

Registered no: 02366623 (England & Wales)

Thames Water Limited

Annual report and financial statements

For the year ended 31 March 2020

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Directors and advisors

Directors

M McNicholas
S Deeley
J Divoky
G Lambert
A Hall
P Noble
G Pestrak
F Sheng
M Bloch-Hansen
C Pham
P McCosker
I Grund
H De Run
M Wang
G Tucker
Y Deng

Independent Auditors

PricewaterhouseCoopers LLP
3 Forbury Place
23 Forbury Road
Reading
RG1 3JH

Company Secretary and registered office

D Hughes
S Billett
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 2020.

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 annual accounting valuation, dated 31 March 2020, was performed by Hymans Robertson LLP, an independent and professionally qualified consulting actuary. The results of this valuation revealed the scheme to be in a deficit position of £7.0 million (2019: surplus of £7.7 million). The movement to a deficit position is largely due to the sale of assets in the scheme during the year. The scheme is secured by the Company by holding Cash in a trustee account. Please refer to note 9 for more details.

In the prior year, the elimination of 44 dormant companies within the Group through either strike-off or liquidation commenced and has continued in the current year. As a result, the financial statements of this Company reflect the financial impact of dormant companies being removed from the Group. For a complete list of subsidiaries that have been liquidated in the year and are in the process of being liquidated refer to note 17.

Key performance indicators

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 2020 the Company made a profit before tax of £198.0 million (2019: £239.1 million). The decrease in profit was due to £nil investment income received in the year (2019: £39.1 million).

As at 31 March 2020 the Company had net assets of £2,541.0 million (2019: £2,377.5 million). The Directors have reviewed the expected recoverable value of the Company's non-current asset investments and intercompany loan receivables owed by other group companies. On performing this review the Directors have concluded that no impairment of investments is required (2019: £1.5 million) and that no impairment of intercompany loans receivable is required in the current year (2019: £nil). There are no other indications that any of the other remaining carrying values of investments or loan balances have become impaired and consequently no additional provisions for impairment have been recognised.

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 and other 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)

Principal risks and uncertainties (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, Kemble Water Holdings Limited, 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 Group 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, 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 16 on page 32.

Future outlook

The Company is expected to continue to make certain financing arrangements on behalf of and, to act as an intermediate holding company within the Group. Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. However, in light of the current situation, the Directors have sought a letter of support from the ultimate parent company, Kemble Water Holdings Limited to support the going concern basis. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

The United Kingdom (UK) has left the European Union (EU) on 31 January 2020 with the intent of completing a new trade agreement by the end of 2020 and it is not yet clear whether a new trade agreement will be in place between the UK and the EU by then. The company expects that leaving the EU (and the customs union) will not have a significant impact on the Company.

s172 reporting

The Directors of the Company must act in accordance with the duties contained in s172(1) of the Companies Act 2006 as follows:

"A Director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- (f) the need to act fairly as between members of the company."

On appointment, as part of their induction of becoming a Director, each Director is briefed on their duties and the availability of professional advice from either the Company Secretary or, if they consider it necessary, from an independent adviser. The Directors of the Company have access to the resources provided to the Directors of the Group's main trading company, Thames Water Utilities Limited.

Strategic Report (continued)

s172 reporting (continued)

During the year, the Company has continued to act as an intermediate holding company within the Kemble Water Holdings Limited group. Day-to-day running of the Company is managed by the Company's management team, consisting of employees from the Group's main trading company, Thames Water Utilities Limited. During the year, the Board of Directors have approved various decisions in respect of the ongoing liquidation of various direct subsidiaries of the company, entering into intercompany loans and the approval of the Company's annual report and financial statements. The Company had no employees during the year, or as at the date of this report, nor did it have any external customers or trading arrangements with suppliers.

Likely consequences of decisions in the long term

The Board's decision to liquidate a number of the Company's direct subsidiaries is consistent with the Group's objective to simplify the corporate structure of the Group.

