

Registered no: 2249185

Thames Water Products Limited  
Annual report  
for the year ended 31 March 2000



# **Thames Water Products Limited**

## **Annual report for the year ended 31 March 2000**

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## **Directors' report for the year ended 31 March 2000**

The directors present their report and the audited financial statements of the company for the year ended 31 March 2000.

### **Principal activities**

The principal activities of the company have been the supply of separation systems for the food, effluent, pharmaceutical and allied industries and the military, the design, manufacture and installation of waste water control systems for the municipal and industrial markets, the design and manufacture of pipeline equipment primarily for the water and gas utilities, the supply of chlorination systems to municipal markets and to license technology and develop new technologies associated with the water industry.

### **Review of business**

The profit and loss account for the year is set out on page 5.

The directors consider the level of business and the year end position to be satisfactory.

On 1 April 1999 the trade and recorded assets and liabilities of Memtech (UK) Limited, a 100% subsidiary, were transferred to the company.

### **Dividends**

The directors do not recommend the payment of a dividend for the year (1999: £nil).

### **Directors and their interests**

The directors serving during the year were:

J R Catling	(Appointed 1 January 2000)
G A Chant	(Resigned 1 January 2000)
P A Foster	(Resigned 20 July 1999)
C P Millington	
S D Skelton	
M J Twist	
Dr S C A Walker	(Resigned 1 January 2000)

No director held any interest in the shares of the company during the year.

The directors' interests in the shares of Thames Water Plc, the company's ultimate parent company, are as follows:

	Ordinary 23p shares held		Share options			31 March 1999 or date of appointment if later
	31 March 2000	31 March 1999 or date of appointment if later	31 March 2000	Granted	Exercised	
J R Catling	3,346	2,527	10,135	-	(819)	10,954
C P Millington	-	2,282	4,107	-	(4,550)	8,657
S D Skelton	6,078	2,328	8,224	1,125	(3,750)	10,849
M J Twist	-	-	1,692	1,692	-	-

## **Arrangements for Health, Safety and Welfare of Employees**

The company operates a Health and Safety policy as required under the terms of the Health and Safety at Work Act 1974. The company is aware of its responsibilities and seeks to pursue policies to maximise the welfare and safety of employees.

### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer a disability.

### **Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through newsletters and briefing groups.

### **Research and development**

The company carries out, directly and indirectly, research and development consistent with its activities.

### **Creditor payment policy**

The company agrees payment terms when it enters into purchase contracts with suppliers. Payment is made in accordance with those terms when the company is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. Trade creditor days of the company for the year ended 31 March 2000 were 87 days (1999: 84 days), based on the ratio of company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

### **Economic and Monetary Union**

We have considered the impact on the company of the introduction of the European Single Currency, the Euro. We do not consider that this will result in significant costs to the company. Costs incurred in the year ended 31 March 2000 were not significant.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of its profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2000 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

## By order of the board

A handwritten signature in black ink, appearing to read 'S D Skelton', with a long horizontal stroke extending to the right.

**S D Skelton**  
**Director**

**Auditors' report to the members of  
Thames Water Products Limited**

We have audited the financial statements on pages 5 to 16.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

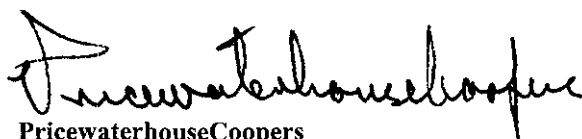
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Reading

14 September 2000

**Profit and loss account  
for the year ended 31 March 2000**

	Note	£	2000 £	£	1999 £
<b>Turnover</b>					
Continuing operations		50,296,688		48,652,268	
Acquisitions		2,938,066		-	
	3		53,234,754		48,652,268
<b>Cost of sales</b>					
Continuing operations		(32,098,413)		(30,833,792)	
Acquisitions		(1,760,666)		-	
			(33,859,079)		(30,833,792)
<b>Gross profit</b>					
			19,375,675		17,818,476
Operating expenses	4		(19,990,710)		(18,437,465)
<b>Operating profit/(loss)</b>					
Continuing operations		73,098		(618,989)	
Acquisitions		(688,133)		-	
	5		(615,035)		(618,989)
Income from shares in group undertakings			-		17,075,998
Amounts written off investments in subsidiary undertakings			-		(17,075,998)
<b>Loss on ordinary activities before interest and taxation</b>					
			(615,035)		(618,989)
Interest receivable and similar income	6		787,618		72,393
Interest payable and similar charges	7		(643,858)		(193,037)
<b>Loss on ordinary activities before taxation</b>					
			(471,275)		(739,633)
Tax on loss on ordinary activities	10		(30,816)		(179,000)
<b>Loss for the financial year</b>	20		<b>(502,091)</b>		<b>(918,633)</b>

The company has no recognised gains and losses other than the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the loss for the years stated above, and their historical cost equivalents.

