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Thames Water Utilities Limited  
Annual report  
for the year ended 31 March 1991

Registered no: 2366661

# Thames Water Utilities Limited

## Annual report for the year ended 31 March 1991

	<b>Pages</b>
Directors and advisers	1
Directors' report	2 - 6
Report of the auditors	7
Profit and loss account	8
Balance sheet	9
Statement of source and application of funds	10
Notes to the financial statements	11 - 26

## Directors and advisers

### Executive directors

M R Hoffman (Chairman)  
W R Harper (Deputy Chairman)  
W J Alexander  
D Badcock  
J K Boudier  
J G Hurcom  
D J Luffrum  
R J Marshall  
P T McIntosh  
M G Ribbins

### Secretary and registered office

D Badcock  
Nugent House  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

### Auditors

Coopers & Lybrand Deloitte  
9 Greyfriars Road  
Reading  
Berkshire  
RG1 1JG

### Bankers

National Westminster Bank plc  
21 Lombard Street  
London  
EC3P 3AR

## Directors' report for the year ended 31 March 1991

The directors present their report and the audited financial statements for the year ended 31 March 1991.

### Principal activities and review of the year

The company's principal activities are the supply of water to over 3 million premises in its area and the collection and treatment of sewage from almost 5 million premises. In 1990-91 it put into supply an average 2795 megalitres per day of water and treated an average of 4101 megalitres per day of sewage. It also undertook significant statutory duties relating to the environment.

For the second year running a hosepipe ban was imposed in the whole region and a drought order was brought in covering Swindon and the Cotswolds. Severe frosts in 1991 caused a large number of water main bursts, principally in London. Detailed surveys were commenced for a new reservoir in Oxfordshire to meet rising demand.

Substantial programmes of investment in water treatment (both new plant and renovation) were made in order to meet new drinking water standards. A major restructuring of the monitoring programme was undertaken and rationalising of the associated laboratories made strong progress - a new laboratory was opened in Reading on 2 April 1991 and work started on a new laboratory in London's Docklands.

The major programme of investment in sewage treatment to meet discharge consent standards by 1992 has continued and was broadly on or ahead of time and budget at the end of the year. Work has begun on the development of incinerators to deal with sewage sludge when the North Sea disposal route closes.

These improvement projects have doubled the volume of our engineering work. A specialist centralised engineering centre and tight project management controls have enabled real cost savings while achieving tight project deadlines. Investment is now running at over £1 million per day and includes substantial progress on the London Water Ring Main, the largest single investment in the Thames Water Group.

A booklet responding to the Government's Code of Practice on conservation, access and recreation was published in July and in November a first Annual Report which accounted for our performance against the Code was also published. During the year we introduced a sponsorship scheme to support local projects.

The new Customer Centre at Swindon now handles all water related calls for London south of the Thames and customer calls on water, sewerage and sewage treatment for East London north of the Thames. By 1992 the Centre will have extended its service to the whole of the Thames area.

## Regulation

The company's Regulatory accounts for 1990 were sent to the Director General of Water Supply on 20 July 1990 and the Annual Return on 31 July 1990 to fulfil the relevant requirements of the Instrument of Appointment issued by the Secretary of State for the Environment.

The first annual report (for the calendar year 1990) on the quality of drinking water supplies, as required by the Water Supply (Water Quality) Regulations 1989 has begun and will be available from July 1991. The DoE Drinking Water Inspectorate undertook a drinking water audit at the end of 1990; its final report is awaited.

A failure during the year to meet effluent consent conditions by one sewage treatment works brought a prosecution by the National Rivers Authority.

## Capital

The company's share capital is £360,050,000.

## Profit and dividend

The profit for the year as contribution to the Group was £214.8 million. Interim dividends of £88 million were paid to the ultimate holding company, Thames Water Plc, leaving retained profits to be transferred to reserves of £125.8m.

## Fixed assets

Note 11 to the financial statements details changes in tangible fixed assets during the year. In the opinion of the directors, the market value of the company's properties exceeds the balance sheet value.

