

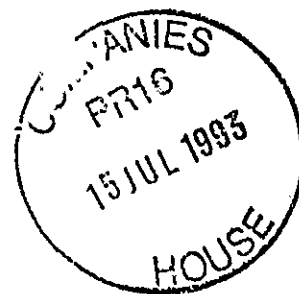
Thames Water Utilities Limited

Annual report and accounts
including regulatory information

2 366661

for the year ended 31 March 1993

Registered no: 2366661



Thames Water Utilities Limited

Annual report for the year ended 31 March 1993

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Directors' report for the year ended 31 March 1993

The directors present their report and the audited financial statements for the year ended 31 March 1993.

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 1992/93 it put into supply an average 2,613 megalitres per day of water and treated an average of 3,800 megalitres per day of sewage. It also undertook significant statutory duties relating to the environment. The following paragraphs show how these activities are carried out in the spirit of Thames Water's Four Principles:

- Seek to excel
- Put the customer first
- Respect the employee as an individual
- Caring for the environment

In 1992/93 the company had the lowest combined water and sewerage services average bill of all Water Services Plcs for unmeasured households. Our capital programme amounted to £373.6 million gross in 1992/93.

Water resources, treatment and supply

Careful management of water resources enabled us to avoid any restrictions on water use despite a record fourth successive dry winter. Proposals are continuing to be developed for a new reservoir in South West Oxfordshire to meet growing demand in our water supply area.

Considerable progress was made on the drinking water quality improvement programme with investment in advanced water treatment (AWT) plant at a number of groundwater and surface water treatment works, including the major London works at Ashford Common and Walton.

The London Water Ring Main, our largest single capital project, is on course for completion in 1994. All tunnelling was completed in February, a year early and well within budget. It is already supplying water to over 1.5 million customers. Three new service reservoirs at Windsor, Woodcote and Beggarsbush were commissioned. Substantial progress was made in leakage control. We have continued to work to reduce the leakage from our local mains and, with the support of customers' work on their own plumbing systems, the reduction has been from 25% to 17% in the last three years.

Directors and secretary

Executive directors

M R Hoffman (Chairman)
W J Alexander (Managing Director)
W R Harper
D Badcock
J K Boudier
J G Hurcom
D J Luffrum
R J Marshall
M G Ribbins
J R Sexton
S Tebbett

Secretary and registered office

D Badcock
Nugent House
Vastern Road
Reading
Berkshire
RG1 8DB

Sewerage and sewage treatment

The final stage of a programme of investment in 157 sewage treatment works to meet consent standards was completed in the early part of this year. Good progress is being made on the development of incinerators to deal with sewage sludge when the North Sea disposal route closes in 1998. Our planning applications to build two incinerators at Beckton and Crossness have been approved.

This was the first year of the new sewerage contracts made possible by the Water Act 1989. 61 contractors (some of them local authorities) have replaced 94 local authority agents. The service to customers has been improved as a consequence.

Quality

Our two new 'state of the art' laboratories were awarded NAMAS accreditation in 1992 for their full range of analysis. The Engineering Division was accredited with BS5750 in March 1993.

The second annual report from the Government's Drinking Water Inspectorate confirmed that the drinking water we supply to our customers continues to be of very high quality. Pesticides continue to be a problem but present no known health risk and will be removed as part of our AWT programme.

Customers

The merger of our customer service operation with our billing operation at new premises in Walnut Court, Swindon provides a single contact point for customers. This new Customer Centre will become fully operational during the summer of 1993. Specially trained staff will have instant access through the latest information technology to all parts of the business so that immediate action can be arranged. In 1992/93 the contacts made to the Customer Centre totalled 1.9 million (1991/92: 1.7 million). In January 1993 we appointed a Customer Services Director to improve services to customers.

Work was sufficiently advanced on the production of a market plan, which summarised the Autumn 1992 customer consultation exercise on selecting priorities for future investment to enable its publication to take place in April 1993.

Environment

We shall publish an annual report on our 1992/93 conservation, access and recreation activities in June 1993. This report will show that we completed 26 new conservation schemes and made a start on a further 11. Chief among the completed schemes were the first stage of the Greenway project in Newham, East London, the Pinkhill Meadow Nature Reserve at Farmoor reservoir in Oxfordshire and a demonstration section of improved footpath and landscape work on a section of the New River at Great Amwell in Hertfordshire. We appointed a recreation manager in January 1993 and in addition completed 149 local sponsorship projects.

In addition to this work we made an agreement with the NRA to reduce abstraction from the River Darent in order to improve its flow. Attention is now being paid to other low flow rivers in our area.

We have completed works on 11 of our sewage treatment works to export electricity to the grid, as a result of successful inclusion of the schemes under the "Non Fossil Fuel obligation". These contracts are expected to generate an income of around £7 million in 1993/94.

Regulation

The company's Annual Return for 1992 was sent to the Director General of Water Services on 1 July 1992 and the full current cost accounts required for regulatory purposes in June 1992. The company agreed a 2 year price deal (K at 4.1% in 1993/94 and 1994/95) and successfully negotiated changes to its licence to enable the business to be managed with greater medium term certainty.

Preparation for the third annual report (for the calendar year 1992) on the quality of drinking water supplied as required by the Water Supply (Water Quality) Regulations 1989 has begun and will be available from July 1993. The DoE Drinking Water Inspectorate undertook a drinking water audit at the end of 1992; its final report is awaited.

During the year the NRA prosecuted us successfully on four occasions. Two were for breaches of discharge consents at Swindon and Crawley sewage treatment works; one was for an illegal discharge of waste water from Worsham water treatment works and the other followed an escape of oil from Bishops Green pumping station. Improvement works have been carried out at each of the sites to avoid a repetition of the incidents.

Capital

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

Profit and dividend

The profit for the year as contribution to the Group was £251.6 million (1992: £229.9 million). Total dividends of £109.8 million (1992: £98.9 million) were paid to the ultimate holding company, Thames Water Plc, leaving retained profits to be transferred to reserves of £141.8 million (1992: £131.0 million).

Fixed assets

Note 10 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 is not less than 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 1993.

The directors have prepared a certificate under Condition F6A of the Licence stating that the company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least twelve months, its regulated activities. A facsimile of the certificate is shown on page 43.

