

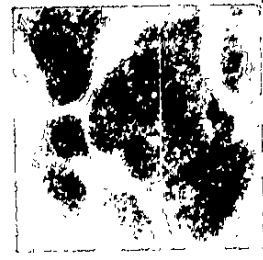
PLEASE NOTE THAT  
DUE TO THE POOR  
QUALITY OF THE  
FICHE SOME OF THE  
FOLLOWING IMAGES  
ARE ALSO OF POOR  
QUALITY.



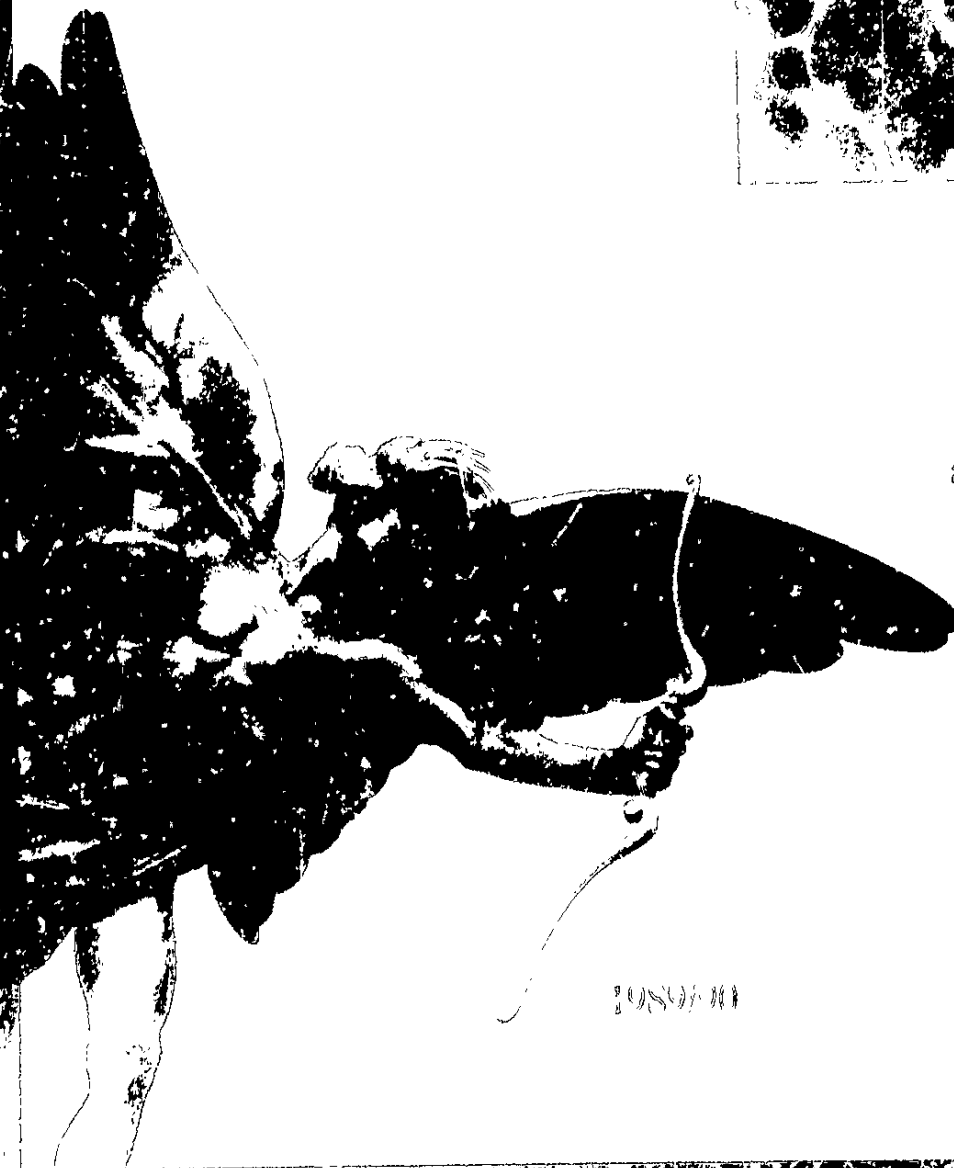
2011



Annual Report



and Accounts



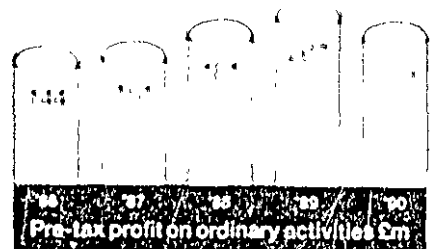
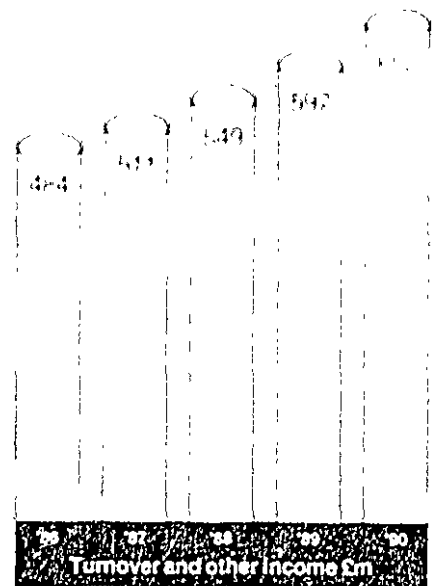
2011

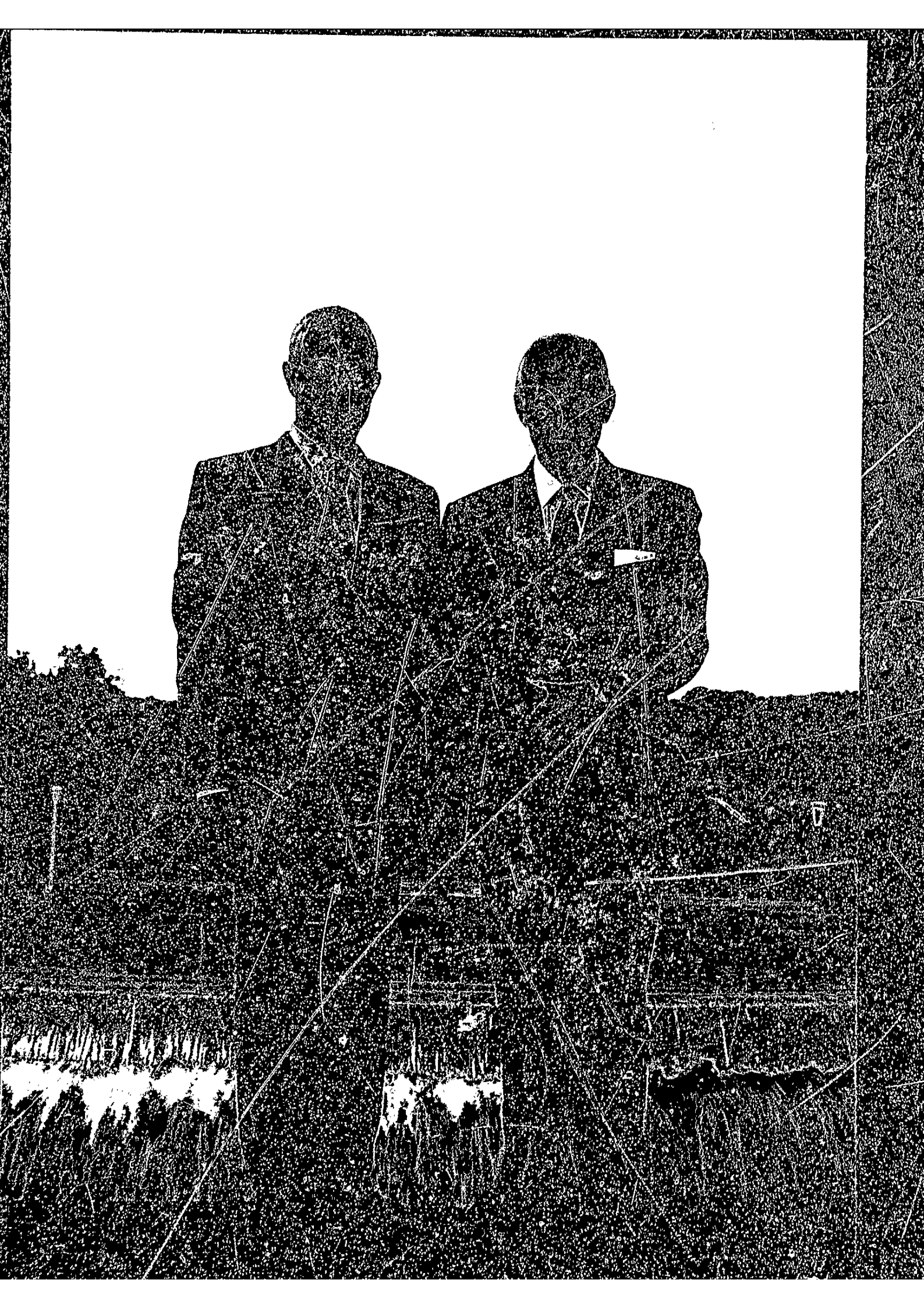
## Contents

Financial Highlights	1
Chairman's Statement	3
Group Chief Executive's Review	4
<i>Thames Water Utilities Limited</i>	6
<i>Thames Water Enterprises Limited</i>	14
<i>PWT Worldwide Limited</i>	16
Directors' Report	18
Board Members	21
The Accounts	22
Notes to the Accounts	25
Notice of Meeting	46
Report of the Auditors	46
Group Five Year Summary	47
Shareholder Information	48

# Financial Highlights

	1988	1989	1989 £m
Revenue	1274.2	1370.0	207.2
Operating profit	180.8	170.0	-
Profit before tax	43.0p	41.0p	-
Profit after tax	10.0p	9.7p	-





## Chairman's Statement

Welcome! I am pleased to report to you as shareholders on the results for the year ended 31 March 1990.

The results have been achieved in a period of change. Just five months into the financial year we achieved Vesting Day when the water supply and waste water assets and business of the old Thames Water Authority were vested in Thames Water Utilities Ltd., the Group's principal operating subsidiary. At that stage the Group was still wholly owned by the Government. Four months before the financial year-end we achieved our independent status as a listed company. On 2 January 1990 we joined the Financial Times listing of the top 100 companies in the UK. So we have coped with a changing year, amid much political publicity, managing the business successfully at the same time.

As a result of the changes that have taken place, the results are not directly comparable with those of the previous year, primarily because of changes in capital structure and the exclusion of National Rivers Authority activities from Thames' results in the year under review. However, the Prospectus published at the time of privatisation contained a profit forecast for the year.

We forecast a profit before tax and extraordinary items of £170m (£178m on a pro forma basis) and a dividend per share of 9.72p. I am pleased to announce that actual profit is £179m (pro forma £187m), £9m over our forecast. Consequently, we are recommending a dividend per share of 10.07p reflecting the Company's progressive dividend policy.

*Roy Watts, Chairman (right), with Mike Hoffman, Group Chief Executive.*

The profit improvement over that forecast arises mainly from increases in turnover, income from property sales and interest from short term investments.

The extraordinary items, totalling £18.7m, embrace expenditure mainly associated with privatisation. The sums incurred were similar to those forecast in the prospectus. They will not be repeated.

The Board's overriding policy is to ensure that the Utilities business is successful and profitable. The Utilities business at present dominates the Group and is expected to do so for the foreseeable future. We are fully committed to the achievement of high water quality and environmental standards and plan to deliver the enlarged capital investment programme to time and within budget. The programme has progressed well in 1989/90.

Since flotation we have expanded our interests in related enterprise areas. First, we acquired the Portals water treatment division from Portals Holdings PLC, an acquisition agreed before flotation but dependent upon it. Now called PWT Worldwide, the sub-group comprises a substantial contracting and water-related products group with some 1,600 employees operating through 18 companies around the world.

Secondly we acquired a 50% interest in Brophy Fie, a joint venture landscape and civil contracting company operating throughout the United Kingdom.

The results of these important developments will be seen in next year's figures.

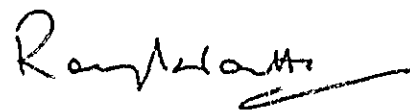
The Board will continue to seek further opportunities to exploit the Group's skills at home and abroad but will move into new activities only after careful research.

It has been a full and demanding year. Our successful progress from the public to the private sector at a time when climatic conditions were causing a strain on our principal business is in no small way due to the dedication and expertise of our employees at all levels. I thank them all.

Since the year-end the Board has formed an Environmental Audit Committee under Non-Executive Director Sir Peter Harrop whose primary task is to monitor environmental performance against declared policies. We have also formed a separate wholly-owned property company, whose task initially will be to develop some of our own surplus properties, but will subsequently, and at the right time, be active in the property field.

Thames is financially and managerially sound with an experienced Board, a strong balance sheet and a sound mix of disciplines. We have set ourselves tough targets in all business areas: not simply financial targets but targets which embrace quality, the environment and service to all our customers.

With our new-found freedom we can look to the future with enthusiasm and confidence. I am encouraged by progress in the current year and look forward to reporting to you again with next year's figures.



# Group Chief Executive's Review



REVENUE FROM SALES OF  
PROPERTY  
AND  
OTHER INVESTMENT  
PROPERTY

## Property

## Development

## Investment

REVENUE FROM SALES OF  
PROPERTY  
AND  
OTHER INVESTMENT  
PROPERTY

REVENUE FROM SALES OF  
PROPERTY  
AND  
OTHER INVESTMENT  
PROPERTY



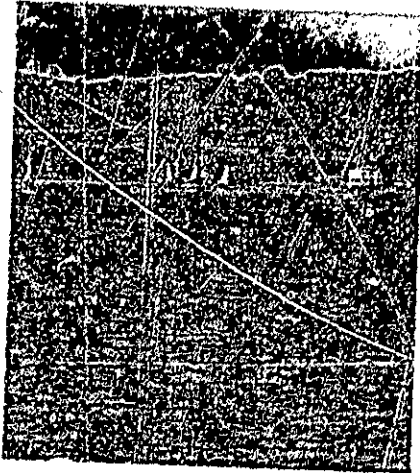
welcomed the Government's Code of Practice on Conservation, Access and Recreation issued last July. This year we have made progress with many landscaping and habitat schemes, involving the planting of over 10,000 native trees and shrubs. Major archaeological excavations have taken place at our sites and we are subjecting all investment schemes to environmental appraisal.

