

Registered no 2249185 (England & Wales)

**Thames Water Products Limited**  
Annual report and financial statements  
For the year ended 31 March 2011

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# **Thames Water Products Limited**

## **Annual report and financial statements for the year ended 31 March**

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# **Thames Water Products Limited**

## **Directors and advisors**

### **Directors**

W N Blackburn  
Thames Water Nominees Limited

### **Independent auditor**

KPMG Audit Plc  
15 Canada Square  
London  
E14 5GL

### **Registered office**

Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

# **Thames Water Products Limited**

## **Directors' Report**

The directors present their report and the audited financial statements for the year ended 31 March 2011

### **Review of business, principal activities and future developments**

The Company has not traded during the year

The company's principal activity is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"). During the year, all of the immediate subsidiaries of the company were dormant

The registered number of the company is 2249185

### **Results and dividends**

The profit and loss account for the period is set out on page 7. The directors do not recommend payment of a dividend (2010: £Nil)

### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Group's annual report which does not form part of this report.

### **Investments**

In the opinion of the directors, the value of the investment in the subsidiaries is not less than the values included in the financial statements.

### **Financial risk management**

Financial risk management is addressed in more detail in section (f) of the Accounting policies on page 10.

### **Directors**

The directors who held office during the year ended 31 March 2011 were:

P Beeson (resigned 30 June 2010)

W N Blackburn

Thames Water Nominees Limited (appointed 30 June 2010)

During the year under review none of the directors had any contracts with the Company or any other body corporate other than their contracts of service.

### **Political and charitable donations and expenditure**

No charitable or political donations were made by the Company during the year (2010: £Nil).

### **Disclosure of information to auditor**

The director who held office at the date of approval of this directors' report confirms that, so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Directors' indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors (which extend to the performance of any duties as director of any associated company) and these remain in force at the date of this report.

# **Thames Water Products Limited**

## **Directors' Report (continued)**

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board



W Blackburn  
**Director**  
6 July 2011

Clearwater Court  
Vastern Road  
Reading  
Berkshire  
RG1 8DB

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## **Thames Water Products Limited**

### **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing the financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

## **Independent auditor's report to the members of Thames Water Products Limited**

We have audited the financial statements of Thames Water Products Limited for the year ended 31 March 2011 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its result for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of Thames Water Products Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records or returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**W Meredith (Senior Statutory Auditor)**

**for and on behalf of KPMG Audit Plc, Statutory Auditor**

**Chartered Accountants**

**6** July 2011



## Thames Water Products Limited

### Profit and loss account for the year ended 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
Net operating expenses		-	4
<b>Operating profit</b>	2	-	4
Tax on profit on ordinary activities	4	(2)	(1)
<b>(Loss)/profit for the year</b>	10	(2)	3

All amounts relate to discontinued activities

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The notes on pages 9 to 14 form part of the financial statements


# Thames Water Products Limited

## Balance sheet at 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
<b>Fixed assets</b>			
Investments	5	21,477	21,477
<b>Current assets</b>			
Debtors	6	181	183
Cash at bank and in hand		490	490
		671	673
<b>Creditors: amounts falling due within one year</b>	7	(44,179)	(44,179)
<b>Net current liabilities</b>		(43,508)	(43,506)
<b>Total assets less current liabilities</b>		(22,031)	(22,029)
<b>Net liabilities</b>		(22,031)	(22,029)
<b>Capital and reserves</b>			
Called-up share capital	9	5,000	5,000
Profit and loss account	10	(27,031)	(27,029)
<b>Shareholder's deficit</b>	11	(22,031)	(22,029)

The notes on pages 9 to 14 form part of these financial statements

The financial statements on pages 7 to 14 were approved by the director on 6 July 2011 and signed on its behalf by



**W Blackburn**  
Director

Company registration number 2249185

# **Thames Water Products Limited**

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

### **1 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which the company considered material in relation to the financial statements

#### **Basis of preparation**

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and under the historical cost accounting rules

The Company has not prepared consolidated Group financial statements, as permitted under section 400 of the Companies Act 2006. The Company and its subsidiaries are included in the consolidated accounts of its ultimate parent company Kemble Water Holdings Limited, a company registered in the United Kingdom

#### **Going concern**

The directors have adopted the going concern basis in preparing these financial statements having given due consideration to the net liabilities of the Company and the requirement for ongoing support from the ultimate parent. This is based upon a review of the Group's budget, business plan and investment programme, together with the cash and committed borrowing facilities available. The Board also took into account potential contingent liabilities and other risk factors. The ultimate parent company has confirmed that it will continue to provide support to Thames Water Products Limited to enable it to meet its liabilities for a period of at least twelve months from the date of signing of these financial statements

#### **Summary of significant accounting policies**

##### **(a) Taxation**

The tax expense represents the sum of current tax and deferred tax

##### *Current taxation*

Current tax, including UK corporation tax and foreign tax, is based on the taxable profit for the period and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date

Taxable profit can differ from the net profit as reported in the profit and loss account because it may exclude items of income or expense that are taxable or deductible in other periods and it may further exclude items that are never taxable or deductible

Consideration receivable or payable in respect of losses surrendered or claimed by way of Group relief is dealt with in the profit and loss account

# **Thames Water Products Limited**

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

### **(continued)**

#### **1 Principal accounting policies (continued)**

##### **(a) Taxation (continued)**

###### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date

Deferred taxation is measured on a non-discounted basis. Deferred tax is charged or credited in the profit and loss account except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with via the Statement of total recognised gains and losses

##### **(b) Investments**

Investments held as fixed assets are stated at cost less provisions for impairment in value