Directors

The names of the present directors of the company are:

M R Hoffman	(Chairman)	D J Luffrum
W J Alexander	(Managing Director)	R J Marshall
W R Harper		M G Ribbins
D Badcock		J R Sexton (appointed 31 July 1992)
J K Boudier		S Tebbett (appointed 1 January 1993)
J G Hurcom		

P McIntosh resigned as a director on 31 July 1992.

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

Employee communication continued through the company's newspaper and award-winning video. Line managers' commitment to communication was reinforced. Employees continue to participate in the Company's performance through a profit-sharing scheme and ownership of Thames Water Plc's shares through Sharesave.

National Vocational Qualification (NVQ) assessment and training, and cross-skill training for craftsman has started. The first NVQ certificates were awarded. These moves are complemented in the managerial, professional and technical areas by the announcement in February 1993 of the TW Henley Management Diploma, by continuous professional development, and a focus on competence development.

Progress on the Employee Project has continued. Agreements were reached in the Company Council, although the recommended introduction of new operational jobs and working patterns was rejected in employee ballots. Efforts continue to introduce the changes by agreement.

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 six major new sets of health and safety regulations came into force in response to EC Directives. An integrated action programme has been developed to provide an efficient and effective response to these new obligations throughout the company.

Employment of the disabled

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

Research and development

The Kempton (AWT) demonstration facility has treated two billion litres of River Thames water meeting all UK, European and other international water quality standards including pesticides. Research at this, the first UK water treatment plant to use the energy efficient process of generating ozone from pure oxygen, has enabled us to design more cost effective applications of the use of activated carbon and ozone in the filtration and disinfection processes. A further 11 treatment plants are now being designed or constructed and the first will be commissioned in summer 1993.

New techniques of odour mapping and control have been developed and the scheme to control odour at Reading sewage treatment works has been successfully completed. Odour control systems are now being installed at other problem sites.

Auditors

A resolution to reappoint Coopers & Lybrand as the company's auditors and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

By order of the Board

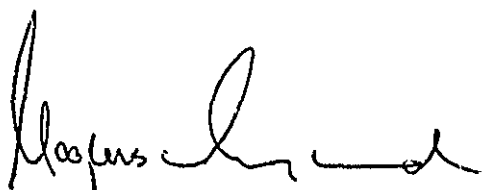


David Badcock
Secretary and Legal Director

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

We have audited the financial statements on pages 9 to 27 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 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Reading

Date: 16 June 1993

Thames Water Utilities Limited

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Profit and loss account for the year ended 31 March 1993

	Notes	1993 £m	1992 £m
Turnover	3	809.7	753.7
Operating costs	4	(537.7)	(519.7)
		<u>272.0</u>	<u>234.0</u>
Operating income	6	12.0	12.5
		<u>284.0</u>	<u>246.5</u>
Operating profit			
Interest	7	(33.1)	(15.1)
		<u>250.9</u>	<u>231.4</u>
Profit on ordinary activities before taxation	3		
Taxation	8	0.7	(1.5)
		<u>251.6</u>	<u>229.9</u>
Profit for the financial year			
Dividends	9	(109.8)	(98.9)
		<u>141.8</u>	<u>131.0</u>
Retained profit transferred to reserves	21		

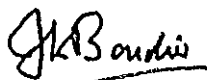
The notes on pages 11 to 27 form part of these accounts.

Balance sheet at 31 March 1993

	Notes	1993 £m	1992 £m
Fixed assets			
Tangible assets	10	2,354.5	2,062.5
Investments	11	0.1	0.1
		<u>2,354.6</u>	<u>2,062.6</u>
Current assets			
Stocks and work in progress	12	16.5	20.6
Debtors	13	163.8	142.7
Investments	14	13.8	81.5
Cash at bank and in hand		1.5	-
		<u>195.6</u>	<u>244.8</u>
Creditors: amounts falling due within one year	15	(340.7)	(322.0)
Net current liabilities		<u>(145.1)</u>	<u>(77.2)</u>
Total assets less current liabilities		<u>2,209.5</u>	<u>1,985.4</u>
Creditors: amounts falling due after more than one year	16	(480.6)	(398.3)
		<u>1,728.9</u>	<u>1,587.1</u>
Capital and reserves			
Called up share capital	20	360.0	360.0
Reserves and retained profits	21	1,368.9	1,227.1
		<u>1,728.9</u>	<u>1,587.1</u>

The notes on pages 11 to 27 form part of these accounts.

The accounts were approved by the board of directors on 8 June 1993 and were signed on its behalf by:



J K Boudier
Director

Notes to the financial statements for the year ended 31 March 1993

1 Introduction

These accounts present the financial results of Thames Water Utilities Limited for the year ended 31 March 1993.

2 Principal accounting policies

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

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. 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.

Capital contributions received in respect of infrastructure 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 or production cost without deduction of capital 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. This is because infrastructure assets do not have a finite life and are not depreciated, and 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 10.

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) Other assets:

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

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

Buildings:

- Operational structures	40-80 years
- Other	30-60 years
Fixed and mobile plant	20-40 years
Vehicles, computers, fixtures and fittings	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 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.

Investments

Investments held as fixed assets are stated at cost less provisions for permanent diminution in value.

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 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 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 are translated into sterling at the actual rate 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 or credit for taxation is based on the profit for the year as adjusted for disallowable and non-taxable items.

Consideration receivable for tax losses surrendered by way of group relief 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.

Cash flow

In accordance with the provisions of Financial Reporting Standard No. 1 (FRS 1), no cash flow statement has been prepared. The information required under FRS 1 is included in the cash flow statement provided in the accounts of Thames Water Plc. However, to comply with Regulatory Accounting Guidelines, a current cost cash flow statement has been provided in the supplementary regulatory information.

