

Registered no 2366623 (England & Wales)

Thames Water Limited
(formerly Thames Water Plc)

Annual report and financial statements

For the year ended 31 March 2008

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Thames Water Limited

Annual Report for the year ended 31 March 2008

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Thames Water Limited

Directors and advisors

Directors

Sir Peter Mason KBE
LF Abrara
MW Baggs
R Blomfield-Smith
CR Deacon
Dr P Dyer
C Lynam
GIW Parsons
DJ Shah
MSW Stanley
L Webb

Independent auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire
RG1 1JG

Registered office

Clearwater Court
Vastern Road
Reading
RG1 8DB

Thames Water Limited

Directors' Report for the year ended 31 March 2008

The directors present their report and the audited financial statements for the year ended 31 March 2008

The Company's previous accounting reference date was extended from 31 December 2006 to 31 March 2007 in order to coincide with that of its new ultimate owner, Kemble Water Holdings Limited. As a result the comparable period represents a 15 month period ended 31 March 2007 and therefore may not be directly comparable with the financial year ended 31 March 2008

Review of business, principal activities and future developments

The Company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"). It is expected to continue to act as an intermediate holding company within the Group.

During the year, the Company continued with its restructuring and divestment process and disposed of its interests in Thames Water Services Limited to Veolia Water UK Plc, as shown in note 5.

A Group restructuring saw the Company create a new wholly owned subsidiary, Thames Water Utilities Holdings Limited. The Company sold its interest in Thames Water Utilities Limited to Thames Water Utilities Holdings Limited as part of the whole business securitisation of Thames Water Utilities Holdings Limited and Thames Water Utilities Limited, including its wholly owned subsidiaries, which was completed in August 2007.

On 4 June 2007, the Company changed its name from Thames Water Plc to Thames Water Limited.

The Company's business review disclosures are integrated with those of the Group and are disclosed separately. Accordingly, the business review and disclosures 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.

Results and dividends

The results for the year are set out in the profit and loss account on page 9.

A first interim dividend of 312.48p (2007: 63.24p) per ordinary share, amounting to £1,111.7m (2007: £225.0m) was paid on 30 August 2007. A second interim dividend of 19.20p (2007: £nil) per ordinary share, amounting to £68.3m (2007: £nil) was paid on 28 September 2007. A third interim dividend of 28.67p (2007: £nil) per ordinary share, amounting to £102.0m (2007: £nil) was paid on 30 November 2007. Subsequent to the year end a fourth interim dividend of 36.82p (2007: £nil) per ordinary share amounting to £131.0m (2007: £nil) was approved on 22 May 2008, and subsequently paid on 30 May 2008. The aggregate dividends on the ordinary shares recognised as an expense during the year amounts to £1,282.0m (2007: £225.0m).

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.

Financial risk management

Financial risk management is addressed in more detail in section (1) of the Accounting policies on page 13.

Thames Water Limited

Directors' Report for the year ended 31 March 2008 (continued)

Directors

The directors who held office during the year ended 31 March 2008 and to the date of signing were

Sir Peter Mason
LF Abraira (appointed 9 January 2008)
PS Antolik (resigned 14 February 2008)
MW Baggs
R Blomfield-Smith (appointed 14 February 2008)
CR Deacon
Dr P Dyer
RJ Gregor (resigned 15 October 2007)
C Lynam
GJ Matthews (resigned 14 February 2008)
GIW Parsons (appointed 14 February 2008)
AFC DeP Santos (resigned 9 January 2008)
DJ Shah (appointed 15 October 2007)
MSW Stanley
L Webb (resigned 1 December 2007, reappointed 27 February 2008)

During the year under review, none of the directors had significant contracts with the Company or any other body corporate other than their contracts of service, unless disclosed in note 20

The following directors have formally appointed alternate directors to represent them when they are unavailable

Director	Alternate Director
LF Abraira	P Gomez (appointed 9 January 2008)
R Blomfield-Smith	PED Crone (appointed 14 February 2008)
CR Deacon	RD Israel (resigned 28 June 2007) PFC Desouza (appointed 6 July 2007)
GJ Matthews	PED Crone (resigned 14 February 2008)
GIW Parsons	E Beckley (appointed 26 March 2008)
AFC DeP Santos	J Santos (resigned 3 September 2007) SG Batey (appointed 3 September 2007, resigned 9 January 2008)
DJ Shah	RJ Gregor (appointed 15 October 2007, resigned 14 February 2008) WR McKenzie (appointed 26 February 2008)
L Webb	S Kolenc (appointed 26 February 2008)

Investments

In the opinion of the directors, the value of the investments are not less than the values included in the financial statements

Post balance sheet event

On 22 May 2008, the directors approved a further interim dividend of £131.0m (36.82p per ordinary share) in respect of the year ended 31 March 2008. This interim dividend was subsequently paid on 30 May 2008.

Political and charitable donations and expenditure

No political donations were made by the Company. The Company made charitable donations to Charities Aid Foundation of £81,207 (period ending 31 March 2007 £nil).

