

Thames Water Limited

Annual report and financial statements
For the year ended 31 March 2017



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Directors and advisors

Directors

Sir Peter Mason KBE - Chairman
R Blomfield-Smith
K Bradbury
J Divoky
A Hall
G Lambert
P Noble
A Osorio
P Sochocki
G Tucker
C Van Heijningen
Y Wang

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

Strategic report

The Directors present their strategic report for Thames Water Limited (“the Company”) for the year ended 31 March 2017.

Business review

The principal activity of the Company, to make certain financing arrangements on behalf of and, to act as an intermediate holding company within the Kemble Water Holdings Limited group of companies (“the Group”), remains unchanged from the previous year. The Group’s principal activity is the appointed supply of water and wastewater services to customers in the London, Thames Valley and surrounding area, delivered through its wholly owned subsidiary Thames Water Utilities Limited (“TWUL”) in accordance with TWUL’s licence of appointment. TWUL is an indirect subsidiary of the Company.

In addition to its role as an investment holding company, the Company is also the sponsoring employer in a defined benefit pension scheme, the SUURBS arrangement, which is closed to new members. The scheme provides retirement benefits on behalf of a former director and their spouse based on final salary. The latest triennial valuation, dated 31 March 2013, was updated to 31 March 2017 by PricewaterhouseCoopers LLP, an independent and professionally qualified consulting actuary. The results of this valuation revealed the scheme to be in a satisfactory position, being in a surplus position of £6.3 million (2016: £6.1 million). The updated triennial valuation, dated 31 March 2016, is expected to be finalised by the scheme actuary by the end of June 2017.

The Company paid dividends of £155.0 million during the year (2016: £55.0 million) which were funded wholly from interest payments received from its loans to other group entities. The dividend payments were made to the immediate parent company, Kemble Water Finance Limited (“KWF”), for the purpose of funding its interest and debt obligations. Further distributions from KWF resulted in funding other group related interest and debt obligations and an external dividend distribution of £22.8 million to shareholders from the Company’s ultimate parent undertaking, Kemble Water Holdings Limited. The aggregate amount of dividends proposed and not recognised as liabilities as at 31 March 2017 was £nil (2016: £nil).

The Directors have reviewed the expected recoverable value of the Company’s non-current asset investments and intercompany loan receivables owed from its subsidiary entities. On performing this review the Directors have concluded that there are no indications that the remaining carrying values of investments and loan balances have become impaired and consequently no additional provisions for impairment have been recognised.

The Directors have determined that the result before tax and the net assets or liabilities are the most appropriate key performance indicators for an understanding of the development, performance and position of the Company. For the year ended 31 March 2017 the Company made a profit before tax of £197.5 million (2016: £197.9 million), the reduction being primarily as a result of less income receivable from intercompany loans due to there being a leap year in the prior year and a reduction in LIBOR in the current year. As at 31 March 2017 the Company had net assets of £2,069.5 million (2016: £2,066.6 million). This performance is in line with expectations and the Directors have no concerns regarding the performance or position of the Company.

Principal risks and uncertainties

The Company’s operations specifically expose it to a variety of financial risks that include credit and liquidity risk as follows:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company’s intercompany receivable balances. Credit control policies and procedures are in place to minimise the risk of bad debt arising from trade receivables including, where appropriate, a review of the credit ratings of counterparty intercompany entities and any letters of support they may receive from companies within the Group.

Strategic report (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has received a letter of support from its ultimate parent company, KWH, confirming that it will provide support as necessary to enable it to meet its liabilities as they fall due for a period of 12 months from the signing of these financial statements. The Directors are satisfied to place reliance on this support based on a review of the Group's budget and business plan, as well as consideration given that all borrowings are to other intercompany entities.

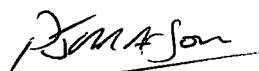
The Group's treasury operations are managed centrally by a specialist team, which operates with the delegated authority of, and under policies approved by, the Board of Directors of the Company's ultimate parent company, Kemble Water Holdings Limited. The operation of the treasury function is governed 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 policies and procedures are incorporated within the financial control procedures of the Group.

From the perspective of the Company all other risks and uncertainties not disclosed above are integrated with the principal risks of the Group and are not managed separately. The principal risks of the Group are disclosed in the 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 not disclosed above, 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 17.

Future outlook

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

This Strategic Report was approved by the Board of Directors on 13 June 2017 and signed on its behalf by:



Sir Peter Mason KBE
Chairman

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' report

The Directors present their annual report and the audited financial statements of Thames Water Limited for the year ended 31 March 2017. The Directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance and strategy.

The registered number of the Company is 02366623.

Future outlook

The future outlook of the Company is discussed in the Strategic Report.

Dividends

The Company has paid dividends of £155.0 million (2016: £55.0 million) during the year. The Directors do not recommend the payment of a final dividend (2016: £nil).