Thames Water Utilities Limited

3 Segmental analysis by class of business

	Water supply	Sewerage services	Other trading activities	Total 1993	Total 1992
	£m	£m	£m	£m	£m
Unmeasured charges	232.0	357.0	-	589.0	549.4
Measured charges	78.2	78.2	-	156.4	141.4
Trade effluent charges	-	21.7	-	21.7	20.8
Rechargeable works	15.5	4.9	-	20.4	23.1
Other income	7.7	7.7	6.8	22.2	19.0
	<u>333.4</u>	<u>469.5</u>	<u>6.8</u>	<u>809.7</u>	<u>753.7</u>
Turnover (1993)	<u>333.4</u>	<u>469.5</u>	<u>6.8</u>		
Turnover (1992)	<u>322.2</u>	<u>425.0</u>	<u>6.5</u>		
Operating costs before depreciation and maintenance of infrastructure assets	(227.2)	(218.3)	(5.7)	(451.2)	(443.2)
Depreciation	(25.6)	(34.5)	-	(60.1)	(50.8)
Infrastructure renewals charge	(8.6)	(17.8)	-	(26.4)	(25.7)
Operating costs	<u>(261.4)</u>	<u>(270.6)</u>	<u>(5.7)</u>	<u>(537.7)</u>	<u>(519.7)</u>
Operating income	<u>8.4</u>	<u>3.6</u>	<u>-</u>	<u>12.0</u>	<u>12.5</u>
Operating profit	<u>80.4</u>	<u>202.5</u>	<u>1.1</u>	<u>284.0</u>	<u>246.5</u>
Interest	<u>(8.8)</u>	<u>(24.3)</u>	<u>-</u>	<u>(33.1)</u>	<u>(15.1)</u>
Profit on ordinary activities before taxation (1993)	<u>71.6</u>	<u>178.2</u>	<u>1.1</u>	<u>250.9</u>	
Profit on ordinary activities before taxation (1992)	<u>62.1</u>	<u>169.4</u>	<u>(0.1)</u>		<u>231.4</u>

Turnover derives wholly from within the United Kingdom.

	1993 £m	1992 £m
Net assets	937.5	769.8
Water supply	1,296.5	1,158.0
Sewerage services	<u>2,234.0</u>	<u>1,927.8</u>
Net operating assets	<u>(505.1)</u>	<u>(340.7)</u>
Net interest bearing liabilities	<u>1,728.9</u>	<u>1,587.1</u>

4 Operating costs

Analysis of operating costs by type of expense:

	1993 £m	1992 £m
Manpower costs	161.3	156.1
Other external charges	214.5	219.2
Materials and consumables	25.0	25.7
Other operating charges	44.8	36.7
Infrastructure renewals charge	26.4	25.7
Depreciation:		
owned assets	51.5	46.5
assets held under finance leases	8.6	4.3
Rentals under operating leases:		
hire of plant and machinery	1.7	1.4
other	3.6	3.7
Auditors' remuneration:		
for audit work	0.2	0.2
for non audit work	0.1	0.2
Total	<u>537.7</u>	<u>519.7</u>

Included within the analysis above is research and development expenditure incurred by the company in 1993 of £5.9m (1992: £6.4m).

5 Information regarding directors and employees

Directors' emoluments

	1993 £'000	1992 £'000
Executive directors:		
Remuneration	519	441
Bonus	92	-
Other benefits	43	26
Pension contributions	142	122
	<u>796</u>	<u>589</u>

	1993 £'000	1992 £'000
Directors' emoluments disclosed in accordance with Part V of Schedule 5 of the Companies 1985		
Chairman	Nil	Nil
Highest paid Director:		
Remuneration	94	71
Bonus	19	-
Other benefits	5	4
Pension contributions	26	20
	<u>144</u>	<u>95</u>

The remuneration of the executive Directors is determined by the non-executive Directors of Thames Water Plc who comprise the Remuneration Committee of the Board of that company. A performance related bonus scheme for executive Directors is in place based upon profit before tax exceeding a level stipulated by the non-executive Directors.

The chairman and two directors are remunerated by Thames Water Plc in respect of their services to the group as a whole. Details of their remuneration are disclosed in the financial statements of Thames Water Plc and excluded from the bands below.

Scale of directors' emoluments (excluding pension contributions)

	1993 Number	1992* Number
£15,001 to £20,000	1	-
£20,001 to £25,000	1	-
£55,001 to £60,000	1	1
£60,001 to £65,000	-	2
£65,001 to £70,000	-	2
£70,001 to £75,000	-	1
£75,001 to £80,000	-	1
£80,001 to £85,000	2	-
£85,001 to £90,000	2	-
£90,001 to £95,000	-	-
£95,001 to £100,000	1	-
£115,001 to £120,000	1	-

* No performance bonus was payable in 1992.

Shares of Thames Water Plc held by directors

Beneficial owner	Shares held as at 31 March 1993	Shares held as at 1 April 1992 or date of appointment	Share options held at 31 March 1993	Share options held at 1 April 1992 or date of appointment
W J Alexander	20,108	1,028	49,000	77,000
D Badcock	1,380	1,322	15,000	66,000
J K Boudier	10,044	3,682	24,692	73,692
J G Hurcom	17,869	6,719	22,090	84,090
R J Marshall	8,503	1,345	22,090	78,090
M G Ribbins	1,261	1,261	76,090	76,090
J R Sexton	4,568	1,568	42,669	45,669
S Tebbett	-	-	-	-

During the year the Directors listed above exercised 291,000 share options at the option price of 278p. The exercise price of the outstanding options under the Thames Water Executive Share Option Scheme range from 283p to 356p and from 176p to 296p under the Thames Water Sharesave Scheme. 42,000 additional share options were granted during the year.

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 accounts of that company.

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

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

Average number of persons employed by the company, including executive directors, analysed by service:

	1993 Number	1992 Number
Water supply	4,229	4,464
Sewerage services	3,152	3,098
Total	<u>7,381</u>	<u>7,562</u>

	1993 £m	1992 £m
Employment costs including Directors' emoluments were:		
Salaries and wages	153.2	150.6
Social security costs	12.0	12.1
Pension contributions	16.0	15.6
Total	<u>181.2</u>	<u>178.3</u>

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

6 Operating income

	1993 £m	1992 £m
Operating income comprises:		
Profit on sale of tangible fixed assets	10.4	11.3
Royalties receivable	1.6	1.2
	<u>12.0</u>	<u>12.5</u>

7 Interest

	1993 £m	1992 £m
Bank loans, overdrafts and other loans:		
Repayable within five years otherwise than by instalments		
- third parties	(3.8)	(1.6)
- group companies	(0.3)	(2.8)
Repayable within five years by instalments	-	(0.7)
Not wholly repayable within five years	(30.8)	(16.5)
Finance charges in respect of finance leases	(7.2)	(2.5)
	<u> </u>	<u> </u>
Interest payable and similar charges	(42.1)	(24.1)
	<u> </u>	<u> </u>
Interest receivable	9.0	9.0
	<u> </u>	<u> </u>
	<u>(33.1)</u>	<u>(15.1)</u>

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 in 1992/93 comprises the expected consideration receivable in respect of tax losses surrendered to other group companies. The 1991/92 charge is an adjustment in respect of the previous year.

