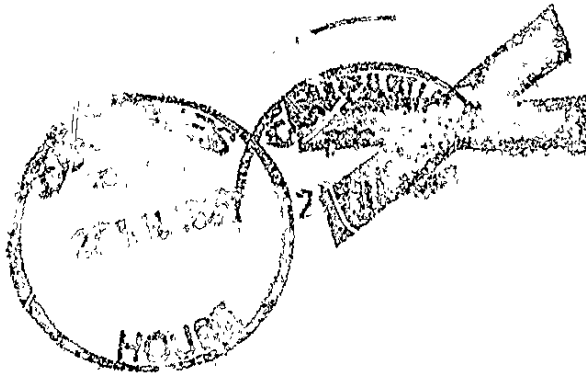


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Signed Act.



ANNUAL REPORT AND ACCOUNTS 1993



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## CORPORATE PROFILE

Thames Water Plc is a major international water company with operations based in 15 countries. Companies within the Group are engaged in a wide range of water-related businesses serving domestic, industrial, commercial and municipal customers.

These businesses are based on Thames Water's core skills and expertise in water and waste-water operations which are deployed in the largest water utility in the UK, serving London and parts of the Thames Valley.

In addition to water utilities operations the businesses include water and waste-water process engineering, the supply and installation of water products and services, water infrastructure projects, consultancy and training, and specialist environmental services.

## FINANCIAL HIGHLIGHTS

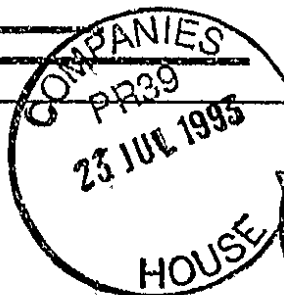
Year ended 31 March	1993 £m	1992 £m
Pre-tax profit	251.3	236.3
Post-tax profit	229.6	211.1
Earnings per ordinary share	59.3p	54.8p
Dividend per ordinary share	21.0p	19.2p

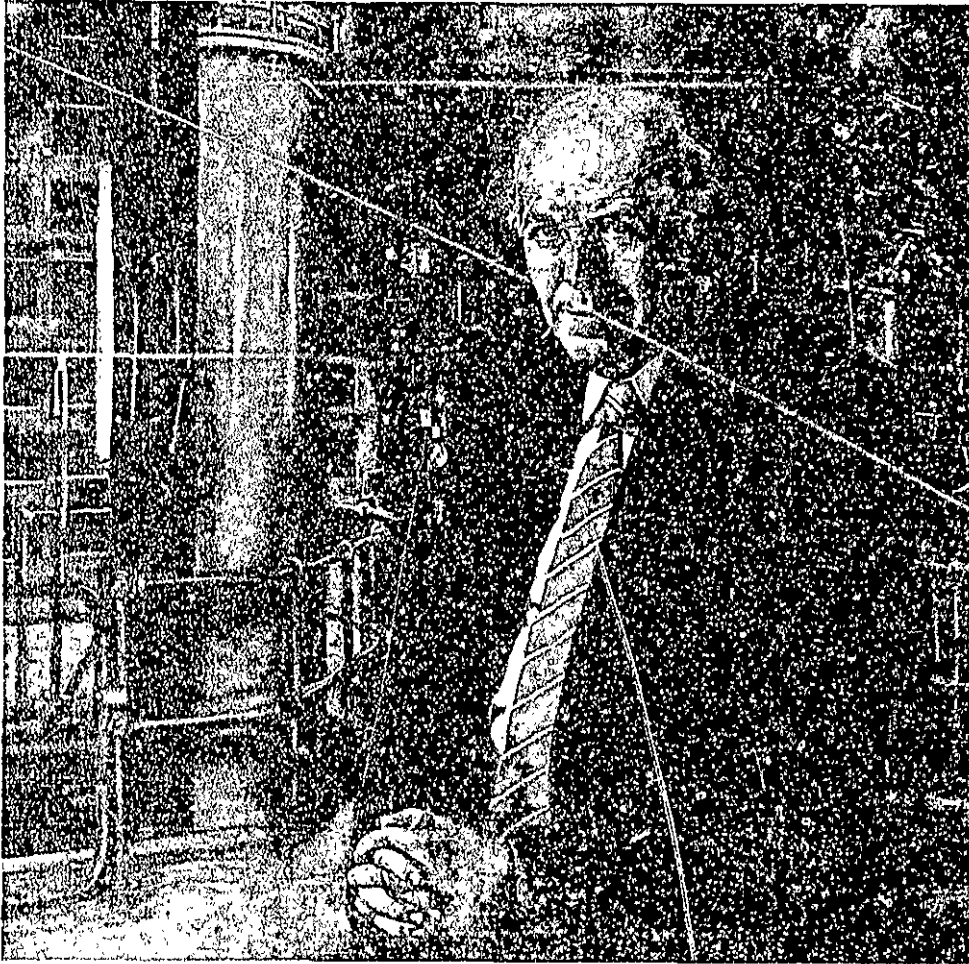
Year	Value	Label
89	204	Pro-tax profit on ordinary activities £m
90	161	
91	213	
92	236	
93	251	

Year	Value	Label
89	558	Turnover £m
90	611	
91	835	
92	899	
93	1,043	

Year	Value	Label
89	166	Capital investment £m
90	247	
91	392	
92	409	
93	399	

Year	Value	Label
89	18	Net debt outstanding £m
90	-54	
91	88	
92	327	
93	516	





**Sir Roy Watts CBE DBA MA FRAeS IPFA  
(1925 - 1993)**

**Sir Roy Watts was appointed Chairman  
of the Thames Water Authority in  
October 1983. He was the first Chairman  
of Thames Water Plc from its Inception  
in September 1989 until his death in  
April 1993.**

## CHAIRMAN'S STATEMENT



We are ahead of schedule in our capital investment programme to improve quality, service and efficiency. Through better management and design we are spending less to achieve more.

Recession in the UK and elsewhere inevitably hit our non-regulated businesses. But they have collectively made a small profit after acquisition interest. We have expanded them by acquiring some waste-water businesses from Simon Engineering in February, and we established a joint venture with Binnies, Consulting Engineers. As before the acquisitions were financed with funds raised outside the Utilities business.

We now have a comprehensive range of non utility businesses in the water and waste-water sectors. They employ nearly 3,000 people worldwide, and have a current turnover of some £300m. Rationalisation and integration of these businesses is continuing, and will enhance value in the medium term.

We were pleased to reach a two year agreement with OFWAT, which is good for both customers and shareholders. A change has been agreed in Thames Water Utilities' operating licence which restores the principle of medium term regulation by removing some of the factors by which prices could be revised at any time. Prices up to 1995 will not increase by the full amount provided for at privatisation.

During the year we published our first 'Environmental Review'. This comprehensive booklet sets out our philosophy towards the environment, not only as manager of a large company, but also as a regulated enterprise.

Sir Christopher Leaver was appointed Chairman of Thames Water Plc for the period from May 1993 until March 1994, at which time he will be succeeded by Sir Robert Clarke.

stewards of a precious natural resource. It details the various policies we have adopted for environmental improvement, preventing pollution and minimising waste. As a water company we are particularly sensitive to environmental issues. We shall continue to report our performance from time to time.

From inception we have been leading proponents of sound corporate governance. We have included in this Annual Report a statement of how your Board complies with the recommendations of the Cadbury Committee on this subject. It is on page 20.

Any successful company depends on its people. Across the Group we have highly-skilled hard-working employees. They have performed well throughout the year, and I thank them all.

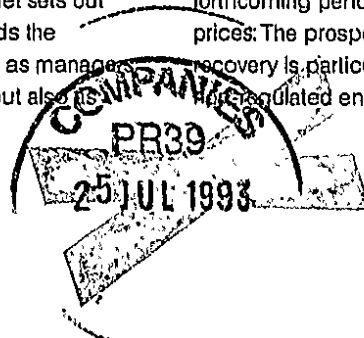
We have delivered all that we said we would at flotation, and much more besides. We look forward to another year of improving services to our customers and of improving efficiency in our Utilities business. We shall be working hard to achieve a satisfactory outcome to the forthcoming periodic review of prices: The prospect of economic recovery is particularly helpful to our regulated enterprises."

*This statement was prepared by Sir Roy Watts, Chairman of Thames Water, before his sad and untimely death in April 1993. I am very happy to endorse it exactly as he left it.*

**Sir Christopher Leaver**  
Chairman

"I am pleased to report on another successful year. Results were good despite the impact of recession on our regulated Utilities company and on many of our other businesses. Profit before tax in the year ended 31 March 1993 increased by 6% to £251m. Earnings per share increased by 8% to 59.3p. We are therefore recommending a final dividend per share of 14.1p; this makes a total dividend for the year of 21p, an increase of 9% over last year. Dividend cover is approximately 2.8 times.

The Utilities business had an excellent year, even though turnover was affected by recession for the second successive year. Through the acceleration of some efficiency programmes we further reduced operating costs after taking account of inflation. Our combined water and sewerage bills were again the lowest in England and Wales.



## GROUP CHIEF EXECUTIVE'S REVIEW

The Utilities company has achieved a great deal. The landmark achievement for the year was the completion of the tunnelling phase of the London Water Ring Main on 11 February 1993, almost a year ahead of schedule. It reflected solid progress on all aspects of the capital programme and there were continuing improvements in the supply of our water and waste-water services. Capital projects benefited from lower design and management overheads and very competitive tender prices.

We have seen important benefits during the year from the effects of our investment in control technology. This runs our works and transmission systems more efficiently and also more effectively as we gain greater control of the treatment processes. For example, the Control Centre at Hampton now controls 88% of London's water supply; also the quality of discharges from our sewage treatment works is more consistent.

Mike Hoffman and Sir Roy Watts celebrate the Group's interim results on 3 November 1992.



Action to reduce leakage has continued; at seven litres per property per hour it now represents 17% of water put into supply, compared to 25% three years ago.

Raw water supplies were depleted through the main part of the summer of 1992 until the rains came in August. No hosepipe bans were imposed or planned and substantial cost was incurred in maintaining this position. We reduced our abstractions voluntarily in the sensitive rivers where very low flows were experienced and reached agreement with the National Rivers Authority on the longer term protection of the River Darent.

Customer contact has continued to improve. Billings and operations enquiries are now housed in a single centre in Swindon which will become fully operational in July 1993.

Through our Logistics Project we are rationalising our depots, particularly within the M25 area. Construction is proceeding apace at the central warehouse in Bracknell, and during the year we made available for sale a number of existing depots.

Rigorous control of operating costs has continued to give benefit even though many process improvements of themselves add costs.

Our process contracting business PWT Worldwide has performed well in the recession, completing many projects successfully around the world. The waste-water capability of PWT Worldwide has been extended by the acquisition of the waste-water activities of the Environmental Division of Simon Engineering.

UTAG has delivered the first phase of the Beesen Water Treatment Works near Halle on time and to budget. Order intake for contracting activities in the new states in Germany has been low because of delays in client purchasing. The UTAG consulting activities have performed well and order intake is satisfactory. All the manufacturing businesses in UTAG were closed during the year, as planned pre-acquisition.

Thames Water Products and Services had an excellent year in Home, Houseman, and PCI Membranes, but Leopold in the USA has yet to realise its full potential. The market offering was extended by the products companies that were included in the acquisition from Simon.

Thames Water Environmental Services completed its target portfolio for sewerage services by the acquisition of Subtronic Limited in August. The waste management activities are concentrated on liberating selected Thames Water sites for waste treatment and disposal purposes. The first phase of liquid waste disposal has commenced with successful planning applications for three specialist treatment plants at strategic locations around London.

Thames Water International has continued to develop international contacts and won some small contracts. The formation of Binnie Thames Water has been successful in providing more effective management for the many small consultancy activities that are undertaken.

Disposal of surplus land has been restrained during the year to avoid loss of future opportunity but nevertheless a profit of £8.1m was achieved. During the year, one of our property companies, Kennet Properties, has continued to add value to some of the small to medium-sized sites that would

otherwise have been sold as land only. We should see benefits from this company's activities in the next two years.

We spent £7m, the norm for recent years, on the R & D programme which has yielded important cost benefits. These include the design, construction and future operation of the activated carbon plants being

in phosphorus and nitrate removal. New techniques of odour mapping and control have been developed and successfully used at Reading sewage treatment works.

We have continued to tell the community about our activities and to involve many of them in projects, such as tree planting at Wraybury reservoir, and our popular schools

the operational performance and cost reduction in the Utilities company. The pressures of the market place and for product development in all our other activities will continue to be tackled.

**Mike Hoffman at the new customer centre in Swindon. The customer centre will become fully operational in July 1993, combining both billing and operational enquiries.**



built at Hampton, Walton, Farmoor and Grimsbury, where we also gained from the experience of operating the Kempton advanced water treatment demonstrator plant. A new method of removing algae using novel flotation technology has been developed and patented as the COCO DAFF process. The company is well positioned to benefit from the knowledge of UTAG

liaison programme. We are particularly proud of the condition that we left the London Water Ring Main sites at Park Lane and Streatham Pumping Station which have been much applauded.

We have maintained the pace and scale of change achieved since flotation. The current year presents another challenge to improve further

We now have a substantial group of water-related businesses outside Thames Water Utilities which provides a sound platform for medium term growth in our non-regulated earnings.

*M. R. Hoffman.*

**Michael R Hoffman**  
Group Chief Executive

## FINANCIAL REVIEW

### Operating Results

Our accounts this year have been prepared in accordance with a new financial reporting standard 'Reporting Financial Performance' (FRS 3) issued in 1992 by the Accounting Standards Board.

Our operating results show increases in turnover of 16% to £1,043m and in after tax earnings of 9% to £230m. They have been achieved against a background of economic recession in the UK and in some other countries in which the Group trades.

The Utilities business continued to be the dominant contributor to turnover (£810m) and to profits before tax (£251m).

The newer non-utility businesses are now reaching a useful size, contributing £274m to turnover before eliminating inter-company transactions. These post-flotation acquisitions have largely been debt financed.

The profit contribution, after interest, of all non-utilities activities was

David Luffrum (left) with Bill Harper, Group Director, Corporate Activities.



modest at £2.8m. These businesses are expected to provide an important addition to profits in the second half of the decade.

There have been no material activities discontinued in the year. Businesses included in the results for the first time include UTAG in Germany and Leopold in the USA. Acquisition of the waste-water treatment activities of Simon Engineering occurred late in the financial year; they will not feature in the consolidated operating results until the financial year ending 31 March 1994.

### Financial Needs and Resources

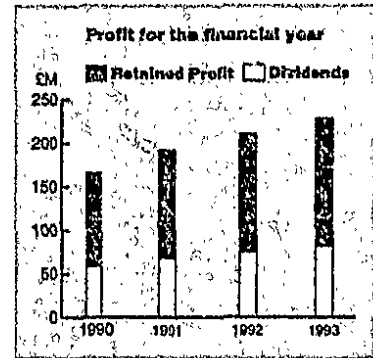
Some £328m of cash was generated from trading activities. Whilst substantial, this was not sufficient wholly to cover the extensive investment needs of the Group. Some £374m was invested in new Utilities assets in 1992/3.

