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**Annual Report and
Accounts 1990/1991**





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Financial Highlights

Year ended 31 March	1991 £m	1990 pro-forma £m	1990 £m
Pre-tax profit	212.6	186.8	179.2
Post-tax profit	192.5	167.5	166.3
Earnings per ordinary share	50.1p	43.6p	-
Dividend per ordinary share	17.5p	15.11p	10.07p

87	151
88	181
89	207
90	179
91	212

Pre-tax profit on ordinary activities £m

87	511
88	549
89	597
90	652
91	872

Turnover and other income £m

87	102
88	135
89	166
90	247
91	392

Capital investment £m

87	192
88	98
89	18
90	-54
91	76

Net debt outstanding £m

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

Chairman's Statement

Results are good. In the year ended 31 March 1991 profit before tax increased to £212m an increase of 14% over the pro-forma results for the previous year. Earnings per share increased by 15% to 50.1p. Consistent with our progressive dividend policy we are recommending a final dividend per share of 11.5p, making a total for the year of 17.5p, an increase of 16% over the full year equivalent for 1990. The dividend cover remains at approximately 2.9 times. All this has been achieved alongside an improvement in customer service whilst maintaining the lowest average combined bills for clean and waste water services amongst the privatised water companies.

I question that such results and improvements could have been achieved but for privatisation. Managerial and financial freedom have been a stimulus.

The Company's principal subsidiary, Thames Water Utilities which has the statutory duty to provide clean water and remove dirty water has performed particularly well. This is a reflection of high performance by managers and employees who have dealt successfully with extreme weather conditions for the second year running.

The increased capital programme, up from £247m to £392m, has been implemented professionally, and successfully, reflecting new methods and enhanced co-operation between Operations, who deal with today, and Engineering, who design and build for tomorrow. Specifically the London Water Ring Main, the biggest single water project of its kind this century, progresses well. The Utilities subsidiary has not been materially affected by the downturn in the economy. It is doing much to safeguard the environment.

A new engineering centre has been opened at Reading, alongside a new laboratory, opened in April 1991. The first phase of our new customer centre is in operation in Swindon. All these developments introduce new technology, concentrate skills, permit wider career opportunities and improve services.

Income from property sales is similar to the previous year, reflecting the Board's decision to defer planned property disposals for the time being, rather than sell in today's depressed market conditions.

We have now restructured our non-utilities businesses. Two small ventures have been completed. First we have acquired Metro Rod Plc, a nationwide drain cleaning company, secondly we have signed a joint venture in Spain to assist entry into the Spanish-speaking markets. During the year we satisfactorily resolved our claim against Portals Holdings PLC arising from our purchase post-flotation of PWT Worldwide Ltd; and two of the original 18 PWT companies were sold. These non-utilities businesses are now better-managed and set fair. I am confident that in the years ahead they will be important contributors.

The policy of your Board has not changed. We will concentrate on the Utilities business and specifically on the achievement of new standards through a successfully managed capital programme. Other developments, outside Utilities, will use the extensive skills of the Group and be proceeded with over time. They will be developed on a step-by-step basis, ensuring, as now, that we do well with what we already have and move on only after careful evaluation.

Thames Water has an experienced, active Board, a stable and professional management and is financially strong. New initiatives have been taken to enhance further relationships with employees and trade unions. The Company attracts talent at all levels and has a successful graduate and professional entry scheme. All this augurs well for the future.

Progress in the year has been substantial. My thanks to all employees at all levels. They have performed well. I am encouraged by performance since the end of the year and look forward to reporting to you again.







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Operational management

Reorganisation of our core water business last year has brought benefits in the year under review. We have introduced new technology to meet our operational needs and we have made significant progress in our determination to have a 'one-stop-shop' for all customer enquiries. Our people are better-motivated and better-trained. We are improving our buying skills to cut purchase costs, reduce stocks, and improve delivery performance. We have computerised the scheduling and tracking of thousands of jobs, from repairing burst mains to checking reservoir levels, in order to cut response times and improve efficiency. We have continued to reduce our costs, although extra activities as a consequence of our commitment to meet tough new standards for sewage effluent and drinking water have masked our real performance. We have introduced a Thames-wide quality programme which has received enthusiastic support from our employees.

In the summer of 1990 we had to ban hosepipe use throughout the whole region and we imposed a drought order in some places. I know that this caused problems for our customers. We continued a significant investment programme both to reduce the amount of water lost through leakage in the system, and to move water more efficiently to the places it is needed. In the future we will need to find more water to meet expanding demand, and we have started technical investigations for a new reservoir in Oxfordshire.

PWT Worldwide and Thames Water Enterprises have been strengthened. We have cut costs and built on their technical and marketing strengths.

Property

We have reduced our land sales effort in the current depressed state of the property market. We have founded two small property companies and are working on preparing selected sites for future disposal or development.

Personnel

Our 9,000 employees have responded well to the challenges we have set them. In Thames Water Utilities, trade unions have agreed in principle to 'single-table' bargaining and staff have agreed an increase in working hours. We are continuing to change our working practices to meet the needs of new technology. Productivity programmes saved almost 200 jobs during the year. Our retention rates remain high and we face no short-term skill shortages. For the longer term we have announced a commitment to more training and skill certification at all levels in the business. During the year we put over 1,300 people through management and teambuilding programmes.

The environment

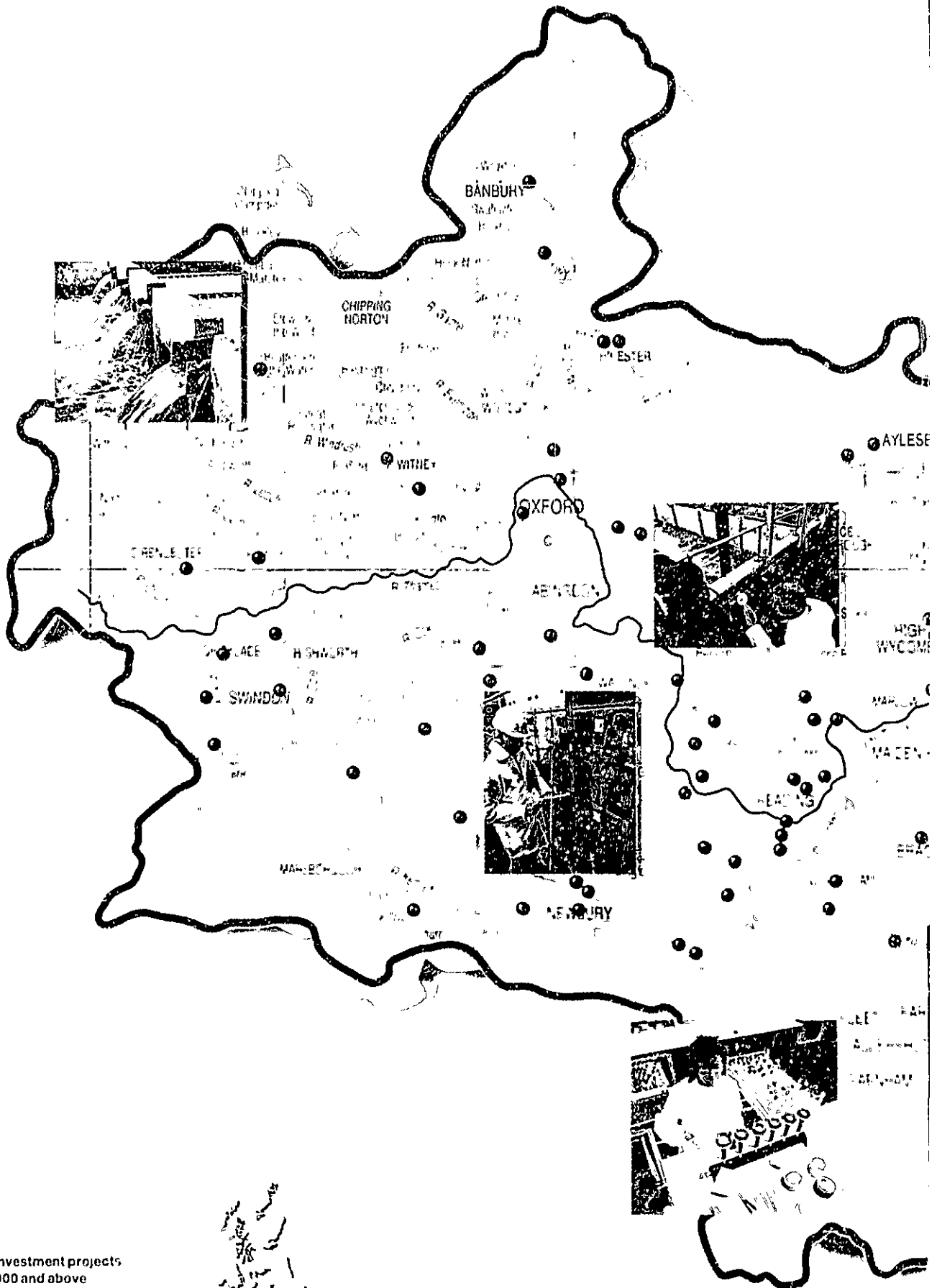
Care for the environment is part of every major decision taken by the Company. Beyond our important work in upgrading clean and waste water quality, the Board has set up an Environmental Audit committee under non-executive director Sir Peter Harrop to examine the impact on the environment of Group activity and policy. We published a response to the Government's Code of Practice on conservation, access and recreation. We have also published a first Annual Report which accounts for our performance against the Code.

The community

Thames is a good corporate citizen. We continue to build links with schools and community groups; this activity now offers more relevant help to teachers and matches our recruitment needs.

A Board committee under Sir Christopher Leaver disburses donations to charities – a major beneficiary was WaterAid, which supports water supply projects in the Third World. We have also set up a scheme to support employees' own fundraising efforts and introduced a sponsorship scheme to support local community projects.

Nile Hoffman,



Capital investment projects of £500,000 and above

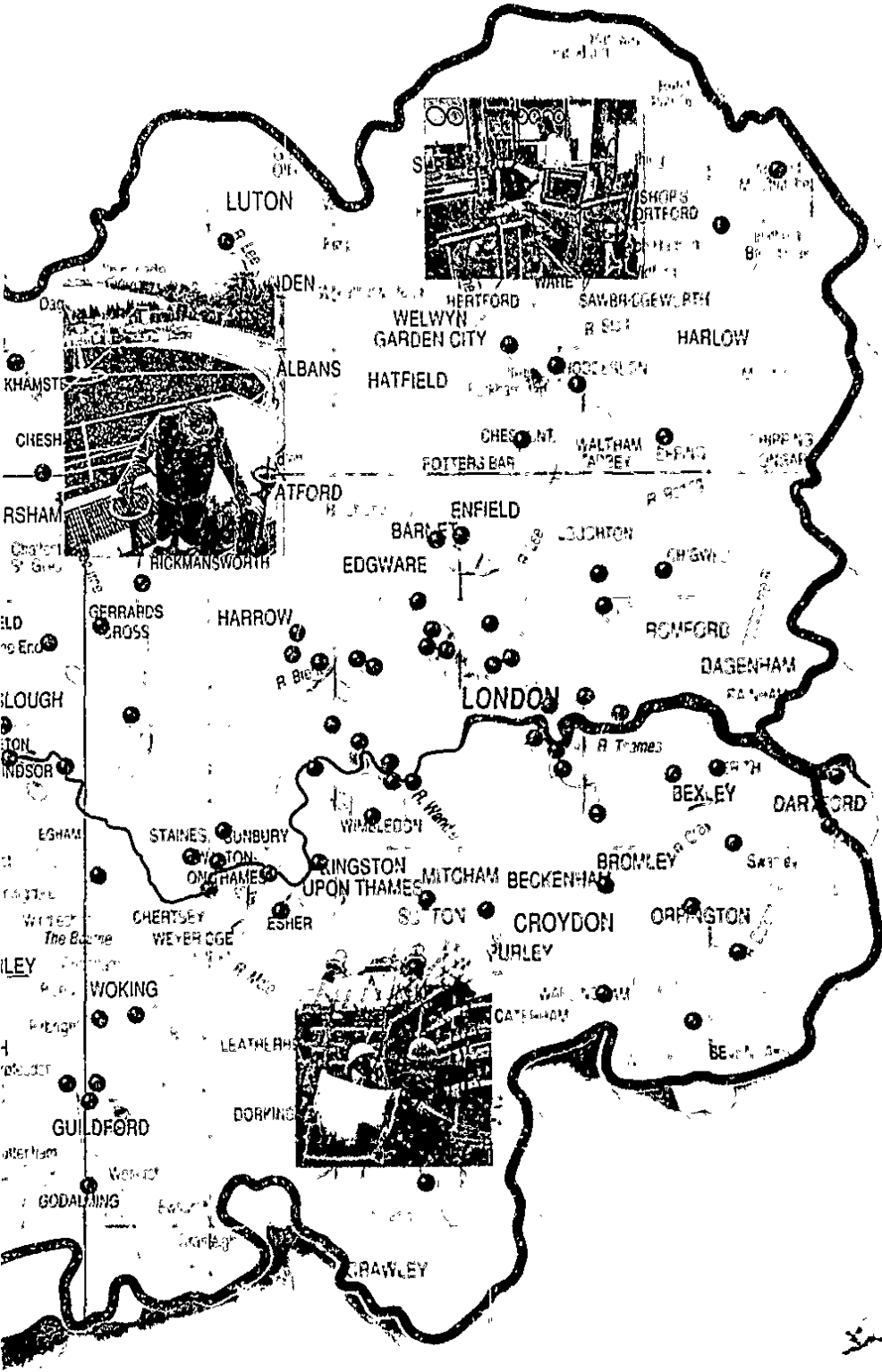
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Thames Water Utilities

Thames in Action

Thames is investing for service, quality and efficiency, the map shows just some of the major capital projects underway during the year throughout the Thames Water Utilities Service area.