Thames Water Limited

Directors' Report for the year ended 31 March 2008 (continued)

Disclosure of information to auditors

Each of the directors at the date of the approval of this report confirm that there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the Company's auditors are unaware. Each of the directors have taken all the necessary steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' indemnities

During the year the Company has made qualifying third party indemnity provisions for the benefit of its directors, and these remain in force at the date of this report.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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.

Elective resolutions

Pursuant to Sections 386, 366A and 252 of the Companies Act 1985 the Company passed the following elective resolutions:

- to dispense with the obligation to appoint auditors annually. PricewaterhouseCoopers LLP will continue to act as auditors of the Company,
- to dispense with the holding of annual general meetings, and
- to dispense with the laying of accounts and reports before the Company in a general meeting.

These elective resolutions will remain in effect until revoked by the passing of an ordinary resolution to that effect.

Thames Water Limited

Directors' Report for the year ended 31 March 2008 (continued)

Elective resolutions (continued)

Notice is hereby given that members have the following rights while such elective resolutions are in force. These rights are invoked by serving notice in writing to the Company's Registered Office within the timescales specified.

- To require the laying of accounts and reports before a general meeting, by serving notice within 28 days of receiving the report and accounts
- To require the holding of an annual general meeting in that calendar year, by serving notice before 30 September in any year
- To propose that the appointment of the Company's auditors be brought to an end, by serving notice at any time

Approved by the Board of Directors on 13 August 2008, and signed by order of the Board of Directors



J Hanson
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 year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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 2008 and of its profit for the year 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
13 August 2008

Thames Water Limited

Profit and loss account for the year ended 31 March 2008

	Note	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
Administrative expenses	2	<u>(54.2)</u>	<u>(93.4)</u>
Operating loss		(54.2)	(93.4)
Income from shares in group undertakings		48.1	696.9
Fundamental restructuring	3	-	(32.8)
Profit on sale of fixed assets	5	3,156.1	67.4
Net interest receivable/(payable)	6	196.7	(0.8)
Other finance income	7	<u>0.1</u>	<u>-</u>
Profit on ordinary activities before taxation		3,346.8	637.3
Taxation on profit on ordinary activities	8	<u>(48.5)</u>	<u>38.9</u>
Profit for the year/period		<u>3,298.3</u>	<u>676.2</u>

The results for the year/period shown above are derived entirely from continuing activities

There is no difference between the profit on ordinary activities before taxation and the profit for the year/period stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 March 2008

	Note	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
Profit for the year/period		3,298.3	676.2
Actuarial gain on pension scheme	19	1.2	0.3
Deferred tax relating to actuarial gain		<u>(0.3)</u>	<u>(0.1)</u>
Total recognised gains and losses relating to the financial year/period		3,299.2	<u>676.4</u>
Prior year adjustment (as explained in note 1)		<u>(0.7)</u>	
Total gains and losses recognised since last annual report		<u>3,298.5</u>	

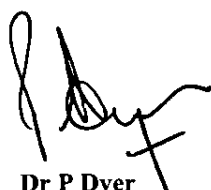
Thames Water Limited

Balance sheet as at 31 March 2008

	Note	31 March 2008 £m	Restated 31 March 2007 £m
Fixed assets			
Investments	10	<u>168.5</u>	<u>1,344.5</u>
		168.5	1,344.5
Current assets			
Debtors			
- due within one year	11	244.2	14.3
- due after one year	11	3156.6	-
Current asset investments	12	-	14.0
Cash at bank and in hand		<u>51.4</u>	<u>80.0</u>
		3,452.2	108.3
Creditors: amounts falling due within one year	13	<u>(362.7)</u>	<u>(257.9)</u>
Net current assets/(liabilities)		<u>3,089.5</u>	<u>(149.6)</u>
Total assets less current liabilities		3,258.0	1,194.9
Provisions for liabilities and charges	14	<u>(66.2)</u>	<u>(19.3)</u>
Net assets excluding pension asset		3,191.8	1,175.6
Net pension asset	19	<u>2.9</u>	<u>1.9</u>
Net assets including pensions asset		<u>3,194.7</u>	<u>1,177.5</u>
Capital and reserves			
Called up share capital	15	81.8	81.8
Share premium account	16	104.5	104.5
Capital redemption reserve	16	320.8	320.8
Profit and loss account	16	<u>2,687.6</u>	<u>670.4</u>
Shareholder's funds	17	<u>3,194.7</u>	<u>1,177.5</u>

The notes on pages 11 to 27 form part of these financial statements

The financial statements were approved by the Board of Directors on 13 August 2008 and signed on its behalf by



Dr P Dyer
Director

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

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, being a wholly-owned subsidiary. 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

Comparative accounting period

The Company's previous accounting reference date was extended from 31 December 2006 to 31 March 2007 in order to coincide with that of its new ultimate owner, Kemble Water Holdings Limited. As a result the comparable period represents a 15 month period ended 31 March 2007 and therefore may not be directly comparable with the financial year ended 31 March 2008

Restatement

The directors have adopted FRS 17 'Retirement benefits' in these financial statements for the first time to provide more clarity. Historically the directors had not fully measured or disclosed pension schemes under FRS 17 on the basis of materiality.