After taking account of other cash inflows and outflows the net debt of the Group increased by £189m to £516m. This represented a gearing ratio (debt to equity) of 31% at 31 March 1993. Net assets of the Group stood at £1,690m, an increase of £138m over the previous year.

The funding policy of the Group is to maintain a broad portfolio of debt, diversified by source and maturity. The main sources of funds raised during the year were:

EIB Loans	£55m
Leasing	£43m
Realisation of short term investments	£75m

At the year end the Group had committed bank credit facilities available amounting to £420m. On present indications some £100m to



Nearly two-thirds of our profit after taxation and extraordinary items is retained to finance now investment.

£150m of net debt is likely to be raised in the current financial year.

The Group's principal objective in treasury management is to protect profits against risks arising from adverse movements in interest rates and currency exposures. Matching of assets and liabilities is implemented wherever practicable. The ratio of fixed interest to floating rate debt is broadly maintained at a ratio of two-thirds to one-third. Earnings are targeted to be no less than four times interest charges.

### Shareholders' Returns

Since flotation in 1989, earnings have increased by 36% and dividends by 39%. The latter assumes the recommended dividend per share of 21p is approved at the Annual General Meeting. The full year dividend recommended is 9% greater than in the previous year.

The return on shareholders' funds in 1992/3 was 14.2% (14%).

The finances of the Group are in good order for the future.

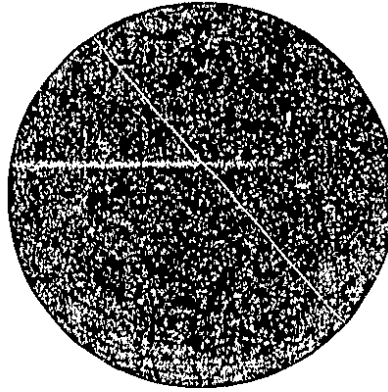
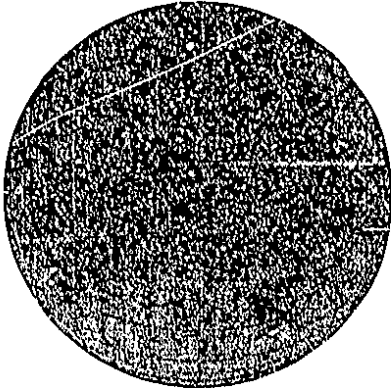
David Luffrum  
Group Finance Director



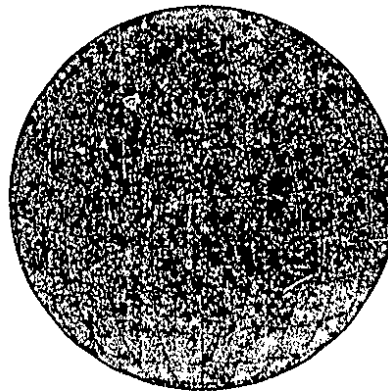
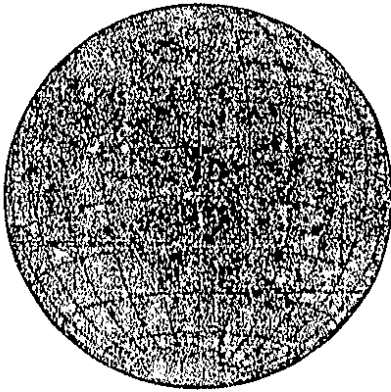
**A LEADING INTERNATIONAL WATER COMPANY**

● **Company locations:**

- Australia
- Belgium
- Egypt
- Germany
- Hong Kong
- Malaysia
- Netherlands
- New Zealand
- Nigeria
- Singapore
- Spain
- South Africa
- Thailand
- UK
- USA



Thames Water Group companies are based in 15 countries and trade in over 70. Over 1,600 of our employees work permanently outside the United Kingdom.

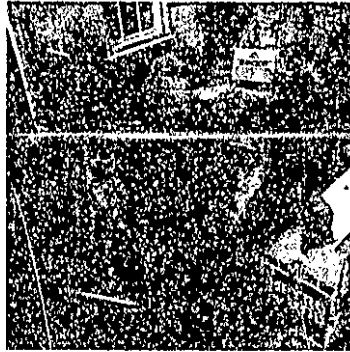


● **Thames Water companies currently trade in the following countries:**

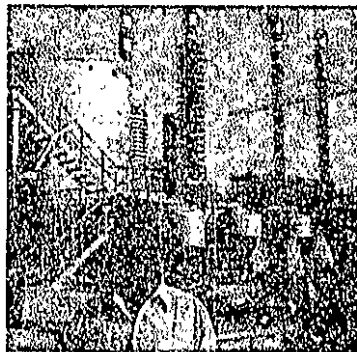
- |                |           |                |                  |                |           |
|----------------|-----------|----------------|------------------|----------------|-----------|
| Algeria        | Egypt     | Hong Kong      | Malawi           | Panama         | Sweden    |
| Antigua        | Fiji      | India          | Malaysia         | Philippines    | Taiwan    |
| Aruba          | France    | Indonesia      | Maldives Islands | Qatar          | Tanzania  |
| Australia      | Gambia    | Iran           | Malta            | Russia         | Thailand  |
| Bahamas        | Germany   | Irish Republic | Mexico           | Saudi Arabia   | Trinidad  |
| Belgium        | Ghana     | Israel         | Mozambique       | Singapore      | Turkey    |
| Botswana       | Gibraltar | Italy          | Netherlands      | South Africa   | UAE       |
| Cambodia       | Greece    | Jamaica        | New Guinea       | S Korea        | Uganda    |
| Canada         | Guam      | Japan          | New Zealand      | S Yemen        | UK        |
| Cayman Islands | Guatemala | Jordan         | Nigeria          | Sri Lanka      | USA       |
| China          | Haiti     | Konya          | Norway           | St Kitts-Nevis | Venezuela |
| Cyprus         | Honduras  | Kuwait         | Pakistan         | St Lucia       | Zimbabwe  |
| Denmark        |           |                |                  |                |           |

## THAMES WATER PEOPLE IN ACTION

Jim Spriggs, one of Metro Rod's engineers is seen here with his assistant Ray Ball, using a Neolith high pressure water jetting unit to solve a domestic drainage problem.

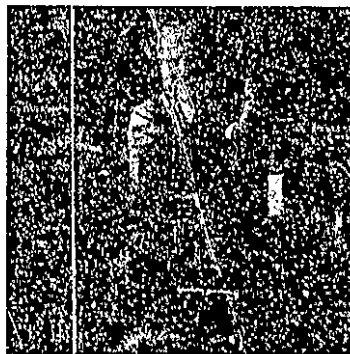


Tarlochan Bharath and Stephen Andrews, field scientists from the Operational Science Group, sample one of London's storage reservoirs to measure water quality.



Peter Burgess, contracts manager for PWT Projects, is responsible for major overseas projects like this recarbonation system, part of a large desalination plant under construction in Dubai.

Dick Emmons is a shift controller at Fobney water treatment works in Reading, responsible for the operation of the treatment processing at the works which is monitored continuously in the control room.



During 1992/3 Thames Water employed some 10,350 people worldwide, of which over 1,600 worked outside the UK. The commitment of our employees, together with the quality of their skills, is critical to the Group's success. We could not have achieved so much during the year without their major contribution.

During the year we made further progress in developing our employment conditions, in expanding and focusing our training and development activities and in initiating major organisational change.

Our commitment to treat employees as individuals in a fair and equitable way has been further enhanced through the extension of performance management and reward systems.

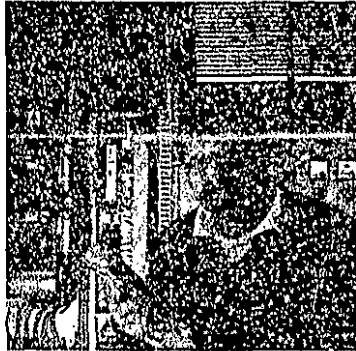
Mas Hassan, TWI leak detection specialist, is training a local consultant in Sri Lanka.





**Gill Bavister joined Thomas Water's R&D group in 1992, after graduating from Cranfield Institute of Technology with an MSc in water pollution control technology. Gill currently works in the membrane applications team.**

Our investment in people is substantial. Almost 2,000 employees participated in programmes leading to formal qualifications including National Vocational Qualifications. Our new recruitment and training programme for technicians is designed to provide the skills needed to support and develop rapid technological change. We recruit and develop graduates across the Group to provide the managers and professional leaders of the future and continue our active development and training of existing employees.



**Chris Thacker is a mechanical craftsman who is participating in the company's cross skilling programme. By undertaking the electrical module, Chris will be able to carry out a wider range of maintenance activities in the future.**



**Norman Bayles and Mike Claxton undergoing training in the use of breathing apparatus. Many of our treatment plants and larger mains and sewers involve working in confined spaces.**



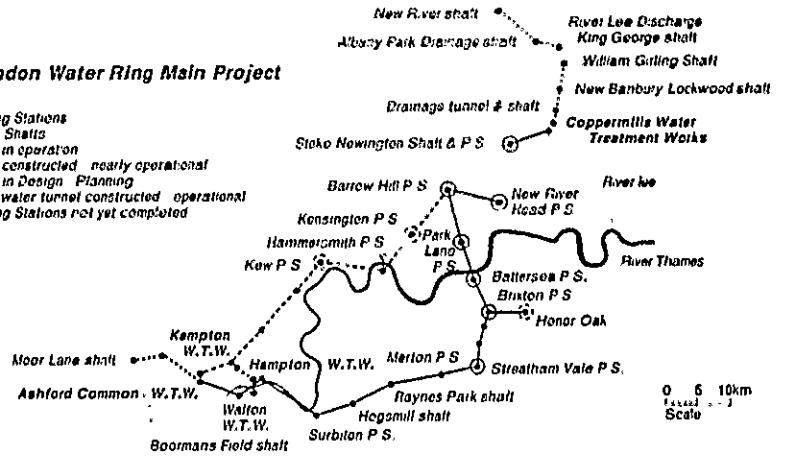
**Klaus Wolferman (right) is a site engineer for UTAG. His work involves plant construction and turn-key projects. This project is the Boeson water works at Halle, which supplies 320,000 people.**



**Liz Searle is a Youth Trainee with PCI Membrane Systems and is shown here calibrating the dimensions of membrane tubes.**

### The London Water Ring Main Project

- ⊙ Pumping Stations
- Access Shafts
- Tunnel in operation
- - Tunnel constructed nearly operational
- Tunnel in Design Planning
- ⊕ Stored water tunnel constructed operational
- ⊗ Pumping Stations not yet completed



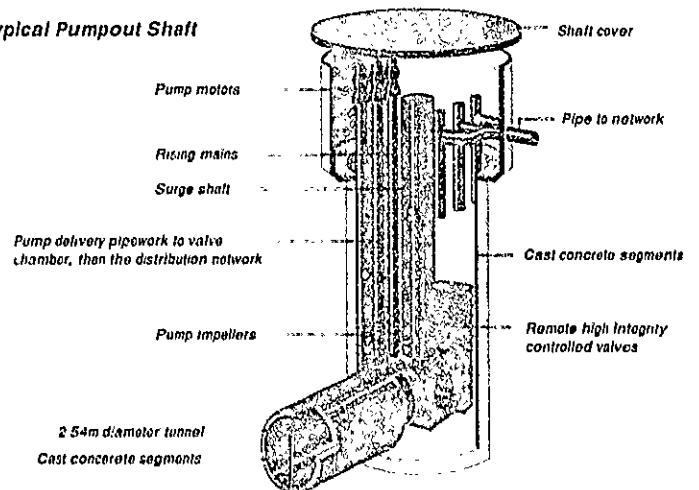
This diagram shows the London Water Ring Main, its pump-out shafts, and the four water treatment works to the west which feed it. To the north is another major tunnel main, distributing water from our Coppermills water treatment works.



Utilities MD Bill Alexander (right) and Stuart Windsor, one of the project managers for the London Water Ring Main at the final tunnel breakthrough in February 1993. Completion of tunnelling will enable our largest project to be finished 21 months ahead of schedule. The final cost is expected to be within the original £250m budget.

A cross-section of one of the 16 pump-out shafts on the ring main. Below ground, large pumps inside the shaft lift water from the main. At the bottom of the shaft the ring main is up to 60 metres below London.

#### A Typical Pumpout Shaft



# THAMES WATER UTILITIES

**Managing Director:** W J Alexander  
**Turnover:** £810m  
**Average no. of Employees:** 7,381

Our principal operating company, Thames Water Utilities is responsible for the regulated water and waste-water business. Every day it supplies 2,738 million litres of high quality drinking water to over seven million customers throughout London and parts of the Thames Valley; and it removes and treats 3,800 million litres of waste-water for more than 11 million people.

Thames Water Utilities has performed well during the year in improving product quality, customer service, and operating efficiency. For the third successive year we have increased the volume of capital investment. Through more efficient management and procurement this has been at a lower cost, £374m against £394m last year.

Employee numbers have again been reduced, particularly towards the end of the year; 7,028 people were employed at the beginning of April 1993 compared with 7,449 in April 1992.

## Customers

Our customer service centre at Swindon will become fully operational during the summer of 1993. The centre uses new information systems including customer accounting and job management. These will ensure

quicker responses by specially trained staff to all telephone calls associated with billing enquiries, quality complaints, requests for work to be done, or reports of leaks or burst mains, so that immediate action can be taken.

Our commitment to improve customer service was underlined by the appointment in January 1993 of Thames Water Utilities' first Customer Services Director. He will ensure that throughout the business the interests of the customer are paramount.

We opened a new Business Centre at Kew in west London to give an improved service to builders and developers. Staff at the centre provide designs and quotations, using integrated computerised systems which also enable the accurate scheduling of the work at times convenient to customers.

During 1992/3 we disconnected water supplies to 1,519 customers for non-payment of water bills. This is a substantial increase over previous years although it represents less than 0.05% of the total number of premises we supply with water. Our disconnection programme is aimed at customers who won't pay rather than customers who can't pay. 71% of customers disconnected paid their outstanding bill within 24 hours.

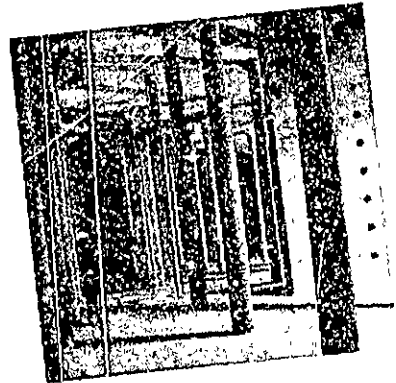
To protect customers faced with disconnection we introduced a new Code of Practice. This code provides for a number of careful steps to be taken in communicating with customers who fall into arrears, and is designed to give due notice, and to identify customers with genuine difficulties.

We believe that the disconnection of

supplies, carried out sensitively through adherence to our code, is a legitimate measure to protect the interests of the vast majority of our customers who pay their bills on time, and who would otherwise have to subsidise the non-payers.