## Ring fencing

Under Condition K of its Instrument of Appointment, the company is at all times required to ensure, so far as reasonably practicable, that if a special administration order were made the company would have available to it sufficient rights and assets (other than financial resources) to enable the special administrator to manage the affairs, business and property of the company.

The company was in compliance with that requirement as at 31 March 1991.

## Directors

The names of the present directors of the company, all of whom served throughout the year, are:

M R Hoffman	(Chairman)	J G Hurcom
W R Harper	(Deputy Chairman)	D J Luffrum
W J Alexander		R J Marshall
D Badcock		P T McIntosh
J K Boudier		M G Ribbins

## Directors' interests in shares

The interests of directors, together with those of their families, in the shares of Thames Water Plc at 31 March 1991, which are contained in the Register of Directors' Interests, are shown in the following table:

Beneficial owner	Shares held as at 1 April 1990	Shares held as at 31 March 1991	Share options held at 1 April 1990	Share options held at 31 March 1991
W J Alexander	980	980	59,000	59,000
D Badcock	1,261	1,261	51,000	51,000
J K Boudier	3,568	3,568	56,159	56,159
J G Hurcom	6,440	6,719	66,090	66,090
R J Marshall	1,282	1,282	60,090	60,090
P T McIntosh	6,661	6,661	55,136	55,136
M G Ribbins	1,261	1,261	60,090	60,090

M R Hoffman, W R Harper and D J Luffrum are also directors of Thames Water Plc and their share interests are shown in the Directors' Report of that company.

None of the directors has any interest in the shares of Thames Water Plc's subsidiary companies.

## Significant contracts

During the year under review none of the directors had significant contracts with Thames Water Plc or any other group company other than their contracts of service.

## Employees

A major initiative involving all employees was announced this year. Known as the Employee Project it aims to support the modernisation of working practices and continued efficiency improvements by establishing common basic terms and conditions for all employees, greater opportunities for training, and the introduction of a single negotiating forum. Good progress has been made.

Employees had another opportunity to join or extend their interest in the Thames Water Plc ShareSave scheme.

Direct communication through the company's newspaper and videos was continued and extended with the introduction of team briefing.

## Health and safety

The company continues to be committed to achieving and maintaining high standards of health and safety both for its own employees and members of the public who could be affected by its operations.

During the year a substantial amount of work was undertaken in continuing to meet the requirement of the Control of Industrial Major Accident Hazards Regulations by providing to the enforcement authorities detailed safety cases analysing the safety standards at large chlorine installations.

The company has taken steps to formalise the incorporation of high standards of health and safety into the designs of new capital plant, thus ensuring continuing improvements in safety standards.

## Employment of the disabled

The company recognises its responsibilities towards the disabled and employs them where suitable opportunities arise. Every effort is made to find appropriate alternative jobs for those who become disabled whilst working for the company.

## Research and development

The company spent over £6 million in 1990/91 on a programme of R & D to meet identified business needs. A quarter of this expenditure was devoted to supporting collaborative work with other companies through the Foundation for Water Research and the Water Research Centre. In-house activities included the development of new process technologies to enable the company to meet future quality and environmental goals.

## Political and charitable donations

Donations made by the company for charitable purposes during the year amounted to £85,000. No donations were made for political purposes.



# Thames Water Utilities Limited

6

## Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read "D Badcock".

D Badcock  
Secretary and Legal Director

11 June 1991

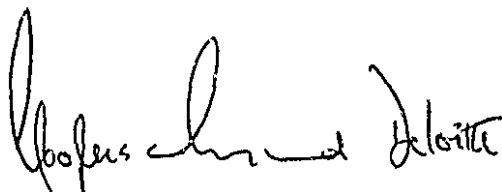
# Thames Water Utilities Limited

7

## Report of the auditors to the members of Thames Water Utilities Limited

We have audited the financial statements on pages 8 to 26 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, appearing to read "Coopers & Lybrand Deloitte".

