

Registered no: 2366623 (England & Wales)

Thames Water Limited

Annual report and financial statements

For the year ended 31 March 2015

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Thames Water Limited

Annual report and financial statements for the year ended 31 March 2015

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Thames Water Limited

Directors and advisors

Directors

Sir Peter Mason KBE - Chairman
E Beckley
R Blomfield-Smith (resigned 13 March 2015, appointed 27 April 2015)
D Buffery (resigned 1 January 2015, appointed 13 March 2015)
R Greenleaf (appointed 13 March 2015)
G Lambert (appointed 15 October 2014)
P Noble (appointed 13 March 2015)
G Tucker (appointed 17 April 2015)
Y Wang (appointed 1 July 2014)
L Webb

Registered auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Company Secretary and registered office

D Hughes
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Thames Water Limited

Strategic report

The directors present their strategic report of Thames Water Limited ("the Company") for the year ended 31 March 2015.

Business review

The Company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group").

The Company's business review disclosures are integrated with those of the Group and so are not 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.

The Group's annual report is available from the address shown in note 19 on page 24.

Results and performance

The Company made a profit before tax for the year of £200.0m (2014: £196.7m). The directors have reviewed the recoverability of investments (equity & loan) and intercompany loans not forming part of investments and determined that no additional provisions (2014: nil) were required to appropriately reflect the recoverable values.

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. The principal risks of the Group are disclosed in the consolidated financial statements of the ultimate controlling parent Kemble Water Holdings Limited. 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. The Group's annual report is available from the address shown in note 19 on page 24.

Future outlook

The Company is expected to continue to act as an intermediate holding company within the Group.

Approved by the Board of Directors on 4 June 2015 and signed on its behalf by:



D Hughes
Company Secretary

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Thames Water Limited

Directors' report

The directors present their report and the audited financial statements of Thames Water Limited for the year ended 31 March 2015.

The registered number of the Company is 2366623.

Future outlook

The future outlook of the Company is discussed in the strategic report.

Going concern

The financial statements have been prepared on the going concern basis. The directors have considered the financial position of the Company and have concluded that it has sufficient resources for the present requirements for the foreseeable future. This is based upon a review of the Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available.

For these purposes the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these financial statements.

Dividends

The Company paid dividends of £151.1m during the year (2014: £190.0m). This was made up of two dividends. The first interim dividend of £22.0m (0.06p per 0.23p ordinary share); (2014: £84.4m, 23.72p per 0.23p ordinary share) was paid in September 2014. The second interim dividend of £129.1m (0.36p per 0.23p ordinary share); (2014: £105.6m, 29.68p per 0.23p ordinary share) was paid in March 2015. The aggregate amount of dividends proposed and not recognised as liabilities as at 31 March 2015 is £25.0m (2014: £nil). These have not been recognised in line with Company policy as they remain at the discretion of the Company.

Financial risk management

The Company has access to the Group Executive 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 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.

Directors

The directors who held office during the year ended 31 March 2015 and to the date of signing were:

Sir Peter Mason KBE - Chairman

E Beckley

R Blomfield-Smith (resigned 13 March 2015, appointed 27 April 2015)

D Buffery (resigned 1 January 2015, appointed 13 March 2015)

C R Deacon (resigned 17 April 2015)

Dr P Dyer (resigned 13 March 2015)

S Eaves (resigned 15 October 2014)

R Greenleaf (appointed 13 March 2015)

C Heathcote (appointed 22 July 2014, resigned 13 March 2015)

N Horler (appointed 14 April 2014, resigned 13 March 2015)

G Lambert (appointed 15 October 2014)

P Noble (appointed 13 March 2015)

K Roseke (appointed 13 March 2015, resigned 27 April 2015)

D J Shah OBE (resigned 13 March 2015)

C Van Heijningen (appointed 1 January 2015, resigned 13 March 2015)

G Tucker (appointed 17 April 2015)

Y Wang (appointed 1 July 2014)

L Webb

D Xu (resigned 1 July 2014)

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, except as disclosed in note 18 to the accounts.