Directors

The Directors who held office during the year ended 31 March 2017 and to the date of this report were:

Sir Peter Mason KBE - Chairman	
E Beckley	(Resigned 30 August 2016)
R Blomfield-Smith	
K Bradbury	(Appointed 31 May 2017)
M Braithwaite	(Appointed 30 August 2016, resigned 31 May 2017)
J Divoky	
R Greenleaf	(Resigned 31 May 2017)
A Hall	(Appointed 31 May 2017)
G Lambert	
P Noble	
A Osorio	
P Sochocki	(Appointed 31 May 2017)
G Tucker	
C Van Heijningen	
Y Wang	

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 (2016: none). Directors are allowed to appoint an alternative Director to represent them if they are unable to attend a meeting. The following Directors have formally appointed alternate Directors to represent them when they are unavailable:

Director	Alternate Director
J Divoky	L Webb
P Noble	P Hofbauer
	(Resigned 12 October 2016)
	E Lewis
	(Appointed 12 October 2016)
G Tucker	P Mulholland
Y Wang	F Sheng

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.

Directors' report (continued)

Financial risk management

The Company has access to the Chief Executive and the Executive Team of Thames Water Utilities Limited, who also manage the wider Kemble Water Holdings Group on a day-to-day basis on behalf of the Directors of individual group companies. They receive regular reports from all areas of the business. This enables prompt identification of financial and other risks so that appropriate actions can be taken in the relevant group companies.

The Company's operations expose it to a variety of financial risks which are described in the strategic report on pages 3 and 4.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Company is in a net current liabilities position at the year end and consequently the Company's ultimate parent, Kemble Water Holdings Limited, has agreed to support the Company for a period of at least 12 months from the date of these financial statements.

The Directors have reviewed the Group's financial forecasts for the forthcoming financial year, considered the Group's compliance with its covenants and the cash, current asset investments and available borrowing facilities available at 31 March 2017 in making their assessment of the Group's going concern.

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. 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. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Political and charitable donations

No political donations were made by the Company during the year (2016: £nil). Charitable donations of £1,000 and £250 were made to WaterAid and Action for Ingvavuma, respectively, during the year (2016: £nil).

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 13 June 2017 and signed on its behalf by



Sir Peter Mason KBE
Chairman

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ("FRS 101").

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 judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the Company's shareholders in writing about the use of the disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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 2017 set out on pages 9 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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 7 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 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 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom 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 the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.


Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

13 June 2017

Income statement

For the year ended 31 March

	Note	2017 £m	2016 £m
Operating expenses	1	(2.3)	(2.5)
Operating loss		(2.3)	(2.5)
Finance income	3	199.8	200.4
Profit on ordinary activities before taxation		197.5	197.9
Taxation on profit on ordinary activities	4	(39.3)	(39.5)
Profit for the year		158.2	158.4

Statement of comprehensive income

For the year ended 31 March

	Note	2017 £m	2016 £m
Profit for the year		158.2	158.4
<i>Items that will not be reclassified to the income statement</i>			
Net actuarial losses on defined benefit pension schemes	12	(0.4)	(0.1)
Deferred tax on net actuarial losses	4, 12	0.1	-
Other comprehensive loss for the year		(0.3)	(0.1)
Total comprehensive income for the year		157.9	158.3

All amounts relate to continuing operations.

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

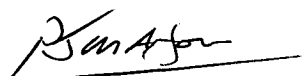
Statement of financial position

As at 31 March

	Note	2017 £m	2016 £m
Non-current assets			
Investment in subsidiaries	6	15.7	15.7
Intercompany receivables	7	2,545.1	2,502.6
Retirement benefit surplus	12	6.3	6.1
		2,567.1	2,524.4
Current assets			
Trade and other receivables	8	1.2	1.2
Cash and cash equivalents		0.1	1.8
		1.3	3.0
Current liabilities			
Bank overdraft		(15.0)	(15.2)
Trade and other payables	9	(146.1)	(107.9)
		(161.1)	(123.1)
Net current liabilities		(159.8)	(120.1)
Non-current liabilities			
Borrowings	10	(336.2)	(336.0)
Deferred tax	12	(1.1)	(1.1)
Provisions for liabilities and charges	11	(0.5)	(0.6)
		(337.8)	(337.7)
Net assets		2,069.5	2,066.6
Equity			
Share capital	13	81.8	81.8
Share premium		104.5	104.5
Capital redemption		320.8	320.8
Retained earnings		1,562.4	1,559.5
Total equity		2,069.5	2,066.6

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 13 June 2017 and signed on its behalf by:



Sir Peter Mason KBE
Chairman

Registered number: 02366623 (England & Wales)

Statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption £m	Retained earnings £m	Total equity £m
At 1 April 2015	81.8	104.5	320.8	1,456.2	1,963.3
Profit for the year	-	-	-	158.4	158.4
Actuarial loss on pension scheme	-	-	-	(0.1)	(0.1)
Movement on deferred tax relating to pension surplus	-	-	-	-	-
Total comprehensive income	-	-	-	158.3	158.3
Dividends paid	-	-	-	(55.0)	(55.0)
At 31 March 2016	81.8	104.5	320.8	1,559.5	2,066.6
Profit for the year	-	-	-	158.2	158.2
Actuarial loss on pension scheme	-	-	-	(0.4)	(0.4)
Movement on deferred tax relating to pension surplus	-	-	-	0.1	0.1
Total comprehensive income	-	-	-	157.9	157.9
Dividends paid	-	-	-	(155.0)	(155.0)
As at 31 March 2017	81.8	104.5	320.8	1,562.4	2,069.5

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

Accounting policies

The following accounting policies have been adopted in the preparation of these financial statements. They have been applied consistently in dealing with items which are considered material, except as noted below:

General information

Thames Water Limited ("the Company") is a company incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB.