The net measurement impact of adopting FRS 17 on the opening balance sheet at 1 January 2006 is to recognise a deferred tax liability of £0.7m, against the opening net pension asset.

The net measurement impact on the comparative period ending 31 March 2007 of adopting FRS 17 is to increase net interest payable by £0.3m, increase taxation receivable on profit on ordinary activities by £0.1m, increase actuarial gains recognised in the statement of total recognised gains and losses by £0.3m with deferred taxation thereon of £0.1m, decrease other debtors by £2.7m, and increase Group tax relief receivable by £0.1m, resulting in a net pension asset disclosed of £1.9m.

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. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

(b) 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 with the Kemble Water Holdings Limited group, on the grounds that it is a wholly owned subsidiary of Kemble Water Holdings Limited, a company registered in the United Kingdom.

(c) Cashflow

The Company is exempt from the requirements of FRS 1 (revised) to prepare a cash flow statement as it is a wholly owned subsidiary. Kemble Water Holdings Limited prepares consolidated financial statements, which includes a consolidated cash flow.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

1 Principal accounting policies (continued)

(d) Dividend income

Dividend income is recognised when the right to receive payment is established

(e) 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

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 via the Statement of total recognised gains and losses

(f) 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

(g) 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

(h) 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

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

1 Principal accounting policies (continued)

(i) Financial risk management

The Company has access to the Group Executive Management Team and 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 Company's treasury operations are managed centrally by a small specialist team, which operates with the delegated authority of, and under policies approved by, the Board of Directors

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

(j) Interest receivable

Interest receivable is recognised in the profit and loss account on an accruals basis

(k) Pension and other post retirement benefits

The Company operates one pension scheme only, being a defined benefit scheme providing retirement benefits to a previous director and their spouse based on final salary. The scheme is an unfunded arrangement but is secured against assets held by the Company. There are no benefits currently being accrued with the scheme and no contributions are currently being paid by the Company

A full actuarial valuation of the scheme is carried out each year. Defined benefit assets are measured at fair value while liabilities are measured at present value (which approximates to fair value)

The difference between the assets and liabilities of the scheme are recognised as a surplus (to the extent that the surplus is recoverable) or obligation in the balance sheet

The difference between the expected return on scheme assets and interest on scheme liabilities is included within other finance income/expense in the profit and loss account

Actuarial gains and losses are recognised outside the profit and loss account in retained earnings and presented in the Statement of total recognised gains and losses

(l) Profit on sale of fixed assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account. Details of the disposals made during the year are shown in note 5

(m) Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with UK GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at reporting date and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Fixed assets impairment – The fixed asset investments are reviewed on a regular basis to determine whether an adjustment is required to the net carrying values held in the balance sheet

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

1 Principal accounting policies (continued)

Accounting for provisions and contingencies – The Company is subject to a number of claims that are incidental to the normal conduct of its business. These relate to and include commercial and contractual claims, which are handled and defended in the ordinary course of business. The Company routinely assesses the likelihood of any adverse judgements or outcomes to these matters as well as ranges of probable and reasonably estimated losses. Reasonable estimates involve judgements made by management after considering information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible parties and their ability to contribute, and prior experience. A provision is recognised when it is probable that an obligation exists for which a reliable estimate of the obligation can be made and after careful analysis of the individual matter. The required provision may change in the future due to new developments and as additional information becomes available. Matters that either are possible obligations or do not meet the recognition criteria for a provision are disclosed, unless the possibility of transferring economic benefits is remote.

2 Administration expenses

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Administration recharge paid to subsidiary undertaking	1.2	12.0
Exchange gain	-	(14.1)
Exchange loss	-	24.9
Fixed asset depreciation	-	0.4
Impairment of investments	-	50.7
Provisions (see note 14)	50.0	19.3
Other expenses	3.0	0.2
	<u>54.2</u>	<u>93.4</u>

Fees payable to the Company's auditor for the audit of the Company for the year are £20,000 (period ended 31 March 2007 £15,000). Fees payable to the Company's auditor and its associates for non-audit services for the year are £502,000 (period ended 31 March 2007 £1,149,000).

3 Fundamental restructuring

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Fundamental restructuring	-	32.8
Tax attributable	-	(7.3)
	<u>-</u>	<u>(7.3)</u>

The charge of £32.8m for the 15 month period ended 31 March 2007 related to the restructuring of the Thames Water Limited Group, including costs associated with dismantling Thames Water Limited as the group head office function, costs associated with divestment of a large part of the non-regulated businesses owned by the Thames Water Limited Group, and certain costs of the Thames Water Holdings Limited Group sale by RWE AG to Kemble Water Limited in December 2006.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

4 Information regarding directors and employees

The Company had no employees during the year (period ended 31 March 2007 nil)

Directors' emoluments

	Year end 31 March 2008 £'000	Period end 31 March 2007 £'000
Aggregate emoluments	562	2,221
Aggregate emoluments receivable under long-term incentive schemes	-	914
Compensation for loss of office	-	3,868
	<u>562</u>	<u>7,003</u>

For the year ended 31 March 2008, a fixed fee of £35,000 was payable on a pro rata basis per annum to P Antolik, based on period of appointment by Thames Water Limited. The services of P Antolik were provided to and paid for by Thames Water Utilities Limited.