Brophy Group
Reading



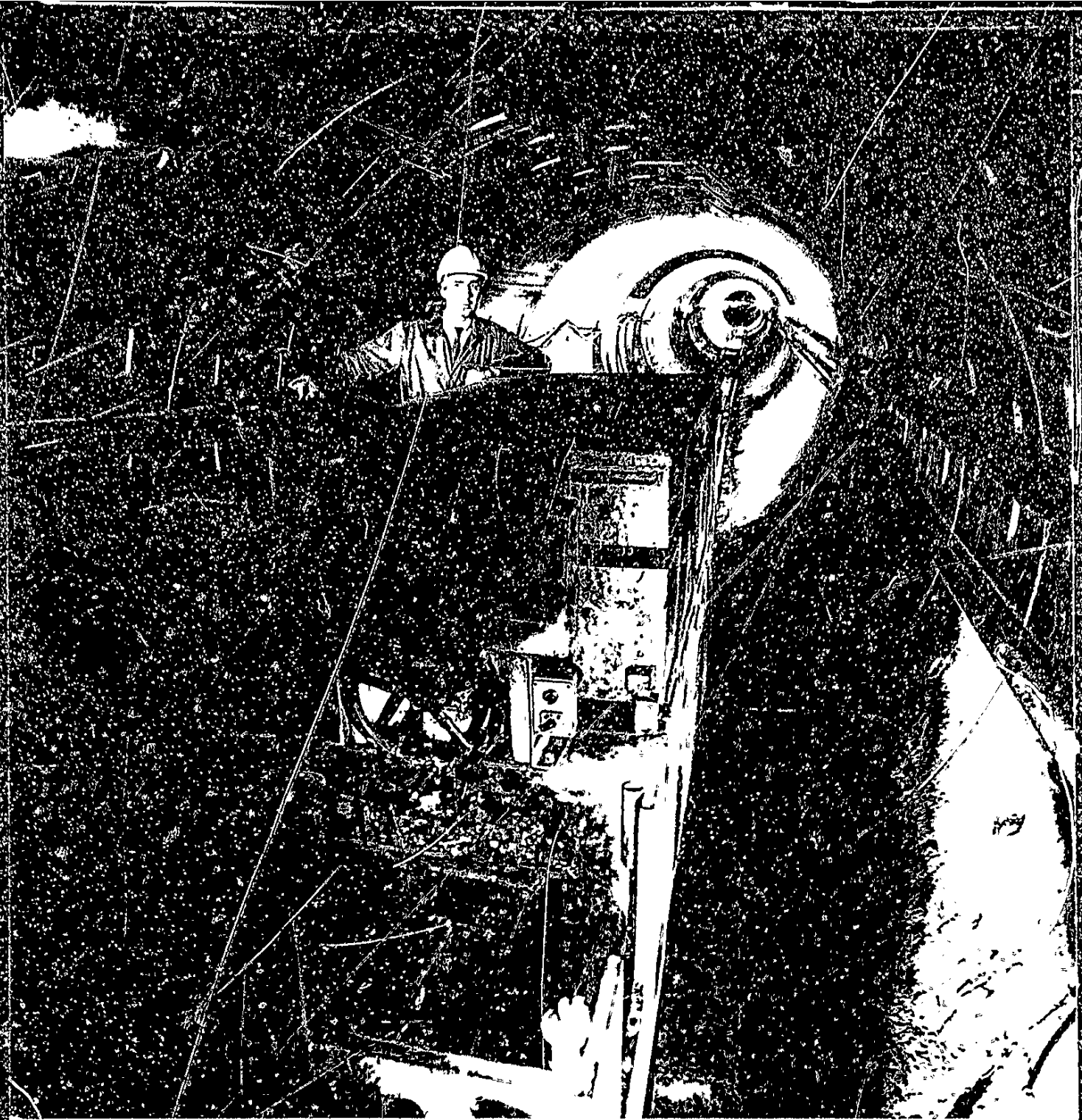
Metro Rod
Reading



PWT Worldwide
Reading



PWT Worldwide
Reading



Thames Water Utilities

Directors: Mike Hoffman, Bill Alexander, David Bedcock, Jim Boudier, Bill Harper, John Hurcom, David Luffrum, Richard Marshall, Peter McIntosh, Mike Ribbins Turnover: £876m Employees: 7,331

Thames Water Utilities is the major operating company of the Group, accounting for 80% of turnover. It treats and supplies clean water to over seven million people in the region, and takes away, treats and returns to the environment the waste water of over 11 million. During the year we invested £389m, most of which went towards improving standards for waste and drinking water. Despite one of the driest years this century, supply interruptions were minimised and operating costs were kept under control.

Patterns of organisation and property inherited from the public sector are disappearing fast. Throughout the Company, project responsibilities are replacing functional duties, and managers are individually accountable for their performance. We have opened a specialist engineering centre to replace a number of scattered offices; ten laboratories at the start of the year were reduced to four by year-end.

Clean water

Resources and supply

During the year we put into supply an average of 2,795 megalitres of water a day – a 0.6% increase on the previous year. Exceptional weather was a severe test for our systems, which generally coped without the need for drought restrictions. For the second year running a hosepipe ban was imposed over the whole region, and a drought order was needed in Swindon and the Cotswolds. Severe frosts in February 1991 caused a large number of water main bursts, principally in London. Low rainfall and heavy demand may cause supply problems in 1991.

Our forecasts into the next century show the need to provide for steadily increasing demand for drinking water. We began a two-year investigation of possible reservoir sites in the west of the region between Abingdon, Wantage and Didcot. Construction is planned to begin in 1996.

Quality

During the year we stepped up our quality monitoring programme, completing 355,000 statutory analyses on drinking water samples. At the end of 1990 we were formally audited by the Drinking Water Inspectorate for the first time and await their report.

Meeting new drinking water standards involved investment in new plant and major renovation projects such as those at Campden Hill and Honor Oak service reservoirs (the latter one of the largest in Europe).

Investment

Investment in new and upgraded water treatment works is at record levels. Among achievements during the year was the completion of a £45m project to improve the quality and amount of drinking water supplied from the Lee Valley to North West London. The project, which meant upgrading the existing Coppermill's treatment works and building supply tunnels through to Stoke Newington, will allow us to close the existing Stoke Newington treatment works, increasing efficiency and releasing land there for development in the future.

The London Water Ring Main remains the largest single investment programme in the Group. We have taken closer control of new phases of this project, introducing our own tunnelling technology instead of relying on machinery supplied by contractors: four drives this year have been completed on time, inside budgeted costs, and half the first phase is now operating, helping to relieve London's ageing mains distribution system. The next phase is a 26km tunnel from Regent's Park to Kew and Ashford Common.

A new reservoir at Burford was built ahead of schedule and on time. A new distribution reservoir at Swindon and a new pipeline from Swindon to Didcot will improve service in the west of the region.

New water treatment technologies are being tested at a pilot plant at Kempton. The plant will test the best combination of GAC (granular activated carbon) and ozone treatment ahead of a full-scale plant planned for Walton.

Engineering Director
Bill Alexander surveys a
section of the London Water
Ring Main. The Ring Main,
longer than the Channel
Tunnel will eventually
encircle central London at
a depth of up to 60 metres
and will carry up to 1,300
megalitres of clean water
a day.

Waste water

Collection and treatment

During the year we collected and treated an average of 1,100 megalitres of sewage through the 50,000km of sewers for which we are responsible.

Each of our sewage treatment works is governed by a consent to discharge effluent, which sets the quality standards we must meet. We are liable to prosecute if we fail to meet those consent conditions, and during the year, a failure at one of the works we operate brought prosecution from the National Rivers Authority. The works were rebuilt when it failed.

We are reviewing the arrangements for sewerage management – undertaken by local authorities as of right until March 1992 – to put the care of the sewerage system on a more business-like footing in the future.

Investment

We are committed to meeting tough new discharge consent standards by 1992. The investment programme needed was on or ahead of time and budget at the year-end. Of the 157 capital schemes needed to meet the targets, 96 had been completed and 72 were fully operational at the year-end. In the Epsom and Ewell Valley a basket of schemes – the biggest at Camberley – is now providing better sewage treatment service for customers throughout the area. The developments here provide increased quality and higher environmental standards, using new, reliable technology.

In London, we completed the Cross-Thames Link Sewer which for the first time links sewer schemes on the north and south sides of the river and helps us manage London's major treatment works at Beckton and Crossness.

A programme to automate small sewage works in rural areas will provide more efficient and reliable operation. The first benefits of this work will be felt in 1991/92.

By investing in new and refurbished plant to collect biogas from sewage as well as using it as a power source we are saving money and reducing greenhouse gas emissions. Three major projects are under way and five will be completed by September 1991.

New scrubbing and filtration technologies are under development which will complement the Thames Flooded Filter, already reducing the time taken to put new sewage works into service by up to a year.

Sludge disposal

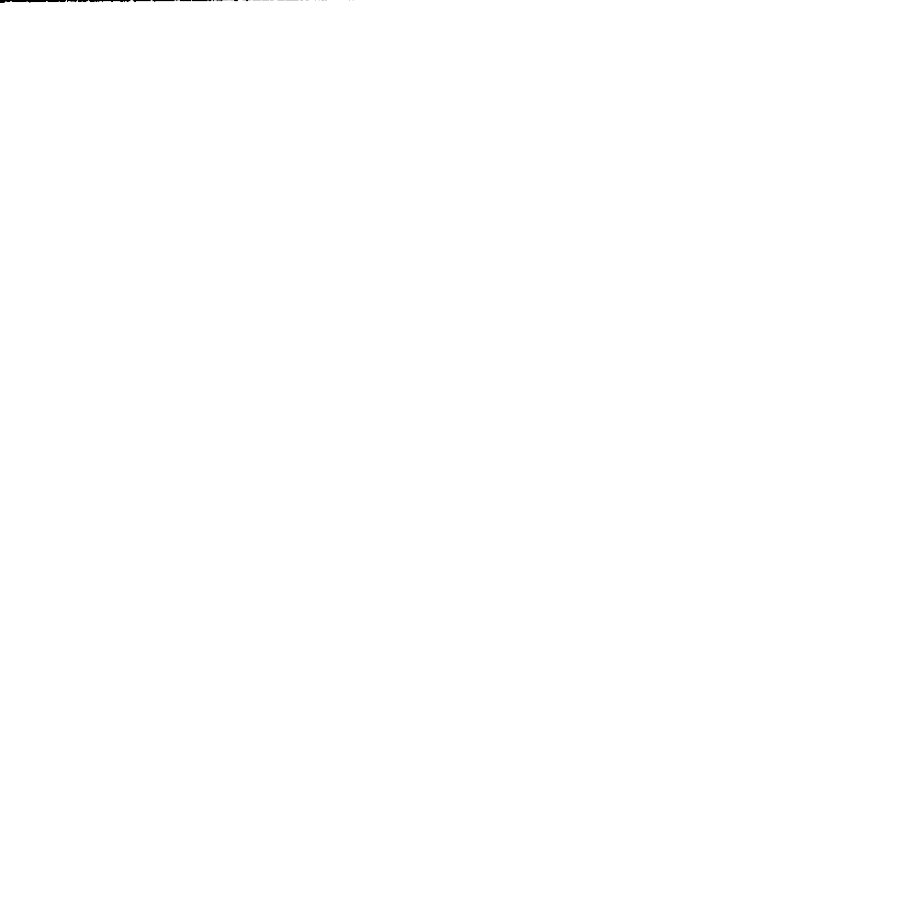
Following a government commitment, Thames must cease discharging London's sewage sludge to the North Sea by the end of 1998. Over half of the sludge generated in the region is already returned to the land and we believe that incineration is the only practical alternative for most of the remainder. We are working on the new technologies needed to develop large-scale incinerators. We are consulting with government and other groups to minimise the impact of new methods.