Stakeholder management

The Company's stakeholders are considered to be companies within the Kemble Water Holdings group with whom intercompany loan relationships exists. Stakeholder engagement occurs regularly throughout the year, both formally and informally.

Community and Environment

The Board supports the Group-wide commitment to seeking to continually improve the delivery of water and wastewater services in the most sustainable way, which means complying with regulation, delivering public value and leaving the environment in a better state than we found it at the end of each regulatory period.

The Board of Directors of the Company consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006. The Board of Directors of Kemble Water Holdings Limited manage the Group and further details of how they have carried out their duties is disclosed in the financial statements of the ultimate controlling party Kemble Water Holdings Limited. The Group's annual report is available from the address shown in note 16 on page 32.

This Strategic Report was approved by the Board of Directors on 29 June 2020 and signed on its behalf by:

P Noble
Director
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 2020. 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 (England & Wales).

Directors

The Directors who held office during the year ended 31 March 2020 and to the date of this report were:

M McNicholas (appointed 4 April 2019)
K Bradbury (resigned 1 July 2019)
S Deeley
J Divoky
G Lambert
G Tucker (resigned 20 May 2019) (re-appointed 21 May 2020)
P Mulholland (resigned 20 May 2019)
A Hall
P Noble
G Pestrak
M Bloch-Hansen
E Howell (resigned 8 April 2020)
F Sheng
T Song (resigned 5 March 2020)
C Pham
J Cogley (appointed 20 May 2019) (resigned 21 May 2020)
B Moncik (appointed 20 May 2019) (resigned 21 May 2020)
I Grund (appointed 1 July 2019)
P McCosker (appointed 14 July 2019)
M Wang (appointed 5 Mar 2020)
H De Run (appointed 8 April 2020)
Y Deng (appointed 21 May 2020)

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 (2019: 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
M McNicholas	M Bloch-Hansen
J Divoky	C Pham
P Noble	H De Run
F Sheng	M Wang
A Hall	I Grund
M Bloch-Hansen	I Grund
M Wang	P Noble
G Lambert	P McCosker
G Tucker	Y Deng

Future outlook

The future outlook of the Company is discussed in the Strategic Report on pages 4-5.

Dividends

The Company paid no dividends during the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

Directors' Report (continued)

Financial risk management

During the period, the Company has had access to the Interim Executive Chairman and the Executive Team of Thames Water Utilities Limited, who also manage the wider Kemble Water Holdings Limited 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 page 5.

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.

Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

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 2020 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.

Research and development

The Company undertakes no research and development activity, this remains unchanged from the prior year.

Political and charitable donations

No political donations were made by the Company during the year (2019: £nil). No charitable donations were made by the Company during the year (2019: £nil).

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 auditors

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

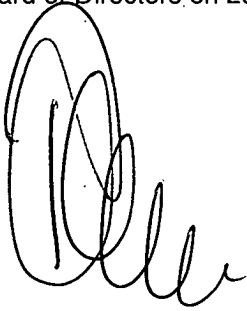
Directors' Report (continued)

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 29 June 2020 and signed on its behalf by:

P Noble
Director
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

A handwritten signature in black ink, appearing to be 'P Noble', written in a cursive style.

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

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.



P Noble
Director
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

29 June 2020

Independent auditors' report to the members of Thames Water Limited

Report on the audit of the financial statements

Opinion

In our opinion, Thames Water Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2020; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Reporting on other information (continued)

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the annual report and financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

KE FM

**Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading**

29 June 2020

Income statement

For the year ended 31 March

	Note	2020 £m	2019 £m
Net gain from disposal of subsidiaries	1	1.0	1.5
Administrative expenses	2	(2.9)	(1.7)
Operating loss		(1.9)	(0.2)
Finance income	4	212.7	200.2
Finance expense	4	(12.8)	-
Dividend income	5	-	39.1
Profit before income tax		198.0	239.1
Income tax expense	6	(37.1)	(36.7)
Profit for the year		160.9	202.4

Statement of comprehensive income

For the year ended 31 March

	Note(s)	2020 £m	2019 £m
Profit for the year		160.9	202.4
<i>Items that will not be reclassified to the income statement</i>			
Net actuarial gain on defined benefit pension scheme	12	0.5	-
Loss on disposal of pension assets	12	(0.6)	-
Deferred tax on net movements in pension scheme	6, 12	2.7	-
Other comprehensive loss for the year		2.6	-
Total comprehensive income for the year		163.5	202.4

All amounts relate to continuing operations.

