disposal costs were £2.3m, giving a loss on disposal of £1.9m.

On 6 July 2006, the Company liquidated its subsidiary, Thames (Shanghai) Limited. The carrying investment value was £22.0m. An outstanding loan of £22.0m from Thames (Shanghai) Limited to the Company was used to repay the investment value, giving a profit on disposal of £nil.

During the period, the Company also received consideration relating to a previously disposed interest, Urband Limited, of £0.7m.

6 Net interest (payable)/receivable

	Period end 31 March 2007 £m	Year end 31 December 2005 £m
Interest payable and similar charges	(33.0)	(37.3)
Interest receivable	32.5	45.2
	<u>(0.5)</u>	<u>7.9</u>

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

7 Taxation on profit on ordinary activities

Analysis of (credit)/charge in period

	Period end 31 March 2007 £'000	Year end 31 December 2005 £'000
UK corporation tax - amounts (receivable)/payable in respect of corporation tax for the period	(14 0)	4 0
UK corporation tax - adjustments in respect of previous periods	(23 0)	(8 7)
Total current tax	<u>(37.0)</u>	<u>(4 7)</u>
Deferred tax – origination and reversal of timing differences	0.6	-
Deferred tax – adjustments in respect of previous periods	(2.4)	-
Total deferred tax	<u>(1 8)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>(38.8)</u>	<u>(4 7)</u>

Factors affecting tax (credit)/charge for period

The current tax charge for the period is lower (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

	Period end 31 March 2007 £'000	Year end 31 December 2005 £'000
Profit on ordinary activities before taxation	<u>637.6</u>	<u>62 3</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 30%)	191.2	18 7
Effects of		
Other timing differences	0.7	1 1
Disallowable expenditure and other permanent differences	(205.9)	(16 7)
Adjustments in respect of previous periods	(23.0)	(7 8)
Current tax charge for the period	<u>(37 0)</u>	<u>(4 7)</u>

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

8 Dividends

	Period end 31 March 2007 £m	Year end 31 December 2005 £m
Interims paid – 63 24p (2005 91 35p) per 23p share	<u>225.0</u>	<u>325 0</u>

All shares in issue are equity shares

9 Tangible fixed assets

	Plant and equipment £m
Cost	
At 1 January 2006	2 4
Disposals	(2 4)
At 31 March 2007	<u>-</u>
Accumulated depreciation	
At 1 January 2006	2 0
Charge for the period	0 4
Disposals	(2 4)
At 31 March 2007	<u>-</u>
Net book value	
At 31 March 2007	<u>-</u>
At 31 December 2005	<u>0.4</u>

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

10 Investments

The Company's fixed asset investments can be analysed as follows

	Investment in joint ventures £m	Investment in subsidiary under- takings £m	Total £m
At 1 January 2006	27.1	1,518.8	1,545.9
Additions	23.6	192.9	216.5
Repayment of loans	-	(147.2)	(147.2)
Disposals	-	(95.4)	(95.4)
Impairment	(50.7)	-	(50.7)
Foreign exchange adjustments	-	(8.1)	(8.1)
Reclassification from provisions	-	(116.5)	(116.5)
At 31 March 2007	-	1,344.5	1,344.5

The additions in interests in joint ventures arising during the period relate to additional loans made to Metronet Rail BCV Limited and Metronet Rail SSL Limited, ("Metronet")

The loans to Metronet have subsequently been impaired due to current uncertainties associated with Metronet's funding position and the outcome of the pending Extraordinary Review process (see also note 17)

The majority of additions in subsidiary undertakings relates to an equity injection of £158.0m to Inversiones Thames Water Chile Limitada. Loans were also issued to other subsidiary undertakings of £34.9m, giving total loans issued to subsidiaries of £192.9m

In previous periods, the Company had provided for external loans that it had guaranteed for its subsidiary undertakings. During the period, equity was injected to repay the loans. These provisions were then reallocated against the carrying value of investments.

Disposals during the period relate to the disposal of interests in Thames (Shanghai) Limited and Aguas Nuevo Sur Maule SA (ANSM) as detailed in note 5.

At 31 March 2007, the Company held the following interests in more than 10% of the allotted share capital of the following principal trading undertakings

Name of undertaking	Country of Registration	Description of shares held	Proportion of issued shares held		Nature of business
			Directly	Indirectly	
Interest in subsidiary undertakings.					
Thames Water Utilities Limited	England & Wales	Ordinary	100%		Water and wastewater services
ISIS Insurance Company Limited	Guernsey	Ordinary	100%		Insurance
Kennet Properties Limited	England & Wales	Ordinary	100%		Property

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

10 Investments (continued)

Name of undertaking	Country of Registration	Description of shares held	Proportion of issued shares held		Nature of business
			Directly	Indirectly	
Thames Water International Services Limited	England & Wales	Ordinary	100%		Marketing of technical managerial services
Thames Water Investments Limited	England & Wales	Ordinary	100%		Property
Thames Water Property Services Limited	England & Wales	Ordinary	100%		Property
Thames Water Services Limited	England & Wales	Ordinary	100%		Provision of utility network and facility management services
Thames Water Utilities Finance Limited	England & Wales	Ordinary		100%	Financing arrangement Company
Inversiones Thames Water Chile Limitada	Chile	Ordinary	100%		Management company
Izmit Su As	Turkey	Ordinary	55%		Water operations and maintenance
Interest in joint ventures					
Stirling Water Seafield Limited	Scotland	Ordinary		49%	Waste water treatment services
Trans4m Limited	England & Wales	Ordinary		25%	Contract management for stations and civil assets
Metronet Rail SSL Holdings Limited	England & Wales	Ordinary	20%		Maintenance and upgrade of London Underground
Metronet Rail BCV Holdings Limited	England & Wales	Ordinary	20%		Maintenance and upgrade of London Underground