9 Dividends

	1993 £m	1992 £m
Ordinary:		
Interim: paid 10.0p per share (1992: 9.2p)	36.0	33.0
Final: paid 20.5p per share (1992: 18.3p)	73.8	65.9
	<u> </u>	<u> </u>
	<u>109.8</u>	<u>98.9</u>

10 Tangible fixed assets

	Freehold land and buildings £m	Short leaseholds £m	Plant and equipment £m	Infra- structure assets £m	Total £m
Net cost					
At 1 April 1992	938.0	0.2	556.4	902.7	2,397.3
Additions	67.3	-	224.4	81.9	373.6
Disposals	(0.3)	-	-	-	(0.3)
Capital contributions	-	-	-	(21.3)	(21.3)
	<u>1,005.0</u>	<u>0.2</u>	<u>780.8</u>	<u>963.3</u>	<u>2,749.3</u>
Depreciation					
At 1 April 1992	174.9	-	159.9	-	334.8
Provided during the year	17.5	-	42.6	-	60.1
Disposals	(0.1)	-	-	-	(0.1)
	<u>192.3</u>	<u>-</u>	<u>202.5</u>	<u>-</u>	<u>394.8</u>
Net book value					
At 31 March 1993	<u>812.7</u>	<u>0.2</u>	<u>578.3</u>	<u>963.3</u>	<u>2,354.5</u>
At 31 March 1992	<u>763.1</u>	<u>0.2</u>	<u>396.5</u>	<u>902.7</u>	<u>2,062.5</u>

In order to give a true and fair view the cost of infrastructure assets is stated after the deduction of capital contributions amounting to £21.3 million (1992: £20.9 million).

No depreciation has been charged on freehold land which is included above at £2.5m (1992: £3.4m).

Tangible fixed assets at 31 March 1993 include £407m (1992: £371m) of assets in the course of construction.

Details of the company'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	<u>119.5</u>	<u>77.0</u>	<u>100.3</u>	<u>66.3</u>

11 Fixed asset investments

	1993 £m	1992 £m
Cost of shares in group companies	<u>0.1</u>	<u>0.1</u>

At 31 March 1993 the company held more than 10% of the allotted share capital of the following undertakings:

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

At 31 March 1993 the net asset value of Thames Water Utilities Finance Plc was £50,000 (1992: £50,000), no profits or losses having been made in either of the years concerned.

12 Stocks and work in progress

	1993 £m	1992 £m
Raw materials and consumables	13.9	17.9
Work in progress	2.6	2.7
	<u>16.5</u>	<u>20.6</u>

13 Debtors

	1993 £m	1992 £m
Amounts falling due within one year		
Trade debtors	97.2	86.6
Amounts owed by parent and fellow subsidiary undertakings	3.2	2.1
Amount receivable in respect of group relief	0.7	0.1
Other debtors	8.6	4.5
Prepayments and accrued income	47.5	42.9
Infrastructure renewals expenditure	6.0	5.7
	<u>163.2</u>	<u>141.9</u>
Amounts falling due after more than one year		
Other debtors	0.6	0.8
	<u>163.8</u>	<u>142.7</u>

14 Current asset investments

	1993 £m	1992 £m
Government and Local Authority loans	2.5	-
Fixed term deposits and certificates of deposit	-	52.4
Fixed and floating interest rate securities	11.3	29.1
	<u>13.8</u>	<u>81.5</u>

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

15 Creditors: amounts falling due within one year

	1993 £m	1992 £m
Bank overdraft	8.9	15.0
Other loans (note 17)	10.8	0.8
Obligations under finance leases (note 18)	8.0	6.8
Progress claims and advance payments	53.8	43.2
Trade creditors:		
Operating	41.8	36.1
Capital	117.4	121.1
Amounts owed to parent and fellow subsidiary undertakings	31.4	33.0
Amounts owed to subsidiary undertaking	5.7	5.7
Other creditors	4.8	4.4
Accruals and deferred income	53.9	51.4
Taxation and social security payable	4.2	4.5
	<u>340.7</u>	<u>322.0</u>

16 Creditors: amounts falling due after more than one year

	1993 £m	1992 £m
Bank loans (note 17)	180.0	125.0
Other loans (note 17)	47.6	48.1
Obligations under finance leases (note 18)	90.1	57.4
Amounts owed to subsidiary undertaking (see below)	149.3	149.1
Other creditors	7.6	15.0
Deferred income	6.0	3.7
	<u>480.6</u>	<u>398.3</u>

During the year ended 31 March 1992 Thames Water Utilities Finance Plc, a subsidiary undertaking, issued £150 million 10½% Guaranteed Bonds due 2001 to finance capital investment in the company. The net proceeds arising from the issue were loaned to the company under the same interest terms and £149.3 million is included in amounts due to the subsidiary undertaking in respect of this loan. The company has guaranteed the principal and interest payments of its subsidiary undertaking due under the terms of the bond.

17 Loans

Loans outstanding are repayable as follows:

	1993 £m	1992 £m
Bank loans:		
Between two and five years	16.5	7.0
After more than five years	163.5	118.0
	<u>180.0</u>	<u>125.0</u>
Other loans:		
Within one year	10.8	0.8
Between one and two years	0.6	0.6
Between two and five years	1.8	1.7
After more than five years	45.2	45.8
	<u>58.4</u>	<u>48.9</u>

Notes

- 1 All loans are repayable between 1993 and 2030.
- 2 Of the loans repayable after more than five years hence, £32.4m (1992 £32.4m) is in respect of other loans wholly repayable after that date, none of which are bank loans.
- 3 The aggregate amount of loans repayable by instalments, any part of which falls due for repayment more than five years hence is £15.9m (1992: £16.7m) and £180.0m (1992: £125.0m) for other loans and bank loans respectively.
- 4 The range of interest rates on bank loans is 8.25% to 11.5% (1992 10.1% to 11.5%) and 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 company has arranged various long dated interest rate swaps which have the effect of fixing the rate of interest at an average of 9.33% on sterling borrowing of £15m for a term of 15 years. In addition the company has arranged interest rate swaps which convert £35m of sterling borrowings from an average fixed rate of 10.4% to floating rates for a weighted average term of 7 - 6 years.
- 5 Other loans include loans totalling £32.4m (1992: £32.4m) which are secured on the revenues of the company.