Coopers & Lybrand Deloitte

Reading:

21 June 1991

**Profit and loss account  
for the year ended 31 March 1991**

	Notes	1991 £m	1990 £m
Turnover	2	676.4	610.4
Operating costs	3	(479.1)	(448.0)
Operating profit	4	197.3	162.4
Other income	6	26.9	36.8
Interest payable and similar charges	7	(11.7)	(19.9)
<b>Profit on ordinary activities before taxation</b>		<b>212.5</b>	<b>179.3</b>
Consideration receivable for surrender of tax losses	8	1.6	-
<b>Profit on ordinary activities after taxation</b>		<b>214.1</b>	<b>179.3</b>
Extraordinary items	9	0.7	(18.7)
<b>Profit for the financial year</b>		<b>214.8</b>	<b>160.6</b>
Dividends	10	(88.0)	(440.0)
Retained profit transferred to/(from) reserves	22	126.8	(279.4)

# Thames Water Utilities Limited

9

## Balance sheet at 31 March 1991

	Notes	1991 £m	1990 £m
<b>Fixed assets</b>			
Tangible assets	11	1,740.0	1,413.1
Investments	12	0.1	0.1
		<u>1,740.1</u>	<u>1,413.2</u>
<b>Current assets</b>			
Stocks and work in progress	13	23.3	20.7
Debtors	14	126.0	103.1
Investments	15	56.4	91.6
		<u>205.7</u>	<u>215.4</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(355.2)</u>	<u>(200.0)</u>
<b>Net current (liabilities)/assets</b>		<u>(149.5)</u>	<u>15.4</u>
<b>Total assets less current liabilities</b>		<u>1,590.6</u>	<u>1,428.6</u>
<b>Creditors: amounts falling due after more than one year</b>	17	<u>(134.5)</u>	<u>(95.1)</u>
<b>Provisions for liabilities and charges</b>	20	<u>-</u>	<u>(4.2)</u>
		<u>(134.5)</u>	<u>(99.3)</u>
		<u>1,456.1</u>	<u>1,329.3</u>
<b>Capital and reserves</b>			
Called-up share capital	21	360.0	360.0
Reserves and retained profits	22	1,096.1	969.3
		<u>1,456.1</u>	<u>1,329.3</u>

The financial statements on pages 8 to 26 were approved by the board of directors on 11 June 1991 and were signed on its behalf by:



J K Boudier  
Director

**Statement of source and application of funds for the year ended 31 March 1991**

	1991 £m	1990 £m
<b>Source of funds</b>		
Funds generated internally:		
Profit on ordinary activities before taxation	214.1	179.3
Extraordinary items	0.7	(18.7)
Items not involving the movement of funds:		
Depreciation of tangible fixed assets	38.5	32.7
Profit on sale of tangible fixed assets	(10.5)	(11.3)
Movement in provisions for liabilities and charges	(4.2)	4.2
<b>Total funds generated from operations</b>	<u>238.6</u>	<u>186.2</u>
<b>Funds from external sources</b>		
Capital grants and contributions	20.2	11.9
Proceeds from sale of tangible fixed assets	13.8	11.7
Proceeds from sale of fixed asset investments	-	1.6
Finance leases	9.4	4.2
Long term borrowings	35.0	33.6
Shares issued	-	360.0
<b>Total source of funds</b>	<u>317.0</u>	<u>609.2</u>
<b>Application of funds</b>		
Purchase of tangible fixed assets	(388.9)	(239.9)
Purchase of subsidiary	-	(0.1)
Debenture repayment	-	(11.9)
Loan repayments	(8.5)	(6.0)
Finance lease repayments	(2.2)	(1.7)
Dividends paid	(88.0)	(440.0)
<b>Total application of funds</b>	<u>(487.6)</u>	<u>(699.6)</u>
<b>(Increase)/decrease in working capital:</b>		
Stocks and work in progress	(2.6)	(2.3)
Debtors	(22.9)	(27.4)
Creditors (excluding loans, finance leases and overdrafts)	151.5	90.9
	<u>126.0</u>	<u>61.2</u>
<b>Decrease in net liquid funds</b>	<u>(44.6)</u>	<u>(29.2)</u>
<b>Decrease in net liquid funds:</b>		
Current asset investments	(35.2)	(34.8)
Bank overdraft	(9.4)	5.6
	<u>(44.6)</u>	<u>(29.2)</u>