The accounting policies and notes on pages 17 to 33 are an integral part of these financial statements.

Statement of financial position

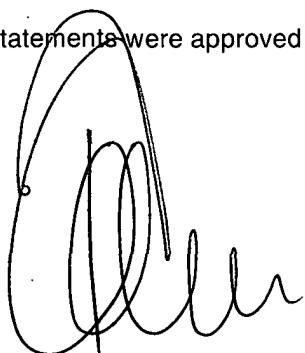
As at 31 March

	Note	2020 £m	2019 £m
Non-current assets			
Investments in subsidiaries and associated undertakings	7	15.7	15.7
Trade and other receivables	8	3,081.1	2,829.4
Deferred tax asset	6	1.3	-
Retirement benefit surplus	12	-	7.7
		3,098.1	2,852.8
Current assets			
Trade and other receivables	8	-	0.5
Cash and cash equivalents	9	21.0	7.8
		21.0	8.3
Bank overdraft	14	(19.8)	(20.4)
Trade and other payables due within one year	10	(103.3)	(222.1)
		(123.1)	(242.5)
Net current liabilities		(102.1)	(234.2)
Total assets less current liabilities		2,996.0	2,618.6
Trade and other payables – amounts falling due after more than one year	10	(448.0)	(239.8)
Deferred tax liability	6	-	(1.3)
Provisions for liabilities	11	-	-
Retirement benefit deficit	12	(7.0)	-
		(455.0)	(241.1)
Net assets		2,541.0	2,377.5
Equity			
Called up share capital	13	81.8	81.8
Share premium account		104.5	104.5
Capital redemption reserve		320.8	320.8
Retained earnings		2,033.9	1,870.4
Total shareholder's funds		2,541.0	2,377.5

The accounting policies and notes on pages 17 to 33 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 29 June 2020 and signed on its behalf by:

P Noble
Director



Registered number: 02366623 (England & Wales)

Statement of changes in equity

For the year ended 31 March

	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Retained earnings £m	Total shareholder's funds £m
At 1 April 2018	81.8	104.5	320.8	1,668.0	2,175.1
Profit for the year	-	-	-	202.4	202.4
At 31 March 2019	81.8	104.5	320.8	1,870.4	2,377.5
Profit for the year	-	-	-	160.9	160.9
Net actuarial gain on defined benefit pension scheme	-	-	-	0.5	0.5
Loss on disposal of pension assets	-	-	-	(0.6)	(0.6)
Deferred tax on net movement on pension scheme	-	-	-	2.7	2.7
As at 31 March 2020	81.8	104.5	320.8	2,033.9	2,541.0

The accounting policies and notes on pages 17 to 33 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 private limited company incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006. The trading address and address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB.

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 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.

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), and
- The following paragraphs of IAS 1 *Presentation of financial statements*:
 - 10(d) (statement of cash flows),
 - 16 (statement of compliance with all IFRS),
 - 38B-D (additional comparative information),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- 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)

Basis of preparation (continued)

The Company's ultimate parent undertaking, Kemble Water Holdings Limited ("KWH") 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 International Financial Reporting Standards as adopted by the European Union ("EU adopted IFRSs") and are available to the public and may be obtained 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.

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").

Management has assessed the likely impact of COVID-19 to the financial position of the Company and has concluded that at present it is not expected to affect the Company's ability to continue as a going concern for a period of at least 12 months from the signing of these financial statements. The developing and uncertain situation in respect of the COVID-19 pandemic continues to be closely monitored.