We began trials of composting sewage sludge with other materials: this may be a use for sludge in relatively small quantities in rural areas.

In the meantime we have contracted out the operation of the three ships which collect sewage sludge from our Thames treatment works to the North Sea – with a £11 million saving in running costs. The ships also sail more frequently, which helps cut costs at our works by reducing storage.

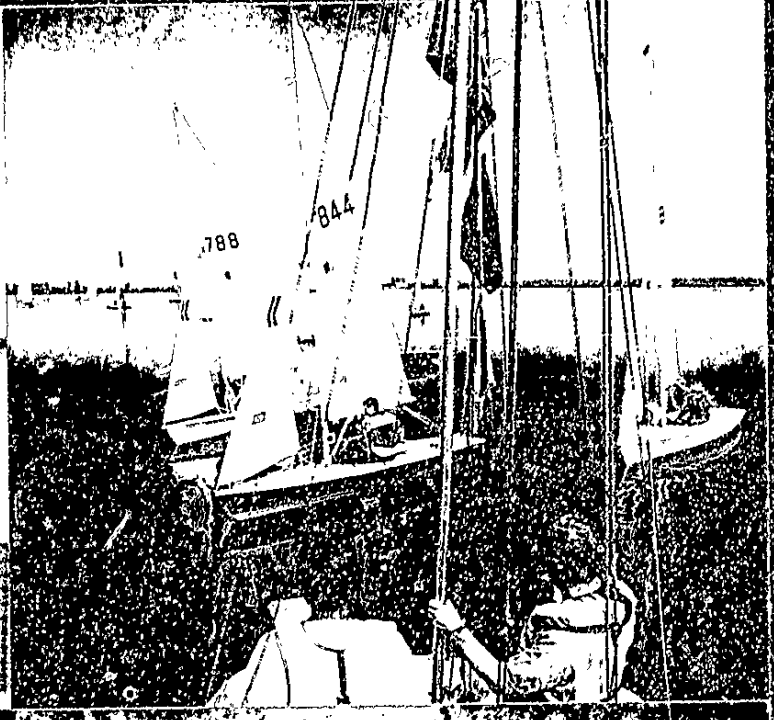
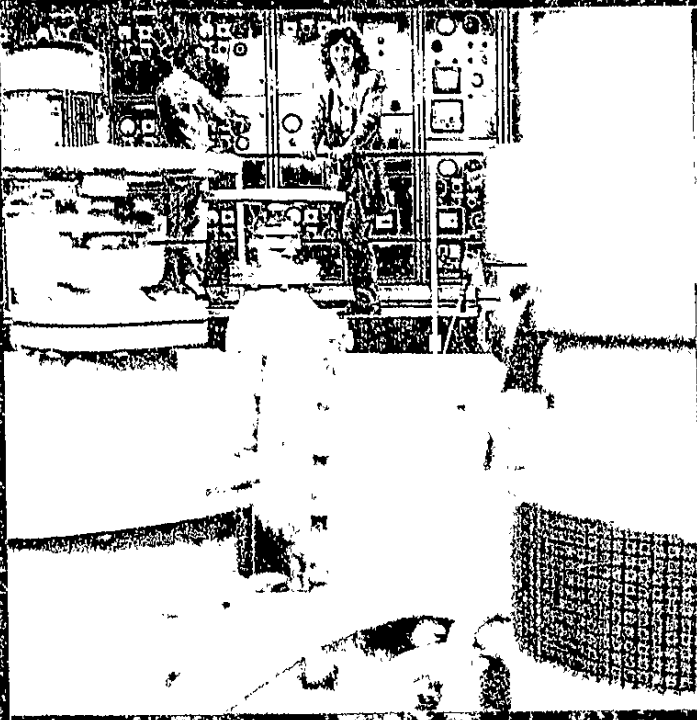
As pressure on land in the region has grown, so more and more houses have been built uncomfortably close to sewage works. This year we have started an extension programme to reduce odour from our works around the region.

FOOTNOTES



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A black and white photograph showing a person on a boat, possibly a sailboat, with the number 844 visible on the mast. The person appears to be handling the rigging or sails. The background shows a body of water and another boat in the distance.

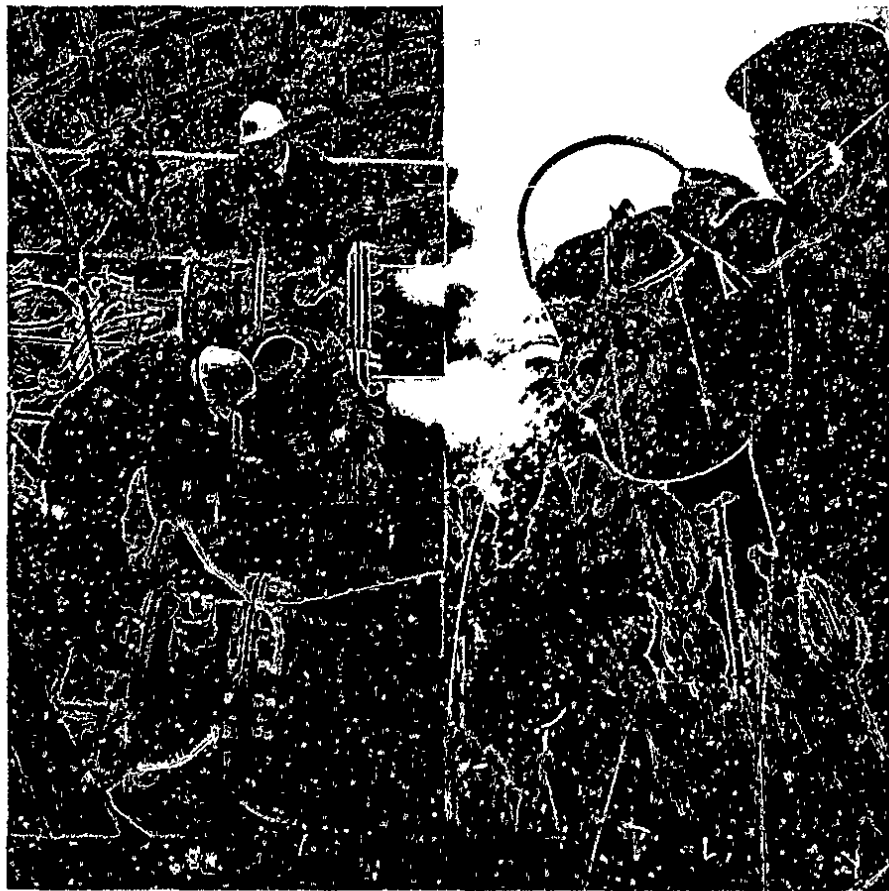
BY [Name]

Steve Walker

As a project manager on the £250m London Water Ring Main, Steve Walker has a key role in Thames Water's biggest project. He's well qualified; a chartered mechanical engineer, he has a degree in mechanical engineering and a PhD in mining electrical engineering. Steve's team of 60 handles design, project control and on-site supervision. It includes civil, mechanical, electrical and mining engineers, as well as technicians and inspectors who monitor tunnel construction 24 hours a day.

Much has been accomplished since work on Phase I began in 1987. Tunnelling for Phase I – 23km long – is now complete, adding to the 191m commissioned in 1975. 'In fact, the first shaft is already pumping water into the supply network at Streatham.'

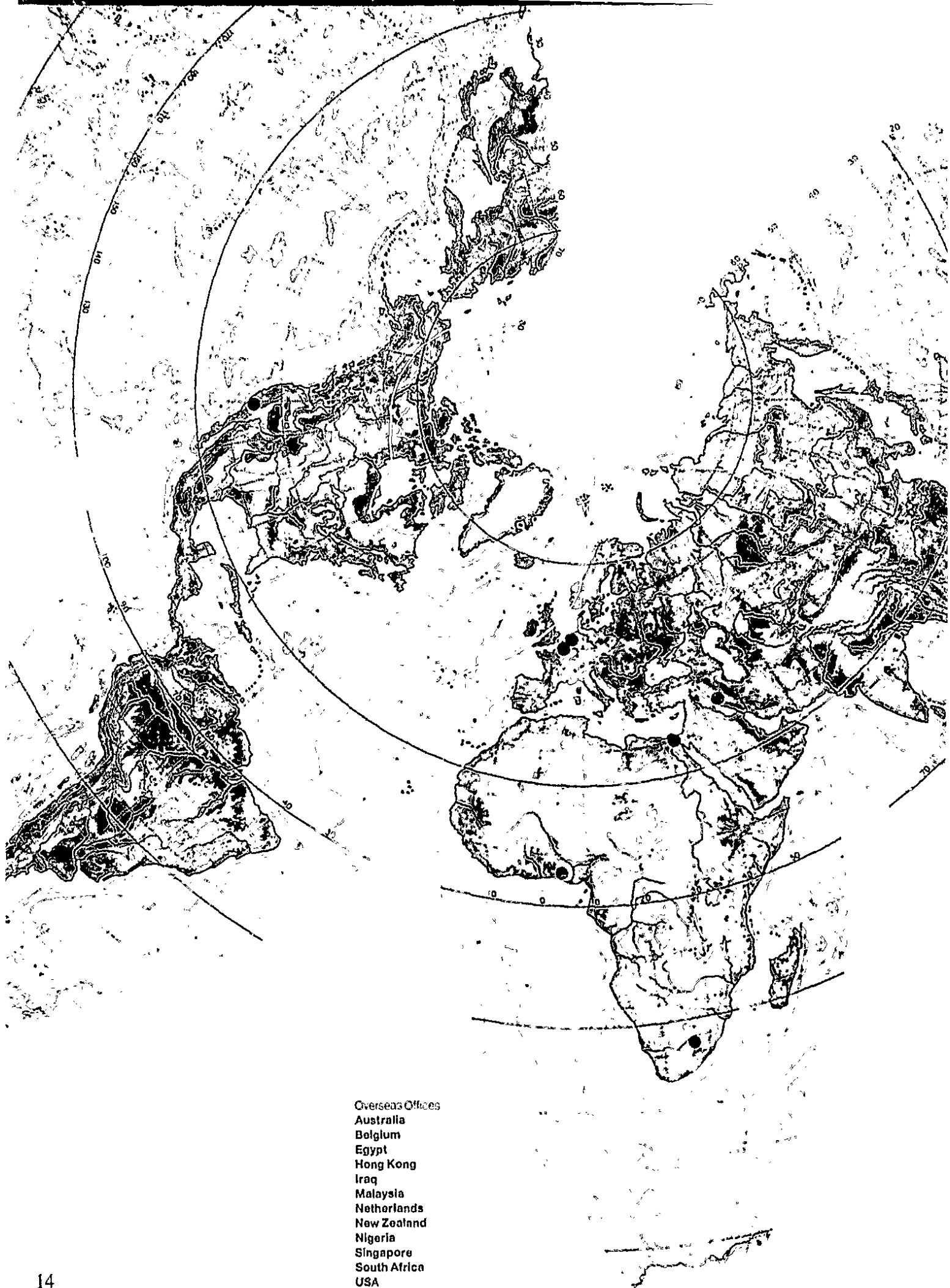
Thames has learned from the first four years' work and, with the latest computer-aided design (CAD) equipment, the design of shafts and tunnels for Phase II has taken half the time. Construction of Phase II has begun and the tunnel 'drivage' will start this summer – well ahead of schedule.



Steve Walker on site at the London Water Ring Main – the largest water project built in the UK this century. Steve's team, combining technical innovation, commercial initiative and management disciplines, has cut the time and cost needed to tunnel up to 60 metres below London. The new main will help to safeguard London's clean water supply.

Building an 80km underground network in the heart of London demands an innovative approach if disruptions are to be minimised. 'At Park Lane, for example, we have sunk an additional shaft on a traffic island and hand-driven two short tunnels under Royal Parks land – including one at the entrance to Hyde Park – in order to connect to existing mains without interfering with traffic flow,' Steve explains. Thames' engineers have also re-designed tunnel lining to match new tunnel machining technology, boosting speed and cutting costs significantly.