**Notes to the financial statements  
for the year ended 31 March 1991**

**1 Principal accounting policies**

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

**Accounting convention**

The financial statements have been prepared in accordance with the historical cost convention and in accordance with applicable accounting standards. Group accounts have not been prepared as the company is a wholly owned subsidiary of Thames Water Plc.

**Turnover**

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

**Tangible fixed assets and depreciation**

Tangible fixed assets comprise:

- Infrastructure assets (being mains and sewers, impounding and pumped raw water storage reservoirs and sludge pipelines); and
- Other assets (including properties, overground plant and equipment).

(i) Infrastructure assets:

Infrastructure assets comprise a network of systems.

Expenditure on infrastructure assets relating to increases in capacity or enhancements of the network is treated as additions which are included at cost after deducting capital contributions. Contributions received in respect of infrastructure assets are deducted from the cost of fixed assets in order to give a true and fair view of the cost to the company of the assets employed in the business. Expenditure on maintaining the operating capability of the network in accordance with defined standards of service is charged as an operating cost and is classified as infrastructure renewals expenditure.

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

## (ii) Other assets:

Other assets are included at cost less accumulated depreciation. Contributions received towards the cost of other assets are accounted for as deferred income and released to the profit and loss account over the useful lives of the assets.

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

### Buildings:

• Operational structures	40-80 years
• Other	30-60 years
Fixed plant	20-40 years
Vehicles, mobile plant and computers	4-10 years

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

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

### Investments

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

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

### Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes labour, material, transport and an element of overheads.

## **Pension costs**

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

## **Foreign currencies**

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

## **Research and development**

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

## **Taxation**

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Consideration receivable for tax losses surrendered to other group companies is credited to the profit and loss account.

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.



## 2 Turnover and profit on ordinary activities before taxation by class of business

	Water supply	Sewerage services	Other trading activities	Total 1991	Total 1990
	£m	£m	£m	£m	£m
Unmeasured charges	199.7	287.5	-	487.2	438.2
Measured charges	65.2	60.5	-	125.7	110.4
Trade effluent charges	-	19.8	-	19.8	19.8
Rechargeable works	20.9	6.4	-	27.3	21.2
Other income	8.1	3.4	4.9	16.4	20.8
<b>Turnover</b>	<b>293.9</b>	<b>377.6</b>	<b>4.9</b>	<b>676.4</b>	
Turnover (1990)	265.0	339.8	5.6		610.4
Operating costs before depreciation and maintenance of infrastructure assets	221.0	189.3	4.8	415.1	390.3
Depreciation	16.6	21.9	-	38.5	32.7
Infrastructure renewals charge	7.5	18.0	-	25.5	25.0
<b>Operating costs</b>	<b>245.1</b>	<b>229.2</b>	<b>4.8</b>	<b>479.1</b>	<b>448.0</b>
Operating profit	48.8	148.4	0.1	197.3	162.4
Other income	11.5	15.4	-	26.9	36.8
Interest payable	(2.9)	(8.8)	-	(11.7)	(19.9)
<b>Profit on ordinary activities before taxation</b>	<b>57.4</b>	<b>155.0</b>	<b>0.1</b>	<b>212.5</b>	
Profit (1990)	45.5	133.8	-		179.3

Turnover derives wholly from within the United Kingdom.