## Balance sheet as at 31 March 2000

	Note	£	2000 £	£	1999 £
<b>Fixed assets</b>					
Intangible assets	11	32,806,259		31,485,250	
Tangible assets	12	6,422,766		5,571,044	
Investments	13	21,999,425	61,228,450	22,786,183	59,842,477
<b>Current assets</b>					
Stock	14	6,969,898		5,856,880	
Debtors	15	31,149,057		28,095,948	
Cash at bank and in hand		669,055	38,788,010	755,880	34,708,708
<b>Creditors – Amounts falling due within one year</b>	16		(24,460,062)		(22,919,192)
<b>Net current assets</b>			14,327,948		11,789,516
<b>Total assets less current liabilities</b>			75,556,398		71,631,993
<b>Creditors – Amounts falling due after one year</b>	17		(70,438,729)		(70,291,928)
<b>Provisions for liabilities and charges</b>	18		(917,204)		(1,387,509)
<b>Net assets/(liabilities)</b>			4,200,465		(47,444)
<b>Capital and reserves</b>					
Called up share capital	19	5,000,000		250,000	
Profit and loss account	20	(799,535)		(297,444)	
<b>Equity shareholders' funds/(deficit)</b>	22		4,200,465		(47,444)

The financial statements on pages 5 to 16 were approved by the board of directors on 12 SEP 2000 and were signed on its behalf by:



S D Skelton  
Director



**Notes to the financial statements  
for the year ended 31 March 2000****1 Accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

**Consolidation**

The financial statements contain information about Thames Water Products Limited as an individual company and do not contain consolidated financial information as part of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent company, Thames Water Plc, a company registered in England and Wales.

**Goodwill**

Goodwill represents the difference between the cost of acquisition and the fair value of the net tangible assets acquired. Goodwill is amortised on a straight line basis over its estimated useful life.

**Investments**

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

**Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates applied range from 1% per annum to 33% per annum.

**Stock and work in progress**

Stock and work in progress has been consistently valued at the lower of cost and estimated net realisable value. Cost includes the direct cost of material and labour and an appropriate proportion of production overheads.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All foreign exchange differences are taken to the profit and loss account in the year in which they arise.

**Research and development**

Research and development expenditure is written off in the period during which it is incurred.

**Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Turnover**

Turnover, which excludes value added tax, comprises the amounts derived from the provision of goods and services.

**Deferred taxation**

Deferred taxation has been calculated on the liability method on:

- a) The excess of the cost less depreciation of those fixed assets qualifying for taxation allowances over their written down value for taxation purposes in respect of those timing differences which are expected to crystallise in the foreseeable future. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.
- b) *Expenditure charged in the accounts not immediately allowable for taxation and income assessable to taxation in future years.*

**Taxation**

The charge or credit for taxation is based on the result for the year as adjusted for disallowable and non taxable items.

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.

**Pension costs**

The majority of the company's employees belong to pension schemes, which are funded by both employer's, 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 is treated as a prepayment or accrual.

**2 Cash flow statement and related party disclosures**

The company is a wholly-owned subsidiary of Thames Water Plc and is included in the consolidated financial statements of Thames Water Plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Thames Water Plc group.

**3 Segmental reporting**

Turnover of the company is wholly attributable to its principal activities arising in the following countries:

	2000 £	1999 £
United Kingdom	38,096,010	34,654,922
Continental Europe	6,079,061	5,559,661
Americas	2,191,167	1,411,098
Other	6,868,516	7,026,587
	<b>53,234,754</b>	<b>48,652,268</b>

**4 Net operating expenses**

	2000 £	1999 £
Administrative expenses before goodwill amortisation	13,394,108	13,755,655
Amortisation of goodwill	2,561,157	2,069,939
Administrative expenses	15,955,265	15,825,594
Distribution costs	4,035,445	2,611,871
	19,990,710	18,437,465

