Registered no: 02567126 (England & Wales)

Thames Water Investments Limited

Annual report and financial statements
For the year ended 31 March 2016

Contents

Directors and advisors

Directors

S N Ledger

Registered auditor

KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

Company Secretary and registered office

D Hughes
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Strategic report

The Director presents their Strategic report for Thames Water Investments Limited ("the Company") for the year ended 31 March 2016.

Business review

The principal activity of the Company, to acquire non-specialised operational property for use by Kemble Water Holdings Limited group of companies ("the Group"), remains unchanged from the previous year.

During the year, the Company transitioned from UK Generally Accepted Accounting Practices ("UK GAAP") to Financial Reporting Standards 101 *reduced disclosure framework* ("FRS 101") and has taken advantage of the disclosure exemptions allowed under this standard. The effective date of transition to FRS 101 is 1 April 2014. The Company's parent undertaking and sole shareholder, Kennet Water Holdings Limited, was notified of and agreed to the use of the EU adopted IFRS disclosure exemptions. Further details of the effect of the transition can be found in notes to the financial statements.

Results and performance

The Company made a profit before tax for the year of £184,207 (2015: £226,473) which is in line with expectations. The Company is financed by cash generated from past sales and rental income. Current year operating profit of £1,477 has decreased from the prior year (2015: 56,987) which is mainly due to the inclusion of agency costs relating to the maintenance of the rental site in the current year. The decrease in operating profit is partly mitigated by an increase in interest receivable on intercompany loans receivable of £182,730 (2015: £169,486). The Directors have reviewed the recoverability of investments (equity and loan) and determined that no additional provisions (2015: £nil) are required to appropriately reflect the recoverable values.

Principal risks and uncertainties

The Company's operations specifically expose it to a variety of financial risks that include credit and liquidity risk as follows:

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's intercompany receivable balance. Credit control policies and procedures are in place to minimise the risk of bad debt arising from the intercompany receivable including, where appropriate, a review of the credit ratings of the counterparty intercompany entity and any letter of support they may receive from the Group.

(i) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due and arises principally from the Company's intercompany payable balance.

The Directors are satisfied to place reliance on the net asset position of the company as an indication of the company's ability to meet its financial obligations.

The Group's treasury operations are managed centrally by a specialist team, which operates with the delegated authority of, and under policies approved by, the Board of Directors of the Company's ultimate parent company, Kemble Water Holdings Limited. 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 policies and procedures are incorporated within the financial control procedures of the Company.

Strategic report (continued)

The Company has access to the Chief Executive and the Executive Team of Thames Water Utilities Limited, who also manage the wider Kemble Water Holdings Group on a day-to-day basis on behalf of the Directors of individual group companies. They receive regular reports from all areas of the business. This enables prompt identification of financial and other risks so that appropriate actions can be taken in the relevant group companies.

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. The principal risks of the Group are disclosed in the financial statements of the ultimate controlling parent Kemble Water Holdings ("KWH") Group Limited. 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. The Group's annual report is available from the address shown in note 14 on page 21.

Future outlook

The Company continues to review any potential for investment in the non-specialised operational property held by the Group companies. The Company expects investment income to support the continuing business for the foreseeable future.

This Strategic report was approved by the Board of Director on 9 June 2016 and signed on its behalf by:

Stuart Ledger
Director
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Directors' report

The Director presents their annual report and the audited financial statements of Thames Water Investments Limited for the year ended 31 March 2016. The Director considers that the annual report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance and strategy.

The registered number of the Company is 02567126 (England and Wales).

Future outlook

The future outlook of the Company is discussed in the Strategic report.

Dividends

The Company has not paid a dividend during the financial year (2015: £500,000) and the director does not recommend the payment of a final dividend (2015: £nil).

Financial risk management

The Company's operations expose it to a variety of financial risks which are described in the strategic report on page 3.

Director

The Director who held office during the year ended 31 March 2016 and to the date of this report were:

S N Ledger

During the year under review, the Director did not have significant contracts with the Company or any other body corporate other than his contracts of service.