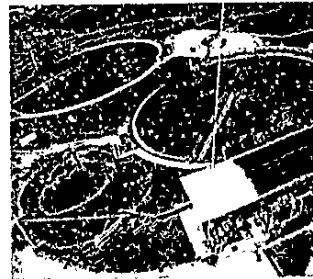
Besides his busy schedule at Thames, Steve makes time to help budding engineers at a Maidenhead school. He's a tutor with the Engineering Education Scheme – a national programme aimed at involving school students in the practice of engineering. 'The idea is to let the students have a look at engineering problems and fire their enthusiasm,' he said. That gives the engineers of tomorrow a chance to visit sites and get a first-hand look at Thames at work today.



Overseas Offices
Australia
Belgium
Egypt
Hong Kong
Iraq
Malaysia
Netherlands
New Zealand
Nigeria
Singapore
South Africa
USA

PWT Worldwide

Directors: Mike Hoffman, David Banfield, David Lulfrum, Mike Rowe
Turnover: £170m Employees: 1,554



Top:
Singapore's Seraya power station will rely on pure water from a plant designed and built by PWT New Zealand.

Bottom:
In Tasmania, Permutit-Boby Australia's effluent treatment plant removes solids from the waste water produced by this newsprint mill.

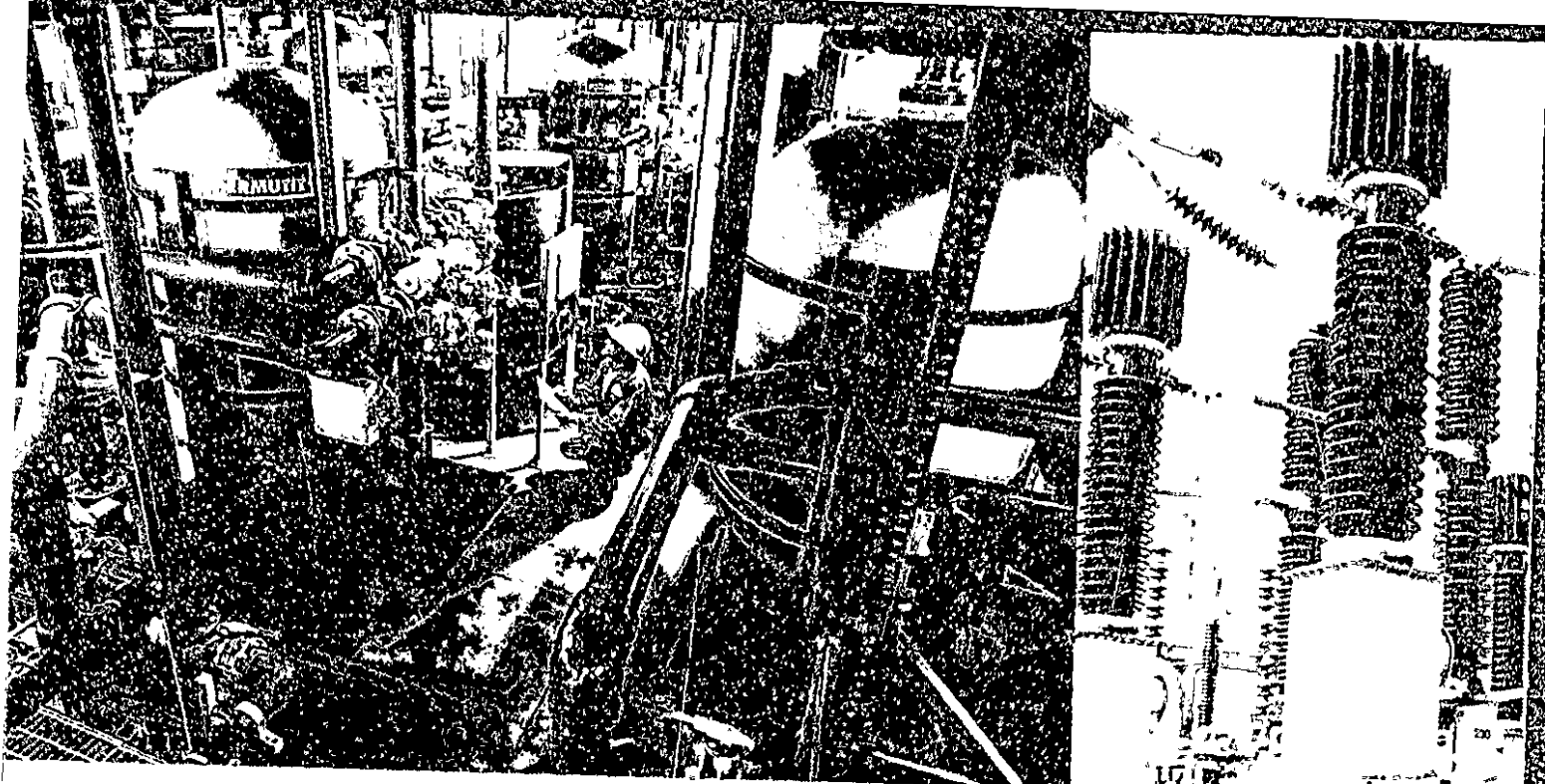
PWT Worldwide is an international contracting and water treatment products and services company which has been part of the Thames Group for 15 months. Since acquiring the business it has been restructured and is set to take advantage of an expanding market. Its contracting division, which designs and manages the construction of water and waste water treatment plant, showed strong recovery from operating loss, but was adversely affected by war in the Gulf. The products and services division, which supplies industrial, commercial and defence water treatment systems as well as pipeline products and membrane systems, had a good year.

Design and Contracting

The Design and Contracting Division's operating companies in the UK, Asia, the USA, Australasia, and Africa have started to benefit from improved project management disciplines and quality systems, investment in computer-aided design, closer intra-group co-operation, and more tightly focussed marketing. Among the benefits of improved management and systems are better procurement, designs which change less during construction, a higher success rate on tenders, and better margins. In Australia, despite severe domestic recession, Permutit-Boby Australia won an order to design and build a 'zero-discharge' water effluent plant at the Mount Piper power station. The contract, for completion in 1993, is worth over £20m.

In the USA, L*A Water Treatment had a good year, with orders in its traditional market for power station water treatment plant and significant orders for desalination plant in Florida. It is well placed to meet increasing US demand for this type of plant. In the UK, PWT maintained its share of a growing market in new and uprated water and sewage treatment works despite increased competition caused by recession in the UK civil engineering industry.

In the Middle East and Iraq, where we maintained a Baghdad office until the start of the Gulf crisis, the future remains uncertain.



Thames Water Enterprises

Directors: Mike Hoffman, David Luffrum, Richard Marshall, Ian Ritchie, Andrew Robertson.
Turnover: £4.8m **Employees:** 81
Associate Company: Brophy Group **Turnover:** £18m **Employees:** 400

Thames Water Enterprises encompassed businesses in international training and consultancy, sewerage services, waste management and building services. Brophy Group Plc, in which we have a 50% stake, covers landscape construction, grounds maintenance, and organic waste recycling. These businesses were re-organised after the year-end into two separate units, Thames Water International Services and Thames Water Environmental Services.

Thames Water International Services

Thames Water International

Thames Water International has provided training and consultancy for water undertakings around the world for the last seven years. This business continues to be modestly successful. Following privatisation, we are looking at the newly-available opportunities to design, build, finance and operate complete water and sewage treatment systems in the international market. The first contracts of this type to be awarded to TWI and its local partners are in Argentina and Malaysia, and work on these will start next year. We are preparing a number of similar schemes in SE Asia and South America – and we are assessing the European market, where we already have a joint-venture company in Spain with local partners Abengoa.

Thames Water Environmental Services

Sewerage services

This new division builds on existing expertise in maintaining our extensive networks of drains and sewers. In December 1990, we purchased Metro Rod, a successful drain and pipe cleaning business with a mixture of franchisees and owned companies around the UK.

Waste management

Waste management is an important new business area. During the year we established a team of industry professionals to prepare the ground for growth using our existing technologies, expertise and sites. We acquired Peter Bryant (Cesspits) Ltd, a small liquid effluent tankering company.

Building services

The plumbing and other building service activities performed disappointingly and have been closed since the year-end.

Associate Company

Brophy Group

At the beginning of 1990 Thames Water took a 50% interest in Brophy Group Plc, with whom we previously ran a successful joint venture in organic waste recycling. Brophy operates in three major markets – landscape construction, grounds maintenance, and derelict land reclamation using recycled organic matter. In all three it is now the largest UK supplier, and the year saw significant further development in the business.

The grounds maintenance business has grown with the offering to tender of local authority contracts for parks and grounds maintenance. The company now has a significant number of contracts nationwide. In its first year two of its contracts, at Ilfracombe and Barnstaple, won Britain's Bloom Awards.

In landscape construction Brophy has opened three new UK offices, in Scotland, Wales, and the North East. It won five major awards for the quality of its work – two each from the British Association of Landscape Industries and Civic Trust, and an American Environmental Award of Distinction for the landscaping of Cherry Garden Pier in London's Docklands. Despite recession in the construction industry the business continues to grow.

Top

Around the country, Metro Rod deploys specialist equipment for drain inspection, clearing and cleaning with highly-skilled operators.

Bottom

Brophy's landscape construction work at Cherry Gardens, Docklands, has attracted attention worldwide – and won a major US award for its quality.





Directors' Report

The Directors present their second Annual Report together with the audited accounts for the year ended 31 March 1991.

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 ground water sources and its subsequent treatment and distribution to customers' premises;
- sewage services to customers which involve the collection, treatment and disposal of sewage from customers' premises, together with the conveyance and treatment of surface water;
- the design and construction of water treatment plants and the supply of water related products.

In addition, the Group is continuing the development of other trading activities which include overseas consultancy, and environmental and waste management services.

A list of the principal subsidiary companies appears on pages 34 and 35. 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 4 to 17.

Profits and dividends The Group profit for the year attributable to shareholders was £193.2m. This may be compared with the pro-forma profit for the year ended 31 March 1990 of £148.8m, which restates profit on ordinary activities after tax as if the capital structure introduced at flotation had been in place for the whole of that financial year. A review of the current year's performance and future developments is included on page 2 in the Chairman's Statement.

The Directors recommend payment of a final dividend of 11.5p per share making a total for the year of 17.5p, amounting to £67.2m leaving a retained profit of £126m 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, the market value of the Group's properties exceeds the balance sheet value.

Employees In September 1990 the Company announced a major initiative involving the employees of Thames Water Utilities Limited. Known as The Employee Project, it aims to support the modernisation of working practices and continued efficiency improvements by establishing common basic terms and conditions for all employees, greater opportunities for training, and the introduction of a single negotiating forum. Good progress has been made and constructive talks with the recognised trade unions are continuing.

Local arrangements have continued for managers to meet employees and their representatives to discuss matters of mutual interest and concern. Employees act as Member Trustees for the three major pension schemes operated by the Company.

Employees had another opportunity to join or extend their interest in the Company's Sharesave Scheme, and a number of senior executives of PWT Worldwide Limited were invited to join the Executive Share Option scheme.

Direct communication through company newspapers and videos was continued and extended with the introduction of team briefings within the Operations branch of Thames Water Utilities Limited.

Health and safety It is the policy throughout the Group to ensure that health and safety standards are maintained at a high level. This policy is implemented by the integrated health and safety group consisting of specialists from within the Group and led by the Group health and safety manager.

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

Employment of the disabled The Group recognises its responsibility 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.

Capital 3,274 Ordinary Shares were issued during the year to holders on the exercise of their options under the Group Sharesave Scheme.

No options were exercised during the year under the Group's Executive Share Option Scheme.

The effect of the transactions referred to above on the capital of the Company is detailed in note 24 to the accounts on page 40.

Directors The names of the present Directors of the Company are shown on page 18. All Directors held office throughout the financial year.

In accordance with Article 106 of the Company's Articles of Association Mr D J Luffrum and Mr E J Worlidge will retire at the forthcoming Annual General Meeting and being eligible, will offer themselves for re-election. Mr D J Luffrum has a service contract with the Company, subject to termination by three years' notice by the Company or six months' notice by Mr D J Luffrum. As a Non-Executive Director, Mr E J Worlidge does not have a service contract with the Company.