**5 Operating loss**

	2000 £	1999 £
<b>Operating loss is stated after charging/(crediting)</b>		
<b>Aggregate payroll cost</b>		
Production	4,827,075	3,320,048
Marketing, selling and distribution	3,581,091	3,287,042
Administration	3,348,390	3,650,850
<b>Staff costs by function</b>	<b>11,756,556</b>	<b>10,257,940</b>
<b>Aggregate payroll costs comprise:</b>		
Wages and salaries	10,807,482	9,183,198
Social security costs	884,630	750,338
Pension costs	64,444	324,404
<b>Staff costs</b>	<b>11,756,556</b>	<b>10,257,940</b>
 <i>Depreciation of owned tangible fixed assets</i>	 1,470,137	 1,147,370
<i>Amortisation of goodwill</i>	<i>2,561,157</i>	<i>2,069,939</i>
<i>Auditors' remuneration for audit services</i>	<i>34,000</i>	<i>30,000</i>
<i>Loss on disposal of fixed assets</i>	<i>30,202</i>	<i>7,578</i>
<i>Operating lease charges – plant and machinery</i>	<i>149,029</i>	<i>247,504</i>
<i>Release of provisions</i>	<i>(410,600)</i>	<i>(449,469)</i>
<i>Research and development</i>	<i>468,162</i>	<i>1,044,138</i>
<i>Profit on foreign exchange</i>	<i>(80,837)</i>	<i>(47,147)</i>

**6 Interest receivable and similar income**

	2000 £	1999 £
On bank and money market deposits and similar income	89,766	72,393
On amounts receivable from group undertakings	697,852	-
	787,618	72,393

**7 Interest payable**

	2000 £	1999 £
On bank loans and overdrafts	643,858	193,037

## 8 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	2000	1999
Production	280	243
Marketing, selling and distribution	171	113
Administration	153	166
	<b>604</b>	<b>522</b>

## 9 Directors' emoluments

	2000 £	1999 £
Aggregate emoluments	<b>521,785</b>	<b>347,285</b>

Retirement benefits are accruing to 4 (1999: 5) directors under a defined benefit scheme. During the year 4 (1999: 4) directors exercised options over Thames Water Plc ordinary shares.

### Highest paid director

	2000 £	1999 £
Aggregate emoluments	<b>105,836</b>	<b>86,379</b>

The highest paid director exercised share options during the year. The amount of accrued pension entitlement of the highest paid director at 31 March 2000 was £21,801 (1999: £17,000).

## 10 Tax on loss on ordinary activities

	2000 £	1999 £
<b>Taxation on the loss for the year</b>		
United Kingdom corporation tax at 30% (1999: 31%)		
Provision for group relief payable	<b>359,356</b>	274,000
Adjustments of prior years	<b>(288,000)</b>	(95,000)
Release of deferred tax balance transferred in from acquisition	<b>(40,540)</b>	-
	<b>30,816</b>	<b>179,000</b>

The goodwill amortisation charge of £2,561,157 (1999: £2,069,939) is not an allowable deduction for corporation tax, and this results in a high effective tax charge.

**11 Intangible fixed assets**

	<b>Goodwill</b>
	<b>£</b>
<b>Cost</b>	
At 1 April 1999	33,555,189
Additions	3,882,166
<b>At 31 March 2000</b>	<b>37,437,355</b>
<b>Accumulated amortisation</b>	
At 1 April 1999	2,069,939
Charge for the year	2,561,157
<b>At 31 March 2000</b>	<b>4,631,096</b>
<b>Net book amount</b>	
<b>At 31 March 2000</b>	<b>32,806,259</b>
At 31 March 1999	31,485,250

The goodwill arising on acquisitions is amortised over a range of terms between 5 and 15 years, being the periods over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the values of the underlying assets.