Political and charitable donations

No political or charitable donations were made by the Company during the year (2015: £nil).

Disclosure of information to the auditor

The Director who held office at the date of approval of this Directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the Director has taken all the steps that they ought to have taken as Director to make themselves 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 Director (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.

Directors' report (continued)

Auditor

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

Approved by the Board of Directors on 9 June 2016 and signed on its behalf by:

Stuart Ledger
Director

Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

Statement of Directors' responsibilities in respect of the annual report and financial statements

The Directors are responsible for preparing the Strategic report, Directors' Report and the financial statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

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 United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- *Notify the Company's shareholders in writing about the use of disclosure exemptions, if any,* of FRS 101 used in the preparation of 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 the 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 Investments Limited

We have audited the financial statements of Thames Water Investments Limited for the year ended 31 March 2016 set out on pages 9 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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 Statement of Directors' Responsibilities set out on page 7, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101); 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 Strategic report and 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, 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.

James Ledward (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
9 June 2016

Income statement
For the year ended 31 March

	Note	2016 £	2015 £
Revenue		**44,435**	51,471
Operating expenses	1	**(42,958)**	5,516
Operating profit		**1,477**	56,987
Finance income	3	**182,730**	169,486
Profit on ordinary activities before taxation		**184,207**	226,473
Taxation on profit on ordinary activities	4	**(41,209)**	(46,976)
Profit for the year		**142,998**	179,497

All amounts relate to continuing operations.

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

The Company has no recognised gains or losses other than the items set out above and therefore no separate statement of comprehensive income has been presented.

Statement of financial position

As at 31 March

	Note	**2016** £	2015 £
Non-current assets			
Investment in associates	6	**-**	85
Trade and other receivables	7	**18,265,304**	18,082,574
		18,265,304	18,082,659
Current assets			
Trade and other receivables	8	**39,156**	145,147
Cash and cash equivalents		**1,932,798**	1,935,197
		1,971,954	2,080,344
Current liabilities			
Trade and other payables	9	**(27,308)**	(96,051)
Net current assets		**1,944,646**	1,984,293
Non-current liabilities			
Borrowings	10	**(922,000)**	(922,000)
Net assets		**19,287,950**	19,144,952
Equity			
Share capital	11	**100**	100
Retained earnings		**19,287,850**	19,144,852
Total equity		**19,287,950**	19,144,952

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 9 June 2016 and signed on its behalf by:

Stuart Ledger
Director

Registered number: 02567126 (England & Wales)

Statement of changes in equity

For the year ended 31 March

	Share Capital £	Retained earnings £	**Total equity £**
At 1 April 2014	100	19,465,355	**19,465,455**
Profit for the year	-	179,497	**179,497**
Dividends paid	-	(500,000)	**(500,000)**
At 31 March 2015	100	19,144,852	**19,144,952**
Profit for the year	-	142,998	**143,083**
At 31 March 2016	100	19,287,850	**19,288,035**

The accounting policies and notes on pages 12 to 24 are an integral part of these financial statements.

Accounting policies

The following accounting policies have been adopted in the preparation of these financial statements. They have been applied consistently in dealing with items which are considered material, except as noted below:

General information

Thames Water Investments Limited (the "Company") is a company incorporated in England & Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Clearwater Court, Vastern Road, Reading, RG1 8DB.

The principal activity of the Company, to acquire non-specialised operational property for use Kemble Water Holdings Limited group of companies ("the Group"), remains unchanged from the previous year.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and on a going concern basis.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the European Union ("EU adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Kemble Water Holdings Limited ("KWH") includes the Company in its consolidated financial statements. The consolidated financial statements of KWH are prepared in accordance with EU adopted IFRSs and are available to the public and may be obtained from the Company Secretarial Department, Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

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.