Other than as noted above and included in note 20, no other amounts were payable to any of these directors. No remuneration was payable in respect of any alternate directors whose period of service can be found in the Directors' Report on page 4.

At 31 March 2008, no retirement benefits are accruing to directors (period ended 31 March 2007 £Nil) under a defined benefit pension scheme.

During the year, no directors (period ended 31 March 2007 Nil) exercised share options.

Highest paid director

	Year end 31 March 2008 £'000	Period end 31 March 2007 £'000
Aggregate emoluments	<u>250</u>	<u>933</u>

5 Profit on sale of fixed assets

	Year end 31 March 2008 £m	Period end 31 March 2007 £'000
Profit on disposal of fixed asset investments	3,156.1	67.4
Taxation attributable, included in the tax charge/credit	<u>-</u>	<u>-</u>

The transactions during the year were:

As a result of Group restructuring on 21 June 2007 the Company sold its interests in its subsidiary, Thames Water Utilities Limited to Thames Water Utilities Holdings Limited, a fellow subsidiary for consideration of £4,250.0m resulting in a profit on disposal of £3,120.9m.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

5 Profit on sale of fixed assets (continued)

On 28 November 2007 the Company sold its interests in its commercial business, Thames Water Services Limited to Veolia Water UK Plc for a cash consideration of £65.5m, resulting in the Company making a profit on disposal of £35.2m

On 11 December 2007 the Company sold its interests in Thames Water Chile Limitada to Inversiones Vientos Del Sur S A and Asesorias E Inversiones Caraves Y Gimpel Limitada for a consideration of Ch\$2 (<£1), resulting in the Company making neither a profit or loss on disposal

Included in the profit of £3,156.1m are warranty and indemnity provisions of £16.2m established as a result of disposals of fixed asset investments (refer note 14)

6 Net interest receivable/(payable)

	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
Interest payable		
- Bank overdraft	(0.5)	(4.0)
- Group undertakings	(3.9)	(27.1)
- Other	(0.6)	(1.9)
	<u>(5.0)</u>	<u>(33.0)</u>
Interest receivable		
- Group undertakings	195.4	28.2
- Other	6.3	4.0
	<u>201.7</u>	<u>32.2</u>
Net interest receivable/(payable)	<u>196.7</u>	<u>(0.8)</u>

7 Other finance income

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Expected return on pension scheme assets	0.4	0.3
Interest on pension scheme liabilities	(0.3)	(0.3)
	<u>0.1</u>	<u>-</u>

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

8 Taxation on profit on ordinary activities

Analysis of charge/(credit) in the year/period

	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
UK corporation tax - amounts payable/(receivable) in respect of corporation tax for the year/period	60.1	(14.1)
UK corporation tax - adjustments in respect of previous periods	(12.2)	(23.0)
Overseas tax	0.5	-
Total current tax	48.4	(37.1)
Deferred tax – origination and reversal of timing differences	-	0.6
Deferred tax – adjustments in respect of previous periods	-	(2.4)
Deferred tax – change in rate	0.1	-
Total deferred tax	0.1	(1.8)
Taxation on profit on ordinary activities	48.5	(38.9)

Factors affecting tax charge/(credit) for year/period

The current tax charge for the year is lower (2007 lower) than the standard rate of corporation tax in the UK of 30% (2007 30%). The differences are explained below

	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
Profit on ordinary activities before taxation	3,346.8	637.3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	1,004.0	191.1
Effects of		
Other timing differences	-	0.7
Disallowable expenditure and other permanent differences	(943.9)	(205.9)
Adjustments in respect of previous periods	(12.2)	(23.0)
Overseas taxation	0.5	-
Current tax charge/(credit) for the year/period	48.4	(37.1)

The 2008 total tax charge of £48.5m (period ended 31 March 2007 £38.9m) includes £Nil (period ended 31 March 2007 £7.3m) in respect to restructuring costs of £Nil (period ended 31 March 2007 £32.8m), refer to note 3

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

9 Dividends

	Year end 31 March 2007 £m	Period end 31 March 2007 £m
First interim paid 312.48p (2007 63.24p) per £0.23p ordinary share	1,111.7	225.0
Second interim paid 19.20p (2007 £nil) per £0.23p ordinary share	68.3	-
Third interim paid 28.67p (2007 £nil) per £0.23p ordinary share	102.0	-
	1,282.0	225.0

As a post balance sheet event, on 22 May 2008 the directors approved a further interim dividend of £131.0m (36.82p per ordinary share) in respect of the year ended 31 March 2008. This interim dividend was paid to Thames Water Holdings Limited on 30 May 2008.