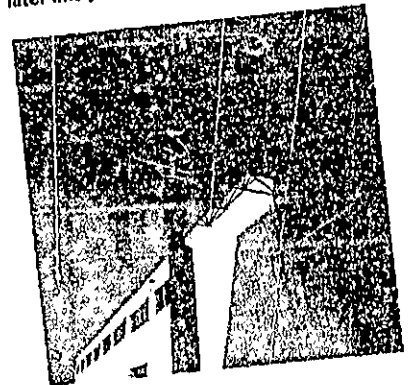
## Water Supplies

The four years to June 1992 were the second driest this century; rainfall in the Thames catchment was only 86% of normal. As a result of continued investment and good husbandry of our resources we were able to maintain water supplies and for the second year hosepipe bans or other restrictions. Sustained above-average rainfall from late summer until the new year has improved the level of the water table.

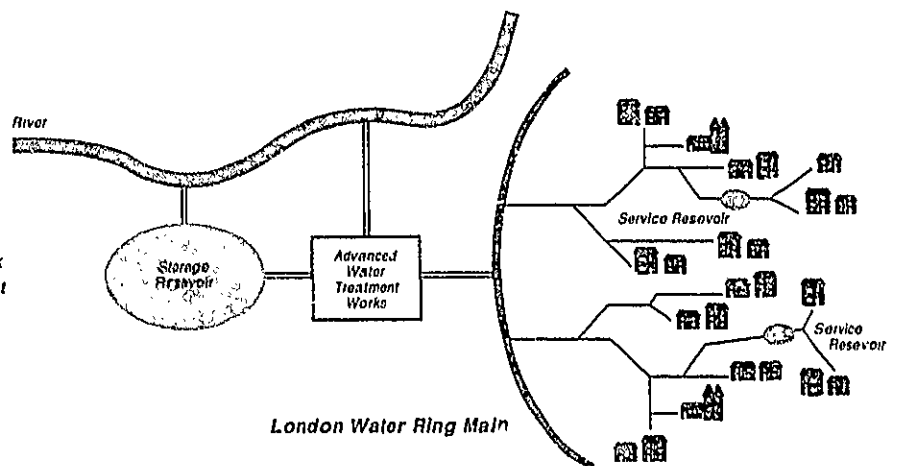
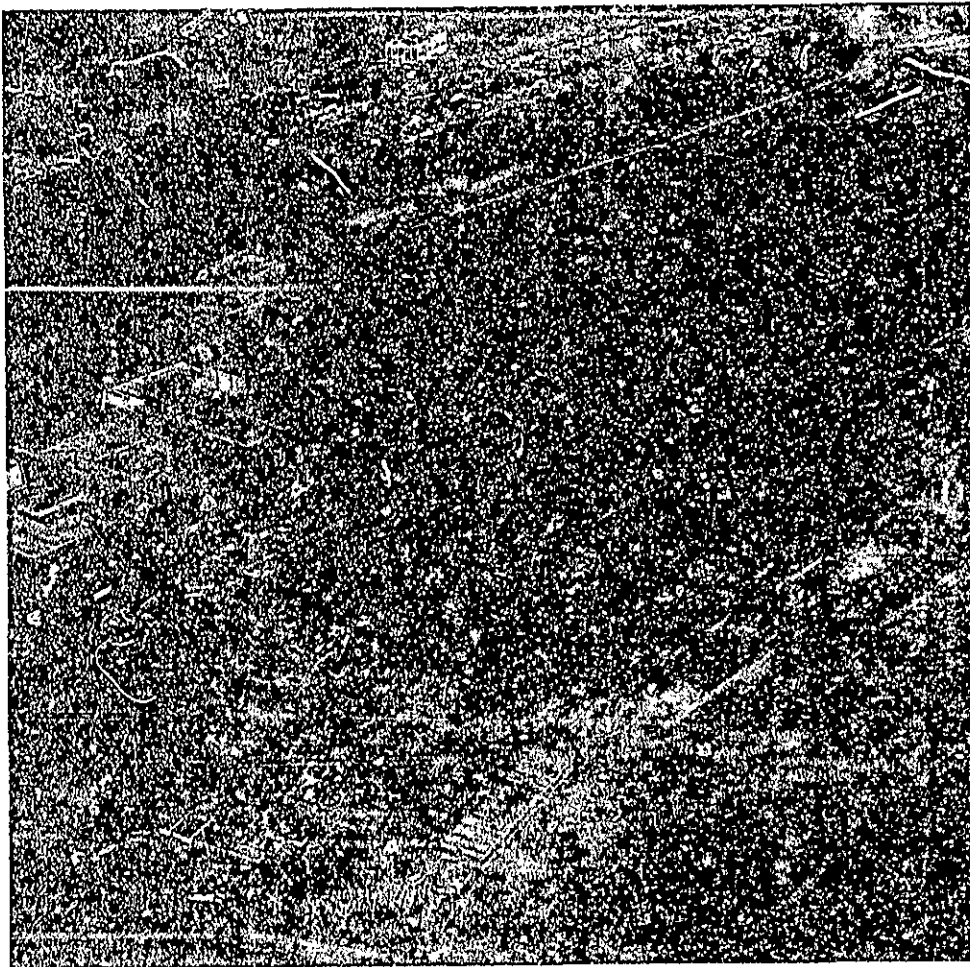


Inside the new underground service reservoir at Ealing. With a capacity of 70 megallitres it serves areas of west London.

Our new central warehouse under construction at Bracknell. It will replace 23 smaller warehouses when completed later this year.



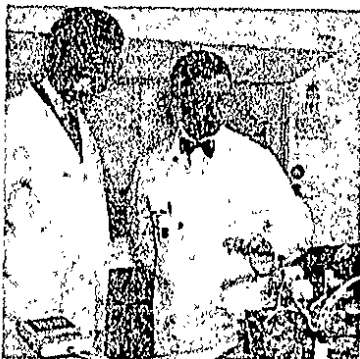
We started work on the first projects in our £400m advanced water treatment investment programme, including this one at Walton. In addition to the primary objective of removing pesticides the advanced processes will also improve the taste and quality of drinking water.



*This schematic diagram shows the link between the advanced water treatment works projects and the London Water Ring Main.*

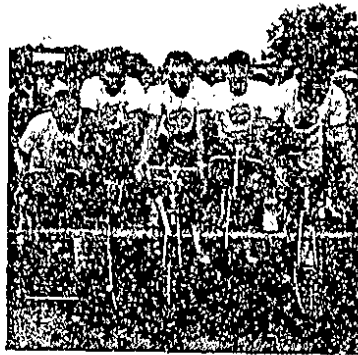
A major contribution to improved water resources is our new underground source at Galehampton, near Goring. This £40m project, soon to be fully operational, involves the largest underground source in the UK, supplying up to 100 megalitres a day. During the year we announced our plans for a new reservoir near Abingdon which will be a vital raw water resource for the next century.

HRH The Prince of Wales visiting Millharbour Laboratory in Docklands, London, which he opened on 10 December 1992.



Our largest project, the 80km long London Water Ring Main will safeguard the distribution of the capital's water supplies well into the next century and reduce operating costs. Tunnelling was completed in February 1993. The project is some 21 months ahead of schedule and we expect the final cost to be under its £250m budget. The ring main is already supplying water to some 1.5 million customers.

A five year £35m modernisation programme was completed at Hampton water treatment works, one of the plants which supplies the ring main. The improvements to the



Many of our employees take part in community fund-raising projects. Thames Water matches every £ raised. Here is the group of cyclists who raised £2,500 in the 1992 London to Brighton ride.

140-year-old works include replacing the pumping plant with more efficient pumps, and installing a new chemical treatment process which uses sophisticated control technology.

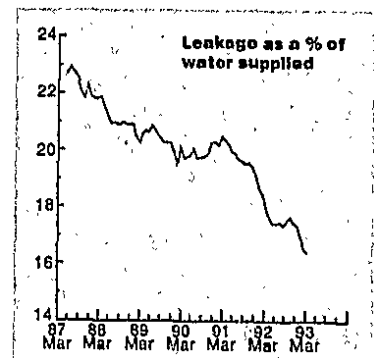
In November we started the second phase of our intensive programme to reduce leakage from our mains network. This involves the installation of a thousand computerised 'instant response' valves in London. These valves automatically keep water pressure in the distribution mains to a minimum when demand is low, for example at night, so reducing leakage and cutting the risk of bursts. In the last three years we have reduced the leakage from our local mains and customers' own plumbing systems from 25% to 17% and we expect to reduce it further to 15% in the next two years.

#### Water Quality

The second annual report from the Government's Drinking Water Inspectorate confirmed that the drinking water we supply to our 7.2 million customers continues to be of very high quality.

We already satisfy the World Health Organisation limit for pesticides and are investing in order to achieve the virtual zero limit set by the EC. This is one of the principal reasons for our £400m investment programme to install advanced water treatment (AWT) facilities at many of our plants. Research from our demonstrator facility at Kempton Park has enabled us to design more cost-effective applications of the use of activated carbon and ozone in the filtration and disinfection processes. As well as removing pesticides the advanced treatment processes also provide additional benefits by improving the taste and colour of the water.

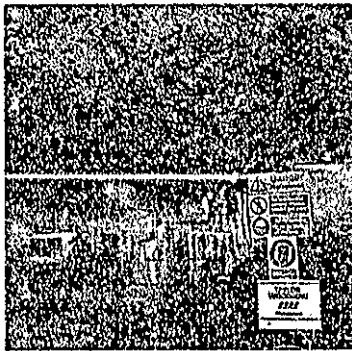
We continue to make good progress in reducing leakage from the distribution system.



We started work on the first projects in this programme at Walton and Ashford Common in London, Fobney near Reading, Farmoor near Oxford and Grimsbury near Banbury. Eight other AWT projects were either completed or are underway at many of our smaller groundwater source works.

Millharbour Laboratory in London's Docklands, the second of our new all-purpose laboratories, was officially opened in December by HRH The Prince of Wales. The two laboratories - the other is in Reading - carry out over 2.5 million analyses each year on 350,000 samples. These analytical facilities

allow us to monitor quality to the highest standards, a fact that was recognised in the NAMAS quality awards received by both laboratories during the year.



To protect the historic landscape value of Adderbury Lakes Conservation Park, a new sewer was tunneled underneath the ancient trees and listed stone wall.

#### Environment

We were pleased to reach agreement with the National Rivers Authority on joint proposals to ensure flows in the River Darent during times of drought. By extending the capacity and flexibility of our distribution network, and bringing in extra water through the London Water Ring Main we will be able to reduce the amount of water we need to abstract from this sensitive area to maintain local supplies. Extra resources will ensure we maintain adequate supplies for the area.

This practical and cost-effective solution is an extension of the sensitive approach to abstraction we have taken in recent years. In the summer of 1992 we took

substantially less than 70% of the water allowed by our existing abstraction licences.

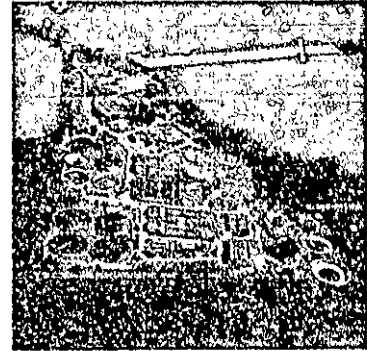
Our sewage treatment works refurbishment programme continues; we spent £44m in 1992/3 to ensure that treated wastewater from each of our 389 plants meets the high quality standards set for them.

We cannot control what is discharged into the public sewer network, but we are under an obligation to treat and dispose of all the sewage and other substances which enter our plants. Occasionally we fail and are then liable to prosecution.

During the year the NRA successfully prosecuted us four times. Two were for breaches of discharge consents at Swindon and Crawley sewage treatment works; one was for an illegal discharge of wastewater from Worsham water treatment works, and the other followed an escape of oil from Bishops Green pumping station.

At many of our larger sewage treatment works (including Reading, Oxford, Aylesbury, Basingstoke and Beckton) we are turning methane gas into electricity, by building combined heat and power plants. These plants generate heat and power for use in the treatment process; the surplus is exported to the National Grid under the Government's 'Green Energy' programme to encourage the use of non-fossil fuels.

Our planning applications to build two incinerators at our large sewage works at Beckton and Crossness have been approved without the need for costly public inquiries. The incinerators will deal with 140,000



Refurbishment of Wargrave sewage treatment works near Reading is expected to be completed in August 1993 at a cost of £12.5m.

tonnes of dried sewage sludge produced annually by the two works, and generate substantial amounts of green electricity. When completed in 1997 the incinerators will enable us to comply with the Government's commitment to cease the discharge of treated sewage sludge into the North Sea.

We have started a number of projects to relieve several local communities from the risk of flooding from sewers. These include schemes in Lambeth, Harrow, South and West Hampstead, and Brent.

The combined cycle heat and power plant at Beckton sewage treatment works in east London was completed in March 1993.





## PWT WORLDWIDE

**Managing Director:** M J Rowe  
**Turnover:** £118m  
**Average no. of Employees:** 710

PWT Worldwide (formerly PWT Design & Contracting) has continued its progress to become the leading global water process contractor. Its capability as a designer and builder of water and waste-water treatment plant for drinking water, sewage and industrial application was strengthened with the acquisition of the waste-water treatment activities of Simon Engineering. We have established a Simon Hartley division within PWT Projects in the UK. Waste Solutions, a company based in Birmingham, Alabama has become part of PWT Americas (formerly L\*A Water Treatment).

PWT Worldwide has had another successful year. Profit has grown

**Mike Rowe with Carey Anderson, managing director of PWT Asia-Pacific, on site at Toyota's manufacturing plant at Melbourne. The plant, which will treat all wastes from the car manufacturing process, is in the final stages of installation.**



from 1991/2 after the losses occasioned by the Gulf War in 1990/1. Orders have been more difficult to obtain but the percentage margin on orders won has been maintained at the expense of volume. The effects of recession and increased competition from non-process contractors, have been particularly severe in the UK and Australasia. In the USA, PWT Americas has seen a reduction in market opportunities in the high purity market for refinery and power stations use and increasing competition in the membrane based potable water treatment area.

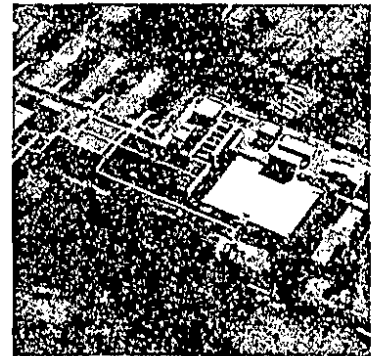
The largest order received during the year was for a 450mld potable water treatment plant for Karachi, Pakistan with a contract value of around £28m. Additionally, major orders have been received in Hong Kong, Nigeria, Japan, Singapore, UK and USA. Negotiations are at an advanced stage by PWT Worldwide in consortium with local contractors to design and construct a large potable water treatment plant at Izmit in Turkey, complete the Yuvacik Dam and install a pipeline to Istanbul. Thames Water International, another subsidiary, will then operate the completed works. The total investment cost of the project is \$700m (£430m).

During the year PWT Worldwide has successfully completed many projects. In the UK these include nitrate removal plants for Anglian Water, and conventional drinking water plants at Lymington for North West Water, Church Wilne for Severn Trent, Restormel for South West Water, Court Farm for Welsh Water, Osmotherley for Yorkshire Water and the Afton plant for Strathclyde in Scotland. The first water treatment

plant in Europe to use nanofiltration membranes was commissioned in Scotland for Strathclyde; it removes upland peaty colour.