Transition to FRS 101

In these financial statements, the company has adopted FRS 101 for the first time. In the transition to FRS 101, the Company has applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* whilst ensuring that its assets and liabilities are presented in compliance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the following exemptions:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* paragraphs 6 and 21 to present an opening statement of financial position at the date of transition
- IFRS 7 *Financial Instruments: Disclosures*
- Paragraphs 91 to 99 of IFRS 13 *Fair value measurement* (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of:
    - paragraph 79(a)(iv) of IAS 1 (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1 *Presentation of financial statements*:
    - 10(d) (statement of cash flows),

Accounting policies (continued)

Transition to FRS 101 (continued)

- 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
- 16 (statement of compliance with all IFRS),
- 38A (requirement for minimum of two primary statements, including cash flow statements),
- 38B-D (additional comparative information),
- 40A-D (requirements for a third statement of financial position)
- 111 (cash flow statement information), and
- 134-136 (capital management disclosures).

- IAS 7 *Statement of cash flows*
- Paragraph 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24 *Related party disclosures* (key management compensation)
- The requirements in IAS 24 *Related party disclosures* to disclose related party transactions entered into between two or more members of a group.

Going Concern

The Directors have considered the financial position of the Company and have concluded that it has sufficient resources for its present requirements and is able to meet its liabilities as they fall due for the foreseeable future. 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. For these purposes the foreseeable future is taken to mean a period of at least twelve months from the date of approval of these financial statements. On this basis the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Revenue recognition

Revenue, which excludes valued added tax, represents rents receivable and is recognised as rent becomes due. Revenue consists entirely of rental income from property situated in the United Kingdom and is annually indexed to RPI.

Non-current asset investment in subsidiary entities

Investments in subsidiary undertakings are stated at cost, less any provision for impairment. Reviews for impairment are performed annually.

Provisions for liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are discounted to present value using a pre-tax discount rate that reflects the risks specific to the liability, where the effect is material.

Non-derivative financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Accounting policies (continued)

Interesting bearing loans issued to other group companies

Interest bearing loans issued to other group companies are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. They are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortisation is included within finance income in the income statement and is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Trade and other receivables

Trade and other receivables are measured at fair value on initial recognition. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If there is objective evidence that the asset is impaired it is written down to its recoverable amount and the irrecoverable amount is recognised as an expense within operating costs. Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is considered to be impossible, impractical, inefficient or uneconomic to collect, and is assessed by management on a case-by-case basis.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and demand deposits and other short-term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value. Such investments are normally those with less than three months maturity from the date of acquisition and include cash and bank balances and investments in liquid funds.

De-recognition of financial instruments

A financial asset is de-recognised when the rights to receive cash flows from the asset have expired.

A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Dividends

Dividends unpaid at the financial reporting 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. This occurs when the shareholders right to receive the payment has been established.

Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Accounting policies (continued)

Impairment of financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each financial reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment is reversed through the income statement.

Trade receivables that are assessed not to be impaired individually are assessed collectively for impairment by reference to the Company's historical collection experience for receivables of a similar age.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income.

Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous periods.

Taxable profit differs from the profit on ordinary activities before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods. This includes the effect of tax allowances and further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is measured on a non-discounted basis using tax rates enacted or substantively enacted at the balance sheet date and that are expected to apply in the period when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary difference and deferred tax assets are recognised only to the extent that it is probable that sufficient future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Significant accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies, the Company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on available information. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date used in preparing these financial statements are as follows:

Accounting policies (continued)

Impairment of receivables

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors such as credit rating of the receivable, the ageing profile of receivables and historical experience.

Impairment of investments in subsidiaries

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Notes to the financial statements

1. Operating expenses

	2016 £	2015 £
Agency costs	**42,866**	-
Other operating costs	**92**	(5,516)
Total	**42,958**	(5,516)

The auditor's remuneration of £8,309 (2015: £8,235) was borne by Thames Water Limited in both the current and preceding financial year. No other fees were payable to KPMG LLP in respect of this Company during the year (2015: £nil).

2. Employees and Directors

Employees

The company had no employees during the year (2015: none).