10 Fixed asset investments

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

	Shares in group undertakings £m	Participating interests £m	Loans to group undertakings £m	Loans to participating interests £m	Total £m
Cost:					
At 1 April 2007	1,400.6	30.0	517.1	20.7	1,968.4
Additions	-	-	11.1	19.3	30.4
Disposals	(1,308.0)	-	(86.7)	-	(1,394.7)
Repayments	-	-	(31.9)	-	(31.9)
Reclassification from debtors	-	-	4.2	-	4.2
At 31 March 2008	92.6	30.0	413.8	40.0	576.4
Provisions:					
At 1 April 2007	(210.7)	(30.0)	(362.5)	(20.7)	(623.9)
Transfer from provisions (see note 14)	-	-	-	(19.3)	(19.3)
Disposals	179.0	-	56.3	-	235.3
At 31 March 2008	(31.7)	(30.0)	(306.2)	(40.0)	(407.9)
Net Book Value:					
At 31 March 2008	60.9	-	107.6	-	168.5
At 1 April 2007	1,189.9	-	154.6	-	1,344.5

The additions to investments in subsidiary undertakings during the year relate to loans that were issued to a total of £11.1m.

Disposals during the year relate to the disposal of interests in Thames Water Utilities Limited, Thames Water Services Limited and Thames Water Chile Limitada (refer to note 5).

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

10 Fixed asset investments (continued)

	Year end	% owner- ship	Country of incorporation	Description of shares held	Nature of business
Interests in group undertakings:					
Direct:					
Thames Water Utilities Holdings Limited	31 March	100	England & Wales	Ordinary £1	Holding Company
Kennet Properties Limited	31 March	100	England & Wales	Ordinary £1	Property
Thames Water Investments Limited	31 March	100	England & Wales	Ordinary £1	Property
Indirect (through Thames Water Utilities Holdings Limited):					
Thames Water Utilities Limited	31 March	100	England & Wales	Ordinary £1	Regulated Water Operations
Thames Water Utilities Finance Limited	31 March	100	England & Wales	Ordinary £1	Finance Company
Thames Water Utilities Cayman Finance Limited	31 March	100	Cayman Islands	Ordinary \$1	Finance Company
Interests in participating interests:					
Direct:					
*Metronet Rail BCV Holdings Limited	31 March	20	England & Wales	Ordinary £1	Maintenance and upgrade of London Underground
*Metronet Rail SSL Holdings Limited	31 March	20	England & Wales	Ordinary £1	Maintenance and upgrade of London Underground
Indirect (through Thames Water Investments Limited):					
Trans4m Limited	31 March	25	England & Wales	Ordinary £1	Contract management for stations and civil assets

* These companies were placed into administration on 18 July 2007

In accordance with S231(5) of the Companies Act 1985, information is given only with respect to such undertakings whose financial position principally affects the figures of the Company. A full list of subsidiary undertakings will be filed at Companies House with the Company's annual return.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

11 Debtors

Amounts falling due within one year:

	31 March 2008 £m	Restated 31 March 2007 £m
Amounts owed by group undertakings	241.9	6.5
Group relief receivable	-	3.8
Deferred tax asset	1.7	1.8
Other debtors	0.6	2.2
	<u>244.2</u>	<u>14.3</u>
Amounts owed by group undertakings	£m	£m
Inter-company loans		
- Within one year	<u>239.5</u>	<u>1.5</u>
	239.5	1.5
Non loan amounts due within one year	<u>2.4</u>	<u>5.0</u>
	<u>241.9</u>	<u>6.5</u>

Amounts owed by group undertakings are unsecured, repayable on demand and interest free except the following loans

- £86,250,000 owed by Thames Water Utilities Limited, on which interest is based on LIBOR + 0.25%
- £136,300,000 owed by Kemble Water Liberty Limited, on which interest is based on LIBOR + 0.50%

The deferred tax asset of £1.7m (2007 £1.8m) relates to other timing differences

Reconciliation of movements in deferred tax		Total £m
At 1 April 2007		1.8
Charge in year		<u>(0.1)</u>
At 31 March 2008		<u>1.7</u>
Unprovided deferred tax asset	31 March 2008 £m	31 March 2007 £m
Potential deferred tax asset	4.3	3.2
Provided in the accounts	<u>(1.7)</u>	<u>(1.8)</u>
Unprovided at 31 March	<u>2.6</u>	<u>1.4</u>

There is an unrecognised deferred tax asset in respect of short term timing differences and capital losses where the Company does not anticipate use in the immediate future

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

11 Debtors (continued)

Amounts falling due after more than one year:

	31 March 2008 £m	31 March 2007 £m
Amounts owed by group undertakings – loan	2,968.0	-
Amounts owed by group undertakings – other	188.6	-
	<u>3,156.6</u>	<u>-</u>

Amounts owed by group undertakings are unsecured and interest free except the following loan

- £2,968,000,000 owed by Thames Water Utilities Holdings Limited, being the unpaid deferred consideration on the purchase of Thames Water Utilities Limited, on which interest is payable at 10%. Repayment is at the discretion of the Company but must be repaid by 2056. Interest repayment on this loan is determined by agreement between both parties. No repayment date has been set for interest incurred.