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.

New standards and amendments

IFRS 16: Leases is a new accounting standard which is effective for the year ended 31 March 2020. The Company does not have any leases and does not intend to enter into any contracts for leases in the future. Management has concluded that IFRS 16 has no impact on the Company as there are no leases within the Company.

The following issued standards have not yet been adopted by the Company:

IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates ('IBORs') has become a priority for global regulators. There is currently uncertainty around the timing and precise nature of these changes in the various jurisdictions affected.

It is currently expected that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR as a reference rate. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a 'term rate', which means that it is published for a borrowing period (such as 3 months), and it is 'forward-looking', because it is published at the beginning of the borrowing period. SONIA is currently a 'backward-looking' rate; it is based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not explicitly incorporate. To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition.

At the time of reporting, industry working groups are reviewing methodologies for calculating adjustments between GBP LIBOR and SONIA.

Accounting policies (continued)

IBOR reform (continued)

The Group is establishing a project to oversee the GBP LIBOR transition plan. This transition project will include changes to systems, processes, risk and valuation models, as well as managing related tax and accounting implications. The Group currently anticipates that the areas of greatest change will be amendments to the contractual terms of GBP LIBOR-referenced floating-rate debt and swaps.

In addition to the IBOR reform, there are a number of other amendments and annual improvement project recommendations that are not yet effective but which have been endorsed by the EU. These are not anticipated to have a material impact on the financial statements of the Company.

There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 March 2020 that have had a material impact on the company's financial statements.

Interest income

Interest income is recognised using the effective interest method.

Non-current asset investment in subsidiaries and associated undertakings

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

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.

Trade and other receivables

Trade and other receivables are largely comprised of amounts owed by group undertakings and interest on amounts owed by group undertakings. 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.

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. Restricted cash comprise cash held by the Company for a specific purpose, these amounts are held within cash and cash equivalents with details of the restriction disclosed within the notes.

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.

Accounting policies (continued)

Impairment of financial assets (including receivables)

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There is an annual impairment review for intercompany receivables which assesses the ability of the entity to pay them based on their net assets position.

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.

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.

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

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

Accounting policies (continued)

Deferred tax (continued)

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.

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 pension scheme

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.

Critical accounting estimates and judgements

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.

Critical accounting estimates and assumptions

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 receivables, including intercompany loan receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors such as credit rating of the receivable, the ageing profile of receivables and historical experience. See note 8 for the net carrying value of the receivables and, where applicable, any associated impairment provision.

Accounting policies (continued)

Critical accounting estimates and judgements (continued)

Impairment of investments in subsidiaries and associated undertakings

Determining whether the company's investments in subsidiaries and associated undertakings 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. See note 7 for the net carrying value of the investments and associated impairment provision.

Retirement benefit obligations

The pension deficit and net income/expense recognised are assessed using the advice of an independent, qualified actuary based on the latest actuarial valuation and assumptions determined by the actuary. These assumptions are based on information supplied to the actuary by the Company, supplemented by discussions between the actuary and management and are used to estimate the present value of defined benefit obligations.

The actuarial assumptions used in determining the pension surplus and net income recognised affect the profit before tax figure in the Income Statement and the net asset figure in the Statement of Financial Position and are a source of estimate. These assumptions include:

- the discount rate;
- pay growth;
- mortality; and
- increases to pensions in payment.

The actual rates may materially differ from the assumptions due to changes in economic conditions and changes in the life expectancy of the members of the pension schemes. This could have a positive or negative impact on the financial statements.

Critical accounting judgements

The key account judgements taken at the financial reporting date used in preparing these financial statements are as follows:

Provisions for other liabilities and charges

A provision is recognised when it is probable that the Company has an obligation for which a reliable estimate can be made of the amount of the obligation. The Company is subject to commercial and legal claims that are incidental to the day-to-day operation of its business. These include contractual, employment and environmental matters which are defended and managed in the ordinary course of business. Assessing the 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. On a case-by-case basis, management evaluates the likelihood of adverse verdicts or outcomes to these matters and makes a judgement about whether or not a provision should be recognised. 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.