Thames Water Limited

Directors' report (continued)

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

Director		Alternate Director	
E Beckley		G Parsons	(resigned 11 September 2014)
		R Greenleaf	(appointed 11 September 2014, resigned 13 March 2015)
R Blomfield-Smith	(resigned 13 March 2015, appointed 27 April 2015)	D Rees	(appointed 27 April 2015)
D Buffery	(resigned 1 January 2015, appointed 13 March 2015)	D Rees	(appointed 22 April 2014, resigned 1 January 2015)
G Lambert	(appointed 15 October 2014)	R-J Bakker	(appointed 13 March 2015)
		M Hill	(appointed 15 October 2014, resigned 13 March 2015)
P Noble	(appointed 13 March 2015)	P Hofbauer	(appointed 13 March 2015)
G Tucker	(appointed 17 April 2015)	C Deacon	(appointed 17 April 2015)
Y Wang	(appointed 1 July 2014)	F Sheng	
L Webb		C Pham	

Political donations

No political donations were made by the Company during the year (2014: £nil).

Adoption of future accounting standards

FRS 100, 101 and 102 form the new framework for UK GAAP. FRS 100 sets out the application of financial reporting requirements in the UK and Republic of Ireland and FRS 101 'IFRS with reduced disclosures' outlines the reduced disclosure framework available for use by qualifying entities choosing to report under IFRS. FRS 102 is applicable in the UK and Republic of Ireland and is known as 'new UK GAAP'. The mandatory effective date for the new framework of reporting is for accounting periods beginning on or after 1 January 2015. The Company will apply FRS 101.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as director of any associated company) and these remain in force at the date of this report.

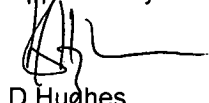
Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors on 4 June 2015 and signed on its behalf by



D Hughes
Company Secretary

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Thames Water Limited

Statement of directors' responsibilities in respect of the annual report and the financial statements

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 year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Thames Water Limited

We have audited the financial statements of Thames Water Limited for the year ended 31 March 2015 set out on pages 8 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
KPMG LLP
15 Canada Square
London
United Kingdom
E14 5GL

4 June 2015

Thames Water Limited

Profit and loss account

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Operating costs	2,3	(2.8)	(2.9)
Operating loss		(2.8)	(2.9)
Income from shares in group undertakings	4	3.1	-
Interest receivable and similar income	5	199.6	199.5
Other finance income	6	0.1	0.1
Profit on ordinary activities before taxation		200.0	196.7
Taxation on profit on ordinary activities	7	(41.4)	(41.4)
Profit for the financial year		158.6	155.3

All amounts above relate to continuing operations.

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

The notes from pages 10 to 24 form part of these financial statements.

Statement of total recognised gains and losses

	Note	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit for the year		158.6	155.3
Actuarial (loss)/gain on pension scheme	17	(0.2)	(1.0)
Deferred tax relating to actuarial loss/gain		-	0.4
Total recognised gains and losses relating to the financial year		158.4	154.7

Thames Water Limited

Balance sheet

	Note	As at 31 March 2015 £m	As at 31 March 2014 £m
Fixed assets			
Investments	9	15.7	15.7
Current assets			
Debtors			
- due within one year	10	185.8	183.3
- due after one year	10	2,175.4	2,122.4
		2,361.2	2,305.7
Investments		4.8	13.7
		2,366.0	2,319.4
Creditors: amounts falling due within one year	11	(422.4)	(382.9)
Net current assets		1,943.6	1,936.5
Total assets less current liabilities		1,959.3	1,952.2
Provisions for liabilities	12	(0.6)	(0.6)
Net assets excluding pension asset		1,958.7	1,951.6
Net pension asset	17	4.6	4.4
Net assets including pension asset		1,963.3	1,956.0
Capital and reserves			
Called up share capital	13	81.8	81.8
Share premium account	14	104.5	104.5
Capital redemption reserve	14	320.8	320.8
Profit and loss account	14	1,456.2	1,448.9
Shareholder's funds	15	1,963.3	1,956.0

The notes on pages 10 to 24 form part of these financial statements.