## 3 Operating costs

### Analysis of operating costs by type of expense

	1991 £m	1990 £m
Manpower costs	143.0	133.2
Other employment costs	9.9	15.0
Power	38.9	37.9
Local authority rates	41.4	39.4
Sewerage agencies	26.7	25.1
Hired and contracted services	85.4	71.7
Materials and consumables	27.9	26.3
Depreciation	38.5	32.7
Infrastructure renewals charge	25.5	25.0
Water charges	5.3	3.1
Charge for doubtful debts	3.3	3.5
Other operating costs	33.3	35.1
	<u>479.1</u>	<u>448.0</u>

## 4 Operating profit

	1991 £m	1990 £m
Operating profit is stated after charging:		
Directors' emoluments	0.6	0.5
Rentals under operating leases:		
• Hire of plant and machinery	0.8	0.5
• Other	2.6	2.9
Depreciation:		
• Own assets	35.3	30.6
• Assets held under finance leases	3.2	2.1
Auditors' remuneration	0.2	0.2
Research and development	6.1	4.1

## 5 Information regarding directors and employees

	1991 £'000	1990 £'000
Directors' emoluments For management services	<u>600</u>	<u>488</u>

	1991 £'000	1990 £'000
Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies Act 1985, and excluding pension contributions		
Chairman	<u>Nil</u>	<u>Nil</u>
Highest-paid director	<u>79</u>	<u>75</u>

The chairman and two directors are remunerated in respect of their services to the group as a whole and details of their remuneration are disclosed in the financial statements of Thames Water Plc.

### Scale of other directors' emoluments

	1991 Number	1990 Number
£Nil to £ 5,000	-	2
£30,001 to £35,000	-	2
£50,001 to £55,000	-	2
£60,001 to £65,000	3	3
£70,001 to £75,000	2	-
£75,001 to £80,000	1	-

## 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.

## Employee information

The average number of persons employed by the company (including executive directors), analysed by service:

	1991 Number	1990 Number
Water supply	4,198	4,347
Sewerage services	3,133	3,341
	<u>7,331</u>	<u>7,688</u>
	1991 £m	1990 £m
Employment costs including Directors' emoluments were:		
Salaries and wages	136.2	128.4
Social security costs	10.9	9.9
Pension contributions	14.2	10.7
	<u>161.3</u>	<u>149.0</u>

Total employment costs contain £1.5m (1990: £1.8m) which is included in the infrastructure renewals charge in note 3 and £16.8m (1990: £14.0m) which has been recharged to capital.

## 6 Other income

	1991 £m	1990 £m
Other income comprises:		
Interest receivable and similar income	16.4	25.5
Profit on sale of tangible fixed assets	10.5	11.3
	<u>26.9</u>	<u>36.8</u>

## 7 Interest payable and similar charges

	1991 £m	1990 £m
Bank loans, overdrafts and other loans:		
Repayable within 5 years otherwise than by instalments		
- third parties	3.3	11.2
- group companies	0.7	-
Repayable within 5 years by instalments	-	5.1
Not wholly repayable within 5 years	6.6	3.4
	<u>10.6</u>	<u>19.7</u>
Finance charges in respect of finance leases	1.1	0.2
	<u>11.7</u>	<u>19.9</u>

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

## 8 Taxation

No liability to UK corporation tax arises on the result for the year due to the availability of capital allowances. The tax credit comprises consideration receivable in respect of tax losses surrendered to Thames Water Plc.

## 9 Extraordinary items

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

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

## 10 Dividends

	1991 £m	1990 £m
Ordinary:		
Interims: paid - 24.4p per share	88.0	440.0
	<u>88.0</u>	<u>440.0</u>

The directors declared and paid a dividend of £440m, being £8,800 per share (50,000 shares) to its parent company, Thames Water Plc, on 20 November 1989 in respect of the year ended 31 March 1990.