For situations where the obligation is possible or the amount of the obligation cannot reliably be estimated these are disclosed as contingent liabilities unless the probable outflow of economic benefits is remote.

Notes to the financial statements

1. Net gain from disposal of subsidiaries

	2020 £m	2019 £m
Release of impairment provision held against Thames Water Puerto Rico Inc	1.5	-
Write off of investment in Thames Water Puerto Rico Inc	(1.5)	-
Write back of amount owed to Thames Water Puerto Rico Inc	0.2	-
Gain on disposal of Thames Water Puerto Rico Inc	0.8	-
Release of impairment provision held against Thames Water Environmental Services Limited	-	3.0
Write off of investment in Thames Water Procurement Limited	-	(1.5)
Total	1.0	1.5

2. Administrative expenses

	2020 £m	2019 £m
Professional fees and consultancy	2.6	1.5
Audit remuneration	0.3	0.2
Total	2.9	1.7

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. Fees payable to PricewaterhouseCoopers LLP for the audit of Company's financial statements were £4,500 (2019: £4,000). No other fees were payable to PricewaterhouseCoopers LLP in respect of this Company during the year.

3. Employees and Directors

Employees

The Company had no employees during the year (2019: none).

Directors

The Directors of the Company, who are all Non-Executive Directors of the Group, receive emoluments in respect of their services as Directors of Kemble Water Holdings Limited, the ultimate parent company. No emoluments were paid in respect of their roles as Directors of the Company (2019: £nil) and there are no retirement benefits accruing in either year. Aggregate emoluments for the Group are disclosed in the financial statements of the ultimate parent company.

4. Finance income and expense

Finance income

	2020 £m	2019 £m
Interest income on amounts owed by group undertakings	212.7	200.0
Net interest income on defined benefit pension scheme	-	0.2
Total	212.7	200.2

Notes to the financial statements (continued)

4. Finance income and expense (continued)

Finance expense

	2020 £m	2019 £m
Interest expense on amounts owed to group undertakings	(12.6)	-
Net interest expense on defined benefit pension scheme	(0.2)	-
Total	(12.8)	-

5. Dividends

Dividend income

	2020 £m	2019 £m
Dividends received from Kennet Properties Limited	-	21.2
Dividends received from Thames Water Environmental Services Limited	-	7.3
Dividends received from PCI Membrane Systems Limited	-	8.1
Dividends received from Thames Water Overseas Consultancy Limited	-	2.5
Total	-	39.1

The aggregate amount of dividends proposed and not recognised as liabilities at 31 March 2020 is £nil (2019: £nil).

6. Tax on profit

Tax charged in the income statement

	2020 £m	2019 £m
<i>Current tax:</i>		
Amounts payable in respect of group relief	36.6	37.0
Adjustments in respect of previous periods	0.4	(0.4)
Total current tax	37.0	36.6
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	0.1	0.1
Tax on profit	37.1	36.7

Notes to the financial statements (continued)

6. Tax on profit (continued)

The total tax charge for the year ended 31 March 2020 is lower (2019: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2020 £m	2019 £m
Profit before taxation	198.0	239.1
Current tax at 19% (2019: 19%)	37.6	45.3
<i>Effects of:</i>		
Income not taxable	(0.9)	(8.2)
Adjustments in respect of previous periods	0.4	(0.4)
Total tax charge for the year	37.1	36.7

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. However, this reduction was reversed in the March 2020 Budget and substantively enacted on 17th March 2020. Therefore, effective 1 April 2020 the corporation tax rate remains at 19%.