The financial statements on pages 8 to 24 were approved by the Board of Directors on 4 June 2015 and signed on its behalf by:



Sir Peter Mason KBE
Chairman

Registered no: 2366623 (England & Wales)

Thames Water Limited

Notes to the financial statements

1 Principal accounting policies

Basis of preparation

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and under historical cost accounting rules.

The Company has exercised exemption under section 400 of the Companies Act 2006 for the requirement to prepare group financial statements. Therefore these financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

The financial statements have been prepared on the going concern basis. The directors have considered the financial position of the Company and have concluded that it has sufficient resources for the present requirements for the foreseeable future. This is based upon a review of the Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available.

For these purposes the foreseeable future is taken to mean a period of at least 12 months from the date of approval of these financial statements.

Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. There have been no changes to the accounting policies from those used in the preparation of the prior period financial statements.

(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. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised in the profit and loss account.

(b) Related party disclosures

As the Company is a wholly owned subsidiary of Kemble Water Holdings Limited, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Kemble Water Holdings Limited can be obtained from the address in note 19.

(c) Cash flow

The Company has exercised exemption contained within FRS1 from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

(d) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised when there is a legal right to receive.

Thames Water Limited

Notes to the financial statements (continued)

(e) Taxation

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

Current taxation

Current 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 tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

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 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 currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(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. Discounting is applied if the Company considers the time value of money to be material.

Thames Water Limited

Notes to the financial statements (continued)

1 Principal accounting policies (continued)

(h) Cash

Cash comprises 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.

(i) Financial risk management

The financial risk management of the company is discussed in the Director's Report on page 3.

(j) Interest receivable

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

(k) Interest Payable

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

(l) Pension and other post-retirement benefits

The Company operates a single pension scheme, 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. The scheme is an independently administered fund. There are no benefits currently being accrued with the scheme and no contributions are currently being paid by the Company.

An update of the full triennial 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.

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 net of deferred tax.

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 on page 8.

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 on page 8.

2 Operating loss

Included in operating loss is the auditor's remuneration in respect of the following:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Audit fees in relation to subsidiaries and fellow subsidiaries	0.2	0.1

The Company pays audit fees on behalf of its subsidiaries and fellow subsidiaries in the Kemble Water Holdings Limited Group.

No other fees were payable to the auditor in either year.

Thames Water Limited

Notes to the financial statements (continued)

3 Information regarding directors

Directors' emoluments

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Aggregate emoluments	0.6	0.5

Other than as noted above and included in note 18, 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 2015, no retirement benefits are accruing to directors (2014: £nil) under a defined benefit pension scheme.

Highest paid director

	2015 £m	2014 £m
Aggregate emoluments	0.1	0.1

The highest paid director's emoluments are paid by Thames Water Utilities Limited and 30% of the total remuneration is recharged to the Company on a monthly basis for services provided by the director to the Kemble Water Holdings Group.

4 Income from shares in group undertakings

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Final dividend received in respect of the current year	3.1	-
	3.1	-

During the year the Company received a dividend of £3.1m (2014: £nil) from its immediate subsidiaries, £2.6m (2014: £nil) from Kennet Properties Limited and £0.5m (2014: £nil) from Thames Water Investments Limited.

5 Interest receivable and similar income

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Receivable from Group undertakings	199.6	199.5
	199.6	199.5

Interest receivable from Group undertakings represents interest receivable on the intercompany loans described in note 10.

Thames Water Limited

Notes to the financial statements (continued)

6 Other finance income

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Expected return on pension scheme assets	0.4	0.4
Interest on pension scheme liabilities	(0.3)	(0.3)
	0.1	0.1

7 Taxation on profit on ordinary activities

Analysis of charge in the year

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Current tax		
Amounts payable in respect of group relief	41.3	45.1
Adjustments in respect of previous periods	0.1	(3.7)
Tax charge on profit on ordinary activities	41.4	41.4

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 21% (2014: 23%). The differences are explained below:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Profit on ordinary activities before taxation	200.0	196.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	42.0	45.2
Effects of:		
(Income not taxable) / expenses not deductible	(0.7)	(0.1)
Adjustments in respect of previous periods	0.1	(3.7)
Current tax charge for the year	41.4	41.4

Thames Water Limited

Notes to the financial statements (continued)