The Company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"), and remains unchanged from the previous year. The Company is an indirect parent company of Thames Water Utilities Limited ("TWUL"), a regulated provider of water and wastewater services.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and on a going concern basis.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("EU adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Kemble Water Holdings Limited ("KWH"), an entity registered in England and Wales, includes the Company in its consolidated financial statements. The address of the registered office of KWH is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. The consolidated financial statements of KWH are prepared in accordance with EU adopted IFRSs and are available to the public. Copies of the accounts may be obtained from The Company Secretary's Office at this address.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

As permitted by FRS 101, the Company has taken advantage of the following exemptions:

- IFRS 7 *Financial Instruments: Disclosures*
- Paragraphs 91 to 99 of IFRS 13 *Fair value measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1 (reconciliations between the carrying amount at the beginning and end of the period)
- IAS 7 *Statement of cash flows*
- Paragraph 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation)
- The requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of a group.

Accounting policies (continued)

- The following paragraphs of IAS 1 *Presentation of financial statements*:
 - 10(d) (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).

Going Concern

The Directors have adopted the going concern basis in preparing these financial statements having given due consideration to the net current liabilities of the Company and the requirement for ongoing support from the ultimate parent, Kemble Water Holdings Limited ("KWH").

KWH has confirmed that it will continue to provide support to Thames Water Limited to enable it to meet its liabilities as they fall due for a period of at least twelve months from the date of signing of these financial statements. The Directors of the Company have considered it appropriate to place reliance on this support, based upon a review of the Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The Directors also took into account potential contingent liabilities and other risk factors in making their assessment.

The Directors believe, after due and careful enquiry, and taking into account the support of the ultimate parent company, that the Company has sufficient financial resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. For these purposes the foreseeable future is taken to mean a period of at least twelve months from the date of approval of these financial statements. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Non-current asset investment in subsidiary entities

Investments in subsidiary undertakings are stated at cost, less any provision for impairment. Reviews for impairment are performed annually.

Provisions for liabilities and charges

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. Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability, where the effect is material.

Non-derivative financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Accounting policies (continued)

Trade and other receivables

Trade and other receivables are measured at fair value on initial recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If there is objective evidence that the asset is impaired it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense within operating costs. Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is considered to be impossible, impractical, inefficient or uneconomic to collect, and is assessed by management on a case-by-case basis.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

Interest bearing loans issued to other group companies

Interest bearing loans issued to other group companies are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortisation is included within finance income in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each financial reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the income statement.

Trade receivables that are assessed not to be impaired individually are assessed collectively for impairment by reference to the Company's historical collection experience for receivables of a similar age.

De-recognition of financial instruments

A financial asset is de-recognised when the rights to receive cash flows from the asset have expired.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the financial reporting date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Dividends

Dividends unpaid at the financial reporting 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. This occurs when the shareholders right to receive the payment has been established.

Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income.

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Taxable profit differs from the profit on ordinary activities before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods. This includes the effect of tax allowances and further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary difference and deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilised.

Accounting policies (continued)

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Defined benefit schemes

The Company operates one independently administered pension scheme, being a defined benefit scheme that is closed to new entrants and provides retirement benefits to a previous Director and their spouse based on final salary. An actuarial valuation is carried out as determined by the Trustees using the projected unit credit method at intervals of not more than three years.

The difference between the value of defined pension scheme assets and liabilities is recorded within the statement of financial position as a retirement benefit or obligation. Defined benefit assets are measured at fair value using bid price for assets with quoted prices. Defined benefit liabilities are measured at the reporting date by an independent actuary using the projected unit method and discounted at the current rate of return on high quality corporate bonds of equivalent term and currency to the liability.

Service cost, representing the cost of employee service in the period, and scheme administration expenses are included within operating expenses in the income statement. The net finance cost is calculated by applying the discount rate used for the scheme liabilities to the net deficit.

Changes in retirement benefit obligation may arise from:

- Differences between the return on scheme assets and interest included in the income statement;
- Actuarial gains and losses from experience adjustments; or
- Changes in demographic or financial assumptions.

Such changes are classified as re-measurements and are charged or credited to equity and recorded within the statement of comprehensive income in the period in which they arise.

Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on available information. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates. The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date used in preparing these financial statements are as follows:

Impairment of intercompany receivables and investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Provisions for other liabilities and charges

Assessing the financial outcome of uncertain commercial and legal cases requires judgement to be made regarding the extent to which any claim against the Company is likely to be successful after considering available information including notifications, settlements, estimates performed by independent parties and legal counsel, available facts, identification of other potentially responsible entities and their ability to contribute, and prior experience.

The required provision may change in the future due to new developments and as additional information becomes available and in such instances the provision will be adjusted prospectively.

Accounting policies (continued)

Retirement benefit obligations

The Company operates a defined benefit pension scheme for which a full actuarial valuation is carried out as determined by the Trustees at intervals of not more than three years. Determining the amount of the Company's retirement benefit obligations and the net costs of providing such benefits requires assumptions to be made including, but not restricted to, long term interest rates, inflation and rate of increases to pensions in payment. These are assessed using the advice of an independent qualified actuary, market observations and assumptions from the latest actuarial valuation.