The Mount Piper power station plant in Australia and the Anpara plant in India are substantially complete, and a dispute over a contract in Egypt has been referred to arbitration.

One of the major features of the year has been the performance to time and budget of our joint venture projects around the world. Increasingly, PWT Worldwide is assembling the skills to participate in and manage joint venture arrangements for large infrastructure projects.



**The drinking water treatment plant at Minia, Egypt, next to the River Nile, one of three sites in a large project being managed by our US company PWT Americas.**

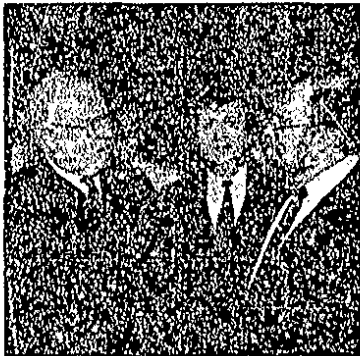
PWT Worldwide has continued developing its abilities in the waste-water treatment market. The biological aerated filter sewage treatment plant at Saffron Walden in the UK was successfully started up and an order was received for a similar plant at Par in Cornwall. Internationally, progress was made in the industrial effluent market. We are combining these skills with those acquired from Simon Hartley to improve competitiveness in the sewage and industrial effluent treatment markets.

## UTAG

**Managing Director:** Dr U Holesovsky  
**Turnover:** £62m  
**Average no. of Employees:** 927

We acquired UTAG in Germany, in January 1992. Some 1,100 employees were organised in three divisions – consulting, contracting and environmental products.

Dr Holesovsky with Dr Helmut Kohl, Federal German Chancellor, at the Leipzig Trade Fair in March 1993.



As planned at acquisition we closed the manufacturing facilities within the environmental products division during the year as these were neither viable nor consistent with our development strategy. We have established a small environmental services division to test market opportunities in a range of underground activities.

We have rationalised the consulting and contracting divisions, strengthened financial control, and improved marketing and commercial capabilities throughout UTAG.

Headcount has been reduced to 790 by the end of the year through the reduction of overheads, improved operating efficiency and the closure of the manufacturing facilities.

In the 15 months since acquisition UTAG has made a small loss. Delays in the reorganisation of the municipal structure and the impact of recession in Germany have reduced the levels of infrastructure investment, and resulted in slower market growth than was envisaged at the time of acquisition.

Major projects completed during the year include the activated carbon plant at Beesen.

UTAG has won a BOT project in the small municipality of Hohenthurm in Saxony Anhalt, and is developing other opportunities in eastern Germany. The first steps outside eastern Germany have been taken with the opening of offices in Prague, and Saarbrücken in western Germany.

The sludge digestion towers at the Rosenthal sewage treatment plant in Leipzig, completed by UTAG in 1992.



## THAMES WATER ENVIRONMENTAL SERVICES

**Managing Director:**  
A C W Robertson  
**Turnover:** £17m  
**Average no. of Employees:** 471

Although making progress on a number of long term development projects, Thames Water Environmental Services (TWES) produced a disappointing result. Good performance in the underground services division was more than offset by losses incurred in our associate company, Brophy Group.



Andrew Robertson with Morgan Collis carrying out a sewer survey outside All Souls College, Oxford.

### Underground Services

This group has been expanded to include other underground assets such as water mains, as well as sewers. The Morgan Collis Group improved both turnover and profit. Particular successes have been in the consultancy side of this business which provides Drainage Area Plans. Sub-Scan, the manhole survey contractor acquired in January 1992 and Subtronic, acquired in August, have been successfully integrated into Morgan Collis.

Metro Rod and our 60:40 joint venture Subterra, have traded profitably. Metro Rod responded to reduced domestic demand by increasing its activities in the

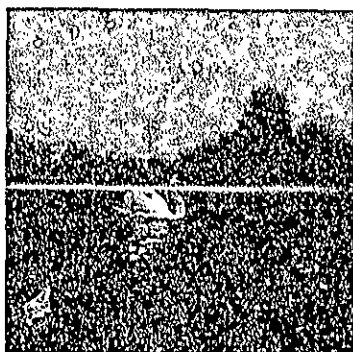
## THAMES WATER INTERNATIONAL

*Managing Director: I B Ritchie*

*Turnover: £2m*

*Average no. of Employees: 14*

commercial, industrial and municipal markets. Subterra has made considerable progress in introducing new re-lining techniques to offset a sharp reduction in income from gas mains rehabilitation.



Plans for the Norlands Lane landfill site include environmental enhancement of the existing lake.

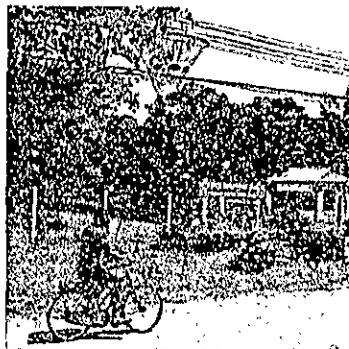
### **Waste Management**

Reduced volumes in both dry and liquid waste made for difficult trading conditions for Thames Waste Management. We have made good progress in developing the Norlands Lane landfill site and gained planning permission for three liquid effluent treatment plants at strategic locations around London.

### **Brophy Group**

This associate company had a disappointing year. The success achieved in the new utilities maintenance division was more than offset by losses incurred in an abortive attempt to extend the traditional landscaping business into related construction. Brophy has now withdrawn from this activity, and some management changes have been made.

Thames Water International (TWI) markets a wide range of technical and managerial services, from specialist tasks such as leakage control, to the long term management of water utilities. Current projects include water operations and management in Indonesia, Malaysia, Thailand and Argentina, and consulting and training in India, Pakistan and Nigeria.



Bang Chan is one of the 18 sites for which TWI will be providing infrastructure for the Industrial Estates Authority in Thailand.

During the year we formed a joint venture with Binnie & Partners – Binnie Thames Water – to develop our traditional consultancy and training activities.

Increasing international opportunities are arising to design, build, finance, operate and manage water infrastructure systems. TWI has access to the specialist skills available within Group companies, who work together to respond to these opportunities. Extensive investment is required in the preparation of bids for such major



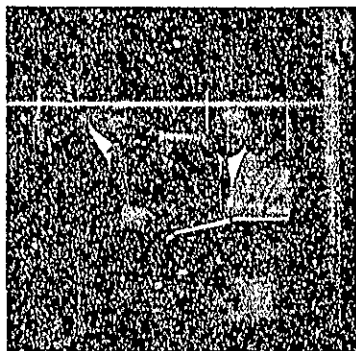
Ian Ritchie, with Khun Praphan Head of Projects Division for Berli Jucker, TWI's joint venture partner in Thailand.

international projects which will not always be successful. We marginally lost the major Buenos Aires concession to a consortium led by a French company after some two years of preparatory work.

In Thailand we have signed a £15m contract to provide water and waste-water infrastructure to 18 industrial estates. A Memorandum of Understanding has been signed for a similar project in Johor, Malaysia. TWI is pursuing opportunities in Thailand, Venezuela, Argentina, Mexico, South-east Asia, eastern Europe, and in Spain through our associate company, ATW Medioambiente SA.

## THAMES WATER PRODUCTS AND SERVICES

**Managing Director: D Banfield**  
**Turnover: £62m**  
**Average no. of Employees: 786**



David Banfield reviews the commissioning of the new European production facility with Jos Van Galen, managing director of Homé BV in Zoetermeer, Holland.

Thames Water Products and Services (formerly FWT Products and Services) manufactures and supplies high quality products for all types of water treatment. Operating through 11 companies in Europe, Middle East, Australasia, Africa and the USA, the business is positioned in five sectors of the water industry. These are industrial and commercial water treatment (Permutit, Homé and Houseman); municipal water utilities (Leopold); mobile and emergency water treatment (SMF); pipeline products (Talbot); and membrane systems for industrial process and effluent treatment (PCI Membrane Systems).

Our companies in Holland – Homé and Houseman – had an excellent year, performing strongly in effluent treatment and chemical cleaning operations.

PCI Membrane Systems also had a good year. It has developed a wider international base for its industrial process and effluent treatment business and has been successful in fields as diverse as pharmaceutical processing and landfill leachate treatment.

SMF has benefited from its contracts to supply mobile water plants to the Ministry of Defence in the UK.

Leopold, acquired in February 1992 as a supplier of filtration equipment to the US municipal water and waste-water market, had a difficult year as public sector funding declined in the late stages of the US recession.

Permutit experienced continuing international recession in many of its industrial markets which put pressure on its operating margins.

Permutit's Liberator<sup>®</sup> products, utilising advanced membrane technology, are used to produce high purity water for critical applications such as pharmaceutical production.



The acquisition of FloCoverly in Minneapolis USA in November 1992 has improved its product offering for membrane technology, and complements new products in the laboratory and high purity water markets.

Following the acquisition of the water and waste-water activities of Simon Engineering in February, Thames Water Products and Services was strengthened with the addition of four companies in the water utility and industrial water treatment sectors.



Bob Wimmer, President of Ashbrook, one of the companies acquired from Simon Engineering, standing between two Aquabelt<sup>®</sup> gravity belt thickeners; these are used in sludge de-watering.

Simon Hartley (Products) in the UK and Ashbrook in Houston are leading suppliers of a range of waste-water treatment products, with emphasis on solids separation employing filtration technology.

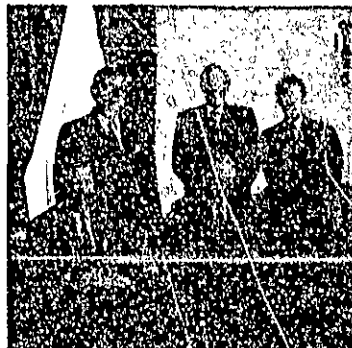
Also in the USA, Hydro Aerobics in Cincinnati supplies small package effluent treatment plant to industrial and utility customers, while Waste-water Treatment Systems in Santa Clara supply plant for industrial effluent processing, particularly chemical treatment.

## BOARD OF DIRECTORS

**Sir Christopher Leaver GBE (55)** *Chairman*, was appointed to the Board of Thames Water Authority in 1983. He is a former Lord Mayor of London, a former Director of Thermal Scientific Plc and the Bath and Portland Group Plc, and past Chairman of the London Tourist Board, Member of Remuneration Committee and Chairman of Charities and Nomination Committees.

**Michael Hoffman FEng (53)** *Group Chief Executive and Deputy Chairman*, joined Thames Water Authority in January 1989 as Group Chief Executive. He is Chairman of Thames Water Utilities and other operating subsidiaries. A chartered engineer, he was previously Chief Executive of Babcock International Plc, Chairman of Perkins Engines Group and President of Massey Ferguson Farm and Industrial Machinery Division. He is currently a non-Executive Director of Cray Electronics Holdings Plc. He is a member of the Engineering Council and a part-time member of the Monopolies and Mergers Commission.

**Bill Harper IPFA (49)** *Group Director, Corporate Activities*, was appointed to the Board of Thames Water Authority in March 1989. He joined Thames Water Authority in 1974 as Chief Accountant and was Managing Director of Thames Water Authority. As Group Director, Corporate Activities he has particular responsibility for the environment, community relations and for developing international business based on utilities expertise. Member of Environmental Audit Committee, *Trustee Director of the Thames Water Pension Schemes*.



From left to right sitting: Sir Christopher Leaver, Sir Robert Clarke. Standing: Clive Carsley (Group Company Secretary), John Worlidge, Bill Harper.

**David Luffrum IPFA (48)** *Group Finance Director*, was appointed to the Board of Thames Water Authority in March 1989. An accountant, he joined Thames Water Authority in 1974, having previously held financial posts in the Thames Conservancy. He became Finance Director of Thames Water Authority in 1987. Member of Charities Committee.

**Sir Robert Clarke MA (64)** *Non-Executive Director*, was appointed to the Board of Thames Water Authority in July 1988. He is Chairman of *United Biscuits Plc* having become a member of its board in 1984. Chairman of Share Dealing Committee, member of Remuneration and Nomination Committees. Sir Robert will become Chairman of Thames Water Plc in April 1994.

**Sir Peter Harrop KCB MA (67)** *Non-Executive Director*, was appointed to the Board of Thames Water Authority in October 1986. Formerly the Second Permanent Secretary in the Department of the Environment, a Managing Trustee of Municipal Mutual Insurance Ltd and a Trustee of the British Museum, Chairman of Environmental Audit Committee, member of Audit, Share Dealing and Remuneration Committees.



Left to right: Sir Peter Harrop, John Thomson, Mike Hoffman, David Luffrum.

**John Thomson MA (65)** *Non-Executive Director*, was appointed to the Board of Thames Water Authority in 1984. He was Chairman of London and Manchesler Group Plc from 1985 to June 1993 and is Chairman of Borthwicks Plc, Vice Chairman of J Bibby & Sons Plc and a non-Executive Director of Scottish & Newcastle Plc. Chairman of Audit and Remuneration Committees, and member of Nomination Committee.

**John Worlidge MA (65)** *Non-Executive Director*, was appointed to the Board of Thames Water Authority in 1988. He was Chairman and Chief Executive of the Wiggins Teape Group from 1984-89. He was an Executive Director of BAT Industries Plc 1980-89. He is currently a Director of The Rugby Group Plc. Member of Audit, Environmental Audit and Remuneration Committees. Trustee Director of the Thames Water Pension Schemes.

**GROUP COMPANY SECRETARY**  
**Clive Carsley MA (48)** joined Thames Water Authority in May 1989. A barrister, he was previously Secretary of Carless Plc, Deputy Secretary and Head of Legal Services of Babcock International Plc and Commercial Director of Humphreys & Glasgow Ltd. Secretary to all Board Committees.

## CORPORATE GOVERNANCE

In December 1992 the Cadbury Committee on the Financial Aspects of Corporate Governance published its report and Code of Best Practice.

Your Directors are pleased to report that the procedures and practices they established for the corporate governance of the new Thames Water Plc on its formation in 1989 anticipated nearly all of the Cadbury recommendations. Appropriate actions have been taken to ensure that the Company is compliant with the few remaining provisions of the code, save for those on which official guidance to all companies is awaited.

The Thames Water Plc Board of Directors has a majority of non-Executive Directors, being comprised of five non-Executive and three Executive Directors. The full Board meets monthly. There is a formal schedule of matters reserved for decision by the Board. This includes the review of executive recommendations relating to strategy, business planning, major acquisitions and disposals, treasury, and risk management. At each meeting the Board reviews the performance of the major business units across the Group.