#### **The community**

We believe that it is in our shareholders' interests to foster good relationships with the communities in which we operate and have revised our community affairs policy to take advantage of being a private sector company. We continue to develop links with schools and colleges and also provide sponsorship for local community projects, particularly those linked with the environment and recreation.

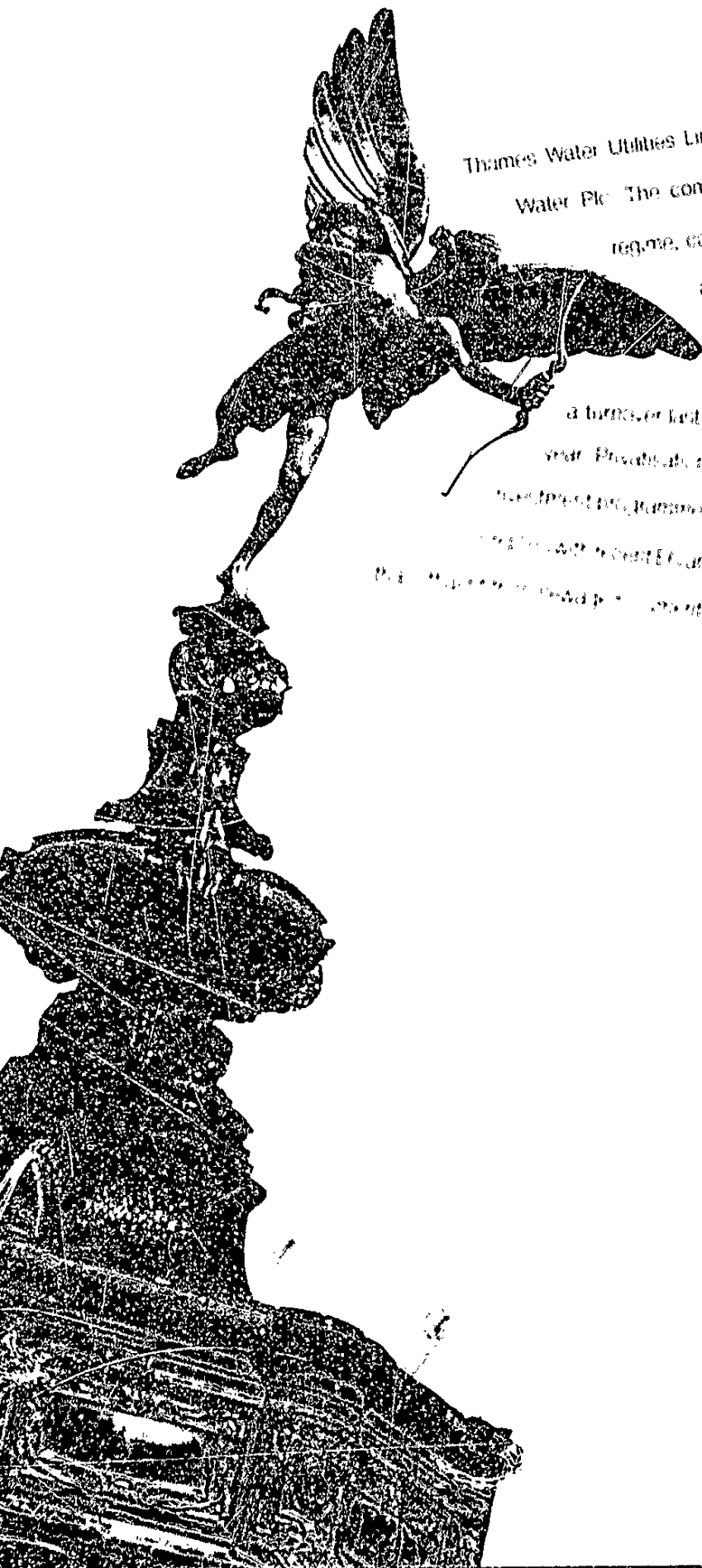
1989/90 has also been a year of change in those of our businesses outside the regulated provision of clean water and sewage treatment and disposal services. The following pages review activities in the individual businesses within the Group.

*Mike Hoffman.*





*Review – Thames Water Utilities Limited*



Thames Water Utilities Limited is the main subsidiary of Thames Water Plc. The company operates within a strictly regulated regime, covering pricing and service standards, water abstraction, pollution control and drinking water quality. Thames Water Utilities employs some 7,600 people and had a turnover last year of £625m, up 9.4% from the previous year. Privatization has brought with it a very large capital investment programme designed to ensure that drinking water complies with recent EU and UK Government Regulations and that the water supply is of the highest quality to standard.

## Clean water

### Resources and supply

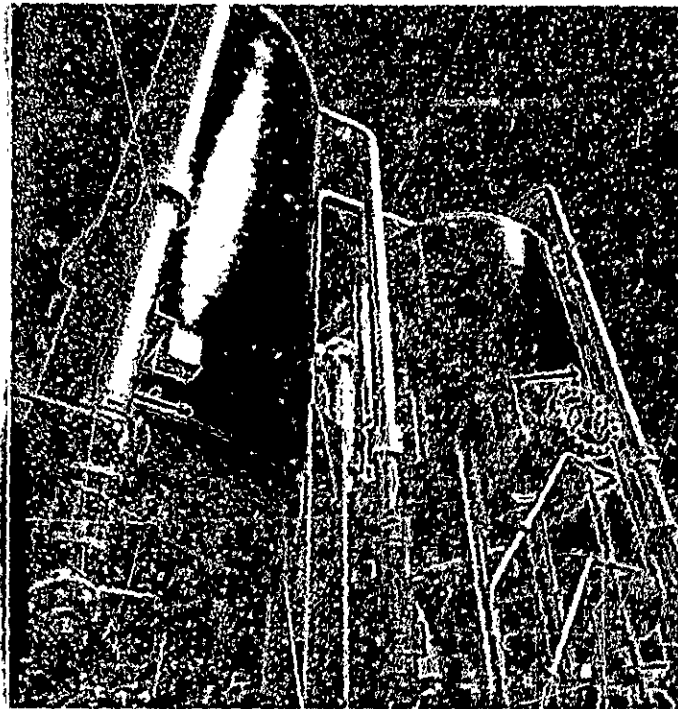
During the year we put a daily average of 2,779 thousand cubic metres of drinking water into supply, some 2% more than in the previous year. Demand in our supply area continues to grow. To meet it our first priority is to make the best use of existing resources. Last year work to reduce leakage from water mains was so successful that we were able to defer some investment in greater treatment capacity.

Last summer's peak demands caused distribution problems leading to bans on the use of hoses/pipes in several areas for various periods between June and September. South East London was particularly badly hit in July when a combination of factors left some 500,000 of our customers with either insufficient pressure or no supplies to their properties for several days. This was one of the worst operational incidents in our history and we are incorporating the lessons learned into our operating and investment plans to avoid a repetition.

### Quality

In July 1989 new Regulations governing water quality and incorporating EC and national drinking water standards were made. In the few cases where the required standards are not being met relaxations have been given or undertakings made to enable the necessary remedial or investigatory work to be carried out.

The Regulations also required the introduction of new sampling programmes from 1 January this year. The programmes involve both random and more extensive testing of supplies and require more complex analyses of samples. A public register of results has been established. Data collected under the new regime show that our product complied with the great majority of standards but, since this programme



Granular activated carbon plant in trials at Wokingham Water Treatment Works



has only been in place for a short time, it is too early to give reliable statistics.

#### Investment

We invested £88m in water supply and quality projects. As part of this investment we have begun a programme to ensure that we comply with the new Regulations on water quality. This programme is now fully under way, with projects due for completion at various dates up to 1994. It will ensure that we comply with microbiological, aluminium and nitrate parameters in the Regulations. An extension to the programme beyond 1994 will involve the installation of the most up-to-date water treatment processes designed to control micro-pollutants such as pesticides.

Work on the London Water Ring Main continued. The first stage of this major investment in London's distribution system is due for completion in 1993. A 2.5 metre diameter tunnel, it will eventually encircle much of the capital, ensuring our distribution network is sufficient to meet the demands of London well into the 21st century. The project also includes a significant increase in the capacity of associated water treatment works.

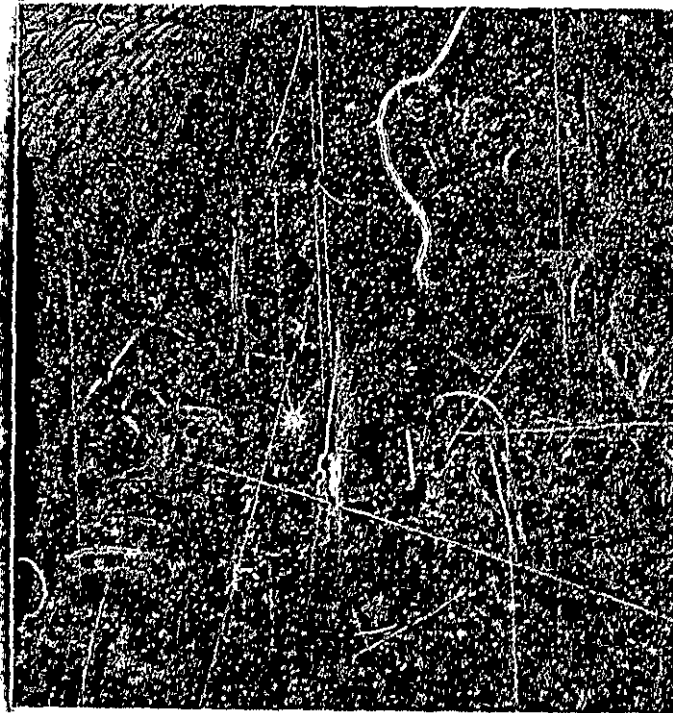
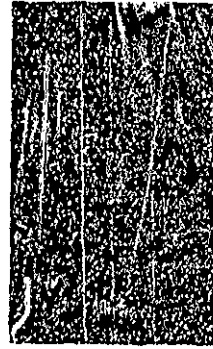
#### Research, development and other investigations

We regard research as vital in developing the knowledge and expertise that will keep Thames Water Utilities at the forefront of water treatment and supply.

Research and development has focused over the past year on factors affecting the conservation and quality of the underground water sources we use. We are developing several advanced water treatment processes and also sophisticated computer models for forecasting and control in the management of reservoirs and treatment works.

Investigations continue into harmful substances that may affect the quality of

drinking water and we are identifying measures which will improve water quality at the tap. Research has shown that agricultural activities were the most likely source of contamination by a water-borne parasite called *cryptosporidium* in the Oxford/Swindon region.



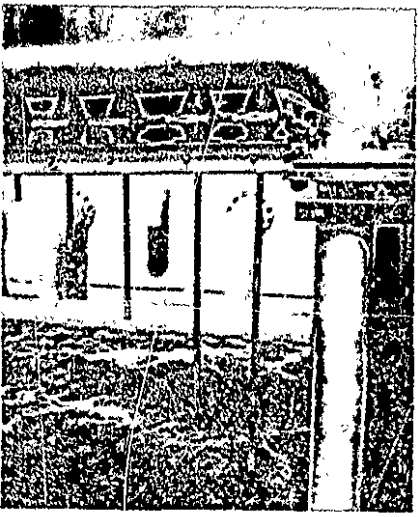
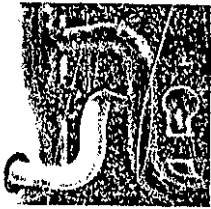
London Water Ring Main, the most significant investment in London's water system since the Victorians era.

# Sewage treatment and disposal

## Collection and treatment

The first step in the sewage treatment process is the collection of wastewater from homes and businesses. This is done through a network of pipes and sewers that lead to a central treatment plant. At the plant, the wastewater is first screened to remove large debris like sticks and rags. This is followed by primary treatment, where the water is held in a tank to allow some of the organic matter to settle to the bottom. The next stage is secondary treatment, which uses bacteria to break down the remaining organic matter. This is often done in a series of tanks where the water is aerated. Finally, the treated water is disinfected, usually with chlorine, to kill any remaining pathogens before being released into the environment.

The treated water is then either discharged into a body of water or recycled for use in agriculture or industry. The sludge that settles at the bottom of the tanks is also treated and can be used as fertilizer or for energy production.



The treated water is then either discharged into a body of water or recycled for use in agriculture or industry. The sludge that settles at the bottom of the tanks is also treated and can be used as fertilizer or for energy production.

## Sludge disposal

Sludge disposal is a critical part of the sewage treatment process. The sludge that settles at the bottom of the tanks is first dewatered to remove as much water as possible. This is done using centrifuges or filter presses. The resulting solid sludge can then be landfilled, used as fertilizer, or incinerated. In some cases, the sludge is used to produce biogas, which can be used for energy.

## Research and development

Research into sewage treatment processes has concentrated on developing technology designed to improve the performance of sewage treatment works. We have been continuing a detailed investigation into the control of odours at sewage works and the results are being incorporated into improvement work at Swindon and elsewhere.

We are studying alternative methods of sludge disposal which will provide greater flexibility when the North Sea route is phased out. In particular, we are investigating the use of large-scale incinerators and other outlets for sludge, such as composting and soil substitute.

## Customers and the community

Thames Water Utilities sees its relationships with customers, the community in which it operates and the wider environment as vital to the success of its business.

The 1989 Water Act brought major changes to the legal mechanism for safeguarding the interests of customers.