Changes in these assumptions could significantly affect the amount of obligations recognised and the cost of providing such benefits.

Notes to the financial statements

1. Operating expenses

	2017 £m	2016 £m
Professional fees and consultancy	2.2	2.3
Audit remuneration	0.1	0.2
Total	2.3	2.5

The Company pays audit fees on behalf of all companies within the Kemble Water Holdings Limited group of companies, with the exception of Thames Water Utilities Limited, which has been disclosed in the above. Fees payable to KPMG LLP for the audit of these financial statements are £3,500 (2016: £1,820). No other fees were payable to KPMG LLP in respect of this Company during the year.

2. Employees and Directors

Employees

The Company had no employees during the year (2016: none).

Directors

The Directors' emoluments were as follows:

	2017 £m	2016 £m
Aggregate emoluments	0.5	0.6

Other than as noted above, no other amounts were payable to any of these Directors. Alternate Directors received no emoluments in respect of their services to the Company, as none were qualifying services, in both the current and previous financial year. The alternate Directors' period of service can be found in the Directors' report on page 5. At 31 March 2017, no retirement benefits are accruing to current Directors (2016: none) under a defined benefit pension scheme.

Highest paid Director

	2017 £m	2016 £m
Aggregate emoluments	0.1	0.1

The highest paid Director's emoluments are paid by Thames Water Utilities Limited. 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.

Notes to the financial statements (continued)

3. Finance income

	2017 £m	2016 £m
Interest income on intercompany loans receivable	199.6	200.2
Net interest income on defined benefit pension scheme	0.2	0.2
Total	199.8	200.4

4. Taxation

Tax charged in the income statement

	2017 £m	2016 £m
<i>Current tax:</i>		
UK corporation tax on profits for the year	39.3	39.5
Adjustments in respect of previous periods	(0.1)	-
Total current tax	39.2	39.5
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	0.1	-
Tax on profit on ordinary activities	39.3	39.5

The total tax charge for the year ended 31 March 2017 is lower (2016: lower) than the standard rate of corporation tax in the UK. The differences are explained overleaf:

Notes to the financial statements (continued)

4. Taxation (continued)

	2017 £m	2016 £m
Profit on ordinary activities before taxation	197.5	197.9
Current tax at 20% (2016: 20%)	39.5	39.6
<i>Effects of:</i>		
Disallowable expenditure less non-taxable income	-	(0.1)
Adjustments to tax charge in respect of prior periods	(0.1)	-
Reduction in tax rate on deferred tax balances	(0.1)	-
Total tax charge for the year	39.3	39.5

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2017 has been calculated based on these rates.

The movement in deferred tax of £0.1 million included in the statement of comprehensive income relates to the apportionment between the income statement and statement of comprehensive income in the calculation of the deferred tax liability on retirement benefit obligations shown in note 12.

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 unrecognised deferred tax asset at the balance sheet date has been calculated based on the rate of 17% substantively enacted at the balance sheet date. The amount of deferred tax asset unrecognised at 31 March 2017 was £5.1 million (2016: £5.4 million).

Notes to the financial statements (continued)

5. Dividends

	2017 £m	2016 £m
First interim dividend paid: 7.9p (2016: 7.0p) per 23p ordinary share	28.0	25.0
Second interim dividend paid: 35.7p (2016: 8.4p) per 23p ordinary share	127.0	30.0
Total	155.0	55.0

The aggregate amount of dividends proposed and not recognised as liabilities at 31 March 2017 is £nil (2016: £nil). These were not recognised in line with Company policy as they remained at the discretion of the Company.

6. Investments in subsidiaries

	2017 £m	2016 £m
Cost	49.9	49.9
Impairment	(34.2)	(34.2)
Net book value	15.7	15.7

See note 18 for the principal interests held by Thames Water Limited at 31 March 2017.

7. Intercompany receivables

	2017 £m	2016 £m
Amounts owed by Group undertakings	406.8	406.9
Provision for bad and doubtful debts	(382.8)	(382.8)
Net amounts receivable from Group undertakings	24.0	24.1
<i>Other amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	1,980.1	1,980.1
Kemble Water Finance Limited	136.3	136.3
	2,116.4	2,116.4
<i>Interest receivable on other amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	377.4	336.3
Kemble Water Finance Limited	27.3	25.8
	404.7	362.1
Total	2,545.1	2,502.6

Notes to the financial statements (continued)

7. Intercompany receivables (continued)

Net amounts receivable from Group undertakings of £24.0 million (2016: 24.1 million) include net loans totalling £0.2 million (2016: 0.2 million) which are unsecured, interest free and repayable on demand but by no later than 30 August 2037.

Other amounts receivable from Thames Water Utilities Holdings Limited and Kemble Water Finance Limited have specific terms as follows:

- £136.3 million owed by Kemble Water Finance Limited (2016: £136.3 million) on which interest is based on London Interbank Offered Rate (LIBOR) + 0.5%.
- £1,980.1 million owed by Thames Water Utilities Holdings Limited (2016: £1,980.1 million) representing the unpaid consideration on the purchase of Thames Water Utilities Limited on which interest is payable at 10%. The loans are repayable on demand however they 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.

The Directors do not consider that all amounts receivable, including interest, will be repayable within one year.