12 Current asset investments

	31 March 2008 £m	31 March 2007 £m
Short-term deposits	-	14.0

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

13 Creditors: amounts falling due within one year

	31 March 2008 £m	31 March 2007 £m
Bank overdraft	14.8	13.0
Amounts owed to group undertakings	213.2	230.8
Group relief	119.1	-
Other creditors	3.3	3.4
Accruals and deferred income	12.3	10.7
	<u>362.7</u>	<u>257.9</u>

The Company's bank accounts are with National Westminster Bank Plc. These bank accounts along with a number of other Group bank accounts form part of a cross-company guarantee arrangement with the bank. Should the net position be an overdraft, then this is unsecured.

Amounts owed to group undertakings are:

	31 March 2008 £m	31 March 2007 £m
Inter-company loans	127.8	148.9
Non-loan amounts	85.4	81.9
	<u>213.2</u>	<u>230.8</u>

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

13 Creditors: amounts falling due within one year (continued)

Amounts owed to group undertakings include the following unsecured loans with no fixed repayment date, except the Isis Company Limited loan as noted below

- £Nil (2007 £755,054) owed to Water Projects International Limited
- £50,500,000 (2007 £41,808,000) owed to Isis Insurance Company Limited, a group undertaking This represents a discounted loan note issued to Isis Insurance Company Limited, which is repayable on 2 April 2008 The discount on the note is accrued at a market rate derived from short term money markets which on the note outstanding on the balance sheet date was 5.38%
- £3,000,000 (2007 £37,000,000) owed to Kennet Properties Limited, a group undertaking on which interest is payable at one month LIBOR less 12.5 bases points
- £6,500,000 (2007 £5,565,849) owed to PWT Projects Limited, a group undertaking on which interest is payable at three months LIBOR less 12.5 bases points

All other amounts owed to group undertakings are unsecured and interest free

14 Provisions for liabilities and charges

	Warranty and Indemnity £m	Onerous funding obligation £m	Other £m	Total £m
At 1 April 2007	-	19.3	-	19.3
Transfer to fixed asset investments	-	(19.3)	-	(19.3)
Provided during the year (see notes 2 and 5)	16.2	-	50.0	66.2
At 31 March 2008	16.2	-	50.0	66.2

Warranty and indemnity provisions were established as a result of the disposal of fixed asset investments (refer note 5) and represent management's best estimate of the value of any settlements and costs. It is estimated that warranty and indemnity provisions will be settled in less than one year.

The onerous funding obligation provision relates to letters of credit of £19.3m provided by the Company in respect of obligations to commit subordinated loans to Metronet Rail SSL Holdings Limited and Metronet Rail BCV Holdings Limited. Given the financial uncertainty of these Metronet companies and the likelihood that this future funding would not be recoverable an onerous funding obligation provision had been established at 31 March 2007. During the year the Company made payments of £19.3m to settle the funding obligations to these two Metronet companies. As such the provision of £19.3m was transferred to match against the increase in fixed asset investments (refer notes 10 and 18iii).

Other provisions relate to potential claims against the Company and represents management's best estimate of the value of settlement and costs. It is estimated that claims will be settled in more than one year.

15 Called up share capital

	31 March 2008 £m	31 March 2007 £m
Authorised:		
976,128,916 (2007 976,128,916) ordinary shares of 23p each and 380,367,532 (2007 380,367,532) 'B' shares of 79p each	<u>525.0</u>	<u>525.0</u>
Allotted, called up and fully paid:		
355,770,743 (2007 355,770,743) ordinary shares of 23p each	<u>81.8</u>	<u>81.8</u>

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

16 Share premium and reserves

	Share premium £m	Capital redemption account £m	Profit and loss account £m	Total £m
At 1 April 2007	104.5	320.8	671.1	1,096.4
Restatement (see note 1)	-	-	(0.7)	(0.7)
Revised balance at 1 April 2007	104.5	320.8	670.4	1,095.7
Profit for the year	-	-	3,298.3	3,298.3
Dividends paid	-	-	(1,282.0)	(1,282.0)
Actuarial gain on pension scheme	-	-	1.2	1.2
Movement on deferred tax relating to pension scheme	-	-	(0.3)	(0.3)
At 31 March 2008	104.5	320.8	2,687.6	3,112.9

17 Reconciliation of movements in shareholder's funds

	Year end 31 March 2008 £m	Restated Period end 31 March 2007 £m
Shareholder's funds at the beginning of the year/period	1,177.5	726.1
Profit for the year/period	3,298.3	676.2
Dividends paid	(1,282.0)	(225.0)
Actuarial gain in pension scheme	1.2	0.3
Movement in deferred tax relating to pension scheme	(0.3)	(0.1)
Shareholder's funds at the end of the year/period	3,194.7	1,177.5