A Customer Service Committee, administered by the Office of Water Services, will deal with customer complaints and issues of interest to customers. We have implemented a Customer Guarantee Scheme laying down some of the company's operating standards. Details were sent to customers in the first quarter of 1990. Codes of Practice have also been drawn up (and most now approved by the Director General of Water Services) covering the services and standards customers can expect, leakage from customers' supply pipes, disconnection for non-payment, pipelaying and the use of powers of entry on to private land.

Thames Water Utilities has itself begun a major project to make contact with customers easier by building a modern service

centre at Swindon dealing with all billing and payment matters. We shall be taking steps to improve each year the speed of response to customer enquiries of all kinds. Steps have already been taken to streamline arrangements for customers with questions about the quality of their water.

During the year we participated in the national domestic water metering trials. Meters were fitted to some 800 properties in the Croydon area. Both illustrative and 'live' bills based on the meter readings have now been sent out. There has been little controversy.

We believe it to be in our interests to foster good relationships with the communities in which we operate. In early March we revised our community affairs policy to take advantage of the wider opportunities afforded us as a private company. The policy aims to provide sponsorship funds for local community projects.

There are a number of ways in which we are active in maintaining or improving the wider environment in which we operate. We are concerned with standards for the discharge of sewage effluent and

the disposal of sludge and we look to the prevention of over-abstraction from watercourses. Last year 400 investment schemes were assessed for their potential impact on the environment. Nineteen landscaping and habitat schemes were completed or begun.

In September Thames Water Utilities formally welcomed the Code of Practice on Conservation, Access and Recreation issued by the Government in July and by the year end we were completing a detailed policy response.

We continue to provide recreation facilities at reservoirs and at other operational sites. The most important activities taking place during the year were sailing, angling and birdwatching.



*The Oxford-Swindon trunk main runs through the Wiltshire countryside.*

# Thames in action



## Engineering

Engineer Chris Hynes, 41, is site manager on a construction contract where contracting and teamwork techniques have attracted attention from beyond the water industry.

The job is the rebuilding of a long Gambledy Sewage Treatment Works on record time to triple its capacity and meet toughs of water quality requirements.

Thames Water Utilities enters one of an annual team in August 1996 and gave them 130 weeks to deliver a new London sewerage treatment works plant.

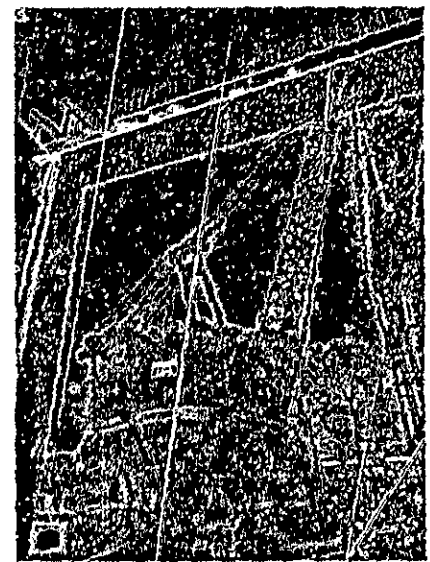
The team headed by Project Engineer Gerry Wetherham and led by the site manager, Chris Hynes, worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule.

The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule.

The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule.

The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule. The team worked on a tight budget and a tight schedule.

This was achieved and by June 1999 the project was running ahead of schedule and below budget. The techniques pioneered by the Thames team is now being applied to other major capital works projects. The attention and performance of the company, the attitude of the staff and the high quality of the work has attracted attention from beyond the water industry.



## Water and environmental science

Madeline Poulton is a Scientific Officer in the Water and Environmental Science Department of Thames Water Utilities. She is involved in one of the largest research programmes in the water industry.

Our scientists carry out detailed research on microbiology to ensure that the company has the most up-to-date knowledge when treating the micro-organisms that affect water quality.

Her work is part of the constant monitoring and assessment of water quality standards that we carry out using the latest laboratory techniques and methods.

Madeline, a graduate recruit, is a key participant in part of this programme, organising a project on microbiology and parasitology and working closely with the major laboratories at New River Head.

A team, led by Madeline, is concerned with identifying the source of the micro-organism *cryptosporidium* which can cause sickness and diarrhoea if it gets through from rivers into water supplies. The object of the work is to establish preventative water treatment programmes.

Initially a sampling programme was organised and close liaison set up with operational staff. Surveys were run throughout the whole of the Thames catchment area linked to a national survey run by the Water Research Centre.

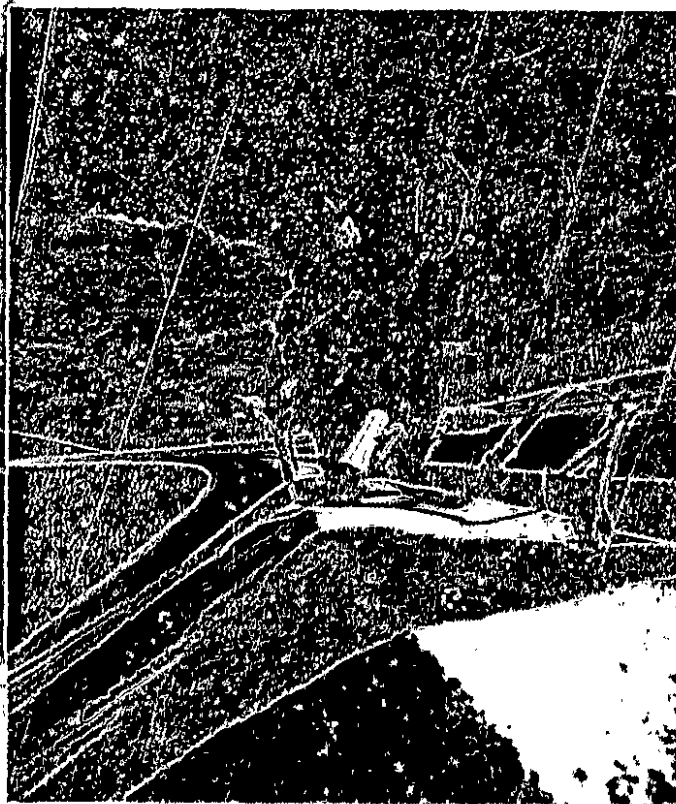
A great deal of research is being done to create a basic understanding of the parasite and its seasonal trends. Detailed knowledge on the parasite was also pooled with American scientists at a workshop in Washington, USA.

Madeline joined the Group in October 1989, after taking a degree in Zoology and a PhD in Aquatic Toxicology. She was one of 25 graduate trainees recruited that year from 700 applications.

'My work has been helped greatly by the graduate trainee programme, where we are taught various skills, including presentation and time management.'

'This is a very useful forum for exchanging thoughts with fellow graduates which one can apply to everyday work. There is a high level of commitment among us as a group.'

'And I have been given more opportunity and interest than I could have hoped for when I joined.'





## Review – Thames Water Enterprises Limited

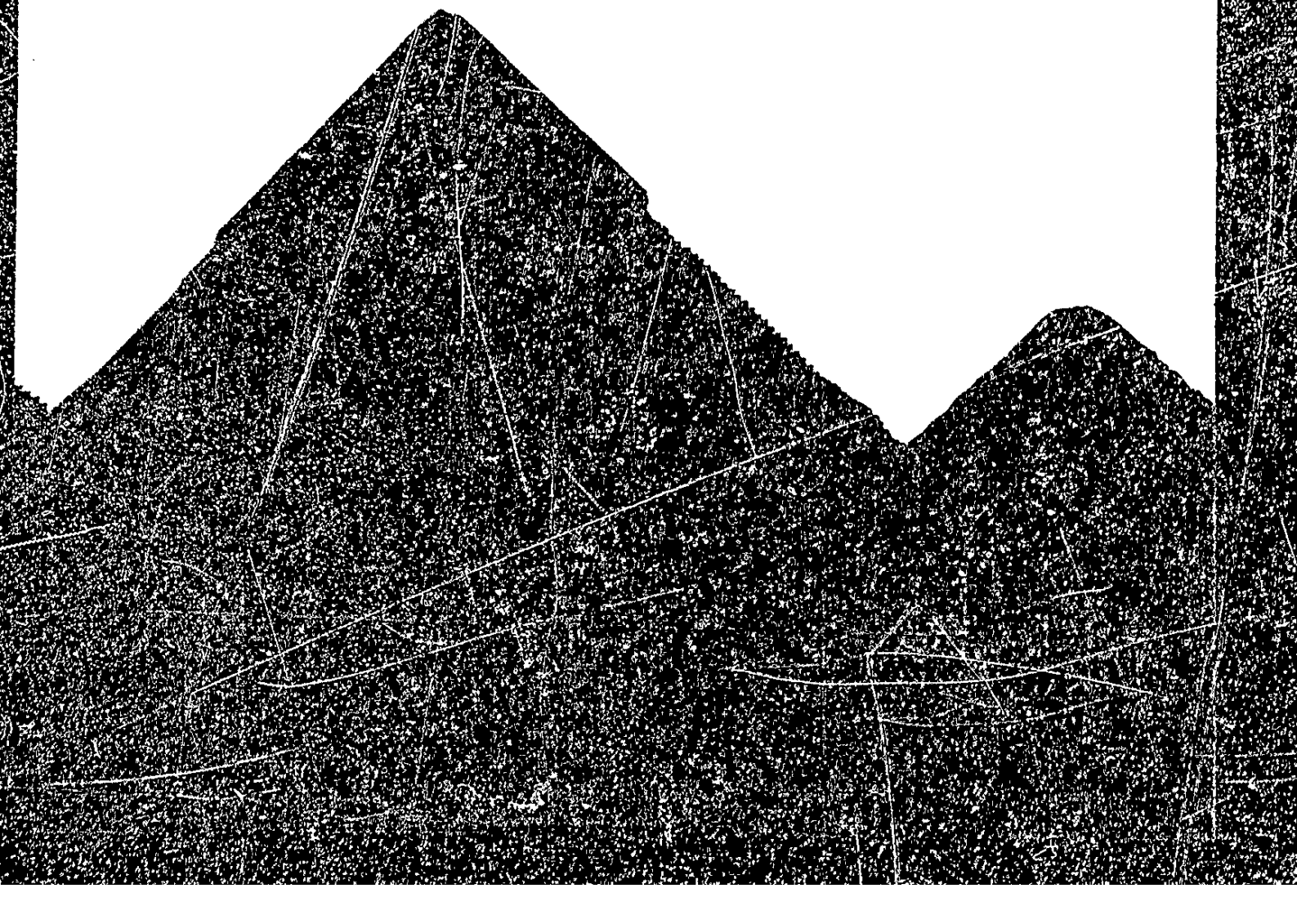
Thames Water Enterprises aims to capitalise on the existing skills and resources within Thames and to expand into related areas of activity. Turnover for the year from enterprise businesses increased 34% to £6.7m. Thames Water International provides consultancy and training worldwide. Building Services includes businesses which investigate and advise on water quality for large companies, pipework services in commercial property development and plumbing services. New opportunities in waste management are being investigated. Brophy Plc is a new joint venture company incorporating landscaping, land and soil reclamation and grounds maintenance.





## Review – *PWT Worldwide Limited*

The purchase of PWT Worldwide Ltd. was completed in December 1989. This company has 18 active subsidiaries throughout the world, employing some 1,600 people. The business consists largely of design & contracting for the drinking and industrial water treatment markets, together with various products and services operations. The latter businesses design and supply products such as water softeners, deionisers, membrane equipment, filtration plants, pipeline fittings and chlorinators.



PWT groups its businesses into two discrete activities:

- Design & Contracting
- Products & Services

The *Design & Contracting* activity has major centres in Los Angeles, Melbourne, Sydney and London. Additionally, there are operations in New Zealand, South Africa, Malaysia, Singapore and Hong Kong. The London-based company has branches in Cairo, Baghdad and Lagos and Permutit-Boby in Australia has a branch in Bangkok.

The PWT Design & Contracting companies cover the full spectrum of equipment supply. The companies are increasingly working together to implement a global strategy.

Over the last 12 months PWT has received significant orders for power station plant in India, Australia, Singapore, Iraq and Taiwan. On the municipal water front orders have been received in the Middle East, Africa and Far East, the largest award being the Beheira project in Egypt funded by the World Bank. In the UK we received orders from many of the water authorities and companies for water and sewage treatment equipment.

*Products & Services* companies cover a wide range of activities.

The Permutit Company Limited, based in the UK, sells and services standard and pre-engineered industrial water treatment plant. It leads in its field and combines a long history of service and reliability. Permutit Australia carries out similar operations.

Home Waterbehandeling BV, based in the Netherlands, produces an extensive range of standard and specially engineered industrial water treatment plants.

Stella-Meta Filters Limited sells defence, mobile and emergency water treatment equipment worldwide, together with fine filtration systems for industrial,

biotech and beverage processing.

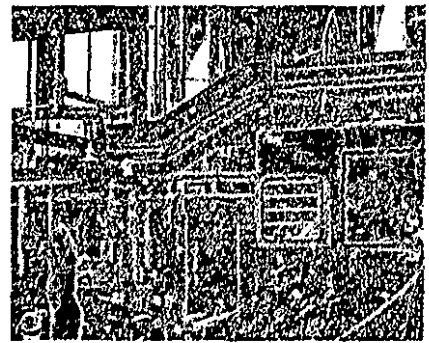
ETA Process Plant Limited designs and produces mass transfer processes for liquid degassing, de-aeration and fume scrubbing.

Portacel Limited supplies a comprehensive range of chlorinators, residual controllers, detectors and associated products. The current range represents the most up to date chlorination products available for the world market.