**12 Tangible fixed assets**

	<b>Freehold premises £</b>	<b>Office Equipment £</b>	<b>Motor vehicles £</b>	<b>Plant &amp; machinery £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 April 1999	584,066	1,866,040	777,858	4,531,304	7,759,268
Additions	524,420	333,370	262,602	1,276,212	2,396,604
Disposals	-	(21,413)	(256,619)	(96,244)	(374,276)
<b>At 31 March 2000</b>	<b>1,108,486</b>	<b>2,177,997</b>	<b>783,841</b>	<b>5,711,272</b>	<b>9,781,596</b>
<b>Accumulated depreciation</b>					
At 1 April 1999	5,372	621,266	204,053	1,357,533	2,188,224
Charge for the year	22,474	382,613	252,911	812,139	1,470,137
Disposals	-	(12,208)	(217,512)	(69,811)	(299,531)
<b>At 31 March 2000</b>	<b>27,846</b>	<b>991,671</b>	<b>239,452</b>	<b>2,099,861</b>	<b>3,358,830</b>
<b>Net book amount</b>					
<b>At 31 March 2000</b>	<b>1,080,640</b>	<b>1,186,326</b>	<b>544,389</b>	<b>3,611,411</b>	<b>6,422,766</b>
At 31 March 1999	578,694	1,244,774	573,805	3,173,771	5,571,044

**13 Fixed asset investments**

	Investments in group undertakings £	Investments in joint ventures £	Total £
<b>Cost</b>			
At 1 April 1999	39,862,181	-	39,862,181
Additions	27,000	200,000	227,000
Return of consideration paid in prior year	(1,013,758)	-	(1,013,758)
<b>At 31 March 2000</b>	<b>38,875,423</b>	<b>200,000</b>	<b>39,075,423</b>
<b>Amounts written off</b>			
At 1 April 1999	17,075,998	-	17,075,998
Written off in the year	-	-	-
<b>At 31 March 2000</b>	<b>17,075,998</b>	<b>-</b>	<b>17,075,998</b>
<b>Net book value</b>			
<b>At 31 March 2000</b>	<b>21,799,425</b>	<b>200,000</b>	<b>21,999,425</b>
At 31 March 1999	22,786,183	-	22,786,183

**Interests in group undertakings**

All of the subsidiaries detailed below are 100% owned by the company at 31 March 2000.

Name of undertaking	Country of incorporation	Nature of business	Description of shares Held
Simon Hartley Limited	England and Wales	Dormant	Ordinary £1 shares
T M Products Limited	England and Wales	Dormant	Ordinary £1 shares
Thames Water Technologies Limited	England and Wales	Dormant	Ordinary £1 shares
Under Pressure Engineering Plc	England and Wales	Holding company	Ordinary £1 shares
Memtech (UK) Limited	England and Wales	Dormant	Ordinary £1 shares

With the exception of Under Pressure Engineering Plc the companies were all dormant. The results of Under Pressure Engineering Plc are included in the results of the ultimate parent company Thames Water Plc and relate to property income.

**Interests in joint ventures**

During the year, the company entered into a joint venture and holds a 50% shareholding in the issued share capital of Simon-Hartley Cambi Limited, a company incorporated in England and Wales. The company is involved in the same industry as Thames Water Products Limited.

**14 Stock**

	2000 £	1999 £
Raw materials	4,359,112	3,346,457
Work in progress	1,618,747	1,265,118
Finished goods and goods for resale	992,039	1,245,305
	<b>6,969,898</b>	<b>5,856,880</b>

**15 Debtors**

	2000 £	1999 £
<b>Amounts falling due within one year</b>		
Trade debtors	12,262,635	12,992,622
Amounts receivable from group undertakings	15,364,183	13,703,655
Other debtors	1,785,000	-
Prepayments and accrued income	1,374,239	1,399,671
	30,786,057	28,095,948
<b>Amounts falling due after one year</b>		
Pension prepayment	363,000	-
	31,149,057	28,095,948

Other debtors includes an amount of £1,000,000 receivable from the vendors of a subsidiary acquired in the prior year as a result of a contractually agreed variation to the purchase consideration of the acquired subsidiary.

**16 Creditors – Amounts falling due within one year**

	2000 £	1999 £
Bank overdraft	10,553,921	9,220,060
Progress claims and advance payments	930,752	592,281
Trade creditors	8,040,000	7,076,642
Amounts owed to group undertakings	603,584	1,499,821
Corporation tax and amounts payable in respect of group relief	289,580	436,000
Other tax and social security	124,105	400,089
Other creditors	883,025	898,606
Accruals and deferred income	3,035,095	2,795,693
	24,460,062	22,919,192

**17 Creditors – Amounts falling due after one year**

	2000 £	1999 £
Amounts owed to group undertakings	26,010,543	21,535,364
Amounts owed to ultimate parent company	44,428,186	48,756,564
	70,438,729	70,291,928

**18 Provisions for liabilities and charges**

	2000 £	1999 £
At 1 April 1999	1,387,509	300,206
Released provisions no longer required	(410,091)	(449,469)
Utilised during the year	(789,119)	(442,048)
Provided during the year	728,905	1,978,820
<b>At 31 March 2000</b>	<b>917,204</b>	<b>1,387,509</b>

The provision at 31 March 2000 relates to the expected future costs of fulfilling claims arising from ongoing contractual commitments, the majority of which are expected to crystallise in the next 18 months.