7 Taxation on profit on ordinary activities (continued)

There is an unrecognised deferred tax asset in respect of capital losses where the Company does not anticipate taxable profits in the immediate future. The amount of deferred tax asset unrecognised at 20% and 21% is:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Deferred tax asset not recognised in respect of capital losses	6.0	6.0

Factors affecting the future tax charge

A reduction in the UK corporation tax rate from 21% to 20%, effective from 1 April 2015 and 20% was substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. As the Company has no deferred tax asset or liability, there is no effect on these financial statements. The unrecognised deferred tax asset at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

8 Dividends

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Equity – Ordinary		
First Interim dividend paid: 0.06p (2014: 23.72p) per £0.23p ordinary share	22.0	84.4
Second Interim dividend paid: 0.36p (2014: 29.68p) per £0.23p ordinary share	129.1	105.6
Total	151.1	190.0

The aggregate amount of dividends proposed and not recognised as liabilities as at 31 March 2015 is £25.0m (2014: £nil). These have not been recognised in line with Company policy as they remain at the discretion of the Company.

Thames Water Limited

Notes to the financial statements (continued)

9 Fixed asset investments

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

	Shares in Group undertakings £m	Loans to Group undertakings £m	Total £m
Cost:			
As at 1 April 2014 & 31 March 2015	49.9	377.6	427.5
Provisions:			
As at 1 April 2014 & 31 March 2015	(34.2)	(377.6)	(411.8)
Net Book Value:			
As at 31 March 2015	15.7	-	15.7
As at 1 April 2014	15.7	-	15.7

The directors have reviewed the recoverability of investments (equity & loan) and determined that no additional provisions (2014: nil) were required.

Thames Water Limited

Notes to the financial statements (continued)

9 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
Indirect (through Thames Water Investments Limited):					
Trans4m Limited	31 March	25	England & Wales	Ordinary £1	Contract management for stations and civil assets

* Thames Water Utilities Cayman Finance Limited is resident in the UK for tax purposes.

Advantage is taken of S410 of the Companies Act 2006 therefore 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 (continued)

10 Debtors

Amounts falling due within one year:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts owed by Group undertakings	185.5	183.1
Other debtors	0.3	0.2
	185.8	183.3

Amounts owed by Group undertakings	As at 31 March 2015 £m	As at 31 March 2014 £m
Inter-company loans due within one year	136.3	136.3
Other amounts due within one year	49.2	46.8
	185.5	183.1

Amounts owed by Group undertakings are unsecured, repayable on demand and interest free except the following loan:

- £136.3m owed by Kemble Water Finance Limited (2014: £136.3m) on which interest is based on London Interbank Offered Rate ("LIBOR") + 0.50%.

Amounts falling due after more than one year:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Amounts owed by Group undertakings – loans	1,980.1	1,980.1
Amounts owed by Group undertakings – other amounts	195.3	142.3
	2,175.4	2,122.4

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

The loan of £1,980.1m (2014: £1,980.1m) above, 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.

Thames Water Limited

Notes to the financial statements (continued)

11 Creditors: amounts falling due within one year

	As at 31 March 2015 £m	As at 31 March 2014 £m
Bank overdraft	16.0	18.9
Amounts owed to Group undertakings	336.4	336.2
Group relief	67.3	25.0
Corporation Tax	2.3	2.3
Accruals and deferred income	0.4	0.5
	422.4	382.9

The Company's bank accounts, along with a number of other Group bank accounts form part of a cross-company guarantee arrangement with the bank as described in note 16. Should the net position be overdrawn, then this is unsecured.

Amounts owed to Group undertakings:

	As at 31 March 2015 £m	As at 31 March 2014 £m
Inter-company loans	34.1	34.1
Other amounts	302.3	302.1
	336.4	336.2

The above loans are all non-interest bearing loans.

The balance in other amounts of £302.3m (2014: £302.1m) consists of intercompany balances owed to a variety of group entities.

12 Provisions for liabilities

	As at 31 March 2015 £m	As at 31 March 2014 £m
At the beginning of the year	0.6	0.7
Utilisation of provision	-	(0.1)
At the end of year	0.6	0.6

Trans4m

The Company holds a 25% interest in Trans4m Limited ("Trans4m"), the company that was contracted by Metronet to deliver £1.86 billion of station upgrade and civil engineering works. As a result of significant projected cost overruns and insufficient liquidity, a Public Private Partnership Administrator was appointed to Metronet in 2007. The Company continues to maintain its ownership in Trans4m, however the company is no longer trading, and the Company has no further obligations to provide debt or equity to Trans4m. The above provision represents an estimation of the remaining expenses relating to Trans4m that the Company is to incur.

Thames Water Limited

Notes to the financial statements (continued)

13 Called up share capital

	As at 31 March 2015 £m	As at 31 March 2014 £m
Allotted, called up and fully paid:		
355,770,743 ordinary shares of 23p each (2014: 355,770,743)	81.8	81.8

14 Share premium and reserves

Current Year	Share premium £m	Capital redemption account £m	Profit and loss account £m	Total £m
As at 1 April 2014	104.5	320.8	1,448.9	1,874.2
Profit for the year	-	-	158.6	158.6
Dividends paid	-	-	(151.1)	(151.1)
Actuarial loss on pension scheme	-	-	(0.2)	(0.2)
As at 31 March 2015	104.5	320.8	1,456.2	1,881.5

Prior Year	Share premium £m	Capital redemption account £m	Profit and loss account £m	Total £m
As at 1 April 2013	104.5	320.8	1,482.7	1,908.0
Profit for 2014	-	-	155.3	155.3
Dividends paid	-	-	(190.0)	(190.0)
Forfeited dividends	-	-	1.5	1.5
Actuarial loss on pension scheme	-	-	(1.0)	(1.0)
Movement in deferred tax relating to pension scheme	-	-	0.4	0.4
As at 31 March 2014	104.5	320.8	1,448.9	1,874.2

Forfeited dividends:

In December 2013 the Company received £1.5m from the former registrar of the company, Computershare Investor SVS Plc ("Computershare"). These relate to the Company's legacy of when the Company was a Public Limited Company (PLC) with a listing on the London Stock Exchange. The money being held by Computershare related to dividends which the Company had declared and paid, but that had not been claimed by the relevant shareholders. As the statutory time limit for claiming these dividends, 12 years, has now passed the money has been returned to the Company. The Company has accounted for the money as a reversal of the dividends paid, increasing its profit and loss account reserve by £1.5m.

Thames Water Limited

Notes to the financial statements (continued)

15 Reconciliation of movements in shareholder's funds

	As at 31 March 2015 £m	As at 31 March 2014 £m
Opening shareholder's funds	1,956.0	1,989.8
Profit for the year	158.6	155.3
Dividends paid	(151.1)	(190.0)
Forfeited dividends	-	1.5
Actuarial (loss) in pension scheme	(0.2)	(1.0)
Movement in deferred tax relating to pension scheme	-	0.4
Closing shareholder's funds	1,963.3	1,956.0

16 Guarantees

At 31 March 2015, the Company has guaranteed the overdrafts and loans of certain subsidiaries with a net overdraft facility of £5.0m (2014: £5.0m) available across the Company and the relevant subsidiaries. At the year end the Company had an overdraft of £16.0m (2014: £18.9m) which is netted off against the positive cash balances of the other relevant subsidiaries of £31.2m (2014: £34.6m).

The Company has a guarantee in place in which it agrees to meet the pension obligations of Thames Water Utilities Limited ("TWUL") in the event that TWUL becomes insolvent. The directors consider the likelihood of TWUL becoming insolvent remote, and as such no provision for this is considered necessary.

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

17 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. The assets of the scheme are held separately from the rest of the Group in independently managed funds.

The scheme is an unfunded arrangement but is secured against assets held by the Company. The latest full valuation was carried out at 31 March 2013 by independent actuaries, Mercer Limited (Mercer) (independent and professionally qualified consulting actuaries) using revised assumptions that are consistent with the requirements of FRS 17 and shown in this note to the accounts. The 2013 valuation has been updated to 31 March 2015 by PWC LLP; they are considered to be independent and professionally qualified consulting actuaries.

Thames Water Limited

Notes to the financial statements (continued)

17 Pension schemes (continued)

Reconciliation of funded status to balance sheet

	As at 31 March 2015 £m	As at 31 March 2014 £m
Fair value of scheme assets	13.1	12.4
Present value of scheme liabilities	(7.4)	(6.9)
Surplus in scheme	5.7	5.5
Asset recognised on the balance sheet	5.7	5.5
Deferred tax liability	(1.1)	(1.1)
Net pension asset	4.6	4.4

Movement in the present value of scheme liabilities

	As at 31 March 2015 £m	As at 31 March 2014 £m
Opening present value of scheme liabilities	6.9	7.1
Interest cost	0.3	0.3
Actuarial losses/(gains) on scheme liabilities	0.5	(0.2)
Net benefit paid out	(0.3)	(0.3)
Closing present value of scheme liabilities	7.4	6.9

Movement in fair value of scheme assets

	As at 31 March 2015 £m	As at 31 March 2014 £m
Opening fair value of scheme assets	12.4	13.2
Expected return on scheme assets	0.4	0.4
Actuarial gains/(losses) on scheme assets	0.3	(1.2)
Company contributions	0.3	0.3
Net benefits paid out	(0.3)	(0.3)
Closing fair value of scheme assets	13.1	12.4

Expense recognised in the profit and loss account:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Interest cost	0.3	0.3
Expected return on scheme assets	(0.4)	(0.4)
	(0.1)	(0.1)

Thames Water Limited

Notes to the financial statements (continued)

17 Pension schemes (continued)

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m
Actual return less expected return on pension scheme assets	0.3	(1.2)
Actuarial (gains)/ losses on scheme liabilities	(0.5)	0.2
Actuarial gain recognised in the Statement of total recognised gains and losses	(0.2)	(1.0)
Cumulative amount of gains recognised in the Statement of total recognised gains and losses	1.4	1.6

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:

	2015		2014		2013	
	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 Gilts	-	11.4	3.25%	10.9	2.90%	11.8
Other assets	-	1.7	3.50%	1.5	3.15%	1.4
Average expected long-term rate of return/total fair value of assets	-	13.1	3.28%	12.4	2.92%	13.2

For the year ending 31 March 2016 the Company will be presenting its financial statements in accordance with FRS101. Under this standard the net interest charge is calculated based on a single high quality corporate bond rate rather than by reference to the expected returns on relevant asset classes. Consequently the directors have elected not to present the expected return on assets for the year ended 31 March 2015.

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

	2015	2014	2013
Price inflation	2.95%	3.45%	3.5%
Pension increases	2.95%	3.5%	3.1%
Discount rate for scheme liabilities	3.2%	4.6%	4.3%

In valuing the liabilities of the pension scheme mortality assumptions have been made based on the data regarding the schemes only member and their spouse and therefore have not been disclosed.

Thames Water Limited

Notes to the financial statements (continued)

17 Pension schemes (continued)

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

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Fair value of scheme assets	13.1	12.4	13.2
Present value of scheme liabilities	(7.4)	(6.9)	(7.1)
Surplus in scheme	5.7	5.5	6.1

Experience adjustments:

	Year ended 31 March 2015 £m	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m
Experience (losses)/ gains on scheme assets:			
Amounts	(0.3)	1.2	(1.0)
Percentage of scheme assets	2.3%	9.7%	7.6%
Experience gains on scheme liabilities:			
Amounts	-	-	0.1
Percentage of present value scheme liabilities	-	-	1.4%
Total amount recognised in the Statement of Total Recognised Gains and Losses:			
Amounts	(0.3)	1.2	(0.2)
Percentage of present value of scheme liabilities	4.1%	17.4%	2.8%

18 Related parties

During the previous year, an indirect subsidiary of the Company made a payment of £45,000 to C R Deacon, a director, for consultancy services. No such related party transactions occurred in the current year.

19 Immediate and ultimate parent company and controlling party

The immediate parent company of Thames Water Limited is Kemble Water Finance Limited which owns 100% of the share capital.

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

The directors consider the ultimate parent company and controlling party to be 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.