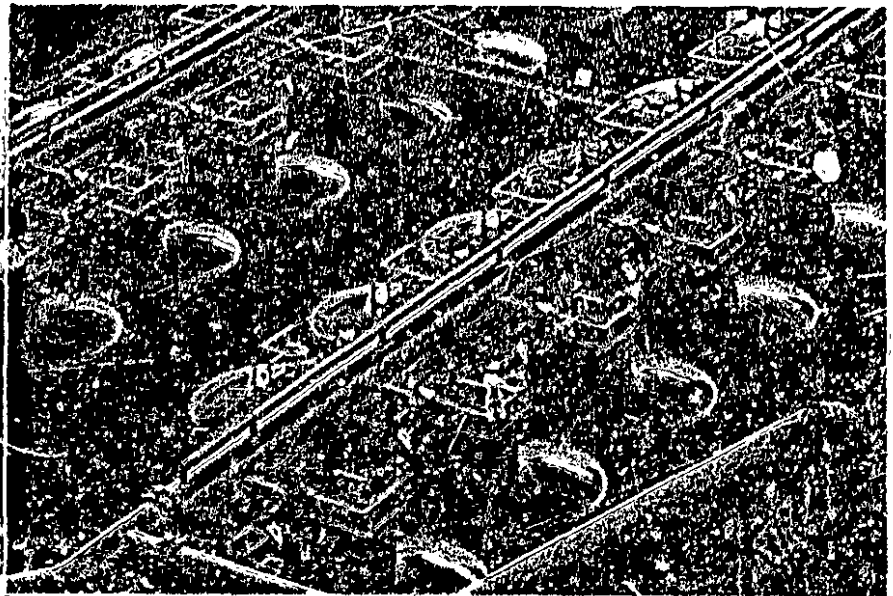
PCI Membrane Systems Limited is the world's leading supplier of membrane separation systems for the food, pharmaceutical and allied industries.

F W Talbot & Company Limited is the leading supplier in the UK for mechanical pipe fittings and its products are specified by water authorities in more than sixty countries.

PWT companies in Australia, the Netherlands, New Zealand and South Africa offer complete water treatment chemical programmes which improve and maintain performance in a number of areas within boiler and cooling water systems.



*A PWT de-alcoholisation plant used in the production of non-alcoholic beverages.*



*British Steel's filtration plant at Port Talbot, installed by PWT.*

# Directors' Report

The Directors present their first annual report together with the audited accounts for the year ended 31 March 1990.

## Incorporation

Thames Water Plc (the Company) was incorporated on 1 April 1989 as a public limited company under the Companies Act 1985. On 1 September 1989 a certificate to do business was granted to the Company and the property, rights and liabilities of Thames Water Authority, other than those parts of the business which were either vested in the National Rivers Authority or transferred to the Port of London Authority, were vested in Thames Water Utilities Limited, which on that date became a wholly owned subsidiary of the Company under the terms of the Water Act 1989.

## Company

On admittance to the Official List by the Stock Exchange, the Company's authorised share capital was

- 525,000,000 ordinary shares of £1 each.
- 1 special rights redeemable preference share of £1.

Details of the Company's capital restructuring are dealt with on page 39 in the notes to the accounts.

## Principal activities

The main activities of Thames Water Plc and its subsidiaries (the Group), are the provision of:

- water to customers which involves the abstraction of water from surface and groundwater sources and its subsequent treatment and distribution to customers' premises.
- sewerage services to customers which involves the collection, treatment and disposal of sewage from customers'

premises together with the conveyance and treatment of surface water.

In addition, the Group is developing a number of other trading activities which includes overseas consultancy, pipework and water quality services and domestic plumbing.

On 15 December 1989, Thames Water Plc completed the acquisition of the water treatment division of Portals Holdings PLC (excluding Houseman (Burnham) Limited), a division which has been engaged for some years in the design and construction of water treatment plants and the supply of water-related products.

A list of the principal subsidiary companies appears on page 34. Details of the progress made and significant information relating to the various activities of the Group during the year and for the future are given in the review of operations on pages 6 to 17.

## Profit and dividends

The Group profit for the year attributable to shareholders was £148m. The pro forma profit, that is, restating profit on ordinary activities after tax as if the capital structure introduced at flotation was in place for the whole of the financial year, was £168m compared to £158m forecast in the Listing Particulars. A review of current year performance and future developments is included on page 3 in the Chairman's Statement.

The Directors recommend payment of a final dividend of 10.07p per share amounting to £38.7m leaving a retained profit of £109m for the year.

## Fixed assets

Note 14 to the accounts details changes in tangible fixed assets during the year. In the opinion of the Directors, and having regard to certain valuation work undertaken earlier in the year, the market value of the Group's properties exceeds the balance sheet value.

## Employees

Formal employee involvement is through the three Joint Councils for staff, craft and industrial employees. New joint functional committees for water, sewerage and sewage treatment, and headquarters departments were set up during the year under the auspices of the councils to deal with matters specific to those parts of the Group.

Managers at local level continue to meet employees and their representatives to discuss matters of mutual interest and concern.

Thames has established a trust scheme as part of the arrangements for employees to acquire ordinary shares. In addition a share save scheme and an executive share option scheme have been adopted. As a result the overwhelming majority of employees participate in the Company as shareholders.

An established network of communication exists through a monthly newspaper, Thames Water News, and quarterly video news presentations.

## Health and safety

During the year, a number of significant changes were made in the management of health and safety matters within the Group. An integrated Health and Safety group was formed, consisting of specialists from within the Group and strengthened by the inclusion of an occupational hygienist. A new senior manager was appointed to head the function to ensure that high standards of health and safety are achieved and maintained.

Achievement and maintenance of high standards of health and safety are seen as being essential in order to protect both our employees and members of the public.

## Employment of the disabled

The Group recognises its responsibilities towards the disabled and employs them

where suitable opportunities arise. Every effort is made to find appropriate alternative jobs for those who become disabled whilst working for the Group.

#### Directors

The names of the present Directors of the Company are shown on page 21.

Mr R Watts, Mr M R Hoffman, Mr R C Clarke, Mr W R Harper, Mr D J Luffrum, Mr J M Thomson and Mr E J Worlidge were appointed as Directors with effect from 1 September 1989 by the Company's shareholders. Sir Christopher Leaver and Sir Peter Harrop were appointed as Directors on 15 September 1989.

Mr J A L Gunn and Mr A D Whetnall were appointed as Directors on 1 April 1989 and resigned on 31 August 1989.

In accordance with Article 89 of the Company's Articles of Association Sir Christopher Leaver and Sir Peter Harrop will retire at the forthcoming Annual General Meeting and being eligible, will offer themselves for re-election. In accordance with Article 106 of the Articles of Association Mr W R Harper and Mr J M Thomson will retire at the forthcoming Annual General Meeting and being eligible will offer themselves for re-election. Mr W R Harper has a service contract with the Company, subject to termination by three years' notice by the Company or six months' notice by Mr W R Harper. As Non-Executive Directors, Sir Christopher Leaver, Sir Peter Harrop and Mr J M Thomson do not have service contracts with the Company.

#### Directors' Interests

##### In shares

The interests of Directors, together with those of their families, in the shares of the Company at the end of the year are shown in the table above. No Director had any interest in the shares of the Company at the date of his appointment.

31 March 1990

	Shares	Share options
R Watts	11,263	90,000
Sir Christopher Leaver	3,851	—
M R Hoffman	6,258	211,136
R C Clarke	3,010	—
W R Harper	2,291	75,000
Sir Peter Harrop	920	—
D J Luffrum	2,495	79,000
J M Thomson	2,200	—
E J Worlidge	460	—

There were no changes in the Directors' registered interests in the shares of the Company during the period from 1 April 1990 to 25 May 1990. None of the Directors had any beneficial interest in the shares of any subsidiary companies.

#### Significant contracts

During the period under review there were no significant contracts between the Company and any of the Directors other than contracts of service with the Executive Directors.

#### Substantial shareholdings

The Directors have not been advised of any individual interest or groups of interest held by persons acting together which at 25 May 1990 amounted to or exceeded 5% of the Company's issued share capital.

The Directors consider that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company. There has been no change in this respect since the end of the financial year.

#### Research and development

The Group is committed to a programme of research and development activities. Pages 9 and 11 of the report on Thames Water Utilities Limited highlight the main areas where research activity is undertaken.

#### Political and charitable donations

No donations were made for political or charitable purposes during the year.

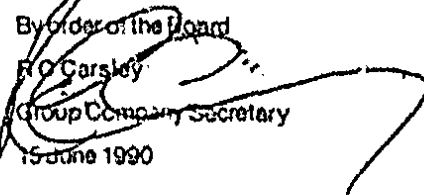
#### Regulatory accounts

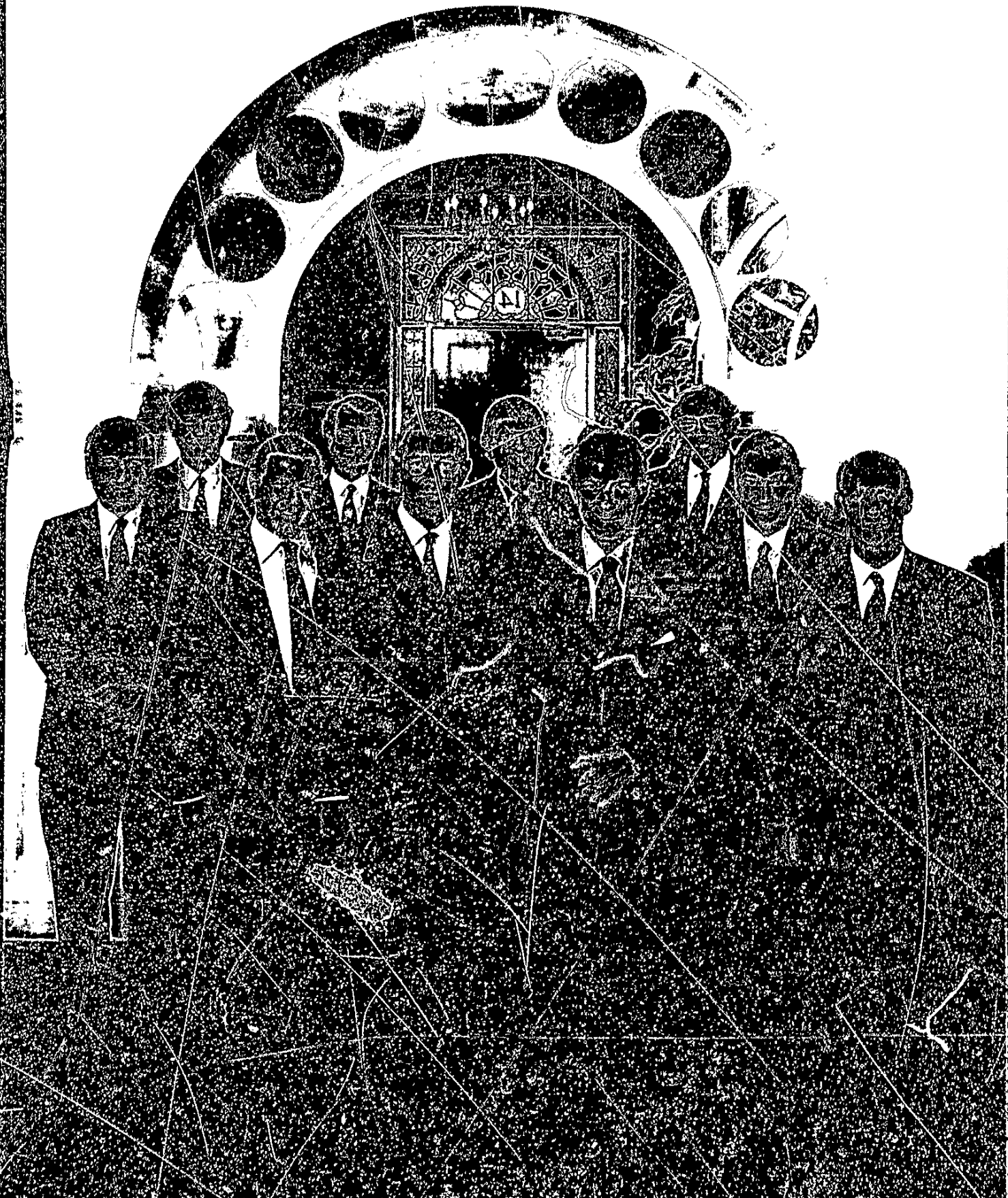
A set of accounts for regulatory purposes is required by the Office of Water Services. These accounts, together with supplementary statements, relate solely to the regulated utility business. Copies may be obtained by customers and other interested parties on request. (See note 31 to the Accounts.)

#### Auditors

Coopers & Lybrand were appointed by the Directors as the first auditors to the Company. Coopers & Lybrand have since merged their practice with Deloitte Haskins & Sells and now practise in the name of Coopers & Lybrand Deloitte. They have signed the audit report, on page 48, in their new name.

A resolution to reappoint Coopers & Lybrand Deloitte as the Company's auditors and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board  
  
 R O Carsley  
 Group Company Secretary  
 15 June 1990



## Board Members

Roy Watts CBE, MA (64) Chairman was appointed Chairman of Thames Water Authority in October 1983. He is a qualified accountant. He was formerly Chief Executive and Joint Deputy Chairman of British Airways. He is Chairman of Lowndes Lambert Group Holdings and Cabletime Installations. He is also Deputy Chairman of Brymon Airways and a Director of Pflmsoll Line.

Mike Hoffman FEng (50) Group Chief Executive joined Thames Water Authority in January 1989 as Group Chief Executive. He is Chairman and Chief Executive of Thames Water Utilities. A chartered engineer, he was previously Chief Executive of Babcock International, Managing Director of Airship Industries, Chairman of Perkins Engines Group and President of Massey Ferguson Farm and Industrial Machinery Division. He is a past President of the Institution of Production Engineers and currently a Non-Executive Director of Cosworth Engineering Ltd and Cray Electronics Holdings Plc.

Bill Harper IPFA (46) was appointed to the board of Thames Water Authority in March 1989. He joined Thames Water Authority in 1974 as Chief Accountant. Formerly Managing Director of Thames Water Authority, he is now Deputy Chairman of Thames Water Utilities with particular responsibility for the environment, customers and long-term planning.

David Luffrum IPFA (45) Group Finance Director was appointed to the board of Thames Water Authority in March 1989. An accountant, he joined Thames Water Authority in 1974, having previously held financial posts in the Thames Conservancy. He became Finance Director of Thames Water Authority in 1987.

Sir Christopher Leaver GBE (52) Group Deputy Chairman was appointed to the board of Thames Water Authority in 1983. He is a former Lord Mayor of London, a former Director of Thermal Scientific and the Bath and Portland Group, past Chairman of the London Tourist Board and currently Chairman of Russell and McIvor.

Robert Clarke MA (61) was appointed to the board of Thames Water Authority in July 1988. He is Chairman and Chief Executive of United Biscuits having become a member of its board in 1984.

Sir Peter Harrop KCB, MA (64) was appointed to the board of Thames Water Authority in October 1986. Formerly the Second Permanent Secretary in the DoE, he is Chairman of the National Bus Company, a Director of National Home Loans Holdings and a Managing Trustee of Municipal Mutual Insurance and a Trustee of the British Museum.

John Thomson MA (62) was appointed to the board of Thames Water Authority in 1984. He is Chairman of London & Manchester Group and Borthwicks. He is Vice Chairman of J Bibby & Sons and a Non-Executive Director of Scottish & Newcastle Breweries and Czarnikow.

John Worlidge MA (62) was appointed to the board of Thames Water Authority in 1988. Chairman and Chief Executive of the Wiggins Teape Group from 1984-89, he was an Executive Director of BAT Industries 1980-89. He is currently a Director of The Rugby Group and Chairman of the CBI Energy Policy Committee.

Group Company Secretary  
Clive Carsley MA (45) joined Thames Water Authority in May 1989. A barrister, he was previously Secretary of Carlisle, Deputy Secretary and Head of Legal Services of Babcock International and Commercial Director of Humphreys & Glasgow.

### Left to right

Robert Clarke, John Worlidge, Sir Christopher Leaver, Bill Harper, Mike Hoffman, Clive Carsley, Roy Watts, John Thomson, Sir Peter Harrop, David Luffrum.



# Consolidated Profit and Loss Account

Year ended 31 March

	Notes	The Group	
		1990 £m	1989 £m
Turnover	3	611.5	557.6
Operating costs	4	(453.2)	(370.1)
Operating profit	5	158.3	187.5
Other income	7	41.1	39.5
Interest payable and similar charges	8	(20.2)	(19.8)
Profit on ordinary activities before taxation		179.2	207.2
Taxation on profit on ordinary activities	9	(12.9)	-
Profit on ordinary activities after taxation		166.3	207.2
Extraordinary charges	10	(18.7)	(3.2)
Profit for the financial year		147.6	204.0
Dividends	12	(38.7)	-
Retained profit transferred to reserves	25	108.9	204.0
Pro forma earnings per ordinary share	13	43.6p	-

The notes on pages 25 to 45 form part of these accounts.

# Consolidated and Company Balance Sheets

at 31 March

	Notes	The Group		The Company
		1990 £m	1989 £m	1990 £m
<b>Fixed assets</b>				
Tangible assets	14	1420.5	1218.1	0.3
Investments	15	1.3	—	380.4
		1421.8	1218.1	380.7
<b>Current assets</b>				
Stocks and work in progress	16	37.5	18.4	—
Debtors	17	172.2	75.8	19.1
Investments	18	166.3	139.3	54.5
Cash at bank and in hand		3.5	—	—
		379.5	233.5	73.6
<b>Creditors: amounts falling due within one year</b>	19	(328.2)	(114.0)	(83.3)
<b>Net current assets</b>		51.3	119.5	10.3
<b>Total assets less current liabilities</b>		1473.1	1337.6	391.0
<b>Creditors: amounts falling due after more than one year</b>	20	(98.9)	(185.9)	(1.1)
<b>Provisions for liabilities and charges</b>	23	(27.3)	(10.6)	—
		1346.9	1141.1	389.9
<b>Capital and reserves</b>				
Called up share capital	24	384.2	—	384.2
Reserves and retained profits	25	962.7	1141.1	5.7
		1346.9	1141.1	389.9

The notes on pages 25 to 45 form part of these accounts. The accounts were approved by the Board on 15 June 1990.

R Watts  
Chairman



M R Hoffman  
Group Chief Executive



D J Luffrum  
Group Finance Director



# Consolidated Statement of Source and Application of Funds

Year ended 31 March

The Group

	1990 £m	1989 £m
<b>Source of funds</b>		
<b>Funds generated internally:</b>		
• Profit on ordinary activities before taxation	179.2	207.2
• Extraordinary charges	(18.7)	(3.2)
<b>Items not involving the movement of funds:</b>		
• Depreciation of tangible fixed assets	32.7	29.4
• Profit on sale of tangible fixed assets	(11.3)	(18.0)
• Increase in provisions for liabilities and charges	16.7	2.0
• Profit retained in associated companies	(0.1)	—
	198.5	217.4
<b>Funds from external sources:</b>		
• Capital grants and contributions	11.8	8.7
• Proceeds from sales of tangible fixed assets	11.4	19.9
• Finance leases	4.5	0.1
• Long-term borrowings	38.4	—
<b>Total source of funds</b>	<b>264.6</b>	<b>246.1</b>
<b>Application of funds</b>		
Purchase of tangible fixed assets	(247.0)	(165.9)
Purchase of goodwill on acquisition of subsidiaries	(10.2)	—
Loan repayments	(6.0)	(18.8)
Debenture repaid	(11.9)	—
Finance lease repayments	(1.7)	(3.6)
Investment in associated companies	(2.1)	—
	(278.9)	(188.3)
<b>(Increase) decrease in working capital</b>		
Stocks and work in progress	(19.1)	(5.5)
Debtors	(98.4)	(5.3)
Creditors: (excluding loans, finance leases, overdrafts, dividends and taxation)	149.3	10.7
	33.8	(0.1)
<b>Increase in net liquid funds</b>	<b>19.5</b>	<b>60.7</b>
<b>Increase (decrease) in net liquid funds</b>		
Cash and bank balances	3.5	—
Current asset investments	27.0	61.4
Short-term borrowings	(11.0)	(0.7)
	19.5	60.7

*A summary of the effects of the acquisition of PWT Worldwide Limited and its subsidiaries is shown in note 30 to these accounts.*

# Notes to the Accounts

## 1. Incorporation

Thames Water Plc was incorporated as a public limited company on 1 April 1989 under the Companies Act 1985. On 1 September 1989 it acquired the entire issued share capital of Thames Water Utilities Limited (TWUL), a company formed to continue the business of Thames Water Authority, other than those parts of the business which were either vested in the National Rivers Authority (NRA) or transferred to the Port of London Authority (PLA). On 1 September 1989 the property, rights and liabilities of Thames Water Authority other than those applicable to the NRA and the PLA were vested in Thames Water Utilities Limited. The above restructuring was undertaken in accordance with the provisions of the Water Act 1989.

For statutory accounts purposes this vesting is treated as having taken place immediately after the end of the Authority's last financial year and the accounts of TWUL which are consolidated in the Group accounts are prepared for the financial year 1 April 1989 to 31 March 1990.

## 2. Principal accounting policies

A summary of the more important Group accounting policies, which have been applied consistently except where indicated, is set out below.

### (a) Accounting convention

The accounts have been prepared in accordance with the historical cost convention.

### (b) Basis of consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss

account from the date of their acquisition or up to the date of their disposal. In the event that subsidiary company accounts are drawn up to a year end different from that of the parent company, appropriate adjustments are made to the Group accounts to reflect any significant transactions in the intervening period. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

### (c) Comparative figures

Comparative figures are stated after having eliminated from the Group accounts of Thames Water Authority for the year ended 31 March 1989 profits and losses, balance sheet items, and sources and applications of funds attributable to the NRA and the PLA.

The comparative figures differ from those shown in the Listing Particulars in respect of certain balance sheet items. These adjustments are disclosed in the notes to the accounts where significant.

### (d) Turnover

Turnover, which excludes value added tax, represents the income receivable in the ordinary course of business for goods and services provided.

### (e) Tangible fixed assets and depreciation

Tangible fixed assets comprise

- Infrastructure assets (being mains and sewers, incoming and pumped raw water storage reservoirs and sludge pipelines) and

- Other assets (including properties, overground plant and equipment)

#### (i) Infrastructure assets

Infrastructure assets comprise a network of systems

Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as additions which are included at cost after deducting grants and contributions. Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost and is classified as infrastructure renewals expenditure.

No depreciation is charged on infrastructure assets because the network of systems is required to be maintained in perpetuity and therefore has no finite economic life.

#### (ii) Other assets

Other assets are included at net cost less accumulated depreciation. Net cost is stated after deducting grants and contributions.

Freehold and leasehold land is not depreciated. Assets in the course of construction are not depreciated until they are commissioned. Other assets are depreciated evenly over their estimated economic lives which are principally as follows:

#### Buildings

Operational structures	40-80 years
Other	30-60 years
Fixed plant	20-40 years

#### Vehicles, mobile plant

and computers	4-10 years
---------------	------------

### (f) Leased assets

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee (finance leases), the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lesser. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lesser and the finance charges being



written off to the profit and loss account over the period of the lease in relation to the assets' written down value. The assets are depreciated over the shorter of their estimated useful lives and the lease period.

All other leases are regarded as operating leases. Rental costs arising under operating leases are expensed in the year in which they are incurred.

#### (g) Investments

##### Fixed asset investments

##### (i) In the accounts of the Company

Investments held as fixed assets are stated at cost less amounts written off.

##### (ii) In the Group accounts

Shares in associated companies are accounted for using the equity method of accounting. The consolidated profit and loss account includes the Group's share of the before tax results and attributable taxation of the associated companies based on audited financial statements for the year. In the consolidated balance sheet the shares in associated companies are shown as the Group's share of the net assets excluding goodwill of the associated companies. There are no other related companies other than those shown as associated companies.

##### Current asset investments

Investments held as current assets are stated at the lower of cost and net realisable value.

#### (h) Stocks and work in progress

Stocks and work in progress, with the exception of long-term contract work in progress, are valued at the lower of cost and net realisable value. Cost includes labour, materials, transport and an element of overheads.

Long-term contracts are included in the profit and loss account by recording turnover and related costs as contract activity progresses. Profit attributable to turnover to date is included where the outcome of

the contract can be foreseen with reasonable certainty. Full provision is made for anticipated future losses on unprofitable contracts.

Long-term contract work in progress is stated at net cost less foreseeable losses and progress payments received and receivable. Progress payments received in excess of costs less foreseeable losses are disclosed in creditors. Where foreseeable losses exceed net costs the excess is disclosed as provisions for liabilities and charges.

#### (i) Pension costs

The majority of the Group's employees belong to pension schemes which are funded by both employers' and employees' contributions and which are of the defined benefit type. The pension cost is assessed in accordance with the advice of an independent qualified actuary. Any difference between the cost charged and the amounts paid by the Group is treated as a prepayment or accrual.

This is a change in accounting policy to comply with Statement of Standard Accounting Practice Number 24. In previous years, the charge to the profit and loss account was the actual amount of the employers' contributions paid to the schemes and their predecessor schemes, details of which are given in the notes to the accounts. No cumulative adjustment arises on the implementation of SSAP 24.

#### (j) Foreign currencies

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling on the date of the transaction. Assets and liabilities in foreign currencies have been translated into sterling at rates of exchange ruling at the balance sheet date. All exchange differences arising are dealt with in the profit and loss account. The results of overseas subsidiary companies are translated at rates of exchange ruling during the year and the

differences arising in relation to the closing rates and from the restatement of opening balance sheets of overseas subsidiary companies at closing rates are dealt with through reserves together with exchange differences on the translation of foreign currency borrowings funding such investments.

#### (k) Research and development

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

#### (l) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

#### (m) Provision for insurance liabilities

Provision is made in these accounts for liabilities arising from claims against the Group or its wholly owned insurance company.

#### (n) Goodwill

Goodwill arising on acquisition, being the excess of the purchase price over the value of the net assets of subsidiary and associated companies at the date of acquisition, is written off against reserves in the year in which it arises.

#### (o) Interest

Interest payable is written off to the profit and loss account as it is incurred except that relating to monies borrowed to finance specific long-term contracts which is included in the cost of long-term contract work in progress. Interest receivable from the temporary investment of these monies is credited to the cost of long-term contract work in progress.

### 3. Group turnover and profit before taxation

	Turnover		Profit before taxation	
	1990 £m	1989 £m	1990 £m	1989 £m
<b>Analysis of turnover and profit before taxation by class of business</b>				
Water supply	265.0	242.3	45.5	78.2
Sewerage services	339.8	310.3	133.8	128.9
Other trading activities	6.7	5.0	(1.1)	0.1
Other activities	—	—	1.0	—
<b>Total</b>	<b>611.5</b>	<b>557.6</b>	<b>179.2</b>	<b>207.2</b>

The principal other trading activities are pipework services, plumbing and overseas projects. Substantially all of the Group's turnover is generated in the United Kingdom

Other activities are costs incurred in developing and appraising new business opportunities. Costs incurred are offset by interest receivable.

### 4. Operating costs

	1990 £m	1989 £m
<b>Analysis of operating costs by type of expense</b>		
Manpower costs	150.6	134.8
Other external charges:		
• Power	37.9	32.8
• Local authority rates	39.4	35.9
• Agencies	30.5	29.7
• Hired and contracted services	71.5	47.8
Materials and consumables	27.5	22.2
Infrastructure renewals charge	25.0	19.0
Other operating charges	58.3	32.3
Depreciation	32.7	29.4
<b>Sub total</b>	<b>473.4</b>	<b>383.9</b>
Less own work capitalised	(20.2)	(13.8)
<b>Total</b>	<b>453.2</b>	<b>370.1</b>

Included in operating costs are certain fees and corporate awareness costs (£5.1m) which had not been incurred in previous

years when Thames Water was a public authority but which are expected to recur at least in part in the future.

## 5. Operating profit

	1990 £m	1989 £m
Operating profit is stated after charging		
Directors' emoluments	0.5	0.1
Rentals under operating leases:		
• Hire of plant and machinery	0.5	0.3
• Other	3.3	2.4
Depreciation:		
• Own assets	30.6	28.7
• Assets held under finance leases	2.1	0.7
Auditors' remuneration	0.2	0.2
Research and development	4.1	3.4

Included in auditors' remuneration is £28,000 in respect of audit fees incurred by the Company in 1990.

## 6. Information regarding emoluments and employees

	1990 £000	1989 £000
Directors' emoluments		
As Directors	60	103
For management services	437	41

	1990 £	1989 £
--	-----------	-----------

Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions, are as follows:

Chairman	73,363	41,000
Highest paid Director	157,435	41,000

	1990 Number	1989 Number
--	----------------	----------------

### Scale of other Directors' emoluments

£	1990 Number	1989 Number
Nil to 5,000	2	5
5,001 - 10,000	4	7
10,001 - 15,000	1	-
15,001 - 20,000	1	-
20,001 - 25,000	1	-

The number of Directors and their emoluments for the year ended 31 March 1989 are in respect of the Members of the Board of Thames Water Authority.

Directors' emoluments for the year ended 31 March 1990 represent costs

incurred for the full year. Since flotation the salaries of the following executive Directors have been reviewed and are:

R Watts £120,000  
D.J. Luffum £80,000  
W.R. Harper £70,000

## 6. Information regarding emoluments and employees (continued)

	1990 £m	1989 £m
<b>Employee information</b>		
Group employment costs including Directors' emoluments were:		
Salaries and wages	130.3	118.4
Social security costs	10.1	9.0
Pension contributions	12.0	8.6
<b>Total employment costs</b>	<b>152.4</b>	<b>136.0</b>

Total employment costs contain £1.8m (1989 £1.2m) which is included in the infrastructure renewals charge in note 4.

	1990 Number	1989 Number
<b>Emoluments of senior employees of the Group, excluding Directors and excluding pension contributions, which fall within the following ranges:</b>		
£		
30,001 to 35,000	68	32
35,001 - 40,000	34	13
40,001 - 45,000	19	7
45,001 - 50,000	3	4
50,001 - 55,000	5	-
55,001 - 60,000	3	-
60,001 - 65,000	3	2
75,001 - 80,000	2	-

	1990 Number	1989 Number
<b>The average number of persons employed by the Group, including executive Directors, analysed by service was:</b>		
Water supply	4,347	4,434
Sewerage services	3,341	3,408
Other trading activities	61	57
Other activities	41	-
<b>Total</b>	<b>7,790</b>	<b>7,899</b>

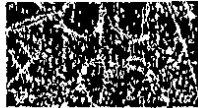
**Transactions with Directors and officers** which would be disclosable under the provisions of the Companies Act 1985

There are no transactions or arrangements

## 7. Other income

	1990 £m	1989 £m
<b>Other income comprises:</b>		
• Interest receivable and similar income	29.3	21.5
• Share of profits of associated companies	0.1	-
• Profit on sale of tangible fixed assets	11.3	18.0
• Net rents receivable	0.4	-
<b>Total</b>	<b>41.1</b>	<b>39.5</b>





## 8. Interest payable and similar charges

	1990 £m	1989 £m
<b>Interest payable on:</b>		
Bank loans, overdrafts and other loans		
• Repayable within five years otherwise than by instalments	11.6	16.2
• Repayable within five years by instalments	5.1	0.2
• Not wholly repayable within five years	3.3	3.3
Finance charges in respect of finance leases	0.2	0.1
<b>Total interest payable</b>	<b>20.2</b>	<b>19.8</b>

## 9. Taxation on profit on ordinary activities

No liability to corporation tax arises on the result for the year due to the availability of capital allowances. The taxation charge in the profit and loss account comprises advance corporation tax (ACT) deemed

irrecoverable as no mainstream corporation tax liability is envisaged for the foreseeable future. The ACT remains available to reduce future mainstream corporation tax liabilities.

## 10. Extraordinary charges

Extraordinary charges comprise:

- Costs in respect of the Offer for Sale of the Company's shares - £11.3m (1989 - £3.2m).
- Costs in respect of pension and accrued service liabilities for former Lee

and Thames Conservancy Pension Scheme members and their dependants (see note 28) - £74m (1989 - nil)

No tax credit arises during the year on these extraordinary charges

## 11. Profit of Thames Water Plc

Of the consolidated profit attributable to the shareholders of Thames Water Plc, £44.4m has been dealt with in the accounts of that Company. Thames Water

Plc has taken advantage of the legal dispensation allowing it not to publish a separate profit and loss account.

## 12. Dividends

A final dividend of 10.07p per ordinary share, equivalent to a full year's dividend of 15.11p compared with 14.58p forecast in

the Listing Particulars, is proposed by the Directors and is payable in October 1990.

## 13. Pro forma earnings per ordinary share

Pro forma profit on ordinary activities after taxation – £167.5m.

Pro forma earnings per ordinary share – 43.6p.

Pro forma earnings per ordinary share have been calculated by dividing pro forma profit on ordinary activities after taxation by the 384,208,000 ordinary shares in issue since 20 November 1989. Pro forma profit attributable to shareholders has been calculated by making an adjustment to interest of £7.6m as if the new capital structure had been in place since 1 April 1989 and by annualising the dividend and

the related advance corporation tax liability to show the estimated effective rate of taxation on a full year's activities.

Actual earnings per ordinary share have not been presented; the actual profit for the year ended 31 March 1990 is not considered to be representative for this purpose of the Group's position following implementation of the new capital structure.

Pro forma information for the year ended 31 March 1989 has not been presented. The Directors believe that the application of pro forma adjustments to that period would not be meaningful.

## 14. Tangible fixed assets

	Cost £m	Depreciation £m	Net Book value	
			1990 £m	1989 £m
<b>The Group</b>				
Land and buildings	594.9	146.1	448.8	374.6
Plant and machinery	1078.8	107.1	971.7	843.5
	<b>1673.7</b>	<b>253.2</b>	<b>1420.5</b>	<b>1218.1</b>

### The Company

Fixtures, fittings and equipment	0.3	–	0.3	–
----------------------------------	-----	---	-----	---

### Movements during the year:

	Freehold land and buildings £m	Leaseholds		Total £m
		over 50 years £m	under 50 years £m	
<b>Land and buildings</b>				
Cost at 1 April 1989	501.6	6.9	–	508.5
Additions at cost	77.1	7.6	–	84.7
Acquisition of subsidiaries	1.4	–	1.0	2.4
Reclassifications	(0.3)	–	–	(0.3)
Disposals	(0.1)	–	–	(0.1)
Grants and contributions	(0.3)	–	–	(0.3)
<b>Cost at 31 March 1990</b>	<b>579.4</b>	<b>14.5</b>	<b>1.0</b>	<b>594.9</b>
<b>Depreciation at 1 April 1989</b>	<b>133.8</b>	<b>0.1</b>	<b>–</b>	<b>133.9</b>
Provided during the year	11.7	0.1	–	11.8
Acquisition of subsidiaries	0.1	–	0.3	0.4
<b>Depreciation at 31 March 1990</b>	<b>145.6</b>	<b>0.2</b>	<b>0.3</b>	<b>146.1</b>

Tangible fixed assets: (continued)

	Freehold land and buildings £m	Leaseholds		Total £m
		over 50 years £m	under 50 years £m	
Net book value				
At 31 March 1990	433.8	14.3	0.7	448.8
At 31 March 1989	367.8	6.8	—	374.6

Depreciation has not been charged on freehold and leasehold land stated in the accounts at a cost of £2.8m.

	Group			Company	
	Infra-structure assets £m	Plant, machinery and vehicles £m	Fixtures, fittings, equipment £m	Total £m	Fixtures, fittings, equipment £m
Plant and machinery					
Cost at 1 April 1989	667.0	195.4	60.1	922.5	—
Additions at cost	75.1	46.4	33.8	155.3	—
Acquisition of subsidiaries	—	7.2	5.0	12.2	—
Grants and contributions	(11.5)	—	—	(11.5)	—
Reclassifications	—	—	0.3	0.3	0.3
Cost at 31 March 1990	730.6	249.0	99.2	1078.8	0.3
Depreciation at 1 April 1989	—	51.6	27.4	79.0	—
Provided during the year	—	12.2	8.7	20.9	—
Acquisition of subsidiaries	—	4.2	3.0	7.2	—
Depreciation at 31 March 1990	—	68.0	39.1	107.1	—
Net Book value					
At 31 March 1990	730.6	181.0	60.1	971.7	0.3
At 31 March 1989	667.0	143.8	32.7	843.5	—

Tangible fixed assets at 31 March 1990 include £160m (1989 £142m) of assets in the course of construction.

Details of the Group's tangible fixed assets included above which are held under finance leases are shown below

	Cost		Net book value	
	1990 £m	1989 £m	1990 £m	1989 £m
Plant, machinery and vehicles	0.1	0.1	0.1	0.1
Fixtures, fittings and equipment	12.7	8.6	8.0	5.8

## 15. Fixed asset investments

	Investment in associated companies £m
The Group	
Value at 1 April 1989	—
• Additions	2.1
• Share of results for the year	0.1
• Goodwill written off (see note 25)	(0.9)
Value at 31 March 1990	1.3

Notes:

1. The cost of shares in associated companies at 31 March 1990 amounted to £2.1m. The Group's share of the post acquisition reserves at 31 March 1990 amounts to approximately £0.1m. The

associated companies are unlisted.

2. On 30 March 1990 the Group invested £2m comprising £1.5m of equity capital and £0.5m of preference shares in a new joint venture company, Brophy Plc.

	Investments in group companies £m	Loans to group companies £m	Total £m
The Company			
Value at 1 April 1989	-	-	-
• Additions	371.2	9.2	380.4
Value at 31 March 1990	371.2	9.2	380.4

Notes:

1. With effect from 1 September 1989, the Thames Water Group was reorganised and the Company purchased from Thames Water Utilities Limited (TWUL)

a) the entire issued share capital of Thames Water Services Inc and Thames Water Plumbing Services Limited, the holding of 600 £1 shares in Thamesgro Land Management Limited together with all the business undertakings and assets of other enterprise businesses carried out by TWUL for a consideration equal to the book value of those businesses. These were then sold to Thames Water Enterprises Limited (TWEL) in return for the issue to Thames Water Plc of 98 ordinary shares of £1

TWEL commenced trade on 1 September 1989

b) the entire issued share capital of Isis Insurance Limited for a consideration equal to the book value of that business

2 Under an agreement dated 6 April 1989 between Portals Holdings PLC, Portals Water Treatment Inc (the 'Sellers') and Thames Water Authority, as amended by an agreement dated 25 October 1989 between the Sellers and Thames Water Plc, the Sellers agreed to sell and Thames Water Plc agreed to buy all the issued share capital of Portals Water Treatment Limited (now PWT Worldwide Limited) and L'A Water Treatment Corporation. The purchase was completed on 15 December 1989 as follows

(a) an investment in PWT Worldwide Limited of £7.5m together with the inheritance of loans from Portals Holdings PLC to PWT Worldwide Limited of £20.9m

(b) an investment of £1.7m in L'A Water Treatment Corporation

Further details of the acquisition are included in note 30 to these accounts

15. Fixed asset investments (continued)

	Country of incorporation and operation	Class of share capital held	Proportion of shares held		Nature of business
			Directly	Indirectly	
At 31 March 1990 the Group held more than 10% of the allotted share capital of the following companies:					
<b>Subsidiaries</b>					
Thames Water Utilities Limited	Great Britain	Ordinary	100%		Water and sewerage services
Isis Insurance Company Limited	Isle of Man	Ordinary	100%		Insurance
Thames Water Enterprises Limited	Great Britain	Ordinary	100%		Consultancy and building services
Thames Water Plumbing Services Limited	Great Britain	Ordinary		100%	Domestic plumbing
Thames Water Services Inc	United States	Common		100%	Overseas consultancy
Thames Water Holdings Inc	United States	Common Convertible	100%	100%	Management company
PWT Worldwide Limited	Great Britain	Ordinary	100%		Management company
L*A Water Treatment Corporation	United States	Ordinary		100%	Design contracting
The Permutit Company Limited	Great Britain	Ordinary		100%	Water treatment plant
Stella-Meta Filters Limited	Great Britain	Ordinary		100%	Filtration systems
PCI Membrane Systems Limited	Great Britain	Ordinary		100%	Membranes
ETA Process Plant Limited	Great Britain	Ordinary Preference		100% 100%	Mass transfer
PWT Projects Limited	Great Britain	Ordinary		100%	Design contracting
Portacel Limited	Great Britain	Ordinary		100%	Chlorination
FW Talbot & Company Limited	Great Britain	Ordinary		100%	Pipeline products
The Permutit Company of Australia Pty Limited	Australia	Ordinary		100%	Water treatment plant
Permutit-Bohy Australia Pty Limited	Australia	Ordinary		100%	Design contracting
Houseman Australia Pty Limited	Australia	Ordinary		100%	Chemicals
PWT New Zealand Limited	New Zealand	Ordinary		100%	Contracting and products
PWT (Singapore) Pte Limited	Singapore	Ordinary		100%	Design contracting
Paterson Candy (Malaysia) Sdn Bhd.	Malaysia	Ordinary		100%	Design contracting
PWT (Hong Kong) Limited	Hong Kong	Ordinary		100%	Design contracting
PWT South Africa (Pty) Limited	South Africa	Ordinary		100%	Contracting and products
Houseman BV	Netherlands	Ordinary		100%	Chemicals
Home Waterbehandeling BV	Netherlands	Ordinary		100%	Water treatment plant
<b>Associated company</b>					
Brophy Plc	Great Britain	Ordinary Preference		50% 100%	Environmental services

## 16. Stocks and work in progress

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Raw materials and consumables	18.8	14.7	-
Work in progress	14.8	3.7	-
Finished goods and goods for resale	3.9	-	-
<b>Total</b>	<b>37.5</b>	<b>18.4</b>	<b>-</b>
Work in progress includes long-term contract balances as follows:			
Net cost less foreseeable losses	81.9	-	-
Applicable payments on account	(72.8)	-	-
<b>Total</b>	<b>9.1</b>	<b>-</b>	<b>-</b>