Directors

No emoluments were paid to the director of the Company (2015: £nil) and there are no retirement benefits accruing in either year.

3. Finance income

	2016 £	2015 £
Interest income on intercompany loans receivable	**182,730**	169,486
Total	**182,730**	169,486

Interest receivable relates to a loan to Kemble Water Finance Limited which has been charged at a rate of six month LIBOR (sterling) plus 0.5% (2015: six month LIBOR (sterling) plus 0.5%).

Notes to the financial statements (continued)

4. Taxation

	2016 £	2015 £
Current tax:		
Amounts payable in respect of group relief	**27,308**	35,330
Deferred tax:		
Origination and reversal of temporary differences	**13,901**	11,646
Tax on profit on ordinary activities	**41,209**	46,976

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). This will reduce the company's future current tax charge accordingly.

The deferred tax asset of £39,156 (2015: £53,057) at the balance sheet date has been calculated based on the rate of 18% substantively enacted at the balance sheet date.

The tax charge for the year ended 31 March 2016 is higher (2015: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before taxation	**184,207**	226,473
Current tax at 20% (2015: 21%)	**36,841**	47,559
Effects of:		
Expenses not deductible for tax purposes	**17**	-
Effect of tax rate change on deferred tax balances	**4,351**	(583)
Total tax charge	**41,209**	46,976

An analysis of movements in deferred tax recognised by the Company is set out below:

	2016 £	2015 £
Deferred tax:		
Asset at 1 April	**53,057**	64,703
Movement in the year	**(13,901)**	(11,646)
Total	**39,156**	53,057

Notes to the financial statements (continued)

5. Dividends

	2016 £	2015 £
Interim dividend paid: £nil (2015: £5,000) per £1 ordinary share	-	500,000
Total	-	500,000

6. Investment in associate

	2016 £	2015 £
Cost		
At 1 April	**85**	85
At 31 March	**85**	85
Impairment		
At 1 April	-	-
Impairment loss	**(85)**	-
At 31 March	**(85)**	-
Net book value	-	85

The Directors have determined that the investment in Trans4m Limited be fully impaired to reflect estimated recoverable value. Following this, and in the opinion of the Directors, the recoverable value of the investments is not less than the amount included in the balance sheet.

The Company has the following investment in an associate at 31 March 2016:

	Principal undertaking	Country of incorporation	Class of shares held
Trans4m Limited	25%	England & Wales	Ordinary £1

Notes to the financial statements (continued)

7. Intercompany loans receivable

	2016	2015
	£	£
Amounts owed by group undertakings:		
Kemble Water Finance Limited	**15,000,000**	15,000,000
Interest receivable on amounts owed by group undertakings:		
Kemble Water Finance Limited	**3,265,304**	3,082,574
Total	**18,265,304**	18,082,574

Included in amounts owed by group undertakings is a loan to Kemble Water Finance Limited of £15,000,000 (2015: £15,000,000), which is unsecured, repayable on demand and bears interest at the Sterling 6 Monthly LIBOR rate plus 0.5% (2015: Sterling 6 Monthly LIBOR rate plus 0.5%).

8. Trade and other receivables

	2016	2015
	£	£
Trade receivables	-	92,090
Deferred tax recoverable	**39,156**	53,057
Total	**39,156**	145,147

9. Trade and other payables

	2016	2015
	£	£
Accruals and deferred income	-	82,721
Group relief payable	**27,308**	13,330
Total	**27,308**	96,051

Amounts owed to group undertakings and are unsecured, interest free and have no fixed terms for repayment.

Notes to the financial statements (continued)

10. Borrowings

	2016 £	2015 £
Amounts owed to group undertakings:		
Thames Water Limited	**922,000**	922,000
Total	**922,000**	922,000

Amounts owed to group undertakings consist of loans which are all non-interest bearing and unsecured. While the amounts are repayable on demand the Directors do not consider that they will be repayable within one year.