18 Contingent liabilities

The Company has set aside amounts considered by the directors to be an adequate reserve for all legal and similar claims

i) Metronet and Trans4m

The Company holds a 20% interest in Metronet Rail SSL Limited and Metronet Rail BCV Limited (together "Metronet"), both companies having been established to maintain and upgrade a large part of London Underground's rail system as part of a public private partnership ("PPP") under a service contract signed with London Underground Limited in April 2003

The Company also holds a 25% indirect interest in Trans4m Limited ("Trans4m") through a wholly owned subsidiary, Thames Water Investments Limited ("TWIL"). Trans4m has been contracted by Metronet to deliver £1.86 billion of station upgrade and civil engineering works

A related company, Thames Water Services Limited ("TWSL") has contracted with Trans4m under four separate contracts to provide certain station upgrade works and the civil engineering works to Trans4m. During the year this contract was novated to TWIL.

As a result of significant projected cost overruns and insufficient liquidity, a PPP Administrator was appointed to Metronet on 18 July 2007 and on 30 August 2007 the contract and certain agreements between Metronet and Trans4m were terminated, which led to subsequent terminations of the contracts between Trans4m and TWSL.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

18 Contingent liabilities (continued)

The Company continues to maintain its direct and indirect ownership interests in Metronet and Trans4m, however both companies are no longer trading, and the Company has no further obligations to provide debt or equity to Metronet or indirectly to Trans4m. The role of the PPP Administrator is to provide stability to Metronet's operations, and to sell Metronet's activities. To that end, on 27 May 2008 the PPP Administrator transferred certain trade and assets of Metronet to two entities established by Transport for London. No formal claims have been submitted against the Metronet shareholders. Trans4m exists solely as a claims entity.

The contracts between Metronet and Trans4m were on a cost reimbursable basis with a target cost and a painshare/gainshare mechanism should costs be above or below the target cost, and are capped at 22.5% of the initial target cost, indexed (excluding certain costs). Thames Water Limited has provided a Parent Company Guarantee, which holds it jointly and severally liable for Trans4m's performance up to the overall liability cap. This Parent Company Guarantee has been backed by letters of credit that are further explained in 18.11. Trans4m has submitted an Interim Statement of Account in connection with settlement of contractual obligations between Trans4m and the PPP Administrators to Metronet, although to date no final account has been agreed. It should be noted the overruns were largely projected and work ceased prior to completion. As a result it is unclear whether any residual liability by Trans4m and therefore Thames Water Limited up to the capped amount exists.

The contracts between Trans4m and TWIL contain a similar painshare/gainshare mechanism, with an overall liability cap of 22.5% of the initial target cost, indexed. Thames Water Limited has provided Parent Company Guarantees in respect of the four contracts between Trans4m and TWIL. No claim currently exists against TWIL, however should one be made it will be vigorously defended.

ii) Veolia Water UK Plc

The disposal of the commercial businesses of the Company was completed on 28 November 2007. There is the possibility of claims under the indemnity and warranty provisions included in the Sale & Purchase Agreement.

iii) Guarantees

At 31 March 2008, the Company has guaranteed the overdrafts and loans of certain subsidiaries up to a maximum of £40.0m (2007: £392.5m). The Company has also guaranteed facilities for contract bonding on behalf of certain subsidiaries amounting to £16.9m at 31 March 2008 (2007: £18.9m) and certain non Thames Water Limited group companies amounting to £9.2m (2007: £17.4m).

At 31 March 2007 the Company had 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. Given the uncertainties associated with the funding positions of the Metronet Companies and the outcome of an extraordinary review process, full provision of £19.3m had been made against these letters of credit at 31 March 2007 (refer note 14). During the year the Company paid £19.3m to settle its funding obligations to the Metronet Companies, thereby releasing the Company from these letters of credit.

Letters of credit amounting to £25.0m (2007: £25.0m) have been issued on behalf of Thames Water Limited, through a facility in the name of by Kemble Water Liberty Limited, in favour of Metronet Rail SSL Limited and Metronet Rail BCV Limited, in order to provide enhanced credit support in respect of Parent Company Guarantees issued by Thames Water Limited relating to the performance of Trans4m (refer section 18.1 for more details). After 31 March 2008, these letters of credit were re-issued directly by Thames Water Limited.

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.

19 Pension schemes

Defined benefit pension scheme

The Company operates one pension scheme only, being a defined benefit scheme providing retirement benefits to a previous director and their spouse based on final salary.

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

19 Pension schemes (continued)

The scheme is an unfunded arrangement but is secured against assets held by the Company. There are no benefits currently being accrued with the scheme and no contributions are currently being paid by the Company. The latest full valuation was carried out at 31 March 2008 by independent actuaries Hewitt Associates Limited.