##### **(c) Cashflow**

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

##### **(d) Related party disclosures**

As the company is a wholly owned subsidiary of Kemble Water Holdings Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties). The consolidated financial statements of Kemble Water Holdings Limited, within which this Company is included, can be obtained from the address given in note 12

##### **(e) Financial risk management**

The Company has access to the Group Executive Management Team and receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, liquidity risk, interest rate risk and exchange rate risk

The Company's treasury operations are managed centrally by a small specialist team, which operates with the delegated authority of, and under policies approved by, the Board of Directors

The operation of the treasury function is governed by specific policies and procedures that set out specific guidelines for the management of interest rate risk and foreign exchange risk and the use of financial instruments. Treasury policy and procedures are incorporated within the financial control procedures of the Company

# Thames Water Products Limited

## Notes to the financial statements for the year ended 31 March (continued)

### 2 Operating profit

No fees have been paid to the current auditor (2010 £nil), as Thames Water Limited has paid the audit fee on behalf of the Company (2010 borne by Thames Water Limited) No other fees were payable to KPMG Audit Plc in respect of this year (2010 £nil)

### 3 Directors' remuneration

The directors received no remuneration during the year for their services to the Company (2010 £nil)

### 4 Taxation on profit on ordinary activities

#### (a) Analysis of charge

	31 March 2011 £'000	31 March 2010 £'000
<b>Current tax.</b>		
Amounts payable in respect of group relief	-	1
Total current tax	-	1
<b>Deferred tax:</b>		
Timing differences	(2)	-
Total deferred tax	(2)	-
<b>Tax on profit on ordinary activities</b>	<b>(2)</b>	<b>1</b>

The tax assessed for the year is higher than (2010 equal) the standard rate of corporation tax in the UK of 28% (2010 28%)

#### (b) Factors affecting the future tax charge

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above.

**Thames Water Products Limited**  
**Notes to the financial statements for the year ended 31 March**  
**(continued)**

**5 Fixed asset investments**

	Investments in group undertakings £'000
Net book value at 31 March 2011 and 1 April 2010	<b>21,477</b>

**Interests in group undertakings**

	Year end	% owner- ship	Country of incorporation	Description of shares held	Nature of business
Thames Water Products SH Limited	31 March	100	England & Wales	Ordinary £1	Dormant
TM Products Limited	31 March	100	England & Wales	Ordinary £1	Dormant
Thames Water Products UPE Limited	31 March	100	England & Wales	Ordinary £1	Dormant
Memtech (UK) Limited	31 March	100	England & Wales	Ordinary £1	Dormant

In accordance with section 410 of the Companies Act 2006, information is given only with respect to such undertakings whose financial position principally affect the figures of the Company. A full list of subsidiary undertakings will be filed at Companies House with the Company's annual return.

**6 Debtors. Amounts falling due within one year**

	31 March 2011 £'000	31 March 2010 £'000
Amounts receivable from group undertakings	159	159
Deferred tax (note 8)	22	24
	<b>181</b>	<b>183</b>

Amounts receivable from group undertakings are unsecured, interest free and repayable on demand.

**7 Creditors' amounts falling due within one year**

	31 March 2011 £'000	31 March 2010 £'000
Corporation tax and amounts payable in respect of group relief	1	1
Accruals and deferred income	1	1
Amounts owed to group undertakings	<b>44,177</b>	<b>44,177</b>
	<b>44,179</b>	<b>44,179</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

# Thames Water Products Limited

## Notes to the financial statements for the year ended 31 March (continued)

### 8 Deferred taxation

Deferred tax movement	31 March 2011 £'000
Asset brought forward	24
Movement in year	(2)
<b>Asset carried forward</b>	<b>22</b>

The deferred tax asset relates to a general provision that is dependent on the outcome of contract negotiations

The deferred tax asset is included in debtors (note 6) The elements of deferred tax recognised were as follows

	31 March 2011 £'000	31 March 2010 £'000
Other timing differences	22	24

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26 per cent with effect from 1 April 2011. This change became substantively enacted on 29 March 2011 and therefore the effect of the rate reduction creates a reduction in the deferred tax asset which has been included in the figures above

The Chancellor also proposed changes to further reduce the main rate of corporation tax by one per cent per annum to 23 per cent by 1 April 2014, but these changes have not yet been substantively enacted and therefore are not included in the figures above. The overall effect of the further reductions from 26 per cent to 23 per cent, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the deferred tax asset by approximately £3k

### 9 Share capital

	31 March 2011 £'000	31 March 2010 £'000
<b>Allotted, called-up and fully paid</b>		
5,000,000 ordinary shares of £1 each	5,000	5,000

### 10 Profit & loss account

	31 March 2011 £'000	31 March 2010 £'000
At beginning of year	(27,029)	(27,032)
Profit for the period	(2)	3
	<b>(27,031)</b>	<b>(27,029)</b>

## Thames Water Products Limited

### Notes to the financial statements for the year ended 31 March (continued)

#### 11 Reconciliation of movements in shareholder's deficit

	31 March 2011 £'000	31 March 2010 £'000
Opening shareholder's deficit	(22,029)	(22,032)
Profit for the period	(2)	3
<b>Closing shareholder's deficit</b>	<b>(22,031)</b>	<b>(22,029)</b>

#### 12 Immediate and ultimate parent company and controlling party

The immediate parent company is Thames Water Limited, a company incorporated in the United Kingdom

The directors' consider the ultimate parent company and controlling party to be Kemble Water Holdings Limited, a company incorporated in the United Kingdom and largest group to consolidate these financial statements

Copies of the accounts of all of the above companies may be obtained from the Company Secretarial Department, Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB