

Registered no 06195202 (England & Wales)

Thames Water Utilities Holdings Limited

Annual report and financial statements

For the year ended 31 March 2011



Thames Water Utilities Holdings Limited

Annual report and financial statements for the year ended 31 March

	Page
Directors and advisors	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditor's report	5
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

Thames Water Utilities Holdings Limited

Directors and advisors at 31 March 2011

Directors

Sir Peter Mason KBE
E Beckley
R Blomfield-Smith
C Deacon
Dr P Dyer
R Gadsby
G I W Parsons
A F C DeP Santos
D J Shah OBE
M Stanley
R E Verrion

Registered auditor

KPMG Audit Plc
Chartered Accountants
15 Canada Square
London
E14 5GL

Registered office

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 9DB

Thames Water Utilities Holdings 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 principal activity of the Company is that of an intermediate holding company in the Kemble Water Holdings Limited group of companies ("the Group"). The only income is dividends from the main trading subsidiary Thames Water Utilities Limited ("TWUL") which are at the discretion of the TWUL board. The only expense is interest on loans from the subsidiary and the immediate parent, which are charged at pre-agreed rates as detailed in note 10. The profit and loss account is set out on page 7. The registered company number is 06195202.

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.

Directors

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

Sir Peter Mason KBE
L F Abaira (resigned 1 January 2011)
M Baggs (resigned 10 June 2010)
E Beckley
R Blomfield-Smith
C Deacon
Dr P Dyer
G I W Parsons (appointed 6 June 2010)
C Lynam (resigned 10 June 2010)
K Roseke (resigned 1 January 2011)
A F C DeP Santos (appointed 1 January 2011)
D J Shah OBE
M Stanley
R E Vernon (appointed 1 January 2011)

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

The following directors have formally appointed alternate directors to represent them when they are unavailable:

Director	Alternate Director
L F Abaira	D Mora (resigned 1 January 2011)
E Beckley	G I W Parsons (appointed 7 June 2010, resigned 4 August 2010, appointed 22 March 2011)
	S Leong (appointed 4 August 2010, resigned 11 February 2011)
R Blomfield-Smith	K Boesenberg (appointed 1 April 2009)
C Deacon	R Israel
C Lynam	M Baggs (resigned 10 June 2010)
G I W Parsons	S Leong (appointed 22 July 2010, resigned 11 February 2011)

Thames Water Utilities Holdings Limited

Directors' Report (continued)

Directors (continued)

K Roseke
A F C DeP Santos
D J Shah OBE

R E Verrion

S Kolenc (resigned 1 January 2011)
M C Guerreiro (appointed 1 January 2011)
L Webb (appointed 1 January 2011)
R E Verrion (resigned 1 January 2011)
S Kolenc (appointed 1 January 2011)

Investments

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

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 the auditor

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware, and each director 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

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

Approved by the Board of Directors on 9 June 2011 and signed on its behalf by



J Hanson
Company Secretary
Clearwater Court
Vastern Road
Reading RG1 8DB

Thames Water Utilities Holdings 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements 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 Utilities Holdings Limited

We have audited the financial statements of Thames Water Utilities Holdings 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 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

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 profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with requirements of the Companies Act 2006

Independent auditor's report to the members of Thames Water Utilities Limited Holdings (continued)

Opinion on other matters as 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

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, 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 and 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
15 Canada Square
London
E14 5GL
9 June 2011

Thames Water Utilities Holdings Limited

Profit and loss account for the year ended 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
Income from fixed asset investment	5	243,100	307,857
Profit on ordinary activities before interest and taxation		243,100	307,857
Net interest payable and similar charges	2	(216,401)	(293,222)
Profit on ordinary activities before taxation		26,699	14,635
Tax credit on profit on ordinary activities	4	5,552	82,102
Profit for the year	13	32,251	96,737

All amounts relate to continuing operations

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 for the year stated above and their historical cost equivalents

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

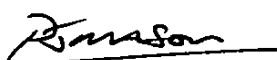
Thames Water Utilities Holdings Limited

Balance sheet as at 31 March

	Note	31 March 2011 £'000	31 March 2010 £'000
Fixed assets			
Fixed asset investments	7	4,250,000	4,250,000
Current assets			
Debtors	8	693	181,549
Creditors: amounts falling due in less than one year	9	(26,046)	(686,168)
Net current liabilities		(25,353)	(504,619)
Total assets less current liabilities		4,224,647	3,745,381
Creditors: amounts falling due after more than one year	10	(4,182,015)	(3,735,000)
Net assets		42,632	10,381
Capital and reserves			
Called-up share capital	11	-	-
Profit and loss account	12	42,632	10,381
Shareholder's funds	13	42,632	10,381

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 Board of Directors on 9 June 2011 and signed on its behalf by



Sir Peter Mason KBE
Chairman

Company registration number 06195202

Thames Water Utilities Holdings 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 is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare Group financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Going concern

The financial statements have been prepared on the going concern basis. This is based upon a review of the Group's budget, business plan and investment program, together with the cash and committed borrowing facilities available.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements, which have been applied consistently are set out below:

(a) Investments

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

(b) 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 14.

(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) Dividends

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised when there is a legal right to receive it.

(e) 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.

Thames Water Utilities Holdings Limited

Notes to the financial statements for the year ended 31 March

1 Principal accounting policies (continued)

(e) Taxation (continued)

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

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

2 Net interest payable and similar charges

	31 March 2011 £'000	31 March 2010 £'000
- Interest payable from subsidiary undertaking	28,320	-
- Interest payable to immediate parent undertaking	(220,330)	(264,902)
- Interest payable to subsidiary undertaking	(24,391)	(28,320)
	(216,401)	(293,222)

Thames Water Utilities Holdings Limited

Notes to the financial statements for the year ended 31 March

3 Information regarding directors

The current directors receive emoluments in respect of their services as directors of Kemble Water Holdings Limited, the ultimate parent company. No emoluments were paid in respect of their roles of directors of the Company and there are no retirement benefits accruing in either year.

Aggregate emoluments for the Group are disclosed in the financial statements of the ultimate parent company.

4 Taxation on profit on ordinary activities

	31 March 2011 £'000	31 March 2010 £'000
Current tax:		
Amounts receivable in respect of group relief	5,552	82,102

The current tax credit for the period is higher (2010: higher) than the standard rate of corporation tax in the UK of 28% (2010: 28%). The differences are explained below.

	31 March 2011 £'000	31 March 2010 £'000
Profit on ordinary activities before taxation	26,699	14,635
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010: 28%)	(7,476)	(4,098)
Effects of		
Non-taxable income (dividend from UK company)	75,998	86,200
Surplus tax losses	(62,970)	-
Current tax credit for the period	5,552	82,102

There is an unrecognised deferred tax asset of £58,471,715, which arises on the surplus tax losses.

There is no tax charge or credit for deferred tax (2010: £Nil).

Factors affecting future tax rate

On 23 March 2011 the Chancellor announced the reduction in the main rate of UK corporation tax to 26% 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 1% per annum to 23% 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% to 23%, if these applied to the deferred tax balance at 31 March 2011, would be to further reduce the unrecognised deferred tax asset by approximately £6,746,736.

5 Income from fixed asset investment

The investment income of £243.1m (2010: £307.9m) relates to a dividend from the Company's direct subsidiary Thames Water Utilities Limited.

Thames Water Utilities Holdings Limited

Notes to the financial statements for the year ended 31 March

6 Auditor's remuneration

The auditor's remuneration (for audit services only), of £1,600 (2010 £1,500) was borne by Thames Water Limited (2010 borne by Thames Water Limited) No other fees were payable to KPMG Audit Plc in respect of this year (2010 £nil)

7 Fixed asset investments

	Interests in group undertaking £'000
Cost at 1 April 2010 and 31 March 2011	4,250,000

In the opinion of the directors, the value of the investments in the subsidiary company is not less than the amount included in the balance sheet

Interests in group undertaking

	Year end	% owner -ship	Country of incorporation	Description of shares held	Nature of business
Direct:					
Thames Water Utilities Limited	31 March	100	England & Wales	Ordinary £1	Water and waste water Company
Indirect:					
Thames Water Utilities Finance Limited	31 March	100	England & Wales	Ordinary £1	Financing Company
Thames Water Utilities Cayman Finance Limited	31 March	100	Grand Cayman	Ordinary \$1	Financing Company

In accordance with S410 of the Companies Act 2006, information is given only in respect of such undertakings whose financial position principally affects the figures of the Company A full list of subsidiary undertakings will be filed at Companies House with the Company's annual return

8 Debtors: amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Group relief debtor	593	82,102
Amounts owed by group undertakings	-	99,447
	693	181,549

Thames Water Utilities Holdings Limited

Notes to the financial statements for the year ended 31 March

9 Creditors: amounts falling due in less than one year

	31 March 2011 £'000	31 March 2010 £'000
Amounts owed to group undertakings	26,046	686,168

Amounts owed to group undertakings include the following interest payable

- £1,653,000 (2010 £657,848,000) owed to Thames Water Limited, the immediate parent company
- £24,393,000 (2010 £28,320,000) owed to Thames Water Utilities Limited, the direct subsidiary company

10 Creditors: amounts falling due after more than one year

	31 March 2011 £'000	31 March 2010 £'000
Amounts owed to group undertakings:		
Inter-company loans	4,182,015	3,735,000

Amounts owed to group undertakings include the following unsecured loans

- £2,317,015,000 (2010 £2,555,000,000) owed to Thames Water Limited, the immediate parent company, being the unpaid deferred consideration on the purchase of Thames Water Utilities Limited, on which interest is payable at 10%. Repayment is at the discretion of the Company but must be repaid by 2056. Interest repayment on this loan is determined by agreement between both parties. No repayment date has been set for interest incurred
- £1,865,000,000 (2010 £1,180,000,000) owed to Thames Water Utilities Limited, the direct subsidiary company, on which interest is based on LIBOR + 0.35%. The loan is repayable by 21 August 2037

All other amounts are unsecured and interest free

11 Called-up share capital

	31 March 2011 £	31 March 2010 £
Allotted, called-up and fully paid		
2 ordinary shares of £1 each	2	2

Thames Water Utilities Holdings Limited

Notes to the financial statements for the year ended 31 March

12 Profit and loss account

	31 March 2011 £'000	31 March 2010 £'000
At the beginning of the year	10,381	(86,356)
Profit for the period	32,251	96,737
At the end of the year	42,632	10,381

13 Reconciliation of movements in shareholder's deficit

	31 March 2011 £'000	31 March 2010 £'000
Opening shareholder's funds/(deficit)	10,381	(86,356)
Profit for the period	32,251	96,737
Closing shareholder's funds	42,632	10,381

14 Immediate and ultimate parent company and controlling party

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

Kemble Water Finance Limited, a company incorporated in the United Kingdom, is an intermediate parent company and the smallest group to consolidate these financial statements

The Directors consider Kemble Water Holdings Limited, a company incorporated in the United Kingdom, to be the ultimate and controlling party and the 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