18 Obligations under finance leases

	1993 £m	1992 £m
Amounts due under finance leases are payable as follows:		
Within one year	15.0	7.0
Between one and two years	7.9	10.4
Between two and five years	23.6	20.6
After more than five years	170.0	117.6
	<u>216.5</u>	<u>155.6</u>
Less finance charges allocated to future periods	(118.4)	(91.4)
	<u>98.1</u>	<u>64.2</u>
Total	<u>98.1</u>	<u>64.2</u>

The aggregate amount of finance leases, any part of which falls due for repayment after more than five years hence is £84.4m (1992: £46.9m). In addition, the company is committed to outstanding lease facilities of £44.5m to fund capital investment.

19 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:

	1993 £m	1992 £m
Accelerated capital allowances:		
- Infrastructure assets	176.3	133.9
- Other assets	187.2	135.5
Other timing differences	(12.1)	(7.3)
Losses	(78.8)	(62.9)
	<u>272.6</u>	<u>199.2</u>
	<u>272.6</u>	<u>199.2</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.

20 Share capital

	1993 £m	1992 £m
Authorised, allotted, called up and fully paid 360,050,000 ordinary shares of £1 each	<u>360.0</u>	<u>360.0</u>

21 Reserves and retained profits

	Profit and loss account £m
At 1 April 1992	1,227.1
Retained profit for the year	<u>141.8</u>
At 31 March 1993	<u>1,368.9</u>

22 Capital commitments

	1993 £m	1992 £m
Contracted for but not provided for	<u>188.8</u>	<u>238.8</u>
Authorised but not yet contracted for	<u>710.9</u>	<u>648.1</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. The review of the asset management plan in 1995 will identify whether those plans will require modification in order to meet future needs and performance requirements.

23 Operating leases

At 31 March 1993 the company was committed to making the following payments during the next year in respect of non-cancellable operating leases:

	1993		1992	
	Land and Buildings £m	Other £m	Land and Buildings £m	Other £m
Leases which expire:				
Within one year	-	0.4	-	
Between two and five years	0.1	1.0	0.1	0.2
After more than five years	3.4	-	3.4	0.8
	<u>3.5</u>	<u>1.4</u>	<u>3.5</u>	<u>1.4</u>

24 Pension schemes

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 ongoing pension cost for the company was £16.0m (1992: £15.6m). The pension cost is assessed in accordance with advice received from Bacon and Woodrow, the consulting actuaries to the schemes. At the year end £0.5m (1992: £0.5m) was outstanding in respect of contributions 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. For the two largest schemes 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 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 main Thames Water pension schemes include flexible provisions regarding retirement based on a common retirement age.

25 Ultimate parent company

The ultimate parent company is Thames Water Plc, a company registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Company Secretary, Thames Water Plc, 14 Cavendish Place, London W1M 9DJ.

Supplementary Regulatory Information - 1992/93

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Current Cost Accounting Statements - 1992/93**Introduction**

The company was appointed by the Secretary of State for the Environment as a water and sewerage undertaker under the Water Act 1989 and is required to comply with the Conditions set out in the Instrument of Appointment (the Licence) issued thereunder.

The supplementary regulatory information which follows has been prepared in accordance with Condition F of the Licence, Regulatory Accounting Guideline 1.02 (Accounting for Current Costs) and Regulatory Accounting Guideline 3.02 (Contents of Regulatory Accounts).

The company has not published an analysis of operating costs in the format prescribed by Regulatory Accounting Guideline 4.01 (Analysis of Operating Costs and Assets) as permitted by OFWAT.

Current cost asset values for both infrastructure and non-infrastructure assets will be subject to ongoing review and this may give rise to further refinement of current cost asset values in future years. However the directors consider that no significant variation in asset values for depreciable assets is likely to occur, at least until a full periodic Surface Investment Requirement review is undertaken as part of the asset management planning process.

The supplementary information on pages 29 to 43 was approved by the Board of Directors on 8 June 1993.

The auditors' letter of engagement provides that they shall provide such further explanation or clarification of their reports, and such further information in respect of the matters which are the subject of their reports, as the Director General may reasonably require.

Appointed and non-appointed activities

Appointed business activities are those regulated activities defined in Condition A of the Licence to be the "functions of " and "duties imposed" on a water and sewerage undertaker by the Water Act 1989. The principal appointed business activities include the provision of a service in respect of water supply, sewerage, sewage treatment and disposal and rechargeable work for which the company is a monopoly supplier.

Those activities undertaken by the company and classified within the Regulatory Accounting Guidelines as non-appointed business are disclosed as "Other trading" in the analysis of current cost operating profit for the appointed business. This includes the provision of rechargeable works for which the company is not a monopoly supplier, plumbing services and other services to third parties.

Current cost accounting statements

**Profit and loss account
for the year ended 31 March 1993**

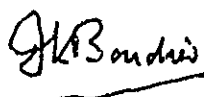
	Notes	1993 £m	1992 £m
Turnover		809.7	753.7
Current cost operating costs		(593.8)	(573.1)
Operating income		7.7	9.2
		<hr/>	<hr/>
Working capital adjustment	7	223.6	189.8
		2.2	4.9
		<hr/>	<hr/>
Current cost operating profit		225.8	194.7
Interest		(33.1)	(15.1)
Financing adjustment	7	6.8	6.5
		<hr/>	<hr/>
Current cost profit on ordinary activities before taxation		199.5	186.1
Taxation		0.7	(1.5)
		<hr/>	<hr/>
Current cost profit attributable to shareholders		200.2	184.6
Dividends		(109.8)	(98.9)
		<hr/>	<hr/>
Current cost profit retained	8	90.4	85.7
		<hr/> <hr/>	<hr/> <hr/>