**Deferred taxation**

There are no amounts provided in respect of deferred taxation in the financial statements. A deferred taxation balance of £40,540 transferred in on an acquisition was released in the year.

	2000 £	1999 £
<b>The unprovided amounts of deferred taxation for timing differences are as follows:</b>		
Accelerated capital allowances	93,379	(20,523)
Losses	(2,458,181)	(2,418,290)
Other timing differences	(201,776)	(293,746)
	<b>(2,566,578)</b>	<b>(2,732,559)</b>

The above losses are available only against profits of the divisions in which the losses arose.

**19 Called up share capital**

	2000 £	1999 £
<b>Authorised</b>		
Ordinary shares of £1 each	10,000,000	250,000
<b>Allotted and fully paid</b>		
Ordinary shares of £1 each	5,000,000	250,000

On 30 June 1999, the authorised ordinary share capital of the company was increased to 10,000,000 ordinary shares of £1 each and 4,750,000 ordinary shares of £1 each were then issued at par.

**20 Profit and loss account**

	£
At 1 April 1999	(297,444)
Loss for the financial year	(502,091)
<b>At 31 March 2000</b>	<b>(799,535)</b>



## 21 Acquisitions

The company acquired the business of Memtech (UK) Limited on 1 April 1999. The amounts shown below are net book value. No fair value adjustments have been required.

Acquisitions	Memtech (UK) Limited £
Tangible fixed assets	681,783
Stocks	469,344
Debtors	543,961
Cash	4,957
Creditors	(1,889,969)
Net liabilities acquired	(189,924)
Goodwill	3,882,166
Consideration (satisfied by cash)	3,692,242

In its last financial period from 1 March 1998 to 26 March 1999, Memtech (UK) Limited reported the following results:

	£
Turnover	3,533,549
Operating loss	(360,765)
Loss after taxation	(806,436)

## 22 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Loss for the financial year	(502,091)	(918,633)
Net proceeds of issue of ordinary share capital	4,750,000	-
Net addition to shareholders' funds	4,247,909	(918,633)
Shareholders' (deficit)/funds as at 1 April	(47,444)	871,189
Shareholders' funds/(deficit) as at 31 March	4,200,465	(47,444)

## 23 Financial commitments

At 31 March 2000 the company had annual commitments under non-cancellable operating leases expiring as follows:

	2000 Land and Buildings £	2000 Other £	1999 Land and buildings £	1999 Other £
Within one year	-	126,053	-	16,237
Between two to five years	-	150,096	-	107,330
After five years	9,200	100,500	-	-
	9,200	376,649	-	123,567

**24 Pension costs**

The company participates in a group pension scheme operated by Thames Water Plc. The pension scheme is of the defined benefit type and its assets are held in a separate trustee administered fund. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the appropriateness of the rates. Particulars of the valuation are contained in the accounts of Thames Water Plc.

The net pension cost for the company was £64,444 (1999: £324,404). At 31 March 2000, the pension prepayment held on the company's balance sheet amounted to £363,000 (1999: £nil).

**25 Contracts for capital expenditure**

Capital expenditure contracted for but not provided at 31 March 2000 was £434,293 (1999: £75,304).

**26 Guarantees**

There are contingent liabilities in respect of guarantees for plants installed or under construction and other engagements in the ordinary course of business amounting to £1,288,176 (1999: £858,562). No security has been given for any contingent liability and no contingent liability is expected to result in a material financial loss.

The company has provided guarantees to bankers in respect of other group companies' borrowings. The guarantee amount is limited to the cash held at the bank which at 31 March 2000 amounted to £669,055 (1999: £755,880).

**27 Ultimate parent company**

The ultimate parent company and controlling party is Thames Water Plc, a company registered in England and Wales. Copies of the consolidated financial statements of Thames Water Plc may be obtained from Thames Water Plc Company Secretary's office, Reading Bridge House, C/o Blake House, Manor Farm Road, Reading, Berkshire RG2 0JN.