	31 March 1991		1 April 1990	
	Shares	Share Options	Shares	Share Options
R Watts	11,263	172,000	11,263	90,000
Sir Christopher Leaver	3,851	-	3,851	-
M R Hoffman	6,258	221,136	6,258	211,136
R C Clarke	3,000	-	3,000	-
W R Harper	2,291	75,000	2,291	75,000
Sir Peter Harrop	920	-	920	-
D J Luffrum	2,495	85,000	2,495	79,000
J M Thomson	2,000	-	2,000	-
E J Worlidge	1,900	-	460	-

Directors' interests in shares The beneficial interests of Directors, together with those of their families, in shares of the Company at the beginning and end of the year are shown in the adjacent table. No Director had any non-beneficial interest in the shares of the Company.

There were no changes in the Directors' registered interests in the shares of the Company during the period from 1 April 1991 to 21 June 1991.

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 21 June 1991 amounted to or exceeded 3% of the Company's issued share capital.

The Directors consider that the close company provisions of the Income and Corporation Taxes Act 1988 as amended 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 to 10 of the report on Thames Water Utilities Limited refer to certain areas where research activity is undertaken.

Political and charitable donations Charitable donations amounting to £85 000 were made during the year. No donations were made for political 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 30 to the accounts.)

Summary Financial Statement The Companies Act 1989 allows a company to send to its shareholders, a Summary Financial Statement instead of its full Report and Accounts.

Enclosed with the Report and Accounts for the year ended 31 March 1991 is an example of abridged Report and Accounts which incorporates the Summary Financial Statement.

In future, the Company will send only abridged Report and Accounts to Ordinary shareholders unless they notify the Company in writing that they wish to continue to receive the full Report and Accounts.

A reply-paid card is enclosed and Ordinary shareholders wishing to receive the full Report and Accounts in future must complete and return this card. Failure to do so will result in Ordinary shareholders receiving only abridged Report and Accounts in future years.

Auditors A Resolution to re-appoint 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.

Special Business In addition to the Ordinary Business to be transacted at the 1991 Annual General Meeting, a number of items of Special Business will be proposed:

(a) a Resolution renewing the power granted to Directors in July 1990 to issue equity securities other than for cash pro rata to Ordinary shareholders;

The Companies Act 1985 requires that any new shares issued must first be offered to existing shareholders of the Company in proportion (or "pro rata") to their existing holdings. This resolution seeks in part (a) to renew the authority, given by shareholders at the July 1990 Annual General Meeting, allowing the Directors some degree of flexibility when issuing shares in relation to a rights issue. In such an issue shares would be offered to existing shareholders in relation to the number of shares held by them, but this resolution would allow the Directors to avoid giving entitlements to fractions of shares which could arise by the strict interpretation of the "pro rata" provisions of the Companies Act. Part (a) also gives the Directors authority to deal with any legal or practical problems which arise in relation to a rights issue and restrictions imposed on overseas shareholders by their own laws.

Part (b) seeks to give authority to the Directors to allot new shares in the event that they offer shareholders the ability to elect to receive new Ordinary shares instead of a cash dividend (referred to below).

Part (c) seeks to renew the Directors' power to issue small quantities of shares (up to a total of 5% of the Company's issued share capital or 19,210,570 shares) in circumstances such as the acquisition of a new company or business or the allotment of shares under one of the Company's share option schemes. Larger allotments of shares would continue to require Shareholders' consent.

(b) a Resolution authorising the Directors to offer Ordinary shareholders the right to elect to receive new Ordinary shares instead of a cash dividend in respect of the final dividend for the year ended 31 March 1991 and in respect of any interim dividend for the year ending 31 March 1992.

The election of Ordinary shareholders to receive new Ordinary shares instead of a cash dividend is generally known as a "scrip dividend" alternative. The shares so issued would be new fully paid Ordinary shares in the Company. Due to the securities laws of the United States and Canada the scrip dividend alternative will not be offered to US or Canadian persons. Shareholders should appreciate that, in voting in favour of the resolution, they are not in any way committing themselves to a decision on whether or not they would wish to take new Ordinary shares instead of cash. If the Directors decide to offer Ordinary shareholders the choice of receiving new Ordinary shares in the Company instead of cash, an explanatory circular, forms of election which will clearly show the basis of each shareholders' entitlement and the procedure to be followed, will be sent to Ordinary shareholders soon after the Annual General Meeting of the Company to be held on 30 July 1991

(c) a Resolution amending the Articles of Association enabling the Company to provide Directors and officers personal liability insurance as permitted under Section 137 of the Companies Act 1989. This Resolution amends the Articles of Association thereby enabling the Company to provide Directors and officers personal liability insurance, as permitted under Section 137 of the Companies Act 1989.

By order of the Board

R C Carsley

Group Company Secretary

21 June 1991

Consolidated Profit and Loss Account

Year ended 31 March

	Notes	Group	
		1991 £m	1990 £m
Turnover	3	835.5	611.5
Operating costs	4	(646.0)	(453.2)
Operating profit	5	189.5	158.3
Other income	7	37.0	41.1
Interest payable and similar charges	8	(14.2)	(20.2)
Profit on ordinary activities before taxation		212.3	179.2
Taxation on profit on ordinary activities	9	(19.8)	(12.9)
Profit on ordinary activities after taxation		192.5	166.3
Extraordinary items	10	0.7	(18.7)
Profit for the financial year		193.2	147.6
Dividends	12	(67.2)	(38.7)
Retained profit transferred to reserves	25	126.0	108.9
Earnings per ordinary share	13	50.1p	43.6p*

The notes on pages 25 to 43 form part of these accounts

(* Pro forma)

Consolidated and Company Balance Sheets

at 31 March

	Notes	Group		Company	
		1991 £m	1990 £m	1991 £m	1990 £m
Fixed assets					
Tangible assets	14	1,748.3	1,420.5	0.4	0.3
Investments	15	2.3	1.3	419.0	380.9
		<u>1,750.6</u>	<u>1,421.8</u>	<u>419.4</u>	<u>381.2</u>
Current assets					
Stocks and work in progress	16	36.7	37.5	-	-
Debtors	17	179.9	172.2	80.4	18.6
Investments	18	101.7	166.3	21.4	54.5
Cash at bank and in hand		8.4	3.5	-	-
		<u>326.7</u>	<u>379.5</u>	<u>101.8</u>	<u>73.1</u>
Creditors: amounts falling due within one year	19	(451.8)	(328.2)	(130.0)	(63.3)
Net current (liabilities) assets		<u>(125.1)</u>	<u>51.3</u>	<u>(28.2)</u>	<u>9.3</u>
Total assets less current liabilities		<u>1,625.5</u>	<u>1,473.1</u>	<u>391.2</u>	<u>391.0</u>
Creditors: amounts falling due after more than one year	20	(140.8)	(98.9)	-	(1.1)
Provisions for liabilities and charges	23	(26.4)	(27.3)	-	-
		<u>1,458.3</u>	<u>1,346.9</u>	<u>391.2</u>	<u>389.9</u>
Capital and reserves					
Called up share capital	24	384.2	384.2	384.2	384.2
Reserves and retained profits	25	1,074.1	962.7	7.0	5.7
		<u>1,458.3</u>	<u>1,346.9</u>	<u>391.2</u>	<u>389.9</u>

The notes on pages 25 to 43 form part of these accounts.

The accounts were approved by the Board on 21 June 1991.

R Watts
Chairman

M R Hoffman
Group Chief Executive

D J Luffrum
Group Finance Director

R Watts
M R Hoffman
D J Luffrum

Consolidated Statement of Source and Application of Funds

Year ended 31 March

	Group	
	1991 £m	1990 £m
Source of funds		
Funds generated internally:		
• Profit on ordinary activities before taxation	212.3	179.2
• Extraordinary Items	0.7	(18.7)
• Unrealised exchange losses	(0.4)	-
Items not involving the movement of funds:		
• Depreciation of tangible fixed assets	40.7	32.7
• Amounts written off tangible fixed assets	1.7	-
• Profit on sale of tangible fixed assets	(10.6)	(11.3)
• Movements in provisions for liabilities and charges	(0.9)	16.7
• Profit retained in associated companies	(0.1)	(0.1)
	243.4	198.5
Funds from external sources:		
• Capital grants and contributions	20.2	11.8
• Proceeds from sales of tangible fixed assets	11.7	11.4
• Finance leases	9.4	4.5
• Long-term borrowings	46.3	38.4
	331.0	264.6
Total source of funds		
Application of funds		
Purchase of tangible fixed assets	(391.7)	(247.0)
Acquisition of subsidiaries	(0.9)	-
Purchase of goodwill on acquisition of subsidiaries	(14.0)	(10.2)
Loan repayments	(8.5)	(6.0)
Debenture repaid	-	(11.9)
Finance lease repayments	(2.2)	(1.7)
Investment in associated companies	(0.9)	(2.1)
Overseas tax paid	(0.5)	-
Advance corporation tax paid	(9.8)	-
Dividends paid	(61.7)	-
	(490.2)	(278.9)
(Increase) decrease in working capital		
Stocks and work in progress	0.8	(19.1)
Debtors	(6.8)	(96.4)
Creditors: (excluding loans, finance leases, overdrafts, dividends and taxation)	72.9	149.3
	66.9	33.3
	(92.3)	19.5
(Decrease) increase in net liquid funds		
Increase (decrease) in net liquid funds		
Cash and bank balances	4.9	3.5
Current asset investments	(64.6)	27.0
Short-term borrowings	(32.6)	(11.0)
	(92.3)	19.5

Details of the acquisition of Metro Rod Plc and its subsidiaries are shown in note 15 to these accounts.

Notes to the Accounts

- 1 These accounts present the financial results of Thames Water Plc for the year ended 31 March 1991. Care should be taken in comparing these results with those for the previous year because:
- major changes in operating circumstances, regulatory standards, and capital structure were made in the year ended 31 March 1990.
 - the results of the PWT Worldwide group of companies are included for the first time.
- The investment by the Company in PWT Worldwide Limited and its subsidiary companies and L'A Water Treatment Corporation was completed on 15 December 1989 and their audited balance sheets at 31 December 1989 were consolidated in the 1990 Group accounts. The results of the acquired companies for the period 15 December 1989 to 31 December 1989 were not consolidated since, in the opinion of the Directors, they were not material to the results of the Group.

The accounting reference date for the PWT Worldwide Limited sub-group has now been brought into line with that of the Company such that these accounts consolidate the financial results of these companies for the period 1 January 1990 to 31 March 1991.

2 Principal accounting policies

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

(a) Accounting convention

The accounts have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and all of its subsidiaries. Except where stated otherwise in the notes to the accounts 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. Where significant, intra-group sales and profits are eliminated on consolidation.

(c) Turnover

Turnover, which excludes value added tax, represents the income receivable in the ordinary course of business for goods and services provided and, in respect of contract work in progress, the value of work carried out.

(d) Tangible fixed assets and depreciation

Tangible fixed assets comprise:

- Infrastructure assets (*being mains and sewers, impounding 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 capital contributions. Contributions received in respect of infrastructure assets are deducted from the cost of fixed assets in order to give a true and fair view of the cost to the Group of the assets employed in the business. 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 cost less accumulated depreciation. Where material, contributions received towards the cost of other assets are accounted for as deferred income and released to the profit and loss account over the useful lives of the assets.

Freehold and long 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

(e) 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 lessor. Leasing payments are treated as consisting of a capital element and finance costs, the capital element reducing the obligation to the lessor 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.

(f) 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 pre-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.

Current asset investments

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

(g) 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 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.

(h) 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.

(i) 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. The differences arising from the translation of year-end assets and liabilities at closing rates together with 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.

(j) Research and development

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

(k) 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.

(l) Provision for insurance liabilities

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

(m) Goodwill

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

(n) 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	
	1991 £m	1990 £m	1991 £m	1990 £m
Analysis of turnover and profit before taxation by class of business				
Water supply	293.7	265.0	57.4	45.5
Sewerage services	377.4	339.8	155.1	133.8
Other trading activities	164.4	6.7	(3.3)	(1.1)
Other activities	-	-	3.1	1.0
Total	835.5	611.5	212.3	179.2

Other trading activities include:

- PWT Worldwide Limited which has a contracting division which designs and manages the construction of water and waste water treatment plant, and a products and services division which supplies industrial, commercial and defence water treatment systems as well as pipeline products and membrane systems.
- Thames Water Enterprises Limited which has businesses in building services, waste management and international training and consultancy.

Losses of £5.1m were incurred on other trading activities during the first half year partly due to the postponement of contracts as a result of the Gulf War. The majority of these activities traded profitably under normal operating circumstances during the second half year.

Other activities relate to the development and appraisal of new businesses. Costs incurred are offset by interest receivable.