Current cost accounting statements

Balance sheet
as at 31 March 1993

	Notes	1993 £m	1992 £m
Fixed assets			
Tangible assets	3 - 5	36,402.2	35,490.2
Third party contributions since 1989/90		(64.0)	(41.9)
		<u>36,338.2</u>	<u>35,448.3</u>
Working capital	6	(111.4)	(117.0)
Net operating assets		<u>36,226.8</u>	<u>35,331.3</u>
Cash and investments		15.4	81.6
Non-trade debtors		9.2	5.3
Non-trade creditors due within one year		(58.2)	(47.0)
Creditors due after more than one year		(480.6)	(398.3)
Net assets employed		<u><u>35,712.6</u></u>	<u><u>34,972.9</u></u>
Financed by			
Capital and reserves			
Called up share capital		360.0	360.0
Current cost reserve	7	34,637.7	33,988.4
Profit and loss account	8	714.9	624.5
		<u><u>35,712.6</u></u>	<u><u>34,972.9</u></u>

The current cost accounting statements on pages 30 to 43 were approved by the Board of Directors on 8 June 1993 and were signed on its behalf by:



J K Boudier
Director

Notes to the current cost accounting statements**1 Current cost accounting policies**

These accounts have been prepared in accordance with guidance issued by the Director General of Water Services for modified real terms financial statements suitable for regulation in the water industry. They measure profitability on the basis of real financial capital maintenance, in the context of assets which are valued at their current cost value to the business with the exception of certain assets acquired prior to 31 March 1990, the effective commencement date of the new regulatory regime.

The principal accounting policies used are the same as those adopted in the statutory historical cost financial statements, except as set out below.

(a) Valuation bases for determining depreciation and disposal adjustments**(i) Tangible fixed assets**

Assets acquired prior to 31 March 1990 and which are in operational use are valued at the replacement cost of their operating capability. To the extent that the regulatory regime does not allow such assets to earn a return high enough to justify that value, this represents a modification of the value to the business principle. Also, no provision is made for the possible funding of future replacements of assets acquired prior to 31 March 1990 through contributions from third parties and, to the extent that some of those assets would on replacement be so funded, replacement cost again differs from value to the business. Redundant assets are valued at their recoverable amounts.

• Land and buildings

Non-specialised operational properties are valued on the basis of estimated open market value for existing use at 31 March 1991, indexed since that date by the movement in the Retail Price Index (RPI), except for certain properties which have been valued as at 31 March 1993 by professionally qualified employees of the company.

Specialised operational properties acquired since 31 March 1990 are valued at the lower of depreciated replacement cost and recoverable amount, restated annually between periodic reviews of replacement costs by adjusting for inflation as measured by changes in the RPI. No periodic review has been undertaken since the commencement of the new regulatory regime.

- **Infrastructure assets**

Mains, sewers, impounding and pumped raw water storage reservoirs and sludge pipelines are valued at replacement cost, determined principally on the basis of data provided by the Asset Management Plan (AMP). A process of continuing refinement of asset records is expected to produce adjustments to existing values when periodic reviews of the AMP take place. In intervening years, values are restated to take account of changes in the general level of inflation, as measured by changes in the RPI over the year.

Following the repeal of Section 24 of the Public Health Act 1936 by the Water Act 1989, the company assumed responsibility for the maintenance and operation of a significant length of additional sewers. Detailed records of the total length of such sewers are not available and the company has used the length estimated in the AMP of 32,000 km, which is based on incomplete local authority records, and an estimate of replacement cost per metre of sewer, indexed by RPI to current year prices, to establish the total estimated replacement cost of £4,408m at which these sewers are included in these accounts. Adjustments may be required to these estimates in future years, when more accurate information becomes available.

- **Other operational fixed assets**

All other operational fixed assets are valued periodically at depreciated replacement cost. Between periodic reviews, values are restated for inflation as measured by changes in the RPI. No periodic review has been undertaken since the commencement of the new regulatory regime.

- **Surplus land**

Surplus land is valued at recoverable amounts less, where appropriate, that part of any proceeds to be passed on to customers under Condition B of the Licence.

(ii) Capital contributions

All third party capital contributions received since 31 March 1990 are carried forward as deferred income to the extent that any balance has not been credited to revenue, or as a deduction from net operating assets in the case of infrastructure assets. The balance carried forward is restated for the change in the RPI for the year and deducted from the relevant fixed asset category in arriving at the net total for that category for the purpose of determining the depreciation charge and where applicable, the profit or loss on disposal.

(b) Real Financial Capital Maintenance Adjustments

The following adjustments are made to historical cost profit in order to arrive at profit after the maintenance of financial capital in real terms:

- (i) Depreciation adjustment - this is the difference between depreciation based on the current cost value of assets in these accounts and depreciation charged in arriving at historical cost profit.
- (ii) Working capital adjustment - this is calculated by applying the change in the RPI over the year to the working capital of the company at the beginning of the year.
- (iii) Disposal of fixed assets adjustment - this is the difference between the book values of realised assets in the current cost accounts and in the historical cost accounts.
- (iv) Financing adjustment - this is calculated by applying the change in the RPI over the year to the opening balance of net finance, which comprises all monetary assets and liabilities in the balance sheet apart from those included in working capital.

(c) Turnover

The analysis of turnover by service is included within the segmental analysis on page 14 of the accounts.

2 Analysis of current cost operating profit for the appointed business

	Water supply £m	Sewerage services £m	Other trading £m	Total 1993 £m	Total 1992 £m
Turnover 1993	333.4	469.5	6.8	809.7	753.7
Operating costs	(272.6)	(315.5)	(5.7)	(593.8)	(573.1)
Operating income	5.2	2.5	-	7.7	9.2
Working capital adjustment	66.0	156.5	1.1	223.6	189.8
Current cost operating profit	1.0	1.2	-	2.2	4.9
	67.0	157.7	1.1	225.8	194.7

3 Tangible fixed assets by service as at 31 March 1993

	Water Supply £m	Sewerage £m	Sewage Treatment & Disposal £m	Total £m
Gross replacement cost				
At 1 April 1992	7,199.9	27,868.1	2,777.0	37,845.0
RPI adjustment	133.5	518.8	51.6	703.9
Disposals	(3.3)	(1.3)	(0.1)	(4.7)
Additions	197.7	73.8	102.1	373.6
At 31 March 1993	7,527.8	28,459.4	2,930.6	38,917.8
Depreciation				
At 1 April 1992	823.7	181.1	1,350.0	2,354.8
RPI adjustment	15.7	3.4	25.7	44.8
Disposals	-	(0.2)	-	(0.2)
Charge for year	36.8	9.1	70.3	116.2
At 31 March 1993	876.2	193.4	1,446.0	2,515.6
Net book amount				
At 31 March 1993	6,651.6	28,266.0	1,484.6	36,402.2
At 31 March 1992	6,376.2	27,687.0	1,427.0	35,490.2

Assets which are not directly attributable to any one service have been allocated between water supply, sewerage and sewage treatment and disposal on the basis of their estimated usage in the provision of each service.