8. Trade and other receivables

	2017 £m	2016 £m
Amounts owed by Group undertakings	1.1	-
VAT receivable	0.1	0.1
Prepayments and accrued income	-	1.1
Total	1.2	1.2

9. Trade and other payables

	2017 £m	2016 £m
Amounts owed to Group undertakings	-	0.1
Amounts payable in respect of group relief	145.6	107.3
Accruals and deferred income	0.5	0.5
Total	146.1	107.9

10. Borrowings

	2017 £m	2016 £m
Amounts owed to Group undertakings	336.2	336.0
Total	336.2	336.0

Amounts owed to group undertakings include loans totalling £32.2 million (2016: 32.2 million) which are unsecured, interest free and repayable on demand but by no later than 30 August 2037. The Directors do not consider that all borrowings will be repayable within one year.

Notes to the financial statements (continued)

11. Provisions for liabilities

	2017 £m	2016 £m
At 1 April	0.6	0.6
Release of provision	(0.1)	-
At 31 March	0.5	0.6

The Company holds a 25% interest in Trans4M Limited, 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 Limited, however the company is no longer trading, and the Company has no further obligations to provide debt or equity to Trans4M Limited. The above provision represents an estimation of the remaining expenses relating to Trans4M Limited that the Company is likely to incur.

12. Retirement benefit surplus

The Company has one pension scheme which is a defined benefit scheme, the SUURBS Arrangement (“SUURBS”) providing retirement benefits to a previous director and their spouse based on final salary. The assets of this scheme are held separately from the Company in an independently administered fund. The defined benefit arrangements are closed to new entrants.

The scheme is an unfunded arrangement but is secured against assets held by the Company. The latest full valuation dated 31 March 2013 was carried out on behalf of the pension Trustees by Mercer Limited, the independent and professionally qualified consulting actuaries to the scheme. This valuation has been updated to 31 March 2017 by PricewaterhouseCoopers LLP, an independent and professionally qualified consulting actuary, using revised assumptions that are consistent with the requirements of IAS 19R and shown in this note to the financial statements. The 31 March 2016 full valuation is currently underway but was not complete as at the time of signing the financial statements. It is expected to be finalised by the scheme actuary by the end of June 2017.

The Company expects to contribute approximately £0.4 million in aggregate to the defined benefit scheme in the next financial year.

The amounts included in the statement of financial position in respect of defined benefit pension schemes were as follows:

	2017 £m	2016 £m
Index linked gilts	12.1	11.2
Cash	2.2	2.0
Fair value of scheme assets	14.3	13.2
Present value of defined benefit obligations	(8.0)	(7.1)
Surplus recognised in the statement of financial position	6.3	6.1
Deferred tax liability	(1.1)	(1.1)
Net retirement benefit surplus	5.2	5.0

Notes to the financial statements (continued)

12. Retirement benefit surplus (continued)

The movements in the fair value of scheme assets were as follows:

	2017 £m	2016 £m
At 1 April	13.2	13.1
Employer contributions	0.4	0.3
Interest income on scheme assets	0.5	0.4
Net benefit paid out	(0.4)	(0.3)
Actuarial gains/ (losses) on scheme assets	0.6	(0.3)
At 31 March	14.3	13.2

The movement in the present value of the defined benefit obligations were as follows:

	2017 £'m	2016 £'m
At 1 April	7.1	7.4
Actuarial loss/(gain) on liabilities	1.0	(0.2)
Interest cost	0.3	0.2
Net benefit paid out	(0.4)	(0.3)
At 31 March	8.0	7.1

The following amounts have been recognised in the income statement in respect of the defined benefit pension scheme:

	2017 £m	2016 £m
Net interest income	0.2	0.2

Actuarial gains and losses have been recognised within other comprehensive income. An analysis of the amount presented is set out below:

	2017 £m	2016 £m
Cumulative actuarial gains recognised at 1 April	1.3	1.4
Actual return less expected return on pension scheme assets	0.6	(0.3)
(Loss)/gain arising due to change in scheme financial assumptions	(1.0)	0.2
Total	(0.4)	(0.1)
Cumulative actuarial gains recognised at 31 March	0.9	1.3

Notes to the financial statements (continued)

12. Retirement benefit surplus (continued)

Actuarial risk factors

The scheme is exposed to actuarial risks including investment risk and longevity risk. Investment risk arises because the Company's contributions to the schemes are based on expected returns from scheme assets based on actuarial assumptions. If these assets underperform a deficit will be created against the scheme liabilities. The scheme's obligations are dependent on the assumptions about the life expectancy of the members after retirement. If the scheme's members live longer than assumed in the actuarial calculations; a deficit will be created.

Actuarial assumptions

The main financial assumptions used in the valuation of the scheme are as follows:

	2017 %	2016 %
Discount rate	2.55%	3.50%
RPI inflation	3.30%	2.95%
Pension increases	2.30%	2.95%

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

The sensitivity of the present value of scheme liabilities to changes in the principle assumptions used is set out below:

	2017 £m	2016 £m
Change in discount rate (+ 1% p.a.)	0.8	0.8
Change in rate of inflation (-1% p.a.)	0.8	0.8
Change in life expectancy (-1 year)	0.3	0.3

13. Called up share capital

	2017 £m	2016 £m
<i>Allotted, called up and fully paid:</i>		
355,770,743 ordinary shares of 23p each (2016: 23p)	81.8	81.8

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

Notes to the financial statements (continued)

14. Guarantees

At 31 March 2017 the Company has guaranteed the overdrafts and loans of certain subsidiaries with a net overdraft facility of £5.0 million (2016: £5.0 million) available across the Company and the relevant subsidiaries. At the year end the Company had an overdraft of £15.0 million (2016: £15.2 million) which is netted off against the positive cash balances of the other relevant subsidiaries of £15.4 million (2016: £15.5 million). At 31 March 2017 the Company had no capital commitments (2016: none).