A full list of subsidiary undertakings of the Company will be filed at Companies House with the Company's annual return

11 Debtors

	31 March 2007 £m	31 December 2005 £m
Amounts owed by parent and fellow subsidiary undertakings	6.5	93.2
Group relief receivable	3.7	-
Deferred tax asset	1.8	-
Other debtors	4.9	0.2
	16.9	93.4

Amounts owed by group undertakings are unsecured, interest free and have no fixed repayments date

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

12 Creditors: amounts falling due within one year

	31 March 2007 £m	31 December 2005 £m
Bank loans and overdrafts	13 0	132 4
Other loans	-	17 8
Amounts owed to parent and fellow subsidiary undertakings	230.8	664 5
Corporation tax	-	7 1
Other creditors	3 4	0 1
Accruals and deferred income	10 7	4 1
	<u>257 9</u>	<u>826 0</u>

	31 March 2007 £m	31 December 2005 £m
Amounts owed to parent and fellow subsidiary undertakings are.		
Inter-company loans	148.9	481 8
Non-loan amounts	81.9	189 8
	<u>230.8</u>	<u>671 6</u>

Amounts owed to parent and fellow subsidiary include the following unsecured loans with no fixed repayment date

- £755,054 (2005 £741,876) owed to Water Projects International Limited, a group undertaking on which interest is payable at 5.465%,
- £41,808,000 (2005 £nil) owed to ISIS Insurance Company Limited, a group undertaking on which interest is payable at 5.37%,
- £37,000,000 (2005 £nil) owed to Kennet Properties Limited, a group undertaking on which interest is payable at 5.295%,
- £5,565,849 (2005 £5,500,000) owed to PWT Projects Limited, a group undertaking on which interest is payable at 5.465%,
- All other amounts owed to group undertakings are unsecured and interest free

13 Current asset investments

	31 March 2007 £m	31 December 2005 £m
Short term deposits	<u>14.0</u>	<u>-</u>

Short term deposits relate to cash held on Money Market Deposit accounts

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

14 Provisions for liabilities and charges

	Total £m
At 1 January 2006	116.5
Provided during the period (see note 17)	19.3
Reclassification to investments	(116.5)
At 31 March 2007	19.3

During the period, provisions were reclassified to investments as shown in note 10

15 Called up share capital

	31 March 2007 £m	31 December 2005 £m
Authorised 976,128,916 ordinary shares of 23p each and 380,367,532 'B' shares of 79p each	525.0	525.0
Allotted, called up and fully paid 355,770,743 ordinary shares of 23p each	81.8	81.8

16 Share capital and reserves

	Share capital £m	Share pre- mium £'000	Capital redemp- -tion reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2006	81.8	104.5	320.8	219.7	726.8
Profit for the period	-	-	-	451.4	451.4
At 31 March 2007	81.8	104.5	320.8	671.1	1,178.2

Thames Water Limited

Notes to the financial statements for the period ended 31 March 2007

17 Guarantees

At 31 March 2007, the Company has guaranteed the overdrafts and loans of certain subsidiaries up to a maximum of £392.5m (Dec 2005 £756.9m). The Company has also guaranteed facilities for contract bonding on behalf of certain subsidiaries amounting to £18.9m at 31 March 2007 (Dec 2005 £64.8m) and certain former RWE group companies amounting to £17.4m (Dec 2005 £55.9m). The Company has also provided letters of credit amounting to £19.3m in respect of obligations to commit subordinated loans to Metronet Rail SSL Holdings Limited and Metronet Rail BCV Holdings Limited. In view of the current uncertainties associated with these companies' funding positions and the outcome of the pending Extraordinary Review process, full provision has been made against these obligations (see also notes 10 and 14).

In addition, there are a number of parent company guarantees in respect of subsidiary company contractual obligations that have been entered into in the normal course of business. No unprovided loss is expected to arise under these arrangements.

18 Related parties

The Directors understand that, in addition to the directors' remuneration disclosed in note 4, J Forbes was paid a bonus by RWE AG, linked to the successful sale of the Thames Water group. J Forbes has not provided details of the bonus on the basis that it was a separate arrangement not for services to the Company or managing the affairs of the Company and therefore does not represent a "qualifying service" and as such does not fall within the Companies Act definition of directors' remuneration. Nevertheless, the directors believe that as RWE AG and J Forbes were each related parties at the time, the disclosure of the existence of the payment should be given. No charge has been made to the Company or any of its subsidiaries by RWE AG in relation to any such bonus.

19 Immediate and ultimate parent company and controlling party

The directors consider Kemble Water Holdings Limited, a company incorporated in the United Kingdom, to be the ultimate and controlling party and the largest group to consolidate these financial statements.

Kemble Water Investments Limited, a company incorporated in the United Kingdom is the intermediate parent company and the smallest group to consolidate these financial statements.

The immediate parent undertaking is Thames Water Holdings Limited, which owns 100% of the share capital.

Copies of the accounts of all of the above companies may be obtained from The Company Secretary's Office, Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.