4 Tangible fixed assets by asset type as at 31 March 1993

	Specialised Operational Assets £m	Non- Specialised Operational Properties £m	Infra- structure Assets £m	Other Tangible Assets £m	Total £m
Gross replacement cost					
At 1 April 1992	4,196.1	192.2	33,118.0	338.7	37,845.0
RPI adjustment	79.7	(4.3)	629.2	(0.7)	703.9
Disposals	-	(2.8)	-	(1.9)	(4.7)
Additions	224.2	34.6	82.0	32.8	373.6
At 31 March 1993	4,500.0	219.7	33,829.2	368.9	38,917.8
Depreciation					
At 1 April 1992	2,141.8	61.8	-	151.2	2,354.8
RPI adjustment	40.7	1.2	-	2.9	44.8
Disposals	-	(0.2)	-	-	(0.2)
Charge for year	80.0	4.2	-	32.0	116.2
At 31 March 1993	2,262.5	67.0	-	186.1	2,515.6
Net book amount at 31 March 1993	2,237.5	152.7	33,829.2	182.8	36,402.2
Net book amount at 31 March 1992	2,054.3	130.4	33,118.0	187.5	35,490.2

Included in the gross replacement cost of Infrastructure Assets is £4,408m (1992 - £4,326m) of Section 24 sewers (see note 1a(i)). The RPI adjustments include the effect of revaluations on certain land and buildings as discussed in note 1.

5 Net book values of fixed assets by service and by asset type

	Specialised Operational Assets £m	Non- Specialised Operational Properties £m	Infra- structure Assets £m	Other Tangible Assets £m	Total £m
Water supply	790.3	53.9	5,742.8	64.6	6,651.6
Sewerage	156.2	10.7	28,086.4	12.7	28,266.0
Sewage treatment and disposal	1,291.0	88.1	-	105.5	1,484.6
	2,237.5	152.7	33,829.2	182.8	36,402.2

6 Working capital

	1993 £m	1992 £m
Stocks		
Trade debtors	16.5	20.6
Trade creditors	97.2	86.6
Short term capital creditors	(41.8)	(36.1)
Infrastructure renewals prepayment	(117.4)	(121.1)
Accruals	6.0	5.7
Payments in advance	(53.9)	(51.4)
Tax and social security	(53.8)	(43.2)
Net group creditors	(4.2)	(4.5)
Prepayments	(7.5)	(16.5)
	<u>47.5</u>	<u>42.9</u>
	<u>(111.4)</u>	<u>(117.0)</u>

7 Current cost reserve

	1993 £m	1992 £m
Balance at 1 April 1992		
RPI adjustments	33,988.4	32,663.7
- Fixed assets	659.1	1,336.9
- Capital contributions	(0.8)	(0.8)
- Working capital	(2.2)	(4.9)
- Financing	(6.8)	(6.5)
Balance at 31 March 1993	<u>34,637.7</u>	<u>33,988.4</u>

8 Profit and loss account

	1993 £m	1992 £m
Balance at 1 April 1992		
Current cost profit retained	624.5	538.8
	90.4	85.7
Balance at 31 March 1993	<u>714.9</u>	<u>624.5</u>

Rolling three-year summary

Current cost profit and loss account
for the year ended 31 March 1993
with corresponding amounts at 1993 prices

	1993 £m	1992 £m	1991 £m
Turnover	809.7	777.1	725.3
Current cost operating costs	(593.8)	(590.9)	(581.0)
Operating income	7.7	9.5	10.6
	<hr/>	<hr/>	<hr/>
Working capital adjustment	223.6	195.7	154.9
	2.2	5.0	3.5
	<hr/>	<hr/>	<hr/>
Current cost operating profit	225.8	200.7	158.4
Interest	(33.1)	(15.6)	5.1
Financing adjustment	6.8	6.7	3.8
	<hr/>	<hr/>	<hr/>
Current cost profit on ordinary activities before taxation	199.5	191.8	167.3
Taxation	0.7	(1.5)	1.8
	<hr/>	<hr/>	<hr/>
Current cost profit on ordinary activities after taxation	200.2	190.3	169.1
Extraordinary income	-	-	0.7
	<hr/>	<hr/>	<hr/>
Current cost profit attributable to shareholders	200.2	190.3	169.8
Dividends	(109.8)	(102.0)	(94.3)
	<hr/>	<hr/>	<hr/>
Current cost profit retained	90.4	88.3	75.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Corresponding amounts have been restated at current year prices using movements in the RPI.

Rolling three-year summary

Current cost balance sheet as at 31 March 1993
with corresponding amounts at 1993 prices

	1993 £m	1992 £m	1991 £m
Fixed assets:			
Tangible assets	36,402.2	36,164.5	35,890.5
Third party contributions since 1989/90	(64.0)	(42.7)	(21.4)
	<u>36,338.2</u>	<u>36,121.8</u>	<u>35,869.1</u>
Working capital	(111.4)	(119.2)	(127.7)
Net operating assets	<u>36,226.8</u>	<u>36,002.6</u>	<u>35,741.4</u>
Cash and investments	15.4	83.2	59.8
Non-trade debtors due within one year	9.2	5.4	13.1
Non-trade creditors due within one year	(58.2)	(47.9)	(103.5)
Creditors due after more than one year	(480.6)	(405.9)	(142.6)
Net assets employed	<u><u>35,712.6</u></u>	<u><u>35,637.4</u></u>	<u><u>35,568.2</u></u>
Financed by			
Capital and reserves			
Called up share capital	360.0	366.8	381.5
Current cost reserve	34,637.7	34,634.2	34,615.6
Profit and loss account	714.9	636.4	571.1
	<u><u>35,712.6</u></u>	<u><u>35,637.4</u></u>	<u><u>35,568.2</u></u>

Corresponding amounts have been restated at current year prices using movements in the RPI.