## 17. Debtors

	The Group		The Company
	1990 £m	1989 £m	1990 £m
<b>Due within one year</b>			
Trade debtors	97.8	46.4	-
Amounts recoverable on contracts	8.0	-	-
Amounts owed by subsidiaries	-	-	3.6
Other debtors	27.3	10.9	10.1
Prepayments and accrued income	38.1	17.7	1.4
<b>Sub total</b>	<b>171.2</b>	<b>75.0</b>	<b>15.1</b>
<b>Due after more than one year</b>			
Trade debtors	0.2	0.1	-
Amounts owed by subsidiaries	-	-	4.0
Other debtors	0.8	0.7	-
<b>Total</b>	<b>172.2</b>	<b>75.8</b>	<b>19.1</b>

## 18. Current asset investments

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Government and Local Authority loans	24.3	126.7	—
Fixed term deposits and certificates of deposit	129.0	—	54.5
Fixed interest securities	13.0	12.6	—
<b>Total</b>	<b>166.3</b>	<b>139.3</b>	<b>54.5</b>

*The market value of investments is not significantly different from cost.*

## 19. Creditors: amounts falling due within one year

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Bank loans, overdrafts and temporary borrowings (see note 21)	29.3	13.7	6.8
Other loans (see note 21)	8.8	5.1	—
Obligations under finance leases (see note 22)	1.8	0.7	—
Progress claims and advance payments	56.2	—	—
Trade creditors	128.9	63.3	—
Amounts owed to subsidiaries	—	—	3.6
Other creditors	4.1	8.6	—
Advance corporation tax	12.9	—	12.9
Taxation and social security	4.9	2.3	—
Accruals and deferred income	42.6	20.3	1.3
Proposed dividend	38.7	—	38.7
<b>Total</b>	<b>328.2</b>	<b>114.0</b>	<b>63.3</b>

## 20. Creditors: amounts falling due after more than one year

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Bank loans (see note 21)	25.0	—	—
Other loans (see note 21)	53.1	173.9	—
Obligations under finance leases (see note 22)	3.1	1.4	—
Amounts owed to subsidiaries	—	—	1.1
Other creditors	17.7	10.6	—
<b>Total</b>	<b>98.9</b>	<b>185.9</b>	<b>1.1</b>

## 21. Loans

	Range of interest rates %	The Group		The Company
		1990 £m	1989 £m	1990 £m
Relevant loans	2-15	-	122.8	-
Bank loans	8.5-11.5	29.6	-	4.6
Other loans	3-11.5	61.9	56.2	-
Bank overdraft		24.7	13.7	2.2
<b>Sub total</b>		<b>116.2</b>	<b>192.7</b>	<b>6.8</b>
Less: amounts repayable within one year		(38.1)	(18.8)	(6.8)
<b>Total</b>		<b>78.1</b>	<b>173.9</b>	<b>-</b>

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Loans outstanding are repayable as follows:			
Within one year	38.1	18.8	6.8
Between one and two years	1.1	5.4	-
Between two and five years	2.3	12.7	-
After more than five years	74.7	155.8	-
<b>Total</b>	<b>116.2</b>	<b>192.7</b>	<b>6.8</b>

### Notes:

- Loans are repayable between 1990 and 2030.
- Relevant loans were loans to Thames Water Authority from the Secretary of State for the Environment or the Public Works Loan Commissioners. Part of the capital restructuring at flotation included the extinguishment of relevant loans. Accordingly the relevant debt outstanding at 15 November 1989 amounting to £120.8m was extinguished. In the Listing Particulars relevant loans excluded £20.8m relating to NRA activities. The terms of the Transfer Scheme which governed the separation of the NRA from Thames Water Authority prohibited the vesting of any loans in the NRA. Comparative figures have therefore been adjusted through reserves.
- On 15 November 1989, pursuant to a

direction given by the Secretary of State for the Environment under section 83(2) and (4) of the Water Act 1989, Thames Water Plc issued a debenture to HM Treasury acknowledging indebtedness in the principal amount of £11.9m. The debt was repaid on 29 December 1989, the date on which the whole of the ordinary share capital of Thames Water Plc was admitted to the Official List.

4. Of the loans repayable after more than five years hence £58m (1989 £33m) is in respect of loans wholly repayable after that date.

5. Included in 'Other loans' are loans totalling some £33m which are secured on the revenues of Thames Water Utilities Limited and £76m secured on a property owned by that company.



## 22. Obligations under finance leases

	The Group		The Company
	1990 £m	1989 £m	1990 £m
<b>Finance leases</b>			
Amounts due under finance leases are payable as follows:			
• Within one year	2.0	1.0	—
• Between one and two years	1.7	1.0	—
• Between two and five years	1.8	0.9	—
	5.5	2.9	—
Less finance charges allocated to future periods	(0.6)	(0.8)	—
<b>Total</b>	<b>4.9</b>	<b>2.1</b>	<b>—</b>

## 23. Provisions for liabilities and charges

	The Group		The Company	
	Deferred taxation £m	Other provisions £m	Total £m	£m
Balance at 1 April 1989	—	10.6	10.6	—
Acquisition of subsidiaries	—	8.2	8.2	—
Provided during the year	—	8.5	8.5	—
<b>Balance at 31 March 1990</b>	<b>—</b>	<b>27.3</b>	<b>27.3</b>	<b>—</b>

### Notes:

#### 1. Deferred taxation

The Group's medium and long term plans for capital investment together with the asset base transferred from Thames Water Authority on vesting indicate that for the foreseeable future the amount of tax allowances in respect of eligible plant and

machinery will exceed the depreciation on existing and new assets. Accordingly, no provision for deferred taxation has been recognised in these accounts.

Deferred taxation in respect of infrastructure assets will arise only in the event of any disposal of these assets.

### 23. Provisions for liabilities and charges (continued)

An analysis of the amounts unprovided is as follows:

	1990 £m	1989 £m
Accelerated capital allowances:		
- infrastructure assets	37.3	-
- other assets	18.7	-
Other timing differences	(3.3)	-
Losses	(17.0)	-
<b>Total</b>	<b>35.7</b>	<b>-</b>

### 2. Other provisions

	1990 £m	1989 £m
Other provisions comprise:		
• Insurance liabilities	14.9	10.6
• Infrastructure renewals expenditure	4.2	-
• Foreseeable losses on long-term contract work in progress	8.2	-
<b>Total</b>	<b>27.3</b>	<b>10.6</b>

### 24. Share capital

The share capital of the Company is shown below:

	£
Authorised	
525,000,000 ordinary shares of £1 each	525,000,000
Special rights redeemable preference share of £1	1
Allotted, called up and fully paid	
384,208,000 ordinary shares of £1 each	384,208,000
Special rights redeemable preference share of £1	1

The Company's share capital on incorporation was 50,000 shares of £1 each, of which two were subscribed at par by nominees of the Crown. On 29 August 1989, the authorised share capital was increased to £50,001 by the creation of one special share of £1 and the 50,000 shares of £1 each were redesignated as ordinary shares of £1 each. On 1 September 1989, 49,998 ordinary shares were issued at par to the Secretary of State for the Environment credited as fully paid.

On 20 November 1989

(a) the authorised share capital was further increased to £2,637,001 by the creation of 2,587,000 additional ordinary shares and, in

accordance with the terms and conditions of the Water Act 1989 2,587,000 ordinary shares were issued at par, credited as fully paid, to the Secretary of State

(b) conditional upon the whole of the ordinary share capital being admitted to the Official List by the Stock Exchange the authorised share capital of the Company was further increased to 525,000,001 by the creation of 522,363,000 additional ordinary shares

The condition was satisfied on 12 December 1989

In accordance with a direction made by the Secretary of State under Section 83 of the Water Act 1989

(a) 381,571,000 ordinary shares were allotted at par, credited as fully paid to the Secretary of State;

(b) the special share was allotted at par, credited as fully paid, to the Secretary of State.

The special rights redeemable preference share is redeemable at any time at par at the option of the Secretary of State after consulting the Company. This share, which may only be held by the Secretary of State or another person acting on behalf of HM Government, does not carry any rights to vote at general meetings but entitles the holder to attend and speak at such meetings. Certain matters, in particular the alteration of specific sections of the Articles of Association of the Company (including the Article relating to limitations that prevent a person from owning or having an interest in 15% or more of the ordinary shares in Thames Water Plc), require the prior written consent of the holder of the special share. The ordinary shares were

offered for sale by the Government on 22 November 1989 at a price of £2.40 of which £1 was payable on application.

#### Employee share schemes

The Company has established a Trust scheme as part of the arrangements for employees to acquire ordinary shares in the Thames offer for sale. This scheme can only be used in future years if the Directors so determine.

The Company has adopted two share option schemes for employees and options have been granted to eligible employees to subscribe for ordinary shares in the Company in accordance with the rules of each scheme. The Thames Water Share Save scheme is a 'save as you earn' share option scheme with options exercisable, in normal circumstances, after completion of a 5 or 7 year contract. The Thames Water Executive Share Option scheme is a scheme for senior executives with options exercisable between the third and tenth anniversaries of the date of grant

#### Options granted and outstanding at 31 March 1990 were:

	Thames Water Share Save Scheme	Thames Water Executive Share Option Scheme
Number of ordinary shares	3,200,000	1,802,000
Price per share	176p	278p

## 25. Reserves and retained profits

Profit and loss account	The Company (£m)	Subsidiary Companies (£m)	Associated Companies (£m)	Total (£m)
Balance at 1 April 1989	=	1141.1	-	1141.1
(Loss) profit for the year after tax	(11.4)	158.0	0.1	147.6
Capitalisation of reserves (note 24)	(384.2)	-	-	(384.2)
Intra Group dividend	440.0	(440.0)	-	-
Net debt extinguished (note 21)	=	108.0	-	108.0
Other movements	=	(0.9)	-	(0.9)
Dividend payable	(38.7)	-	-	(38.7)
	5.7	908.0	0.1	973.8
Goodwill written off				(11.1)
Balance at 31 March 1990				962.7

Goodwill amounting to £11.1m has arisen from the following two transactions completed during the year:

- £10.2m on the acquisition of PWT Worldwide Limited and its subsidiary companies and L\*AWater Treatment Corporation from Portals Holdings PLC (see note 30).

- £0.9m from the joint venture with Brophy Plc (see note 15).

The following table shows the difference between the fair value of assets and liabilities purchased from Portals Holdings PLC and the book values in their balance sheet at 31 December 1989.

Fair value table

	Book value £m	Provisions £m	Accounting policy £m	Fair value £m
<b>Fixed Assets</b>				
Tangible	7.3	-	(0.3) <sup>1</sup>	7.0
Investments	0.1	-	-	0.1
<b>Current Assets</b>				
Stock	17.3	-	(1.0) <sup>2</sup>	16.3
Debtors	54.5	-	-	54.5
Cash	6.8	-	-	6.8
Creditors less than one year	(67.4)	-	-	(67.4)
Creditors more than one year	(4.3)	-	-	(4.3)
Provisions for liabilities and charges	(6.9)	(1.3) <sup>3</sup>	-	(8.2)
<b>Total</b>	<b>7.4</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>4.8</b>

Notes:

1. Write off of development costs which had previously been capitalised into work in progress and recognising profits on contracts
2. Change in basis of absorbing overheads
3. Provisions for future rationalisation

## 26. Capital commitments

	The Group		The Company
	1990 £m	1989 £m	1990 £m
Contracted for but not provided in the financial statements	159	160	-
Authorised but not yet contracted for	324	215	-

In addition to these commitments, Thames Water Plc has long-term capital investment plans to meet shortfalls in performance

and asset condition and to provide for new demand and growth

## 27. Operating leases

	The Group		The Company
	Land and buildings £m	Other £m	Land and buildings £m
At 31 March 1990 Thames Water Plc was committed to making the following payments during the next year in respect of non-cancellable operating leases:			
Leases which expire:			
Within one year	—	0.3	—
Between one and five years	0.9	1.1	—
After more than five years	3.0	—	0.3
<b>Total</b>	<b>3.9</b>	<b>1.4</b>	<b>0.3</b>

## 28. Pension schemes

Pension arrangements for the majority of the Group's employees are of the defined benefit type which at the end of the year were provided through

- (i) the Thames Water Pension Scheme (TWPS), or
- (ii) the Thames Water Mirror Image Pension Scheme (TWMIPS).

The assets of each pension scheme are held separately from those of the Group in trustee administered funds

### Reorganisation of pension arrangements

On 1 September 1989, the date of vesting, employees who were members of the Water Authorities Superannuation Fund (WASF) were given the option of becoming members of TWPS or TWMIPS and additionally of transferring their accrued benefits into whichever scheme they had joined or to leave their accrued benefits in WASF. Such transfers are to be funded in full as at 1 September 1989 by actuarially determined transfers of assets from WASF such that there is no unfunded liability of the Group in respect of the past service of the employees of the Group

### TWPS

TWPS was established on 1 July 1988

The Group's contribution is determined by TWPS' consulting actuary, Bacon & Woodrow, using the attained age method, at a level which, together with members' contributions, will meet the full cost of providing benefits, including post-retirement and deferred pension increases in line with price inflation but subject to a maximum rate of employers' contributions specified in the scheme's trust deed.

The first formal actuarial valuation of the scheme has not yet been completed. The assumptions which will have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases in pay and pensions. In determining the Group's initial contribution rate these assumptions were

Rate of return on investments	9% per annum
Rate of increase to pay and pensionable pay	7.5% per annum plus a promotional scale
Rate of pension increases (except for GMPs)	6% per annum

At inception the scheme had no investments, although it was due the transfer payment from WASF. Transfer payments have been made on account of final transfer values from WASF in respect of those

members who have elected to transfer their accrued benefits in WASF. Final transfer values will be appropriate to meet the accrued liabilities as at the date the liabilities were assumed by the scheme including allowance for future salary increases and index-linked increases to pensions.

Pension costs charged in the profit and loss account amounted to £4.2m (1989: £2.3m). The change in accounting policy has had no significant effect on the amount charged in the current year.