## 11 Tangible fixed assets

	Freehold land and buildings £m	Short leaseholds £m	Plant, machinery, and vehicles £m	Fixtures and fittings £m	Infra- structure assets £m	Total £m
<b>Cost</b>						
At 1 April 1990	578.0	14.6	241.8	93.7	730.6	1,658.7
Additions	191.7	-	73.6	32.0	91.6	388.9
Disposals	(3.3)	-	-	-	-	(3.3)
Capital contributions	-	-	-	-	(20.2)	(20.2)
Reclassification	28.0	(14.4)	0.1	(13.7)	-	-
<b>At 31 March 1991</b>	<b>794.4</b>	<b>0.2</b>	<b>315.5</b>	<b>112.0</b>	<b>802.0</b>	<b>2,024.1</b>
<b>Depreciation</b>						
At 1 April 1990	145.5	0.2	63.8	36.1	-	245.6
Provided during year	12.5	-	14.7	11.3	-	38.5
Reclassification	1.2	(0.2)	-	(1.0)	-	-
<b>At 31 March 1991</b>	<b>159.2</b>	<b>-</b>	<b>78.5</b>	<b>46.4</b>	<b>-</b>	<b>284.1</b>
<b>Net book value</b>						
<b>At 31 March 1991</b>	<b>635.2</b>	<b>0.2</b>	<b>237.0</b>	<b>65.6</b>	<b>802.0</b>	<b>1,740.0</b>
<b>Net book value At 31 March 1990</b>	<b>432.5</b>	<b>14.4</b>	<b>178.0</b>	<b>57.6</b>	<b>730.6</b>	<b>1,413.1</b>

The net book value of tangible fixed assets includes an amount of £14.2m (1990: £7.9m) in respect of assets held under finance leases and hire purchase contracts as shown below:

	Cost		Net book value	
	1991 £m	1990 £m	1991 £m	1990 £m
Plant, machinery and vehicles	4.7	-	4.2	-
Fixtures, fittings and equipment	17.4	12.6	10.0	7.9

Depreciation has not been charged on freehold land stated in the accounts at a cost of £2.1m (1990 £2.1m).

Tangible fixed assets at 31 March 1991 include £344m (1990: £169m) of assets in the course of construction.

## 12 Fixed asset investments

	1991 £m	1990 £m
Costs of shares in group companies	<u>0.1</u>	<u>0.1</u>

At 31 March 1990 the company held more than 10% of the allotted share capital of the following companies:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held	Activity
Manor Farm Management Company Limited	England and Wales	Ordinary	100%	Dormant
Thames Water Utilities Finance Plc	England and Wales	Ordinary	100%	Non-trading

## 13 Stocks

	1991 £m	1990 £m
Raw materials and consumables	17.3	15.7
Work in progress	6.0	5.0
	<u>23.3</u>	<u>20.7</u>

## 14 Debtors

	1991 £m	1990 £m
<b>Amounts falling due within one year</b>		
Trade debtors	72.2	50.7
Amounts owed by group companies	1.9	2.3
Amount receivable in respect of group relief	1.6	-
Other debtors	11.6	14.2
Prepayments and accrued income	36.9	35.1
Infrastructure renewals expenditure	1.1	-
	<u>125.3</u>	<u>102.3</u>
<b>Amounts falling due after one year</b>		
Other debtors	0.7	0.8
	<u>126.0</u>	<u>103.1</u>

## 15 Current asset investments

	1991 £m	1990 £m
Government and Local Authority loans	0.3	24.3
Fixed term deposits and certificates of deposit	56.1	67.3
	<u>56.4</u>	<u>91.6</u>

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

## 16 Creditors: amounts falling due within one year

	1991 £m	1990 £m
Bank loans and overdrafts (note 18)	17.5	8.1
Other loans (note 18)	1.6	8.8
Obligations under finance leases (note 19)	4.1	1.7
Payments received on account	41.8	41.4
Trade creditors:		
- Operating costs	37.9	35.0
- Capital creditors	119.4	64.1
Amounts owed to group companies	76.5	0.1
Other creditors	7.6	2.6
Taxation and social security payable	3.2	3.5
Accruals and deferred income	45.6	34.7
	<u>355.2</u>	<u>200.0</u>