11. Called up share capital

	2016 £	2015 £
Allotted, called up and fully paid:		
100 ordinary shares of £1 each (2015: £1)	**100**	100

The Company has one class of ordinary share which carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

12. Related parties

As the Company is a wholly owned subsidiary of Kemble Water Holdings Limited, the Company has taken advantage of the exemption contained in FRS 101 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the group. The consolidated financial statements of Kemble Water Holdings Limited, within which this Company is included, can be obtained from the address in note 14.

13. Guarantees and capital commitments

At 31 March 2016, the Company had no guarantees or capital commitments (2015: none).

14. Ultimate parent company and parent company of larger group

The immediate parent company of Thames Water Investments Limited is Thames Water Limited which owns 100% of the issued share capital of the Company.

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

The Director considers 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 Secretary's Office, Thames Water Group, Clearwater Court, Vastern Road, Reading, Berkshire, RG1 8DB.

Notes to the financial statements (continued)

15. Explanation of transition to FRS 101

As stated on page 3, these are the Company's first financial statements prepared.in accordance with FRS 101.

The accounting policies set out on pages 12 to 16 and have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's effective date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The key areas affected by the implementation of FRS 101, including permitted exemptions take, have been summarised below:

Reconciliation of equity as at 1 April 2014

	UK GAAP	Reclassification	Transition	FRS 101
	£	£	£	£
Non-current assets				
Investment in subsidiaries	85	-	-	**85**
Trade and other receivables	-	17,913,088	-	**17,913,088**
	85	17,913,088	-	**17,913,173**
Current assets				
Trade and other receivables	17,991,350	(17,913,088)	-	**78,262**
Cash and cash equivalents	3,046,245	-	-	**3,046,245**
	21,037,595	(17,913,088)	-	**3,124,507**
Current liabilities				
Trade and other payables	(956,028)	922,000	-	**(34,028)**
Net current assets	20,081,567	(16,991,088)	-	**3,090,479**
Non-current liabilities				
Borrowings	-	(922,000)		**(922,000)**
Provisions for liabilities	(616,197)	-	-	**(616,197)**
	(616,197)	(922,000)		**(1,538,197)**
Net assets	19,465,455	-	-	**19,465,455**
Equity				
Share capital	100	-	-	**100**
Retained earnings	19,465,355	-	-	**19,465,355**
Total equity	19,465,455	-	-	**19,465,455**

Notes to the financial statements (continued)

15. Explanation of transition to FRS 101 (continued)

Reconciliation of equity as at 31 March 2015

	UK GAAP £	Reclassification £	Transition £	FRS 101 £
Non-current assets				
Investment in subsidiaries	85	-	-	**85**
Trade and other receivables	-	18,082,574	-	**18,082,574**
	85	18,082,574	-	**18,082,659**
Current assets				
Trade and other receivables	18,227,721	(18,082,574)	-	**145,147**
Cash and cash equivalents	1,935,197	-	-	**1,935,197**
	20,162,918	(18,082,574)	-	**2,080,344**
Current liabilities				
Trade and other payables	(1,018,051)	922,000	-	**(96,051)**
Net current assets	19,144,867	(17,160,574)	-	**1,984,293**
Non-current liabilities				
Borrowings		(922,000)		**(922,000)**
Net assets	19,144,952	-	-	**19,144,952**
Equity				
Share capital	100	-	-	**100**
Retained earnings	19,144,852	-	-	**19,144,852**
Total equity	19,144,952	-	-	**19,144,952**

Reconciliation of total comprehensive income for the year ended 31 March 2015

	UK GAAP £	Reclassification £	Transition £	FRS 101 £
Revenue	51,471	-	-	51,471
Gross profit	**51,471**	-	-	**51,471**
Operating expenses	5,516	-	-	5,516
Operating profit	**56,987**	-	-	**56,987**
Finance income	169,486	-	-	169,486
Profit on ordinary activities before taxation	**226,473**	-	-	**226,473**
Taxation on profit on ordinary activities	(46,976)	-	-	(46,976)
Profit for the year	**179,497**	-	-	**179,497**