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

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 un-provided loss is expected to arise under these arrangements.

15. Contingent liabilities

In a prior period, a debt under section 75 of the Pensions Act 1995 arose in the Company for the TWMIPS pension scheme as a result of a trigger event. During the year, the Company and Thames Water Utilities Limited ("TWUL") entered into a "Flexible Apportionment Agreement" whereby the debt, estimated by Aon Hewitt Limited, actuarial advisers to the TWMIPS trustees, at between £1.0 million and £2.0 million was apportioned to TWUL. As a result, the contingent liability that existed at the previous year end, 31 March 2016, has been extinguished, and no further contingent liability exists.

16. Related parties

As the Company is a wholly owned subsidiary of Kemble Water Holdings Limited, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the group. The consolidated financial statements of Kemble Water Holdings Limited, within which this Company is included, can be obtained from the address in note 17.

Trading transactions external to the Kemble Water Holdings group

As at 31 March 2017, the Macquarie Group held a 26.3% shareholding in the Kemble Water Holdings ("KWH") Group and qualified as an entity related to the KWH Group. During the year ended 31 March 2017 Macquarie Infrastructure and Real Assets (Europe) Limited, a wholly owned member of the Macquarie Group, provided Thames Water Limited with advisory services of £0.3m (2016: £0.3m).

17. Ultimate parent company and parent company of larger group

The immediate parent company of Thames Water Limited is Kemble Water Finance Limited, a company incorporated in the United Kingdom, which owns 100% of the issued share capital of the Company and 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. The address of the registered office of both Kemble Water Finance Limited and Kemble Water Holdings Limited is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB. Copies of the accounts for both entities may be obtained from The Company Secretary's Office at this address.

Notes to the financial statements (continued)

18. Subsidiaries, associated undertakings, and significant holdings other than subsidiary undertakings

At 31 March 2017 the Company held the following principle interests, all of which are either wholly or jointly owned either directly or indirectly through its subsidiary investments.

	Principal undertaking	Country of incorporation	Class of shares held	Proportion of voting rights and shares held
Direct				
Thames Water Utilities Holdings Limited	Holding Company	United Kingdom	Ordinary	100%
Country Wide Collections Limited	Dormant Company	United Kingdom	Ordinary	100%
Foudry properties Limited	Property Company	United Kingdom	Ordinary	50%
Kennet Properties Limited	Property company	United Kingdom	Ordinary	100%
PCI Membrane Systems Limited	Dormant Company	United Kingdom	Ordinary	100%
PWT Projects Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water (UK) Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Developments Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Drainage Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Environmental Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Healthcare Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water International Service Holdings Limited	Holding Company	United Kingdom	Ordinary	100%
Thames Water International Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Investments Limited	Property Company	United Kingdom	Ordinary	100%
Thames Water Nominees Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Overseas Consultancy Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Pension Trustees (MIS) Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Procurement Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Property Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Puerto Rico Inc	Legacy Investment	Puerto Rico	Ordinary	100%
Thames Water Senior Executive Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Share Scheme Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Water Projects International Limited	Legacy Investment	United Kingdom	Ordinary	100%
Indirect				
Thames Water Utilities Limited	Water & wastewater	United Kingdom	Ordinary	100%
Thames Water Utilities Finance Limited	Finance company	United Kingdom	Ordinary	100%
Thames Water Utilities Cayman Finance Limited	Finance company	Cayman Islands	Ordinary	100%
Thames Water Utilities Cayman Finance Holdings	Holding Company	Cayman Islands	Ordinary	100%
Shapeshare Limited	Property Company	United Kingdom	Ordinary	100%
Portacel Limited	Holding Company	United Kingdom	Ordinary	100%
Chlorination Equipment Limited	Dormant Company	United Kingdom	Ordinary	100%

Income statement

For the year ended 31 March

	Note	2017 £m	2016 £m
Operating expenses	1	(2.3)	(2.5)
Operating loss		(2.3)	(2.5)
Finance income	3	199.8	200.4
Profit on ordinary activities before taxation		197.5	197.9
Taxation on profit on ordinary activities	4	(39.3)	(39.5)
Profit for the year		158.2	158.4

Statement of comprehensive income

For the year ended 31 March

	Note	2017 £m	2016 £m
Profit for the year		158.2	158.4
<i>Items that will not be reclassified to the income statement</i>			
Net actuarial losses on defined benefit pension schemes	12	(0.4)	(0.1)
Deferred tax on net actuarial losses	4, 12	0.1	-
Other comprehensive loss for the year		(0.3)	(0.1)
Total comprehensive income for the year		157.9	158.3

All amounts relate to continuing operations.