## 17 Creditors: amounts falling due after more than one year

	1991 £m	1990 £m
Bank loans (note 18)	60.0	25.0
Other loans (note 18)	51.6	52.9
Obligations under finance leases (note 19)	7.7	2.9
Amounts owed to group companies	-	0.5
Other creditors	15.2	13.8
	<u>134.5</u>	<u>95.1</u>



## 18 Loans

	Range of interest rates %	Up to 1 year £m	1-2 years £m	Loan repayments		1991 £m	1990 £m
				2-5 years £m	Over 5 years £m		
Bank loans	11.05-13.85	-	-	-	60.0	60.0	25.0
Other loans	3.0-13.4	1.6	0.8	2.3	48.5	53.2	61.7
Bank overdraft		17.5	-	-	-	17.5	8.1
		<u>19.1</u>	<u>0.8</u>	<u>2.3</u>	<u>108.5</u>	<u>130.7</u>	<u>94.8</u>
Less: amounts repayable within one year						(19.1)	(16.9)
						<u>111.6</u>	<u>77.9</u>

### Notes

- Loans are repayable between 1991 and 2030.
- Of the loans repayable after more than five years hence, £93m (1990 £58m) is in respect of loans wholly repayable after that date.
- Included in "Other loans" are loans totalling some £33m, which are secured on the revenues of the company. A loan of £7.6m secured on property owned by the company was repaid in full during the year.

## 19 Obligations under finance leases

	1991 £m	1990 £m
Amounts due under finance leases are payable as follows		
Within one year	4.7	1.9
Between one and two years	3.7	1.7
Between two and five years	5.2	.6
Over five years	0.4	-
	<u>14.0</u>	<u>5.2</u>
Less finance charges allocated to future periods	(2.2)	(0.6)
Total	<u>11.8</u>	<u>4.6</u>

**20 Provisions for liabilities and charges**

	Infrastructure renewals expenditure £m
At 1 April 1990	4.2
Transfer to profit and loss account	(4.2)
	<u>—</u>
At 31 March 1991	—
	<u><u>—</u></u>

**Deferred taxation**

The company's medium and long term plans for capital investment together with the asset base transferred from Thames Water Authority on vesting indicate that for the foreseeable future the amount of tax allowances in respect of eligible plant and machinery will exceed the depreciation on existing and new assets. Accordingly, no provision for deferred taxation has been recognised in these accounts.

An analysis of amounts unprovided is as follows:

	1991 £m	1990 £m
Accelerated capital allowances:		
Infrastructure assets (see below)	88.2	37.3
Other assets	66.4	18.5
Other timing differences	(2.6)	(4.1)
Losses	(45.8)	(16.7)
	<u>106.2</u>	<u>35.0</u>
	<u><u>106.2</u></u>	<u><u>35.0</u></u>

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.

**21 Called-up share capital**

The share capital of the company is shown below:

	1991 £m	1990 £m
Authorised, allotted, called up and fully paid 360,050,000 ordinary shares of £1 each	360.0	360.0
	<u><u>360.0</u></u>	<u><u>360.0</u></u>

## 22 Reserves

	Profit and loss account £m
At 1 April 1990	969.3
Retained profit for the year	126.8
	<hr/>
At 31 March 1991	<u>1,096.1</u>

## 23 Capital commitments

	1991 £m	1990 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>451.2</u>	<u>159.3</u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	<u>632.0</u>	<u>323.6</u>

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

## 24 Operating leases

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

	1991		1990	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Leases which expire:				
Within one year	-	6.2	-	0.1
Between two and five years inclusive	6.1	0.9	0.3	0.2
After more than five years	2.4	-	2.6	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>2.5</u>	<u>1.1</u>	<u>2.9</u>	<u>0.3</u>

## 25 Pension and similar obligations

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

The total pension cost for the company was £14.2m (1990: £10.7m). The pension cost is assessed by Bacon and Woodrow, the consulting actuaries to the schemes.

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

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

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

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

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

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

## 25 Pension and similar obligations - continued

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

## 26 Holding company

The ultimate holding company is Thames Water Plc, a company registered in England and Wales.