Reconciliation of funded status to balance sheet

	31 March 2008 £m	31 March 2007 £m
Fair value of scheme assets	8.8	8.0
Present value of scheme liabilities	<u>(4.8)</u>	<u>(5.3)</u>
Surplus in scheme	<u>4.0</u>	<u>2.7</u>
Asset recognised on the balance sheet	4.0	2.7
Deferred tax liability	<u>(1.1)</u>	<u>(0.8)</u>
Net pension asset	<u>2.9</u>	<u>1.9</u>

Movement in the present value of scheme liabilities

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Opening present value of scheme liabilities	5.3	5.6
Interest cost	0.3	0.3
Actuarial (gains) on scheme liabilities	(0.5)	(0.3)
Net benefit paid out	<u>(0.3)</u>	<u>(0.3)</u>
Closing present value of scheme liabilities	<u>4.8</u>	<u>5.3</u>

Movement in fair value of scheme assets

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Opening fair value of scheme assets	8.0	8.0
Expected return on scheme assets	0.4	0.3
Actuarial gains on scheme assets	0.7	-
Net benefits paid out	<u>(0.3)</u>	<u>(0.3)</u>
Closing fair value of scheme assets	<u>8.8</u>	<u>8.0</u>

Income recognised in the profit and loss account:

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Interest cost	0.3	0.3
Expected return on scheme assets	<u>(0.4)</u>	<u>(0.3)</u>
	<u>(0.1)</u>	<u>-</u>

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

19 Pension schemes (continued)

The income is recognised in the following line items in the profit and loss account:

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Other finance income	(0.1)	-
Total income recognised in the profit and loss account	(0.1)	-

Analysis of amount recognised in the Statement of total recognised gains and losses:

	Year end 31 March 2008 £m	Period end 31 March 2007 £m
Actual return less expected return on pension scheme assets	0.7	-
Experience gains arising on the scheme liabilities	0.5	0.3
Actuarial gain recognised in the Statement of total recognised gains and losses	1.2	0.3
Cumulative amount of gains recognised in the Statement of total recognised gains and losses	1.5	0.3

Fair value of scheme assets and return on these assets:

The fair value of the assets held by the pension scheme, the long-term expected rate of return on each class of assets and the average expected long-term rate of return obtained by weighting the individual rates in accordance with the anticipated balance in the schemes' investment portfolio are shown in the following table

	31 March 2008		31 March 2007		31 December 2005	
	Long-term expected rate of return	Value £m	Long-term expected rate of return	Value £m	Long-term expected rate of return	Value £m
Index-linked Gilt	4.25%	8.4	4.5%	7.8	3.74%	7.9
Other assets	6.00%	0.4	5.5%	0.2	4.50%	0.1
Average expected long-term rate of return/total fair value of assets	4.33%	8.8	4.53%	8.0	3.76%	8.0

The Company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the schemes.

The main financial assumptions used for FRS 17 purposes are as follows:

	31 March 2008	31 March 2007	31 December 2005
Price inflation	3.7%	3.2%	2.9%
Salary increases	N/a	N/a	N/a
Pension increases	3.7%	3.2%	2.9%
Discount rate for scheme liabilities	6.9%	5.4%	4.8%

Thames Water Limited

Notes to the financial statements for the year ended 31 March 2008

19 Pension schemes (continued)

In valuing the liabilities of the pension schemes of the Group, including the Company's pension scheme at 31 March 2008, mortality assumptions have been made as indicated below. These mortality assumptions are based on the recent actual mortality experience of members within the schemes and the assumptions also allow for future mortality improvements.

The assumptions are that a male member who retires in 2028 at age 60 will live on average for a further 25 years after retirement or a further 28 years after retirement if she is female. Furthermore, a current male pensioner aged 60 will live on average for a further 24 years after retirement or a further 26 years after retirement if they are female.

History of fair value of assets, present value of liabilities, surplus in scheme and experience gains and losses:

	31 March 2008 £m	31 March 2007 £m	31 December 2005 £m
Fair value of scheme assets	8.8	8.0	8.0
Present value of scheme liabilities	(4.8)	(5.3)	(5.6)
Surplus in scheme	4.0	2.7	2.4
Experience adjustments		31 March 2008 £m	31 March 2007 £m
Experience gains on scheme assets			
Amounts		0.7	-
Percentage of scheme assets		8.0%	-
Experience gains on scheme liabilities			
Amounts		0.5	0.3
Percentage of present value scheme liabilities		10.4%	5.7%
Total amount recognised in the Statement of total recognised gains and losses			
Amounts		1.2	0.3
Percentage of present value of scheme liabilities		25.0%	5.7%

20 Related parties

During the year ended 31 March 2008, the Company made loans of £19.3m (period ending 31 March 2007: £20.7m) to Metronet Rail SSL Limited and Metronet Rail BCV Limited, both companies being participating interests of Thames Water Limited. At the year end the loans outstanding are £40.0m (2007: £20.7m).

During the year ended 31 March 2008 the Company paid £106,540 (period ended 31 March 2007: £nil) to a current Director, Chris Deacon, in respect of consultancy services provided regarding the Company's investments in Metronet Rail SSL Limited and Metronet Rail BCV Limited. There were no amounts owing to Chris Deacon at 31 March 2008 in respect of these consultancy services (2007: £nil).

21 Immediate and ultimate parent company and controlling party

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

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

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