	1991 £m	1990 £m
Analysis of turnover by geographical region		
United Kingdom	730.0	611.5
Continental Europe	14.3	—
Africa	28.0	—
Asia	28.8	—
Australasia	22.3	—
Americas	12.1	—
	835.5	611.5

4 Operating costs

	1991 £m	1990 £m
Analysis of operating costs by type of expense		
Manpower costs	196.6	149.5
Other external charges:		
• Power	39.9	37.9
• Local authority rates	42.1	39.4
• Sewerage agencies	26.7	25.1
• Hired and contracted services	120.0	76.9
Materials and consumables	106.6	27.5
Infrastructure renewals charge	25.5	25.0
Other operating charges	77.8	59.4
Depreciation	40.7	32.7
	675.9	473.4
Less own work capitalised	(29.9)	(20.2)
Total	646.0	453.2

5 Operating profit

	1991 £m	1990 £m
Operating profit is stated after charging		
Directors' emoluments	0.8	0.5
Rentals under operating leases:		
• Hire of plant and machinery	1.6	0.5
• Other	4.8	3.3
Depreciation:		
• Own assets	37.5	30.6
• Assets held under finance leases	3.2	2.1
Auditors' remuneration	0.5	0.2
Research and development	7.0	4.1

Included in auditors' remuneration is £45,000 (1990: £28,000) in respect of audit fees incurred by the Company in 1991

6 Information regarding directors and employees

	1991 £000	1990 £000
Directors' emoluments		
As Directors	85	60
For management services	762	437
Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions		
Chairman	160	73
Highest paid Director	209	157

The increase in Directors' emoluments mainly arises from the full year cost of salary revisions granted to the Chairman and certain executive Directors on 1 January 1990, which was reported in the Annual Report for the year ended 31 March 1990.

	1991 number	1990 number
Scale of other Directors' emoluments		
£0 – 5,000	–	2
£ 5,001 – 10,000	–	4
£ 10,001 – 15,000	–	1
£ 15,001 – 20,000	4	–
£ 20,001 – 25,000	1	–
£ 70,001 – 75,000	–	1
£ 80,001 – 85,000	–	1
£ 95,001 – 100,000	1	–
£105,001 – 110,000	1	–

	1991 £m	1990 £m
Employee information		
Group employment costs including Directors' emoluments were:		
• Salaries and wages	168.3	130.3
• Social security costs	13.3	10.1
• Pension contributions	16.5	10.9
Total	198.1	151.3

Total employment costs contain £1.5m (1990: £1.8m) which is included in the infrastructure renewals charge in note 4.

	1991 number	1990 number
Average number of persons employed by the Group, including executive Directors, analysed by service		
Water supply	4,198	4,347
Sewerage services	3,133	3,341
Other trading activities	1,635	61
Other activities	49	41
Total	9,015	7,790

Transactions with Directors and officers

There are no transactions or arrangements which are required to be disclosed under the provisions of the Companies Act 1985.

7 Other income

	1991 £m	1990 £m
Other income comprises		
• Interest receivable and similar income	25.9	29.3
• Share of profits of associated companies	0.1	0.1
• Profit on sale of tangible fixed assets	10.6	11.3
• Net rents receivable	0.4	0.4
Total	37.0	41.1

8 Interest payable and similar charges

	1991 £m	1990 £m
Bank loans, overdrafts and other loans		
• Repayable within five years otherwise than by instalments	6.1	11.6
• Repayable within five years by instalments	0.3	5.1
• Not wholly repayable within five years	6.7	3.3
Finance charges in respect of finance leases	1.1	0.2
Total	14.2	20.2

Interest payable in 1990 includes £10.2m on Government loans which were extinguished on 15 November 1989 as part of the Company's capital restructuring.

9 Taxation on profit on ordinary activities

No liability to UK 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) £19.3m (1990: £12.9m) deemed irrecoverable together with overseas taxes of £0.5m (1990: Nil). The ACT remains available to reduce future corporation tax liabilities.

10 Extraordinary items

The extraordinary charges incurred in the year ended 31 March 1990 comprised costs in respect of the Offer for Sale of the Company's shares (£11.3m) and costs in respect of pension and accrued service liabilities for former Lee and Thames Conservancy Pension Scheme members and their dependants (£7.4m).

The extraordinary credit of £0.7m in the year ended 31 March 1991 is a refund of costs provided for in the previous year in respect of the Offer for Sale of the Company's shares.

11 Profit of Thames Water Plc

Of the consolidated profit attributable to the shareholders of Thames Water Plc, £68.5m (1990: £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

An interim dividend per ordinary share of 6p (1990: Nil) was paid on 4 March 1991. A final dividend of 11.5p per ordinary share (1990: 10.07p) is proposed by the Directors, payable on 1 October 1991.

The 1990 dividend represented only a proportion of the year following the Offer for Sale of the Company's shares on 20 November 1989. The full year's equivalent dividend was 15.11p.

13 Earnings per ordinary share

Profit on ordinary activities after taxation: £192.5m (1990 pro-forma: £167.5m).

Earnings per ordinary share 50.1p (1990 pro-forma: 43.6p).

Earnings per ordinary share have been calculated by dividing the profit on ordinary activities after taxation by the average number of ordinary shares in issue during the year.

Earnings per ordinary share for 1990 are shown on a pro-forma basis as if the capital structure introduced at flotation had been in place from 1 April 1989. They have been derived by adjusting profit on ordinary activities after taxation (£166.3m) for interest (+ £7.6m) and taxation (– £6.4m).

Earnings per ordinary share are 55.1p (1990 pro-forma: 48.6p) on a nil distribution basis. The nil distribution basis assumes no charge for irrecoverable ACT as this arises solely from the declaration of the dividend.

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

14 Tangible fixed assets

	Cost £m	Depreciation £m	Net book value	
			1991 £m	1990 £m
Group				
Land and buildings	799.0	160.0	639.0	448.8
Plant and machinery	1,241.5	132.2	1,109.3	971.7
	2,040.5	292.2	1,748.3	1,420.5
Company				
Fixtures, fittings and equipment	0.4	–	0.4	0.3

Land and buildings	Freehold land and buildings £m	Leaseholds		Total £m	Group Company Freehold buildings £m
		over 50 years £m	under 50 years £m		
Movements during the year					
Cost at 1 April 1990	579.7	14.5	1.0	595.2	–
Foreign exchange adjustments	(0.1)	–	–	(0.1)	–
Additions at cost	192.1	–	–	192.1	0.4
Amounts written off	(1.7)	–	–	(1.7)	–
Group transfers	–	–	–	–	(0.4)
Reclassifications	28.0	(14.5)	0.2	13.7	–
Disposals	(0.2)	–	–	(0.2)	–
Cost at 31 March 1991	797.8	–	1.2	799.0	–

14 Tangible fixed assets *continued*

Land and buildings	Group Company				
	Freehold land and buildings £m	Leaseholds		Total £m	Freehold buildings £m
		over 50 years £m	under 50 years £m		
Depreciation at 1 April 1990	145.9	0.2	0.3	146.4	--
Provided during the year	12.6	--	0.1	12.7	--
Reclassifications	1.1	(0.2)	--	0.9	--
Depreciation at 31 March 1991	159.6	--	0.4	160.0	--
Net book value					
At 31 March 1991	638.2	--	0.8	639.0	--
At 31 March 1990	433.8	14.3	0.7	448.8	--

Only £2.3m (1990: £2.3m) of the Group's freehold land is identified as such in these accounts. No depreciation has been charged on this freehold land.

Plant and machinery	Group Company				
	Infra- structure assets £m	Plant, machinery and vehicles £m	Fixtures, fittings, equipment £m	Total £m	Fixtures, fittings, equipment £m
Movements during the year					
Cost at 1 April 1990	730.6	249.1	99.5	1,079.2	0.3
Foreign exchange adjustments	--	(0.2)	(0.2)	(0.4)	--
Additions at cost	91.5	75.1	33.0	199.6	0.1
Disposals	--	(2.3)	(0.7)	(3.0)	--
Reclassifications	--	0.1	(13.8)	(13.7)	--
Cost at 31 March 1991	822.1	321.8	117.8	1,261.7	0.4
Capital contributions	(20.2)	--	--	(20.2)	--
Net cost at 31 March 1991	801.9	321.8	117.8	1,241.5	0.4
Depreciation at 1 April 1990	--	68.1	39.4	107.5	--
Foreign exchange adjustments	--	(0.1)	(0.2)	(0.3)	--
Provided during the year	--	15.9	12.1	28.0	--
Disposals	--	(1.7)	(0.4)	(2.1)	--
Reclassifications	--	--	(0.9)	(0.9)	--
Depreciation at 31 March 1991	--	82.2	50.0	132.2	--
Net book value					
At 31 March 1991	801.9	239.6	67.8	1109.3	0.4
At 31 March 1990	730.6	181.0	60.1	971.7	0.3

14 Tangible fixed assets *continued*

Tangible fixed assets at 31 March 1991 include £344m (1990: £169m) 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	
	1991 £m	1990 £m	1991 £m	1990 £m
Plant, machinery and vehicles	5.0	0.1	4.5	0.1
Fixtures, fittings and equipment	17.4	12.7	10.0	8.0

15 Fixed asset investments

	Investment in associated companies £m
Group	
Value at 1 April 1990	1.3
Additions	0.9
Share of profits for the year	0.1
Value at 31 March 1991	2.3

Notes:

1 The cost of shares in associated companies at 31 March 1991 amounts to £3m (1990: £2.1m). The Group's share of the post acquisition reserves at 31 March 1991 amounts to approximately £0.2m (1990: £0.1m). The associated companies are unlisted.

2 During the year the Group invested £0.9m comprising:

- £0.7m of preference shares in its existing joint venture company Brophy Group Plc.
- £0.2m in a new Spanish joint venture company, ATW Medioambiente S.A.

On 4 December 1990 the Group acquired the entire share capital of Metro Rod Plc and its subsidiaries for £5.1m. The purchase price comprising cash and loan notes includes deferred consideration of £2m dependent upon the profit performance of Metro Rod Plc for the two years ending 30 June 1992.

The net assets acquired, which are included in 'acquisition of subsidiaries' in the Consolidated Statement of Source and Application of Funds, amounted to £0.5m.

15 Fixed asset investments *continued*

Company	Investment in	Loans to Group	Total
	Group companies	companies	
	£m	£m	£m
Value at 1 April 1990	371.2	9.7	380.9
Additions	20.7	17.4	38.1
Value at 31 March 1991	391.9	27.1	419.0

Investments made by the Company during the year were as follows:

1 £36.5m in PWT Worldwide Limited comprising:

- £7.7m adjustment to the purchase price arising from settlement of the claim made by Thames Water Plc on Portals Holdings PLC (see note 25).
- £15.6m following the reorganisation of its capital structure to eliminate losses incurred within the sub-group up to 31 December 1989.
- £13.2m to offset cash deficiencies partly arising from delays in receipt of ECGD support for contracts postponed in Iraq and Kuwait due to the Gulf crisis.

2 £1.6m in Thames Water Enterprises Limited for the purchase of preference shares in Brophy Group Plc (£0.7m) and the part consideration paid in cash for the acquisition of Metro Rod Plc and its subsidiaries (£0.9m).

	Country of incorporation, registration and operation	Class of share capital held	Proportion of shares held		Nature of business
			Directly	Indirectly	
At 31 March 1991 the Group held more than 10% of the allotted share capital of the following principal trading companies					
Subsidiaries					
Thames Water Utilities Limited	England and Wales	Ordinary	100%		Water and sewerage services
Isis Insurance Company Limited	Isle of Man	Ordinary	100%		Insurance
Kennet Properties Limited	England and Wales	Ordinary	100%		Property
Thames Water Enterprises Limited	England and Wales	Ordinary	100%		Consultancy and building services
Thames Water Building Services Limited	England and Wales	Ordinary		100%	Domestic plumbing
Thames Water Holdings Inc	United States	Common Convertible	100% 100%		Management company
Metro Rod Plc	England and Wales	Ordinary		100%	Management company
Metro Rod (Franchising) Limited	England and Wales	Ordinary		100%	Drain and pipe cleaning services
Metro Rod (London) Limited	England and Wales	Ordinary		100%	Drain and pipe cleaning services
Metro Rod (Services) Limited	England and Wales	Ordinary		100%	Drain and pipe cleaning services

15 Fixed asset investments continued

	Country of incorporation, registration and operation	Class of share capital held	Proportion of shares held		Nature of business
			Directly	Indirectly	
Metro-Kill Limited	England and Wales	Ordinary		100%	Pest control services
Peter Bryant (Cesspits) Limited	England and Wales	Ordinary		100%	Waste collection
PWT Worldwide Limited	England and Wales	Ordinary	100%		Management company
PWT Overseas Limited	England and Wales	Ordinary		100%	Management company
L*A Water Treatment Corporation	United States	Ordinary		100%	Design contracting
The Permutit Company Limited	England and Wales	Ordinary		100%	Water treatment plant
Stella-Meta Filters Limited	England and Wales	Ordinary		100%	Filtration systems
PCI Membrane Systems Limited	England and Wales	Ordinary		100%	Membranes
PWT Projects Limited	England and Wales	Ordinary		100%	Design contracting
Portacel Limited	England and Wales	Ordinary		100%	Chlorination
FW Talbot & Company Limited	England and Wales	Ordinary		100%	Pipeline products
The Permutit Company of Australia Pty Limited	Australia	Ordinary		100%	Water treatment plant
Permutit-Boby Australia Pty Limited	Australia	Ordinary		100%	Design contracting
PWT Botswana Pty Limited	South Africa	Ordinary		100%	Contracting and products
PWT New Zealand Limited	New Zealand	Ordinary		100%	Contracting and products
PWT (Singapore) Pte Limited	Singapore	Ordinary		100%	Design contracting
Paterson Candy International (Nigeria) Limited	Nigeria	Ordinary		60%	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
Houseman NV	Belgium	Ordinary		100%	Chemicals
Home Waterbehandeling BV	Netherlands	Ordinary		100%	Water treatment plant

A full list of subsidiary companies within the Thames Water Group will be filed at Companies House with the Company's annual return.

Associated companies

Brophy Group Plc	England and Wales	Ordinary Preference		50% 100%	Environmental services
ATW Medioambiente S.A.	Spain	Ordinary		40%	Water and waste treatment

16 Stocks and work in progress

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Raw materials and consumables	19.4	18.8	-	-
Work in progress	14.2	14.8	-	-
Finished goods and goods for resale	3.1	3.9	-	-
Total	36.7	37.5	-	-
Work in progress includes long-term contract balances as follows				
Net cost less foreseeable losses	94.9	81.9	-	-
Applicable payments on account	(94.9)	(72.8)	-	-
Total	-	9.1	-	-

17 Debtors

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Due within one year				
Trade debtors	107.3	97.8	-	-
Amounts recoverable on contracts	13.2	8.0	-	-
Amounts owed by subsidiaries	-	-	80.0	3.6
Other debtors	19.2	27.3	0.2	10.1
Prepayments and accrued income	38.2	38.1	0.2	1.4
Infrastructure renewals expenditure	1.1	-	-	-
	179.0	171.2	80.4	15.1
Due after more than one year				
Trade debtors	0.2	0.2	-	-
Amounts owed by subsidiaries	-	-	-	3.5
Other debtors	0.7	0.8	-	-
Total	179.9	172.2	80.4	18.6

18 Current asset investments

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Government and Local Authority loans	0.3	24.3	-	-
Fixed term deposits and certificates of deposit	80.2	129.0	21.4	54.5
Fixed interest securities	21.2	13.0	-	-
Total	101.7	166.3	21.4	54.5

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

19 Creditors: amounts falling due within one year

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Bank loans, overdrafts and temporary borrowings (see note 21)	31.4	29.3	3.0	6.8
Other loans (see note 21)	39.3	8.8	37.7	-
Obligations under finance leases (see note 22)	4.2	1.8	-	-
Progress claims and advance payments	63.4	56.2	-	-
Trade creditors:				
• operating	58.6	64.8	-	-
• capital	119.4	64.1	-	-
Amounts owed to subsidiaries	-	-	20.0	3.6
Other creditors	9.1	4.1	-	-
Advance corporation tax	22.4	12.9	22.4	12.9
Taxation and social security	4.4	4.9	-	-
Accruals and deferred income	55.4	42.6	2.7	1.3
Proposed dividend	44.2	38.7	44.2	38.7
Total	451.8	328.2	130.0	63.3

20 Creditors: amounts falling due after more than one year

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Bank loans (see note 21)	60.0	25.0	-	-
Other loans (see note 21)	55.9	53.1	-	-
Obligations under finance leases (see note 22)	7.9	3.1	-	-
Amounts owed to subsidiaries	-	-	-	1.1
Other creditors	17.0	17.7	-	-
Total	140.8	98.9	-	1.1

21 Loans

	Range of interest rates %	Group		Company	
		1991 £m	1990 £m	1991 £m	1990 £m
Bank loans	6-16	65.8	29.6	-	4.6
Other loans	3-14.1	95.2	61.9	37.7	-
Bank overdraft		25.6	24.7	3.0	2.2
		186.6	116.2	40.7	6.8
Less: amounts repayable within one year		(70.7)	(38.1)	(40.7)	(6.8)
Total		115.9	78.1	-	-

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Loans outstanding are repayable as follows:				
• Within one year	70.7	38.1	40.7	6.8
• Between one and two years	0.8	1.1	-	-
• Between two and five years	2.3	2.3	-	-
• After more than five years	112.8	74.7	-	-
Total	186.6	116.2	40.7	6.8

Notes:

1 Loans are repayable between 1991 and 2030.

2 Of the loans repayable after more than five years hence, £96.7m (1990: £58m) is in respect of loans wholly repayable after that date.

3 Included in 'Other loans' are loans totalling some £33m (1990: £33m) which are secured on the revenues of Thames Water Utilities Limited. A loan of £7.6m secured on property owned by Thames Water Utilities Limited was repaid in full during the year.

22 Obligations under finance leases

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Finance leases				
Amounts due under finance leases are payable as follows:				
• Within one year	4.8	2.0	-	-
• Between one and two years	3.8	1.7	-	-
• Between two and five years	5.3	1.8	-	-
• After more than five years	0.4	-	-	-
	14.3	5.5	-	-
Less finance charges allocated to future periods	(2.2)	(0.6)	-	-
Total	12.1	4.9	-	-

23 Provisions for liabilities and charges

	Group		Company	
	Other provisions £m	Deferred taxation £m	Total £m	£m
Balance at 1 April 1990	27.3	—	27.3	—
Provided during the year	7.8	—	7.8	—
Utilised during the year	(5.4)	—	(5.4)	—
Released during the year	(3.3)	—	(3.3)	—
Balance at 31 March 1991	26.4	—	26.4	—

Notes:

1 Other provisions

Other provisions comprise:

- Insurance liabilities £17.5m (1990: £14.9m)
- Infrastructure renewals expenditure Nil (1990: £4.2m)
- Foreseeable losses on long-term contract work in progress and other provisions £8.9m (1990: £8.2m)

2 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.

An analysis of amounts unprovided is as follows:

	Group	
	1991 £m	1990 £m
• Accelerated capital allowances		
— infrastructure assets	88.2	37.3
— other assets	66.4	18.7
• Other timing differences	(3.4)	(3.3)
• Losses	(52.1)	(17.0)
• Advance corporation tax	(32.2)	(12.9)
	66.9	22.8

As infrastructure assets are not depreciated, deferred taxation will crystallise only in the event of any disposal of these assets at amounts in excess of their written down value for tax purposes. In the opinion of the Directors the likelihood of such a liability crystallising in the future is remote.

No potential deferred tax liability arises in the Company.

24 Share capital

Share capital of the Company

• 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		
384,211,274 ordinary shares of £1 each		£384,211,274
Special rights redeemable preference share of £1		£1

During the year ended 31 March 1991, 3,274 ordinary shares were allotted for £1 consideration of £5,762 (1990: Nil) under the Thames Water Sharesave Scheme to employees who exercised their option to receive shares on leaving the Group.

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.

Employee share schemes

The issued and paid up share capital of the Company at 31 March 1991 includes 1,537,527 ordinary shares which are held in trust on behalf of employees who are beneficially entitled to the shares through special arrangements made under the Free and Matching Offer Share scheme at the time of the Offer for Sale in November 1989. The scheme, which has been specifically established by the Company for employees to acquire ordinary shares in Thames Water Plc, 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 Sharesave Scheme is a 'save as you earn' share option scheme with options exercisable, in normal circumstances, after completion of a five or seven 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 1991

Date of grant	Number of ordinary shares	Option price per share	Normal date of exercise
Thames Water Sharesave Scheme			
5-year scheme			
12 December 1989	2,885,055	176p	Dec 1994 – June 1995
13 July 1990	471,583	227p	July 1995 – Jan 1996
7-year scheme			
12 December 1989	1,183,592	176p	Dec 1996 – June 1997
13 July 1990	211,566	227p	July 1997 – Jan 1998
Thames Water Executive Share Option Scheme			
17 January 1990	1,757,000	278p	1993-2000
18 June 1990	98,000	283p	1993-2000
20 November 1990	309,000	303p	1993-2000

25 Reserves and retained profits

	The Company £m	Subsidiary companies £m	Associated companies £m	Goodwill written off £m	Total £m
Profit and loss account					
Balance at 1 April 1990	5.7	968.0	0.1	(11.1)	962.7
Foreign exchange adjustments	—	(0.6)	—	—	(0.6)
(Loss) profit for the financial year	(30.4)	223.5	0.1	—	193.2
Intra Group dividends	98.9	(98.9)	—	—	—
Dividend payable	(67.2)	—	—	—	(67.2)
Goodwill written off	—	—	—	(14.0)	(14.0)
Balance at 31 March 1991	7.0	1,092.0	0.2	(25.1)	1,074.1

Goodwill written off during the year amounting to £14m has arisen from the following transactions:

- £4.6m on the acquisition of Metro Rod Plc and its subsidiaries reflecting the excess of the estimated purchase price over the net assets acquired (see note 15).
- £9.4m from a revision of the purchase price paid by Thames Water Plc to Portals Holdings PLC for PWT Worldwide Limited and its subsidiaries and L*A Water Treatment Corporation (see note below).

The share sale agreement between Portals Holdings PLC and Thames Water Plc contained a provision whereby if and to the extent that the net asset value of the acquired group of companies as at 31 December 1989 was less than the net asset value as at 31 December 1988, Portals Holdings PLC would 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 consequence of provisions made by the Directors of Thames Water Plc, showed a shortfall in the value of net assets and a claim for £15.1m against the original purchase price of approximately £30m was made on Portals Holdings PLC. This was recognised in full in the calculation of the purchase price in the Thames Water Plc accounts for 1990.

The claim was disputed by Portals Holdings PLC. In accordance with the terms of the share sale agreement the dispute on the claim was referred for decision to an independent expert, jointly appointed by Thames Water Plc and Portals Holdings PLC. Subsequent to the reference to the expert, the claim was reduced by £0.8m in respect of an insurance matter which was bilaterally resolved by the parties to the agreement.

On 19 February 1991, the expert reported his decision that under the terms of the agreement £8m was owed by Portals Holdings PLC to Thames Water Plc. This sum was agreed by both parties and the sum was settled on 26 February 1991.

The revised purchase price including costs, which has been accounted for by an adjustment to Goodwill is £22.8m.

26 Capital commitments

	Group		Company	
	1991 £m	1990 £m	1991 £m	1990 £m
Contracted for but not provided in the financial statements	451	159	—	—
Authorised but not yet contracted for	633	324	—	—

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

At 31 March 1991 Thames Water Plc was committed to making the following payments during the next year in respect of non-cancellable operating leases

	Group		Company
	Land and buildings £m	Other £m	Land and buildings £m
Leases which expire:			
• Within one year	—	—	—
• Between one and five years	0.7	1.7	—
• After more than five years	2.7	0.7	0.4
Total	3.4	2.4	0.4

28 Pension schemes

Pension arrangements for the majority of the Group's employees are of the defined benefit type funded through pension schemes whose assets are held separately from those of the Group in independently administered funds.

The total pension cost for the Group was £16.5m (1990: £10.9m) of which £0.5m (1990: Nil) relates to the overseas schemes. The pension cost relating to the UK schemes is assessed in accordance with advice received from Bacon & Woodrow, the consulting actuaries to the schemes. The pension costs relating to the overseas schemes are assessed in accordance with local practice.

Current levels of pension charge and contributions to the schemes are based on initial actuarial reviews of the various schemes as at 6 April 1990. The principal assumptions used in determining the pension cost were that salary increases, excluding allowance for promotional increases, would be between 7% and 7.5% per annum and that the rate of return on investments would amount to 9% per annum. Pension increases would be granted in line with the rules of each scheme and any statutory requirements.

The actuarial methods used were the Projected Unit method for schemes open to new members and the Attained Age method for the scheme which is closed to new members.