The Group operates discretionary arrangements under which it augments benefits on retirement which are funded by way of a capital contribution to the scheme. In the year ended 31 March 1990 these payments amounted to £0.5m (1989: £0.7m).

#### TWMIPS

TWMIPS was established on 1 September 1989 to provide benefits on an unchanged basis for those employees who were, prior to that date, members of the Water Authorities Superannuation Fund and who had not opted to transfer to TWPS. As a consequence of vesting, employees of the Group were no longer eligible to participate in WASF for future service.

The Group's contribution is determined by TWMIPS' consulting actuary, Bacon & Woodrow, using the attained age method, at a level which, together with members' contributions, will meet the full cost of providing the benefits, including post-retirement and deferred pension increases, in line with price inflation.

Transfer payments have been made on account of final transfer values from WASF in respect of those members who have elected to transfer their accrued benefits in WASF. Final transfer values will be appropriate to meet the accrued liabilities as at the date the liabilities were assumed by the scheme including allowance for future

salary increases and index-linked increases to pensions.

Pension costs charged in the profit and loss account amounted to £4.5m. The change in accounting policy has had no significant effect on the amount charged in the current year.

The Group operates discretionary arrangements under which it augments benefits on retirement which are funded by way of a capital contribution to the scheme. In the year ended 31 March 1990 these payments amounted to £2.8m.

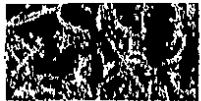
#### WASF

The employers' contributions were set by WASF's consulting actuary, William M Mercer Fraser Limited. The last actuarial valuation reviewed the state of the fund as at 31 March 1988. The rate of employers' contributions was 137.5 per cent of members' contributions and the employer's contribution charged to the profit and loss account for the period to 31 August 1989 amounted to £2.2m (£5.6m for the year to 31 March 1989).

In addition to the employers' contribution payable to WASF, the Group met the unfunded cost of statutory increases to pensions in payment. The Group also operated supplementary discretionary arrangements under which it made lump sum payments and/or augmented the payments to pensioners by the award of added years. The Group was not permitted to pre-fund these liabilities through WASF but met the associated cost as payments were made to beneficiaries. For the period ended 31 August 1989 these payments totalled £4.4m (£8.0m for the year to 31 March 1989).

#### General

In addition to the above arrangements the Group made payments to a number of pensioners in respect of unfunded benefits. In the period ended 31 August



1989 these payments totalled £0.3m (£1m for the year to 31 March 1989).

Pension costs amounting to £0.6m (1989: £0.6m) have been charged in the profit and loss account relating to payments made to fund pensions increases for employees for whom liabilities were assumed on the reorganisation of the water industry in 1974. The Group's liability to fund such increases terminated on 31 March 1990.

Included in extraordinary charges (note 10) is a payment of £5.5m into TWMIIPS in order to fund in full as at 1 September 1989, certain pension arrangements inherited from the Lea and Thames Conservancies in respect of pensioners, deferred pensioners and employees. The payment was made on the basis of actuarial assumptions which Bacon & Woodrow have confirmed would be appropriate for funding those liabilities, including allowance for future salary increases and fully index-linked increases to pensions.

#### PWT

Under the arrangements for the acquisition by the Group of PWT Worldwide Limited and its United Kingdom subsidiaries those employees who were members of the Portals Group 1978 Pension Plan (the Portals scheme) were given the option to transfer on 1 April 1990 into a new scheme, the Thames Water (PWT) Pension scheme which will provide benefits on an unchanged basis. Employees who opted to join the new scheme could also elect to transfer their accrued benefits from the Portals scheme. Such transfers are to be funded in full as at 1 April 1990 by actuarially determined transfers of assets from the Portals scheme such that there is no unfunded liability of the Group in respect of the past service of the employees of the Group.

Employees of overseas subsidiaries will continue to be members of existing

pension schemes for which arrangements will continue as before the acquisition.

## 29. Contingent liabilities and guarantees

The Company has guaranteed the overdrafts and loans of certain subsidiaries up to a maximum of £23.5m. The Company has also guaranteed facilities for contract bonding on behalf of certain subsidiaries acquired from Portals Holdings PLC amounting to £45.5m at 31 March 1990.

Thames Water Utilities Limited has been informed by a holder of part of one of the loan stocks included under loans repayable after more than five years, that he considers such stock to have been overdue for a number of years prior to the establishment of Thames Water Utilities Limited and that such stock is immediately repayable together with an additional amount of interest at market rates. The Directors have been advised that the principal amount of stock potentially involved is unlikely to exceed £3m.

Thames Water Utilities Limited has also been notified by the Secretary of State for the Environment that any liability in respect of past interest arising by virtue of any loan stocks being found to be overdue would be an item eligible for consideration for recovery through the price adjustment formula.

## 30. Acquisition of PWT Worldwide Limited

The accounting reference date for PWT Worldwide Limited and its subsidiary companies and LA Water Treatment Corporation is 31 December. The most recent audited accounts of these companies have been prepared for the year ended 31 December 1989.

The accounting reference date of these companies will be brought into line with that of Thames Water Plc such that the accounts of Thames Water Plc for the year ending 31 March 1991 will incorporate

15 months financial results for these companies.

The investment in the above companies by Thames Water Plc was completed on 15 December 1989 and accordingly their audited balance sheets at 31 December 1989 have been consolidated. The results of the acquired companies for the period 15 December 1989 to 31 December 1989 have not been consolidated as, in the opinion of the Directors, they are not material to the Group results of Thames Water Plc. Goodwill arising on consolidation has therefore been calculated by reference to the net asset value of the acquired group at 31 December 1989, which is

	£m
Fixed assets	7.0
Investments	0.1
Stock	16.3
Debtors	54.5
Cash	6.8
Creditors less than one year	(67.4)
Creditors more than one year	(4.3)
Provisions for liabilities and charges	(8.2)
	4.8
Goodwill	10.2
Purchase price	15.0

The share sale agreement contained a provision whereby if and to the extent that the net asset value as at 31 December 1989 is less than the net asset value as at 31 December 1988, Portals Holdings PLC shall pay to Thames Water Plc an amount equal to the shortfall.

The audited financial statements at 31 December 1989, having been adjusted for the financial consequences of provisions made by the directors of Thames Water Plc show a shortfall in the value of net assets and a claim for £16.1m against the originally estimated purchase price of approximately £30m had been made on Portals Holdings

PLC. This has been recognised in full in the calculation of the purchase price.

The claim which was prepared with professional advice and assistance is currently being disputed by Portals Holdings PLC although the Directors are satisfied that the claim has been properly and validly compiled.

There has been no change in the net asset value of the acquired group between 31 December 1989 and 31 March 1990 which is significant to the Group results of Thames Water Plc.

### 31. Thames Water Utilities Limited

Condition F of the Instrument of Appointment under which Thames Water Utilities Limited (the Appointee) operates, requires specified accounting statements to be published with the annual accounts of the Appointee or its parent company. These will be available from 20 July onward. Anyone requiring a copy of these accounts including the specified statements should apply to:

J.H. Boudier  
 Finance Director  
 Thames Water Utilities Limited  
 Nugent House,  
 Vauxhall Road  
 Reading RG1 8BB



## Notice of Meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of Thames Water Plc will be held at Alexandra Palace, Palace Road, London N11 on Thursday, 19 July 1990 at 2.15pm for the following purposes:

### Ordinary Business

1. To receive and consider the report of the Directors and the audited accounts for the year ended 31 March 1990
2. To declare a dividend for the year ended 31 March 1990 of 10.07p per share
3. To re-elect Sir Christopher Leaver as a Director
4. To re-elect Sir Peter Harrop as a Director
5. To re-elect Mr J M Thomson as a Director
6. To re-elect Mr W R Harper as a Director
7. To appoint Coopers & Lybrand Deloitte as auditors and to authorise the Directors to fix their remuneration.

### Special Business

To consider and, if thought fit, to pass the following as a Special Resolution:

3. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section

94 of the Companies Act 1985) for cash pursuant to the authorities conferred by the Ordinary Resolution passed at the Extraordinary General Meeting of the Company held on 20 November 1989 as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment and the Directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry of such power, provided that this power shall be limited

a) to the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territories or by virtue of shares being represented by depository receipts, the requirements of

any regulatory body or stock exchange, or any other matter whatsoever; and

b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £19,210,000.

By order of the Board  
R C Carsley  
Group Company Secretary

14 Cavendish Place, London W1M 9DJ  
15 June 1990

### Notes:

(a) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not also be a member. A proxy form is enclosed.

(b) Copies of Directors' service agreements which do not expire, or are not determinable without payment of compensation within one year, will be available for inspection at the registered office of the Company between the hours of 9.00am and 5.00pm until the date of the meeting (Saturday) and Sundays exclusive) and at the place of the meeting from 11.30am until the conclusion of the meeting.

## Report of the Auditors to the Members of Thames Water Plc

We have audited the accounts on pages 22 to 45 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 March 1990 and of the profit and source and application of funds of the Group for

the year then ended and have been properly prepared in accordance with the Companies Act 1985

*Coopers & Lybrand Deloitte*  
Coopers & Lybrand Deloitte  
Chartered Accountants  
Reading  
15 June 1990

# Group Five Year Summary

Year ended 31 March

## Consolidated profit and loss accounts

	1986 £m	1987 £m	1988 £m	1989 £m	1990 £m
Turnover	476.8	495.8	523.3	557.6	611.5
Operating profit	172.8	165.7	178.3	187.5	158.3
Other income	8.2	14.8	25.7	39.5	41.1
Profit before interest payable	181.0	180.5	204.0	227.0	199.4
Interest payable	(36.9)	(29.4)	(23.3)	(19.8)	(20.2)
Profit on ordinary activities before taxation	144.1	151.1	180.7	207.2	179.2
Taxation on profit on ordinary activities	—	—	—	—	(12.9)
Extraordinary charges	—	—	—	(3.2)	(18.7)
<b>Profit for the financial year</b>	<b>144.1</b>	<b>151.1</b>	<b>180.7</b>	<b>204.0</b>	<b>147.6</b>

A service analysis of turnover and profit before tax for 1989 and 1990 is shown in note 3 to the accounts.

## Consolidated balance sheets

Tangible fixed assets	931.3	938.5	1092.2	1218.1	1421.8
Net current assets/(liabilities)	(42.8)	14.7	59.9	119.3	51.3
<b>Total assets less current liabilities</b>	<b>888.5</b>	<b>1013.2</b>	<b>1152.1</b>	<b>1337.6</b>	<b>1473.1</b>
Creditors: amounts falling due after more than one year	257.6	228.6	184.9	185.9	98.9
Provisions for liabilities and charges	4.1	6.7	8.6	10.6	27.3
Share capital and reserves	626.8	777.9	958.6	1141.1	1346.9
	<b>888.5</b>	<b>1013.2</b>	<b>1152.1</b>	<b>1337.6</b>	<b>1473.1</b>

The financial information set out above for the four years ended 31 March 1989 has been extracted from the audited financial statements of Thames Water Authority for those years adjusted by the elimination of

financial information of the profits and losses and balance sheet items attributable to functions which have since been transferred to the NRA and PLA, and by the application of current accounting policies on a

consistent basis throughout the period

Major changes in operating circumstances, regulatory standards, corporate status, and capital structure were made in the year ended 31 March 1990.

# Shareholder information as at 25 May 1990.

## 1. Distribution of shares by type of shareholder

	Number of holdings	Number of shares held	Percentage of total number of shares		Number of holdings	Number of units held	Percentage of total number of shares
<b>(a) Ordinary shares</b>				<b>(b) Package register – each package unit represents 176 Ordinary shares</b>			
Investment companies	98	3,436,117	0.89	Investment companies	33	16,076	0.74
Nominees	3,118	109,913,419	28.61	Nominees	1,125	368,698	16.88
Limited companies	800	5,661,804	1.47	Limited companies	43	39,199	1.80
Banks	233	1,103,516	0.29	Banks	59	58,880	2.70
Insurance companies	122	11,661,610	3.04	Insurance companies	34	82,835	3.79
Pension funds	103	10,233,190	2.66	Pension funds	56	21,478	0.98
Public bodies	274	4,648,538	1.21	Public bodies	62	15,300	0.70
Trust companies	248	13,322,659	3.47	Trust companies	131	49,478	2.27
Individuals	388,900	99,142,681	25.81	Individuals	46	1,733	0.08
<b>Total</b>	<b>391,896</b>	<b>259,123,534</b>	<b>67.45</b>	<b>Total</b>	<b>1,589</b>	<b>653,678</b>	<b>29.94</b>
<b>(c) Shares retained by</b>							
HM Government	2	10,037,138	2.61				
			<b>100.00</b>				

## 2. Distribution of shares by size of holding

	Number of holdings	Number of shares held	Percentage of total number of shares		Number of holdings	Number of units held	Percentage of total number of shares
<b>(a) Ordinary shares</b>				<b>(b) Package register – each package unit represents 176 Ordinary shares</b>			
1 - 500	375,621	85,680,812	22.56	1 - 3	53	86	0.01
501 - 1,000	13,008	8,660,526	2.26	4 - 6	114	576	0.03
1,001 - 5,000	2,357	6,051,160	1.32	7 - 29	363	5,877	0.27
5,001 - 50,000	547	9,499,395	2.47	31 - 285	711	72,334	3.31
50,001 - 100,000	114	8,595,966	2.23	286 - 569	155	60,848	2.78
100,001 - 1,000,000	222	70,277,451	18.29	570 - 5,682	173	268,243	12.28
1,000,000 and above	27	70,368,124	18.32	5,683 and above	20	245,714	11.26
<b>Total</b>	<b>391,896</b>	<b>259,123,534</b>	<b>67.45</b>	<b>Total</b>	<b>1,589</b>	<b>653,678</b>	<b>29.94</b>
<b>(c) Shares retained by</b>							
HM Government	2	10,037,138	2.61				
			<b>100.00</b>				

Shareholders with enquiries about their shareholdings may contact the Shareholder Enquiry Unit on 0345 414140. When you telephone the number you pay only the cost of a local call from wherever you ring in the UK.