The work of the Board is supported by standing committees. These are:

*the Audit Committee*, comprising Mr John Thomson (Chairman), Mr John Worlidge and Sir Peter Harrop. The Committee ensures that appropriate accounting and

financial policies and procedures are implemented, that effective systems of internal control and internal and external audit are in place, and that auditors' recommendations are considered and appropriate actions taken. The Committee also recommends the audit fee to the Board;

*the Environmental Audit Committee*, comprising Sir Peter Harrop (Chairman), Mr Bill Harper and Mr John Worlidge. The Committee supervises the adoption of environmental policies for the Group, and the translation of these policies into effective environmental procedures by all operating companies within the Group;

*the Remuneration Committee*, comprising all non-Executive Directors. In 1992/3 this committee was chaired by Sir Christopher Leaver. The Committee determines the level of remuneration of Executive Directors, including salary, performance bonus, executive share options, and pension arrangements. Mr John Thomson was appointed Chairman of the Remuneration Committee in May 1993;

*the Share Dealing Committee*, comprising Sir Robert Clarke (Chairman), Sir Peter Harrop and Clive Carsley, Company Secretary. The Committee ensures that all dealings in the Company's shares by Directors and senior employees meet the standards required by The Stock Exchange and by the law;

*the Charities Committee*, comprising Sir Christopher Leaver (Chairman) and Mr David Luffrum. The Committee makes charitable donations from a budget allocated by the Board, and considers community support activities and

encourages employee charitable fund-raising;

*the Nomination Committee*, comprising Sir Christopher Leaver (Chairman), Sir Robert Clarke and Mr John Thomson. The Committee is the forum within which Board membership and top management succession is discussed for recommendation to the Board.

The Group's pension funds are maintained separately from the Group's finances, and the investments are managed by independent advisers. No Group pension fund has invested in any Thames Water shares.

## DIRECTORS' REPORT

The Directors present their fourth Annual Report together with the audited accounts for the year ended 31 March 1993.

### 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 and its treatment and distribution to customers' premises;
- sewerage 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 and waste-water treatment plants;
- the supply of water related products;
- other activities which include overseas consultancy, and environmental and waste management services.

A list of the principal subsidiary undertakings appears on pages 39 and 40. Details of the progress made and information relating to the various activities of the Group during the year and for the future are given in the review of activities on pages 10 to 18.

### Profits and Dividends

The Group profit for the year attributable to shareholders was £230m (1991/2 £211m). A review of

the year's performance and future developments is included on page 3 in the Chairman's Statement.

The Directors recommend payment of a final dividend of 14.1p per share, making a total for the year of 21p, amounting to £82m leaving a retained profit of £148m for the year.

### Fixed Assets

Note 12 to the accounts details changes in the tangible fixed assets during the year. In the opinion of the Directors the market value of the Group's properties is not less than the balance sheet value.

### Employees

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

Employees had another opportunity to join or extend their interest in the Company's Sharesave Scheme, and a number of senior executives were granted new options under the Executive Share Option Scheme. It is intended to make an appropriation of shares to employees under the Thames Water Profit Sharing Scheme in respect of the year ended 31 March 1993.

Activities in direct communication through company newspapers, videos and team briefings were continued.

### Health and Safety

It is the policy throughout the Group to ensure that health and safety standards are maintained at a high level in order to protect both our employees and members of the public. 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.

### 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

1,863,702 ordinary shares were allotted to ordinary shareholders consequent on the offer of a scrip dividend.

67,076 ordinary shares were issued during the year to holders on the exercise of their options under the Company's Sharesave Scheme.

Options for 1,639,000 ordinary shares were exercised during the year under the Company's Executive Share Option Scheme. This comprised 65 options for 1,609,000 ordinary shares at 278p and three options for 30,000 ordinary shares at 347p.

The effect of the transactions referred to above on the capital of the Company is detailed in note 23 to the accounts on pages 44 and 45.

### Directors

The names of the present Directors of the Company are shown on page 19. All Directors held office throughout the financial year.

The Directors deeply regret the death in April 1993, of their Chairman Sir Roy Watts. Sir Roy had been appointed Chairman of Thames Water Authority in 1983 and led the company with vision and determination through its privatisation and subsequent development into a leading international water company.

In May 1993, the Board announced that Sir Robert Clarke will become Chairman of Thames Water in March 1994, and that Sir Christopher Leaver had agreed to take on the office of Chairman until then.

Michael R Hoffman was appointed Deputy Chairman in addition to his role as Group Chief Executive.

In accordance with Article 106 of the Company's Articles of Association Sir Peter Harrop and Mr John Thomson will retire at the forthcoming Annual General Meeting and being eligible will offer themselves for re-election. As non-Executive Directors, Sir Peter Harrop and Mr John Thomson do not have service contracts with the Company.

#### **Directors' Interests in Shares**

The beneficial interests of Directors, together with those of their families, in shares in the Company at the commencement and at the end of the year are shown in the table on page 34. 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 1993 to 18 June 1993. None of the Directors had any beneficial interest in the shares of any subsidiary company.

#### **Executive Share Options**

Since 1989 share options under the Company's Executive Share Option Scheme have been granted to Executive Directors at the discretion of the Remuneration Committee which comprises solely non-Executive Directors. Some 90 senior executives have also been granted Executive Share Options. During the year to 31 March 1993 no additional Executive Share Options were granted to Executive Directors.

#### **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**

At 18 June 1993 the Directors had been advised that the Capital Group Inc, on behalf of its affiliates, had a

notifiable interest in 4.07% of the issued ordinary share capital; and that the Chase Manhattan Bank NA, by virtue of its capacity as global custodian for one or more of its clients, had a notifiable interest in 3.13% of the share capital. Clients of Mercury Asset Management Ltd in aggregate accounted for 3.53% on 25 May 1993.

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

#### **Research and Development**

The Group is committed to a programme of research and development activities. Page 5 of the Group Chief Executive's Review highlights the main areas where research activity is undertaken.

#### **Environment**

The Directors continue to regard care for the environment as one of the fundamental guiding principles of Thames Water. During the year additional environmental policies and detailed procedures have been adopted under the supervision of the Environmental Audit Committee.

#### **Political and Charitable Donations**

Charitable donations amounting to £110,000 were made during the year. No donations were made for political purposes during the year.

#### **Insurance for Officers**

Pursuant to the Special Resolution passed at the Annual General Meeting held on 30 July 1991, the Company has purchased during the year insurance in respect of liabilities of Directors, officers and employees in relation to the Company.

#### **Auditors**

A Resolution to re-appoint Coopers & Lybrand as the Company's auditors and to

authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting on 27 July 1993.

#### **Special Business**

In addition to the Ordinary Business to be transacted at the 1993 Annual General Meeting, a number of items of Special Business will be proposed. These items, further details of which, together with explanatory notes will be found in the circular accompanying this Report and Accounts, are:

- a Resolution renewing the power granted to Directors in July 1992 to issue equity securities for cash other than pro rata to Ordinary shareholders;
- a Resolution authorising arrangements under which ordinary shareholders may elect to receive new ordinary shares instead of cash dividend in respect of the final dividends for the year ended 31 March 1993 and in respect of interim dividends for the year ending 31 March 1994;
- a Resolution proposing amendments to the Company's existing employee share schemes in order to avoid potential discrimination within the schemes between male and female participants, following the interpretation of relevant European Community Law.

By order of the Board

R C Garsley

Group Company Secretary  
18 June 1993



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit and cash flows of the Group for the period to that date. The accounts must be prepared in compliance with the required formats and disclosures of the Companies Act 1985 and with applicable accounting standards. In addition, the Directors are required;

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to take account of expenses and income relating to the period reported on, whether or not they have been paid or received in that period; and
- to prepare accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that the accounts comply with the above requirements. The Directors are also responsible for maintaining adequate accounting records to enable them to ensure that the accounts comply with the requirements of the Companies Act 1985, for safeguarding the assets of the Group, and for preventing and detecting fraud and other irregularities.

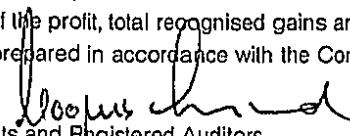
By order of the Board  R.C. Carsley Group Company Secretary 18 June 1993

## REPORT OF THE AUDITORS

to the Members of Thames Water Plc

We have audited the accounts on pages 24 to 47 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 1993, and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand   
Chartered Accountants and Registered Auditors  
London

18 June 1993

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## CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March	1993			1992	
	Notes	Continuing operations £m	Acquisitions £m	Total £m	£m
Turnover	2	966.2	76.6	1042.8	899.3
Operating costs	3	(694.5)	(74.7)	(769.2)	(665.3)
<b>Operating profit</b>		<b>271.7</b>	<b>1.9</b>	<b>273.6</b>	<b>234.0</b>
Profit on sale of fixed assets				8.1	9.9
Other income	5			0.4	1.3
Interest	6			(30.8)	(8.9)
<b>Profit on ordinary activities before taxation</b>				<b>251.3</b>	<b>236.3</b>
Taxation on profit on ordinary activities	7			(21.7)	(25.2)
<b>Profit for the financial year</b>				<b>229.6</b>	<b>211.1</b>
Dividends	9			(81.7)	(74.1)
<b>Retained profit transferred to reserves</b>	25			<b>147.9</b>	<b>137.0</b>
<b>Earnings per ordinary share</b>	10			<b>59.3p</b>	<b>54.8p</b>

## STATEMENT OF TOTAL RECOGNISED GAINS

Year ended 31 March	1993 £m	1992 £m
Profit for the financial year	229.6	211.1
Currency translation differences on foreign currency net investments	(4.1)	—
Expenses of issuing shares	(1.5)	—
<b>Total recognised gains for the financial year</b>	<b>224.0</b>	<b>211.1</b>

The notes on pages 29 to 47 form part of these accounts.

## CONSOLIDATED AND COMPANY BALANCE SHEETS

At 31 March	Notes	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
<b>Fixed assets</b>					
Tangible assets	12	2,420.5	2,101.9	0.3	0.4
Investments	13	5.1	4.5	505.9	465.6
		<b>2,425.6</b>	<b>2,106.4</b>	<b>506.2</b>	<b>466.0</b>
<b>Current assets</b>					
Stocks and work in progress	14	32.0	43.0	-	-
Debtors	15	295.8	229.4	35.0	36.6
Investments	16	169.4	239.1	109.7	128.1
Cash at bank and in hand		26.6	31.6	6.1	5.9
		<b>513.8</b>	<b>543.1</b>	<b>150.8</b>	<b>170.6</b>
Creditors: amounts falling due within one year	17	(600.9)	(539.4)	(122.9)	(128.9)
<b>Net current (liabilities) assets</b>		<b>(87.1)</b>	<b>3.7</b>	<b>27.9</b>	<b>41.7</b>
<b>Total assets less current liabilities</b>		<b>2,338.5</b>	<b>2,110.1</b>	<b>534.1</b>	<b>507.7</b>
Creditors: amounts falling due after more than one year	18	(611.2)	(531.2)	(108.3)	(105.6)
Provisions for liabilities and charges	21	(36.8)	(26.2)	(0.6)	(0.4)
<b>Net assets</b>		<b>1,690.5</b>	<b>1,552.7</b>	<b>425.2</b>	<b>401.7</b>
<b>Capital and reserves</b>					
Called up share capital	23	389.7	386.1	389.7	386.1
Share premium	24	1.5	-	1.5	-
Reserves and retained profits	25	1,299.3	1,166.6	34.0	15.6
<b>Shareholders' funds</b>		<b>1,690.5</b>	<b>1,552.7</b>	<b>425.2</b>	<b>401.7</b>

The notes on pages 29 to 47 form part of these accounts.

The accounts were approved by the Board on 18 June 1993.

**Sir Christopher Leaver**  
Chairman

**M R Hoffman**  
Group Chief Executive

**D J Luffrum**  
Group Finance Director

*Christopher Leaver.*  
*M R Hoffman*  
*D J Luffrum*

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March	Group	
	1993 £m	1992 £m
<b>Net cash inflow from operating activities (note a)</b>	<b>328.1</b>	<b>274.4</b>
<b>Returns on investments and servicing of finance</b>		
• Interest received	26.1	22.4
• Interest paid	(51.2)	(20.8)
• Interest element of finance lease rental payments	(3.6)	(0.7)
• Dividends paid	(67.7)	(62.2)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(96.4)</b>	<b>(61.3)</b>
<b>Taxation</b>		
• UK corporation tax paid	(22.3)	(20.8)
• Overseas tax paid	(0.4)	(0.4)
<b>Net cash outflow from taxation</b>	<b>(22.7)</b>	<b>(21.2)</b>
<b>Investing activities</b>		
• Purchase of tangible fixed assets	(366.5)	(349.6)
• Purchase of subsidiary undertakings net of cash and cash equivalents acquired (note e)	(15.9)	(37.0)
• Purchase of fixed asset investments	(3.4)	(3.6)
• Sales of tangible fixed assets	10.9	10.6
• Capital contributions	23.5	24.6
• Other	(0.3)	(0.1)
<b>Net cash outflow from investing activities</b>	<b>(351.7)</b>	<b>(355.1)</b>
<b>Net cash outflow before financing</b>	<b>(142.7)</b>	<b>(163.2)</b>
<b>Financing</b>		
• Issue of ordinary share capital	4.7	0.1
• Long term loans	52.5	97.7
• 9½% Convertible Subordinated Bonds	-	82.0
• 10½% Guaranteed Bonds	-	150.0
• Expenses of issuing shares	(1.5)	-
• Bond issue expenses	-	(2.9)
• Short term investments	(14.3)	(51.2)
• Short term borrowings	(13.0)	(9.4)
• Capital element of finance lease rental payments	(9.4)	(5.7)
<b>Net cash inflow from financing</b>	<b>19.0</b>	<b>260.6</b>
<b>(Decrease)/increase in cash and cash equivalents (note b)</b>	<b>(123.7)</b>	<b>97.4</b>

The subsidiary undertakings acquired during the year utilised £5m of the Group's operating cash flow, paid £3.4m in respect of net returns on investments and servicing of finance, and spent £7.1m on investing activities.

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a Reconciliation of operating profit to net cash inflow from operating activities	1993 £m	1992 £m
Operating profit	273.6	234.0
Depreciation charges	68.5	53.9
Decrease in stocks	14.3	3.8
Increase in debtors	(35.7)	(30.4)
Increase in creditors	0.8	7.0
Increase in long term provisions	8.2	4.9
Other	(1.6)	1.2
<b>Net cash inflow from operating activities</b>	<b>328.1</b>	<b>274.4</b>

b Analysis of the balances of cash and cash equivalents	1993 £m	1992 £m	Change in year £m
Cash at bank and in hand	26.6	31.6	(5.0)
Short term investments	67.2	151.2	(84.0)
Bank overdrafts	(59.4)	(54.1)	(5.3)
Loans of less than three months maturity	(52.3)	(22.9)	(29.4)
<b>Decrease in cash and cash equivalents</b>	<b>(17.9)</b>	<b>105.8</b>	<b>(123.7)</b>

The increase in cash and cash equivalents between 1991 and 1992 was £97.4m.

c Analysis of changes in financing during the year	Share capital and share premium £m	Loans and finance leases £m
Balance at 1 April 1992	386.1	433.3
Cash inflows from financing	3.2	15.8
Shares issued for non cash consideration	1.9	-
Finance leases raised during the year	-	43.3
Loans and finance lease obligations of acquired subsidiaries	-	4.9
Other	-	0.8
<b>Balance at 31 March 1993</b>	<b>391.2</b>	<b>498.1</b>

- Loans and finance leases are stated net of current asset investments of maturity greater than three months.
- The £1.9m shares issued for non cash consideration represents shareholders' election to take shares rather than cash dividends following the offer by the Company of a scrip dividend alternative.
- Finance leases amounting to £43.3m were contracted for during the year to fund capital plant, equipment and vehicles.