The movement in deferred tax of £2.6 million (2019: £nil) comprises of £0.1 million recognised as an expense in the Income Statement and £2.7 million included in the statement of comprehensive income. The £2.7 million 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 19% substantively enacted at the balance sheet date. The amount of deferred tax asset unrecognised at 31 March 2020 was £5.7 million (2019: £5.1 million).

7. Investments in subsidiaries and associated undertakings

Investments in subsidiaries and associated undertakings

	2020 £m	2019 £m
Cost	41.6	43.1
Impairment	(25.9)	(27.4)
Net book value	15.7	15.7

See note 17 for the principal interests held by Thames Water Limited at 31 March 2020.

The reduction in cost and impairment of subsidiaries relate to the liquidation of subsidiary undertakings that occurred during the year.

Notes to the financial statements (continued)

7. Investments subsidiaries and associated undertakings (continued)

Cost of investment

	2020 £m	2019 £m
At 1 April	43.1	49.9
Disposals	(1.5)	(6.8)
At 31 March	41.6	43.1

Impairment

	2020 £m	2019 £m
At 1 April	(27.4)	(34.4)
Disposals	1.5	7.0
At 31 March	(25.9)	(27.4)

In the prior year, the elimination of 44 dormant companies within the Group through either strike-off or liquidation commenced and has continued in the current year. As a result, the financial statements of this Company reflect the financial impact of dormant companies being removed from the Group.

Investments in joint venture

	2020 £	2019 £
Cost	2	2
Share of accumulated losses	(2)	(2)
Total	-	-

See note 17 for the principal interests held by Thames Water Limited at 31 March 2020.

8. Trade and other receivables

	2020 £m	2019 £m
Amounts owed by Group undertakings	3,081.1	2,829.5
VAT receivable	-	0.4
Total	3,081.1	2,829.9
Disclosed within non-current assets	3,081.1	2,829.4
Disclosed within current assets	-	0.5

Notes to the financial statements (continued)

8. Trade and other receivables (continued)

Amounts owed by group undertakings

	2020 £m	2019 £m
<i>Non-interest bearing amounts owed by group undertakings:</i>		
Thames Water Investments Limited	0.9	0.9
Thames Water International Services Limited	135.5	135.5
Thames Water Products Limited	22.7	22.7
Kemble Water Finance Limited	-	14.3
Thames Water Overseas Limited	154.8	154.8
Thames Water International Services Holdings Limited	72.8	72.8
Thames Water Property Services Limited	0.2	0.2
Thames Water Utilities Limited	0.3	0.3
Other amounts owed by Group undertakings	0.4	0.5
	387.6	402.0
<i>Interest bearing amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	2,231.9	1,980.1
Kemble Water Finance Limited	136.3	136.3
	2,368.2	2,116.4
<i>Interest receivable on other amounts owed by group undertakings:</i>		
Thames Water Utilities Holdings Limited	670.7	658.4
Kemble Water Finance Limited	32.4	30.5
	703.1	688.9
<i>Impairment of amounts owed by group undertakings:</i>		
Thames Water Products Limited	(22.7)	(22.7)
Thames Water Overseas Limited	(154.8)	(154.8)
Thames Water International Services Limited	(127.3)	(127.3)
Thames Water International Services Holdings Limited	(72.8)	(72.8)
Other amounts owed by Group undertakings	(0.2)	(0.2)
	(377.8)	(377.8)
Total	3,081.1	2,829.5

Interest bearing amounts received 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 (2019: £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 (2019: £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.
- £251.8 million owed by Thames Water Utilities Holdings Limited (2019: £nil) is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.

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

Notes to the financial statements (continued)

9. Cash and cash equivalents

	2020 £m	2019 £m
Cash and cash equivalents	21.0	7.8
Total	21.0	7.8

The cash and cash equivalents balance includes £2.6m (31 March 2019: £2.6 million) which is held as security for the SUURBS defined benefit pension scheme. The use of the cash is restricted for this purpose only.