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

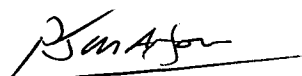
Statement of financial position

As at 31 March

	Note	2017 £m	2016 £m
Non-current assets			
Investment in subsidiaries	6	15.7	15.7
Intercompany receivables	7	2,545.1	2,502.6
Retirement benefit surplus	12	6.3	6.1
		2,567.1	2,524.4
Current assets			
Trade and other receivables	8	1.2	1.2
Cash and cash equivalents		0.1	1.8
		1.3	3.0
Current liabilities			
Bank overdraft		(15.0)	(15.2)
Trade and other payables	9	(146.1)	(107.9)
		(161.1)	(123.1)
Net current liabilities		(159.8)	(120.1)
Non-current liabilities			
Borrowings	10	(336.2)	(336.0)
Deferred tax	12	(1.1)	(1.1)
Provisions for liabilities and charges	11	(0.5)	(0.6)
		(337.8)	(337.7)
Net assets		2,069.5	2,066.6
Equity			
Share capital	13	81.8	81.8
Share premium		104.5	104.5
Capital redemption		320.8	320.8
Retained earnings		1,562.4	1,559.5
Total equity		2,069.5	2,066.6

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 13 June 2017 and signed on its behalf by:



Sir Peter Mason KBE
Chairman

Registered number: 02366623 (England & Wales)

Statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption £m	Retained earnings £m	Total equity £m
At 1 April 2015	81.8	104.5	320.8	1,456.2	1,963.3
Profit for the year	-	-	-	158.4	158.4
Actuarial loss on pension scheme	-	-	-	(0.1)	(0.1)
Movement on deferred tax relating to pension surplus	-	-	-	-	-
Total comprehensive income	-	-	-	158.3	158.3
Dividends paid	-	-	-	(55.0)	(55.0)
At 31 March 2016	81.8	104.5	320.8	1,559.5	2,066.6
Profit for the year	-	-	-	158.2	158.2
Actuarial loss on pension scheme	-	-	-	(0.4)	(0.4)
Movement on deferred tax relating to pension surplus	-	-	-	0.1	0.1
Total comprehensive income	-	-	-	157.9	157.9
Dividends paid	-	-	-	(155.0)	(155.0)
As at 31 March 2017	81.8	104.5	320.8	1,562.4	2,069.5

The accounting policies and notes on pages 12 to 29 are an integral part of these financial statements.

Notes to the financial statements (continued)

5. Dividends

	2017 £m	2016 £m
First interim dividend paid: 7.9p (2016: 7.0p) per 23p ordinary share	28.0	25.0
Second interim dividend paid: 35.7p (2016: 8.4p) per 23p ordinary share	127.0	30.0
Total	155.0	55.0

The aggregate amount of dividends proposed and not recognised as liabilities at 31 March 2017 is £nil (2016: £nil). These were not recognised in line with Company policy as they remained at the discretion of the Company.

6. Investments in subsidiaries

	2017 £m	2016 £m
Cost	49.9	49.9
Impairment	(34.2)	(34.2)
Net book value	15.7	15.7

See note 18 for the principal interests held by Thames Water Limited at 31 March 2017.

7. Intercompany receivables

	2017 £m	2016 £m
Amounts owed by Group undertakings	406.8	406.9
Provision for bad and doubtful debts	(382.8)	(382.8)
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Thames Water Utilities Holdings Limited	1,980.1	1,980.1
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<i>Interest receivable on other amounts owed by group undertakings:</i>		
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	404.7	362.1
Total	2,545.1	2,502.6

Notes to the financial statements (continued)

7. Intercompany receivables (continued)

Net amounts receivable from Group undertakings of £24.0 million (2016: 24.1 million) include net loans totalling £0.2 million (2016: 0.2 million) which are unsecured, interest free and repayable on demand but by no later than 30 August 2037.

Other amounts receivable from Thames Water Utilities Holdings Limited and Kemble Water Finance Limited have specific terms as follows:

- £136.3 million owed by Kemble Water Finance Limited (2016: £136.3 million) on which interest is based on London Interbank Offered Rate (LIBOR) + 0.5%.
- £1,980.1 million owed by Thames Water Utilities Holdings Limited (2016: £1,980.1 million) representing the unpaid consideration on the purchase of Thames Water Utilities Limited on which interest is payable at 10%. The loans are repayable on demand however they 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.

The Directors do not consider that all amounts receivable, including interest, will be repayable within one year.

8. Trade and other receivables

	2017 £m	2016 £m
Amounts owed by Group undertakings	1.1	-
VAT receivable	0.1	0.1
Prepayments and accrued income	-	1.1
Total	1.2	1.2

9. Trade and other payables

	2017 £m	2016 £m
Amounts owed to Group undertakings	-	0.1
Amounts payable in respect of group relief	145.6	107.3
Accruals and deferred income	0.5	0.5
Total	146.1	107.9

10. Borrowings

	2017 £m	2016 £m
Amounts owed to Group undertakings	336.2	336.0
Total	336.2	336.0

Amounts owed to group undertakings include loans totalling £32.2 million (2016: 32.2 million) which are unsecured, interest free and repayable on demand but by no later than 30 August 2037. The Directors do not consider that all borrowings will be repayable within one year.

Notes to the financial statements (continued)

18. Subsidiaries, associated undertakings, and significant holdings other than subsidiary undertakings

At 31 March 2017 the Company held the following principle interests, all of which are either wholly or jointly owned either directly or indirectly through its subsidiary investments.