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	1993 £m
<b>d Purchase of subsidiary undertakings</b>	
Net assets acquired	
• tangible fixed assets	4.9
• stocks	3.3
• debtors	19.6
• cash at bank	2.2
• creditors: amounts falling due within one year	(33.5)
• creditors: amounts falling due after more than one year	(2.4)
	(5.9)
Goodwill	18.1
<b>Total</b>	12.2
Satisfied by	
• cash consideration	11.5
• deferred consideration	0.7
	12.2
 <b>e Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings</b>	 1993 £m
Cash consideration	(11.5)
Cash at bank of acquired subsidiaries	2.2
Bank overdrafts of acquired subsidiaries	(6.6)
	(15.9)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	

## NOTES TO THE ACCOUNTS

### 1 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 in the United Kingdom. Although mandatory to financial statements ending on or after 22 June 1993, the requirements of financial reporting standard 3 (FRS3) – Reporting Financial Performance, have been adopted in the accounts. The application of FRS3 has not resulted in any restatement of the 1992 accounts. The reported figures for acquisitions include the results of UTAG and FB Leopold which were acquired in the year ended 31 March 1992 but not consolidated with the Group results for that year.
- 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 the accounts of subsidiary undertakings are drawn up to a year end different from that of the parent company, appropriate adjustments are made to the Group accounts to reflect any significant transactions in the intervening period. Intra-group sales and profits are eliminated on consolidation.
- c Turnover:** which excludes value added tax or equivalent sales 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** comprise:
- Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines);
  - Landfill sites; and
  - Other assets (including properties, overground plant and equipment).
- i 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. Capital contributions received in respect of these assets have been deducted from cost as permitted under Statement of Standard Accounting Practice number 4. This is not in accordance with the Companies Act 1985 which requires fixed assets to be stated at their purchase price without deduction of contributions which are accordingly accounted for as deferred income. This departure from the requirement of the Act is, in the opinion of the Directors, necessary for the accounts to give a true and fair view because infrastructure assets do not have a finite life and are not depreciated. Accordingly related capital contributions would not be recognised in the profit and loss account. The effect of the departure on the value of tangible fixed assets is disclosed in note 12.
- 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.
- ii Landfill sites** are included at cost less accumulated depreciation. The provision for depreciation is based upon the average cost per cubic metre of void space consumed from the deposit of waste. Provision is made for site restoration where it is anticipated that expenditure will be required at the end of the life of the site.
- iii 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 and mobile plant                     | 20-40 years |
| Vehicles, computers, fixtures and fittings | 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

## NOTES TO THE ACCOUNTS

relation to the assets' written down value. The assets are generally 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 provisions for permanent diminution in value.

**ii In the Group accounts** Interests in associated undertakings 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 undertakings based on audited financial statements for the year. In the consolidated balance sheet the interests in associated undertakings are shown as the Group's share of the net assets excluding goodwill of the associated undertakings.

**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** 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.* The amount by which turnover is in excess of payments on account is separately disclosed within debtors as amounts recoverable on contracts. Progress payments received in excess of costs less foreseeable losses are disclosed in creditors. Where foreseeable losses exceed net costs the excess is disclosed in 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 to recognise the expected cost of providing pensions on a systematic and rational basis over the expected remaining service lives of employees. 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 are 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 undertakings are translated at average rates of exchange for 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 undertakings 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 and non taxable 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. In the Company, provision is made at such rate as reflects the anticipated consideration payable or receivable in respect of any future group relief claims or surrenders.

**l Provision for insurance liabilities** Provision is made for known and estimated 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 undertakings 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.



## NOTES TO THE ACCOUNTS

### 2 Segmental analysis

The selected segments by class of business are:

**Water supply:** the provision, treatment, and distribution of potable water supply to customers served by Thames Water Utilities Limited.

**Sewerage services:** the conveyance, treatment, and disposal of sewage from customers served by Thames Water Utilities Limited.

**PWT:** the design and management of the construction of water and waste-water treatment plant and the supply of industrial, commercial, and defence water treatment systems as well as pipeline products and membrane systems.

**Other trading activities:** the remaining trading activities comprising contracting, environmental services, international training and consultancy, insurance, and property development.

**Other activities:** those carried out by the Company in managing its investments.

#### Turnover

By class of business	1993			1992		
	Intra-segment	Inter-segment	Third parties	Intra-segment	Inter-segment	Third parties
	£m	£m	£m	£m	£m	£m
Water supply	-	-	333.4	-	0.2	322.0
Sewerage services	-	-	469.5	-	0.4	424.6
PWT	1.4	25.5	150.8	1.8	13.2	131.6
Other trading activities	0.2	13.6	89.1	0.2	10.5	21.1
<b>Total</b>	<b>1.6</b>	<b>39.1</b>	<b>1,042.8</b>	<b>2.0</b>	<b>24.3</b>	<b>899.3</b>

Geographical segment by origin	1993			1992		
	Intra-segment	Inter-segment	Third parties	Intra-segment	Inter-segment	Third parties
	£m	£m	£m	£m	£m	£m
UK	39.0	0.3	911.5	25.9	0.1	923.8
Continental Europe	-	-	69.5	-	-	6.7
Americas	-	-	29.8	-	-	25.0
Africa	-	-	4.5	-	-	4.0
Australasia	0.5	-	21.4	0.1	0.1	35.5
Asia	-	-	6.1	0.1	-	4.3
<b>Total</b>	<b>40.4</b>	<b>0.3</b>	<b>1,042.8</b>	<b>26.1</b>	<b>0.2</b>	<b>899.3</b>

Turnover is derived from the following sources:

- third parties: transactions between Group companies and external customers.
- inter-segment: transactions between Group companies trading in different segments.
- intra-segment: transactions between Group companies trading in the same segment.

Turnover by destination does not materially differ from turnover by origin.

#### Profit before tax/net assets

By class of business	Profit (loss) before tax		Net assets (liabilities)	
	1993 £m	1992 £m	1993 £m	1992 £m
Water supply	79.4	65.2	936.8	769.8
Sewerage services	201.6	179.7	1,295.8	1,158.0
PWT	2.3	2.3	31.0	18.7
Other trading activities	(0.8)	(1.1)	22.3	17.6
Other activities	(0.4)	(0.9)	(79.4)	(83.6)
	<b>282.1</b>	<b>245.2</b>	<b>2,206.5</b>	<b>1,880.5</b>
Interest	(30.8)	(8.9)		
Net debt			(516.0)	(327.8)
<b>Total</b>	<b>251.3</b>	<b>236.3</b>	<b>1,690.5</b>	<b>1,552.7</b>

## NOTES TO THE ACCOUNTS

### 2 Segmental analysis (continued)

	Profit (loss) before tax		Net assets (liabilities)	
	1993 £m	1992 £m	1993 £m	1992 £m
<b>By geographical segment</b>				
UK	277.6	244.1	2,154.0	1,847.1
Continental Europe	2.7	0.9	17.4	15.2
Americas	1.1	0.2	35.8	17.8
Africa	(0.1)	0.2	0.6	1.4
Australasia	0.3	(0.1)	(1.3)	(2.3)
Asia	0.5	(0.1)	-	1.3
	282.1	245.2	2,206.5	1,880.5
Interest	(30.8)	(8.9)		
Net debt			(516.0)	(327.8)
<b>Total</b>	<b>251.3</b>	<b>236.3</b>	<b>1,690.5</b>	<b>1,552.7</b>

Segmental result before tax and net assets of associated undertakings are not separately disclosed since they are not material to the Group. 1992 comparative figures have been adjusted to show separately interest and net debt.

### 3 Operating costs

#### Analysis of operating costs by type of expense

	1993		1992	
	Continuing operations £m	Acquisitions £m	Total £m	£m
Manpower costs	219.5	26.0	245.5	212.3
Other external charges	220.3	32.3	252.6	231.8
Materials and consumables	105.2	7.5	112.7	99.5
Other operating charges	81.8	4.5	86.3	59.3
Infrastructure renewals charge	26.4	-	26.4	25.7
Depreciation:				
• own assets	55.3	4.2	59.5	49.2
• assets held under finance leases	9.0	-	9.0	4.7
Rentals under operating leases:				
• hire of plant and machinery	2.4	-	2.4	2.4
• other	7.7	-	7.7	5.7
Auditors' remuneration:				
• for audit work	0.6	0.2	0.8	0.6
• for non-audit work	0.4	-	0.4	0.9
Research and development	7.1	-	7.1	7.0
	735.7	74.7	810.4	699.1
Own work capitalised	(41.2)	-	(41.2)	(33.8)
	694.5	74.7	769.2	665.3

Included in auditors' remuneration is £49,995 in respect of audit fees incurred by the Company in 1993 (1992: £52,215).

## NOTES TO THE ACCOUNTS

	1993 £000	1992 £000
<b>4 Information regarding directors and employees</b>		
<b>Directors' emoluments</b>		
Fees for non-executive directors	91	91
Executive directors:		
• Remuneration	544	508
• Bonus	-	-
• Other benefits	27	24
• Pension contributions	211	197
	<u>782</u>	<u>729</u>
<b>Total</b>	<u>873</u>	<u>820</u>
<b>Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985</b>		
Chairman:		
• Remuneration	149	140
• Bonus	-	-
• Other benefits	6	5
• Pension contributions	99	94
	<u>254</u>	<u>239</u>
Highest paid director:		
• Remuneration	209	194
• Bonus	-	-
• Other benefits	6	5
• Pension contributions	59	55
	<u>274</u>	<u>254</u>

In addition, a £32,000 unfunded pension provision has been made for the highest paid Director.

	1993 number	1992 number
<b>Scale of Directors' emoluments (excluding pension contributions)</b>		
£ 15,001 – £ 20,000	4	4
£ 20,001 – £ 25,000	1	1
£ 85,001 – £ 90,000	-	1
£ 90,001 – £ 95,000	1	-
£100,001 – £105,000	-	1
£105,001 – £110,000	1	-
£140,001 – £145,000	-	1
£150,001 – £155,000	1	-
£195,001 – £200,000	-	1
£215,001 – £220,000	1	-

The remuneration of the executive Directors is determined by the non-executive Directors who comprise the Remuneration Committee of the Board. A performance related bonus scheme for executive Directors is in place based upon earnings per share (EPS) exceeding a level stipulated by the non-executive Directors. The increase in EPS of 8.2% was not high enough to trigger bonus payments in 1993.

## NOTES TO THE ACCOUNTS

### 4 Information regarding directors and employees (continued)

The beneficial interests of Directors, together with those of their families, in shares of the Company at the commencement and at the end of the year are shown in the table below.

#### Shares held by Directors

	31 March 1993		1 April 1992	
	Shares	Share Options	Shares	Share Options
Sir Roy Watts	49,617	109,334	11,576	199,334
Sir Christopher Leaver	3,931	-	3,851	-
M R Hoffman	59,301	68,176	6,529	273,176
Sir Robert Clarke	3,389	-	3,149	-
W R Harper	19,925	33,000	2,331	108,000
Sir Peter Harrop	1,500	-	965	-
D J Luffrum	19,932	44,000	2,617	124,000
J M Thomson	2,000	-	2,000	-
E J Worlidge	2,065	-	1,933	-

During the year Directors exercised 450,000 share options at the option price of 278p. The exercise prices of the Directors' outstanding options range from 283p to 356p under the Thames Water Executive Share Option Scheme and from 176p to 296p under the Thames Water Sharesave Scheme. No additional share options were granted during the year.

	1993 £m	1992 £m
<b>Employee information</b>		
Group employment costs including executive Directors' emoluments were:		
• Salaries and wages	208.4	181.2
• Social security costs	18.8	14.7
• Pension contributions	19.6	17.7
<b>Total</b>	<b>246.8</b>	<b>213.6</b>

Total employment costs contain £1.3m (1992: £1.3m) which is included in the infrastructure renewals charge in note 3.

	1993 number	1992 number
<b>Average weekly number of persons employed by the Group, including executive Directors, analysed by class of business</b>		
Water supply	4,229	4,464
Sewerage services	3,152	3,098
PWT	1,496	1,449
Other trading activities	1,412	282
Other activities	63	55
<b>Total</b>	<b>10,352</b>	<b>9,348</b>

#### 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.

## NOTES TO THE ACCOUNTS

	1993	1992
	£m	£m
<b>5 Other income</b>		
• Loss from interests in associated undertakings	(2.1)	(0.2)
• Net rents receivable	0.9	0.3
• Royalties receivable	1.6	1.2
<b>Total</b>	<b>0.4</b>	<b>1.3</b>
<b>6 Interest</b>		
Bank loans, overdrafts and other loans		
• Repayable within five years otherwise than by instalments	(8.8)	(7.4)
• Repayable within five years by instalments	(1.9)	(0.7)
• Not wholly repayable within five years	(39.2)	(20.2)
Finance charges in respect of finance leases	(7.4)	(2.6)
Other finance charges	(0.7)	(0.3)
Interest payable and similar charges	(58.0)	(31.2)
Interest receivable	27.2	22.3
<b>Total</b>	<b>(30.8)</b>	<b>(8.9)</b>

### 7 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) £21.3m (1992: £24.7m) deemed irrecoverable together with overseas taxes of £0.4m (1992: £0.5m). The ACT remains available to reduce future corporation tax liabilities.

### 8 Profit of Thames Water Plc

Of the consolidated profit attributable to the shareholders of Thames Water Plc, £93.6m (1992: £77.8m) has been dealt with in the accounts of the Company. A separate profit and loss account for Thames Water Plc has not been presented as permitted by Section 230 of the Companies Act 1985.

	1993		1992	
	pence per share	£m	pence per share	£m
<b>9 Dividends</b>				
Interim	6.9	26.7	6.4	24.7
Final proposed	14.1	55.0	12.8	49.4
	<b>21.0</b>	<b>81.7</b>	<b>19.2</b>	<b>74.1</b>

Certain shareholders have elected to receive shares in lieu of current and future dividends.

Details of shares allotted under the scrip dividend option during 1993 are shown in note 23.

## NOTES TO THE ACCOUNTS

### 10 Earnings per ordinary share

	1993		1992	
	Net £m	Nil £m	Net £m	Nil £m
Profit for the financial year	229.6	250.9	211.1	235.8
Earnings per ordinary share	59.3p	64.8p	54.8p	61.2p

On the net basis earnings per ordinary share have been calculated by dividing the profit for the financial year by the weighted average number of ordinary shares in issue during the year (387.4m.)

On the nil distribution basis profit for the financial year is stated before the charge for irrecoverable ACT as this arises solely from the declaration of the dividend.

There would be no significant dilution of earnings per ordinary share from the exercise of outstanding share options and the conversion of the £82m 9½% Convertible Subordinated Bonds.

### 11 Reconciliation of movements in shareholders' funds

	1993 £m	1992 £m
Profit for the financial year	229.6	211.1
Dividends	(81.7)	(74.1)
	147.9	137.0
Exercise of share options	4.7	0.1
Value of shares issued in lieu of dividends	8.4	6.7
Share issue expenses	(1.5)	-
Foreign exchange movements	(4.1)	-
Goodwill written off	(17.6)	(49.4)
	137.8	94.4
Shareholders' funds at beginning of the year	1,552.7	1,458.3
Shareholders' funds at the end of the year	1,690.5	1,552.7

## NOTES TO THE ACCOUNTS

12 Tangible fixed assets	Group			Company	
	Land & buildings £m	Infrastructure assets £m	Plant & equipment £m	Total £m	Plant & equipment £m
Net cost at 1 April 1992	966.2	902.5	579.3	2,448.0	0.4
Foreign exchange adjustments	3.7	-	1.7	5.4	-
Fair value adjustments	3.7	-	1.9	5.6	-
Additions at cost	83.1	82.1	233.3	398.5	-
Acquisition of subsidiaries	1.8	-	8.5	10.3	-
Disposals	(1.9)	-	(4.1)	(6.0)	-
Capital contributions	-	(21.2)	-	(21.2)	-
<b>Net cost at 31 March 1993</b>	<b>1,056.6</b>	<b>963.4</b>	<b>820.6</b>	<b>2,840.6</b>	<b>0.4</b>
Depreciation at 1 April 1992	176.1	-	170.0	346.1	-
Foreign exchange adjustments	0.3	-	0.7	1.0	-
Fair value adjustments	1.0	-	1.3	2.3	-
Provided during the year	20.1	-	48.4	68.5	0.1
Acquisition of subsidiaries	0.4	-	5.0	5.4	-
Disposals	(0.2)	-	(3.0)	(3.2)	-
<b>Depreciation at 31 March 1993</b>	<b>197.7</b>	<b>-</b>	<b>222.4</b>	<b>420.1</b>	<b>0.1</b>
<b>Net book value</b>					
<b>At 31 March 1993</b>	<b>858.9</b>	<b>963.4</b>	<b>598.2</b>	<b>2,420.5</b>	<b>0.3</b>
At 31 March 1992	790.1	902.5	409.3	2,101.9	0.4

- In order to give a true and fair view the cost of infrastructure assets is stated after the deduction of capital contributions amounting to £62.2m (1992: £41m).
- The net book value of land and buildings is analysed as follows:

	1993 £m	1992 £m
Freehold land and buildings	849.1	786.2
Leaseholds: over 50 years	9.1	3.1
: under 50 years	0.7	0.8
	<b>858.9</b>	<b>790.1</b>

No depreciation has been charged on freehold land included at a cost of £8.9m (1992: £3.4m).

- Details of the Group's tangible fixed assets which are held under finance leases are:

	Cost		Net book value	
	1993 £m	1992 £m	1993 £m	1992 £m
Plant and equipment	121.7	78.4	101.6	67.7

- Tangible fixed assets at 31 March 1993 include £416m (1992: £376m) of assets in the course of construction.

## NOTES TO THE ACCOUNTS

13 Fixed asset investments	Group	Company
	Interests in associated undertakings £m	Investment in subsidiary undertakings £m
Value at 1 April 1992	4.5	465.6
Additions	1.3	40.3
Goodwill written back	1.1	-
Foreign exchange adjustments	0.3	-
Share of losses for the year	(2.1)	-
<b>Value at 31 March 1993</b>	<b>5.1</b>	<b>505.9</b>

### Group

- The cost of the Group's interests in associated undertakings at 31 March 1993 amounted to £11.8m (1992: £10.5m). The Group's share of post-acquisition accumulated losses at 31 March 1993 was £2.1m (1992: Nil). The associated undertakings are unlisted.
- During the year the Group invested £2.1m in its existing associated companies and £0.3m for the formation of a new joint venture company, Binnie Thames Water, which is engaged in international consultancy. This was offset by a reduction in the purchase price of Subterra Limited (£1.1m) since the company did not achieve the profit required to initiate the deferred consideration. Goodwill of £1.1m has been written back accordingly.

### Company

Investments amounting to £40.3m were made by the Company during the year through subsidiary holding companies to fund acquisitions (£12.2m) and to assist in the development of the Group's other trading activities (£28.1m). Acquisitions have been accounted for using the acquisition method of accounting.

### Acquisition of the Simon companies

The Group completed the purchase of the water and waste-water treatment business of the Simon Engineering Group (the Simon companies) from Simon Engineering Plc under an agreement dated 6 February 1993.

The purchase price amounted to £10.6m inclusive of costs. Of this amount £3.6m was in respect of the inheritance of loans from Simon Engineering Plc. In addition, external debt amounting to £4.2m was acquired.

The balance sheets of the Simon companies have been consolidated as at 31 January 1993. Goodwill arising on consolidation (see note 25) has been calculated on the provisional fair values of the net assets of the acquired companies at 31 January 1993. The following table shows the difference between the provisional fair values of assets and liabilities purchased and the book values in the balance sheet at 31 January 1993. The fair value provisions represent the estimated reduction in book values of net assets acquired (£7.5m) together with the cost of rationalising the Simon companies (£3.5m).

	Book value £m	Provisions £m	Fair value £m
Fixed assets	5.4	(1.2)	4.2
Current assets	23.6	(0.2)	23.4
Creditors: amounts falling due within one year	(26.5)	(9.2)	(35.7)
Creditors: amounts falling due after more than one year	(1.6)	(0.4)	(2.0)
<b>Net assets/(liabilities)</b>	<b>0.9</b>	<b>(11.0)</b>	<b>(10.1)</b>

The financial results of the acquired companies for the period 1 February 1993 to 31 March 1993 have not been consolidated as, in the opinion of the Directors, they are not material to the results of the Group.

The accounting reference date of the Simon companies is 31 December and will be brought into line with that of the Company such that the accounts of the Group for the year ending 31 March 1994 will consolidate financial results of the Simon companies from 1 February 1993 to 31 March 1994. The financial result of the Simon companies for the year ended 31 December 1992 was a loss of £1.9m (1991: profit £0.3m).



## NOTES TO THE ACCOUNTS

### 13 Fixed asset investments (continued)

At 31 March 1993 the Group held more than 10% of the allotted share capital of the following principal trading undertakings.

Subsidiary undertakings	Country of incorporation, registration and operation	Class of share capital held	Proportion of shares held		Nature of business
			Directly	Indirectly	
<b>Water and sewerage services</b>					
Thames Water Utilities Limited	England and Wales	Ordinary	100%		Water and sewerage services
Thames Water Utilities Finance Plc	England and Wales	Ordinary		100%	Finance company
<b>PWT</b>					
PWT Worldwide Limited	England and Wales	Ordinary	100%		Management company
The Permutit Company Limited	England and Wales	Ordinary		100%	Water treatment plant
Simon-Hartley Limited	England and Wales	Ordinary		100%	Waste products
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
F W Talbot & Company Limited	England and Wales	Ordinary		100%	Pipeline products
The Permutit Company Pty Limited	Australia	Ordinary		100%	Water treatment plant
PWT Asia Pacific Pty Limited	Australia	Ordinary		100%	Design contracting
PWT Bolswana Pty Limited	South Africa	Ordinary		100%	Contracting and products
PWT New Zealand Limited	New Zealand	Ordinary		100%	Contracting and products
Permutit New Zealand Limited	New Zealand	Ordinary		100%	Water treatment plant
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
Thames Water Benelux BV	Netherlands	Ordinary		100%	Management company
Houseman BV	Netherlands	Ordinary		100%	Chemicals
Homé Waterbehandeling BV	Netherlands	Ordinary		100%	Water treatment plant
Houseman NV	Belgium	Ordinary		100%	Chemicals
Thames Water Holdings Inc	United States	Common Convertible	100%	100%	Management company
PWT Americas' Inc.	United States	Ordinary		100%	Design contracting
F B Leopold Company Inc	United States	Ordinary		100%	Water products

## NOTES TO THE ACCOUNTS

### 13 Fixed asset investments (continued)

Subsidiary undertakings	Country of incorporation, registration and operation	Class of share capital held	Proportion of shares held		Nature of business
			Directly	Indirectly	
<b>PWT (continued)</b>					
Ashbrook-Simon-Hartley Corporation	United States	Ordinary	100%		Sewage treatment products
Simon Hydro-Aerobics, Inc	United States	Ordinary		80%	Sewage treatment
Simon WTS, Inc	United States	Ordinary	100%		Effluent treatment
Simon Waste Solutions, Inc	United States	Ordinary	100%		Waste treatment
Simon Hartley HK Limited	Hong Kong	Ordinary	100%		Waste water projects
<b>Other trading activities</b>					
Thames Water Environmental Services Limited	England and Wales	Ordinary	100%		Management company
Metro Rod Plc	England and Wales	Ordinary		100%	Drain, pipe cleaning and pest control services
Morgan Collis Group Limited	England and Wales	Ordinary	100%		Sewerage services
Thames Waste Management Limited	England and Wales	Ordinary	100%		Waste management and collection
Thames Water International Services Holdings Limited	England and Wales	Ordinary	100%		Management company
Thames Water International Services Limited	England and Wales	Ordinary		100%	International consultancy
Thames Water Deutschland GmbH	Germany	Ordinary	100%		Management company
Mitteldeutsche Wasser-und Umwelttechnik AG (UTAG)	Germany	Ordinary		100%	Water contracting and consultancy
Isis Insurance Company Limited	Iste of Man	Ordinary	100%		Insurance
Kennet Properties Limited	England and Wales	Ordinary	100%		Property
Thames Water Properties Limited	England and Wales	Ordinary	100%		Property
Thames Water Developments Limited	England and Wales	Ordinary	100%		Property

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

#### Associated undertakings

Binnie Thames Water Limited	England and Wales	Ordinary		50%	International consultancy
Brophy Group Plc	England and Wales	Ordinary Preference		50% 100%	Environmental services
Sublerra Holdings Limited	England and Wales	Ordinary		60%	Pipeline products
ATW Medioambiente SA	Spain	Ordinary		40%	Water and waste treatment

## NOTES TO THE ACCOUNTS

14	Stocks and work in progress	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
	Raw materials and consumables	20.3	21.6	-	-
	Work in progress	7.6	17.7	-	-
	Finished goods and goods for resale	4.1	3.7	-	-
	<b>Total</b>	<b>32.0</b>	<b>43.0</b>	<b>-</b>	<b>-</b>
	<b>Work in progress includes long-term contract balances as follows</b>				
	Net cost less foreseeable losses	95.8	78.8	-	-
	Applicable payments on account	(94.3)	(67.6)	-	-
	<b>Total</b>	<b>1.5</b>	<b>11.2</b>	<b>-</b>	<b>-</b>
15	Debtors	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
	<b>Due within one year</b>				
	Trade debtors	163.6	133.8	-	-
	Amounts recoverable on contracts	39.8	20.4	-	-
	Amounts owed by subsidiary undertakings	-	-	32.0	34.5
	Other debtors	17.3	25.8	-	-
	Prepayments and accrued income	54.5	41.2	1.4	1.8
	Infrastructure renewals expenditure	6.0	5.7	-	-
		<b>281.2</b>	<b>226.9</b>	<b>33.4</b>	<b>36.3</b>
	<b>Due after more than one year</b>				
	Trade debtors	2.9	-	-	-
	Amounts recoverable on contracts	0.7	1.7	-	-
	Amounts owed by subsidiary undertakings	-	-	1.6	0.3
	Other debtors	1.0	0.8	-	-
	<b>Total</b>	<b>285.8</b>	<b>229.4</b>	<b>35.0</b>	<b>36.6</b>
16	Current asset investments	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
	Government and Local Authority loans	2.5	-	-	-
	Fixed term deposits and certificates of deposit	116.2	146.2	87.5	90.8
	Fixed and floating interest rate securities	50.7	92.9	22.2	37.3
	<b>Total</b>	<b>169.4</b>	<b>239.1</b>	<b>109.7</b>	<b>128.1</b>

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

## NOTES TO THE ACCOUNTS

17 Creditors: amounts falling due within one year	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Bank loans (note 19)	37.1	14.9	4.8	3.4
Bank overdrafts	59.4	54.1	7.8	9.3
Other loans (note 19)	15.9	16.7	5.0	15.1
Obligations under finance leases (note 20)	8.8	7.4	—	—
Progress claims and advance payments	88.3	83.5	—	—
Trade creditors:				
• operating	66.5	63.8	—	—
• capital	117.5	121.1	—	—
Amounts owed to subsidiary undertakings	—	—	20.5	20.8
Other creditors	9.9	14.9	0.3	—
Advance corporation tax	25.2	26.2	25.2	26.2
Taxation and social security	6.8	6.1	—	—
Accruals and deferred income	110.5	81.3	4.3	4.7
Proposed dividend	55.0	49.4	55.0	49.4
<b>Total</b>	<b>600.9</b>	<b>539.4</b>	<b>122.9</b>	<b>128.9</b>

18 Creditors: amounts falling due after more than one year	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Bank loans (note 19)	191.1	137.6	—	—
Other loans (note 19)	309.3	309.6	108.3	105.6
Obligations under finance leases (note 20)	90.4	57.9	—	—
Other creditors	20.4	26.1	—	—
<b>Total</b>	<b>611.2</b>	<b>531.2</b>	<b>108.3</b>	<b>105.6</b>

Included in other loans falling due after more than one year is £27.8m (1992: £25.6m) comprising commercial paper issued under a £200m Commercial Paper programme. The paper is repayable within one year but is rolled over as it falls due in order to fund long term investment. The Commercial Paper programme is supported by a committed revolving credit facility, including a committed LIBOR based interest rate which extends until 1995. This disclosure is not in accordance with the Companies Act 1985 which requires such liabilities to be classified in accordance with their due repayment dates, but this departure from the Act is in the opinion of the Directors necessary as disclosure of these amounts as falling due within one year would not give a true and fair view of the maturity profile of the Group's debt. The effect of disclosing these amounts as falling due within one year would be to increase net current liabilities by £27.8m (1992: £25.6m) to £114.9m (1992: £21.9m) and to reduce creditors: amounts falling due after more than one year by the same amounts to £583.4m (1992: £505.6m). Comparative figures have been adjusted to reflect this revised treatment.

19 Loans	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Bank loans				
• Within one year	37.1	14.9	4.8	3.4
• Between one and two years	2.1	—	—	—
• Between two and five years	22.3	7.0	—	—
• After more than five years	166.7	130.6	—	—
<b>Total</b>	<b>228.2</b>	<b>152.5</b>	<b>4.8</b>	<b>3.4</b>
Other loans				
• Within one year	15.9	16.7	5.0	15.1
• Between one and two years	4.7	4.6	—	—
• Between two and five years	29.6	29.4	27.8	25.6
• After more than five years	275.0	275.6	80.5	80.0
<b>Total</b>	<b>325.2</b>	<b>326.3</b>	<b>113.3</b>	<b>120.7</b>

## NOTES TO THE ACCOUNTS

### 19 Loans (continued)

- Loans are repayable between 1993 and 2030.
- Of the loans repayable after more than five years hence, £261.9m (1992: £261.5m) are in respect of loans wholly repayable after that date, none of which are bank loans.
- The aggregate amount of loans repayable by instalments, any part of which falls due for repayment more than five years hence is £180m (1992: £125m) and £15.9m (1992: £16.7m) for bank loans and other loans respectively.
- The range of interest rates on bank loans is 3.5% to 11.5% (1992: 4.4% to 11.5%) and on other loans is 3% to 11% (1992: 3% to 11.5%). These interest rates are those contracted on the underlying borrowings before taking account of the following interest rate protection.  
The Group has arranged various short and long dated interest rate swaps which have the effect of fixing the rate of interest at an average of 9.33% on sterling borrowings of £15m for a term of 15 years and 8.75% on £10m for a term of 18 months. In addition the Group has arranged interest rate swaps which convert £45m of sterling borrowings from an average fixed rate of 10.2% to floating rates for a weighted average term of 7 years.
- Other loans include
  - loans totalling £32.4m (1992: £32.4m) which are secured on the revenues of Thames Water Utilities Limited.
  - £82m 9½% Convertible Subordinated Bonds due 2006. At the option of the holder, each bond can be converted into ordinary shares of 100 pence, credited as fully paid, at an initial conversion price of 428 pence per ordinary share. Unless converted by the bondholder the Bonds will be redeemed at their principal amount on 19 September 2006.

### 20 Obligations under finance leases

	Group	
	1993	1992
	£m	£m
Amounts due under finance leases are payable as follows:		
• Within one year	15.4	7.7
• Between one and two years	8.4	11.0
• Between two and five years	23.8	20.6
• After more than five years	170.1	117.6
	<b>217.7</b>	<b>156.9</b>
Less finance charges allocated to future periods	<b>(118.5)</b>	<b>(91.6)</b>
<b>Total</b>	<b>99.2</b>	<b>65.3</b>

Amounts due under finance leases are payable as follows:

- Within one year
- Between one and two years
- Between two and five years
- After more than five years

Less finance charges allocated to future periods

**Total**

- The aggregate amount of finance leases, any part of which falls due for repayment after more than five years, is £84.4m (1992: £46.9m).
- Interest rates on finance leases are linked to LIBOR.
- In addition, the Group is committed to outstanding lease facilities of £45m to fund capital investment.
- The Company has no finance lease obligations.

### 21 Provisions for liabilities and charges

	Group	Company
	£m	£m
Balance at 1 April 1992	26.2	0.4
Fair value adjustments	5.0	–
Acquisition of subsidiary undertakings	2.4	–
Provided during the year	8.9	0.2
Utilised during the year	(4.0)	–
Released during the year	(2.1)	–
Foreign exchange adjustments	0.4	–
<b>Balance at 31 March 1993</b>	<b>36.8</b>	<b>0.6</b>

## NOTES TO THE ACCOUNTS

### 21 Provisions for liabilities and charges (continued)

#### Group

The provisions comprise:

- insurance liabilities £24.8m (1992: £20.8m)
- restructuring and other provisions £3.2m (1992: £2.5m)
- overseas post retirement benefits and pension liabilities £3.8m (1992: Nil)
- foreseeable losses on long term contract work in progress £5.0m (1992: £2.9m)

#### Company

The provision comprises full provision for deferred taxation arising from short term timing differences – £0.6m (1992: £0.4m).

### 22 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 is required in the Group accounts.

#### An analysis of amounts unprovided is as follows:

	Group	
	1993 £m	1992 £m
• Accelerated capital allowances		
– infrastructure assets	176.3	133.9
– other assets	187.4	135.6
• Other timing differences	(11.6)	(7.6)
• Losses	(79.8)	(66.7)
• Advance corporation tax	(77.9)	(56.9)
	<b>194.4</b>	<b>138.3</b>

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.

### 23 Share capital

#### Share capital of the Company

	Group	
	1993 £m	1992 £m
• Authorised		
525,000,000 ordinary shares of £1 each	525.0	525.0
One Special rights redeemable preference share of £1		
• Allotted, called up and fully paid		
389,670,785 ordinary shares of £1 each (1992: 386,101,007)	389.7	386.1
One Special rights redeemable preference share of £1		

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

The issued and paid up share capital of the Company at 31 March 1993 includes 1,063,605 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.

## NOTES TO THE ACCOUNTS

### 23 Share capital (continued)

Details of ordinary shares allotted during the year are as follows:

	Scrip dividends	Sharesave scheme	Executive Share Option scheme	Total
Number of shares allotted	1,863,702	67,076	1,639,000	3,569,778
		£m	£m	£m
Consideration		0.1	4.6	4.7

#### Scrip dividends

Ordinary shares were allotted to ordinary shareholders consequent on the offer of a scrip dividend alternative as follows:

- 1992 final dividend 1,237,943 shares – 14 August 1992
- 1993 interim dividend 625,759 shares – 25 January 1993

#### Employee share schemes

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 the respective schemes.

#### Sharesave 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.

#### Executive share option scheme

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 1993

Date of grant	Number of ordinary shares	Option price per share	Normal date of exercise
<b>Thames Water Sharesave Scheme</b>			
Five-year scheme			
• 12 December 1989	2,515,284	176p	Dec 1994 – June 1995
• 13 July 1990	430,654	227p	July 1995 – Jan 1996
• 12 July 1991	554,036	288p	July 1996 – Jan 1997
• 29 November 1991	626,361	296p	Nov 1996 – May 1997
• 10 July 1992	427,095	349p	July 1997 – Jan 1998
Seven-year scheme			
• 12 December 1989	1,102,982	176p	Dec 1996 – June 1997
• 13 July 1990	195,656	227p	July 1997 – Jan 1998
• 12 July 1991	313,631	288p	July 1998 – Jan 1999
• 29 November 1991	310,049	296p	Nov 1998 – May 1999
• 10 July 1992	222,638	349p	July 1999 – Jan 2000
<b>Thames Water Executive Share Option Scheme</b>			
• 17 January 1990	105,000	278p	1993-2000
• 18 June 1990	98,000	283p	1993-2000
• 20 November 1990	309,000	303p	1993-2000
• 2 July 1991	745,000	347p	1994-2001
• 15 November 1991	94,000	356p	1994-2001
• 24 June 1992	307,000	418p	1995-2002
• 1 December 1992	32,000	480p	1995-2002

## NOTES TO THE ACCOUNTS

### 24 Share premium

During the year 1.7m £1 ordinary shares were issued at a premium of £3.0m which has been transferred to the share premium account. Expenditure amounting to £1.5m in respect of the issue of scrip dividends has been written off against the share premium account.

### 25 Reserves and retained profits

	The Company £m	Subsidiary undertakings £m	Associated undertakings £m	Goodwill written off £m	Total £m
<b>Profit and loss account</b>					
Balance at 1 April 1992	15.6	1,225.5	-	(74.5)	1,166.6
Profit (loss) for the financial year	93.6	138.1	(2.1)	-	229.6
Dividends	(81.7)	-	-	-	(81.7)
Foreign exchange adjustments	-	(4.1)	-	-	(4.1)
Value of shares issued in lieu of dividends	8.4	-	-	-	8.4
Capitalisation of shares issued in lieu of dividends	(1.9)	-	-	-	(1.9)
Goodwill written off	-	-	-	(17.6)	(17.6)
<b>Balance at 31 March 1993</b>	<b>34.0</b>	<b>1,359.5</b>	<b>(2.1)</b>	<b>(92.1)</b>	<b>1,299.3</b>

The Company's reserves include the effects of matching exchange gains arising on the retranslation of foreign currency investments and exchange losses of similar amounts arising on foreign currency borrowings. Accordingly, reserves include £4.2m of unrealised gains which are deemed non-distributable.

Goodwill of £17.6m was written off during the year on:

- the acquisition of the Simon companies (see note 13): £17.1m.
- adjustment to fair values of assets and liabilities in UTAG (£5m) where trading losses on companies which were closed during the year and restructuring costs together amounted to £8m compared to the 1992 provision of £3m.
- other small acquisitions: £1m.

Offset by goodwill written back of £5.5m comprising:

- reductions in the fair values of assets and liabilities of FB Leopold Inc (£4.4m) and in the purchase price of Subterra Limited (£1.1m).

### 26 Operating leases

At 31 March 1993 the Group was committed to making the following payments in respect of non-cancellable operating leases.

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
<b>Land and buildings</b>				
<b>Leases which expire:</b>				
• Between one and five years	0.6	0.6	-	-
• After more than five years	4.3	3.8	0.4	0.4
<b>Total</b>	<b>4.9</b>	<b>4.4</b>	<b>0.4</b>	<b>0.4</b>
<b>Other</b>				
<b>Leases which expire:</b>				
• Between one and five years	3.6	2.1	-	-
• After more than five years	0.1	0.3	-	-
<b>Total</b>	<b>3.7</b>	<b>2.4</b>	<b>-</b>	<b>-</b>



## NOTES TO THE ACCOUNTS

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
<b>27 Capital commitments</b>				
Contracted for but not provided in the financial statements	192	250	-	-
Authorised but not yet contracted for	712	649	-	-

In addition to these commitments, the Group has long-term capital investment plans to meet shortfalls in performance and asset condition and to provide for new demand and growth.

### 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 ongoing pension cost for the Group during the year ended 31 March 1993 was £19.6m (1992: £17.7m) of which £1.8m (1992: £0.5m) 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, adjusted to meet the pensions reporting requirements of Statement of Standard Accounting Practice number 24 where material differences arise.

Current levels of pension charge and contributions to the UK 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.

For the largest schemes of the Group the total market value of assets as at the valuation date was £280m 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 employer contributions to the schemes. In the year ended 31 March 1993 these payments amounted to £1.2m (1992: £4.1m).

The funding of the schemes does not reflect the possible changes which may be required following the judgement in the European Court of Justice regarding the Barber v GRE sex discrimination case. The impact of this judgement is expected to be relatively small as the principal Group pension schemes 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 £279.8m (1992: £178.6m). The Company has also guaranteed facilities for contract bonding on behalf of certain subsidiaries amounting to £172.8m at 31 March 1993 (1992: £50.2m) which include £106.8m assumed following the purchase of the Simon companies. In addition, there are a number of parent company guarantees in respect of subsidiary company contractual obligations which have been entered into in the normal course of business.

### 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. Anyone requiring a copy of these accounts including the specified statements for the year ended 31 March 1993 should apply to: The Company Secretary, Nugent House, Vastern Road, Reading RG1 8DB. Tel: 0345 414140 (calls from the UK will be charged at the local rate)

## GROUP FIVE YEAR SUMMARY

Year ended 31 March	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
Turnover	557.6	611.5	835.5	899.3	1,042.8
Operating profit	187.5	158.3	189.5	234.0	273.6
Costs of privatisation	(3.2)	(18.7)	0.7	-	-
Profit on sale of fixed assets	15.2	8.4	8.1	9.9	8.1
Other income	2.8	3.4	3.0	1.3	0.4
Interest	1.7	9.1	11.7	(8.9)	(30.8)
Profit on ordinary activities before taxation	204.0	160.5	213.0	236.3	251.3
Taxation on profit on ordinary activities	-	(12.9)	(19.8)	(25.2)	(21.7)
<b>Profit for the financial year</b>	<b>204.0</b>	<b>147.6</b>	<b>193.2</b>	<b>211.1</b>	<b>229.6</b>
As at 31 March	1989 £m	1990 £m	1991 £m	1992 £m	1993 £m
Fixed assets	1,218.1	1,421.8	1,750.6	2,106.4	2,425.6
Net current assets/(liabilities)	119.5	51.3	(125.1)	3.7	(87.1)
Creditors: amounts falling due after more than one year	(185.9)	(98.9)	(140.8)	(531.2)	(611.2)
Provisions for liabilities and charges	(10.6)	(27.3)	(76.4)	(26.2)	(36.8)
	1,141.1	1,346.9	1,458.3	1,552.7	1,690.5
Share capital	-	384.2	384.2	386.1	389.7
Share premium	-	-	-	-	1.5
Reserves and retained profits	1,141.1	962.7	1,074.1	1,166.6	1,299.3
	1,141.1	1,346.9	1,458.3	1,552.7	1,690.5

The financial information set out above for the year ended 31 March 1989 has been extracted from the audited financial statements of Thames Water Authority for that year 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 financial results for the year ended 31 March 1989 are not comparable with those for subsequent years because of costs associated with Plc status and changes that took place in capital structure as a result of privatisation.

The five year summary has been restated to comply with the reporting requirements of FRS3. The significant change is the reclassification of 'costs of privatisation' which have previously been shown as extraordinary items.

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### Analysis of shareholdings

as at 31 March 1993	Holdings	%	Shares held	%
1 - 500	256,766	90.1	61,412,150	15.8
501 - 1,000	20,301	7.1	13,213,455	3.4
1,001 - 5,000	6,125	2.2	11,220,481	2.9
5,001 - 50,000	971	0.3	16,900,749	4.3
50,001 - 100,000	181	<0.1	13,372,620	3.4
100,001 - 1,000,000	367	0.1	116,570,076	29.9
1,000,001 - and above	66	<0.1	156,981,254	40.3
	284,777	100.0	389,670,785	100.0

### Financial calendar

#### Financial year ended 31 March 1993

7 June 1993 Ex-dividend date for final dividend

25 June 1993 Record (or qualifying) date for 1993 final dividend

27 July 1993 Barbican Centre, London 1993 Annual General Meeting

3 September 1993 Final dividend payable

#### Financial year ending 31 March 1994

2 November 1993 Announcement of half-yearly results for six months to 30 September 1993

4 February 1994 Interim dividend payable

### Scrip Dividend Alternative

Information on the scrip dividend alternative will be circulated in the near future to those shareholders who have not already joined the Scrip Dividend Mandate Scheme.

### Scrip Dividend Mandate Scheme

If you have already joined the Scrip Dividend Mandate Scheme you will receive shares automatically. Any small cash balances which may have been carried forward from the last dividend will be taken into account when calculating your entitlement to shares. The 1993 final dividend is 14.1p per share and the value of each new share is 466.2p, the average middle market price of the Company's shares quoted on the London Stock Exchange for the five business days 7 to 11 June 1993.

If, however, you wish to receive cash instead of shares, a letter cancelling your Scrip Dividend Mandate must be received by the Company's Registrar at the address shown below by not later than 11 am on 3 August 1993: The Registrar, Thames Water Plc, The Royal Bank of Scotland plc, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR

### Payment direct to bank

Cash dividends mandated by shareholders to a bank or to certain building society accounts will be paid via BACS (Bankers' Automated Clearing Services). Tax vouchers will be posted direct to the Shareholder's registered address.

### Share register

From 1 May 1993 the Company's share register has been maintained by The Royal Bank of Scotland plc. Shareholders who have questions about the Scrip Dividend Mandate Scheme or who require help or information about their shareholding may either write to the Registrar at the address shown above or telephone on 031 523 6230 or 031 523 6231.

### Share price information line (CityCall)

Callers can obtain a current share price on 0891 222302. The charge is 36p per minute cheap rate and 48p per minute peak rate inclusive of VAT.

### Share dealing service

Shareholders are now able to use the services of a low-cost postal share dealing service operated for Thames Water Plc by Cazenove & Co. For further details contact: Thames Water Shareholder Enquiry Unit, 13th Floor, Nugent House, Vastern Road, Reading RG1 8DB.

### Shareholder enquiries

Shareholders with enquiries about Thames Water Plc or shareholder matters can contact the Shareholder Enquiry Unit by writing to the address above or by telephone from the United Kingdom at the cost of a local call on 0345 414140. Please note that the 0345 code must be used even if calling from Reading.