The majority of the Group's UK employees were members of previous pension schemes, either the Water Authorities Superannuation Fund ("WASF") or the Portals Group 1978 Pension Scheme. Benefits in respect of service in these schemes prior to the establishment of the various Thames Water schemes have been funded by transfer values from the previous schemes. For the two largest schemes of the Group the total market value of assets as at the valuation date was £264.2m and the actuarial value of these assets represented 104% of the value of the benefits that had accrued to members after allowing for expected future salary increases.

In addition to the ongoing cost of the UK Pension arrangements, the Group operates discretionary arrangements under which it augments benefits on retirement. These augmentations are funded by way of additional contributions to the schemes. In the year ended 31 March 1991 these payments amounted to £4.3m (1990: £3.3m).

In addition to the arrangements discussed above, the Group made final payments in the year ended 31 March 1990 as follows:

- £4.4m to WASF in respect of the unfunded cost of statutory increases to pensions in payment and lump sum payments and/or augmented payments to pensioners in respect of the award of added years.
- £0.3m in respect of payments to a number of pensioners with unfunded benefits.
- £0.6m in respect of pension increases for employees for whom liabilities were assumed in 1974.

The funding of the schemes does not reflect the possible changes which may be required following the Social Security Act 1990 and the judgement in the European Court of Justice regarding the Barber v GRE sex discrimination case. The likely impact of these points in the future will be to increase pension costs generally. However, the practice under the defined benefit pension schemes operated in the UK by the Group has been to provide for a reasonable level of inflation-proofing which is likely to meet the statutory requirements in the majority of schemes. It is therefore expected that the impact of the Social Security Act 1990 will be relatively small. Similarly, the impact of the Barber v GRE judgement is expected to be relatively small as the main Thames Water pension schemes already include flexible provisions regarding retirement based on a common retirement age.

29 Guarantees

The Company has guaranteed the overdrafts and loans of certain subsidiaries up to a maximum of £68.5m (1990: £23.5m). The Company has also guaranteed facilities for *contract bonding on behalf of certain subsidiaries* amounting to £44.1m at 31 March 1991 (1990: £45.5m).

30 Thames Water Utilities Limited

Condition F of the Instrument of Appointment under which Thames Water Utilities Limited operates, requires specified accounting statements to be published with its annual accounts or those of its parent company. *These will be available from 31 July 1991 onward.* Anyone requiring a copy of these accounts including the specified statements should apply to:

JK Boudier
Finance Director
Thames Water Utilities Limited
Nugent House
Vastern Road
Reading RG1 8DB

Report of the Auditors

to the Members of Thames Water Plc

We have audited the accounts on pages 22 to 43 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 1991 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

Chartered Accountants

Reading

21 June 1991

Group Five Year Summary

Year ended 31 March

Consolidated profit and loss accounts

	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m
Turnover	495.8	523.3	557.0	611.5	835.5
Operating profit	165.7	178.3	187.5	158.3	189.5
Other income	14.8	25.7	39.5	41.1	37.0
Interest payable	(29.4)	(23.3)	(19.8)	(20.2)	(14.2)
Profit on ordinary activities before taxation	151.1	180.7	207.2	179.2	212.3
Taxation on profit on ordinary activities	-	-	-	(12.9)	(19.8)
Extraordinary items	-	-	(3.2)	(18.7)	0.7
Profit for the financial year	151.1	180.7	204.0	147.6	193.2

Consolidated balance sheets

Tangible fixed assets	998.5	1,092.2	1,218.1	1,421.8	1,751.5
Net current assets/(liabilities)	14.7	59.9	119.5	51.3	(126.0)
Creditors: amounts falling due after more than one year	(228.6)	(184.9)	(185.9)	(98.9)	(140.8)
Provisions for liabilities and charges	(6.7)	(8.6)	(10.6)	(27.3)	(26.4)
	777.9	958.6	1,141.1	1,346.9	1,458.3
Called up share capital	-	-	-	384.2	384.2
Reserves and retained profits	777.9	958.6	1,141.1	962.7	1,074.1
	777.9	958.6	1,141.1	1,346.9	1,458.3

The financial information set out above for the three 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 were transferred to the National Rivers Authority and Port of London Authority and by the application of current accounting policies on a consistent basis throughout the period.

The Directors recommend that care should be taken in drawing conclusions from a comparison between the results for the two years ended 31 March 1990 and 31 March 1991 and those for previous years. The changes which took place during the year ended 31 March 1990 in capital structure, regulatory expenditure and other costs associated with Plc status render comparisons potentially misleading.

Shareholder Information

at 31 March 1991

Instalment arrangements

Payment of the final instalment on water shares is due by 3.00pm on Tuesday 30 July 1991. Definitive certificates will be issued by 9 August 1991 providing payment is received by 3.00pm, 30 July.

Financial calendar

Financial year ended 31 March 1991

Ex-dividend date for final dividend	1 July 1991
Record (or qualifying) date for 1991 final dividend	22 July 1991
1991 Annual General Meeting	30 July 1991, Olympia, London
Final dividend payable	1 October 1991

Financial year ending 31 March 1992

Announcement of half-yearly results for six months to 30 September 1991	31 October 1991
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General information

Registered Office

Thames Water Plc, 14 Cavendish Place, London W1M 9DJ.

Shareholder enquiries

Shareholders with enquiries about Thames Water Plc or shareholder matters can contact the Shareholder Enquiry Unit at local call cost on 0345 414140.

Share register

The Company's share register is maintained by National Westminster Bank PLC. Shareholders requiring help or information about their shareholding may either write to The Registrar, Thames Water Plc, National Westminster Bank PLC, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH or telephone on 0272 763006.

Thames Water is obliged to make its share register available on request to members of the public and organisations on payment of a prescribed fee. The Company therefore has no control over persons wishing to obtain information from the Register for whatever purpose including its use as a mailing list. This may result in shareholders receiving unsolicited mail.

If you wish to limit the receipt of unsolicited mail you can do so by writing to the Mailing Preference Service (MPS). This is a free service designed to serve members of the public. If you would like to take advantage of this service, write for details to the following address:

The Mailing Preference Service

FREEPOST 22

London W1E 7EZ

Share price information line (CityCall)

Callers can obtain a current share price on 0898 222302. The charge is 34p per minute cheap rate and 45p per minute peak rate inclusive of VAT.

Customer enquiries

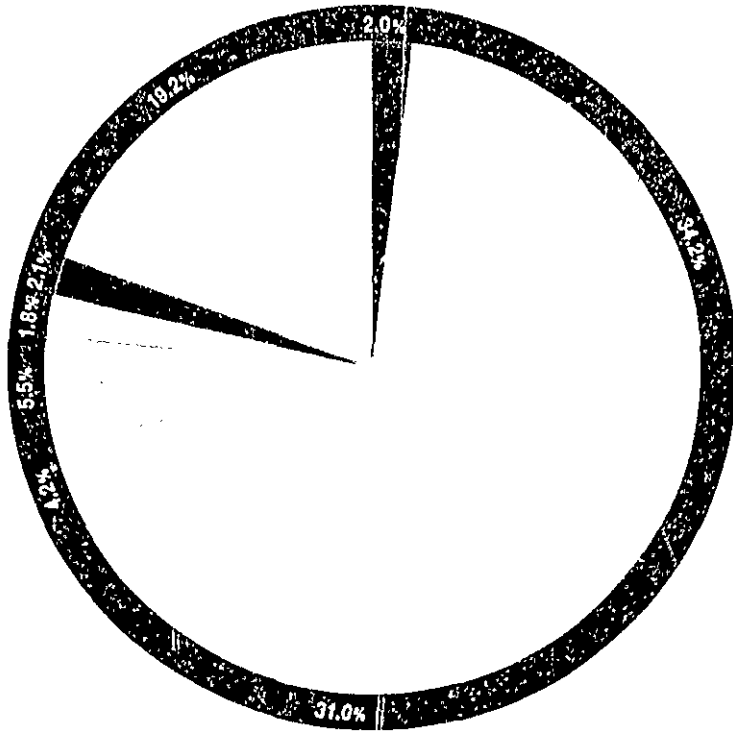
Thames Water Utilities customers with any queries or problems should contact us using the arrangements listed under WATER in their local telephone directory.

Annual Report

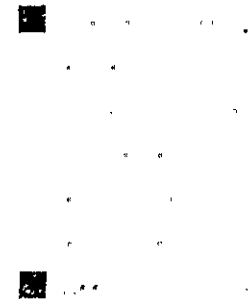
The pulp for the manufacture of paper used for this Report comes from well-managed forests where afforestation exceeds the number of trees harvested. This paper is fully recyclable, as is the polywrap used for mailing purposes.

Shareholder Analysis

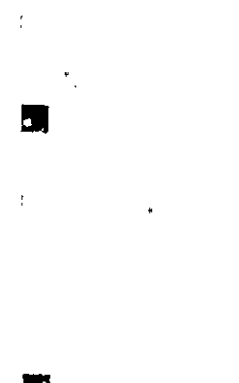
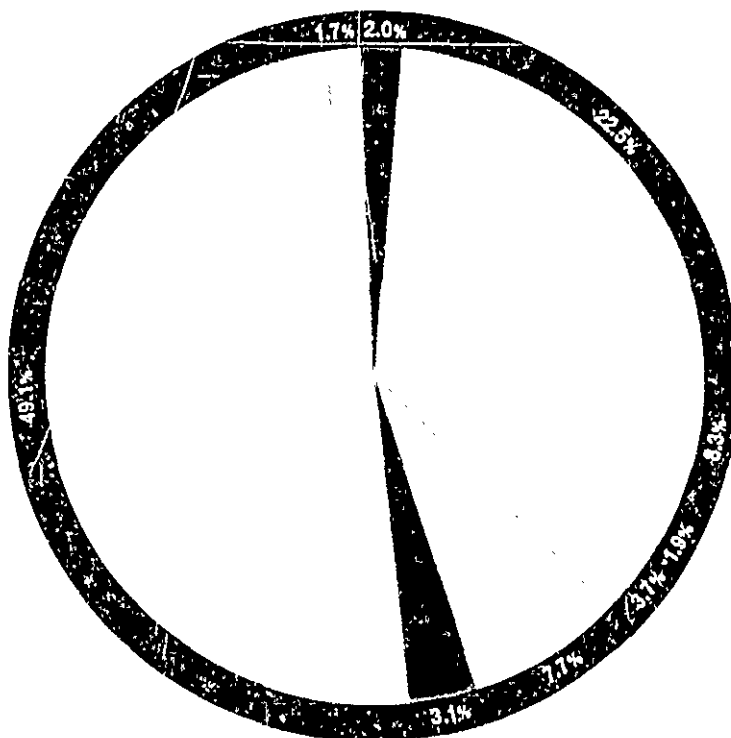
Shares by size of holding



Number of shares
(Number of shareholders)



Shareholders by type of shareholder



Notice of Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of Thames Water Plc will be held at the National Hall, Olympia, London W14 8UX on Tuesday 30 July 1991 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 1991.
- 2 To declare a final dividend for the year ended 31 March 1991 of 11.5p per share which dividend shall not be due and payable until 1 October 1991.
- 3 To re-elect Mr D J Luffrum as a Director.
- 4 To re-elect Mr E J Worlidge as a Director.
- 5 To re-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 resolutions 6 and 8 as Special Resolutions and resolution 7 as an Ordinary Resolution:

6 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 authority 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 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;
- (b) to the allotment of equity securities made pursuant to the acceptance of any scrip dividend offers as defined in Article 135 of the Company's Articles of Association; and
- (c) to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal value of £14,210,570.

and provided further that this power shall expire at midnight on 29 October 1992 or, if earlier, at the conclusion of the next Annual General Meeting of the Company and save that 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.

7 THAT the Directors be authorised to offer any holders of ordinary shares in the capital of the Company the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of any dividend of the Company declared before the beginning of the next Annual General Meeting of the Company.

8 THAT the Articles of Association of the Company be amended as follows:

- (a) the words "The Directors may exercise all powers of the Company to purchase or maintain any insurance against any liability for any Directors, officers or employees of the Company," be inserted before the final sentence of Article 95; and
- (b) the words " and any contract for the purchase or maintenance for any Directors of insurance against any liability" be inserted in Article 96(D)(v) after the words "to which such fund or scheme relates".

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 9.00 am and 5.00 pm until the date of the meeting (Saturdays and Sundays exclusive) and at the place of the meeting from 12.00 pm until the conclusion of the meeting.

21 June 1991

By order of the Board
R C Carsley
Group Company Secretary

Registered Office:
14 Cavendish Place, London W1M 9DJ
Registered in England and Wales No. 2366623