	Principal undertaking	Country of incorporation	Class of shares held	Proportion of voting rights and shares held
Direct				
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Country Wide Collections Limited	Dormant Company	United Kingdom	Ordinary	100%
Foudry properties Limited	Property Company	United Kingdom	Ordinary	50%
Kennet Properties Limited	Property company	United Kingdom	Ordinary	100%
PCI Membrane Systems Limited	Dormant Company	United Kingdom	Ordinary	100%
PWT Projects Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water (UK) Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Developments Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Drainage Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Environmental Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Healthcare Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water International Service Holdings Limited	Holding Company	United Kingdom	Ordinary	100%
Thames Water International Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Investments Limited	Property Company	United Kingdom	Ordinary	100%
Thames Water Nominees Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Overseas Consultancy Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Pension Trustees (MIS) Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Procurement Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Property Services Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Puerto Rico Inc	Legacy Investment	Puerto Rico	Ordinary	100%
Thames Water Senior Executive Pension Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Thames Water Share Scheme Trustees Limited	Pension Trustees	United Kingdom	Ordinary	100%
Water Projects International Limited	Legacy Investment	United Kingdom	Ordinary	100%
Indirect				
Thames Water Utilities Limited	Water & wastewater	United Kingdom	Ordinary	100%
Thames Water Utilities Finance Limited	Finance company	United Kingdom	Ordinary	100%
Thames Water Utilities Cayman Finance Limited	Finance company	Cayman Islands	Ordinary	100%
Thames Water Utilities Cayman Finance Holdings	Holding Company	Cayman Islands	Ordinary	100%
Shapeshare Limited	Property Company	United Kingdom	Ordinary	100%
Portacel Limited	Holding Company	United Kingdom	Ordinary	100%
Chlorination Equipment Limited	Dormant Company	United Kingdom	Ordinary	100%

Notes to the financial statements (continued)

18. Subsidiaries, associated undertakings, and significant holdings other than subsidiary undertakings (continued)

	Principal undertaking	Country of incorporation	Class of shares held	Proportion of voting rights and shares held
Simon N-Viro Limited	Dormant Company	United Kingdom	Ordinary	100%
Stella Meta-Filters Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products FWT Limited	Dormant Company	United Kingdom	Ordinary	100%
Innova Park Management Company Limited	Property Company	United Kingdom	Ordinary	100%
Sub-Scan Limited	Dormant Company	United Kingdom	Ordinary	100%
S Holdings Limited	Dormant Company	United Kingdom	Ordinary	100%
Subtronic Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Pipeline Solutions Limited	Dormant Company	United Kingdom	Ordinary	100%
Total Pipeline Solutions Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Dorm 1 Limited	Dormant Company	United Kingdom	Ordinary	100%
B O P Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Overseas Limited	Holding Company	United Kingdom	Ordinary	100%
Thames Water Asia PTE Limited	Legacy Investment	Singapore	Ordinary	100%
Thames Water International (Thailand) Limited	Legacy Investment	Thailand	Ordinary/ Preference	100%
Thames Water DO Brasil Limitada	Legacy Investment	Brazil	Ordinary	100%
Trans4M Limited	Legacy Investment	United Kingdom	Ordinary	25%
Memtech (UK) Limited	Dormant Company	United Kingdom	Ordinary	100%
T M Products Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products SH Limited	Dormant Company	United Kingdom	Ordinary	100%
Coplastix Limited	Dormant Company	United Kingdom	Ordinary	100%
Stockdale Filtration Systems Limited	Dormant Company	United Kingdom	Ordinary	100%
Haymills Engineering Limited	Dormant Company	United Kingdom	Ordinary/ Preference	100%
Thames Water Products UPE Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products Castings Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products Coatings Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products SGE Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products UPEI Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Products Overseas Limited	Dormant Company	United Kingdom	Ordinary	100%
Surta Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames Water Retail Limited	Dormant Company	United Kingdom	Ordinary	100%
The Water Quality Centre Limited	Dormant Company	United Kingdom	Ordinary	100%
Thames-Dick Superaqueduct Partners Inc	Legacy Investment	Puerto Rico	Ordinary	99.9%

Notes to the financial statements (continued)

18. Subsidiaries, associated undertakings, and significant holdings other than subsidiary undertakings (continued)

The address of the registered office of all the above companies is Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB with the exception of:

- Thames Water Asia Pte Limited (80 Robinson Road #02-00, Singapore, 68898)
- Thames-Dick Superaqueduct Partners Inc (1018 Ashord Avenue, Suite 206, San Juan, 00907, Puerto Rico)
- Thames Water Puerto Rico Inc (FGR Corporate Services Inc, PO Box 363507, San Juan, 009363507, Puerto Rico)
- Thames Water Utilities Cayman Finance Holdings Limited and Thames Water Utilities Cayman Finance Limited (PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands)
- Thames Water International (Thailand) Limited (999/9 The offices at Central World, 29th Floor, Unit 2973K, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok)
- Thames Water DO Brasil Limitada (Praia De Botafogo, 501 10 Andar Parte- Torre Pao De Acucar, Botafogo, Rio De Janeiro -CEP22250-000RJ, Brazil)

Both Thames Water Utilities Cayman Finance Holdings Limited and Thames Water Utilities Cayman Finance Limited are, and always have been, residents in the United Kingdom for tax purposes.