10. Trade and other payables

	2020 £m	2019 £m
Amounts owed to Group undertakings	448.0	239.8
Amounts payable in respect of group relief	102.1	221.2
Accruals and deferred income	1.2	0.9
Total	551.3	461.9
Amounts falling due after more than one year	448.0	239.8
Amounts falling due within one year	103.3	222.1

Amounts owed to group undertakings

	2020 £m	2019 £m
PWT Projects Limited	15.7	15.7
Thames Water International Services Limited	16.6	16.6
Thames Water Puerto Rico Inc	-	0.2
Kemble Water Finance Limited	366.4	170.6
Thames Water Overseas Limited	12.5	12.5
Thames Water International Services Holdings Limited	24.0	24.0
Other amounts owed to Group undertakings	0.2	0.2
	435.4	239.8
<i>Interest payable on amounts owed by Group undertakings</i>		
Kemble Water Finance Limited	12.6	-
	12.6	-
Total	448.0	239.8

Interest bearing amounts payable to Kemble Water Finance Limited have specific terms as follows:

- £249.8 million owed to Kemble Water Finance Limited (2019: £nil) is unsecured and interest is charged at a rate of 5.47% and is repayable on demand.

Amounts owed to group undertakings include loans totalling £185.6 million (2019: 239.8 million) which are unsecured, interest free and repayable on demand. While the loans are repayable on demand, the Directors do not anticipate any repayment within 12 months and letters of comfort have been obtained from the counterparty to confirm that no repayment will be sought for at least 12 months from the date of signing of the financial statements.

Notes to the financial statements (continued)

11. Provisions for liabilities

	2020 £m	2019 £m
At 1 April	-	0.5
Release of provision	-	(0.5)
At 31 March	-	-

The Company held a 25% interest in Trans4M Limited, a 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. Trans4M Limited was liquidated in the prior period and therefore the provision was released.

12. Retirement benefit deficit

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.

During the year ended 31 March 2020, pension assets valued at £12.8 million were disposed of with a fair value loss on disposal of £0.6 million. Additionally, £2.6 million of cash, previously held as an asset of the pension scheme was reclassified as restricted cash. This, along with other income statement and actuarial movements resulted in a movement of the scheme to an overall deficit of £7.0 million (2019: surplus of £7.7 million).

The scheme is an unfunded arrangement but is secured against assets held by the Company. During the year, on sale of the pension assets, the pension scheme then entered into a Surety Bond arrangement in order to insure against any future potential non-payment of benefits by TWL, this does not meet the criteria to be classified as a pension asset under IAS 19. The latest full annual valuation dated 31 March 2020 was carried out on behalf of the pension Trustees by Hymans Robertson LLP, the independent and professionally qualified consulting actuaries to the scheme. This valuation uses revised assumptions that are consistent with the requirements of IAS 19 Employee Benefits.

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:

	2020 £m	2019 £m
Index linked gilts	-	12.8
Cash	-	2.6
Fair value of scheme assets	-	15.4
Present value of defined benefit obligations	(7.0)	(7.7)
(Deficit)/surplus recognised in the statement of financial position	(7.0)	7.7
Deferred tax asset/(liability)	1.3	(1.3)
Net retirement benefit (deficit)/surplus	(5.7)	6.4

Notes to the financial statements (continued)

12. Retirement benefit deficit (continued)

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

	2020 £m	2019 £m
At 1 April	15.4	14.6
Disposal of assets	(12.2)	
Fair value loss on disposal of assets	(0.6)	
Reclassification of cash	(2.6)	
Employer contributions	0.4	0.4
Interest income on scheme assets	-	0.4
Net benefit paid out	(0.4)	(0.4)
Actuarial gains on scheme assets	-	0.4
At 31 March	-	15.4

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

	2020 £m	2019 £m
At 1 April	7.7	7.5
Actuarial (gain)/loss on liabilities	(0.5)	0.4
Interest cost	0.2	0.2
Net benefit paid out	(0.4)	(0.4)
At 31 March	7.0	7.7

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

	2020 £m	2019 £m
Net interest (expense)/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:

	2020 £m	2019 £m
Cumulative actuarial gains recognised at 1 April	1.1	1.1
Actual return less expected return on pension scheme assets	-	(0.4)
Gain arising due to change in scheme financial assumptions	0.5	0.4
Total	0.5	-
Cumulative actuarial gains recognised at 31 March	1.6	1.1

Notes to the financial statements (continued)

12. Retirement benefit deficit (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:

	2020 %	2019 %
Discount rate	2.35%	2.35%
Retail Price Inflation	2.65%	3.30%
Consumer Price Inflation	1.85%	2.30%

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 principal assumptions used is set out below:

	2020 £m	2019 £m
Change in discount rate (+ 1% p.a.)	0.7	0.8
Change in rate of inflation (-1% p.a.)	0.7	0.8
Change in life expectancy (-1 year)	0.3	0.3

13. Called up share capital

	2020 £m	2019 £m
<i>Allotted, called up and fully paid:</i>		
355,770,743 (2018: 355,770,743) ordinary shares of 23p each	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.

14. Guarantees

At 31 March 2020 the Company has guaranteed the overdrafts and loans of certain subsidiaries with a net overdraft facility of £5.0 million (2019: £5.0 million) available across the Company and the relevant subsidiaries. At the year end the Company had an overdraft of £19.8 million (2019: £20.4 million) which is netted off against the positive cash balances of the other relevant subsidiaries of £20.9 million (2019: £20.5 million). At 31 March 2020 the Company had no capital commitments (2019: 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 unprovided loss is expected to arise under these arrangements.

Notes to the financial statements (continued)

15. 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 16.

16. 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.

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

At 31 March 2020 the Company held the following principal interests, all of which are either wholly or jointly owned either directly or indirectly through its subsidiary investments.

	Principal undertaking	Country of incorporation	Tax resident	Class of shares held	Proportion of voting rights shares held
Direct					
Thames Water Utilities Holdings Limited	Holding Company	United Kingdom	United Kingdom	Ordinary	100%
Foudry properties Limited	Property Company	United Kingdom	United Kingdom	Ordinary	50%
Kennet Properties Limited	Property company	United Kingdom	United Kingdom	Ordinary	100%
PWT Projects Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water International Service Holdings Limited	Holding Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water International Services Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Investments Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Innova Park Management Company Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Pension Trustees (MIS) Limited	Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Pension Trustees Limited	Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Products Limited	Non Trading Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Property Services Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Senior Executive Pension Trustees Limited	Pension Trustees	United Kingdom	United Kingdom	Ordinary	100%

Notes to the financial statements (continued)

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

	Principal undertaking	Country of incorporation	Tax resident	Class of shares held	Proportion of voting rights & shares held
Indirect					
Thames Water Utilities Limited	Water & wastewater	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Utilities Finance Plc	Finance company	United Kingdom	United Kingdom	Ordinary	100%
Shapeshare Limited	Property Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Overseas Limited	Holding Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Asia PTE Limited	Legacy Investment	Singapore	Singapore	Ordinary	100%
Thames Water International (Thailand) Limited	Legacy Investment	Thailand	Thailand	Ordinary	100%
Subsidiaries in liquidation process					
PCI Membrane Systems Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Products Overseas Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Environmental Services Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Nominees Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Developments Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Liquidations completed during the year ended 31 March 2020					
Thames Water Puerto Rico Inc	Legacy Investment	Puerto Rico	Puerto Rico	Ordinary	100%
Thames-Dick Superaqueduct Partners Inc	Joint Venture	Puerto Rico	Puerto Rico	Ordinary	50%
Stella Meta-Filters Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Portacel Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Dorm 1 Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Products SH Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Products UPE Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%
Thames Water Procurement Limited	Dormant Company	United Kingdom	United Kingdom	Ordinary	100%

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 Water International (Thailand) Limited (999/9 The offices at Central World, 29th Floor, Unit 2973K, Rama I Road, Kwaeng Pathumwan, Khet Pathumwan, Bangkok).