**Statement of cash flows
for the year ended 31 March 1993**

	Notes	1993 £m	1992 £m
Net cash inflow from operating activities	a	299.8	281.6
Returns on investments and servicing of finance			
Interest received		7.5	11.0
Interest paid		(35.5)	(14.3)
Interest element of finance lease rental payments		(3.4)	(0.5)
Dividend paid to parent company		(109.8)	(155.9)
Net cash outflow from returns on investments and servicing of finance		<u>(141.2)</u>	<u>(159.7)</u>
Investing activities			
Purchase of tangible fixed assets		(334.8)	(334.8)
Capital contributions		23.6	24.6
Sale of tangible fixed assets		9.1	10.4
Royalties received		1.6	1.2
Net cash outflow from investing activities		<u>(300.5)</u>	<u>(298.6)</u>
Net cash outflow before financing		<u>(141.9)</u>	<u>(176.7)</u>
Financing			
Long term bank loans		55.0	65.0
Repayment of long term other loans		(0.5)	(3.5)
Loan from subsidiary undertaking		0.2	149.1
Short term loan from parent undertaking		25.7	-
Repayment of short term loans		-	(0.8)
Short term investments of greater than 3 months maturity		18.3	(27.1)
Capital element of finance lease rental payments		(8.6)	(5.5)
Net cash inflow from financing	d	<u>90.1</u>	<u>177.2</u>
(Decrease)/Increase in cash and cash equivalents (notes b & c)	c	<u><u>(51.8)</u></u>	<u><u>0.5</u></u>

Notes to the cash flow statement

(a) Reconciliation of current cost operating profit to net cash inflow from operating activities

	1993 £m	1992 £m
Current cost operating profit, excluding profit on asset sales	218.1	185.5
Depreciation	116.2	104.2
Working capital adjustment	(2.2)	(4.9)
Decrease in stocks and work in progress	4.1	2.7
Increase in debtors	(17.4)	(19.1)
(Decrease)/increase in creditors	(19.0)	13.2
Net cash inflow from operating activities	<u>299.8</u>	<u>2£1.6</u>

(b) Analysis of changes in cash and cash equivalents during the year

	1993 £m	1992 £m
Balance at 1 April 1992	34.4	33.9
Net cash (outflow)/inflow	(51.8)	0.5
Balance at 31 March 1993	<u>(17.4)</u>	<u>34.4</u>

(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1993 £m	1992 £m	Change in year £m
Cash at bank and in hand	1.5	-	1.5
Current asset investments	-	49.4	(49.4)
Bank overdraft	(8.9)	(15.0)	6.1
Other loans	(10.0)	-	(10.0)
	<u>(17.4)</u>	<u>34.4</u>	<u>(51.8)</u>

(d) Analysis of changes in financing during the year

	Loan from parent undertaking	Loan from subsidiary undertaking	Loans and finance lease obligations	Current asset investments	Total £m
	£m	£m	£m	£m	£m
Balance at 1 April 1992	-	(149.1)	(238.1)	32.1	(355.1)
Net cash inflow from financing	(25.7)	(0.2)	(45.9)	(18.3)	(90.1)
Finance leases raised during the year	-	-	(42.5)	-	(42.5)
Balance at 31 March 1993	<u>(25.7)</u>	<u>(149.3)</u>	<u>(326.5)</u>	<u>13.8</u>	<u>(487.7)</u>

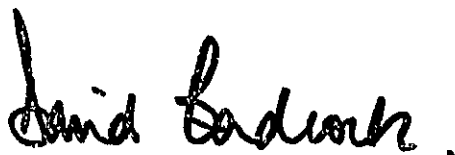
Finance leases amounting to £42.5m (1992: £57.9m) were raised during the year to fund capital plant, equipment and vehicles.

Financial Ring-Fencing

**Certificate prepared in accordance with Condition F6A of Companies
Appointment**

This is to certify that at their meeting on 8 June the Directors of Thames Water Utilities Limited ("the Appointee") resolved as follows:

- " - in the opinion of the Directors, the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, at least until 30 June 1994, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment); and
- in the opinion of the Directors, the Appointee will, at least until 30 June 1994, have available to it management resources which are sufficient to enable it to carry out those functions."



David Badcock
Secretary & Legal Director

Report of the auditors to the Director General of Water Services

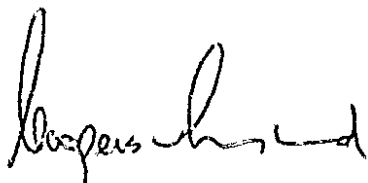
We have audited the financial statements on pages 9 to 27 and 29 to 42 in accordance with Auditing Standards.

In our opinion, the financial statements contain the information for the year ended 31 March 1993 required to be published and submitted to you by Thames Water Utilities Limited to comply with Condition F of the Instrument of Appointment by the Secretary of State for the Environment of the company as a water and sewerage undertaker under the Water Act 1991. As explained on page 29 these financial statements do not include an analysis of operating costs in the format prescribed by Regulatory Accounting Guideline 4.01.

In respect of this information, we report that in our opinion:-

- (a) proper accounting records have been kept by the Appointee as required by paragraph 3 of Condition F of the Instrument;
- (b) the information is in agreement with the Appointee's accounting records and complies with the requirements of Condition F of the Instrument;
- (c) except for the permitted exclusion of the analysis of operating costs and assets required by Regulatory Accounting Guideline 4.01 the information has been properly prepared in accordance with the Regulatory Accounting Guidelines issued by the Office of Water Services;
- (d) the financial statements on pages 9 to 27 give, under the historical cost convention, a true and fair view of the revenues, costs, assets and liabilities of the Appointee and its Appointed Business; and
- (e) the current cost financial information on pages 29 to 42 has been properly prepared in accordance with the Regulatory Accounting Guideline 1, Accounting for Current Costs issued in May 1992 by the Office of Water Services.

Without qualifying our opinion in sub-paragraph (e) above, we draw attention to the basis of valuation of Section 24 sewers included in infrastructure assets, which is disclosed in note 1(a)(i) on page 33 of the current cost accounting statements.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Reading

16 June 1993

**Supplementary Regulatory Information - 1992/93
(Unpublished)**

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